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ADVISORY TASK FORCE

ON

PROFESSIONAL SPORTS

IN MINNESOTA

FINAL REPORT

January 1996

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January 24, 1996

900 SOUTH 5TH STREET
MINNEAPOLIS, MN
55415

Metropolitan Sports Facilities Commission
Hubert H. Humphrey Metrodome
900 South Fifth Street
Minneapolis, MN 55415

TELEPHONE

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Dear Commissioners:

On behalf of the Advisory Task Force on Professional Sports, I am pleased to submit the enclosed report for your consideration.

The Task Force met ten times, received testimony from approximately twenty witnesses and considered an extraordinary amount of information relating to the status, issues, and trends of the professional sports industry, and the consequent implications both nationally and in Minnesota.

The Task Force deliberations resulted in a determination of Findings of Fact as well as Recommendations, which are herewith commended to you by an affirmative voice vote of the Task Force. I look forward to discussing this report with you.

I would like to take this opportunity to thank the members of the Task Force for their generosity of time and willingness to serve on the Task Force. Their efforts are truly appreciated and will be extremely useful as we continue in our endeavors to attract and retain professional sports teams.

Sincerely,



Henry J. Savelkoul

HJS:js

Enclosure

cc: Advisory Task Force on Professional Sports

tf\coverhjs.doc

HUBERT H. HUMPHREY
METRODOME

METROPOLITAN SPORTS
FACILITIES COMMISSION

AFFIRMATIVE ACTION/
EQUAL OPPORTUNITY EMPLOYER

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**ADVISORY TASK FORCE ON PROFESSIONAL SPORTS
IN MINNESOTA**

Henry J. Savelkoul, Chair
Chair, Metropolitan Sports Facilities Commission

Members:

The Honorable Irv Anderson
Speaker, Minnesota House of Representatives

Duane Benson
Executive Director, Minnesota Business Partnership, Inc.

Dan Brutger
*Director of Development
Brutger Equities*

Jackie Cherryhomes
President, Minneapolis City Council

Robert J. Dayton
CEO, Okabena Company

Don Early
*President, Minneapolis Central Labor Union Council
Metropolitan Sports Facilities Commission*

E. Peter Gillette, Jr.
President, Piper Trust Company

Morris Goodwin
*Vice President and Corporate Treasurer
American Express Financial Advisors*

*The Honorable Dean Johnson
Minnesota State Senate*

*Doug Leatherdale
Chairman and CEO, The St. Paul Companies, Inc.*

*The Honorable Dee Long
Minnesota House of Representatives*

*The Honorable Roger Moe
Minnesota State Senate*

*Julius C. Smith
Julius C. Smith Law Office*

*Gary Sudduth
President and CEO, Minneapolis Urban League*

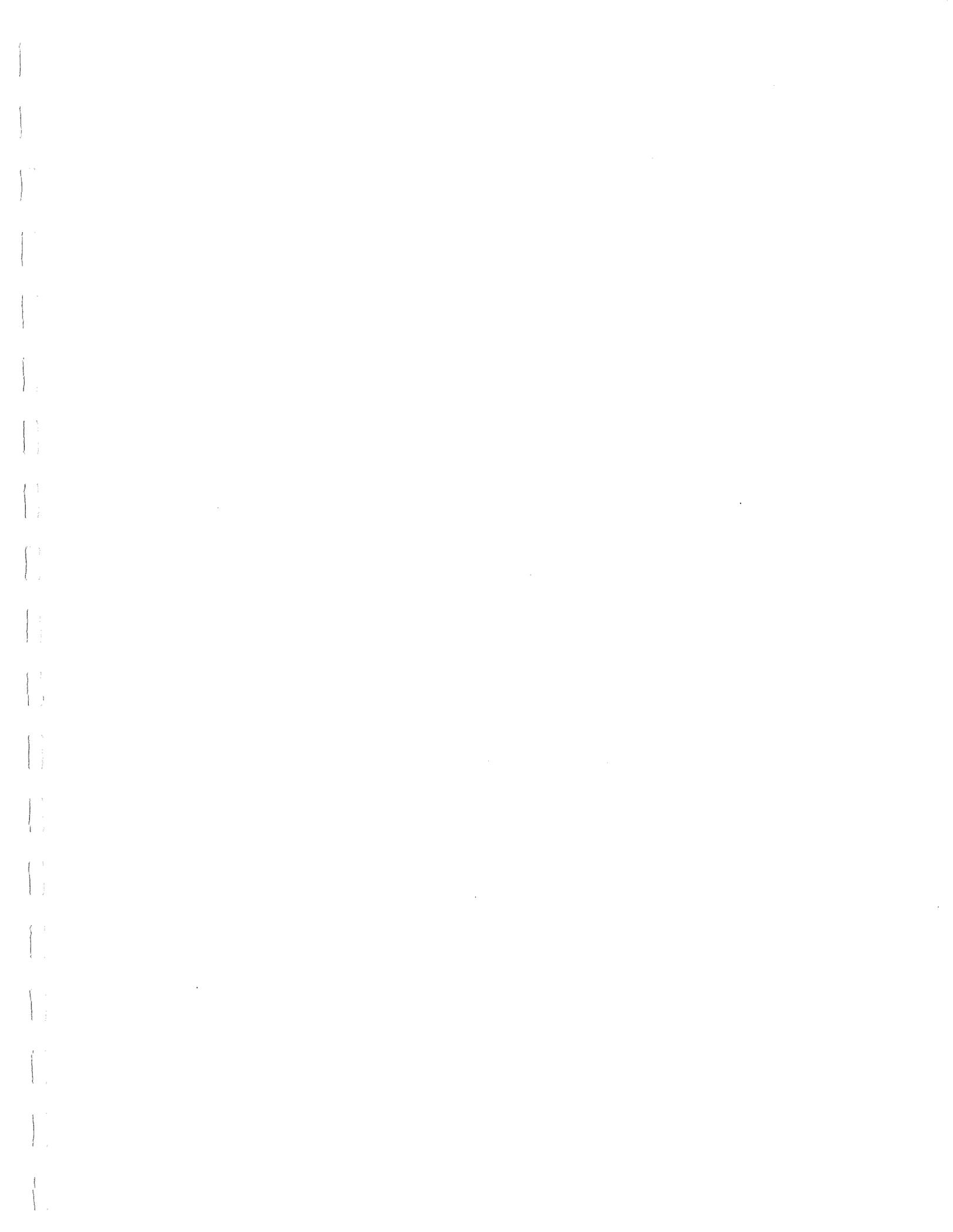
*The Honorable Steve Sviggum
Minnesota House of Representatives*

*Paul Rexford Thatcher, Sr.
Metropolitan Sports Facilities Commission*

*Loanne Thrane
Metropolitan Sports Facilities Commission*

*The Honorable Jim Vickerman
Minnesota State Senate*

*C. Angus Wurtele
CEO, The Valspar Corporation*



PURPOSE OF TASK FORCE

The Advisory Task Force on Professional Sports (the "Task Force") was established by the Metropolitan Sports Facilities Commission (the "Commission") in July, 1995. The primary mandate of the Task Force is to study the overall impact of professional sports in the State of Minnesota and to make recommendations on how to retain and attract professional sports teams. The professional sports at issue include professional major league baseball, football, basketball and hockey.

Professional sports in Minnesota have been supported by a willing partnership between certain public agencies and private interests. It is clear that the scope, capacity and endurance of that partnership is at issue. As a result of the departure of the North Stars to Dallas in 1993 and the protracted public acquisition of the Target Center in 1994 in order to facilitate a long term Minnesota Timberwolves' lease, legislative focus has turned to the impact of professional sports on the Minnesota state and local economy and to the issue of public subsidies in general. The Hubert H. Humphrey Metrodome (the "Metrodome") is home to two major league teams, and both have taken issue with certain provisions of their respective use agreements. In fact, the Minnesota Twins' agreement contains an escape clause, effective in 1998, if certain conditions occur. In addition, during the brief tenure of the Task Force, an attempt has been made to generate public subsidies for a professional hockey team seeking to play its home games at Target Center.

Against this background of unrest on the part of the professional teams, both locally and nationally, and its attendant consequences for the public sector, the Minnesota Legislature originally established a task force to study the issue in 1994, as a part of the Target Center legislation (1994 Minnesota Laws, Chapter 648). However, due to various factors, the original task force was not able to fulfill its duties, and the legislation establishing the task force expired. This Task Force was then established by the Metropolitan Sports Facilities Commission to perform such a study.

ADVISORY TASK FORCE ON PROFESSIONAL SPORTS IN MINNESOTA

Tentative Agenda

Tuesday, August 15, 1995

2 p.m.

St. Paul Companies

Jackson Room

385 Washington

St. Paul, MN

1. CALL TO ORDER
2. ROLL CALL
3. ADOPTION OF AGENDA
4. BUSINESS
 - a. **Introductory Remarks - Henry Savelkoul; Chair, Metropolitan Sports Facilities Commission**
 - b. **Overview - Henry Savelkoul**
Each day we are bombarded with stories of teams losing money, moving to other cities or seeking to improve lease arrangements. What is the problem? Why was the Task Force formed?
 - c. **Role of Professional Sports - Dr. James P. Shannon**
Professional sports is an integral part of the fabric of our community. How does it fit?
 - d. **Benefits of Professional Sports - Hank Todd**
Each year over 4 million people attend professional athletic events in Minnesota. What benefits does the public derive from having professional sports? What is the impact on the image of Minnesota?
 - e. **Economic Impact - David Welle**
Each year, over \$184 million dollars are spent on professional sports entertainment in Minnesota, resulting in over \$16 million tax dollars generated. Who pays? Who benefits?
 - f. **Other**
5. ANNOUNCEMENT OF FUTURE MEETINGS - Tuesday, August 29, 1995; 2 p.m., location to be determined.
6. ADJOURNMENT

ADVISORY TASK FORCE ON PROFESSIONAL SPORTS IN MINNESOTA

Tentative Meeting Agenda

Tuesday, August 29, 1995
2 p.m.

**ROOM 10, STATE OFFICE BUILDING
100 Constitution Avenue
ST. PAUL, MN 55155**

1. CALL TO ORDER
2. ROLL CALL
3. ADOPTION OF AGENDA
4. APPROVAL OF MINUTES - August 15, 1995
5. BUSINESS
 - A. **Introduction** - Henry J. Savelkoul
 - B. **What is the Real Value of Professional Sports – to the Community, Owners and Fans?** - Neal H. Pilson, President, Pilson Communications, Inc. Former President of CBS Sports.
 - C. **Financial Considerations of Professional Sports** - David Welle and Craig Skeim.

The paradigm of professional sports operations is changing and teams are now expecting more from communities. Some communities will make fiscally irresponsible decisions to attract professional sports teams.

1. **General League Information**
2. **Differences Between and Among Sports**
3. **Stadiums and Arenas as Revenue Generators**
4. **Franchise Values**
5. **Case Studies**

- D. **Continued Discussion of Economic Impact** -Additional considerations from questions raised at last meeting (August 15).
 - E. **Can Minnesota Support Four Major League Sports Franchises (Preliminary Discussion) - Will Minnesota Support Four Major League Sports Franchises?**
6. MESSAGE FROM THE CHAIR - Framing the issues for future meetings.
 7. COMMENTS
 8. ANNOUNCEMENT OF FUTURE MEETINGS - Monday, September 11, 1995, 2 p.m.; Hubert H. Humphrey Metrodome - Arena.
 9. ADJOURNMENT

ADVISORY TASK FORCE ON PROFESSIONAL SPORTS IN MINNESOTA

REVISED MEETING AGENDA

Monday, September 11, 1995

2 - 5 p.m.

H. H. HUMPHREY METRODOME

(Arena)

900 South Fifth Street

Minneapolis, MN 55415

1. CALL TO ORDER
2. ROLL CALL
3. ADOPTION OF AGENDA
4. APPROVAL OF MINUTES - August 29, 1995
5. BUSINESS
 - A. Opening Remarks - Henry J. Savelkoul
 1. Framing the Issues for Future Meetings
 - B. Minnesota Twins Presentation*
 1. Introduction - Carl Pohlrad
 2. The Past - Jerry Bell
Historical Perspective - The Twins from 1961 to 1995
Calvin Griffith brings the Twins to Minnesota
 3. The Present - Jerry Bell
The Business of Baseball
 4. The Future - Jerry Bell
Solutions to keeping the Twins in Minnesota

BREAK - 15 Minutes

Agenda - 2
September 11, 1995

C. Case Studies - David Welle

1. Comiskey Park, Chicago, IL
2. Bank One Ballpark, Phoenix, AZ
3. Coors Field, Denver, CO
4. Proposed Stadium, Milwaukee, WI
5. Jacksonville Stadium, Jacksonville, FL
6. Charlotte Stadium, Charlotte, NC

6. FUTURE MEETINGS - Monday, September 25, 1995, 2 p.m.; tentative location, Room 5, State Office Building.

7. ADJOURNMENT

***Bud Selig, Acting Commissioner of Major League Baseball, was scheduled to attend the meeting on Monday, September 11. However, due to a scheduling conflict he will not be able to do so. It is anticipated that Mr. Selig will attend a future Task Force meeting.**

ADVISORY TASK FORCE
ON PROFESSIONAL SPORTS IN MINNESOTA

Tentative Agenda

September 25, 1995
2 p.m.

Room 5, State Office Building
100 Constitution Avenue
St. Paul, MN 55155

1. CALL TO ORDER
2. ROLL CALL
3. ADOPTION OF AGENDA
4. APPROVAL OF MINUTES - September 11, 1995
5. BUSINESS
 - a. Vikings Presentation
 - 1) Roger L. Headrick, President and Chief Executive Officer, Minnesota Vikings
 - 2) Paul Tagliabue, Commissioner, NFL
6. ANNOUNCEMENT OF FUTURE MEETINGS - Wednesday, October 11, 1995 - Target Center.
Lunch at noon, Task Force meeting at 1 p.m. followed by a tour of the Target Center.
7. ADJOURNMENT

**ADVISORY TASK FORCE ON
PROFESSIONAL SPORTS IN MINNESOTA**

Tentative Meeting Agenda

Wednesday, October 11, 1995

1 p.m.

Target Center

Suite Hospitality Area

4th Floor

600 - 1st Avenue North

Minneapolis, MN 55403

1. CALL TO ORDER
2. ADOPTION OF AGENDA
3. APPROVAL OF MINUTES - September 25, 1995
4. BUSINESS
 - a. **Wheelock Whitney - Chairman**
Governor's Task Force on Professional Hockey

Historical perspective on the National Hockey League in Minnesota plus the work of the Governor's Task Force on Professional Hockey, which was formed in 1994.
 - b. **Walter L. Bush - President, USA Hockey**

Update on the status of non-NHL hockey.
 - c. **Gary Bettman, Commissioner, National Hockey League**

The industry viewpoint, including the potential future of NHL hockey in Minnesota, the status of the new labor agreement, and the overall business plan of the NHL.

Agenda - 2
10/11/95

- d. **Henry J. Savelkoul**, Chairman
Metropolitan Sports Facilities Commission

Target Center legislation, specifically in reference to
accommodating and NHL team in the arena.
 - e. **Bill Lester**, Executive Director
Metropolitan Sports Facilities Commission

History of the Minnesota North Stars in Minnesota.
 - f. **Richard Burke** - The status of the acquisition of the Winnipeg Jets.
5. **ANNOUNCEMENT OF FUTURE MEETINGS** - Monday,
October 30, 1995, 2 p.m.; location to be determined.
6. **ADJOURNMENT**

**ADVISORY TASK FORCE ON
PROFESSIONAL SPORTS IN MINNESOTA**

Tentative Meeting Agenda

Monday, November 6, 1995

2 p.m.

Grand Ballroom

St. Paul Hotel

350 Market

St. Paul, Minnesota 55101

1. CALL TO ORDER
2. ADOPTION OF AGENDA
3. APPROVAL OF MINUTES - October 11, 1995
4. BUSINESS
 - a. Introductory Remarks - **Henry J. Savelkoul, Chair**
 - b. **Metropolitan Sports Facilities Commission Presentation** - The financial and operational history of the Hubert H. Humphrey Metrodome and the Metropolitan Sports Facilities Commission.

William J. Lester, Executive Director
Metropolitan Sports Facilities Commission

Rick deFlon, Principal
Divine, deFlon and Yaeger - Architects
Kansas City, Missouri
5. ANNOUNCEMENT OF FUTURE MEETINGS
6. ADJOURNMENT

ADVISORY TASK FORCE ON

PROFESSIONAL SPORTS

Tentative Agenda

Tuesday, November 21, 1995

2 p.m.

ROOM 5, STATE OFFICE BUILDING

100 Constitution Avenue

St. Paul, MN 55155

1. CALL TO ORDER
2. ADOPTION OF AGENDA
3. APPROVAL OF MINUTES - November 6, 1995
4. BUSINESS
 - a. Introductory Remarks - **Henry J. Savelkoul, Chair**
 - b. **Arthur J. Rolnick, Senior Vice President, Federal Reserve Bank of Minneapolis**
 - c. Two additional guests have been invited to appear before the Task Force but are yet unconfirmed
 - d. Task Force Options
 - e. Findings of Fact - Draft Review
5. ANNOUNCEMENT OF NEXT MEETING - **Tuesday, November 28, 1995, 2 p.m.; Room 5, State Office Building, 100 Constitution Avenue, St. Paul, Minnesota.**
6. ADJOURNMENT

ADVISORY TASK FORCE ON

PROFESSIONAL SPORTS

Tentative Agenda

Tuesday, November 28, 1995

2 p.m.

ROOM 5, STATE OFFICE BUILDING

100 Constitution Avenue

St. Paul, MN 55155

1. CALL TO ORDER
2. ADOPTION OF AGENDA
3. APPROVAL OF MINUTES - November 21, 1995
4. BUSINESS
 - a. **Introductory Remarks** - Henry J. Savelkoul, Chair
 - b. **Resource Speakers** - Two individuals have been invited to appear before the Task Force, but as of yet are unconfirmed.
 - c. **Findings of Fact**
 - d. **Task Force Options**
 - e. **Other**
5. FUTURE MEETINGS
6. ADJOURNMENT

ADVISORY TASK FORCE ON PROFESSIONAL SPORTS

Tentative Agenda

Thursday, December 21, 1995
2 p.m.

**Room 10, State Office Building
100 Constitution
St. Paul, MN 55155**

1. CALL TO ORDER
2. ROLL CALL
3. ADOPTION OF AGENDA
4. APPROVAL OF MINUTES - November 28, 1995
5. BUSINESS
 - a. Introductory Remarks - Henry J. Savelkoul
 - b. Findings of Fact
 - c. Task Force Recommendations
6. FUTURE MEETINGS
7. ADJOURNMENT

ADVISORY TASK FORCE ON PROFESSIONAL SPORTS

Tentative Agenda

Thursday, January 11, 1996

2 p.m.

ROOM 5, STATE OFFICE BUILDING

100 Constitution Avenue

St. Paul, MN 55155

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF MINUTES - December 21, 1995
4. INTRODUCTORY REMARKS - Henry J. Savelkoul, Chair
5. BUSINESS
 - a. Task Force - Final Report
 - b. Other
6. ADJOURNMENT

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Summary of Findings of Fact

- A. Professional sports teams have a positive economic impact on the state and metropolitan area. They also deliver intangible, quality of life benefits.
- B. The entire state has an interest in our professional sports teams, as evidenced by ticket sales and broadcast ratings.
- C. It is in the best interests of the citizens of Minnesota that the professional sports industry settles its league-wide outstanding issues.
- D. The paradigm of the ownership and operation of sports facilities, and the nature of the public-private partnership has shifted dramatically since the advent of professional sports.
- E. The costs of construction of sports facilities have increased dramatically over the past several decades.
- F. The national trend is for professional sports teams to seek new, and in the case of baseball and football, single-purpose facilities or modifications to existing facilities, with specific amenities and revenue streams.
- G. Both the Minnesota Twins and the Minnesota Vikings have requested improved revenue streams.
- H. The Minnesota Twins have presented financial statements demonstrating extended losses, which, if continued, would be sufficient to trigger the termination clause in their Use Agreement.
- I. The Minnesota Vikings have stated that they will be unable to compete successfully in the present environment absent additional revenue streams.
- J. The present financing and physical structure of the Metrodome makes it financially impossible to accommodate all of the requests of the Minnesota Twins and Minnesota Vikings. The needs expressed by each team to increase revenues within the Metrodome and to reconfigure the capacity of the Metrodome are conflicting, and likely cannot be performed to the satisfaction of each.

Date: January 11, 1996

- K. The City of Minneapolis has represented that it can not provide additional financing for professional sports, and, in light of the importance of professional sports to the state and the community, should not be asked to be the sole public partner in future professional sports transactions.**
- L. Further study will be necessary to determine what resources may be available from the public and private sectors and whether those resources will be sufficient to fund reasonable requests of the Minnesota Twins and Minnesota Vikings.**
- M. The Task Force has received no information indicating an additional need for resources to retain NBA basketball.**
- N. This Task Force takes no position with regard to a NHL hockey team at this time.**

FINDINGS OF FACT

A. Professional sports teams have a positive economic impact on the state and metropolitan area. They also deliver intangible, quality of life benefits.

The typical components of an economic impact analysis include direct effects and indirect effects. Each will be discussed, measuring the effects, or benefits, generated by the Minnesota Twins, the Minnesota Vikings, and the Minnesota Timberwolves in 1994. The calculations discussed below also estimate the potential effects or benefits if a National Hockey League ("NHL") hockey team were playing at the Target Center in 1995 (where noted).

The following discussion presents a summary of a more comprehensive economic analysis submitted to the Task Force. See "Direct Economic Impact of Professional Sports in Minnesota, Presentation Summary and Calculations," CSL International, August 15, 1995, attached hereto as Exhibit A.

1. Direct Public Sector Benefits

Direct public sector benefits attributable to the presence of professional sports are measured in terms of taxes and revenues. Professional sports teams generate state income taxes, state sales taxes, City of Minneapolis sales taxes and other taxes and public sector revenues.

Summary of Total Direct Taxes Collected Annually

Minnesota Twins:	\$ 6,114,000
Minnesota Vikings:	\$ 5,588,000
Minnesota Timberwolves:	\$ 4,647,000
Total:	<u>\$16,349,000</u>
National Hockey League Team (estimate):	\$ 4,390,000
Total:	<u>\$20,739,000</u>

Several levels of government benefit from the collection of these taxes and revenues. Of the estimated \$16,349,000 collected above, the State of Minnesota received approximately \$13,839,000, or 85% and the City of Minneapolis received \$2,509,000, or 15%.

2. Indirect Public Sector Benefit

It is much more difficult, and less precise, to calculate an indirect benefit attributable to the presence of the professional sports teams. Although the data were presented to the Task Force, the Task Force neither discussed it extensively, nor relied on it as primary assumptions for its findings. The following chart summarizes the information set forth more fully in Exhibit A.

Summary of Taxes Resulting from Indirect Spending

Minnesota Twins:	\$ 6,100,000
Minnesota Vikings:	5,600,000
Minnesota Timberwolves:	4,600,000
Total:	<u>\$16,300,000</u>
National Hockey League Team (estimate):	4,400,000
Total:	<u>\$20,700,000</u>

3. Tangible Non-Tax or Non-Revenue Public Sector Benefits

Measuring the direct and indirect tax and revenue effects of the presence of professional sports teams is only one way of identifying benefits to the public sector. According to CSL International, other tangible public sector benefits include:

- a. Additional visiting spectator spending
- b. Additional corporate tax revenue generated from spectator spending
- c. Increased contributions to local charities
- d. Additional spending and tax revenues generated by post-season play
- e. Potential of attracting large-scale events such as the Super Bowl, NCAA and All Star Games.

4. Intangible Public Sector Benefits

The professional sports teams generate many benefits to our state and our communities which are intangible, but nevertheless quite real. It is difficult to measure, for example, how professional sports teams add to the reputation of a metropolitan area as being "major league." Nonetheless, it is clear that the presence of the major teams has enhanced national and international recognition of our state and community.

Examples of intangible benefits might include the broader public choices for entertainment and the common point of interest created by a winning - or losing - team. Professional sports teams are also a part of the bigger mix of community assets that are considered when businesses are looking to relocate, when trading partners are sought, and when conventions are selecting sites.

B. The entire state has an interest in our professional sports teams, as evidenced by ticket sales and broadcast ratings.

The number of tickets sold for home games is one measure of the breadth of support enjoyed by professional sports fans. The number and percentages may change from year to year, depending on the quality of the product on the field or arena. As the following chart shows, the majority of tickets to all professional sports events are purchased by residents of the metropolitan area; however, a significant number are purchased by people living in Greater Minnesota.

Professional Sports Home Ticket Sales
Minnesota Twins, Minnesota Vikings, Minnesota Timberwolves

Metropolitan Area	77 %
Greater Minnesota	14 %
Out-of-State	9 %

Source: See Exhibit A

The geographic breadth of support can also be measured for each professional team. As the chart below demonstrates, the Minnesota Twins enjoy the greatest percentage of ticket purchases from greater Minnesota, and the Minnesota Vikings have the largest percentage of out-of-state ticket buyers.

	<u>Home Game Ticket Sales</u>		
	Minnesota Twins	Minnesota Vikings	Minnesota Timberwolves
Metropolitan Area	77%	70%	85%
Greater Minnesota	17%	11%	13%
Out-of-State	6%	19%	2%

Source: See Exhibit A

C. It is in the best interests of the citizens of Minnesota that the professional sports industry settles its league-wide outstanding issues.

The Task Force examined information presented with regard to the state of the professional sports industry nationally. It is clear from the data presented that the

range and scope of issues facing the professional sports industry nationally can not be resolved by individual municipalities or states - nor is it realistic that municipalities and states attempt to do so. The following discussion summarizes data more comprehensively set forth in Exhibit B, attached hereto.

1. Player salaries have increased exponentially, exceeding the increases in team revenues.

a. Professional Sports Teams' Revenues Are Up

The traditional sources of team revenue includes gate revenues, stadium revenues, media revenues and miscellaneous revenues. Gate revenues are comprised of gross gate receipts less any sales taxes. Stadium revenues are derived from premium seating, concessions, parking, venue advertising, and other venue events where applicable. Media revenues include national, local, cable and pay-per-view television and radio. Miscellaneous revenues include amounts received from licensing and merchandise.

Looking at average team revenues from 1990 through 1994, it is apparent that revenues for each professional league have increased since 1990. The major increases have occurred in two areas: licensed merchandise (increase of 150% in five years) and media revenues (increase of 56% in five years). The following chart summarizes average team revenues over the recent five year period.

Average Team Revenues (1990-1994)

National Basketball Association	+107%
National Hockey League	+ 50%
National Football League	+ 32%
Major League Baseball *	+ 22%
*1994 season not included due to players' strike	

Source: See Exhibit B

b. Professional Sports Teams' Players' Salaries Are Up

Although professional sports teams revenues have increased dramatically, as shown above, it is also the case that, on average, players' salaries have risen dramatically.

Average Player Salaries 1982-1994

	<u>% increase</u>
National Football League	780%
National Basketball Assoc.	690%
National Hockey League	420%
Major League Baseball	390%

Source: See Exhibit B

The increase in player costs far outweighs the increases in revenues available to the professional teams. Simply put, team expenses are exceeding team revenues.

Average Team Revenues, Player Costs, 1991-1993

Average team figures for Major League Baseball, National Football League, National Basketball Association, National Hockey League.

	%increase	%decrease
Revenues	+18%	
Player Costs	+53%	
Operating Income		-33%

Source: See Exhibit B

The evidence indicates that players' salaries have enjoyed a tremendous increase, with limited, inadequate corresponding increases in other revenue sources. Individual municipalities and states can not be expected to address this issue; indeed, individual cities and states are powerless to control player salaries, and federal legislation is highly unlikely. Nevertheless, it is imperative that this issue be addressed, and brought under control. Presumably, the forum for resolving this issue is within the professional sports industry itself.

2. The present revenue-sharing agreements threaten to disrupt professional sports.

The issue of revenue-sharing between and among individual teams has been discussed and debated widely in the media during the tenure of this Task Force. The claims and issues that have arisen between the National Football League and the owner of the Dallas Cowboys have put in jeopardy the existing revenue-sharing scheme that exists in the National Football League. While these challenges to the existing NFL revenue sharing system for trademarks and logos have arisen in past months, over 90% of revenues are shared, represented primarily by broadcast rights,

licensing and gate revenue. Locally generated, non-shared revenues (primarily from stadium revenue sources) are growing in importance.

It is obvious, however, that the limited revenue-sharing agreement that is in place for Major League Baseball has operated as a penalty to small market teams. The result is a revenue system that is skewed in favor of larger market teams, and one in which small market teams must struggle in order to meet payroll demands.

Forging an equitable agreement on revenue-sharing is not an issue that individual municipalities or states can address. It is up to the four professional leagues--baseball, football, basketball and hockey--to resolve these issues.

3. The lack of a collective bargaining agreement threatens professional baseball.

The lack of a Major League Baseball collective bargaining agreement is a serious and unresolved issue. The players are working under a contract that expired in 1993. There has been no agreement on salary cap issues, free agency or arbitration.

Obtaining an agreement on these issues is not the responsibility of the public sector. The lack of such an agreement is extremely troublesome, and has led to such tremendous consequences as the 1994 players' strike, from which Major League Baseball still has not recovered.

D. The paradigm of the ownership and operation of sports facilities, and the nature of the public-private partnership has shifted dramatically since the advent of professional sports.

There has been a shift in the paradigm of private ownership of professional sports teams and facilities over the last forty years. That shift, and its attendant consequences, has presented a new model of private ownership and public participation that the public sector must acknowledge and consider.

The first paradigm of ownership was that the professional team owners also owned the buildings in which the teams played. All of the costs associated with the buildings, and all of the revenues generated by the buildings, belonged to the private owners. Examples of private ownership of stadia and arenas include Fenway Park (constructed in 1912), Tiger Stadium (1912), Wrigley Field (1914), Busch Stadium (1966), Dodger Stadium (1967) and the U.S. Air Arena (1973). This model of private ownership has not been suggested by any private owner in some time, and its day is not likely to return.

The second paradigm involved public-private partnerships. The public sector provided the capital for the facilities, using municipal tax-exempt financing, and the facility was free from real estate taxes. This is the model under which the

Metrodome was built. The professional sports team and the fans provided the revenue necessary for stadium operating costs, capital improvements and retirement of debt incurred by the sale by the municipality of bonds. This paradigm has resulted in extraordinary benefits to the owners and players: some estimate that over the last thirteen years at the Metrodome, the benefits to the professional teams from low municipal bond interest rates and no real estate tax liability have been approximately \$75 million.

The hemispheric market has now shifted toward a third paradigm. The professional teams are now seeking a greater share of the revenues produced by facilities. Some communities and states are offering significant public inducements to attract a professional sports franchise to their community. Sports franchises are being offered sports facilities at no or low cost for long periods of time and direct payments in the form of relocation cost reimbursement.

This state and community can decide not to compete in this new hemispheric market to attract and retain professional sports franchises; however, if the choice is not to compete, Minnesota may lose its professional teams.

Examples of stadia and arenas that enjoy public support through guaranteed revenue streams and subsidies include: Carolina Stadium (Charlotte, constructed in 1995); America's Center (St. Louis, 1995); Gator Bowl (Jacksonville, 1995); Gateway Complex (Cleveland, 1994); Alamodome (San Antonio, 1993); Camden Yards (Baltimore, 1992); and Comiskey Park (Chicago, 1991).

E. The costs of construction of sports facilities have increased dramatically over the past several decades.

Even without considering other revenue streams or subsidies to the professional teams from the public sector, the costs typically shared by the public sector have increased. The cost of building the stadium or arena alone is staggering, as recent examples demonstrate. The following charts summarize data set forth more comprehensively in Exhibit B.

Arena Construction Costs

Arena	Construction Cost	Year Built	Public Participation	Private Participation
Miami Arena	\$ 53,100,000	1988	87%	13%
Palace	70,000,000	1988	0%	100%
Bradley Center	106,000,000	1988	6%	94%
Orlando Arena	101,000,000	1989	100%	8%
Target Center	103,000,000	1990	18%	82%
Delta Center	94,000,000	1991	21%	79%
America West	100,000,000	1992	47%	53%
Gateway Arena	136,000,000	1992	48%	52%
Arrowhead	127,000,000	1993	0%	100%
San Jose Arena	163,000,000	1993	82%	18%
Kiel Center	135,000,000	1994	0%	100%
United Center	188,000,000	1994	7%	93%

Stadium Construction Costs

Stadium	Construction Costs	Year Built	Public Participation	Private Participation
Silverdome	\$ 58,000,000	1975	100%	0%
Superdome	163,000,000	1975	100%	0%
Kingdome	60,000,000	1976	*	*
Metrodome	77,000,000	1982	73%	27%
RCA Dome	82,000,000	1983	*	*
Joe Robbie	102,000,000	1987	0%	100%
Thunderdome	138,000,000	1990	*	*
Georgia Dome	214,000,000	1992	75%	25%
Alamo Dome	196,000,000	1993	100%	0%
Gateway	165,000,000	1994	48%	52%
Coors Field	214,000,000	1995	75%	25%
Charlotte	247,000,000	1995	24%	76%

 *Data not available at this date.

As might be expected, construction costs of proposed new stadia and arenas will only increase. Several proposals are under consideration, and the estimated construction costs are as follows:

Construction Costs of Proposed Facilities

MCI Center/Arena	\$200,000,000
Milwaukee Stadium	250,000,000
Maricopa Stadium	278,000,000
New Century Park	346,000,000
Cincinnati Stadium	540,000,000

Of course, the public sector has not always borne the total cost of facility construction by itself. The public participation in the financing of the above-referenced facilities is as noted in the charts above.

- F. The national trend is for professional sports teams to seek new, and in the case of baseball and football, single-purpose facilities or modifications to existing facilities, with specific amenities and revenue streams.**

Data presented to the Task Force indicates that sixty-two professional franchises across the country are requesting facility changes. Only 11% of professional franchises are satisfied with the facility in which they play, or the lease under which they play. This indicates tremendous unrest within the industry, which in turn may have consequences for the public sector.

The trends and characteristics of the facilities are changing, due largely to the need for more lucrative revenue streams. Examples of amenities that are in demand by fans and clients include private suites and club seats, wider concourses, computerized food orders, restaurants and bars. Naming rights (the ability to sell the name of the facility to an advertiser or sponsor in return for consideration) and private seat licenses have become a popular revenue-raising means, as the newer stadia demonstrate. Carolina Stadium, for example, generated a one-time fee of \$90 million for premium seating. Gateway Complex generated \$20 million in "stadium founder seats." And Coors Field will generate a total of \$15 million in naming rights.

- G. Both the Minnesota Twins and the Minnesota Vikings have requested improved revenue streams.**

The Commission presently has sufficient revenues, reserves and property to service the Metrodome debt, pay operating expenses and make limited, required capital improvements. There is not enough money, however, to meet all of the requests presented by the two professional teams, or to acquire land and construct a new stadium.

The Task Force heard presentations from the Minnesota Twins and the Minnesota Vikings with respect to enhanced revenue streams and improvements at the

Metrodome. Their stated needs range from the diversion to the teams of revenue streams for current Metrodome operations, to major capital improvements.

The Minnesota Twins have sought increased revenues from advertising (i.e. the control of more advertising spaces), management of the Metrodome and the addition of 5,000 - 7,000 quality seats in the first to third base area.

The Minnesota Vikings have sought revenues from advertising, management of the Metrodome, a stadium club, and an additional 4,000 - 6,000 seats, which would be accomplished by lowering the Metrodome floor. The team has also suggested that naming rights for the Metrodome be considered as an additional form of new revenue which is being explored by current management.

The Task Force did not receive sufficient information to allow the Task Force to formulate a reasonable judgment as to the additional, incremental revenues that would be enjoyed by either team if all of their requests were met.

- H. The Minnesota Twins have presented financial statements demonstrating extended losses, which, if continued, would be sufficient to trigger the termination clause in their Use Agreement.**

The Commission has requested that its consultant, CSL International, and Coopers & Lybrand, LLP, perform due diligence on the financial statements presented by the Minnesota Twins. The result of that effort is not yet available.

- I. The Minnesota Vikings have stated that they will be unable to compete successfully in the present environment absent additional revenue streams.**

An appropriate public entity will require sufficient verifiable information to be in a position to negotiate long term lease arrangements. The Vikings presented an Income and Expense Statement to the Task Force and offered to allow the Task Force to inspect their financial records in order to verify the financial information provided.

- J. The present financing and physical structure of the Metrodome makes it financially impossible to accommodate all of the requests of the Minnesota Twins and Minnesota Vikings. The needs expressed by each team to increase revenues within the Metrodome and to reconfigure the capacity of the Metrodome are conflicting, and likely cannot be performed to the satisfaction of each.**

The Commission presented detailed information which indicated the Commission's projected financial status as of December 31, 1996. The Task Force also heard testimony with regard to proposed capital improvements to the Metrodome.

Until the Metrodome bonds are paid, all revenues received by the Commission, to the extent derived from the Metrodome and Met Center, are pledged to the payment of the outstanding bonds. The current pay-off date is October 1, 2009,

unless the bonds are repurchased or defeased earlier. The outstanding debt is approximately \$37 million. Even if the debt were paid, retired or defeased, the Metrodome would continue to require capital improvements. The estimated amount necessary to fund the required capital improvements to the facility and the revenue enhancements requested by the two professional teams is a minimum of \$50 million. Obviously, the sum requires assets and financing far greater than the Metrodome has or is authorized to employ.

The Commission presented architectural plans based on capital improvements requested by the two professional teams. Leaving aside the issue of whether any specific capital improvements were appropriate or revenue-productive, an overlay of the various architectural demands by the teams indicates that the Metrodome can not accommodate architecturally every capital improvement to the satisfaction of the teams.

For example, most new baseball stadiums have been built in a "boomerang" shape, accommodating and enlarging the number of seats along the first base to third base line - which is where baseball fans prefer to sit. The capital improvements to the Metrodome required to accomplish the number of additional seats demanded by the Minnesota Twins directly conflict with additional seats along the sides of the football field requested by the Minnesota Vikings.

Given the architectural and structural tension within the building itself in trying to accommodate both teams, it is fundamental for the public sector to determine whether both teams can be accommodated in the Metrodome.

- K. The City of Minneapolis has represented that it can not provide additional financing for professional sports, and, in light of the importance of professional sports to the state and to the community, should not be asked to be the sole public partner in future professional sports transactions.**

The City of Minneapolis has played the major public sector role to date in acquiring land and providing the financing for professional sports facilities in Minnesota, far exceeding the roles played by the metropolitan area or the State of Minnesota.

In 1955, Minneapolis agreed to finance the acquisition and construction of Metropolitan Stadium, located in Bloomington, by selling \$4.5 million in bonds. Metropolitan Stadium, which seated 20,000 fans, became the home of the Minnesota Twins and the Minnesota Vikings.

From 1977 to 1979, before a site was selected for a new covered stadium, a metropolitan-wide 2% tax on liquor sales was imposed, and generated \$8 million. In 1979, once Minneapolis was selected as the site of the new stadium, the Minnesota Legislature repealed the metropolitan liquor tax. Thereafter, from 1979 to 1983, Minneapolis imposed a 3% hospitality tax, and from 1983 to 1984 imposed a 2% hospitality tax to fund the Metrodome. The Minneapolis hospitality tax generated \$15.8 million. The Minneapolis hospitality tax has not been used

to fund the Metrodome since 1984, but remains in place and can be used for the Metrodome should Metrodome finances require it.

In addition, Minneapolis contributed a portion of revenue from three city-owned parking ramps from 1983 to 1993, approximately \$4.4 million, to the Metrodome. The Metrodome continues to receive \$75,000 annually in revenue from Minneapolis through parking meter funds. Minneapolis also spent approximately \$4 million in infrastructure improvements and re-routing sewer and water lines and streets to accommodate the Metrodome.

The Minneapolis contributions have not been limited to professional baseball and football. In 1988 and 1989, Minneapolis acquired the land for the construction of the Target Center, by selling \$20 million in general obligation redevelopment bonds. In 1995, in order to secure the long-term commitment of the Minnesota Timberwolves to play in Minnesota, Minneapolis acquired the Target Center arena itself for \$54.6 million, pledging the full faith and credit of the City's taxpayers to pay the debt, if necessary. The State is contributing \$750,000 per year.

The information presented by the City of Minneapolis indicated that, based on four years of tax base decline, tax abatements, decreased interest earnings and significant debt burden, the City's financial position is vulnerable. The City presented information indicating that its AAA credit rating may be at risk if it does not begin to reduce its substantial debt burden. A lower bond rating would result in interest increases on the City's debt that would be quite costly to taxpayers.

The City of Minneapolis has concluded that it can no longer afford to finance professional sports. (See correspondence from Mayor Sharon Sayles Belton and City Council President Jackie Cherryhomes dated August 15, 1995, attached hereto as Exhibit C).

- L. Further study will be necessary to determine what resources may be available from the public and private sectors and whether those resources will be sufficient to fund the reasonable requests of the Minnesota Twins and Minnesota Vikings.**
- M. The Task Force has received no information indicating an additional need for resources to retain NBA basketball.**
- N. This Task Force takes no position with regard to a NHL hockey team at this time.**

EXHIBIT A

**Direct Economic Impact of
Professional Sports in Minnesota
Presentation Summary and Calculations**

Prepared by:

**CSL International
August 15, 1995**

CSL International

Conventions, Sports & Leisure

August 15, 1995

Mr. William Lester
Executive Director
Metropolitan Sports Facility Commission
900 South Fifth Street
Minneapolis, Minnesota 55415

Dear Mr. Lester,

The information provided in this summary contains the results of our engagement to assist you in assembling information on the direct economic impacts of professional sports in Minnesota. These impacts have been measured by the amount of income, sales, and other tax dollars generated. Assumptions provided in the analysis were provided by management of the teams, league data, and other third party reports. The analysis is intended to provide a preliminary estimate of tax dollars generated by professional sports to the Advisory Task Force on Professional Sports in Minnesota, and it should not be used for any other purpose. This report should not be relied upon for financing purposes.

We performed procedures as instructed by you. Because the procedures were limited, we express no opinion or assurances of any kind on the achievability of any projected information contained herein and this report should not be relied upon for that purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We sincerely appreciate the opportunity to assist you with this project, and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International, Inc.

CSL International, Inc.

Typical Economic Impact Analysis Components

- Direct Effects
- Indirect Effects
- Induced Effects

Direct Public Sector Benefits

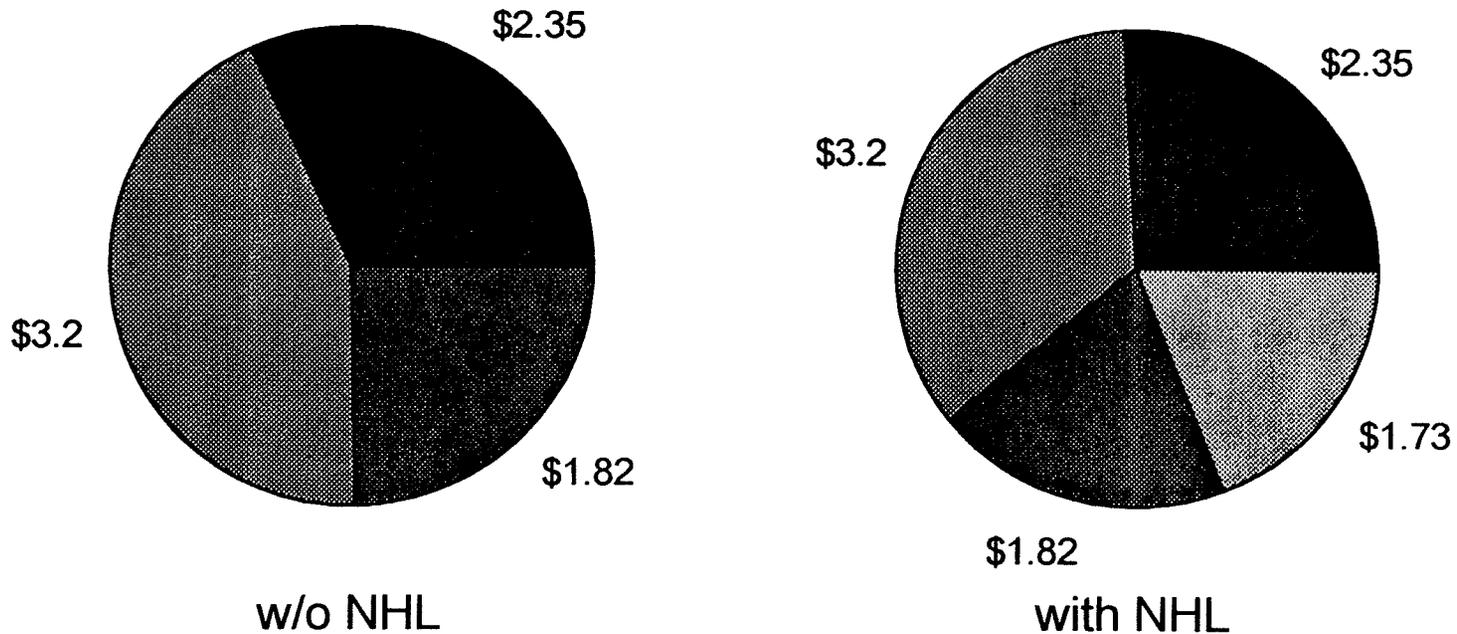
- **State Income Tax**
- **General State Sales Tax**
- **General City of Minneapolis Sales Tax**
- **Other Taxes and Public Sector Revenues**

Estimated State Income Taxes

	Players Salaries (000's)	Tax Rate	Players Taxes (000's)	Other Salaries (000's)	Tax Rate	Other Taxes (000's)
Twins	\$25,000	8.2%	\$2,050	\$6,000	5%	\$300
Vikings	32,000	8.2%	2,624	11,500	5%	575
Wolves	<u>20,125</u>	8.2%	<u>1,650</u>	<u>3,325</u>	5%	<u>166</u>
Subtotal	\$77,125		\$6,324	\$20,825		\$1,041
NHL team	<u>19,000</u>	8.2%	<u>1,558</u>	<u>3,450</u>	5%	<u>172</u>
Total	\$96,125		\$7,882	\$24,275		\$1,213

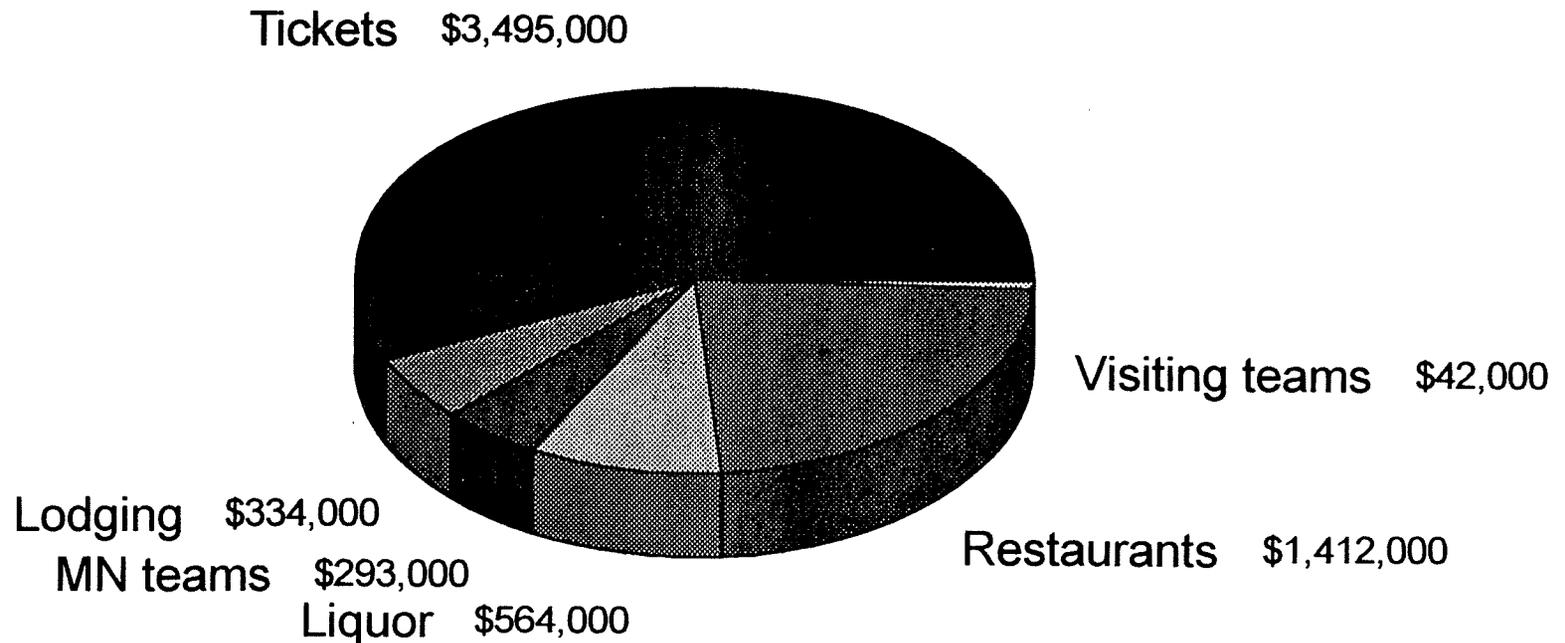
State Income Taxes Generated By Team

(in millions)



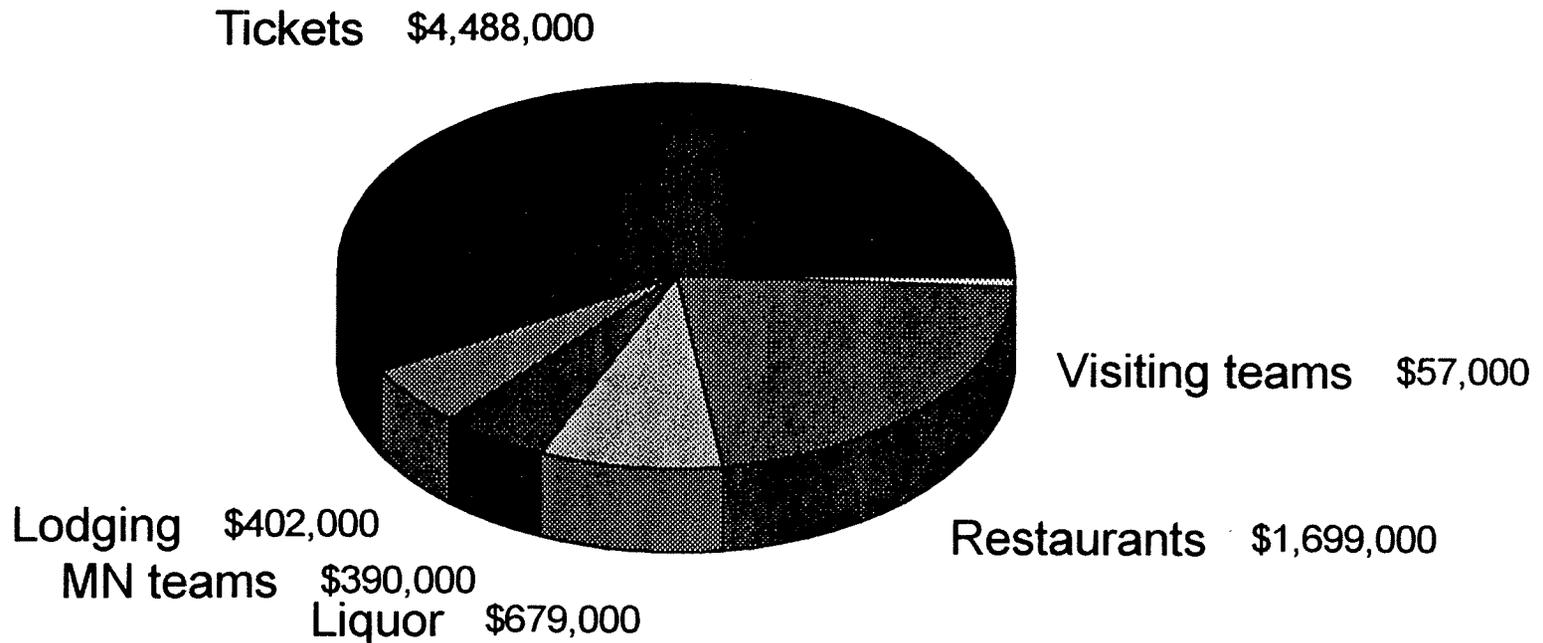
State of Minnesota Sales Tax Revenues Generated

Twins, Vikings, and Wolves



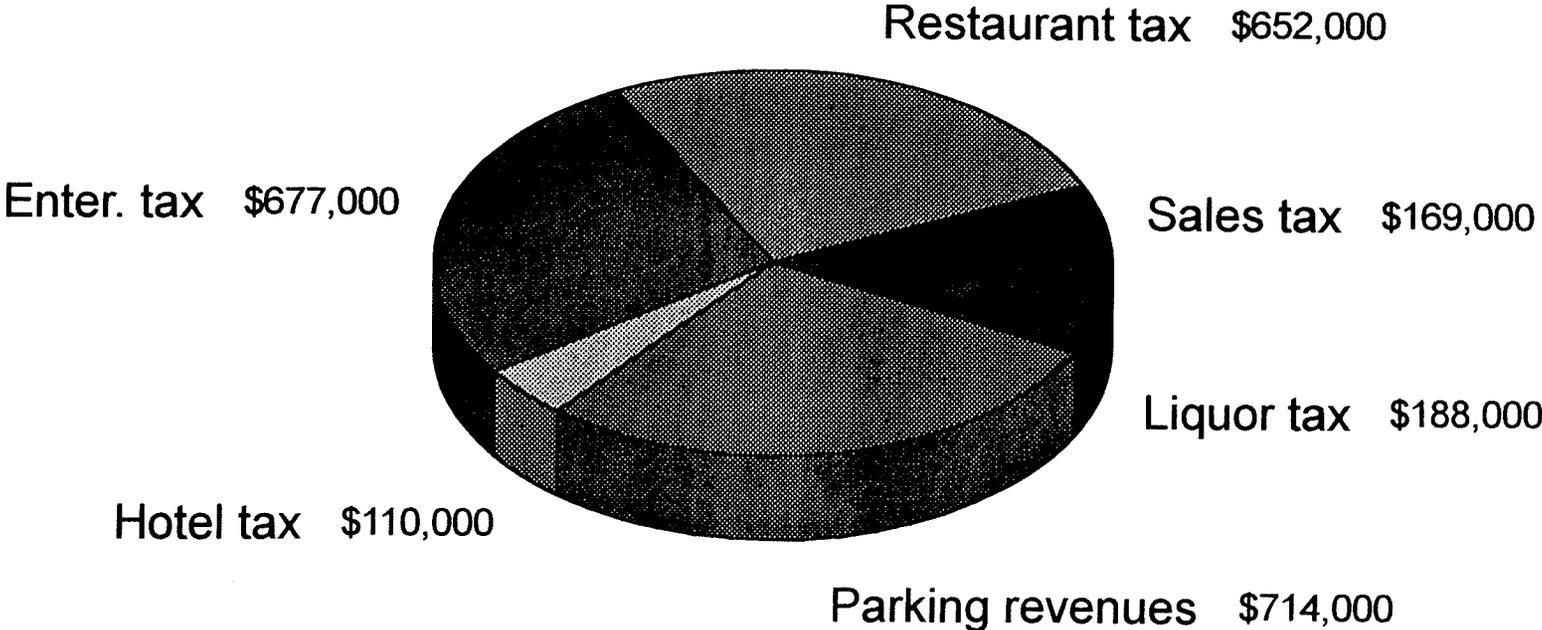
State of Minnesota Sales Tax Revenues Generated

Twins, Vikings, Wolves, and an NHL franchise



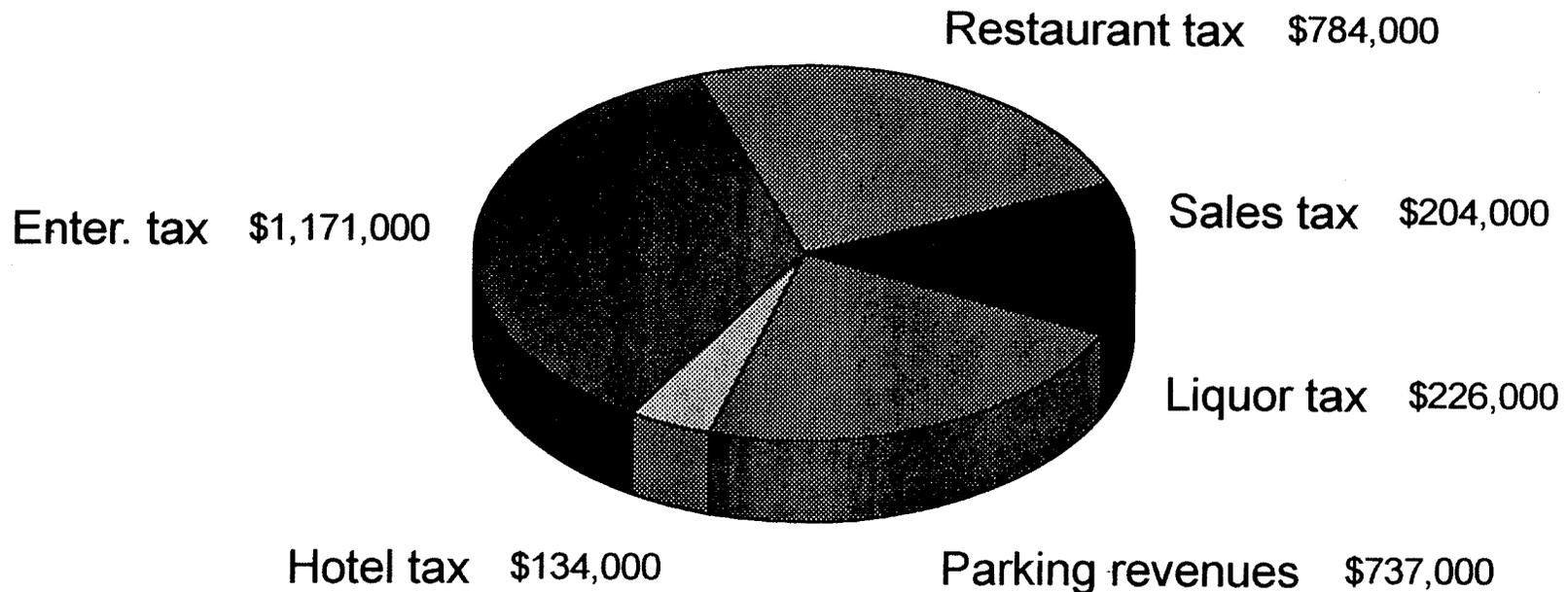
City of Minneapolis Taxes and Other Revenues

Twins, Vikings, and Wolves

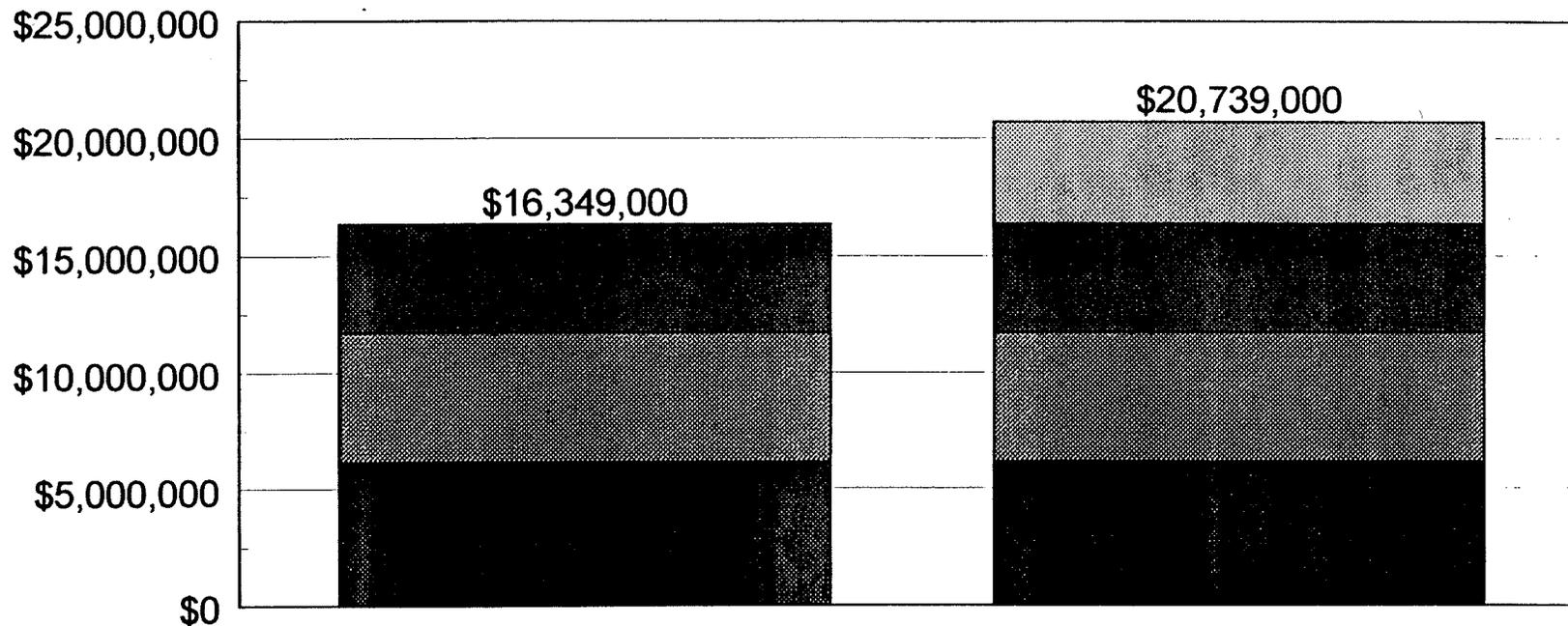


City of Minneapolis Taxes and Other Revenues

Twins, Vikings, Wolves, and an NHL franchise



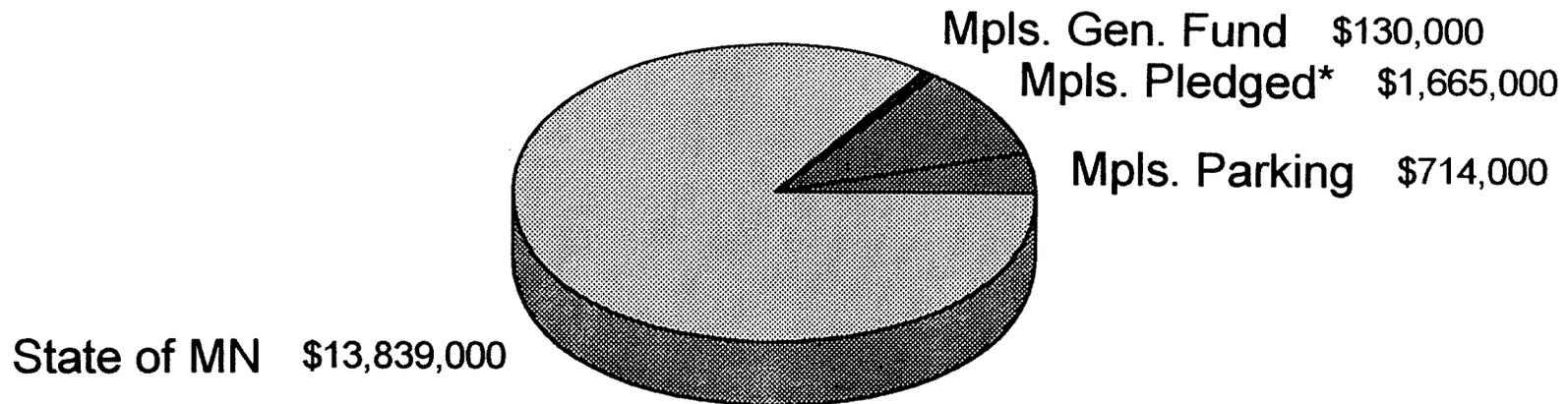
Summary of Estimated Total Direct Taxes Collected



	without NHL	with NHL
Twins 	\$6,114,000	\$6,114,000
Vikings 	\$5,588,000	\$5,588,000
Wolves 	\$4,647,000	\$4,647,000
NHL 	\$0	\$4,390,000
TOTAL	\$16,349,000	\$20,739,000

Who Benefits From These Collections?

Public sector revenues from Twins, Vikings, and Wolves

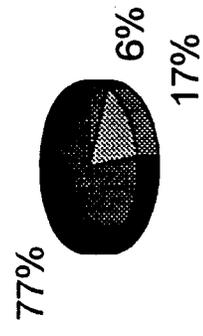


* Pledged for Minneapolis Convention Center operations/bond repayment and Target Center bond repayment. (Minneapolis sales tax, restaurant tax, hotel tax, liquor tax, and entertainment tax on Target Center events)

Home Game Ticket Sales



Wolves

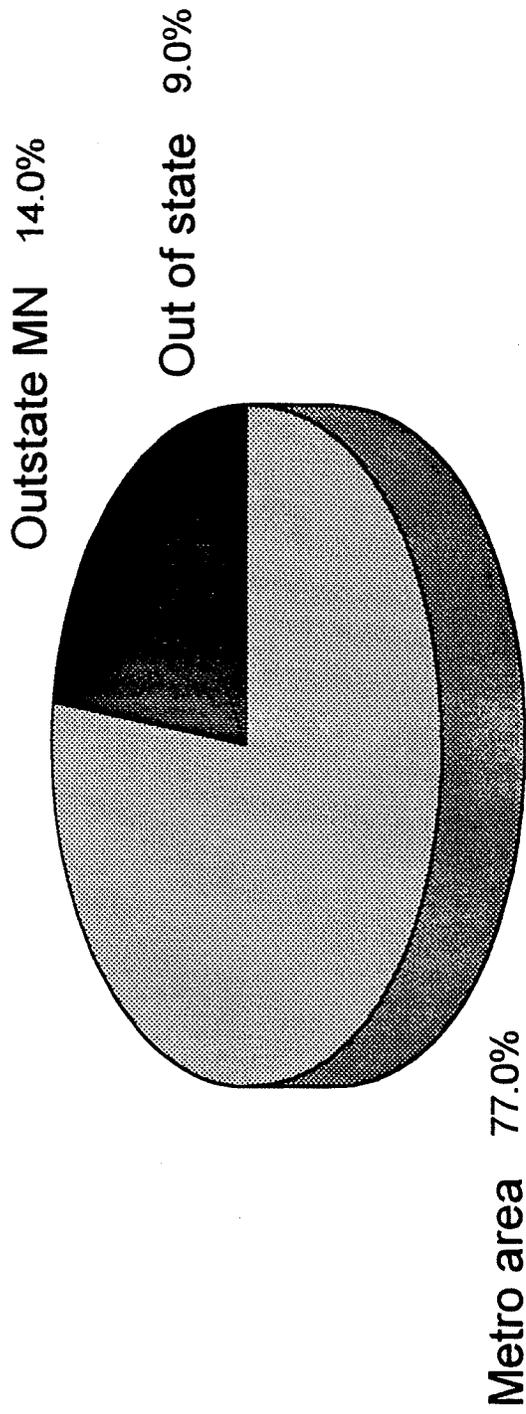


Twins



Home Ticket Sales

Twins, Vikings, and Wolves



Indirect Economic Impact ... The Ripple Effect

	Taxes Resulting from Direct Spending (in millions)	Taxes Resulting from Indirect Spending (in millions)	Total (in millions)
Twins	\$6.1	\$6.1	\$12.2
Vikings	5.6	5.6	11.2
Wolves	4.6	4.6	9.2
Subtotal	\$16.3	\$16.3	\$32.6
NHL team	4.4	4.4	8.8
Total	\$20.7	\$20.7	\$41.4

Other Tangible Public Sector Benefits

- Additional visiting spectator spending
- Additional corporate tax revenue generated from spectator spending
- Increased contributions to local charities
- Significant additional spending and tax revenues generated by post-season play
- Potential of attracting large-scale events such as the Super Bowl and All-Star Games

Intangible Public Sector Benefits

- Anchor for development
- Community support activities
- National and international recognition
- Growing importance of being a "major league" community
- Crime prevention
- Enhanced entertainment options for citizens

**Estimated Direct Public Sector Revenues Resulting from
THE MINNESOTA TWINS**

	Estimated Public Sector Revenues	
STATE OF MINNESOTA TAXES		
State of Minnesota Income Tax		
Personal State Income Tax		
- Team Salaries	\$2,050,000	a
- All Other Related Personnel	300,000	b
Subtotal State Income Taxes	\$2,350,000	
General State of Minnesota Sales Tax		
Sales Tax Collected on Tickets	\$1,216,215	c
Taxable Expenditures by Team	\$97,500	d
Spectator Expenditures		
- Lodging-Weekend/Weekday	156,471	e
- Restaurants-Weekend/Weekday	749,044	f
Liquor		
- State	332,205	g
Visiting Team Expenditures		
- Lodging	14,452	h
- Per Diems	9,477	i
Subtotal General Sales - State Tax	\$2,575,364	
Total Estimated State Taxes	\$4,925,364	
OTHER ESTIMATED PUBLIC SECTOR BENEFITS		
General City of Minneapolis Sales Tax		
Spectator Expenditures		
- Lodging-Weekend/Weekday	12,036	j
- Restaurants-Weekend/Weekday	57,619	j
Visiting Team Expenditures		
- Lodging	1,112	j
- Per Diems	729	j
Liquor		
- City of Minneapolis	\$18,456	j
Subtotal General Sales - Minneapolis Tax	\$89,952	
Other City of Minneapolis Taxes and Public Sector Revenues		
Restaurant	345,713	k
Entertainment	78,888	l
Hotel	52,592	m
City Parking Revenues	510,300	n
Liquor tax	110,735	o
Subtotal Other Taxes & Public Sector Revenues	\$1,098,227	
Total Estimated City of Minneapolis Taxes & Other Revenues	\$1,188,178	
Total Estimated Public Sector Revenues	\$6,113,542	

Note: A portion of the non-income tax related benefits would not be incremental to the public sector, and this amount has not been determined.

**CALCULATIONS AND KEY ASSUMPTIONS FOR
THE MINNESOTA TWINS**

(a) total team salaries multiplied by 8.2% state income tax.

\$25,000,000	players salaries
8.2%	tax
<hr/>	
\$2,050,000	income tax generated by players salaries

(b) other team personnel salaries multiplied by assumed 5% average state income tax rate.

\$6,000,000	other personnel salaries
5.0%	tax
<hr/>	
\$300,000	income tax generated by other personnel

(c) number of home games per year multiplied by the average price per ticket multiplied by the average attendance multiplied by 6.5% sales tax.

81	number of home games per year (includes assumed pre-season games)
\$11	average ticket price per game
21,000	average paid attendance
<hr/>	
\$18,711,000	total ticket revenue
6.5%	tax
<hr/>	
\$1,216,215	sales tax collected on tickets

(d) amount of other total yearly taxable expenditures in the state of Minnesota by the home team. (i.e. player equipment, office supplies, etc.)

\$1,500,000	average expenditures in MN
6.5%	tax
<hr/>	
\$97,500	sales tax collected on other expenditures

(e) 1.56% of total attendance is assumed to require lodging during weekday games,
6.91% of total attendance is assumed to require lodging during weekend games, \$95/night, 2.2 persons/room.

<u>weekday</u>	<u>weekend</u>
55	26 number of games assumed
21,000	21,000 average attendance
1.56%	6.91% percentage requiring lodging
<hr/>	
18,018	37,729 persons seeking lodging
2.2	2.2 persons per room
<hr/>	
8,190	17,149 rooms needed
\$95	\$95 per night
<hr/>	
\$778,050	\$1,629,190 lodging expenditures
6.5%	6.5% tax
<hr/>	
\$50,573	\$105,897 sales tax collected from lodging

(f) restaurant per capita is assumed to be \$5.25 on weekdays, \$10.00 on weekends (includes all purchases of food)

<u>weekday</u>	<u>weekend</u>
55	26 number of games
21,000	21,000 average attendance
\$5.25	\$10.00 restaurant per capita
<hr/>	
\$6,063,750	\$5,460,000 restaurant revenues
6.5%	6.5% tax
<hr/>	
\$394,144	\$354,900 restaurant sales tax collected

(g) a 9% state liquor sales tax, and \$2.17 per capita spending for liquor sales is assumed.

\$2.17	per capita
21,000	average attendance
81	number of games
<hr/>	
\$3,691,170	liquor receipts
9.0%	state liquor tax
<hr/>	
\$332,205	state tax revenue generated from liquor sales

- (h) \$61/day is the assumed average lodging expenditures for a typical visiting team member.
This is multiplied by the number of games and 1.5 (to reflect the longer average stays at lodging).

	30	number of traveling members of a visiting team
	81	number of home games
	\$61	average lodging expenditures per person
	1.5	
	<u>\$222,345</u>	lodging expenditures
	6.5%	tax
	<u>\$14,452</u>	state sales tax revenue generated from lodging

- (i) the average per diem expenditures are assumed to be \$60/day, which is multiplied by the number of games and the number of visiting team members.

	30	number of traveling members of a visiting team
	81	number of home games
	\$60	average per diem expenditures per person
	<u>\$145,800</u>	total assumed yearly per diem expenditures from visiting teams
	6.5%	tax
	<u>\$9,477</u>	state sales tax revenue generated from per diem spending

- (j) assumes identical calculations as for (c) through (i) except for the substitution of a 0.5% Minneapolis sales tax to all expenditures except ticket revenues (since Minneapolis sales tax does not apply) and other taxable expenditures by team (due to the difficulty in breaking down Minneapolis vs. outside Minneapolis spending).

- (k) a Minneapolis restaurant tax of 3.0% applied to total restaurant expenditures.

	\$11,523,750	assumed visiting spectator restaurant expenditures
	3.00%	restaurant tax
	<u>\$345,713</u>	additional tax revenue generated from restaurant tax

- (l) a 3% Minneapolis entertainment tax is applied to ticket revenues (with all Metrodome activities exempted -- including all Vikings and Twins games) plus all lodging (classified as short-term lodging).

	\$0	total ticket revenue
	\$2,407,240	spectator lodging revenue
	<u>\$222,345</u>	visiting team members lodging revenue
	<u>\$2,629,585</u>	total revenue subject to entertainment tax
	3.0%	entertainment tax
	<u>\$78,888</u>	total tax revenue generated from entertainment tax

- (m) a 2% Minneapolis hotel tax is reflected; the model assumes that lodging for all visitors and team members will be included here.

	\$2,407,240	spectator lodging revenue
	<u>\$222,345</u>	visiting team members lodging revenue
	<u>\$2,629,585</u>	total lodging revenue subject to hotel tax
	2.0%	hotel tax
	<u>\$52,592</u>	total tax revenue generated from hotel tax

- (n) \$0.30 per capita is assumed to be spent on City of Minneapolis owned parking facilities.

	\$0.30	parking per capita
	21,000	average attendance
	81	number of home games
	<u>\$510,300</u>	city parking revenue generated

- (o) an additional liquor tax of 3% is applied to liquor sales in Minneapolis.

	\$3,691,170	liquor receipts
	3.0%	downtown liquor tax
	<u>\$110,735</u>	total tax revenue generated from Mpls. liquor tax

**Estimated Direct Public Sector Revenues Resulting from
THE MINNESOTA VIKINGS**

	Estimated Public Sector Revenues	
STATE OF MINNESOTA TAXES		
State of Minnesota Income Tax		
Personal State Income Tax		
- Team Salaries	\$2,624,000	a
- All Other Related Personnel	575,000	b
Subtotal State Income Taxes	\$3,199,000	
General State of Minnesota Sales Tax		
Sales Tax Collected on Tickets	\$1,170,000	c
Taxable Expenditures by Team	\$97,500	d
Spectator Expenditures		
- Lodging-Weekend/Weekday	107,361	e
- Restaurants-Weekend/Weekday	371,475	f
Liquor		
- State	117,180	g
Visiting Team Expenditures		
- Lodging	3,569	h
- Per Diems	2,340	i
Subtotal General Sales - State Tax	\$1,869,424	
Total Estimated State Taxes	\$5,068,424	
OTHER ESTIMATED PUBLIC SECTOR BENEFITS		
General City of Minneapolis Sales Tax		
Spectator Expenditures		
- Lodging-Weekend/Weekday	8,259	j
- Restaurants-Weekend/Weekday	28,575	j
Visiting Team Expenditures		
- Lodging	275	j
- Per Diems	180	j
Liquor		
- City of Minneapolis	\$6,510	j
Subtotal General Sales - Minneapolis Tax	\$43,798	
Other City of Minneapolis Taxes and Public Sector Revenues		
Restaurant	171,450	k
Entertainment	51,198	l
Hotel	34,132	m
City Parking Revenues	180,000	n
Liquor tax	39,060	o
Subtotal Other Taxes & Public Sector Revenues	\$475,840	
Total Estimated City of Minneapolis Taxes & Other Revenues	\$519,638	
Total Estimated Public Sector Revenues	\$5,588,063	

Note: A portion of the non-income tax related benefits would not be incremental to the public sector, and this amount has not been determined.

**CALCULATIONS AND KEY ASSUMPTIONS FOR
THE MINNESOTA VIKINGS**

(a) total team salaries multiplied by 8.2% state income tax.

\$32,000,000	players salaries
8.2%	tax
<u>\$2,624,000</u>	income tax generated by players salaries

(b) other team personnel salaries multiplied by assumed 5% average state income tax rate.

\$11,500,000	other personnel salaries
5.0%	tax
<u>\$575,000</u>	income tax generated by other personnel

(c) number of home games per year multiplied by the average price per ticket multiplied by the average attendance multiplied by 6.5% sales tax.

10	number of home games per year (includes assumed pre-season games)
\$30	average ticket price per game
60,000	average paid attendance
<u>\$18,000,000</u>	total ticket revenue
6.5%	tax
<u>\$1,170,000</u>	sales tax collected on tickets

(d) amount of other total yearly taxable expenditures in the state of Minnesota by the home team. (i.e. player equipment, office supplies, etc.)

\$1,500,000	average expenditures in MN
6.5%	tax
<u>\$97,500</u>	sales tax collected on other expenditures

(e) 1.56% of total attendance is assumed to require lodging during weekday games,
6.91% of total attendance is assumed to require lodging during weekend games, \$95/night, 2.2 persons/room.

<u>weekday</u>	<u>weekend</u>
1	9
60,000	60,000
1.56%	6.91%
<u>936</u>	<u>37,314</u>
2.2	2.2
425	16,961
\$95	\$95
<u>\$40,418</u>	<u>\$1,611,286</u>
6.5%	6.5%
<u>\$2,627</u>	<u>\$104,734</u>

(f) restaurant per capita is assumed to be \$5.25 on weekdays, \$10.00 on weekends (includes all purchases of food)

<u>weekday</u>	<u>weekend</u>
1	9
60,000	60,000
\$5.25	\$10.00
<u>\$315,000</u>	<u>\$5,400,000</u>
6.5%	6.5%
<u>\$20,475</u>	<u>\$351,000</u>

(g) a 9% state liquor sales tax, and \$2.17 per capita spending for liquor sales is assumed.

\$2.17	per capita
60,000	average attendance
10	number of games
<u>\$1,302,000</u>	liquor receipts
9.0%	state liquor tax
<u>\$117,180</u>	state tax revenue generated from liquor sales

- (h) \$61/day is the assumed average lodging expenditures for a typical visiting team member. This is multiplied by the number of games and 1.5 (to reflect the longer average stays at lodging).

60	number of traveling members of a visiting team
10	number of home games
\$61	average lodging expenditures per person
1.5	
<u>\$54,900</u>	lodging expenditures
6.5%	tax
\$3,569	state sales tax revenue generated from lodging

- (i) the average per diem expenditures are assumed to be \$60/day, which is multiplied by the number of games and the number of visiting team members.

60	number of traveling members of a visiting team
10	number of home games
\$60	average per diem expenditures per person
<u>\$36,000</u>	total assumed yearly per diem expenditures from visiting teams
6.5%	tax
\$2,340	state sales tax revenue generated from per diem spending

- (j) assumes identical calculations as for (c) through (i) except for the substitution of a 0.5% Minneapolis sales tax to all expenditures except ticket revenues (since Minneapolis sales tax does not apply) and other taxable expenditures by team (due to the difficulty in breaking down Minneapolis vs. outside Minneapolis spending).

- (k) a Minneapolis restaurant tax of 3.0% applied to total restaurant expenditures.

\$5,715,000	assumed visiting spectator restaurant expenditures
3.00%	restaurant tax
<u>\$171,450</u>	additional tax revenue generated from restaurant tax

- (l) a 3% Minneapolis entertainment tax is applied to ticket revenues (with all Metrodome activities exempted – including all Vikings and Twins games) plus all lodging (classified as short-term lodging).

\$0	total ticket revenue
\$1,651,705	spectator lodging revenue
\$54,900	visiting team members lodging revenue
<u>\$1,706,605</u>	total revenue subject to entertainment tax
3.0%	entertainment tax
\$51,198	total tax revenue generated from entertainment tax

- (m) a 2% Minneapolis hotel tax is reflected; the model assumes that lodging for all visitors and team members will be included here.

\$1,651,705	spectator lodging revenue
\$54,900	visiting team members lodging revenue
<u>\$1,706,605</u>	total lodging revenue subject to hotel tax
2.0%	hotel tax
\$34,132	total tax revenue generated from hotel tax

- (n) \$0.30 per capita is assumed to be spent on City of Minneapolis owned parking facilities.

\$0.30	parking per capita
60,000	average attendance
10	number of home games
<u>\$180,000</u>	city parking revenue generated

- (o) an additional liquor tax of 3% is applied to liquor sales in Minneapolis.

\$1,302,000	liquor receipts
3.0%	downtown liquor tax
<u>\$39,060</u>	total tax revenue generated from Mpls. liquor tax

**Estimated Direct Public Sector Revenues Resulting from
THE MINNESOTA TIMBERWOLVES**

	Estimated Public Sector Revenues	
STATE OF MINNESOTA TAXES		
State of Minnesota Income Tax		
Personal State Income Tax		
- Team Salaries	\$1,650,250	a
- All Other Related Personnel	166,250	b
Subtotal State Income Taxes	\$1,816,500	
General State of Minnesota Sales Tax		
Sales Tax Collected on Tickets	\$1,108,380	c
Taxable Expenditures by Team	\$97,500	d
Spectator Expenditures		
- Lodging-Weekend/Weekday	69,895	e
- Restaurants-Weekend/Weekday	291,428	f
Liquor		
- State	114,836	g
Visiting Team Expenditures		
- Lodging	6,245	h
- Per Diems	5,460	i
Subtotal General Sales - State Tax	\$1,693,744	
State Parking Revenues	\$335,160	n
Total Estimated State Taxes and Other Revenues	\$3,845,404	
OTHER ESTIMATED PUBLIC SECTOR BENEFITS		
General City of Minneapolis Sales Tax		
Spectator Expenditures		
- Lodging-Weekend/Weekday	5,377	j
- Restaurants-Weekend/Weekday	22,418	j
Visiting Team Expenditures		
- Lodging	480	j
- Per Diems	420	j
Liquor		
- City of Minneapolis	\$6,380	j
Subtotal General Sales - Minneapolis Tax	\$35,074	
Other City of Minneapolis Taxes and Public Sector Revenues		
Restaurant	134,505	k
Entertainment	546,701	l
Hotel	23,428	m
City Parking Fees	23,520	n
Liquor tax	38,279	o
Subtotal Other Taxes & Public Sector Revenues	\$766,433	
Total Estimated City of Minneapolis Taxes & Other Revenues	\$801,507	
Total Estimated Public Sector Revenues	\$4,646,911	

Note: A portion of the non-income tax related benefits would not be incremental to the public sector, and this amount has not been determined.

**CALCULATIONS AND KEY ASSUMPTIONS FOR
THE MINNESOTA TIMBERWOLVES**

(a) total team salaries multiplied by 8.2% state income tax.

\$20,125,000	players salaries
8.2%	tax
<hr/>	
\$1,650,250	income tax generated by players salaries

(b) other team personnel salaries multiplied by assumed 5% average state income tax rate.

\$3,325,000	other personnel salaries
5.0%	tax
<hr/>	
\$166,250	income tax generated by other personnel

(c) number of home games per year multiplied by the average price per ticket multiplied by the average attendance multiplied by 6.5% sales tax.

42	number of home games per year (includes assumed pre-season games)
\$29	average ticket price per game
14,000	average paid attendance
<hr/>	
\$17,052,000	total ticket revenue
6.5%	tax
<hr/>	
\$1,108,380	sales tax collected on tickets

(d) amount of other total yearly taxable expenditures in the state of Minnesota by the home team. (i.e. player equipment, office supplies, etc.)

\$1,500,000	average expenditures in MN
6.5%	tax
<hr/>	
\$97,500	sales tax collected on other expenditures

(e) 1.56% of total attendance is assumed to require lodging during weekday games,
6.91% of total attendance is assumed to require lodging during weekend games, \$95/night, 2.2 persons/room.

<u>weekday</u>	<u>weekend</u>
21	21 number of games assumed
14,000	14,000 average attendance
1.56%	6.91% percentage requiring lodging
<hr/>	
4,586	20,315 persons seeking lodging
2.2	2.2 persons per room
<hr/>	
2,085	9,234 rooms needed
\$95	\$95 per night
<hr/>	
\$198,049	\$877,256 lodging expenditures
6.5%	6.5% tax
<hr/>	
\$12,873	\$57,022 sales tax collected from lodging

(f) restaurant per capita is assumed to be \$5.25 on weekdays, \$10.00 on weekends (includes all purchases of food

<u>weekday</u>	<u>weekend</u>
21	21 number of games
14,000	14,000 average attendance
\$5.25	\$10.00 restaurant per capita
<hr/>	
\$1,543,500	\$2,940,000 restaurant revenues
6.5%	6.5% tax
<hr/>	
\$100,328	\$191,100 restaurant sales tax collected

(g) a 9% state liquor sales tax, and \$2.17 per capita spending for liquor sales is assumed.

\$2.17	per capita
14,000	average attendance
42	number of games
<hr/>	
\$1,275,960	liquor receipts
9.0%	state liquor tax
<hr/>	
\$114,836	state tax revenue generated from liquor sales

- (h) \$61/day is the assumed average lodging expenditures for a typical visiting team member.
This is multiplied by the number of games and 1.5 (to reflect the longer average stays at lodging).

25	number of traveling members of a visiting team
42	number of home games
\$61	average lodging expenditures per person
1.5	
<u>\$96,075</u>	lodging expenditures
6.5%	tax
<u>\$6,245</u>	state sales tax revenue generated from visiting team lodging

- (i) the average per diem expenditures are assumed to be \$80/day.
which is multiplied by the number of games and the number of visiting team members.

25	number of traveling members of a visiting team
42	number of home games
\$80	average per diem expenditures per person
<u>\$84,000</u>	total assumed yearly per diem expenditures from visiting teams
6.5%	tax
<u>\$5,460</u>	state sales tax revenue generated from per diem spending

- (j) assumes identical calculations as for (c) through (i) except for the substitution of a 0.5% Minneapolis sales tax to all expenditures except ticket revenues (since Minneapolis sales tax does not apply) and other taxable expenditures by team (due to the difficulty in breaking down Minneapolis vs. outside Minneapolis spending).

- (k) a Minneapolis restaurant tax of 3.0% applied to total restaurant expenditures.

\$4,483,500	assumed visiting spectator restaurant expenditures
3.00%	restaurant tax
<u>\$134,505</u>	additional tax revenue generated from restaurant tax

- (l) a 3% Minneapolis entertainment tax is applied to ticket revenues (with all Metrodome activities exempted -- including all Vikings and Twins games) plus all lodging (classified as short-term lodging).

\$17,052,000	total ticket revenue
\$1,075,305	spectator lodging revenue
\$96,075	visiting team members lodging revenue
<u>\$18,223,380</u>	total revenue subject to entertainment tax
3.0%	entertainment tax
<u>\$546,701</u>	total tax revenue generated from entertainment tax

- (m) a 2% Minneapolis hotel tax is reflected; the model assumes that lodging for all visitors and team members will be included here.

\$1,075,305	spectator lodging revenue
\$96,075	visiting team members lodging revenue
<u>\$1,171,380</u>	total lodging revenue subject to hotel tax
2.0%	hotel tax
<u>\$23,428</u>	total tax revenue generated from hotel tax

- (n) \$0.61 per capita is assumed to be spent on parking for Timberwolves home games.
\$0.04 of which is assumed to be spent on City of Minneapolis owned parking facilities and \$0.57 of which is assumed to be spent on state owned parking facilities.

\$0.04	parking per capita on Mpls. facilities
14,000	average attendance
42	number of home games
<u>\$23,520</u>	City of Mpls. parking revenue generated
\$0.57	parking per capita on state facilities
14,000	average attendance
42	number of home games
<u>\$335,160</u>	State of Minnesota parking revenue generated

- (o) an additional liquor tax of 3% is applied to liquor sales in Minneapolis.

\$1,275,960	liquor receipts
3.0%	downtown liquor tax
<u>\$38,279</u>	total tax revenue generated from Mpls. liquor tax

**Estimated Direct Public Sector Revenues Resulting from
AN NHL HOCKEY TEAM**

	Estimated Public Sector Revenues	
STATE OF MINNESOTA TAXES		
State of Minnesota Income Tax		
Personal State Income Tax		
- Team Salaries	\$1,558,000	a
- All Other Related Personnel	172,500	b
Subtotal State Income Taxes	\$1,730,500	
General State of Minnesota Sales Tax		
Sales Tax Collected on Tickets	\$993,720	c
Taxable Expenditures by Team	\$97,500	d
Spectator Expenditures		
- Lodging-Weekend/Weekday	67,793	e
- Restaurants-Weekend/Weekday	287,105	f
Liquor		
- State	114,836	g
Visiting Team Expenditures		
- Lodging	9,492	h
- Per Diems	6,224	i
Subtotal General Sales - State Tax	\$1,576,671	
State Parking Revenues	\$335,160	n
Total Estimated State Taxes and Other Revenues	\$3,642,331	
OTHER ESTIMATED PUBLIC SECTOR BENEFITS		
General City of Minneapolis Sales Tax		
Spectator Expenditures		
- Lodging-Weekend/Weekday	5,215	j
- Restaurants-Weekend/Weekday	22,085	j
Visiting Team Expenditures		
- Lodging	730	j
- Per Diems	479	j
Liquor		
- City of Minneapolis	\$6,380	j
Subtotal General Sales - Minneapolis Tax	\$34,889	
Other City of Minneapolis Taxes and Public Sector Revenues		
Restaurant	132,510	k
Entertainment	494,310	l
Hotel	23,780	m
City Parking Revenues	23,520	n
Liquor tax	38,279	o
Subtotal Other Taxes & Public Sector Revenues	\$712,399	
Total Estimated City of Minneapolis Taxes & Other Revenues	\$747,287	
Total Estimated Public Sector Revenues	\$4,389,618	

Note: A portion of the non-income tax related benefits would not be incremental to the public sector, and this amount has not been determined.

**CALCULATIONS AND KEY ASSUMPTIONS FOR
AN NHL HOCKEY TEAM**

(a) total team salaries multiplied by 8.2% state income tax.

\$19,000,000	players salaries
8.2%	tax
<u>\$1,558,000</u>	income tax generated by players salaries

(b) other team personnel salaries multiplied by assumed 5% average state income tax rate.

\$3,450,000	other personnel salaries
5.0%	tax
<u>\$172,500</u>	income tax generated by other personnel

(c) number of home games per year multiplied by the average price per ticket multiplied by the average attendance multiplied by 6.5% sales tax.

42	number of home games per year (includes assumed pre-season games)
\$26	average ticket price per game
14,000	average paid attendance
<u>\$15,288,000</u>	total ticket revenue
6.5%	tax
<u>\$993,720</u>	sales tax collected on tickets

(d) amount of other total yearly taxable expenditures in the state of Minnesota by the home team. (i.e. player equipment, office supplies, etc.)

\$1,500,000	average expenditures in MN
6.5%	tax
<u>\$97,500</u>	sales tax collected on other expenditures

(e) 1.56% of total attendance is assumed to require lodging during weekday games,
6.91% of total attendance is assumed to require lodging during weekend games, \$95/night, 2.2 persons/room.

<u>weekday</u>	<u>weekend</u>
22	20 number of games assumed
14,000	14,000 average attendance
1.56%	6.91% percentage requiring lodging
<u>4,805</u>	19,348 persons seeking lodging
2.2	2.2 persons per room
<u>2,184</u>	8,795 rooms needed
\$95	\$95 per night
<u>\$207,480</u>	\$835,482 lodging expenditures
6.5%	6.5% tax
<u>\$13,486</u>	\$54,306 sales tax collected from lodging

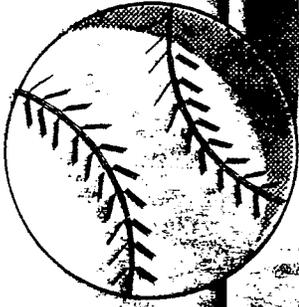
(f) restaurant per capita is assumed to be \$5.25 on weekdays, \$10.00 on weekends (includes all purchases of food

<u>weekday</u>	<u>weekend</u>
22	20 number of games
14,000	14,000 average attendance
<u>\$5.25</u>	\$10.00 restaurant per capita
<u>\$1,817,000</u>	\$2,800,000 restaurant revenues
6.5%	6.5% tax
<u>\$105,105</u>	\$182,000 restaurant sales tax collected

(g) a 9% state liquor sales tax, and \$2.17 per capita spending for liquor sales is assumed.

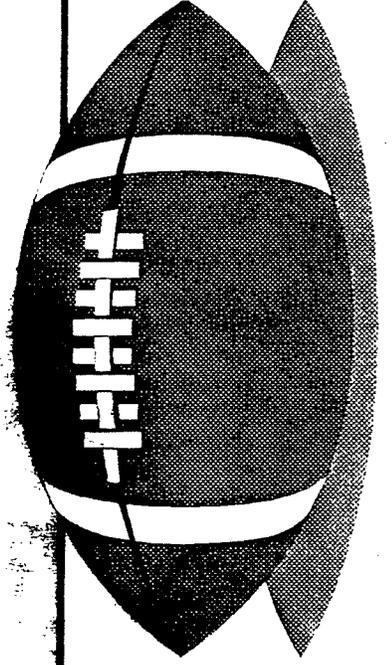
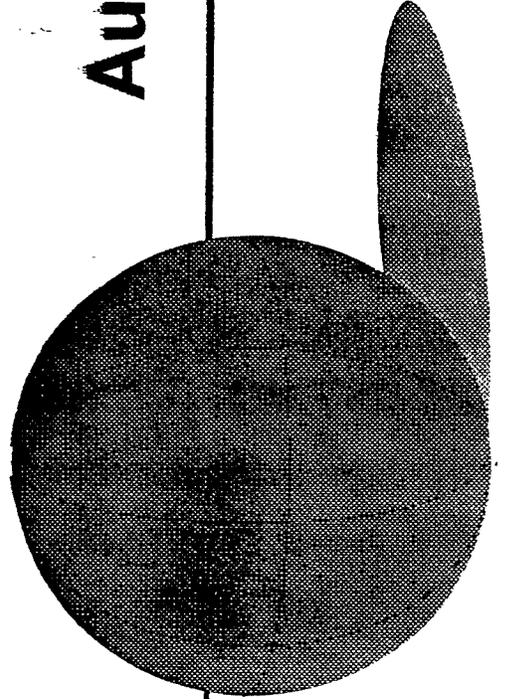
\$2.17	per capita
14,000	average attendance
42	number of games
<u>\$1,275,960</u>	liquor receipts
9.0%	state liquor tax
<u>\$114,836</u>	state tax revenue generated from liquor sales

EXHIBIT B



Advisory Task Force on Professional Sports in Minnesota

August 29, 1995



CSLInternational

Conventions, Sports & Leisure

August 29, 1995

Mr. William Lester
Executive Director
Metropolitan Sports Facility Commission
900 South Fifth Street
Minneapolis, MN 55415

Dear Mr. Lester,

The information provided in this summary contains the results of our engagement to assist you in assembling background information on professional sports. Issues addressed in this summary include the financial status of professional sports, differences between the four major sports, how franchise values have fared over the years, and a review of the impact stadiums and arenas have on professional sports. Assumptions and information provided in this summary were provided by management of the teams, league data, and other third party reports. The information presented was not verified by us.

We sincerely appreciate the opportunity to assist you with this project, and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

CSL International

**Advisory Task Force
on
Professional Sports in Minnesota**

August 29, 1995

- A. General League Information**
- B. Differences Between Sports**
- C. Franchise Values**
- D. Stadiums and Arenas**
- E. Recent Financing Examples**

The Paradigm Is Changing, Today Teams Expect More From Communities

**There is NO magic formula for
retaining or acquiring franchises
or financing arenas and stadiums**

General League Information

Average Team Revenues Up 1990-1994

NBA +107%

NHL +50%

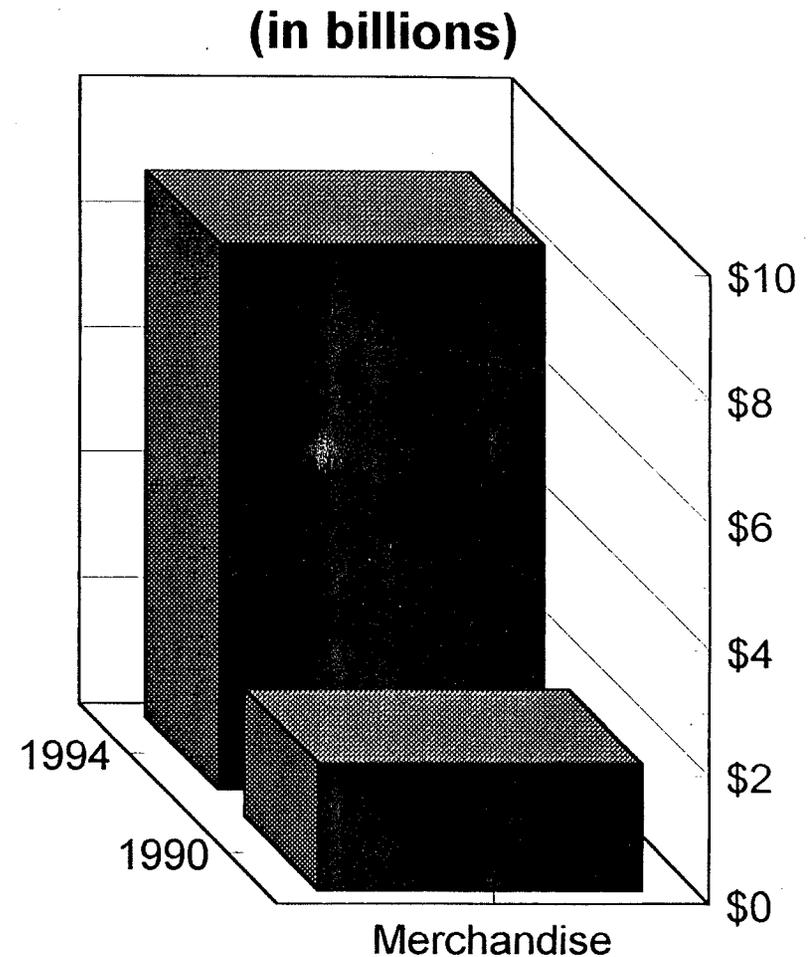
NFL +32%

MLB* +22%

* 1994 season was not included due to players' strike

Royalties Revenues Are Up Substantially

- **Licensed Merchandise Revenues Up 150% in 5 Years**



Media Revenues Up 56% Over Last 5 Years

NBA +167%

NFL +40%

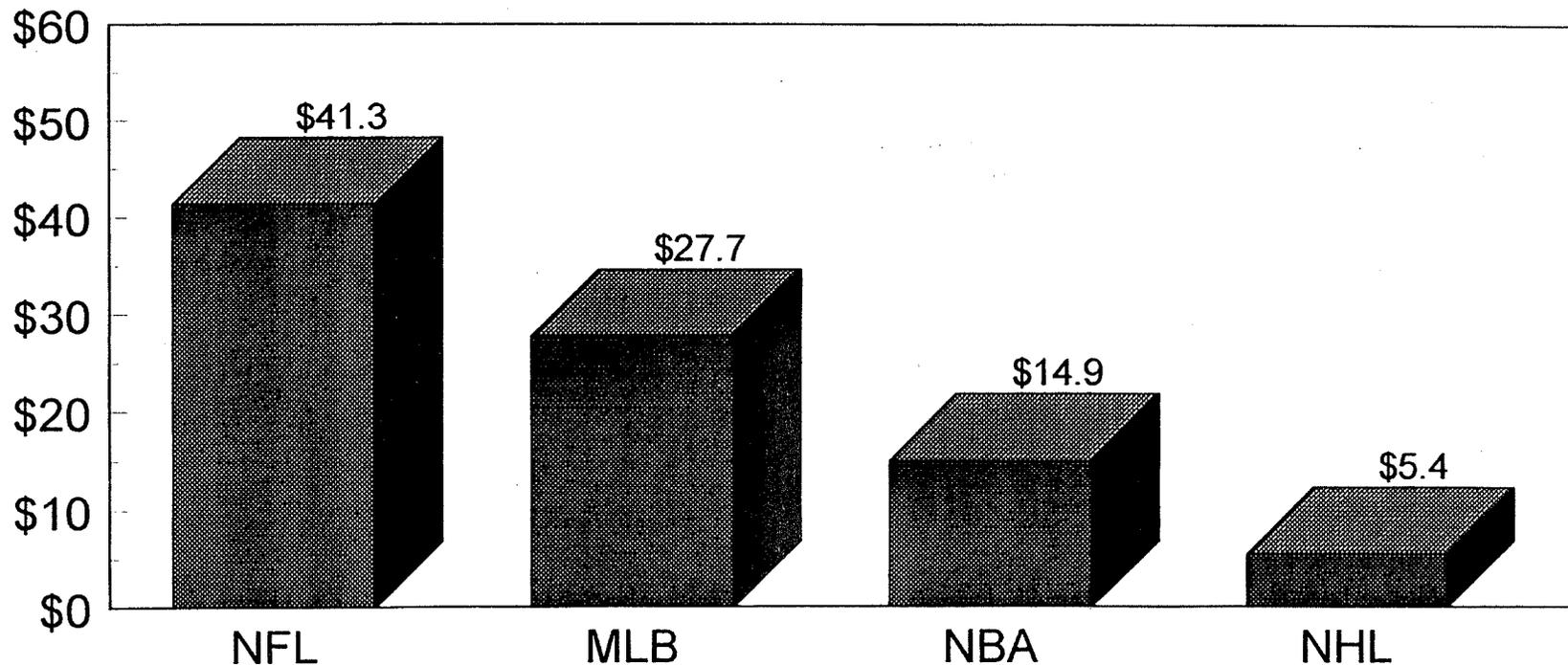
NHL +10%

MLB* +7%

* 1994 season figures were not included due to players' strike

NFL Teams Take In the Most Media Revenues Of the 4 Sports

1993 Average Team Media Revenues
(in millions)

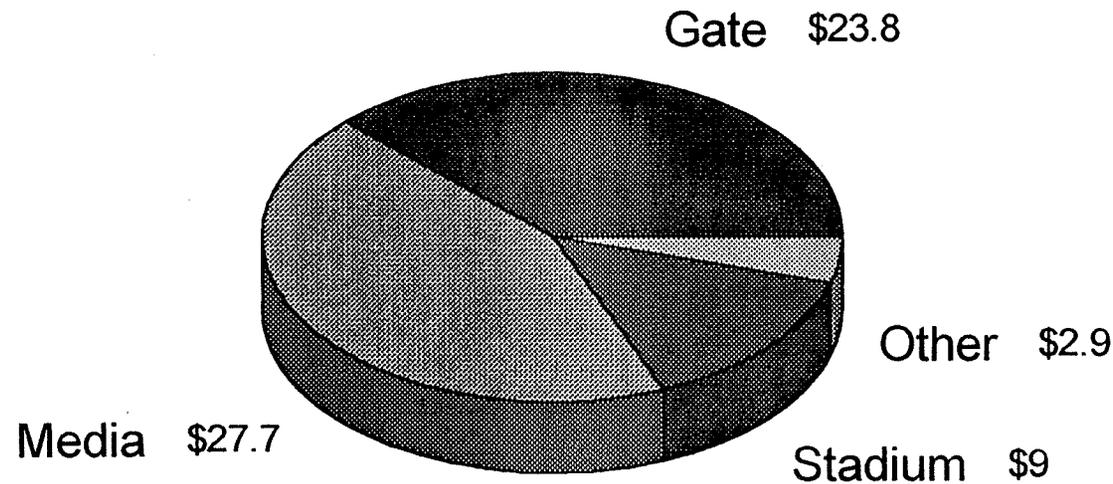


Traditional Sources of Team Revenue

- **Gate Revenues** - gross gate receipts, excluding sales taxes
- **Stadium Revenues** - premium seating, concessions, parking, venue advertising, and other venue events where applicable
- **Media Revenues** - national TV, local TV, cable TV, pay-per-view, and radio
- **Other Revenues** - miscellaneous revenues such as licensing and merchandise

Media Revenues Comprise 44% of an Average MLB Team's Total Revenue

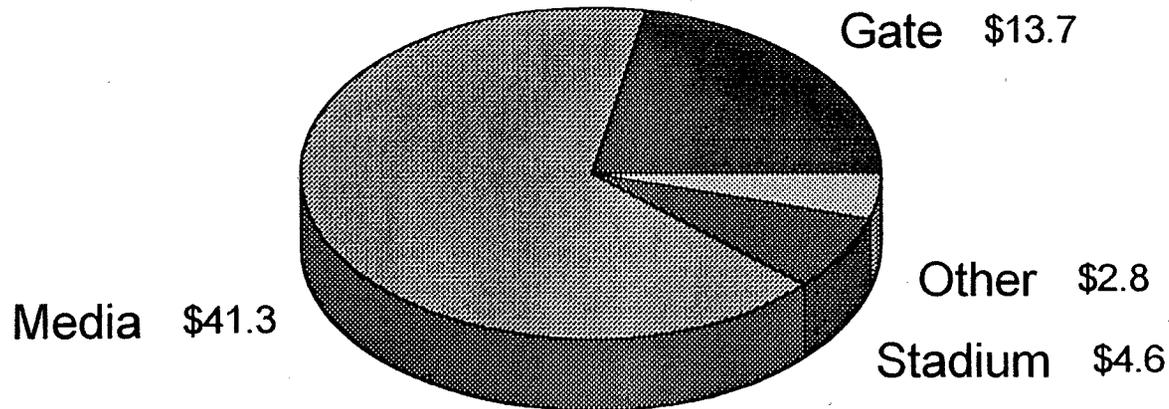
Average revenues per team (in millions)



Source: USA Today, October 20, 1994

Media Revenues Comprise 66% of an Average NFL Team's Total Revenue

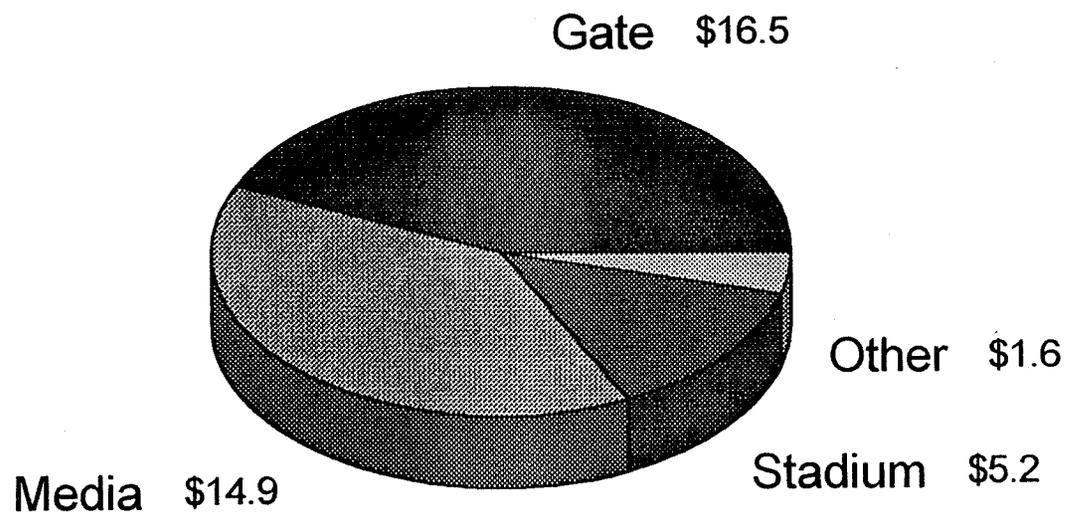
Average revenues per team (in millions)



Source: USA Today, October 20, 1994

Gate Receipts Comprise 43% of an Average NBA Team's Total Revenue

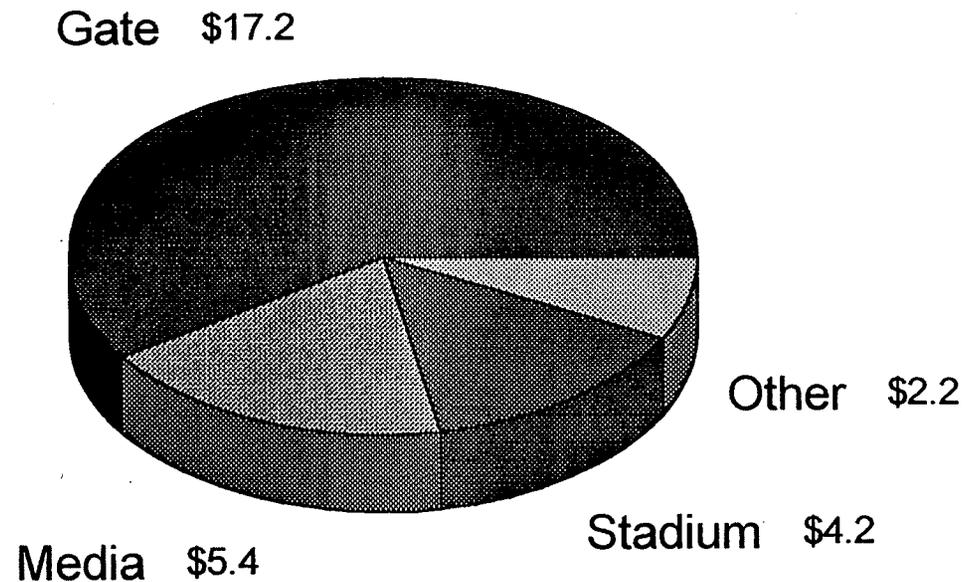
Average revenues per team (in millions)



Source: USA Today, October 20, 1994

Gate Receipts Comprise 59% of an Average NHL Team's Total Revenue

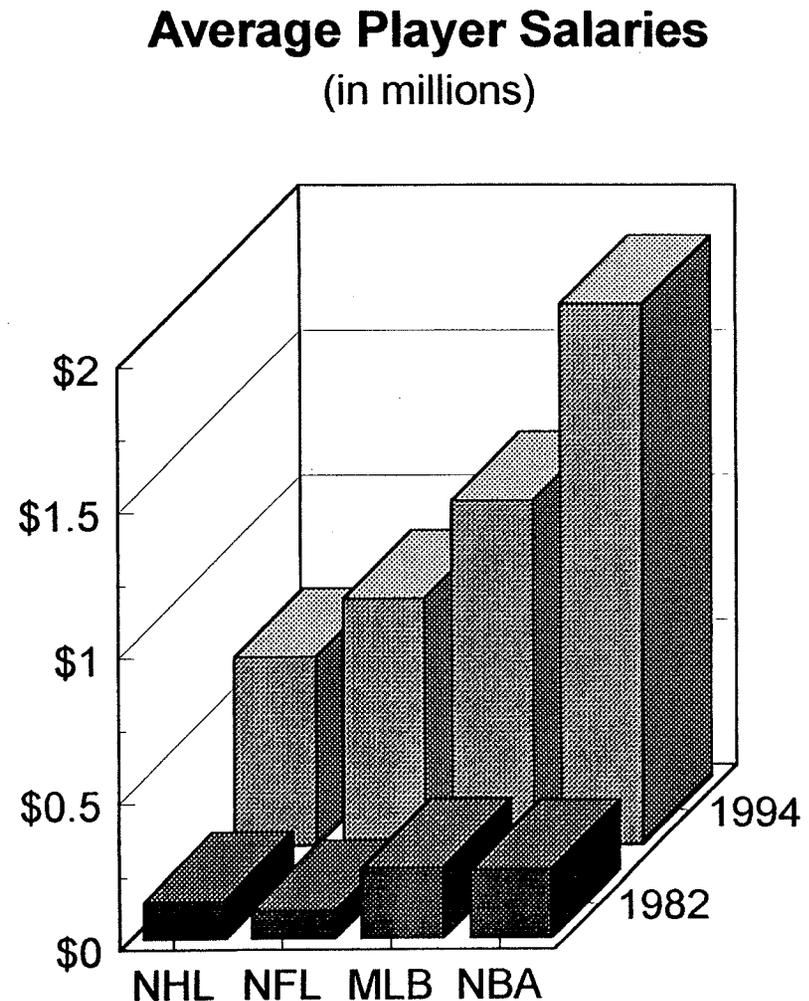
Average revenues per team (in millions)



Source: USA Today, October 20, 1994

Player Salaries Have Grown Dramatically

- **NFL 780% increase**
- **NBA 690% increase**
- **NHL 420% increase**
- **MLB 390% increase**



Differences Between Sports

Revenue Sharing Differs Between Sports

	MLB	NFL	NBA	NHL
National TV	Equally shared	Equally shared	Equally shared	Equally shared
Licensed products	Equally shared	Equally shared	Equally shared	Equally shared
Gate	80%-home 20%-visitor (AL) \$.72/spectator (NL)	60%-home 40%-visitor	Non-shared	Non-shared
Stadium revenues	Non-shared	Non-shared	Non-shared	Non-shared
Local TV/radio	Non-shared	Non-shared	Non-shared	Non-shared

Labor Status Between Sports

■ Major League Baseball

- ▶ working under expired 1993 contract, extended through '94 and '95
- ▶ no salary cap
- ▶ free agency and arbitration

■ National Football League

- ▶ contract through 2000
- ▶ salary cap, players get at least 58% of DGR

■ National Basketball Association

- ▶ tentative agreement, players to vote on 8/30/95
- ▶ soft salary cap

■ National Hockey League

- ▶ new contract through 2002
- ▶ rookie salary cap

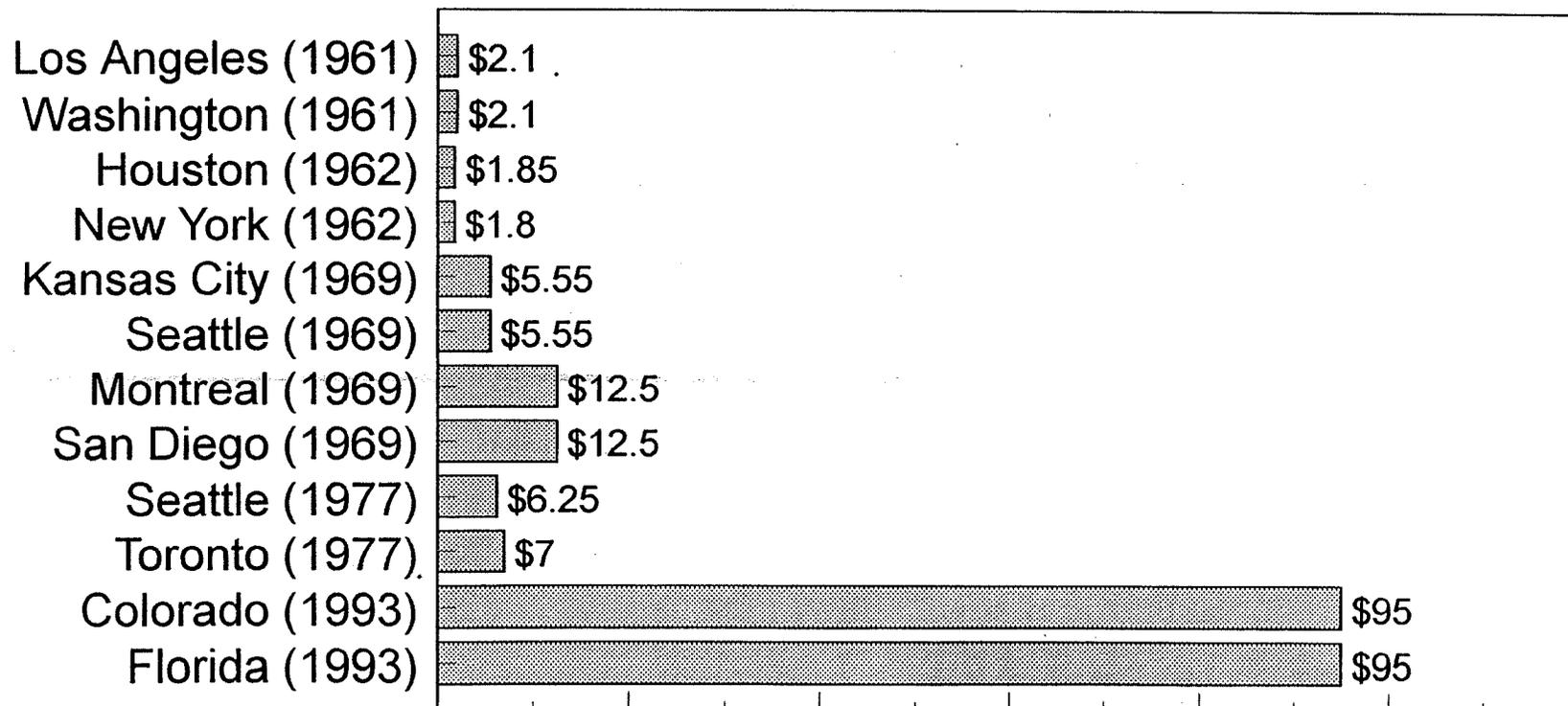
No League Has Found a Permanent Solution to Major Issues

- Revenue Sharing
- Collective Bargaining

Franchise Values

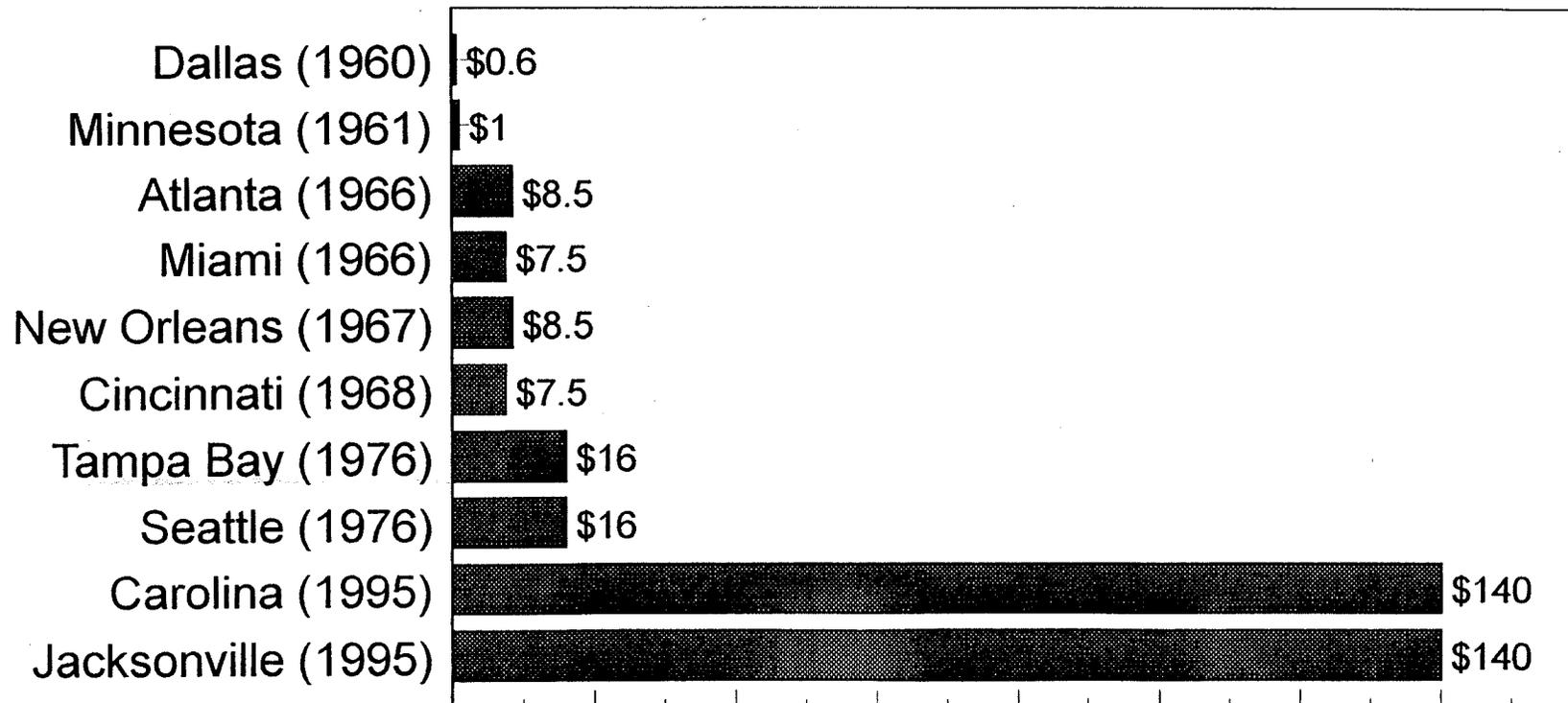
MLB's Expansion Franchise Fees Have Risen Sharply

Expansion Franchise Fees - 1960 to present
(in millions)



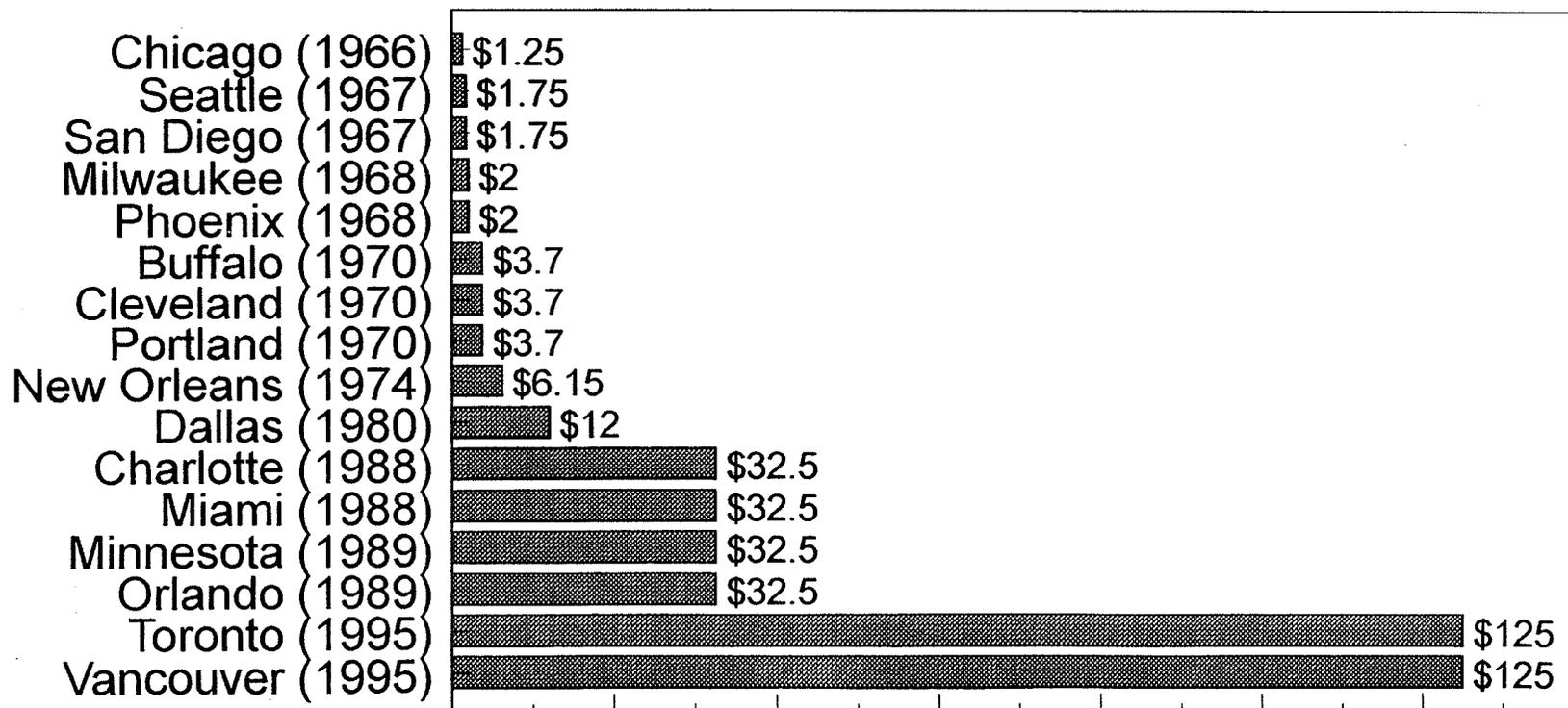
NFL's Expansion Fee Up By \$124 Million Since 1976

Expansion franchise fees - 1960 to present
(in millions)



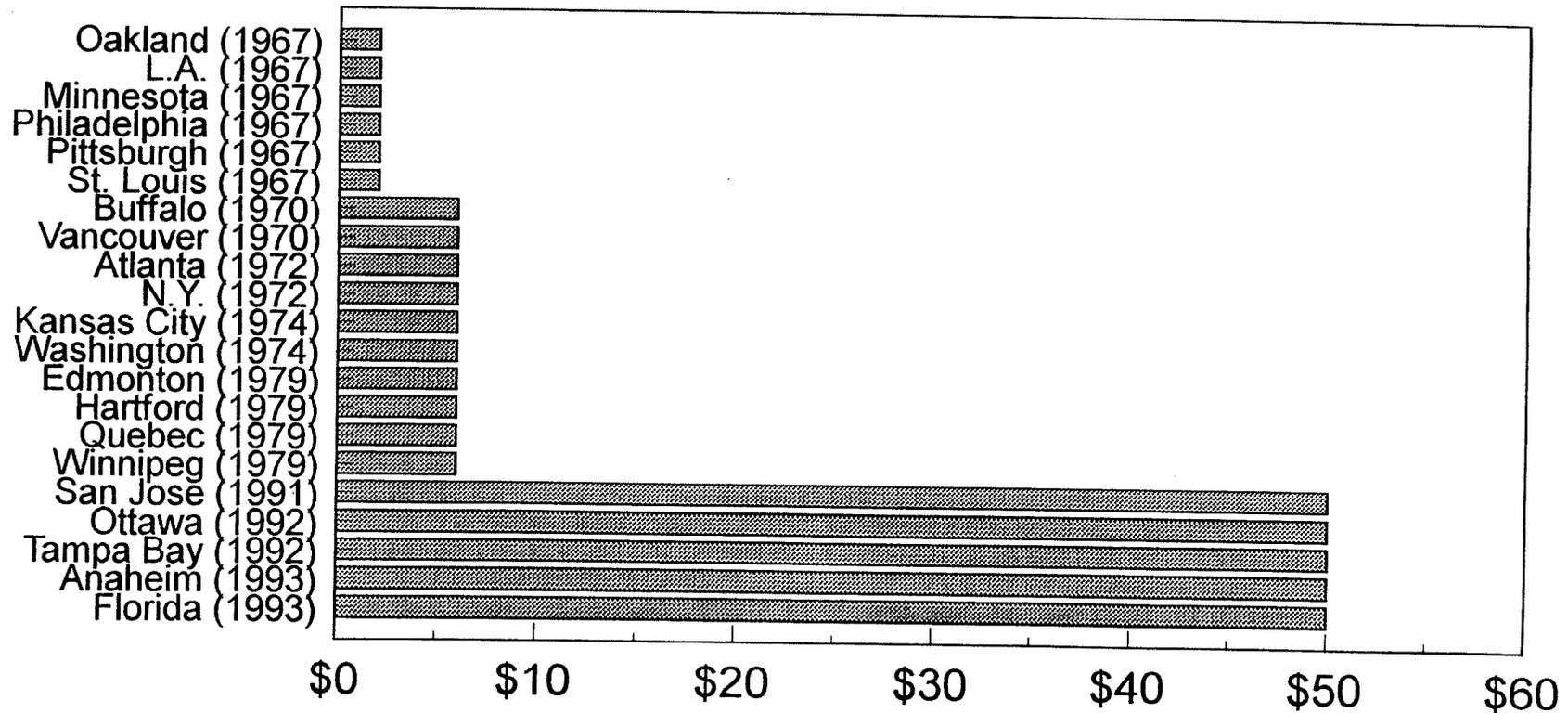
NBA's Expansion Fee Has Grown By \$92 Million Since 1989

Expansion Franchise Fees - 1960 to present
(in millions)

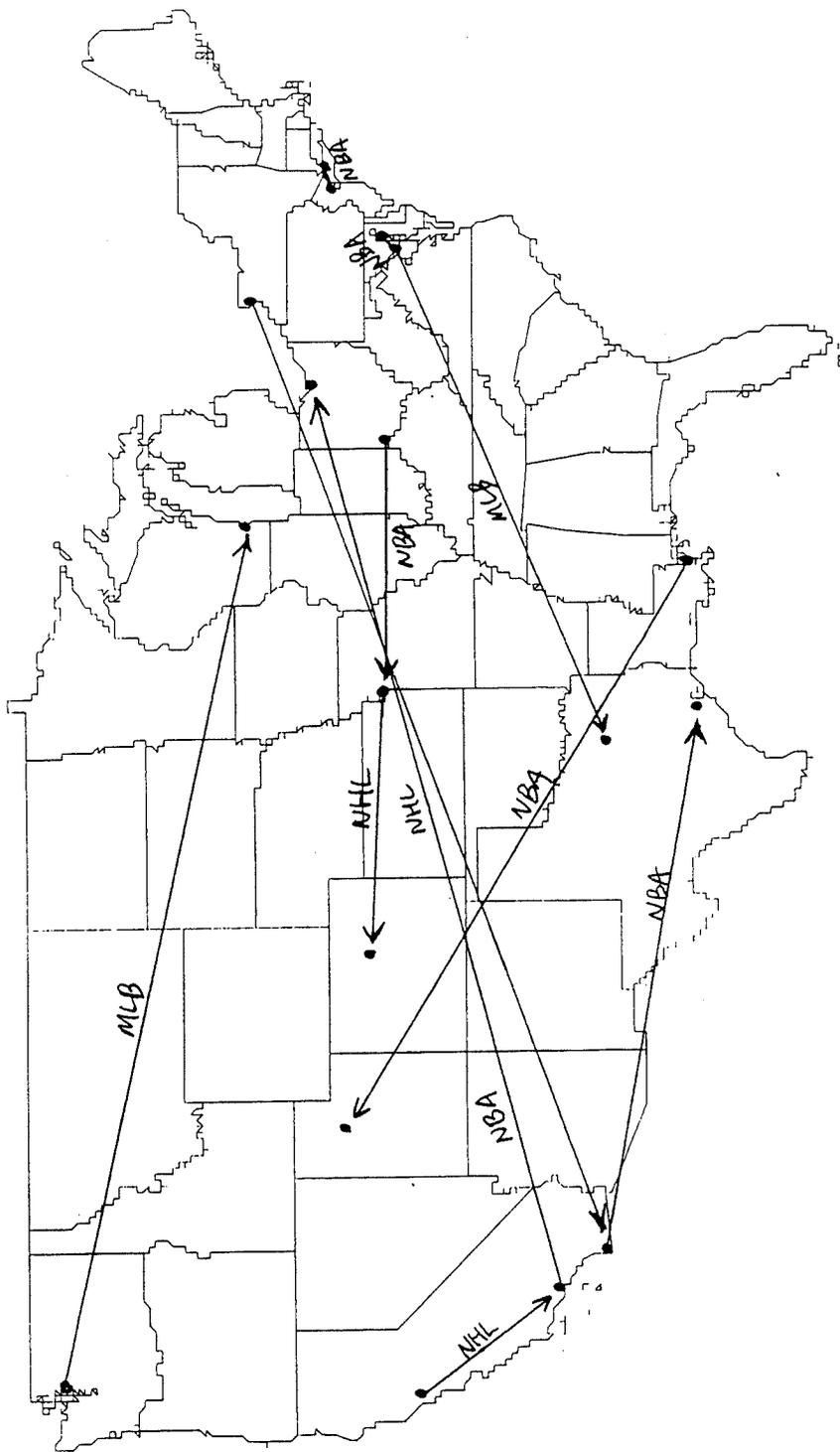


NHL's Expansion Franchise Fees Rose By \$44 Million In 12 Years

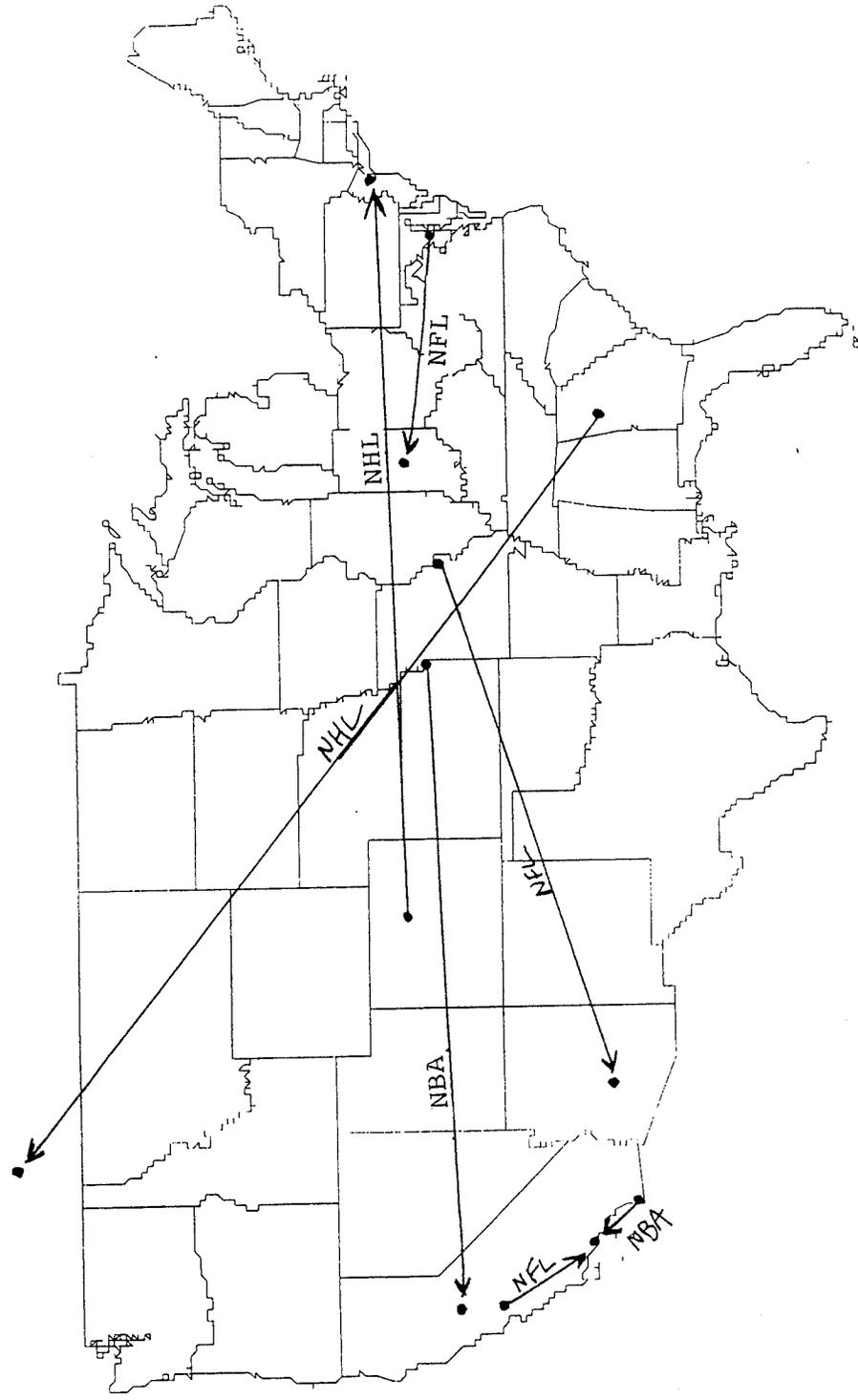
Expansion franchise fees - 1960 to present
(in millions)



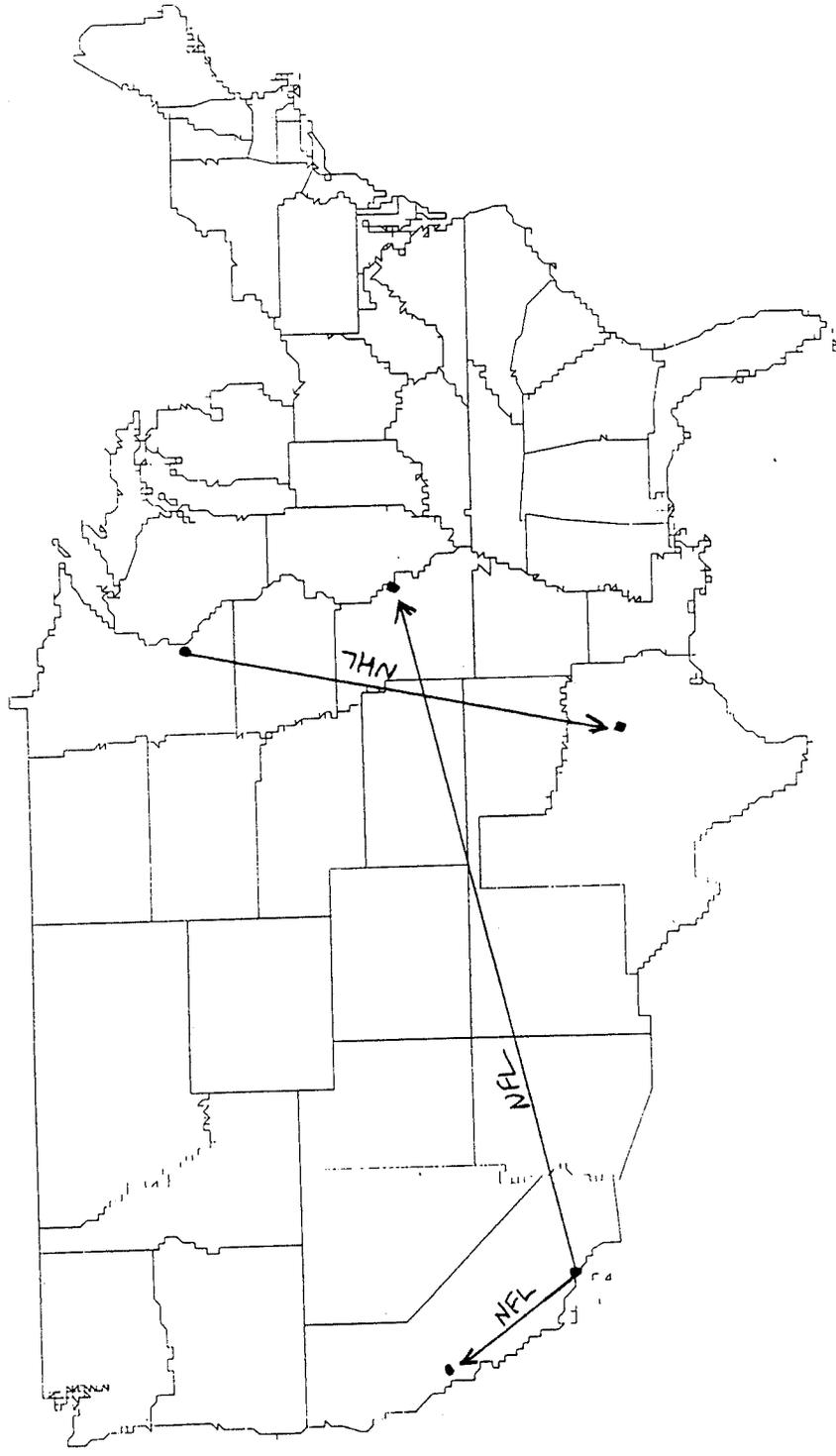
1970's Franchise Movement



1980's Franchise Movement

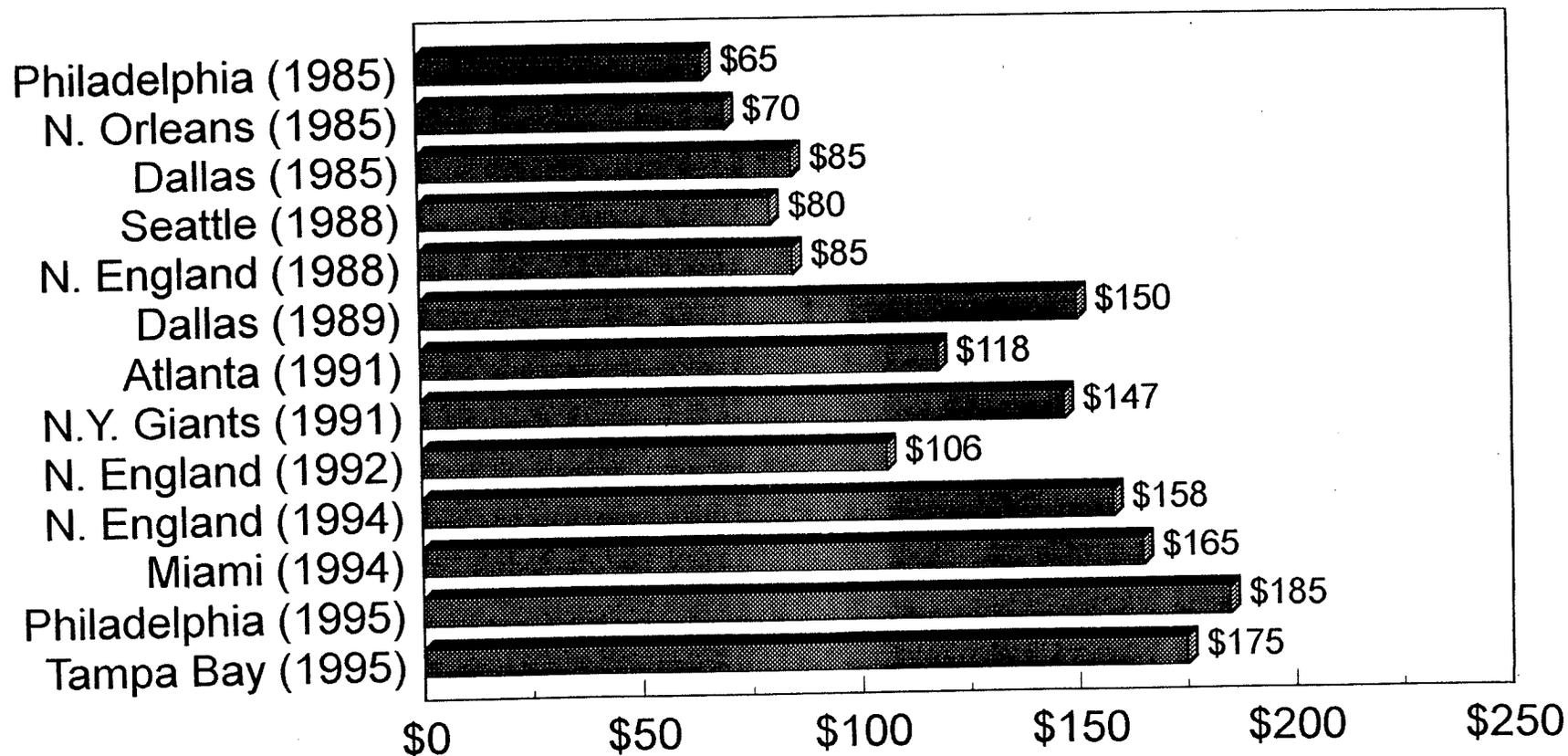


1990's Franchise Movement



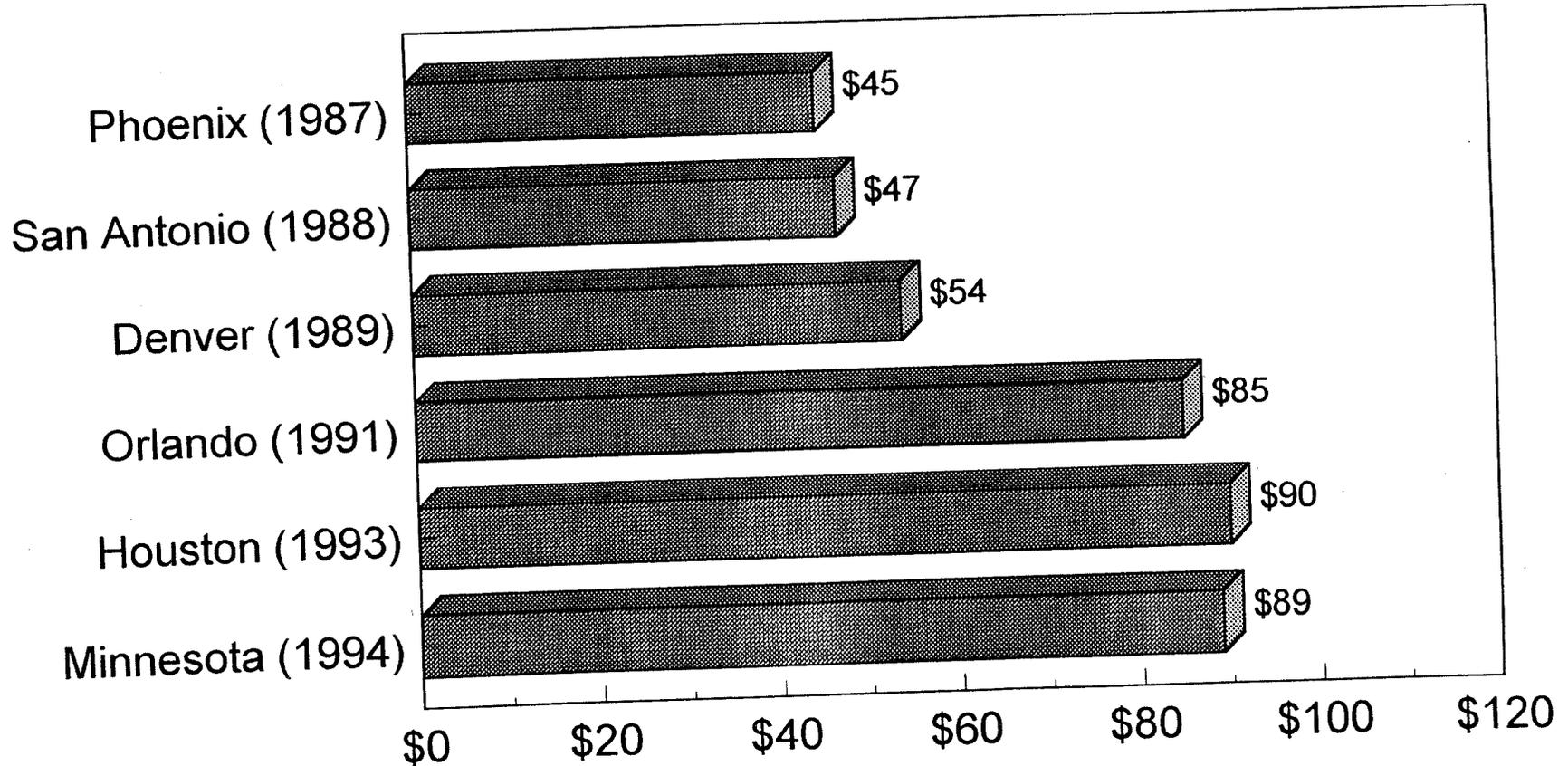
Major NFL Franchise Sales Over Past 10 Years

(in millions)



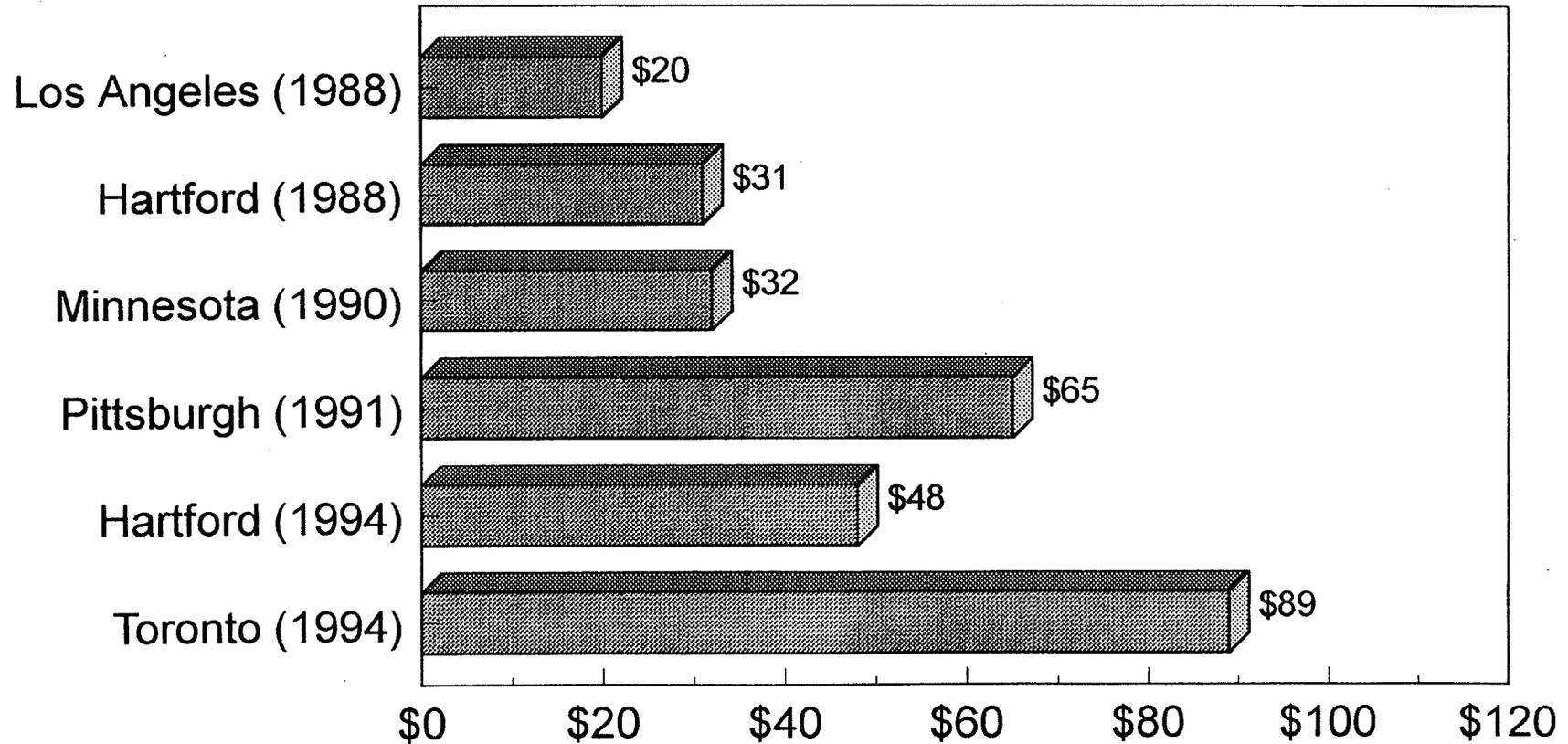
Major NBA Franchise Sales Over Past 10 Years

(in millions)



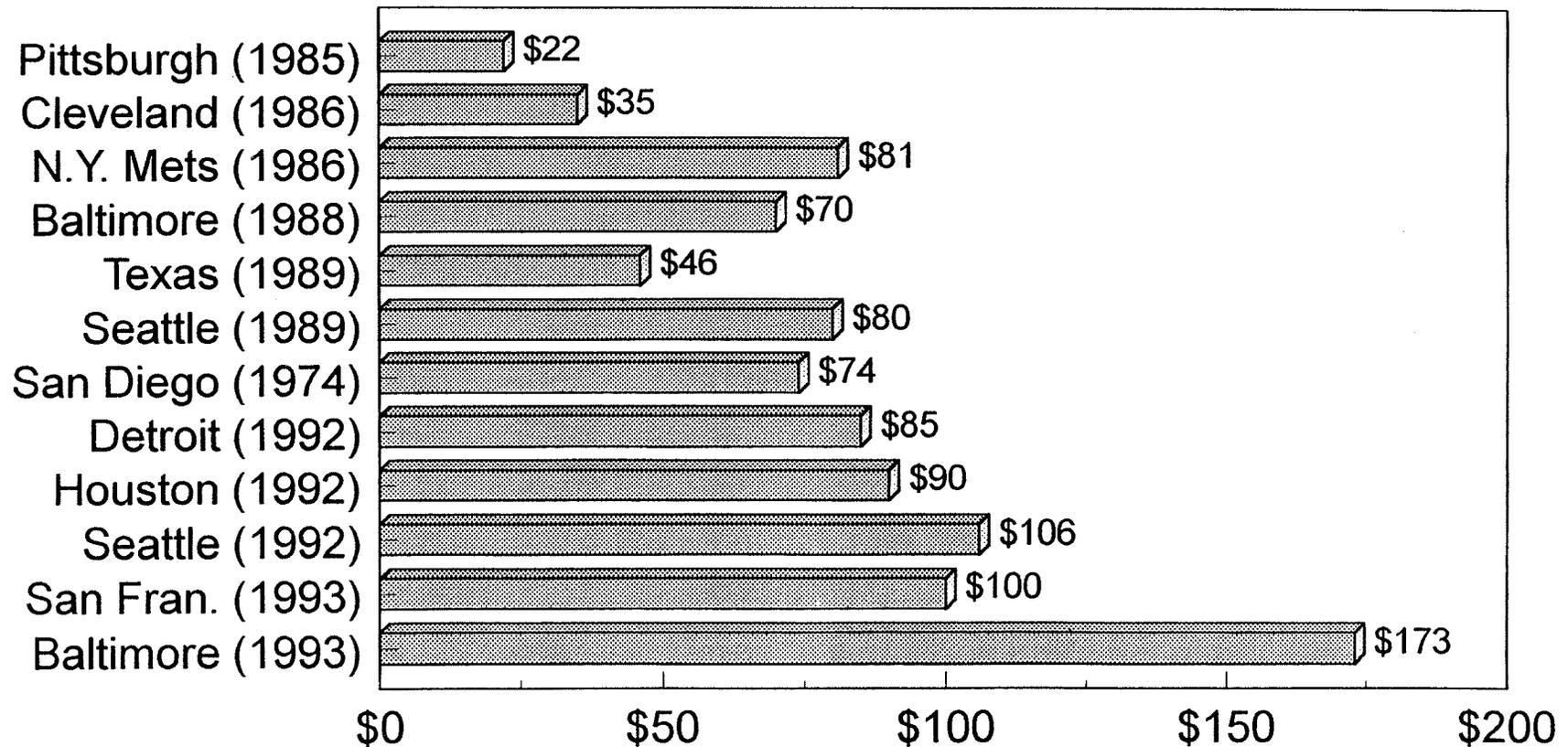
Major NHL Franchise Sales Over Past 10 Years

(in millions)



Major MLB Franchise Sales Over Past 10 Years

(in millions)

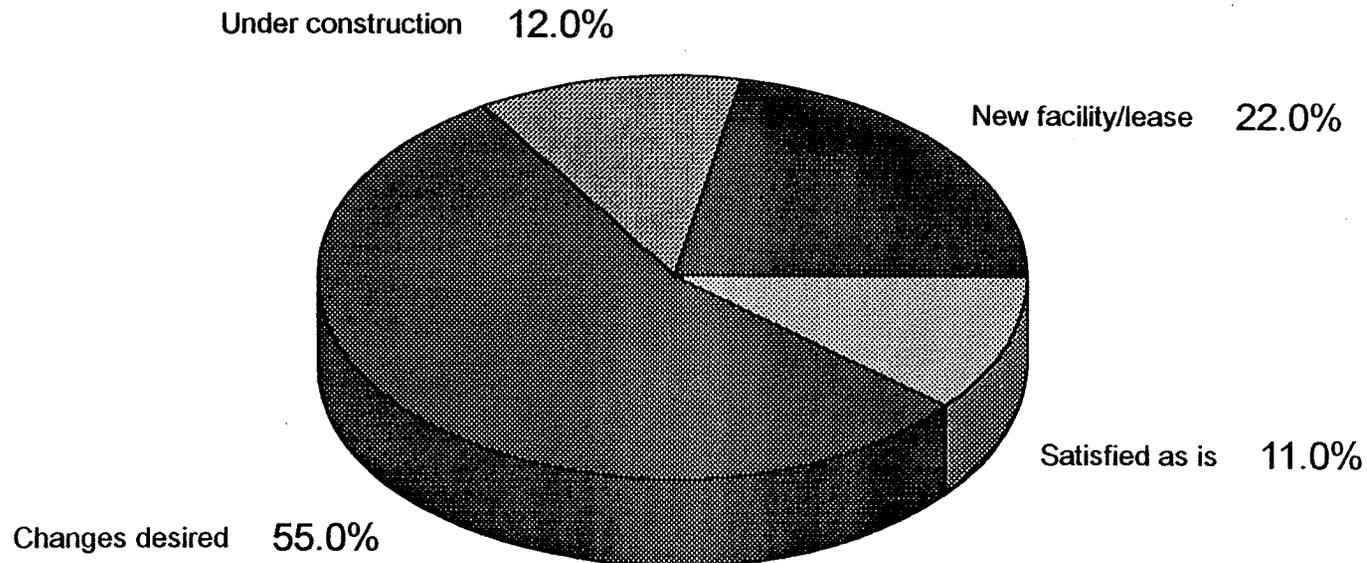


Stadiums and Arenas

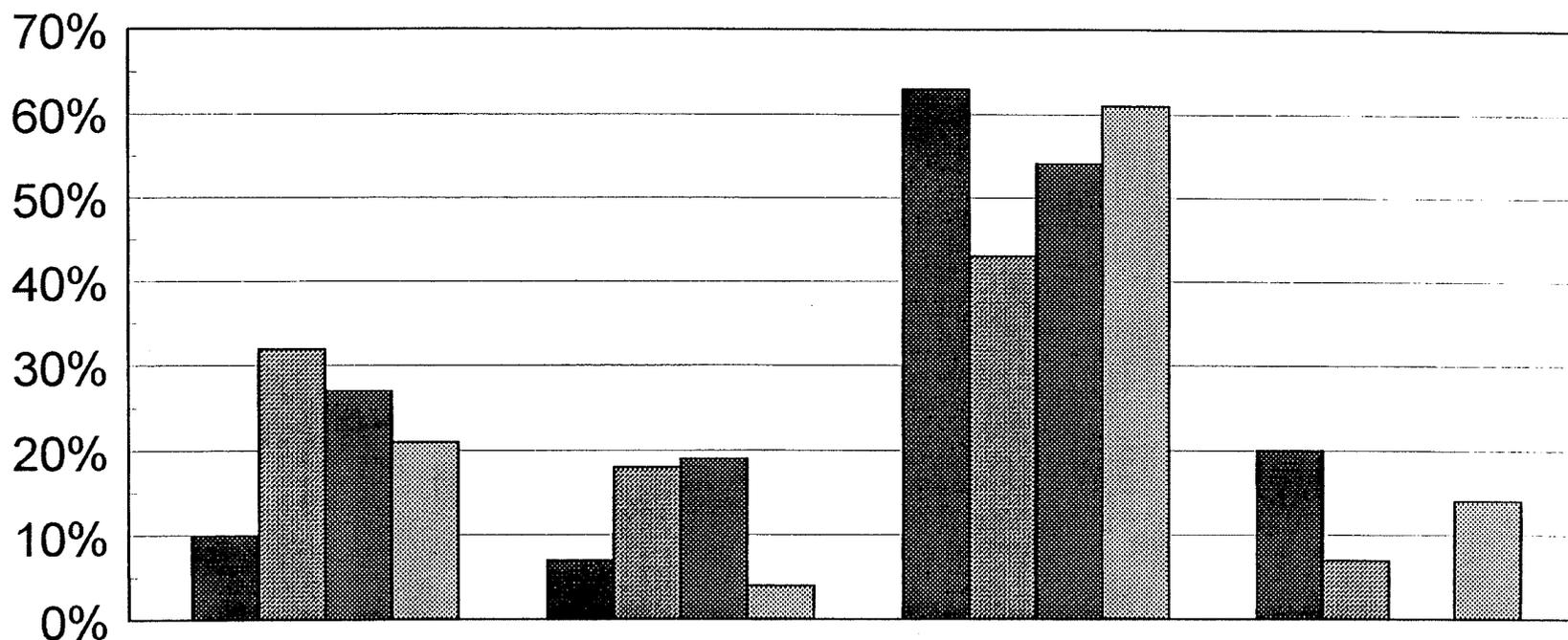
**Only 11% of professional
franchises are satisfied with
their facility as it is**

62 Professional Franchises Are Requesting Facility Changes

Facility status of MLB, NFL, NBA, and NHL teams



11% of Franchises Are Satisfied With Their Current Facility



	New facility/lease	Under construction	Changes desired	Satisfied as is
NFL	10%	7%	63%	20%
NBA	32%	18%	43%	7%
NHL	27%	19%	54%	0%
MLB	21%	4%	61%	14%

Trends and Characteristics of Facilities are Changing

- Private suites and club seats
- Wider concourses
- Computerized food orders
- Restaurants/bars
- Pro novelty shops
- Concessions
- Retractable domes
- Technology of scoreboards

Naming Rights and PSL's New Words in Financing

- **Carolina Stadium**

- \$90 mil in Premium Seating

- **Coors Field**

- \$15 mil in Naming Rights

- **Gateway Complex**

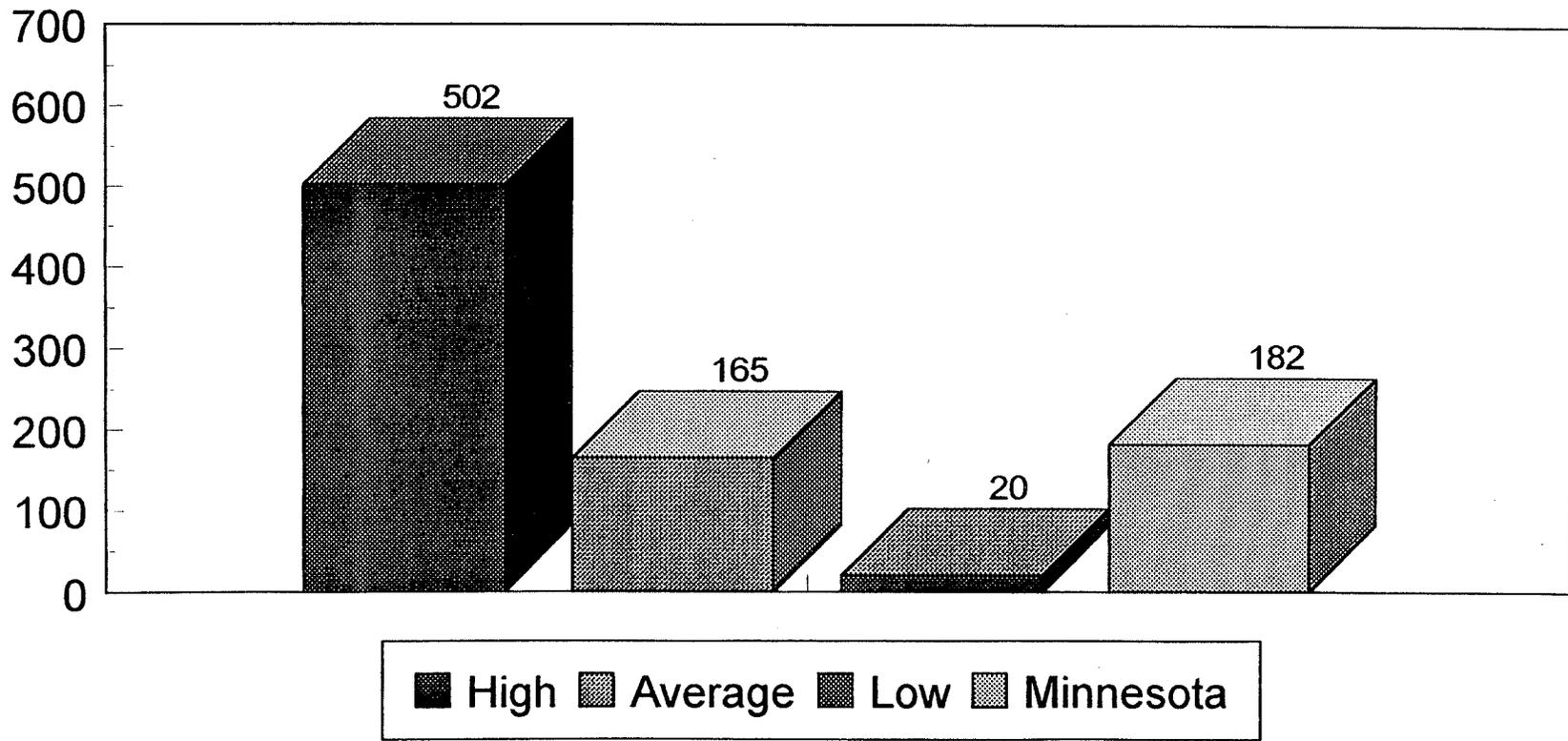
- \$20 mil in 'Stadium Founder Seats'

Facility Revenues Can Increase \$20 Million or More Annually In a New Facility

- Suites
- Club Seats
- Concessions
- Parking
- Advertising
- Other Events

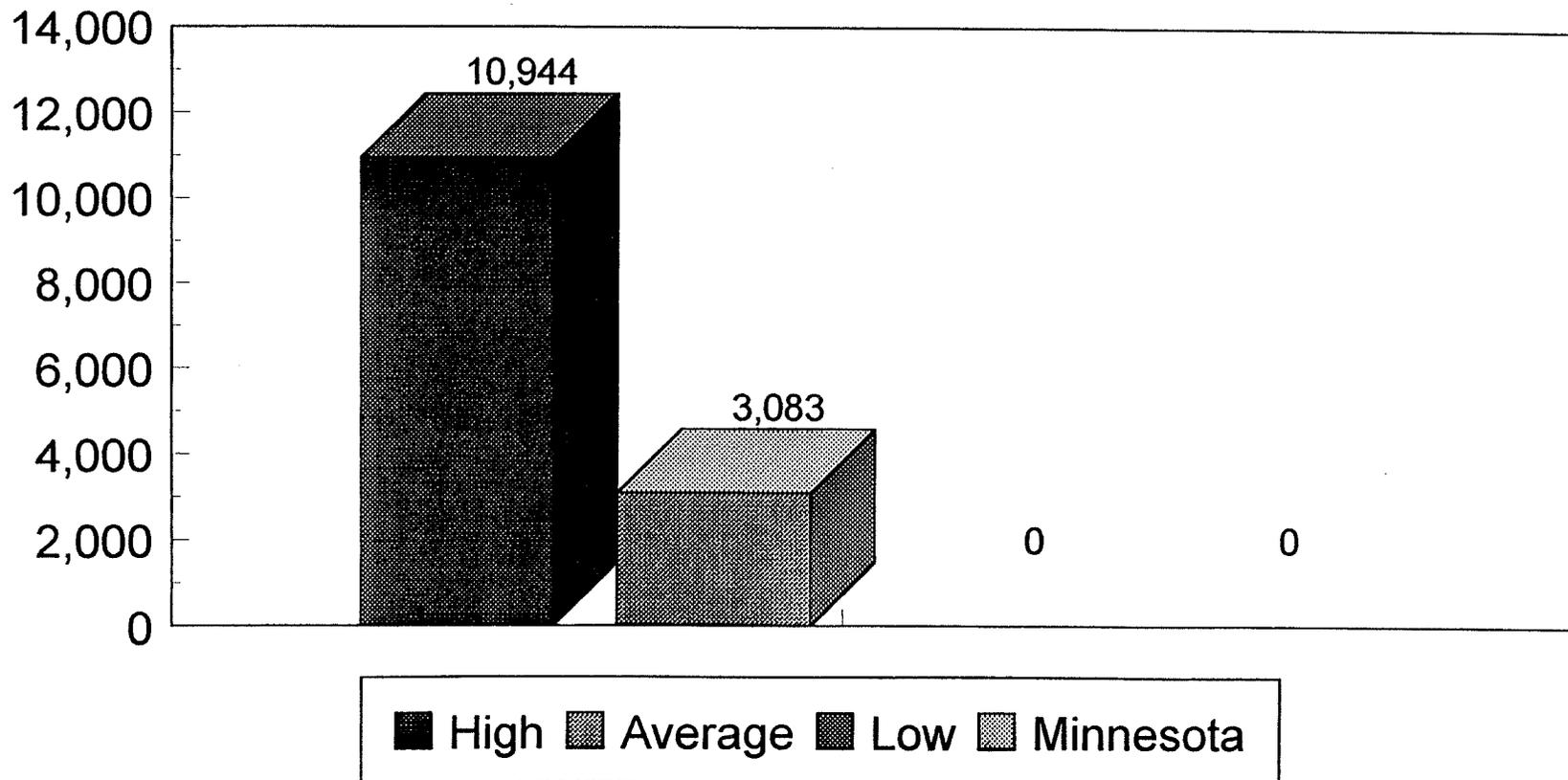
Minnesota Has a Higher Than Average Number of Luxury Suites

Luxury suites in U.S. professional sports facilities
(total of 35 markets with professional franchises)



Minnesota's Pro Sports Facilities Do Not Offer Any Club Seating

Club seats in U.S. professional sports facilities
(total of 35 markets with professional franchises)



Paradigms Are Changing

- Private ownership
- Public support
 - Financing vehicles
 - Real estate tax subsidies
- Greater levels of public support
 - Revenue guarantees
 - Subsidies

Private Ownership Examples

- U.S. Air Arena, 1973
- Dodger Stadium, 1967
- Busch Stadium, 1966
- Wrigley Field, 1914
- Tiger Stadium, 1912
- Fenway Park, 1912

Public Support Through Financing Vehicles and Real Estate Tax Subsidies

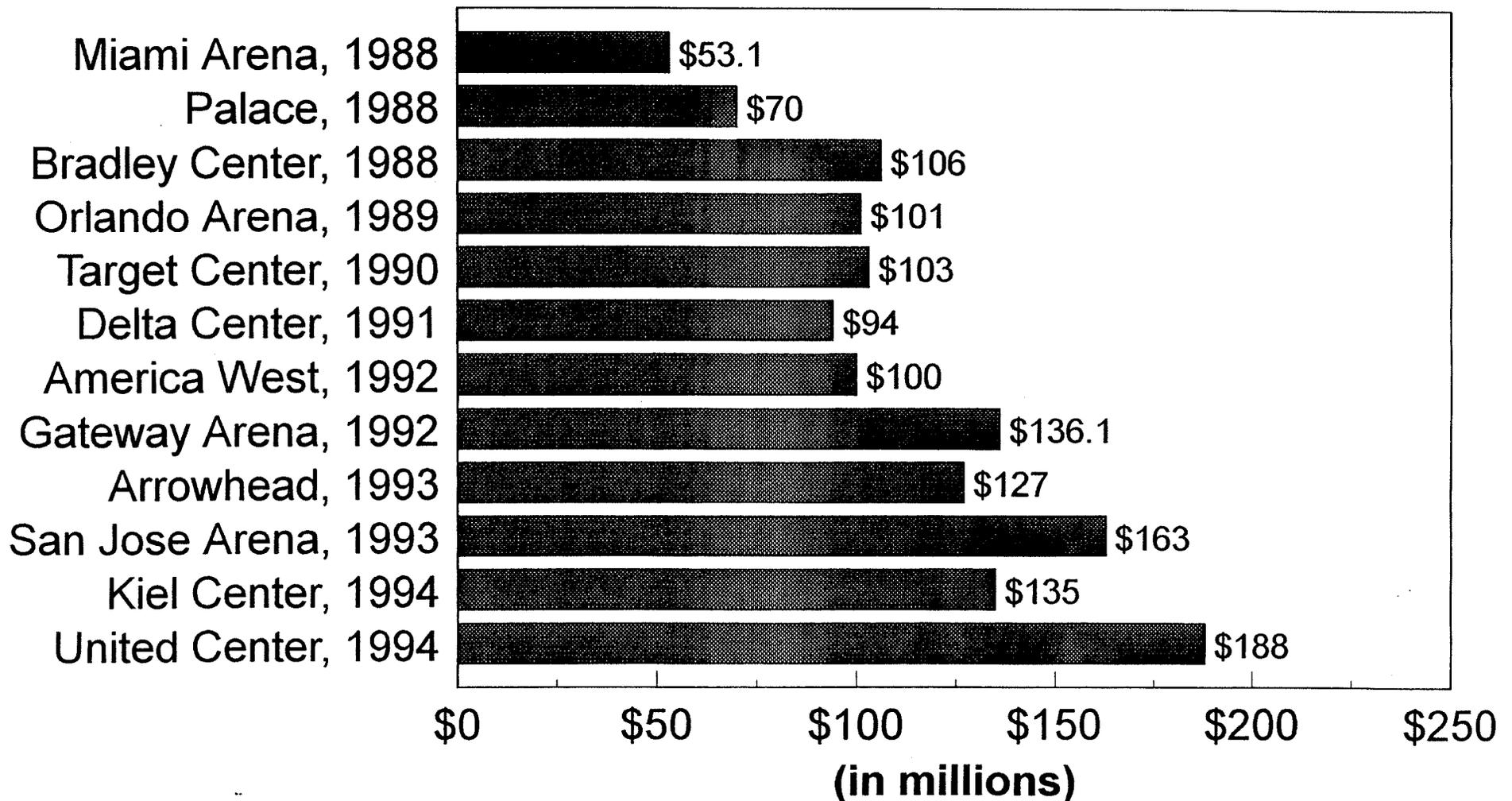
- Target Center, 1990
- HHH Metrodome, 1982

Public Support and Guaranteed Revenue Streams & Subsidies

- Carolina Stadium, 1995
- America's Center in St. Louis, 1995
- Gator Bowl in Jacksonville, 1995
- Gateway Complex, 1994
- Alamodome in San Antonio, 1993
- Camden Yards in Baltimore, 1992
- Comisky Park in Chicago, 1991

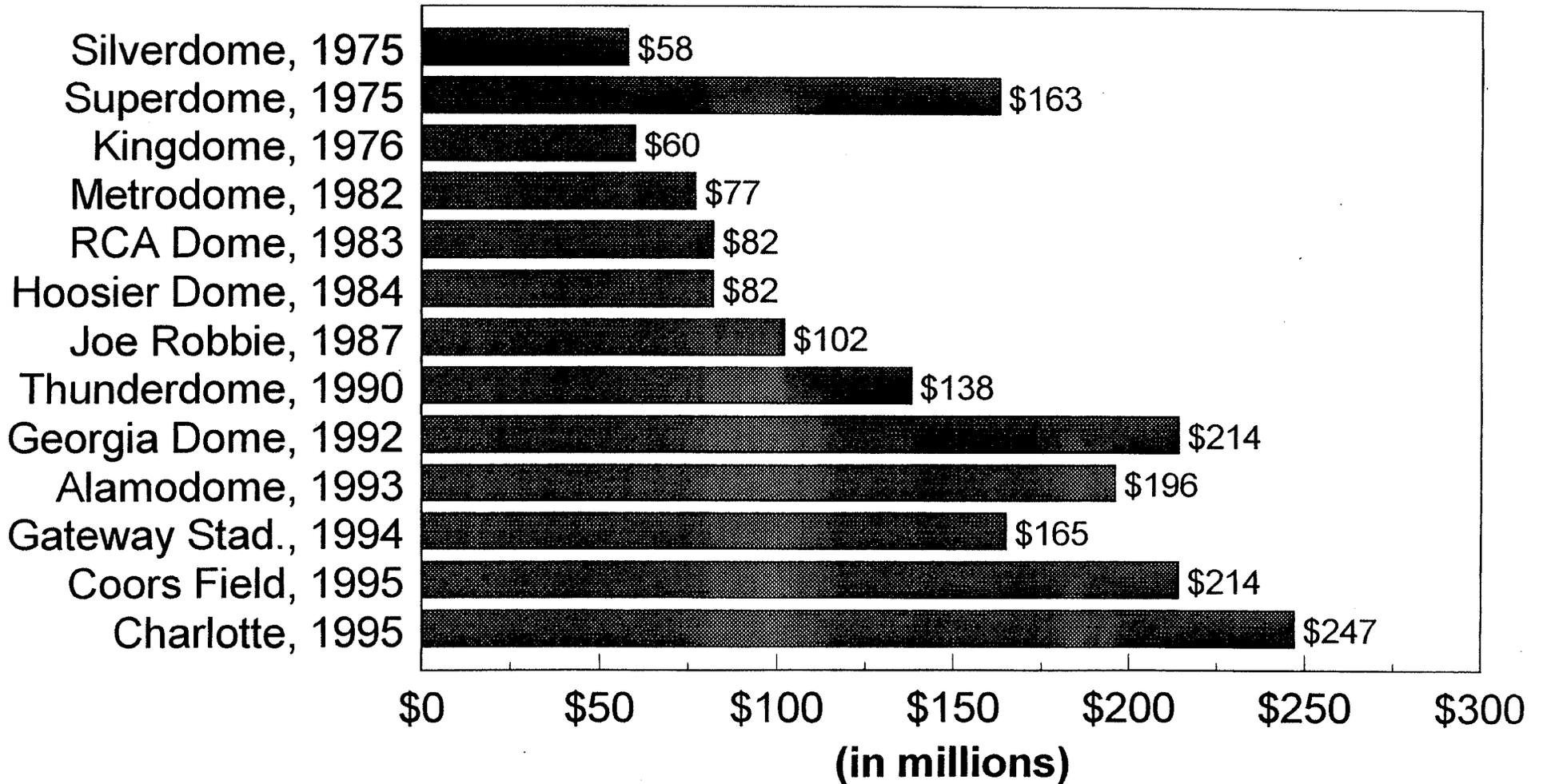
Arena Construction Cost Steadily Increases

Arena, Year Built



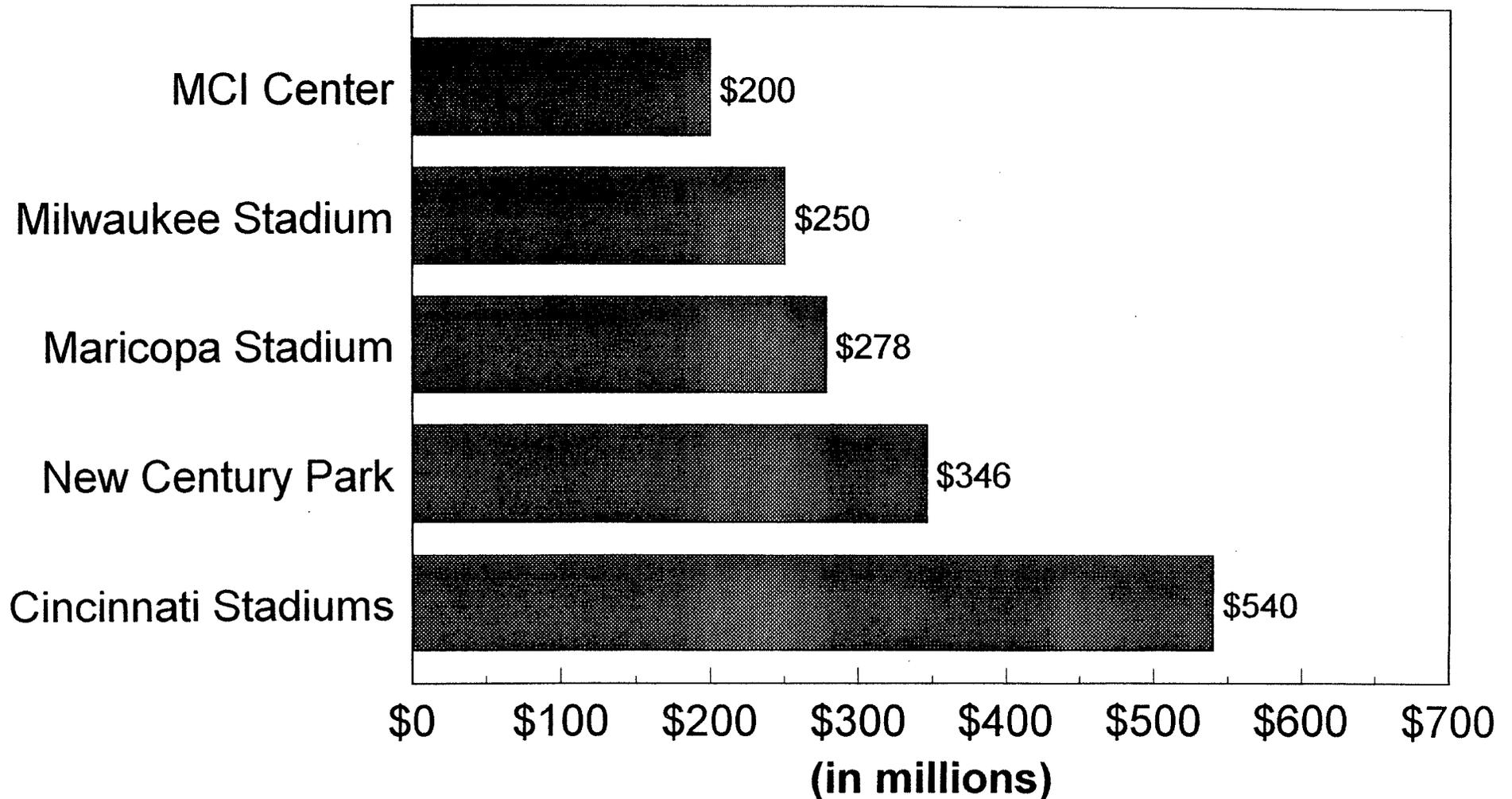
Stadium Construction Cost Dramatically Increases

Stadium, Year Built



Proposed Construction Costs Soar

Proposed Facilities



Financing Structures of Stadiums and Arenas Differ

- Construction costs for stadiums are 65% higher than arenas
- Stadiums require more public funding than arenas
- Arenas utilize more facility revenues than stadiums for financing

**Summary of Financing Arrangements
for Selected Professional Sports Facilities - Arenas
In Recent Years**

Arenas	Team(s)	Sport	Opening Year	Total Cost (millions)	Financing Participation Percentage		Financing Participation (in millions)				
					Public	Private/Project	Public	Private			Total Project
							Total Project	Team Contribution	Project Revenue	Other	
Rose Garden	Portland Trailblazers	NBA	1995	\$260.1	13%	87%	\$32.8	\$46.0	\$181.3	\$0.0	\$227.3
The New Seattle Center Coliseum	Seattle Supersonics	NBA	1995	73.4	0%	100%	0.0	0.0	73.4	0.0	73.4
America West Arena	Phoenix Suns	NBA	1992	99.8	47%	53%	47.3	0.0	52.5	0.0	52.5
Delta Center	Utah Jazz	NBA	1991	94.0	21%	79%	20.0	0.0	74.0	0.0	74.0
Target Center	Minnesota Timberwolves	NBA	1990	126.0	18%	82%	23.0	0.0	103.0	0.0	103.0
Orlando Arena	Orlando Magic	NBA	1989	101.1	100%	0%	101.1	0.0	0.0	0.0	0.0
The Palace of Auburn Hills	Detroit Pistons	NBA	1988	70.0	0%	100%	0.0	0.0	70.0	0.0	70.0
Bradley Center	Milwaukee Bucks	NBA	1988	106.3	6%	94%	6.3	0.0	0.0	100.0	100.0
ARCO Arena	Sacramento Kings	NBA	1988	60.0	0%	100%	0.0	0.0	60.0	0.0	60.0
Charlotte Coliseum	Charlotte Hornets	NBA	1988	69.0	68%	23%	47.0	0.0	0.0	16.0	16.0
Crossroads Arena	Buffalo Sabres	NHL	1995	122.5	45%	55%	55.0	0.0	35.0	32.5	67.5
Kiel Center	St. Louis Blues	NHL	1994	134.7	0%	100%	\$0.0	\$0.0	\$104.7	\$30.0	\$134.7
San Jose Arena	San Jose Sharks	NHL	1993	162.5	82%	18%	132.5	30.0	0.0	0.0	30.0
Arrowhead Pond of Anaheim	Anaheim Mighty Ducks	NHL	1993	126.5	0%	100%	0.0	0.0	126.5	0.0	126.5
MCI Center (proposed)	Washington Bullets/Capitals	NBA/NHL	n/a	\$200.0	48%	52%	\$96.3	\$0.0	\$103.7	\$0.0	\$103.7
Fleet Center	Boston Celtics/Bruins	NBA/NHL	1995	160.0	0%	100%	0.0	32.0	128.0	0.0	160.0
United Center	Chicago Bulls/Blackhawks	NBA/NHL	1994	187.5	7%	93%	12.5	26.0	149.0	0.0	175.0
Miami Arena	Miami Heat/Florida Panthers	NBA/NHL	1998	53.1	87%	13%	46.0	0.0	0.0	7.1	7.1
Arena Averages				\$122.6	30.1%	69.4%	\$34.4	\$7.4	\$70.1	\$10.3	\$87.8

Source: Municipal authorities, facility management, public records, and industry publications. Amounts have not been audited or otherwise verified.

**Summary of Financing Arrangements
for Selected Professional Sports Facilities - Stadiums
In Recent Years**

Stadiums	Team(s)	Sport	Opening Year	Total Cost (millions)	Financing Participation Percentage		Financing Participation (in millions)					
					Public	Private/Project	Public Total Project	Team Contribution	Project Revenue	Other	Total Project	
Baseball Stadiums												
Maricopa County Stadium (proposed)	Arizona Diamondbacks	MLB	1999	278.0	86%	14%	\$238.0	\$25.0	\$15.0	\$0.0	\$40.0	
Coors Field	Colorado Rockies	MLB	1995	214.3	75%	25%	161.3	53.0	0.0	0.0	53.0	
The Ballpark in Arlington	Texas Rangers	MLB	1994	190.7	74%	26%	141.4	0.0	36.6	12.7	49.3	
Oriole Park at Camden Yards	Baltimore Orioles *	MLB	1992	234.0	90%	10%	210.0	0.0	9.0	15.0	24.0	
Comisky Park	Chicago White Sox *	MLB	1991	175.0	100%	0%	175.0	0.0	0.0	0.0	0.0	
Baseball Stadium Average				\$218.4	85.0%	15.0%	\$185.1	\$15.6	\$12.1	\$5.5	\$33.3	
Football Stadiums												
America's Center	St. Louis Rams	NFL	1995	266.0	100%	0%	266.0	0.0	0.0	0.0	0.0	
Carolinas Stadium	Carolina Panthers	NFL	1995	247.7	24%	76%	60.0	0.0	160.0	27.7	187.7	
Gator Bowl (major renovation)	Jacksonville Jaguars	NFL	1995	123.0	100%	0%	123.0	0.0	0.0	0.0	0.0	
Georgia Dome	Atlanta Falcons	NFL	1993	200.0	75%	25%	150.0	0.0	50.0	0.0	50.0	
Football Stadium Average				\$209.2	74.8%	25.2%	\$149.8	\$0.0	\$52.5	\$6.9	\$59.4	
Alamodome	San Antonio Spurs	NBA	1993	196.0	100%	0%	196.0	0.0	0.0	0.0	0.0	
Joe Robbie Stadium (1)	Miami Dolphins/Florida Marlins	NFL/MLB	1987	102.0	0%	100%	0.0	0.0	102.0	0.0	102.0	
The Gateway Complex (2)	Cleveland Indians/Cavaliers	MLB/NBA	1994	473.2	48%	52%	228.1	0.0	214.5	30.6	245.1	

Source: Municipal authorities, facility management, public records, and industry publications. Amounts have not been audited or otherwise verified.

* The Chicago White Sox and Baltimore Orioles both provided some finish and FF&E for their facility.

(1) The City provided some infrastructure improvements.

(2) The Gateway Complex includes Jacobs Field and The Arena at Gateway.

Examples of Recent Financing Structures

- **Carolina Stadium in Charlotte**
 - Cost \$248 million
- **America's Center in St. Louis**
 - Cost \$260 million
- **Gateway Complex in Cleveland**
 - Cost \$473 million

Carolinas Stadium

- Total Cost \$248 Mil
- Public Support 24%
- Private Support 76%

Carolinas Stadium

Team: Carolina Panthers (NFL)

City, State: Charlotte, North Carolina

General Description: Carolinas Stadium is being privately developed by the NFL Carolina Panthers and will be ready for the 1995 football season. The stadium will be used exclusively for football and is planned to have a seating capacity of approximately 72,300.

Owner/Operator: Richardson Sports

Total Cost: \$247.7 million

Financing Terms:

Public: The City of Charlotte is leasing the land to the ownership group for \$1.00 per year. The City committed to purchasing the land and providing certain infrastructure improvements that are estimated at approximately \$60.0 million.

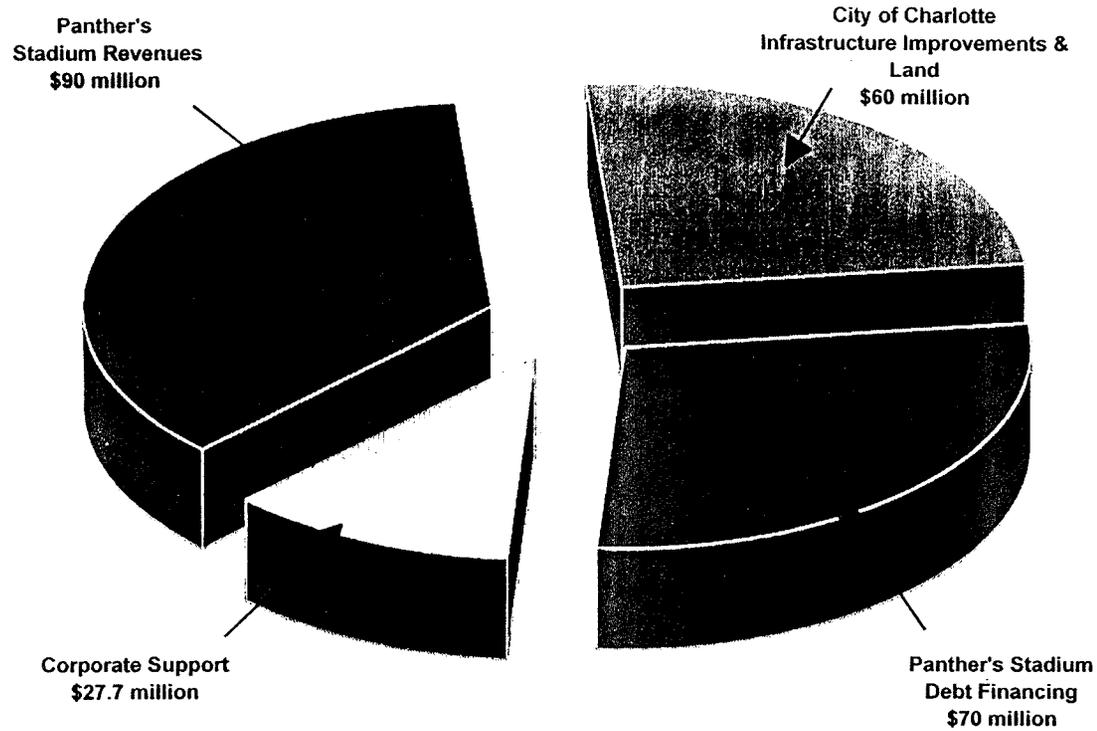
Private: Richardson Sports is financing the construction and development of the new stadium. The financing is in part secured with stadium revenues, primarily permanent seat licenses, private suite and club seat fees which is expected to generate \$90.0 million. An additional \$70.0 million will be obtained from debt financing. Finally, \$27.7 million will be generated from corporate support.

Estimated Financing
Participation:

Public: 24%

Private: 76%

Carolinas Stadium



Summary of Financing

Source:	Amount (in millions):
Panther's Stadium Revenues	\$90.0
Panther's Stadium Debt Financing	70.0
City of Charlotte Infrastructure Improvements	60.0
Corporate Support	27.7
Total	\$247.7

America's Center Football Only Stadium

- Total Cost \$266 Mil
- Public Support 100%
 - State G.O. Bonds 50%
 - City G.O. Bonds 25%
 - County Revenue Bonds 25%
 - Hotel/Motel Tax

America's Center

Team: St. Louis Rams (NFL)

City, State: St. Louis, Missouri

General Description: In conjunction with a major convention center expansion, the St. Louis Regional Convention and Sports Cevantes Convention Center Complex Authority is constructing a stadium capable of hosting an NFL franchise.

Owner: St. Louis Regional Convention and Sports Complex Authority

Operator: St. Louis Convention and Visitors Commission

Total Cost: \$266.0 million

Financing Terms:

Public: The State of Missouri issued G.O Bonds for 50% of the costs, the City of St. Louis issued G.O. bonds for 25% of the costs and St. Louis County issued revenue bonds to pay for the remainder of costs. These revenue bonds are backed by a hotel/motel tax.

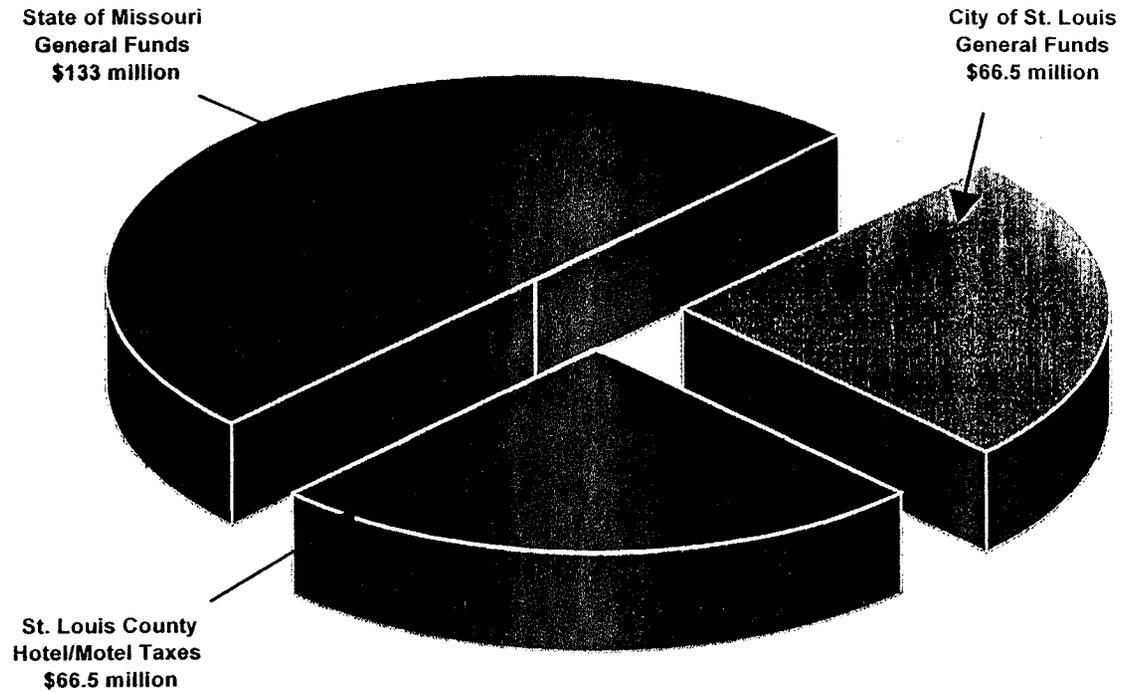
Private: None

Estimated Financing Participation:

Public: 100%

Private: 0%

America's Center



Summary of Financing

Source:	Amount (in millions):
State of Missouri General Funds	\$133.0
City of St. Louis General Funds	66.5
St. Louis County Hotel/Motel Taxes	66.5
Total	\$266.0

Gateway Complex

- **Total Cost: \$473.2 Mil**
- **Private Support 52%**
 - Local Contributions
 - Premium Seating
 - Naming Rights
 - Interest Income
- **Public Support 48%**
 - Luxury Tax
 - Parking Revenue Bonds
 - County Funds
 - City Contribution

Gateway Complex in Cleveland

- Cleveland Gateway Project takes wheels off Indians and Cavaliers
- Complex includes Gund Arena and Jacobs Field
- Naming rights - \$20 million
- Luxury seating - 32% of \$473 million in construction costs

Gund Arena & Jacobs Field

Teams:	Cleveland Cavaliers (NBA) & Cleveland Indians (MLB)
City, State:	Cleveland, Ohio
General Description:	The City of Cleveland and Cuyahoga County set-up a non-profit entity, Gateway Economic Development Corporation of Greater Cleveland (Gateway), to develop a new arena and baseball stadium in downtown Cleveland. The seating capacity of the arena is 20,700, while the stadium seating capacity is 42,000.
Owner:	Gateway Economic Development Corporation
Operators:	Cavaliers (Gund Arena), Indians (Jacobs Field), Gateway (Project common areas)
Total Cost:	\$473.2 million
Financing Terms:	
<i>Public:</i>	Cuyahoga County Luxury tax bonds and tax receipts totaled \$117.0 and \$64.0 million, respectively. In addition, the County issued \$120.0 million in bonds, of which \$5.0 million is to be repaid with non-Gateway revenues. Also, the State of Ohio provided a \$25.0 million project grant and a \$2.6 million infrastructure grant. The City of Cleveland Transit Authority contributed approximately \$2.2 million towards the development of a facility walkway, leaving an additional \$8.6 million in grants from the federal government for the same structure. The public sector's portion of interest income of \$3.7 million was also dedicated to the payment of development costs. Overall, the public sector contributed \$228.1 million or 48% of the total development costs.

Private: Arena private suite and club seat revenues allocated to Gateway over the life of the Cavaliers' lease are expected to support \$95.0 million of the County's \$120.0 million bond issue, while private arena suite deposits collected during the development period generated approximately \$4 million. Suite revenues allocated from Jacob's Field will support \$31.2 million in project debt, while the stadium's prepaid "Founders" suites provided \$20.0 million. Including \$2.5 million in interest income, team dedicated revenue will support a total of approximately \$152.7 million or 32% of the total project cost.

Cleveland Tomorrow, an organization of local business leaders, and local private foundation contributions contributed \$28.0 million and \$2 million, respectively, toward the project's development cost. Estimated annual naming rights are expected to support approximately \$20 million of the County's \$120.0 million bond issue. \$41.0 million in parking revenue bonds will be supported by commuter and event patron parking revenue, with an additional \$600,000 donated from the local Tower organization. Finally, the interest income associated with these sources totals \$900,000. Overall, this funding totals \$92.5 million or 20% of the total project cost.

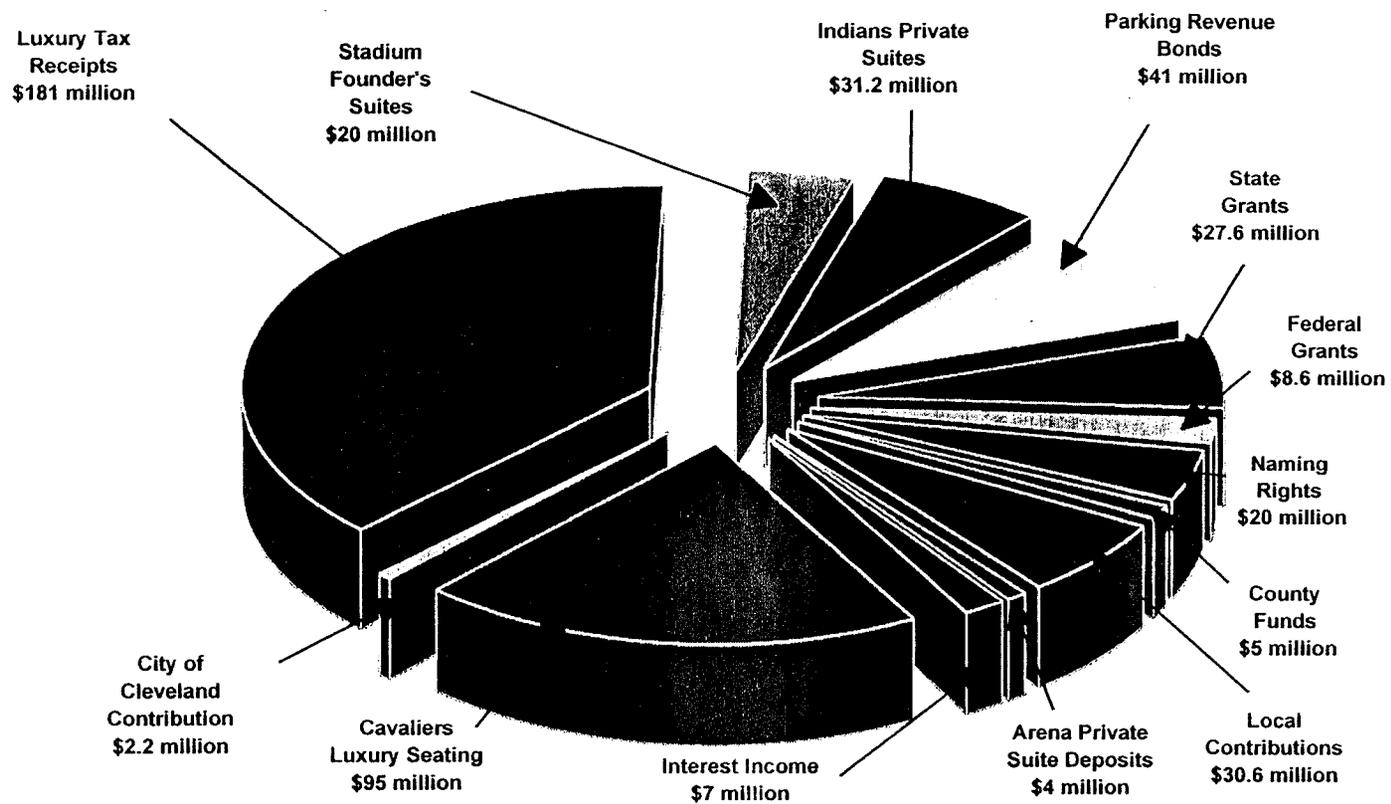
Estimated Financing
Participation:

Private: 52%

Public: 48%

Issuing Party: Cuyahoga County issued tax bonds and revenue bonds totaling \$117.0 million and \$120.0 million, respectively.

Gateway Complex



Summary of Financing

Source:	Amount (in millions):
Luxury Tax Receipts	\$181.0
Cavaliers Luxury Seating	95.0
Parking Revenue Bonds	41.0
Indians Private Suites	31.2
Local Contributions	30.6
State Grants	27.6
Stadium Founder's Suites	20.0
Naming Rights	20.0
Federal Grants	8.6
Interest Income	7.0
County Funds	5.0
Arena Private Suite Deposits	4.0
City of Cleveland Contribution	2.2
Total	\$473.2

EXHIBIT C

minneapolis

city of lakes

August 15, 1995

Mr. Henry Savelkoul, Chair
Advisory Task Force on Professional Sports in Minnesota
900 South Fifth Street
Minneapolis, MN 55415

Dear Mr. Savelkoul:

The City of Minneapolis has repeatedly been called upon to fill the void in facilitating the success of professional sports in Minnesota. The Minneapolis Auditorium was the venue for the Minneapolis Lakers. Metropolitan Stadium supported the early years of the Twins. The City provided the necessary financial support for the early years of the Metrodome with an unlimited food and liquor taxes in downtown Minneapolis (the last year of these taxes were imposed was 1984). The Metropolitan Council reviews the Sports Facilities Commission budget annually to determine whether these local taxes need to be imposed again. Between 1979 and 1984, these taxes raised \$15.8 million. In addition, the City shared \$4.4 million of its parking revenues with the Sports Facilities Commission from 1983 through 1993. Presently, the City provides about \$125,000 in shared parking meter revenues, traffic control and other support services for the Metrodome.

While the local food and liquor taxes are inactive for the Metrodome finance plan, these taxes in addition to a hotel tax and a one-half cent sales tax are imposed in Minneapolis to finance the state convention center and related convention facilities. The City's entertainment tax is also pledged to support the Convention Center bonds. If it ever becomes necessary to re-impose the food and liquor taxes for the Metrodome, the City's hospitality industry would be adversely impacted by the overall tax burden: the 3% convention center liquor tax, the 3% convention center food tax, the .5% City sales tax, the 3% entertainment tax, the 6.5% state sales tax, and the unlimited food and liquor taxes for the Metrodome.

Recently, as a last resort, the City of Minneapolis issued \$72 million in General Obligation Tax Increment Bonds and \$12.6 million in Minneapolis Community Development Agency Revenue Bonds to purchase the Target Center and secure the state's National Basketball Association franchise. To provide for the payment of the bonds, the City had to pledge all its property tax and entertainment tax yield from the Center as well as a portion of its event parking revenues.

AFFIRMATIVE ACTION EMPLOYER

TTY/VOICE (612) 348-2157



The City of Minneapolis is "tapped out." We have pushed to the limits of our financial capacity. There is no more City money for professional sports.

The City's financial position is very vulnerable as a result of four years of tax base decline, tax abatements, and two years of no significant growth in the tax base. The City's tax capacity declined from \$331.5 million in 1989 to \$279.6 million in 1993, a decline of almost \$52 million or 16%. Tax abatements during the period 1991 to 1994 amounted to \$16.4 million, dramatically reducing net tax collections and disrupting the administration of the City's budget. The tax capacity for 1995 payable 1996 is estimated to be \$284.7 million, a .2 percent increase over 1994.

Another indicator of the weakening in the City's financial position is interest earnings to the City's General Fund, which receives investment income on most of the temporarily idle cash balances in the City Treasury. In 1990, interest earnings totalled \$3.7 million. By 1994, interest earnings had declined to \$180,000.

Minneapolis has undergone significant changes over the past 15 years. In 1980, the median household effective buying income in Minneapolis was the same as that of the metropolitan area. By 1993, Minneapolis had declined to 70% of the metropolitan average. We need to focus our limited financial resources on managing the challenges facing our community--violent crime, neighborhood revitalization, living wage job creation. More than half of the City's housing stock was built before World War II.

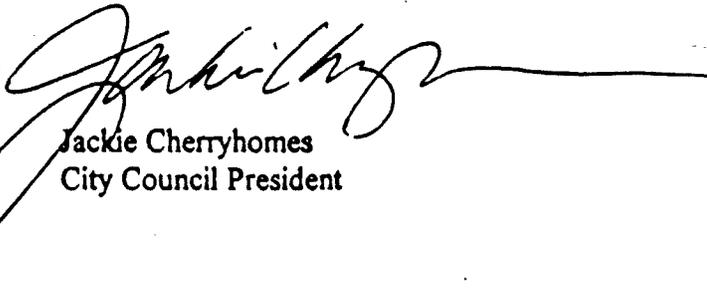
The City's AAA credit rating from Moody's is at risk if the City does not start to pay down its substantial debt burden (reference the attached *Rating News*). The City cannot debt finance another major project (like the Target Center acquisition). The highest credit quality has a significant financial benefit to the City. For example, if the City had a bond rating of A at the time it issued its existing debt, the City's interest expense would be about \$2 million more each year.

The City's revenues are regressive relying on property taxes and user fees. It does not capture the benefits of increasing economic activity. For example, of the \$7.5 million in annual tax yield from spending attributable to the Target Center, the state receives \$6.5 million and the City receives about \$1.0 million. Of the amount received by the state, about \$5.2 million is general purpose revenues available for any purpose. About 99% of the City revenues are earmarked for financing the Convention Center facilities and the Target Center.

The same reality applies to the economic benefit derived from the Vikings, Twins, and any future hockey franchise. Professional sports are state resources. In the future, the State of Minnesota must assume the lead role in providing whatever reasonable financial assistance is deemed to be appropriate for maintaining viable professional sports franchises.

The City of Minneapolis stands ready to help facilitate solutions to assure the presence of professional sports in Minnesota, but it cannot finance these solutions.

Sincerely,



Sharon Sayles Belton
Mayor

Jackie Cherryhomes
City Council President



Moody's Investors Service
Public Finance Department

Rating Desk

Moody's Investors Service

99 Church Street

New York, NY 10007

(212) 683-0633

Rating News

Moody's Confirms Aaa Rating for Minneapolis, Minnesota's General Obligation Bonds

But Cites Caution on High Debt Load

NEW YORK, NEW YORK - JUNE 16, 1995

Effective yesterday, Moody's confirmed the **Aaa** rating assigned to the general obligation bonds of the City of Minneapolis, based upon the following credit considerations:

Maintenance of Current Rating Relies on Expected Diminution of High Debt Load

Debt burden has risen considerably in recent years as full valuation has fallen while the city incurred a significant quantity of debt - primarily on behalf of its downtown redevelopment efforts and the construction of major public projects. Much of the city's annual debt service requirements are supported by tax increments, sales taxes, and enterprise net revenues. Although this limits the amount of general property tax-supported debt in relation to the budget, concern arises over the increasing burden borne by city residents of this growing level of debt, regardless of whether it is ultimately paid by taxes or user charges. However, officials assert that city financing of additional large public projects is not likely for the foreseeable future, consequently, direct debt levels are expected to decline as future borrowing will be largely limited to routine improvement projects. Maintenance of the current prime grade rating relies upon the expectation that the city's high debt load will decline over the next several years and that full market values will continue to exhibit improvement.

City Serves as Economic Center For Growing Twin Cities Metropolitan Area

Significant private and public investment during the 1980s enabled the city to maintain its position as the economic center of the growing metropolitan area. This was exemplified by the creation of new jobs and the construction of several large commercial developments. Today, Minneapolis remains the home to several large corporations as well as significant institutional, retail and entertainment sectors. Moreover, city unemployment rates consistently remain below state and national averages and are currently very low. While an over-supply of office space throughout the region contributed to a sizable reduction in the city's taxable values during the early 1990s, current statistics indicate that a reversal in this negative trend is now underway. Office vacancy rates in the central business district have sharply declined and the city's full valuation appears to be on an upswing. Despite an increase in the poverty rate and continued population losses to neighboring suburbs during the previous decade, the city's socioeconomic profile remains comparable to that of the state.

Proven Financial Management and Controls Enable City to Maintain Healthy Operating Balances

The city's General Fund balance remains in excess of its prudent minimum 10% reserve policy. Reserve levels have been maintained even though a recent period of increased property tax abatements and delinquencies resulted in unbudgeted revenue shortfalls. Despite the expectation of continued fiscal pressures principally due

(Continued)



RECOMMENDATIONS

IN GENERAL

1. The public sector should take such actions as are reasonably necessary and prudent to retain the professional sports currently played in Minnesota.
2. Retention of existing professional sports teams should take priority over attracting new professional sports teams.
3. Additional public support of professional sports should be broadly based and financed at a statewide or regional level.
4. Any additional resources directed to any of the current professional teams should be contingent upon long-term playing agreements (at least 30 years) restricting portability of franchises to assure that Minnesota will receive the long-term benefit of renegotiated agreements.

INDUSTRY-WIDE ISSUES

5. The outstanding league-wide issues (salary caps, revenue sharing and collective bargaining agreements) are beyond the control of the public sector; however, the public sector should not be penalized for the failure of the national sports industry to discipline itself. Before any proposal is made for state or regional involvement in the creation of new or enhanced revenue streams or capital improvements, the professional sports teams must demonstrate, to the satisfaction of the public, that public dollars will not be used to compensate for revenues that might otherwise be available but for the lack of agreement on national league-wide issues.

PROFESSIONAL BASEBALL

6. The Commission and its certified public accountant should complete their examination of the Minnesota Twins' financial records.
7. Options for a private-public partnership must be developed to support any additional public revenues needed.
8. The retention of the Minnesota Twins will require either a) additional revenue streams in the Metrodome; or b) if a) is not feasible, the construction of a new baseball stadium.

9. Further research should be pursued to develop all options for private resources, whether applied to the Metrodome or to a new stadium.
10. The level of public support for the construction of a new stadium should be determined by a public referendum to the extent allowable under state laws.
11. Before any public revenues are pledged to or spent on a new stadium, private resources must be maximized.
12. A satisfactory business plan must be developed and be acceptable to the public before any public revenues are pledged to or spent on a new stadium. Among other items customarily discussed in a business plan, the plan should address the marketing plan and revenues attributable to private suites and private seat licenses, and disclose any long term agreements proposed or executed with respect to the facility.

PROFESSIONAL FOOTBALL

13. The Commission and its certified public accountant should examine the Minnesota Vikings' financial records.
14. The Metrodome will need major capital improvements to provide for the needs of the Minnesota Vikings and their fans, and the Minnesota Vikings will need additional revenue streams from the Metrodome.

PROFESSIONAL HOCKEY

15. Acknowledging the priorities established for the retention of the Minnesota Twins and Minnesota Vikings, the Commission should pursue options for the attraction of NHL hockey to Minnesota.