



Economic Development and Finance
Committee
Standing Committee Meeting Agenda Update
Monday, October 12, 2015
5:05 PM

Location:

Municipal Office Building
701 N 7th Street
Kansas City, Kansas 66101
5th Floor Conference Room (Suite 515)

Name

Absent

Commissioner Brian McKiernan, Chair
Commissioner Hal Walker
Commissioner Gayle Townsend
Commissioner Ann Brandau-Murguia
Commissioner James Walters
David Alvey, BPU Member

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I. **Call to Order / Roll Call**

II. **Revisions to October 12, 2015 Standing Committee Agenda.**

Item No. 1 - MINUTES

Synopsis:

Minutes from August 10, 2015.

Tracking #: MINUTES

Item No. 2 - MEASURABLE GOALS: ECONOMIC DEVELOPMENT

Synopsis: Presentation of Economic Development goals for 2015, by George Brajkovic, Economic Development Director.

Tracking #: 15158

III. **Approval of standing committee minutes from August 10, 2015. (Information forthcoming)**

IV. **Committee Agenda**

V. **Measurable Goals**

VI. **Adjourn**

**ECONOMIC DEVELOPMENT AND FINANCE
STANDING COMMITTEE MINUTES**

Monday, August 10, 2015

The meeting of the Neighborhood and Community Development Standing Committee was held on Monday, August 10, 2015, at 5:05 p.m., in the 5th Floor Conference Room of the Municipal Office Building. The following members were present: Commissioner Walker, Acting Chairman; Commissioners Bynum (for McKiernan), Walters, Murguia, Townsend (via phone), David Alvey, BPU Board Member. Commissioner McKiernan was absent. The following officials were also in attendance: Gordon Criswell, Assistant County Administrator; Jody Boeding, Chief Legal Counsel; George Brajkovic, Director Economic Development; Melissa Mundt, Assistant County Administrator; Joe Connor, Assistant County Administrator; Lew Levin, Chief Financial Officer; Reginald Lindsey, Budget Director; Debbie Jonscher, Assistant Finance Director; Dave Clark, Public Works; and Chris Slaughter, Land Bank Manager.

Acting Chairman Walker called the meeting to order. Roll call was taken and members were present as shown above.

Acting Chairman Walker said we are going to take Item No. 5 as No. 1. They are also scheduled to appear before the Planning and Zoning Commission tonight. In order to make sure that they are able to get done in time we will do that.

Approval of standing committee minutes from June 1, 2015. **On motion of David Alvey, seconded by Commissioner Walters, the minutes were approved.** Motion carried unanimously.

Committee Agenda:

Item No. 5 – 150211...RESOLUTION: TURNER WOODS INDUSTRIAL PARK PROJECT

Synopsis: A resolution of intent to issue approximately \$69M in industrial revenue bonds for NorthPoint Development, LLC (Turner Woods -130-acre site proposed for a business park near

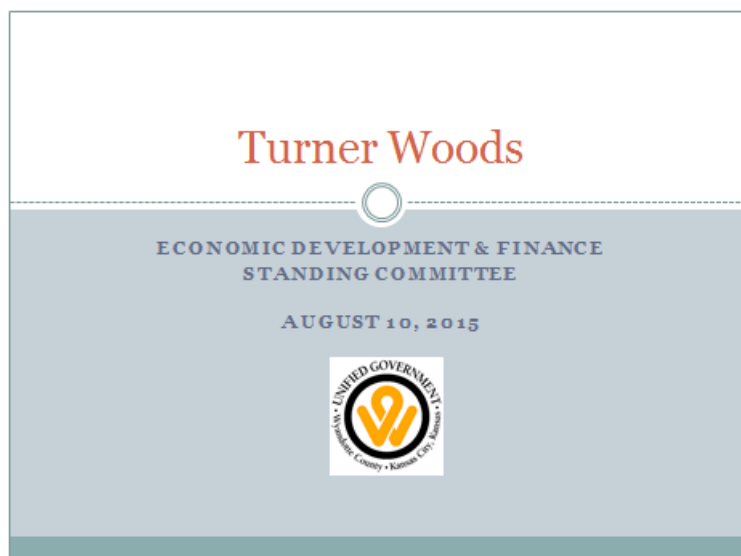
August 10, 2015

Riverview Ave. & SW corridor of Turner Diagonal) and approval of the development agreement outlined in the executive summary, submitted by George Brajkovic, Economic Development.

George Brajkovic, Director Economic Development, said let me make a couple of quick introductions, Brent Miles with NorthPoint, I think you guys are all familiar with Mr. Miles and then Anna Krstulic with UG Legal who's been working on this deal.

Really we have a presentation for you, but for the most part it's very identical to what this committee saw in June in terms of how we structure the deals and level of incentives we used. It was just by the time we had the schedule or followed statutory requirements to get the CID public hearing component identified, we actually had, which is going to be this Thursday night, we have the opportunity to bring those development documents back before this committee for consideration.

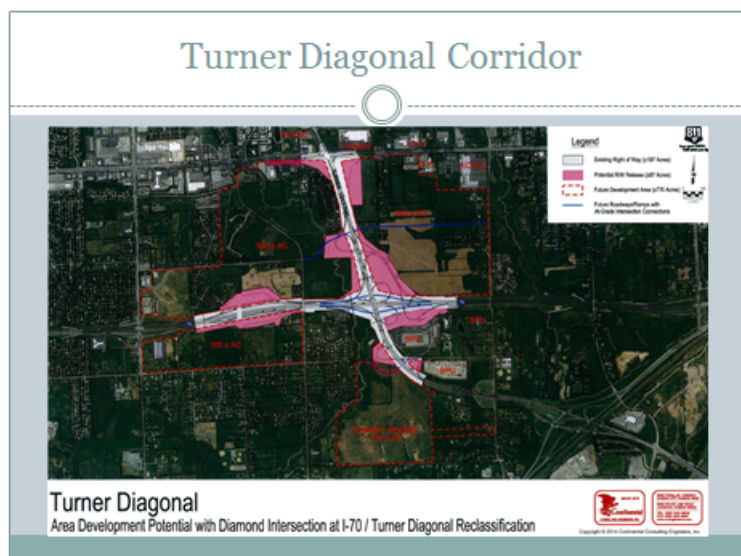
If you're okay with it, we can roll through the presentation fairly quickly and answer any questions you might have along the way. **Acting Chairman Walker** said, please proceed.



Development Partner

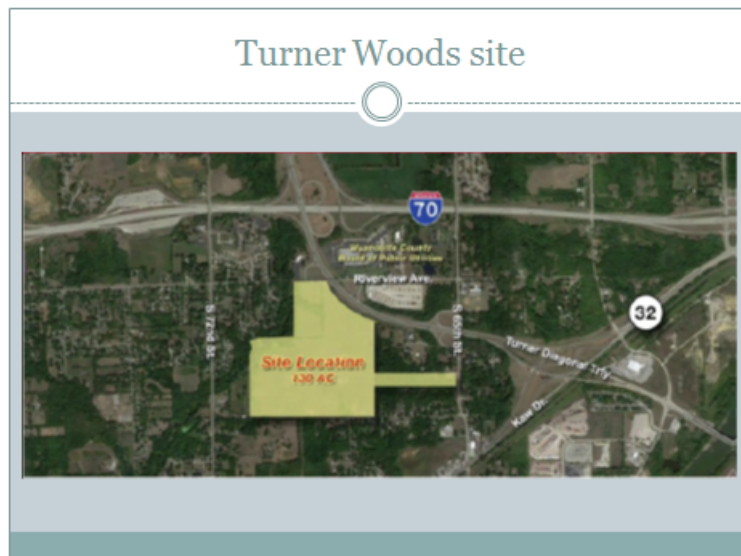
- **NorthPoint Development**
 - Central Industrial Park
 - Kaw Point
 - Village West Luxury Apartments – Phase 1 & 2
 - 5100 Kansas Ave

Mr. Brajkovic said NorthPoint, as you're probably very familiar with them, we tried to list a couple of the other projects they've done; Central Industrial Park, which is a business park on 80 acres next to the GM Plant, Kaw Point, which was the old Public Levee site which has walls and tenants already preleased; Village West Apartments both phases and then 5100 Kansas Avenue I think was the last project we brought through which was redeveloping some existing buildings.



The Turner Diagonal Corridor is something we talked about at that June meeting and just some of the potential we see within that corridor for creating possibly new business park or light industrial type settings. Turner Woods is located on the south end of that, but we think there's

some property opportunities that go as far north as State Avenue as well as some opportunities along I-70.



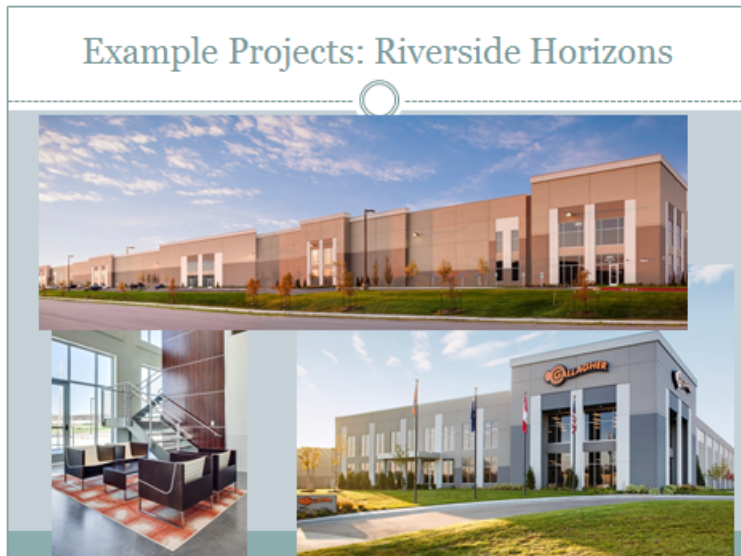
The Turner Woods site is what we're here for tonight. It is approximately 130 acres. It was a former TIF, residential TIF that a year or two ago we decided to terminate that project never materialized.



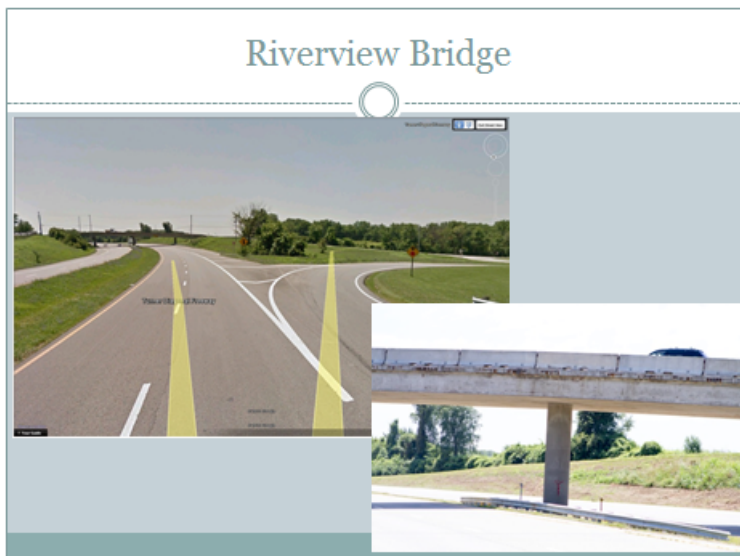
In the pursuit of other let's say light industrial or warehousing distribution projects, we actually identified this property as having some potential to do that. It has a variety of challenges, but Brent and NorthPoint they see the potential there as well and they're interested. It is four parcels

total. It's all under the same current ownership which is with Country Club Bank and I know Mr. Gaffney is here tonight representing the current property owner.

Having said all of that, I'm turning it over to Brent a little bit to kind of talk about the development plan.



Brent Miles, NorthPoint Development, said some of this is a little bit of the repeat of what we talked about last time and I specifically call out Commissioner Walker. I remember when we did the Kaw Point project you said, how many buildings do you have left in Riverside and when are you going to do something like that in our community. We call this internally Horizons 2.0. Horizons' is essentially almost built out and if you haven't seen the park at 635 and Horizons Parkway, it's been super successful for us. That prompted us to say there's really no other 130 acre site within the 435 loop within the city, it just doesn't exist. People look at Turner Woods which now we call Turner Commerce Center. We renamed it and we have the Planning Commission hearing tonight. I think people don't see the potential much like they didn't see the potential of Public Levee. You just saw eight buildings there and didn't see the site.



Here you have undulating hills, that's probably a minor term of what you have, we have about \$3M worth of grading that needs to happen at this site; there's obviously no roads. You look at the access that currently exists to Riverview Avenue and it's not suitable at all for, in my opinion, much of anything. The Riverview Bridge is in really bad shape, again my words, not the UG's. What we looked at was how to recreate Horizons and these are large buildings. They are roughly 400,000 square feet. These would be similar to what we just recently built in Riverside and we plan some automotive users you've seen probably—Governor Nixon came and celebrated US Farathane in one of the buildings almost of equal size to this.

We've thrown in another slide we'll go to in a second. What we built in Riverside is almost an exact replica of what we placed in the Planning Commission packet that we have a hearing on at 6:30 tonight.

While not the Planning Commission, I know it's important to you as elected officials. We've had our neighborhood meeting. I would say our neighborhood meeting went extremely well off memory. I think we notified about 65 folks. I think we had about 20 attend, between 18 and 20. I'd say from just a planning standpoint their number one issues were stormwater on Speaker Road. It currently floods. We're solving that with our project. They were worried about the last development. It had sewer going down the creek and through their backyards. We figured out a way to let that gravity flow to the north so we're not disrupting them with sanitary sewer. Then probably the next comment was there's about 30 kids that stand out here, there's no sidewalk. There's about 30 kids that go to the variety of schools within the Turner District and

so with whatever access the UG builds ultimately at this site I'm sure there's going to be sidewalks and be at least some solution to some of that problem especially as kids stand out there daily as BPU people are going to and from the site. That's one of your primary traffic sources here.

That's a little bit more than planning, but I know it's important to you all as commissioners and kind of what's going on with the public. We have the Standing Committee tonight. We have the rezoning before the Planning Commission and the preliminary development plan before the Planning Commission tonight. Ultimately we come back to you I think Thursday and then ultimately we come back to you on the planning side on 27th, I think it's Thursday the 27th, then we would close. Our intent is to close with Country Club Bank. Country Club Bank owns it if you didn't get it via foreclosure that happened way too long. I don't remember if that was in '08 or '09 timeframe off memory. Craig probably knows the exact date, I just don't remember it.



Our plan is to build almost exact replicas of what we built in Riverside. Those are going to house primarily distribution warehousing. You could see some light. I call it light manufacturing. You might even be calling it light assembly. The building you see at the top houses Grainger. That is floor to ceiling, screws, bolts and fasteners. It has a very limited number of employees. Gallagher, which is in the lower right hand. That is Sir William Gallagher from New Zealand, he is Knighted. That is the inventor of the electric fence. That is

the North America Headquarters for Gallagher who is the largest electric fence producer in the United States and just happens to be one of our tenants there.

The inside of the one on your left is Velocity. That is a company—the guy also owns CSTK which is located in Amourdale, his name is Michael Kahn. They apply all the GPS units to U-Haul. They also do the Wi-Fi network for Caesar's Casinos. They have a diverse operation inside that, but those are just some interiors and exteriors of what you'd see similar to out here at Turner Commerce Center.

Project Details



- **\$69M Capital Investment**
 - \$9M – site acquisition & on-site infrastructure/grading
 - \$60M for 3 buildings
- **Potential for 600+ jobs**
- **Riverview Ave Bridge Replacement Alternatives**
 - UG responsibility

We have about \$69M in capital investment ultimately that will go into the project. That's basically \$20M per building and about \$9M inside acquisition infrastructure cost for building our own street, sewer. There are no utilities there now. Given our track record in Riverside and then watering that down a little bit on an employee per square foot basis, we can offer about 600 jobs for the site. It could a little bit more, could be a little bit less, we just don't know who the tenants are. We'll build these as speculative without a tenant in mind. We'll build a building, make a \$20M investment and hope that somebody comes once it's to the 75% lease mark, we'll pull the trigger on the next building and do it again three times.

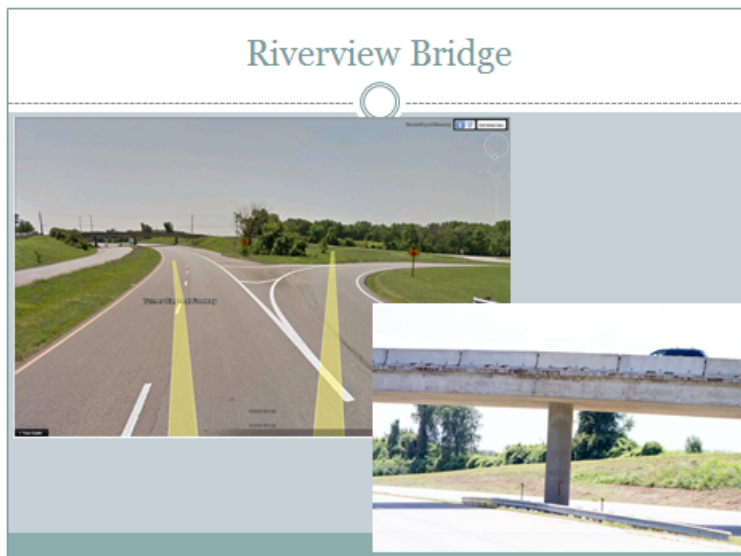
Kaw Point if you haven't heard, it's—we've done Horizons, we've done Logistics Park Kansas City and Kaw Point might end up being our most successful industrial building that we've ever done as a company. People are leasing without walls up. People are leasing without

a roof on. We're over subscribed, if all our prospects said they wanted to take the building today, we wouldn't have enough to accommodate all of them.

I don't think anybody saw that coming. We were optimistic but not that optimistic. We do about three times the tours at Kaw Point than we do at Horizons. Tomorrow I have six tours at Kaw Point. Just one week there was probably the biggest negotiation piece through the development agreement was, what if we don't build that second building and then some of the commissioners had a question about the future of revenue and there's essentially a \$2M penalty to us if we don't build the second building. The reason I said yes to that was the activity I saw at Kaw. I just thought that the market was strong enough that we felt confident enough that we would build at least two of the three buildings or take a \$2M penalty.

George can talk further about the bridge discussion. We've been having on-going conversations with I'd say Bill, me and other engineers. We had maybe a two hour meeting today about tying in and ultimately what will happen to Riverview at grade or interchange or what that will entail. I would say just generally that decision still hasn't been made. We think we know where we're going to tie in, but they'll be some large coordination efforts with the engineering staff, Public Works staff on ultimately what the alignment is of that interchange aggrade and how we tie in. I think we're in agreement of how that—I think we're in agreement of the process and how it'll work, but we just don't know the end result. We know that Riverview as it exists today won't be how it'll exist. It can't exist and I—the development agreement provides for that, that there'll be new access for us because we can't use what's there now, but it isn't specific on what that access would be.

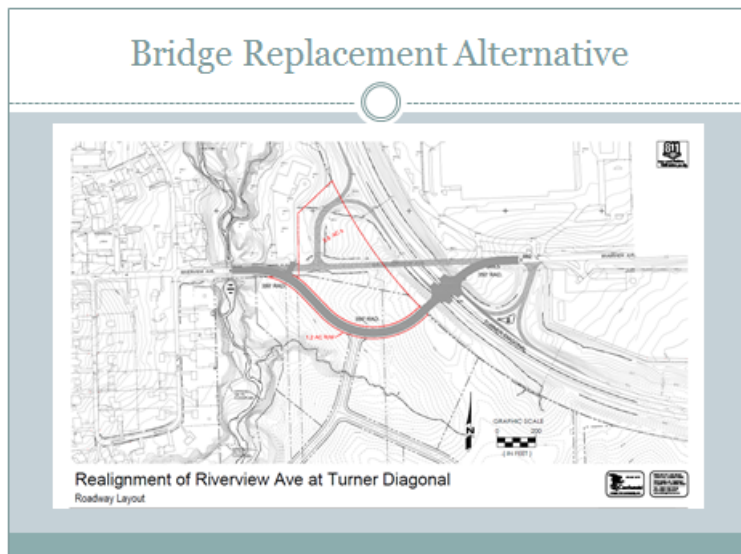
Mr. Brajkovic said just an additional comment. As we were negotiating the structure of this deal, obviously the incentives are important to the developer and we knew that it would be our responsibility to do something with Riverview, have a new bridge whether it was a bridge replacement or aggrade. We tried to come up with an incentive structure that could flow revenue to the developer to recoup some of the costs, but also flow back to the UG to do a cost share on a public infrastructure project that's obviously required.



Current condition of the Riverview Bridge, Brent commented on this. The photo to the left is really as you're moving south on Turner Diagonal, but it's almost immediately as you take the southbound exit ramp off of I-70 East. There's really no stacking capacity along Riverview Avenue as you go to the stop sign on Riverview. That in and of itself really prohibits the type of development you need to see on 130 acres. The photo to the right is the current conditions of the bridge where we've placed jersey barriers along the exterior wall. You see a vehicle passing safely.

I believe there are also some issues with the height clearance of this bridge. As you approach from one direction your clearance is 13 feet and something and as you approach from the other direction it's 14 feet. I'm not sure if either of those meets current DOT standards.

We knew it had to be replaced I believe in June. We talked about we were still going back and forth on the options, do you do a bridge or do you do aggrade. Mr. Bach threw out there that we're leaning towards aggrade. We've been working very closely with Mr. Heatherman in terms of we know that whatever we do there's going to be in two steps. One is a planning phase to prepare for it and then we have a construction phase. At the very least we have 12 months of time to actually plan this out. There's some timeline triggers with the developer in terms of the developer giving us notice that they're ready to proceed with their first building and that's really kind of how we've worked with Public Works to back build our notice periods. As so as they notice us we think we have enough time to plan it and construct it so it coincides with the opening of their first building.



This is really what it looks like, but I think the important thing to note here is whatever we do, here's the current alignment as you come off of I-70 or southbound Turner Diagonal. You don't have much capacity here. Everything moves or shifts to the south. You do create additional capacity here and, again, that's regardless of whether it's aggrade or a bridge replacement.

Incentive Structure

- **IRBs**
 - 100% abatement, 10 year term – per building
- **CID**
 - 22 year term
 - \$1.04/sqft special assessment
 - 50/50 split with Developer

The Incentive Structure then it's really two components. You have IRBs and CID District. On the IRBs we think that each building, and we're protecting three buildings here, would qualify for a ten-year term or ten-year PILOT. What we're proposing is 100% abatement. That site, and I didn't bring the data with me, but I believe that 130 acres currently produces about \$4,000 total in annual taxes. We felt that we weren't losing a lot to do the 100% abatement and what we did

was stack back in a CID that's going to be assessed on a per square footage basis of the size of building they build. We'll split the CID revenue with them.

What Brent had suggested is what they committed to building he wasn't overly concerned with the penalty we put in. The penalty itself is the way we structured our revenue flow in terms of getting revenue to support the bridge replacement is that we've got some—we want three buildings built. That either helps cover the cost in its entirety or, a large portion of it, but what we did is said okay each building gets this ten-year PILOT during which the CID will be stacked in. The CID, we're only creating one district and that district has a 22-year term. There's some time restrictions on them to really get this thing developed because if they don't do it in a timely fashion they're going to lose some of that CID benefit on those last buildings.

If they don't do anything other than build this one building that we essentially have a guarantee for before we even have to start our infrastructure, what we'll do is rather than end the CID assessment after ten years on building one, we'll continue to flow that for potentially the full 22 years until they actually get that second building completed.

We felt like it was an adequate penalty given the size of buildings in terms of being nearly identical and we didn't feel that it had a very negative impact on pro forma we were projecting.

Deal Structure- UG Mitigated Risk/Exposure/ROI

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- No obligation to replace bridge until Building 1 is confirmed
- UG share of CID revenue alone may not fully cover the Bridge replacement
- ROI
 - Projected 1M + new sqft of Industrial space
 - Projected 600+ new jobs, projected \$42k annual salaries (based on similar Business Park developments by NP)
 - UG has project share in cost of replacing aging infrastructure

I kind of touched on some of this stuff now already, the bridge replacement, our share of the CID to cover the bridge replacement and then I know Commissioner Walters has asked previously

how about showing us something on the return on investments. They don't always flow typically like you would see on a bank statement I guess. What we feel we're getting here is: 1) we've identified property although it's challenging in its current state that we think is going to support a million new square feet of business park type space. The projected 600 new jobs, Brent touched on that earlier. We also looked at the average salaries that they were seeing in that park. After we backed out all of the NorthPoint executives we still came up with a great average of \$42,000. We feel like that's great job creation in terms of numbers. That's right in the target of what we're looking for in terms of the type, amount that these jobs should be paying. Then ultimately we know that we're going to have to do something with the Riverview Avenue Bridge anyway. We've got a project, we've got a proven developer that's worked with us in the past. They're willing to cost share on it. We just felt like we're hitting on every mark that we typically like to see in this type of development.

With that that's the end of the presentation. We're certainly available to answer any questions you guys might have. Again this item, you'll probably see this exact presentation on Thursday night during the public hearing for the CID as well.

Acting Chairman Walker said we need discussion.

Commissioner Walters asked is access to 65th not a part of this project? **Mr. Brajkovic** said it's not. **Commissioner Walters** said so some of those diagrams include that access to 65th as a part of the site plan. **Mr. Miles** said the diagram that he had, Commissioner, is what we're buying. That's what we're buying, it includes a strip. It goes out to 65th, but the site plan itself, George, doesn't have access to 65th?

So you know where we're at on that, there are kind of two things kind of coinciding there. On Friday we got word that the Fire Department had concerns about one point of access. We're trying to come up with a solution and we think we have two potential solutions that we'll be talking to the Fire Marshall on. One of those is to widen the entrance north here to the width of a three, essentially the width of three lanes, so if there's an accident in one of the lanes there's still two that can pass. The other thing is that with all the grading that we're doing, this is literally the same elevation as Speaker Road. We actually wouldn't put a street in, we'd put

maybe a gate with a knock box and that we would have some sort of hard surface so that it would only be opened by the Fire Department in the case of an emergency. Those are two solutions.

The other point that I make is that in our community meeting this was probably question number five primarily from the people that live in this area south of the Moose Lodge. Are you bringing trucks out here? Socrates, if you remember when Socrates came through, they had two access but they knew how many employees that had. They had like 1,300 employees I believe and so they had to. They had like a truck entrance and an employee entrance. So I can say it's a small number but there're four to seven residents over here that just didn't really want that second access nor did we.

I think it all hinges on these two solutions and where the Fire Marshall is comfortable.

Action: Commissioner Murguia made a motion, seconded Commissioner Walters, to approve. Roll call was taken and there were six "Ayes," Alvey, Walters, Murguia, Townsend, Walker, Bynum.

Item No. 1 – 970146...REPORT: QUARTERLY INVESTMENT & BUDGET REVISIONS

Synopsis: Quarterly Investment and Budget Revision Report, June 2015, submitted by Lew Levin, Chief Financial Officer.

Lew Levin, Chief Financial Officer, said the next three items are either quarterly or annual reports that do not require any formal action. They're for information only.

The first one is the Quarterly Investment and Budget Revision Report. Commissioner Bynum, I'm not certain you've seen these before. Am I correct? **Mr. Levin** said on the first report we show in detail what our current investments are as of the end of the quarter. In this instance we're looking at investments as of the end of the second quarter of this year. What we try to do or attempt to do is structure our investments where we, I'll use the term, ladder the investments. Under our expanded investment powers we can invest for a four year period. To try to increase our yield on our investments we attempt to do that. As you're well aware in this investment situation we were receiving generally a fairly low yield on our investments, but if we can structure those investments over a longer period, we get a little higher yield.

At the end of the second quarter we're in a fairly strong cash position and that's typical. We've received both the first half and second half property tax payments and so we're really at sort of a—and then we've also done our annual bond financing and so we have the proceeds from that. We're in a situation where we're spending down our cash through the remainder of the year and then until we get our next influx of property tax revenue.

As of the end of the second quarter we had approximately \$181M in investments. Our average rate of interest was 0.78% for those investments. Our interest earnings through the first half of the year was \$184,000. If you look at the graphs on the following pages, you see our interest earnings compared to prior years. It's just our, I'll say our low rate of return on our investment is just indicative of the low rate we're receiving on our investments.

If there are any questions on the investment report I can answer those. Mr. Lindsey is going to speak about the budget revisions greater than \$10,000 that occurred during the quarter.

Reginald Lindsey, Budget Director, said our budget revisions that we do for over \$10,000 are related to if a department wants to move money that's over \$10,000, they have to make a special request through the Administrator's Office. If it's over \$50,000 and it is related to operations, it requires the Mayor's signature and also the County Administrator's signature. If it's \$50,000 and it's discretionary, it requires coming from the Commission.

In this last quarter we had five revisions. Two of those came from contingency and the rest of them came from within the departments. There were some in Economic Development and then there was one in Transit, the Coroner's Office and also Fire and then also Public Works with Buildings and Logistics. Does anyone have any questions on any of them?

Acting Chairman Walker asked on the Economic Development legal expenses, is that anticipated to be recovered on issuance of debt in the future? **Mr. Lindsey** said this is related to projects that Economic Development was working on. We wanted to make sure that they had enough funds to make sure no projects were stalled. **Acting Chairman Walker** said but normally do we not reincorporate that as expense of the project if there's debt issuance. **Mr. Levin** said if there's debt issuance and it's an eligible expense we would recover those monies.

Acting Chairman Walker said alright and the bad write-off with the Coroner. **Mr. Lindsey** said that was for a State Child Board invoices that we didn't think we were going to get paid for, so it was \$26,000 we ended up writing off. **Acting Chairman Walker** asked is this to the family's of victims that the Coroner cases or autopsies? **Mr. Lindsey** answered yes. **Acting Chairman Walker** said is that with the Topeka company? Are we still doing our actual what I would call hard autopsies with Pathology Medical Office in Topeka? **Mr. Lindsey** said there is a company in Topeka and then there's also one in St. Louis.

Action: For information only.

Item No. 2 – 150214...REPORT: ANNUAL FUND BALANCE COMPARATIVE

Synopsis: Annual Fund Balance Comparative Report, 2011-2014, submitted by Lew Levin, Chief Financial Officer.

Mr. Levin said what you have before you is a table, it has a fair amount of numbers on it. Basically we're looking at our ending fund balance and it show—it tables—there's two pages actually to it and it shows our ending fund balances from 2011 to 2014. We prepare this report annually after the completion of our CAFR and our CAFR was adopted by the governing body in mid-June.

I guess points of interest in the table there's a series of columns. We have one column on the left indicates the policy goals. For the particular fund and the first three rows are the components of the General Fund, the City, the County and the County Parks Fund. Our goal is to maintain a fund balance of 10% of expenditures. The table we actually show it in two different colors. If it's in red we're indicating that we haven't met our target. If it's in blue our fund balance is greater than target and actually the third color black we're within the target range. What you see on this table for 2014 in most instances were above our target. We still trail below it for the General Funds. We improved from 2013 to 2014.

There are two different categories for the General Fund. We're showing it on a budget basis and then what's called a gap basis and the treatment of expenditures is a little bit different. In revenues on a gap basis some funds that we have encumbered are not on a gap basis, they're not considered as an expense until the actual funds are expended. Generally on a gap basis we

have a higher level of fund balancing and you can see for the General Fund as a Consolidated Fund our fund balance. We ended 2014 at 8.8 %, still a little bit below our 10% target, but a stronger performance than the gap basis.

That's all I have on that item. **Acting Chairman** Walker asked if any Commissioners have questions.

Action: For information only.

Item No. 3 – 150215...REPORT: BUDGET TO ACTUAL

Synopsis: Budget to Actual Report as of June 30, 2015, submitted by Lew Levin, Chief Financial Officer.

Mr. Levin said this is a report we do quarterly. I guess the one distinction on this report, we prepared this item before we had adopted our budgets so the budgeted revenues and expenditures were based on the original 2015 budget.

There's one summary page that list each fund down the left-hand column of the page and it shows how we're performing. The budget as of mid-year in almost all instances in terms of expenditures we were below 50% of budget and our expectation would be as a mid-year basis the revenues there's some variance depending when receive the revenues. We received the two property tax distributions in the first half of the year. If the fund on the Tax Levy Funds, you'll see in almost all cases were above the budgeted level. There's one exception on the Consolidated Parks Fund. It receives a significant property tax, but it also receives a transfer of funds from the City General Fund. We made that initial transfer in the third quarter so you see that percentage in terms of revenue is below 50%.

The next part of the report we look in detail at the General Funds in each of the categories within the General Fund we see revenues. I'm not going to go over those in detail. Again, property tax revenue we're near 100% of that for the General Fund as of mid-year. Some of the other sales tax a little bit over 50% and I think generally our revenues are performing at or slightly above budget as of mid-year. I don't know if Reginald has any additional comments as it relates to expenditures.

Mr. Lindsey said with expenditures one of the expenses that has always been 100% over its budget is the jail expense, but we also pay it from another fund. The total budget is \$1.4M and on here \$372,000 of it is paid from City General Fund. They're still \$484,000 that's been spent this year and there's 34% left within this budget for the year if you look at both funds. Thirty-four percent of the budget has been spent if you look at...**Acting Chairman Walker** said so by the end of the next quarter we probably should expect a budget deficit. **Mr. Lindsey** said, no it's not going to budget. There's money in another fund for it. There's 34% of the budget has been spent so far so there's like 65% of the budget left but it's sitting in another fund. On here if you look at it, this is a General Fund so it looks like 100% of the budget has been spent, but we have funds in another fund, the Dedicated Sales Tax.

Acting Chairman Walker asked who is shepherding the jail study. **Mr. Lindsey** said the Sheriff's Department. **Acting Chairman Walker** asked who in the Administrator's Office. What is the status of that as a side on this issue? **Gordon Criswell, Assistant County Administrator**, said the consultants started their work August 5th starting with meeting with the elected—starting with the Sheriff, the DA, the Chief Judge, Chief Municipal Court Judge and they are working their way to you guys as the Board of Commission Members. The study is on the way, they've been gathering data some of which we already had, and they are on track to have their recommendations to you all in 90 days.

Commissioner Murguia asked August of last year or August of this year? **Mr. Criswell** said August of this year. **Commissioner Murguia** asked what in the world took so long. **Mr. Criswell** said well I don't know if it took long, Commissioner, it's just our process is we do the RFP, we vet them out, we ask questions, we negotiate what their asking to try and get the price down and once that's negotiated we sign a contract. **Commissioner Murguia** said that took us a year. **Mr. Criswell** said well we didn't start it, I don't think we got the RFP out right when you all said do it, so we got it out as soon as we got the RFP approved and ready and had it on the streets.

Acting Chairman Walker said my reaction in general is that we need to take a page from the playbook at the BPU which my impression is it doesn't take a year to get a study started. By that

I mean maybe it's time that we reexamine in some depth and detail the draconian procedures of the procurement code that was enacted in 1997 and has fundamentally not been changed to any great extent. It shouldn't take this long to get going. It shouldn't take a year to get an RFP. RFP's are a dime a dozen, you can find them on the internet from other communities. In my estimation, I'm just disappointed that it'll be next year before we can even begin to implement if there are any recommendations. It seems we have a bottleneck. I want the procurement to be fair on a level table and I want transparency, but there sure are a lot of cities that can move a lot faster than we do.

Commissioner Murguia said, Reggie, under the heading Tax Levy Funds; it has a list of different items. Just using one of those a number of those line items have spent 80-90% of their budget. For example, let's just take Mental Health. It has a budget of \$503,000 and \$469,000 has already been spent and we're only six months into the year. **Mr. Lindsey** said the portion you're looking at is the revenues. That's the amount of revenues that have come in. So on one side of the sheet is revenues on your left-hand side, and then on right-hand side are the expenditures. The number you're looking at the budget is \$503,000 what we expected to come in as far as revenue and that actual number there...**Commissioner Murguia** said and those revenues come from where. **Mr. Lindsey** said from taxes. **Commissioner Murguia** said the Mental Health revenues come from taxes. **Mr. Levin** said yes primarily from the mill rate property tax and what I mentioned was that our two property tax distributions occur in January and June and those are the first half and second half tax payments. What you see that 90% of the revenue being received, it's just a reflection of those two tax distributions. **Commissioner Murguia** said okay wait then, then I am confused. Why is the revenue, just sticking with Mental Health Funds, it'll help keep me straight here. Why is the revenue at 93%? We were 93% accurate on our prediction of revenues or we're...**Mr. Levin** said we're still going to get some additional revenues. They get Motor Vehicle Tax Revenue, they'll be some Delinquent Tax Revenue; so we'll have over 100% of the revenue by year-end in that fund. We distribute the payments to the Mental Health Board quarterly. As of mid-year we've made two distributions and they've received 50% of the revenue.

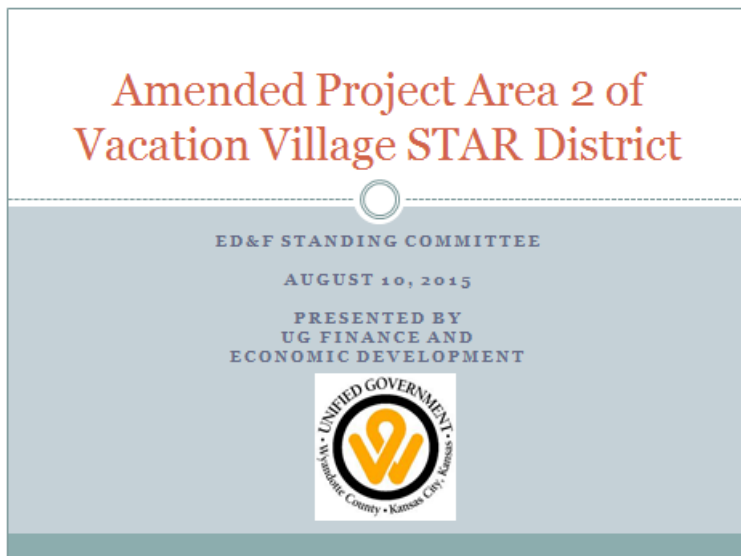
Commissioner Murguia said why are our revenue projections off by so much, just the revenue projections. **Mr. Levin** said well they are not really off. All that's telling us is that we've received 93% through mid-year we've received 93% of the revenue that we're projecting for the year. **Commissioner Murguia** said in the first six months. Are you telling me then that the revenue comes in for this category in the first six months and you don't receive as much revenue in the second six months. **Mr. Levin** answered yes. Any fund that's primarily dependent on property tax revenues is going to receive the majority of its revenue in the first six months. Now the City General Fund on that same page we've received 59% of the revenue. We've received a sizable amount of Property Tax Revenue, but at the same time we'll still receive during the remainder of the year, the Sales Tax Revenue, Pilot Revenue and many other revenue sources. **Commissioner Murguia** said I get that. The part I didn't get was that if you're halfway through the year if you receive like monthly or even quarterly payments of revenue into a fund, what I'm saying is that we're already at six months collected all of the revenue. That's why I was asking we collect most of that revenue in the first six months I'm assuming. **Mr. Levin** said correct. **Commissioner Murguia** said that's the only concern I had because otherwise we'd be 100% off on our projected revenues for mental health and a variety of others above it, but I'm just using that example.

What throws it off is how the revenue comes in with that particular category. **Mr. Levin** said yes. I think it's positive that we're already at 90% mid-way through the year. That means we've already received 90% of what we're projecting for the year. **Commissioner Murguia** said I think that's good. **Mr. Levin** said yes. **Commissioner Murguia** said I think that's good. Are you telling me that pace could continue? **Mr. Levin** said no. Not for that particular fund because it's major source of revenue is property tax. **Commissioner Murguia** said right, so it's not that we're performing any better...**Mr. Levin** said that's correct. **Commissioner Murguia** said it's just that that's how the money comes in. **Mr. Levin** said correct. **Commissioner Murguia** said okay that's what I was wondering.

Action: For information only.

Item No. 4 –150217...ORDINANCE: VACATION VILLAGE AREAS 1 AND 2A BONDS

Synopsis: An ordinance authorizing the issuance of Sales Tax Special Obligation Revenue Bonds (Vacation Village Projects Areas 1 and 2a), Series 2015A and 2015B not to exceed \$95M, submitted by Lew Levin, Chief Financial Officer. It is requested that this item be fast tracked to the August 13, 2015 full commission meeting.



George Brajkovic said I'll give you the boring stuff and then we'll get to the heart of the matter. I want to make a quick introduction of a couple of folks I know are here in the audience: Richard Napper with EPR representing the developer, landowner Schlitterbahn here; and Curt Petersen with Polsinelli who's counsel to the ownership group.

This is another item that came before this committee I believe last month. We kind of want to talk about what Lew and I had discussed with Mr. Bach was maybe combining—we've got a finance component to this as well as the procedural changes. The procedural changes we have mentioned the Turner Woods or Turner Commerce Center public hearing on Thursday night. We also have a public hearing scheduled to consider these changes on Thursday night as well.

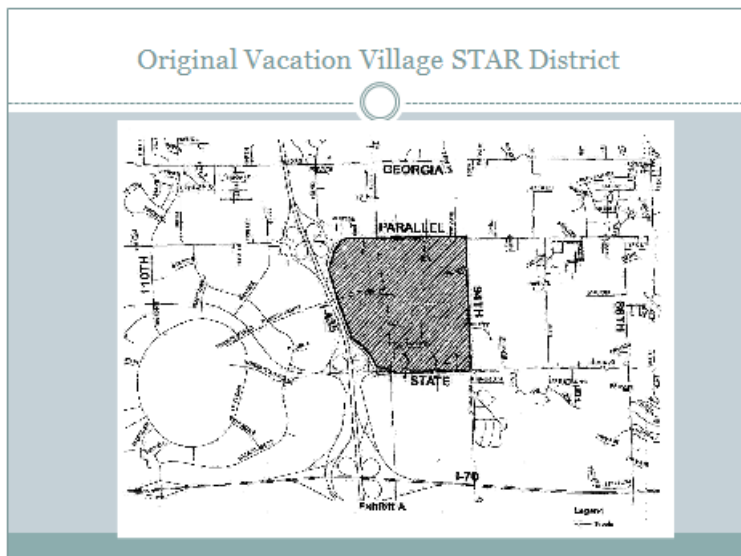
What we are here for tonight?

- First Amendment to Amended and Restated STAR Bond District Plan
- First Amended and Restated STAR Bond Project Plan (Project Area 2A)
- First Amendment to Amended and Restated Development Agreement
- Authorizing the issuance of \$95M Sales Tax Special Obligation Revenue Bonds (Vacation Village Project Areas 1 and 2A)
- A single Ordinance collectively approving the above listed items

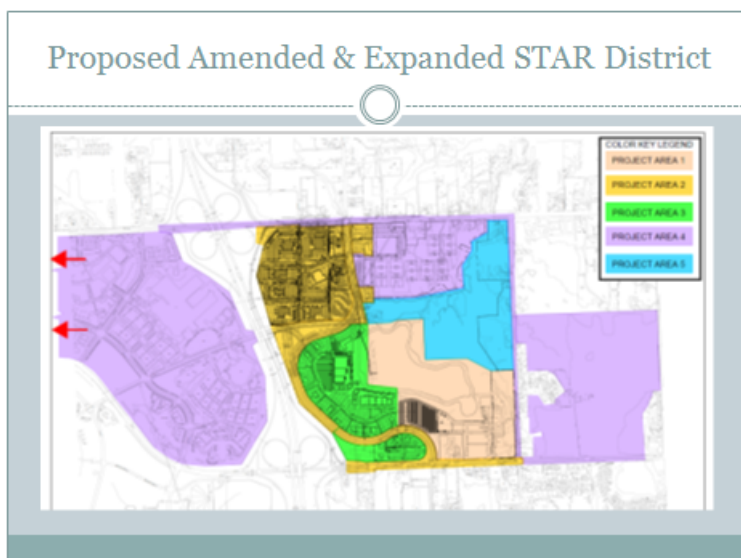
The items we're going to change are the STAR Bond District Plan, the STAR Bond Project Plan for Area 2. The reason we're doing that is because under this proposal and we've got some detailed slides after this. When we first expanded that whole Vacation Village STAR District—when Schlitterbahn first started it was one district, then we created five project areas including Area 2.

Under this proposal we're actually splitting Area 2 into Area 2A and 2B. That requires us first to change or amend the district plan and submit a project plan for Area 2A. Then we also made some amendments to the development agreement because under Project Area 2 we had only contemplated doing one bond issuance, and splitting it into 2A and 2B allows for two issuances and Lew will kind of get into that on some finance slides we have towards the end of the presentation.

It does include this issuance of \$95M in the STAR Bonds for actually Vacation Village Project Area 1 and 2A. Area 1 is the waterpark that's already been constructed and then 2A is a portion of well it's the auto mall that's under construction or a large portion of that. On Thursday night you'll see one ordinance that collectively approves all of this should you see fit to move forward with it.

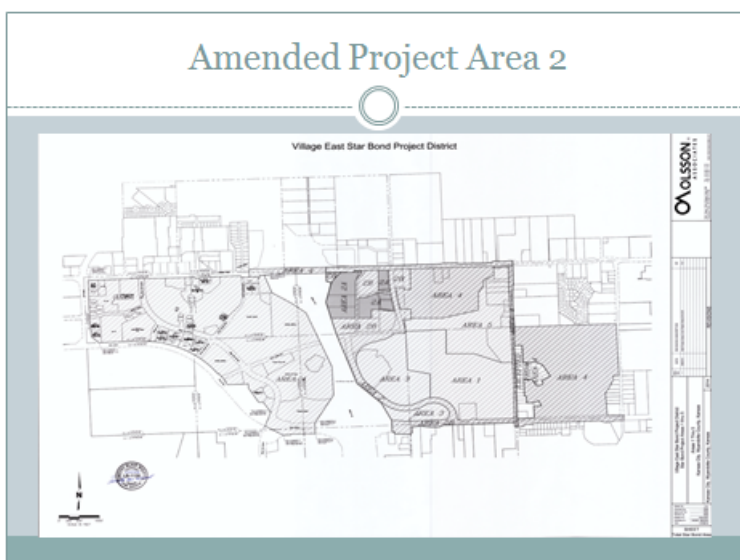


Again, the original Schlitterbahn STAR Bond District was just one contiguous area bound by Parallel on the north, State Avenue on the south, I-435 on the west and 94th Street on the east. What we came back I guess last year was to expand that district so again this middle part again bound by Parallel on the north, State Avenue on the south, 435 on the west and 94th on the east is still included.

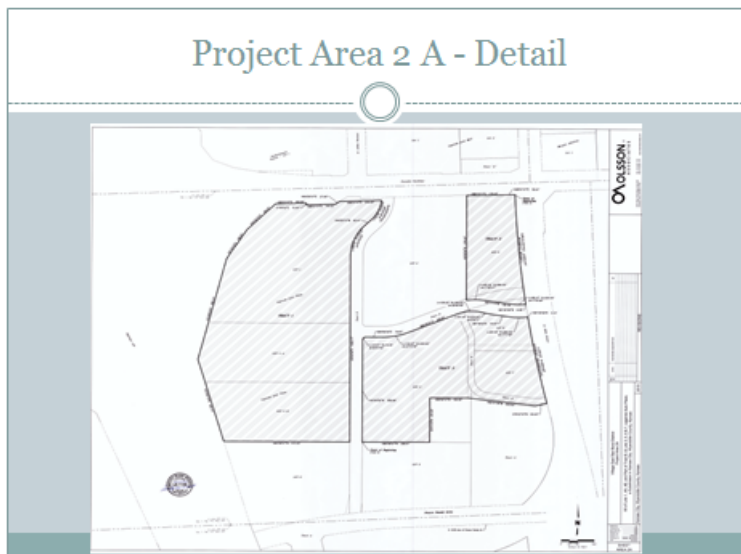


What we did is for Project Area 1 is this area which is the existing waterpark, Area 2 is where the auto mall is under construction, this is 98th Street and you actually have some pad site development on the east side of 98th Street. It also includes the S curve going in along 98th Street. Area 3 is kind of this front 50 acres which Dairy Farmers is going right in here

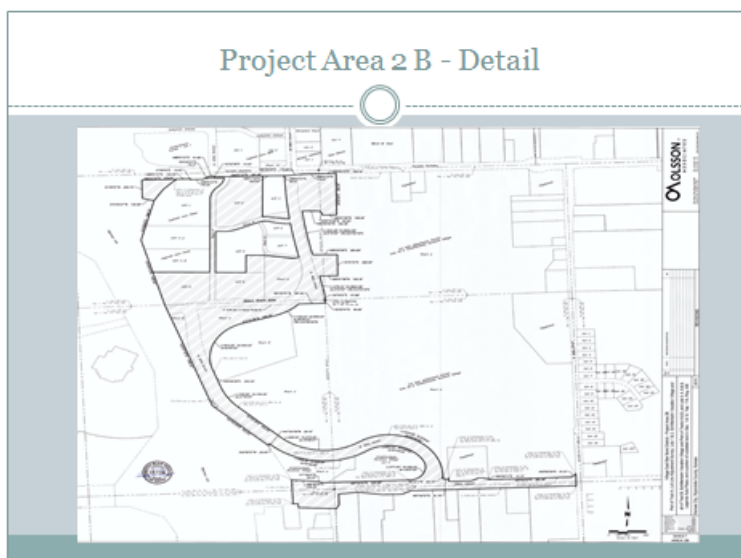
approximately and then Area 4 is the US Soccer Deal of which the National Training Center will lease about 40 acres of the Schlitterbahn property here and then actually over here on the Spear Family Property site do the tournament fields and an additional indoor facility which leaves about 40 to 50 acres with State Avenue frontage for future development. That overlay district though also included Village West. As the current Village West Bonds pay off we'll capture that new base level of revenue value and any incremental value from that time forward will actually flow back to help pay for this project and then Area 5 is a future waterpark. That was what we did for the Amended and Expanded District.



What we're coming back for now then is, here's Area 2A or 2 again. We're proposing to—well the request is to split that into 2A and then 2B. The reason for that is there are favorable bond market conditions now and the developer doesn't have some of these projects in a state where they're ready to move forward with that financing and so we have a large portion of it that's ready to go. That why from a staff level we're supporting making that split. Lew's got the numbers. He'll give you that level of detail in just a few minutes. I wanted to kind of set the stage for what the changes are.



Again, here's Area 2A in detail. It doesn't show, but this is 435, this is 98th Street, and this is a new private drive that they're putting in, but you can see that these are some of the auto dealer lots and you've got a few of these pads that says the convenience store and then well I'm sure Richard if you had specific questions about who's going in on those sites, he'd probably be happy to answer those.



Then 2B is one of the auto pad sites here and then the two on the south end. This is actually a detention pond area here and these pad sites on the east side of 98th Street. That's really the land split and then kind of encompasses—I think I touched early on about the changes in those three

development documents that are associated with it and why we're pursuing those changes. Lew, you want to jump onto the financing.

STAR Bond Financing - Amendments



- **Agreement originally contemplated a single STAR Bond issuance, capped at \$100M**
 - \$10M to UG for temp notes on original 98th St improvements and "S" curve improvements
 - \$90M (balance) cover Developer's eligible costs
- **Two separate STAR Bond Issuances**
 - First issuance expected to yield \$74M of project proceeds
 - × Series A – approximate yield \$63M – includes UG reimbursement of \$930k for new traffic signal at 98th & State and improvements to Marshall Creek Sewer Interceptor
 - × Series B – approximate yield \$10M – pays for UG's street costs

Mr. Levin said yes. As this slide indicates we're showing the detail of the financing. The ordinance says that we may issue bonds not to exceed \$95M and in that our expectation at this time our numbers are going to be less than \$95M. What the \$100M refers to what the cap, the cap for I'll say for this bond issue and future bond issues. It includes \$90M in reimbursement to the developer and \$10M reimbursement to the Unified Government. You see those two numbers before you. The \$10M related to infrastructure improvements that we've incurred 98th Street, and the S curve, and then \$90M for reimbursement costs for the developer.

STAR Bond Financial Backing



- **Series A Bonds- Special obligation revenue bonds**
 - Incremental Revenues – State, City/Co. General Sales Tax, & Transient Guest Tax;
 - *Base tax retained - \$1.3 million plus EMS and Dedicated Sales Tax*
- **Series B Bonds - Revenue bonds with Annual Appropriation Backing**
 - Additional Protection- \$844,000 of base sales tax, including \$650,000 State sales tax, will be held in escrow to cover debt payment, if incremental revenues are not sufficient.
 - The annual appropriation backing will be removed, once the second phase of the STAR Bond financing is ready to proceed.

What we're doing at this time is we're going to have two separate bond issues. We're going to have a Series A and Series B. We're projecting at this time the Series B financing it'll be approximately \$74M and that will include \$63M of reimbursement for project expenses for the developer plus a little under \$1M for two Unified Government projects; traffic signal at 98th Street and then a sewer interceptor project.

The Series B Bonds will and they're going to be a subordinate series and I'll talk a little bit more about that. We'll pay for the \$10M in debt that we've issued for the Unified Government.

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I want to talk a little bit about the respective pledges or backing on the two issues. The Series A Bonds are going to be senior bonds. The backing is strictly the project revenues. There is a base that we've specified in the development agreement and that \$1.3M is based on the first \$15.5M of actual sales and so the base, the \$1.3M is split proportionately between the state and local government. Not subject to the pledge are our Dedicated Sales Tax and the EMS Sales Tax. We would receive those monies and they are not pledged to the STAR Bond payoff.

In 2017 we're projecting that the EMS and Dedicated Sales Tax will retain approximately \$800,000 plus from those two sources.

The way the funds are going to work, the first incremental monies are going to go toward debt service on the A Bonds. The B Bonds we consider those as subordinate to the A Bonds and we're going to have an additional government backing. We're going to have this annual appropriation pledge and in our budget sessions we talked a little bit about annual appropriation pledges and how we had to build that in as a line item in the budget. Any excess revenue after we pay the debt service on the A Bonds will go towards paying that service on the B Bonds.

In addition we have an additional level of protection. We've negotiated with the State and I alluded to up above that the base includes the first \$15.5M in sales. What the State is they're pledging of that \$15.5M base, they're pledging \$10M of that base which is equivalent to \$650,000 and then we're pledging of that \$10M base our share of the local tax which is about \$194,000. That's where I get the number \$844,000. Of that base sales tax, we're holding on an annual basis in Reserve \$844,000 and that would be used to cover the debt service payment on the B Bonds if there's a shortfall from excess revenue on the A Bonds. I'm certainly open to any questions on that, but that level of security really that gives us confidence that we're not really going to have to use our annual appropriation backing. If we do not need to use that \$844,000 in escrow on an annual basis, then it's going to be distributed back to the state and local government into our respective General Funds.

George mentioned Project Area 2B. When the developer's ready when he has firm commitments in place for that project or the financing associated with 2B to go forward, we're going take out our development agreement. It's written that we'll be able to take out our annual appropriation backing on the B Bonds and they'll be the first level of pledge. On the next bond issue we'll be towards backing of the B Bonds and then the next level of backing will be on the future STAR Bond issuance.

Basically with this framework we're able to make a significant reimbursement to the developer on the Series A Bonds. We've reimbursed ourselves for the debt we've already issued for 98th Street and the S curve improvement for Dairy Farmers and then we've added a level of protection or backing to our annual appropriation pledge.

Just to reiterate, our action that will occur on Thursday evening is going to first, do you have another slide George, we'll hold a public hearing and then we'll have an ordinance that does this series of actions. Just to restate what George began the presentation with, we're going to make the amendments to the plan, to our district plan, project plan, and then we'll have authority to move forward with the financing. Our expectation is that we're going to price these bonds at the end of the month and the closing will occur in mid-September.

I know I said a lot and I can respond to any of the questions on the specifics of the financing or George can talk about the amendment process.

Mr. Brajkovic said well again from a public hearing standpoint we had to follow statutory guidelines to setup the public hearing for Thursday. Again, it's all related to the STAR District which is very similar to the TIF process. To amend the district or amend a project plan that's really the nature of the public hearing. We'll also include the amendment to the development agreement as part of that action.

We thought that maybe combining the finance piece of it with the process issues would make it a cleaner item in terms of action items requested on Thursday with that single ordinance.

Commissioner Walters said I have a question and I think this is for George, but who will be providing for us confirmation of expenses. **Mr. Brajkovic** said we've received about four banker boxes from the developer with all their expenses. We are currently working with the Purchasing Department to issue an RFP component to that. I think there could be a timing procedure though, but in terms of just reimbursing the developer for acquisition costs there's probably enough there that it wouldn't affect their reimbursement. I wanted to answer it that way first, but the long-term answer is we're working on the RFP to actually get a third party in here to roll through the rest of this project.

I think the developers have stated that they've expended in excess of \$220M up to this point probably a little bit more by this point, but that the overall project at completion was going

to be in access of \$600M. We wanted to get that third party on-board as soon as we can to go through and certify the costs that have been expended. **Commissioner Walters** said so will the third party reviewer be on-board before we start expending the money. **Mr. Brajkovic** said I don't believe so, but that's why from just the site acquisition cost we feel that UG staff between either myself or someone in my department in concert with Lew or someone on his staff, we've been cost certifying a large number of other projects. This one because of the magnitude, it just seems a better situation to have a third party do it, but if we just want to certify what they spent in terms of site acquisition costs for the land, we felt that if it's a timing issue and we don't have that party selected, we could at least certify those land costs.

Commissioner Murguia said, George, is this amendment also an amendment to expand the STAR Bond area. **Mr. Brajkovic** answered no. **Commissioner Murguia** said so the original STAR Bond area that was developed I'm guessing 20 years ago now, I think it's been that long, it's still the same STAR Bond area. There's been no additional, there's been no amendment to expand those boundaries. **Mr. Brajkovic** said yes and no. This was the original that was created I want to say back in '07 or earlier somewhere in there. What we did last year was that's where we expanded it to include the Spear property and do this overlay into Village West, but that center portion represents the original. At this time we're not proposing to expand it. **Commissioner Murguia** said I'm sorry I'm not asking it very clearly. The original Village West area that had STAR Bonds...**Mr. Brajkovic** said oh, Village West I'm sorry. **Commissioner Murguia** said yes, the area that we're talking about now is this a new STAR Bond application or is this an expansion of the original Village West STAR Bond proposal 20 years ago. **Mr. Brajkovic** said neither, this is the Vacation Village STAR District. The only thing it has to do with the Village West component is that increment generated from Village West is revenue dedicated back to paying for Project Area 4 which is the US Soccer deal. **Commissioner Murguia** said this area over here on this side the yellow, green, blue and purple, that area is a whole different STAR Bond project than what Village West was. **Mr. Brajkovic** said that's right. Village West when those bonds pay off, that STAR District goes away, but we're going to keep whatever that new base value of sales tax is. The only thing we pledged to this Expanded Vacation Village STAR District is increment generated from the former Village West site.

Commissioner Murguia said in the second STAR Bond Project, a separate STAR Bond Project, within that project has there been amendments to expand that STAR Bond District. **Mr. Brajkovic** said no. **Commissioner Murguia** said it's always been the same geographical size. **Mr. Brajkovic** said what you considered last year this is what we expanded it to. **Commissioner Murguia** said the answer is yes you had an original STAR Bond geographical area and then last year you expanded it, you amended it for an expansion. **Mr. Brajkovic** said right, Vacation Village not Village West. **Commissioner Murguia** said understood, because we're just talking about the second STAR Bond Project. Within that second STAR Bond Project there was an expansion in that project to include an increased geographical area. Correct? **Mr. Brajkovic** said I'm not sure I'm following the question; the second STAR Bond District. **Mr. Levin** said I think if you're talking about Vacation Village it would be what the expanded area would be the area east of 94th Street and then Village West itself which will become part of district once the STAR Bonds in Village West are paid off.

Commissioner Murguia said this is important for me to understand. It might be a little bit beyond what you're proposing here tonight, I just thought it would be an easier answer. Since we're already down that road I'll ask it again. I'm not completely sure how you form a STAR Bond area. What I'm assuming is that since their issued by the state or being able to utilize this bond is decided at the state level that when you propose a project you have to get permission from the state to form a STAR Bond District. Is that correct? **Mr. Brajkovic** said yes, but we also locally will approve the creation of that district...**Commissioner Murguia** said I understand.

We have to get permission though first for the project area and then once that area has been approved, just say Village West, forget what's on the other side of the slide, just say once that area has been approved on the Village West side, any amendments to that geographic area does that have to go back to the state. **Mr. Brajkovic** said yes. The state was involved with in this expanded district. Yes they were. **Commissioner Murguia** said every time we expand a district we have to go back and ask permission from the state, correct. **Mr. Brajkovic** said yes. **Commissioner Murguia** said okay.

Are there limitations on how big you can expand a project? **Mr. Brajkovic** said I don't know the answer to that. **Commissioner Murguia** said that's fine to not know. **Mr. Brajkovic** said I don't believe so but...**Commissioner Murguia** said okay and then one last question.

Is the timeframe for establishing a STAR Bond District much longer than the timeframe it takes to extend or increase the area of a current STAR Bond District or is it the same. **Mr. Brajkovic** said it's the same, you follow the same type of notification procedures. **Commissioner Murguia** said what I've heard is it takes about seven years to form a STAR Bond District and are you telling me it takes about seven years to amend that. **Mr. Brajkovic** said I don't know where you got seven years, that's not, that's been ...**Commissioner Murguia** said it doesn't take seven years to form a STAR Bond District. **Mr. Levin** said no. A STAR Bond District could be formed within one year. It's just in this instance the original—this STAR Bond District sort of the center of that graph was formed seven years ago and it was just related strictly to the waterpark and future waterpark development. The amendment process that we went through last year in both the sweep—you're correct we had to receive state approval, it was to modify that STAR Bond Plan or the District Plan which we're going to again amend this Thursday or the Commission will consider that amendment. That amendment occurred seven years after, but it didn't take seven years, it just so happened that that project came to be...**Commissioner Murguia** said seven years later. Lew, to specify then it takes about a year to form a STAR Bond District and it takes about a year to amend a STAR Bond District.

Mr. Levin said I think the amendment process that we went through last year was we did that in less than 12 months. I'd have to go back to when the developer brought that project forward. I think it could actually be done in less than six months. **Commissioner Murguia** asked do you think an amendment is easier. **Mr. Levin** said I think it really depends on the scope of the project, what the state—you know you have to demonstrate that the project is a major tourism project that is STAR Bond eligible. You have to have discussion with the Department of Commerce to get their approval. You have to present the project to the local governing body and they have to take action. There are procedural steps required with public hearings and various notices. I think you would be hard pressed to do it sooner than six months, but we were able to move this project forward last year.

Commissioner Murguia said okay it's just as we do more and more with STAR Bonds, because they were new when Village West was built. As we do more and more with them I just feel like I sort of need to keep up on how they're utilized. I understand that there's a lot of statute governing the specifics of STAR Bonds but how we can utilize them as far as making amendments and doing things like that, I'm just trying to keep that clear in my mind what that process is. I have no problems with the project, don't panic, I just want to know for my own mindset what level of flexibility there is with STAR Bonds.

Mr. Brajkovic said we'd be happy from an Economic Development staff to prepare kind of a process of what the requirements are, what kind of timeframes you look at, and ultimately even those statutory requirements for public meetings and notices, they are going to indicate a much shorter timeframe. It doesn't account for the negotiation time for all the work that occurs prior to the public meetings, but we will try to outline that process and distribute it to the commissioners.

Dave Alvey, BPU Member, said if I understand as the Village West STAR Bonds are paid off that will be folded into as part of Project Area 4. **Mr. Brajkovic** said only the new incremental values. When we first started this there—well you probably remember what the base value was here, but now our share of the new base is projected at \$12M. **Mr. Levin** said yes, we're projecting our share at approximately \$12M. The states' will be a little bit higher because of delivered sales that occur within Kansas that we won't receive, but approximately there's about \$650M of retail sales that are occurring there today that we'll consider as our base and both the local and state share of that tax revenue will remain within the community. What's being pledged under this scenario is future growth in that base.

Acting Chairman Walker said so you're in essence capping our sales tax benefit from Village West at a defined point yet to be determined I guess and once that cap is reached if we bring other business in that is a sales tax generator or the overall sales tax is increased, that amount of money over and above \$12M is really paying for Vacation Village, helping pay. **Mr. Levin** said yes, well it's going to pay for US Soccer. **Acting Chairman Walker** said US Soccer; only the US Soccer purpose? **Mr. Levin** said yes, however; we'll retain the EMS Sales Tax and the

Dedicated Sales Tax and Transit Guest Tax from Village West. They're not pledged to US Soccer.

Acting Chairman Walker said let's do a concrete example. We have Cabela's and NFM which are huge and I suppose they will reach a point where they are maxed, but they seem to, if information provided to me by a couple of their employees is correct, their gross seem to increase somewhat every year. Now as long as that is true that increase in gross sales, the sales tax, the state based, the city based, the county based; that portion will then go over to pay for the US Soccer. Basically correct? **Mr. Levin** said that's correct with the exception of the EMS and Dedicated Sales Tax. **Acting Chairman Walker** said alright now what if in the event the sales tax due to recession or a competitor opens up in Johnson County the NFM and steals their business and our sales tax diminishes, do we have an obligation then if the increment does not exceed the base that we have established. **Mr. Levin** said your particular question relates to the US Soccer STAR Bonds and we are not backing those bonds so those bonds are solely backed by the project revenues so the increment does not occur against the shortfalls to the detriment of the bondholders. That actual sale or the pricing for those bonds is scheduled for tomorrow and the closing in about two weeks. That actual sale of that particular issue has not occurred but is scheduled to occur tomorrow. **Acting Chairman Walker** said the risk is on the bondholders who invest. **Mr. Levin** said correct. **Acting Chairman Walker** said and presumably the interest rate they receive will reflect some element of risk. **Mr. Levin** said certainly.

Mr. Levin said I don't believe we need formal action tonight because it's really the ordinance's first—I don't think it's being considered until the public hearing occurs. **Acting Chairman Walker** said if no one has further questions, we'll conclude that item.

Action: No action.

Item No. 6 – 150218...RESOLUTION: CRICKET WIRELESS AMPHITHEATER REPAIRS

Synopsis: A resolution authorizing improvements to Cricket Wireless Amphitheater, and requesting the Public Building Commission issue revenue bonds, submitted by Joe Connor, Assistant County Administrator.

**Cricket Wireless Amphitheater
Renovation Project**

Economic Development and Finance
Standing Committee
August 10, 2015

Joe Connor, Assistant County Administrator, said I have with me today the employees of New West Presentations. They are the current operators of our Amphitheater. This is Chris Fritz he's the President, Jamie Whitehead is the General Manager for Cricket.

We came I think back in November of last year to kind of give an Amphitheater update. I think this was an item the commissioner's hadn't heard about in a long time. We wanted to kind of set the stage a little bit for the condition of the amphitheater and talk about a potential renovation project coming forward.

We've been working on this now since last November and we've been through quite a few iterations of what this looks like, but we're ready to kind of bring this forward today for your consideration to move this forward.

August 10, 2015

Amphitheater Operations Agreement

- New West Presentations, Inc.
 - Our facility operator since 2008
 - Exclusive manager with respect to the presentation, production, promotion and financing of all events
 - An annual user fee is paid to UG (2015 - \$90,000)
 - Parks and Recreation provides some maintenance items
 - First \$5,000 of repairs
 - Winterizing restrooms
 - Maintenance of parking lots
 - Pole lights

Just a little bit about the operation. New West Presentations has been our operator since 2008. They are the exclusive manager for the facility with respect to the presentations, productions, promotions and all the financing for what happens. Basically what happens inside of the parking lots is the responsibility of New West. We have some responsibilities and this is usually through our Parks and Rec. Department that helps out with some of the repairs for the parking lots. We do receive an annual rent payment and in 2015 that's slated to be \$90,000.

Amphitheater Event Activity

- Chris Fritz, President, New West Presentations
 - 2015 Events
 - 11 Concerts
 - 10 Community Events
 - 14 Other Rentals

2008	2009	2010	2011	2012	2013	2014
13	10	11	7	10	14	18

I want Chris to talk a little bit about the Amphitheater Event Activity. What's been happening out there since 2008 moving forward so Chris go ahead.

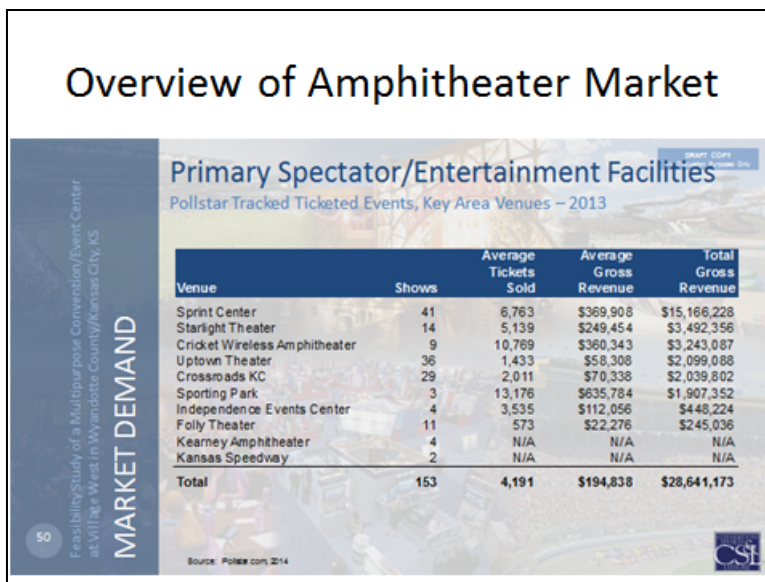
Chris Fritz, President, New West Presentations, Inc., said it's good to be back here before you. We took over the Amphitheater in 2008, but I've been involved with it since '91 so I've got a little history with it. Actually we did the big renovations back in '91 to about \$3M which lasted up until about this year. It held up pretty good.

When we took it over in '08 it was—we started out we had a great summer. Starting from scratch basically and then the economy fell down a little bit as we all know. You can see where we kind of struggled through those economic years. Touring went down, Live Nation had some of their worst years, 2012 was actually one of the worst years in the whole touring market in the entire entertainment business.

We actually did change our whole structure starting in '12 and by mid-12 we changed it going from one exclusive promoter to opening up the venue to Live Nation, AEG, Pipeline as well as currently still staying with that exclusive partner Mammoth, but broaden it as you can see in '13 we did 14 events, in '14 we did 18 and this year we're going to have about 35 events that's been held out there. Some of these are crossed over, they're community events, we do the DARE Event, we do a lot of runs, track meets and things use the facility. This year we're working with the balloon race, its going to be out there in late October.

We're building and we're really confident that our numbers are going to go up. In this year—last year we did only about 40 something just under 50,000 paid, this year we're going to come close to 75,000 paid. Our goal with the improvements and everything we think we can get it up within a year to 90,000 and our ultimate goal is 120,000 plus people a year paid tickets. Obviously we get a lot more than that with comps and promotional tickets and stuff like that.

That is our plan and I know Joe's going to go ahead and give you some more information.



Mr. Connor said I want to pull this slide up from the convention center study that we did early or late last year.

This is an overview of the market that we kind of fall into with the Amphitheater. If you can look there, we're the third highest. Quite frankly the Sprint Center is kind of the anomaly. That's the largest venue. If you take that one out of the picture, our Amphitheater is performing very well compared to the market in Kansas City as far as revenues and tickets sold and things like that.

It's a very viable facility. People still like to go there and acts still like to come there. It does have its challenges. As we try to talk about we've got to—it's like any other public venue it needs constant enhancements, changes, upgrades to continue to attract top talent and have people want to come back out there.

Amphitheater Challenges

- Enhance the facility's ability to compete for top talent and sell more tickets
- Renovations are needed:
 - Basic safety issues
 - Large touring shows have increased requirements for facilities
 - Concert attendees want fresh, new amenities
- UG Financing is based on operator's ability to repay the debt.

The renovations that we're going to be talking about here in just a minute really address three large areas: basic safety issues, there are touring shows they just want more amenities, they want more things to come there and the attendees themselves. They want to come to a nice place that has fresh new amenities and a nice look and feel.

The other challenges when we were working on this deal with New West, is that the operations needs to pay for any financing that we bring forward. When we went through a bunch of iterations, you know you can hear Chris talk about where he wants to see the ticket sales and so we had kind of say we know that's where you want to be, but what can you actually get to. That's why we came back with a more modest proposal than we originally started with.

Seating



Just to show you a little bit about some of their challenges that's out there. This is the way some of the seating looks now.



The concrete infrastructure really provides some of the basic safety issues, that's just basic wear and tear that needs to be replaced and fixed.



You've got parking and walking surfaces that are pretty inadequate.



This is what it could look like. These are some renderings that Chris has come up with to kind of freshen up what some of the buildings look like as well as the grounds. That's one of the concession stands.



This is what one of the restrooms would look like.

Facility Updates



They've got the merchandise buildings that are there as well.

So you can see it'll really freshen up the place with new asphalt, new concrete, some new seats that'll really give it a different look and feel.

Financial Proposal Details

Project Overview		
Renovation Costs	\$ 865,000	
UG and Bonner Springs Cash Contributions	\$ (115,000)	
UG Financing	\$ 750,000	
Annual Payments		
Debt Payment	\$ 92,500	Estimated Payment
UG User Fee	\$ 50,000	Reduced from \$90,000
Bonner Springs Ticket Fee	\$ 15,000	Currently \$.50 per sold ticket; \$23,000 average
Annual New West Commitment	\$ 157,500	Approximately 52,500 sold tickets annually required to satisfy commitment

Just to get into a little bit about what we're proposing as far as the financing goes. We're looking at a renovation budget of \$865,000. We've actually gone with the City of Bonner Springs also to get their partnership in this particular venture and between the Unified Government and Bonner Springs they are willing to put \$115,000 in cash up front. That will

basically allow us to get started with the project sooner rather than later. It'll also lessen the load on New West to provide the bond payments moving forward.

We're asking for financing in the amount of \$750,000 to be over a ten-year period. The debt payment estimate, again, this is only going to be an estimate at this point is about \$92,500. We would still receive an annual rental or user fee, but we'd take \$50,000 down from \$90,000. Bonner Springs has agreed to take less of a ticket fee. They currently charge .50 per ticket sold. They averaged about \$23,000 a year. They would lower that to \$15,000 as a flat payment. The annual New West commitment would be, we're the first ones to be paid \$157,500 a year which equals about 52,500 tickets to be sold to make that commitment. As Chris stated we'll be well above that this year. We've been at that level for the last couple of years and we expect that's a very reasonable threshold for the Amphitheater and for New West to produce.



CAPITAL IMPROVEMENTS LIST

<u>Estimate</u>	<u>Project</u>	<u>Description</u>
\$200,000	Seats	Replace lower seating and VIP boxes, refurbish upper seating. 1,200 regular seats - (\$130,000) 224 VIP seats - (\$30,000), refurbishment of 1,154 upper seats - (\$40,000)
\$100,000	Asphalt Repair	Repair entrances, walkways, plazas, employee lot and backstage lot
\$50,000	Sealing	Seal and stripe over all asphalt, Bonner Drive, reserved parking lot, employee lot, backstage
\$120,000	Concrete Work	Repair issues in seating areas and steps, lawn walkways and mixing booth
\$120,000	Concession Stands/Restrooms (exterior)	Replace awnings, counters and windows, paint, add stone and trim
\$95,000	Awnings	Replace all concession and merchandise stand awnings
\$5,000	Landscaping/Irrigation	Install irrigation system near VIP Club and in back corners of lawn
\$80,000	Backstage Pavilion	Create backstage party space for sponsors and artists
\$10,000	Signage & Lighting	Update signage and replace lighting
\$20,000	Fencing/Gates	Repair and stain fencing, repair and replace gates
\$95,000	VIP Club	Renew floor, paint, replace furniture and update bathrooms
\$80,000	Public Restrooms (interior)	Repair and paint stalls and floors, replace walls and mirrors
\$10,000	Backstage	Replace catering and kitchen floor, paint
\$20,000	GA Pit/Walkway	Repair and epoxy finish in GA Pit, stain walkways near seating areas
\$45,000	Stage	Electrical, plumbing and lighting work, repair insulation and interior walls, paint
\$55,000	Concessions Coolers	Replacement of concessions compressors and eliminate R-22 coolant
Total \$845,000		

That's a listing of all the different expenses there. I know it's just kind of a little hard to see, but it's also in your packet as well on a full size sheet. We're trying to address everything from seats to asphalt, concession stands, some of the things backstage, the concession stand coolers, the stage itself there's just a lot of different things that need to be addressed out there. We think this is a very modest budget for what's needed. Our original estimates were at \$2 or \$2.5M but we really ratcheted it back to again try to marry with what facility produces verses what we could actually afford to renovate. I know it seems like a lot but it is a modest budget for that kind of a facility.

Financial Proposal Details

- After minimum number of sold tickets are reached, additional revenue to be realized
 - \$1 per sold ticket to be distributed
 - \$.75 to Unified Government; \$.25 to Bonner Springs
- New West Presentations agreement will be for 10 years
 - Annual review and renewable guarantee of minimum payment

On top of that after the minimum number of tickets are sold, there would be additional revenue realized to both the Unified Government and to Bonner Springs. It would take a dollar for each ticket sold to get .75 cents on a dollar to the Unified Government; .25 cents to Bonner Springs.

The only thing we're working on in conjunction with this is a new agreement with New West. His agreement expires at the end of this year and so we would ask if this moves forward that we would have New West as our operator for the next ten years with an annual review to make sure that both parties are satisfied with the way things are going. At that time Chris and his company would pledge the bond payment for the upcoming year before we renewed for the next year. Again, it would be an annual renewal, but we do want the commitment from Chris and Jamie and the team at New West for a ten-year period and they've agreed to do that in principle. We don't have the final agreement done yet.

Next Steps

- PUBLIC BUILDING COMMISSION FINANCING PROCESS
 - August 10 - Economic Dev./Finance Standing Committee
 - August 27 – Full Commission Meeting
 - September 3 – PBC Intent Resolution 1st Publication
 - September 10 – PBC Intent Resolution 2nd Publication
 - October 10 – Protest Period Expires
 - October 11 or later – UG/PBC enters into contract for improvements
- Completion of agreement between UG and New West Presentations.
 - 10-year operating agreement with annual review
- Goal to have all construction/renovation completed by beginning of 2016 season.
 - New West Presentations has received requests to hold dates for May, 2016

What are some of the next steps? This would be financed under the Public Building Commission Financing Process. These are a basic calendar of how we would move forward if it's approved tonight. We wouldn't be until October before we could actually have the bond funds to at least start that process. That's again why that we want to have a little cash payment up front. We can start some work and then have the bond payments come in after that.

We would need to complete the ten-year agreement with New West. We want to have this done by the 2016 season. This is a very aggressive schedule, that's very ambitious on our part, but one thing that Chris has been able to do with the other promoters around, AEG and the others, is he's been able to say we're going to renovate the facility. We're going to maybe put some money into it and that's gotten their attention. They're actually interested in coming back to the facility. He already has hold dates on his calendar for May of next year for concerts and other events. We're already starting to lineup next years events in August of this year so that's a very positive sign.

That's all we have on our presentation. Chris anything else you'd like add? **Mr. Fritz** said no, questions probably.

Acting Chairman Walker said, Mr. Fritz, I'm going to start, I have a question regarding the structure of New West. Life from day to day is uncertain, you've been here as long as I can remember the name Chris Fritz has been associated with producing concerts, Memorial Hall and other venues throughout the community, both sides of the state line. Tell me about New West in

the event that let's say you decide to retire from the business. What's left of New West without you? **Mr. Fritz** said well I've got to give a lot of credit to my General Manager and also to Matt Camden which is the Assistant GM and also the ticketing director and production manager. This is definitely a youthful business that's why I look so young right now. **Mr. Fritz** said this is my passion. I've been involved with this amphitheater actually since the '80s when Gus Fasone and everybody. We did shows even with our competition out there, Farathane which we became great friends with. I have no intention of retiring. I've got young kids still and they got to go to college and I really enjoy the business. You have to, it's not developing at the \$600M project, but it's a fun business, but New West has been around since '84. We've never filed bankruptcy. We've always been solid. We're not a multi-million dollar corporation but we're... **Acting Chairman Walker** said I guess I'm asking will New West continue in the event of your absence for any reason. **Mr. Fritz** said yes, I'm working on based on this deal if we commit to ten years, Jamie and Matt are going to be partners in this venture and New West will continue.

From the day-to-day operation between Matt and Jamie they run it. I work at more of trying to create ideas and stuff like that and deal with sponsors and things that are more in my (inaudible). Day-to-day they would take it over and they're going to have a vested interest as a partnership. **Acting Chairman Walker** said well I certainly wish you all the success out there. I think it's a great venue and has been.

Commissioner Walters said I have a quick question. Seven hundred a fifty thousand dollars is the anticipated borrowing? **Mr. Fritz** said yes. **Commissioner Walters** said \$150 roughly \$1,000 annual payment. **Mr. Fritz** said correct. **Commissioner Walters** said that sounds like a pretty short-term. **Mr. Fritz** said yes for ten years. **Commissioner Walters** said oh it is ten years. **Mr. Connor** said the \$157,000 includes annual payments to the Unified Government and Bonner Springs. The bond payment itself...**Commissioner Walters** said that's not only the bond payment. **Mr. Fritz** said the bonds I need too. **Commissioner Walters** said okay. **Mr. Fritz** said one thing I need to point out, the way the revenue is given it's \$3.00 off every sold ticket up to \$52,000. We didn't have to (inaudible). That's how that calculates the \$52,000.

Mr. Levin said just wanted to give a brief explanation on you saw reference to Public Building Commission and the reason why we'd be doing this financing through the Public Building

Commission. The simply answer is that this is going to be a county project. The obligation is it's a county facility improvement and county debt borrowing options are limited, but we can do it through the Public Building Commission. The Public Building Commission will be issuing the debt based on the resolution that authorizes the Public Building Commission to go forward with the project and the county will be committing to lease payments for the improvements to the Public Building Commission.

The Public Building Commission is actually comprised of government officials including the Mayor, the chair of Economic Development and Finance Committee, County Administrator, Chief Legal Counsel and myself. That's really the financing structure that will be in place to allow this to proceed.

Acting Chairman Walker asked does this number get you all the renovations that are needed to be competitive for the next ten years. **Mr. Fritz** said the answer to that is yes and no. It gets us to have an operating facility that can do probably 85 to 90% of the acts that are out there and attract the public. I mean obviously that's who's spending the money and that's just buying the tickets. It's going to get us ten years. Will there have to be investments made along the way, yes; and that's also we know. We've been putting in anywhere from \$25 to \$35,000 a year in the upkeep.

When we first took it over in '08; I spent almost \$490,000 just to get it operating. It was not operational and so we put almost half million dollars in that. Subsequently the stuff we did to get operating wasn't the stuff that needed at the time be fixed. We're having concrete issues, we're having some asphalt issues and there's a little electrical. The stage is solid. We're doing some improvements to that. But yes it will get us there. Is it going to get us in the bidding competition for Paul McCartney or Elton John, probably not; but that's where an extra million and a half plus dollars that's needed.

Right now it doesn't budget out for what we know we can guarantee. **Acting Chairman Walker** said I have one final question that doesn't really relate to this, but you've been quoted or it's been attributed to you, I was in my youth found Memorial Hall to be a great concert venue. **Mr. Fritz** said love that place. **Acting Chairman Walker** said there were some problems with it. The incline to get to the second level... **Mr. Fritz** said you have to be in good shape. **Acting Chairman Walker** said there are certain inconveniences. **Mr. Fritz** said yes going down is

really a big drop. **Acting Chairman Walker** said we're not doing anything with that now and it's been at least attributed to you that as an expert, I would give you that, in this business that there's no market for that place. Is that a true statement or is...**Mr. Fritz** said its not that there's not a market for those buildings like that. The problem that Memorial has the Uptown is really updated and state-of-the-art no I won't say state-of-the-art.

The Midland was redone and is really nice. Now you've got Power and Light and you've got Crossroads. Those four entities are all competing for the 1,500 to 3,500 capacity acts and there's only so many and then you've got Independence Center that's competing for those 3 to 5,000. You've got Starlight that even does lower level shows of 3,000 people. The problem is when Memorial Hall we were doing it, we didn't have—the Midland was closed down basically, there wasn't any Power and Light. Starlight only wanted to do a few shows anyhow, maybe a half dozen. They didn't want to interfere with their Broadway. Subsequently, everybody's come to the table wanting to be in the entertainment business. It's destroyed any chance of Memorial Hall. Now if Memorial Hall was fixed up but I don't know that it would warrant the investment you'd have to do to make like a Midland. Then the Music Hall is actually a player now in some of the more concerts. Bob Dylan played there and a lot of other shows have played there where they can get a high ticket price and a big gross. Memorial Hall its' got its challenges. Sorry about that.

Acting Chairman Walker said you stated the case pretty well. It pains me to see that basically sitting un-purposed and as you know the building has some unique features, the ballroom upstairs, it's a beautiful historic building. **Mr. Fritz** said I tell stories all the time to them about Memorial Hall, the shows we did there.

Acting Chairman Walker said I don't know if you did the show but one time when I was about 19 or 20, I came in on one of the snowy nights from Lawrence and I had a ticket that at that time probably was \$7 or \$8.00 bucks which was not cheap for a college kid. There were three bands. The first band was kind of a band that not many people had heard of by the name of Fleetwood Mac. The second band that kind of warms you up for the headliner was Joe Cockran and the Englishmen and the lead band was Jethro Tull Aqualung. By the time the headliner got out there man they had to put on a hell of a show to beat him. Fleetwood Mac was unbelievable. I mean

that was the original Fleetwood Mac. **Mr. Fritz** said yes they were just started up. **Acting Chairman Walker** said there've been some great shows...**Mr. Fritz** said you got your monies worth that night. **Acting Chairman Walker** said I got my monies worth. You wouldn't get those three in one show for \$7.00 bucks now or even the equivalent with the cost of living. **Mr. Fritz** said no it's actually is more than the service charge if you bought a Fleetwood Mac ticket. **Acting Chairman Walker** said anyway it's just one of those things that someday I hope this governing body or a future governing body will find a purpose that is befitting the structure.

Commissioner Townsend said maybe Mr. Levin can help me with this because we have so many numbers here. I just wanted to make sure that I understood what the bottom line is here with the ask.

Is New West the one who is going to be responsible for borrowing the \$750,000 and we're only being asked from the UG to input \$115,000? **Mr. Connor** said, Commissioner, this is Joe. The request is that the Unified Government borrows the money and Chris annually will pledge that he will make the payment. **Commissioner Townsend** said okay well I was kind of thrown off on the bottom of page one with that discussion and somehow I zeroed in on the phase that New West borrowing the balance of the \$750,000, but during the course of this discussion I thought I heard something to the contrary so I wasn't sure. The UG is the borrower here and New West is pledging to reimburse us those payments. **Mr. Connor** said yes that's correct plus the two, the payment to Bonner Springs and us for annual rental payments on top of the bond payment. **Commissioner Townsend** said I think I heard the number \$90,000 mentioned as the rent that was paid to the UG last year. **Mr. Connor** said yes. **Commissioner Townsend** said will this arrangement, if it goes through, impact that and if so how. **Mr. Connor** said what we're proposing is to lower our annual payment from \$90,000 to \$50,000 and Bonner Springs...**Commissioner Townsend** said okay our payment or what we receive from New West. **Mr. Conner** said correct and Bonner Springs will also be taking a reduction in their annual payment too. **Commissioner Townsend** said and for how long will that reduction be in place. **Mr. Conner** said well it'll be in place for the term of the agreement. I mean that's the life of the, this is a ten-year note on those bonds and we would have these terms in place for the ten years of the agreement. **Mr. Fritz** said the nice part of this is that you can get up to that \$90,000 plus and Bonner can get to their probably close to their \$30, which we've done the last couple of years.

Because the dollar if we do 90,000 people which is our anticipated attendance next year is 40 which means the UG gets 80 next year. When you get to 100 they're getting close to the 90 and once we get past that they actually could receive more than what they have in the past plus improve the property or blight it which back to Memorial Hall we could end up in the same situation which that would be heartbreaking for me.

It's kind of playing along in the game. The UG gets covered and then obviously if we do well the UG is going to do well and actually can make more money than—and when we started this out, they only used to get a dollar. Then we went to \$70 grand, then \$75, \$80, \$85 and then \$90,000. This is the first year of the \$90,000. It was only receiving about \$50 with no upside from before or in the future.

Commissioner Townsend said well that helped me to zero in on some numbers and I think I have a suggestion that would help you get back to the numbers so we can continue to get the \$90,000. If you can bring Mick back and the rest of the Stones because, I had a conflict when they were here last month. I'm thinking if you can bring them out there, you will recoup those funds in no time. **Mr. Fritz** said well if you can help me get it I'll cut you in on the deal.

Action: **Commissioner Walters made a motion, seconded by Commissioner Murguia, to approve.** Roll call was taken and there were six "Ayes," Alvey, Walters, Murguia, Townsend, Walker, Bynum.

Acting Chairman Walker said well good luck. **Mr. Fritz** said thank you very much. Come on out... **Acting Chairman Walker** said looking forward to seeing that new and improved wireless theater. **Mr. Fritz** said well we're going to have a party and invite all of you out there next May so we'll see you.

Item No. 7 – 150208...RESOLUTION: FUNDING INCREASE-KAW POINT PARK TRAIL

Synopsis: A resolution increasing authorized funds to \$760,000 for the Kaw Point Park Connector Trail 2013, CMIP 971-7865 improvements, submitted by Dave Clark, Public Works. This project is included in the proposed 2015 Amended CMIP Budget. On November 21, 2013,

the commission unanimously adopted Resolution No. R-107-13 authorizing \$510,000 in GO debt for the project.

Bill Heatherman, County Engineer, said this project has been under design a while. Back in November we briefed the Public Works Standing Committee. We had just opened bids with KDOT and we were over budget. We spent the majority of this time since then working with KDOT on both reprogramming of the project and redesign.

KDOT has agreed to cover the 80% of the construction cost of the actual cost of the project. We went through the redesign process and really determined that for safety reasons we needed to stick with the concept as we had. In order to allow this project to move forward we do need to increase the debt authority from \$510,000 to \$760,000. That gives us probably a little more than we need, but that gets us in position to let KDOT rebid the project. KDOT needs to bid that project in the next month or so to secure the federal funds or they'll expire.

A lot of threads have come together. This is in the Amended Budget you just adopted. We just need this action tonight because we can't wait until November when you normally see the debt resolutions come forward.

Commissioner Murguia said, Bill, I have some questions about this just for clarity. The money that the state is putting in to project is grant money from the federal government. **Mr. Heatherman** said that's correct. **Commissioner Murguia** asked and who wrote this grant. Who made the Kaw Point Trail a priority at the state level or was that a priority that came from us? **Mr. Heatherman** said the Unified Government, we submitted this grant application in 2013. **Commissioner Murguia** said so the Unified Government submitted the grant application, but the money goes to the state. **Mr. Heatherman** said all Federal Transportation Funds, the actual construction letting is administered by the state on our behalf and they do that to make sure everything stays in compliance with all the federal procurement rules from the Federal Highway Administration. **Commissioner Murguia** said in 2013 who specifically at the Unified Government decided that this trail connector was a priority. **Mr. Heatherman** said Rob Richardson and I brought forward to the Public Works Standing Committee and the commission resolutions endorsing the application of three different applications. We applied for the Kaw Point Trail, we applied for what's called the Missouri River Connector which was 5th Street work

and we had also applied for a trail along State Avenue connecting Sporting Stadium to the west to 110th Street. We submitted all three applications. This project and the 5th Street were the two that ranked high and so we accepted the grant.

Commissioner Murguia said I'm assuming that the money you made application to was very specifically for trails. **Mr. Heatherman** said it was only for trails. **Commissioner Murguia** said okay. Great job on that, but this is what my concern is, it was originally budgeted \$510,000 and it's an increase of \$250,000 in that budget. Is that correct? **Mr. Heatherman** said that's the local share. **Commissioner Murguia** said okay, that's a substantial increase in the cost. Were our initial cost estimates just off, our guesses off? How did we get so far apart from what we thought it would cost and what it's actually going to cost? **Mr. Heatherman** said yes, the initial cost estimates very much underestimated the difficulty of the trail construction particularly the portion that connects people from the existing viaduct, the 3rd and Minnesota viaduct, to come underneath that bridge structure over the flood wall and into the park. The foundation conditions in that area are quite bad. In all of the difficulties of working with the overhead space and everything lead to the actual bids being higher than what our engineer originally estimated. I will say our engineer is very much aware that we busted this budget. They have handled everything related to the redesign and the review of the redesign and all the coordination with KDOT over this last year on their honor.

It's not at all pleasant and we had a discussion with Public Works Standing Committee back in November when we first found out how far off things had landed. Fortunately, we are in a position where KDOT was willing to increase their commitment to the project to see it go forward. We really did exhaust every other opportunity that we see.

We've made some value engineering modifications so I'm hopeful we will see a bid lower than what we had open last year, but we weren't able to do a game changer type change and still satisfy all the safety concerns.

Commissioner Murguia said I just want you to hear from me personally, I understand that initially when a grant opportunity comes about that we don't want to miss that opportunity so the application usually has to turn around rather quickly. I appreciate that and in that quick timeframe it's not always easy I'm sure for your engineers to get out there and access every

unforeseen condition. I don't want you to think that I'm being critical of the gap, just wanted to know if it was something like what you explained, an unforeseen circumstance that caused the cost of the project to go up.

The \$750,000 match that you or the—you call it match, but it's really 20% that we are going to put into project, is that \$750,000 of our own money that we will debt finance? **Mr. Heatherman** said that's correct and I want to clarify one thing, this notion of 80/20 split gets lodged in people's minds but there are a fairly substantial portion of the cost of a project that are not part of that cost share. We are 100% responsible for the design, the complete design of the project which has to be paid for out of the local budget. Although we don't have this really in any great degree here sometimes there are particular project expenses that KDOT determines are more of a local instead of a project inclusion and so they'll sometimes split portions out and call them non-participating. Whenever we're budgeting for the local share, the number we put for budgeting is more than 20% of the total project cost, it usually turns out to be more like 60% federal, 40% local. **Commissioner Murguia** asked how much do you think you have in design cost in this project, just a rough estimate. **Mr. Heatherman** said it was around \$250,000. **Commissioner Murguia** said we already have \$750,000 into the project. You're looking at our cost on this Kaw Valley or Kaw Point Extension being about \$1M, right, our cost? **Mr. Heatherman** said the overall total project cost is around \$2.4M and the federal share when we're done will be on the order of \$1.5, no \$1.8M, and our costs are on the order of \$700,000. A portion of that local share is for our own cost of design which we have to pay 100% of as well as the contribution we make to KDOT to meet our match of the 20% of construction and construction engineering expenses.

Commissioner Murguia asked was I right when I said the total cost is somewhere around \$1M? Are you including the design cost in the \$750,000? **Mr. Heatherman** said the design costs are part of that \$710,000. Our total local obligation is being projected at no more than \$710,000 and that's why the debt authority resolution is written the way it is, seven hundred and sixty. **Commissioner Murguia** said no the total cost is \$760,000 you want to increase it to that. You're currently at \$510,000 which unless my math is wrong is \$250,000. Is that right? **Mr. Heatherman** said it's a \$250,000 increase over the prior authorization. **Commissioner**

Murguia said and it's a \$760,000 total cost. **Mr. Heatherman** said new total for the local share of our costs yes.

Commissioner Murguia said this is what my concern is, the government has always made it a priority that when we have grant funds or matching funds that that gets bumped up on the list that we allocate funds, but the reality is, whether this is debt financed or financed with cash, we are investing \$760,000 into a Kaw Point Connector. I guess when I think back in regard to our Strategic Plan and what is important to us that's a substantial amount of money and if we could spend that money in a different manner, grant or no grant, would we chose to spend in a Kaw Point Connector Trail. The reality is it doesn't matter what it's for when it's on the books and Lew is managing it. What matters is that it's debt and where does that fall. I just know that when we presented the new South Patrol Police Station which still yet has to be built, that even though grant money was raised and a TIF and a CID Performa was allowing us to come up with the remaining difference of that project, there was still concerns and that's for a public safety building which is the core service that a government is suppose to provide.

I have to tell you I have never really thought this out either to tell you the truth. These things have been coming in front of me for eight years. The tighter the budget gets and the more critical it is to focus the money that we have to spend the harder look I'm going to take at these kinds of projects.

Bill, I want you to hear me loud and clear you, your office, your department, did a great job. You ceased an opportunity to raise grant money which I think is fabulous. You leveraged those dollars, you've done your work and now you've come forward to say this is what it's going to cost. No criticism there. I look at this more from in a bigger picture of our greater Unified Government budget is this something we want to spend \$750,000 on regardless if there's grant money or not. I'm just saying to me it's a little bit of—it's concerning. It was concerning at \$510,000, but it's very concerning at \$760,000. That's just my comments on that project.

Acting Chairman Walker asked does this trail ultimately lead to connecting with other trail systems? **Mr. Heatherman** said yes. **Acting Chairman Walker** asked is this a trail to somewhere or is this trail to nowhere? **Mr. Heatherman** said this trail connects the park itself through a connection to the existing Riverfront Heritage Trail which runs underneath the I-70

bridges and so by extension also makes the connection with downtown. It allows a pedestrian and bike connection to the Kaw Point Park which is very nearly impossible right now without really handling yourself in traffic.

How long is this connector? I closed my book and forgotten what it said. **Mr. Heatherman** said the total is about 0.3 of a mile, but it is the most difficult 0.3 of the mile because it is basically taking you up and over railroad tracks, taking you through Fairfax Trafficway and over a flood wall.

Acting Chairman Walker said let me ask you what was the source of the inspiration, the motivation to go after trail money at that time, if you recall? **Mr. Heatherman** said the Commission adopted a Complete Streets ordinance and also adopted a Sidewalk and Trail Master Plan in the 2010 to 2012 timeframe. The Kaw Point Connector itself has been a very difficult connection to make. We had a prior federal grant from well before I came to the city that was in the final stages of design when I came here. It involved a different alignment which was even more problematic in terms of construction and we ended up having to abandon that effort. The Friends of the Kaw have advocated or the Friends of Kaw Point Park have advocated for a connection for well over a decade and it is part of the Sidewalk and Trail Master Plan. In 2012 when a very large set-aside of money that the state basically announced they needed to use or lose and it had to be dedicated to trails came forward, we at staff identified potential ideas to nominate as projects and brought it forward to the Commission at that time and obtained the resolutions to make that application.

We were not right on this cost and I can tell you that I don't feel good about that. Our consultant doesn't feel good about that and I'm not going to make excuses other than I was surprised at how far off, sometimes you're not real sure, but this has simply been difficult. I have told a few folks Lewis and Clark did have a harder time getting to this point in the river than we have but not by much. **Acting Chairman Walker** said my point is that I think sometimes feel good resolutions and master plans and ideas that don't actually carry with it a cost at the time are traps for later misgivings. I mean I can think of an area right now where I could spend \$750,000 not to steal Commissioner Murguia's sidewalk, but where I could build sidewalks and I think more people would use those sidewalks than are going to use this trail.

I think trails are wonderful. I like walking trails myself believe it or not although they tend to be remote from the municipal situation. It's just a lot of money and whether it's \$510,000 or \$760,000 it's a matter of degree for me as to should we have adopted that master plan without a financial plan as to how we were going to implement it over time. I think probably our plan was to get grants just like you've done. It's just now we're looking at that annualized debt service that Lew reminds us of every budget year and how that's creeping upward. Every new debt we issue adds to that increment and I guess the question I would have and I don't expect anybody to answer it, but the question is where are we going to cut \$250,000 more dollars out of debt to, if you will, even the scales. I mean are we not going to do a street improvement or a sewer replacement or some other infrastructure project because I certainly don't want to go any higher than we've gone.

Commissioner Bynum said I just have a question because on the Request for Commission Action it states, this project is included in the Proposed 2015 Amended CMIP Budget. Does that mean it's included at the lower dollar amount and this would be...**Acting Chairman Walker** said well that's what I understood. Am I wrong? **Mr. Heatherman** said no the increase that we're talking about tonight is reflected in the 2015 Amended Budget and tonight's action item is actually just part of the formal step of authorizing the debt resolutions. This increase, the working it into the budget has already happened, but we need to now do the debt resolution in order to be able to move forward with the project. Normally you wouldn't get these resolutions until November as part of the whole package of annual debt but we needed to move this up in time.

Commissioner Murguia said with a \$250,000 difference in a budget of our size, why wasn't this project part of budget discussions? I'll leave it there. It was automatically, I find it shocking that it was automatically assumed that the Commission would vote for this project without knowing there was a quarter of a million dollar increase in the cost of the project. I'm not yelling at you Bill or being cross with you, I'm just shocked and surprised by that because I thought what you were asking is to make a budget amendment. I did not realize that it was adopted as part of the 2015 budget when I don't remember anyone talking to us about this project. Each one of us, each one of us commissioners that had a particular project that we were

interested in seeing be part of the budget, we were sent an email that specifically said if we want anything included in the budget we needed to get it to the Mayor by a particular date. I don't ever remember this being on that list.

Mr. Heatherman said the project itself has been authorized since 2013. The first step in the annual budget process is to look at any changes, increases or decreases to existing projects and so this increase was reflected in the Administrator's proposed budget that was presented in June. There were a number of projects there and I would have to go back and look to see the notes as to exactly how it was discussed. This change was basically a change in cost modification as part of the budgeting process. Then any new projects we find ourselves in this situation. This was a larger increase than we would've liked and we specifically came to the Public Works Standing Committee in November to acknowledge that we ran into an issue on the project and we informed the committee at that time that we would look for whatever solutions we could come up with.

Commissioner Murguia said not to interrupt you and let me finish my questioning. I don't think anybody did anything wrong in regard to health has been an increasing priority with this government for a time now in the way of trails, curbs and sidewalks, recreation, those kinds of things. I understand why our staff would feel like they need to be seeking out grants for those kinds of opportunities. I understand that. I understand why you guys applied, I understand that that was based on the vision you were presented. My only question or objection is that really out of all the health benefits that we could provide in Wyandotte County, all the things we could dedicate \$750,000 to with or without matching money, at this point that would be irrelevant, would we choose to spend \$750 - \$760,000 on a trail connector that's less than a mile. To make it more real to people that maybe are viewing the meeting would we rather spend \$50,000 in each one of our recreation centers that haven't been updated in decades or would we rather spend \$50,000 as Commissioner Walker said on a sidewalk that is right in front of people's homes who currently have nothing to walk on or currently have dilapidated sidewalks they're trying to walk on.

Action: **Commissioner Murguia** said I would make a motion to deny the increase in funding for this project. **Acting Chairman Walker** said do we have a second? **Commissioner Townsend** said I have a question. **Acting Chairman Walker** said we have a motion on the floor. We're waiting for a second and then we'll come back to your question. Is there a second? No second, the motion fails.

Commissioner Townsend said yes, what would be the situation if we just proceeded at the, I guess, \$510,000 level? Let me backup one.

The budget that we just adopted for the Amended 2015 took into consideration the \$760,000 amount or the \$510,000 amount? **Mr. Heatherman** said the budget amendment as adopted in August allowed for the \$760,000 that we're talking about tonight. **Commissioner Townsend** said I do recall it in several previous meetings the discussion about the engineering challenges that this particular segment of the connector to run into. What would it mean if we go forward at only the \$510,000? I know you mentioned some safety issues. Can the project be completed at that financing level or does it have to be at the \$760,000 which apparently we've already approved in the budget anyway? **Mr. Heatherman** said no Commissioner. The project could not proceed if all we had to contribute was the \$510,000. **Commissioner Townsend** said okay and this project again would connect someone riding say west from the Lewis & Clark Viaduct down to Kaw Point and then back up to Minnesota or where? I'm trying to visualize again what it would connect. **Mr. Heatherman** said yes, Commissioner, that's correct.

Commissioner Walters said we've already spent about \$250,000 of this money in engineering design cost so we cannot recover, right? **Mr. Heatherman** said that's correct. **Commissioner Walters** said we're looking at potentially having to spend another \$500,000 roughly. Initially we thought we were going to have to spend about \$250,000 for engineering cost and about \$250,000 as our part of the matching or 20%. Is that roughly correct? We thought we were going to have to spend \$510,000? **Mr. Heatherman** said we had budgeted our local match of \$510,000 and the engineering—so I apologize, I don't have all of the breakdown from the before and after in front of me. **Commissioner Walters** said I just thought the \$510,000 was our expected expenditure which included 100% of the engineering fees. I thought that's what I heard. **Mr. Heatherman** said that is correct. **Commissioner Walters** said anyway it is, these

projects are no fun when they go over budget by that amount, but it sounds like we thought we were going to have to expend about \$250,000 in matching funds, but now we have to expend about \$500,000 in matching funds to get up to \$760,000 roughly if I'm understanding correctly.

Mr. Heatherman said we're doing a lot of number verbally. What I can tell you for sure is that for this project that has taken a long and rough road to get here is that another \$250,000 in authorization over the \$510,000 is what is necessary to finish this off. **Commissioner Walters** said to talk about saving \$760,000 is not really the case. We've already spent \$250,000 and we can't get that back so the question of the moment is a \$500,000 question as opposed to a \$760,000 question, is that fair? **Mr. Heatherman** said I think that's fair. It's actually a \$250,000 question in that regardless of second guessing the merits of the project, this Commission authorized \$510,000 of local funds several years ago towards this project. **Commissioner Walters** said I understand, but we could reverse that and we could save that \$500,000. **Mr. Heatherman** said you could. There are a couple of considerations if this Commission wants to cancel the project that I would ask you to consider, but I don't want get in the—I don't want to interrupt your own debate on this particular matter.

Commissioner Walters said why don't you tell us what the ramifications might be on us not going forward with this project.

Mr. Heatherman said we originally applied for and I believe we leveraged about \$1.2M in federal funds which other communities were applying for at the same time. KDOT in recognition of how long this project has been discussed in one form or another and based on the fact that we'd already proceeded to this point, themselves has worked it in order to be able to themselves commit the additional funds. All of these projects go through some discussion here locally at the Mid-America Regional Council where we are constantly coming back to build our credibility as an agency that is effective and capable of executing projects. A number of folks have kind of worked to bring this together and if we cancel at this particular moment there's really no opportunity for any other entity to salvage that utilization. The money will go back to Washington and the next time we're in a bit of a jam, our own credibility is on the line.

I believe in the five years that I've been here and in the discussions that we've seen from the commissioners and under the direction of Commissioner Bach and in the discussions we've had there's absolutely an intent to improve and increase both the accountability of our management of projects but also the upfront discussions we have so that we all sign on to the dotted line. That was a specific part of the discussion we had in May and June when we presented that we would be coming to Public Works Standing Committee.

We have another funding round of applications about six months from now and I absolutely intend for us to have a more robust discussion of what projects and what priorities you have. I can certainly tell you as your County Engineer it's not my job to tell you what projects to build but by gosh when you give me a project I'm going to see it through.

I am not happy at all to be here asking for this magnitude. I can tell you that Frank Weatherford with Trans Systems who has given the city a lot of good service is not at all happy that his firm busted it by this much, but my recommendation is for a lot of intangible reasons for this and future projects that once we're this far in we see it through. We get the benefit for what we've done and we learn our lessons so that we don't have this happen again.

We've had very serious heart to heart discussions with both our own staff and our consultants about this issue of budget management. I can assure you it's something I take very seriously, but I would feel that we would do a lot of damage to our credibility if we didn't continue forward and it certainly was not our thought that there was a strong disconnect between ourselves and the council and maybe that's one of the lessons we also need to try to derive some learning from.

Commissioner Townsend said I was listening to what Mr. Heatherman said and I understand that and I understand Commissioner Murguia's concerns too and Commissioner Walters that we should have the ability to revisit something that it appears is going to cost us significantly more than what we thought in the beginning, but I can appreciate the long term ramifications that you mentioned Mr. Heatherman.

My question is what will, I don't want to use the word guarantee, but what's the likelihood that in future projects we won't be so under by so large a margin so that when these things are presented we have a good expectation that the numbers that we're basing our acceptance of these projects are not going to vary widely like this. What lesson have we learned

this time to avoid kind of a repeat? I don't think anybody disputes or has a second opinion about the type of project but what it's costing us I think is the heartburn.

Mr. Heatherman said one reality is that Public Works projects just cost a lot of money and there is always a hesitancy to just bite the bullet and pick a number that is large enough with the kind of contingencies that it really takes to handle the unknowns. Part of that has just been a very determined discussion even amongst our own staff and consultants to not be too optimistic.

The second is this particular project is just a different type of construction. Our consultant wasn't making it up when they came up with their first estimate. They had actually built a fairly similar ramp structure on the campus of UMKC and so they had what they thought were good unit prices for all the different elements, but the particular difficulties of the foundations and working in this particular location caused those bids to be higher than any of us expected including KDOT's own estimating staff. How exactly we could've avoided all of this on this project other than just recognizing that the contingencies that we needed to go into this project were much higher than an average project.

Then the last thing is whenever possible if we can fund the planning studies well in advance so that we have on the shelf a whole list of projects that have already been cost estimated and vetted and had their scoping issues, because I can tell you that most of the grant applications that we have had to prepare so far have really been without the kind of advance scoping and study that I would like to have. When we haven't done those in advance and the deadline for a grant is 60 days away we just have to do the best we can. We've been high on grants we've turned some excess grant funds back when we guessed too high. In this case we guessed way too low and it's just a tough situation to be in and for you all to be in I understand.

Commissioner Murguia said mine is just a broader comment. My point tonight is this is to get us thinking when we're given a grant opportunity in the future that, Bill, you're taking a lot of responsibility for this price discrepancy and that's good of you, but frankly I blame us the elected officials because it was us that said health was a priority in this community. We love as politicians to throw out these huge arbitrary topics that are happening because health is a big topic right now, but with no real plan and no real direction for our staff on what we mean by that.

Then staff scrambles to find money that's available for anything that might be closely at all related to some sort of health issue in our county which could be all across the board depending on what department it is. We do a lot of little things and don't have really any impact at the end of the day on health which we said we were going to ultimately impact. I don't blame staff on this one. I blame us. We weren't specific enough and what highlighted it for me is the large increase in cost and I still stand, my takes a little different than Commissioner Walters, my take is I don't want to throw good money after bad. I feel given the size of this trail it was a bad call on our part and I think it's not a good way to spend or to put anything on our credit card less than a mile of trail that I'm not sure how much is even utilized. Frankly, if you look at the data, it doesn't address our health disparity.

Mr. Alvey said after hearing, Bill, you described this in discussion it seems to me that the— certainly there, so in good faith the Commission and staff first of all budgeted, planned for, adopted a plan and with as good as an estimate as you could come up with given the process. This is something that happens to the best of organizations. I think also it's not just about the health amenities that might accrue because of this, I think it's also if it's connecting to downtown to Kaw Point this is the kind of thing that river cities everywhere are trying to accomplish. I think it's more than just maybe the health benefits. I think ultimately it could be a good pedestrian and bike connection between Kaw Point and downtown. In the future I hope that we're going to be happy that we actually have this connector.

Action: **BPU Board Member Alvey** said, certainly I understand for 0.3 of a mile, \$750,000 that's a tremendous expense, but again we're in an industrial urbanized area and so those things are simply going to arrive, and so based upon that I would move to approve. **Acting Chairman Walker** said second. **Commissioner Townsend** said I'm sorry I would second Mr. Alvey's motion. **Acting Chairman Walker** said I'll withdraw my second and allow her second to stand.

Acting Chairman Walker said I'm going to make my final point here and hopefully we can come to understand. Based on the comments I don't dispute anything that you've said about the credibility, our relationship with MARC, KDOT et cetera. I do agree with Commissioner

Murguia, this has been before standing committees and part of Strategic Planning and so forth for a number of times and the responsibility stops with the Commission.

We probably did not ever anticipate this kind of a cost for 0.3 of a mile. An important 0.3 of a mile that will connect other parts of the trail, like a bridge connects two roads over a river except you know the bridge is going to be needed.

I think that if you are correct and we knew as far back as in June I'm going to make some effort at Strategic Planning to make more work for the budget staff in—I know you can look at this budget and you can see that there's a change in the numbers. It's a 500 page document that I'm not an accountant. I don't believe we have an accountant. Maybe we have people that are better at bookkeeping than myself, I'm sure we do. I didn't catch the change. If the change was in the budget document increasing from \$510 to \$760,000 then I guess it is shame on me. I think I'm going to be asking that the budget document highlight those changes maybe in purple or red or some color so as I look at each page I can see and if it's important enough to me, I can ask. Now I may still not have even asked about this I'll concede that, but when every number is black and you're looking at page after page after page the highlights do not emphasize everything that that particular department is doing or operating under.

Then, I think we need something to and maybe a threshold to trigger us to say wait a minute this item is in purple, why is this? Maybe it's an easy answer and maybe this would have made no difference, but we would have then in our budget workshop had everybody at the same time. We're going to have this same discussion again I assume in front of the full commission.

Bill I don't find you or your department—you can't hit 1,000 in baseball. Nine out of ten times you're dead on and when you're not dead on you're not far off. I don't feel bad about this other than there are going to be people in the public that are going to second guess why we didn't build sidewalks in their neighborhood or why we didn't build a bike trail in their neighborhood or why we didn't put up, I'll ask BPU to replace the light bulbs but that's a whole other subject that we should have but not tonight. I'm not okay with it but I'm going to go along with it. I think we're too far in to get out. That's just the simple reason. If we hadn't spent a dime yet, I don't know that I'd vote yes for it. Okay but we have.

Roll call was taken and there were five "Ayes," Alvey, Walters, Townsend, Walker, Bynum and one "No," Murguia.

Adjourn

Acting Chairman Walker adjourned the meeting at 7:34 p.m.

cdm



Staff Request for Commission Action

Tracking No. 15158

Full Commission Meeting Date: 10/12/2015

Committee: Economic Development & Finance

Date of Standing Committee Action:

(If none, please explain):

Publication Required: No

<u>Date:</u> 10/09/2015	<u>Contact Name:</u> George Brajkovic, Director	<u>Contact Phone:</u> x5749	<u>Contact Email:</u> gbrajkovic@wycokck.org	<u>Department/Division:</u> Economic Development
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Item Description:

Presentation and discussion of the 2015 Measurable Goals for the Economic Development department.

Action Requested:

For discussion only.

Budget Impact: (if applicable)

Amount:

Source:

Included In Budget:

Other (explain):

Attachments List:

Measurable Goals - Eco Devo 2015

Economic Development

Pursue creation of new Business Park settings at:

- Turner Commerce Center – 130 acres former failed residential TIF, \$69M capital Investment, 1M sf of new Industrial Space, expected 600+ job creation, average salary\$42k
- Turner Diagonal/I-70 Corridor development

Small Business

- Develop and implement new policy for City-wide Small Business grant awards, funded by bond issuance fees from larger scale projects by the end of 2015.

Land Bank

- Implement the strategic acquisition PILOT program of parcels with structures with targeted redevelopment by the end of 2015.
- Identify and transfer non-exempt UG owned property during 2015. (This will track the number transferred and goals to be completed in 2016)
- Develop the project for the proposed redevelopment of Whittier School to market rate housing units for consideration by the Board of Commissioners in 2015.

Enhance tourism opportunities

- US Soccer – issuance of \$64M in STAR bonds to finance NTC
- Schlitterbahn – expected issuance of \$84.65M STAR Bonds in October 2015 for waterpark and Auto Mall development

Provide revenue stream for investment in public infrastructure improvements

- Ensure incentive structure offered for Turner Commerce Center will help pay for replacement of Riverview Avenue Bridge

Ensure healthy community/recreation investment is made with new development and redevelopment

- Ensure that Complete Streets components are considered in development and transportation projects.
- Provide assistance to the project manager and establish regular communication on the activities/progress of the Downtown Parkway District development.

Provide support to urban areas

- Continuing marketing and vetting of proposals for the Indian Springs mall site
- Brownfields – use of our Coalition grant dollars have been used in urban projects including Simmons Senior Housing and the VFW Hall by the Oak Grove Neighborhood.
- Completion of a first draft of the Distressed Area Loan Fund for Administrative review by the end of 2015.