

WEST HAYMARKET JOINT PUBLIC AGENCY (JPA)
Board Meeting
September 24, 2020

Meeting Began At: 3:34 P.M.

Meeting Ended At: 4:35 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 July 23, 2020

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

Item 4 - Approval of July and August 2020 Payment Registers and Review of July and August 2020 Expenditure Reports. (Brandon Kauffman)

Brandon Kauffman, JPA Treasurer, stated in reviewing the July 2020 payment register the operating budget had \$1,024,929.67 in operating expenditures with the major payments consisting of two months of parking management costs of \$52,518.00 and \$101,983.05; operating increment additional transfer of \$600,000.00; DEC payment of \$216,918.00 of which the JPA pays about 31% and then 69% is billed to the West Haymarket private customers; arena repair and maintenance costs of \$18,178.04 for various repairs at the arena, \$1,900.00 for the server migration project, and \$7,405.98 for other various maintenance items.

Kauffman stated in reviewing the August 2020 payment register the operating budget had \$962,314.61 in operating expenditures with the major payments consisting of the Fourth Quarter City staff distribution of \$100,377.75; final payment on the LED lighting project of \$532,292.00 that completed the LED upgrade in the Arena bowl; parking management of \$80,291.76; DEC payment of \$223,232.00 of which 69% is billed back to the private customers; and arena repair and maintenance projects of \$14,955.49 and \$49.70 for various repairs and maintenance and \$646.80 for the server install license.

Clare referenced the August payment register and inquired about the charge for the City of Lincoln accounting department. Kauffman stated that is the fourth quarter payment for the prior fiscal year city staff time that is allocated to the JPA. Clare stated he would like to see a tracking of time of City staff for the JPA. Kauffman provided a calculation sheet to Clare. Kauffman explained that the calculation sheet calculates a percentage of staff time that is allocated to the JPA based off of staff salaries and total benefits which the JPA utilizes from city staff.

Gaylor Baird asked for an explanation regarding the variability in the Parking Deck Management costs from month to month. Kauffman stated that this depends on how many people are utilizing the garage which then determines how they are going to staff to it. The costs decreased as the parking utilization has decreased at the three JPA Garages.

Gaylor Baird requested that the calculation sheet Kauffman prepared for city staff time be part of future packets. Kauffman was agreeable and further explained that those calculation sheets are typically developed during the budget process for the City, so those costs were calculated based off a biennial budget. Kauffman further stated that he would talk about that during the budget time.

Kauffman stated the financial reports for the JPA for the period ending August 31, 2020 reflect revenues of \$30.7 million and expenditures of \$34.6 for a deficit of about \$3.9 million. The beginning fund balance of \$44.6 million ended up at \$40.7 million, for the end of the JPA's fiscal year, which is August 31st.

Kauffman stated the Pinnacle Bank Arena income statement for the eleven months ending July 31, 2020 reflects revenues of \$3.2 million and expenditures of \$4.7 million for a deficit of \$1.5 million, reflecting a retained balance of \$-656,000.00. He explained they still have a cash balance, so this doesn't mean that the arena is negative as reflected in the financial statements.

Jane Kinsey, Watch Dogs of Lincoln Government, asked what the plan is for cutting some of these expenses. Kauffman stated the JPA came in significantly under budget per the operating report on the expenditure side and also came in under budget on the revenue side due to COVID-19. Tom has done multiple things to cut costs at Pinnacle Bank Arena. Kinsey stated that they are getting revenue from the boxes and asked if people are just paying for them whether they have events or not. Kauffman stated that from the revenue perspective for the premium seat rentals on the suites they have delayed the billings for the current year and are looking to come back to the board at some point to have that discussion. Kinsey asked if that's going to be discussed. Kauffman stated they are likely to have discussions about the suites sometime in October and the club seats discussion will likely occur in January. Kinsey asked if the cash is being held some place for the tickets that have been paid for the delayed events. Tom Lorenz, General Manager for Pinnacle Bank Arena, explained the process of ticket sales and explained the refund process if an event is canceled or rescheduled to a later date. Kinsey asked if the money was held in an escrow account and asked where the escrow account is located. Lorenz explained there is a designated account for ticket money which is here locally. Kinsey further asked if interest is being earned on the monies held in the ticket account. Lorenz explained interest is being earned as the funds are being held. Kinsey wanted to know how the refund process worked when an event is canceled. Lorenz explained the process to her.

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 20-22 Resolution to approve park bench in memory of Patricia Marvin on property generally located east of the festival parking lot at the north end of the Lincoln Bridge. (Chris Connolly)

Connolly stated we were approached about placing a memorial bench in the area on the north side of the tracks near the pedestrian bridge. Since that time more internal discussions have been held and we believe the correct course of action is to hold off on this item for right now while a master plan is developed for the placement of benches within the West Haymarket area. Lynn Johnson with Parks and Recreation is willing to develop said plan and believes it will be ready for the October meeting. Connolly requested the Board to withdraw this item for now.

Ward stated she would introduce the motion and thanked the Marvin family for the generous gift. She explained she was concerned that we would be setting a precedence without a process and moved to withdraw this item from the agenda.

Clare stated this is not a reflection of the Marvin family and commented that had Dan Marvin not been involved in this project it would not have been completed. He further commented that he holds the Marvin family in the highest regard and likes the idea of having a plan.

There being no further discussion or public comment, Ward moved to withdraw this item from the agenda. Clare seconded the motion. Motion carried 3-0.

Item 6 – WH 20-23 Resolution approving the proposed operating budget and capital improvement program for the West Haymarket JPA for September 1, 2020 through August 31, 2021. (Brandon Kauffman)

Kauffman stated this has been a year like no other. The core revenues of the JPA have been primarily impacted by COVID-19, especially the hospitality industry. Going to be nimble and ready for changes as we move forward. Even though presenting a budget right now, I would be prepared for potential amendments that might come before the Board as we move forward throughout the year.

Kauffman presented a slide show showing the revenue flows of the JPA. He explained the Pinnacle Bank Arena generates about \$8.3 million in revenues, of that amount, \$3.2 million stays with the Pinnacle Bank Arena, and \$5.1 million stays with the JPA. The arena has about \$5.5 million in operating expenditures. Kauffman stated the JPA has about \$29.8 in revenues projected for the upcoming fiscal year. The non-arena revenues are about \$24.7 million with the majority of that amount coming from the occupation taxes, the debt subsidy that comes from the IRS for the build American bonds, DEC customer reimbursements, and some various other resources. The arena revenues that are coming in are the premium seat revenues, the sponsorship revenues from IMG, rent from UNL for basketball, and parking revenues from various events that occur at the arena, totaling about \$1.6 million. We have proposed operating expenditures of \$29.9 million and of that amount, the JPA transfers \$1.8 million back to the Pinnacle Bank Arena to help with operations. In reviewing the over under of revenue of the arena, it's generating in total about \$8.3 million with total operating expenditures of about \$5.5 for a surplus of \$2.8 million, that is divided between different pots.

Kauffman stated looking at the preliminary financial status as of year end we had about \$40.6 million in fund balance, of that there is a legal requirement of \$24.6 million, and that is set up through the bond indentures. Currently there is \$16 million in the surplus account. All the bond

payments were made in full for the prior year and we have substantial resources to continue those moving forward. The revenue budget that is proposed for the JPA is \$29.8 million with the bulk of that or 57% consisting of occupation taxes, \$3.6 million for the interest subsidy from the IRS, \$1.8 million for DEC customer reimbursements, \$2.5 million for parking, and the remaining items consisting of about 16% or \$4.8 million.

Kauffman stated in 18/19 we collected \$17.6 million in occupation taxes but because of the impacts of COVID, that amount dropped to about \$15.5 million for 19/20. He explained the budget for 19/20 was about \$17.9 million, which is substantially under budget compared to the prior fiscal year. Moving forward in 2021, occupation taxes are estimated at about \$16.9 million which is about a 10% increase from the prior year. He stated we are seeing recovery in the hospitality industry, but it is still down compared to the prior year. Kauffman explained that based on the three occupation taxes that are collected, car rental at its worst point dropped 76% compared to what was collected the prior year. Bar and Restaurants dropped 46% and hotels dropped 76%. Improvements in these areas are being seen, but there are still major impacts in the industry.

Kauffman stated they will continue to monitor this and the impacts as a result of the health measures that come out as we move forward. He explained other revenue impacts that we could potentially have are to premium seat rentals and parking revenues as 65% of office workers have not returned to work downtown. As far as interest earnings, the feds have dropped the rates to near zero. Besides what the JPA has invested in TIFS, the other earnings will continually drop. Kauffman stated that Pinnacle Bank Arena continues to have events, however, not to the extent that they were before.

Kauffman stated on the expenditure side there are \$29.9 million proposed expenditures, the largest expenditure is the debt service at \$19.8 million, there are some capital outlay items rolling over totaling \$1.3 million, other services and charges of \$8.7 million. Kauffman stated some of the expenditure highlights consist of city staff which is proposed to increase by .5% for the upcoming year, management services which is the money that the JPA collects and sends back to arena, proposed operating increment of \$600,000.00, and the IMG guaranteed rights for sponsorship for \$1.48 million. Kauffman stated these expenditures could potentially change moving forward in the year, depending on the cash flows at the arena.

Kauffman stated the proposed Capital Improvement highlights consist of those items that are carried over from the prior year. For example, the video board control for \$236,000.00, wasn't completed in the prior year so we've carried it over. There is an item on the agenda asking for 2 volleyball floors estimated to cost \$90,000.00. Kauffman stated the agreements for economic development are being carried over for the Block 4 Streetscape of \$475,000.00, the Oscar 2.0 Project that still has encumbrances of \$105,000.00, and the Block 5 development of the park for \$95,000.00. The debt expenditures total \$19.8 million. Kauffman presented a chart that shows a jump up in the current year from \$16.5 million to \$19.8 million and then in two years it will increase to \$23 million. He explained this is the first year making principal payments on the \$300 million in bonds that is outstanding. He explained we have already been making principal payments on the \$25 million that was issued for one of the parking garages.

In summary, the JPA ended the year with \$40.6 million, \$16 million in surplus, meeting our legal requirement of \$24.6 million. There is a deficit of \$100,000.00 for the current year's budget.

The JPA was originally set up to collect occupation taxes which would grow over time to pay the bond payments and the principal payments. In theory, it's doing what it was supposed to do. However, nobody could predict COVID-19 and its impacts on the JPA and Pinnacle Bank Arena, but there are sufficient funds to pay the bonds. Even the 2020 estimated occupation taxes are still 10% over the original projections when all of this was put together. Kauffman stated he believes the JPA is in good financial standing to move forward.

Kinsey requested copies of the slideshow presentation. Kauffman advised he would e-mail her a copy. Kinsey wanted to know what the balance is to pay off the bonds. Kauffman advised that the bonds are going to be paid over the next 30+ years, with final payouts in 2046. Kinsey wanted to know what the balance is over that time. Kauffman stated that somewhere around \$324 million in principal is outstanding. Kauffman further advised her that he would send her those figures.

Kinsey commented that one of the things that financial planners/experts are saying is people need to save money because nobody knows what's going to happen. She thinks holding money for tickets for a year or two down the road is not a good thing to do. She doesn't believe the WJPA is being as careful with the money as financial planners would be. Kinsey further commented that \$700,000.00 was spent for lights and now the arena manager wants another \$90,000.00 for volleyball courts and stated these things are not necessary.

Clare shared ideas of other ways to create revenue while the shows are in a holding pattern such as tailgates or watch the games at the arena. Clare asked if those things are being looked into. Lorenz stated that those are opportunities for PBA moving forward depending on how the football and basketball schedules come together. Lorenz stated there have been furloughs within the staff and there are multiple savings with the staff being furloughed, utility savings, and expenditure savings. The arena has started discussions with the Health Department to determine future events.

Lorenz stated they have had a few events such as graduations, MMA fight, and a PBR Bull Riding event is coming up soon. There are events they are trying to schedule but they need to make sure they are done safely and within the guidelines of the Health Department.

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

Item 7 – WH 20-24 Resolution approving settled claim in the amount of \$41,067.13 between Canopy Park, LLC, West Haymarket Holding Company, LLC, and the West Haymarket JPA for alleged damages and liabilities with regard to a sanitary sewer line found and located on Lots 1 and 2, West Haymarket 6th Addition. (Chris Connolly)

Connolly stated that when Block 4, known as Canopy Park, was being developed and shortly thereafter as they started to do work, there was an abandoned sewer line that was discovered. Canopy Park believes that it was our duty to have found and located the sewer line and that we should have known about it, but we did not have records that indicated the existence of this abandoned sewer line. There was some documentation that showed the existence at one point and then didn't show it at any other point, so it's unclear whether anyone was ever on notice of this line.

Canopy Park removed it at a cost of about \$82,000.00, and after negotiations we have agreed to pay for half of the removal cost, which is \$41,067.13. Connolly proposed to have the Board approve the settlement agreement, and have the Mayor execute on behalf of the JPA and the City, because they technically made a claim against both the JPA and the City. The City really doesn't have much to do with this, they were included in the redevelopment agreement, but the City never owned the real estate that's subject to this, so it is really only a JPA matter. Then we will have Canopy Park execute the agreement and we will deliver the check if the agreement is approved.

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

Item 8 – WH 20-25 Resolution approving Second Right of Entry Agreement between the West Haymarket JPA and the University of Nebraska to enter upon an abandoned railroad bridge to conduct load testing experiments through November 1, 2020. (Chris Connolly)

Connolly stated that the Board previously approved an agreement allowing the Engineering Department from the University to do load testing on an abandoned railroad bridge. The Engineering Department had difficulties getting this accomplished because of COVID-19. They are beginning a new semester and are asking to finish conducting those experiments. We have no problem with them doing that. Initially this was set-up as an Amendment to that agreement but then it was realized the old agreement had expired. The agenda was amended and a new agreement has been included. There will be no cost to the JPA. The University has agreed to indemnify the JPA as appropriate.

Clare requested clarification on the indemnification. Connolly stated the indemnification would take care of any damage that's done as a result of the testing which could be partial collapse of the bridge. After testing is done, the plan is to save the bridge.

Clare asked if there are signs out there now or if signs would be put up. Connolly stated that he didn't know if there are signs up at the moment and stated he believes there is some fencing down below. He further stated the actual path onto the bridge is open and has been that way.

Ward asked if the College of Engineering has until November 1st to complete their testing and Connolly confirmed this was correct.

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 20-26 Resolution approving an expenditure not to exceed \$13,562.97 to purchase a new COM3000 receiver for the Pinnacle Bank Arena. (Tom Lorenz)

Lorenz stated the arena is 7 years old, and this piece of equipment, COM1000, has reached its end of life. This equipment has been failing. The replacement would share DirecTV feed with UNL. UNL would pay would for half of the replacement costs of \$27,000.00.

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

Item 10 – WH 20-27 Resolution authorizing the Chairperson and/or Purchasing Agent to enter into a Contract or issue a purchase order to the lowest, responsive, responsible bidder, for the purchase of two volleyball floors for the Pinnacle Bank Arena, for a sum not to exceed \$87,000.00. (Tom Lorenz)

Connolly stated this came up very recently and we didn't get a chance to get this to a bid in time to be able to present a completed bid and formal number to go forward. Therefore, we approach this in terms of authorizing the Chair to sign off on a bid that would not exceed \$87,000.00 for the two volleyball floors.

Lorenz stated that this is a request for two taraflex floors. The arena will be hosting the NSAA Girls State Volleyball Tournament once again. The volleyball tournament happens in November. He explained that for the past several years they have been renting a floor. To rent the floor cost anywhere from the initial cost of \$3,000.00 to \$4,200.00 the last couple of years. The two taraflex floors expenditure request is not to exceed \$87,000.00. Lorenz stated we have a very strong idea that this will come in around \$80,000.00. The floors are expected to last over 20 years, so the cost per year for that floor is about \$4,000.00. The arena will be able to continue to use the floors and hopefully keep the Girls State Volleyball Tournament in Lincoln. The taraflex floor is used by multiple different high-end universities and other organizations and is the safest floor out there.

Lorenz stated, if there was a rental floor available with COVID we would still try and rent the floor, but we need two floors and the rental floor is not available. The reason we need two floors is because there will be two courts simultaneously in play on the first two days of the tournament. This year there looks like a potential third day of finals.

Lorenz explained the specifics about the floor. The NSAA prefers the taraflex floor, it's proven to be safer for all NSAA athletes. Part of the reason Lincoln was selected to continue to host the NSAA Volleyball Finals was the expectation that we would have taraflex floors to be used. We talked about putting this expenditure in the CIP right away but waited because we weren't sure whether high school sports would continue with COVID. Now that it seems it is highly likely that the schools will continue to have students in place and that those championships will continue, we are getting close to where we need to make sure floors are secured so we can move forward and fulfill those responsibilities.

Clare asked if the finals are held at Pinnacle Bank Arena or Devaney. Lorenz advised that volleyball finals are traditionally held at Devaney, but this year with COVID, we are in discussions with UNL Athletics and NSAA about holding the entire three days tournament at the arena.

Clare asked if this floor would be used when the arena hosts International Volleyball. Lorenz confirmed that would be the case. Lorenz further stated they would find other ways to use the volleyball floors.

Ward asked for confirmation that a rental floor is not available at all. Lorenz confirmed a rental floor is not available. He further explained that the company they rent the floor from has stated they won't rent anymore and that they would prefer to sell the floor.

Kinsey commented that it is not appropriate to request something like this when the income is not guaranteed and stated there has been almost \$1 million in requests since COVID came out. She further commented the future is uncertain and spending this kind of money on things that Lorenz claims are necessities is not a good use of taxpayer money. She asked the Board to reconsider this expense and negotiate further with SMG about hard times.

Clare asked what would be done with the old floor. Lorenz advised there is not an old floor as the arena was previously renting a floor. Lorenz further stated this not only impacts the arena but also when you have fans from across Nebraska coming into the Railyard and into Lincoln, they are staying at hotels, going to restaurants, buying gas, and bringing revenue to Lincoln. Lorenz commented that events held at the arena positively affect the rest of the city.

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

Item 11 – Set Next Meeting Date.

The next meeting will be Thursday, October 29, 2020 at 2:30 p.m. in Council Chambers, First Floor of the County-City Building.

Item 12– Motion to Adjourn

Ward moved to adjourn. Motion seconded by Clare. The meeting adjourned at 4:35 p.m.