

## Concerns

1. Where do the negotiations stand between the City and Matthew Hulsizer?

--Yesterday afternoon, City Attorney Craig Tindall told our attorneys that negotiations with Matthew Hulsizer are ongoing and no contract has been finalized; but in an email you [Mayor Scruggs] sent on April 18, you wrote, "A set of agreements were approved by the Glendale City Council in December 2010 and those constitute legal contracts with Mr. Matthew Hulsizer. No one has any right nor authority to negotiate a "new deal" for the city while an approved one is in place." **Does the City have a final, approved contract with Mr. Hulsizer or not?** [Is there a projected timeline for approving a deal?]

2. In a press conference, you told the press that you had released all the documents related to this arrangement, so that it would be transparent. *But since that time*, the city has turned over thousands of pages of additional documents. And, yesterday afternoon, after being confronted with additional documents we discovered independently, City attorneys agreed to make available new documents related to the City's purchase of Arena parking rights. **When can the public expect to have all the documents related to this sale?**

- A. In particular--Why has the City not already produced to us the same raw data concerning attendance, parking and revenues from the Coyotes that the City produced to its own consultants over three months ago?

- B. Is the City willing to give us immediately all records of negotiations between the City and Hulsizer?

3. As you know, we have concerns about the current ownership of the parking rights the City is planning to purchase and use to repay the bonds. On January 25, 2011, the City signed a contract with the developer of Westgate in which it acquired the right to charge for 5500 Arena parking spaces. This contract should have been provided to us under the court order in the public records case but was not. **Why is the City giving Mr. Hulsizer \$100 million dollars to purchase Arena parking rights it already owns?**

4. We are also concerned about the management fee agreement. The original management contract paid the Coyotes manager only \$500,000 per year and the manager remained responsible for all capital maintenance costs. Paying Mr. Hulsizer \$97 million over 5 to manage the arena, in addition to having the city pick up capital maintenance costs seems a bit out of wack, especially considering the city's own consultant, CBRE, reported that the annual management fee for the New Orleans Superdome would be \$5 million over the

same time frame. The fee appears to be between 20 and 40 times the going market rate.

**Did the City competitively bid the management?**

5. We are concerned about the reliability of the findings of some of the consultants the city is relying on. A few years ago, Walker Parking Consultants settled for \$1.5 million federal litigation accusing Walker Parking Consultants of inflating revenue assumptions related to a parking analysis they had prepared in conjunction with a municipal bond transaction for the purchase of parking rights. **How can taxpayers trust the estimates the City is using?**
  - a. Are you aware that in the Seattle transaction in which Walker was involved, the IRS found that the bonds for a transaction very similar to this deal *were not tax-exempt*?
6. The press has widely reported that the City of Glendale plans to sue the Goldwater Institute for exercising its First Amendment right. On March 5, 2011, one of your outside attorneys sent us an email stating, "Tonight the City ... decided ... that they could do [nothing] but to bring a lawsuit against GI, board members for several hundred million dollars..." **Did your outside attorney correctly represent what occurred?**
7. We understand the Tohono O'odham Nation is interested in helping privately fund the purchase of the Coyotes. **Will you consider negotiating with them to protect taxpayers and keep the Coyotes in town? What has the City done to seek out private investment to replace public funding for the sale of the Coyotes and the management of the Arena?**

## **Solutions**

Steps that could help the City move towards a resolution:

1. Use private money to finance the Coyotes transaction; such as having the buyer purchase the team with his own money, adding additional investors willing to share the risk, or partnering with the Tohono O'odham Nation. Incentivize the transaction with regulatory flexibility, rather than taxpayer money.
2. Competitively bid the management of the Arena or reduce the management fee to a plausible market value.
3. Securitize the thirty year projected revenue streams to the City from the Arena lease, parking and management, or, if the amount that can be obtained from securitization is de minimus, obtain 100% collateralized guarantees of revenue streams from the Arena lease, parking and management.
4. Adjust Arena lease payments to real market conditions.
5. Lease the arena to a minor league team that does not require a subsidy.
6. Reduce losses by finding a private buyer for the Arena.
7. Require the NHL to be a party to the Coyotes non-relocation agreement and perform due diligence to ensure that NHL franchise rules do not render the agreement unreliable.