

Arizona Sports & Tourism Authority

**Minutes of a Meeting of the Arizona Sports & Tourism Authority
Finance, Budget and Audit Committee
November 22, 2004, 1:30 p.m.
Arizona Sports and Tourism Authority Offices
14500 N Northsight Blvd, Suite 312 (Conference room)
Scottsdale, AZ 85260**

Attendance

Members

Roc Arnett, Chairman
Rod Williams
Larry Landry (telephonically)

Staff

Charles Foley, Chief Financial Officer & Treasurer
Ted Ferris, President/CEO

1. Call to Order. A public meeting of the of the Arizona Sports & Tourism Authority (the "Authority") Finance, Budget and Audit Committee (the "Committee") was held in the Conference Room at the offices of the Authority, 14500 N Northsight Blvd, Suite 312, Scottsdale, Arizona 85260, on Monday, November 22, 2004 at 1:30 p.m. A quorum being present, and the meeting having been duly noticed and called, Chairman Arnett called the meeting to order.

2. Consideration of Minutes from October 21, 2004. Chairman Arnett asked for a motion to approve and ratify the minutes of a meeting of the Committee held October 21, 2004 (Exhibit A). Mr. Landry requested that the minutes be amended in section 3. Discussion of Pending Completion Bond Sale to reflect his recommendation the Authority employ the services of an independent pricing consultant at the time the bonds were to be issued. There being no objections, Mr. Williams moved the approval of the minutes as amended by Mr. Landry. The motion was seconded by Mr. Landry and unanimously carried and it was resolved that the minutes of the October 21, 2004 meeting be approved.

2. Discussion of Proposed Accounting Treatment of Project Savings Related to Tempe Cactus League IGA. Chairman Arnett asked for the staff to review the options being made available to the committee. Mr. Foley presented to the committee the two options that the Authority staff had developed (Exhibit B). Discussion ensued regarding the two options as presented as well as with some modifications. The committee asked the staff for their recommendation and the staff informed the committee that Option B was the favored option. Mr. Landry moved the approval of Option B pending receiving agreement from the City of Tempe, Mr. Williams seconded the motion and it was unanimously carried. Following the vote, Mr. Williams was presented with a framed copy of the check from the City of Tempe for his continued efforts on part of the Authority.

3. Discussion of Pending Completion Bond Sale. Mr. Ferris opened the discussion related to the pending Completion Bond sale with an overview of the Authority's unfunded stadium-related obligations and the potential sources of funds to meet those obligations (Exhibit C). Mr. Foley continued the discussion by relating the \$7.5 million leaseback obligation to the funding scenarios developed by RBC Dain Rauscher (Exhibit D). The scenarios were comprised of a traditional fixed rate bond issuance as the base case and then comparing it to the potential debt service savings and/or additional bond proceed potential utilizing a synthetic fixed rate swap agreement after issuing variable rate bonds. The analyses showed that a swap arrangement could generate up to an estimated \$5.0 million in additional bond proceeds. The additional proceeds would be used by the Authority to offset a portion of the leaseback obligation while maintaining the overall debt service at the same level as a traditional fixed rate bond issue. This strategy was compared to obtaining the leaseback financing from a third party provider which would be repaid from the Authority's operating budget at the bottom of the waterfall, would have

a shorter amortization (approximately seven years versus thirty years for a tax-exempt bond issue) and a higher interest rate (approximately nine percent versus a tax-exempt fixed rate of around five percent). Mr. Landry asked for RBC Dain Rauscher to review the risks associated with a synthetic fixed swap arrangement. Mr. John Snider, RBC Dain Rauscher, reviewed the various risks for the committee. Mr. Landry commented that unlike a municipality that may consider a swap, the Authority does not have the same ability to raise taxes, etc. to help offset the associated risks. Mr. Ferris reminded the committee that the Arizona Cardinals have pledged their ticket surcharge revenues to offset any shortfalls the Authority may experience in meeting the debt service for the Completion Bonds. The Cardinals' commitment comes ahead of the Authority utilizing their tourism-related revenues. Mr. Williams moved the committee's approval for the Authority's staff to utilize the synthetic fixed swap arrangement to issue the Completion Bonds. Mr. Landry seconded the motion with the additional caveat that an independent pricing consultant be contracted by the Authority to ensure the Authority is receiving the most favorable terms available. The motion carried unanimously. Mr. Williams inquired as to whether or not Mr. Foley had spoken with entities that currently have swap financings established. Mr. Foley reviewed his discussions with persons involved with Arizona State University and the City of Denver, Colorado. The Authority staff will develop a specific financing proposal that will be provided to the board of directors that details the amount of the proposed financing, the use of the proceeds and the terms under which the financing will be accomplished.

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

“Exhibit A”

October 21, 2004 Committee Minutes

“Exhibit B”

Accounting Treatment of Project Savings Related to Tempe Cactus League IGA

“Exhibit C”

Analysis of Unfunded Obligations

“Exhibit D”

Summary of Completion Bonds Financing Options