

National Football League Economic Overview

GSU Forecast Conference

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- **AGENDA**

- **Introduction**
- **NFL overview**
- **NFL stadium development**
- **Atlanta successor stadium**
- **NFL Challenges**



Introduction – Personal

- My background:
 - BS Accounting, Louisiana State University
 - MS Sports Admin, Georgia State University
 - Certified Public Accountant
 - Son of a college basketball coach
- Falcons career
 - 2011 is 17th season with the club
 - Started as finance intern while at GSU
 - Worked on “sell side” when Arthur Blank purchased team in 2002
 - Promoted to VP-Finance in 2002 and CFO in 2003
- How do I get your job?
 - There is no “one path” to a career in sports
 - The executives at the Falcons and other NFL teams all have different stories and backgrounds



Introduction - Falcons Finance & Admin

- Finance
 - Financial Statements
 - Budgeting/Cash Flow
 - Player contract structure
 - Banking/Insurance Relationships
 - Payroll/Tax/Audits
 - NFL Reports - Salary Cap Year-End Reporting
- Administration
 - Facilities / Training Camp
 - Legal
 - Team Travel and Logistics
- Special Projects
 - New Stadium Project
 - Dome Renovations / Other Construction
 - NFL Committee on Club Best Practices
 - President, Atlanta Falcons Physical Therapy Centers

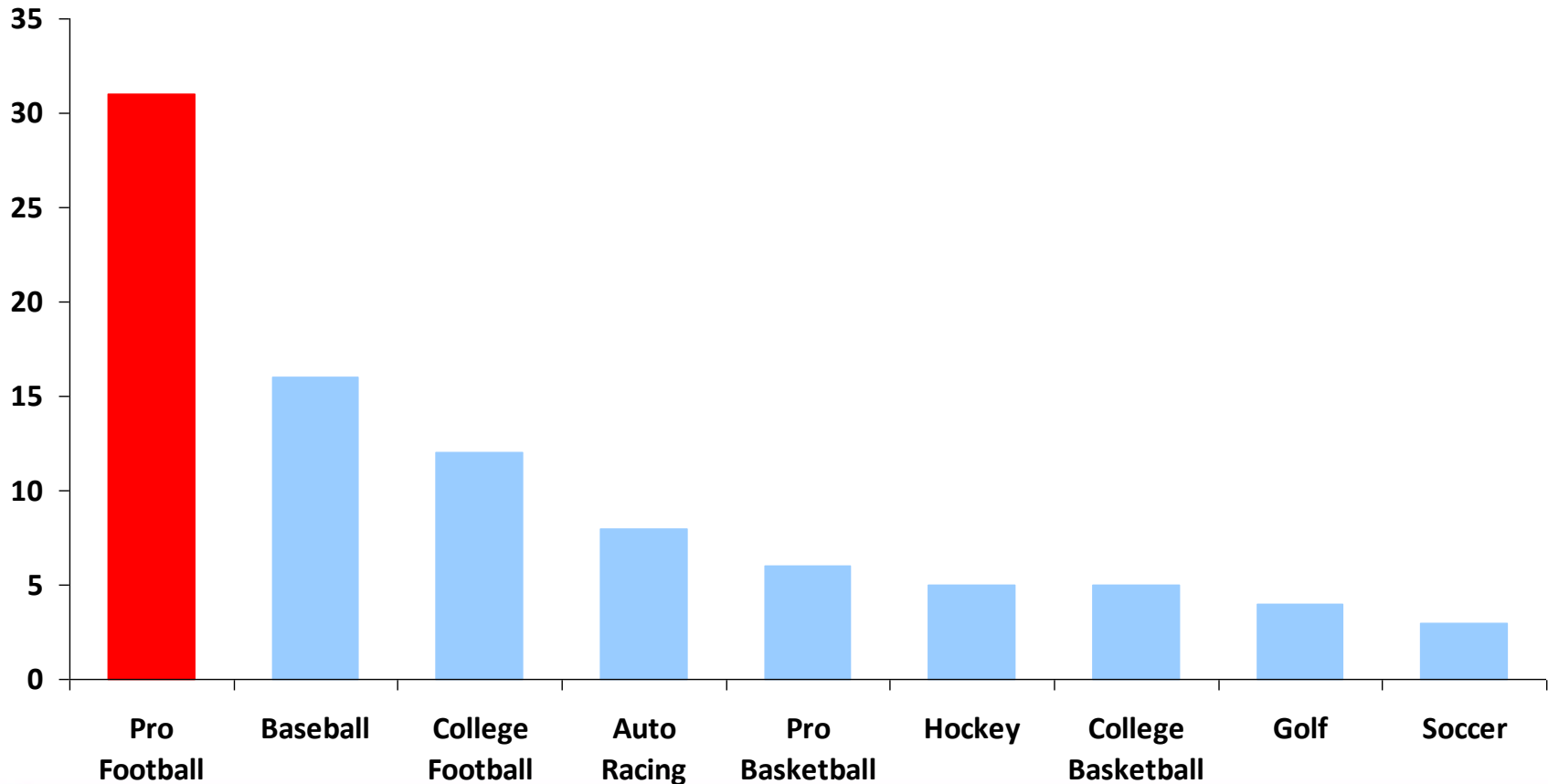


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NFL Is the Premier Sports Property

- 71% of U.S. population are NFL fans
- Harris Interactive poll shows that 31% of U.S. population considers the NFL to be their favorite sport (including college football, football is 43% favorite overall)



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Source: The Harris Poll, January 2008, Base = Adults 18+; ESPN Sports Poll 2008, Base = Persons 12+

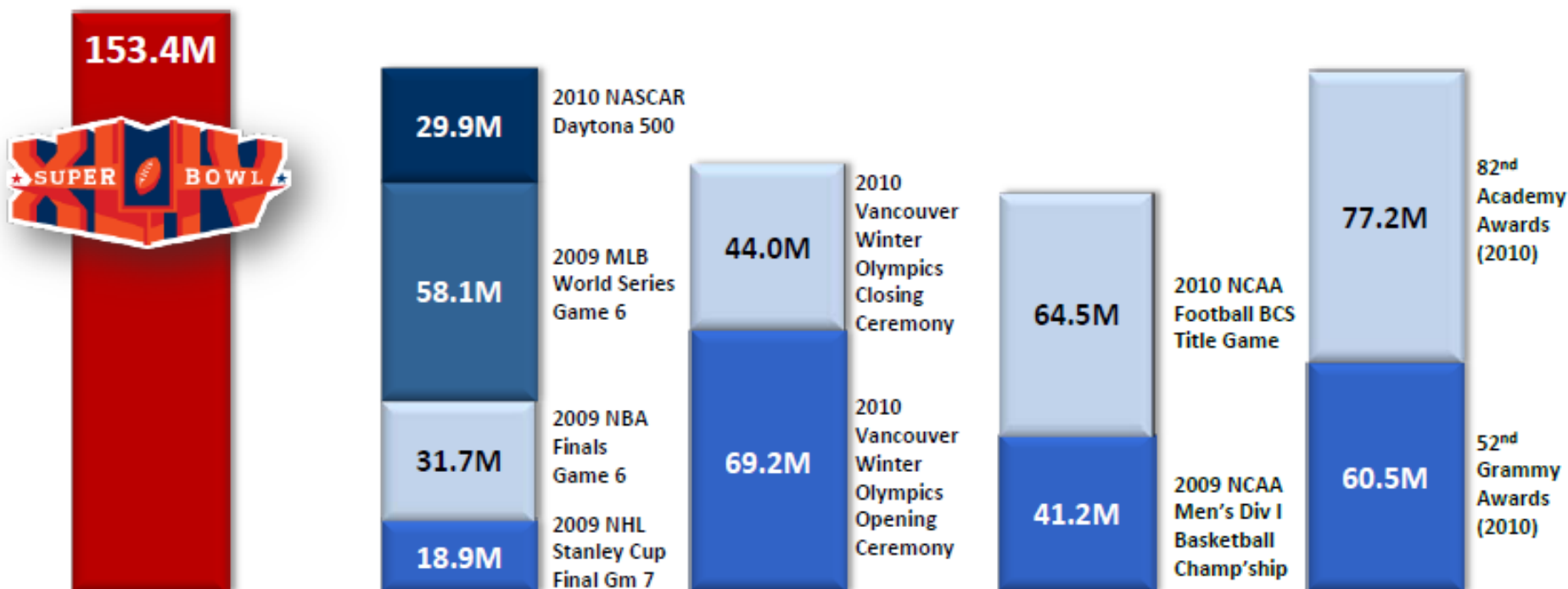


Super Bowl Viewership

- The Super Bowl is the most-watched television program each year
- The Super Bowl makes up 9 of the most-watched television programs in U.S. history, including the #1 all-time (M*A*S*H finale is #3)

Super Bowl viewership exceeds the combined totals of major sports championships, award shows, Olympics, NCAA title games

Super Bowl XLIV is the single most viewed program, attracting the largest total audience, exceeding the combined totals of major sports, Olympics, NCAA title games and major awards shows



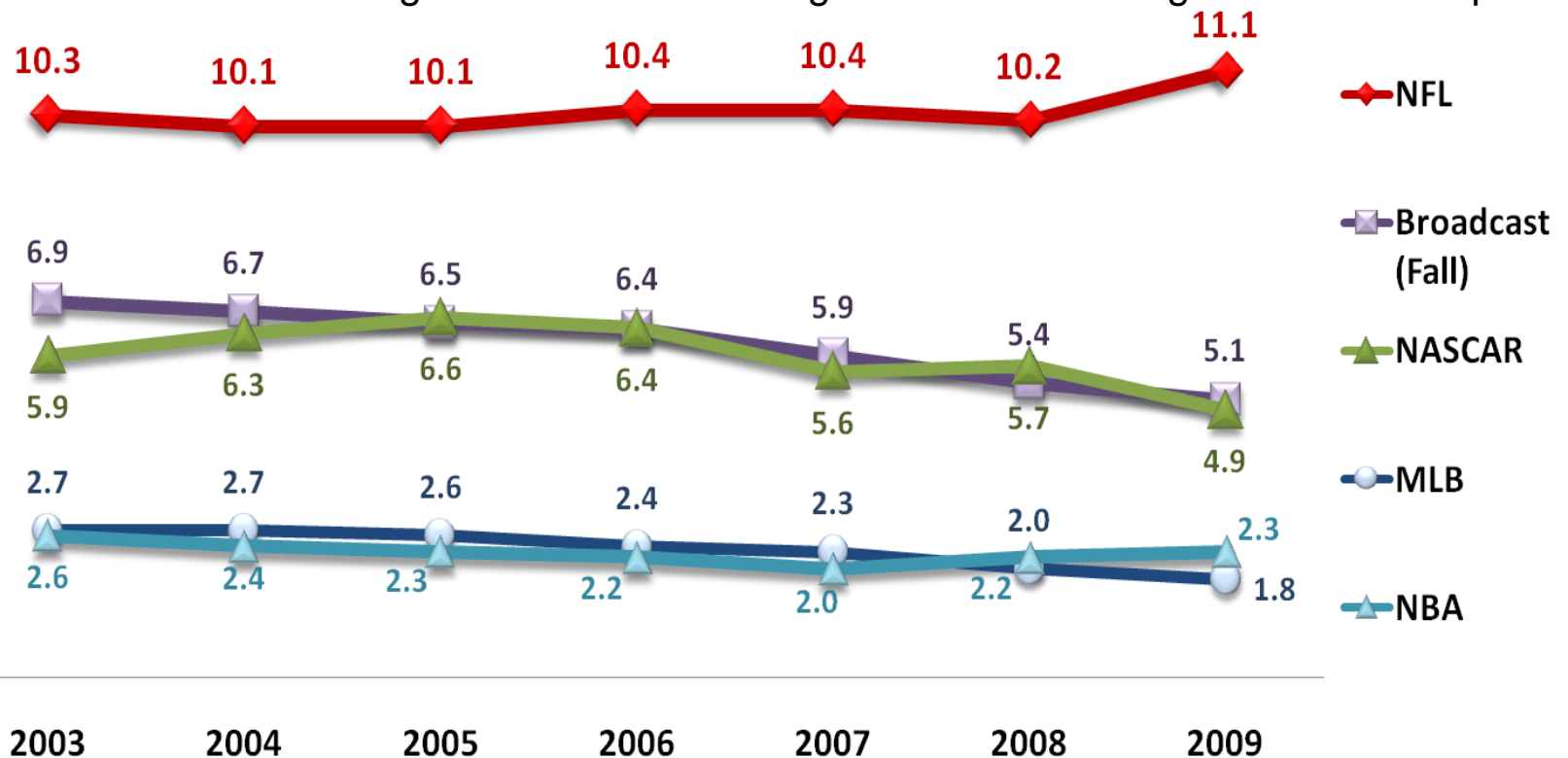
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Source: Nielsen, N*Power (based on total audience P2+, 6 minute); Super Bowl XLIII (NBC, Feb'09); NHL Stanley Cup Finals (NBC, June'08); NBA Finals (ABC, June'08); MLB World Series (FOX, Oct'08, conclusion of Game 5); Daytona 500 (FOX, Feb'09); Academy Awards (ABC, Feb'09); Grammy Awards (CBS, Feb'09); Primetime Emmys (ABC, Sept'08); 2008 Beijing Summer Olympics (NBC, Aug'08); NCAA Men's Basketball Championship (CBS, April'08); and BCS Title Game (FOX, Jan'09)



Overall Viewership

- **NFL HH ratings continue to grow** while ratings averages for broadcast primetime programming (*NCIS*, *CSI*, *Dancing with the Stars*, *House*) and other major sports continue their downward trend.
- The NFL's advantage over broadcast primetime reached a record high of +118% in '09, more than double the advantage of +49% just 6 years ago.
- Regular season NFL ratings are 2 to 10 times higher than the averages of all other sports.



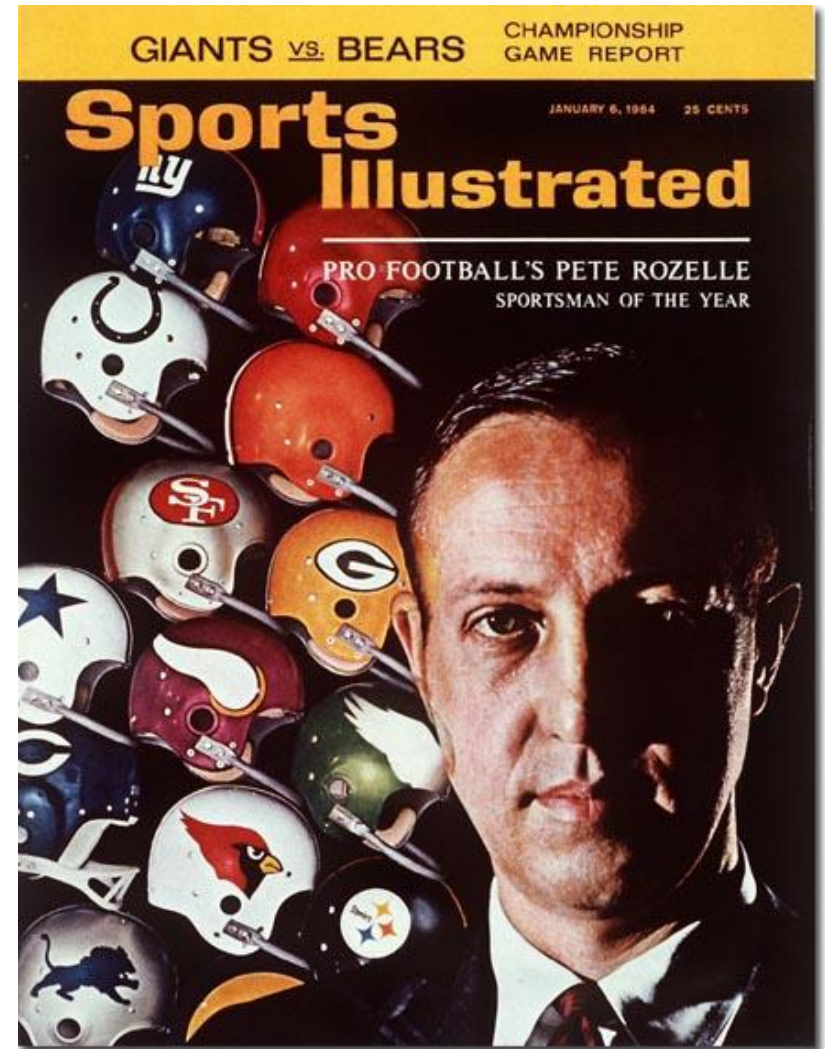
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Competitive Balance

“On any given Sunday, any NFL team can beat another.”

- Pete Rozelle, former NFL Commissioner



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Elite Athletes

- The NFL is home to some of the world's finest athletes competing at the highest level of their sport



Making the Team - Brutal Facts of Reality

- Jim Collins' 2001 book, *Good to Great*
- Chapter 4 is entitled, "Brutal Facts of Reality"
- All great companies must face the brutal facts of their business
- So must football players!
- "Start with an honest and diligent effort to determine the truth of your situation"



Making the Team - Brutal Facts of Reality

- 1.1 million high school seniors
- 65,000 play college football
- 6,500 are scouted by NFL teams
- 256 players are drafted
- 200 make the team *
- 30 play beyond age 30



NFL Stadium Development

- From the 1950's through early 1990's, NFL (and other professional sports) **stadia did not include a private investment** component
- Teams played in publicly owned and financed stadiums and were **tenants that collected ticket revenues and paid rent** to a public authority
- The **public sector bore all risk** - construction, maintenance and operating costs



NFL Stadium Development

- This began to change in the mid 90's as the public sector desired to minimize risk and team owners became more entrepreneurial
- This was accomplished in most cases by passing construction and operating risk to the teams along with revenue upside
- Teams have been able to generate higher overall revenues than the public sector by combining team assets with stadium assets

	<u>Old Model</u>	<u>New Model</u>
▪ Financing	Public	Public/Private
▪ Operating Exp	Public	Team
▪ Operating Revs	Public	Team
▪ Cap Ex/Maint	Public	Team



NFL Stadium Development


- Since the Georgia Dome opened in 1992, 24 stadiums have been built or substantially renovated, which has dramatically changed League-wide economics
- Each stadium project has been unique; each community assessed its own stadium needs (no “one size fits all” solution)
- Almost all modern stadium projects were the result of a successful public-private partnership
- Stadium construction typically exhibits long-term cyclicalality; to compete economically, teams need to be opportunistic and must ensure that they do not remain out of sync with cyclical trends for extended periods (once every 25-30 year “reset” to market)



24 Stadium Projects Built or Substantially Renovated Since Georgia Dome Opened (25 of 32 teams)

20 New
4 Renovations

NFL Season

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	 			 	 		 	  	  					 		 
Cum. Total	2	3	4	6	8	9	11	15	18	18	18	19	19	21	22	24



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NFL Dome Stadium History

A Useful Life Analysis

	Team	Current Stadium	Opened	Age
	ACTIVE DOMED STADIUMS			
	Detroit Lions	Ford Field	2002	8
	St. Louis Rams	Edward Jones Dome	1995	15
	Atlanta Falcons	Georgia Dome	1992	18
	Minnesota Vikings	HH Humphrey Metrodome	1982	28
	New Orleans Saints	Louisiana Superdome	1975	35
		<i>Average</i>		20.8
	RETIRED DOME STADIUMS			
	Indianapolis Colts	RCA Dome	1984	24
	Seattle Seahawks	The Kingdome	1976	26
	Detroit Lions	Pontiac Silverdome	1975	27
	Houston Oilers	Astrodome	1968	28
		<i>Average</i>		26.25

- Georgia Dome in 2016/2017 24/25
- Falcons moved from Atlanta Fulton County Stadium after 26 seasons



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NFL Public/Private Partnership Stadiums – Structure Summary

Modern Era (1995 – Present)

Owens Facility	Controls Daily Operations	Number	Public % Contribution	% Revenue to Team	% Operating Exp Paid by Team
Authority	Authority	6	80%	95%	8%
Authority	Team	13	66%	98%	76%
Team	Team	5	13%	100%	100%



Atlanta Professional Sports Venue Landscape

Atlanta Sports Venues – Financing and Lease Summaries
(\$ in Millions)

Venue	Georgia Dome	Turner Field	Philips Arena
Team(s)	Atlanta Falcons	Atlanta Braves	Hawks/Thrashers
Opening Year	1992	1997	1999
Project Cost	\$214	\$260	\$230
Controls Development	Public	Team	Team
Controls Revenues	Public	Team	Team
Operating Expenses	Public	Team	Team
CapEx Responsibility	Public	Team	Team



Public Financing

- The public sector has used a variety of financing sources to fund their share of stadium development:
 - Hotel taxes
 - Car rental taxes
 - Stadium use taxes
 - Admission / ticket taxes
 - Restaurant taxes
 - Sales tax increases
 - TIFs / TADs
- **Tourism / visitor based taxes** that do not increase burden on local community and provide for other community services and benefits have been successful



Private Financing

- The NFL and its teams have used these types of financing vehicles for their private investment in stadium development:
 - Stadium revenue backed financing
 - NFL G-3 Program and other team shared financing
 - Owner equity
 - Personal seat licenses



Atlanta / Fulton County Hotel-Motel Tax

- Tax is a “visitor” tax designed to support entities/venues that can generate positive economic impact for the City/County
- Currently benefits many of Atlanta’s institutions and economic generators for the area:

Georgia Dome	39%
City of Atlanta /Fulton County General Funds	29%
Atlanta Convention and Visitors Bureau	22%
Georgia World Congress Center	10%
- Past Legislative session resulted in an extension of the Tax through 2050 for a “successor” facility to Dome



Challenges

- The NFL must work out a **labor agreement** with our players that is beneficial to both parties and allows for future growth of the game through investment
- It is an ongoing challenge to **keep stadiums full** on game days. For the game to be exciting on TV, the stadium must be full and energetic
 - Our compelling television product and lower priced technology allow fans to create their own “sports bar” at home
 - We must question the value proposition we provide fans on game days



Challenges

- A Club's **stadium situation** (more so than market size) determines whether it is a higher-than-average revenue Club because Clubs do not share most stadium revenues
 - A Club cannot be a significantly lower-than-average revenue Club over the long-term and compete economically and on-the-field, because **player costs are based on the average** Club's revenues
- The **NFL can not become complacent** with its current position as the leading professional sports league
 - Continuous innovation of technology, in-game experience, broadening fan base (domestically and internationally) and more are all required





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