

**Arena Tax Oversight Committee**  
**October 30, 2007 - 3:00pm**  
**Minutes**

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

Committee members absent: John Clevenger, Tad Mayhall, Tim Short

Others in attendance: Troy Bruun, Chris Chronis, Ron Holt, Stephanie Knebel, Jennifer Magana, Commissioner Kelly Parks, Ginger Radley, Anthony Swartzendruber, John Dailey, Charlie Peaster, Karl Peterjohn, John Todd

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 July 24, 2007 meeting

- Motion made to accept minutes by Max Weddle
  - Motion seconded by Bradley Hawthorne
  - Motion passed

Introductions           Greg Sevier introduced Dolan Pelley, who was recently appointed to the committee by Commissioner Welshimer.

New Business           Revenue Reports as of October 25, 2007 - Chris Chronis  
Chris Chronis stated that to date, the arena sales tax has collected \$169,688,478. Chronis walked the committee through the forecasts stating that the County now expects to collect \$205,500,000 once the sales tax has ended, an increase from the last meeting. While not reflected in the revenue reports as of October 25, 2007, the State of Kansas has recently posted \$7.9 million in arena sales tax receipts for October 2007, which is \$1 million more than projected. Chronis stated that this may be due to an increase in sales or a larger number of receipts being processed at the State, which may have been held over from September. Therefore, it is uncertain as to whether the additional revenue in October is from an increase in sales in Sedgwick County. Chronis also reminded the committee that although the arena sales tax will expire at the end of this year, a two month lag in remittance of collected sales tax by the State means all sales tax receipts should be recorded by the County at the end of February 2008.

New Business  
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Expenditure Reports as of October 25, 2007 - Chris Chronis

- The first expenditure report discussed was the Budget-Actual report as it appears in the County's financial system. 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 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 pointed out that while the financial reports show \$137,246,797 being pre-encumbered, now that the contract for arena construction is finalized and signed, this amount has moved the encumbered category. The contract was signed between October 25, 2007 and the date of this meeting.
- 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. Chronis 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, the December 2006 revised budget of \$210,024,000, and the recently revised budget (approved by the BoCC in September 2007) of \$205,500,000. Chronis stated that to date, nothing had been spent on infrastructure, only a nominal amount had been spent on construction, and that while the contingency amount had decreased in the most recent budget, that there is now less need for contingency due to there being more

New Business  
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certainty in the revenue forecasts. Additionally, most of the pavilion budget has been spent. Currently, the pavilions have been reopened and the county is still going through checklists to make sure the work is complete. There is a possibility that more funds will be spent on the pavilions. Chronis also pointed out that money spent for travel (currently listed under A & E Services, will be moved to the Project Management portion of the budget. As of October 25, 2007, for the total project, \$162,651,373 is unspent, with an additional \$15,846,072 in the Operating, Parking & Maintenance Reserve. Chronis stated that that if members wish to know details of any line item that supporting documentation can be shown.

- Greg Sevier asked when the last significant receipt would be received. Chris Chronis responded stating that the December 2007 sales tax receipts would be received in February 2008. Sevier also asked if the budget changes were related to State statutes. Chronis answered no, stating that the budget changes had to do with having a greater confidence in the revenue projections. Sevier then asked if land acquisition is complete. Stephanie Knebel stated that the County has acquired all of the land on the arena site, but is still working to acquire land along Washington Street.
- Greg Sevier then asked for more details about the market research contracts. Chris Chronis state that Superlative received a fixed amount to conduct feasibility study on premium seating, and is now receiving a retainer of \$5,000 per month for selling and marketing premium seating. Additionally, Superlative receives commissions on the sale of naming rights, building/facility sponsorship sales, and premium seating sales. Christina Ricke then asked who receives the revenues for the naming rights and premium seating. Chronis responded by stating that the revenue from the naming rights would go into the operating, parking and maintenance reserve while the revenue from the premium seating and suites will go to SMG. Chronis also pointed out that the contract with SMG is one in which SMG receives seating and ticket sales revenues, up to a certain threshold, at which time the revenues are shared with Sedgwick County. Additionally, the contract states that if there are any operating losses, SMG is fully responsible for incurring those losses.
- Greg Sevier then asked what further expenses could be incurred at the pavilions. Ron Holt responded by stating that more expenses will be incurred at the pavilions. Holt stated that there have been inquires by those some groups using

New Business  
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the pavilions regarding the installation of showers. So in January, Holt stated that user groups will be pulled together to obtain feedback about the pavilion renovations. If showers are added, Holt stated that there may be a need to use some contingency funds if the improvements are more than the approximately \$28,000 left in the pavilion budget. Chris Chronis took this opportunity to explain that the arena sales tax revenues can only be used to make improvements on the pavilions and could not be used for the Britt Brown Arena or any other structures on the Kansas Coliseum property.

- Max Weddle then inquired how the approximately \$10 million remaining in the A & E Services budget would be spent. Stephanie Knebel responded that part of the money is for a 2 year construction administration contact with the architects, in addition to construction administration for the final design of the Washington/Waterman intersection. Chris Chronis added that the A & E Services budget always has included funds for furniture, fixtures and equipment - start-up items the county will purchase for installation in the arena that are not included in the construction contract.
- Greg Sevier then asked to drill down into the A & E Services expenditures. Chris Chronis walked the committee through this process showing transactions and the costs associated with those transactions. Sevier also asked about the initials on the documents and how these invoices were examined by County staff. Troy Bruun stated that Stephanie Knebel signs off, he signs off, and then they are sent to accounts payable for processing. Sevier asked for additional questions about what was being seen in this drill down process.

Other Business

- Max Weddle asked if the signed arena contract could be placed on the Sedgwick County website for viewing. Ron Holt stated that the document is very long, but that it could be considered. Chris Chronis also responded that contracts are not typically placed online, but that he would also look into this possibility.
- Greg Sevier asked if the construction administrators would approve the invoices submitted by the general contractors or payment. Stephanie Knebel replied affirmatively.
- Max Weddle also inquired about the status of tank and foundations removal at the arena site. Stephanie Knebel replied that the foundations and tanks have been removed and that there has been a change order to remove additional foundations underneath the former Episcopal Social Services

building. Knebel also stated that they are still within budget because demolitions estimates were approximately \$2.50 per square foot, while the actual cost has been closer to \$1.50 per square foot. Ron Holt also noted that pile driver test have taken place on the arena site and that the results of these test will be back within a few days.

- Mark Dennett inquired about the process for construction change orders. Stephanie Knebel replied that if a change order is needed, there must be approval from the architect, the contractor will provide a price estimate for the change, County staff reviews the request, and then there is an administrative process in place if the change order is below a monetary threshold. If it is above the threshold, the change order must be approved by the Bid Board and County Commission. Ron Holt also pointed out that part of the reason the County wanted to have a full time construction manager is so there are no surprises and there are details submitted with the change orders. Bradley Hawthorne asked if Larry Pecenka is working full time on the construction site, to which Holt responded yes.
- Mark Dennett then asked about the bonding for the construction contract and Stephanie Knebel responded that all of the bonding is in place. Mark Dennett also asked if there was anything atypical happening with the arena project. Ron Holt responded stating that the most atypical thing so far is that the construction bid came in under the estimate.
- Bradley Hawthorne asked about the proceeds from the naming rights and the impact that they would have on the budget. Chris Chronis responded that since the naming rights revenues will be paid over time, that there would be no significant effect on the budget. Hawthorne also asked if this would affect the 20% statute, to which Chronis responded no.
- Max Weddle asked to about any negotiations with the City on shared costs on infrastructure. Ron Holt responded by stating that water, sewer, and street improvement costs will be reimbursed by the city at around \$500,000. Currently the agreement is verbal, but there will be a signed inter-local agreement. Weddle asked if the City is bonding these improvements, and if they should be included as an arena cost. Holt responded by saying that improvements would have been made in the near future regardless of whether the arena was built, and that the improvements are not driven by the arena project. Weddle responded that the City or County should publicize the agreement so that citizens are

more aware of the agreement.

- Greg Sevier then asked for additional questions. Mark Dennett asked when this committee would start meeting more often to review construction costs. Stephanie Knebel stated that the groundbreaking would take place in mid-November and that the first pay requests would be received in December. Chris Chronis stated that large amounts of money would begin being spent in January. Sevier stated that after the next meeting in January that this committee may meet more often to review construction costs.

Next Meeting                      Greg Sevier stated that the next meeting of the Arena Tax Oversight Committee will be **Tuesday, January 29, 2007 at 3:00 in the Ark Valley Board Room.**

Adjourn                              Greg Sevier adjourned the meeting at 3:50pm

- Handouts
- Minutes from the July 24, 2007 meeting
  - SAP Expenditure detail
  - SAP Revenue detail
  - Arena sales tax revenue forecast
  - Project Budget