

WEST HAYMARKET JOINT PUBLIC AGENCY (JPA)
Board Meeting
June 25, 2020

Meeting Began At: 2:32 P.M.

Meeting Ended At: 3:16 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 this is a public meeting subject to the open meetings act posted at the back of the room.

Item 2 - Public Comment and Time Limit Notification

Gaylor Baird advised members of the public are given 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 April 30, 2020

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

Item 4 - Approval of April and May 2020 Payment Registers and Review of April and May 2020 Expenditure Reports (Brandon Kauffman)

Brandon Kauffman, JPA Treasurer, reviewed the financials and where the JPA stands from the impacts of the COVID-19. The JPA started the year with a \$44.6 million fund balance, currently there is a \$36.4 million fund balance, and of that fund balance, the JPA is legally required to maintain \$24.6 million pursuant to the Facilities Agreement, and \$11.8 million is in surplus. All of the bond payments have been made in full. There is no question about whether or not the JPA can make those payments moving forward with the reserves the JPA has. Kauffman further explained that the JPA can sustain this over a short period of time, however, if this goes on for five years, then it might be a struggle. Right now, the JPA is in a good financial position. He stated the COVID-19 impacts have been industry specific. He commented that alcohol sales had a great month in March, along with grocery sales. Car rentals were down 76% in May compared to the prior year, same with hotels, and bars and restaurants were down 46%. The health directives had significant impacts on these industries in these two months. Total overall collections for May were down 53% for occupation taxes. Based on these impacts, in 2018/2019, the JPA collected \$17.6 million dollars and we are estimating about \$15.3 million for this fiscal year. Kauffman stated this should rebound in the next fiscal year, but what that rebound looks like is the questionable part. It is still questionable whether there will be football and what that residual impact will have on the economy. Parking revenues were down 46% from special events not occurring at the arena and the monthly lease of the garages was also down. Other impacts include premium seat renewals that will be expiring and a delay in the subsidies for the Build America Bonds. Clare asked how much the interest was. Kauffman stated in total it was about \$3.6 million. Kauffman stated interest earnings will be impacted moving forward

based off of lower treasury rates where JPA money is invested and Pinnacle Bank Arena events are uncertain at this point.

Kauffman stated the 2020 occupation taxes are still 8% above the original projections corresponding with the year 2023. He explained we are still ahead of projections and, assuming there are no more major shutdowns, next fiscal year the JPA should rebound and be back to where we were last fiscal year.

Kauffman stated in reviewing the April 2020 payment register the operating budget had \$1,143,274.10 in operating expenditures with the major payments consisting of two months of parking management costs of \$157,173.95 and \$274,273.96; PC Sports payment for \$3,759.50 for project management; Fourth Quarter Sponsorship payment from IMG of \$281,540.50; Fourth Quarter Operating Increment of \$150,000.00; arena repair and maintenance costs of \$61,751.36; and DEC payment of \$212,021.50 for heating and cooling of which approximately 69% is billed to West Haymarket private customers and the JPA pays approximately 31%.

Clare asked if the arena maintenance expenses could come out of the endowment fund. Kauffman explained that when the \$2 million endowment fund was set up, it was set up to never go below the \$2 million principal amount so anything above that amount could be used. He stated with Board approval the fund could possibly be used for CIP repairs. Chris Connolly, City Law Department, explained we wanted to save that money and only use the interest income to pay for various projects. If a hit is taken because of the market and the endowment drops below the \$2 million, then we couldn't use these funds. Connolly explained that if the fund has recovered and is back above the \$2 million and is at \$2.2, million for example, then there would be \$200,000 that can be used for these projects. Clare asked Kauffman to check on the amount.

Kauffman stated in reviewing the May 2020 payment register, the operating budget had \$774,453.40 in operating expenditures with the major payments consisting of the donation of \$500,000.00 to the parks foundation for the development of the Block 5 Park pursuant to the Redevelopment Agreement; PC Sports payment of \$3,626.50 for project management; \$62,290.50 for arena repair and maintenance; and DEC payment of \$206,127.50 for heating and cooling of which the JPA pays about 31%.

Kauffman stated the financial reports for the JPA for the period ending April 30, 2020 reflect revenues of \$22.5 million and expenditures of \$24.3 million, for a deficit of \$1.8 million and an ending balance of \$42.9 million.

Kauffman stated the financial reports for the JPA for the period ending May 31, 2020 reflect an ending balance of \$36.4 million.

Kauffman stated the Pinnacle Bank Arena Income Statement for the eight months ending April 30, 2020 shows total retained earnings at the beginning of the year of \$882,546.00 and at the end of the month it shows a deficit of \$805,934.00, with an ending balance of \$76,612.00 in retained earnings.

Kauffman stated the Pinnacle Bank Arena Income Statement for the nine months ending May 31, 2020 shows a net income loss for the year of \$1,041,827.00 with retained earnings at a negative \$159,281.00.

Clare asked how the \$600,000 payment will impact this ending balance. Kauffman stated the additional \$600,000 would be paid out of the surplus account. Clare asked if it can be determined if the money in the endowment can be used for the arena repairs. Connolly explained there is a matrix of what the endowment can be used for and given the current situation it can be looked at to see if there are things the endowment can pay for.

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

Item 5 – WH 20-16 Resolution authorizing an additional operational increment expenditure in the amount of \$600,000 for fiscal year 2019/2020 for the Pinnacle Bank Arena for lost revenue due to COVID-19 restrictions on events at Pinnacle Bank Arena. (Brandon Kauffman)

Kauffman stated in order to continue meeting operations and make payroll we need to transfer funds to the Arena. Tom Lorenz, General Manager of Pinnacle Bank Arena, explained that the arena's last event was the boys state basketball tournament. Normally, boys state basketball has eighteen games in three days drawing around 65,000 people. At the suggestion of the Health Department and working with NSAA, only families were allowed to attend the games so 65,000 people went down to 5,000 people for that event. Since then the arena has not had an event. This results in a lack of income that would be generated by these events. There is no parking income and there is no food and beverage, rental, or ticket sales income coming in. The retained earnings have been used up. To continue the operations through the end of August into the next fiscal year, this \$600,000 is an appropriate amount of funds. Kauffman stated that this is not specifically a loan to the arena, however, this is a reimbursable item and will end up as a liability on Pinnacle Bank Arena's account that they will work to pay back as the arena's balance recovers. Clare asked if this is akin to the start-up loan. Lorenz stated when the building opened there was start-up cash for the concession stands and to purchase food and beverage items. This was \$500,000 and it was on the balance sheet until it was paid off. This is the same type of thing. It will take a couple of years to pay back with a portion of the retained earnings. Clare asked him to explain what he is seeing around the country. Lorenz explained this was a very hard hit industry. Working with health departments across the country and listening to CDC recommendations, we saw a shutdown at the beginning of March. This was the end of basketball season and heading into the time of the year for major concerts and other higher revenue shows that would float the balance back up. Most of the major concerts between now and the end of the calendar year have moved to 2021 or to 2022 because there are so many different rules across the country that to try and put a tour together after things begin to open up would be difficult. There is also still some hesitance on part of the artists to perform and fans to come out and be in larger gathering situations. As we see the slow opening and the opportunity to gather more people together with social distancing and the appropriate safe guards in place, we will start to see some things come up but we are not able to suddenly turn the key on and be back to having major concerts. Elton John, a sold-out show, was supposed to be on June 9th and they moved to either 2021 or 2022. As we look ahead to the next fiscal year starting September 1, we are interested to see how football goes, whether or not basketball is able to come back with reduced capacity or full opening. If things go well, Lorenz is hopeful for a full return of the larger shows in the January to March of 2021 timeframe. Ward asked what a concert would look like with social distancing. Lorenz explained the next event will be LPS Graduation. They have worked closely

with the Health Department to determine what social distancing would look like. For the graduates, there will be single chairs with social distancing all around throughout the entire floor. In the seating areas there will be pod seating where there will be groups of 2 – 6 people who can sit close together. There will be 2 sets of 6 in each row and then either skip the next row or put 1 set of 4-6 in the next row in the middle. This allows for social distancing from the sides and from front to back. On the tickets, it will indicate the reserved areas. They are working with LPS in communicating with everyone that masks will be required. There will also be controlled entry points throughout multiple different areas. There will be multiple hand sanitizing stations. The building will be sanitized between graduations. Ward asked about Pinewood Bowl. Lorenz stated since Pinewood Bowl is outside there are more opportunities. Now we could tentatively go back in with around 2,800 people where it normally holds 4,800 people for a seated show or 5,500 for a standing room only show. The Beach Boys is still on the schedule in August for a show. People will be wearing masks, there will be hand washing stations, etc. He has to get approval from the Health Department initially and from the artists who want to perform in those circumstances. A majority of the events postponed for this year are anxious to come back next year. Very few events have cancelled. There being no further discussion or public comment, Ward moved approval of the resolution. Clare seconded the motion. Motion carried 3-0.

Item 6 - Set Next Meeting Date

The next meeting date will be Thursday, July 23, 2020 at 2:30 p.m. in the County-City Building, Council Chambers, First Floor.

Item 7 – Motion to Adjourn

Clare moved to adjourn. Motion seconded by Ward. The meeting adjourned at 3:16 p.m.

Prepared by: Kasey Simonson, City Law Department