

Arizona Sports & Tourism Authority

**Minutes of 131st Public Meeting
of the Arizona Sports & Tourism Authority Board of Directors**

Thursday, December 11, 2014

2:30 pm

Fennemore Craig, 2394 E. Camelback Rd, Suite 600, Phoenix, AZ 85016

In Attendance:

Board Members

Jeff Meyer – Board Chair
Dave Eberhart – Board Vice-Chair
Sherry Henry
Jeff Overton
Jody Harwood
Mike Galloway
Tom Rawles
Verma Pastor
Maria Baier - Board Secretary **Telephonically**

Staff

Tom Sadler, CEO
Robin Lea-Amos, Office Manager
Kevin Daniels, CFO

Authority General Counsel

Sarah Strunk

Guests

John Drum – Arizona Cardinals
Peter Sullivan – Global Spectrum
Peter Corbett – Arizona Republic
Sarah Wyant – Eide Bailly
Andrew Spellman – Eide Bailly

Vince delaMontaigne - Baker Street Group, Inc
Dale Chapman - Arizona Office of the Auditor General
Nicole LaPella - Arizona Office of the Auditor General
Jeff Gove - Arizona Office of the Auditor General

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1. Call to Order - A public meeting of the One Hundred and Thirty-first Arizona Sports & Tourism Authority's Board of Directors was held on Thursday, December 11, 2014 at the offices of Fennemore Craig, 2394 E. Camelback Rd, Suite 600, Phoenix, AZ 85016. A quorum being present and the meeting having been duly noticed, Chair Jeff Meyer called the meeting to order at 2:40 pm.
 2. Consideration of Minutes from October 8, 2014 Board Meeting - Chair Meyer called for a motion to approve the minutes of the Board meeting held October 8, 2014 **attached hereto as Exhibit A**. Upon motion duly made by Member Overton and seconded by Member Eberhart, the minutes were unanimously approved.
 3. INFORMATION: Super Bowl XLIX Stadium Security Update – President Sadler introduced Vince delaMontaigne of Baker Street Group, Inc. to present an update of the security overview of the University of Phoenix Stadium for the upcoming Super Bowl and Pro Bowl.
 4. INFORMATION: Presentation of 2014 Financial Audit by Eide Bailly, LLP – Chair Meyer asked Andy Spellman and Sarah Wyant of Eide Bailly to present the 2014 Audited Financials **attached hereto as Exhibit B**. Ms. Wyant indicated that the reported that the letters distributed to the board as well as the financial report are required communications to the Board.

Ms. Wyant reported that the letter highlighted the significant audit findings as it relates to the Authority adopting the new Statement of Governmental Accounting Standards (GASB 65) which had an impact to AZSTA and was applied retrospectively. A resulting change was the bond issuance costs which were written off. In the past those costs were capitalized.

An impact to the financial statements that were impacted by the accounting change is the differed losses to the previously diffused bonds. Those losses use to be classified as contra liabilities. Another impact to the financial statement is the estimating of when the Authority is going to pay the Cactus League debt.

The adjustments listed on the audit letter simply are related to those items being misclassified.

Ms. Wyant thanked CFO Kevin Daniels for his assistance in this year's audit.

Andrew Spellman shared with the Board a handout **attached hereto as Exhibit C**

5. INFORMATION: Finance Committee Meeting Review – Chair Meyer asked Financial Committee Chair, Mike Galloway to review the Finance Committee Meeting. Member Galloway reported that he instructed staff to review the AZSTA Procurement Policy and recommend any updates or revisions as needed. Also, he asked staff to provide the committee with procurement items that would be AZSTA's responsibility or Global Spectrum's and bring those back to the committee. The Finance Committee also unanimously approved to recommend to the Board to adopt the resolution which is the next item on the agenda.
 - a. INFORMATION: Review of AZSTA FY2015 First Quarter Financials - CFO Kevin Daniels presented the 2015 first quarter financials **attached hereto as Exhibit D**. Member Eberhart asked for clarification regarding the flow of funds. Mr. Daniels presented a brief overview on the statutory flow of funds and how funds are received and distributed. Member Rawles asked what the balance of the operational surplus was to date. Mr. Daniels explained that as of 9/30/2014 in the operations account there was a balance of \$15.2 M. Mr. Daniels also indicated that pursuant to the previous request from the Finance Committee, he has included detailed explanations for all line items in the financials.

Upon completion of the review, Chair Meyer recognized the staff for the continued improvement of the financial state of the Authority.

6. **ACTION ITEM: Consideration of a Resolution No. 2014 – 88 to confirm the full payment of the current year's required principal and interest payments on any outstanding bonds and to provide for the rebate to the National Football League (“NFL”) the transaction privilege tax revenues derived pursuant to section 42-5073, subsection G, paragraph 1 from sales of admissions to the NFL 2015 Pro Bowl Game** - Mr. Sadler shared with the Board the memo previously sent as well the Projected Revenues and Contributions to the Pro-Bowl, **attached hereto as Exhibit E**. Mr. Sadler explained to the Board the history regarding the request from the Super Bowl Host Committee to rebate to the NFL the transaction privilege tax as well as the explanation of moving the Pro – Bowl from its previously locations. Mr. Sadler reminded the Board that this resolution is not unlike other resolutions the Board has passed in the past. The estimated amount to go back to the NFL for the STR on tickets is estimated to be \$320,160. AZSTA's portion on STR for F&B and Merchandise is estimated to be \$117,043. Mr. Sadler

reminded the board that these figures could fluctuate; however he has been told the ticket sales are robust.

Mr. Daniels was asked by Mr. Sadler to confirm that the principal and interest on the Authority's bond debt was paid or was provided for in the current fiscal year. Mr. Daniels, AZSTA Chief Financial Officer, confirmed that the trustee, Bank of New York Mellon Corporate Trust Services, has made the two semi-annual bond debt service payments for the year. Payments were made on the debt service on both senior bond issues (series 2007A and 2012A) and on the subordinate bond issue (series 2013). These payments were made in-full and on schedule on July 01, 2014 and on January 01, 2015 of the current fiscal year. Mr. Daniels also indicated that the Authority is on track to have sufficient funds to pay all of the principal and interest due on the next semi-annual debt service payment for these same bond debt service payments. Those payments will be made July 01, 2015; which is the first day of the next fiscal year.

Mr. Sadler asked the Board to consider approval of this resolution that was unanimously approved for recommendation by the Finance Committee. Upon motion duly made by Member Galloway to adopt Resolution No. 2014 – 88 to confirm the full payment of the current year's required principal and interest payments on any outstanding bonds and to provide for the rebate to the National Football League (“NFL”) the transaction privilege tax revenues derived pursuant to section 42-5073, subsection G, paragraph 1 from sales of admissions to the NFL 2015 Pro Bowl Game **attached hereto as Exhibit F**, and seconded by Member Harwood the action was passed.

7. INFORMATION: Update on Stadium Capital Improvements - Mr. Sadler shared with the Board the status on the Capital Improvement projects that were discussed in the October meeting. Mr. Sadler explained the LED lighting has been completely installed and the reviews from the media and guests have been very positive. The security cameras are currently being installed. S.A.F.E. Security and Global Spectrum have been going through training on the new system. It is expected that the system will be fully functional by the middle of January 2015. The upgraded radio system was at the last game and it has been very well received by the police and fire agencies. Mr. Sadler thanked the Board for their support in getting these items for the stadium funded.
8. ACTION ITEM: Consideration of FY2015 Budget Adjustment to Allow for Additional Facility Maintenance Expenditures
 - a. Lower escalator chain – replacement cost of \$30,000
 - b. Multiple Electrical “back-up” systems costs of \$50,100

Mr. Sadler shared with the Board the memo previously sent regarding the unforeseen expenses regarding needed operational items **attached hereto as Exhibit G**. These items were not in the original approved budget and were unexpected maintenance issues. Chair Meyer asked Mr. Sullivan of Global Spectrum if these types of expenses are going to be planned for in upcoming year's budgets. Mr. Sullivan indicated these two expenditures (escalator chain and electrical) are all that are currently expected. Member Galloway asked for clarification regarding the amounts of expenses and Mr. Sullivan confirmed are that these amounts are almost exact. Member Rawles indicated that for consistency purposes, these expenditures go to the Finance Committee prior to being presented to the Board. Member Rawles indicated that the present oversight should not hold up these items; but going forward, these items go to the Finance Committee prior to the

Board. President Sadler agreed to Member Rawles observation and indicated the process would be followed in the future.

Member Rawles asked if within the Global Spectrum budget there was a 'contingency' fund. Mr. Daniels indicated at this time, there is not a contingency fund. Member Harwood indicated the reason there had not been a contingency was due to cash flow. Member Harwood agreed that due to the positive cash flow position, this would be a prudent plan for the future. Member Galloway suggested the addition of a contingency fund could be vetted out during the next Finance Committee with the potential to implement the fund to be discussed during the drafting of the FY2016 budget.

Upon no further discussion, Chair Meyer asked for a motion. Upon motion duly made by Member Galloway to authorize the \$30,000 for the replacement of the lower escalator chain and \$50,100 for the electrical backup systems to be added to Global Spectrum's maintenance budget and seconded by Member Henry, the item budget adjustment was unanimously approved.

9. **INFORMATION: Report on Biennial Cactus League Economic Impact Study** – Chair Meyer asked Cactus League Chair Overton to present an update on the Cactus League. Member Overton stated that as part of the support of the Cactus League, in 2010 AZSTA participated in the funding of the Economic Impact Study that the Cactus League had done. The Cactus League has requested support from AZSTA again for an upcoming impact study to be performed in 2015. The Cactus League Committee has discussed this and is recommending AZSTA participate financially in the cost of the study, with the understanding that AZSTA participate in content and presentation. Mr. Sadler agreed with Member Overton in the input AZSTA is requesting in conjunction with assisting to fund this study.

Member Overton reported that discussion has occurred regarding the communications opportunities regarding Cactus League. Member Overton indicated The Molera Alvarez group may assist with this effort. Member Galloway thanked Member Overton for his effort to enhance AZSTA's position within the Cactus League and to represent AZSTA.

10. **ACTION ITEM: Executive Session: Consideration of a motion to go into Executive Session pursuant to (1) A.R.S. § 38-431.03.A1 regarding discussion or consideration of employment related issues regarding salary studies; (2) A.R.S. § 38-431.03.A2 regarding a report from the Auditor General; and (3) A.R.S. § 38-431.03.A3 regarding legal advice with attorneys of the Authority regarding certain litigation and dispute matters involving the Authority: including Saban v. Arizona Department of Revenue** – Upon motion duly made by Member Rawles to enter into Executive Session as noted on the agenda and seconded by Member Henry, the Board entered into Executive Session.
11. **Announcement of Future Meeting Dates** - Chair Meyer indicated the date of the next Board Meeting will be determined.
12. **Adjournment** – Prior to adjourning the meeting Chair Meyer commended President Sadler and AZSTA staff for their efforts in a successful bid for the 2017 Final Four. There being no further business of the board, Mr. Meyer asked for a motion to adjourn. Upon motion duly made by Member Overton and seconded by Member Eberhart, the meeting was adjourned.