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2003 IN REVIEW

The year 2003 could be best characterized as when the Authority hit full stride in developing and delivering projects for Cactus League, Youth and Amateur Sports and the new Cardinals Stadium.

The year started with the Authority selling \$222 million of Multipurpose Stadium construction bonds and \$33 million of Cactus League bonds.

That allowed the groundbreaking and the start of construction on the southwest's new jewel for sports and entertainment – the new **Cardinals Stadium** in Glendale: future home of the **Arizona Cardinals**, the **Tostitos Fiesta Bowl**, **NFL Super Bowl**, **NCAA Final Four Championships**, motocross, international soccer matches and other sporting events, concerts, and industry and consumer trade shows.

Two important **Cactus League** stadiums reached significant milestones – one was completed and another started upgrades. The beautiful \$48 million **Surprise Spring Training Complex** was completed and hosted the inaugural game between the **Texas Rangers** and the **Kansas City Royals**, two MLB teams lured to the Cactus League by the new complex. An old favorite, **Phoenix Municipal Stadium**, began its \$6.4 million renovation project to modernize and update the facility in return for a 10-year lease extension by the **Oakland Athletics**.

Youth and Amateur Sports received funding for two showpiece projects. The **South Mountain YMCA Youth Sports Complex** used an initial \$150,000 grant from the Authority as

seed money to build a \$750,000 sports complex providing lighted baseball, soccer/football fields and other facilities for area children. The new \$5.6 million **Avondale Regional Youth Sports Complex** began mid-year. The park will feature multiple lighted soccer fields, baseball fields, basketball courts and tennis courts.

The Authority has leveraged its leadership role in the Youth and Amateur Sports area to drive new collaborative efforts in the community between organizations and stakeholders with events like the **First Annual Youth and Amateur Sports Summit**, **Town Hall Meetings** and the **Youth Sports and Healthy Communities Roundtable**.

The Authority joined tourism industry officials in successfully lobbying for **full legislative funding of tourism promotion**. Consequently, the Authority will be funding all of the required \$4.4 million to the tourism account next year. These monies are for promoting tourism in Maricopa County and are in addition to other statewide tourism promotion dollars.

The nine citizen members of the Board of Directors completed their 46th board meeting since beginning operation in July 2000. In July, **Governor Janet Napolitano** appointed two new members to the Board. **Michele Eckert** was named to replace Valarie Miceli as representative of the Valley hoteliers and **Tom Hocking** was named to fill a long-vacant slot and to represent the Cactus League. Eckert was appointed to a new, full five-year term and is eligible for reappointment in 2008. The Governor indicated that Hocking was appointed to fill the remainder of Denise Meredith's term and a five-year term expiring in 2009. Board member **Herman Orcutt** was reappointed by the President of the State Senate to a 5-year term, as was **Roc Arnett**, an appointee of the Speaker of the House. Both of their terms will expire in 2008.

MULTIPURPOSE FACILITY UPDATE

There have been 16,207 cubic yards of concrete poured to date (12-31-03) at the site. Currently in place are:

- 305 footings;
- 309 columns;
- 9 club level rakers;
- 5 main concourse level slabs and one club level slab.



Forms for the Suite Level Begin on Top of Club Level Slab work.

Follow Up with Stadium Management Companies—

Contact is continuing with the companies that are under consideration to manage and help market the TSA/Cardinals Stadium in Glendale. The Authority is seeking further clarification of each of the companies' proposals, particularly with respect to their financial terms.

Because of the highly competitive nature of the bidding process, information about the companies under consideration will not be released publicly while negotiations are in process.

Research has indicated the importance of pre-opening involvement by the management and marketing company to iron out operational issues before opening as well as to book shows, meetings, concerts and other events which have a long lead time.

World Record Basketball Event Highlights Stadium

Possibilities— A world-record number of 78,129 people watched the eighth-ranked Kentucky Wildcats beat No. 21 Michigan State University 79-74 at Ford Field in Detroit. The game on Dec. 13, was played on a regulation basketball floor elevated three feet off of the stadium's artificial turf. The stadium's 65,000 permanent seats were supplemented by seating on the floor around the court to produce the record attendance figure.

The world-record is an example of sporting and entertainment events that are possible at the Multipurpose Stadium. The stadium's temporary seating capacity of 73,000 can be augmented with seating on the floor to reach the Ford Field mark. The stadium's roll out field makes it easy to set up the event right on the stadium's cement floor. The floor's built-in utility grid also allows for the smooth staging of events.

CACTUS LEAGUE

The Board of Directors adopted a resolution giving preliminary approval of funding for a new Cactus League facility for the Anaheim Angels to be built in Goodyear, provided that the Authority reaches agreement on renovation plans for both Tempe and Scottsdale and that Tempe finds a replacement team to play at Tempe Diablo Stadium.

The plan could provide up to \$20 million or 50% of the project's \$40 million projected cost. The entire project is expected to be financed upfront by the City of Goodyear and team owner Arte Moreno, with the Authority beginning to repay its portion only after its other Cactus League obligations are met. Land for the facility will be donated by Mr. Moreno.

One of the Authority's missions is to promote Arizona's Cactus League by constructing new or renovating existing Cactus League baseball spring training facilities in Maricopa County. Funding available for projects gradually increases from \$3 million each year in the first seven years to \$11 million each year in the last four years the taxes are collected. Over the 30-year period from 2001 to 2031 a total of \$205 million is allocated to the Cactus League.

Scottsdale Giants Stadium— The City of Scottsdale approved funding for HOK Sports to complete schematic design for improvements at Coronado Park for the major league clubhouse and fields and at Club SAR for the minor league clubhouse. The designs will be complete in March.

Phoenix Muni Stadium— Major construction work on the \$6.4 million renovation of Phoenix Municipal Stadium is nearing completion:

- Flooring is being installed in the press box, A's offices, maintenance building offices and floor tile installation is underway at the ticket office and team store.



Concourse side of new press box at Phoenix Muni

- All the light fixtures in the press box have been installed and power turned on.
- Casework is complete in the broadcast booths, writing press areas and meeting room/suite.
- Dugouts are complete with the final installation of padding on the rails and protective netting across the front railing.
- Ceiling work is completed throughout the project.
- The batting cage structure is done and awaiting installation of the netting that will form the batting cages.
- Landscaping along the concourse is now completed
- The signage contractor is on site and new signage is in place over the entries and at the seating bowl.
- Turnstiles are being cleaned and installed at the entry.

The improvements were needed to bring the facility up to the standard of other spring training facilities built within the last 19 years. The project included the expansion of the main entrance, the construction of a new press box, improvements to the concourse and clubhouse, new dugouts and consolidation of the maintenance facilities.

The Authority contributed \$4.3 million toward the renovation of the stadium which was originally built in 1965, making it the oldest facility used for Cactus League Spring Training. The stadium was last renovated in 1995 at which time the Oakland Athletics' lease was extended until 2004.

The latest improvements locked in a 10-year extension for the A's participation in the Cactus League. The A's have been conducting team spring training activities at Phoenix Muni since 1982.

YOUTH & AMATEUR SPORTS

Authority staff and its Youth and Amateur Sports Advisory Council have narrowed the list of projects to be considered for funding from 92 to fewer than 20. This prioritized list will be forwarded to the TSA's Youth and Amateur Sports Committee, which will forward recommendations for approval of the full Board of Directors. The Authority is looking to award nearly \$2 million to non-profit, municipal or county youth and amateur sports projects in 2004.

Avondale project construction update—More infrastructure items have been completed on the Avondale Regional Youth and Amateur Sports Complex under construction near the

I-10 and Dysart Road:

- Sewer line, drinking water supply lines, fire line and hydrants;
- Lift station;
- Wet well and lake plumbing system;
- Foundations for the sports lighting system;
- Foundations at the restroom/concession building and maintenance compound;
- Stem wall for the restroom building.



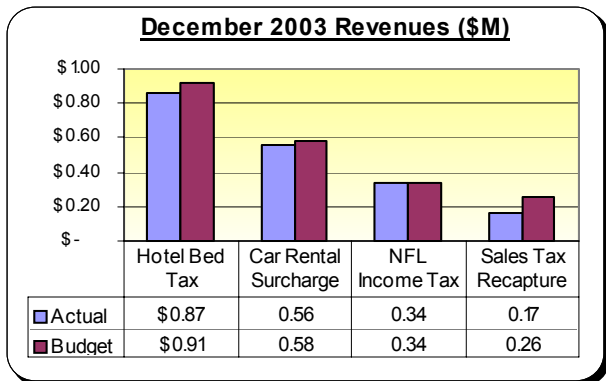
Workers installing duct bank for lighting & electric lines

Work underway:

- Underground electric work is also underway with the installation of the major duct bank that feeds the sports lighting system and distributes electrical power around the site;
- Masonry perimeter wall at the maintenance area;
- Sports lighting system;
- Concrete curb and gutter at the site parking areas and drive ways.

FINANCIAL OVERVIEW

Sources – The following chart provides our revenue results for December 2003:

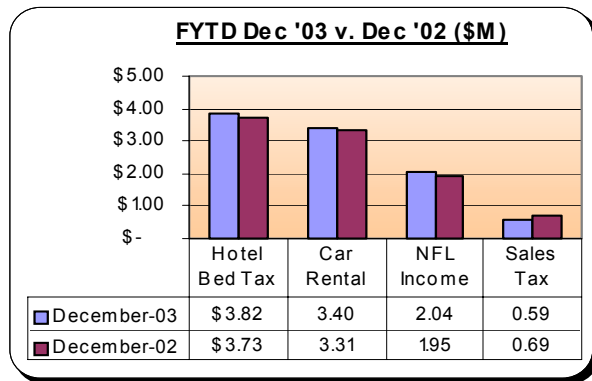


The Authority’s overall revenue performance in the month of December lagged its forecast by \$161,547, or 7.7%. The Authority’s combined **tourism revenues** (hotel bed tax and car rental surcharge) for the month of December 2003 came in at \$1.43 million – an increase over last month’s \$1.12 million, but fell short of our forecast by \$69,327, or 4.6%. Both of the related revenue sources contributed to this shortfall. Some of this can be attributed to the timing of one of the Valley’s premier sporting events — NASCAR’s Checker Auto 500 held at the Phoenix International Raceway. This event typically occurs in October of each year which, due to the two-month reporting lag in the related tourism revenues, means the Authority receives these revenues in December. In 2003, the race was held at the beginning of November which means that a significant portion of these event-related revenues will be received in January 2004.

The **NFL income tax**, which is determined by the Arizona Department of Revenue prior to the start of the fiscal year, was on-budget at \$0.34 million.

The **state sales tax recapture** revenues for December also include the actual and budgeted amounts for the month of November as they were not received until the beginning of the current month. The trend for this revenue source has been downward compared to prior years. Hotter than normal temperatures at the beginning of the NFL pre-season and regular season combined with a losing season have kept the attendance figures at home games at lower-than-expected levels. The Authority will receive the balance of these revenues over the months of January and February 2004 due to the two-month reporting lag. With the completion of the regular NFL season, it is now expected that the Authority will receive \$200k - 300k less than the original forecast amount of \$1.14 million.

Sources — Comparing 2003 and 2002 - The next chart provides a fiscal year-to-date look at the results between December 2003 and December 2002:



The Authority is at the mid-point of its fiscal year and continues to maintain a slight advantage over the last fiscal year. Our overall results have steadily improved over the past several months with the current year’s total revenues standing at \$9.85 million compared to \$9.69 million in fiscal 2002 — an improvement of \$0.16 million, or 1.7%. Both of the tourism revenue sources and the NFL Income Tax have contributed to this improvement. The sales tax recapture revenues continue to lag as has been previously discussed.

Senior Bond Debt Service – The Authority will be accruing a total of \$11.1 million for debt service payments during FY2004 (\$0.9 million per month). Of the monthly amount, approximately 75% will be disbursed from the tourism revenues. This is based on the statutory language that limits the debt service distribution to no more than that of \$165.5 million of the total bonds -- \$221.95 million. The balance will be disbursed from the facility revenues – pledged portion only.

Tourism – This year, the Authority will be disbursing the entire \$4.4 million in tourism funding to the Arizona Office of Tourism. This annual amount increases by 5% per year.

Cactus League – During fiscal year 2004, \$2.3 million of the total \$3.0 annual allocation will be used for bond debt service payments. The balance will be used in part to fund a bond reserve fund (\$3.2 million total, \$480,000 this fiscal year). The balance will be used to fund future spring training baseball renovation projects.

Youth and Amateur Sports – The Authority will be providing \$1.2 million to the youth and amateur sports general account this fiscal year. As of July 2003, the reserve account was fully funded at \$1.1 million.

Authority Operations – The Authority’s annual operating budget of \$2.1 million will be funded one-third from tourism revenues and the balance from the non-pledged portion of the facility revenues.

A handwritten signature in black ink, appearing to read "Ted A. Ferris". The signature is written in a cursive, flowing style.

Submitted by: Ted A. Ferris, President/CEO