

Arena Tax Oversight Committee
April 28, 2009 – 3:00 p.m.
Minutes

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

Committee members absent: None

Others in attendance: Commissioner Kelly Parks, Commissioner Karl Peterjohn, Chris Chronis, Ron Holt, Troy Bruun, Ginger Radley, Anne Smarsh, Josh Shaw, Angee Fanning, John Dailey, Charlie Peaster, Deb Gruber, Steve Claassen, Jennifer Magana

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

Acceptance of Minutes: Greg Sevier asked for a motion to approve the minutes from January 27, 3009. Max Weddle made a motion to accept the minutes. Mark Dennett and Brad Hawthorne seconded the motion. The motion passed.

New Business: Reports

The first report discussed was the revenue summary from the SAP financial system. Chris Chronis explained how to read the report as a reminder for new committee members. Chris Chronis reported that arena sales tax revenue remains the same as reported at the last meeting since all of the sales tax for the project has already been collected.

The second report discussed was a summary report from SAP, the county's financial system, regarding commitments against the budget to date. Chronis explained that the report is sorted by activity. Then he walked the committee through the details in the report.

- The total project budget is \$205.5 million. To date, \$205.475 million in budget authority has been released by the budget office to be used by project managers. There are no pre-encumbrances. Encumbrances, which are contracts that have been awarded but services have not yet been delivered, total just over \$48 million. Total expenditures to date for goods and services that have been delivered totals \$132.74 million, \$95.5 million of that amount for construction.

Total commitments (Expenditures plus Encumbrances and Pre-encumbrances) against the budget to date are \$180.8 million, leaving \$24.6 million of budget available for use.

The third report discussed was a summary report regarding project expenditures to date. Chronis stated that the new report column of the printout listed expenditures since the last meeting. He then walked the committee through the new expenditures.

- \$168,567 has been spent on A & E fees since the last meeting. A & E fees to date total \$7.4 million. The total A & E adopted budget is \$16.64 million, leaving nearly \$9.2 million in budget remaining in this category. Most of this amount is for furniture, fixtures, and equipment. Architectural work on the project is 60 percent complete. The architect is not only designing the building, but also overseeing the construction of the building.
- At the last meeting, land acquisition was reported to be 100% complete. Since the last meeting, \$14,889 was spent in the land acquisition category for groundwater sampling and legal fees. Land acquisition expenditures to date total approximately \$16.4 million. The total budget for the project is \$16.427 million, leaving just under \$30,000 budget unspent in this category.
- Site costs were eliminated as a distinct category early on in the project and moved to the Construction category, so there are no expenditures or budget recorded under this category.
- Parking costs were eliminated as a category early on in the project and moved under the Operations and Maintenance Reserve category, so there are no expenditures or budget recorded under this category.
- \$4.46 million has been spent on infrastructure costs since the last meeting for two projects (\$1.6 million for Improvements on Waterman, and \$2.85 million for other street reconstruction) outlined in the interlocal agreement with the City of Wichita. Infrastructure expenditures to date total \$6.26 million. The total infrastructure adopted budget is \$7.1 million, which was increased after the last committee meeting because of the interlocal agreement. \$836,573 in budget authority remains in this category.
- Under the construction category, just under \$16 million was spent since the last meeting, bringing total construction expenditures to \$95.6 million. Compared against the total construction budget of \$140.5 million, about \$45 million of budget authority remains. Facility construction is estimated at 68 percent complete.

- There have been no expenditures under the contingency funds, but the budget for contingency has been reduced over time as funds are transferred to other categories. Currently, contingency budget authority remaining stands at \$1.56 million.
- There have been no expenditures at the pavilions since the last meeting. Just over \$6.04 million has been spent at the pavilions to date. The budget remains at \$6.09 million, leaving about \$53,000 in budget authority. The county continues to discuss the merits of further improvements.
- Under the project management and planning category, \$130,304 was spent since the last meeting. Most of those payments were to SMG for work done prior to opening the facility. \$26,987 was paid to Spirit Aerosystems for the services of Larry Pecenka, the contracted project manager. The total spent to date in this category is just over \$1 million. Compared against a total budget of \$2.92 million, \$1.85 million of budget authority remains. Project management and planning is 60 percent complete.
- Adding all of the expenditures together, \$20.75 million has been spent since the last report, bringing total expenditures to \$132.7 million. The total project budget excluding the parking, operation and maintenance reserve account is \$191.2 million, leaving \$58.5 million of budget authority remaining.
- The Operations, Parking, and Maintenance reserve currently totals \$14.23 million. Any money that remains at the conclusion of the project will go into this account and will go towards arena operating deficits or expenditures to avoid using property taxes.
- \$72.76 million of the \$205.5 million budget remains unspent.
- Chronis then paused for questions.
- Max Weddle asked about the results of the groundwater test.
- Chronis stated that the test was done on a parcel of ground that the county was considering as an additional acquisition for the arena that is not in the arena footprint itself. This project has not been pursued yet.
- Greg Sevier reiterated to Chronis that nothing would be spent out of the contingency reserves because the funds are shifted to other categories.
- Chronis said that Sevier's understanding was correct.
- John Todd asked where the seat upgrade was shown on the expenditure sheet.
- Chronis stated that the seating upgrade was a \$1.7 million change order that has not been made yet. When the change order goes through, the expenditure will be located under the

construction category. The construction category budget was adjusted up to \$140.5 million to account for this change order and another change order for signage that was discussed at the last committee meeting.

- Greg Sevier asked if the committee could see the construction payments since the last meeting.
- Troy Bruun pulled up the last payment for construction totaling \$5.2 million on the screen.
- John Todd asked what the largest piece of the \$5.2 million payment was for.
- Steve Claassen informed the committee that the biggest piece was likely for the subcontractor's electric and mechanical work.
- Mark Dennett asked Claassen if there was anything unusual. Claassen responded that everything is running smoothly so far.

The fourth report discussed was the construction modification log containing a summary of changes orders to date.

- Fifteen change orders have been approved to date. Change orders to date have totaled \$677,822. Of that amount, \$308,513 was for naming rights signage discussed at the last meeting. The change order for seating in the amount of \$1.7 million discussed at the last meeting has not been executed.
- Chronis asked if there were any other questions about change orders. There were none.
- Greg Sevier asked if there were any more questions for Chronis.

Max Weddle said he had some questions that did not pertain to change orders. Weddle asked about payments to City of Wichita regarding way finding, and if the County has a financial interest in surface parking lot at Lewis and Emporia and at Waterman and Mead.

- Chronis stated that these lots were included in the interlocal agreement. The County has agreed to pay the City up to \$5 million for the improvements in the interlocal agreement.
- Max Weddle said in a City Council meeting Councilman Longwell said the County has already set aside several million dollars to complete some paving around the arena. He wanted to know if this is the same agreement that Chronis was alluding to.
- Chronis responded that it most likely is.

Max Weddle stated his opinion about the indirect costs of the arena not being included in the budget as public information. This is with regards to cost of current employees of the County. He made a motion that the committee recommend to the BoCC that all indirect costs of the arena be considered legitimate and that they be budgeted for and reported on accordingly.

- Sevier responded that in January 08 the committee discussed and voted on (6 against/1 for) this issue. The vote was against recommending to commissioners that the indirect costs be included.
- Committee referred to handout of meeting minutes from January 08 to review discussion at that time.
- Chronis responded that the County obtains a cost allocation plan from a company called Maximus. The report looks at “back office” types of activities that support direct services. Those costs are spread throughout the fund centers within federal guidelines that govern the allocation of indirect costs. The estimated indirect costs are being tracked for the arena (\$121,819 for 06 and \$507,299 for 07). The decision to not recommend inclusion of these costs was because they are regular budgeted activities of the County. In 08 and 09 the costs will most likely go up due to increased activity. No County positions were created for this project (except the contract with Spirit providing for Larry Pacenka). The decision to charge indirect costs within the County depends on the project. Chris explained that this is a double edged sword – if we charge the indirect costs we could be subject to criticism about using this special tax funding to supplement general County business. On the other hand, if we do not report the costs we run the risk of being accused of not fully reporting the true cost of the arena project.
- Sevier responded that it seems that commissioners did not want the indirect costs reported because they were not in the original budget for the project to which the citizens took their vote.
- Dennett stated that the purpose of the committee is to provide legitimacy through transparency.
- Sevier responded that the role is to make recommendations through discussion. Commissioners requested that committee review this discussion item. The committee members have done so, back in January when a vote was taken.
- Stevens asked about what County personnel have done and if they were not available would there be a need to hire in order for the tasks to be completed.

- Chronis responded that various County employees, including Mr. Holt and Mr. Claussen have put time in the project. If they were not available, a project manager would need to have been hired in addition to other support staff, such as technology or budget/finance.
- Ricke asked about the timing on this discussion, and cause of?
- Chronis responded that he didn't know.
- Clevenger stated that the commission made a decision regarding indirect costs. The role of the committee is to make sure that the money is expended in a proper manner.
- Armstrong responded that the budget was set not counting the indirect costs. To add it now would make it appear as if we are subsidizing the budget with indirect costs due to an increase of projected tax revenue.
- Sevier responded that the change orders have all come after the original budget and represent unanticipated costs. The indirect costs were known about before hand.
- Weddle asked if any of the indirect costs were predicted.
- Chronis responded that it was never attempted, but they could have done so.
- Clevenger asked Weddle to what end does adding the indirect cost into the budget provide, other than shrinking the cost of O&M? If the committee is going to make this recommendation they must have a reason for doing so.
- Weddle responded that the reason is that the deal cut to the people by Mr. Buchanan is that no ad valorem taxes were going to be used to build the arena.
- Todd seconded Weddle's motion.
- Vote was taken to make recommendation (5/5). A majority having failed to vote in favor of the motion, the Chairman declared that the motion was not approved.

Next Meeting Greg Sevier stated that the next meeting of the Arena Tax Oversight Committee will be **Tuesday, July 28, 2009 at 3:00 p.m. in the Ark Valley Board Room, unless otherwise notified.**

Sevier asked if there was any other new business.

Chronis asked if there is any interest in having another tour of the arena. A majority in the committee expressed interest. Chronis agreed to schedule this.

- Mr. Peaster asked if the public is welcome to these tours.
- The committee agreed that public inquiry should go through Commissioners Norton or Unruh, who are both offering

weekly tours.

Adjourn Greg Sevier adjourned the meeting at 4:05 pm.

Handouts

- Minutes from the January 27, 2009 and January 29, 2008 meetings
- SAP Revenue Detail
- SAP Expenditure Detail
- Arena sales tax revenue forecast
- Project Budget
- Construction Modification Log