

**MINUTES OF A REGULAR MEETING OF  
THE SPORTS AUTHORITY OF THE COUNTY OF  
KNOX AND THE CITY OF KNOXVILLE, TENNESSEE  
March 22, 2022 – 9:03 AM**

The meeting of the Board of Directors of The Sports Authority of the County of Knox and the City of Knoxville, Tennessee (the "Authority" or "Board") was held at 9:03 AM on Tuesday, March 22, 2022, in the Community Room of the Knoxville Operations Center located at 3131 Morris Avenue, Knoxville, TN 37909.

Alvin Nance, Chair of the Sports Authority Board of Directors, called the meeting to order. The following Directors were present at the meeting, constituting a quorum, Joan Cronan, Jeff Hagoood, Tim Hill, Alvin Nance, Nikitia Thompson, and Rosalyn Tillman. Richard Bass was absent. Also present at the meeting were Stephanie Welch, Chief Economic and Community Development Officer and Deputy to the Mayor of the City of Knoxville, Chris Caldwell, Chief Financial Officer and Deputy to the Knox County Mayor, Doug Kirchofer, Chief Executive Officer of Boyd Sports, LLC, Mark Mamantov, Attorney at Bass, Berry & Sims, PLC, R. Culver Schmid, Attorney at Baker, Donelson, Bearman, Caldwell, & Berkowitz, PC, Olamide Oso, Attorney at Baker, Donelson, Bearman, Caldwell, & Berkowitz, PC, Joe Ayres, President and CEO of Cumberland Securities, and Kim Bumpas, President of Visit Knoxville. Members of the media and other visitors were also in attendance.

**Approval of Meeting Minutes**

As the first order of business, Mr. Nance presented the minutes from the Tuesday, February 22, 2022, meeting for the Authority's review. Mr. Hill moved that the Authority approve the minutes. Mrs. Thompson seconded the motion. The Authority approved the February 22, 2022, meeting minutes by a unanimous voice vote.

**Internship Committee Update**

As the second order of business, Mrs. Tillman, Chair of the Sports Authority Internship Program Committee, presented an update on the Internship Program. Mrs. Tillman began by thanking Mrs. Bumpas, Mrs. Ball, the Committee members, and the companies that made positions available to the program. She explained that the application closed on March 13<sup>th</sup> and that the program received 15 applicants which were made up of nine females and six males. Most of the applicants are students from the University of Tennessee. Applicants were able to apply for multiple positions. The application breakdown by field was as follows:

- Engineering - 6
- Sports Operations - 6
- Sports Marketing - 6
- Architecture - 2
- Business Operations - 1

The next step in the process is for the Committee to review the applications and interview the applicants. The Committee was split into teams for this step and has developed a list of questions that will help them determine which applicants should proceed to the interview phase with the host company of the position for which they have applied.

Mrs. Tillman also thanked Mrs. Thompson for her assistance with contacting other companies that may be able to participate in the future. Mr. Nance stated that as awareness about the program grows, more companies will be interested in providing opportunities for the program. Mr. Nance also stated that he would like the Board to be able to meet the students that are chosen for the program.

**Bond Financing Update**

As the next order of business, The Board received an update on the bond financing from Mr. Ayres of Cumberland Securities. Mr. Ayres stated that a Request for Proposal (RFP) process targeting underwriting firms that have historically supported the City of Knoxville, Knox County, and the Knoxville Utilities Board (KUB) has received 15 proposals. Eight of the proposals are from super-regional investment or commercial banks. Seven proposals were received from Disadvantaged Business Enterprise (DBE) firms. The proposals were reviewed with co-financial advisors, Public Financial Management, Inc. (PFM), as well as the City, the County, and Mr. Mamantov. A recommendation was

then presented to and accepted by Mr. Bass to name an underwriting syndicate of six firms being led by JP Morgan Chase out of New York, with the co-underwriters being Bank of America, Raymond James, and FHN Financial, which is a First Horizon subsidiary, formerly First Tennessee Bank, American Veterans Group which is a New York-based firm that is owned and operated by Veterans of the United States Military, and Rice Financial, which is a minority-owned firm.

Mr. Ayres explained that all the firms have consistently supported municipal law and transactions coming out of the East Tennessee region, specifically the City of Knoxville, Knox County, and KUB. The first four firms are nationally ranked in the top ten in underwriting throughout the United States, and specifically, have extensive experience underwriting both tax-exempt and taxable revenue bonds. Many of them have earned the top rankings doing Sports Authority transactions all over the country.

Mr. Ayres went on to explain that the lead underwriter, JP Morgan Chase, will join the financing team going forward and will assist with working on the documents with Bass, Berry, & Sims, PLC. Once the rating process is complete, the other firms will be asked to give their input. The goal is to have national distribution, and certainly, with these firms, that goal is achievable. The bonds will be made available on a priority basis to Tennessee residents and Tennessee institutional investors before the bonds are made available nationally.

Mr. Ayres also mentioned that it is too soon to know how the markets will react when the process goes to market but that he is still encouraged by the level of interest rates. Mr. Hagood asked for clarity on Mr. Ayres' last statement. Mr. Ayres explained that although rates have risen from their lows from late last year, the numbers remain within a workable range.

Mr. Hagood asked how the taxpayers would be affected if the rate is increased. Mr. Ayres explained that the adverse impact on the taxpayers should be very little. Due to the way the structure has been outlined there are other sources of revenue that are going to support most of the bond issue. The portion that is going to be supported out of the City's and County's budget currently is fairly low. He stated that higher interest rates would cause the debt service cost to increase. If the rate increases beyond a certain point, additional sources of revenue may need to be found. If the revenue is higher than expected, the debt service cost will be offset. When it is time to go to market, the City and County will be able to determine how to move forward. Mr. Mamantov added that inflation is good for the Sports Authority bonds but bad for the economy as a whole and at this time it is unpredictable. There is no direct correlation between a rise in the Treasury rate, the interest rate that is set by the Federal Reserve, and the interest rate on the Sports Authority bonds.

Mr. Ayres also explained that several other options also exist that can lower the cost of the funds such as private placement of the debt and variable rate transactions which are not suggested at this time but could be utilized if necessary.

Mr. Nance stated that when asked about how the rates are affecting the project, the best response would be that the project is moving forward, and inflation will be considered more closely as the close of the bonds approaches.

Mr. Mamantov pointed out that interest rates remain historically low. Mr. Ayres agreed and added that pre-COVID-19 rates were closer to 3% whereas the current rate set by the Federal Reserve on Wednesday is between 0.25% and 0.5%.

Mr. Mamantov explained that a contract between the Authority and the underwriters is not necessary. They only get paid once the bonds are sold. Mr. Mamantov and Mr. Schmid will review and present to the Board the necessary documents at the time of the bond financing.

Mr. Nance asked if the finance team was comfortable with the fees the underwriters would charge. Mr. Ayres responded in the affirmative and added that each firm submitted three quotes. JP Morgan Chase submitted mid-range rate quotes but was chosen as the lead senior managing underwriter due to the quality of the proposal, capital, distribution capabilities, and historical support of Knoxville, Knox County, and KUB bond issues. The other firms that were chosen each submitted good proposals and will work for the amount to which JP Morgan agreed.

### **Agreements Status Update**

Mrs. Welch presented the Board with an update on the status of the agreements as the next order of business. Mrs. Welch stated the following:

- Insurance consultants have been acquired and are working through the insurance details of the Development and Lease Agreements. That process is near completion.
- Minor edits are also being made to the Force Majeure language of the Development and Lease Agreements.
- A draft of the sub-agreement to the Infrastructure Agreement between the Authority and the Developer is in the process of review and editing.
- The agreement with KUB detailing the relocation of utilities is being drafted.
- The agreement with the Knoxville Community Development Corporation (KCDC) to redevelop the culvert is in progress.
- The Private Development Agreement has been drafted and some details are in the process of negotiations.

Mr. Mamantov added that much of the delay is due to the volatile commodity markets and the need to adjust for cost overruns, but that the team has been great to work with.

Ms. Cronan asked for a brief set of speaking points that could be given when and if asked about the status of the project. Mrs. Welch replied that she would send out some bullet points explaining which agreements have been approved and which were in negotiations. Ms. Cronan added that a lot of progress has been made and that all the efforts being made are for the protection of the taxpayer.

### **MLB/Player Development League**

The next order of business was a Major League Baseball (MLB) and Player Development League (PDL) update. Mr. Mamantov stated that the MLB and PDL are awaiting the final changes relative to the insurance language in the Lease Agreement. Mr. Kirchhofer added that the insurance discussion is a local one. The MLB made suggestions based on their experience. Once the insurance language is resolved and finalized, the MLB will receive a copy of the Lease Agreement to review as a formality. They will then send a No Objections Letter indicating that they have no objections to Boyd Sports signing the Lease.

Mr. Mamantov asked if the No Objections Letter will also effectively indicate that they have no objection to the relocation of the team and moving the PDL license to Knoxville. Mr. Kirchhofer replied in the affirmative.

Mrs. Welch asked how the negotiations between the MLB and the players affect this project. Mr. Kirchhofer explained that the issue never impacted the Smokies' affiliation with the Cubs, the beginning of the minor league season, the assignment of the players to the Smokies, or any of the things with which the Smokies were directly involved. The resolution of the issue is good for business, but it was never a concern, nor would it have impacted the season.

### **Questions and comments**

Mr. Nance opened the floor for any additional comments or questions the members of the Board would like to express.

Mr. Hill asked the amount that is being bonded. Mr. Mamantov replied that the local agreement limits the bond amount to a par of \$65 million; however, the net proceeds may be more due to premiums based on market conditions. Mr. Hill asked if for every quarter-point there would be an additional \$125,000 a year in interest. Mr. Ayres stated that is generally accurate.

Mr. Hill asked if the stadium would be able to open in 2024. Mr. Kirchhofer stated that 2024 is still the goal but that the timeline is very tight.

Mr. Hill asked about the status of the architectural drawings. Mr. Kirchhofer replied that work has begun on the construction drawings. The current focus is getting started on the infrastructure, particularly the utility relocation so that grading can begin.

Mr. Hill asked for a construction timeline or calendar. Mrs. Welch replied that a timeline is in development and will be provided to the Board upon completion. Ms. Cronan asked if that could be added to the bullet points that were mentioned earlier. Mr. Nance stated that the speaking points that Mr. Ayres stated would be a good addition that communication as well.

Mr. Hagood stated that it would be good to let the public know if/when it is decided the stadium will not open in 2024.

Mrs. Thompson asked about the possibility of playing a half-season in 2024. Mr. Kirchhofer explained that it would not be impossible, but it would be difficult. Research is being done to find out if that has been done in other places and if so, how it was accomplished.

Ms. Cronan asked how it would affect soccer. Mr. Kirchhofer stated that he is unsure but that he believes that Knox One will begin its season this year and begin its progression independent of the availability of the new facility. Mr. Hagood commended Mr. Kirchhofer for working with Knox One to ensure the stadium would be used for both baseball and soccer. Mr. Kirchhofer explained that Boyd Sports will be visiting other multiuse stadiums to get ideas and learn best practices on making the conversion between baseball and soccer quickly, effectively, and efficiently.

### **Adjournment**

The next meeting of the Sports Authority will be held on April 26, 2022, at 9:00 AM in the Community Room of the Knoxville Operations Center. Mr. Nance adjourned the meeting at 9:43 AM.