



Fiscal Year 2006 Budget

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Overview

It is our privilege to provide you with the Authority's annual budget for the upcoming fiscal year 2006. This budget covers the period July 1, 2005 through June 30, 2006. 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.

Over the past two fiscal years these budget overviews have talked about the lackluster economy, the struggling stock market, historically low interest rates and lower tax revenues at all levels of government. This year the tune has changed and we finally feel that we can say, "What a difference a year makes!" This is especially true of the tourism industry which is bouncing back and is enjoying the fruits of a good economy and continued strengthening in both the leisure and business travel markets.

Tourism is our state's number one industry and continues to provide the majority of the Authority's funding sources (approximately 75-80%). Our tourism revenues are comprised of a 1% hotel bed tax and a 3.25% car rental surcharge (less the first \$2.50 for Maricopa County Stadium District) on related activity within Maricopa County. During fiscal year 2005 both tourism revenue sources have demonstrated improved re-

sults. Through May 2005 the hotel bed tax and car rental surcharge revenues are up over the prior fiscal year 9.5% and 3.1% respectively. We believe that this positive trend will continue into fiscal year 2006 and we are forecasting a five percent increase to both of these revenue sources. We continue to be encouraged by this continually improving performance in the tourism sector.

The past fiscal year has been filled with significant accomplishments and milestones for the Authority. Among the more significant events were:

- The Arizona Cardinals Stadium is now approximately 65% complete and one year away from opening;
- In February 2005 the roof was lifted at the stadium and received international coverage due to its complexity and significance to the project;
- A new BCS National Championship Game will be played for the first time ever in January 2007 at the new stadium in addition to

- the annual Fiesta Bowl game;
- The 2005 Spring training season set yet another attendance record;

- The Authority entered into IGA's with the cities of Scottsdale and Tempe for renovation projects related to their Cactus League teams. The Authority's total maximum contribu-

tion will be \$32 million — \$20 million for Scottsdale of which \$6.7 is to come from Maricopa County Stadium District Rental Car Surcharges and \$12 million for Tempe;

- The second biennial Youth and Amateur Sports Grant cycle was begun with the receipt of 32 grant applications totaling \$10.2 million in requests for projects totaling \$65.9 million in value.

Fiscal year 2006 will see the following events unfold:

- The Authority will issue \$53 million in completion bonds early in the fiscal year in order to complete the stadium project and to fund certain capital items;
- The Arizona Cardinals Stadium will

*Americans and international visitors are traveling and spending more in the U.S. according to TIA's Annual Travel Forecast. In 2004 overall travel expenditures for both U.S. residents and international visitors surpassed the \$800 billion mark for the first time (\$585 billion was forecasted), and the 2005 forecast is a healthy 5.6 percent increase, pushing the total travel expenditures number to \$833.5 billion. Growth is forecast for all sectors in 2005 with the most significant increases in business travel, expenditures, international visitation, and air travel. All industry sectors are forecast through 2007.

Travel Industry Association of America

Overview (continued)


- be finished and the Authority will move its offices into the stadium in June 2006;
- Global Spectrum will have in place their management and operations team in preparation for opening in August 2006;
 - The Tempe Diablo Stadium renovation project will be completed prior to next Spring's Cactus League season;
 - Scottsdale will have completed Phase I of II of their Cactus League stadium and practice facility renovation project;
 - The new youth and amateur sports grant recipients will have been selected, agreements executed and a number of them will have been completed or under construction by fiscal year's end.

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

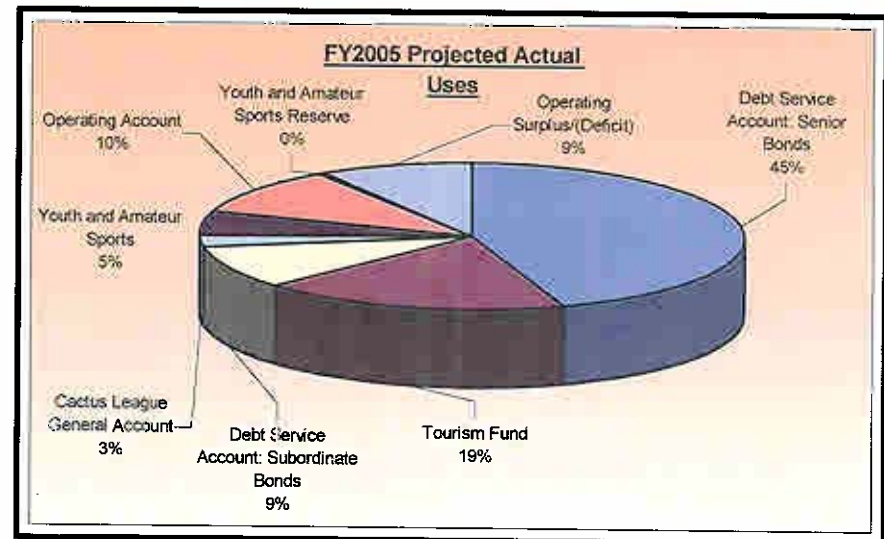
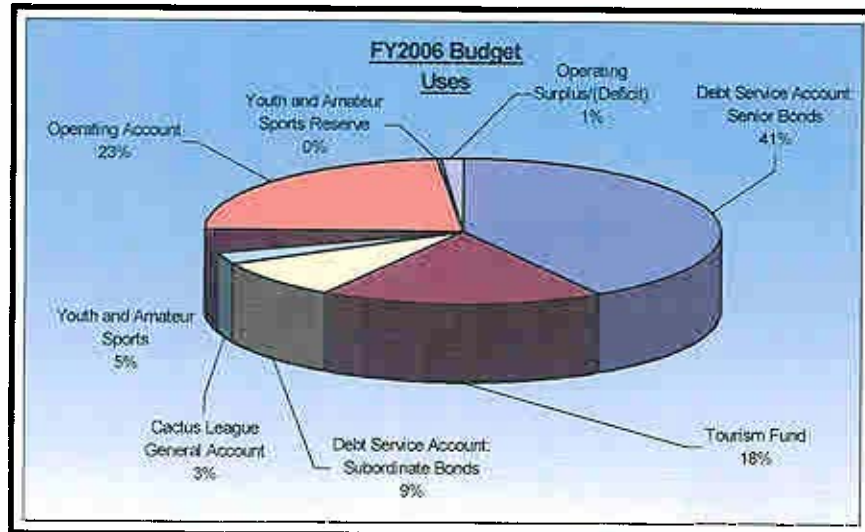
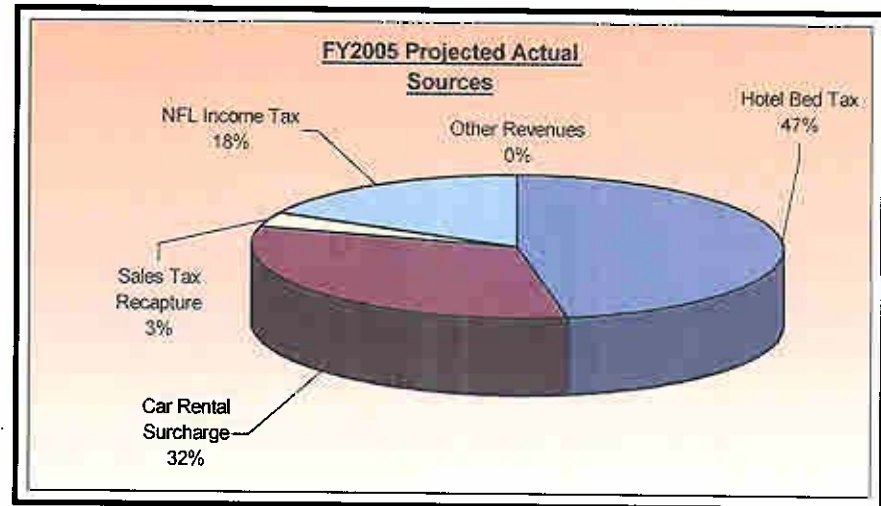
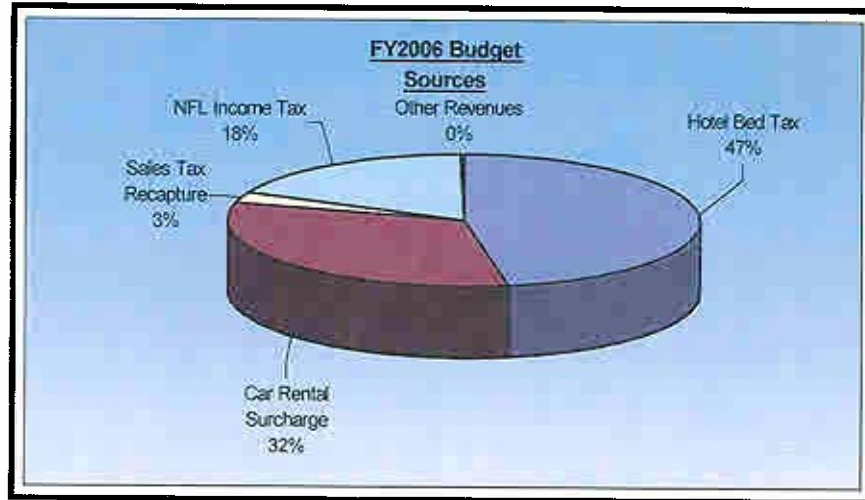
Ratified by:

Arizona Sports and Tourism Authority
Board of Directors, June 23, 2005

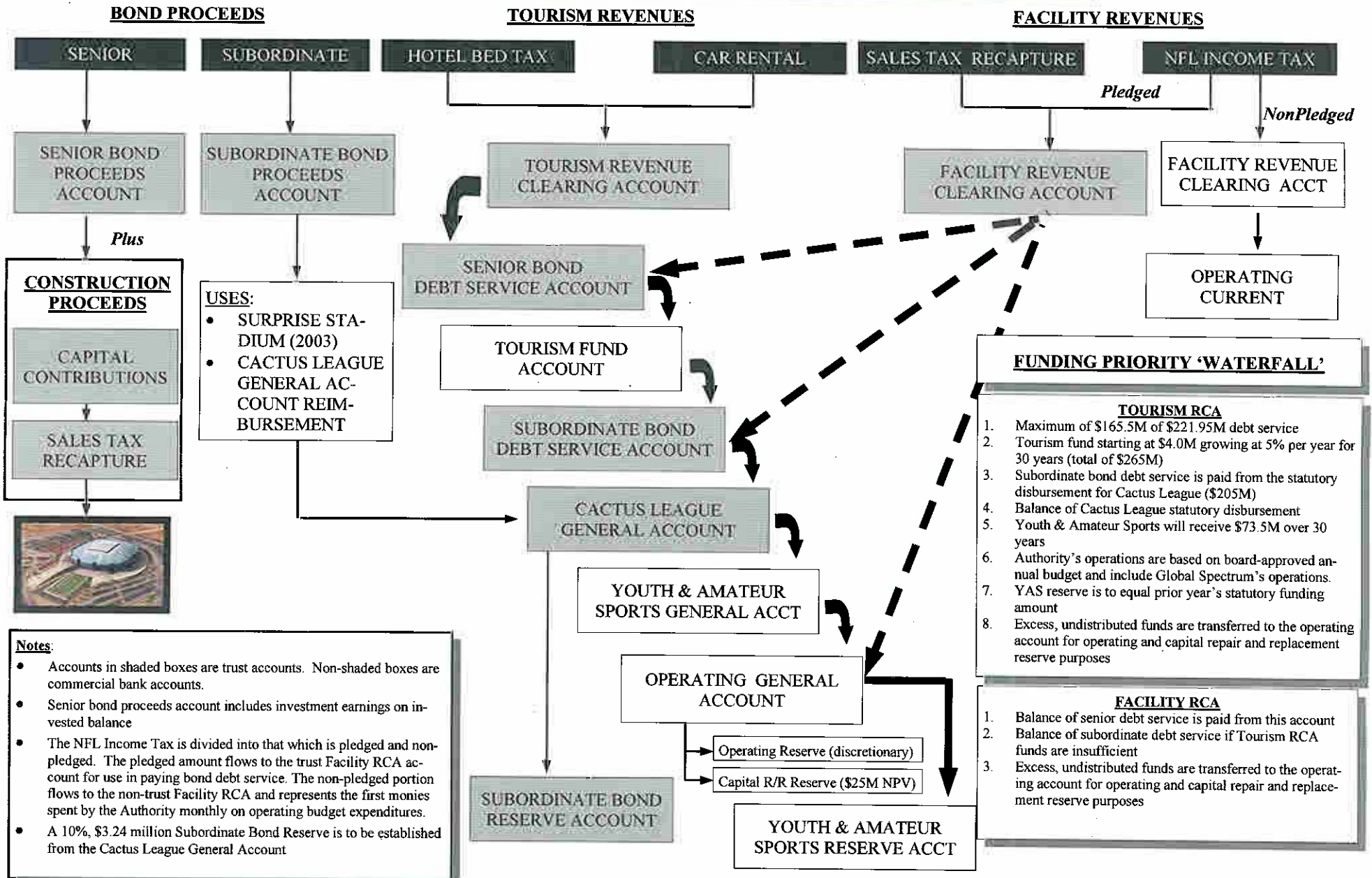
Executive Summary

EXECUTIVE SUMMARY				
	FY2006 Budget	FY2005 Projected Actuals	\$ Change	% Change
SOURCES				
Tourism Revenue Clearing Account				
Hotel Bed Tax	\$ 12,407,628	\$ 11,816,789	\$ 590,839	5.0%
Car Rental Surcharge	8,488,947	8,084,712	404,236	5.0%
Total Tourism RCA	\$ 20,896,576	\$ 19,901,501	\$ 995,075	5.0%
Facilities Revenue Clearing Account				
Sales Tax Recapture	\$ 700,816	778,082	\$ (77,266)	(9.9)%
NFL Income Tax	4,767,153	4,414,032	353,121	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	\$ 5,467,969	\$ 5,192,114	\$ 275,855	5.3%
Other Revenues	-	-	-	-
Interest Income	38,646	13,111	25,535	194.8%
Total Sources	\$ 26,403,190	\$ 25,106,725	\$ 1,296,465	5.2%
USES				
Debt Service Account: Senior Bonds	\$ 11,143,906	\$ 11,143,906	\$ 0	0.0%
Tourism Fund	4,882,283	4,649,794	232,489	5.0%
Debt Service Account: Subordinate Bonds	2,314,713	2,316,988	(2,275)	(0.1)%
Cactus League General Account	685,287	683,012	2,275	0.3%
Youth and Amateur Sports	1,408,333	1,308,333	100,000	7.6%
Operating Account	6,252,174	2,610,338	3,641,836	139.5%
Authority Operations	1,679,732	2,009,990	(330,259)	(16.4)%
Global Spectrum Operations	2,422,442	600,348	1,822,094	303.5%
Authority Stadium Capital Items	2,150,000	-	2,150,000	-
Youth and Amateur Sports Reserve	100,000	91,666	8,334	9.1%
Operating Surplus/(Deficit)	(383,507)	2,302,688	(2,686,195)	(116.7)%
Total Uses	\$ 26,403,190	\$ 25,106,725	\$ 1,296,465	5.2%
Net Sources/(Uses)	\$ -	\$ -	\$ -	-

Executive Summary (continued)



Funding Sources and Uses Flowchart



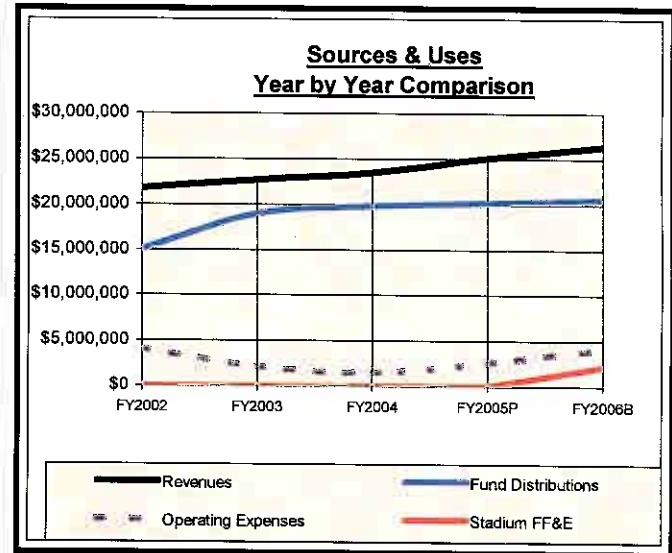
Statement of Operations—Fiscal Year 2005

Item	Projected FY2005	FY2005 Budget	\$ Change	% Change
<u>SOURCES</u>				
Hotel bed tax	\$ 11,816,789	\$ 11,318,944	\$ 497,845	4.4%
Car rental surcharge	8,084,712	8,084,332	379	0.0%
User fees	-	-	-	-
NFL income tax	4,414,032	4,414,032	-	0.0%
Sales tax recapture	778,082	871,499	(93,417)	(10.7%)
Other operating revenues	-	-	-	-
Total Operating Revenues	\$ 25,093,614	\$ 24,688,807	\$ 404,807	1.6%
<u>OPERATING EXPENSES</u>				
Marketing and Promotion	\$ 21,222	\$ 40,000	\$ (18,778)	(46.9%)
Payroll and Benefits	741,634	920,004	(178,370)	(19.4%)
Office	44,717	63,060	(18,343)	(29.1%)
Professional, Legal & Outside Services	733,549	486,388	247,161	50.8%
Travel	12,143	35,100	(22,957)	(65.4%)
Meetings	3,939	2,700	1,239	45.9%
Bank/Trust fees	31,163	12,000	19,163	159.7%
Communications	20,440	29,910	(9,470)	(31.7%)
Depreciation/Bond Amortization	83,689	83,689	(0)	(0.0%)
Employee related	4,288	-	4,288	-
Office Lease	121,152	116,545	4,607	4.0%
Insurance	42,053	62,543	(20,490)	(32.8%)
Stadium Management Operations	600,348	900,462	(300,114)	(33.3%)
Other	150,000	150,000	-	0.0%
Total Operating Expenses	\$ 2,610,338	\$ 2,902,401	\$ (292,063)	(10.1%)
<u>OTHER FUND DISTRIBUTIONS</u>				
Senior Bond Debt Service	\$ 11,143,906	\$ 11,143,906	\$ -	0.0%
Tourism Fund	4,649,794	4,649,794	-	0.0%
Cactus League/Subordinate Bond Debt S	3,000,000	3,000,000	-	0.0%
YAS - General	1,308,333	1,308,333	-	0.0%
YAS - Reserve	91,666	91,666	-	0.0%
Total Other Fund Distributions	20,193,699	20,193,699	-	0.0%
Operating Income	\$ 2,289,577	\$ 1,592,707	\$ 696,870	43.8%
<u>NONOPERATING REVENUE/(EXPENSE)</u>				
Interest Income	\$ 13,111	\$ 22,939	\$ (9,828)	(42.8%)
Interest Expense	-	-	-	-
Total Nonoperating Revenue/(Expense)	\$ 13,111	\$ 22,939	\$ (9,828)	(42.8%)
Net Operating Source/(Use)	\$ 2,302,688	\$ 1,615,646	\$ 687,042	42.5%

(* Statement is unaudited)

Sources and Uses Overview — Year by Year Comparison

Item	FY2002	FY2003	FY2004	FY2005P	FY2006B
OPERATING REVENUES					
Hotel bed tax	\$ 9,898,026	\$ 10,247,098	\$ 10,835,385	\$ 11,816,789	\$ 12,407,628
Car rental surcharge	6,505,495	7,699,364	7,823,825	8,084,712	8,488,947
NFL income tax	4,420,872	3,784,320	4,087,066	4,414,032	4,767,153
Sales tax recapture	946,394	959,610	741,649	778,082	700,816
Other operating revenues	494	6,500	150	-	-
Total Operating Revenues	\$ 21,771,281	\$ 22,696,892	\$ 23,488,075	\$ 25,093,614	\$ 26,364,544
OPERATING EXPENSES					
Marketing and Promotion	\$ 118,767	\$ 100,244	\$ 66,920	\$ 21,222	\$ 8,780
Payroll and Benefits	707,331	551,837	645,562	741,634	776,492
Office	288,607	311,216	49,454	44,717	34,260
Professional & Outside Services	1,332,116	272,732	135,339	203,922	202,692
Travel	25,678	11,104	19,598	12,143	23,940
Stadium Management Operations	-	-	-	600,348	2,422,442
Stadium Capitalized Expenditures	-	-	-	-	2,150,000
All Other	242,441	109,096	481,963	456,725	351,296
Total Operating Expenses (non-legal)	\$ 2,714,940	\$ 1,356,229	\$ 1,398,836	\$ 2,080,712	\$ 5,969,901
Legal	1,390,313	816,114	29,032	529,626	282,272
Total Operating Expenses	\$ 4,105,253	\$ 2,172,343	\$ 1,427,868	\$ 2,610,338	\$ 6,252,174
OTHER FUND DISTRIBUTIONS					
Bond Debt Service	\$ -	\$ 4,643,294	\$ 11,143,906	\$ 11,143,906	\$ 11,143,906
Wells Fargo/Bank One Stadium Loan	7,000,000	5,000,000	-	-	-
Tourism Fund	4,016,667	4,217,500	4,428,375	4,649,794	4,882,283
Cactus League	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Youth and Amateur Sports	1,008,330	1,108,333	1,208,333	1,308,333	1,408,333
Youth and Amateur Sports, Reserve	-	1,000,000	25,000	91,666	100,000
Total Other Fund Distributions	\$ 15,024,997	\$ 18,969,128	\$ 19,805,614	\$ 20,193,699	\$ 20,534,523
Operating Income	\$ 2,641,031	\$ 1,555,421	\$ 2,254,593	\$ 2,289,577	\$ (422,152)
NONOPERATING REVENUE/(EXPENSE)					
Interest Income	\$ 136,887	\$ 358,800	\$ 7,381	\$ 13,111	\$ 38,646
Interest Expense	(58,011)	(115,225)	-	-	-
Total nonoperating revenue/(expense)	\$ 78,876	\$ 243,575	\$ 7,381	\$ 13,111	\$ 38,646
Net Operating Source/(Use)	\$ 2,719,907	\$ 1,798,996	\$ 2,261,974	\$ 2,302,688	\$ (383,507)



(1) The projected fiscal year 2006 net operating (use) is the direct result of the Authority's proposed one-time stadium capital item expenditure of \$2.15 million (net). These will be paid from the Authority's existing operating reserves as has been contemplated since the stadium project began and it was known that there would be these funding requirements. The Authority's operating reserves are estimated to be, at the end of FY2006, \$7.0 million, a projected decrease of \$0.5 million from the start of FY2006.

Construction - Arizona Cardinals Stadium



The Arizona Cardinals Stadium was approximately 65% complete at the time this budget was prepared. The completion date of August 2006 is still the target with the Authority taking occupancy in June 2006. The total cost of the stadium project has risen to \$378.4 million (stadium portion only based on current approved change orders) due to owner change orders. Last Fall, the Authority and the Team took over responsibility from the City of Glendale for the on-site improvement work. These improvements are estimated to cost an additional \$32.3 million which will be funded from a pending Authority bond sale in July-August 2005. The source of repayment for these bonds will come from several new revenue sources including the City of Glendale's excise tax on all taxable activity at the multipurpose facility (including the pedestrian plaza and the parking lots) as well as a new facility user fee based on projected event attendance.

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, the investment earnings related to these fund sources and the pending completion bonds. Under the terms of the Authority's trust indenture these funds are held at JPMorgan Chase Bank' trust division.

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. It is not expected that there will be any unspent construction related funds.

Our projections related to this year's construction budget are based on the final amount under the GMP plus change orders and the consulting services that are part of the projected total project cost.

The following schedule summarizes the sources and uses for the Construction Account for fiscal year 2006:

SOURCES

Beginning Cash Balance - \$38.7 million

The primary funding source in FY2006

will continue to be the Authority's funds from the 2003 bond sale. Based on the project's schedule of values an estimated \$145.4 million will be expended in the

Construction Account	Total \$ Amount	As % of Sources
SOURCES		
Beginning Cash Balance	\$ 38,706,439	25.0%
Completion Bond Proceeds	49,800,000	32.1%
AZ Cardinals	56,843,966	36.7%
Other Cap. Contr.	2,099,072	1.4%
Sales Tax Recapture	6,758,141	4.4%
Interest Income	847,558	0.5%
TOTAL SOURCES	\$ 155,055,176	100.0%
USES		
Construction Payables	\$ 145,439,072	93.8%
Consultants	1,885,714	1.2%
Bond Repayment	-	0.0%
Operations Repayment	-	0.0%
TOTAL USES	\$ 147,324,786	95.0%
NET SOURCES/(USES)	\$ 7,730,390	5.0%

coming fiscal year on the stadium and the onsite improvements combined. Of this amount, the Authority will provide an estimated \$88.6 million and the Cardinals will contribute \$56.8 million. This will bring the total amount expended on the combined project to approximately \$388.4 million by the end of fiscal year 2006 with approximately another \$24.0 million to be paid out during the early part of fiscal year 2007. Of this estimated total of \$388.4 the Au-

thority will have contributed approximately

\$281.0 million and the Cardinals \$107.4 million. It is estimated that the ending cash balance will be just over \$7.7 million.

Completion Bond Proceeds - \$49.8 million

The Authority's Board of Directors has authorized the Authority to issue another \$53.05 million in bonds (net proceeds estimated to be \$49.8 million) which will be used to complete the project's onsite improvements, stadium improvements within the GMP and the extravaganza seating which will allow the stadium's permanent seating of 63,000 to be increased to approximately 73,000.

Arizona Cardinals - \$56.8 million

Based on agreements between the Authority and the Cardinals, their pro-rata share of the projected costs during FY2006 will be \$56.8 million (approximately 36%). This percentage is higher than in the past as the Authority front-funded 100% of the stadium project from February 2003 through January 2004 per our agreement with the team. This meant that the Authority's funds would expire during the first half of fiscal year 2006 (with the exception of the sales tax recapture and any future investment earnings) with the team paying 100% of the balance project's costs through the final construction phase.

Other Capital Contributions - \$2.1 million

the Authority has provided \$2.1 million in operating reserve funds into the con-

Construction - Multipurpose Facility (continued)



struction account to fund change order #030 for bowl washdown (\$0.8 million), stadium event storage (\$1.2 million) and a security LAN system (\$35k). Of this total, \$1.4 million, was a planned expenditure from the Authority's operating reserve funds and the balance, \$0.7 million, was to be paid from the pending completion bonds. Once the completion bonds are issued, \$0.7 million of those proceeds will be used to reimburse the operating account.

State Sales Tax Recapture - \$6.8 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 \$6.8 million in the coming fiscal year of which \$4.6 million is based on projected construction activity and the balance, \$2.2 million is pending receipt from the State of Arizona for pre-FY2006 privilege taxes paid. We expect to receive a total of approximately \$12.6 million in total sales tax recapture monies — \$11.3 million from the stadium project and \$1.3 million from the onsite improvement project.

Interest Income - \$0.9 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. The Authority has and will continue to work toward maximizing this return through the use of outside, professional

money management firm.

USES

Construction Costs - \$145.4 million

The figure presented in this budget is based on a drawdown schedule provided by the general contractor in early 2004.

Payables - \$0.0 million

The Authority will carryforward into FY2006 a zero balance for consultants that are not part of the GMP (Gross Maximum Price) contract but are part of the project's overall cost.

Consultants - \$1.9 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 but are part of the overall project cost. 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 (1) below for an explanation).

The following schedule outlines the expected funding sources and uses for the pledged Facility Revenue Clearing Account in FY2006.

SOURCES — PLEDGED ACCOUNT

NFL Franchise Income Tax - \$3.7 million

This revenue source is comprised of the Arizona corporate income tax paid by the Arizona Cardinals or-

Facility Revenue Clearing Account	Total \$ Amount	As % of Sources
SOURCES		
Beginning Cash Balance	\$ 293,375	6.2%
NFL Income Tax - Pledged	3,710,742	78.8%
Sales Tax Recapture	700,816	14.9%
AZ Cardinals Rent	-	0.0%
FB Ticket Surcharge	-	0.0%
MFF Sales Tax Recapture	-	0.0%
Other Events Revenue	-	0.0%
Interest Income	7,087	0.2%
TOTAL SOURCES	\$ 4,712,020	100.0%
USES		
Senior Bond Debt Service	\$ 2,834,303	60.2%
Subordinate Bond Debt Service	338,494	7.2%
Operating Account	1,205,243	25.6%
TOTAL USES	\$ 4,378,039	92.9%
NET SOURCES/(USES)	\$ 333,981	7.1%

ganization and the personal income tax paid by all Cardinals' employees and their spouses to the State of Arizona. 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 FY2006 is \$4.8 million. AZDOR has reported that for the coming fiscal year the actual collections were \$3.7 million—an increase of 15.1% (\$486k) over the prior year's actuals, but still below the guaranteed minimum. The Authority will receive the guaranteed minimum of \$4.8 million in fiscal year 2006.

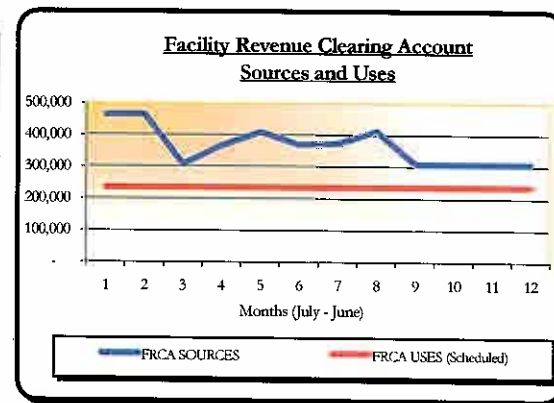
Due to laws protecting the confidential nature of the information re-

ported by AZDOR, there is little data available to the Authority to determine the cause(s) for this shortfall. There is a two-year lag between the actual tax year used to calculate the actual amount and the year in which it is reported to the Authority. The FY2006 amount is based on tax year 2003. We believe that with the opening of the stadium and the team's new revenue streams there will be higher payrolls paid and/or greater net profitability to the team which will result in higher state income taxes being collected in the future.

The Authority has calculated that the pledged portion of the NFL Income Tax will be \$3.7 million (78%). Our calculation is based on the actual collections as a percentage of the guaranteed minimum. The non-pledged balance of \$1.1 million will be distributed to the operating current expense account as part of the sources of funding for the Authority's operating budget.

This revenue source is critical 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 page 11). 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 im-



portant credit enhancement to the senior and subordinate bondholders and the bond insurer.

Sales Tax Recapture - \$0.7 million Until the Arizona Cardinals Stadium is open for the 2006 NFL season, the Authority will continue to 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 taxable activity held at the Arizona Cardinals Stadium will drive this revenue source. And, under the Authority's agreement with the City of Glendale, the Authority will also receive the City's sales taxes to help defease the new \$53 million in completion bonds to be issued in early FY2006.

For the coming fiscal year we are projecting a 10% decrease as compared to FY2005's actuals. This lower forecast is primarily due to the Arizona Cardinals only playing nine games (including pre-season) in Sun Devil Stadium this coming season instead of the customary ten home games (two pre-season and eight regular season). The team has agreed to play the San Francisco 49'ers in Mexico City in Oc-

(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 the pledged v. non-pledged portions of the NFL Income Tax based on the information received from the Arizona Department of Revenue.

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

tober and it, unfortunately, is counted as one of the Arizona Cardinals' home games.

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 - **\$0.3 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, \$2.0 million, of the scheduled \$2.3 million in subordinate bond debt service will be met by the TRCA funding sources.

Operating Account - \$1.2 million

If Facility Revenue funds are remaining after meeting the required senior and subordinate bond debt ser-

vice payments, they are transferred to the operations account to be held in reserve to meet future unanticipated obligations.

FACILITY REVENUE CLEARING **ACCOUNT - NON-PLEGGED**

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 - **\$1.1 million**

The total expected NFL Income Tax for fiscal year 2006 is the guaranteed minimum of \$4.8 million. Of this total, \$3.7 million is being pledged to the repayment of bond debt service while the balance, \$1.1 million, is designated for non-bond debt service purposes - the Authority's operating budget.

USES

Operating Current Expense Account - **\$1.1 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". The waterfall is presented, in detail, on page 4 of the budget. TRCA Sources and Uses table (see this section) presents the Uses in the order of their waterfall priority.

The following schedule outlines the expected funding sources and uses for the TRCA during fiscal year 2006.

SOURCES

Hotel Bed Tax - \$12.4 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 \$0.6 million, 5%, in the hotel bed tax revenues over the prior fiscal year's projected actuals. The economy in general has shown signs of growth and strengthening over the past year and this is especially true of the tourism industry both nationwide and at home in Arizona. Also, we are projecting that we will finish fiscal year 2005 about 5% ahead of our projections.

Car Rental Surcharge - \$8.5 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

Tourism Revenue Clearing Account	Total \$ Amount	As % of Sources
<u>SOURCES</u>		
Beginning Cash Balance	\$ 2,072,736	9.0%
Hotel Bed Tax	12,407,628	53.9%
Car Rental Surcharge	8,488,947	36.9%
Interest Income	31,559	0%
TOTAL SOURCES	\$ 23,000,870	100.0%
<u>USES</u>		
Senior Bond Debt Service	\$ 8,309,603	36.1%
Tourism Promotion	4,882,283	21.2%
<u>Cactus League:</u>	<u>2,661,506</u>	<u>11.6%</u>
Subordinate Bond Debt Service	1,976,219	8.6%
Cactus League General Act	685,288	3.0%
Youth and Amateur Sports	1,408,333	6.1%
Operating Account	1,989,019	8.6%
<u>Reserves:</u>	<u>100,000</u>	<u>0.4%</u>
Youth and Amateur Sports	100,000	0.4%
Operating	-	0.0%
Stadium Capital Repair/Plmnt	-	0.0%
Operating Account	1,442,371	6.3%
TOTAL USES	\$ 20,793,116	90.4%
NET SOURCES/(USES)	\$ 2,207,754	9.6%

balance of the surcharge is distributed to the Authority. The Authority received its first distribution from MCSD in June 2005 totaling \$262k which will be used to pay the Authority's obligation to the City of Scottsdale for the current Cactus

League renovation project.

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 and grow for the foreseeable future.

Combined Tourism Revenues - \$20.9 million

This year's projected total tourism revenues is an increase of \$1.5 million, 7.7%, over last year's budget and a \$1.0 million, 5.0%, increase over our projected FY2005 tourism revenues.

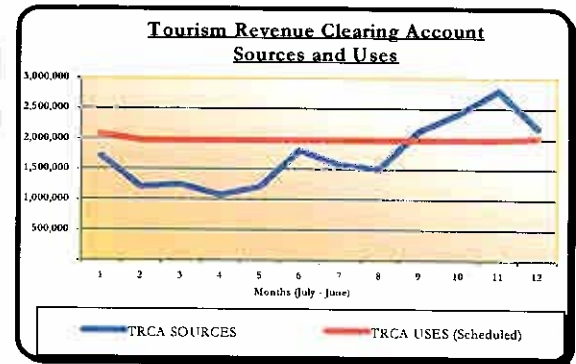
Tourism Revenue Seasonality

The graph at the top of the page 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)

Senior 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 FY2006 with \$8.3 million being generated from the TRCA and the balance, \$2.8 million, from the Facility Revenue Clearing Account ("FRCA"). The reason for this split funding is the statutory requirement that no more than \$165.5 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 - \$4.9 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 \$4.9 million to be distributed in FY2006 represents this increase.

Cactus League - \$2.7 million

This fund is scheduled to receive \$3.0 million per year for the first eighty-four months (through May 2008). This

Tourism Revenue Clearing Account (continued)

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 \$2.7 million of the total \$3.0 million requirement. The balance, \$0.3 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 2006 is \$2.3 million of which \$2.0 million is being funded from the TRCA and the balance, \$0.3 million, from the FRCRA.

Bond insurance was not purchased for these bonds. Therefore a reserve equal to 10%, \$3.24 million, of the par amount of the bonds is required to be funded within sixty months of the bond sale (February 2008). We will have funded a total of \$2.5 million by the end of fiscal year 2006.

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.

Youth and Amateur Sports - \$1.4 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 - \$2.0 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.

The Authority's operating budget for FY2006 is \$6.2 million which is comprised of \$1.7 million for the Authority's operating expenses, \$2.1 million for stadium capital expenditures and \$2.4 million for Global Spectrum's final pre-opening operating budget. The funding for this year's operations will be \$2.0 mil-

lion from the TRCA, \$1.1 million from the non-pledged portion of the NFL income taxes and \$3.1 million from the Authority's current and future operating reserves.

The Authority's operating budget of \$1.7 million is \$0.2 million,

10%, lower than the FY2005 Authority operating budget. The Global Spectrum operating budget for the upcoming year will be significantly higher as they will be ramping up their personnel toward the opening of the stadium. Their FY2006 operating budget is \$2.4 million compared to FY2005's budgeted amount of \$0.9 million.

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 FY2006 is \$1.3 million. The Authority will start the new fiscal year with a balance of \$1.2 million already in the reserve account. The \$0.1 million increase is scheduled to be funded in the first month of the new fiscal year.

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 is in its second decade of operation.

Undistributed Tourism Revenue Funds — Operating Account - \$1.5 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.

"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."

Tourism Revenue Clearing Account (continued)

USES — A DETAILED LOOK

Senior Bond Debt Service Account - \$8.3 million and Subordinate Bond Debt Service Account - \$2.0M

The schedule below summarizes the monthly distributions from the Tourism and Facility Revenue Clearing accounts to fund the eventual payment to the bondholders for both 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** (page 12).

Tourism Fund	Total \$Amount	As % of Sources
SOURCES		
Beg Cash Balance	\$ -	00%
TRCA	4,882,283	100%
TOTAL SOURCES	\$ 4,882,283	100%
USES		
AZ Office of Tourism	\$ 4,882,283	100%
TOTAL USES	\$ 4,882,283	100%
NET SOURCES(USES)	\$ -	00%

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:

The Authority entered into IGA's with the Cities of Scottsdale and Tempe this past fiscal year in order to

provide them with financial support for their renovation projects. In exchange for

Cactus League Promotion Account	Total \$Amount	As % of Sources
SOURCES		
Beg. Cash (AZSTAY)	\$ -	0.0%
Beg. Cash (MCSD)	-	0.0%
TRCA	685,287	69.5%
MCSD	300,000	30.4%
Interest income	1,163	0.1%
TOTAL SOURCES	\$ 986,451	100.0%
USES		
Renovation Projects	\$ 486,888	49.4%
Administrative Costs	19,428	2.0%
Subordinate Bond Reserve	480,000	
TOTAL USES	\$ 986,316	100.0%
NET SOURCES(USES)	\$ 134	0.0%

the Authority's contribution of a maximum of \$20 million for Scottsdale and \$12 million for Tempe, the San Francisco Giants and the Los Angeles Angels of Anaheim both extended their leases for an additional twenty years. The terms of our agreement with both cities is that they will provide the financing to pay for the needed renovations with the Authority's commitment to repay them our portion plus interest as funds are made available through this account. It is projected that both cities will be repaid in the early 2020's.

In addition to these renovation projects the Authority is budgeting \$40k per month for a total of \$480k this fiscal year for the subordinate bond reserve account — this receives priority over payments to the two cities. In addition, the

Authority is budgeting the receipt of \$0.3 million from the Maricopa County Stadium District from their excess car rental surcharge revenues. These monies will then be distributed to the City of Scottsdale to help pay for the \$6.7 million portion of our \$20.0 million commitment that is to be funded from the MCSD funds.

Youth and Amateur Sports

The Youth and Amateur Sports ("YAS") General 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 scheduled distribution for FY2006 is \$1.4 million. The associated YAS reserve account currently totals \$1.2 million and will be increased by \$0.1 million in FY2006 per the A. R. S..

For investment purposes, these two accounts are co-joined and all interest income is credited to the YAS General account.

The schedule on the following page summarizes this fund's related sources and uses.

Fiscal year 2006's youth and amateur sports budget includes funding of the following:

1. The Avondale project, a multi-field sports complex with lighting, was completed in September 2004. Under the Authority's agreement with Avondale progress payments

Debt Service Account	Total \$Amount	As % of Sources
SOURCES		
Beginning Cash Balance	-	00%
Senior Bond	11,143,906	82.3%
TRCA	8,309,608	61.3%
FFCA Project	2,834,308	20.9%
Subordinate Bond	2,314,713	17.1%
TRCA	1,976,219	14.6%
FFCA Project	338,494	2.5%
Interest Income	89,943	0.7%
TOTAL SOURCES	\$ 13,548,881	100%
USES		
Senior Bond Debt Service	\$ 11,143,906	82.3%
Subordinate Bond Debt Service	2,314,713	17.1%
TOTAL USES	\$ 13,468,619	99.3%
NET SOURCES(USES)	\$ 89,943	0.7%

Tourism Revenue Clearing Account (continued)

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. Mesa YMCA—\$65k
3. Glendale YMCA—\$150k
4. There is \$335k left to be paid for projects receiving grants during FY2004.
5. It is expected that approximately \$500k of the estimated \$2.2 million in FY2006 grants to be awarded will be paid out during FY2006.
6. 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.
7. The Authority has committed \$225k over three years in YAS funds to support the recently created Maricopa Youth Sports and Physical Activity Committee. The annual funding will be reviewed each year to ensure that the established criteria are being met.
8. The Authority instituted a new program to help provide limited funding in between the biennial grant cycles. The idea behind this program is to be able to quickly help qualifying groups with financial support for qualified youth and amateur sports programs. The Quick Grants Program is limited in

scope, is limited to a maximum of 5% of the annual YAS distribution and to a maximum of \$2,500 per award.

Youth and Amateur Sports	Total \$ Amount	As % of Sources
<u>SOURCES</u>		
Beginning Cash Balance	\$ 2,988,473	67.4%
TRCA	1,408,333	31.7%
Interest Income	40,054	0.9%
Reserve Account	-	
TOTAL SOURCES	\$ 4,436,860	100.0%
<u>USES</u>		
Avondale Sports Complex	\$ 352,083	7.9%
Mesa YMCA	65,000	1.5%
Glendale YMCA	150,000	3.4%
FY2004 Grant Awards	335,000	7.6%
FY2006 Grant Awards	500,000	11.3%
City of Glendale	1,000,000	22.5%
MYSAPAC	75,000	1.7%
Quick Grants Program	70,417	1.6%
Professional fees	10,428	0.2%
TOTAL USES	\$ 2,557,928	57.7%
NET SOURCES/(USES)	\$ 1,878,931	42.3%

Youth and Amateur Sports Reserve Account	Total \$ Amount	As % of Sources
<u>SOURCES</u>		
Beginning Cash Balance	\$ 1,208,333	90.7%
TRCA	100,000	7.5%
Interest income	23,669	1.8%
TOTAL SOURCES	\$ 1,332,002	100.0%
<u>USES</u>		
YAS General Account	\$ -	0.0%
TOTAL USES	\$ -	0.0%
NET SOURCES/(USES)	\$ 1,332,002	100.0%

Tourism Revenue Clearing Account - Operating Budget

Authority Operations - \$6.3 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.

The planned FY2006 operating budget is the Authority's largest to date and will only grow once the stadium is open and operating. This year's

budget consists of three main categories: The Authority's operating budget of \$1.7 million; the Global Spectrum operating budget of \$2.4 million and stadium related capital expenditures of \$2.2 million.

The Authority's budget is a decrease of \$0.2 million, 10%, over the prior year's operating budget. The Authority is not planning to add staff during the coming year and has successfully identified several expense categories where reductions were able to be made.

stadium event storage that was initially paid for from the operating account. This is related to stadium change order #030 for \$2.1 million comprised of bowl washdown (\$0.8 million), stadium event storage buildout (\$1.2 million) and a security system LAN (\$35k)

Media and Documentary - \$5.0k

is an on-going documentary project that will follow the construction project from start to finish.

"We anticipate an operating budget of \$6.3M in FY2006 which will be comprised of three main categories: Authority operations of \$1.7 million, Global Spectrum operations of \$2.4 million and stadium related capital expenditures of \$2.2 million."

Promotional Travel - \$2.5k covers the expenses for Authority personnel to make several trips or to meet with prospective clients for the new multipurpose facility prior to the opening of the stadium.

Internship - \$1.3k is for a summer intern that will assist in the review and evaluation of YAS grant applications and assist Global Spectrum with their future soccer events at the new stadium.

EMPLOYEE RELATED - \$776.5k
The following are the planned expenditures for this category:

Employee Compensation - \$667.4k
line accounts for the annual compensation and related employee benefits of seven FTE's (fulltime employees).

Employer-paid taxes - \$39.3k are the Authority's portion of employment taxes for federal and state that are required by law (does not include the employer's share of the mandatory ASRS defined benefits program)

Retirement - \$66.2 k is comprised of two separate programs. The first is the defined benefits plan in which the Au-

Operating Account	Total \$ Amount	As % of Sources
SOURCES		
Beginning Cash Balance	\$ 7,530,378	56.7%
TRCA, Budgeted	1,989,019	15.0%
FRCA, Non-Pledged	1,056,411	7.9%
TRCA Excess/Operating Reserve Dist.	1,442,371	10.9%
FRCA Pledged Excess	1,205,243	9.1%
Interest Income	68,173	0.5%
TOTAL SOURCES	\$ 13,291,595	100.0%
USES		
Marketing and Promotion	\$ 8,780	0.1%
Employee Compensation	776,492	5.8%
Office	34,260	0.3%
Professional Services	484,964	3.6%
Travel	23,940	0.2%
Meeting	2,100	0.0%
Bank Fees/Interest Expense	12,300	0.1%
Communications	24,060	0.2%
Office Lease	122,556	0.9%
Insurance	115,280	0.9%
Accounts Payable	75,000	0.6%
AZSTA Operating Uses	1,679,732	12.6%
AZSTA Stadium Capital Items	2,150,000	16.2%
GLOBAL SPECTRUM Operations	\$ 2,422,442	18.2%
TOTAL USES:	\$ 6,252,174	47.0%
NET SOURCES/(USES)	\$ 7,039,421	53.0%

The Global Spectrum operating budget has increased by \$1.5 million, 167%, over last year as they will ramp up toward the opening of the stadium and will grow from six fulltime employees currently to seventy-three by June 2006.

The \$2.2 in stadium related capital expenditures is comprised of \$0.5M in meeting room space being built-out, \$2.3 million in stadium FF&E (furniture, fixtures and equipment) and a net reimbursement to the operating account from the pending completion bonds of \$0.7 million for

SOURCES

The Authority is scheduled to receive its 1/12th budget distribution from three sources — the Tourism and Facility Revenue Clearing Accounts (the non-pledged Facility account) and the Authority's operating reserves. The distribution for operating budget purposes is \$6.2 million — the amount of the proposed operating budget. Of the \$6.2 million, the TRCA will provide \$2.0 million, the FRCA (Nonpledged) another \$1.1 million and the balance will be sourced from the Authority's operating reserves—\$3.1 million.

The operating account will also receive a total of \$2.7 million from the undistributed revenues flowing through the TRCA (\$1.5 million) and the FRCA (Pledged) (\$1.2 million). For more detailed information refer to the budget cash flow statements for these two accounts.

USES - AZSTA OPERATIONS - \$1.7 million

MARKETING & PROMOTION—\$8.8k The following are the planned expenditures for this category:

Tourism Revenue Clearing Account - Operating Budget (continued)

thority became a member with the board's approval in September 2001. Under this program, the employee and the employer are required to contribute the same amount. For FY2006, this contribution equals \$53.9k. This is higher than last year as the ASRS has increased their mandatory contribution rates by 22% for the coming fiscal year — this increase impacts both employee and employer equally.

The second program, which has not yet been implemented by the Authority, is a supplemental retirement/defined contribution savings plan (similar to a 401k plan in the private sector). 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 FY2006 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, assuming full participation by all employees and the plan would begin in October 2005, during FY2006 would be \$12.3k of which a maximum of twenty percent would be eligible for vesting in the first year.

Recruiting fees - \$0k is expected with no plans for new fulltime employees during FY2006.

Training - \$3.6k 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 - \$33.0k

The following are the planned expenditures for this category:

Supplies - \$4.7k are for those "behind the scenes" costs to operate the office — paper, pens, computer supplies, files, folders, printing costs, subscriptions, etc.

Computer equipment - \$0k is budgeted as there are no new planned FTE's.

Furniture - \$0k is budgeted at zero as there are no plans for any new FTE's.

Office Equipment - \$26.5k 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 - \$1.8k covers our on-going postage and package delivery needs. More information is being delivered electronically which helps reduce these costs.

PROFESSIONAL AND OUTSIDE SERVICES - \$485.0k - 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 tech-

nical support. Of the total approximately 58% is represented by projected legal costs which have continued to be higher than expected due to all of the construction-related agreements that have required modification as well as other subject matters.

TRAVEL - \$20.5k - The Authority's personnel will travel more during the coming fiscal year as the opening date for the stadium approaches.

MEETINGS - \$1.8k - This amount represents the numerous meetings that occur on a frequent basis related to the stadium construction effort as well as marketing-related meetings in order to get ready to launch the new stadium.

BANK/CASH MANAGEMENT FEES- \$12.3k

This represents on-going monthly analysis charges collected by JPMorgan Chase Bank and related cash management fees for the overnight sweep of cash balances.

COMMUNICATIONS - \$23.8k

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.

OFFICE LEASE - \$122.6k

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 - \$115.2k

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 insurance industry has settled down a bit over the past year which is reflected in most of our policies holding the line on premium costs. We have not had any difficulty in renewing any of our insurances as we had experienced in the two years post 9/11.

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.

Tourism Revenue Clearing Account - Operating Budget *(continued)*

ACCOUNTS PAYABLE - \$75.0k

This covers the non-construction related payables that will carry over into FY2006.

USES - AZSTA STADIUM RELATED CAPITAL EXPENDITURES — \$2.2 MILLION

The Authority is planning to spend from its existing operating reserves the following:

Meeting Space Buildout—\$0.5 million

Per our agreement with Global Spectrum the Authority is required to provide this to enhance the functionality of the stadium by increasing its meeting room space

Stadium F, F & E (Furniture, Fixtures and Equipment) - \$2.35 million

These expenditures are for items that will be necessary to open the stadium and hold events in the building — they will include an extensive list of items that is being compiled by Global Spectrum

Reimbursement from Completion Bond Proceeds—\$0.7 million

The Authority forwarded \$2.1 million from its operating reserves to the senior bond proceed account to fund the Authority's Stadium Change Order #030 for bowl washdown, stadium event storage and a LAN for the security system. Of this \$2.1 million,

\$1.4 million was scheduled to be funded from the Authority's operating reserves. The balance, \$0.7 million, will be reimbursed to the operating reserves once the completion bond proceeds have been received.

USES - GLOBAL SPECTRUM - STADIUM MANAGEMENT OPERATIONS - \$2.4 MILLION

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 final 12 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 2006.

The next schedule summarizes their proposed expenditures:

Net Sources/(Uses) - Operating Account - \$7.1 million

This is a decrease of approximately \$0.4 million from the starting balance for fiscal year 2006. Considering the sizeable increase in the overall operating budget and its three components, this is a reasonable decrease to the operating reserves. Once the stadium opens, however, there will be a significant increase in the operating expenses related to the operation of the building.

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 2006:

ATL - The Authority and the Arizona Cardinals are working to resolve a legal issue involving one of our prior testing and inspection consulting firms.

==End of FY2006 Budget ==

Global Spectrum Stadium Management Operations	Total \$ Amount	As % of Sources
<u>USES</u>		
Salary and Benefits	1,589,952	66%
Computers, Web, & IT	65,000	3%
Training & Recruitment	127,750	5%
Dues & Subscriptions	8,275	0%
Promotions & Trade Shows	20,500	1%
Advertising & PR	65,000	3%
Insurance: Prof. And Gen. Liab.	1,000	0%
Office Supplies- \$500 per month	6,000	0%
Office Rental-Cleaning, Waste Mgt, etc.	29,815	1%
Stationery & Printing	6,000	0%
Postage/Delivery	6,000	0%
Surety Bond	15,000	1%
Professional Fees	65,000	3%
Pre- Opening Events & Galas	250,000	10%
Relocation	30,000	1%
Telephone/Data	21,650	1%
Bus. & Prof. Dev. Travel	75,500	3%
Contingency	40,000	2%
Global Spectrum Operating Budget	2,422,442	100%