

CAPITAL IMPROVEMENT BOARD OF MANAGERS OF MARION COUNTY, INDIANA  
MARION COUNTY CONVENTION AND RECREATIONAL FACILITIES AUTHORITY

Minutes of Joint Meeting  
Monday, August 10, 2009

A joint meeting of the Capital Improvement Board of Managers of Marion County, Indiana ("Board") and the Marion County Convention and Recreational Facilities Authority ("Authority") was held on Monday, August 10, 2009 in Room 202 of the Indiana Convention Center.

Present were Robert T. Grand, Patrick J. Early, Ann Lathrop, Douglas R. Brown, Robert E. Cockrum, Dorothy A. Henry, Craig Huse, John D. Short, Donald P. Welsh, Ex-Officio ("CIB"), and Dr. Jacqueline Greenwood, Raju Chinthala and Dollyne Pettingill Sherman, Marion County Convention and Recreational Facilities Authority ("MCCRFA").

Others present included Barney Levengood, Executive Director, Dixie Gough, Controller, W. Tobin McClamroch, General Counsel, Bingham McHale LLP, Bryan Collins, Bingham McHale LLP, Robert Swintz, London Witte Group, Jack Woodside, ICCLOS, Michael Semler, Colliers Turley Martin Tucker, Paul Okeson, City of Indianapolis, John Livengood, Hotel Association, Phil Ray, Omni Hotel, David Sease, Sease Gerig & Associates, Timothy Watson, American Dream Endeavors, Kathy McNairy, City Securities, Dennis Paramore, Matthew Stone, and members of the media.

Mr. Grand thanked everyone for coming. He said he wished to recognize Dr. Jacqueline Greenwood, Raju Chinthala and Dollyne Pettingill Sherman, representing the Marion County Convention and Recreational Facilities Authority (MCCRFA). He said that their having to vote on matters coming before the Board at this joint meeting was not anticipated.

Mr. Grand also expressed thanks to Ann Lathrop and Dorothy Henry for their hard work regarding recent Board matters.

Since the CIB did not meet during the month of July, the Minutes of June 8, 2009 were presented, and upon a motion by Mr. Brown, which was seconded by Mr. Short, these Minutes were approved.

The next matters to come before the Board were a Financial Update and a Borrowing Resolution, both of which were presented by Ms. Lathrop. The Board heard some of the challenges that are to face the CIB in the future, and possible cuts that might need to be made.

Ms. Lathrop offered copies of the document she would be presenting to members of the public who were present. A copy of this document, "*Capital Improvement Board ~*

*Financial Update, August 10, 2009* is attached hereto, in its entirety, as a part of these Minutes.

Some of the points mentioned briefly by Ms. Lathrop, which she highlighted by reading aloud, were these:

- Financial Overview of Solution Provided by General Assembly.
  - Tax Increases. These increases would restrict the use of new taxes to pay CIB operating expenses.
  - Permits before September 1, 2009 the City-County Council to increase the Innkeeper's Tax by one percent (1%).
  - Permits between January 2013 and March 2013 the City-County Council to increase the Auto Rental tax no more than 2% and the Admissions tax no more than 4%.
  - Professional Sports Development Area (PSDA). This includes hotels in an area bounded by Washington, Illinois and Maryland, and includes the Marriott complex, Marriott, Hyatt and Westin. Additional funding would be capped at \$8 million dollars per year, beginning in 2009 (only available if increase in the Innkeepers Tax is approved by the City-County Council.)
  - Loan from the Treasurer of State (TOS). This allows the State Treasurer to invest in obligations of the CIB. It limits annual investments to \$9 million dollars in 2009, 2010, and 2011. Prescribes a 10 year term, with no payments required until January 1, 2013.
  - Requires the CIB to apply for the loan, which Ms. Lathrop said she has done, as Treasurer. Terms to be negotiated by CIB and Treasurer of the State.
  - Audit. Required that the State Board of Accounts perform an annual financial and compliance audit of the CIB (not a new requirement.) In the past, the State Board of Accounts has elected to allow the CIB to hire an outside auditor for this function that will now be conducted by the State Board of Accounts. Mr. Grand interjected that it was important to note this is the only audit the CIB would have.
  - Recognizes the City-County Council (CCC) with regard to additional Review and Oversight. This requires the CIB to submit its operating and capital budget to the City-County Council for review, for either approval or rejection by the Council. However, it should be noted that the CIB has done this in the past. This oversight would also require the CIB to present long-range financial plans to the Council before January 1, 2010. This is a new requirement. And, the Marion County Board of Commissioners would not review and/or approve general obligation bonds (which the CIB does not have) but would add a requirement for approval by the Mayor. This approval is a new requirement.

- Board Appointments. In the past, the County Commissioners made two appointments to the CIB. They will now appoint one member. Also, one member will be appointed jointly, by majority vote, of a body consisting of one member of the Board of County Commissioners of each county, other than Marion County, in which a stadium and convention building food and beverage tax is in effect. Additionally, the terms of current CIB Board members will expire on January 15, 2010, and new members appointed to serve terms beginning on that date.
- Cash Flow Projections (“bench mark” numbers)
  - Cash on Hand – June 2009. The total Cash On Hand, as of June 2009, is \$27,948,903.
  - 1% increase in Hotel-Motel Tax approved. This was presented to the Rules and Public Policy Committee of the City-County Council on July 28<sup>th</sup>. A copy of the document regarding this matter, including taxes and expenses pertaining thereto, is hereby attached to and made a part of these Minutes.
  - 2008 reflects actual Revenue and Expenses. This represents Lucas Oil Stadium, which opened in August of 2008.
  - Revenue and expenses for 2009 represent Actuals through June, and then anticipated collections or expenses for second six months of 2009. Numbers agree with budget submission to City-County Council for 2010.
  - Revenue Assumptions – 2009.
    - PSDA
    - 1% Hotel Tax
    - Food & Beverage taxes
    - Admissions taxes
    - Auto rental taxes
    - Fixed Cigarette taxes
    - Other Revenues
  - Expense Assumptions – 2009.
    - Anticipate operating expenses of \$61 million (CIB), which represents a \$17 million dollar reduction from requested appropriation budget of \$78 million.
    - Approximately \$13 million dollars in cuts have already been announced and approved by the CIB.
    - Additional cuts anticipated. The Board heard that in spite of the “numbers” in 2008 and 2009, significant cuts were still made. Ms. Lathrop was asked if the ICCLOS “is in line with other venues,” and her answer was, “Just slightly higher, but very close.” The example was given of Houston, whose numbers did not include utilities. Ms. Lathrop cited as important, the CIB’s work with the State on “cashless transactions”.

- Revenue and Expense Assumptions – 2010. Revenues projected flat for 2010, except a full year of Innkeeper's Tax anticipated.
- Expense Assumptions – 2011, 2012. Operating Budget to increase \$5 million dollars, due to new Convention Center expansion. No additional debt assumed in Debt Service budget.
- One-Time Payments  
One-Time Only Challenges.
  - We had AMBAC/MBIA Surety Policies - \$26.3 M (Sept. 9, 2009)
  - Mall Investor Loan Payment - \$33.8 M (Dec. 17, 2009)

The next matter to come before the Board was that of a Borrowing Resolution.

- Includes Loan with Treasurer of State.
  - Authorization to enter into a Loan with the State Treasurer for \$9 million dollars in 2009.
  - Authorizes the officers of the CIB (President, Vice President, and Treasurer) to negotiate the terms and conditions of the Loan.
- Reserve Fund.
  - Authorizes cash funding for the 1995 Senior Bonds (AMBAC Surety Policy).
  - Authorizes Officers of the CIB to complete negotiations with State or take additional actions to resolve the debt service reserve funding related to the MBIA Surety Policies.

Board action in the matter of the Borrowing Resolution was necessary. Upon a motion by Ms. Lathrop, which was seconded by Mr. Early, the Borrowing Resolution, a copy of which is attached hereto as a part of these Minutes, was approved.

- Audit Status. 2008 Financial Statements were finalized in May, as required by bond disclosures. All Board members were provided with a copy. Opinion was a "clean opinion," but issued as a "going concern".
- In current discussions with BKD, LLP and the State Board of Accounts regarding the possibility for updated audit work to occur to remove the "going concern" from the 2008 Financial Statements. Future audit work is dependent upon City-County Council and Board approval of General Assembly funding plan.
- 2009 Audit to be performed by State Board of Accounts. An outside accounting firm will be engaged.
- Approval of 2010 Budget.
  - Total Operating Budget - \$63 million, consistent with the earlier cash flow projection.
  - Total Debt Service Budget - \$31 million, consistent with the earlier cash flow projection.

--Changes from previous budgets noted.

With regard to the matter of Approval of 2010 Budget, Mr. Grand said he wished to make clear that the Budget includes what the CIB will need in order to operate, and includes expenses which pertain to existing commitments and existing responsibilities as well as those pertaining to the new Convention Center structure. He added that as always, questions pertaining to the CIB's Budget, or other matters, are welcome. And, upon a motion by Ms. Henry, which was seconded by Mr. Huse, the Budget for 2010, a copy of which is hereto attached as a part of these Minutes, was approved, with Mr. Cockrum advising the Board that he would be abstaining on this matter.

With regard to a vote later this evening regarding the 1% increase in the Hotel Tax by the members of the City-County Council, Mr. Cockrum said he did not know how what the Board could expect with regard to the vote. However, he said he wanted the Board to know that Councilor Jackie Nytes (D), 17<sup>th</sup> District, had agreed to introduce a proposal to the Council which would establish a "Council Task Force", the primary purpose of which would be to research, develop and obtain a long-term regional solution for the funding of CIB and related entities.

The next matter to be presented to the Board by Ms. Lathrop pertained to a Reconciliation of Shortfall, which had been distributed just before this meeting. Once again, copies were offered to the public. The Board heard that the CIB was asked to put forth a "worst case scenario," based in part on choosing not to fund, making cuts, etc., which is addressed in the report, including recurring operating shortfalls at LOS, ICC, Conseco Fieldhouse, etc., with a current total of annual recurring operating shortfalls at \$10,342,900. Positives include the 1% Hotel Tax, PSDA Expansion, and the Loan negotiations with the Indiana State Treasurer. A copy of this report is attached hereto as a part of these Minutes.

Mr. Levengood spoke to the Board about the CIB's Security contracts, extension(s) to existing contracts, and potential savings. He mentioned a "24-7 force" we have with CSC at LOS and ESG at ICC. The terms of both of these security contracts expire in 2010. Mr. Levengood said staff was seeking Board approval to extend the terms of both CSC's and ESG's contracts for two (2) years each. He said CSC is asking for a two-year extension, with an option to extend for two additional years at the end of the first two-year extension. ESG is seeking a two-year extension only. If approved, the two-year extensions would expire on July 31, 2013. He noted that both companies had agreed to keep their rates the same for the duration of the extension, saving the CIB approximately \$500,000. Mr. Levengood thought these terms were "reasonable." However, in the end, no action was taken on this matter at this time, and Mr. Grand asked that Mr. Levengood bring the proposal back to the Board at the next meeting.

The next matter to come before the Board was that of Consideration and Approval of Colts Signage Issues. With regard to this issue, Mr. Levensgood presented the, "Addendum to First Amendment to Signage Plan," between The Indianapolis Colts, Inc. ("Club") and the Capital Improvement Board of Managers of Marion County, Indiana ("CIB"). This Addendum pertained to certain signage and marketing elements for Club sponsors at Lucas Oil Stadium, and incorporated in a First Amendment to Signage Plan, dated September 21, 2005. The Addendum confirms the CIB's approval of some additional sponsorship signage to be installed at Lucas Oil Stadium, including confirming certain duties and obligations of the Colts and their sponsors with respect to such signs. The Board received copies of proposed signage, including that of "Abuelo's Mexican Restaurant," "Cummins Community Corner," "James Allen Pavilion," and "Toyota". Upon a motion by Mr. Brown, which was seconded by Mr. Short, the "Addendum to First Amendment to Signage Plan," was approved.

Mr. Levensgood then presented a Resolution pertaining to PERF ("Public Employees Retirement Fund") which Mr. Levensgood likened to "adding a signature on a checking account". He said the request was, in essence, a request for Board approval to add the names of Troy Judy, Assistant Controller, and Joi Morris, Senior Staff Accountant, to the names of those individuals who would be authorized to sign PERF documents on behalf of the CIB. Upon a motion by Mr. Early, which was seconded by Ms. Henry, this Resolution, a copy of which is attached hereto as a part of these Minutes, was approved by the Board.

In the absence of a regularly scheduled Board meeting in the month of July, an approval of the July Claims was achieved via Fax Transmission. Therefore, Ratification of the July 2009 Claims was presented to the Board at this time, and included the following:

Capital Improvement Board of Managers:

|                                            |    |                   |
|--------------------------------------------|----|-------------------|
| Operating Expense Voucher #474G            | \$ | 649,195.38        |
| Additional Operating Expense Voucher #474A |    | 182,007.22        |
| Additional Operating Expense Voucher #473B |    | <u>394,618.89</u> |
| Total:                                     | \$ | 1,225,821.49      |

Upon a motion by Ms. Lathrop, which was seconded by Ms. Henry, the Board ratified approval of the July Claims, with Mr. Grand noting his abstention on this matter.

Claims for the month of August 2009 were also presented to the Board, and included the following:

Capital Improvement Board of Managers:

|                                            |    |            |
|--------------------------------------------|----|------------|
| Operating Expense Voucher #475G            | \$ | 695,864.01 |
| Addl. Operating Expense Voucher #475A      |    | 180,119.91 |
| Confirming Operating Expense Voucher #474B |    | 408,557.80 |

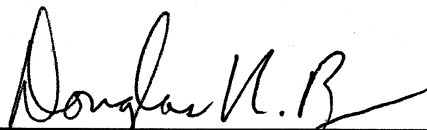
|                                       |                   |
|---------------------------------------|-------------------|
| Cultural Tourism Funding Voucher #73T | <u>180,402.00</u> |
| Total:                                | \$ 1,364,943.72   |

Ms. Lathrop moved approval of the August Claims. Upon a second to her motion by Mr. Huse, the Claims for the month of August were approved, with Mr. Grand noting his abstention on this matter.

Mr. Grand asked if there was any additional business to come before the Board at this time, and there was none. He then asked if there were any comments on behalf of the public to be heard at this time and, there being none, Mr. Grand declared that the meeting was adjourned.



Robert T. Grand, President  
THE CAPITAL IMPROVEMENT BOARD  
OF MANAGERS  
OF MARION COUNTY, INDIANA



Douglas R. Brown, Secretary  
THE CAPITAL IMPROVEMENT BOARD  
OF MANAGERS  
OF MARION COUNTY, INDIANA