

**Proposition 302:
 Arizona benefits by \$1.9 billion per year**

An independent economic analysis of Prop. 302, included in the publicity pamphlet, calculated the average annual economic impact from Prop 302's sports, entertainment and tourism activities at \$1.95 billion per year over a period of 30 years.

Prop. 302 was designed to safeguard several major economic engines. The following are the related economic activities and their estimated annual impact:

Yearly Economic Benefit to Arizona



	(\$ millions)
Tourism activity	
Multipurpose Facility	\$1,400
• Operation and maintenance	31
• Fiesta Bowl	138
• NFL Super Bowl	101
• Arizona Cardinals	154
• Other Events *	
Cactus League	
• Construction and renovation activities	22
• New teams and retaining existing teams	100
Youth and Amateur Sports	<u>4</u>
Total Estimated Annual Economic Impact	<u>\$1,950</u> =====

* The independent analysis did not calculate nor include the additional and positive impact that other multipurpose events such as tradeshows, concerts, NCAA college basketball, motor sports, soccer, etc. would have on the economy.

Arizona General Fund to get \$20 million from construction alone

The \$370.6 million stadium and the surrounding Community Facilities District make up a total cost of about \$430 million, one of the largest construction projects in Arizona's history. The local and state economy will receive a short-term economic impact from construction activities related to the building of the multipurpose facility and its surrounding improvements. These projects combined will yield a positive impact on the state's general fund of more than \$20 million during the three-year construction cycle.

Current Accomplishments of Prop. 302

Prop. 302 was designed to: build a multipurpose facility to keep our NFL team and our Fiesta Bowl from leaving while providing opportunities for other sports, entertainment and tradeshow events; to enhance tourism by providing funds to the Arizona Office of Tourism for promotion of Maricopa County; to stave off challenges from out-of-state suitors by building and enhancing Cactus League facilities; and to build facilities for youth and amateur sports. In a very short period of time, and in the face of a number of obstacles, the Authority has accomplished the following:

- § The NFL awarded the 2008 Super Bowl to the Valley with the promise of more to come;
- § The Tostitos Fiesta Bowl will host the 2007 Bowl Championship Game to be played in the new multipurpose stadium;
- § Since inception, the Authority has provided its statutory tourism funding obligation of \$4 million per year growing at 5% per year to the Arizona Office of Tourism to help in the promotion of tourism within Maricopa County;
- § The Authority issued bonds and provided \$32 million in funding to the City of Surprise for a new two-team facility which attracted two new teams to the Cactus League – an estimated annual impact of \$40 million;
- § The Oakland Athletics signed a new ten-year extension with the City of Phoenix in large part due to the Authority's contribution of \$4.4 million for the renovation of Phoenix Municipal Stadium;
- § The Authority is currently working with the cities of Scottsdale and Tempe on their spring training facilities in order to secure long-term lease extensions as well as a possible new stadium in Goodyear which would net an additional team and another estimated \$20 million

annual economic impact

- § Youth and amateur sports projects in Maricopa County have received total commitments of \$4.9 million from the Authority since its inception including the recently completed South Mountain YMCA and the Avondale Regional Sports Complex under construction.

Prop. 302's Sources of Funding

The Authority's primary source of funding comes from two tourism revenues -- the hotel bed tax and car rental surcharge. These revenues are the primary funding source for the Authority's 'waterfall' of priorities (financing the multipurpose facility, tourism promotion, Cactus League funding, youth and amateur sports funding and operations).

Secondary funding sources included in the legislation are critical in securing the long-term success of Prop 302's various funding activities. These secondary revenue sources are comprised of the NFL income tax, sales tax recapture revenues associated with the multipurpose facility, revenues from events and lessees and private capital contributions. The NFL income tax and the sales tax recapture revenues play an important role in the Authority's funding of its debt service on the multipurpose facility. Why? Because the Authority is only allowed, by statute, to use the equivalent of \$165.5 million in debt from the tourism revenues to pay for debt service payments -- the balance comes from the NFL Income tax and sales tax recapture sources. This fact played an important role in the Authority's ability to issue \$254 million in bonds in February 2003.

The Strength of Prop. 302's Funding Strategy

The Authority has been able to succeed, in large part, due to the legislation that created it and its sources of funding. The complementary nature of the tourism revenues and the facility related revenues provide a formula for success which benefits everyone as was intended under Prop. 302. Prop. 302's funding strategy recognized that the new tourism taxes (hotel bed tax and car rental surcharge) would rise and fall with the tourism season and that they would be subject to the fate of the economy as a whole. To help offset this potential volatility, the NFL income tax, with its guaranteed minimum, was put into place. This strategy has proven the wisdom of its creators even in the face of difficult economic times first brought by a lingering national recession which was then compounded by the devastating effects of September 11th. The Authority, on the strength of its combined funding sources, was able to present to rating agencies, bond insurers and potential bondholders a strong financial package and credit for its 2003 bonds issues. In February 2003, the Authority issued \$254 million in bonds on the strength of Prop. 302's funding strategy and allotted pledged revenues even after tourism revenues fell sharply following September 2001.

Why Prop. 302's Funding Strategy is Critical to Its Future Success

The opening of the multipurpose stadium is still more than two years away. Once the facility is opened, it will begin to generate income. At the same time, it is projected that annual operating expenses will increase from around \$2 million annually to \$11-14 million each year. In addition, each of the 'waterfall' priorities' funding requirements increase as we move forward thereby putting more pressure on the existing funding sources. The Authority must also fund, in addition to the five 'waterfall' priorities, three separate reserves. These additional obligations are for youth and amateur sports programs (equal to the prior year's funding requirement), an operating reserve equivalent to a full year's operating budget and a capital repair and replacement reserve of \$25 million (in year 2000 dollars).

The Authority has and will continue to fulfill its obligation to be an economic engine for the economy. This obligation will be best met and its success most guaranteed if Prop 302's original funding strategies are left in their original form as was intended.