

WEST HAYMARKET JOINT PUBLIC AGENCY (JPA)
Board Meeting
September 26, 2019

Meeting Began At: 2:30 P.M.

Meeting Ended At: 3:34 P.M.

Members Present: Leirion Gaylor Baird, Tim Clare, and Tammy Ward

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

Gaylor Baird advised that the open meetings law posted at the entrance to the room is in effect.

Item 2 - Public Comment and Time Limit Notification

Gaylor Baird advised individuals from the public are given a total of five-minutes for public comment on specific items listed on today's agenda and those testifying should identify themselves for the record.

Item 3 – Approval of the minutes from the JPA meeting held August 22, 2019

Clare moved approval of the minutes as presented. Ward seconded the motion. Motion carried 3-0.

Item 4 - Approval of August 2019 Payment Register and Review of August 2019 Expenditure Reports (Brandon Kauffman)

Brandon Kauffman, JPA Treasurer, stated in reviewing the August 2019 payment register the operating budget had \$487,113.14 in operating expenditures with the major payments consisting of the 4th Quarter payment to the City of \$98,438.50 for City staff support for the JPA; a payment for parking garage management of \$137,920.99; arena repair/maintenance/CIP payments of \$27,608.85 for general maintenance on items such as food and beverage equipment, IT, escalators, etc.; and a payment to the DEC of \$214,637.85 for thermal heating and cooling of which the JPA pays about 31% or \$66,000.00 and then 69% approximately \$148,000.00 is billed to West Haymarket private customers. Clare asked if the City staff time was recorded and accurately reflected in this report. Kauffman explained that the last time the City budget was developed staff time was looked at and various metrics were utilized to come up with the budgetary figures to determine how much staff time the City is charging to the JPA.

Kauffman stated there were some small payments in the capital budget totaling \$3,917.80 and that steps are being taken to close out the capital budget by moving items that come up to the operating budget so eventually the capital budget can be closed out completely.

Kauffman stated the financial reports for the JPA for the period ending August 31, 2019 reflect revenues of \$32,427,550.00 and expenditures of \$26,843,793.32, for an annual surplus of \$5,583,756.68 and an ending balance of \$44,927,476.19. He explained as originally planned the JPA has a healthy balance built up in order to pay the bond payments. Kauffman stated the Pinnacle Bank Arena Income Statement for the ten months ending July 31, 2019 shows total revenues for Pinnacle Bank Arena of \$5,671,612.00 and total expenditures of \$4,919,671.00 for

a surplus of \$751,941.00 and an ending balance of \$976,488.00 in retained earnings with one more month left to report in its year-end financial statement.

As of August 31, occupation taxes were up 3.43% and remain ahead of the original projections by 27% corresponding with the year 2031.

Jane Kinsey, Watchdogs of Lincoln Government, asked how many times a year the City is reimbursed for staff work. Kauffman stated there are 4 quarter allotments. Kinsey asked why the arena isn't paying its own bills. Kauffman explained this was initially set up so that 1) more money goes to the JPA to ensure that the revenue was available to pay off the bonds and 2) the Board has more control over what is paid back to the arena. He explained the arena's goal is to set a balanced budget to break even or make a profit on an annual basis.

Mike Stroup, chair of the Pinnacle Bank Arena Advisory Board, commented that as of the meeting held earlier this month, it is the Advisory Board's opinion that they are satisfied with the expenditures and the financial management of the Pinnacle Bank Arena.

There being no further discussion or public comment, Clare moved approval of the payment register. Ward seconded the motion. Motion carried 3-0. No action was required on the Expenditure Reports.

Item 5 - WH 19-26 Resolution authorizing the Chairperson and/or Purchasing Agent to enter into a Contract or issue a purchase order to the lowest responsible bidder, Americom Communications Corporation, for the purchase and installation of a Video Surveillance System and Security Cameras for the Pinnacle Bank Arena, for a sum not to exceed \$88,816.00, pursuant to Bid No. 19-216. (Tom Lorenz/Bob Walla)

Tom Lorenz, General Manager of the Pinnacle Bank Arena, stated they are requesting authorization to replace the security camera system. The initial system was installed when the building opened and has servers that store recorded material and process retrieval of the recorded material. Approximately 75 cameras are currently installed. Lorenz explained the City uses an Avigilon system in multiple areas throughout the City. The bid was focused on the Avigilon system and was a generic bid requesting a specific number of cameras, two servers, and software that goes with it. This was the lowest bid. The new system will add 6 more cameras to the outside and 4-5 cameras inside arena. He explained it is important to have cameras to watch what goes on inside to protect the arena from theft and false claims. The cameras outside run 24/7 to watch the exterior for any vandalism or accidents. Lincoln Police Department has asked for video feed from the cameras outside to help protect the City in the Haymarket area. This system will allow the arena to provide the requested feeds. Putting this system into place will allow them to continue to protect the patrons, property, and outside areas.

Clare commented security on the inside will protect the patrons going to the shows and the performers. Lorenz stated cameras are not installed in the dressing rooms, but are located in the hallways, concessions, and box office. Backstage they are able to monitor what comes in and out. A walk through was done with Homeland Security. They liked the cameras currently in place but pointed out areas that could be beefed up. Lorenz explained now that the current system is at the end of its life, we are able to expand and cover the areas suggested by Homeland Security. Clare asked if this provides for security best practices. Lorenz agreed and stated this system is used across the country now and throughout many areas in Lincoln already. He

explained how there was a bike theft outside the arena across the street that was captured on camera and they were able to share this feed with the police in order for them to complete the investigation. Clare asked if the cameras already in place are useless. Lorenz explained the 75 cameras that currently exist will be integrated into the new system so they will not be replaced. He stated only a few cameras are being added to the 75 already in place. Gaylor Baird asked if storage was an issue. Lorenz stated it is and explained when the current system was new information could be stored for about 60 days. This system is slowly going out of life, storage is limited, and it needs rebooted on a constant basis. The new software on the new servers will have a much larger capacity to store information for longer periods of time. This becomes useful if there is an insurance claim that may come in 2-3 months later. They can go back and look to see what actually happened.

Kinsey asked whose idea this was. Lorenz explained this is part of best practices when the arena was initially built to have the cameras installed. Throughout every arena and major sports facility around the country security cameras are used as part of best practices. The arena has a security office that allows them to capture all of the images and screens are monitored to watch multiple areas throughout the building to help protect the property, customers, and patrons. Kinsey asked why this is necessary now after five years. Lorenz stated the arena has ongoing events that need to be captured as new people are coming into the arena every day. For example, Lorenz explained that today there is a load in for a basketball event with stage hands coming into the arena and around 13,000 patrons coming on Friday to the event. He stated it captures images in real time so they can be reviewed. He further explained that if there was another event the next day there would be a completely set of different people coming through so they need to continue to gather information. Lorenz stated this system isn't working anymore so it is being replaced using much of the existing infrastructure and upgrading it to the newest technology.

Stroup stated that Lorenz presented this information to the Pinnacle Bank Advisory Board and the Board agrees with this transaction. He commended the legal, financial, and purchasing staff for how they operate and help the Pinnacle Bank Arena.

Clare commented that it is important as technology evolves that we continue to look at the technology to make sure the safety of the patrons, performers, teams, and community are protected. As technology has changed in the last five years, new things have come up in best practices.

Gaylor Baird commented as an added benefit of security this helps protect us financially in cases of insurance claims.

There being no further discussion or public comment, Ward moved approval of the resolution. Clare seconded the motion. Motion carried 3-0.

Item 6 - WH 19-27 Resolution approving a Consultant Agreement for a sum not to exceed \$30,000.00 between the West Haymarket JPA and Piper Jaffray to serve as the registered municipal financial advisor for General Obligation Facility Refunding Bonds, Taxable Series 2019. (Brandon Kauffman)

Kauffman stated this is a Contract with Piper Jaffray to save money on interest payments from two series of outstanding bonds. In order to do this, a municipal bond advisor is needed. The municipal advisor's role is to monitor the market and to help with refinancing the bonds. The contract is a professional services contract, so it is not required to be bid, however, to ensure best practices he received proposals from four different firms. Piper Jaffray was the lowest bidder at \$30,000.00 and Scott Keene with Piper Jaffray has helped with the issuance of the bonds since the inception of the JPA.

Kinsey asked if the only reason is to save money. Kauffman explained it is to save on interest payments. Kinsey commented it is good to save the taxpayers money.

There being no further discussion or public comment, Clare moved approval of the resolution. Ward seconded the motion. Motion carried 3-0.

Item 7 - WH 19-28 Resolution authorizing the issuance of not to exceed \$125,400,000 aggregate principal amount of General Obligation Facility Refunding Bonds, Taxable Series 2019; prescribing the form and details of such bonds; providing for the application of revenues received from the City of Lincoln, Nebraska and the levy and collection of an annual tax for the purpose of paying the principal off and interest on such bonds as they become due; and authorizing certain other documents and actions in connection therewith. (Brandon Kauffman)

Kauffman stated this is going to save the taxpayers money in the long term. He presented diagrams and explained the statement of revenue flows, and principal and interest payments for the four outstanding bonds through 2045. He explained we have been paying a small amount on the bond principal, but this will step up in 2021 and again in 2022. On an annual basis, they look at refunding opportunities based on the treasury yield. He reviewed a graph showing the 30-year treasury yield for bonds. Right now we are at historic all time lows which makes it a prime opportunity to refund two series of the bonds to lower the annual debt service payments. Kaufman explained the JPA issued four series of bonds, two in 2010, one in 2011, and one in 2013 for a total of \$328,000,000. The weighted average interest rate for the bonds was 3.8%. Clare commented the JPA originally budgeted the bonds at an interest rate of 5%. Based on the current market, Kauffman stated the average rate can be lowered to 3.2%. The 2011 bonds are at 4.25% and based on the current market this could drop to 2.7%. The 2013 bonds are at 4% and are estimated to be refinanced at 2.73%. The drop in interest rate is what saves the JPA money long term. Kauffman stated they are recommending taxable bonds which is different from what was originally issued. In 2017 there were changes in the tax law that don't allow municipalities to issue tax exempt bonds on an advanced refunding basis. Advanced refunding means issuing bonds prior to the call date. The call date on the 2011 bonds had a ten-year call date making them callable in 2021 and the 2013 series is callable in 2023. Clare commented this means the JPA cannot make advance additional principal payments on the bonds until those dates. Kauffman stated that the bonds will be issued and then the money will sit in an escrow account until they are callable in 2021 and 2023 and then the bonds will be paid in full. Since the new tax law in 2017, the spread between taxable and tax-exempt bonds has thinned considerably which opened the door to a lot of municipalities looking at the opportunity to refund on an

advance basis with taxable bonds. This benefits the JPA because tax-exempt bonds carry limitations on the amount of private activity allowed. Currently the JPA remains tax compliant, but suites, dedicated parking, or sale of land the IRS considers private activity from a tax-exempt stance. The taxable bonds will benefit the JPA primarily because the JPA will have a lot more flexibility in how the parking garages are managed and how the JPA promotes economic development by guaranteeing parking. The Government Finance Officer Association recommends a 5% minimum savings threshold to look at for advance refunding. Based on the current market, we are at 15.4% net present value for the savings which is well over the 5% threshold. The 15.4% equals \$15.4 million in net present value savings. That's \$21.7 million over the life of the bonds. A 5% minimum threshold was also recommended for the 2013 series advanced refunding. Currently, we are at 7.31% based on the net present value which is about \$1.9 million in net present value savings or \$2.71 million over the life of the bonds. The Resolution before the Board gives the Treasurer the authority to watch the market. If the market moves against us, then the JPA won't issue a refunding. There is flexibility built in to ensure that if the bond rates aren't attractive, they will not issue them.

There are costs to issue the bonds. Those costs are typically rolled into the overall financing. Since the state law changed, we are not allowed to roll those costs into the overall financing because it would increase the par value over what is currently outstanding. The costs involved include the cost of issuance of \$1,260,570.00 that pays for the underwriter's discount, bond counsel fees, municipal advisor fees, rating agency fees, escrow fees, and anything else that cost money to issue the debt. In addition, there are some negative carrying costs that are usually financed but cannot be in this case. The negative carrying costs come from when the bonds are put into the escrow account and are invested. Money is earned on the investments until the call date. However, the two outstanding bonds have a 4% and a 4.25% interest rate. The JPA has to pay the people who bought the bonds at those rates until the call date, at the same time interest is being earned on the escrow account is only around 1.3%. The difference between what has to be paid and what is being earned in the escrow account is the negative carrying cost. The negative carrying cost will be around \$7,164,430.00. In order to refinance the bonds, a cash contribution will have to be made up front of \$8,425,000.00. It is beneficial for the JPA to go ahead and issue these bonds in order to get the long-term savings. Clare commented that by doing this now, the JPA will have a net present value savings of \$17 million and carrying costs of \$8 million and asked for confirmation of what the total savings is for the taxpayers. Scott Keene, Piper Jaffray, stated the \$17.1 million net present value savings is after all of the costs are paid which includes the negative carrying costs. Kauffman presented a graph of the JPA's cash reserves projected over the long-term of the JPA until 2045/2046 when the final bond payments will be made. At the end of 2018/2019, \$13 million is projected to be the surplus based on the adopted budget. With the refunding, it substantially changes the potential cash reserves of the JPA for the long-term. It also drops the reserve cash requirement amounts because the bond payments are dropping due to the interest savings. At the end of the JPA in 2045 with the refunding there will be about \$119 million left at the end versus about \$91 million without the refunding. This is a \$28 million difference over the long-term of the JPA assuming it would end at 2045/2046. In the end, the refunding bottom line is the interest rates are going to drop from a 3.8% average to an estimated 3.2% average which from a net present value standpoint is going to save the JPA \$17.3 million.

Kinsey asked if this saves \$17 million and pays \$8 million in costs. Kauffman explained in order to refinance the bonds the JPA has to pay approximately \$8,425,000.00. The savings of \$17.3 million considers those costs and therefore the costs are already taken out of the savings. The JPA is paying \$8,425,000 but it is not shown on the diagram. In reality, the JPA is saving \$25.8 million minus the \$8.4 million to show the true present value savings of \$17.3 million after paying all costs. Kinsey asked if this was looked at for the JPA budget. Keene stated the budget was considered and this equates to approximately \$1,150,000 per year in lower debt service payments through 2046.

Clare commented that the JPA originally budgeted for 5% and now we are down to 3.2% on \$325,000,000. That's great work by Scott Keene and others, including Don Herz, and Steve Hubka.

Gaylor Baird commended everyone who worked on this. She stated they have exceeded expectations and is grateful for the finance team which identified this opportunity to save so much money for the JPA.

There being no further discussion or public comment, Ward moved approval of the resolution. Clare seconded the motion. Motion carried 3-0.

Item 8 – WH 19-29 Resolution approving a Contract between the West Haymarket JPA and DLR Group for the following design services: (1) the addition of a cable trench at the northwest arena vomitory at the event level, (2) the addition of a second ticket window at Advanced Ticket Sales, and (3) the addition of a new pair of doors to the curtain wall at the south lobby of the Pinnacle Bank Arena for an amount not to exceed \$18,174.00.

Adam Hoebelheinrich, PC Sports, stated they have been working with SMG and the JPA to look at some additions that will help operations at the arena. Through this process they have worked out an agreement with DLR Group for this design work. This is an hourly not to exceed contract at a very reasonable rate. They are the team that designed the arena and have an integral knowledge of the facility. Lorenz explained three potential projects are not guaranteed. They are potentially projects that could make a difference on the operation. The first is for a cable trench in the northwest vomitory. Lorenz explained when they run power, they have 1800 amps of power upstage right. Bringing the power from the vaults to the stage runs across the concrete and this is where they load in all the equipment. Right now, it is covered with cable covers and some of the larger pieces of equipment that come off the trucks become very unstable as they roll over the covers. The idea is to cut into the concrete and put a cover over the top of that making rolling pieces of equipment safer. The cover will consist of steel that can withstand extreme weights like trucks that would come across there. The second idea is to add a second ticket window at the Advanced Ticket Sales within the arena. Inside the lobby there is only a single advance ticket window. For some of the shows, if they don't sell as well, management will move people from the 300 level to the 200 level. Patrons go to the advance ticket window and are given a new ticket in the 200 level. With a single window, it is a little bit slow so the idea is to create a second window. It is not a bearing wall so they are asking DLR to look at this and give them advice on how this can be done and what the potential costs would be. The third project is, within the outside curtain wall there are larger pieces of equipment that would be nice to be able to move in through a door in one of these window areas. At the end of October, the PBA will be the host site for the Helping Hands sculpture auction. Lorenz stated, it would be

nice to have a door through the curtain window that looks appropriate. None of these projects are set. DLR will come through, take a look, and use their expertise to help with drawings to get bids.

Kinsey asked if this is just for design services, what's it going to cost to alter the building? Hoebelheinrich stated the design is necessary in order to put an estimate together and then decide at that point if they want to proceed with the project.

There being no further discussion or public comment, Ward moved approval of the resolution. Clare seconded the motion. Motion carried 3-0.

Item 9 - WH 19-30 Resolution authorizing payment to the City of Lincoln for reimbursement of the Canopy Street canopy restoration costs in the amount of \$160,000.00. (Brandon Kauffman)

Kauffman stated this is a Resolution authorizing the Treasurer to reimburse the City in the amount of \$160,000 for the costs spent to finish the canopy. The canopy was envisioned within the original overall scope of the project; however, it didn't make sense to build the canopy until the Liner building was in place. Once the Liner building was in place, the City paid the costs to finish the canopy. Clare stated he would like to see an accounting that reflects what exactly was spent in order to reimburse the City. Kauffman stated he can get this information for the Board. Hoebelheinrich stated when this project was put together originally the JPA budgeted for this in the capital budget and the money is still sitting there. This was done as part of the City's Lumberworks project and they did receive an amount from the contractor and will provide this information to the Board. A brief discussion to delay this item occurred. Clare moved to delay this item until the next meeting, Ward seconded the motion. Motion carried 3-0.

Item 10 - Set Next Meeting Date

The next regular meeting is set for Thursday, October 24, 2019 at 2:30 p.m. in the City-County Building, First Floor, Council Chambers.

Item 11 – Motion to Adjourn

Ward moved to adjourn. Motion seconded by Clare. The meeting adjourned at 3:34 p.m.

Prepared by: Kasey Simonson, City Law Department