

LOUISIANA STADIUM AND EXPOSITION DISTRICT
MANAGEMENT FEE COMPUTATION SCHEDULES
STATE OF LOUISIANA



FINANCIAL AUDIT
ISSUED DECEMBER 11, 2013

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$3.97. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3427 or Report ID No. 80130134 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	2
	Schedule
Schedules of Management Fee Computation1.....	4
Note to the Schedules of Management Fee Computation.....	5



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 25, 2013

Independent Auditor's Report

**BOARD OF COMMISSIONERS
LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA**
New Orleans, Louisiana

We have audited the accompanying schedules of management fee computations under the provisions of Article 4.1 of the Management Agreement between the State of Louisiana and SMG, Inc., dated June 13, 1977, as amended, for the years ended June 30, 2013 and June 30, 2012, and the related note.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the schedules in accordance with Article V, Section 5.1 of the Management Agreement between the State of Louisiana and SMG, Inc., dated June 13, 1977, as amended, which governs the contents of the schedules referred to in the first paragraph. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedules based on our audits. We conducted our audits of the schedules in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the management fee computation of the Louisiana Stadium and Exposition District for the years ended June 30, 2013 and June 30, 2012, as defined in the Management Agreement referred to in the first paragraph.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Louisiana Stadium and Exposition District as of and for the year ended June 30, 2013, and our report thereon, dated November 25, 2013, expressed an unmodified opinion on those financial statements.

Restriction on Use

This report is intended solely for the information and use of the Board of Commissioners and management of SMG and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

JMJ:NM:EFS:THC:ch

**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA**

**Schedules of Management Fee Computation
For the Years Ended June 30, 2013 and June 30, 2012**

	<u>2013</u>	<u>2012</u>
BASE FEE:		
Fixed Base Fee per Section 5.1.b of the Amended Agreement	\$1,000,000	\$1,000,000
Adjustments required by amended Management Agreement:		
Adjustment for increase in consumer price index - Section 5.1.d	238,200	217,700
Fee Increment Adjustment - Section 5.1.g	<u>(363,101)</u>	<u>(363,101)</u>
ADJUSTED BASE MANAGEMENT FEE	\$875,099	\$854,599
INCENTIVE FEE:		
Adjusted Net Income, as defined by the Management Agreement	29,583,003	29,429,186
Adjustments required by the Management Agreement:		
Revenue adjustment for Saints event revenue	(9,091,026)	(9,868,604)
Revenue adjustments for Saints suite revenue	(7,603,021)	(6,532,885)
Revenue adjustment for Hornets/Pelicans event revenue	<u>(3,247,024)</u>	<u>(2,630,872)</u>
Net Income as adjusted per Management Agreement	9,641,932	10,396,825
INCENTIVE FEE - 10% of first \$10,000,000 and 5% of any additional Adjusted Net Income per Management Agreement, Section 5.1.b.3	964,193	1,019,841
BONUS:		
20% of Adjusted Base Fee per Management Agreement calculated in accordance with the provisions of Section 5.1.b.4	<u>175,020</u>	<u>NONE</u>
TOTAL MANAGEMENT FEE COMPUTATION, BEFORE CAP	<u><u>\$2,014,312</u></u>	<u><u>\$1,874,440</u></u>
MANAGEMENT FEE CAP CALCULATION:		
Management Fee Cap per Section 5.1.c of the Amended Agreement	1,500,000	1,500,000
Adjustments required by the Management Agreement:		
Adjustment for increase in consumer price index - Section 5.1.d	357,240	326,550
Fee Increment Adjustment - Section 5.1.g	<u>(363,101)</u>	<u>(363,101)</u>
ADJUSTED MANAGEMENT FEE CAP	1,494,139	1,463,449
MANAGEMENT FEE - SMG	<u><u>\$1,494,139</u></u>	<u><u>\$1,463,449</u></u>

The accompanying note is an integral part of this schedule.

NOTE TO THE SCHEDULES OF MANAGEMENT FEE COMPUTATION

Amended Management Agreement

Effective July 1, 1977, the State of Louisiana entered into a management agreement with HMC Management Corporation (which later changed its name to Facility Management of Louisiana, Inc.) (the Management Agreement) to manage the Louisiana Superdome. Effective June 19, 1998, the Management Agreement was amended to authorize the substitution of SMG Corporation for Facility Management of Louisiana, Inc., as manager under the agreement and to include the Arena among the properties to be managed by the manager under the Management Agreement. Effective July 1, 2003, the Management Agreement was amended and the term of the Agreement was extended until June 30, 2012. By the terms of this amendment, the State was required to notify SMG by June 30, 2011, if it elected not to extend the Management Agreement for an additional five years. SMG was not notified by the State and the Management Agreement was further extended for an additional five-year period ending June 30, 2017.

Pursuant to the amendment to the Management Agreement on July 1, 2003, the formula for compensation to SMG for its services changed to a combination of a base fee, incentive fee, and bonus fee, capped at \$1,500,000 subject to adjustments per the terms of the Management Agreement. The annual “base fee” is \$700,000 for the Mercedes-Benz Superdome and \$300,000 for the New Orleans Arena. The base fee is adjusted for the increase in the Consumer Price Index and by a fee increment adjustment, as provided by sections 5.1.d and 5.1.g, respectively. The “incentive fee,” as provided by Section 5.1.b.3, will consist of 10% of the first \$10,000,000 and 5% of any additional adjusted net income as defined by the Management Agreement for the Mercedes-Benz Superdome and New Orleans Arena, subject to limits established in the agreement. The “bonus fee” will be computed using a percentage of the combined base fees derived from comparing the actual financial performance of the two buildings to budgeted performance. For the year ended June 30, 2013, the bonus fee was 20% of the base fee in accordance with Section 5.1.b.4 of the agreement. For the year ended June 30, 2012, there was no bonus fee. The combined fee paid to SMG for the year may not exceed \$1,500,000 as adjusted for the Consumer Price Index (Section 5.1.d) and a fee increment determined by comparing actual fees earned for fiscal years ended June 30, 2004, 2005, and 2006, to those that would have been earned for those years had the revised fee structure been in effect for those years (Section 5.1.g). For the years ended June 30, 2013 and June 30, 2012, the total management fee was \$1,494,139 and \$1,463,449, respectively.