

Arena Tax Oversight Committee
January 27, 2009 – 3:00 p.m.
Minutes

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

Committee members absent: John Clevenger, Bruce Armstrong

Others in attendance: Chris Chronis, Bill Buchanan, Ron Holt, Anne Smarsh, Troy Bruun, Mike Pepoon, Ginger Radley, Tricia Thomas, Chairman Kelly Parks, Commissioner Karl Peterjohn, John Dailey, Charlie Peaster, Hurst Laviana

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

Introduction: John Stevens introduced himself as a new member of the committee.

Acceptance of Minutes: Greg Sevier asked for a motion to approve the minutes from October 28, 2008. Mark Dennett made a motion to accept the minutes. Dolan Pelley 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 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.

- Actual sales and use tax receipts through December 2007 totaled \$206.5 million.
- Chronis explained that revenues from suite fees and naming rights fees go towards the operating and maintenance reserve to cover future deficits.

The second report discussed was the expenditure summary from the SAP financial system. Chronis explained how to read the report for new committee members.

- Chronis explained to the committee that total commitments are equal to the sum of preencumbrances (\$120,000), encumbrances (\$61.9 million), and expenditures (just under \$112 million). To date, the county has total commitments of \$174.8 million.

- Chronis paused for questions before proceeding to the next report.
- Bradley Hawthorne asked Chronis why the operations reserve falls under the released budget category.
- Chronis responded that it was a good question and that he did not know the answer.
- John Stevens asked Chronis if the county pays for the building as it is being built.
- Chronis responded affirmatively stating that the project is cash funded.
- Max Weddle then asked if there is another authority that examines budget releases before the money is actually spent.
- Chronis responded that once budget is released, it must go through the county's procurement process before it can be used. The procurement process starts with a competitive solicitation for bids from vendors. A staff committee reviews the bids and makes recommendations to the County Commission. The Commission awards the transaction, which creates an encumbrance. The vendor then delivers services and provides invoices, which are signed off on by Steve Claassen, Larry Pecenka, and Troy Bruun.

The third report discussed was a summary report regarding project expenditures to date. Chronis explained the terms and various column headings on the handout before going into detail about expenditures since the last meeting.

- \$392,727 was spent on A&E services since the last meeting in October. The entire amount went towards A&E fees paid to the project architects.
- The county has spent a total of \$7.23 million to date on A&E services. Based upon the revised budget of \$16.64 million, just over \$9.4 million remains unspent in this category. Project managers estimate this portion of the project to be 43% complete.
- \$393,685 was spent on land acquisition since the last meeting in October. \$294,202 went towards land purchase costs; \$2,148 went towards legal fees for closing on the property; and \$96,597 went towards relocation costs for the previous property owners. Land acquisition is now complete.
- The county has spent a total of \$16.38 million for land acquisition. Based upon the revised budget of \$16.98 million, \$597,635 remains unspent in this category.

- \$1.77 million was spent on infrastructure costs since the last meeting in October. \$1.3 million went towards paying the City of Wichita for sewer improvements on Waterman, and \$467,175 went towards electrical connections provided by Westar.
- The county has spent a total of just under \$1.8 million to date on infrastructure. Based upon the revised budget of \$3.57 million, \$1.77 million remains unspent in this category. Project managers estimate this portion of the project to be 50% complete.
- Just over \$22 million was spent on arena construction since the last meeting in October.
- The county has spent a total of just under \$79.6 million for construction to date. Based upon the revised budget of \$139.97 million, \$60.38 million remains unspent in this category. Project managers estimate this portion of the project to be 57% complete.
- Nothing has been spent in the contingency category.
- \$12,458 was spent on the pavilions since the last meeting in October, bringing the total to \$6.04 million. Based on the revised budget of just over \$6.09 million, \$53,299 remains unspent in this category. Project managers estimate this portion of the project to be 100% complete. However, the county commission is considering additional improvements, which would be a draw on the contingency fund.
- \$118,520 was spent on project management since the last meeting in October. Most of that amount was spent on an external project manager, Larry Pecenka, for contracted management services. \$46,217 was paid to SMG for pre-opening work on the arena.
- The county has spent a total of \$939,725 for project management to date. Based upon the revised budget of \$2.92 million, \$1.98 million remains unspent in this category. Project management services are relatively incomplete (32%) because most of that spending will happen at the end of the project.
- In total, the county has spent just under \$112 million on the project to date. Based upon the revised project budget of \$189.65 million, \$77.66 million remains unspent.
- The revised budget for the operations, parking, and maintenance reserve is just under \$15.85 million. Added to the project budget, this brings the total arena budget to \$205.5 million. \$93.5 million remains unspent in the total budget. Project managers estimate the overall project to be 54% complete.

- Chronis then asked for questions from the committee.
- Greg Sevier asked if the maintenance reserve could be adjusted up or down as line items change, and whether unused budget for completed categories could be allocated to other funds.
- Chronis responded that reallocation and adjustment was a possibility if the BoCC wanted to make that decision; otherwise, excess revenue dumps into the operations and maintenance reserve.
- Greg Sevier asked if Chronis could walk the committee through the \$22 million in construction spending since the last meeting and identify expenditures approved by the architect. What is the most recent of those payments?
- Troy Bruun pulled up on the screen the most recent invoice from Dondlinger Hunt for the committee to view. Chronis explained the numbers on the invoice, a sample of one of the 221 detail pages, and the general invoice approval process.
- John Stevens asked how often the vendor bills the county.
- Chronis responded that the county is billed once a month.
- Greg Sevier asked if there had been any disagreement or items of discussion associated with any of these invoices or between the players involved.
- Chronis responded that things are running smoothly and there have been no significant hang ups thus far.
- Ron Holt introduced himself to new committee members, and then described the formal discussion process that goes on between the owner, the architect, and the contractor.
- John Todd asked if many changed orders have been made.
- Chronis responded that the discussion of change orders was the next item on the agenda.
- Greg Sevier suggested that it might be helpful for Chronis to explain to new members what Larry Pecenka's role is in the arena project.
- Chronis informed the committee that the county contracts with Spirit Aerosystems for the services of one of their staff project managers, Larry Pecenka, to oversee the arena project. Larry's job is to be on site and make sure that the contractor is doing what he is supposed to do, and to handle problems as they arise.
- Max Weddle asked if the county hired another person to help Larry Pecenka.

- Chronis responded that the architects hired someone to work with Larry Pecenka to oversee implementation of the building design.
- Greg Sevier asked if the Chronis could pull up the expenditure sheet again and go over the property acquisition category.
- While the sheet was being pulled up, Greg Sevier asked if other items at the pavilions are eligible for improvement.
- Chronis responded that after the pavilions were completed, some customers complained about the quality of some of the improvements and the absence of some improvements that had been expected. The county is reviewing those considerations, which would be eligible for sales tax use if the county were to pursue them.
- Audience member Chairman Kelly Parks asked if funds had been moved out of the original pavilion budget to cover other costs.
- Chronis responded affirmatively, stating that the revised pavilion budget is \$3 million less than the original budget because improvements did not cost as much as expected. The budget may still increase to the extent that the county decides to make more improvements at the pavilions.
- Mark Dennett asked if there is any idea what those cost increases might potentially be.
- Chronis responded that the county is currently considering an additional \$1 million worth of pavilion improvements.
- Returning to an earlier question about property acquisition, Chronis walked the committee through the property purchase closing statement that was pulled up on the screen.
- Greg Sevier asked if all of the \$22 million goes to the contractor, or if other expenditures were included besides contractor payments.
- Chronis responded that there were no other expenditures included besides contractor payments.
- John Todd asked who sold the land to the county.
- Ron Holt responded that it was a building on the corner of Washington and Waterman owned by the Ramses family.
- Greg Sevier asked if the committee had any other questions for staff about expenditures before moving on to the next item.
- Max Weddle asked where the ADC change order shows up in the report.
- Chronis responded that the change order is accounted for under the A&E services category. The change order did not require the county to increase the project budget.

Change Orders

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

- Chronis reported that eleven change orders have been approved to date. Change orders to date have totaled \$310,574. A twelfth change order that would increase costs by \$191,166 is in process but has not yet been approved.
- SMG suggested placing televisions at additional locations and wiring the facility for future expansion. Change order 12 consists of a single item that includes adding 124 television sites throughout the building and extending the wiring and cable for 74 of those sites. The conduit will be placed at the remaining 48 sites but no wiring will be installed. Added to the eleven approved changed orders this brings the total amount of change orders to \$501,740.
- The new contract amount to be paid to Dondlinger-Hunt is \$138.52 million, an increase of just over \$500,000 from the original contract.
- Chronis stated that two additional change orders will be brought to the county commission in the next week or two and that it would be helpful for the oversight committee to provide input.
 - One change order is for Intrust Bank signage, which exceeds the original budget by \$308,513. Intrust is required by their contract to pay this full amount, but the change order is required because the signage Intrust has selected will exceed the cost contained in the current vendor contract. The size of the change order is large enough that staff will request the county commission to review and approve the change.
 - The second change order is to enhance the seating options to improve the fan experience. Seating technology has changed since the building was designed, necessitating the seating enhancement in order to make the arena a state of the art facility. Chronis walked the committee through diagrams and illustrations of the proposed seating enhancement.
 - The enhancement does not increase seating capacity, but it improves the fan experience and increases efficiency, thus increasing the potential that SMG will make money and the county will share in the revenues.
 - Chronis informed the committee that as of right now, enough money remains left over in the original budget

to pay for the signage and seating enhancement change orders.

- Chronis then asked if the committee had any questions.
- Bradley Hawthorne stated that he thought that Intrust was paying for signage.
- Chronis stated that Intrust is paying for signage, but the costs are included in the county's project budget in the interest of transparency.
- Bradley Hawthorne asked if Intrust pays for signage in addition to what they pay for naming rights.
- Chronis responded that Intrust is paying a naming rights fee—\$300,000 spent to date, and \$8.75 million over the life of the contract—in addition to what they pay for signage.
- Bradley Hawthorne asked if the same type of deal applies to other organizations like Spirit.
- Chronis responded affirmatively.
- Greg Sevier asked if total expenditures would be higher once the signage is done since Intrust money does not offset that cost.
- Chronis responded that Intrust money for signage does offset that cost.
- John Todd asked Chris when those bills come in.
- Chronis responded that the county sends Intrust bills as the county is invoiced by the vendors.
- Max Weddle asked if there is only one single source for the seating technology.
- Chronis responded that there is only one source.
- Audience member Charlie Peaster asked if the building was designed to handle the fixed permanent angle seating arrangement.
- Chronis replied that the seating is designed to have an adjustable slope that extends out past the dashboard. This part of the system can retract. Remaining seats will be brought out on a forklift.
- Greg Sevier commented that it seems silly not to do the seating enhancement if the technology is available. Multiple committee members stated that they agreed.
- Bradley Hawthorne commented that he agreed that the enhancement falls under the intent of the original ballot.

Approval of Semi-Annual Report

- Greg Sevier asked if the committee had any revisions to make to the semi-annual report.
- Christina Ricke stated that the first paragraph date of July 22, 2008 was incorrect.

- Max Weddle asked if he could return to the change order discussion for a minute. He then asked Ron Holt about the change order for city code review drawing modifications for \$61,885.
- Ron Holt responded that the design documents are signed off on by city code inspectors. The county received a tentative sign off on the project. After work began, city code returned for additional inspections. A different inspector said that part of the design was not in compliance with city code. The changes were worked out by the project manager, architects, and field inspector.
- Chronis asked Holt if this was the change order involving electrical boxes.
- Holt could not recall.
- Returning to the semi-annual report, Greg Sevier informed the committee that the report would be presented to the commission in February.
- Greg Sevier asked if there were any other changes besides the date corrections. There were none.
- Greg Sevier asked if there was any other business to come before the commission. The committee again recognized John Todd as a new member.

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

Adjourn Greg Sevier adjourned the meeting at 4:10 pm.

Handouts

- Minutes from the October, 28 2008 meeting
- SAP Revenue Detail
- SAP Expenditure Detail
- Arena sales tax revenue forecast
- Project Budget
- Construction Modification Log