

RSM McGladrey

Metropolitan Sports Facilities Commission

Analysis of the Estimated Historical Tax Revenue Benefit to State, County and Local Governmental Agencies from Activities Associated with Major Professional Sports Facilities in Minnesota

November 2007

RSM! McGladrey

Metropolitan Sports Facilities Commission
William J. Lester, Executive Director
900 South 5th St.
Minneapolis, Minnesota 55415

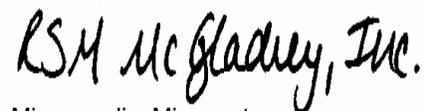
Dear Mr. Lester:

Pursuant to your request, and in accordance with our engagement arrangements, we have performed an analysis of the estimated historical tax revenue benefit to state, county and local governmental agencies from activities associated with major professional sports facilities in Minnesota. The purpose of this engagement was to provide assistance in determining the various statutory tax rates in effect during the period analyzed as well as to assess the assumptions and methodology underlying the calculation of the tax revenue generated by professional sports organizations and associated with major professional sports facilities in Minnesota. Based upon the data, information and analysis presented to us and attached to the accompanying report, and the Supplemental Information referred to herein, the calculation of the estimated taxes generated by major professional sports facilities in Minnesota and the Metrodome contained herein is reasonable.

The accompanying report and supplemental information describes the information considered, the process of analysis that was followed and our findings. This report and the supplemental information also set forth all of the special considerations, assumptions and limiting conditions pertinent to the analysis and, as such, are an integral component in understanding the findings. This report does not attempt to capture all of the tax revenues or other economic benefits derived from external, off-premises beneficiaries of activities associated with major professional sports facilities in Minnesota (i.e., hotels, restaurants, collectibles sales, etc.). The report should not be distributed or circulated, quoted from or cited in any manner that is not consistent with this purpose.

We appreciate the cooperation extended to us during this engagement and are pleased to be of service to the Metropolitan Sports Facilities Commission. If you have any questions concerning this report, please contact Sharon Meyer at 612/376.9361 or Marc Courey at 612/376.9317.

Sincerely,



Minneapolis, Minnesota
November 6, 2007

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I. Background and Objectives

A. Background

The Metropolitan Sports Facilities Commission (“MSFC”) is the owner and operator of the Hubert H. Humphrey Metrodome located in Minneapolis, Minnesota.

The MSFC was established under Chapter 89 of Minnesota Laws of 1977 and operates under Minnesota Statutes Chapter 473, as amended. “The Legislature finds that the population in the metropolitan area has a need for sports facilities and that this need cannot be met adequately by the activities of individual municipalities, by agreements among municipalities, or by the private efforts of the people in the metropolitan area. It is therefore necessary for the public health, safety and general welfare to establish a procedure for the acquisition and betterment of sports facilities and to create a Metropolitan Sports Facilities Commission.” The MSFC was responsible for the construction of the Metrodome. The very existence of the MSFC attests to the desire of various interests – urban and suburban and statewide, business, labor and the general public to find common ground and work together on issues related to stadium infrastructure in Minnesota.

In addition to being the home of the Minnesota Twins, Minnesota Vikings and the University of Minnesota football team, the Metrodome has served as the recreation room for the State of Minnesota hosting amateur events, cultural events and family focused activities. The Metrodome is the only facility in America to have hosted Major League Baseball's 1985 All Star Game, two World Series, two NCAA Final Fours and a Super Bowl. Anything is possible at the Metrodome.

The Metropolitan Sports Facilities Commission retained RSM McGladrey, Inc. (hereinafter “RSM McGladrey,” “we” or “our”) to complete an analysis of the estimated historical tax revenue benefit to state, county and local governmental agencies from activities associated with major professional sports facilities in the State of Minnesota.

B. Objectives

The engagement objective was to complete an analysis of and report on the analysis of the estimated historical tax revenue benefit received (from 1961 through 2006) by Minnesota state, county or local governmental agencies from certain tax sources (sales tax, liquor tax, restaurant tax, entertainment tax, gross receipts tax and personal income tax) related to major professional sports activities and/or activities associated with major professional sports facilities in the State of Minnesota.

Our analysis included:

- Consideration and assessment of the reasonableness of the historical information and estimates provided and/or used by the MSFC and other consultants.
- Research historical Minnesota income and sales tax rates in effect from 1961 to the present.
- Assess and verify the reasonableness and accuracy of the computations and underlying methodology employed to estimate the tax revenue benefit received by Minnesota governmental entities related to major professional sports facilities in Minnesota.

II. Approach

Our approach was to rely upon the actual tax revenue collection information if possible. We requested that the Minnesota Department of Revenue provide any reports or information showing actual tax collections relating to metropolitan sports facilities or major professional sports organizations. We were informed by the Minnesota Department of Revenue that no report(s) specifically matching our request had previously been compiled and therefore, the actual tax collection information sought was not available from The Minnesota Department of Revenue (see attached Appendix B).

Since no information on the actual tax revenue collections would be available, we then turned to an assessment of the methodology and assumptions underlying the calculation of estimated Tax Revenue Generated by Professional Sports in Minnesota as prepared by CSL International for the MSFC (see the attached Appendix A). An integral component in our analysis was the detailed underlying information which is contained in the Supplemental Information to the Analysis of the Estimated Historical Tax Revenue Benefit to State, County and Local Governmental Agencies from Activities Associated with Major Professional Sports Facilities in Minnesota, dated November 2007 (the "Supplemental Information"). We evaluated the information contained in the Supplemental Information and, based upon the data, information and analysis contained therein, found it reasonable.

The historical sales tax rates were derived from Minnesota Statutes, Chapter 297A.62, Sales Tax Fact Sheet 164 and 164S, and the Minnesota House of Representatives internet research site (www.house.leg.state.mn.us/hrd/issinfo/ssmnsltx.mtm). The historical individual income tax rates were derived from Minnesota Statutes Chapter 290.06, and income tax tables published in the Minnesota Individual Income Tax Return instructions by the Minnesota Department of Revenue.

Key assumptions underlying the methodology include:

- Professional sports operations included in the estimates were the Minnesota Vikings, Minnesota Twins, Minnesota Timberwolves and Minnesota Wild.
- Estimates of tax revenue arising from operations relating to the Minnesota Northstars or Minneapolis Lakers were excluded due to the lack of reliable information upon which to base any estimates.
- Estimates of tax revenue arising from operations relating to minor professional sports such as soccer, women's basketball and lacrosse were excluded due to the lack of reliable information upon which to base any estimates.
- Estimated sales tax revenues are based only upon estimated revenues from sales made at the applicable sports facility (i.e., Metrodome, Target Center, Met Stadium or Xcel Center) and do not include estimates of any sales occurring off site from these locations.
- Estimated sales tax revenues do not include other economic benefits to the local communities from ancillary hospitality services or sports team memorabilia sales.
- Estimated income tax revenues are based only upon estimated payrolls of Minnesota-based professional sports organizations and do not include any estimated income tax attributable to non-resident professional sports teams, non-major professional sports or non-sports activity payrolls.
- Tax revenues were estimated for the period from 1961 (the first year of operation of the Minnesota Twins and Vikings) through 2006.

- Investments in activities associated with major professional sports facilities in Minnesota were calculated as the direct payment from public sources derived from activities other than those of the activities associated with major professional sports facilities in Minnesota themselves.
- Estimated funding and operation expense and revenue allocations for the Metrodome were provided by the Metropolitan Sports Facilities Commission.

III. Findings

Based on the data and information analyzed, the methodology and assumptions underlying the model are reasonable under the circumstances. In the making of this determination, we analyzed the calculations and consider them to be as described in the notes accompanying the Supplemental Information.

Significant findings, based upon the model prepared by CSL International and verified by RSM McGladrey, include:

Public Investment in Sports Facilities and Taxes Generated by Professional Sports in Minnesota — Twins, Vikings, Timberwolves and Wild (1961 through 2006)

- The estimated tax revenue collected in Minnesota as a result of major professional sports operations is estimated to total \$345,400,000.
- The beneficiaries of these estimated tax revenues are:

○ State of Minnesota	\$ 321,500,000
○ City of Minneapolis	22,900,000
○ City of St. Paul	<u>1,000,000</u>
Total	<u>\$ 345,400,000</u>
- The public investments in the community sports facilities was \$116,900,000:

○ State of Minnesota	\$ 42,200,000
○ Hennepin County	0
○ Ramsey County	0
○ City of Minneapolis	63,000,000
○ City of St. Paul	3,700,000
○ 7-County Liquor Tax	<u>8,000,000</u>
Total	<u>\$ 116,900,000</u>
- The source of the greatest estimated tax revenue was from the operations of the Minnesota Vikings, estimated at \$129,900,000.
- Over one-half (57%), or \$197,700,000, of the total estimated tax revenue is attributable to the personal income tax on professional sports organization payrolls.
- State and Local Sales, Liquor, Restaurant, Entertainment and Gross Receipts taxes were estimated to have totaled \$147,700,000.

- The estimated tax revenues significantly exceeded the public investment in major professional sports facilities in Minnesota.

Public Investment in and Tax Revenues Generated by the Metrodome (all sporting and non-sporting events held at the Metrodome)

- The estimated tax revenue collected in Minnesota as a result of Metrodome operations is estimated to total \$245,600,000.

- The beneficiaries of these estimated tax revenues are:

○ State of Minnesota	\$ 234,200,000
○ Hennepin County	0
○ City of Minneapolis	<u>11,400,000</u>
Total	<u>\$ 245,600,000</u>

- The public investments in the Metrodome was \$33,400,000:

○ State of Minnesota	\$ 0
○ Hennepin County	0
○ City of Minneapolis	25,400,000
○ 7-County Liquor Tax	<u>8,000,000</u>
Total	<u>\$ 33,400,000</u>

- The source of the greatest estimated tax revenue at the Metrodome was from the operations of the Minnesota Vikings, estimated at \$126,200,000.
- Over one-half (55%), or \$136,000,000, of the total estimated tax revenue generated from the Metrodome is attributable to the personal income tax on professional sports organization payrolls.
- State and Local Sales, Liquor, Restaurant and Gross Receipts taxes derived from events held at the Metrodome are estimated to have totaled \$109,600,000.
- The estimated public tax revenue attributed to the Metrodome significantly exceeded the public investment in the Metrodome.

Metropolitan Sports Facilities Commission Revenue Sources and Expenditures Generated by the Metrodome (all sporting and non-sporting events held at the Metrodome)

- The total revenue derived from Metrodome events, tenants and other non-public sources since its inception through 2006 totals \$430,700,000.

- The total cost of operating the Metrodome through 2006 (including construction funding, debt service and capital improvements) has totaled approximately \$464,100,000. These include:
 - Construction funding /debt service \$ 186,200,000
 - Capital Expenditures 69,400,000
 - Other 5,700,000
 - Operating Expenses 202,700,000
 - Total \$ 464,100,000

- Of the total cost of construction and operation of the Metrodome through 2006 (\$464,100,000), public investment accounted for 7% (\$33,400,000) and the remaining 93% (\$430,700,000) was derived from tenant income other non-public sources.

This report does not attempt to capture all of the tax revenues or other economic benefits derived from external, off-premises beneficiaries of community sports facilities (i.e., hotels, restaurants, collectibles sales, etc.).

Appendix A – Tax Revenue Generated by Professional Sports in Minnesota

Metrodome Facility – Twins, Vikings, Timberwolves, Gophers and other Metrodome events

- See pages A-1 to A-5.

Professional Sports in Minnesota – Twins, Vikings, Timberwolves and Wild

- See pages A-6 to A-9.

Public Investment in and Tax Revenues Generated by the Metrodome

Total Tax Revenues Generated

	Twins	Vikings	Timberwolves	U of M	Other	Total
State Sales Tax	\$42,167,908	\$37,234,555	\$711,206	\$7,315,415	\$7,551,180	\$94,980,264
State Gross Receipts (Liquor) Tax	1,698,093	875,844	33,283	297,641	310,622	\$3,215,483
State Personal Income Tax	50,119,806	85,316,100	581,432	n/a	n/a	\$136,017,338
Total State Tax Receipts	\$93,985,807	\$123,426,499	\$1,325,921	\$7,613,056	\$7,861,802	\$234,213,085
Minneapolis Sales Tax	986,049	408,804	17,776	124,958	158,998	\$1,696,586
Minneapolis Restaurant Tax	3,755,578	1,417,885	61,277	466,821	579,618	\$6,281,178
Minneapolis Liquor Tax	1,808,621	924,239	39,940	277,367	344,314	\$3,394,481
Total Minneapolis Tax Receipts	\$6,550,248	\$2,750,928	\$118,992	\$869,146	\$1,082,931	\$11,372,245
Total	\$100,536,055	\$126,177,427	\$1,444,913	\$8,482,202	\$8,944,733	\$245,585,330

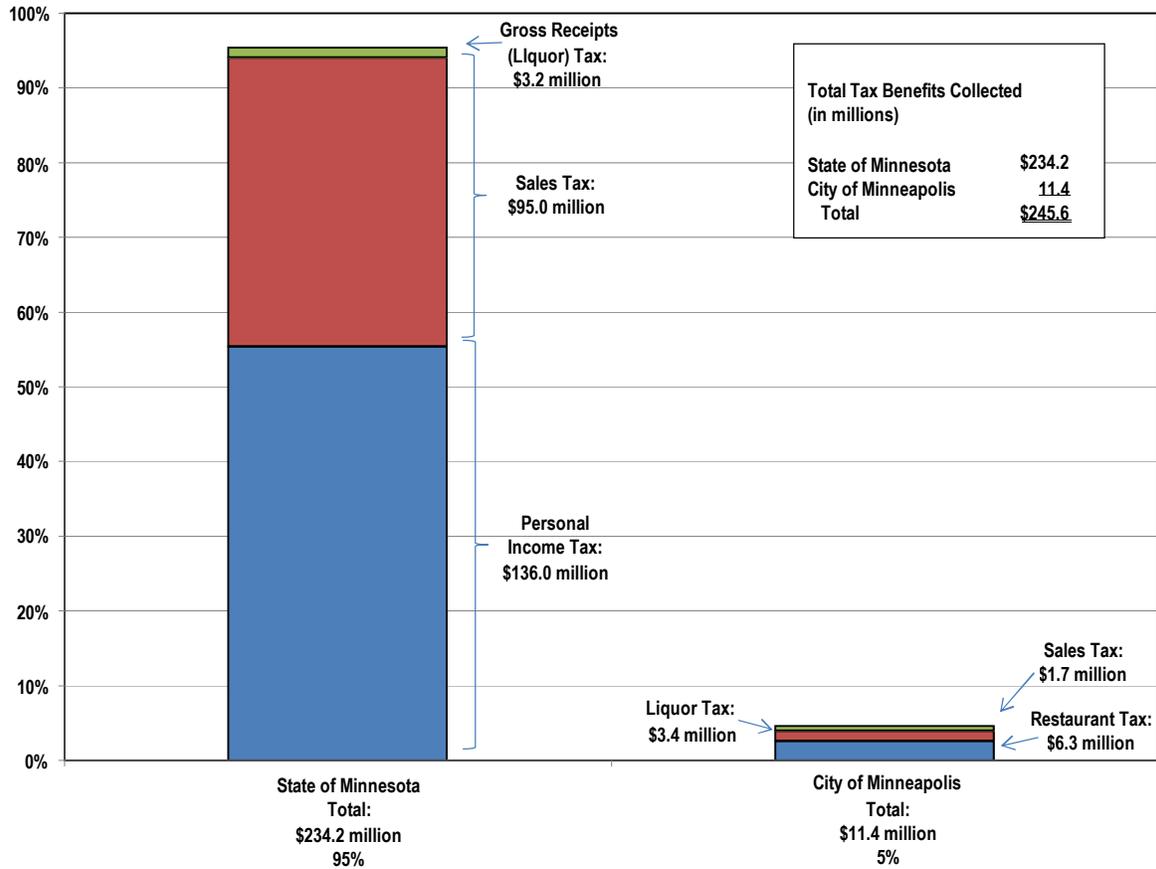
Public Investment in Metrodome Funding

Public Entity

State of Minnesota	\$0
Hennepin County	\$0
City of Minneapolis	\$25,400,000
7-County Liquor Tax	\$8,000,000

Total	\$33,400,000
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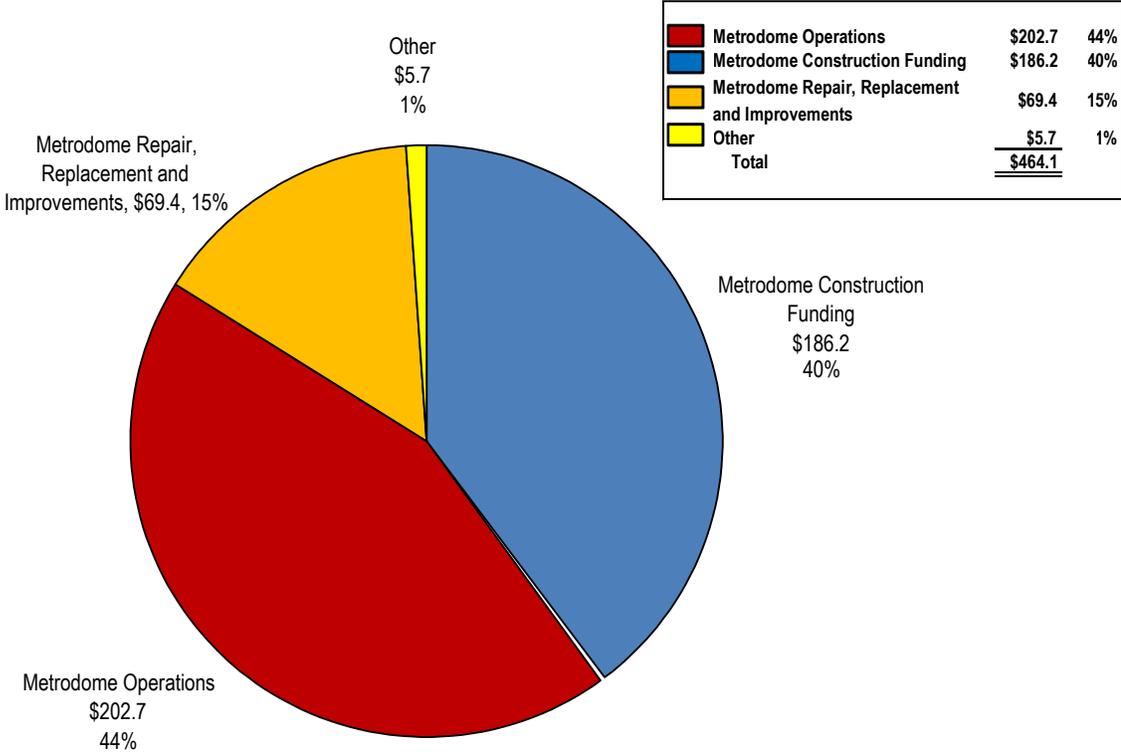
Tax Benefits Generated by Metrodome Operations



Notes:

- ◆ State sales tax revenue represents estimated sales taxes collected on spending on tickets, concessions and novelties at the Metrodome.
- ◆ State gross receipts tax revenue represents estimated taxes on alcohol sales at the Metrodome.
- ◆ State personal income tax represents estimated income taxes collected from professional sports franchises playing at the Metrodome.
- ◆ Minneapolis sales tax revenue represents estimated sales taxes collected on spending on concessions and novelties at the Metrodome.
- ◆ Minneapolis restaurant tax revenue represents estimated taxes on food and non-alcoholic beverage sales at the Metrodome.
- ◆ Minneapolis liquor tax revenue represents estimated taxes on alcohol sales at the Metrodome.

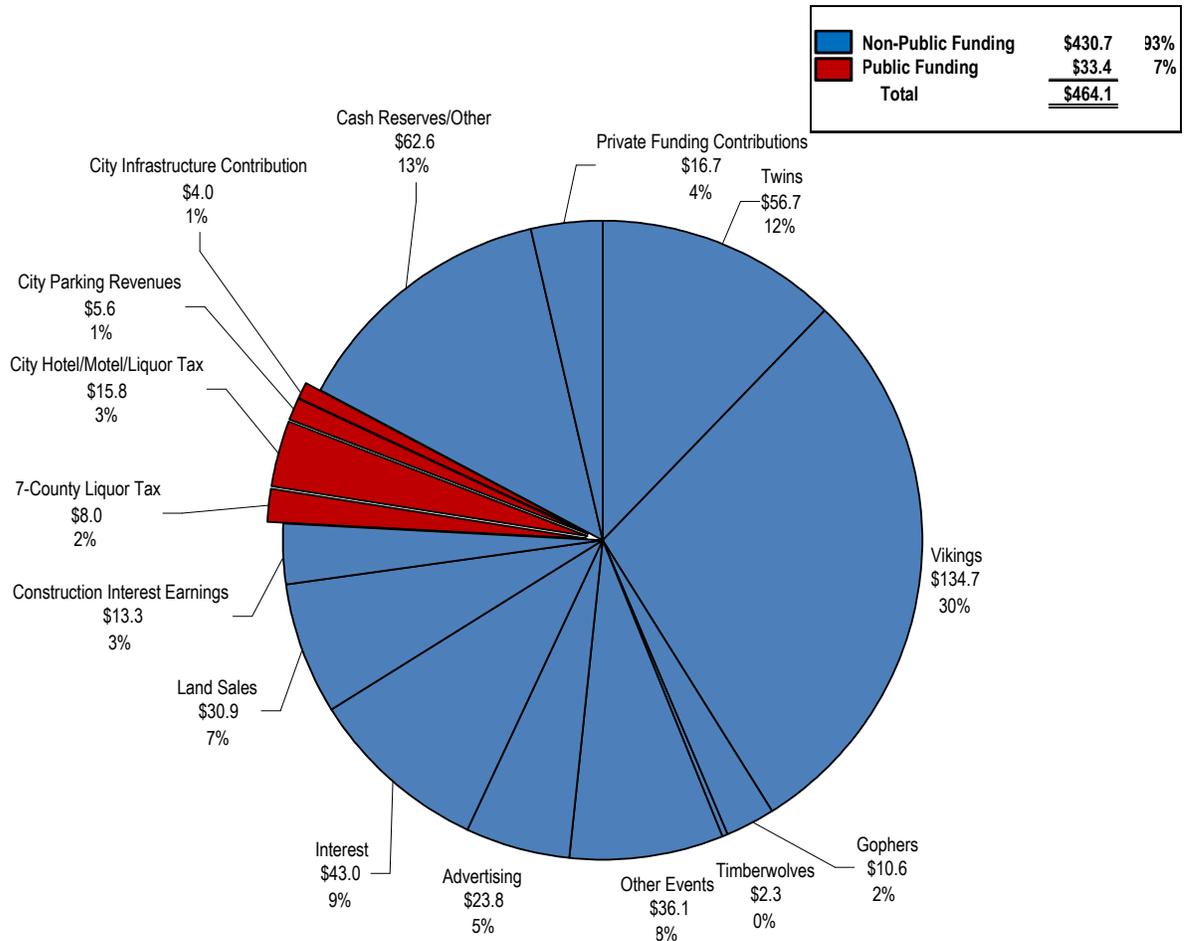
**Metrodome
Funding and Operations Expense Allocation**



Notes:

- ♦ The chart summarizes the cost of funding Metrodome construction, operations, repair, replacement, improvements and other miscellaneous costs at the Metrodome from 1982 through 2006.
- ♦ Metrodome construction funding total includes upfront public and non-public contributions to Metrodome construction funding, as well as debt service payments made by the MSFC to retire bonds issued to fund construction (see page A-2).

Metrodome Funding and Operations Revenue Sources



Notes:

- ◆ The chart summarizes the revenue sources used to cover the cost of funding Metrodome construction, operations, capital repairs, replacement, improvements and other miscellaneous costs from 1982 through 2006.
- ◆ 7-County Liquor Tax: Metrowide tax on liquor sales generated \$8 million from 1977 to 1979, when it was repealed.
- ◆ City of Minneapolis contributions include:
 - ◆ \$15.8 million generated by a 3 percent tax on liquor sales and hotel/motel accommodations from 1979 to 1983 and a 2 percent tax in 1984.
 - ◆ \$5.6 million in revenues from three City-owned parking ramps from 1983 through 1993 and \$75,000 in annual revenue from City parking meters.
 - ◆ \$4.0 million spent by the City to re-route sewer and water lines and streets to accommodate the new building.
- ◆ \$16.7 million in private funding contributions include a variety of corporate contributions to Metrodome funding, but excludes contributions made by the Twins and Vikings.
- ◆ \$13.3 million in construction interest earnings includes \$13.2 million in interest earned on investment of Metrodome bond proceeds and \$125,000 in miscellaneous revenues.
- ◆ Vikings and Twins totals include upfront contributions to construction funding as well as revenues collected by the MSFC as a result of Vikings and Twins home games, including admissions tax, concessions, novelties, parking and rent revenues.
- ◆ Totals for the Gophers, Timberwolves and Other Events represents revenues collected by the MSFC at these events from admissions taxes, concessions, novelties, parking and rent revenues.
- ◆ Advertising revenue represents MSFC's share of revenues from the sale of advertising at the Metrodome.
- ◆ \$30.9 million in land sales represents proceeds of the sale of MSFC-owned properties in Bloomington.

**Public Investment in Sports Facilities and Taxes Generated by Professional Sports in Minnesota
Metrodome, Target Center, Xcel Energy Center and Metropolitan Stadium**

Actual Year Dollars

Total Tax Revenues Generated

	Twins	Vikings	Timberwolves	Wild	Total
State Sales Tax	\$44,557,953	\$39,072,462	\$23,280,419	\$13,534,422	\$120,445,257
State Gross Receipts (Liquor) Tax	1,698,093	875,844	466,988	325,494	\$3,366,419
State Personal Income Tax	52,174,058	87,192,982	50,262,462	8,098,721	\$197,728,223
Total State Tax Receipts	\$98,430,104	\$127,141,288	\$74,009,870	\$21,958,637	\$321,539,899
Minneapolis Sales Tax	987,622	408,804	1,795,314	n/a	\$3,191,740
Minneapolis Entertainment Tax	n/a	n/a	10,353,726	n/a	\$10,353,726
Minneapolis Restaurant Tax	3,755,578	1,417,885	859,689	n/a	\$6,033,152
Minneapolis Liquor Tax	1,808,621	924,239	560,386	n/a	\$3,293,246
Total Minneapolis Tax Receipts	\$6,551,821	\$2,750,928	\$13,569,115	\$0	\$22,871,864
St. Paul Sales Tax	n/a	n/a	n/a	1,041,109	\$1,041,109
Total St. Paul Tax Receipts	\$0	\$0	\$0	\$1,041,109	\$1,041,109
Total	\$104,981,925	\$129,892,216	\$87,578,985	\$22,999,747	\$345,452,873

Public Investment in Facilities

	Metrodome	Target Center	Xcel Energy Center	Metropolitan Stadium	Total
Public Entity					
State of Minnesota	\$0	\$9,000,000	\$33,162,500	\$0	\$42,162,500
Hennepin County	0	0	0	0	\$0
Ramsey County	0	0	0	0	\$0
City of Minneapolis	25,400,000	37,573,228	0	0	\$62,973,228
City of St. Paul	0	0	3,710,165	0	\$3,710,165
7-County Liquor Tax	8,000,000	0	0	0	\$8,000,000
Total	\$33,400,000	\$46,573,228	\$36,872,665	\$0	\$116,845,893

Public Investment in Sports Facilities

Metrodome, Target Center, Xcel Energy Center and Metropolitan Stadium

Target Center

Initial Construction (1990)	
Minnesota Timberwolves	\$83.0
City of Minneapolis TIF Funds	20.0
Total	\$103.0
City Acquisition (1995)	
City of Minneapolis General Obligation Bonds	\$72.0
City of Minneapolis Subordinate Revenue Bonds	12.7
Total	\$84.7

Total Public Funding Expenditures (through 2006)	
City of Minneapolis	\$37.6
State of Minnesota	9.0
Total:	\$46.6

Note: All dollar figures are in millions.

Notes:

- Public expenditures related to Target Center include debt service payments made by the City of Minneapolis from 1988 to 1995 related to the bonds issued as part of the initial facility funding, and from 1995 to 2006 related to the City's acquisition of the Target Center. These contributions were offset in part by funds received by the City from the Timberwolves' payment of incremental personal property taxes that were pledged to debt service.
- Net of the Timberwolves' payments, the City's expenditures made between 1988 and 2006 to retire Target Center debt approximated \$37.6 million
- The State of Minnesota has also contributed to the Target Center acquisition in the form of an annual debt service payment of \$750,000. From 1995 through 2006, these contributions totalled \$9.0 million

Xcel Energy Center

Construction (2000)	
State of Minnesota	\$65.0
City of St. Paul	65.0
Minnesota Wild	45.0
Total	\$175.0

Total Public Funding Expenditures (through 2006)	
City of St. Paul	\$3.7
State of Minnesota	33.2
Total:	\$36.9

Note: All dollar figures are in millions.

Notes:

- The City of St. Paul issued bonds to finance its \$65.0 million contribution. The majority of debt service related to these bonds is covered by Wild rent and PILOT payments, with the remainder backed by City sales tax revenues. Net of the Wild's payments, the City's contribution is estimated to have totalled approximately \$3.7 million through 2006.
- The State's contribution toward Xcel Energy Center funding consisted of an interest free loan in the amount of \$65.0 million, of which \$17.0 million was forgiven. The remainder of the loan is repaid by a portion of the Wild's arena rent payments. The imputed interest on the loan through 2006 is estimated to approximate \$16.2 million. Therefore, the total State contribution to Xcel Energy Center funding has approximated \$33.2 million through 2006.

Metrodome

- Public Metrodome funding included:
 - \$8 million from a liquor sales in the 7-county metro area from 1977 to 1979, when the tax was repealed.
 - City of Minneapolis contributions including:
 - \$15.8 million generated by a 3 percent tax on liquor sales and hotel/motel accommodations from 1979 to 1983 and a 2 percent tax in 1984.
 - \$5.6 million in revenues from three City-owned parking ramps from 1983 through 1983 and \$75,000 in annual revenue from City parking meters.
 - \$4.0 million spent by the City to re-route sewer and water lines and streets to accommodate the new building.
- See page A-2 for additional information related to Metrodome funding.

Total Public Funding Expenditures (through 2006)	
City of Minneapolis	\$25.4
7-County Area	8.0
Total:	\$33.4

Note: All dollar figures are in millions.

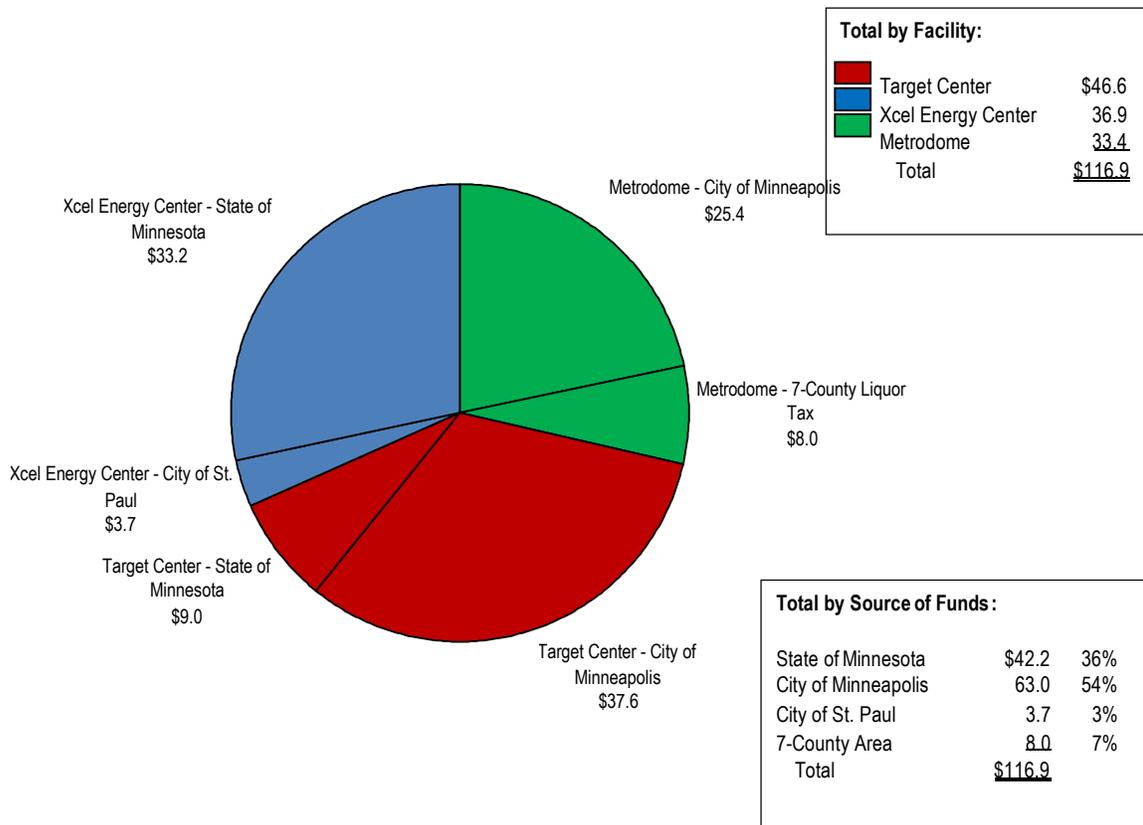
Metropolitan Stadium

The City of Minneapolis issued bonds to help fund the construction and renovation of Metropolitan Stadium in the 1950's and 1960's. These bonds were backed by stadium revenues rather than being retired through public funding. Therefore, there was no net public cost associated with the construction or renovation of the Stadium.

Total Public Funding Expenditures (through 2006)	
City of Minneapolis	\$0.0

Note: All dollar figures are in millions.

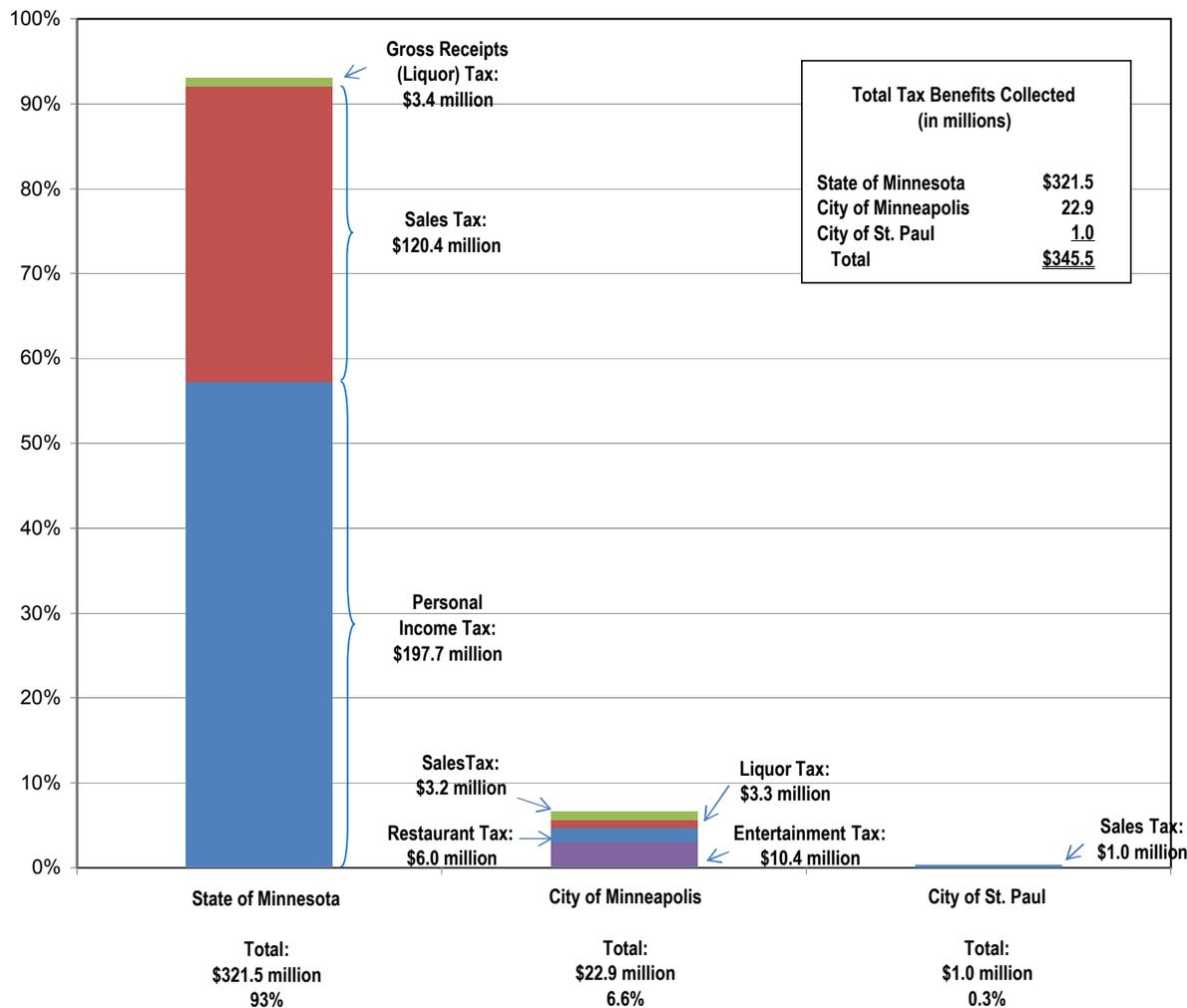
Public Investment in Sports Facilities Metrodome, Target Center, Xcel Energy Center and Metropolitan Stadium



Notes:

- ◆ Public expenditures related to Target Center funding include debt service payments made by the City of Minneapolis from 1988 to 2006 related to the bonds issued to finance the construction and acquisition of the facility. These contributions were offset in part by payments made to the City by the Timberwolves.
- ◆ Net of the Timberwolves' payments, the City's expenditures made between 1988 and 2006 to retire Target Center debt approximated \$37.6 million.
- ◆ The State of Minnesota's contribution to the Target Center acquisition consists of an annual debt service payment of \$750,000. From 1995 through 2006, these contributions totalled \$9.0 million.
- ◆ The City of St. Paul issued bonds to finance its \$65.0 million contribution. The majority of debt service related to these bonds is covered by Wild rent and PILOT payments, with the remainder backed by City sales tax revenues. Net of the Wild's payments, the City's contribution is estimated to have totalled approximately \$3.7 million through 2006.
- ◆ The State's contribution toward Xcel Energy Center funding consisted of an interest free loan in the amount of \$65.0 million, of which \$17.0 million was forgiven. The remainder of the loan is repaid by a portion of the Wild's arena rent payments. The imputed interest on the loan through 2006 is estimated to approximate \$16.2 million. Therefore, the total State contribution to Xcel Energy Center funding has approximated \$33.2 million through 2006.
- ◆ Public Metrodome funding included:
 - ◆ \$8 million from a liquor sales in the 7-county metro area from 1977 to 1979, when the tax was repealed.
 - ◆ City of Minneapolis contributions including:
 - ◆ \$15.8 million generated by a 3 percent tax on liquor sales and hotel/motel accommodations from 1979 to 1983 and a 2 percent tax in 1984.
 - ◆ \$5.6 million in revenues from three City-owned parking ramps from 1983 through 1983 and \$75,000 in annual revenue from City parking meters.
 - ◆ \$4.0 million spent by the City to re-route sewer and water lines and streets to accommodate the new building.
- ◆ The City of Minneapolis issued bonds to help fund the construction and renovation of Metropolitan Stadium in the 1950's and 1960's. These bonds were backed by stadium revenues. Therefore, there was no net public cost associated with the construction or renovation of the Stadium.

Tax Benefits Generated by Major Sports Facility Operations Metrodome, Target Center, Xcel Energy Center and Metropolitan Stadium



Notes:

- ◆ State sales tax revenue represents estimated sales taxes collected on spending on tickets, concessions and novelties at Metropolitan Stadium, the Metrodome, Target Center and Xcel Energy Center.
- ◆ State gross receipts tax revenue represents estimated taxes on alcohol sales at the Metrodome, Target Center and Xcel Energy Center.
- ◆ State personal income tax revenue represents estimated income taxes collected from the Twins, Vikings, Timberwolves and Wild.
- ◆ Minneapolis sales tax revenue represents estimated sales taxes collected on spending on tickets, concessions and novelties at the Metrodome and Target Center, as applicable.
- ◆ Minneapolis entertainment tax revenue represents taxes on Timberwolves tickets at the Target Center.
- ◆ Minneapolis restaurant tax represents taxes on sales of food and non-alcoholic beverages at the Metrodome and Target Center.
- ◆ Minneapolis liquor tax revenue represents estimated taxes on alcohol sales at the Metrodome and Target Center.
- ◆ St. Paul sales tax revenue represents estimated sales taxes collected on spending on tickets, concessions and novelties at Xcel Energy Center.

Appendix B – Correspondence with the Commissioner of the Minnesota Department of Revenue

- See accompanying letter to the Commissioner.
- See accompanying letter from the Minnesota Department of Revenue.

RSM McGladrey

April 2, 2007

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Mr. Ward Einess
Commissioner of Revenue
Minnesota Department of Revenue
600 North Robert St.
St. Paul, MN 55101

Dear Commissioner Einess:

The purpose of this letter is to ask your assistance in locating and obtaining certain information that we believe may be available within the Minnesota Department of Revenue.

The Metropolitan Sports Facilities Commission ("MSFC") was established under Chapter 89 of Minnesota Laws of 1977 and operates under Minnesota Statutes Chapter 473, as amended, and was responsible for the construction of the Metrodome. The very existence of the MSFC attests to the desire of various interests -- urban and suburban and statewide, business, labor and the general public to find common ground and work together on issues related to stadium infrastructure in Minnesota.

The MSFC consists of seven members. Six are appointed by the Minneapolis City Council, and the chair is appointed by the Governor and must reside outside of Minneapolis. MSFC members have always represented a broad cross-section of the community.

Commissioners are appointed for four years, and their terms may be renewed. Commissioners are not paid a salary or retainer but receive a per diem of \$50 per day when attending official meetings or doing other Commission business. William J. Lester has been the executive director since 1987. Roy Terwilliger is the current chairman of the MSFC. Mr. Terwilliger was appointed chair by Governor Pawlenty in 2003.

McGladrey & Pullen, LLP, ("M&P") has been engaged by the MSFC to assist in the collection and analysis of certain information related to the economic impact of a major sports facility, such as the Metrodome, in the metropolitan area.

M&P believes that the Minnesota Department of Revenue ("MNDOR") may already have undertaken a similar effort in recent years due to the numerous stadium bills that have been proposed in the Legislature.

We respectfully request that the MNDOR make available to us or members of the MSFC any reports showing the tax revenues (sales tax, income tax, payroll, tax, etc.) collected from the major sports tenants of the Metrodome and other metropolitan sports complexes (i.e. Minnesota Vikings, Minnesota Twins, Minnesota Wild, Minnesota Timberwolves). Because we do not know the exact time period for which these reports may exist, we request that all such reports prepared after 1990 be made available for review.

We would also request that the annual sales tax collections from the Minnesota Vikings, Minnesota Twins, Minnesota Wild, and Minnesota Timberwolves be provided for all years that such information is available.

Mr. Ward Einess, Commissioner of Revenue
April 2, 2007
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We would like to thank you and the MNDOR for any information that you can provide. With your help, we can assist the MSFC in delivering on its mission of serving the people of Minnesota.

Please do not hesitate to call me to discuss this request. We understand that the MNDOR handles large volumes of information on a regular basis, and that you or your staff may need additional clarification with respect to the information requested.

Sincerely,

McGladrey & Pullen, LLP



Timothy G. Farley
Director – State & Local Tax Services
612.629.9029

TGF/cmK

cc: Mr. William J. Lester, MSFC – Executive Director
Mr. Roy Terwilliger, MSFC – Chairman (by e-mail)

MINNESOTA • REVENUE

April 20, 2007

Timothy Farley, Director
State and Local Tax Services
RSM McGladrey, Inc.
801 Nicollet Mall, West Tower, Ste. 1100
Minneapolis, Minnesota 55402-2526

Dear Mr. Farley:

Your letter to Commissioner Einess requesting information relating to the economic impact of a major sports facility was forwarded to the Tax Research Division for reply.

One of the main functions of Tax Research is to develop revenue estimates for proposed tax legislation. As such, we have developed numerous revenue analyses in recent years for various stadium proposals. Although we do not perform overall economic impact analyses per se, we do estimate any tax impacts that are part of legislation being considered.

To respond to your request, I asked some staff to review available files to gather information for your purposes. We are enclosing a packet of materials from that review. Given the nature of the work we do, some of the materials are broader in scope than the specific questions you had, however, we thought it may be helpful relative to the context of our work.

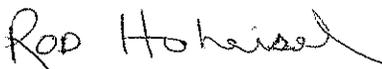
The main categories for the materials enclosed include the following:

- 1) Revenue analyses of proposed stadium legislation.
- 2) House of Representatives Fiscal Department summaries (some of which are based upon DOR Tax Research information and estimates).
- 3) Summaries of options and estimates of tax increments.

Although some of the documents are dated, certain portions touch upon the specific questions you had regarding tax revenues. For example, the document "Stadium Funding: A Summary of Proposed State and Local Government Revenue Sources" from March, 2002 includes estimates of income taxes for some major sports (Table 3), sales tax amounts, and various other sources.

Despite the busy nature of the current session, we attempted to locate materials pertinent for your work. Please let me know if you would like to discuss this information further or have any other questions. I can be reached at 651-556-6141.

Sincerely,



Rod Hoheisel, Assistant Director
Minnesota Department of Revenue
Tax Research Division
Mail Station 2230
St. Paul, Minnesota

Enclosure