

SUMMARY

Youth & Amateur Sports Summit – Stakeholder groups shaping local sports legacy for next 30 years.

Project Management Agreement – TSA & Cardinals reach agreement on pivotal document governing design and construction of new multipurpose stadium in Glendale.

Cactus League Developments – 2003 Spring Training off to damp but enthusiastic start. Surprise stadium inaugural game.

Bond Sales - February 2003 a milestone for Authority as long-awaited bond sales for both the multipurpose stadium project and the spring training complex in Surprise, Ari. came to fruition.

Financial Overview – Hotel bed tax improves sharply based upon December activity.

- Michael Bidwill, VP & General Counsel, Arizona Cardinals;
- Doug Moss, President and COO, Phoenix Coyotes;
- Tom Ambrose, Senior VP, Phoenix Suns;
- Jeff Jacobs, Baseball Development & Outreach Manager., Arizona Diamondbacks;
- John Richardson, Exec. Dir., Peoria Diamond Club, Cactus League Charities.

Three nationally-known speakers presented their programs which represent examples of best practices along with ideas and recommendations. The speakers were:

- Anita DeFrantz, President of the Amateur Athletic Foundation in L.A., member of the United States Olympic Committee and Executive Board member of the International Olympic Committee;
- Greg Johnson, Executive Director of the Sports Philanthropy Project;
- Paul Erickson, Executive Director of the Minnesota Amateur Sports Commission.

YOUTH & AMATEUR SPORTS SUMMIT

The Tourism and Sports Authority’s Youth & Amateur Sports Summit, held Feb. 7, attracted more than 150 stakeholders to learn about grant opportunities and to exchange ideas on the best practices in developing sports programs and facilities.

Hosted by the Arizona Cardinals at their training facility in Tempe, and sponsored in part by the Arizona Department of Health Services and CMX Sports Engineers, the event drew from various groups such as municipal Parks & Recreation offices, non-profit groups and school districts.

DeFrantz is truly one of the world’s movers and shakers when it comes to the area of amateur athletics. Her keynote address described the organization and mission of the Amateur Athletic Foundation, a legacy group created after the 1984 Olympic Games in Los Angeles.



More than 150 stakeholders attended the Youth Sports Summit

The day-long event featured national and local experts in the field, representatives from the local area professional sports teams and reports from the Authority’s advisory committee members.

A panel of representatives from the professional sports teams presented an overview of their youth and amateur sports efforts and programs and the impact and reach in the community. The moderator of the panel was Greg Johnson, Executive Director of Sports Philanthropy Project. Appearing on the panel were:



Anita DeFrantz

Johnson’s presentation centered on the best practices of community and professional sports organizations in forming partnerships to leverage their contributions to their cities.

Erickson's presentation offered some highly applicable nuggets of experience in his work with the National Sports Center located in Blaine, Minn, which is now the state's No. 1 amateur sports tourism destination.

The authority is planning more public meetings and sessions for input from stakeholder groups. The feedback is being considered as the Authority works with its Youth and Amateur Sports Advisory Committee to complete a facilities inventory and to revamp the grant application and evaluation process.

PROJECT MANAGEMENT AGREEMENT

With mass excavation scheduled to start in June, the TSA and Arizona Cardinals management teams worked to complete a very important document that will determine how construction decisions will be made. The Project Management Agreement (PMA) outlines roles and responsibilities for TSA Board Members and key construction representatives. The agreement was approved by the TSA Board at their February 11th meeting, and marks a significant milestone in the project's development.

The PMA will protect the public's interest by ensuring that the facility will be built in a manner that is not subject to excessive capital repairs, operating and maintenance costs, and has the functionality intended by the legislature and voters when Proposition 302 was passed in November 2000. Kenny Harris, the Authority representative, will keep a keen eye on certain building features known as Public Interest Criteria, including the retractable grass field tray, operable roof, utility grid in the floor to support consumer shows, trade shows and conventions, seating capacity for football events expandable to 73,000 seats, and air conditioning throughout the facility.

The PMA is the result of the recognition by the Authority of the much enhanced facility that will be designed due to the increased capital contribution of the Arizona Cardinals. Over and above their statutorily required capital contribution of \$85 million, the Team will provide up to an additional \$24.3 million to fund the anticipated shortfall in budgeted project costs; to fund cost overruns not attributed to the design-builder; to purchase 165 acres of land and donate approximately 25 acres to the TSA.

A function of the PMA is to set a framework that will allow the facility to be constructed in a reasonable manner, recognizing the requirements and needs of the public, and balancing the increased risk and contribution of the Team. During construction, decisions and disputes must be resolved in an efficient manner or the project schedule and budget can be jeopardized. Therefore, the PMA ensures that the material changes and decisions that impact the Public Interest Criteria be resolved expeditiously.

Included in the PMA is the project organization, and structure to allow implementation in the following manner:

February to September 2003 - The TSA and Cardinals direct Eisenman Architects and HOK Sport to complete conceptual, schematic, and detailed drawings within the hard cap budget of \$355.3 million. During this phase, Hunt Construction provides constructability expertise, budget consultation, and the Guaranteed Maximum Price (GMP).

September 2003 to July 2006 - Hunt assumes control over the project consultants and subcontractors in the traditional design-build delivery model. The Team representative, Mike Rushman, in consultation with the Authority representative, has primary responsibility for oversight, monitoring and project coordination. The TSA Board of Directors carries out their duties as described in the legislation and the PMA for construction oversight.

In summary, the PMA represents a legal framework that will govern the remaining design and construction process. Soon, groundbreaking and celebrations will christen the start of the most unique multipurpose facility built anywhere in the country.

CACTUS LEAGUE DEVELOPMENTS

City of Surprise Hosts Annual Cactus League Kick-off Luncheon—On February 19th, the new Surprise Stadium played host to the Cactus League's annual prelude to the Spring Training season. All 12 of Arizona's teams were represented at the gathering and each provided an assessment of the team's prospects for the coming year. Included were Arizona's two newest teams, the Kansas City Royals and the Texas Rangers, who will share their new Surprise "home away from home".

TSA Board Presents Commemorative Check for \$32 Million at City of Surprise Opening Game—The Board members and staff of the Arizona Tourism and Sports Authority were recognized for their significant contributions in getting the Surprise Spring Training Complex completed on time and on budget. In spite of a 15-month long lawsuit that threatened to put the Authority out of business, the Authority crafted a plan that rewarded the City for completing construction with its own funds until such time that the Authority could issue Cactus League bonds and complete its funding commitment. The plan worked like a charm when the Arizona Supreme Court ended the John F. Long lawsuit on December 4, 2002. As explained elsewhere in the month's report, the TSA completed its Cactus League financing on February 19th and the remaining \$26.7 million of funds were wire transferred to the City of Surprise, which brought the total TSA funding to \$32 million, nearly two-thirds of the \$48+ million cost of the Surprise Spring Training Complex.



Authority Chairman Jim Grogan (right) & President/CEO Ted Ferris (center) present Mayor Joan Shafer with a ceremonial check for \$32 million

TSA Board Approves Funding Commitment of \$4.3 Million, or Two-Thirds of \$6.4 Million Upgrade of Phoenix Municipal Stadium—On February 11th, the Authority’s Board of Directors adopted a Resolution pledging up to \$4.3 million toward planned improvements totaling \$6.4 million in Phoenix Municipal Stadium, home to the Oakland Athletics. In return, the Oakland A’s will extend their lease by an additional 10 years, until the year 2014.

The improvements will include new dugouts, additional seating, an improved entrance, new directional graphics, shading of concourses with trees and shade screens, and a significant expansion and upgrading of the press area.

BOND SALES

February 2003 was a milestone for the Authority as the long-awaited bond sales for both the multipurpose facility project and the spring training complex in Surprise, Arizona came to fruition.

Multipurpose Facility Bonds - \$221,950,000

The Authority priced and sold its bonds on Tuesday, February 4, 2003. The sales effort was led by RBC Dain Rauscher, Inc., Senior Managing Underwriter, and Bank One Capital Markets, Inc., Co-Senior Managing Underwriter. Overseeing the bond sale on behalf of the Authority were the Authority’s President and CEO, T. Ferris, its CFO, C. Foley, Board Member, R. Williams and the Authority’s pricing consultant, Western Financial Group. The bonds, which are insured by MBIA Insurance Corporation, received ratings of Aaa from Moody’s and AAA from Fitch.

Following a pre-pricing conference call at 7:30 a.m., the RBC Dain Rauscher underwriting desk opened the sale to the marketplace. At the local RBC offices, a projection system had been setup that allowed the near-to-real time monitoring of the sales activity by bond series. In less than several hours the entire issue had not only been sold but had been significantly oversubscribed. By the time the order period was closed, nearly \$900 million in orders from sixty-one institutions and an unknown number of retail buyers had been received. This allowed the pricing scale to be improved for several of the bond series resulting in a true interest cost to the Authority of 4.92% with an average life of 21.1 years and a final maturity in 2031. The bonds closed successfully one week later on February 12th.

Cactus League Bonds - \$32,400,000

On the Tuesday following the multipurpose facility bond issue, the Authority sold its subordinate bonds. RBC Dain Rauscher, Inc. was the sole Managing Underwriter on this issue. Overseeing the bond issue on behalf of the Authority was its CFO, C. Foley, and its independent pricing agent, Western Financial Group. This issue was not insured and received a Baa1 rating by Moody’s and a BBB by Fitch.

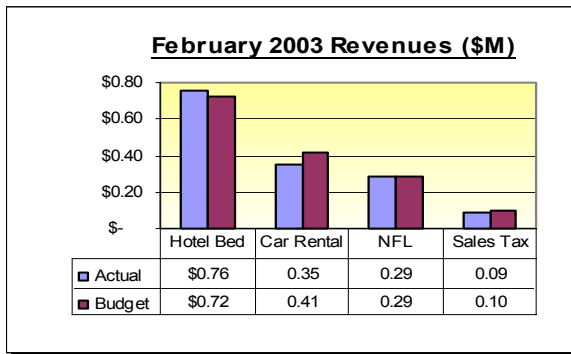
As was expected, this issue did not generate the same level of interest as the Authority’s senior bonds the prior week. Due to its smaller issue size, credit factors and being uninsured resulted in fewer buyers placing orders (seven institutional buyers and an unknown number of retail buyers). However, the bonds did receive more than sufficient interest by generating nearly \$55 million in orders. Several series were re-priced prior

to the close of the order period at which time the entire issue had been sold.

The bonds have a true interest cost of 4.93% and an average life of 9.5 years with the final maturity in 2016. These bonds closed successfully on February 19, 2003.

FINANCIAL OVERVIEW

Sources – The following chart provides our actual v. budgeted February 2003 performance which reflects December 2002’s sales activity:



For the first time this fiscal year the **hotel bed tax** outperformed budget (up \$30,797 or 4.2%). At the same time, the hotel bed tax rose significantly over the same period the prior year -- a gain of 15.1% or \$99,075. This is a positive sign as we enter into the peak tourism season in Arizona.

On a combined basis for February, however, our **tourism revenues** were down a total of \$31,477 or 2.8% from budget due to our **car rental surcharge** revenues underperforming budget by \$62,273 or 15.1%. This may be partially explained by the fact that our expected actual car rental contracts were down by 43,038 contracts, or 23.4%. This could mean that fewer out-of-state visitors came in December, but more of the local population, or regional driving population, took advantage of many of the hotels special offers during the holiday season. On a fiscal YTD basis, the tourism revenues continue to outperform our projections by \$259,995, or 2.8% due to the car rental surcharge revenues.

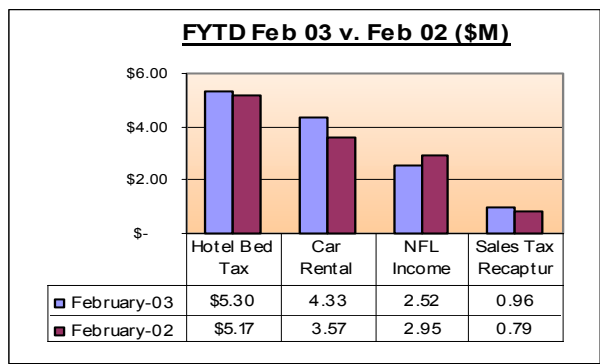
Next month we will be receiving the first revenues from the four heaviest tourism months of the year (January – April). With the prognosis for a banner spring training baseball season combined with a great start to the new year (Fiesta Bowl national championship, Phoenix Open, Barrett Jackson car auction, etc.) it is hoped that tourism gets a well-earned boost. While events such as a possible war with Iraq hang heavy over the entire nation, we remain hopeful that the local tourism economy will not be significantly impacted.

The **NFL income tax** for the current month, \$285,803, reflects the final month’s worth of adjustments to account for the correction issued by the Arizona Department of Revenue (refer to the October 2002 Monthly Report). The adjusted amount to be received for FY2003 will be the guaranteed statutory minimum of \$3,784,320. During the final four months of this fiscal year we will receive the monthly amount of \$315,360 (annualized it equals the statutory minimum).

This is also the first month that the Authority will be segregating the NFL income tax revenues into two separate categories according to the opinion that was rendered by the Appeals Court in the Long lawsuit. The Authority has issued instructions to the State Treasurer's office to transfer 89% of the amount to our pledged account and the balance to the non-pledged account. The pledged amount, \$254,365, is that portion of the NFL income tax that we have calculated as being from football-related activity and therefore can be used as a pledged for repayment of our debt service on our two bond issues. The non-pledged portion, \$31,438, is to be used solely for meeting the first monthly operating obligations of the Authority. These amounts are being directed to two separate bank accounts from which disbursements and/or distributions will be made. The amount that is apportioned between these two categories will be re-calculated by the Authority on an annual basis. It is important to note that while there is the requirement to segregate these funds from a bond pledge standpoint, the total amount of these monies are still available for making timely bond debt service payments.

In February we received \$91,444 in **state sales tax recapture** revenues which represents the sales activity from the final two Cardinals' home games held in December 2002. This should be the final amount received during this fiscal year. The total received this fiscal year is \$959,610 which is \$19,861, or 2.0% below our current budget. Compared to last year, we experienced an increase of \$13,216 or 1.4% in sales tax recapture revenues.

The next chart provides a fiscal year-to-date comparison through the month of February 2003 v. February 2002:



We are pleased to continue to report that this year's performance from all revenue sources is better by \$74,093, or 5.3%, on a monthly basis and \$627,111, or 5.0%, on a fiscal YTD basis. The results are even more favorable when considering only the tourism tax revenues. On a fiscal YTD basis, this year's tourism revenues are \$882,644, or 10.1% higher than for the same period one year prior.

Tourism – For FY2003 the Authority has been instructed by the state legislature to split the monthly statutory distribution of \$350,000. Over the course of this fiscal year, the Authority will pay a total of \$2.0 million to the Arizona Office of Tourism and \$2.2 million to the state's general fund. The Authority made these payments in February.

Cactus League – The scheduled monthly distribution of \$250,000 was made to the Cactus League Promotion Account with further distribution to the City of Surprise per Amendment One to the original

Intergovernmental Agreement. This was the final distribution made to Surprise as the Authority closed its bonds on February 19th and immediately transferred the net balance due and owing, \$26.7 million, to the City of Surprise. The balance of the bond proceeds, \$5.3 million, was transferred to the Cactus League General subaccount for future Cactus League renovation projects such as the one approved by the Authority's board for Phoenix Municipal Stadium (up to \$4.3 million).

Youth and Amateur Sports – The Authority met its financial commitment to the Valley of the Sun YMCA and their South Mountain YMCA Sports Complex project by transferring \$150,000 on February 27th. This is the second large payment made by the Authority in as many months with the first one going to the City of Avondale in January 2003 for \$138,502.

The February 2003 statutory funding amount distributed to the Youth and Amateur Sports account was \$91,667.

Audit – The statutorily mandated performance audit currently being conducted by the Arizona Auditor General's office is in its preliminary research phase. According to the Auditor General's office, it is expected that the audit will require a total of six to eight months to complete and will be transmitted to the legislature in the fall.

Banking – The Authority moved its banking relationship to Bank One for both its commercial and trust accounts in February 2003.

Recent Events

- 2/7/03 Youth & Amateur Sports Summit, AZ Cardinals Training Facility
- 2/11/03 TSA Board Meeting, TSA Office
- 2/19/03 Cactus League Kickoff Luncheon & Auction, City of Surprise Spring Training Facility
- 2/22/03 City of Surprise Sundancers Inaugural Celebration "A Night at the Yard 2003" *(Proceeds to Benefit DreamCatcher Park a Multi-use Recreational Facility to Serve Individuals with Special Needs & Physical Challenges)*
- 2/28/03 City of Surprise Spring Training Facility Opening Game

Upcoming Events for March

- 3/18/03 New Multipurpose Stadium Groundbreaking
- 3/22/03 Boys & Girls Club of Metro Phoenix Dinner Honoring TSA Board Member Bill Peltier as its Patron of the Year
- 3/23/03 NFL Owners Meeting at the Arizona Biltmore – Arizona's Super Bowl Bid Committee to Make Pitch for 2008 Super Bowl.

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