

## Louisiana Stadium & Exposition District

House Appropriations Committee

re: Fiscal Year 2017-2018 Budget Request Hearings

1. *What budget adjustments have been made since the initial appropriation to your department? How much in each means of finance has been appropriated to each agency since the initial appropriation?*

The LSED's budget was reduced by \$3.0M at the conclusion of FY16. The FY17 budget was not reduced due to the District not receiving any general fund appropriations, nor a reduction in statutory dedications. The District does not appropriate any funds to agencies.

2. *Do your spending and staffing levels match the priorities of your department?*

Yes. SMG's staffing levels reflect its requirement to maintain, operate, promote and manage event activity at the District's facilities. Due to the proximity of facilities, the District is the beneficiary of operational synergies as SMG leverages staffing between each venues as necessary.

Of note, the LSED does not employ any part-time or full-time staff. All staff are employed by SMG, the District's contracted management service provider.

3. *Provide the top 5 performance measures that give the outcomes in your department. How do you rank nationally based on these priority measures?*

Annual Operational Savings – Since 2010, the LSED has created significant savings to its operational budget, and in turn, the state. Combined, these annual savings are nearly **\$34.0 million**. These savings have been achieved through the following:

- \$23 million – Renegotiation of New Orleans Saints Lease
- \$8 million – Renegotiation of New Orleans Pelicans Lease
- \$2 million – Refinancing of post-Katrina LSED debt
- \$300,000 – Reduction of SMG contract
- \$300,000 – Reduction of Centerplate contract

These savings have ensured that the LSED no longer requires state general fund appropriations, which prior to 2010, exceeded \$18.0M annually. Since 2010, the District has not requested any general fund appropriations.

Third Party Capital Funds – The LSED has procured a significant amount of third party funding for capital improvements at the District’s facilities to meet certain infrastructure and contractual obligations. Combined, these efforts have resulted in **\$45.0 million** in capital funding independent of internal LSED sources or state Capital Outlay appropriations. This capital funding has been achieved through the following:

- \$25 million – New Orleans Saints
- \$12 million – Energy Savings Contracts (ESCOs)
- \$5 million – SMG
- \$3 million – Centerplate

Sourcing third party capital has ensured that the 42-year old Superdome remains a premier sports and entertainment venue. It has also allowed the LSED to self-fund certain infrastructure-related capital projects to ensure its operational viability.

Guest Services Performance – Both the Superdome and Smoothie King Center are annually audited by the NFL and NBA, respectively, relative to the overall guest experience. The following provide a summary on the most recent reports.

The NFL’s internal secret shopper reports, “Voice of the Fan” provided the following 2016 rankings across all NFL stadiums:

- #2 – Gameday Staff
- #5 – Safety & Security
- #5 – Leaving the Stadium

The NBA’s “Guest Experience Survey” provided the following 2016 rankings across all NBA arenas:

- Top 10% - Overall Satisfaction with game experience
- Tier I (top Tier) – Venue Services Quality

Event Activity Rankings – Pollstar, the concert industry’s leading trade periodical, annually ranks arenas (stadiums are not ranked) relative to annual ticket sales for concerts and live entertainment. For calendar year 2015, the Smoothie King Center ranked as follows:

- #84 Worldwide
- #41 United States

Of note is that these rankings do not take into account event activity at both the Superdome and Champions Square. Additionally, the SKC has achieved these rankings despite losing several concerts annually to local and regional festivals such as Jazz Fest, Voodoo Fest and Bayou Country Fest.

Legislative Auditor Record –The LSED has received **12 consecutive “clean” audits** from the state’s Legislative Auditor’s office. The District has achieved this milestone while managing more than \$400 million in capital project over the period and managing an annual budget of more than \$90 million.

4. Provide a list of all sources of revenue that are not appropriated. These funds could include restricted or off budget accounts. Also, please provide the amount anticipated to be used in FY 17, the amount in FY 18, and any balance or reserve amount for each source or revenue.

	<b>FY 17</b>		<b>FY 18</b>	
	Budget	Anticipated Fund Balance	Budget	Anticipated Fund Balance
<b><u>Fees and Self-Generated</u></b>				
Hotel Occupancy Tax	\$ 45,113,957	\$ -	\$ 46,873,776	\$ -
Sports Facility Assistance Fund <sup>1</sup>	4,170,194	-	4,170,194	-
Mercedes-Benz Superdome <sup>2</sup>	20,434,000	-	20,520,600	-
Smoothie King Center <sup>2</sup>	6,452,700	-	6,452,700	-
Champions Square (net)	1,250,000	-	1,250,000	-
Miscellaneous Income	100,000	-	100,000	-
Total	\$ 77,520,851	\$ -	\$ 79,367,270	\$ -
<b><u>Statutory Dedications</u></b>				
New Orleans Sports Franchise Fund	\$ 8,700,000	\$ -	\$ 8,700,000	\$ -
Fair Grounds Slot Revenue	3,100,000	-	3,100,000	-
License Plates	600,000	-	600,000	-
Total	\$ 12,400,000	\$ -	\$ 12,400,000	\$ -
<b>Total Revenue Sources</b>	<b>\$ 89,920,851</b>	<b>\$ -</b>	<b>\$ 91,767,270</b>	<b>\$ -</b>
<sup>1</sup> Pass through to teams, per lease terms -- NOT RETAINED BY LSED <sup>2</sup> Prior to Tenant entitlement pass through, per lease terms -- i.e. food and beverage, parking and suite premiums revenue. ↳ \$17.8M in FY17 & \$18.7M in FY18 -- NOT RETAINED BY LSED				

5. During the 2016 sessions, what did the department testify would be the effects of the FY 17 budget on services, staffing, and contracts?

The LSED’s FY17 budget was not negatively impacted and therefore all services, staffing and contracts were not materially impacted. However, the District does continue to evaluate operational efficiencies and contractual relationships.

6. *Compared to FY 16, what reductions, including services, staffing, and contracts, has been made in the department in FY 17?*

The LSED has not made any reduction of services, staffing or contracts for FY17.

7. *What reductions would the department make if there are mid-year reductions to the FY 17 budget?*

Reductions would include a hiring freeze on all open positions, temporarily suspending all non-essential preventative maintenance and deferral of all non-essential capital repairs and replacement projects.

Staffing reductions are improbable due to the ongoing event schedule at the District's facilities. Each requires certain core services to meet the operational requirements of our clients, most notably the Saints, Pelicans, Sugar Bowl and the NBA All-Star game. Staffing reductions would negatively impact the District's ability to fulfill requirements related to event staffing, security, housekeeping and facility conversations.

8. *Provide a brief overview of the FY 18 budget request compared to FY 17 by budget unit. What increases are requested in FY 18 and why are the increases necessary, including any new or expanded programs or services to additional populations? Are there any reductions in the FY 18 budget requests, including those as a result of annualizing reductions made in FY 17?*

The LSED's FY18 budget request reflects an increase of 2.5% in all statutory dedications and self-generated fees and revenue. This increase reflects historical trending and does not contemplate any expansion of programs or services. All other FY18 budget items similarly reflect the District's FY17 budget with slight adjustments to reflect annual inflation. The District's budget request does not include any general fund appropriations.

9. *Has the department added any positions, including classified, unclassified, and other charges positions, in FY 17? If so, how many and what positions? Did the department request additional positions in the FY 18 budget request? If so, how many and what positions.*

SMG, as the LSED's contracted management service provider, did not add any new positions in FY17 and does not anticipate any new positions for FY18.

*10. Provide a summary of changes in salaries from FY 16 to FY 17, including performance adjustments, promotions, or any other changes in salaries. Provide a summary of requested changes in salaries from FY 17 to FY 18, including performance adjustments, promotions, or any other changes in salaries.*

SMG employees received an average salary increase of 2.5% from FY16 to FY17, resulting in an increase of \$150,000. This increase is reflected in the District's operating budget. From FY16 to FY17, four (4) employees received promotions, resulting in a total budget increase of approximately \$12,000. The District anticipates a similar salary increase from FY17 to FY18. Future promotions are yet to be determined.

Of note, SMG employees, as non-state employees, do not participate in the state's pension plan. All employee benefits are afforded via SMG's corporate 401(k) and healthcare plans.