

Financial and Operational Review

August 20, 2015



7105 Peach Court, Suite 108
Brentwood, TN 37027
www.venuesolutionsgroup.com



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Overview

Venue Solutions Group, LLC (VSG) was retained by the West Haymarket Joint Public Agency (JPA) to provide a financial and operational review for Pinnacle Bank Arena, a venue managed by Pennsylvania-based SMG. The review consists of benchmarking the arena with four peer facilities and, where appropriate, making recommendations that will improve operations.

As apart of the review process, two VSG partners conducted interviews of SMG senior arena management, SMG corporate personnel responsible for oversight of the Pinnacle Bank Arena operations, University of Nebraska-Lincoln athletic department senior staff, City of Lincoln Mayor, City of Lincoln Finance Department, JPA Board Members, and senior management of the Lincoln CVB and Chamber of Commerce. SMG was also asked to provide financials, organizational charts, event utilization and food and beverage per capita data. VSG partners

toured the facility with SMG senior staff to ascertain the cleanliness and upkeep of the arena and the processes currently employed to ensure its preservation of facility assets and systems. During the tour, VSG interviewed operations, engineering and security staff to understand how processes and procedures are implemented and utilized daily.

The Pinnacle Bank Arena is owned by the JPA (as long as there are outstanding bonds) and has entered into an operating agreement with SMG, a private facility management based in suburban Philadelphia, PA. SMG is responsible for the daily operation of the arena, which includes event programing and concert booking, Savor food and beverage operations, preventive maintenance, financial and accounting, repair and maintenance, marketing, staffing, HR compliance, security and managing the festival parking lot. SMG is also responsible for booking, staffing, event day operation and cleanup of the Pinewood Bowl, an outdoor amphitheater



with a seated capacity of 4,200 and GA capacity of 5,500.

During the design and construction of the arena, SMG was contracted to consult on the design, furniture, fixture & equipment quantities, costs and specifications, and the development of annual operating and grand opening budgets. On June 7, 2012 the JPA entered into a management agreement with SMG to manage the arena, Pinewood Bowl and festival parking lot to the north, as well as operate all food service activities under their Savor brand. The management agreement took effect starting September 1, 2013 to correspond with the opening of the arena. The term of the agreement is three (3) years with the JPA's option to renew for one (1) additional three (3) year term. SMG provided the JPA with a \$2M project loan to be utilized by the JPA at their discretion to fund preopening expenses.

SMG's management fee for the initial term of the agreement is an annual fixed fee of \$200,000 plus incentive based compensation based on the following:

1. Financial Incentive Fee (Revenue Based)
 - a. Up to 50% of base fee of \$200,000
 - b. Would first have to achieve agreed upon operating budget for such year to qualify
 - c. If budget is achieved SMG would earn 30% of AGI (excluding food & beverage) in excess of \$2M
2. Non-Financial Incentive Fee
 - a. Up to 50% of base fee of \$200,000
 - b. Based on JPA's evaluation of SMG's performance in booking non-university events (20% of fee)
 - c. Based on JPA's evaluation of SMG's performance in booking non-university event attendance (20% of fee)
 - d. Based on Client/Tenant satisfaction surveys (5% of fee)



- e. Based on patron satisfaction surveys/mystery shopping (5% of fee)

SMG's Savor food service agreement pays them 4% of net food and beverage revenues, creating an incentive for Savor to maximize F&B gross revenue. The Savor agreement runs concurrently with the SMG management agreement, which expires August 31, 2016.

The JPA and the University of Nebraska-Lincoln have an agreement for the university to play their men and women's basketball games in the arena. The university's agreement to move their games from the on-campus arena to the Pinnacle Bank Arena was seen as an important factor in the development of the project. The agreement commenced on September 1, 2013 (executed on November 9, 2011) for a term of thirty (30) years with three (3) five (5) year options. The highlights of the agreements are as follows:

1. UNL pays an annual rent of \$750,000 per year with an annual increase for inflation beginning September 1, 2014
2. UNL receives an annual credit toward rent payments equal to all "turnback" sales tax payments made by UNL from the total value of all UNL Men's and Women's Basketball Game ticket sales and total taxable sales from the Pinnacle Bank Arena based Husker Authentic store.
3. UNL receives annually a "make-whole" provision for lost Devaney Center Basketball game concessions sales, and that make-whole amount is credited toward the annual rent payments.
4. Scheduling priority for a minimum of 15 men's and 15 women's home basketball games
5. UNL receives access to arena for 15 additional days of use at no additional rent (UNL pays direct costs)
6. UNL receives four (4) suites and retains revenue from the sale of the suites



7. UNL receives 50% of net revenue from Loge Seating sales
8. UNL receives 100% of club and courtside seating sales for men's and women's basketball games
9. UNL receives 50 parking spaces for UNL events in the attached garage at no cost to UNL
10. UNL receives full payment for all Men's and Women's basketball game tickets from suite and loge seats

The JPA has contracted with IMG College for the sale of all arena advertising and sponsorship and who is also contracted to market advertising, marketing and media rights for UNL Athletics. The agreement with IMG College provides the JPA with the following guaranteed rights fee:

1. Year 1	\$750,000
2. Year 2	\$1,020,000
3. Year 3	\$1,040,400
4. Year 4	\$1,061,208
5. Year 5	\$1,082,432

6. Year 6	\$1,104,081
7. Year 7	\$1,126,162
8. Year 8	\$1,148,686

There is a predetermined revenue sharing threshold for each year, whereby the JPA receives 50% of net revenue in excess of the threshold, which averages roughly \$850,000 in excess of the annual guaranteed rights fee.

IMG College also sold the beverage pouring rights to the arena for \$285,000 per year and is included in the guaranteed payment to the JPA. Prior to the agreement with IMG College the pouring rights revenue was always intended to be included in arena operating revenues.

As part of the debt required to finance the arena, the City of Lincoln and the JPA earmarked revenue streams from arena operations to service a portion of the project debt service. The JPA currently utilizes revenue generated from arena operations to service project debt:



1. Naming Rights – partner paid \$6,732,000 upfront for 25 years
2. Suite Leases – projected \$1,660,000 annually from 2014-2022, \$1,826,000 annually from 2023-2032, \$2,008,600 annually from 2033-2042 and \$2,209,460 from 2043-2046
3. Loges boxes (50% of net revenue) – projected at \$180,000 for years 2014-2022, \$198,000 from 2023-2032, \$217,800 from 2033-2042 and \$239,580 from 2043-2046
4. Club seats – projected at \$624,000 annually from 2014-2022, \$686,400 annually from 2023-2032, \$755,040 annually from 2033-2042 and \$830,544 annually from 2043-2046
5. Sponsorship – guaranteed rights fee from IMG College agreement of \$8,332,969 over the eight (8) year agreement plus revenue sharing payments

Arena revenues earmarked for debt service totaled \$2,312,859 after \$465,000 in sponsorship revenue was

transferred to SMG's operations due to a projected shortfall in arena revenues for the FYE 2015. The JPA has budgeted \$3,484,000 in arena revenue for debt service payments in FYE 2016.

Beginning in FY 2016 the JPA will set aside \$1.3M annually for arena capital improvements. SMG and the JPA have not developed a long-term capital plan for the arena, festival parking lot and the attached garage.

It should be noted that SMG staff were very cooperative and forthcoming with VSG in the interviews, facility tour, and follow up conference calls. They were also timely in the delivery of requested documents.



Executive Summary

FINANCIAL

In the first year of operations ending August 31, 2014, the PBA realized a net operating income of \$34,000 after the JPA provided \$465,000 in advertising revenue (total advertising revenue for year one was \$750,000 with \$285,000 in pouring rights being previously committed and budgeted toward the SMG/Savor operation). To retire the debt on the project the JPA set aside \$3.4 million in arena operating revenue from naming rights, suite and loge leases, club seats and advertising revenue. The City of Lincoln also negotiated a lease with UNL Athletics for the men's and women's basketball teams to play their home games at Pinnacle Bank Arena. That made the move from campus advantageous for the institution. Having UNL play their games in the arena was critical to gaining the support necessary to move the project forward. SMG, as the chosen operator, assumed

management of the arena, and working with the available information at the time, agreed with project leaders that the venue could operate at break even or better. The projections for the first year of operations were optimistic and as the second operating year nears its end, a "reset" in the expectations of the operating performance is required moving forward.

VSG has benchmarked the PBA with four comparable peer venues that all have opened recently, have a basketball capacity of 11,000-15,000, Division 1 collegiate basketball programs as major tenants, and are publicly or university owned and privately managed. The benchmark analysis focused on several broad indicators of business operations to include event utilization, revenues, expenses, staffing and food and beverage per capita spending. VSG also has provided a side-by-side comparison of the major lease deal points with the university tenants.



All of the peer group arenas operate at a significant loss mostly attributed to some loss of contractually obligated revenue such as naming rights, suite leases and advertising being utilized by the owner for debt service or to support the financial operations of a collegiate athletic department. Three (3) of the four (4) peer group venues have collegiate tenants who have first priority for holding dates to schedule non-conference and conference basketball games. In the case of the PBA, there have been instances where they have lost recent opportunities to book concerts due to a lack of scheduling flexibility, although UNL has been amenable to moving dates when allowed by the conference office. All of the peer group venues, and most arenas with professional sports teams as major tenants, have to work around tenant scheduling and the timeliness of the release of the final schedule. This can be particularly frustrating for a venue manager as most concert tours are routing 4-6 months in advance of the performances.

Pinnacle Bank Arena hosted a wide variety of events in the FYE 2014 highlighted by 18 concerts and most of the UNL men's basketball games playing at near capacity. Compared to its peer group the PBA performed well in both ticketed and non-ticketed events. Its total combined 235 events was significantly higher than the benchmark average of 138 events.

The PBA's revenue is primarily based on event activity and heavily dependent on concert activity, which by far generates the most revenue. Rentals, food and beverage and ticket rebates comprise 83% of total net revenue with advertising and sponsorship 14%. Without receiving the contractually obligated revenues and being heavily dependent on concert activity, some volatility in revenue can be expected year to year. It's difficult to predict the concert touring business from year to year and especially for the 157th largest market in the U.S. with plenty of competition on the regional marketplace.



The per capita spending on food and beverage for the PBA compares favorably to the peer group for concerts and women's basketball but underperforms for men's basketball. The underperformance is likely attributable to no alcohol sales, as all the peer group venues permit alcohol in suites and two of the venues sell it in public areas.

The overall size and event activity of a venue drives its operational costs. Compared to its peer group and based on its size, SMG appears to be managing the expense side well and was proactive in cutting costs in the first year of operations as revenues were not meeting projections. The PBA has more full time staff because they perform more functions "in-house" relative to the peer group, which includes security, cleaning and food service. Several of the peer group venues choose to outsource and therefore have higher expenses in contracted services than the PBA, with the PBA having higher full-time compensation and benefit costs.

Utilities, which were under projected for the first year of operation, is \$2.39 per square foot, which is slightly higher than the peer group, mostly attributable to the purchase of chilled water and steam from the District Energy Corporation (DEC). The PBA is currently one of five customers of the DEC, and as more DEC customers come on line, the costs for the PBA should begin to decline. SMG has recently made improvements to their energy monitoring technology that have already resulted in reduced energy costs with the full benefits likely to be realized in the 2015-2016 FY.

Salaries associated with full-time staff at the PBA are on average \$4,400 less than the peer group on a per employee basis.

FOOD SERVICE

SMG manages the food service (concessions, catering) operation through their subsidiary, Savor. Savor receives a percentage of gross F&B revenue (net of sales tax) as



a fee, and the term of their agreement is concurrent with the management agreement of SMG.

Because food service operations is a significant contributor to overall revenue, any incremental improvements or deficiencies can have a material affect on the arena budget.

In both FYE 2014 and the current year, SMG over projected budgeted net F&B revenue. The resulting shortfall can be due to a multitude of reasons, including the conservative (i.e. frugal) culture of the community, the proximity of competing dining establishments, precedents on menu and pricing by UNL facilities, game times, the use of suites, and of course quality and service of the food service operation.

In order to address the issue of missed revenue and customer service shortfalls, SMG has taken multiple steps since Year 1, which include replacing the chef, reducing some menu pricing, creating new dining

packages for premium seat holders, surveying fans, and for 2015-2016, budgeting an F&B position that had been vacant for some time.

The condition of the kitchen and concession spaces was very good; we toured many of these areas and found them to be clean and well organized.

Alcohol is served at all non-University events, and currently it is prohibited by the school in all arena spaces during UNL events. For collegiate sports, the current trend is to allow alcohol (either via purchase or self-stocking) in suites and premium areas, and the concept is also gaining more traction for public spaces as well.

In an effort to create more event activity and decrease the arena's operating deficit, SMG has made strides to create their own events. This activity included hosting "watch parties" during UNL football games, whereby fans were invited into the arena to watch the games on the center hung scoreboard. The initial events drew 3,000-



4,000 people and provided SMG with additional food and beverage revenue. Because nearby restaurants believed they were losing sales to the watch parties, they successfully lobbied the City Council to restrict them in both quantity and scope. This fall, there will be watch parties in the arena during only three (3) football games, as well as smaller events (Stadium Terrace Parties) on the arena terrace that overlooks the Haymarket with expected attendance of 300-500 fans. These smaller events will occur prior to all home UNL football games. In an act that could be viewed as hypocrisy, the restaurants have been granted Special Designated Licenses to expand their footprints and generate food and beverage sales beyond their walls during times when the arena has booked a major concert. In essence, the restaurants don't want the arena to impact their sales, but at the same time they want to expand their own sales at the expense of the arena.

OPERATIONS

The operations review of Pinnacle Bank Arena touches on a variety of areas, such as recycling, parking, cleanliness, and client/guest surveys, to name a few. With each chosen category, we provide background information as well as best practices on the subject, then for PBA we examine the condition of any physical assets, reviewed applicable policies and procedures, and assess the effectiveness of SMG's effort.

SMG is required to adhere to a robust recycling and sustainability program as defined in the management agreement. While they meet almost all the requirements, due to limitations of local resources, the high diversion rate has not been met. However, recent changes with their contracted transportation companies, including a process to now compost food scraps, have permitted SMG to begin to divert more waste and calculate accurate diversion percentages.



SMG operates and maintains the adjacent garage that has a capacity of 286 spaces, as well as the Festival Lot, a 1,300-space paved lot northwest of the arena accessed via a long pedestrian bridge. SMG receives no revenue from the parking garage, but has financial responsibility to provide staffing, cleaning, utilities and maintenance. The Festival Lot has not seen maximum utilization, due in part to factors that include competition of nearby municipal garages, a perception of it being a long distance to the arena, and possibly, the perception that being remote equals being unsafe. If additional businesses open up in that area, or the municipal garages become busier due to new establishments in the Haymarket District, the Festival Lot could see an increase in event parking. On a more positive note, the Festival Lot has been used for UNL football tailgating as well as its own event space, including the annual Ribfest. This has resulted in additional revenue to the arena.

SMG currently maintains a program where both fans and clients (licensees) are surveyed about their experience at

the arena. This is a requirement of the management agreement that determines SMG's incentive-based compensation. Fans are surveyed by using the Ticketmaster database and are provided a link to an online survey. For most clients, SMG sends links to a surveymonkey.com survey. They typically do not request surveys from promoters of live entertainment events, as it is not in their "DNA" to complete such surveys. Currently, this survey does not use a rating scale like the fan survey. In order to better meet the requirement of the management agreement, we recommend modifying the survey so that it contains the rating scale.

SMG does not survey the University of Nebraska or their fans (the University has their own program in place), but they do meet regularly with their UNL Athletics counterparts to address any issues or potential challenges. Again, in order to meet the letter of the contract, we recommend working with the UNL Athletics to create some type of annual survey that will reflect their experience at Pinnacle Bank Arena.



We found the arena, inside and out, to be clean and well maintained overall. We toured public spaces as well as areas like the kitchen, janitor closets, storage areas, dressing rooms, and mechanical rooms. All were in good condition, both from the perspective of cleanliness as well as wear-and-tear. Cleaning and maintenance is performed with 2 Full Time Equivalent (FTE) staff and a stable of part time staff in-house, and with a subcontractor.

SMG opened the arena with 43 FTEs, and through attrition and cost cutting, that number was reduced to 35 FTEs. SMG's FY 2015-2016 budget proposed to restructure the operations department in order to re-establish the Director of Operations position along with several sales positions. Although not to the staffing levels of the arena's opening, SMG is confident that by adding these positions, they can maximize revenue opportunities and maintain the facility in a first class manner.

SMG is utilizing a preventive maintenance program, and the staff tasked with administering and executing the preventive maintenance has strong technical skills. The facility was observed to be in good condition and preventive maintenance of major systems is occurring on a regular basis.

SMG is currently implementing technology to better manage their utility consumption. The upgrades to the automation system and addition of 143 meters have resulted in a 20% reduction in electricity, and the project has a projected ROI of 1.5 years.

A long-term capital expenditure plan for the arena has not been developed to date. A 30-year plan that breaks out interior finishes, major systems, seating, structural elements, video & audio, roofs, lighting, food service and FFE should be developed in the next year by SMG and presented to the JPA annually as part of the budget approval process. The JPA may elect for SMG to submit a 5-year rolling plan that has greater detail.



The arena is staffed 24 hours a day by trained security personnel under the direction of SMG. The facility has 75 cameras that provide full coverage internally and externally, with appropriate data storage. The arena has an emergency plan and according to SMG, performs yearly evacuation training. Based on our review, the current plan in the security office requires updating and better organization.



Financial Review

Historical Performance

Pinnacle Bank Arena opened on September 1, 2013 and has completed almost two (2) operating years. While the arena was under construction, the City of Lincoln hired SMG to provide consulting services. To finance the project, the city earmarked certain arena operating revenues to service part of the project debt. Premium seating, advertising and naming rights revenue projected at \$3,482,020 was retained by the JPA for debt service in FYE 2014. The goal of city was for the arena to at least break even financially, even with these revenues directed toward debt service. SMG felt they could operate the arena at break even and provided the city with a break-even proforma. It was evident early in the 2013-2014 FY that the revenue projections would not be met and that SMG would require additional revenue from the JPA. The JPA redirected sponsorship revenue of \$465,000 and the operator cut costs to end the fiscal year with

income of \$34,000. For the current fiscal year, which ends in August 31, 2015, SMG submitted a break-even budget that included the sponsorship revenue of \$735,000 (which increased to \$1,020,000 in year two of the IMG College contract). As of today, arena operations for FYE 2015 are projected to lose \$600,000. The original projections for operating performance, in hindsight, were overly optimistic. Food and beverage revenues were significantly under projections and the utility cost significantly over projections. It should be noted that the arena purchases its chilled water and steam from the local DEC. As more businesses are added to their service, the arena's share of the cost should decline. SMG's primary source of revenue is from event activity that is dependent on concerts and the ancillary revenue generated through food and beverage sales, merchandise and ticket rebates and surcharges. Concert touring is cyclical and the competitiveness of the surrounding markets results in high volatility in revenue from year to year.



Benchmarking With Comparable Arenas

This section of the analysis provides a benchmark comparison of the Pinnacle Bank Arena's financial performance to four (4) similar sized multi-purpose arenas. The purpose of the benchmarking is to provide a framework from which to assess the business operations of the Pinnacle Bank Arena relative to other peer facilities and to identify potential opportunities for improvement.

Benchmark facilities were identified based on a variety of criteria including: (1) modern areas built in recent years; (2) capacity of 10,000-15,000 seats; (3) major university basketball tenant; and (4) public or university ownership.

The four (4) arenas for comparison include:

- Ford Center – Evansville, IN
- John Paul Jones Arena – Charlottesville, VA
- Save Mart Center – Fresno, CA
- Chaifetz Arena – St. Louis, MO

The table on the following page summarizes the key characteristics of the benchmark venues including location, market population, ownership, operator, tenants, square footage and seating capacity.

The benchmark analysis focused on several broad indicators of business operations including, but not limited to:

- Utilization
- Financial Operations
 - Revenues
 - Expenses
 - Staffing
 - Food & Beverage Per Capita Spending



Pinnacle Bank Arena - Primary Benchmark Facilities

		Pinnacle Bank Arena	Ford Center	Chaifetz Arena	Savemart Center	John Paul Jones Arena
City, State	Note	Lincoln, NE	Evansville, IN	St. Louis, MO	Fresno, CA	Charlottesville, VA
		Lincoln, NE Metro Area	Evansville, IN-KY Metro Area	St. Louis, MO-IL CSA	Fresno, CA Metro Area	Charlottesville, VA Metropolitan Statistical Area
MSA						
MSA Population	(1)	318,945	315,162	2,806,207	965,974	226,968
MSA Rank		155	156	19	56	196
Year Open		2013	2011	2008	2003	2006
Construction Cost		\$180M	\$128M	\$80.5M	\$103M	\$131M
Owner		West Haymarket Joint Public Agency	City of Evansville	Saint Louis University	California State University, Fresno Association, Inc.	University of Virginia
Operator		SMG	VenuWorks	Spectra	SMG	SMG
Tenants		University of Nebraska Men's and Women's Basketball	University of Evansville Men's & Women's Basketball	SLU Men's and Women's Basketball	Fresno State Men's & Women's Basketball	UVA Men's and Women's Basketball
			East Coast Hockey League			
Building Square Footage		470,000	290,000	269,300	450,000	350,000
Seating Capacity - Basketball		15,147	10,000	10,600	15,544	14,593
Seating Capacity - Concerts		14,620	11,000	10,800	16,183	14,200

(1) <http://factfinder.census.gov/>



Utilization

Pinnacle Bank Arena hosts a wide variety of events including UNL Men's & Women's basketball games and practices. UNL's agreement with the JPA provides them with first rights to schedule home games which can impact SMG's ability to book concerts and family shows as most touring events are booked 4-6 months in advance. It is particularly difficult in the months of December through March, as the Big 10 conference schedule is not released far enough in advance to book during these months. It should be noted that UNL is sensitive to the need to book concerts and tries to help on clearing calendar holds for games, but is at the mercy of the Big 10 conference office and has little leverage to move holds.

The PBA compares favorably with the peer benchmark facilities, especially in the non-ticketed events such as banquets, meetings and community events. Combined, non-ticketed events represent 128 of the 235 total

events, which is 54% of the arena's event activity and is 57% more than the benchmark average. Concert activity is typically the most profitable event type that an arena can host. The arena's concert activity in the first year of operation was robust especially for the size of the market, and is typical in the "honeymoon" period. The PBA's 18 concerts were 4 more than the peer group average with the market likely to sustain 10-14 concerts per year moving forward.

The arena significantly underperformed relative to the peer benchmark group on family shows. This is likely due to the lack of calendar flexibility during the basketball season as these touring events require at least a week for production set up and multiple performance days.

Tenant events provide a stable event base of events for a venue each year. The 39 UNL men's and women's basketball games was one more than the benchmark average and represented approximately \$500,000 in net event revenue.



Event Comparison Based on FYE 2014

	Pinnacle Bank Arena	Benchmark Average	Above/(Below) Benchmark Average	Benchmark Detail			
				Arena A	Arena B	Arena C	Arena D
Events							
Tenant	39	49	(10)	33	50	81	31
Sports	25	3	22	5	5	0	1
Concerts	18	14	4	21	14	11	9
Entertainment	23	3	21	1	9	0	0
Family Shows	2	12	(10)	2	4	22	21
Civic/Religious	0	7	(7)	21	0	7	0
Convention / Trade /Public Shows	7	7	(0)	9	7	13	0
Meetings/Banquets, Etc.	88	42	46	12	30	4	164
Other	33	2	31	8	0	0	0
Total Events	235	138	97	112	119	138	226

Financial Comparison Based on FYE 2014

	Arena A	Arena B	Arena C	Arena D	Pinnacle Bank Arena
REVENUE					
Rent Income	\$72,730	\$427,541	\$144,683	\$747,870	\$1,201,856
Service Income	\$352,780	\$95,014	\$1,883,289	\$1,244,494	\$1,947,835
Less: Service Expenses	\$0	(\$575,707)	(\$1,331,083)	(\$1,901,851)	(\$2,976,066)
Direct Event Income	\$425,510	(\$53,152)	\$696,889	\$90,513	\$173,625
Food and Beverage	\$757,514	\$1,212,540	\$1,749,827	\$0	\$2,519,836
Merchandise	\$31,481	\$101,939	\$115,623	\$49,413	\$315,942
Parking	\$350,211	\$665,049	\$0	\$120,803	\$273,451
Premium Seating Leases	\$0	\$0	\$1,018,631	\$0	\$0
Suite/Club Seat Ticket Sales	\$37,270	\$94,356	\$113,577	\$80,087	\$212,462
Ticket Rebates	\$181,173	\$0	\$267,345	\$249,517	\$613,894
Facility Fees	\$185,040	\$551,628	\$809,137	\$448,986	\$331,621
Advertising Income	\$0	\$0	\$728,765	\$102,500	\$753,000
Other Income	\$23,682	\$117,899	\$14,766	\$36,674	\$93,129
TOTAL	\$1,991,881	\$2,690,259	\$5,514,560	\$1,178,493	\$5,286,960
EXPENSES					
Salaries & Wages	\$758,568 (3)	\$2,249,535	\$1,660,961	\$838,232	\$3,866,484
Benefits	\$211,064	\$700,901	\$649,641	\$185,686	\$790,590
Less: Event Labor Allocations	\$0	(\$1,261,844)	\$0	(\$146,046)	(\$1,704,837)
Contracted Services	\$0	\$469,761	\$304,495	\$246,134	\$13,009
General and Administrative	\$145,773	\$173,955	\$292,707	\$105,542	\$231,937
Advertising/Marketing	\$52,502	\$12,938	\$164,568	\$0	\$31,288
Operations	\$44,799	\$0	\$152,100	\$34,715	\$125,957
Repair and Maintenance	\$19,086	\$164,228	\$95,753	\$84,986	\$25,976
Supplies	\$50,232	\$189,683	\$176,459	\$66,849	\$141,490
Insurance	\$99,530	\$117,760	\$90,510	\$136,632	\$156,723
Utilities	\$0	\$643,746	\$775,552	\$738,225	\$1,123,108
Other	\$0	\$0	\$1,141,988	\$1,998	\$55,582
TOTAL	\$1,381,554	\$3,460,663	\$5,504,732	\$2,292,953	\$4,857,307
Less: Management Fee	\$125,000	\$516,875	\$566,060 (2)	\$192,652	\$396,939 (2)
Net Income/(Loss)	\$485,327	(\$1,287,279)	(\$556,232)	(\$1,307,112)	\$32,714
Margin	24.37%	-47.85%	-10.09%	-110.91%	0.62%
University Reimbursement/Assumed Expenses	(900,000) (3)			568,931	
NOI after University Participation	(\$414,673)	(\$1,287,279)	(\$556,232)	(\$738,181)	\$32,714

(1) Reimbursement for common area maintenance and some operating expenses related to athletics spaces

(2) Includes management fee for arena as well as food and beverage management

(3) Several costs for Arena A are provided by their University, such as repair/maintenance, full time security, and maintenance contracts. Also, utilities are paid by the University. We estimate this value is approximately \$900,000.



Financial Performance

The table on the previous page provides a comparison of the revenues, expenses and operating income for the PBA to the those of the peer benchmark arenas. For the FYE 2014 the PBA realized operating income of \$32,714 after the transfer of the advertising revenue that was originally earmarked for debt service, and will now be included as operating revenue moving forward. It should be noted that the other debt service revenue streams are exceeding projections so the redirection to arena operations won't significantly impact debt service payments.

Each of the peer group venues is impacted by a variety of factors including but not limited to, revenues dedicated to debt service, lease terms with tenants, event activity, building size and local market conditions.

The four peer venues each operate a significant loss ranging from \$400,000 to \$1.3M after factoring in costs assumed by the owners not realized in operations.

Revenues

The largest net revenue streams for the PBA include rentals (23%), food & beverage (48%), ticket rebates (12%) and advertising (14%).

The financing of the arena's construction requires certain contractually obligated income (naming rights, suites, premium seating and advertising) are directed to the JPA for debt payments and are not reflected in the PBA's operating revenues. These restricted revenues account for \$2.5 million after \$750,000 in advertising revenue was moved into arena operations in FY 2013/2014. Without these "restricted" revenues, the revenues generated by the PBA out perform the peer group. Three of the four venues in the peer group do not realize premium seating



lease and naming rights revenue, resulting in a larger operating deficit.

Per capita spending on food and beverage is generally a good indicator of the operational effectiveness of the food service operator. Concerts have historically provided the highest per capita spending for arena events, which is driven by alcohol sales. Margins on sales of beer, wine and liquor, which have higher price points, are significantly higher than food. The appropriate number of points of sales for the event demographic also plays a large part in driving higher per capita spending as you can serve more customers faster. The physical layout of the venue is a factor, as having wide and multiple concourses allows for greater distribution and locations to drive higher sales.

Pinnacle Bank Arena compared favorable relative to the peer benchmarking group as it exceeds the benchmark average for concerts, women's basketball and family events, although they only hosted two (2) family shows

which underperformed the peer group for utilization. The PBA underperforms on UNL men's basketball games compared to the peer group more likely due to no alcohol sales in the suites, as well as the proximity of Haymarket restaurants and bars. This topic will be further developed in the operational section of the report.

The current lease agreement with UNL gives them priority on dates for men's and women's home basketball games, annual rent payments to the JPA of \$750,000 that are offset by a "turnback tax" and a \$300,000 food and beverage rebate. The net rent payment to the JPA was \$301,732 for FY 2013-2014 and \$312,244 for FY 2014-2015.

Three (3) of the four (4) peer group venues have collegiate tenants that have first priority on dates for home basketball games and three (3) of the four in the peer group remit 100% of the net food and beverage revenue from basketball games to university athletics. Generally, the rights received by UNL through their lease



are consistent with the peer group with the exception on suite lease revenue. In the comparable venues owned by the universities, that revenue stream remains with athletics as well as the net naming rights revenue. In peer group venues where premium seating and naming rights revenue is retained by the owner, it is likely that some portion is utilized to service debt on the venue.

Our review and analysis of the concert and mainstream event activity suggests that the PBA hosts events that are available to them by third parties. It is appropriate to recognize that sports tenant date commitments have a material effect on the venue's availability revenue generating events.



Per Capita Food & Beverage Spending Comparison Based on FYE 2014

Events	Pinnacle Bank Arena	Benchmark Average	Above/(Below) Benchmark Average	Benchmark Detail			
				Arena A	Arena B	Arena C	Arena D ⁽¹⁾
Concert	13.67	11.41	2.26	7.95	10.64	11.65	15.39
Men's Basketball	4.89	5.95	(1.06)	6.61	5.41	6.27	
Women's Basketball	4.37	3.31	1.06	4.26	3.66	2.33	
Family Shows	6.50	3.36	3.14	4.31	4.13	2.57	2.44

For University Basketball Events

Alcohol Available in Suites	No	Yes	Yes	Yes	Yes
Alcohol Available in General Concessions	No	Yes	Yes	Yes	No

(1) At the request of the respondent, two per cap numbers were withheld from the chart; however they were used in calculating the Benchmark Average



Tenant Lease Comparison

	Pinnacle Bank Arena	Arena A	Arena B	Arena C	Arena D
Annual Rent	\$750,000 with annual increases + \$2,500 per game in event expenses (floor security)	No rent, but arena is reimbursed for typical game day expenses, plus a flat \$1000 utility expense. Athletics retains 100% of ticket sales, club dues/donations, etc..	No rent, and athletics retains all merchandise revenue and ticket revenue for University events, but reimburses for typical venue expenses such as staffing.	\$304,500 (increased annually) for regular season men's & women's basketball games. University pays \$200 per 3-hour practice.	No rent, but arena is reimbursed for typical game day expenses
Annual Credits/Rebates	Credit based on turnback tax and a portion of ticket surcharge				
F&B Revenue	\$300,000 rebate in lieu of F&B revenue	Athletics receives no revenue for basketball games	Athletics receives no revenue for basketball games	University receives portion of alcohol sales (10% if attendance exceeds 500 people)	Athletics receives 100% of net revenue
Premium Seating Allocation	UNL receives 4 suites			University provided with 1 suite during basketball games	
Premium Seating Revenue	UNL receives 50% of net revenue from Loge Seats and 100% of club/courtside seating for their events	Athletics receives 100% of net revenue on suite leases	Athletics receives no revenue. Revenue earmarked for debt service.	University receives \$40,000 for suites and \$15/ticket for Loge seats	Athletics receives 100% of net revenue
Advertising Revenue		Athletics receives 100% of net revenue except for naming rights.	Athletics receives 100% of net revenue from their game-day sponsors. Permanent arena advertising earmarked for debt service.	Bowl/court/sideline advertising to University for games only	Athletics receives 100% of net revenue
Parking Allocation	UNL receives 50 parking passes in attached garage			25 dock parking passes	



Expenses

The allocation of expenses for venue operations varied significantly for the peer benchmarking group. During our analysis of the financial data, two of the peer group venues have portions of their operating expenses assumed by the owner and not represented in the venue's income statement. VSG has added these expenses into the financial statement chart so that there is a truer comparison of financial data. In both instances the expenses were near or in excess of \$1,000,000.

The PBA's operating expenses of \$4.8 million in FYE 2014 are the highest of the peer group, with the largest expenses in salaries, wages and utilities. Size of the venue and event activity drives operating expense.

The utilities on a cost per square foot basis of \$2.39 are slightly higher than the peer group average of \$2.11, which can be mostly attributed to the purchase of chilled water and steam from the local DEC, as well as a

financial obligation for a portion of the operating costs of the DEC. Currently, the arena is one of five customers of the DEC, but as new development connects to the system, those operating and usage costs will diminish for the PBA.

SMG has embarked on technology upgrades that have already resulted in decreased utility usage in FYE 2015 and should realize the full benefits of the improvements in FY 2016.

In areas such as general and administrative, supplies, insurance, operations the PBA compares quite favorably and appears to do well managing these expenses relative to its size.

Oftentimes, a venue that reports a higher number of full time positions (when compared to similar facilities) likely is the result of that venue performing services "in-house." This is certainly the case with the PBA, as they have chosen not to outsource functions such as cleaning, food



service and security. Although the PBA has one full-time security staff position, there are 12 part-time security staff responsible for guarding the arena 24 hours a day.

Salaries associated with full time staff based on a per employee basis are \$4,400 lower than the peer group average. VSG has not adjusted the PBA average salary with the peer group cost of living in order to maintain the confidentiality of the peer group identities.



Staffing Comparison Based on FYE 2014

Department	Arena A ⁽¹⁾	Arena B	Arena C	Arena D	Pinnacle Bank Arena
Administration ⁽²⁾	2	4	3	2	3
Operations/Maint.	4	3	7	2	6
Housekeeping	0	0	0	0	0
Engineering/IT	0	3	2	2	3
Security	0	0	1	0	1
Box Office	2	3	2	2	2
Event Services	2	2	1	3	5
Sales & Marketing	2	2	3	1	4
Finance	2	3	3	3	3
Food & Beverage ⁽³⁾	0	3	4	0	8
Total FT Staff:	14	23	26	15	35
Annual Labor Cost (FT):	\$758,568	\$1,182,014	\$1,316,548	\$847,352	\$1,705,078
Cost per FT Staff:	\$54,183	\$51,392	\$50,636	\$56,490	\$48,717

(1) 2 Engineers and 3 Housekeepers are provided by the University at their cost

(2) Includes positions of General Manager, AGM, Administrative Assistant, Human Resources and Receptionist

(3) F&B personnel at Arenas A and D are outsourced. Arenas B, C and PBA are through the management company's F&B division



Food Service Review

Food service (concessions and catering) at Pinnacle Bank Arena is operated by Savor, an SMG subsidiary, through an agreement that is separate from the management agreement with SMG. Savor's term runs from September 1, 2013 for a period of three (3) years, which is concurrent with the SMG management agreement. Savor's fees are 4% of gross concession revenue (net of sales tax), a fee that is appropriate for the scope of service provided.

The most critical piece of information, and the one that leads to a full discussion of food service, is the actual-to-budget variances of concessions, catering and premium catering for FYE 2014 and the current fiscal year. The variances, which are significant and prompted VSG to investigate further, are identified in the following chart:

FYE 2014			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Concessions	2,075,132	1,845,562	-11.06%
Catering	749,278	603,101	-19.51%
Premium F&B	322,950	110,864	-65.67%
FYE 2015 (As of 5/31/15)			
	<u>Budget</u>	<u>Rolling</u>	<u>Variance</u>
Concessions	1,926,308	1,505,733	-21.83%
Catering	585,397	315,493	-46.11%
Premium F&B	133,999	226,545	69.06%

There are a variety of factors that can affect the performance found in any metric, and food service operation is no different. Through interviews with multiple stakeholders, including but not limited to SMG, the University of Nebraska, suite holders, a PBA concessions vendor, and JPA board members, we have identified several challenges to this aspect of the arena operation.



Culture

Throughout our interviews, there was a consistent theme that the local community is conservative, specifically financially conservative, and spending money unnecessarily is not a quality found here. This particular characteristic may have manifested itself in rejecting, at least in part, the food and beverage offerings at Pinnacle Bank Arena. While the number of offerings at PBA is greater than that of other local venues, the overall pricing is higher than what has been in the market prior to the opening of PBA. Also, the new, higher end offerings may not entirely be to the liking of the community, as they may be more content with basic arena fare. Unless the population felt the quality was extremely high (some feedback was that the quality was not), they would be less inclined to make purchases. The decision to eat elsewhere (or eat very little in the arena) could be highly influenced by culture in combination with the next factor.

Proximity of Competition

To a degree, the arena is a victim of the success of the surrounding establishments that located to the Haymarket District *because* of the arena. There are numerous dining and drinking establishments within a short walk of PBA. The variety of options ranges from quick service restaurants to full service dining, including several bar & grill eateries. Because the pricing is less than that in an arena, and restaurants offer a social setting that cannot really be duplicated in the arena, many event goers will choose the Haymarket option over the arena option.

With regards to catered events, there are several hotel options in or near the Haymarket District. Booking a hotel for a catered function is easier than an arena for several reasons: the hotel doesn't have to worry about losing a money making concert if they book a catered event a year out; hotels are a 24/7 operation, so they don't require additional staff that an arena might; the hotel has



at least the basic audio-visual services in-house; and the environment of a ballroom is many times more appealing than an arena concourse or cavernous arena bowl. Most arenas do not host numerous catered events, and what is occurring at PBA is typical.

University Venues

Similar to the culture of Nebraskans affecting purchasing decisions, the long history of events at Devaney Center set an expectation that is well established and ingrained. With a menu that is less extensive than PBA's, and lower prices, the Devaney Center established the benchmark on pricing and offerings.

Game & Event Times

The start times of events can have an impact on food and beverage sales; specifically, start times that occur in between meal times can greatly reduce the sales of concessions. While concerts and live events typically

take place in the evenings, even when occurring on weekends, University basketball games are subject to network television scheduling and can occur at different times. For example, during the 2013-2014 season, 16 of 36 UNL basketball games started at times in between meals (2:00pm, 3:15pm, 4:00pm, 8:00pm and later). The next season saw 16 of 34 home games with similar start times. In these instances, fans will likely choose to eat before or after the games. This situation is not unique to Lincoln, and our commentary is not intended to suggest there are problems with the basketball schedules, simply to illustrate that start times affect food and beverage sales.

Use of Suites

The revenue generated by suite food and beverage sales has been noticeably lacking. The suite menu offers a standard list of items, including both advance purchase as well as event-day products, but the overall purchasing is lower than original expectations. The makeup of the



suites as described to VSG is about 20% corporate business and 80% small business and individuals. It was suggested that very few of the businesses entertain clients, and the use of the suites is primarily for entertainment purposes of the owners; therefore, much of the food bought by those with suite tickets is occurring on the public levels at the concession stands. SMG surveyed premium customers last summer, and the desire for a la carte purchases (e.g. concessions stand) versus buffet-type dining was split 50/50. One suite holder VSG spoke with cited a strong desire for at least limited concessions as well as beverage sales (non-alcoholic) during University basketball games. We understand SMG's reluctance to offer concession stands that would cannibalize the suite catering, however, it would be worth the time to again engage the suite holders to determine if adding a la carte items might be appropriate. To their credit, SMG has tried a pre-event buffet dinner package and created a 6-person meal package for the suites, but both received little interest. SMG also informed us that before the end of the year,

they expect to speak with every suite holder about their experiences at Pinnacle Bank Arena, which will include discussions about food service.

Several stakeholders suggested a food tasting event for suite holders to gauge their interest in potential additional items to the suite menu. This kind of event would also be an opportunity to gain feedback on items that may be less desirable, as well as generate additional goodwill with the PBA's premium customers.

Inconsistent Service and Quality

During 3-4 interviews, poor quality and service in the food and beverage department was mentioned, such as quality of food and speed of delivery to suites. SMG has been aware of some of the comments, has replaced personnel when needed, and will be adding a new position in the next budget year to address catering needs. UNL indicated some improvement in food and beverage from Year 1 to Year 2.



FUTURE ACTIONS

SMG has taken steps, and continues to do so, to improve the food and beverage offerings and related service. Their actions relate to almost every aspect of food service, including pricing, types of offerings, personnel changes, and creating packages. Specifically, they have:

1. Lowered some prices since the building opened
2. Created buffet meals for loge seat holders
3. Created additional suite F&B packages for a smaller number of people
4. Replaced a chef
5. Surveyed their patrons via an online survey. There are cards at each concession stand that have the survey information, and fans are encouraged to take them and participate. This is not a requirement of Savor, but a program they self-initiated.
6. Conducted basic surveys of some premium customers (we recommend additional surveys to

ensure ALL premium customers have been contacted)

7. For the 2015-2016 year, Savor has budgeted a Catering Manager who will focus on the sales and service of non-concession food events, including concert catering opportunities
8. Since opening, Savor has eliminated some offerings that were poorly received

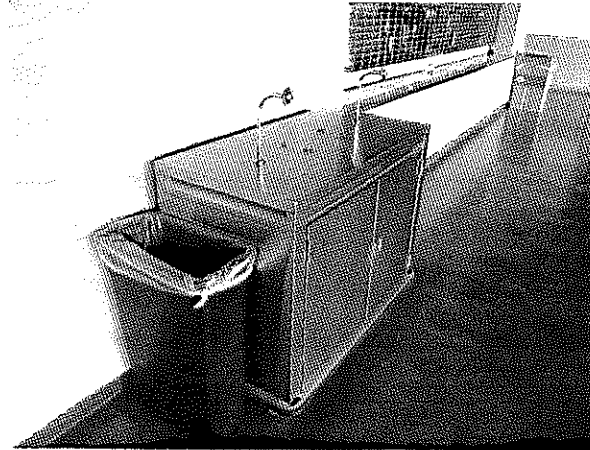
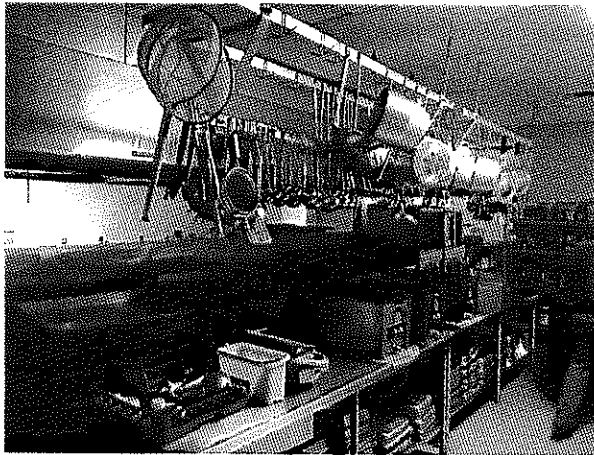
Through our interviews and observations at Pinnacle Bank Arena, SMG and Savor are exerting solid efforts to increase service as well as sales in the food and beverage department. Some changes are trials that do not prove themselves to be worthy of permanent implementation, and others, such as price reductions, are indeed permanent.

In terms of the general condition of the Savor spaces (concession stands, kitchen), we found them to be clean and well organized. The equipment was observed to be in excellent condition; the finishes in the premium areas



were well maintained and overall, Savor and SMG are doing a fine job of maintaining the areas and equipment for which they have responsibility.

The areas in the photos below were found to be clean and organized.





ALCOHOL

For non-University events, alcohol (beer, wine, spirits) is available for purchase in all public areas as well as premium spaces (suites, loge and club seats).

The University of Nebraska does not currently permit the sale, provision, or consumption of alcohol during their events at Pinnacle Bank Arena. This is a long-standing

philosophy of the University and is supported by the Nebraska Student-Athlete Advisory Committee.

As a point of reference, and not to support or suggest a change, we seek to educate and inform the JPA and the City on the current state of alcohol sales in collegiate athletic facilities.

Simply, the current trend is to allow alcohol in premium areas with an expansion of beer sales to the general public areas. In 2015, 38 NCAA football stadiums served alcohol in public areas, a number more than doubling in the last five years. Based on our research, of the 65 member institutions that comprise the "Power 5" Conferences, 36 of the 37 institutions allowed alcohol in at least their suite and club areas. Within the 36, some make alcohol available for purchase, and others allow suite holders to stock their suites at their (the suite holder) cost. UNL is the only one that declines to allow alcohol in these private areas.



The three primary reasons for allowing alcohol sales are, in no particular order 1) incremental increase in revenue; 2) facilities can better monitor and diffuse disruptive behavior from intoxicated individuals (reduce binge drinking) and 3) it is an effort to meet the needs and demands of customers. Each institution that considers or permits alcohol weighs these criteria according to their own situation.

SMG estimates that selling alcohol in premium areas only during men's and women's Husker games would return a net income to the arena in the six figures.

Additional, independent information was published by the United States Sports Academy via an article titled *"Beer and Ball On Campus? The Issue of In-Stadium Alcohol Sales."* The article examines the issue of in-stadium alcohol sales for collegiate sporting events and addresses the reasons for allowing it, constraints that may not permit it, and "best practices" among those who do allow it. The article can be viewed online here:

<http://thesportjournal.org/article/beer-and-ball-on-campus-the-issue-of-in-stadium-alcohol-sales/>.

SPECIAL EVENTS

In an effort to create more event activity and decrease the arena's operating deficit, SMG has made strides to create their own events. They range from the low hanging fruit of selling tailgate spots in the Festival Lot during UNL football games to hosting "Watch Parties" (football events) at the arena, also for UNL football games.

The first set of three (3) watch parties in year 1 were very successful, bringing 3,000-4,000 people to the arena to watch the game on the video scoreboard. SMG described the demographics as many families and older individuals. During these events, the arena sold food and beverages, including alcohol. However, in year 2, due to complaints from nearby bars and restaurants, SMG was limited to only one (1) football event. This fall, there will



be watch parties in the arena during only three (3) football games, as well as smaller events (Stadium Terrace Parties) on the arena terrace that overlooks the Haymarket with expected attendance of 300-500 fans. These smaller events will occur prior to all home UNL football games.

Another influence the local dining establishments have had on the arena concession sales is from the awarding of Special Designated Licenses (SDL's) during larger concerts at Pinnacle Bank Arena. The businesses successfully lobbied the City Council to expand their footprints by creating street closures and a general festival atmosphere that would capitalize on the influx of concert fans to the Haymarket area. There is a bit of hypocrisy on the part of these businesses in that they do not want the arena to potentially siphon some F&B sales from them, yet they have no concerns with doing the same to the arena for events that SMG has booked. The most recent occurrence of an SDL with the Haymarket businesses was during the Kenny Chesney

concert on July 16, 2015. The average food and beverage per capita spending at the arena for this concert was just over 8% lower than the average of the most previous three country concerts (all three concerts had higher per caps than the Kenny Chesney show). Not only does this reduce the arena's income, but it also impedes SMG's ability to secure concerts. Higher food and beverage sales give SMG greater ability to negotiate concert contracts with promoters.

We recommend the City consider all factors of the SDL process to ensure a level playing field. One organization should not benefit at the expense of the other.

We also recommend that SMG conduct on-site surveys of the fans of future watch parties to identify demographics, reasons why the fans came to the arena, and fans' tendencies to visit (or not) other Haymarket businesses if not for the arena watch party. These surveys, and their results, could be quickly conducted using 3-4 people armed with tablets (iPads, Microsoft



Surface) roaming the crowd. There is an opinion by some of those VSG interviewed that the fans attending the watch parties would not visit the Haymarket establishments if the arena watch parties did not exist. By surveying the watch party fans, SMG can prove (or disprove) that notion.

With the addition of new positions in the 2015-2016 budget, SMG will be in a better position to assess, confirm, and execute new event opportunities. A new catering position can focus on food and beverage events, and the new Director of Operations can assume some of the current duties of the General Manager, so he can focus more on event creation.



Operational Review

Recycling

There are numerous reasons why we should recycle, many of which fall under the categories of raw material conservation, energy conservation, pollution reduction and landfill reduction.

Raw Material Conservation

Most man-made products incorporate different materials in order to create the finished product. This involves harvesting raw materials such as trees, rocks and oil so that they can be processed by manufacturers. As a result of this, reserves of these raw materials are depleting and mining operations have a significant impact on vast areas of many different countries.

Deforestation is a prime example of how harvesting natural resources is harming the environment and this is a key reason why we should recycle. This impact can be reduced if we recycle increasing quantities of used products such as paper and furniture.

Energy Conservation

Recycling reduces the amount of energy required to create new products. If we didn't recycle paper, large areas of forest would have to be chopped down to meet global paper demands. The trees from these forests would then have to be transported before being manufactured into the finished product. The same process applies for a wide range of products such as plastics and metals, only they require different raw materials to be harvested.

By recycling, we are cutting out the energy requirements for the mining of new raw materials. This is a very important reason why recycling is important, as energy



conservation is one of the key ingredients for the fight against climate change.

Pollution Reduction

Tied in with the energy saving concept is a reduction in pollution levels. This can come as a result of manufacturing processes becoming more efficient and requiring less energy to manufacture a product. Although clean energy technologies exist, most products manufactured across the globe make use of energy that has been produced by the burning of fossil fuels.

Any reduction in CO₂ or other harmful gases is not only a key ingredient for the fight against climate change, but a key ingredient for cleaning the air we breathe. If pollution levels can be cut by a significant level, this can have a positive impact on the health of a countries population.

Landfill Reduction

The more we recycle, the more we can help to reduce the burden on local and national landfill sites. As population levels increase, we will need to find additional landfill sites, which will harm the surrounding environment and wildlife.

Pinnacle Bank Arena Findings

The management agreement between SMG and WHJPA includes an extremely robust requirement related to sustainability and waste management. The components of the requirement include:

- maintaining a sustainability policy
- maintaining a procurement policy that addresses environmental concerns
- utilization of the arena's MEP system software in order to track and reduce energy consumption
- use of "green" cleaning chemicals and procedures



- diversion of up to 75% of total waste, including diversion plans for each event
- collaboration with City on recycling education
- quarterly reporting of recycling efforts
- annual report and participation in a City review of previous year's Sustainable Practices

While SMG has been able to meet almost all of these requirements, the single biggest challenge they face is the diversion of 75% of total waste. This has been very difficult for SMG due to the fact there are limited options when it comes to sorting and transporting recyclable material and composting materials. When the arena opened, one local company was utilized that would pick up and transport the recycles at no charge. The arena, however had to ensure that all recyclable materials were separated. This was a labor supply and cost borne entirely by SMG. The recycling company was to report back on the weight taken to the recycling facility so that SMG could determine the percentage diverted. However, according to SMG, such reports were never provided.

At some point after the arena opening, the recycling company determined it was not in their financial interest to continue the relationship, and ceased serving the arena. In an effort to meet the terms of the management agreement, SMG began utilizing a transportation company to make the pick up and delivery to the recycling center. Now, in addition to the labor cost to separate the materials, SMG was paying the transportation company a fee to make hauls after every event. SMG is now working with another recycling company, and arena staff must still take every bag and sort through to make sure there are no contaminants. To make things even more laborious, the recycling center won't accept any cups or plastic bottles that have liquid in them, nor do they accept the plastic bottle caps (additional work during the separation process). There still exists the challenge of determining the diversion percentage, as the recycling company does not have the capacity to weight the materials and report back to SMG.



Since the time when VSG began this project, SMG has been able to work with their recycler to now calculate weights, and between the weights of the recycled materials and the weights of the regular trash hauls, a diversion calculation is possible. This past June, the arena exited 4,200 pounds of trash and 5,900 pounds of recyclable materials, for a diversion rate of 58.4%, a very solid effort. This will be improved upon when SMG begins sending their composting program.

While Savor's foodservice operation can separate food scraps during the food prep process, the nearest composting facility is 30 miles away. The venue has not had composting equipment or storage, so keeping these scraps without drawing vermin or creating a malodorous situation is difficult. There is now a plan, we learned in late July, that SMG will start sending compostable materials to a facility outside of Lincoln. Assuming those weights can also be calculated, SMG will be able to produce an accurate diversion rate.

Simply stated, the infrastructure does not seem to exist that would allow SMG to meet their contractual obligation. There is no ability to single-source the efforts, and SMG has to allocate in range of \$12,000-\$16,000 per year for this activity. In addition, an area near the loading dock had to be designated for this purpose, and due to the inherent nature of dealing with garbage, it's extremely difficult to keep the area clean and without a foul odor. Even the critical act of weighing the materials does not take place.

As a point of reference, the following text is from an article in the April 22, 2015 edition of The Economist that talks about recycling in America. While talking mainly about household recycling, the content is still applicable to commercial enterprises.

<http://www.economist.com/blogs/democracyinamerica/2015/04/recycling-america>

(see next page for article)



Most recycled materials should be cheaper than virgin commodities, but America throws too much stuff away. Low landfill fees and a fragmented waste-management system have kept the country's recycling rate at around 34% for two decades—far lower than most rich countries. This waste comes at a cost. Making cans from recycled aluminum, the most valuable container material, requires 95% less energy and creates 90% less greenhouse-gas emissions than virgin stock, yet more than 40 billion aluminum cans hit America's landfills every year. The country chucks away \$11.4 billion worth of recyclable containers and packaging annually, according to As You Sow, an advocacy group.

Part of the problem is that America's approach to waste is a mess of incompatible local systems. Around 9,800 different municipal recycling plans operate around the country, and they all follow different rules. Most recycling facilities were built in the 1990s, and the machinery is often ill-equipped to handle changes in the country's waste stream, such as the decline in paper (newsprint has fallen by half since a 2000 peak) and the swift rise in plastics. Diverting recyclable materials from landfills can save some

money; cities spent about \$5 billion on landfill fees in 2013. But this requires big capital investments, which cash-strapped governments are often disinclined to make. As a result, a quarter of Americans lack access to proper bins for collecting recyclable material, and another quarter go without any curbside recycling at all.

VSG was provided with a Work Plan (dated 6/30/15) created by the City that outlines a goal and various objectives related to sustainability for Pinnacle Bank Arena. The items listed are quite reasonable, although the expectation to reduce energy consumption by 20% is unrealistic. The arena was designed with high efficiency mechanical, electrical and plumbing systems, and unless there are significant capital investments made, simply reducing the operating hours will not achieve that goal. If that were the strategy, to simply turn things off, then SMG runs the risk of compromising the comfort and well being of employees, guests, and facility users. A better approach might be to set smaller goals over the course of



several years, and combine them with smaller annual capital replacements that have a reasonable ROI.

SMG is making admirable strides to achieve a high level of sustainability, but are hampered by the lack of local resources. Additionally, we encourage more collaboration in the goal-setting phase, versus being solely City-directed. Finally, as additional local resources (whether municipal or private) are developed over time, then the goals can be adjusted as appropriate, through this collaborative process.

Typical recycling container

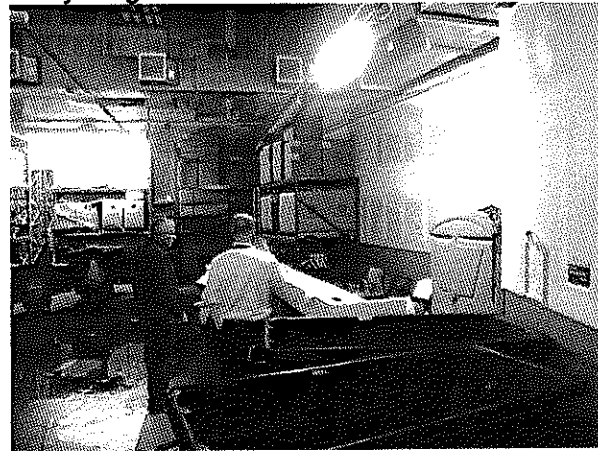




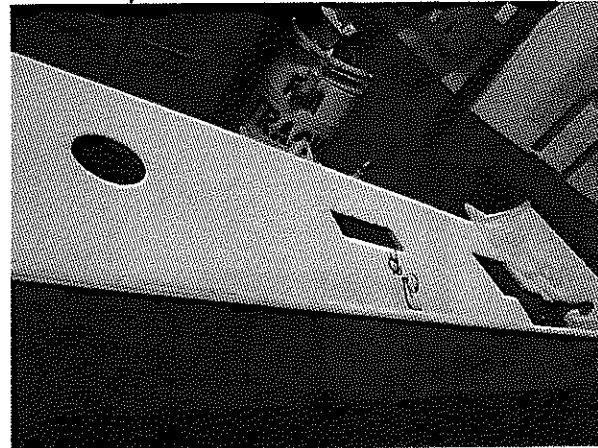
Typical recycling container



Recycling room



Waste separation table

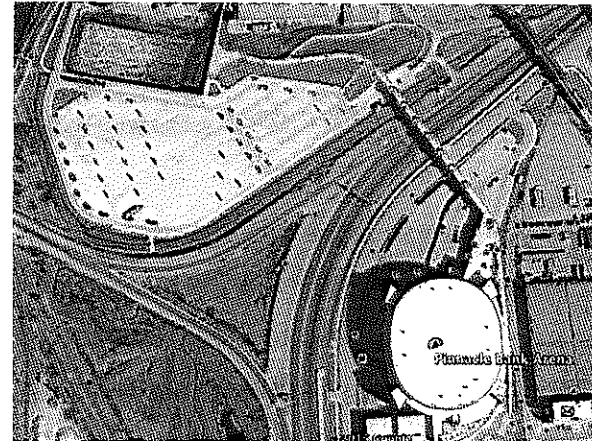


Parking

Parking for a public assembly facility manager can be a significant source of revenue with a relatively low expense. Parking fees may be charged on site during ingress, via a pre-paid situation (typically online), or the parking fee might be built into the cost of an event ticket. Methods of payment can be cash only or cash and credit card. When managing parking, it is very important to maintain strict cash controls, as there is less accountability in selling a “space” versus a tangible good that can be inventoried.

SMG currently manages the parking deck attached to the arena, and it contains 286 spaces for use by arena suite holders. SMG does not receive revenue to be applied to their budget, but does have the financial and operational responsibility to provide cleaning, security, and maintenance services.

SMG also is responsible for both revenue and expenses related to the Festival Lot, a paved surface lot located northwest of the arena site, accessible via a pedestrian bridge and containing 1,300 spaces.



Being the only SMG-managed parking area in which the income is reflected in the operating budget, it is very important that the lot be utilized as much as possible, both as arena event parking, and also as its own event site. So far, this lot has underperformed when compared to budget. In fact, in spite of charging only \$3 per car, the greatest single usage for an arena event has put only



900 vehicles in the lot. During our discussions, there were a variety of possible explanations for the limited usage, including:

- The pedestrian bridge wasn't open for the first 4 months and fans identified their personal parking preference by the time it opened
- The extreme cold discourages the walk across the bridge
- Some downtown parking garages opened sooner than expected, drawing fans away from Festival lot
- Fans prefer to park closer to the entertainment/dining options across the street from the arena

These are legitimate concerns. If the area around the Festival lot becomes developed with retail, entertainment, or dining options, then we would expect to see an increase in the lot's utilization as guests have more reasons to park on that side. Or, as additional office and retail establishments open up south of the arena, putting

pressure on the existing garages, then more traffic may head to the Festival lot.

The biggest opportunity for revenue generation is with events that take place in the lot. To date, there have been successful events such as the annual Ribfest and car shows. The lot is also used for tailgating during UNL football games, and the net income to SMG's budget is into six figures annually. Given the current level of SMG's staff, it is not surprising that sufficient focus has not been placed on event creation; if SMG is able to fill some key positions, then proper planning can occur that will provide for new and different event activity in the Festival lot.

SMG Surveys

A typical feature of facility management agreements is the inclusion of parameters for the management firm to earn a fee above and beyond the base management fee, called an incentive fee. There are a variety of benchmarks that can be utilized, including both financial-



based as well as non-financial. The incentive fee for SMG at Pinnacle Bank Arena includes goals and benchmarks related to revenue generation (financial based) as well as the number of non-University events, non-University attendance, client/tenant satisfaction, and patron satisfaction/mystery shopping (non-financial incentive). For these last two items, there is an element of surveying required for SMG to be eligible for a portion of the non-financial incentive fee. The agreement stipulates the clients and tenant be surveyed, as well as patrons attending events. SMG meets the requirements via two methods.

First, for clients (promoters, event producers, meeting planners, etc.), a post-event survey is submitted by SMG via email to the client contact using Survey Monkey (www.surveymonkey.com), a popular online survey service. This is easily accomplished with smaller and/or non-ticketed events where the event planner may be locally based. For concerts and family shows, the nature of the client is not conducive to completing surveys; they

simply won't do it (with rare exceptions) because they are traveling the country with the event and have limited time. Despite that fact, we would encourage SMG to create a survey and send to promoter reps after each concert/family show, but only if SMG feels this would not create an annoyance. While we would expect very little response, nonetheless it is important to make a good faith effort.

The survey currently sent to clients is a brief, online survey that asks the recipient about their experience related to booking, catering, and event management. There is a nice variety of questions with multiple choice answers as well as open-ended answers. The questions are appropriate and varied enough to garner good feedback necessary for improvement. Many questions are designed with potential answers of "Excellent", "Very Good", "Good", "Fair", "Poor" and "Not Applicable." In order to better adhere to the terms of the management agreement, we recommend the surveys be modified such that there is a rating scale that matches the language of



the agreement (1 to 5), or at least one that the WHJPA and SMG can agree upon. This would be relatively easy by changing “Excellent” to a 5, “Very Good” to a 4, and so on, with instructions to the recipient on what each number represents. This will mitigate any future questions about the calculation of this portion of the incentive fee.

SMG does not conduct any formal surveys related to the University of Nebraska, however they meet regularly with athletic department staff, with more frequency during the basketball season. These meetings are excellent tools for maintaining a positive relationship. But, again, in order to better meet the requirement of the management agreement and mitigate questions, we recommend utilizing an annual survey for the University using an agreeable scoring scale. Because the University has a presence 365 days a year because of the locker and training facilities, slight modification of an existing survey would be appropriate.

The second survey method is that related to patrons and guests. SMG submits an online survey link after every event to each email in their database for that event (emails are provided by Ticketmaster from the patrons’ ticket purchase). The survey and resulting data are held by an online company called ERC (www.ercbpo.com) and SMG receives the results both after each event as well as aggregated information at year end. These surveys have a scoring system that meets the criteria of the management agreement incentive fee calculation basis. It is important to note that the surveys have a section concerning parking, but SMG only controls the 286 spots in the attached garage. The WHJPA may want to consider discounting scoring related to parking when determining incentive fee, unless scores for the SMG-managed garage can be broken out and identified.

These surveys ask a total of 28 questions, with a great majority of them requiring a 1 to 10 scoring response (which can be easily modified to fit the 1-5 scoring scale required by the management agreement). Questions are



varied and ask the recipient about items such as the overall experience, parking, navigation around the arena, concessions, cleanliness, and staff service. There are also open-ended questions that allow for more detailed information and feedback.

These surveys do not go to those attending University basketball games, but UNL has its own system in place to collect feedback from those individuals.

Additionally, and not a requirement of the management agreement, is surveying performed by Savor. At the concession stands, there are small cards that fans can take and complete surveys online (or via mobile device). This is not a mandate, but is something Savor does on its own.

Overall, SMG is doing a good job as relates to the surveying of their guests and clients.

Cleanliness

Cleanliness is a discipline that is not recognized when it's done well, but when executed poorly it can greatly detract from an otherwise positive experience by both guests and employees. Failure to keep a clean facility can perpetuate a perception (real or otherwise) that there is a lack of care with regards to how the facility is maintained and operated in other areas. For example, a dirty facility can lead many to believe the food and beverage items and kitchen conditions are of low quality. In fact, a Harris poll survey in 2011 found just that: 86 percent of U.S. adults equate the cleanliness of a restaurant's restroom with the cleanliness of its kitchen. It is not unreasonable to apply this level of bathroom-to-foodservice correlation to public assembly facilities.

A clean venue also promotes the idea of good health, it means minimizing clutter that can cause accidents, can extend the life of a finish, and provides a source of pride for those who pay for, work in, and visit the facility.



There will always be financial constraints with the level of cleaning that can be accomplished given the budget that's been approved. There are two key factors. First, are the allocated resources being used as effectively as possible? That is to ask, is the responsible department getting the best price for supplies and equipment, are they paying a reasonable wage given the quality of available personnel, and are resources being utilized on proper procedures and cleaning methods? Second, and just as important, is the simple concept of management and supervision. Front line employees must be trained, coached, encouraged, outfitted with the proper tools to do the job, and supervised such that they are performing very specific tasks that are measurable. In any job, employees who think they are not watched are more likely to loiter, hide, or otherwise perform with little effort. It is then incumbent upon supervisory staff to follow behind to conduct inspections to ensure the quality of the cleaning is at the appropriate level, and if necessary, follow up with certain parties who have an interest in knowing the work has been completed. Not only are

doing the work and inspecting the work critical, but documenting such activities is extremely important. Why? The reality in our business is that at times authorities will question the things we are responsible for, and accurate records provide solid evidence of work completion.

The general areas we typically expect to be clean include the public path of travel: concourses and walkways (both debris and dust-free), restrooms, trash cans, landscaping that is debris-free, glass that does not have smudges and scratches, a visible lack of dust on both horizontal and vertical surfaces, clean condiment stands, clean concrete pre-cast, and any beams, low roofs and surfaces that the public can see. The expectation is that the cleaning staff that is appropriately attired and actively working.

The cleanliness of back-of-house spaces is also indicative of the overall care and effort of management to maintain an orderly facility. If storage rooms, mechanical rooms, operational spaces and janitor closets are dirty and in disarray, it is likely that there are similar situations



in other parts of the building, including those seen by the public.

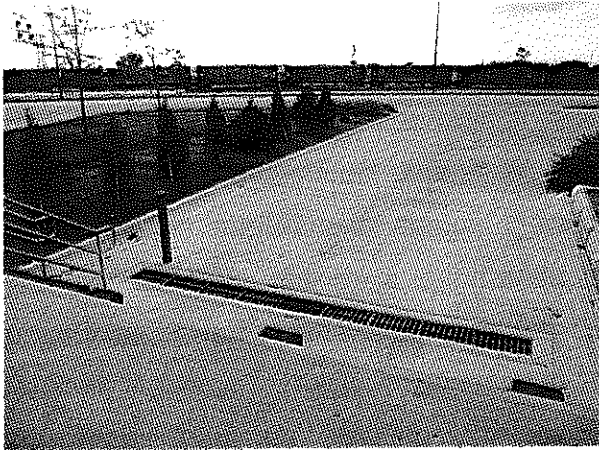
Pinnacle Bank Arena Findings

Cleaning at the arena is performed by SMG staff as an “in-house” function, through a department titled, “Environmental Venue Services.” The staff is comprised of two (2) full time employees and a stable of part time help. EVS is responsible for the daily cleaning of the administrative offices and related restrooms, locker rooms, training areas, suites. They also spot clean public concourses and the seating bowl as necessary in between events. The landscaped grounds are maintained by an outside contractor and paid directly by WHJPA, although the EVS department empties trash cans, sweeps, and removes debris. Concessions stands and prep areas are cleaned maintained by Savor, and we observed them to be clean and orderly.

Overall, the arena was clean and well maintained. The public spaces were free of debris and exhibited few signs of wear and tear. The floors, equipment and counter spaces in the concession spaces were observed to be clean and very well maintained. The seats in the bowl, the Stageright telescopic risers, and the precast were all in excellent condition and very clean. The exterior was also clean and the landscaping in excellent condition.

Landscaping and concrete elements are in excellent condition





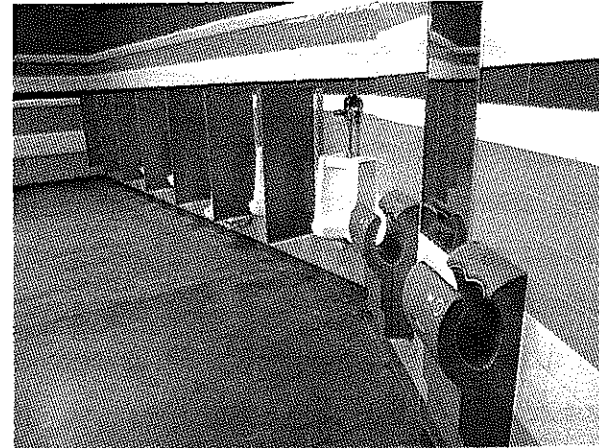
Concession stands are clean



Upper concourse is clean



Restrooms are clean and stocked





Housekeeping closets are clean and orderly



Seats and pre-cast are in excellent condition



Employee break area is in excellent condition





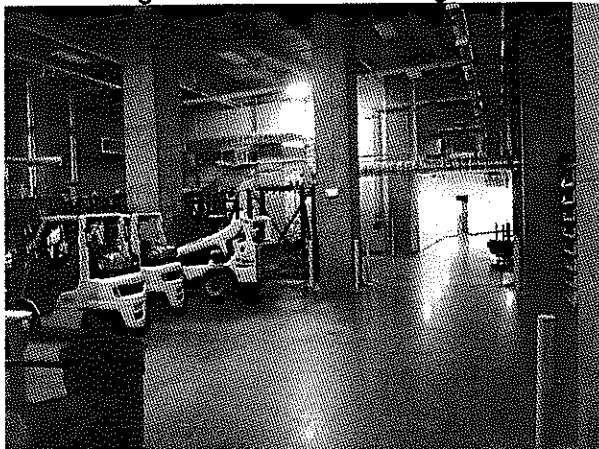
Kitchen is clean and organized



Back of house is clean and organized



Marshaling area is clean and organized





Staffing

An organization or management unit must be able to do many things well in order to be successful. Effectively communicating with multiple audiences, paying attention to the smallest of details, understanding how one action can affect the success of others on whom the unit depends, being content with working primarily behind the scenes, possessing at least a basic knowledge in a myriad of areas such as ticketing, technology, customer service, risk management, operations and maintenance, and being able to handle problems as they arise are all critical pieces to successfully hosting an event, not to mention the importance of developing positive relationships with the event personnel, such as a promoter, a coach and their staff, local police, or part-time event employees.

The development of a successful organization begins with placing the right people in the right positions. It is then followed-up by training, application of appropriate

technology, the provision of a clear definition of the role and chain of command, the provision of the tools necessary to complete the work with clear standards of care, and timely support from superiors.

Pinnacle Bank Arena Findings

SMG opened the arena with 43 FTEs in September 2013 and since then there has been a steady decline due to positions being left vacant because of budget issues. Currently, SMG employs 35 FTEs and has left the following positions unfilled:

1. Director of Operations – one year
2. Savor (food service) finance position
3. Suite Services Manager
4. Event Manager
5. Concession Manager
6. Catering Director
7. Administrative Assistant



8. Eliminated the Assistant GM position (position now Director of Booking)

The General Manager has effectively assumed the Director of Operations' responsibilities and the Premium Food & Beverage Manager has assumed the responsibilities of the Suite Services and Catering Director Manager. The current staffing levels, on the surface, are not sustainable for an arena of this size and event activity. The Director of Operations plays a key role in the upkeep and presentation of the facility and would free the General Manager to focus more on event and revenue creation. Based on the proposed FY 2015/2016 budget SMG has proposed elevating an internal operational staff person to be the Director of Operation and refill the Technology Coordinator position.

SMG has plans to fill the following positions during the 2015/2016 FY:

- Catering Manager
- Premium Manager
- Savor Finance Manager

SMG is currently assessing the long-term options for the Event Services position as they believe this position is critical in delivering a positive experience for live entertainment clients.

Based on our interviews with the engineering staff, it was clear they have a deep technical knowledge of building controls and systems, and are more than capable of providing the requisite upkeep of these systems.



Preventive Maintenance

Public assembly facilities that are well maintained and upgraded when appropriate remain contemporary and competitive with their local and regional rivals. On the other hand, poorly maintained facilities have a negative impact on the operator and owner's ability to attract national events that have large economic impacts on their home cities.

Well-maintained facilities do not happen by accident and require an actionable plan, resources to implement the plan, and staff with proper skill sets to execute the work, which includes tracking and capturing data, transferring knowledge, and implementing training and professional development.

The plan should have a set of objectives on how the operator wants to execute preventive maintenance for the facilities, and the following items should be part of the overall plan:

1. Develop policies for preventive maintenance (which would start with a list of equipment by facility)
2. Utilization of a computerized maintenance management software (CMMS)
3. Develop a set of checklists for equipment maintenance
4. Establish who performs the work
5. Establish a process for employee feedback
6. Establish a quality assurance process to ensure work is actually being done
7. Establish performance metrics for department employees and contractors



Preventive maintenance (PM) is not an attractive or high profile function, and decisions to defer preventive maintenance are made every day by well-intentioned people when prioritizing resources. More resources are typically allocated toward revenue generation. Poorly maintained systems and equipment typically results in more rapid, untimely breakdowns, expensive emergency service calls, and higher utility costs. Proper preventive maintenance procedures require investments in staff and materials; however, an effective program will save the operator money over the life of the facility by limiting repairs and replacements, therefore avoiding costly breakdowns and accelerated equipment replacement and facilitating lower utility costs.

Employees tasked with executing preventive maintenance require training and updating on the systems they are to maintain. Mechanical, electrical, plumbing, roofing, telecommunication and other facility systems require specific training that is ongoing, and this takes a commitment from the employer and employee in

the investment of time and financial resources. Well trained employees and a continued commitment to maintaining certification in their respective disciplines will lay the foundation for adherence to the preventive maintenance program. As technology advances, the commitment to training will ensure that employee skills do not become dated and obsolete.

One of the most critical aspects for effective asset preservation is the utilization of a computerized maintenance management software (CMMS) that allows for the implementation of preventive maintenance along with the necessary tracking and budgeting for preventive maintenance. Daily work orders can be produced through the system, employee hours tracked, and materials required to perform preventive maintenance can be identified and managed. The software can assist the operator administratively, as it can be used for contract and insurance tracking, purchase orders, inventory ordering and scheduling.



Pinnacle Bank Arena Findings

SMG currently deploys Altum/Bigfoot CMMS to document and plan preventive maintenance for the arena. SMG provided VSG representative documentation of their past preventive maintenance. An example of which is provided in the Appendix section of the report. As a part of the annual budget submittal process or at the JPA board meetings, SMG should be asked to present documentation to the board on the number of work orders that have been completed and are in the process of completion. The JPA should periodically audit the efficacy of the SMG preventive maintenance program by engaging a 3rd party to assess the condition of the arena's major systems.

SMG currently has a full-time engineering and operations staff of 9 FTEs with the Director of Operations and Technology Coordinator positions vacant due to budget cuts to offset revenue not meeting budget projections. The Engineering Manager and Engineering Lead perform

most the preventive maintenance in the arena, augmented by three part-time engineers. Depending on the nature of the task, work orders can be assigned to the operations department, Production Manager or Savor if it's food service related. The operations staff performs all preventive maintenance, repair and service on the retractable riser system. SMG also contracts out preventive maintenance and repair of more complex systems such as elevators and escalators, which is consistent with industry "best practices".

According to SMG they have a weekly operations department meeting to review the Altum PM program to review the number of open work orders and if a department requires assistance in closing out work orders then additional resources are added to finish the work in a timely manner.

The cleaning of the facility is "in-house" under the direction of the Facility Manager who also manages the recycling program, exterior maintenance, ice & snow



removal and production set-up for Pinewood Bowl and exterior events such as car shows and Ribfest. The Facility Manager coordinates the preventive maintenance of housekeeping equipment such as floor scrubbers and buffers.

Building Automation Systems (BAS)

Building Automation Systems (BAS) offer a myriad of benefits when configured and utilized properly. Ideally, such a system will be created with an open communications protocol to allow for system expansion or upgrading; a BAS with components proprietary to the manufacturer can lock the owner into expensive, long-term service arrangements.

Building automation is very effective in reducing both the energy costs and environmental costs of operating a building. Because of this, most systems start by automating the operation of the heating, cooling, ventilation and air conditioning (HVAC) systems.

Automating the interior and exterior lighting systems usually provides the next-biggest gains in energy efficiency, but there are many other potential benefits as well. Modern building automation systems provide remote monitoring and alerting capabilities that can warn operators of a failure or an abnormal condition in a building.

Pinnacle Bank Arena Findings

The Pinnacle Bank Arena deploys a Niagra BAS that allows SMG to seamlessly schedule and monitor HVAC systems. The engineering manager was interviewed about the system's capabilities and clearly demonstrated a technical knowledge to optimize the system. SMG has undertaken an improvement of the base automation system to include an additional 143 sub meters that will enhance the operators' ability to monitor energy consumption and where it is being consumed in the arena. SMG has a targeted demand charge reduction of 20% for the 2015/2016 FY. For June 2015, they have



reduced the demand charge from \$32K to \$17.6K. The enhancement is projected to cost \$184K with a return on investment (ROI) of 1.5 years.

Capital Planning

Long-term capital expense planning is a critical component to properly maintaining and extending the usable life of any facility. The capital investment required over the expected usable life of a venue, in many cases, will exceed the original project cost to construct the facility.

Oftentimes, the appropriate mixes of fan amenities change, especially in facilities that are older than 10 years that have had no upgrades. Technological advances in video technology and the improvement of the home entertainment experience require owners and operators to continually plan for improvements and update systems to provide a positive guest experience.

Mechanical and roof systems typically have an expected usable life of 20 to 25 years if properly maintained and eventually require significant investment. Food service improvements are necessary over the life of the facility and typically involve large and small wares replacement, digital menu boards for concession stands, an improved point-of-sale system and portables that can provide cooking for specialty food items.

Pinnacle Bank Arena Findings

To date there has been no development of a long-term capital expense plan for the arena, which is not unexpected due to being only 2 years into its operations. However, a long-term capital plan should be developed in the near term so the JPA can start the planning process for large dollar repair and replacement items. We recommend that the JPA task SMG with developing an initial plan with a 30 year time horizon broken down into the following categories:



1. Interior Finishes – Suites/Loges/Clubs, Concourses, Wayfinding, Locker & Dressing Rooms, Fan Amenities
2. Major Systems – HVAC, Controls, Electrical & Plumbing
3. Fixed Seating Replacement
4. Structural Systems
5. Entertainment Systems – Video & Ribbon Boards, Audio, Televisions, Broadcast, IPTV, Cabling
6. Roofs – Membranes, Water Diversion & Lightning Protection
7. Food Service – Equipment, POS, Menu Boards, Graphics, Portables
8. Furniture, Fixture & Equipment – Staging, Folding Chairs, Tools, Tables

The plan should provide the following detail on individual items:

1. Expected Life Cycle of Equipment and or System

2. Current Condition of Equipment and or System
3. Estimated Cost of Repair or Replacement

SMG, as a part of the budget submittal process, should be required to present an updated capital expense plan that focuses on the next 5 years.

Beginning in the 2016 FY, the JPA will set aside \$1.3M (increasing by 3% annually) into a capital reserve fund for the arena. To ensure that the facility and its systems are being maintained according to industry “best practices” and manufacturer specifications, the JPA should consider engaging a 3rd party to assess the condition of the arena every 3 years or one year prior to the expiration of the management agreement.

Safety & Security

The principles, practices, and procedures to systematically manage risks and the ability to facilitate the planning and execution of effects-based security



operations are critical to preserving large assets, preventing theft of smaller portable items, and ensuring the safety of facility occupants.

There is not a "one solution fits all" scenario, as each arena has its own nuances that require different means and methods of providing a sufficient security program. What works in one arena may not be applicable to another. It is also true that relying on a single security method (CCTV, patrols, or card swipe) is not sufficient in today's environment. A proper security plan involves both hardware and procedural mandates.

Properly securing and protecting an arena may include some or all of the following:

1. Closed circuit TV system with 24 hour surveillance and DVR capability
2. Alarm systems at critical areas (e.g. where money is handled/stored)
3. Perimeter fencing that is controlled and of proper construction
4. Gate and door hardware that is reliable and controlled via personnel, card swipes, or biometric readers (eye, fingerprint, etc.)
5. Regular patrols of security staff/law enforcement with the means to verify the routes (e.g. Tour Scan)
6. A properly trained security staff with strong post orders and a clearly identified range of authority
7. A clear procedure for authorized employee entry
8. Adequate vehicular intrusion devices (bollards, etc.)
9. Properly protected/elevated air intake grills
10. Properly manicured landscaping to prevent the hiding of explosive devices or individuals
11. Background checks performed on all security personnel
12. Ticket windows with bulletproof glass and roll down security shutters
13. Utility access points are protected (gas main, water main, etc.)
14. Adequate exterior lighting



15. Use of panic button to alert law enforcement where significant cash is handled
16. Regular maintenance and inspection of fire suppression devices

Mitigating theft of portable property has its own set of measures, including:

1. Maintaining an asset inventory of portable equipment and annually verifying its availability. This includes noting each item, the quantity, the serial number, and its current physical condition
2. Properly storing equipment, with smaller but more valuable pieces kept secured with limited access
3. Keeping a sign-out/sign-in log for small items that may be required by many different individuals
4. Maintaining strict protocols on equipment that is used at multiple facilities so there is a record of who takes possession of it, where it goes, and when it returns
5. Creating an environment where everything has its place; it is then much easier to determine if something is missing
6. Mark portable equipment with the location, building, person, etc., to which (or to whom) it belongs
7. Maintain a clear and enforceable policy on employee theft – employees should learn this as soon as they are hired
8. Be aware of employee behavior that indicates potential theft, such as not taking vacations, being overly protective of a workspace, an unexplained change in behavior, or choosing or electing to work unsupervised at an inappropriate time
9. Use anchoring devices when appropriate (e.g. use coated airplane cable run through racks of chairs so individual chairs cannot be removed)



Pinnacle Bank Arena Findings

SMG is responsible for hiring and training security guards for the 24-hour, seven-day week security of the arena. SMG has one full-time security manager who provides an 8-hour training course as a part of employee onboarding. The training program gives an overview of policy and procedures such as evacuation and life safety. The security manager liaises with the local emergency responders. Currently, three shifts cover the 24-hours.

The shifts are broken down as follows:

1. Shift 1 8:00 A.M. – 4:00 P.M.
2. Shift 2 4:00 P.M. – 12:00 A.M.
3. Shift 3 12:00A.M. – 8:00 A.M.

The first shift and third shift is staffed with one guard and the 2nd shift with two guards on nights there are events and one on “dark” days. The 24-hour security staff is made up entirely of part-time employees who typically have prior law enforcement or military experience.

Based on the size and physical characteristics of the arena, it appears the facility is properly staffed to monitor the electronic surveillance systems, checking of exterior doors, and still be able to react when the need arises.

Currently, the arena deploys 75 CCTV operable cameras some of which are “PTZ” which can be manually operated. According to the security manager the current system has sufficient video storage capacity.

A review of the “emergency procedures manual” in the security office indicated that updating is required in the near term. The current plan is detailed in several areas but lacks organization. The arena emergency plan could be structured in the following manner:

1. Emergency Call Out Roster
 - a. List of emergency contact numbers for city and arena personnel
 - b. Team emergency contact numbers
 - c. Overnight emergency procedures



2. Emergency Plan

- a. Statement of Purpose
- b. Responsibility for Coordinating
Emergency Actions
- c. Command Posts
- d. Radio Communications
- e. Public Information
- f. Emergency Structure

3. Bomb Threats

- a. Telephone Operator Procedures
- b. Notification
- c. Search Action
- d. Staff Responsibility
- e. Sweep/Verification/All-Clear
 - i. During Event
 - ii. During Non-Event

4. Fire

- a. Fire Alarm Steps
- b. Fire Alarm Detection
- c. Assembly Areas
- d. Department Responsibility

5. Evacuation

- a. Partial Evacuation Procedures
- b. Full Evacuation Procedures
- c. Mobility Impaired Patrons
- d. Box Office Procedures
- e. Post Evacuation Procedures
- f. NBA Evacuation Procedures



6. Attachments

- a. Evacuation Public Address Announcement
- b. Incident Checklists
 - i. Severe Weather
 - ii. Power Failure
 - iii. Post Damage Assessment
- c. Bomb Threat Call Form
- d. Facility Preparedness
- e. Medical Emergency
- f. Fire
- g. Mechanical/Equipment Failure
- h. Place of Refuge
 - i. Evacuation
 - j. Detours
- k. Emergency Assembly Area
- l. Evacuation Equipment Aids
- m. Media/Tenant Relations
- n. Crisis Management Plan Summary
- o. Seating Maps
- p. Incident Report

It is recommended that new hires be required to read the emergency plan and sign off that they have read the document. Everyone who works in the arena every day has some responsibility in executing the plan, not just security and event services personnel.