



TSA Open Meetings & Open Houses held during January 2002

January 16 – Board Meeting #29
 January 16 – Glendale Open House #2
 For Public Information and Education

SUMMARY

Financial Overview – Tax revenues off 17%, tourism industry recovery anticipated.

Legislative Update – Voss and Gnant introduce bills elevating Youth & Amateur Sports funding, enhanced TSA accountability.

Site Selection Process – Expert teams tour proposed sites, conduct working sessions with sites to clarify requirements.

Youth and Amateur Sports – Youth sports groups get committee to advise TSA.

Multipurpose Facility – Best practices of nationwide venues to be studied, goal set for Aug/Sept. start of construction.

Cactus League -- City of Surprise stadium saved with additional funding from TSA.

Super Bowl Report – Economic blockbuster eyed for 2007 date.

FINANCIAL OVERVIEW

YTD Sources – We are now entering into Arizona’s strongest tourism revenue season – November 2001 through March 2002. Due to the two-month lag from the actual sales activity to receipt by the TSA, we just received the tourism tax revenues from November 2001 activity.

SOURCES

	FYTD: January 2002 (in millions)			
	Actual	Budget	\$ Chng	% Chng
Tax Revenues				
Hotel Bed Tax	\$ 4.52	\$ 5.39	\$ (0.87)	(16.1)%
Car Rental Surcharge	3.19	4.57	(1.38)	(30.2)%
NFL Income Tax	2.58	2.58	-	0.0%
Sales Tax Recapture	0.79	0.80	(0.01)	(1.2)%
Total Tax Revenues	\$ 11.08	\$ 13.34	\$ (2.26)	(16.9)%

Other Funding Sources

Stadium Term Bonds	\$ 8.09	46.57	\$(38.48)	(82.6)%
Operating Credit Line	2.00	3.00	(1.00)	(33.3)%
Arizona Cardinals	3.11	4.01	(0.90)	(22.5)%
Interest Income	0.12	1.86	(1.74)	(93.4)%
Total Other Sources	\$ 13.32	\$ 55.44	\$(42.12)	(76.0)%

Total Sources	\$ 24.39	\$ 68.77	\$(44.38)	(64.5)%
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Tourism continues its slow comeback in Arizona as well as for the rest of the nation. A recent survey by the Travel Industry Association of America states that half of the nation’s state tourism directors anticipate a recovery in the travel downturn within six months. This survey corresponds with other published reports regarding the general state of the U. S. economy and its recovery.

Car Rental Surcharge - We continue to review and analyze our car rental surcharge revenues which have not followed the general trend upward that we have seen in the hotel bed tax. In March 2001 the car rental surcharge changed from a flat \$2.50 per car rental contract to 3.25% of the entire value of the contract. This change was approved by voters with the passage of Prop 302. The incremental difference of the surcharge above the \$2.50 amount is what is remitted to the TSA on a monthly basis. The \$2.50 minimum applies to all contracts and is disbursed monthly to the Maricopa County Stadium District. Maricopa County residents may be exempted from the 3.25% surcharge, but not the \$2.50 flat fee, if they provide adequate documentation that their rental was for repair or replacement purposes.

Our concern is with the application of the car rental surcharge at the car rental agency level. There appears to be confusion on how to apply the surcharge as well as to whom it should apply. We met with the Arizona Department of Revenue in early-August 2001 to discuss these issues. We are presently finalizing an in-depth analysis that provides evidence that a much higher percentage of car rental contracts are being exempted from the 3.25% surcharge than was ever suggested by the car rental industry. Once this analysis receives its final review, it will be shared with the Arizona Department of Revenue.

Other Funding Sources – The original TSA budget did not anticipate fully drawing down on its \$15 million bank line of credit during FY2002. This became a necessity as the FAA and John F. Long issues prevented us from issuing our multipurpose facility bonds. The TSA drew down its available balances in August 2001 of \$8.0 million for the multipurpose facility project and \$2.0 million for operations. To-date, the TSA has repaid \$2.0 million of the Stadium Term Bonds and the entire Operating Credit Line of \$3.0 million. \$10.0 million in Stadium Term Bonds will be repaid in \$5.0 million increments on June 30, 2002 and December 31, 2002. The Arizona Cardinals have been a consistent partner with the TSA in providing their 25.4491% pro-rata share of the capital required for the multipurpose facility project. They are required to provide up to a maximum of \$85.0 million of the total project’s costs. Our interest income is below expectations due to two factors – our inability to issue bonds and the Fed funds

rate cuts enacted through 2001 by the Federal Reserve which have impacted interest earnings rates.

Bond Update – No changes to report from the November/December 2001 Monthly Report.

YTD Uses – The following details our fiscal year-to-date expenditures through January 2002:

<u>USES</u>	FYTD: January 2002 (in millions)			
	Actual	Budget	\$ Chng	% Chng
Multipurpose Facility	\$ 11.02	\$ 40.24	\$(29.22)	(72.6)%
Tourism	2.33	2.33	-	0.0%
Cactus League	2.01	14.33	(12.33)	(86.0)%
Y&A Sports	-	0.59	(0.59)	(100.0)%
<u>TSA Operations</u>				
Operations	0.50	1.31	(0.81)	(61.8)%
Legal	1.47	0.23	1.25	548.8%
Bond Repayment	5.00	5.00	-	0.0%
Total Uses	\$ 22.34	\$ 64.03	\$(41.69)	(65.1)%
Reserves	\$ 2.06	\$ 4.75	\$(2.69)	(56.7)%

The current fiscal year has deviated substantially from what the TSA had anticipated when the budgets were approved by the Board of Directors last June.

Multipurpose Facility - The abandonment of the original Tempe location and the John F. Long litigation has kept the multipurpose facility project and its related bond issue from moving forward as expected. We had anticipated a July 2001 start to construction when the FAA issue arose. The Tempe site was eventually abandoned and the site selection process reopened with a tentative date of March 21, 2002 for selecting the winning and runner-up sites. We are attempting to keep the design phase of the project in-progress where the additional design work will be applicable to whichever site the multipurpose facility is located on. We have also have ordered and received the critical specialized steel mill orders for the two roof super-trusses (\$3.4 million currently). The steel contractor Schuff Steel, a locally-based company, has through advanced engineering reduced the amount of specialized steel required from overseas. Based on their re-engineering of the truss design they will be able to use domestically produced steel to complete the trusses. Our FYTD budget figure represents our expectation based on our original construction schedule. About 90% of the steel for the project will be produced domestically.

Tourism – Senate Bill 1220 requires that \$4.0 million be disbursed evenly to the Tourism Fund during the first twelve months of collection of the tourism taxes. This amount is scheduled to increase by 5% per year. On the second Tuesday of every month, an amount equal to 1/12th of the \$4.0 million is disbursed to the Tourism Fund which is then electronically wired to an account for the Arizona Office of Tourism. These amounts have

been fully funded and are to be used by the Arizona Office of Tourism in their marketing and promotion efforts within Maricopa County.

Cactus League – The John F. Long lawsuit has prevented us from issuing the \$26 million in bonds for the Cactus League training facility in Surprise. We had anticipated that the project would be roughly 50% completed at this time and that our actual disbursements would be more than \$14 million. Currently, we have forwarded \$2.0 million to the Construction Trust Account (the “CTA”) under the first amendment to our IGA with Surprise. These monies represent 100% of the amount that we have statutorily disbursed to the Cactus League Promotion Account since July 2001. We will continue to disburse the monthly amount of \$250,000 to the CTA until such time the bond proceeds are deposited to the CTA. At that time we will reimburse the Cactus League Promotion Account for the full amount provided to Surprise under the IGA’s first amendment. Refer to the Cactus League section of this report for more details about a short-term financing resolution between the TSA and City of Surprise.

Youth and Amateur Sports – This fund receives a monthly disbursement from tourism taxes equal to 1/12th of \$1.0 million in the first twelve months. This amount is schedule to increase by \$100,000 per year thereafter. To date, the Youth and Amateur Sports account has received 100% of its funding. The TSA has approved two projects for funding from this account. The South Mountain YMCA is scheduled to receive \$150,000 during calendar year 2002 and \$3.4 million is scheduled for a regional soccer/football/youth complex in Avondale. The Avondale project will be funded over a period of 12-13 years.

TSA Operations – The TSA has dealt with a number of significant and unexpected issues this fiscal year. The drop-off in tourism nationwide was felt significantly at home in Arizona. Tourism is our number one industry and one on which we are very dependent financially. To-date, we have seen a nearly 23% decrease (\$2.25 million) in expected tourism revenues. This decrease accounts for the majority of the shortfall in our anticipated cash reserves (see above). The FYTD budget figure includes our \$0.3 million reduction to our original FY2002 budget total (see November/December 2001 Monthly Report).

Reserves – The TSA’s current level of reserves is below expectations for the reasons discussed above – decreased tourism revenues and higher-than-anticipated legal and consulting costs. As we enter our seasonal period of high tourism and thus, related tourism tax revenues, we are hopeful in building the reserve to within 70-80% of our original estimates.

LEGISLATIVE UPDATE

Representative Voss and Senate President Gnant have introduced legislation that is intended to give a higher priority for funding of youth and amateur sports under Prop 302 and to strengthen public confidence in all of the work of the TSA through enhanced accountability measures. The TSA supports this legislation as introduced, and appreciates the sponsors’ commitment to

assuring the objectives of Prop 302 are realized for the betterment of Maricopa County and Arizona. The legislation would:

- Move youth and amateur sports facilities funding from 5th to 4th in the Prop 302 funding “waterfall”, following MPF debt service, tourism promotion and cactus league; TSA operational funding would drop from 4th to 5th in the priority order.
- Establish a youth and amateur sports funding reserve equal to the prior year’s funding level, such that there is always a one-year cushion against revenue shortfalls.
- Accelerate the timing of the first Legislative Auditor General’s performance audit from 2010 to no later than 2005, and every 5th year thereafter.
- Require the TSA to produce a monthly progress report to the Legislature and the Governor.

While this legislation furthers the goals of Prop 302, there are other bills or amendments to the TSA enabling legislation that would thwart the objectives of Prop 302, or would have unintended, negative consequences. We would like to work with the Legislature to help craft positive amendments that are supportive of the goals of this voter-approved referendum. Please contact our office or that of our legal counsel (Lee Stein or Sarah Strunk at Fennemore Craig, P.C.) if you would like our assistance.

SITE SELECTION PROCESS UPDATE

Multipurpose Assessment Team Update – In preparation for receiving the various site proposals, the multipurpose assessment team, which is one of three review teams evaluating the proposals has continued to ramp up to assist the TSA Board of Directors in selecting the ultimate site. The objective of the multipurpose assessment team is to identify the site that will provide the best opportunity to host various non-football events on a year-round basis. Included on this team are Kelly Leid, TSA Vice President of Operations, representatives of Hunt Construction Group, the Arizona Cardinals, Fiesta Bowl, and construction consultants for the TSA

Constructability Assessment Team Update – The Constructability Assessment Team is led by Kenny Harris, TSA Vice President for Facilities and includes representatives of Hunt Construction Group, The Arizona Cardinals, Fiesta Bowl, and construction consultants for the TSA. The purpose of this team is to A) Complete a thorough evaluation of all site soil conditions for adequate foundation design, B) Determine the likelihood that the site can be delivered and prepared for a construction start of August 2002, C) Review the freeway and street access to each site, and D) Estimate the costs for infrastructure improvements. The site selection process has brought TSA staff and the site host teams much closer together, allowing the exchange of a tremendous amount of information on the project. The first rounds of work sessions were held January 9, 10, and 11 with each of the eight site hosts. The two-hour sessions produced greater clarification of our expectations and site host responsibilities. Questions

raised by the site proposers were used to expand our RFP and were incorporated in the first addenda issued on January 18.

Each site host requested a second round of meetings. These two-hour sessions were held January 18, 22, 23, and 24. Once again, site hosts worked with TSA staff to generate more clarifications, which were issued in the second addenda on Feb 1. The site hosts were grateful that our work sessions enabled them to place accurate assumptions, cost estimates, and revenue projections in their proposals, which are due February 15.

Financial/Legal Assessment Team Update

The primary objective of this assessment team is to review each of the submitted RFP’s for their financial and legal compliance with the RFP associated qualifiers and requirements. The team as assembled includes representatives of Fennemore Craig, P. C. (TSA’s general counsel), RBC Dain Rauscher (TSA’s financial advisors/underwriters), Bank One Capital Markets (TSA underwriter), the Arizona Cardinals, the Fiesta Bowl and Hunt Construction Group. The team held its first meeting on Wednesday, February 6, 2002 and has scheduled further review sessions post-February 15, 2002. Team leader, Charles Foley, TSA Chief Financial Officer, has participated in the various site host work sessions sponsored by the Constructability Assessment Team.

YOUTH & AMATEUR SPORTS (YAS) FACILITIES UPDATE

With the recent announcement of legislation that would move youth and amateur sports funding ahead of TSA operations, the TSA staff will be working with the youth and amateur sports community to identify ways to further engage interested stakeholders in making sure that the needs of the youth and amateur sports community are addressed in the coming weeks and months. Once the John F. Long lawsuit is resolved, the TSA plans on expediting awards to those who have submitted proposals to the TSA for youth and amateur sports funding for fiscal year 2001-2002.

Meanwhile, the TSA Board Chairman Jim Grogan announced the formation of a Youth Sports Advisory Committee to advise the TSA on needs and to help ensure that these monies are well spent. The Advisory Committee will include a representative of every chartered youth sports organization in Maricopa County.

TSA/CARDINALS MULTIPURPOSE FACILITY UPDATE

Although the new multipurpose stadium project is not yet under construction, the TSA staff has already begun to lay the “groundwork” for making sure that the facility, with its unique multipurpose features and the operation of the facility represents the “best practices” for sports and entertainment venues. Kelly Leid, Vice President of Operations for the TSA recently attended the Stadium Managers Association conference held in Tucson to glean facility operational practices of sports facilities from around the country. The conference

represented a great opportunity for the TSA to learn about the latest information on sports facility services, stadium security, and venue marketing concepts.

The goal is to begin site preparation work at a chosen site in May 2002. Additional soil borings and site specific building design will be required, along with any site preparation or debris removal required by the site host ahead of the start of construction in August or September.

CACTUS LEAGUE UPDATE

City of Surprise – The Tourism and Sports Authority, at its February 7, 2002 Board of Directors meeting, unanimously approved a second amendment to the existing IGA with the City of Surprise. The amendment authorizes up to an additional \$6,000,000 in bond proceeds for the spring training facility currently under construction for the Texas Rangers and Kansas City Royals. For each month that the TSA is unable to issue our portion of the project bonds, an additional \$600,000 is added to the original \$26 million commitment. The second amendment begins January 1, 2002 and expires on October 31, 2002.

The purpose for this amendment is to provide financial relief to the City of Surprise since they have self-funded this project since its inception. The TSA was to have provided its \$26 million contribution on or before October 31, 2001. This has not been possible due to the pending John F. Long litigation.

The City is able to continue funding the project through October 2002 using interfund borrowing. This interfund borrowing has an additional financing cost component associated with it and the TSA, through the second amendment, is helping to offset those additional financing costs.

Under the terms of the original IGA the TSA was to contribute \$26 million to the \$48 million project. Under this new agreement, the maximum that the TSA will contribute will be \$32 million or 66% of the total cost of the project. How much additional cost to the TSA is incurred is directly linked to how long John Long chooses to drag out his lawsuit. Per Senate Bill 1220, the TSA is allowed to contribute up to two-thirds of the total cost of such a project.

SUPER BOWL REPORT

The Patriots' stunning victory over the heavily-favored Rams is history, but the effect of the Super Bowl is not lost on any community in which it is played. It is estimated that Super Bowl XXX created over \$300 million in economic activity in the Valley when it was played here in 1996. The legislation that created the TSA focused on luring this economic powerhouse back to the Valley with specific language regarding the multipurpose facility and the number of suites, number of seats, and the areas for the NFL experience both in and outside of the facility. It is anticipated that Arizona will be added to the rotation of cities that regularly host the Super Bowl, every 5th year or so. The next open date is 2007.

TSA Open Meetings Scheduled for February and March 2002

February 7 –	Board Meeting 9:00 a.m., Surprise Spring Training Complex
February 22 –	New Site Selection Bus Tour 7:30 (departs from TSA Offices)
February 28 –	Board Meeting 5:00 p.m., Embassy Suites – Biltmore 2630 E. Camelback Rd., Phoenix
February 28 –	New Site Selection Open House 6:30 p.m., Embassy Suites – Biltmore 2630 E. Camelback Rd., Phoenix
March 5 –	Board Meeting 7:30 a.m., Embassy Suites – Biltmore <i>Purpose:</i> Select 2 or 3 Finalists for New Multipurpose Facility
March 21 –	Board Meeting 7:30 a.m., Embassy Suites – Biltmore <i>Purpose:</i> Select Winning Site and Runner-Up for New Multipurpose Facility

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