

TOURISM AND SPORTS AUTHORITY

Ted A. Ferris
PRESIDENT & CEO
8585 East Hartford Drive, Suite 600
Scottsdale, AZ 85255
Phone: (480) 505-0533
Fax: (480) 505-0534



BOARD MEMBERS:
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PRESIDENT'S REPORT

April 30, 2001

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STADIUM PROJECT UPDATE

Stadium Design Accelerates

The pace of stadium design has accelerated as TSA Staff and consultants along with the Cardinals and their consultants traveled to Kansas City for two days of intensive programming with the HOK Sport architectural team. Representatives of Hunt Construction Group (Hunt) also participated. This week, the HOK team will be in the Valley for two days of detailed programming of space requirements and functional needs of both the team (the Cardinals) and the owner-operator (TSA). In preparation for these meetings, TSA Staff met with Fiesta Bowl officials to get their input.

The programming phase is synonymous with schematic design, where ideas get translated into space and functional relationships, and features are noted for inclusion in the design development phase. The HOK team estimates that we need two more months for schematics and then four months for design development. At the end of design development, construction documents are prepared which serve as the basis for bid packages to be led by the design-builder.

Hunt is in the process of integrating this updated design schedule into their master construction schedule. The TSA and Cardinals have committed to make timely decisions where appropriate so that we can maintain our planned opening date of August 2004.

Positioning of Stadium on Site is Set

The TSA, Cardinals, City of Tempe, Papago Park Centre, Salt River Project, and private development group, have been working diligently to resolve some complex site related issues including the elevation of the stadium floor, the rerouting of the Grand Canal, the positioning and alignment of the stadium and the boundaries of the TSA's 22.5 acres versus the residual development property totaling nearly 40 acres. We now have a working agreement that the stadium floor will be at an 1,134 foot elevation, the stadium will be rotated 28 degrees to the east of due north-south, and the Grand Canal will be realigned to the south along the Union Pacific Railway.

There are a couple of favorable consequences to these decisions. First, lowering the stadium floor by 14 feet means that the main concourse will be at street level and stadium patrons can flow horizontally onto the main stadium loading level from Washington and Priest. Secondly, the tallest point of the stadium will be just 184 feet above grade at the intersection of Priest and Washington. While being below 200 feet would preclude having to submit our plans to the Federal Aviation Administration for their review, we intend to seek their input anyway. Given that Bank One Ballpark was over 40 feet higher and sailed through their FAA review, we are very optimistic that the FAA concerns will be minimal.

YOUTH & AMATEUR SPORTS

TSA Board gives preliminary approval to two projects

At our April meeting, the TSA Board gave preliminary approval to two-thirds funding for a 10-field soccer/football complex on 30 acres in Avondale. The TSA's share of this project funding would be \$4.4 million and would be spread over roughly 12 years. This complex would serve the youth of the West Valley and play host to regional and, possibly, national tournaments. The Board also gave preliminary approval to a grant of \$150,000 toward an \$830,000 multi-sport complex on 2.5 acres at the South Mountain YMCA in South Phoenix.

Chairman names TSA Committee for Youth & Amateur Sports and Tourism Oversight

As indicated on the attachment, Chairman Grogan has named three TSA Committees to help guide the work of the TSA Board. One of these will review and make recommendations to the full

board on grants for youth and amateur sports facilities, and for the oversight of tourism promotion monies. The new tourism promotion dollars will flow from the TSA to the Arizona Office of Tourism, and on to local Convention and Visitor Bureaus (CVB's) in Maricopa County. This committee, to be chaired by Denise Meridith, will also create an inventory of youth and amateur sports facilities in Maricopa County, and will further review criteria for making future grant awards.

FINANCIAL UPDATE

TSA finances look bright in spite of national economic slowdown

An initial review of sources and uses of TSA funds from tourism taxes, Cardinals income taxes, and other funding sources, suggests that TSA revenues are running slightly ahead of conservative projections. This is great news and makes attainment of all of our commitments and program objectives more likely.

Preparation continues for Cactus League and Stadium Bonds

Against a backdrop of declining interest rates, work continues on preparing the legal and financing documents necessary to issue TSA bonds for the Cactus League (in early June) and for the multipurpose stadium (in July). Working with our financial advisors and our underwriters, we will be meeting with rating agencies, bond insurers, and institutional investors to help pave the way for a very successful bond sale.

Chairman names TSA Committee for Finance & Budget

To help review and prepare the annual TSA operating budget and to oversee all aspects of the TSA's finances, Chairman Grogan has named a Finance and Budget Committee of the TSA to be chaired by our Treasurer, Rod Williams. The Committee will be meeting in early May and as necessary thereafter to help prepare the TSA operating budget that, by law, must be submitted to the TSA Board for their adoption in June.

Chairman sends letter to State Treasurer seeking release of tourism taxes pursuant to Sec. 17.

Sec. 17 of Chapter 372, Laws 2000, establishing the TSA, required the State Treasurer to withhold tourism taxes until such time as the State School Facilities Board (SFB), in consultation

with the Governor's budget office, and upon review of the Joint Legislative Budget Committee (JLBC) certifies that sufficient monies have been dedicated to make the school improvements required by the "Students FIRST" law. According to the SFB, the JLBC Staff, and every knowledgeable person, there is no question that there are sufficient monies. The passage of Prop 301 by the voters last November authorized an \$800 million bond issue, which in conjunction with monies previously appropriated assures that there are enough monies.

So, the only issue is whether the JLBC "reviewed" this issue at their April 6th meeting. This is the meeting I discussed with you at our last Board meeting where, in fact, the item was on the agenda, the JLBC staff presented their analysis (concluding that there are sufficient monies dedicated for this purpose), and wherein, questions were asked and answered, and public testimony was accepted.

The Chairman's letter was sent to the Treasurer after hearing that she had concerns as to whether the JLBC had completed their review. As I reported to you last, the JLBC Chairman, Rep. Laura Knaperek (R-Tempe) is taking the position that the JLBC review has not been completed and that the review will be conducted at a future meeting after the school bonds have been issued (June or July).

This is simply unacceptable. According to Lee Stein of Fennemore Craig, P.C., Counsel to the TSA, and former Assistant Attorney General for the State, the JLBC review has clearly been accomplished. Furthermore, there is considerable evidence based upon prior Attorney General opinions and court cases, that the required Sec. 17 review is inherently unconstitutional to begin with.

Two months ago I warned Rep. Knaperek that a delay in the JLBC review could jeopardize the City of Surprise Cactus League project. We do not have the time to wait for the JLBC. The original SFB certification letter of sufficiency went to the State Treasurer on January 3rd, nearly 4 months ago. The State Treasurer is required to forward the tourism taxes to the TSA beginning May 15, and we expect her to do her duty and comply with the law and the will of the people, as evidenced by their approval of Prop 302 in November 2000.

NEGOTIATING AND DRAFTING OF CRITICAL AGREEMENTS CONTINUES

Design Build Agreement with Hunt

This may be the most critical and difficult of all the agreements, because it represents the contract with Hunt, our designated design-builder, that must include the program (design elements and features of the stadium), the schedule for construction, and the GMP (Guaranteed Maximum Price). Included will be language to ensure that Hunt is responsible for any cost-overruns, the owner/team is responsible for the cost of change orders, who is responsible for each area of risk, and where and when insurance is purchased to help guard against risk.

Intergovernmental agreement with City of Surprise

In order to keep our schedule for a May groundbreaking for the City of Surprise Cactus League facility, we need to have a binding Intergovernmental Agreement ready for TSA Board approval at our next meeting. An essential component is assurance that the Sec. 17 (see above) review and certification has been accomplished so that this cloud is removed, and TSA Cactus League bonds can be issued early in June. **This timetable is very tight and will not be met if the State Treasurer withholds tourism taxes that are owed to the TSA.**

Concessions agreement for stadium food service

A Request for Proposals (RFP) for Food Service Concessionaire at the new stadium was issued in late March. On April 20th, we received 5 proposals from operators that ranged from contracting out for all concessions, contracting out for premium food services only (suites and club areas), or self-operations for all food services. Each of the respondents was asked to provide planning and design services for the Owner/Team over the course of design and construction. Also, each respondent submitted a finance proposal for revenue sharing with the TSA/Cardinals under the expectation that we will provide all equipment and build-out costs other than small wares and "tools of trade." The Cardinals and TSA are evaluating the proposals. We anticipate making a decision by the end of May in order to bring the successful company on board while critical design decisions affecting concessions are still being made.

Other Agreements

Other agreements being negotiated and drafted include Development Agreements between the City of Tempe and the TSA, and between the City of Tempe and private development group and the Papago Park Centre. Also, 30-year Use Agreements with the Cardinals and Fiesta Bowl are being developed.

Kelly Leid Joins the TSA as Vice President of Operations

I am pleased to announce that Kelly Leid, 2nd in command at the Metropolitan Football Stadium District in Colorado, will be joining the TSA as Vice-President of Operations. Kelly has very successfully shepherded another design-build NFL stadium project over the past 3 years—the new Denver Broncos Stadium (Invesco Field). Kelly is a graduate of ASU, and has helped with Sun Devil Stadium and Fiesta Bowl operations for the past 17 years as well as Super Bowl XXX in 1996. He brings valuable construction and operations experience that will pay immediate dividends for the TSA. Once the stadium is opened, Kelly will focus on “front of the house” issues (event planning, marketing, and staging), while Kenny Harris will be responsible for “back of the house” issues (facility systems and security, preparation and maintenance). Kelly will also assist with communications and community outreach, something he did very successfully in Denver. In order to allow Kelly to fulfill his obligations in Denver, and in order to gain further valuable experience in wrapping up stadium construction and planning for their grand opening in August, Kelly will be splitting his time between Phoenix and Denver over the next three months. He will become a fulltime member of the TSA staff in September.

TSA WORKING TO HELP BRING MAJOR EVENTS TO NEW STADIUM SOON AFTER OPENING

2005 Goodwill Games

The Valley of the Sun is a finalist for hosting the Goodwill Games, an Olympics-style competition that will bring together 1500 athletes from 46 countries over a 12-day period in September 2005. The Maricopa County Sports Commission is taking the lead in making our pitch and the TSA will be as supportive as possible. Working with the Arizona Cardinals, it may be possible for our stadium to host opening and closing ceremonies, and possibly a championship soccer game.

2006 or 2007 NCAA Final-4

Our stadium is being designed to accommodate some 40,000 fans for NCAA Final-4 Basketball. Currently, there is not a good venue in the Western U.S. for the Final. For example, the schedule for the next 4 years is: 2002—Georgia Dome; 2003—New Orleans Super Dome; 2004—San Antonio Alamo Dome; and, 2005—St. Louis TWA Dome. Consequently, the NCAA is very excited with the possibility of bringing their showcase event to our new stadium. In conjunction with the ASU Athletic Department, we will be putting together a team to begin competing for the next available opening, in 2006 or 2007.

2007 NFL Super Bowl

Likewise, the NFL is very enthused to return to the Valley of the Sun. In 1996, we were hosts to Super Bowl XXX, and by all accounts received rave reviews other than the obvious shortcomings of Sun Devil Stadium. With the help of the Cardinals, we will make a strong bid for the 2007 Super Bowl, with the hope and expectation that we will become a regular host every 5th or 6th year due to our location, weather, golf, other outdoor activities, and strong local support.