



Fiscal Year 2005 Budget

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Past, Present and Future - An Overview

It is our privilege to provide you with the fourth annual budget for the Arizona Sports and Tourism Authority.. This budget covers the period July 1, 2004 through June 30, 2005. Our guideline for the completion of this package comes in the authority of Section 5-831 Arizona Revised Statute (ARS). The sections included in this budget have been arranged to closely match the eight annual requirements outlined in Senate Bill 1220.

In last year's budget overview we discussed the lackluster economic recovery, the fallback in the stock market, historically low interest rates and the continued concern of all levels of government to maintain balanced budgets in light of lower revenues. The good news is that the economy, in general, has exhibited signs of recovery during the past fiscal year. The better news is that the tourism sector has continued to recover its way back to pre-September 2001 levels ahead of the general economic recovery. Even while the war in Iraq captures the world's attention and growing fears of inflation have surfaced, the outlook for travel and tourism, in general, continues to be generally optimistic.

Tourism is our state's number one industry and it is what currently provides for the majority of the Authority's funding sources. Our tourism revenues

are comprised of a 1% hotel bed tax and a 3.25% car rental surcharge on related activity within Maricopa County. These two

revenue sources comprise approximately three quarters of our total annual funding sources. Following the devastating impact on tourism of September 11, 2001, the Authority chose to follow the general consensus of tourism consultants nationwide. We built into our last two fiscal budgets a revenue forecast that would return us to pre-September 11th, 2001 revenue levels by the end of fiscal year 2004. Based on our reported results through the first ten months of FY2004 it appears that by this fiscal year's end we will have met and exceeded this goal. We are projecting that we will end the current fiscal year with \$18.8 million in tourism revenues versus the \$18.1 million reported for the fiscal year ended in June 2001. We continue to be encouraged by this slow,

but steady improvement in tourism revenues as, through April 2004, we are 2.3% ahead of our current year forecast and 6.6% ahead of the same period for the prior fiscal year.

The past fiscal year has been filled with significant accomplishments and milestones for the Authority. The construction of the Arizona Cardinals

"Tax revenue for the tourism-related sectors of lodging, restaurant/bar, retail and amusements totaled \$435.6 million in 2003, up 4.9% from 2002."

Arizona Office of Tourism

Stadium began in July 2003 and is approximately 30% complete. Construction progress can be viewed on our website at www.az-sta.com.

The stadium is scheduled to be finished in August 2006. The NFL awarded the 2008 Super Bowl to the Valley with the promise of repeat visits on a regular basis. The Authority awarded the stadium's first management contract to Global Spectrum, a subsidiary of Comcast-Spectacor. The 2004 Spring training season was an attendance record breaker and was highlighted with the re-opening of the newly renovated Phoenix Municipal Stadium (the Authority contributed two-thirds of the project's renovation cost). Youth and Amateur Sports' year was highlighted with the granting of thirteen new awards totaling \$1.3 million (92 requests were received totaling \$35 million). The Arizona Auditor General released its first performance audit report on the Authority after a year-long process.

Fiscal year 2005 will be a year of continuing to move forward on all fronts. Looking forward the Authority will see the following unfold:

- the Arizona Cardinals Stadium will be about two-thirds completed;
- Global Spectrum will begin assembling their management and operations team in preparation for open-

"Domestic and international travelers will spend an estimated \$585 billion in the United States this year (2004), 6 percent more than in 2003."

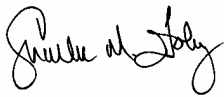
Travel Industry Association of America

Overview *(continued)*

- ing in 2006;
- additional Cactus league renovation projects will have been negotiated and executed with the Cities of Scottsdale and Tempe;
- the thirteen youth and amateur sports award recipients' projects will have been funded and completed;
- the Avondale sports field project will be completed early in the fiscal year;
- the Global Information System database project being developed by ASU for the Valley's youth and amateur sports facilities and programs will be completed and implemented on the Internet.

We look forward to continue serving you, the members of the board of directors, and the public interest at-large.

Prepared by:



Charles M. Foley,
Chief Financial Officer
and Treasurer

Approved by:



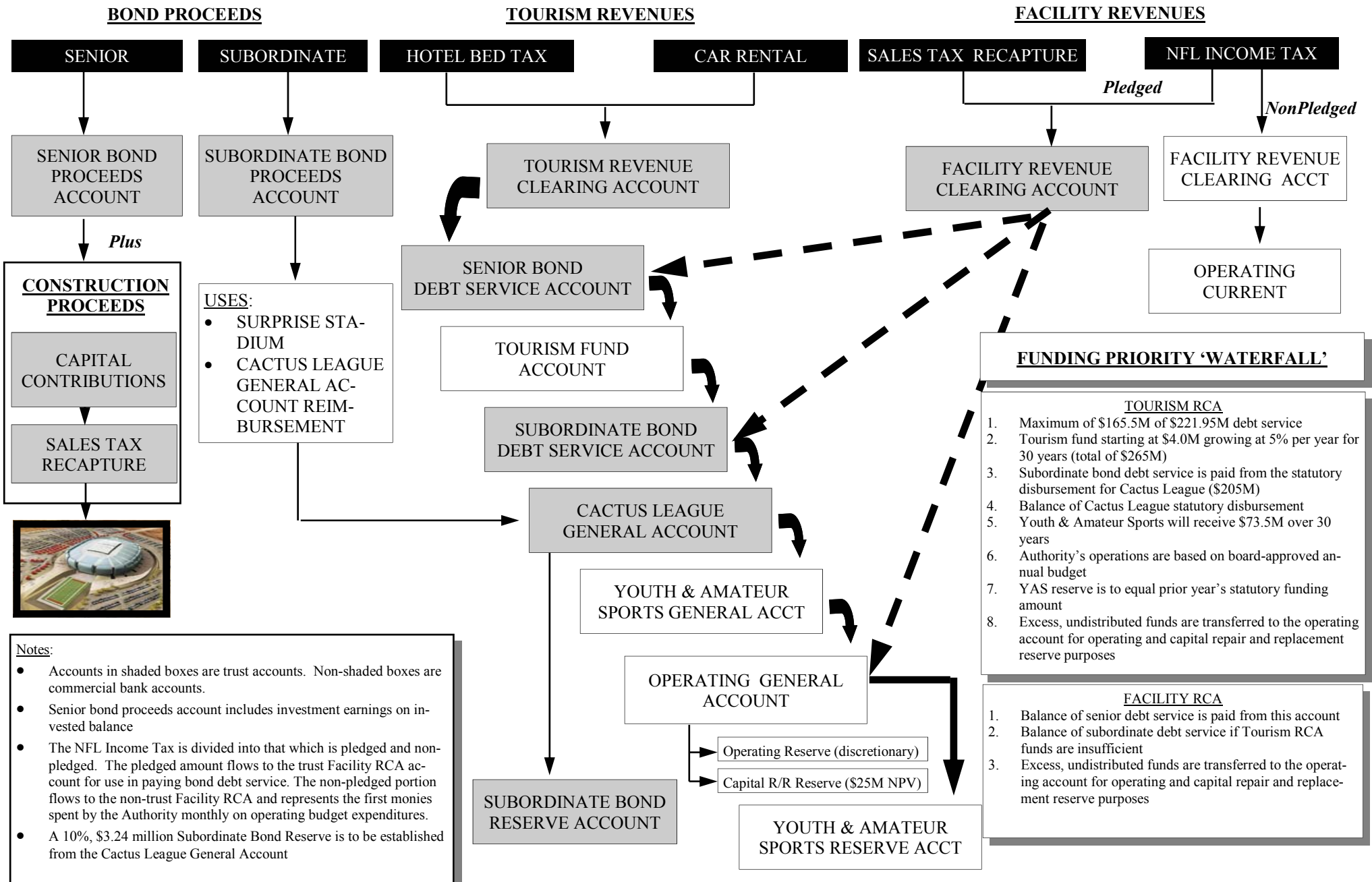
Ted A. Ferris,
President and CEO
and
Board of Directors

Executive Summary

| EXECUTIVE SUMMARY | | | | |
|---|----------------------|--------------------------|---------------------|-----------------|
| ARIZONA SPORTS AND TOURISM AUTHORITY | FY2005 | FY2004 | | |
| Fiscal Year 2005 | Budget | Projected Actuals | \$ Change | % Change |
| SOURCES | | | | |
| <u>Tourism Revenue Clearing Account</u> | | | | |
| Hotel Bed Tax | \$ 11,318,944 | \$ 10,835,385 | \$ 483,559 | 4.5% |
| Car Rental Surcharge | 8,084,332 | 7,823,825 | 260,508 | 3.3% |
| Total Tourism RCA | \$ 19,403,276 | \$ 18,659,210 | \$ 744,066 | 4.0% |
| <u>Facilities Revenue Clearing Account</u> | | | | |
| Sun Devil Stadium STR | \$ 871,499 | 741,649 | \$ 129,850 | 17.5% |
| NFL Income Tax | 4,414,031 | 4,087,066 | 326,965 | 8.0% |
| AZ Cardinals Rent (a) | - | - | - | - |
| Fiesta Bowl Ticket Surcharge (a) | - | - | - | - |
| Sales Tax Recapture on MPF Use (a) | - | - | - | - |
| Non-Football Events Revenue (a) | - | - | - | - |
| Total Facility RCA | \$ 5,285,530 | \$ 4,828,714 | \$ 456,815 | 9.5% |
| Other Revenues | | 150 | (150) | (100.0)% |
| Interest Income | 22,939 | 7,381 | 15,558 | 210.8% |
| Total Sources | \$ 24,711,745 | \$ 23,495,455 | \$ 1,216,290 | 5.2% |
| USES | | | | |
| Debt Service Account:MPF Bonds | \$ 11,143,906 | \$ 11,143,906 | \$ 0 | 0.0% |
| Tourism Fund | 4,649,794 | 4,428,375 | 221,419 | 5.0% |
| Debt Service Account:Cactus League Bonds | 2,316,988 | 2,319,875 | (2,888) | (0.1)% |
| Cactus League General Account | 683,013 | 680,125 | 2,888 | 0.4% |
| Youth and Amateur Sports | 1,308,333 | 1,208,333 | 100,000 | 8.3% |
| Operating Account | 2,818,712 | 1,427,868 | 1,390,844 | 97.4% |
| Youth and Amateur Sports Reserve | 91,666 | 25,000 | 66,666 | 266.7% |
| Operating Surplus/(Deficit) | 1,699,333 | 2,261,973 | (562,640) | (24.9)% |
| Total Uses | \$ 24,711,745 | \$ 23,495,455 | \$ 1,216,290 | 5.2% |
| Net Sources/(Uses) | \$ - | \$ - | - | - |

(a) Revenue sources are not applicable until the Multi-purpose facility is operational in FY2006

Funding Sources and Uses Flowchart



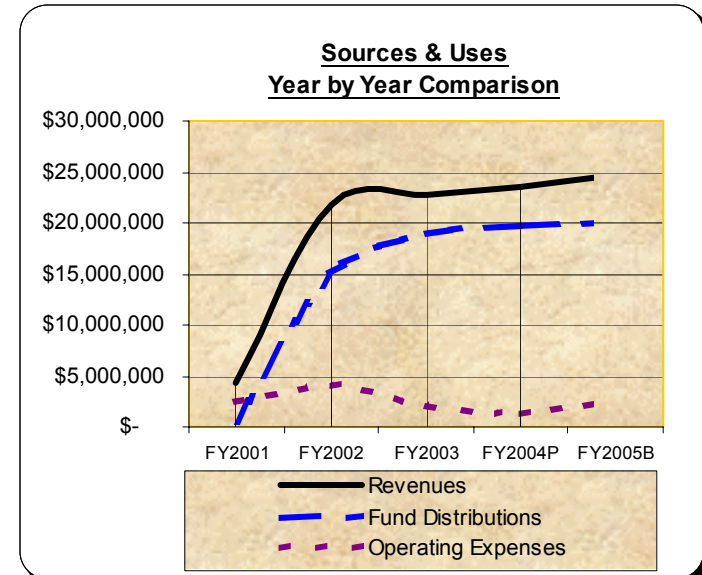
Statement of Operations—Fiscal Year 2004

| Item | Projected FY 2004 | FY 2004 Budget | \$ Change | % Change |
|---|----------------------|----------------------|---------------------|----------------|
| SOURCES | | | | |
| Hotel bed tax | \$ 10,835,385 | \$ 10,779,947 | \$ 55,439 | 0.5% |
| Car rental surcharge | 7,823,825 | 7,699,364 | 124,461 | 1.6% |
| User fees | - | - | - | - |
| NFL income tax | 4,087,066 | 4,087,066 | - | 0.0% |
| Sales tax recapture | 741,649 | 1,145,360 | (403,711) | (35.2%) |
| Other operating revenues | 150 | 150 | 150 | - |
| Total Operating Revenues | \$ 23,488,074 | \$ 23,711,736 | \$ (223,662) | (0.9%) |
| OPERATING EXPENSES | | | | |
| Marketing and Promotion | \$ 66,920 | 55,000 | \$ 11,920 | 21.7% |
| Payroll and Benefits | 645,562 | 871,149 | (225,587) | (25.9%) |
| Office | 49,454 | 41,140 | 8,314 | 20.2% |
| Professional, Legal & Outside Services | 164,370 | 688,608 | (524,238) | (76.1%) |
| Travel | 19,598 | 17,280 | 2,318 | 13.4% |
| Meetings | 3,459 | 2,400 | 1,059 | 44.1% |
| Bank/Trust fees | 26,287 | 12,000 | 14,287 | 119.1% |
| Communications | 20,214 | 29,174 | (8,960) | (30.7%) |
| Depreciation/Bond Amortization | 108,847 | - | 108,847 | - |
| Employee related | 6,227 | - | 6,227 | - |
| Office Lease | 116,010 | 114,353 | 1,657 | 1.4% |
| Insurance | 50,919 | 51,273 | (354) | (0.7%) |
| Other | 150,000 | 150,000 | - | 0.0% |
| Total Operating Expenses | \$ 1,427,868 | \$ 2,032,377 | \$ (604,509) | (29.7%) |
| OTHER FUND DISTRIBUTIONS | | | | |
| Bond Debt Service | \$ 11,143,906 | \$ 11,143,906 | \$ - | 0.0% |
| Arizona Office of Tourism | 4,428,375 | 4,428,375 | - | 0.0% |
| Cactus League | 3,000,000 | 3,000,000 | - | 0.0% |
| YAS - General | 1,208,333 | 1,208,333 | - | 0.0% |
| YAS - Reserve | 25,000 | 25,000 | - | 0.0% |
| Total Other Fund Distributions | \$ 19,805,614 | \$ 19,805,614 | \$ - | 0.0% |
| Total Other Fund Distributions | 19,805,614 | 19,805,614 | - | 0.0% |
| Operating Income | \$ 2,254,592 | \$ 1,873,745 | \$ 380,847 | 20.3% |
| NONOPERATING REVENUE/(EXPENSE) | | | | |
| Interest Income | \$ 7,381 | \$ 21,831 | \$ (14,451) | (66.2%) |
| Interest Expense | - | - | - | - |
| Total nonoperating revenue/(expense) | \$ 7,381 | \$ 21,831 | \$ (14,451) | (66.2%) |
| Net Operating Source/(Use) | \$ 2,261,973 | \$ 1,895,576 | \$ 366,397 | 19.3% |

(* Statement is unaudited)

Sources and Uses Overview — Year by Year Comparison

| Item | FY2001 | FY2002 | FY2003 | FY2004P | FY2005B |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|
| OPERATING REVENUES | | | | | |
| Hotel bed tax | \$ 2,750,976 | \$ 9,898,026 | \$ 10,247,098 | \$ 10,835,385 | \$ 11,318,944 |
| Car rental surcharge | 1,534,416 | 6,505,495 | 7,699,364 | 7,823,825 | 8,084,332 |
| NFL income tax | - | 4,420,872 | 3,784,320 | 4,087,066 | 4,414,031 |
| Sales tax recapture | - | 946,394 | 959,610 | 741,649 | 871,499 |
| Other operating revenues | - | 494 | 6,500 | 150 | - |
| Total Operating Revenues | \$ 4,285,392 | \$ 21,771,281 | \$ 22,696,892 | \$ 23,488,074 | \$ 24,688,806 |
| OPERATING EXPENSES | | | | | |
| Marketing and Promotion | \$ 190,728 | \$ 118,767 | \$ 100,244 | \$ 66,920 | \$ 40,000 |
| Payroll and Benefits | 201,838 | 707,331 | 551,837 | 645,562 | 820,004 |
| Office | 69,772 | 288,607 | 311,216 | 49,454 | 63,060 |
| Professional & Outside Services | 1,009,471 | 1,332,116 | 272,732 | 135,339 | 288,783 |
| Travel | 12,561 | 25,678 | 11,104 | 19,598 | 35,100 |
| All Other | 91,472 | 242,441 | 109,096 | 481,963 | 1,374,160 |
| Total Operating Expenses (non-legal) | \$ 1,575,842 | \$ 2,714,940 | \$ 1,356,229 | \$ 1,398,836 | \$ 2,621,107 |
| Legal | 938,584 | 1,390,313 | 816,114 | 29,032 | 197,605 |
| Total Operating Expenses | \$ 2,514,426 | \$ 4,105,253 | \$ 2,172,343 | \$ 1,427,868 | \$ 2,818,712 |
| OTHER FUND DISTRIBUTIONS | | | | | |
| Bond Debt Service | \$ - | \$ 7,000,000 | \$ 4,643,294 | \$ 11,143,906 | \$ 11,143,906 |
| Wells Fargo/Bank One Stadium Loan | - | - | 5,000,000 | - | - |
| Arizona Office of Tourism | 333,333 | 4,016,667 | 4,217,500 | 4,428,375 | 4,649,794 |
| Cactus League | 250,000 | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 |
| Youth and Amateur Sports | 83,333 | 1,008,330 | 1,108,333 | 1,208,333 | 1,308,333 |
| Youth and Amateur Sports, Reserve | - | - | 1,000,000 | 25,000 | 91,666 |
| Total Other Fund Distributions | \$ 666,666 | \$ 15,024,997 | \$ 18,969,128 | \$ 19,805,614 | \$ 20,193,700 |
| Operating Income | \$ 1,104,300 | \$ 2,641,031 | \$ 1,555,421 | \$ 2,254,592 | \$ 1,676,394 |
| NONOPERATING REVENUE/(EXPENSE) | | | | | |
| Interest Income | \$ 2,851 | \$ 136,887 | \$ 358,800 | \$ 7,381 | \$ 22,939 |
| Interest Expense | (14,470) | (58,011) | (115,225) | - | - |
| Total nonoperating revenue/(expense) | \$ (11,619) | \$ 78,876 | \$ 243,575 | \$ 7,381 | \$ 22,939 |
| Net Operating Source/(Use) | \$ 1,092,681 | \$ 2,719,907 | \$ 1,798,996 | \$ 2,261,973 | \$ 1,699,333 |



Construction - Multipurpose Facility



The Arizona Cardinals Stadium was approximately 30% complete at the time this budget was prepared. Mass excavation began in July 2003 with a scheduled completion date of August 2006. The total cost of the project is \$370.6 million with \$355.3 million of the total under the Gross Maximum Price agreement with the design-builder. — Hunt Construction Group, Inc. It is estimated that the Authority will contribute \$265.1 million and the Cardinals will contribute \$105.5 million to the total cost of the project. As of the end of fiscal year 2004 it is projected that approximately \$130 million of the total cost will have been performed and invoiced.

The Authority's funds come from several sources — the senior bond proceeds that were issued in February 2003, the state sales tax recapture funds generated by the construction project and the investment earnings related to these fund sources. Under the terms of the Authority's trust indenture these funds are held at JPMorgan Chase Bank who acquired the trust operations from Bank One this past year.

The Arizona Cardinals' funds are also held in trust at JPMorgan Chase Bank under a separate construction trust account. Monthly, scheduled payments are prepared by the Authority, reviewed and executed by the Cardinals' and Authority's representatives and forwarded to JPMorgan Chase Bank for payment.

Upon completion of and final payment for the Arizona Cardinals Stadium, any undistributed Authority construction funds may be transferred to

the Senior Bond Debt Service sub-account or applied to any other purpose if the Bond Counsel's opinion deems that there will be no adverse effect or impact on the Authority's ability to meet its debt obligations.

During the coming fiscal year major construction milestones will include the lifting of the two 700 foot long super-roof trusses and retractable roof assembly. This is projected to occur in late-February 2005 — seventeen months prior to the stadium's scheduled opening date.

Our projections related to this year's construction budget are based on a drawdown schedule provided to us several months ago.

The following schedule summarizes the sources and uses for the Construction Account for fiscal year 2005:

| Construction Account | Total \$ Amount | As % of Sources |
|---------------------------|-----------------------|-----------------|
| SOURCES | | |
| Beginning Cash Balance | \$ 143,017,747 | 75.2% |
| AZ Cardinals | 40,721,955 | 21.4% |
| Other Cap. Contr. | - | 0.0% |
| Sales Tax Recapture | 5,153,674 | 2.7% |
| Interest Income | 1,179,155 | 0.6% |
| TOTAL SOURCES | \$ 190,072,531 | 100.0% |
| USES | | |
| Construction | \$ 158,574,590 | 83.4% |
| Payables | 80,000 | 0.0% |
| Consultants | 1,048,736 | 0.6% |
| Bond Repayment | - | 0.0% |
| Operations Repayment | - | 0.0% |
| TOTAL USES | \$ 159,703,326 | 84.0% |
| NET SOURCES/(USES) | \$ 30,369,205 | 16.0% |

SOURCES

Beginning Cash Balance - \$143.0 million

The primary funding source in FY2005 will continue to be the Authority's funds from the bond sale. Based on the project's schedule of values an estimated \$158.6 million of the project's total value of \$370.6 million will be expended in the coming fiscal year. Of this amount, the Authority will provide an estimated \$118.0 million and the Cardinals will contribute \$40.7 million. This will bring the total amount expended on the project to about \$285.0 million by the end of fiscal year 2005. Of this total the Authority will have contributed approximately \$228.0 million and the Cardinals \$57.0 million. It is estimated that the Authority will have a fiscal year ending balance of \$30.4 million.

Arizona Cardinals - \$40.7 million

Based on the existing agreements between the Authority and the Cardinals, their pro-rata share of the projected costs during FY2005 will be \$40.7 million (approximately 25%). This funding was secured in early 2004 and is deposited to our joint construction trust account held at JPMorgan Chase Bank.. The Cardinals total expected contribution to the stadium's total cost will be approximately \$105.5 million.

State Sales Tax Recapture - \$5.2 million

By statute, the Arizona state sales tax paid on the project is to be

rebated to the Authority as a source of funding in

paying for the project. We estimate that this will amount to \$5.2 million in the coming fiscal year. Through fiscal year 2004 the project has generated approximately \$4.0 million in construction sales tax recapture funds with another approximately \$2.3 million to be generated by the project's conclusion for a total of \$11.5 million over the course of construction.

Interest Income - \$1.2 million

Interest income earned on the Authority's portion of its available bond proceeds and other sources will be invested to earn additional income for the Arizona Cardinals Stadium project. We are estimating a 1.5% average return over FY2005 on the invested balances. The Authority has and will continue to work toward maximizing this return through the use of outside, professional money management firm(s).

USES

Construction Costs - \$158.6 million

The figure presented in this budget is based on a drawdown schedule provided by the general contractor in early 2004. It represents approximately 42.7% of the overall project's cost.

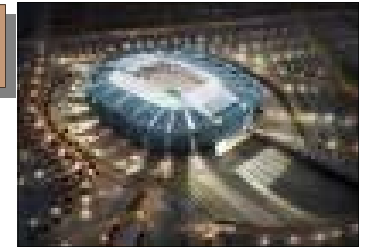
Payables - \$0.08 million

The Authority will carryforward into FY2005 a minimal balance that represents consultants that are not part of the GMP (Gross Maximum Price) contract with the general contractor.

Construction - Multipurpose Facility (continued)

Consultants - \$1.05 million

The Authority and the Cardinals have entered into a number of consulting agreements that are not part of the GMP contract with the general contractor. These firms provide the Authority and the team with inspection and testing services as well as the City of Glendale's permitting and inspection fees contained within the Development and Disposition Agreement with the Authority. All of these consulting agreements have established the services to be rendered as well as maximum amounts that are to be paid for these services over the duration of the agreement.



Facility Revenue Clearing Account - Pledged and Non-Pledged

The Facility Revenue Clearing Account's ("FRCA") primary purpose is to collect all non-tourism and non-construction revenues and then use those proceeds to fund debt service related to the Arizona Cardinals Stadium bonds and the Cactus League bonds. Any undistributed funds are transferred to the operating account.

Until the Arizona Cardinals Stadium is opened for operation in 2006 the only two active revenue sources are the NFL Franchise Income Tax and the State Sales Tax Recapture ("STR"). The STR is applicable to ticket sales and hard and soft concession sales associated with the Arizona Cardinals' home games currently held at ASU's Sun Devil Stadium.

The NFL Income Tax continues to be distributed into two separate and distinct FRCA accounts. One is pledged for bond debt service payments while the other is not able to be pledged and is used strictly for Authority operating expenses (see below for an explanation (1)).

The following schedule outlines the expected funding sources and uses for the pledged Facility Revenue Clearing Account in FY2005.

SOURCES — PLEDGED ACCOUNT

NFL Franchise Income Tax - \$3.2 million

This revenue source is comprised of the Arizona corporate income tax paid by the Arizona Cardinals organization and the personal income tax paid by the Cardinals' employees, both

| Facility Revenue Clearing Account | Total \$ Amount | As % of Sources |
|-----------------------------------|---------------------|-----------------|
| SOURCES | | |
| Beginning Cash Balance | \$ 222,902 | 5.2% |
| NFL Income Tax- Pledged | 3,224,208 | 74.6% |
| Sales Tax Recapture | 871,499 | 20.2% |
| AZ Cardinals Rent | - | 0.0% |
| FB Ticket Surcharge | - | 0.0% |
| MPF Sales Tax Recapture | - | 0.0% |
| Other Events Revenue | - | 0.0% |
| Interest Income | 4,613 | 0.1% |
| TOTAL SOURCES | \$ 4,323,222 | 100.0% |
| USES | | |
| MPF Bond Debt Service | \$ 2,820,763 | 65.2% |
| Cactus League Debt Service | 336,810 | 7.8% |
| Operating Account | 897,044 | 20.7% |
| TOTAL USES | \$ 4,054,617 | 93.8% |
| NET SOURCES/(USES) | \$ 268,605 | 6.2% |

front office and player personnel, and their spouses. The A. R. S. provides for a minimum guarantee of \$3.5 million in the first year (FY2002) increasing by 8% per year thereafter. The minimum guarantee for FY2005 is \$4.4 million. AZDOR has reported that for the coming fiscal year the actual collections were \$3.2 million—an increase of 13.4% (\$384k) over the prior year, but below the minimum. The Authority will receive the guaranteed minimum of \$4.4 million in fiscal year 2005.

Due to laws protecting the confidential nature of the information reported by AZDOR, there is little data available to the Authority to determine

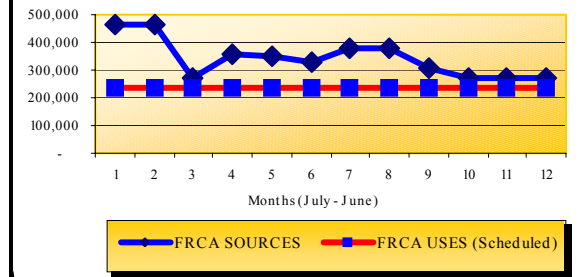
the cause(s) for this shortfall. We continue to speculate that the economic recession and its negative impact on the equity markets as well as historically low interest rates have kept at a minimum or reduced the amount of income taxes associated with the team's players' capital gains and interest and dividend income.

Due to the two-year lag between the income producing activity and its reporting to the Authority (the FY2005's reported actuals are based on tax year 2002 collections) it may be several more years before the gap is closed. We also believe that with the opening of the stadium and the team's new revenue streams there will be higher payrolls paid which will result in higher state income taxes in the future.

The Authority has calculated that the pledged portion of the NFL Income Tax will be \$3.2 million (73.0%). Our calculation is based on the actual collections as a percentage of the guaranteed minimum. The non-pledged balance of \$1.2 million will be distributed to the operating current expense account as part of the sources of funding for the Authority's operating budget.

It is important to remind the reader how critical this revenue source is to the success of the Authority's core objectives and future operation of the stadium. Any shortfalls in this revenue source has the impact of limiting the Authority's ability to attract revenue-producing events to the stadium. The guaranteed floor that was written into the original legislation was viewed as an essential component to balance the volatility of tourism tax revenues (see chart at top of

Facility Revenue Clearing Account Sources and Uses



page 10). This became even more important after September 11th.

Not only is this revenue source critical to the Authority's successful future operation of the stadium, it is also an important credit enhancement to the senior and subordinate bondholders and the bond insurer.

This past legislative session the House of Representatives defeated an attempt to remove the guaranteed minimum as well as require the Authority to repay past amounts received above the actual income tax reported by the state. The bill (SB1037) was sparked by the Auditor General's report which has not yet received the usual review by the appointed legislative committee of reference.

Sales Tax Recapture - \$0.87 million

Until the Arizona Cardinals Stadium is operational in 2006 the Authority will continue receive the state sales tax portion levied on the tickets and hard and soft concession sales for Arizona Cardinals' home games currently held at ASU's Sun Devil Stadium. Once the Arizona Cardinals Stadium is operational in August 2006 all revenue generating activities held at the Arizona Cardinals Stadium will drive this revenue source.

(1) This change occurred during the Fall of 2002 when the Appeals Court, during the John F. Long lawsuit, ruled that the Authority could continue to receive all NFL Income Tax revenues, but could only pledge that portion which was football-related. The non-football portion could continue to be used by the Authority, but could not be used as a pledged revenue stream to bondholders. The Authority determined that in order to comply with the court's ruling the non-football or non-pledged portion of the NFL Income Tax would be used to fund the Authority's operations. This portion is segregated physically into a separate account for use by the Authority to fund operations. Annually, the Authority must determine, based on information received from the Arizona Department of Revenue and the Arizona Cardinals, the pledged v. non-pledged portions of the NFL Income Tax.

Facility Revenue Clearing Account - Pledged and Non-Pledged (continued)

For the coming fiscal year we are projecting an increase of \$0.13 million, 17.6%, over the prior fiscal year. We believe that FY2004 was an aberration due to record high temperatures and a 4-12 season which combined to result in one of the lowest attendance seasons since the Cardinals moved to the Valley in 1988. Our FY2005 forecast is based on a 5% increase over the 2003 season's average attendance. This should enable us to return, over the next two seasons, to the same revenue levels for fiscal years 2002 and 2003 (\$0.95 million and \$0.96 million respectively). This modest increase in attendance will also drive increased concession sales which also contributes to the sales taxes collected.

USES—PLEGGED ACCOUNT Arizona Cardinals Stadium Bond Debt Service - \$2.8 million

The primary purpose of this account is to assist the Tourism Revenue Clearing Account ("TRCA") in meeting the debt service obligations of the Authority in their order of priority. The TRCA is limited to funding the Arizona Cardinals Stadium debt service on a maximum of \$165.5 million of bond principal provided that the balance of the bond debt service can be funded from the FRCA. Based on our bond sale of \$221.95 million this equates to approximately 75% of the senior bond debt service can be paid from Tourism Revenue sources. The balance is to be paid from the Facility revenues.

Subordinate Bond Debt Service - \$0.34 million

The secondary purpose of this account is to assist the Tourism Revenue Clearing Account ("TRCA") in meeting the debt service obligations of the subordinate bond issue. The majority, \$1.9 million, of the scheduled \$2.3 million in subordinate bond debt service will be met by the TRCA funding sources.

Operating Account - \$0.89 million

If Facility Revenue funds are remaining after meeting the required senior and subordinate bond debt service payments, they are transferred to the operations account to be held in reserve to meet future unanticipated obligations.

Facility Revenue Clearing Account - Non-Pledged

As has been described previously, the Appeals Court ruling in 2002 necessitated that the Authority physically segregate the non-pledged portion of the NFL Income Tax from the pledged portion. This occurs at the time that the Arizona State Treasurer's office electronically transfers this funding source to the Authority. The two apportionments are sent to separate bank accounts. The pledged portion is sent to the Facility Revenue Clearing Account held by the trustee and the non-pledged portion is sent to an account by the same name, but is not held in trust.

SOURCES

NFL Income Tax—Non-Pledged - \$1.2 million

The total expected NFL Income Tax for fiscal year 2005 is the guaranteed minimum of \$4.4 million. Of this total, \$3.2 million is being pledged to the repayment of bond debt service while the balance, \$1.2 million, is designated for non-bond debt service purposes - the Authority's operating budget.

USES

Operating Current Expense Account - \$1.2 million

These funds are first deposited into the non-trust held Facility Revenue Clearing Account and are then distributed on the second Tuesday of the succeeding month to the Operating Current Expense account. This account is separate from the Authority's regular operations bank account. The funds that flow into this account are the first to be expended on a monthly basis on the Authority's operational requirements as defined in the operating budget.

The amount that is allocated from this source is used to reduce the amount that is distributed from the Tourism Revenue Clearing Account to the Authority's annual operating budget..

Tourism Revenue Clearing Account

The Tourism Revenue Clearing Account (“TRCA”) exists, by statute, to collect the tourism revenues (the hotel bed tax and the car rental surcharge) and distribute those funding sources in accordance to what is commonly referred to as the “waterfall”. This can be reviewed in detail on page 3 of the budget. The waterfall exists of the following in order of priority:

1. Senior Bond Debt Service
2. Tourism
3. Cactus League (including the subordinate bond debt service and subordinate bond reserve account)
4. Youth and Amateur Sports
5. Authority Operations
6. Reserves:
 - Youth and Amateur Sports
 - Operating
 - Capital Repair and Replacement

The following schedule outlines the expected funding sources and uses for the TRCA during fiscal year 2005.

SOURCES

Hotel Bed Tax - \$11.3 million

1% of every dollar spent on

lodging in Maricopa County is collected as the Authority’s Hotel Bed Tax. We are projecting an increase of approximately \$0.5 million, 5%, in the hotel bed tax

| Tourism Revenue Clearing Account | Total \$ Amount | As % of Sources |
|----------------------------------|----------------------|-----------------|
| <u>SOURCES</u> | | |
| Beginning Cash Balance | \$ 1,973,188 | 9.2% |
| Hotel Bed Tax | 11,318,944 | 52.9% |
| Car Rental Surcharge | 8,084,332 | 37.8% |
| Interest Income | 18,326 | 0% |
| TOTAL SOURCES | \$ 21,394,790 | 100.0% |
| <u>USES</u> | | |
| MPF Bond Debt Service | \$ 8,323,143 | 38.9% |
| Tourism Promotion | 4,649,794 | 21.7% |
| <u>Cactus League:</u> | 2,663,190 | 12.4% |
| Debt Service | 1,980,177 | 9.3% |
| Promotion Account | 683,013 | 3.2% |
| Youth and Amateur Sports | 1,308,333 | 6.1% |
| Operating Account | 1,629,008 | 7.6% |
| <u>Reserves:</u> | 91,666 | 0.4% |
| Youth and Amateur Sports | 91,666 | 0.4% |
| Operating | - | 0.0% |
| MPF Capital Repair/Plcmt | - | 0.0% |
| Operating Account | 896,125 | 4.2% |
| TOTAL USES | \$ 19,561,260 | 91.4% |
| NET SOURCES/(USES) | \$ 1,833,530 | 8.6% |

revenues over the prior fiscal year. In FY2004 we returned to our pre-September 2001 levels for the first time — something we had been building on over the prior two fiscal years. We believe that the economy in general is improving

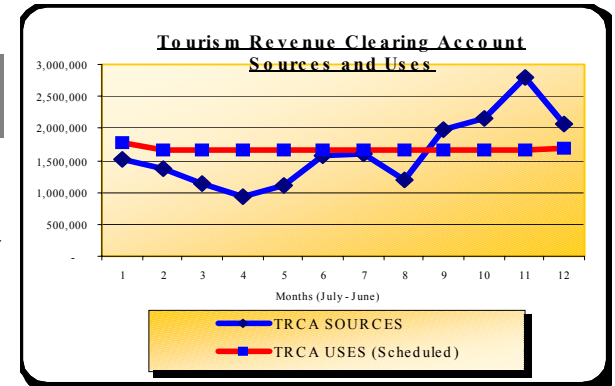
and that tourism is looking stronger than the general economy overall. Also, we are projecting that we will finish fiscal year 2004 about 5% ahead of the prior fiscal year.

Car Rental Surcharge - \$8.1 million

3.25% of every dollar spent (a minimum of \$2.50) on car rentals in Maricopa County is collected as a surcharge to support the promotion of tourism in Maricopa County. Of the total surcharge collected, the first \$2.50 is distributed by the State Treasurer to the Maricopa County Stadium District so they can maintain their debt service payments on MCSD bonds previously issued. The balance of the surcharge is distributed to the Authority.

Our forecast for the coming fiscal year provides for a five percent increase over the prior year’s projected results — an increase of about \$0.4 million. Based on the steady performance of the car rental surcharge over the past two fiscal years we feel confident that tourism will continue to gain strength.

In December 2003 the Authority entered into an IGA with the Maricopa County Stadium District (the “MCSD”). The purpose of the IGA is to consolidate the two organizations’ Cactus League financing activities into one organization — the Authority. Under the IGA, MCSD will forward their annual excess car rental surcharge revenues to the Authority until such time their bonds are completely repaid (2019). Once the



bonds are repaid the entire \$2.50 per contract surcharge will flow to the Authority. Prior to the bond repayment, the amount of any excess revenues will be a function of the growth of car rental contracts.

Combined Tourism Revenues - \$19.4 million

This year’s projected total tourism revenues is an increase of \$0.9 million, 5.0%, over last year’s budget and a \$0.8 million, 4.3%, increase over our projected FY2004 tourism revenues.

Tourism Revenue Seasonality

The following chart displays the seasonal peaks and valleys of the tourism revenues related to the flat, constant uses of these funds. To offset these seasonal differences, the Authority is working to build an operating reserve equal to the prior year’s annual operating budget.

USES—OVERVIEW (a detailed review of each of these uses will follow this section)

MPF Bond Debt Service - \$8.3 million

The first funding priority for the TRCA is the senior bond debt service. A total of \$11.1 million is scheduled to be paid in FY2005 with \$8.3 million being generated from the TRCA and the balance, \$2.8 million, from the Facility Reve-

Tourism Revenue Clearing Account (continued)

nue Clearing Account (“FRCA”). The reason for this split funding is the statutory requirement that no more than \$162.5 million of our senior bond debt service be paid from tourism revenues.

Per the requirements of Senate Bill 1220 and the pending Trust Indenture documents, the Authority is required to accrue for the annual debt service liability on an equal monthly basis. Semi-annual payments are made to the bondholders from this account in July and January of each year.

Tourism Promotion - \$4.6 million

This fund exists to aid in the promotion of tourism in Maricopa County by providing funding assistance to the Arizona Office of Tourism. This funding mechanism started at \$4.0 million in its first twelve months and is increased by 5% each twelve month period thereafter for a total of 360 months. The \$4.6 million to be distributed in FY2005 represents this increase.

Cactus League – \$2.6 million

This fund is scheduled to receive \$3.0 million per year for the first eighty-four months (through May 2008). This amount is used to promote spring training baseball in Maricopa through the construction of new and/or the renovation of existing stadiums along with the promotion and marketing of the Cactus League and its associated activities. This annual amount is used for three related purposes: subordinate bond debt service, renovation costs for approved projects and to fund the subordinate bond reserve account.

Due to the seasonality of the tourism revenues, the Tourism Revenue account will provide \$2.6 million of the total \$3.0 million requirement. The balance, \$0.4 million and under the terms of the February 2003 trust indenture, will be sourced from the Facility Revenue account to assist with paying for the subordinate bond’s debt service.

The scheduled subordinate bond debt service for fiscal year 2005 is \$2.3 million of which \$1.9 million is being funded from the TRCA and the balance from the FRCA.

Bond insurance was not purchased for these bonds. Therefore a reserve equal to 10% of the par amount of the bonds, \$3.24 million, is required to be funded within sixty months of the bond sale (February 2008).

Youth and Amateur Sports - \$1.3 million

The funding requirement for this account increases by \$0.1 million every twelve months. These funds are to be used to promote youth and amateur sports within Maricopa County through the building and/or renovating of fields and facilities as well as the promotion and marketing of youth and amateur sports and its associated activities.

Operating Account - \$1.2 million

The Authority operating account exists to operate, market, promote, furnish and equip a multipurpose facility, to

pay the administrative costs associated with operating the Authority and to pay debt service and/or the early redemption of bonds.

“Over the first thirty years of the Authority’s operations, \$265 million will be contributed to tourism promotion, \$205 million for Cactus League purposes and \$73.5 million for Youth and Amateur Sports.”

The Authority’s operating budget for FY2005 is \$2.4 million of which \$1.2 million will be funded by the TRCA and \$1.2 million from

the non-pledged portion of the NFL income taxes which flow through the non-trust Facility Revenue account.

The Authority’s budget for FY2005 is \$0.3 million, 15%, higher than the prior year’s operating budget. This is due to the inclusion of pre-opening expenses for Global Spectrum — the selected stadium management operator — whose current estimated personnel costs are \$0.5 million of the total operating budget for FY2005. The non-Global Spectrum portion of the operating budget is actually declining by \$0.2 million, or 10%, from the prior year’s operating budget.

Reserves

Youth & Amateur Sports Reserves - \$0.1 million

HB2177 created a requirement for the Authority to fund a separate reserve account for youth and amateur sports equal to the prior twelve months’ funding level. This reserve comes in advance of funding the other two required reserves for operations and capital repair and replacement.

The total reserve requirement for FY2005 is \$1.2 million. The Authority will start the new fiscal year with a balance

of \$1.1 million already in the reserve account leaving an amount of \$0.1 million to be funded during FY2005.

Operating Reserve

All undistributed monies from the Tourism Revenue Clearing Account go to the general operating account and are considered to be on-reserve for uses as established in the Authority’s enabling legislation.

Capital Repair & Replacement Reserve - \$0 million

The accumulation of funds for this reserve is not expected to start until the stadium has been in operation for more than several years.

Undistributed Tourism Revenue Funds — Operating Account - \$0.9 million

The bulk of these undistributed funds come during two months — the first and the last months of the fiscal year resulting from the peak tourism season and the two-month lag between the sales activity and the Authority’s receipt of these funds.

Tourism Revenue Clearing Account (continued)

USES — A DETAILED LOOK

Senior Bond Debt Service Account - \$8.4 million and Subordinate Bond Debt Service Account - \$1.9M

The following schedule summarizes the monthly distributions from the Tourism and Facility Revenue Clearing accounts to fund the eventual payment to the bondholders for both

| Debt Service Account | Total \$ Amount | As % of Sources |
|----------------------------|----------------------|-----------------|
| SOURCES | | |
| Beginning Cash Balance | - | 0.0% |
| MFF Senior Bonds | 11,143,906 | 82.5% |
| Tourism RCA/MFF | 8,323,143 | 61.6% |
| Facility RCA/MFF | 2,820,763 | 20.9% |
| Subordinate Bonds | 2,316,988 | 17.2% |
| Tourism RCA/Cactus League | 1,980,177 | 14.7% |
| Facility RCA/Cactus League | 336,810 | 2.5% |
| Interest Income | 45,684 | 0.3% |
| TOTAL SOURCES | \$ 13,506,578 | 100.0% |
| USES | | |
| MFF Bond Debt Service | \$ 11,143,906 | 82.5% |
| Cactus League Debt Service | 2,316,988 | 17.2% |
| TOTAL USES | \$ 13,460,894 | 99.7% |
| NET SOURCES/(USES) | \$ 45,684 | 0.3% |

the senior and subordinate bonds. Interest income is generated from the available fund balances that are maintained prior to the bondholder payment.

The debt service schedule for

both the senior and subordinate bond issue require that the above amounts be accrued for during the fiscal year from the tourism and facility revenues and that they be paid out on a semi-annual basis. While the funds are held in the debt service account, interest will be earned and used toward offsetting future debt service payments.

Tourism Fund

See discussion in [Uses - Overview section](#).

| Tourism Fund | Total \$ Amount | As % of Sources |
|---------------------------|---------------------|-----------------|
| SOURCES | | |
| Beginning Cash Balance | \$ - | 0.0% |
| Tourism RCA | 4,649,794 | 100.0% |
| Interest Income | - | 0.0% |
| TOTAL SOURCES | \$ 4,649,794 | 100.0% |
| USES | | |
| AZ Office of Tourism | \$ 4,649,794 | 100.0% |
| TOTAL USES | \$ 4,649,794 | 100.0% |
| NET SOURCES/(USES) | \$ - | 0.0% |

Cactus League General Account

The Cactus League Promotion Account exists to provide funding for the construction and/or renovation of spring training baseball facilities and to promote and market Cactus League baseball. It is also the source of funding for the required subordinate bond reserve account referred to earlier.

The following schedule summarizes the sources and uses for this account:

| Cactus League Promotion Account | Total \$ Amount | As % of Sources |
|---------------------------------|---------------------|-----------------|
| SOURCES | | |
| Beginning Cash Balance | \$ 551,339 | 44.5% |
| Tourism RCA | 683,013 | 55.2% |
| Interest Income | 3,967 | 0.3% |
| TOTAL SOURCES | \$ 1,238,318 | 100.0% |
| USES | | |
| Renovation Projects | \$ 700,000 | 56.5% |
| Administrative Costs | 57,521 | 4.6% |
| Subordinate Bond Reserve | 480,000 | |
| TOTAL USES | \$ 1,237,521 | 99.9% |
| NET SOURCES/(USES) | \$ 798 | 0.1% |

The Authority continues to work with the cities of Scottsdale and Tempe on their proposed renovation projects. Scottsdale is working on new practice fields for the San Francisco Giants. At this time, the location of these facilities is still being debated by Scottsdale. Tempe is looking to provide renovations to their Tempe Diablo Stadium. At this time there is no definitive timetable for finalizing the Authority's potential commitment to these projects.

While there are no current financial commitments by the Authority to either of these projects, we have budgeted \$0.7 million in funds related to 'Renovation Projects' in general.

Youth and Amateur Sports

The Youth and Amateur Sports Facilities account exists to promote and market community youth and amateur sports through the acquisition of land, construction or renovation of facilities and/or costs associated with operating these facilities.

The funding for this account is based on \$1.0 million in the first twelve months growing by \$0.1 million each subsequent twelve month period. The

| Youth and Amateur Sports | Total \$ Amount | As % of Sources |
|---------------------------|---------------------|-----------------|
| SOURCES | | |
| Beginning Cash Balance | \$ 2,711,986 | 67.2% |
| Tourism RCA | 1,308,333 | 32.4% |
| Interest Income | 17,525 | 0.4% |
| Reserve Account | - | |
| TOTAL SOURCES | \$ 4,037,844 | 100.0% |
| USES | | |
| Avondale | \$ 327,083 | 8.1% |
| City of Glendale | 1,000,000 | 24.8% |
| GIS Database Project | 31,570 | 0.8% |
| FY2004 Grant Awards | 1,327,777 | 32.9% |
| MSPAC | 50,000 | 1.2% |
| Professional fees | 21,880 | 0.5% |
| TOTAL USES | \$ 2,758,311 | 68.3% |
| NET SOURCES/(USES) | \$ 1,279,534 | 31.7% |

scheduled distribution for FY2005 is \$1.3 million. A new requirement signed into law is the creation of a reserve account based on the prior twelve month period funding. The reserve to be established in FY2005 totals \$1.2 million

Tourism Revenue Clearing Account (continued)

Fiscal year 2005's youth and amateur sports budget includes funding of the following:

1. The Avondale project, a multi-field sports complex with lighting, is scheduled for completion in September 2004. Under the Authority's agreement with Avondale progress payments toward \$3.4 million plus financing will be made on a semi-annual basis until the final amount is paid in 2014. The Authority has committed 25% of its annual funding sources to this project and its repayment including interest of 2.98%.
2. Under the terms of the Development and Disposition Agreement with the City of Glendale the Authority has committed \$1.0 million toward the building of dual-purpose sports fields in proximity to the multipurpose facility. These fields, which will be available to the general public the majority of the year, will be used for surface parking when large events are held at the MPF. This commitment is contingent upon the City of Glendale acquiring the required land along 91st avenue and completing an IGA with the AZSTA.
3. The third project currently under contract is the GIS (Geographical Information Survey) that should be completed around the start of the new fiscal year by Arizona State University. 50% of the total cost of the project was provided at the execution of the agreement with ASU in May 2003 (total estimated cost is \$63,140). This survey will not only serve the future needs of the Authority in making informed and timely decisions with respect to its grants, but is viewed as a central repository of youth and amateur sports field, facility and program information that will benefit Maricopa County at-large. It is expected that this mapping project will be phased into production before the end of fiscal year 2004 and will ultimately result in a "web-based" decision making tool available to everyone.
4. The fourth category is comprised of the thirteen award recipients made by the board of directors during fiscal year 2004. We are working with the grant recipients to finalize our agreement with them by the end of fiscal year 2004.
5. The final category is the newly formed Maricopa Youth Sports and Physical Activity Council (the "MYSPAC") is an innovative, collaboration to increase levels of participation among youth in organized sports and physical activity programs as a means of countering the trend toward unhealthy, sedentary lifestyles by our youth.

Tourism Revenue Clearing Account - Operating Budget

Authority Operations - \$2.8 million

The Operating Account exists to operate, market, promote, furnish and equip a multipurpose facility, to pay the administrative costs associated with operating the Authority and to pay debt service and/or the early redemption of bonds.

plans with Global Spectrum for the marketing and operation of the stadium. This will necessitate the inclusion of additional operating expenses as GS personnel are hired to put the plan into action during the pre-opening phase.

We are planning on hiring three additional fulltime employees which

would bring our fulltime headcount to nine. We are budgeting for the positions of a marketing specialist, a receptionist and administrative assistant for the growing administrative and finance areas of the Authority. We are forecasting an operating budget of \$2.8M — an increase of \$0.7 million, or 33%, compared to last year's operating budget. The reason for this increase is the inclusion of \$0.9 million in projected costs related to pre-opening services provided by Global Spectrum. The Authority's non-Global portion of the budget actually is decreasing by \$0.2 million over the prior fiscal year.

SOURCES

The Authority is scheduled to receive its 1/12th budget distribution from two sources — the Tourism and Facility Revenue Clearing Accounts (the non-pledged Facility account). The distribution for operating budget purposes is \$2.8 million — the amount of our annual operating budget.

The operating account will also receive another \$1.8 million from the undistributed revenues flowing through the

Tourism Revenue Clearing account and the Pledged Facility Revenue Clearing account. For more detailed information refer to the budget cash flow statements for these two accounts.

"We anticipate an operating budget of \$2.8M - an increase of \$0.7 million, or 33%, over the FY2004 operating budget. The primary reason for this increase is the start of pre-opening services provided by Global Spectrum—the Authority's contracted stadium operator."

additional FTE's to be hired during FY2005. The three additional positions are for a marketing specialist to work with Global Spectrum on promoting the Cardinals Stadium as well as Cac-

tus league and youth and amateur sports. The other positions are for a receptionist and an administrative assistant in support of the operations and finance departments.

Employer-paid taxes - \$48.1k are the Authority's portion of employment taxes for federal and state that are required by law.

Retirement - \$60.0 k is comprised of two programs administered by the Arizona State Retirement System (the "ASRS"). The first is the defined benefits plan in which the Authority became a member with the board's approval in September 2001. Under this program, the employee and the employer contribute the same amount. For FY2005, this contribution comprises \$41.7k of the total \$60.0k for this line item.

The second program, which has not yet begun at ASRS, is a supplemental retirement savings plan (similar to a 401k plan in the private sector). The plan's enrollment is pending at this time and requires a resolution by the Authority's board of directors to authorize enrollment in the plan. This plan allows employees to contribute, on a pre-tax basis, a portion of their wages to be invested in one or more of the plan's

USES

Marketing & Promotion - \$40.0k

The following are the planned expenditures for this category:

Community Outreach - \$5.0k programs are those aimed at the local communities and their young people. It consists of programs co-sponsored by local businesses with the idea of educating Maricopa County residents on the stadium and the benefits of it to the community at large.

Media and Documentary - \$15.0k is an on-going project that will follow the building of the stadium from start to finish.

Promotional Travel - \$20.0k covers the expenses for Authority personnel to make trips or to meet with prospective clients for the new multipurpose facility including travel related to the Authority's role on the Super Bowl XLII Host Committee.

Employee Related - \$820.0k

The following are the planned expenditures for this category:

Compensation - \$701.6k line accounts for the annual compensation of six existing FTE's (fulltime employees) and three

| Operating Account | Total \$ Amount | As % of Sources |
|----------------------------|---------------------|-----------------|
| SOURCES | | |
| Beginning Cash Balance | \$ 2,959,336 | 39.0% |
| Tourism RCA:Budget | 1,629,008 | 21.5% |
| Facility RCA: Non-Pledged | 1,189,704 | 15.7% |
| Tourism RCA:Excess | 896,125 | 11.8% |
| Facility RCA:Excess | 896,658 | 11.8% |
| Bond Repayment | - | 0.0% |
| Interest Income | 21,282 | 0.3% |
| TOTAL SOURCES | \$ 7,592,113 | 100.0% |
| USES | | |
| Marketing and Promotion | \$ 40,000 | 0.5% |
| Wages & Benefits | 820,004 | 10.8% |
| Office | 63,060 | 0.8% |
| Professional Services | 486,388 | 6.4% |
| Travel | 35,100 | 0.5% |
| Meeting | 2,700 | 0.0% |
| Bank Fees/Interest Expense | 12,000 | 0.2% |
| Communications | 29,910 | 0.4% |
| Office Lease | 116,545 | 1.5% |
| Insurance | 162,543 | 2.1% |
| Accounts Payable | 150,000 | 2.0% |
| Stadium Mgmt Operations | \$ 900,462 | |
| TOTAL USES: Budget | \$ 2,818,712 | 37.1% |
| NET SOURCES/(USES) | \$ 4,773,401 | 62.9% |

Moving into FY2005 the Authority plans to continue building on the momentum generated during the fiscal year. This includes formulating

Tourism Revenue Clearing Account - Operating Budget (continued)

investment choices. The employer has the option to provide a match based on the employees' participation and contribution and would require approval from the Authority's board of directors prior to implementation. The FY2005 budget provides for an optional employer match consisting of \$0.50 for every \$1.00 dollar contributed by each employee up to a maximum of 5% of gross wages. The maximum amount that could be contributed in FY2005 would be \$18.3k of which a maximum of twenty percent would be eligible for vesting in the first year. Until the stadium is opened and we are in a position to generate new sources of revenue, this plan would represent the means by which the board could offer a form of "bonus" reward program for exceptional performance.

Recruiting fees - \$2.2k is included in this section for expenses related to personnel searches and recruitment for the two new positions considered.

Training - \$8.1k is included in this section for employees that attend seminars, conferences or coursework that will help them in the performance of their duties.

Office Expenses - \$59.9k

The following are the planned expenditures for this category:

Supplies - \$14.4k are for those "behind the scenes" costs to operate the office – paper, pens, computer supplies, files,

folders, printing costs, subscriptions, etc.

Computer equipment - \$4.0k represents the investment in two desktop computers that will be required for the two new hires.

Furniture - \$5.0k is related to furnishing the construction trailer as well as additional needs in the office for new personnel being hired.

Office Equipment - \$26.9k covers the lease and operating costs for our two Xerox color digital copier/network printers and our two fax machines (one of each located at the Scottsdale headquarters and the construction site).

Postage/Delivery - \$9.6k covers our on-going postage and package delivery needs.

Professional and Outside Services - \$486.4k - this category includes our legal costs for our on-going general representation including agreements related to the stadium's construction and operating services during the pre-opening phase, annual audit fees, public information and marketing services, construction-related consultants and computer and website maintenance and technical support. Of the total approximately 30% is represented by projected legal costs which will continue to trend downward.

Travel - \$31.2k - The Authority's personnel traveled more during FY2004 than during the prior fiscal year. This was due to the selection process for the stadium management operator which required

trips by staff and some board members. Travel should increase in FY2005 over FY2004 as construction moves forward and our marketing efforts ramp up in anticipation of opening for business in 2006.

Meetings - \$2.4k

This amount represents the numerous meetings that occur on a frequent basis related to the stadium construction effort as well as the planned meetings related to the pre-opening services by Global Spectrum.

Bank Fees/Interest Expense- \$12.0k

This represents on-going monthly analysis charges collected by Bank One and/or JPMorgan Chase Bank.

Communications - \$29.7k

This category covers the Authority's local, long distance and cellular phones, networking and maintenance, Internet access, wireless email, telephone conferencing and web hosting. The majority of these services are included in our monthly package with XO Communications. We have budgeted for additional amounts required for the new FTE's.

Office Lease - \$116.5k

This represents the re-negotiated lease terms with the landlord which extended the lease term through April 2006 with the option to extend on an 'as-needed' basis until we are able to occupy our offices in the stadium. Our renegotiated lease froze the monthly lease through the new term at the rate we would have paid during our first extension in 2004.

Once the stadium is complete we will move our offices and public boardroom there on a rent-free basis.

Insurance - \$162.4k

This category covers the cost of insurance for the following:

- General/comprehensive, liability and property
- Director and officer insurance
- Medical and dental
- Long-term disability and AD&D
- Group Term Life
- Workmen's Compensation

The effects of September 11th continue to reverberate through the insurance industry and is reflected not only in increased premiums but also in decreased coverages in some cases and the difficulty in obtaining coverage in others. Two of the hardest hit areas are general liability and directors and officers insurance.

Our efforts in containing employee-related insurance benefits for medical, dental, group term life and long-term disability paid dividends this year during our renewal. We experienced a minimal increase to these premiums. The Authority's employees continue to provide a co-pay, on a pre-tax basis, toward the medical and dental premiums.

Accounts Payable - \$150.0k

This covers the non-construction related payables that will carry over into FY2005.

Tourism Revenue Clearing Account - Operating Budget (continued)

Stadium Management Operations - \$900.5k

Global Spectrum was selected by the Authority's board of directors to provide stadium operation, marketing and management services. The agreement with Global Spectrum includes services to be provided during the next 24 months leading up to the opening of the stadium. In the agreement the Authority will provide Global Spectrum with their related operational funding but no fees will be paid to them until the stadium is opened. This amount covers the personnel and operating related expenses estimated for fiscal year 2005.

Net Sources/(Uses) - \$4.8 million

This is an increase of \$1.8 million over the starting balance for fiscal year 2005. It is sourced from the TRCA, \$0.9 million, and the FRCA, \$0.9 million, as the undistributed revenues during the fiscal year. This positive trend in the operating surpluses is critical for the Authority the closer we approach the opening of the stadium. This fiscal year and next, that proceed the opening, will see additional operating expenses required in support of Global Spectrum. Once the stadium opens, however, there will be a significant increase in our operating expenses. This will require the Authority to create as large an operating reserve as possible in the next two fiscal years in order to cover the additional operating expenses while new sources of revenues are generated from stadium events.

PENDING LEGAL ISSUES

The following is a summary of legal-related issues which may have a financial impact, positive or negative, on the Authority in fiscal year 2005:

Philadelphia Insurance Company - Directors and Officers Insurance Claim related to John F. Long lawsuit defense

- The Authority filed a claim in July 2003 for \$694k with our then directors and officers insurance provider, Philadelphia Insurance Company. This amount represented the legal expenses paid by the Authority to defend itself in the Long lawsuit. The Authority has collected \$318k of this amount and continues to work with our legal counsel toward collecting the balance of the original claim.

City of Tempe - Notice of Claim

- The Authority filed a Notice of Claim with the City of Tempe in March 2002 for \$1.5 million as reimbursement for the costs the Authority incurred related to the original stadium site. Tempe has agreed in principle to reimburse the Authority approximately \$0.4 million of the total in cash with the balance as a reduction to the amount the Authority may grant Tempe for renovations at Tempe Diablo Stadium. Execution of this settlement is tied to reaching agreement on the scope and cost of renovations and improvements at Tempe Diablo Stadium.

==End of FY2005 Budget ==