

TOURISM AND SPORTS AUTHORITY

Minutes of a Meeting of the Board of Directors

May 14, 2003 – 7:30 a.m.

41st Meeting of the Board of Directors

Tourism and Sports Authority Boardroom

14500 N. Northsight Boulevard, Suite 312

Scottsdale, Arizona 85260

Attendance

Members

Roc Arnett

John Benton

Jim Grogan

C.A. Howlett

Herman Orcutt

William Peltier

Rod Williams

Staff

Ted Ferris, President and Chief Executive Officer

Kenny Harris, P.E., Vice President for Facilities

Charles Foley, Chief Financial Officer

Kim Monroe, Executive Assistant

Deb Wilson, Executive Assistant

1. Introduction. A public meeting of the Board of Directors (the "Board") of the Tourism and Sports Authority (the "Authority") was held in the Boardroom at the offices of the Authority, 14500 N. Northsight Boulevard, Suite 312, Scottsdale, Arizona 85260, on Wednesday, May 14, 2002, at 7:30 a.m. Board member Valarie Miceli was excused from the meeting due to overseas travel. A quorum being present, and the meeting having been duly noticed and called, Mr. Grogan, the Chairman, called the meeting to order. As a preliminary matter, Mr. Grogan thanked the Authority's staff for preparing the meeting materials that were distributed to the Board members prior to the meeting. Messrs. Arnett and Peltier concurred.

2. Consideration of Minutes of December 12, 2002 Executive Session and February 11, 2003 Board Meeting. The Chairman asked for a motion to approve and ratify the minutes of an executive session of the Board held Thursday, December 12, 2002. Upon motion duly made by Mr. Orcutt, seconded by Mr. Arnett and unanimously carried, it was resolved that the minutes of the December 12th executive session be approved.

The Chairman then asked for a motion to approve and ratify the minutes of a meeting of the Board held Tuesday, February 11, 2003. Upon motion duly made by Mr. Williams, seconded by Mr. Orcutt and unanimously carried, it was resolved that the minutes of the February 11th meeting be approved.

3. Consideration of Resolution Approving Communities Facilities District Memorandum of Understanding. The Chairman thanked Messrs. Benton and Orcutt for their efforts and time in dealing with construction related issues on behalf of the Board. The Chairman then asked Mr. Kenny Harris, P.E., Vice President for Facilities for the Authority, to address the Board to discuss that certain Resolution Approving the Communities Facilities District ("CFD") Memorandum of Understanding (the "CFD MOU"), which Resolution was previously provided to the Board and is attached hereto as Exhibit A. Mr. Harris stated that the CFD is to be formed by the City of Glendale and was to be responsible for construction of infrastructure outside of the Multipurpose Facility (the "CFD Infrastructure"). Mr. Harris further stated that, in order to facilitate and avoid delays in the construction of the CFD Infrastructure, the Authority, Glendale and the Arizona Cardinals propose to enter into the CFD MOU, pursuant to which the Authority will be responsible for the construction of the CFD Infrastructure.

The Chairman then asked Ms. Sarah Strunk, Director of Fennemore Craig, P.C., the Authority's General Counsel, to present a summary of the agreements contained in the CFD MOU. Ms. Strunk then reviewed the provisions of the CFD MOU. Mr. Benton then stated that the CFD MOU provides a prudent process that will allow the general contractor to control the entire construction of the Multipurpose Facility and will avoid delay and miscommunication with respect to such construction. Mr. Williams inquired as to whether the Authority will be required to incur additional overhead costs with respect to the CFA Infrastructure. Mr. Benton explained

that the Authority will not be required to incur additional overhead costs because management of the construction of the CFA Infrastructure will be conducted by the general contractor and will not require day-to-day management of the Authority.

The Chairman thanked Mr. Harris and Ms. Strunk for their presentations and then asked for a motion to approve the Resolution. Upon motion duly made by Mr. Orcutt, seconded by Mr. Williams, and unanimously carried, that certain Resolution Approving the CFD MOU was approved.

4. Consideration of Resolution Approving Consulting Agreements with Schirmer Engineering Corporation, Crystal Pearl d/b/a Native Arc Architects, Construction Advising LLC and Kaku Associates, Inc. The Chairman then asked Mr. Harris to address the Board regarding that certain Resolution Approving Consulting Agreements with Schirmer Engineering Corporation ("Schirmer Engineering"), Crystal Pearl d/b/a Native Arc Architects ("Native Arc"), Construction Advising LLC ("Construction Advising") and Kaku Associates, Inc. ("Kaku Associates"), which Resolution was previously provided to the Board and is attached hereto as Exhibit C. Mr. Harris explained that pursuant to these agreements, Native Arc would provide code compliance expertise, Schirmer Engineering would serve as a sub-consultant to Native Arc, Kaku Associates would provide the design of the road and parking lot infrastructure, and Construction Advising would serve as a construction consultant to the Authority. Mr. Harris then introduced Mr. Murphy, the principal of Construction Advising, to the Board. With the Chairman's permission, Mr. Murphy explained his background and experience, which included serving, until two years ago, as President of the general contracting firm of McCarthy Construction. Mr. Benton stated that from personal experience he was aware that McCarthy Construction did very capable work and is experienced. Mr. Orcutt concurred.

Mr. Arnett then inquired as to the cost estimates for the Consulting Agreements. Mr. Harris explained that the Native Arc Consulting Agreement provided for payment of \$75,000 during Phase One of the construction and an as-yet-to-be negotiated payment during Phase Two, which Mr. Harris estimated to be \$75,000, that the Schirmer Engineering Consulting Agreement provided for a maximum payment of \$141,000, and that the Construction Advising Consulting Agreement provided for a \$50,000 payment during Phase One and a payment during Phase Two to be approved by the Board. Mr. Harris stated that the Kaku Associates payment amount was not currently available, but he would forward the number to the Board following the meeting. Mr. Benton then explained that Native Arc, Schirmer Engineering and Kaku Associates would be consultants to Hunt Construction Group, while Construction Advising would provide construction consulting services to the Authority.

The Chairman thanked Mr. Harris for his presentation and then asked for a motion to approve the Resolution. Upon motion duly made by Mr. Peltier, seconded by Mr. Orcutt, and unanimously carried, that certain Resolution Approving Consulting Agreements with Schirmer Engineering, Native Arc, Construction Advising and Kaku Associates was approved.

5. Consideration of Resolution Approving Amendment to Project Management Agreement. The Chairman then asked Mr. Harris to address the Board regarding that certain Resolution Approving Amendment to the Project Management Agreement between the Authority and the Arizona Cardinals (the “PMA”), which Resolution was previously provided to the Board and is attached hereto as Exhibit D. Mr. Harris stated that the Amendment to the PMA would allow the Authority and the Arizona Cardinals to negotiate and approve prices for significant parts or packages of the construction of the Multipurpose Facility in various stages in order to minimize risks of construction cost overruns.

The Chairman then invited Ms. Strunk to address the Board regarding the PMA. Ms. Strunk reported that the Amendment only affects the provisions of the PMA with respect to approval of multiple packages of construction work in advance of the overall approval of the guaranteed maximum price for construction of the Multipurpose Facility. The Chairman then invited Mr. Murphy to address the Board regarding the Amendment to the PMA. Mr. Murphy stated that the Amendment implements an established technique used in the private sector for locking in prices for significant construction packages in stages and placing the risk of cost overruns on a project's construction management. Mr. Benton then stated that the Amendment would allow the design and construction team to focus on remaining work rather than negotiating prices for overall construction. Mr. Ferris, the Authority's President and Chief Executive Officer, then stated that the Authority would hold a Board meeting in June to discuss approval of the Design/Build Agreement and certain construction packages.

The Chairman then asked for a motion to approve the Resolution. Upon motion duly made by Mr. Orcutt, seconded by Mr. Williams, and unanimously carried, that certain Resolution Authorizing Amendment to the PMA was approved.

6. Consideration of Resolution Approving Schematic Design Package. The Chairman then asked Mr. Harris to address the Board regarding that certain Resolution Approving Schematic Design Package, which Resolution was previously provided to the Board and is attached hereto as Exhibit E. Mr. Harris described the Schematic Design Package as a set of concept drawings, plans and supporting documents that reflect a scope of work sufficient to meet a set budget of \$335.3 million with an \$18 million contingency reserve. Mr. Harris stated that the Schematic Design Package is in concept phase and is currently on budget. Mr. Harris

further explained that the signature design elements of a retractable roof design, retractable floor and unique façade remain intact.

The Chairman then asked Mr. Murphy to address the Board with respect to the construction schedule. Mr. Murphy stated that Hunt Construction Group arrived on site today and that excavation will occur at the end of June with the construction of the foundation to commence in August. Mr. Murphy further stated that the project is scheduled to be completed in mid-summer 2006, which Mr. Murphy believed to be an intensive yet sensible schedule that will allow for quality construction results.

Mr. Harris then reviewed the details of the Schematic Design work. Mr. Arnett then inquired as to whether the \$18 million contingency reserve was included in the \$335.3 million budget. Mr. Harris confirmed that the contingency reserve was included in the total budget and then reviewed the overall construction budget. Mr. Harris then continued his review of the Schematic Design work from the bottom up through the various levels of the Multipurpose Facility. The Chairman then stated that one of the reasons the Multipurpose Facility will be such a unique facility is because Peter Eisenman has been engaged to design the interior as well as the exterior of the facility. Mr. Orcutt concurred. A computer-animated video entitled "Super Ready" that was shown at the 2003 annual National Football League owners' meeting to promote a bid to host the 2007 Super Bowl at the Multipurpose Facility was then shown. The Chairman then stated that the video was well received by the NFL owners.

The Chairman then asked for a motion to approve the Resolution. Upon motion duly made by Mr. Benton, seconded by Mr. Orcutt, and unanimously carried, that certain Resolution Approving Schematic Design Package was approved.

7. Consideration of Resolution Ratifying City of Phoenix Intergovernmental Agreement and Construction Trust Agreement for Phoenix Municipal Stadium. The Chairman then asked Ms. Strunk to address the Board regarding Resolution Ratifying City of Phoenix Intergovernmental Agreement and Construction Trust Agreement for Phoenix Municipal Stadium, which Resolution was previously provided to the Board and is attached hereto as Exhibit F. Ms. Strunk explained that at the February 11th meeting the Board approved the Authority's contribution of funds to the planned renovations and improvements of Phoenix Municipal Stadium and the negotiation of a mutually acceptable intergovernmental agreement addressing such funding, which was to be later ratified by the Board. Ms. Strunk further explained that an Intergovernmental Agreement and Construction Trust Account Agreement has been negotiated and entered into by the Authority and the City of Phoenix, which agreements are now before the Board for ratification.

The Chairman then asked for a motion to approve the Resolution. Upon motion duly made by Mr. Orcutt, seconded by Mr. Williams, and unanimously carried, that certain Resolution Ratifying City of Phoenix Intergovernmental Agreement and Construction Trust Agreement for Phoenix Municipal Stadium was approved.

8. Cactus League Facilities Update. The Chairman then asked Mr. Ferris to address the Board regarding the Authority's funding for the Phoenix Municipal Stadium, and requests for Authority funding for improvements to Scottsdale Stadium and Tempe Diablo Stadium. Mr. Ferris reported that the improvements to the Phoenix Municipal Stadium are on schedule and that Mr. Roger Brendecke will report on the progress of the improvements to the Board on a monthly basis. Mr. Ferris stated that the total Authority funding for the Phoenix Municipal Stadium would be \$4.3 million. Mr. Ferris also reported that the Authority and the City of Scottsdale are

currently discussing the availability of Authority funding for the construction of new practice fields for Scottsdale Stadium, which the City of Scottsdale would like to have completed prior to the expiration of the San Francisco Giant's lease of Scottsdale Stadium in 2007. Mr. Ferris also reported that the City of Tempe has requested Authority funding for the construction of new practice fields for Tempe Diablo Stadium, although no formal discussions between the Authority and the City of Tempe have begun. Mr. Arnett then inquired as to whether the City of Tempe would be required to pay outstanding obligations owed to the Authority prior to any approval of Authority funding for the Tempe Diablo Stadium project. Mr. Ferris explained that the City of Tempe would be required to pay in full its outstanding obligations to the Authority prior to any funding being made available by the Authority for the Tempe Diablo Stadium improvements. The Chairman thanked Mr. Ferris for his presentation.

9. Youth and Amateur Sports Advisory Committee Update. The Chairman then invited Mr. Steve Patterson, Chief Executive Officer of Patterson Sports Venues and the Authority's consultant for youth sports and recreational matters, to address the Board regarding the activities of the Authority's Youth and Amateur Sports Advisory Committee (the "Committee"). Mr. Patterson reported on the strategic partnership between the Authority and the Arizona Diamondbacks with respect to improvements to the South Mountain YMCA facilities. Mr. Patterson further reported that the groundbreaking for the Avondale Regional Sports Complex is tentatively scheduled for the beginning of June and that completion of the Complex is scheduled for the end of 2003. Mr. Patterson also reported on the three town hall meetings in Tempe, Phoenix and Peoria held by the Committee on April 22, 23 and 24, respectively. Mr. Patterson stated that the purpose of the town hall meetings was to educate interested stakeholders in the Authority's youth and amateur sports and recreation program as well as the activities of

the Committee. Mr. Patterson reported that approximately 60 to 70 people attended each town hall meeting and that the meetings complete the public review phase of the Authority's activities with respect to youth and amateur sports. Mr. Patterson stated that he expects the Committee to present its formal recommendations for future youth and amateur sports activities of the Authority to the Board in June. Additional material regarding Mr. Patterson's presentation is attached hereto as Exhibit G.

10. Tourism Funding Update. The Chairman then asked Mr. Ferris to address the Board regarding the Arizona legislature's recent funding cuts in tourism promotion. Mr. Ferris then summarized current fiscal year 2003 and proposed fiscal year 2004 and 2005 tourism funding cuts approved by the Arizona legislature. Mr. Ferris further reported on the Proposition 202 funds that should be made available for tourism promotion.

11. Financial Update. The Chairman then asked Mr. Charles Foley, Chief Financial Officer of the Authority, to present a financial status update to the Board. Mr. Foley stated that no new information has been received because the latest month's revenue report has not been received. Mr. Foley then reported that for the current fiscal year-to-date, receipt of tourism tax receipts is 3.1% ahead of budget and \$1 million ahead of the same period last year. Mr. Foley stated that the numbers support the belief that a return to the 2001 fiscal year tax receipt levels should be achieved by fiscal year 2004. Mr. Arnett then inquired as to how the excess funding will be used. Mr. Foley explained that excess revenues will be placed into an operating reserve for use as general operating funds. Mr. Ferris then stated that the Authority is mandated by the legislature to maintain certain operating reserve levels.

Mr. Foley then stated that the budget for fiscal year 2004 (the "Budget") will be prepared and ready for consideration by the Board at the end of June. Mr. Williams then inquired as to the

return on the Authority funds from bond proceeds. Mr. Foley explained that the Authority's enacting legislation requires certain investments and that the bond proceeds are currently held in Bank One's Prime Investment Money Market Fund.

12. Performance Audit Update. The Chairman then invited Mr. Ryan Curtis of the Auditor General's Office to provide an update of audit process and time frame. Mr. Curtis then presented a summary of the audit process and stated that the audit should be completed and ready for public release by September or October. Mr. Grogan then stated that the Authority welcomes the opportunity to learn from the audit and thanked Mr. Curtis for his presentation.

13. Announcements. The Chairman announced that the Authority's staff would contact Board members regarding the date and time for the next Board meeting.

14. Adjournment. There being no further business to come before the Board, upon motion duly made by Mr. Williams, seconded by Mr. Orcutt and unanimously carried, the meeting adjourned.

EXHIBIT A

Resolution Approving Communities Facilities District Memorandum of Understanding

EXHIBIT B

**Memorandum to the Board from Fennemore Craig regarding
Authority/Cardinals/Glendale Memorandum of Understanding (Facility and Community
Facilities District Construction)**

EXHIBIT C

**Resolution Approving Consulting Agreements with Schirmer Engineering Corporation,
Crystal Pearl d/b/a Native Arc Architects, Construction Advising LLC and Kaku
Associates, Inc.**

EXHIBIT D

Resolution Approving Amendment to Project Management Agreement

EXHIBIT E

Resolution Approving Schematic Design Package

EXHIBIT F

**Resolution Ratifying City of Phoenix Intergovernmental Agreement and Construction
Trust Agreement for Phoenix Municipal Stadium**

EXHIBIT G

Authority Youth and Amateur Sports Update Information