

**Arena Tax Oversight Committee**  
**April 29, 2008 - 3:00pm**  
**Minutes**

Committee members present: John Clevenger, Mark Dennett, Christina Ricke,  
Tim Short, Bruce Armstrong, Greg Sevier,  
Max Weddle, Dolan Pelley

Committee members absent: Bradley Hawthorne and Frank DeSocio

Others in attendance: Troy Bruun, Chris Chronis, Rich Euson, Ron Holt,  
Steve Claassen, Commissioner Kelly Parks,  
Ann Smarsh, Ginger Radley, John Dailey,  
Charlie Peaster

**Call to Order** Greg Sevier called meeting to order.

**Acceptance of Minutes** Mark Dennett motioned to accept the 10/30/07 minutes with no changes or corrections. Christina Ricke seconded. The motion passed.

Tim Short motioned to accept the 01/29/08 minutes without changes or corrections; Dennett seconded the motion. The motion passed.

**Updates & Introductions** Chris Chronis introduced the new management intern, Tricia Thomas, and advised that she would be replacing Anthony Swartzendruber at committee meetings.

Chronis announced that project manager Stephanie Knebel will be replaced by Steve Claassen. Chronis stated that Knebel had accepted a position with the City of Derby as the Assistant City Manager. Chronis advised that Claassen would be available to the committee to answer any questions regarding the progress of the project.

**Reference Points**

- **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

Reference Points  
Cont'd

- **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 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

New Business:  
Revenues

Chronis advised the committee that he would be presenting a set of financial statements; two that dealt with revenue and two for expenditures. Chronis reemphasized the fact that the 1 cent sales tax had been terminated as scheduled on December 31, 2007.

Since then, the project has received the final two (Jan. & Feb) revenue installments making the current financial statements different than any the committee has seen in prior meetings.

Revenue Status as of April 22, 2008 - Chris Chronis

The first revenue report discussed was the Budget-Actual Report as it appears in the County's financial system. Chronis reviewed the meaning of each of the columns in the report (beginning from left to right)

- Chronis explained that the Budget-Actual Report is a summary of the revenue status for the project as of April 22.
- The following is a summary of the Budget-Actual Report findings based on statements made by Chronis:
  - The project revenue budget is \$205,500,000
  - The amount of revenue collected as of 04/22/08 is \$206,537,905.46
  - The amount by which the actual revenue exceeds the budget is 1,037,905.46
- The second revenue report detailed the sales tax revenue by month. Chronis explained that the report compared the revenues by the County's forecast of revenues. Results of the report show both the deviations as well as the cumulative variances. The following is a summary of the report findings:

- As stated previously the revenue budget is \$205,500,000
- The amount received is \$206,538,000
- The cumulative variance from the most recent revenue projection is \$1,038,000
- The cumulative variance from the 2006 revenue projection is \$5,514,000
- The cumulative variance from the original revenue projection is \$26,502,000

(Chronis advised that there will be no further updates of this nature due to the termination of the 1 cent sales tax.)

## Revenue Discussion

Greg Sevier inquired about what other revenue will be expected and if any, would it be during the term of the oversight committee. Sevier also inquired about the option of additional naming rights opportunities.

Chronis responded that based on the contractual relationship with SMG the revenue associated with the naming rights belongs to the County. Chronis also explained that there would be revenue associated with naming rights of existing contracts coming in installments over a period of time. Chronis also stated that there is some continuing exploration of opportunities for additional naming rights revenue. In contrast to this, Chronis explained, the revenue received from the sale of suites will go (based on the contract) to SMG, with the understanding that SMG is responsible for supporting the suite's tenant.

Max Weddle inquired of Rich Euson, whether or not he foresaw a problem with additional revenue coming into the project that is not associated with the 1 cent sales tax.

Euson responded that he did not. Chronis advised that the position of the county has been that the revenue is associated with the Arena project, and the electorate has a clear perception of the concept of that revenue being tied to the Arena exclusively.

Weddle also questioned whether or not the county would increase the budget so that the it would match the revenue.

Chronis advised that there had been no discussion on this subject and that, practically speaking, there was no need to do that at this time. Chronis explained that the excess would be placed in the reserve account and would be subject to annual allocation.

## Revenue

### Discussion Cont'd

Citizen Observer Charles Peaster questioned whether or not the county felt an obligation to communicate this issue to the citizens.

Chronis clarified that the revenue from naming rights will go into the Arena Fund and can only be used for the Arena. Essentially the money is a restricted fund balance that cannot be spent until budgeted by the Commission for use only on the Arena.

Mark Dennett inserted that in addition to this, the way the ballot read this money literally has to flow into the operating reserve. Chronis agreed.

### Expenditure Status as of April 22, 2008 - Chris Chronis

### New Business: Expenditures

The third financial statement presented summarizes, by category, the budget and financial activity against that budget for each of the functional areas of the project. The findings of the report are as follows:

- A&E Services:
  - Budget is \$16,641,456
  - The amount that has been released and thus can be spent is \$9,316,249
  - Encumbered amount is \$908,090
  - The amount spent is \$6,602,545
  - The total amount committed (encumbered plus spent) is \$7,510,636
  - Amount available for spending is \$1,805,613
  - Amount available for allocation is \$9,130,819
  
- Land Acquisition:
  - Budget is \$16,979,742
  - The amount that can be spent is \$16,979,442
  - Encumbered amount is \$91,830
  - The amount spent is \$15,869,541
  - The total amount committed (encumbered plus spent) is \$ 15,961,372
  - Amount available for spending is \$1,018,069
  - Amount available for allocation is \$1,018,369
  
- Infrastructure: Chronis commented that there hasn't yet been much activity in this area
  - Budget is \$3,569,800
  - The amount that can be spent is \$3,569,800
  - Encumbered amount is \$1,982,087

New Business  
(cont'd)

- The amount spent is \$28,672
- The total amount committed (encumbered plus spent) is \$2,010,759
- Amount available for spending is \$1,559,040
- Amount available for allocation is \$1,559,040
  
- Construction:
  - Budget is \$139,973,101
  - The amount that can be spent is \$139,973,101
  - Encumbered amount is \$119,967,304
  - The amount spent is \$17,527,918
  - The total amount committed (encumbered plus spent) is \$137,504,919
  - Amount available for spending is \$2,468,181
  - Amount available for allocation is \$2,468,181
  
- Contingency:
  - Budget is \$3,538,728
  - The amount that can be spent is \$3,538,728
  - Encumbered amount is \$0
  - The amount spent is \$0
  - The total amount committed (encumbered plus spent) is \$0
  - Amount available for spending is \$3,538,728
  - Amount available for allocation is \$3,538,728
  
- Pavilions:
  - Budget is \$6,029,083
  - The amount that can be spent is \$6,029,083
  - Encumbered amount is \$0
  - The amount spent is \$6,028,877
  - The total amount committed (encumbered plus spent) is \$6,028,877
  - Amount available for spending is \$205
  - Amount available for allocation is \$205
  
- Reserve:
  - Budget is \$15,846,072
  - The amount that can be spent is \$0
  - Encumbered amount is \$0
  - The amount spent is \$0
  - The total amount committed (encumbered plus spent) is \$0
  - Amount available for spending is \$0
  - Amount available for allocation is \$15,846,072

New Business  
(cont'd)

- Project Mgmt & Planning:
  - Budget is \$2,922,018
  - The amount that can be spent is \$2,922,018
  - Encumbered amount is \$2,011,745
  - The amount spent is \$630,967
  - The total amount committed (encumbered plus spent) is \$2,642,713
  - Amount available for spending is \$279,304
  - Amount available for allocation is \$279,304

The final set of financial statements highlighted same information as the third set, but in more detail comparing what has happened since the last committee meeting. The following is an itemization of the differing information found in the final set of financial statements:

- A&E Services:
  - Amount spent based on prior reports \$6,394,207
  - Amount spent since last meeting \$208,338
  - Dollars remaining in category budget \$10,038,910
  - Percentage of activity spent on category: 91%
- Land Acquisition: Chronis advised that this category is essentially complete with the exception of 1 or 2 parcels.
  - Amount spent based on prior reports \$14,564,486
  - Amount spent since last meeting \$1,305,054
  - Dollars remaining in category budget \$1,110,200
  - Percentage of activity spent on category: 97%
- Infrastructure: Chronis explained that much of the work in this category pertains to sewer work along Waterman that was contracted out with the City of Wichita in an inter-local agreement.
  - Amount spent based on prior reports \$23,810
  - Amount spent since last meeting \$4,862
  - Dollars remaining in category budget \$3,541,127
  - Percentage of activity spent on category: 5%
- Construction:
  - Amount spent based on prior reports \$7,820,116
  - Amount spent since last meeting \$9,707,801
  - Dollars remaining in category budget \$122,445,182
  - Percentage of activity spent on category: 14%

## New Business (cont'd)

- Contingency: No spending as of yet
- Pavilions: Chronis advised that the budget for this category is exhausted following the telecommunications equipment purchase, and that this part of the project is complete. However, some users have suggested that other improvements may be needed, and those suggestions are being considered. He also explained that if more money was required in this category than the contingency budget would have to be used.
  - Amount spent based on prior reports \$6,025,587
  - Amount spent since last meeting \$3,290
  - Dollars remaining in category budget \$205
  - Percentage of activity spent on category: 100%
- Project Management: Chronis stated that most of the money in the category is remaining.
  - Amount spent based on prior reports \$571,253
  - Amount spent since last meeting \$59,713
  - Dollars remaining in category budget \$2,291,050
  - Percentage of activity spent on category: NA
- Total Project: Chronis pointed out that 23% of the total project (as of last week) is complete and on schedule.
  - Amount spent based on prior reports \$35,399,461
  - Amount spent since last meeting \$11,289,061
  - Dollars remaining in category budget \$142,965,405
  - Percentage of activity spent on category: 23%

## Discussion

Weddle requested to see change orders in an effort track the progress of the project. Chronis noted request and advised that there have been 4 or 5 change orders in total, having a cumulative effect on the construction budget of about \$112,000. Ron Holt and Steve Claassen agreed with this estimate. Weddle observed that other large projects he had been involved with had had as many as 12 change orders each month, and that only 4 or 5 in total was terrific.

Weddle inquired about the specific costs associated with site clean up specifically the cost of pollution mitigation. Holt advised that other than some small issues the County has addressed, the City of Wichita is largely handling the pollution issues in that area.

**Discussion Cont'd** Weddle then asked Holt about the status of the Washington and Waterman property acquisition. Holt advised that John Wheeler (the owner) preferred to stay in business at the site and negotiations of space and money were nearly complete.

Weddle asked whether or not Westar was doing work outside of contract as well as who was paying them. Holt advised of the work being done by Westar and that they were being funded with Arena dollars.

Weddle questioned whether any of the funding agreements had been formalized with the City of Wichita yet. Holt advised that the sewer agreement highlighted in Chronis' report had been formalized. Holt also explained that there were some other projects in the works that will be approved by the county at a later date. One inter-local agreement in particular will cover about 5 issues.

Clevenger asked whether or not the change orders would start eating into the contingency if they exceeded the total construction budget. Chronis responded that this was correct.

Sevier questioned who approves construction payments. Chronis advised that the individuals involved in the approval process include the arena project site manager, the Dondlinger project manager, Steve Claassen, Troy Bruun, and the architect.

Sevier asked what was included in the \$9.7 million in construction payments. Troy Bruun and Chronis advised that most all went to Dondlinger.

Sevier inquired about the status of the pavilions. Holt explained that they were currently talking to the pavilion users to find out what their needs are. Holt anticipates having the costs in about 2 weeks, and does not expect it to be significant. Holt expressed that he would be surprised if the costs reached a million dollars.

## **New Business**

Chronis asked the committee whether or not they would like to continue receiving the payment documentation support on the monthly payments to Dondlinger/Hunt; Sevier, Ricke, and Clevenger stated they did not. Weddle asked whether just the first 20 pages could be sent instead of the whole report. Chronis noted the request and said he would report later on the option after seeing if part of the documentation file could be split out from the rest.

## Discussion

### Arena Tax Reimbursement

Chronis introduced the final agenda item concerning the possible use of arena tax to reimburse County property-tax funded project support costs. Chronis noted that the fund does not currently reimburse for this but the County does calculate the costs associated with particular activities and projects.

Chronis distributed a handout that summarized these indirect costs dating back to the start of the arena project. The summary showed that in 2005 the project benefited from \$49,355.19 of support serviced funded in the county budget; in 2006 and 2007 the corresponding values were \$121,819.00 and \$507,299.00, respectively. He noted that the substantial increase from year to year mirrored the activity levels on the project, and he estimated that since major construction had just started late in 2007 it was likely that support costs for 2008 and 2009 might double or triple once more. He advised that this would be a legitimate expense to charge to the Arena fund. If approved, the reimbursement would reduce the reserve amount to be used for maintenance after construction. Chronis emphasized that the Commission had requested that the Oversight Committee discuss this question in an effort to clarify their position on the subject.

Chronis advised that the county would have to be attentive to the political risk involved in such a decision. Using the dedicated arena sales tax to reimburse the property tax-supported General Fund for costs that would have been budgeted anyway could be seen by citizens as a diversion of the tax from what they had intended. On the other hand, having the General Fund support costs not reimbursed by the arena tax could be seen as a way to hide the true cost of the project. Sevier commented that he was not concerned with the political risks, but rather the committee's risk and what the citizens originally wanted them doing.

Christina Ricke asked what the precedent on indirect costs was for other projects and if the City of Wichita was donating anything. Chronis responded that the City was not donating anything and that it was general practice when possible to charge the indirect costs to projects. Exceptions to this practice generally only occurred due to grant or other funding restrictions.

Sevier inquired whether those costs were budgeted from the outset; Chronis stated that they generally were. Clevenger interjected the fact that that hadn't been done for the Arena project budget. Sevier concluded the committee could not approve unintended items because they were never budgeted for in the

## Discussion

beginning.

Ricke questioned Chronis whether it was fair to speculate that this question has come up recently due to the extra revenue received from the 1 cent sales tax. Commissioner Parks stated that he does not feel that is true, but rather a question of how much staff should be dedicated.

Clevenger asked when the last time the County eliminated a job on a net basis annually. Commission Parks replied that this had been done in 2002.

Weddle asked what the estimated total of the indirect costs would be. Chronis advised that he could not say for certain, but that he wouldn't be surprised if the current amount doubled.

## Other Business

Ricke asked if there was a stop point to these indirect costs or if they would just continue indefinitely. Chronis replied that the construction project would have a definite stop point; following that SMG would take over the operations of the facility. While the County may provide some administrative services once the arena is in operation, such as for administration of the SMG contract, the indirect costs would be less. He said the budgeting then would be similar to the current arrangement with the Coliseum, which is charged indirect costs. Holt mentioned, from a staff perspective the Arena is not the only thing done during his work day...it is in addition to all of the other assignments.

Clevenger stated that he agreed with Sevier's opinion and that the complexity of explaining the legitimate indirect costs was too much, despite the County's record keeping. Sevier reiterated that the reimbursement was not budgeted and therefore not intended to be charged to the arena tax.

Citizen Observer Charles Peaster stated that he didn't see why the increase in revenue couldn't be used to cover the indirect costs.

Weddle observed that it was clear the committee had varying viewpoints. Sevier suggested taking a vote.

Vote was decided 6 to 1 against approval of reimbursement. (Six against approving reimbursements for indirect costs, and one for approval with modifications.)

Weddle suggested that a good way for the committee to monitor the progress of the project is to look at the website, contracting

payments, and reports from Ron Holt and Susan Erlenwein.

**Next Meeting** Greg Sevier stated that the next meeting would be **Tuesday, July 29, 2008 at 3:00 in the Ark Valley Board Room.**

**Adjourn** Sevier pronounced the meeting adjourned at 4:15pm

**Handouts**

- Minutes from the 10/30/07 and 01/29/08 meeting
- SAP Revenue detail
- SAP Expenditure detail
- Arena sales tax revenue forecast
- Project Budget
- Summary of project indirect costs