

Arena Tax Oversight Committee
April 24, 2007 - 3:00pm
Minutes

Committee members present: Greg Sevier, Mark Dennett, John Clevenger, Max Weddle, Frank DeSocio, Tad Mayhall, Bradley Hawthorne, Bruce Armstrong

Committee members absent: Christina Ricke, Tim Short

Others in attendance: Chris Chronis, Troy Bruun, Ginger Radley, Ron Holt, Commissioner Kelly Parks, Rich Euson, Stephanie Knebel, Misha Jacob-Warren

Call to Order The meeting was called to order by Committee Chairman Greg Sevier

Acceptance of Minutes Greg Sevier asked for a motion to approve the minutes from the January 31, 2007 meeting

- Motion made by John Clevenger
- Motion seconded by Max Weddle
- Motion passed

Old Business None

New Business Expenditure Reports as of April 19, 2007 - Chris Chronis

- The first report discussed was the Budget-Actual report as it appears in the County's financial system. Chris Chronis reviewed what each of the columns in the report means in regards to fund expenditure: (beginning from the left)
 - Budget - The amount of budget authority currently established for each component of the project
 - Released Budget - The amount of budget authority released by Finance and currently eligible to be spent
 - Pre-Encumbrance - Occurs when the County knows they are going to spend a particular amount but have not established a contract with a vendor yet. This prevents the budget from being overspent
 - Encumbrance - For work that has been contracted but not yet finished, thus no check has been cut
 - Expended - Reflects actual checks written for completed work
 - Total Committed -Total of pre-encumbered, encumbered and expended funds and reflects the entire amount

New Business
(cont'd)

- currently committed to the project
- Available budget - The difference between the released budget and the total committed
- Total budget - The difference between the original budget and the total committed
- Chris Chronis then discussed the Project Budget, which is based on numbers pulled from the County's financial system but presented in a form that provides greater clarity for analysis. Chris explained each category listed on the sheet in terms of the amount seen by the committee in prior reports, the expenditures reflected on the new report and the total spent for each category. This Project Budget also reflects the original arena budget of \$184,528,000 and the revised budget (approved by the BoCC in December 2006) of \$201,024,000. Chris reiterated that, in the revised budget, the amounts originally budgeted for Site Costs and Parking have been removed and those funds can now be found in the Arena Construction account (which now includes site costs) and the Operations, Parking & Maintenance Reserve (which now includes funding to be used for parking as needed).
- As per the committee's request at the January 31 meeting, the expenditure for the consultant that advised the Coliseum during its bid for management of the arena was reversed out of the arena budget. It should be noted that the price for this consultant was \$37,152.90; however the Project Budget currently reflects a (\$27,152.90) charge. Stephanie Knebel explained that, during this same reporting period, the County spent \$10,000 in outside assistance to aid in the County's negotiations with SMG. Troy Bruun showed the committee the reimbursement of the full consultant expense in SAP.
- Chris Chronis noted that the current amount in the reserve, which is essentially a balancing number, is \$14,610,421.
- Max Weddle asked Chris Chronis why there was a negative \$36,652.50 in new expenditures for the asbestos surveys. Ginger Radley answered that that was simply an accounting adjustment made by the Finance Department and was an adjustment of line items - it does not reflect any actual return of money.
- Chris Chronis then stated that Stafford Sports has been retained by the County to create a pro forma to set baseline expectations of costs/expenditures for the arena. He also stated that the County is currently still negotiating the contract with SMG, and that this contract will be based in part upon conditions set forth by Stafford Sports in that pro forma. This tool will guide the County in negotiating the best

New Business
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- deal possible with SMG.
- Greg Sevier then asked Chris Chronis if the County was still planning on renovating the Pavilions in light of the current talk about placing a casino at the Kansas Coliseum. Chris Chronis responded that the County will continue to follow its plans to renovate the Pavilions and that the renovations must be done in a relatively short period of time because the Coliseum is hosting an event at the Pavilions in September. Chris Chronis stated that there is far too much uncertainty about the future of a casino for the County to change its plans.
 - Commissioner Kelly Parks stated that the County has no intention of getting rid of the Pavilions and that, in fact, the terminology in the ballot question of November 2004 included the provision for the Pavilions
 - Greg Sevier asked Chris Chronis why there were currently funds released for construction of the arena and Bradley Hawthorne also asked why there were currently funds released in the reserve line item. Chris Chronis responded that he was unsure of why these line items already had funds released but that he would check into it and report back with the answer at the next meeting.
 - Greg Sevier asked Chris Chronis if any money brought in by the arena sales tax could be used on construction or if those extra funds had to go into the reserve. Chris Chronis responded that any extra funds may be used on arena construction and that the BoCC can change the budget for any category as long as all the money collected by the sales tax goes towards the arena.
 - Max Weddle asked Rich Euson if he agreed on this point. Rich Euson stated that he did agree with Chris Chronis.
 - Max Weddle then questioned the County's contract with Larry Pecenka from Spirit Aerosystems for Contract Management Services. Stephanie Knebel responded that Larry Pecenka is a project co-manager whose primary responsibility it will be to be the County's on-site representative with the contractor once the arena construction begins. This is simply a way for the County to add additional expertise to make sure the project is completed in the best manner possible. Stephanie Knebel also confirmed that payments for Larry Pecenka's services do go directly to Spirit Aerosystems. Commissioner Kelly Parks asked if Larry Pecenka's involvement would eliminate the need for a construction manager. Ron Holt confirmed this and stated that this was the reason Larry Pecenka was working on the project now even though no construction has

New Business
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begun. Ron Holt also mentioned that Larry Pecenka has done this type of project management before for Exploration Place and a variety of projects for Spirit. Max Weddle stated that he liked the fact that the County had this type of project manager in place because he would help ensure that small problems never become big problems.

- John Clevenger asked if the budget for land acquisition was still accurate. Ron Holt responded that he believed the budget for land acquisition was still accurate and gave a brief update on the land acquisition process. Holt reminded the committee that there are in fact two sets of properties to acquire: those on the arena site and those along Washington Street (the street will need to be widened to prevent traffic congestion on Kellogg). Currently there is only one more property left in the arena site to acquire and it is currently in the condemnation process, which should take approximately 6 weeks. There are currently 4 more properties to acquire along Washington Street: 2 which will only be partial takes and 2 that are waiting on relocation confirmation before they sign a contract. After these remaining sites are acquired, the County will have a contractor complete the asbestos survey and removal, and then the buildings will be ready for demolition.
- Max Weddle then brought up K.S.A. 12-6,122 and specifically section C of the statutes which states that for any project for which a special election has been held and a budget established, if the cost of that project, at any point in time, exceeds the original budget by at least 20%, the governing body must hold a hearing before any additional funds are expended. Max Weddle stated that he was concerned that with the budget revision in December 2006 and the current revenue projections, the County was coming close to violating the margins stated in this statute. Greg Sevier stated that he believes the County is a substantial ways away from coming close to this 20%. Rich Euson also agreed with Greg Sevier and stated that the BoCC has the power to change the project budget for the arena as long as the final budget does not exceed the funds collected by the arena sales tax.
- Copies of the statute, ballot question and supplemental exhibits were then distributed to each committee member. Chris Chronis pointed out that the ballot question, under the section entitled *Project Costs* specifically states: *Certain portions of this information are based upon projections. No assurances can be given that these projections will be accurate due to changing market conditions and other*

matters unknown or unavailable at this tem. Therefore, the project costs provided on the ballot were simply a good-faith estimate. Rich Euson stated that the ballot question and its terminology was developed in an effort to comply with K.S.A. 12-6,122 and that if the BoCC operated in good faith and did not mislead the voters in terms of the budget/financing of the arena project, it cannot be held to the exact numbers provided in the ballot question.

- Max Weddle then stated that what he was concerned about was what the actual initial stated project cost was in order to accurately determine what the 20% overage would be. Max Weddle then also expressed his concern that K.S.A 12-189 states that any excess funds collected by the arena sales tax must be placed in the County's General Fund, not the arena budget as has been continuously stated. Tad Mayahl stated that the committee isn't even discussing the County's General Fund, to which Chris Chronis agreed. Rich Euson stated that he would look into this matter and have an answer for the committee at its next meeting.
- Bradley Hawthorne then asked about the status of the mobility study. Ron Holt responded that Walker Consulting has been in town twice, the last time being in mid-April 2007. At that time, Walker expressed their desire for the development of a steering team as well as the opportunity to speak with those who have and/or want to own parking facilities in downtown Wichita. Ron Holt also stated that, at this mid-April meeting, Walker provided the County with preliminary information regarding mobility/parking downtown. However, County staff charged Walker Consulting to further synthesize the information, making it clearer and more precise. Therefore, a public meeting originally scheduled for the beginning of May 2007 on mobility/parking has now been pushed back to the end of May. Ron Holt assured the committee that the County would host at least one public meeting regarding parking and, 45-60 days after this public meeting, County staff would have a parking plan for the arena. He also noted that parking required by the arena project will be funded out of the collected sales tax. Holt mentioned that, upon initial survey, Walker Consulting originally thought that downtown Wichita already had enough parking spaces to accommodate the arena but the BoCC wanted a comprehensive review of the entire downtown area because of the multiple venues. Holt stated that, although Walker's study looked at the entire downtown area parking situation, the County's plan would be for arena parking only.

Revenue Reports as of April 19, 2007 - Chris Chronis

- Chris Chronis stated that to date, the arena sales tax has collected \$127,453,489 and the numbers in the County's financial system in regards to revenue match the State Treasurer's website exactly. Chronis noted that the County has not yet received April's receipts and expects the next deposit at the end of April. Chronis stated that he expected this deposit to be approximately \$6-\$6.5 million. Greg Sevier stated that he has checked the State Treasurer's website and those numbers do match what the County reflects in its financial system exactly.

Next Meeting

Greg Sevier stated that the next meeting of the Arena Tax Oversight Committee will be **Tuesday, July 24, 2007 at 3:00 in the Ark Valley Board Room** after which time the next committee report to the BoCC will be due.

- Max Weddle questioned whether this next meeting will coincide at all with the opening of construction bids. Stephanie Knebel said that there may be a bit of overlap and she expects construction bids to open in September.
- Bradley Hawthorne stated that he would like an update on the timeline of the arena. Stephanie Knebel responded that currently tenants are moving out and the asbestos survey/removal is beginning. Demolition is anticipated to begin sometime in August and all buildings should be demolished by September. The County expects to then hire a contractor in October 2007.
- Max Weddle asked whether County staff has talked to the City of Wichita about asbestos removal, since the City seems to be having a difficult time with removal in some of the buildings along Kellogg. Stephanie Knebel stated that the County has not yet encountered any problems with asbestos removal, which is most likely due to the age of the buildings in the arena site and along Washington Street.
- Commissioner Kelly Parks asked when a demolition contractor would be chosen. Stephanie Knebel stated that she anticipated that happening in late July/early August 2007.

Adjourn

Greg Sevier adjourned the meeting at 4:16pm

Handouts

- Minutes from the January 31, 2007 meeting
- SAP Expenditure detail
- SAP Revenue detail
- Arena sales tax revenue forecast

- Project Budget
- K.S.A. 12-6,122
- K.S.A. 12-6a01
- Exhibit A: Notice of Special Election
- Resolution No. 149-2004