

Arena Tax Oversight Committee
July 22, 2008 – 3:00 p.m.
Minutes

Committee members present: Mark Dennett, Christina Ricke, Tim Short, Dolan Pelley, Greg Sevier, Max Weddle, Bradley Hawthorne

Committee members absent: John Clevenger, Bruce Armstrong, Frank DeSocio

Others in attendance: Chris Chronis, Rich Euson, Ron Holt, Ginger Radley, Anne Smarsh, Josh Shaw, Commissioner Kelly Parks, John Dailey, Charlie Peaster

Call to Order: The meeting was called to order by Committee Chair Greg Sevier.

Acceptance of Minutes: Greg Sevier pointed out an error in the minutes; the date said January when the minutes were from April. A motion to approve the revised minutes was made by Mark Dennett and seconded by Tim Short.

New Business: Expenditure Reports as of July 17, 2008 - Chris Chronis

The first expenditure report discussed was the detail summary of expenditures coming out of the SAP system. Chris Chronis explained to the committee that the statements being reviewed identify the purpose of individual expenditures by activity area on the project. Chronis walked the committee through the different expenditures by category, specifying what amount was spent since the last committee meeting.

- Since the last meeting, \$95,712 was spent for Architectural Engineering Services. Total expenditures to this point are nearly \$6.7 million, meaning that about 40% of services are complete. This leaves \$9.94 million remaining in the A&E budget. Most of the remaining unspent budget in this category is for furniture, fixtures and equipment that the county will purchase to start the arena operation. These expenditures, although for commodities rather than A&E services, were allocated to this category in the original call for election prior to the referendum.
- Since the last meeting, \$99,625 was spent for land acquisition (just under \$30,000 for relocation fees and \$68,000 for demolition of buildings). Total expenditures to this point are just under \$16 million. About \$1 million remains in this portion of the project budget.
- No expenditures have been made in infrastructure since the last meeting, so \$3.5 million still remains in this category.

New Business cont'd

- Since the last meeting, an additional \$9.77 million was spent for construction. A total of \$27.3 million has been spent to date. This leaves a remaining unspent budget of \$112.6 million. Construction is 19% complete.
- There is no spending charged to contingency, so the budget remains at \$3.54 million.
- No expenditures have been made on pavilions since the last meeting. This portion of the project has \$200 remaining in the budget and is 100% complete. We continue to consider whether additional work should be done to the pavilions in order to make the facility fully functional for customers but we have made no decision as of yet.
- Since the last meeting, an additional \$47,000 has been spent on project management and planning (\$22,000 to SMG for pre-opening services, \$15,000 to Superlative for suites and seating, and just under \$10,000 to Spirit Aerosystems for project manager Larry Pecenka).
- Aggregate, \$10 million was spent since the last meeting, which brings the total expenditures to date to \$56.7 million. The project budget for all spending activity remains \$189.65 million. This leaves \$132.9 million of the budget unspent.
- There are no expenditures shown against the operations, parking, and maintenance reserve. The reserve remains at \$15.85 million, for a total project budget of \$205.5 million when spending activity is included.
- In total, the project is estimated to be 28% complete. Project managers say that we are right on schedule.

Change Orders

Following up on a request from the last meeting, Chronis then began a discussion about change orders. All of the change orders to date have amounted to a \$244,000 increase in the project budget. The largest single transaction was CM#10 dealing with structural steel; the change order amounted to \$152,000.

- The floor was opened for questions, at which point Tim Short asked what led to the structural steel modification, in particular, whether it was because of a price change. Ron Holt replied that the modification was the result of an adjustment in the design to make the project fit together, not a price change.
- Chronis added that, in addition to structural steel, steel was also being used for rebar to reinforce the concrete. The rebar steel vendor requested a change order for rebar because of price, but the request was not approved.

New Business cont'd

- Max Weddle asked if the people who initiated the change orders could be identified. Chronis then identified those various vendors by name as either the lead architect for the Arena Design Consortium or the two project managers for Dondlinger-Hunt.
- Greg Sevier then requested to see the payments/invoices for the \$9 million spent on construction.
- Mark Dennett then asked Ron Holt whether there was disagreement as to whether the change order for structural steel was the right thing to do. Holt responded that there was no disagreement; the contractors, superintendent, and design firm clearly agreed that the change was needed.
- Returning to Greg Sevier's earlier request, Chronis referred to images of the vendor invoices being projected on screen and stated that the \$9 million for construction consisted of two payments. The first payment was for \$3.6 million and the second payment was for \$6.1 million.
- Greg Sevier then asked about the approval process for the payments and Chronis outlined the process for him. Sevier then asked whether the payments were formally signed during the process and Chronis responded that they are signed off by several parties, some in writing on the face of the invoice and others electronically in the county's financial system.
- Max Weddle then requested to see the last payment for Adams and Jones Law Firm for legal expenses under the category land acquisition. Mark Dennett inquired if legal work was done before the acquisition. Ron Holt said that he believes we are done with land acquisition. The only projects remaining are small and are primarily being handled out of Rich Euson's office.
- Max Weddle then inquired about the status of pollution at the site. Ron Holt responded that we are very close to getting the issue resolved.
- Returning to Max Weddle's first question, Chronis displayed the invoice for the billing rates and delineated the various charges.
- Max Weddle then requested to see the change order for 920 E. Louis, Cornejo. Ron Holt mentioned that the property located at that address was the Indian Hills Poultry building, which they discovered during the demolition had reinforced concrete in some of the walls; this led to the change order request.

New Business cont'd

- Max Weddle then asked if contractors pulled the permits on the demolitions, and Ron Holt responded that it was the contractors.
- Chronis then responded to Max Weddle's earlier request, stating that the change order was for \$9,900 and dated June 2.
- Max Weddle then stated that the minutes needed to be clearer regarding the identity of different funds and not refer to them as "various kinds of funds."
- Max Weddle had one final request to see a payment to Westar for the second circuit going to the arena. Chronis asked Weddle for a more specific request, to which Weddle responded that he wanted clarification about whether arena funding or the City is paying for certain infrastructure improvements that tie into the arena. For instance, Weddle said he knew for a fact that arena funding was not paying for water improvements. With regards to Westar and other infrastructure contracts, Weddle stated that he just wanted to know where the funding was coming from. Chronis responded that, with respect to infrastructure, it is incorrect to say that the arena is not paying for water. The City had plans in the works already to expand capacity in the area, and it just made sense to combine the efforts of the City and the County; we have interlocal agreements delineating responsibilities for contracts.
- Max Weddle inquired whether the City was issuing bonds that the arena would reimburse. Chronis responded that the City may be financing their part of the infrastructure improvements with bonds but it does not mean that the bonds fund the whole cost of the project or that the County is not to pay the City for the County's portion of the project. Weddle responded that, for the sake of transparency and dealing with the political ramifications, the line between the City and County needed to be clearer. Ron Holt replied that the only interlocal agreement that has been formally approved between the City and County was for the storm sewer line running from the arena to the river. The City said improvements to Waterman were part of water improvement plans already, but there was also a need to upgrade the sewer system downtown. The County got a deal for doing all three projects (storm sewer, water, and sewer) at the same time. Weddle then asked whether he was out in front of the issue, to which Holt replied, yes, the agreements will be finalized by the City Council and County Commission in August.

- Greg Sevier then asked if these expenditures would be charged under the category infrastructure, and whether the committee will have an opportunity to review them. Chronis said that they would be charged to infrastructure and the agreements would be brought to the committee once completed.
- Returning to the issue of contamination, Max Weddle stated that he had no problem with the City paying to clean the site up.
- Ron Holt then provided additional information about Westar relating to an earlier question from Max Weddle. Holt stated that Westar is running a line down the railroad tracks through Old Town to provide electricity to the arena. The electricity is provided by one substation with two separate circuits, which is not ideal, but it was the most reliable solution available. Weddle asked how that was paid for, to which Holt responded that it has not been paid for yet. The arena project will pay for that because it is a service to the arena, but Holt could not recall which category the payment would fall under. Holt stated that the payment would be brought to the committee's attention once it is actually made. Weddle then thanked Holt for clearing the issue up. Greg Sevier then asked if there were any more questions or comments.
- Mark Dennett then commented that he was still concerned about the agreements being completed before the committee has a chance to see them and that the committee had not dealt with the heart of Max Weddle's concerns. Weddle then stated that he just wants to know what the arena money is being spent on. Chronis responded that Weddle's comments about lack of transparency disturbed him because the County has not spent any money on the Arena project outside of the reports that the committee has reviewed. Chronis stated that the arena tax is not being used to support City projects, and the City is not spending money to support the arena. Weddle responded that the County's record-keeping was excellent and that he was satisfied.

Revenue Reports as of July 17, 2008 - Chris Chronis

Chronis stated that to date, the arena sales tax has collected \$206.5 million. Reported through February, which was the last month the County received arena sales tax, the budget was \$205.5 million and forecasted total receipts were \$205.5 million. Actual receipts were \$206.5 million, which totals \$1 million more than anticipated. These numbers have not changed since the last report. Greg Sevier then asked for any questions about revenues, but there were none.

New Business cont'd

Approval of Semi-Annual Report

Chronis stated that a draft report was created that follows a template for the past several semi-annual reports. The report describes the committee's charge; what the expenditure activity has been by broad category; and how much revenue has been collected. Chronis put forward the finding that the revenue has been accounted for and reported properly, and that the uses have been consistent with what was approved by the voters in 2004. The committee can change the report as it so chooses. The final report will be signed by Greg Sevier and presented at a Commission meeting in August.

- Max Weddle pointed out a change that needed to be made, and then asked whether the revenue portion of the budget presented in the report needed to be changed to account for the additional \$1 million in revenues collected. Chronis stated that the change would happen eventually but was not urgent unless those revenues were needed. Once the doors have been opened, the County will have spent about \$192 million. This leaves about \$14 million remaining in the sales tax account, which will become part of the operating reserve. This has always been anticipated as part of the project but there is no current authority to spend it.
- Sevier stated that he would like to have Pecenka attend the next committee meeting.
- Chronis suggested that the committee have a vote to approve the report as revised. Christina Ricke moved to accept the revised report and Max Weddle seconded.

Next Meeting Ron Holt stated that the next meeting of the Arena Tax Oversight Committee will be **Tuesday, October 28, 2008 at 3:00 p.m. in the Ark Valley Room.**

Adjourn Greg Sevier adjourned the meeting at 4:02 pm.

Handouts

- Minutes from the April, 29 2008 meeting
- SAP Revenue Detail
- SAP Expenditure Detail
- Arena sales tax revenue forecast
- Project Budget
- Construction Modification Log
- Semi-annual Report