



SEDGWICK COUNTY, KANSAS
SALES TAX OVERSIGHT COMMITTEE

January 29, 2008

Sedgwick County Board of County Commissioners
525 N Main, Suite 320
Wichita, KS 67203

Commissioners:

This letter serves as the semi-annual report on sales tax collections and expenditures for the Sedgwick County Arena. Your ten member oversight committee first met on October 25, 2005 and has reconvened approximately every 90 days, most recently on January 29, 2008. We previously issued reports to you in February and July of 2006, and February and July of 2007.

As you are well aware, Sedgwick County voters approved the following ballot question on November 2, 2004.

Shall Sedgwick County, Kansas be authorized to impose a special one percent (1%) county-wide retailers' sales tax (the "Arena Sales Tax"), the proceeds of which shall be used only to pay the costs of: (a) acquisition of a site and constructing and equipping thereon a new regional events center, associated parking and infrastructure improvements and related appurtenances thereto, to be located in the downtown area of the City of Wichita, Kansas, (the "Downtown Arena"); (b) design for the Kansas Coliseum complex and construction of improvements to the pavilions; and (c) establishing an operating and maintenance reserve for the Downtown Arena and the Kansas Coliseum complex; the collection of such Arena Sales Tax to commence on July 1, 2005, or as soon thereafter as may be permitted by the Kansas Legislature, and terminate not later than 30 months after the commencement of the Arena Sales Tax?

You established our committee "for the purposes of reviewing Arena Sales Tax revenues and expenditures and ensuring the public that taxpayer dollars are being used properly in accordance with the purposes for which the Arena Sales Tax was authorized."

The Call for Election identified projected tax revenue totals and project costs. It stated clearly that this information was "based upon projections. No assurances can be given that these projections will be accurate due to changing market conditions . . ."

In point of fact, the projections *have* been revised due to changing market conditions. The original total revenue projection was \$184,528,000, but as we noted in previous reports to you this was increased in January, 2006 to \$201,024,000. It was increased again, to \$205,500,000 since our last report to you. Similarly, the original project cost estimates have been modified as shown in this table:

	Original estimate	Revised estimate February, 2006	Revised estimate December, 2006	Revised estimate October, 2007
Arena work	\$151,789,000	\$158,272,000	\$178,594,885	\$183,624,845
Kansas Coliseum work	9,128,000	9,128,000	7,818,694	\$6,029,083
Parking / O&M reserve	23,611,000	17,100,000	14,610,421	\$15,846,072
Total project	\$184,528,000	\$184,500,000	\$201,024,000	\$205,500,000

We find that these changes are consistent with the explanation provided to the voters in the Call for Election and subsequent BOCC actions. It is reasonable to expect revisions to occur on a project of this scale and duration. Because the arena sales tax can only be used for this project, the project budget *should* increase if revenue collections exceed the original forecast.

Sales Tax Collections:

Receipts and forecasted revenues are shown on an attached page. It contrasts the original and current monthly revenue forecasts with actual receipts.

- \$191.097-million has been collected on July 2005 through October 2007 retail sales, and received by the County in September, 2005 through December, 2007. This exceeds the revised forecast prepared in October, 2007, by \$547-thousand. All arena sales tax distributions reported by the State Treasurer have been recorded in the accounting fund created to hold these receipts.
- Based on the rate of collections in the first few months, as previously noted the 30-month estimate of total revenue was revised from \$180.036-million to \$201.024-million in January, 2006. As the end of the sales tax period was approached, the estimate was again revised, in October, 2007, to \$205.500-million. This estimate remains valid. As of January 24, 2008, only two months of sales tax receipts remain to be received.

Arena Expenditures:

Expenditures and comparisons to the current project budget also are shown on an attached three page summary. It contrasts the original and current project budgets with actual expenditures, identifies in summary fashion the activities for which expenditures have been incurred, and for each expenditure category shows the budget remaining unspent.

- Expenditures through January 24, 2008 total \$35,399,461.44, and were incurred in the following categories.

Arena A&E services	\$6,394,207.24
Arena land acquisition	14,564,486.37
Infrastructure	23,810.00
Arena construction	7,820,116.32
Kansas Coliseum pavilions	6,025,587.56
Project management & planning	571,253.95
Total	\$35,399,461.44

- In addition to these expenditures, as of January 24 a total of \$134,918,184.32 has been encumbered, which means it has been contractually committed but not yet paid. The encumbrances are for A&E

services, land acquisition, arena construction, infrastructure, the Kansas Coliseum pavilions, and project management and planning.

- Our committee has had ample opportunity to review the many individual transactions that comprise arena expenditures and encumbrances. We have satisfied ourselves that all of the uses of the arena sales tax thus far have been for purposes that are appropriate to the project approved by the voters.

In short, the Arena Sales Tax Oversight Committee has determined the following with regard to your charge to us:

- The arena sales tax revenue has been collected in amounts that are consistent with the projections made by county staff. The tax terminated as scheduled on December 31, 2007, which was 30 months after commencement of the tax as was approved by voters. The final two months of tax collections have not yet been received, but should bring total revenue for the project to the level currently being projected by county staff.
- The revenue that has been collected thus far has been used in ways that are entirely consistent with the explanation given to voters in the Call for Election.

For the committee,



Greg Sevier, Chairman
Arena Sales Tax Oversight Committee

Committee members:

Bruce Armstrong
John Clevenger
Mark Dennett
Frank DeSocio
Bradley Hawthorne
Dolan Pelley
Christina Ricke
Tim Short
Max Weddle

Attach.