

TOURISM AND SPORTS AUTHORITY

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PRESIDENT'S REPORT

May 31, 2001

SUMMARY

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Surprise Groundbreaking

On May 21st, the TSA Board gave final approval to the Intergovernmental Agreement and Construction Trust Agreement, committing the TSA to provide two-thirds funding, up to \$26 million, for the construction of a two-team Cactus League Facility in Surprise, Arizona. The facility will be completed in June 2002 and will be home to the Kansas City Royals and Texas Rangers.

Immediately afterward, there was a groundbreaking ceremony at the construction site that included Hall-of-Famer's George Brett of the Royals and Nolan Ryan of the Rangers. In his dedication remarks, TSA Board Chairman Jim Grogan noted that with the decision of the Royals and Rangers to relocate from Florida to Arizona, we have successfully repelled Nevada's attempt to establish their own Major League Baseball Spring Training league. This was no small accomplishment, and can be viewed as *the first promise kept* with the voters who approved Prop 302 last November.

South Mountain YMCA is Recipient of First TSA Grant for Youth and Amateur Sports

Also on May 21st, the TSA Board approved a grant of \$150,000 for the development of multiple

sports facilities on a 2.5 acre parcel of property immediately adjacent to the South Mountain YMCA in South Phoenix. The TSA grant provides approximately one-sixth of the anticipated cost, with the balance being provided through private fundraising. This represents the first grant to increase the quantity and quality of youth and amateur sports facilities throughout Maricopa County. The project was previously reviewed and approved by the TSA Committee on Youth & Amateur Sports Facilities and Tourism Promotion. At its June meeting, the Committee will further review the application of the City of Avondale and other requests for funding.

Finance Committee Schedules First Meeting to Review First TSA Proposed Budget

Arizona Revised Statutes 5-831 requires the TSA President to prepare an annual budget for approval by the TSA Board beginning on or before June 30, 2001. The budget is to include the following:

1. Receipts during the past fiscal year.
2. Expenditures during the past fiscal year.
3. Estimates of amounts necessary for expenses during the following fiscal year including amounts proposed for:
 - a. Costs of planning, constructing, financing, maintaining, operating and managing a multipurpose facility.
 - b. Promotional and marketing expenses of the authority.
 - c. Administrative costs of the authority.
4. Anticipated revenue to the authority from each source in the following fiscal year.
5. A complete asset and liability statement.
6. A statement of profit or loss from operations.
7. Cash on hand as of the date the budget is adopted and the anticipated balance at the end of the current fiscal year.

8. An itemized statement of commitments, reserves and anticipated obligations for the following fiscal year.

With the TSA fiscal year established as July 1 to June 30, the first TSA budget will be forwarded by the Finance Committee to the full board for their approval in June. The Committee will also be reviewing and making a recommendation on the President's request to have Ernst & Young serve as Auditor for the TSA.

Facility Schematic Design Nearing Completion

June 18th has been established as the deadline for completion of schematic design work on the new TSA Multipurpose Facility to be built at the Papago Park Center in Tempe. Schematic design will determine the overall scope of the project, including all features and description of spaces to be included in the facility. At the same time, the TSA and Cardinals have been working with Hunt Construction and our consultants to prepare updated and preliminary budget estimates based upon schematic design work. An intensive two-day work session is planned at HOK Sports Architects headquarters in Kansas City on June 12-13 to help reach our target date of June 18 to complete schematic design.

Meanwhile, Eisenman Architects are refining the high design work that will establish the signature look of the facility in terms of the roof and exterior of the building. We are hoping to have architect's renderings of the facility soon after the 18th that can be shared with the Board and public.

Interim construction agreement for TSA Multipurpose Facility being drafted to allow for early excavation.

In order to deal with uncertainty regarding rock conditions at the Tempe site, it is desirable to allow Hunt Construction access to the site by July to begin mass excavation and drilling for concrete footers and caissons that make up the foundation for the multipurpose facility. Therefore, we are drafting an Interim Construction Agreement that will govern work between now and when we finalize the overall Design-Build Agreement with Hunt Construction Group (anticipated to occur by September 1st).

While a ceremonial groundbreaking may be held in July to commemorate this work, the formal community groundbreaking will take place after Labor Day, when the summer vacation season is over and the NFL season is underway.

Food and Beverage Concessionaire is Chosen for the New Facility

Volume Services America (VSA) has been given an exclusive right to negotiate the terms of a

contract with the TSA to provide both regular and premium food and beverage concessions at the new multipurpose facility.

Volume Services America is the NFL's leading concessionaire. The TSA multipurpose facility will be their 11th NFL venue. This selection followed a two-month process of preparing, issuing, and evaluating responses to a formal Request for Proposals (RFP) issued by the TSA. The RFP allowed proposes to provide any combination of regular and premium concessions, as well as proposals to allow the TSA to "self operate" all concessions.

While the TSA is certainly interested in self-operating and the potential for higher concession revenues to the team and the TSA, we heard from facility managers throughout the country who urged caution, particularly in the first years of operation. At the same time, we heard how critical it is to have concessions operator on board during the facility design phase. As a result of our prompt action, VSA will have input into the number and design of concession stands throughout the facility, as well as the commissary, pantries, and other critical features. The result should be a smoother and more profitable food and beverage operation.

As a reflection of our desire to consider self-operations in the near future, our contract with VSA will be for three years as compared to 5 or 7 years in other stadiums.

Site visits to Convention Center and Nationwide Arena in Columbus, Ohio, and United Center in Chicago

At the urging of Peter Eisenman, design architect for the multipurpose facility, I visited the Columbus Convention Center, one of Peter's works. For just \$105 a square foot in 1993, he was able to shape the walls and roof in a way that made the Columbus facility extra ordinary and has helped make it a huge success. His limited, but highly effective use of glass to bring light into interior spaces was noteworthy as well. Peter intends to incorporate similar materials into the exterior and interior spaces of our facility.

While in Columbus, I toured the Nationwide Arena, home to the Columbus Blue Jackets NHL team. The signage and concession areas were extremely well done. Interestingly, the Phoenix Coyotes ownership had just visited as part of their preparation for their new arena design.

From Columbus, I flew to Chicago and toured the United Center (home to the Chicago Bulls and the Blackhawks) which is managed by principles involved in International Facilities Group (IFG), consultant to the TSA on Facility design and operational issues.

NCAA Men's Final-4 Input sought

While in Chicago, Jonathan Zirin of IFG arranged for a meeting with Bill Hancock of the NCAA. Bill is responsible for site selection and event preparation for each year's NCAA Men's Final-4 Basketball Championship, one of America's greatest annual sporting events.

The meeting with Bill was very informative. He explained current NCAA requirements for a successful host community. In turn, we told Bill all we have planned for our new facility and sought his input during the schematic design phase. We were pleased to learn that certain things are not required that were going to add expense to our facility, such as a "half-house curtain" to divide our facility into half for a more intimate feeling. We also learned that our plans for scoreboards, both permanent and temporary, may preclude the need for a center hung basketball scoreboard, saving that expense as well.

On a less positive note, we learned that the NCAA is already committed through 2007 and that the next round of site selection will occur in the summer of 2003 for years 2008 through 2010.

All told, the meeting left us feeling that the NCAA is very excited at the prospect of coming to the southwest for future Final-4's. Given that the Final-4 occurs the end of March-beginning of April, when the weather here is great and the Cactus League is still in play, our chances are very good. My next step is to meet with Gene Smith, Athletic Director at ASU, which would be our official host school in conjunction with the PAC-10.

Bill told us that the Final-4 uses 8,500 hotel rooms and brings in many other ancillary meetings and events.

Sec. 17 Resolved—First Month's Tourism Taxes are Deposited

I am please to report that on May 22nd, the TSA received the first deposit of tourism taxes collected beginning March 1st. A total of \$1,577,238 of hotel tax and \$638,751 of car rental taxes were deposited into TSA accounts established through Wells Fargo Bank. The total of \$2,215,989 compares favorably with prior estimates.