

**MEETING OF THE BOARD OF COUNTY COMMISSIONERS
AND WICHITA CITY COUNCIL**

EN BANC MEETING

JUNE 10, 1998

The En Banc Meeting of the Board of County Commissioners of Sedgwick County, Kansas, and the Wichita City Council was called to order at 11:30 A.M., Wednesday, June 10, 1998, in the Jury Room of the Sedgwick County Courthouse in Wichita, Kansas, by Chairman Mark F. Schroeder; with the following present: Chairman Pro Tem Paul W. Hancock; Commissioner Betsy Gwin; Commissioner Thomas G. Winters; Commissioner Melody C. Miller; Mr. William P. Buchanan, County Manager; Mr. Rich Euson, County Counselor; Mr. Jarold D. Harrison, Assistant County Manager; Vice Mayor, Bill Gale; Councilman, George Rogers; Council, Joan Cole; Councilman, Greg Ferris; Mr. Gary Rebenstorf, Director of Law; Cathy Holdeman, Administrative Services Director; and Ms. Linda M. Leggett, Deputy County Clerk.

ORDER OF BUSINESS

A. CALL MEETING TO ORDER

Chairman Schroeder said, "Today, the presentation of the downtown arena and Kansas Coliseum Amphitheater will commence. Before we start that, we need to elect a Chairperson for the meeting today. Any nominations."

B. SELECTION OF CHAIRPERSON

MOTION

Councilman Greg Ferris nominated Mark Schroeder.

Bill Gale seconded the Motion.

Chairman Schroeder said, "Any other nominations? Discussion? If not, all in favor signify by saying Aye. All opposed."

The Motion passed.

Councilman Bill Gale said, "I just wanted to say that the Mayor wasn't able to be here today. He had an out of town meeting. He just wanted to say he was sorry he wasn't able to make it. He is very interested in this issue but he just wanted to share that."

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Chairman Schroeder said, “Okay, very good. Thank you. Okay, at this time, we will begin the presentation. I think Jerry Harrison is going to open it up. Jerry.”

C. DOWNTOWN ARENA/KANSAS COLISEUM AMPHITHEATER STUDY.

Mr. Jerry Harrison said, “I thought before we got into the actual presentation, it might be good to recap how we got here today before we figure out where we go from here. In March of 1997, the County put together and issued a request for proposal to study an amphitheater project for the Kansas Coliseum. Shortly after issuing that request for proposal, we were contacted by Jerry Jones and Anita Oberwortmann, representing downtown Wichita. They asked us to consider expanding the study and include in that study a downtown arena.

“Jerry Jones contacted with City of Wichita, Wichita State University, the Convention Visitors Bureau, the Greater Wichita Area Sports Commission, and the Chamber of Commerce. From that group, we formed a partnership and modified the request for proposal using input from Jerry Jones and the City of Wichita. The revised request for proposal was issued on June 10, 1997. From those partners, we formed a steering committee consisting of representatives from each of the partners. That committee conducted the interviews with the finalists for the consulting portion of this project. The steering committee interviewed all of the consultants and selected KPMG. Those interviews were done in July of 1997.

“KPMG representatives then came to town and met with the steering committee as well as individually with all of the partners who requested the meeting. The purpose of doing individual meetings was that it allowed each partner to discuss with the consultants specific issues or concerns that they may have related to the study. KPMG then went away, collected the data, and completed the draft phase one study, which was the market feasibility portion of the study. At that point, the steering committee met and reviewed the phase one draft and made modifications to it on two occasions. After the phase one study was essentially completed, we took a time out. Each member of the steering committee had an opportunity to review it with their respective board, commission, council, whoever their governing body was.

“Following that time out, the steering committee reconvened and determined to move ahead with the remainder of the proposed study. In order for us to complete phase two, it was necessary for the steering committee to formulate some assumptions about arena size, operating assumptions, the new arena and the Coliseum and some other assumptions about the proposed facility. The consultant will review those with you in a minute.

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“KPMG delivered phase two draft and it was again reviewed and modified by the steering committee. That pretty much brings us up to date. Today, these two reports, phase one and phase two are final draft reports. If you look on your report, you will see the term final draft report. The reason we’ve done that is this is your first opportunity to see the complete report. You need to have an opportunity to review and discuss it with your staffs, seek input from others, and then we’ll return what additional modifications need to be made to the report if any.

“I would like to take this opportunity to thank all of those people who served on the steering committee, all of our partners for their great work. It was hard work. We had some interesting turnarounds on feedback to this process and their interest in this project. Now I would like to introduce Mr. Ron Barton of KPMG to present this report.”

Mr. Ron Barton, Director, KPMG, said, “Thank you, Jerry. For those of you who did have an opportunity to see our phase one briefing, I’m not going to test your endurance at this time. I think we had the mega presentation. So we’ve shortened it a little bit, not that the issues are not important, but we’re a little more concise in some of the issues that we want to just put in front of you. Certainly leave maybe a little more time for question and answer and at least give you the big picture of what phase two was all about. I’m going to work back and forth here from the podium to the overhead.

“For those who can’t read it, I’ll read it for you. What I wanted to do was give you an idea of what phase two was about. Jerry mentioned there was a phase one report. It basically dealt with market demand issues associated with the arena in a downtown location and an amphitheater out at the Kansas Coliseum. Our phase two requirements were in essence to look at these various items. The first was to take the information out of the phase one market study and in conjunction with dialogue with the committee. In essence develop the recommended building program for the facilities. The building program, in essence, gives more meat, more texture to the two projects we’re talking about, an amphitheater and an arena. The reason we need to do that are a couple of different things. We need to do some financial projections of what the buildings might do. We need to know the physical program. How many seats, what kind of specialty product might be in there, like suites and club seats. What is the gross square footage of the building? Even though we’re not designing anything, at this point we still need some planning numbers, so that first item relates to building program. David Miller with HOK is going to get up a couple of different times here and go through that with you, the building program and cost estimates. I’m also remiss in introducing Joe Vogel, Senior Consultant, with our group as well who is very active, I apologize.

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“The second item in our phase two study took that building program information and converted it into some preliminary cost estimates. David will get up here in just a minute and give you some briefing on some of the basics related to that. The third piece that we wanted to look at was convert that market demand information in phase one to some utilization schedules. In other words, what would be the anticipated use of these facilities which drives the financial analysis. Assemble some projections of operating revenues and expenses. Again, what kind of revenue streams might we bring in through this facility and what kind of operating expenses are associated with them. Lastly, on the arena side particularly, what are the economic and fiscal benefits that might result from this project as well.

“That really was our role in phase two and those are the items that we will give you a briefing on and are also outlined in our draft report. Apologize a little bit for the quality here. I think our printer went on the fritz. We have a few lines here and there on the overhead.

“I’m going to just briefly go over this because David Miller with HOK will talk about it in just a second. We talked about building program being one of the by-products. There are a lot of things that are related in the building program that we’re not giving to you here. In essence, it is a first take on square footage of the facility itself. So it is nice to define a 16,000 seat arena with 1,000 preferred seats, what is called out in the industry, club seat concept. We have 24 suites in this concept at this point and basically gross building area of about 440,000 square feet. The reason this is important and David will talk about it in a minute is you can have various size buildings even though you might deliver the same seats within some reasonable range. So the square footage take-off of this is important in doing the cost estimates. David will talk about that in a minute. I’m going to skip on the cost estimates here. Our first cost analysis on a preliminary cost of just under \$90,000,000. David will walk you through that in just a minute.

“We needed to know some of the basic program elements before we could do financial projections related to the projects. I talked just a second ago about part of our charge was to look at anticipated usage of the arena. Graphically, what we are depicting here is that we are looking at an event schedule on the arena project starting at about 120 events of various types, anywhere from assumptions in the analysis are that WSU men’s basketball would play in the facility to a variety of concerts, family shows, other types of sporting events and entertainment events that are outlined in detail in the report itself. We’ve trended those, as you can see in the graph, up to a third year estimate of about 133 events. In any given year, even the experience at the Kansas Coliseum, the event mix will go up and down. It depends upon touring product, a lot of different things. But we think a stabilized event or performance number of about 133 performances is a pretty good estimate for this facility. As I said, in any given year, there will be some ups and downs around that average but that is a good starting point for our projections.

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“Converting that certainly in terms of performances, average types of crowds for different types of events, details being in the report itself, again we’re looking at total attendance projections starting in year one of the building of about 680,000 and trending up to just under about 700,000 in attendance. Again, that is looking at all the various types of event mix from WSU men’s basketball to concerts to family shows. So that generally describes the activity level that we anticipate at the arena itself.

“From this activity schedule, what we wanted to do was get into a projection of in essence a business plan associated with the project itself. So we want to understand from various revenue and expense sources what would be the operating characteristics of a facility like this. What we graphed for you very simply, in the green line is operating revenues. That is over a five year period from 2001 to 2005, in operating revenues, you would have things like ticket revenue and rent. You would have concessions revenue, novelty revenue, parking, advertising, suite revenue. If you recall, we have 24 suites programmed in the building. Club seat revenue, so all the items that might be associated with a modern operating arena facility are in our projection.

“On the revenue side, we’re trending from about just under \$3,300,000 up to almost \$4,000,000 in a five year period. On the operating expense side, again, this is operations only no debt service requirements, what does it cost to operate a facility in terms of permanent and part time staffing, benefit schedules, utilities, insurance, repairs and maintenance, all the things that you would need on an ongoing operation for a facility like this. Trending from about 3,100,000 up to 3,700,000. So in our projection, we have an arena that in essence is showing an operating surplus over a little over \$150,000 up to during the five year period, a little over \$200,000 operating surplus prior to debt service requirement.

“From the assessment of the activity in the facility and its operating characteristics, one of the other charges the committee gave us was to look at what might be the benefit streams associated with an arena project. In other words, what might be the economic impact associated with a project like this and what might be the fiscal or tax benefits associated with a project like this? When we look at economic impact, we want to measure and identify three impact areas. Those impact areas are spending, employment, and earnings. So any kind of project that you’re trying to look at economic impact, whether it is a private or public venture, you would want to measure it in those manner.

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“The first line item that you’re looking at there in the first numerical column, relates to ongoing operations. There is an economic impact from the activity of the facility that is going to happen every year, annual operations. That first line item is called total direct spending. That is in essence, the revenue streams or spending streams that can directly be identified with the facility itself. That really, in economic impact theory, that’s the driver that you would apply multipliers to. So if it is a dollar spent and we had a certain multiplier, then that would be the total. So that is the number that drives all the rest of the analysis. In this period about 20,300,000 in direct spending generated out of the facility.

“From that, as I mentioned, we want to look at the total both direct and induced impacts to spending, employment and earnings. That’s what you see in the other three rows there. In total, almost 35,000,000 in economic impact spending, about 720 jobs from that total economic activity. Again, that is not just people employed in the arena but also the employment related to all the ancillary economic activity that goes on outside the arena. Over \$12,500,000 in earnings associated with annual operation.

“Secondly, as we all know, public works projects or any type of private construction project generates economic impact as well. An arena project might vary any where from about a 18 month construction period up to 24 months. There is a lot of variability there. But over that time period of construction, using that preliminary cost estimate that we have, we’re talking about almost 45,000,000 in direct spending being retained in the market place itself, generating over 71,000,000 construction related economic impact. Nine hundred jobs, in both the construction itself and ancillary businesses that support that and 25,000,000 in earnings related to that construction period which again, a good estimate is probably about a 24 month period.

“The good news, bad news, of economic impact for governments is what’s your tax structure. What we find many times in projects like this, you can quickly read the numbers yourself, the beneficiary is the state. This is not surprising because the types of tax structure that we have. So even though there are other sources, at least the major ones that we have identified for the City would be the transit guest tax, for the County it is the sales and use tax. For the state, it is a variety of tax forces from the sales and use taxes, their portion, to personal income tax, corporate income tax, rental car tax. There are a variety of other items, but this gives you at least an order of magnitude. So we’re looking at about 2,400,000 in fiscal benefits to the arena project, that’s the good news. The bad news, if it is bad news, is the state is getting about 2,000,000 of that. Hence, our dilemma as we begin to look and explore issues relating to financing is very telling. This is, I will tell you, the same dilemma, the same battle that we have in many other locations around the country and that is why we are increasingly seeing the state actually being pulled into a lot of projects like this, because of the fiscal benefit stream is generated at the state level.

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“I think what I’m going to do is switch gears a second. David has a couple of boards, we’ll just move them right up front and let you take a look at them. David wants to walk through very briefly the program a little bit and how that drives the cost estimate and then he’ll also talk a few minutes about the cost estimate. Then we’ll switch gears back to the amphitheater.”

Mr. David Miller said, “Good afternoon. These are just some of the major drivers of what is influencing the square footage of the building. Very briefly, 16,000 seats and we already said the number of preferred seats and suites, something that is kind of importance is the number of concourses. These are the assumptions that we’re given to work with. Right now, what we’re talking about is a public concourse where concessions and what not are . . . we’re talking about two right now, that is the assumption we’re dealing with, hospitality meeting rooms as well as a host of locker facilities and other facilities for a wide variety of uses and users. Which drives the cost estimate for the construction? What we’re using right now is not a cost per seat but a cost per square footage, which is a more accurate number when you’re talking about an indoor facility and arena. Right now, we’re just using middle of the road, \$145 per square foot. That is about the middle of the road in the industry right now throughout the country. Fixtures, furniture and equipment, indirect fees, and development costs like financing and what not, and this is the break down of the budget figures that you saw at \$89,500,000.”

Chairman Schroeder said, “Does that include parking, that number?”

Mr. Miller said, “No, it does not.”

Chairman Schroeder said, “Do you have an estimate for that?”

Mr. Miller said, “No.”

Mr. Barton said, “At this point, I might clarify that at the committee’s direction, one of the issues that we were dealing with when we began to get into site analysis itself and there was discussion at the very beginning of the process is that a piece that we want to do at this point or do we want to at least explore the issues of cost before we get into the actual site location. So what you see is a pretty good project cost estimate but it excludes two things because we don’t have a specific site location, there is no land cost in the number and then because we don’t know that site, if there is something that is very unique that would be generated because of the site location such as parking or parking garages. They’re not in there yet either. So site driven elements and costs are excluded.”

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“Well you might say, how useful is that. I think what we have is a pretty good building block of the actual program itself. In other words, the box that we would define as an arena we’ve at least bracketed program and cost issues for it without actually having to get into as we all know sometimes a gut wrenching process related to site selection and site analysis. So we have a pretty transferable cost and program number that we can begin to drop down now if we were to get in too, and evaluate different sites. We can deal at that point with okay, does a certain site have a premium to it related to the transaction of acquiring it or because it has some unique site characteristics that would have site prep costs that would drive it as well. So that is the reason we did that. I’m going to switch gear and again, I’ll answer any questions. I’m not trying to dismiss any of these issues. Let me finish through the amphitheater and be happy to answer any detail questions as well. I’m going to switch gears and go over to the amphitheater project here in just a minute.

“Again here, starting with some basic assumptions. Again, we need to kind of know the program before we can look at financial operations before we can understand what the event mix might be at the facility. What we’re dealing with at the amphitheater project which, to refresh your memory, at this juncture it is anticipated that if it were pursued, it would be located at the Kansas Coliseum site area. What we’re looking at is 6,500 fixed seats. Those of you who have been to amphitheaters know that there are really two portions to a lot of amphitheaters. There is the front portion that is fixed and in some cases may be covered for protection, and then usually berm seating or grass seating that allows the capacity to really go way up. So what we’re dealing with right now in our program is a 6,500 fixed seat amphitheater with the same concept, bermed or grass seating that will allow you capacity to go way up in the range of 16,000 or 18,000 if you needed it.

“Again, you are helping keep some of your capital costs down by using nature to help you deal with seating capacity on the high end. Stage, stage area, back stage support space, one of the things I will tell you and the committee has seen this in the detailed report, we’ve not completely allowed for all new construction of the support areas. What I mean by that is because of its location proximity to the Coliseum, we can share some amenities and some support facilities out of the Coliseum itself. So we’ve done a little bit of tweaking of the program so it wasn’t all built new. Again, David will hop back up here in a second and give you some basic cost parameters. But we’re looking at just under 14,000,000 on the cost estimate associated with the building program. That is a much cleaner project cost number because we do know the site and the site location. It is publicly owned so there are no acquisition costs. So this is a much closer project cost number.

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“In many ways, a much simpler animal. An amphitheater can do a lot of different things but in essence, it is a forum for presentation of concerts or it certainly could have a symphony. Many communities have other types of performing arts activities that could be hosted out of an amphitheater setting. So what we have right now and our analysis is showing a first year of 20 in essence performance events up to about a stabilized year of 24. That converts into around 134,000 in total attendance in that first year and then ranging up to just 180,000 in total attendance for the amphitheater itself. Again, outdoor venues, concerts, performing arts oriented.

“Amphitheater business is a little bit different and it is a take off from the arena business but we’ve done the same thing. We’ve looked at operating revenues over a five year period for the amphitheater itself and then operating expenses. For those that may recall some of the numbers on the arena, you’ll see that this is actually a grossed up revenue and expense projection. What do I mean by grossed up? Well, the reason is that an amphitheater business particularly in the current market place out at Kansas Coliseum and the other venues, there is a lot of co-promotion going on. In other words, partnering with the promoter in bringing events and activities. So what we chose to do in the financial analysis would show a gross revenue and a gross expense analysis. The simplest way I can explain that is instead of saying that the amphitheater is going to get a 10% rent and showing 10% of tickets, we show gross tickets in here. But in turn, we’ve also showed the gross expenses. A good question to ask me is you, are you kidding me, is it going to cost \$3,000,000 to run an outdoor amphitheater? The answer is no. What we’ve done is grossed up the expense and if you think about the line item, if we’re taking all these tickets in, we’re probably returning back out 90% of the tickets to the act. So don’t get felled by it, it is outlined in the report. It looks a little different, but it is grossed up to show we’re taking a lot of money in, but we are having to send some of that back out to the acts. Again, that is what it is depicting here. We have shown, in this case, because of its proximity to the Coliseum, a cost savings for staffing and some things like that because they are already really proximate to the venue itself.

“Really, I think the last piece we’ll present here before we’re going to open it up for questions and answers is let David come back up and show you two more boards that describe that same issue. Program drives cost, what those cost estimates were for the amphitheater. Then I’ll come back up and answer any questions.”

Commissioner Hancock said, “Those of you folks who were planning on running for state, local, or federal office, the filing deadline closed fifteen minutes ago. You already missed it.”

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Mr. Miller said, “Again, just to very briefly touch on the building program of 16,000 to 18,000 seat capacity depending upon the capacity of the berm seating, which is lawn seating. Sixty-five hundred fixed seats, which are covered and some ancillary facilities just to accommodate the artists and the stage house where the act is performed and things like that. Ron also mentioned that this is a much tighter number. We can get very accurate here and not exclude anything. Because it is a much simpler facility, we can quote a cost per seat which is about \$1,700 per fixed seat. That is per the 6,500 covered seats with a contingency in there and then we lumped fixtures, furniture, equipment and indirect fees, testing, all that. When you get a total project number, a total cost which includes everything is just under \$14,000,000. ”

Mr. Barton said, “One last closing comment that I’m sure some people will want to talk about. We read the paper as well as probably you did. One of the things that is always a dilemma when you are doing a planning process like this is it is very easy to begin to focus on the cost issue. It is very important. But we want a few disclaimers in here that I think will begin to give you some comfort level and also tell you our mind set. In any process we get pressure about golly, that’s a big cost number, can’t we do something to bring it down? Our response, very simply, is I think it is a bad time to negotiate against yourself before you’ve actually had to deal with financing or identification of site costs. I know that as sitting on elected bodies, you’d rather be in a position where your administration brings you information that brings the cost down rather than as the planning process moves along they have to explain to you somehow why it went up 30%. So we may take some lumps in the newspaper, we may all kind of get corralled by our friends that says this is a pretty expensive project but we haven’t designed anything, remember that. We’re not ready to break ground tomorrow. We haven’t put a pencil to paper. HOK has not done any drawings. This is the first cut of preliminary costs on the project. As your advisor, I think it really is incumbent on us to at least push some of that pressure to say lets begin trimming numbers because you are negotiating against yourself. Why do that until you need to know what some of those things are. As David said, what we’ve done is basic program. If you begin to make changes to a physical program then you can influence cost. There are two things that are very important and we dialoged with the committee, WSU, Sports Commission, all the people you wanted us to interact with in this process and there are certain things in there. It is a two concourse building, which is where the market place is going today. If you think about Kansas Coliseum, it is one concourse. It is square footage. If you think about the Kansas Coliseum, when you go outside the arena itself, it is kind of tight. You are beginning to get squeezed. So what David showed on the arena is we do cost estimates on square footage. Again, the building volume itself. You can have a 16,000 seat arena that could be 800,000 square feet and there is a lot of back of house stuffed in there. You can have a 16,000 one that might be 300,000 square feet. Again, those are refinements that as you decide to give the committee charge to move forward, those are the things that influence cost.”

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Chairman Schroeder said, "Thank you. Commissioners, City Council Members, any questions? Commissioner Gwin."

Commissioner Gwin said, "I guess I have a question because I guess I'm pleasantly surprised to see that you can show the revenues without distance expenses. Based upon the population report you gave us and the regional draws in the first one, help me understand that because it looked like we were at a real disadvantage number wise. Help me understand the revenue and expenses."

Mr. Barton said, "I believe your harkening back to the phase one presentation we talked about. We still had some reservations about the project itself. I think basically through our dialogue with the committee, we made certain assumptions about the use activity. So there are two things that are implied in the analysis. That is that if in essence, I am probably going to chose the wrong term, but it will illustrate it, if it is a fairly high attendance oriented revenue generating event type then we've assumed that if it was new to the market place, it would come to this building. If it were in the Kansas Coliseum currently, it would relocate to this facility. If you remember, and I'll do it really short, the short version of phase one presentation was we're kind of on the margin on this project. The reason we're on the margin is how do we answer that question about what the future role is of Kansas Coliseum and what the future role is of Henry Leavitt. So what we've done is at the committee's direction, they said, okay, we understand that let's don't get down in the policy question at this juncture what those roles are. Let's assume what they might be. What they might be is that the Kansas Coliseum would tend to do the agriculture almost fair oriented activities, they would continue to do that because that is a good location and a facility to do that. There would still be WSU events and activities at Henry Leavitt but the men's basketball team, let's assume it in the analysis. So we kind of skipped over making policy for you but we did say okay, if we agree to certain of these functions, that WSU would agree to, that Sedgwick County would agree to, then lets go out and test what it means financially. That's kind of what we've done. So I won't say we've assumed away certain things, but we assumed certain policy things that we couldn't decide in phase one. That's not the complete answer, but it is a big picture one of what we did."

Chairman Schroeder said, "In that analysis, when you speak of Wichita State, was that a paying. . ."

Mr. Barton said, "It is a market. What we've assumed and we did dialogue with the university and actually did a flip side. If you think about the projection for an arena, what we did is we did a flip side that said okay here, given these lease assumptions, again we are not negotiating a lease but we're . . ."

Chairman Schroeder said, "You're assuming that Wichita State is going to pay to play there. . ."

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Mr. Barton said, "Wichita State is going to pay certain revenue items to the building. So in their case, it was important for them to know, well that's nice, but tell me what we would net out of it again because we can't afford to go into the building and actually bring out less revenue than we have in Henry Leavitt today. We demonstrated to them that would not be the case."

Chairman Schroeder said, "They play for free at Henry Leavitt."

Mr. Barton said, "That's right. So we did both things, because WSU needed to feel comfortable that this wouldn't be a net loss for them if they started paying some market rent, yet we needed to demonstrate we have a tenant that is going to pay some market rent."

Chairman Schroeder said, "Questions? Council Members, Commissioners? I see no other questions."

Commissioner Miller said, "Yes, I will chime in and it has to do with going back to the average I guess you call it the stabilized number of performances, approximately 133 I believe, is what you came to. When you compare or add together both Coliseum, Century II, Henry Leavitt, what are we averaging terms of actual performances and I guess I could go to John Nath and I'm not sure who with the City and. . ."

Mr. Barton said, "Well you've asked a good question. I'm not sure I can answer specifically. There is an answer but I'd have to go back through. It is a good question. In other words, what do we do today in terms of the aggregate event activity and what does this mean. The best I can tell you is I can't answer it but I just can't do it here because I just don't have the numbers in front of me. But, I can answer it non-quantitatively at least and then we'll get the answer to you. The first is, as you recall, we assume men's basketball comes out. So of the event activity that is at Henry Leavitt Arena, it all stays there except the men's basketball. It moves over into the new building. Qualitatively, Kansas Coliseum, the event mix that they do today, what we would do, we went down through the event activity and what would typically be arena only, in other words, not using the Expo Halls and the other activities that tend to be, not always, but tend to be either flat show oriented or age oriented. Then we're assuming that most of that mix comes out. Then there is some net aggregate new business to the market place, so that is the third piece. Because we have a new modern facility, accessible to all the things that touring acts are looking for to enhance their side of it. So that's my qualitative answer and I know I only got you half the way but I will get you that number."

Commissioner Miller said, "Also, on the gross profit that you were estimating, approximately \$200,000. That was without debt service."

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Mr. Barton said, "That is without debt service."

Commissioner Miller said, "Of course, that is without land and that is without . . ."

Mr. Barton said, "That's correct. On the cost side, there is an operating side here. We're looking at a building that is pretty close to breaking even to making a little bit of money."

Commissioner Miller said, "Operating."

Mr. Barton said, "Operating. Until we figure out the site and the actual cost estimates then we can figure out the debt service side. This is not, unless you're at a NBA or NHL building that really drives the attendance numbers way up, any market place that we're looking at whether you go to Oklahoma City or Tulsa or Little Rock or any that are looking at new venues, it is with some exception the debt service is carried by some outside source. Now what they might look at is things like naming rights and maybe some of the suite revenue might actually go back into the debt service. In our case, we have WSU men's basketball, so you have some economics that are a little bit different that we have to make sure we meet as well. So there are some items in there that might still contribute to it but right now they are counted against the expenses of operating."

Commissioner Miller said, "Did you ultimately come to a conclusion that a new arena would not need any type of governmental subsidy?"

Mr. Barton said, "For operations?"

Commissioner Miller said, "For the debt service, actually getting the facility in tact, everything."

Mr. Barton said, "We're not there yet, but the implied answer out of the financial operations analysis is yes, you will need some outside source."

Commissioner Miller said, "Okay, thank you."

Chairman Schroeder said, "I have a question pertaining to the other facilities. When you talk about what would stay with the Kansas Coliseum in the same regards, what happens at the Century II facility. What would you be pulling out of there?"

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Mr. Barton said, "Well, there are two things that play that are implied again by this analysis. That is that there is a rethinking of the mission statement for the Kansas Coliseum, what it does and what it doesn't do. We're not getting into at this juncture what are the operating agreements, but as prudent people we would probably expect the best way to do this is to put these things under common marketing and operation so that you don't compete against yourself. On the Century II side, to be honest, I would never say there wasn't an event that might not move out of Century II into the arena but of the venues in the market place, they would be the least impacted in terms of event mix. Actually, you didn't ask it, but it is kind of a logical next question. We've not shown an expense savings, if the arena were downtown logically we're most closely located to Century II. So the next question is could there be some cost savings if the operating staffs at Century II were utilized in the equation. We haven't reflected that yet, but again, it is because we have a County building, a City building and a building that we don't know. So we've done a net of that right now."

Chairman Schroeder said, "Okay, very good. Appreciate it. Any other questions?"

Commissioner Winters said, "I have a question of staff. I guess this is a next step kind of question. After we digest this second phase which we've heard about today, is there a strategy for next steps?"

Mr. Harrison said, "Where to from here?"

Chairman Schroeder said, "You want to do your wrap up, Jerry?"

Mr. Harrison said, "As we indicated, this is a final draft report. This is the first opportunity you've had to see all of the report, front to back. We will be presenting this report to our other partners in about an hour at the Sports Commissioner meeting this afternoon. I would anticipate that you would take some time to review this document with your respective staffs. They will meet with their respective boards and we would reconvene the steering committee to discuss the input that we receive by way of modifying this report as necessary."

Commissioner Winters said, "I think it might be helpful if we could have copies of these color overheads that . . ."

Mr. Harrison said, "We're in the process right now."

Chairman Schroeder said, "Anything else, Tom? Any other Commissioners or Council Members? If not, we want to thank you for your presentation today and your diligent work. Thanks to the staff for being here. Thank you. Appreciate it. We're adjourned."

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There being no other business to come before the Board, the Meeting was adjourned at 12:30 p.m.

**BOARD OF COUNTY COMMISSIONERS OF
SEDGWICK COUNTY, KANSAS**

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Fifth District

PAUL W. HANCOCK, Chairman Pro Tem
Second District

BETSY GWIN, Commissioner
First District

THOMAS G. WINTERS, Commissioner
Third District

MELODY C. MILLER, Commissioner
Fourth District

ATTEST:

James Alford, County Clerk

APPROVED:

_____, 1998