



MBA Audit Committee Meeting Minutes – July 2, 2012

Chair Joan Campbell called to order the meeting of the MBA Audit Committee for July 2, 2012 at 1:00 p.m. Commissioner Steve Cramer and Commissioner Paul D. Williams were present.

Commissioner Williams moved approval of the agenda, seconded by Commissioner Cramer and approved unanimously – 3 YEAS, 0 NAYS.

APPROVED

Resolutions

Resolution 12-MBA-G

Purpose:

To recommend approval of the proposed 2013 MBA Operating and Capital Improvement Budget to the Minnesota Authority Board and Hennepin County.

Background:

Minnesota Laws 2006, Chapter 257, Section 12, subdivision 11 provides that the County may use certain revenues from the authorized sales tax revenue to pay for governmental operating costs of the Authority, other than operating and maintaining the Ballpark. And subdivision 1 authorizes Hennepin County to make grants to the Authority for reserves for Ballpark capital improvements. The Grant Agreement between the Minnesota Ballpark Authority and Hennepin County provides details regarding an annual grant for Authority operating costs and annual payments into a reserve fund for Ballpark Capital Improvement Expenses. The Grant Agreement requires the Authority to submit a proposed operating and capital improvement budget to Hennepin County before August of every year.

Attached is the MBA proposed operating budget for 2013. The total proposed budget represents \$95,000 less in expenditures than the 2012 budget, or about an 8% decrease. As the Authority moves into 2013 there is a significantly less need for legal services. This is related to closing out many land title, survey and related easement agreements around the ballpark.

The General Fund balance has grown the past two years to a 2011 year-end balance of \$1,069,196. For 2013 the MBA is requesting \$950,000 in revenue from Hennepin County, and staff is recommending the use of \$135,000 in fund balance, to fund a total budget of \$1,085,000.

Per the Grant Agreement, Hennepin County agrees to make annual payments for 30 years into a restricted fund for ballpark Capital Improvement Expenses. The required annual share was \$1,100,000 in the first year and escalates by an inflation factor thereafter.

The inflation factor is defined in the Ballpark Lease Agreement as an annual CPI increase. This is defined as an increase calculated in the index known as the US Department of Labor Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, Unites States City Average, All items. As calculated for the period beginning January 2010 through May 2012, the CPI increase is 6.06%. This calculates out to a County capital contribution of \$1,166,644.

To remain consistent with previous year budget practices, staff recommends using the CPI increase for the period beginning January 2010 through June 2012. However, the June CPI tables are not available yet. The change is not expected to be significant. Language has been included in the Resolution, allowing for the calculation of CPI through June.

The Ballpark Lease Agreement between the MBA and the Minnesota Twins, LLC Section 3.1 outlines annual Tenant rent of \$900,000, of which \$600,000 is indexed for inflation. As calculated for the period beginning January 2010 through May 2012, the CPI increase is 6.06%. This calculates out to a proposed Twin's rent amount of \$936,351 for 2013. This too is expected to change slightly, when calculated for the period from January 2010 to June 2012.

Action Requested:

BE IT RESOLVED that the Minnesota Ballpark Authority Audit Committee recommends, to the MBA Board, approval of the Proposed MBA Operating Budget of \$1,085,000, as attached; and requests a grant of \$950,000 from Hennepin County Ballpark Sales Tax; and

BE IT FURTHER RESOLVED that the Minnesota Ballpark Authority Audit Committee recommends, to the MBA Board, approval of the Proposed MBA Capital Reserve Fund Budget of \$2,142,000, as attached; and requests a capital contribution of \$1,100,000, as indexed for inflation, for the period from January 2010 through June 2012, as more clearly defined in the Development Agreement By and Among Hennepin County and Minnesota Ballpark Authority and Minnesota Twins, LLC.

APPROVED

Commissioner Williams asked if the MBA had a fund balance policy. Executive Director Kenney responded that the MBA does not have an official policy, he would propose a fund balance equal to at least six months of expenditures, and he sought input from the Committee to establish a Fund Balance target for the MBA's annual budget process. Chair Campbell suggested a target of nine months of expenditures. Commissioner Williams made a motion to approve a general fund balance target for the MBA equal to an amount between nine and twelve months of previous year expenditures. The motion was seconded by Commissioner Cramer.

APPROVED

Quarterly Update – MBA Investment Objectives and Policies – Brenda Juneau, Finance Coordinator

Ms Juneau reviewed the MBA Investment Objectives and Policies with the Audit Committee. The MBA's quarterly investment summary includes 2012 investment activity for the period ending April 30, 2012. (See attached.)

Ms. Juneau noted that Hennepin County is the official depository for the MBA. Interest earnings are based on the MBA's monthly cash balance as related to the entire cash balance of Hennepin County. Interest is earned and allocated separately to the MBA's three funds, the General Fund, the Capital Reserve Fund and the Capital Project Fund.

MBA 2011 Audit Update – Brenda Juneau, Finance Coordinator

Ms Juneau stated that the Exit meeting with the State Auditor's office will likely occur in October.

There being no further business, Chair Campbell moved to adjourn. The meeting of the MBA Audit Committee for July 2, 2012 was adjourned at 1:20 p.m.