

**TSA Open Meetings held during  
June 2002**

June 12 – Finance Committee Meeting  
 June 25 – TSA Board Meeting

**SUMMARY**

**Site Selection Update** – Authority votes to end Exclusive agreement with Mesa at June 25 meeting.  
**NCAA Final Four** – Possible bid for 2008/2009/2010 games.  
**Website Update** – TSA launches updated website.  
**Operations Issues** – Kelly Leid Returns to Denver. TSA to recruit nationally for his replacement.  
**Lawsuit Update** – Oral arguments are heard in appeals court on June 3<sup>rd</sup>.  
**Financial Overview** – TSA ends first full fiscal year.

**SITE SELECTION UPDATE**

The Board of Directors voted on June 25<sup>th</sup> to end Mesa’s role as the primary site for a multipurpose facility and accelerate the pace of discussions with other sites that may be a more suitable alternative.

The all-volunteer citizen board voted 6-2 to work with alternative sites and to extend the memorandum of understanding (MOU) with Mesa only if a clause ending the city’s exclusivity as the primary site is included.

The MOU with Mesa for the site expired June 26 without the completion of several key agreements despite a 12-day extension granted to the original June 14 deadline.

The board heard comments that these components – primarily the agreement with the Hurley family for land and parking, and agreements with development partners ASU, Salt River Pima Maricopa Indian Community, and the Scottsdale and Mesa Convention and Visitors Bureaus – could not be completed before the expiration date.

The board needed to move forward due to the lack of agreements and an upcoming referendum which impacts a pending Sept.12 deadline for the authority set by the state legislature.

Recent legislation (HB 2177) gives the flexibility in considering most any site offered at any time. This law allows the TSA to consider tribal sites, state sites, county sites and municipal sites. But this same legislation sets a Sept. 12 deadline for the TSA to deliver a site agreement to the Governor and Attorney General.

**NCAA FINAL FOUR**

The NCAA Final-Four Basketball Championship has become an enormous collegiate event, bringing up to 60,000 fans and a supporting cast of thousands to one lucky city during the first week of

April. This year, the event was held at the Georgia Dome in Atlanta. Over the next 5 years, the event will be in New Orleans (Super Dome), San Antonio (Alamo Dome), St. Louis (former TWA-Dome), Indianapolis (RCA-Dome), and back to Atlanta.

Note that all venues are domed football stadiums. This is due to NCAA requirements that the facility must have a seating capacity of at least 30,000 (40,000+ is preferred) and the facility must have a fixed roof or an operable roof that can close. No basketball arenas hold over 30,000 fans, so football stadiums have become the norm, particularly with the NCAA showing in Georgia that it can sell some 60,000 seats!



CBS Television Set at the Georgia Dome.

Also, note that the regular rotation of venues does not provide the opportunity to bring this mega event to a city west of Texas. The TSA has already initiated discussions with the NCAA and it is clear that they would relish the opportunity to bring this event to the Valley of the Sun the first week in April, a beautiful time of the year to enjoy our golf, hiking, and other outdoor activities.

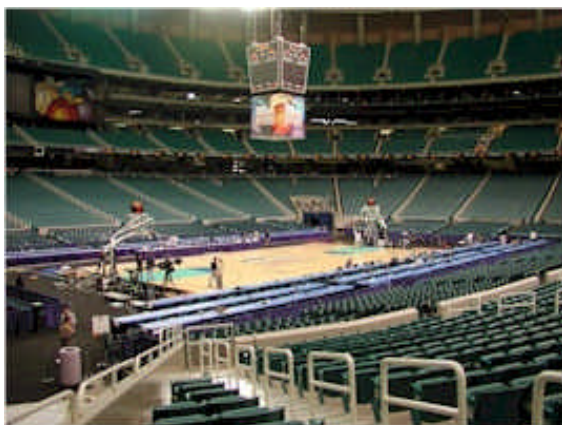


One of many interactive youth exhibits at the NCAA Final Four Experience.

The timing would be great for Valley hoteliers, as the first week of April begins the “shoulder” season, when room rates begin to fall to keep occupancy rates high. The NCAA requires some 7,700 rooms for its own use over a 4-5 day period, while another 10-15,000 rooms will be utilized by visiting fans. The overall economic impact of Atlanta’s NCAA Final-Four Championship was estimated at \$45-\$50 million.

The next round of site selection is just a year away, in July 2003, at which time the NCAA Men’s Basketball Committee will select sites for the Championships to be held in 2008, 2009, and 2010. While the time is running short for putting a bid together, the TSA will be working with Arizona State University and others to determine whether there is still time to put a proposal together and compete.

Other competing sites are expected to include: Houston (new Reliant football stadium, home to the NFL’s Houston Texans and the Houston Rodeo), Minneapolis (Metro Dome), New Orleans and San Antonio. As you can see, certain cities like New Orleans, San Antonio and Indianapolis are part of a regular rotation, and can expect to host this event every 6<sup>th</sup> or 7<sup>th</sup> year. We are expecting that the Valley of the Sun can break into that rotation and become the pre-eminent location for this championship in the Western United States.



Final Preparations take place on the basketball court at the Georgia Dome.

**WEBSITE UPDATE**

On June 21<sup>st</sup>, we unveiled an updated website. One new feature is the addition of a site map which can be used to locate information easier. Our goal was to help the public and media stay informed, while allowing them to use the website as their first source of up to the minute information. The website is at [www.az-tsa.com](http://www.az-tsa.com).

**OPERATIONAL ISSUES**

Vice President of Operations Kelly Leid has decided to return to Denver with his new wife, who is also from the Mile-High city. National recruitment will begin for this position later this summer. Until that time other staff members will work together to ensure Kelly’s projects such as the Youths Sports Facilities Survey stay on track.

**LONG LAWSUIT UPDATE**

As the John Long lawsuit against the TSA approaches its tenth month, we are hopeful this expensive and ill-timed lawsuit is close to being put behind us.

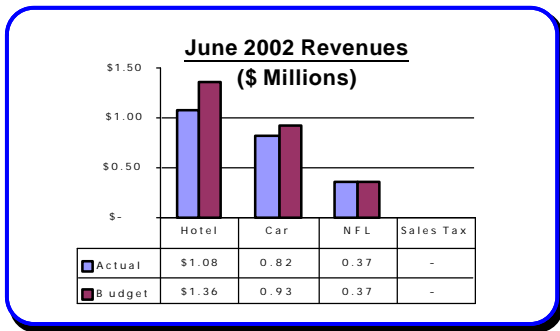
Long filed his suit in Maricopa County Superior Court on September 10, 2001. On November 5, 2001, Judge Mark Santana ruled in favor of the Authority on all three constitutional issues raised by Long. Furthermore, Judge Santana ruled that the Long suit was barred by the doctrine of laches, meaning that the plaintiff (Long) had unreasonably delayed in commencing his cause of action and that there has been significant prejudice as a result of the delay. Now, some 7 months later, the case is finally fully briefed on the Long appeal of Santana’s ruling. Oral arguments were made June 3<sup>rd</sup>. A decision from the appeals panel should come within the next few weeks.

**FINANCIAL OVERVIEW**

**Sources** – June 2002 marked the end of the first full fiscal year in which the Authority received twelve months of various revenues. The following table compares our actual monthly tourism revenue receipts for June 2001 and June 2002. While last year’s results showed better results than the current year, this June’s results are still a strong showing when considering the slowly improving condition of the tourism industry both locally and nationally.

(\$ Millions)	June '01	June '02	\$ Chng	% Chng
Hotel Bed Tax	\$ 1.17	\$ 1.08	\$ (0.09)	(7.9)%
Car Rental	0.90	0.82	(0.08)	(8.9)%
Total	\$ 2.07	\$ 1.90	(0.17)	(8.3)%

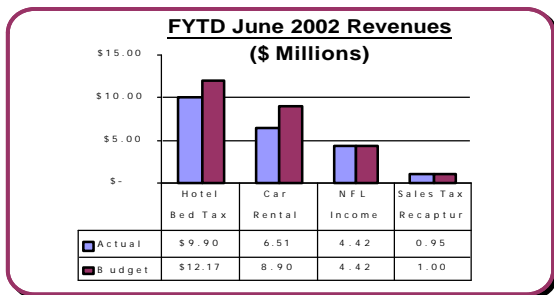
Overall, the June 2002 revenues were strong compared to our post-September 11<sup>th</sup> forecast. Our revised forecast predicted a 20% decrease for the month. June’s actuals, however, were 15% better than our revised forecast.



The full-year fiscal 2002 tourism revenues totaled \$16.4M compared to an original budget of \$21.1M (\$4.7M, 22% decrease). Our post-September 11<sup>th</sup> revised revenue forecast projected a total of \$16.3M in tourism revenues – a \$0.1M difference from our fiscal year actuals.

In light of these significantly decreased revenues, the Authority was still able to meet all of its statutory obligations including:

- \$10.0M in bond principal repayment to Wells Fargo Bank/Bank One plus associated interest costs
- \$4.0M toward tourism promotion in Maricopa County through the Arizona Office of Tourism
- \$3.0M in support of Cactus League spring training baseball
- \$1.0M for youth and amateur sports projects in Maricopa County



**Tourism** – The Authority made its scheduled, statutory distribution to the tourism fund and the Arizona Office of Tourism of \$0.35M. This represents an increase of 5% over the prior month in accordance to the statutory funding requirements.

**Cactus League** – The scheduled monthly distribution of \$0.25M was made to the Cactus League Promotion Account with further distribution to the City of Surprise per Amendment One to the original Intergovernmental Agreement.

**Youth and Amateur Sports** – In the month of June, the monthly distribution was increased by 1/12<sup>th</sup> of \$100,000 in accordance to the statutory funding requirements. The monthly amount distributed to the Youth and Amateur Sports account was \$91,666.67. In addition, the Authority created the new Youth and Amateur Sports Reserve account in order to comply with HB2177. The Authority was able to make the reserve accounts first 1/12<sup>th</sup> distribution of \$83,333 based on the prior twelve months' statutory funding requirements.

**Bond Repayment** – The Authority has one final bond payment to Wells Fargo Bank/Bank One of \$5.0 million due on December 31, 2002. If the Authority is able to issue the bonds for the multipurpose facility prior to the end of the calendar year 2002, this bond repayment will be made at the time the net proceeds are received from the bond sale.

**Fiscal Year 2003 Budget** – The annual budget for the Authority was officially approved by the board of directors on Tuesday, June 25, 2002. It had previously been reviewed with the members of the Authority's finance committee at its public meeting on June 12, 2002. The budget in its entirety can be found at the Authority's website: [www.az-tsa.com](http://www.az-tsa.com).

The following is the Executive Summary from the fiscal 2003 budget:

SOURCES	FY '03 Budget
<b>Tourism Revenue Clearing Account</b>	
Hotel Bed Tax	\$ 10,541,081
Car Rental Surcharge	6,309,063
Interest Income	38,379
<b>Total Tourism RCA</b>	<b>\$ 16,888,523</b>
<b>Facilities Revenue Clearing Account</b>	
Sun Devil Stadium STR	\$ 979,471
NFL Income Tax	4,138,999
AZ Cardinals Rent (a)	-
Fiesta Bowl Ticket Surcharge (a)	-
Sales Tax Recapture on MPF Use (a)	-
Non-Football Events Revenue (a)	-
Interest Income	11,671
<b>Total Facility RCA</b>	<b>\$ 5,130,142</b>
<b>Total Sources</b>	<b>\$ 22,018,664</b>
USES	
Debt Service Account:MPF Bonds	\$ 12,568,752
Tourism Fund (b)	4,217,500
Debt Service:Cactus League Bonds	1,900,000
Cactus League Renovation Account	1,100,000
Youth and Amateur Sports	1,108,333
Operating Account	2,696,966
Youth and Amateur Sports Reserve	1,008,333
Operating Reserves (c)	(2,581,220)
Interest Income/(Expense)	
<b>Total Uses</b>	<b>\$ 22,018,664</b>
<b>Net Sources/(Uses)</b>	<b>\$ -</b>

(a)Applicable when the MPF is operational in FY2006

(b)\$2.2 million is returned to the state's general fund

(c)A lower tourism revenue forecast for FY2003 will require that \$2.6M of projected operating reserves be used to meet the various statutory distributions. We expect to begin the year with approximately \$4.4M in operating reserves.

**Audit** - The Authority, in conjunction with its outside audit firm, Ernst & Young, LLP, is in the final stages of completion of the fiscal year 2001 audit. This is the first required audit of the Authority. Due to the unique statutory nature of the Authority the audit has required extra time and effort by the audit team and its representatives, both on a local and national level, as well as the Authority. The final work centers on the format of the report, the accompanying financial statements and the management discussion and analysis section. Once completed, it will be presented to the Authority's finance committee for review prior to being presented to the full board of directors.