

Arizona Sports & Tourism Authority

MINUTES FOR TELEPHONIC PUBLIC MEETING OF THE
ARIZONA SPORTS AND TOURISM AUTHORITY
FINANCE COMMITTEE MEETING

Thursday, December 11, 2014

1:30 PM

Fennemore Craig

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

Attendance

Committee Members

Mike Galloway – Committee Chair
Dave Eberhart
Jody Harwood
Tom Rawles

Other Board Members

Jeff Meyer – Board Chair
Sherry Henry

Staff

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

Authority General Counsel

Sarah Strunk, Fennemore Craig

Guests

Sarah Wyant – Eide Bailley
Peter Sullivan – Global Spectrum– In person
Peter Corbett – Arizona Republic

Andrey Spellman – Eide Bailly
John Drum – Arizona Cardinals Football Club

1. **Call to Order** - A public meeting of the Arizona Sports & Tourism Authority's (the "Authority") Finance Committee (the "Committee") was held and at the offices of Fennemore Craig, 2394 E. Camelback Rd., Suite 600, Phoenix, AZ 85016 on Thursday, December 11, 2014. A quorum being present and the meeting having been duly noticed, Committee Chair Galloway called the meeting to order at 1:42 PM.
2. **ACTION ITEM:** Consideration of Minutes from September 29, 2014 Committee Chair Galloway called for a motion to approve the minutes of the meeting of the Committee held September 29, 2014 **attached hereto as Exhibit A**. Member Rawles indicated there were items in the minutes that needed to be amended. Mr. Galloway moved the consideration of the minutes to the end of the agenda for the purpose of keeping the meeting on time.
3. **INFORMATION:** Presentation of 2014 Financial Audit by Eide Bailly, LLP – Mr. Galloway introduced Andy Spellman and Sarah Wyant to present the 2014 Audited Financials **attached hereto as Exhibit B**. Ms. Wyant indicated that she 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**.

4. **INFORMATION:** Review of AZSTA FY 2014 First Quarter Financials – CFO Kevin Daniels presented the 2014 first quarter financials **attached hereto as Exhibit D**. Upon the completion of the presentation, Mr. Galloway thanked Kevin for his hard work.
5. **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. Galloway asked President Sadler to present this agenda item to the committee. 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 committee that these figures could fluctuate; however he has been told the ticket sales are robust. Mr. Sadler asked the committee to consider recommending this action item to the full Board for approval.

Member Rawles ask for confirmation that AZSTA cannot commit to this recapture unless we are certain we have enough funds to pay this year's required principal and interest payments on any outstanding bonds. Mr. Daniels confirmed the commitment contingency and indicated that he has confirmed there is enough cash for the January 1st payments and AZSTA is on track for the July 1st payments to the bonds. He will confirm after TRCA revenues are received in May of 2015.

Member Rawles asked if there were a catastrophic event that caused AZSTA to be unable to make that payment what would happen. Mr. Sadler explained the commitment for the rebate would be reverted to the Super Bowl Host Committee.

Upon motion duly made by Mr. Rawles to recommend to the full board, 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.

6. **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 – Mr. Galloway tabled this item as these topics will be discussed in the Board meeting immediately following.
7. **INFORMATION:** Review and Discussion of AZSTA Procurement Policy Mr. Galloway presented the AZSTA Procurement Policy **attached hereto as Exhibit G**. Mr. Galloway expressed his thoughts of asking AZSTA staff for recommendations to revise the policy or to have a study group to revise this policy to include capital improvement items. Mr. Rawles indicated the review and potential revision is a good idea to review this policy. After discussion, Mr. Galloway instructed staff to review the policy and recommend any updates or revisions as needed and bring to the Finance Committee at the next meeting. He also asked staff to provide the committee with those items that would be AZSTA's responsibility or Global Spectrum's and bring those back to the committee.
8. **ACTION ITEM:** Consideration of Minutes from September 29, 2014 Member Rawles indicated the minutes incorrectly identified President Tom Sadler as *Member* Sadler and requested those be changed. He also asked for the following sentence to be added to the minutes that more accurately reflected the meeting discussion: *Member Rawles made inquiries concerning whether these recommendations for capital expenditures would be brought to the board at any time; after which there was some considerable back and forth discussion it was understood the items were to be brought back, although it wasn't done this time, that is the intent.*

Upon motion duly made by Member Galloway and seconded by Member Eberhart, the minutes as amended were passed.
9. **INFORMATION:** Announcement of future meeting dates Chair Galloway indicated his desire was to hold the Finance Committee Meeting just prior to the next Board meeting once a date has been set.
10. **Adjournment** - There being no further business of the committee, Chair Galloway called for a motion to adjourn the meeting. Upon motion duly made Member Rawles and seconded by Member Eberhart, the meeting was adjourned