



**AGENDA FOR PUBLIC MEETING
OF THE ARIZONA SPORTS AND TOURISM AUTHORITY'S
FINANCE COMMITTEE MEETING**

Wednesday, May 13, 2020 | 9:45 a.m.
Conference Line (877) 851-0194 | Code 480 360 4651

1. CALL TO ORDER

The meeting, having been duly noticed, Finance Chair Overton called the meeting to order at 9:45 a.m.

2. ROLL CALL

Telephonic attendance for all attendees.

Board Members Attending

Jeff Overton – Finance Chair
Kim Sabow
Teddy Eynon
Scarlett Spring

Staff Present

Tom Sadler – President & CEO
BJ Morley – Chief Financial Officer
Heather Harris – Manager, Administration & Grants
Sarah Strunk – Authority General Counsel

Guests Attending

Andy Gorchoy – ASM Global
Melissa Wasson – ASM Global
Nancy McKenna – ASM Global
Andy Bagnato – Bagnato Pflipsen
Kristen Pflipsen – Bagnato Pflipsen

3. **ACTION ITEM** Consideration of the Draft Minutes from January 23, 2020 Finance Committee Meeting

Member Spring submitted changes to the minutes.

Motion by Member Spring and seconded by Vice Chair Eynon to approve the draft minutes of the January 23, 2020 Finance Committee meeting as amended. The motion to approve passed unanimously.

4. **ACTION ITEM Review and Recommendation to Approve AZSTA/ASM Global FY2020 Q3 Financials and FY2020 Capital Projects**

Finance Chair Overton introduced Chief Financial Officer Morley to present the 3rd quarter financials for the committee. Actual Tourism Revenues are better than budget by just under 10% as a result of four months that were significantly larger than expected. Facility revenues are better by 6.2%, which includes the \$5.1 million sales tax recapture from city of Glendale, which is a one-time infusion. Even without the City of Glendale sales tax recapture, we would have been better than budget. The FUF variance is due to timing. Total revenues are better than budget by almost 22%.

Ms. Morley reviewed the waterfall distributions, which were all at, or in excess, of budget with the exception of Tourism. The variance in operating distribution was due primarily to the Glendale sales tax. Member Spring asked for Ms. Morley to explain why Cactus League and Youth and Amateur Sports received more than budget, but Tourism did not. Ms. Morley stated that the waterfall distributions are conducted monthly based on the amount of revenue received, and monthly revenues can vary greatly and affect how many of the funding requirements can be met during any particular month. In the month of October, tourism did not receive the maximum distribution. Ms. Morley continued that AZSTA came out better than budget on operations and reviewed areas of savings through March. Facility indirect expenses and Cardinals gameday expenses were also better than budget.

ASM Global Assistant General Manager, Melissa Wasson, presented the ASM Global budget for the committee. The last events held before the COVID-19 pandemic were successful. In fact, Mecum came in better than budget. Overall, ASM Global came in \$1.9 million better than budget. Ms. Wasson stated that the events in the first quarter, such as soccer and the Rolling Stones, boosted revenues.

Looking forward, Ms. Wasson is projecting no events for the remainder of the fiscal year, but still expects to beat the budget by approximately \$700,000. High School graduations and an RV show are still scheduled. Member Spring inquired about the feedback being received from high schools regarding graduations. Ms. Wasson stated that all five districts still want to hold a graduation, but this is pending direction from the Governor's office. Ms. Wasson stated that a plan would include social distancing and other measures. Other school districts have also been reaching out. Mr. Gorchov added that has also been inquiry about supercross events with no spectators.

Ms. Wasson shared with the committee that the ASM Global benchmarks will be met, even with no events and will beat the budget thanks to a positive year prior to COVID-19.

Mr. Gorchov stated that two capital projects remain outstanding, but they are expected to be on time and on budget.

Motion by Secretary Sabow and seconded by Vice Chair Enyon to recommend approval of the AZSTA/ASM Global FY2020 Q3 Financials and FY2020 Capital Projects. The motion to approved passed unanimously.

5. **INFORMATION ITEM Review Year-End Projects and Future Forecasts**

Ms. Morley reviewed the financial and cash forecast for the committee, stating that the 3rd quarter came in better than the initial forecast, which was adjusted for the COVID-19. Ms. Morley expects improvements once the April numbers are in. Member Spring asked if the waterfall distributions would be affected. Ms. Morley does not anticipate them to be, however, is not sure what to expect for May and June. Member Spring added that building in 75% down in budget was a conservative preparation.

Ms. Morley stated that the FY2020 forecast revenue is expected to end down compared to budget by just under 1%, and waterfall distributions are expected to end higher than budget by approximately 2.65%. The FY2021 forecast is estimated to be down by 75% in Jul-Aug, down by 50% Sep-Nov, and the remainder of the fiscal year down by 25%. FY2022 is estimated down by 25%, FY2023 is estimated down by 20%, FY2024 is estimated down by 10%, and by FY2025, we expect to be at original forecasts.

Lastly, Ms. Morley reviewed the FY2021 forecast for the waterfall and operations. Cash starts climbing again in FY2023-2025. Member Spring added that AZSTA should make some strategic preparations to host events as the economy reopens because the stadium offers enough space for many of the events that could be held in Arizona.

6. **ACTION ITEM Recommendation to Approve Preliminary Capital Project Requests for FY2021**

AZSTA President and CEO, Tom Sadler, introduced the capital items that may be included in the budget proposed in June. Mr. Gorchov presented the proposal for early capital items to be considered. There are three items: rail lubricators for the field tray, consulting and design work for the HVAC/lighting control systems to have a solid estimate for the project cost, chiller rebuild to complete before the summer temperatures.

Finance Chair Overton inquired whether the rail lubricators would be the last item needed for the field tray system. Mr. Gorchov stated he has inquired about this and about the motors. He stated that the system has been trouble-free, but ASM is seeking a 10-year forecast on the system to be prepared for future repair costs. Finance Chair Overton asked if there will be a savings with HVAC project. Mr. Gorchov answered in the affirmative. Lastly, Finance Chair asked how many chillers the stadium has and how many will need to be rebuilt. Mr. Gorchov stated there are six chillers and this is the third or fourth repair, but needs to confirm. However, he believes two more need completion.

Secretary Sabow inquired if any adaptations to the stadium will be needed to host some of the potential future events in Arizona. Mr. Sadler stated that the Arizona Cardinals groundskeeper is developing a turf plan, but that was outside of what AZSTA would have to contend with.

There may be modifications to address the “new normal”. Protocols will need to be in place, but no major physical modifications are not anticipated. Mr. Gorhov added that, with the Super Bowl three years ahead, the building needs to be ready for that event.

Finance Chair Overton inquired if there were other FY2021 capital projects anticipated. Mr. Gorhov stated that, over a two-year period, capital project costs could range from \$3-8 million in capital projects. The building is going into its fifteenth year and repair needs have increased.

Discussion about what the committee will want to see in regards to future capital requests and how ASM Global prioritizes the projects.

Motion by Member Spring and seconded by Secretary Sabow to recommend approval for the preliminary capital project requests for FY2021. The motion to approved passed unanimously.

7. **INFORMATION ITEM FY2021 Budget Scenarios**

Mr. Sadler stated that the various budget scenarios have been narrowed down to three. Ms. Wasson stated that a baseline budget has been prepared based on events currently scheduled and potential events based on inquiry. Secondly, a budget for the first six months of FY2021 that assumes no events and football only with no spectators. AZSTA may be impacted due to no sales tax revenue. Lastly, Ms. Wasson assumed that the usual Jan – June events would occur as normal.

Finance Chair Overton stated that the committee doesn’t necessarily need to see further scenarios in June, but is pleased with what is being worked on. Member Spring concurs and stated we should be conservative due to the uncertain times.

8. **ADJOURNMENT**

There being no further business to discuss, Finance Chair Overton adjourned the meeting at 10:49 a.m.