WEST HAYMARKET JOINT PUBLIC AGENCY (JPA)
Board Meeting
November 14, 2013

Meeting Began At: 9:00 A.M.

Meeting Ended At: 9:35 A.M.

Members Present: Chris Beutler, Tim Clare, Doug Emery

Item 1 -- Introductions and Notice of Open Meetings Law Posted by Door

Chair Beutler opened the meeting with introduction of the Board members. He advised that the open meetings law posted at the back of the room is in effect.

Item 2 -- Reports and Communications Received

Letter from BKD dated October 3, 2013 summarizing BKD's planned scope and timing for the August 31, 2013 audit of the financial statements of the West Haymarket Joint Public Agency. This item is to let the public know that the communication was received. No action is required.

Beutler announced that Item 8. and Item 9. are delayed until the next meeting to allow for further review.

Item 3 -- 2014 JPA Meeting Schedule Adoption

The Board agreed upon the 2014 schedule presented. Specific meeting dates may change if agreed upon by the members.

Item 4 -- Public Comment and Time Limit Notification

Public comment is welcome. Beutler stated that individuals from the audience will be given a total of five minutes to speak on specific items listed on today's agenda. Those testifying should identify themselves for the official record and sign in.

Item 5 -- Approval of the minutes from the JPA meeting held October 4, 2013

Beutler asked if there were corrections or changes to the minutes of the October 4, 2013 JPA meeting. Being none, Clare moved approval of the minutes. Emery seconded the motion. Motion carried 3-0.

Item 6 -- Approval of September and October 2013 Payment Registers

Steve Hubka, City Finance Department, presented two months of payment registers. For September, the amount is $10,316,172.87, including $4.5 million to Mortensen and $1.2 million to Hausmann. For October, the amount is $7,115,082.62 including $3.2 million to Mortensen,

$537,000 to Sampson, and $336,000 to Hausmann. Hubka explained that both months reflect a transition from construction payments to more FF&E (furniture, fixtures, and equipment) items as the arena prepared to open, thus listing many vendors not shown previously. Normally there would be descriptions, but because these were paid on purchase orders instead of payment vouchers, the system that generates these reports does not include a remark.

Clare asked if contracts, procedures, signatures, and other items were followed and reviewed as required. Steve confirmed and added that the City Purchasing Division was heavily involved in these items, many of which took place over the summer. Clare asked where these expenditures fall in relationship to the Phase I budget. Steve responded that they are within the budget.

There was no public comment. Emery moved approval of the resolution. Clare seconded the motion. Motion carried 3-0.

<u>Item 7 – Review of the September and October 2013 Expenditure Reports</u>

Hubka presented the expenditure reports. The Program Budget amendments and Capital Budget resolutions are delayed until next month. When those are approved, the amounts will be reflected in the blank budget columns of these reports. Although there is no budget adopted, we are still operating and incurring expenditures.

Jane Kinsey, Watchdogs, asked if the amount for the girder failure had been determined. She understands it will be reimbursed, but wondered as to the total amount spent. Paula Yancey, P.C. Sports, will provide that amount to Kinsey. Also, it will be before the Board in the future.

<u>Item 8 -- WH 13-90 Resolution approving the 2013-2014 JPA Operating Budget.</u>

Delayed until December 19, 2013.

<u>Item 9 -- WH 13-91 Resolution approving the 2013-2014 Program Budget.</u>

Delayed until December 19, 2013.

<u>Item 10 -- WH 13-92 Resolution approving a Contract Agreement with Commonwealth Electric Company of the Midwest for Structural Cable for High Density WiFi at the Pinnacle Bank Arena.</u>

Yancey explained that this resolution is for Commonwealth Electric to provide the cabling infrastructure required for the WiFi system at the Pinnacle Bank Arena. Earlier this summer the design and equipment portion of this work was approved. The company has been in the building for several months doing their design, layout, and signal strength surveys. Now that we have the actual design, the cabling was bid through City Purchasing. Commonwealth was the low bidder, so they recommend approval to Commonwealth for a contract amount of $129,180. This will be funded from the FF&E Budget for the Pinnacle Bank Arena.

Clare asked about the two pieces of this work and associated timing. Yancey clarified that there is a separate contract for the DAS with Boingo Wireless, which is anticipated to be up on November 23. On the WiFi, the worst-case scenario would be March of 2014. However, if equipment and cabling comes earlier, they will complete sooner.

Beutler asked if this is the last contract on the arena internal communication system. Yancey confirmed that should be the case.

Clare asked if the timing was anticipated to take this long as seems slow in the process. Yancey stated it is slightly slower than originally anticipated. SMG has been working with all the vendors to move things along by completing the design and order the equipment. Beutler interjected that, having opened the arena early, SMG resources were somewhat diverted. Yancey summarized it is simply a timing issue and that this is the last piece of the puzzle.

There was no public comment. Clare moved approval of the resolution. Emery seconded the motion. Motion carried 3-0.

Item 11 -- WH 13-93 Resolution amending Resolution No. WH 00482 to provide for a maximum authorized true interest cost and date after which bonds may not be issued; to repeal certain provisions of Resolution No. WH 00482 in connection therewith, taking other actions in connection with the foregoing, and other related matters.

Hubka introduced Scott Keene from Ameritas Investment Corp. and Mike Rogers from Gilmore & Bell. Keene detailed that this spring the Board approved the issuance bonds for the Pinnacle Bank Arena and related infrastructure improvements at a true interest cost not to exceed 4.5% and dollar amount not to exceed $30 million. At the time that resolution was approved, we did not know how much exactly would need to be financed and how much would be on a taxable basis. The Gilmore & Bell tax people, having completed their analysis, have determined that we do not have to issue any bonds on a tax basis. Therefore, they are here to talk about an amendment to the resolution that would allow them to bump the true interest cost up from 4.5% to 5.25%. Since spring, interest rates have risen dramatically and quickly when the Federal Reserve indicated that they might not continue the quantitative easing that has occurred over the last two years. In the current market, the bonds would be expected to have a true interest cost of between 4.25% and 4.4%, which would still meet the original parameters approved by the Board last spring, but with very little margin for interest rate movement. It is their intent to go to market with a competitive sale of these bonds through an electronic auction process on Wednesday, December 4 – about three weeks away. They do not expect rates to move much in that time span, but do not want to go to market and have bidders submit bids that have to be rejected as they just miss the parameter of 4.5%. So, they are asking today to amend the original resolution to allow for a true interest cost of 5.25% and to push the final date of when the bonds can be issued from December 31, 2013 to April 30, 2014. If something would happen in the market and the sale needed to be pulled, the earliest they could get back in the market would be January. They do not anticipate this will happen and expect the sale to go very well, but need the flexibility so they do not have the sale disappear. They have met with both Moody’s and Standard & Poor’s on the financing and fully expect them to affirm the outstanding ratings of the JPA debt, which are AA1 from Moody’s and AAA from Standard & Poor’s. By Friday of next week, we should have confirmation of those ratings.

Clare asked if AA1 is the highest from Moody’s. Keene explained that AAA is the highest, so we are one step down on that rating, and at the highest from Standard & Poor’s. Clare wondered if we had an explanation as to why we are not at the highest rating from Moody’s. Keene thought it had to do with numerous things. The City has the highest ratings from both rating companies. Moody’s tends to notch things. When there is a special issuing authority, like the

JPA, it is often viewed differently by them than a voted unlimited tax authority issue of the City of Lincoln. The complexity of the financing may play into the determination. We never intend for JPA to use its property taxing authority to make the debt payments on the bonds and, if that were to happen, there would be a lag involved to levy those property taxes. The structuring of these bonds was done in the best possible way to get the highest ratings and these are very strong ratings. If the bonds are sold at a true interest cost of 4.25%, the composite cost of borrowing for all JPA debt would be 3.78%. Responding to Clare, Keene affirmed that the budgeted rate was at 5%.

Emery recapped that our anticipation is that we will not have to jump above 4.25%, but we want to have the flexibility to get the best deal that we can. Keene stated that it is difficult to anticipate where the rate will be since the markets are moving so quickly and because the bonds are sold at a competitive sale. They have to rely on the bidders to show up and give competitive bids. They would not want someone to give a low responsible bid of 4.51%, which would still be very favorable, and have to reject that bid due to the tight parameters established last spring. This is the last financing anticipated by the JPA. When combined with the Turnback Tax Bonds issued by the City of Lincoln this summer, all of the long-term debt is completed. They are happy to be at this stage with such a low expected composite rate.

Rogers added that this is a very straight-forward resolution, and Keene covered the items that are amended from the original resolution.

Kinsey asked the result of a sudden jump in rates. Keene re-stated that they are anticipating a rate of between 4.25% and 4.4%, and are asking the Board to raise the parameters to allow them to have a true interest rate as high as 5.25%. If it were to jump more than that, they would not hold the sale, but come back to the Board for further discussion. Kinsey inquired what that would do to the budget and financing of the JPA. Keene explained that the project budget has total debt service that exceeds what they likely will receive from debt service for all of the combined bonds. As Clare mentioned, the original budget had assumed a cost of borrowing at 5%, and we are closer to 3.78%. They are well under the original budget and under the ongoing budget that has been created. Clare asked for clarification as to what rate was anticipated in the combined 3.78% rate – and, if not using the worst-case scenario of 5.25%, asked what the combined rate would be under that scenario. Keene confirmed the 3.78% took into account a rate of 4.25%. Although he did not do the analysis at 5.25%, it would be close to 3.86% as the absolute worst case – still under the 5% budgeted.

Kinsey stated the taxpayers are at risk if the arena does not do as expected, and inquired as to whether they were covering all the bases in that possibility. Keene confirmed and stated that the largest source of funds for repayment of bonds is Occupation Tax, which is generating more stable revenues than expected from the arena itself. Kinsey wanted to know how much more. Keene replied that this calendar year for 2013 they expect the Occupation Tax to generate over $13 million of revenue. That is more than enough to cover the debt service.

Hubka pointed out that the projections for 2013 were less than $11 million, so they are doing much better than expected when the overall financial plan was adopted for the Haymarket. Responding to Kinsey, Hubka stated they believe that will continue. The projections only had a 1% inflation factor and 1% population growth factor. Population is about 1% and inflation is greater than 1%. In addition, people seem to be eat out more frequently (2%-7% increase typically from each prior year in the individual months) which benefits this tax. Kinsey asked how long the Turnback Tax would be in effect. Hubka explained it is when the Turnback Tax Bonds mature and are retired, but there is also a sunset date of 2045 or 2046 in the City Code. He can provide Kinsey the official date.

Kinsey ended by saying they will hope things go well, but even Tom Lorenz has stated that we are on a high right now with the arena, and it may not be that way in the future. Emery responded that that means we have to bank the extra money now. He asked Hubka if it is correct to say we are in a stronger financial position than we had anticipated -- borrowing at a lower rate and taking in revenues at a higher rate. And, although people could say we are on a high right now, we are in a good financial position. Hubka agreed.

Kinsey felt Moody's downgraded us due to some "skepticism," to which Clare responded we were not downgraded. They did not move us down, but gave us an initial rating of AA1 because of the lag. Kinsey asked what it would be called rather than a downgrade. Keene stated one notch from the highest possible rating category – it is an incredibly high quality rating. As mentioned earlier, it had nothing to do with what they saw as the viability of the arena, but was solely because the financing was done through a joint public agency and that the payments are not coming from property taxes. The only way we would have got a higher rating was if we issued the bonds as unlimited tax debt of the City of Lincoln purely paid by property tax. And, he believes everyone would recognize it was better to pay these from the wide variety of sources related to the arena and the redevelopment area and not from our property taxes. Kinsey agreed the taxpayers would think that was better.

Being no further public comment, Clare moved approval of the resolution. Emery seconded the motion. Motion carried 3-0.

Item 12 -- WH 13-94 Resolution approving a Right-of-Way Contract between the West Haymarket Joint Public Agency and the City of Lincoln, Nebraska providing for the West Haymarket Joint Public Agency to grant permanent and temporary easements to the City of Lincoln for the P Street Pumping Station Project.

Rick Peo, City Attorney's Office, introduced this resolution stating it was a right-of-way contract between the City of Lincoln and the JPA for the City to purchase a permanent and temporary easement needed for the "P" Street Pumping Station. The force main and lines will transfer across JPA property. The property involved was purchased from Union Pacific Railroad back in 2010. At that time, it was appraised at $2 a square foot. In determining the value of the easement, the property was re-appraised by Gary Hasselbrook, an independent appraiser. A review of his appraisal was done by Fred Briggs. They confirmed a land value of $2 a square foot. They found that the easements would not change the land value. Because of that, they both arrived at a figure of 25% of fee value for the permanent easement per square foot and 10% of fee value for the temporary easement, which is a one year use of the property. The 10% is a standard value and the permanent easement value varies from 25% to 50% depending on impact to the property and future uses of the property. This property is all within the 100 year flood plain with a portion in the 500 year flood plain. Neither appraiser thought there would be use of the property other than for public purposes – that is its highest and best use. It will probably be primarily flood plain storage.

Clare asked how this fee relates to other easements in the other. Peo responded that most of the other easements have been on redevelopment property and may have had a little higher permanent easement value of 50%. They would be on property that has been redeveloped and usable for commercial or residential purposes. Therefore, the easements may have taken away from square footage, unlike this one that does not remove square footage from public use. Clare asked if this would interfere with any activities, to which Peo responded it would not. It is all west of the railroad tracks. It is flood plain and will be used primarily for flood plain storage

Kinsey asked if there was a monetary amount connected to this item. Beutler responded there is approximately a $5,000 charge for the permanent easement and $2,000-$3,000 on the temporary easement. Clare added that the total was $8,600.

Being no further public comment, Emery moved approval of the resolution. Clare seconded the motion. Motion carried 3-0.

Item 13 -- Set Next Meeting Date

The next meeting date is set for Thursday, December 19, 2013 at 3:00 p.m. in the County City Building Room 303.

Item 14 -- Motion to Adjourn

Emery made a motion to adjourn the meeting. Clare seconded the motion. The motion passed 3-0. The meeting adjourned at 9:35 a.m.

Prepared by: Pam Gadeken, Public Works & Utilities