

MINUTES OF THE MEETING
OF THE BOARD OF THE
SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH
AND ALLEGHENY COUNTY
HELD THURSDAY, AUGUST 13, 2015
AT THE DAVID L. LAWRENCE CONVENTION CENTER
PITTSBURGH, PENNSYLVANIA
COMMENCING AT 10:43 A.M. E.S.T

A meeting of the Board of Directors of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (the "Authority") was held upon proper notice in SMG's administrative offices at the David L Lawrence Convention Center in Pittsburgh, PA 15222, on Thursday, August 13, 2015 commencing at 10:43 A.M E.S.T.

Members of the Authority

Present: Senator Wayne Fontana, Chairman
Michael Dunleavy, Vice-Chairman
Councilman Dan Gilman, Member
Councilman James Ellenbogen, Member
Jill Weimer, Member
Reverend John Welch, Member
Sala Udin, Member

Also Present: Mary Conturo, Doug Straley, Rosanne Casciato, Rosemary Carroll, Taylor Blice, Rifat Qureshi, Christina Lynch, Theresa Bissell, Michael Beasley, Allison Botti, Brenda Henry, Sara Payne, and Haley Ketchel of the Authority; Clarence Curry of CFC-3; Ryan Buries, Tim Muldoon, Andre Henderson, Linda Mihalic, Conor McGarvey, Jeremy Donovan, Eileen Letson, Nancy Mellinger, and Kevin Fonner of SMG; George Meehan of Levy; Bob McClintock of SMG Corporate; Chris Hunter, Pittsburgh Associates; Frederick Winkler, architect; Molly Born, reporter, Pittsburgh Post-Gazette.

Senator Fontana called the meeting to order with the Pledge of Allegiance, followed by a roll call of the Board Members. It was determined that a quorum was present. Beginning with public participation, Senator Fontana asked if any members of the audience would like to address the Board. Hearing none, he moved to the next item on the agenda. The meeting continued with the

approval of minutes from the meeting of July 9, 2015. A motion was made, seconded, and unanimously approved.

Senator Fontana addressed new business with the first item on the agenda, a request for authorization to enter into an agreement with H.E. Neumann Company in a lump sum amount of \$7,500 to replace two backflow prevention valves in the Chilled Water Plant at the David L. Lawrence Convention Center.

One of the four domestic water services at the Convention Center is located in the Chilled Water Plant as required by plumbing code. There are 3 backflow prevention valves to prevent water in the building pipes from flowing back into the PWSA distribution system. The backflow prevention valves are tested annually by an outside contractor. The 2015 testing in April indicated that results were outside acceptable range for two of the valves. The contractor recommended that one valve be replaced and the other be replaced or rebuilt.

Veolia Energy, the Chilled Water Plant operator, solicited quotes from four contractors for the work. Upon review, the low quote of \$7,500 from H.E. Neumann Company to replace both valves was considered the most cost effective approach for the long term. Although the valve can be rebuilt at a lower cost, the decision was made to replace the valve because the new valve would have a longer useful life. Quotes also received were from Power Mechanical in the amount of \$1,138 and Hochstein Mechanical in the amount of \$9,230. H.E. Neumann will begin work immediately following a contract award.

With a 2-week lead time on parts, the work is expected to be completed by early September. The new valves have a one-year warranty on parts and labor.

Senator Fontana asked if there were any questions from the Board. Hearing none, a motion

was duly made, seconded and unanimously carried. The following resolution was approved:

RESOLUTION NO. 5339

Resolved by the Sports & Exhibition Authority of Pittsburgh and Allegheny County that its Executive Director and other proper officers are authorized to approve into an agreement with H. E Neumann Company in a lump sum amount of \$7,500 to replace two backflow prevention valves in the chilled water plant at the David L. Lawrence Convention Center; and further that the proper officers and agents of the Authority are authorized to take all action and execute such documents as are necessary and proper to effectuate the terms of this Resolution.

Senator Fontana introduced the next item, which was a request for authorization to award a contract to Keystone Electrical Systems in a lump sum of \$15,500, and to reimburse an amount of \$1,300 for temporary work completed on an emergency basis.

Mr. Buries stated the waste water treatment plant provides approximately 5.2 million gallons of water annually to the Convention Center. All waste from the Convention Center is stored in an underground sump tank located beneath the parking garage. The nature of the tank is not environmentally conducive to electronics. There are two submerged transfer pumps that move solid waste from the tank into the plant where it is treated and stored for reuse in the Convention Center. Near the end of May 2015, grinder pump # 2 stopped working.

During the investigation of the cause, it was discovered that the electrical conduit used to deliver power to the grinder pumps was compromised. At that time, a temporary solution was implemented in order to keep the plant in operation, and Advantus Engineers, LLC was engaged to design a permanent solution. The solution needed to remove the sensitive components of the electrical infrastructure components from the hostile environment of the tank, and meet the Class 1 Division 1 environment requirements.

This project was posted on the SEA website. Quotes were solicited from three companies: Keystone Electrical Systems, Inc., Sargent Electric Company and Vantage Corporation. Keystone Electrical Systems, Inc. provided a quote of \$15,500 to complete the work per the engineer's design. Keystone Electrical Systems was also the contractor that responded in a timely manner and executed the emergency temporary repair in June 2015 at a cost of \$1,300.

Upon approval, the work is expected to take 5-8 working days. Keystone Electrical is 100% WBE.

Senator Fontana inquired if there were any questions from the Board. Reverend Welch asked if there was a design flaw. Mr. Buries replied that the original intake access hatch to storage tank is currently exposed in the parking garage and that will be modified to meet the Class I Division I requirement.

On a motion duly made, seconded and unanimously carried, the following resolution was approved:

RESOLUTION NO. 5340

RESOLVED by the Sports & Exhibition Authority of Pittsburgh and Allegheny County that its Executive Director and other proper officers are authorized to award a contract to Keystone Electrical Systems, in a lump sum of \$15,500 and to reimburse a lump sum amount of \$1,300 for temporary work completed on an emergency basis; and further that the proper officers and agents of the Authority are authorized to take all action and execute such documents as are necessary and proper to effectuate the terms of the Resolution.

Senator Fontana continued on to the next item, which was a request for authorization to issue a purchase order to Industrial Pump and Motor Repair, Ltd. in an amount of \$4,510 for purchase of two new grinder pumps for the waste water treatment plant sump tank.

Mr. Buries stated the second component of the waste water treatment plant project is a purchase order for two new grinder pumps that stopped working. Four quotes were solicited for the purchase of the grinder pumps. Industrial Pump and Motor Repair submitted the lowest quote for the two pumps. They are in the process of becoming a WBE but are not currently certified.

On a motion duly made, seconded and unanimously carried, the following resolution was approved:

RESOLUTION NO. 5341

RESOLVED by the Sports & Exhibition Authority of Pittsburgh and Allegheny County that its Executive Director and other proper officers are authorized to issue a purchase order to Industrial Pump and Motor Repair, LTD. in an amount of \$4,510 for the purchase of two new grinder pumps for the waste water treatment plant sump tank; and further that the proper officers and agents of the Authority are authorized to take all action and execute such documents as are necessary and proper to effectuate the terms of this Resolution.

Senator Fontana introduced the next item, which was a request for authorization to contract with FMS Construction in a lump sum amount of \$130,175 for the renovation of Concession Stand B, and to contract with Grady's Restaurant and Bar Supply in a lump sum amount of \$24,181 for purchase of food service equipment for the concession stand.

Currently there are 6 concession stands used in the Convention Center; four of these are located within Halls A, B and C, and two in Halls D and E. Stand A1 is currently not utilized for concession stand (it is used as storage for Levy); and no improvements are planned for that stand.

GBBN Architects was engaged in April 2014 through the existing open-ended contract to create a feasibility study and design for improvements and upgrades to the concession stands and to provide construction management services during the construction phase. A report was issued

in February 2015 with a recommendation to renovate Concession Stand B (located in Hall B), because it represents 38% of overall stand usage. Return on investment is projected at approximately four years.

There are four components of the Concession Stand B renovation project: 1) a point-of-sale system, 2) digital menu boards, 3) connections equipment and 4) concession system stand renovation. Only project components 3 and 4 are covered by this board authorization. The total budget for all four components for the Concession Stand B project is \$260,424.

GBBN Architects, with input from Levy Restaurants and SMG, provided a design concept utilizing signage, color and material. The intent of concept design is to brand the concession stand space in a way that distinguishes itself from the language of the Convention Center environment. This will allow it to be more visible to the customers by reconfiguring the space, especially at the front counter. The customer will experience the sights, sounds and aroma of the food preparation.

Component #4 of the project (the concession stand renovation) was publicly bid in July 2015. Bids were advertised in the Pittsburgh Courier, Pittsburgh Tribune-Review, Pittsburgh Builders Exchange, and on the SEA website. Four contractors attended a pre-bid meeting on July 16, 2015. FMS Construction is recommended to the Board as the lowest bidder (\$130,175). It has 20% MBE 4.3% WBE participation.

In regard to equipment purchase, component 3 of the work, the specifications were advertised in the Pittsburgh Courier, Pittsburgh Tribune-Review and SEA website. No pre-bid meeting was held and five bids were received on July 28, 2015. Grady's Restaurant and Bar Supply submitted the lowest responsible bid (\$24,181); therefore it is recommended to award the contract to Grady's Restaurant and Bar Supply.

FMS has proposed 20% MBE participation and 4.3% WBE participation on the construction contract. There is no MBE/WBE participation on the equipment purchased.

Senator Fontana asked if there were any questions from the Board.

Councilman Ellenbogen asked why the project was not advertised in the Pittsburgh Post-Gazette, as it is widely used for ad circulation. Mr. Meehan responded that it was advertised in the Tribune Review.

Ms. Conturo added that this work is a trial run, since we have four main concession stands in the large Exhibit Halls A, B, C, D and E, to see if the work will improve visibility for those attending and will provide better service for attendees, which is our goal.

Mr. Meehan pointed out that they selected concession stand B because it gets the most use of all of the three stands, and we would get the best reading and observations from that.

Ms. Conturo stated that payment is coming from our Food and Beverage Reserve account.

On a motion duly made, seconded, and unanimously carried, the following resolution was approved:

RESOLUTION NO. 5342

RESOLVED by the Sports & Exhibition Authority of Pittsburgh and Allegheny County that its Executive Director and other proper officers are authorized to contract with: FMS Construction in a lump sum amount of \$130,175 for the renovation of Concession Stand B, Grady's Restaurant and Bar Supply in a lump sum amount of \$24,181 for purchase of food service equipment for the concession stand; and further that the proper officers and agents of the Authority are authorized to take all action and execute such documents as are necessary and proper to effectuate the terms of this Resolution.

Senator Fontana introduced the next item, a request for authorization to enter into a 5-year agreement with SMG for management and operation of the DLCC.

Mr. Straley stated that SMG has been the original manager since 2002. The SEA undertook a national request for proposal (RFP) process in 2002, with assistance of KPMG. That contract was amended in 2004. A new contract was entered in 2011 which expires at the end of this year. The SEA undertook a new RFP process at the beginning of this year to select a management company. A request for proposals was issued May 15, 2015. The notice was advertised in the Pittsburgh Tribune-Review, the Pittsburgh Courier and on the SEA website. Research was done on other firms that provide management services and these firms were informed of the RFP opportunity. Seven firms requested the RFP. A mandatory pre-proposal meeting was held on June 1 with three firms in attendance: SMG, Spectra (formerly Global Spectrum) and AEG. On June 26, the SEA received proposals from SMG and Spectra. A review committee consisted of SEA Board Members, including Mr. Udin, Councilman Gilman and Mike Dunleavy; and SEA staff, including Mary Conturo, Rosanne Casciato, Doug Straley, and Clarence Curry, SEA's senior diversity coordinator. Interviews were held with both firms July 17th. Afterwards, additional information was requested from both firms and it was received shortly thereafter.

The committee recommended to move forward with the current operator, SMG. The decision was made because of an overall lower fee proposal with SMG's incentive fee capped at 20%, because there would be no need to transition from the current operator, and there would be no disruption of events related to hiring a new management level team. SMG also did not request modifications to the form of contract in the RFP, and received letters of support from VisitPittsburgh, area hotels and local unions. The fee structure is a fixed fee of \$175,000 in year one (January through December 2016). The fee will increase annually by CPI, however it is capped at 3%. The other portion is an incentive fee that is equal to 20% of gross adjusted income in excess of average adjusted gross income of previous 3-year period. The incentive fee will

not exceed 20% of the total fee and there will be a 20% reduction to the incentive fee for every 1% the actual expense budget exceeds the budgeted expenses. Other benefits provided by SMG include corporate's website enhancement, and agreement for a five-year term with option to extend at the SEA's discretion for an additional five-year term under the same terms and conditions. The Authority will have the right to terminate after the second and fourth years of initial term and renewal term.

Councilman Gilman stated that SMG's bid provides a lower impact for protections of taxpayers' dollars and that terms of the contract provide a benefit for their dollars. He stated that nevertheless, it was very clear that there is room for improvement. Some will be provided because SMG corporate leadership has agreed to meet with the Authority to review key management areas on a quarterly basis. Also, the Authority will have options to terminate the agreement in the second and fourth years if we don't see an improvement. The quarterly meeting will also include addressing MBEs to work with SMG.

Mr. Udin requested that Mr. Curry give a summary of MBE/WBE and workforce involvement of the proposal. Mr. Curry stated that he carefully reviewed the workforce diversity plan with SMG on several occasions. The workforce is composed of 58 or 59 employees; 35% women, 16% minority. SMG is committed to establishing a target for minority workers and plans to work to increase the current percentage from 16% to 20%. SEA and SMG will work together to make decisions such as the awarding of major contracts. They have and will continue to work for additional areas of improvement with minority business participation. For example, six or seven firms were identified including stationary and uniforms. Mr. Curry plans to meet with SMG staff to review overall spending and look for additional areas to increase minority business participation.

Mr. Udin stated that he was aware of SMG's plan to improve minority business, and he is glad to see that they are moving forwards with SMG who has been serving us for 13 years now. It seems there should be a system in place to get closer to the diversity goals. He said he is glad that everyone will be working on achievement of these goals and that in the next five years. There should be progress in meeting goals that can be measured regularly. We should see improvement at two years and further progress at four years. On a motion duly made, seconded and unanimously carried, the following resolution was approved:

RESOLUTION NO. 5343

RESOLVED by the Sports & Exhibition Authority of Pittsburgh and Allegheny County that its Executive Director and other proper officers are authorized to enter into a 5-year agreement with SMG for management and operation of David L. Lawrence Convention Center; and further that the proper officers and agents of the Authority are authorized to take all action and execute such documents as are necessary and proper to effectuate the terms of this Resolution.

Senator Fontana introduced the next item, which was a request for authorization to enter into a one-year agreement and to extend the agreement for two six-month periods, at the Authority's discretion with Avison Young - Pittsburgh LLC for brokerage services for the retail spaces in the David L. Lawrence Convention Center and North Shore Garage.

Mr. Qureshi stated that on May 31, 2015, the Authority's existing brokerage agreement expired. The Authority, jointly with the Stadium Authority of the City of Pittsburgh, issued a request for proposal for real estate brokerage services. The Authority wishes to lease the DLCC and North Shore Garage retail spaces, and the SA has space in the West General Robinson Street Garage that it wishes to lease.

RFP notices were distributed to six locally-based national real-estate firms (CBRE, Jones Lang LaSalle, Newmark Grubb Knight Frank, Grant Street Associates, Inc., Hanna Langholz Wilson Ellis and Avison Young- Pittsburgh, LLC.) A notice was posted on the SEA website, and the RFP was advertised in the Pittsburgh Tribune-Review and the Pittsburgh Courier. There were two respondents, Avison Young and CBRE, Inc. Each respondent submitted a proposal which included, among other things, company information, leasing experience in Pittsburgh, a proposed marketing plan for spaces, a commission structure, potential MBE/WBE participation, and information on key broker(s) who would lead the project.

A review committee reviewed the proposals and recommended Avison Young. The review committee consisted of Authority staff (Doug Straley, Rifat Qureshi and Authority's senior diversity coordinator Clarence Curry), Stadium Authority Board members Jim Malanos and Michael Danovitz, and SEA Board members Senator Fontana and Reverend John Welch.

Some factors that the committee noted with respect to the Avison Young project team were its local experience, MBE participation of 40% (CCS Consulting, Bridget Jones-Canedy principal), no clients with similarly situated space, and a competitive fee proposal.

Avison Young also indicated they intend to market spaces emphasizing green strategies, and solicit MBE-WBE firms for any third-party procurement during the course of the contract.

Avison Young will assign three brokers: one for retail prospects, one for office prospects, and the MBE consultant will focus on retail, research and reporting. David Auel will be the lead overseeing all leasing efforts. They will provide to Authority monthly updates and quarterly briefings, in person, on their ongoing marketing efforts. Terms of agreement include a term of one year exclusive representation, with an option to terminate after 180 days at Authority's discretion and with an option to extend for two 6-month periods at Authority's discretion. The

commission provided for is: i) 4% of the total base rental for lease years 1-5 and 2% of total base rental for lease years 6-10, and ii) for each transaction involving a cooperating broker, 6% of the total base rental to be split between Avison and the cooperating broker for years 1-5, and 3% for years 6-10. There are no commissions on extensions or renewals, and MBE Participation is 40%

Councilman Ellenbogen stated that he finds it curious that the largest newspaper with the largest circulation is omitted from advertising. Ms. Casciato said that was due to Post-Gazette's higher cost to advertise. Senator Fontana said it could be something to be looked at going forward. Mr. Udin said that a number of organizations he is associated with meet legal advertising requirements without having to pay the premium of the Post-Gazette. Senator Fontana said at the state level that it has been discussed to only use the Internet for legal advertising.

On a motion duly made, seconded and unanimously carried, the following resolution was approved:

RESOLUTION NO. 5344

RESOLVED by the Sports & Exhibition Authority of Pittsburgh and Allegheny County that its Executive Director and other proper officers are authorized to a one-year agreement and to extend the agreement for two six-month periods, at Authority's discretion with Avison Young - Pittsburgh LLC for brokerage services for the retail spaces in the David L. Lawrence Convention Center and North Shore Garage; and further that the proper officers and agents of the Authority are authorized to take all action and execute such documents as are necessary and proper to effectuate the terms of this Resolution.

Senator Fontana introduced the next item, which was a request for authorization to reimburse the Pittsburgh Penguins \$107,856 from the CONSOL Energy Center Capital Reserve Fund for the purchase of 36 walk-through metal detectors.

Mr. Blice stated that as outlined in the sublease between the Authority and the Penguins, a capital reserve fund was established to reimburse project costs from eligible capital projects as defined in Article 10. At present, the Capital Reserve Fund holds \$5.9 million. To date, no expenditures have been made from the Capital Reserve Fund. The Penguins have requested that \$107,856 be authorized to be expended from the Capital Reserve Fund for costs of purchasing metal detectors for security at the arena.

The sublease provides for the reimbursement from the capital reserve fund if the modification or capital project is required to comply with NHL Rules and Regulations.

In a letter dated February 11, 2015, the NHL Executive Vice President of Security stated that all NHL arenas are mandated to incorporate walk through magnetometers (metal detectors) into the patron screening process beginning with the 2015-2016 season.

The Penguins solicited three bids with North Eastern Uniforms and Equipment Inc., the distributor of the Garrett brand, providing the lowest bid of \$100,800. With the addition of the 7% sales tax the total reimbursement would be \$107,856. Garrett magnetometers have a two-year warranty. All of these units are ADA compliant.

AEG, the company which manages the CONSOL Energy Center, will be performing the installation with their union trades. There is an eight-week lead time with the equipment and the first preseason game is September 22, 2015.

Ms. Weimer asked if the installation of the metal detectors would change any inflow of the fans coming into the arena. Mr. Blice said the Penguins believe the installation of the metal

detectors will help the flow of fans because they will not be stopped for the wand unless the metal detector goes off.

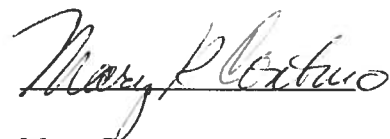
Senator Fontana asked if there were any questions from the Board.

On a motion duly made, seconded and unanimously carried, the following resolution was approved:

RESOLUTION NO. 5345

RESOLVED by the Sports & Exhibition Authority of Pittsburgh and Allegheny County that its Executive Director and other proper officers are authorized to reimburse the Pittsburgh Penguins \$107,856 from the CONSOL Energy Center Capital Reserve Fund for the purchase of 36 walk-through metal detectors; and further that the proper officers and agents of the Authority are authorized to take all action and execute such documents as are necessary and proper to effectuate the terms of this Resolution.

Finishing new business, Senator Fontana asked if any members of the audience would like to address the Board or if there were comments from the Board Members. There being no comments or business, Senator Fontana asked for a motion to adjourn. Upon a motion duly made, seconded and unanimously carried, the meeting was adjourned at 11:13 A.M.



Mary Conturo
Assistant Secretary