



**CITY OF ATLANTA**  
City Auditor's Office  
Amanda Noble, City Auditor  
404.330.6750

August 2020

## **Performance Audit:**

### **Management of Live Nation Lease Agreements**

#### **What We Found**

The city received \$4.2 million in revenue from Live Nation under the lease agreements for Lakewood and Chastain Park Amphitheaters from calendar years 2016 through 2018. Although the company provided revenue summaries each year, Live Nation declined to provide detailed documentation to the city to support revenue for the period for either venue. The city's contract for Lakewood does not require the information to be provided, but the Chastain contract requires Live Nation to provide specific documents to support ticket revenue, name-in-title sponsorship agreements, and parking fees. Live Nation only provided contractually required documentation for the 2018 concert season at Chastain.

City departments with oversight authority over the contracts—Enterprise Assets Management and Parks— have not validated that revenue amounts at the venues were correct and have not consistently monitored compliance with other contract requirements. Although Live Nation took credits for performing maintenance at the Lakewood facility, Enterprise Assets Management has not visited the park to ensure that the maintenance has been performed. While both the Lakewood and Chastain contracts require sound levels to be monitored, the Lakewood venue has no sound monitoring equipment installed and the contract is unclear about who is responsible for installing the equipment or for monitoring sound levels. Monitoring equipment is in place at the Chastain venue, but Live Nation and its equipment vendor agree that the system is old and unreliable, resulting in malfunctions and inaccurate readings.

#### **Why We Did This Audit**

We undertook this audit due to community concerns about Live Nation's compliance with lease agreement terms at the Lakewood Amphitheater. Live Nation also holds the lease for the Chastain Park Amphitheater.

#### **What We Recommended**

The city should strengthen lease agreements to:

- ensure unrestricted access to audit all documentation associated with the contract terms including box office statements, ticket manifests, and reports
- provide penalties for late payments
- provide for electronic payments
- require installation of sound monitoring equipment at Lakewood
- clarify name-in-title documentation and approval requirements

The city should strengthen oversight by:

- reviewing supporting documents to verify rental payment accuracy
- providing mandated revenue reports to the City Council
- conducting routine inspections of the Lakewood facility to confirm whether Live Nation is performing maintenance as required
- working with Live Nation to evaluate the sound monitoring system for repair and/or replacement at the Chastain Park Amphitheater.
- requesting that Live Nation provide records of replacements, repairs, and calibrations of the sound monitoring system at the Chastain Park Amphitheater.

For more information regarding this report, please use the "contact" link on our website at [www.atlaudit.org](http://www.atlaudit.org)

## Management Responses to Audit Recommendations

### Summary of Management Responses

**Recommendation #1:** We recommend the Department of Enterprise Assets Management commissioner work with the city attorney to develop a contract amendment for City Council consideration to add specific language to require Live Nation to provide box office statements, ticket manifests, and reports so that revenue can be independently verified by the city.

**Response & Proposed Action:** While I defer to Law regarding the need to amend the contract with Live Nation with respect to our rights to audit, the language of Article 12 in the Summary of Terms that supplements the Amphitheatre Agreement appears to me to be all encompassing and unequivocal: "The City shall have the right to audit all documents used by Live Nation to determine the percentage rents...." The language was developed by the Law Department at the time that the City took over management of Lakewood from Filmworks, USA, Inc. Of course, any amendment of the business terms would have to be negotiated with Live Nation prior to passage of any ordinance in order to be effective.

**Partially Agree**

**Timeframe:** Not provided

**Recommendation #2:** We recommend the Department of Enterprise Assets Management commissioner work with the city attorney to develop a contract amendment for City Council consideration to add specific language to the audit clause in the Lakewood contract to ensure that the city has unrestricted access to audit all documentation associated with the contract terms.

**Response & Proposed Action:** While I defer to Law regarding the need to amend the contract with Live Nation with respect to our rights to audit, the language of Article 12 in the Summary of Terms that supplements the Amphitheatre Agreement appears to me to be all encompassing and unequivocal: "The City shall have the right to audit all documents used by Live Nation to determine the percentage rents...." The language was developed by the Law Department at the time that the City took over management of Lakewood from Filmworks, USA, Inc. Of course, any amendment of the business terms would have to be negotiated with Live Nation prior to passage of any ordinance in order to be effective.

**Partially Agree**

**Timeframe:** Not provided

---

**Recommendation #3:** We recommend the Department of Enterprise Assets Management commissioner work with the city attorney to develop a contract amendment for City Council consideration to add a provision requiring penalties for late payments.

**Response & Proposed Action:** I agree with the recommendation to add a provision requiring penalties for late payments. Again, I think any such provision would require an agreement with Live Nation as to the terms. I am quite willing to initiate that conversation, but I'm not optimistic regarding their willingness to do so in this economic climate. Live Nation has reportedly canceled all concerts for the season in most or all locations for the remainder of the year due to the coronavirus pandemic.

**Agree**

**Timeframe:** Not provided

---

**Recommendation #4:** We recommend the Department of Enterprise Assets Management commissioner work with the city attorney to develop a contract amendment for City Council consideration to add language to ensure the installation of the sound monitoring equipment and to outline responsibilities associated with monitoring roles and compliance.

**Response & Proposed Action:** I don't disagree with the desire to install sound monitoring equipment, but LN will not agree to pay for it. I have had one complaint in the 10 years that we have been managing Lakewood, and that came from our other tenant, EUS/Screen Gems. The incident occurred during a sound check and our two tenants subsequently worked things out. As I understand it, the threshold sound level is 65 dBA over a 30 minute period, (which is apparently highly unlikely) measured at the residential property lines. The sound from the amphitheatre primarily flows uphill to where EUE/Screen Gems has its improvements, with the residential neighborhood in that direction a significant distance away. If sound becomes an issue at Lakewood, I would recommend that the city invest in the equipment and the personnel necessary to monitor it as needed. Again, I defer to Law, but I think that all the city can do is to hold LN to the terms of the city's sound ordinance.

**Partially Agree**

**Timeframe:** Not provided

---

**Recommendation #5:** We recommend the Department of Enterprise Assets Management commissioner work with the city attorney to develop a contract amendment for City Council consideration to amend the name-in-title sponsorship clause to ensure that name-in-title revenue payments are set and specify documentation that should be included with the payment for the city's verification.

**Response & Proposed Action:** I am not sure what is meant by ensuring "that name-in-title payments are set" with respect to naming rights at Lakewood. Article 13 in the referenced Summary of Terms speaks to Naming Rights. The terms and form were negotiated with Law's assistance and specify that the city will receive 10% of the Net Proceeds, as defined. I agree that we should require a breakdown each year of those "costs required by Name and Title Contract to be paid by Live Nation to fulfill its obligations thereunder", as stipulated in Article 13. I will discuss with Law within the week how to ensure our audit rights to any Name and Title Contract can be enforced.

**Timeframe:** Not provided

**Agree**

**Recommendation #6:** We recommend the Department of Enterprise Assets Management commissioner work with the city attorney to develop a contract amendment for City Council consideration to require Live Nation to pay rents electronically to expedite the payment process and increase transparency.

**Response & Proposed Action:** I agree that we should have LN make their contract payments electronically, and I think that LN will agree. I will broach with LN within the week whether they are willing to amend the business terms to require electronic payments. As stated previously, changes to the contract terms requires agreement between the parties.

**Timeframe:** Not provided

**Agree**

**Recommendation #7:** We recommend the Department of Parks and Recreation commissioner work with the city attorney to develop a contract amendment for City Council consideration add specific language to the audit clause to ensure that the city has unrestricted access to audit all documentation associated with the contract terms.

**Response & Proposed Action:** Work with City Attorney to amend contract for City Council consideration adding specific language to the audit clause to ensure that the City has unrestricted access to audit all documentation associated with the contract terms to include but not limited to parking sales, ticket sales and name-in-title sponsorship payments.

**Agree**

**Timeframe:** June 2020

<b>Recommendation #8:</b>	We recommend the Department of Parks and Recreation commissioner should work with the city attorney to develop a contract amendment for City Council consideration to amend the name-in-title sponsorship clause to ensure the city's review of the contract prior to execution and receipt of the final contract are mandated and documented.	
<b>Response &amp; Proposed Action:</b>	Work with City Attorney to amend the name-in-title sponsorship clause to ensure the city's review of the contract prior to execution and receipt of the final contract are mandated and documented.	<b>Agree</b>
<b>Timeframe:</b>	June 2020	
<b>Recommendation #9:</b>	We recommend the Department of Parks and Recreation commissioner require staff to request and review supporting documents along with the annual summaries to verify that rental payments to the city are correct.	
<b>Response &amp; Proposed Action:</b>	Along with annual summaries from Live Nation, staff will request and review supporting documents to verify rental payments to the City are correct to include parking sales, ticket sales and name-in-title sponsorship payments.	<b>Agree</b>
<b>Timeframe:</b>	June 2020	
<b>Recommendation #10:</b>	We recommend the Department of Parks and Recreation commissioner provide mandated revenue reports to the City Council's Community Development Human Services Committee to ensure that revenue at the Chastain Amphitheaters is monitored.	
<b>Response &amp; Proposed Action:</b>	Provide revenue reports to the City Council's Community Development Human Services Committee in coordination with the Department of Finance.	<b>Agree</b>
<b>Timeframe:</b>	July 2020	
<b>Recommendation #11:</b>	We recommend the Department of Parks and Recreation commissioner work with the chief financial officer to ensure that \$24,944 is moved to the Chastain Trust Fund from the Centers of Hope Fund.	
<b>Response &amp; Proposed Action:</b>	Completed.	<b>Agree</b>
<b>Timeframe:</b>	April 2020	

---

**Recommendation #12:** We recommend the Department of Enterprise Assets Management commissioner require staff to request and review supporting documents along with the annual summaries to verify that rental payments to the city are correct.

**Response & Proposed Action:** I agree that DEAM staff should review supporting documents along with the annual summaries provided by LN to ensure that all payments are correct. To the extent provided by law, I agree that DEAM should request those supporting documents. I understand that we have the right to audit, but I defer to Law regarding what copies of documents LN is required to give us rather than allow us to inspect/audit. **Agree**

**Timeframe:** Not provided

---

**Recommendation #13:** We recommend the Department of Enterprise Assets Management commissioner conduct routine inspections of the Lakewood facility to confirm whether Live Nation is performing maintenance as required.

**Response & Proposed Action:** I agree that DEAM should conduct periodic inspections of the site to ensure LN is performing its maintenance obligations under Article 6 of the Summary of Terms. Our Operations staff originally opined that the annual allowance of \$48,000 would cost the city much more than that if we had to be responsible for the items in Article 6. It is in LN's best interest to maintain the grounds for its patrons (likewise the buildings, but it owns those improvements). While we do make periodic inspections of the 80 or so acres that make up the area leased by LN, I will have staff drive through and inspect on a monthly basis off season and bi-weekly from April through October. **Agree**

**Timeframe:** Not provided

---

**Recommendation #14:** We recommend the Department of Parks and Recreation commissioner work with Live Nation to evaluate the sound monitoring system for replacement and/or repair prior to the 2020 concert season at Chastain Park Amphitheater.

**Response & Proposed Action:** Work with Live Nation to test a replacement sound monitoring system alongside the current sound monitoring system at Chastain during 2020 concert season. The two systems will work simultaneously during the 2020 season. Recommend amending / revising contract provision that would provide the ability to purchase like or similar sound monitoring system if replacement is required. **Agree**

**Timeframe:** July 2020

---

---

**Recommendation #15:** We recommend the Department of Parks and Recreation commissioner request that Live Nation provide records of replacements, repairs, and calibrations of the sound monitoring system at the Chastain venue.

**Response & Proposed Action:** Work with Live Nation to obtain written reports regarding the maintenance, repair, and calibrations of the sound monitoring system at Chastain venue as needed.

**Agree**

**Timeframe:** July 2020

---