

## SPECIAL COMMITTEE ON THE CIVIC CENTER

**July 6, 1999**

**5:15 PM**

In the absence of the Chairman, the Clerk called the meeting to order at the appropriate time.

The Clerk called the roll.

**Present:** Aldermen Wihby (late), Rivard, Cashin, Hirschmann, O'Neil

**Messrs:** S. Ashooh, W. Craig, and P. Levy

The Clerk noted that in the absence of Chairman Wihby, a motion is in order to elect a Chairman Pro-Tem.

On motion of Alderman O'Neil, duly seconded by Alderman Rivard, it was voted to elect Alderman Cashin as Chairman Pro-Tem.

Chairman Cashin addressed Item 3 of the agenda:

Report on sales and marketing of premium seating presented by

Skip Ashooh:

- (a) corporate suite sales; and
- (b) club seat sales

Mr. Ashooh stated basically what I wanted to do was take a few minutes tonight to recap what has happened in the last couple of weeks or so. On June 16 we had a meeting where we talked about the sales and marketing plan for the suites. A presentation was made to about 50 people. We sold or accepted deposits for 8 of those suites and over the next 11 days we accepted deposits on the other 16 remaining suites. Just so that you understand what it is, we accepted these \$5,000 deposits. They are refundable because there was no contract presented to them that night. In order to make a deposit that is non-refundable, they need a legal document that will bind them. That legal document is essentially complete and should be distributed very shortly. There will be a 30-day window for those people who put down deposits to review the document, sign it and get it back to us. If they don't act in that 30-day window, we will return their check to them.

We have developed a waiting list. We have a waiting list of firms that would like to have suites that we don't have and can't accommodate at this time, but we think that 24-suite number is a good number. At the same time, Scheer Sports and Chris Morgan who you met, are formulating the sales and marketing campaign for the club seats which we expect to take off in the next couple of weeks or so. Once that plan is formulated, we would like to present it to this Committee so that you are aware of what that would entail. It should be on a similar basis, a fixed price with a five-year commitment. What is included in that package is what they are going over now and it will probably be offered on a slightly different basis. It will be a non-refundable deposit that will be accepted immediately on a first come, first served basis. It will probably be third tier seating or third tier pricing. What we haven't discussed yet are the club lounge seats that the architects have been working on putting in place and that will have a different pricing structure and not be part of the club seat offering. The seats at the end of the ice area, they are doing something a little bit different with those as well. That is going to be a separate package. That is where we stand on sales and marketing on the luxury suites. I would like to say though, and this is part of the comment that you had, Alderman Hirschmann, when we made the initial presentation about making sure that Manchester business had a chance to get in. I am happy to say that without any extraordinary means, I would say about 85% of the businesses, the 35 or so businesses that bought them are Manchester businesses. We did have a broad interest. There are small businesses, large businesses, and individuals who formed groups to do this and I think it represents the community very well.

Alderman Rivard asked the seats, the club seats or 24 luxury boxes, where is that money going.

Mr. Ashooh answered the \$37,500 a year that is generated by an individual suite lease goes to the building and then is divided in three ways. A portion goes to the debt service, a portion is revenue to the hockey team and a portion it revenue to Ogden. As an example, I think in the proformer if you take a look about \$7,000 out of each suite lease goes to the hockey team.

Alderman Rivard asked and the special seats that you are going to be selling, that is the same formula.

Mr. Ashooh asked the club seats. They will have a similar revenue division.

Alderman Rivard stated we are using Rooms & Meals tax money to pay down this debt, right. What happens...are we going to have any revenue from the sale of these suites or from the seats?

Mr. Ashooh replied there are two pieces to the financing structure on these. If you recall, one piece was to limit the City's exposure to 80% of the debt of the facility. A minimum of 20% private investment that would come into this facility. In this case, you have a 20% minimum that would be represented by revenues from the naming rights, pouring rights, leases on luxury suites and the sale of club seats. Those are all revenue streams that go to the building. Those, taken as a group, have to exceed 20% and that is where the revenue flows from private investors to the building and directly goes to pay off the debt in the facility. The 20% of the debt.

Alderman Rivard asked so in what year will these payments exceed the Rooms & Meals tax and pay down the \$50 million.

Mr. Ashooh answered the project can't exceed \$57 million so if you take the formula we have been using and operating under, no more than 80% of that \$57 million can be debt service by the City. A minimum of \$11.4 million has to be debt service by private sources in the building. That combination can only swing right into the City's favor.

Alderman Rivard stated at one time I thought we had a couple of private business people involved. Enron and somebody else and I thought they were going to pay 20%. So they are not paying the 20%? They are going to pay something is that right?

Mr. Ashooh responded no. The revenues that we are finding that are available to this building like luxury suites, club seats, naming rights and pouring rights we think are going to be significantly greater than we expected. Therefore, they represent a much lower cost of capital to the building. If you use corporate capital, there is a 15% cost and in the municipal bond market you might have a 5% or 6% cost so it is cheaper for us to use capital.

Alderman Rivard asked originally we were getting \$10 million from those people or \$20 million.

Mr. Ashooh answered \$11.4 million, which would have been the 20%.

Alderman Rivard asked and we are not expecting to get that now. Now basically you combined the seats and the boxes.

Mr. Ashooh answered we think we can replace that capital, that \$11.4 million that was going to come from Ogden and Enron, we think we can replace that with these sales instead at a lower cost to the City for this project than by using their money. Their money has a cost that got too expensive. That doesn't mean that the idea that we had of having co-generation in that facility doesn't work. We still think that is a real possibility. We just don't have to pay the capital cost for it.

Alderman O'Neil asked if that is the case then wouldn't the City portion be less than 80%.

Mr. Ashooh answered it may very well be. We are working out those numbers now. We know that they can't be more than 80% for the City.

Alderman O'Neil stated I was under the same impression that Alderman Rivard was that Ogden's commitment was \$11 million for this project.

Mr. Ashooh replied Ogden's commitment never was \$11 million. Ogden in conjunction with Enron was but when you sat down and looked at their cost in capital we thought we could really save some significant money on this project by using these means of financing instead, which also means by the way that you put Ogden in a position as building manager of having just a management contract with the building and not control all of the revenues in the facility. Those revenues then become available to the City to pay off the debt.

Alderman Rivard stated this is pretty complicated. I thought I understood it, but I certainly don't understand it tonight. What happened with Enron? Are they out or are they in?

Mr. Ashooh replied when we sat down and started negotiating costs of things with them, they had to do three things to make their offer to us work. The first thing was they had to show us that there was a real advantage to having their system in place in our facility, that it would save the City money and that they could finance a portion at a reasonable cost and take the risk of energy costs out of the building for us. You have to remember that this whole project is geared toward getting something done in Manchester but eliminating or minimizing as much as we can the exposure of risk to the taxpayer. When we sat down and started adding the numbers from Enron, we weren't going to save enough and the capital was going to cost too much and we couldn't get adequate protection for the taxpayers. At the same time, we started the negotiations of luxury suites and club seats and naming rights and those numbers were coming in substantially higher so now we have real dollars available for the project at a much more favorable rate to the City than using some of the corporate capital and we still have negotiations going on to provide the utility portion on the site but not tie it to the cost of financing the

building. Actually, the way the building was originally going to be done was you have the City put up the 80% and the private investor would put up a minimum of 20%. We simply changed the source back to what it was going to be.

Alderman Wihby asked so the rumors I heard that they pulled out aren't true.

Mr. Ashooh answered no. As a matter of fact, I have a letter on file from Enron right now that they have offered us \$8.5 million worth of capital which was their original thing but then we started to figure out what their capital was going to cost us.

Alderman Wihby asked so the seats and all of this stuff are going to be part of the \$11.4 million.

Mr. Ashooh answered if you had Enron and Ogden put in \$11.4 million in capital, the seats, the suites, the naming rights, and the pouring rights would have gone to Ogden and Enron to pay their capital. This way, we think we can do this at a cheaper cost to the City.

Chairman Cashin asked all of this was going to go to Enron.

Mr. Ashooh answered if they put \$11.5 million in, yes.

Chairman Cashin asked and that was in the original proposal.

Mr. Ashooh answered no, the original proposal just said 80% City and 20% private and then we found that we had an offer on the table from Ogden and Enron offering \$11.4 million or the 20%. They would give it to us in one piece and we wouldn't have to worry about the risk of selling luxury suites and club seats and things like that. We would have our capital in place. What has changed about that now is their cost of capital is too high and the luxury suites and club seats and naming rights we are getting for significantly more than what we planned. This turned out to be a better way for us to do it.

Chairman Cashin asked but Enron and Ogden at one time in the original package was \$11 million.

Mr. Ashooh answered right.

Chairman Cashin asked and now that \$11 million is out.

Mr. Ashooh answered we are just getting it from different sources. We will still have it.

Chairman Cashin asked so what we are doing is taking it from the seats and everything else.

Mr. Ashooh answered right.

Alderman Wihby asked which is where they were getting it from too.

Mr. Ashooh answered right. That is how they were going to get their return on it.

Chairman Cashin asked so instead of giving \$11 million to Ogden and Enron...

Mr. Ashooh interjected it is going to go directly to debt service.

Chairman Cashin asked are either one of these still players.

Mr. Ashooh answered yes. As a matter of fact, we told Ogden that their capital, because in their original proposal to us they were going to provide \$1 million to \$1.5 million for FF&E, furniture, fixtures and equipment, and we decided that we didn't want the money for that because we think through the planning we have now that we are going to be able to buy the same stuff at a cheaper rate. Once we started moving through this, we found our access to capital much cheaper than using what they offered. Ogden still offered the capital to us. They never took back the offer. We just found that we could get it a lot cheaper someplace else.

Chairman Cashin stated going through everything that we into looking at this prior to I would have thought that we would have found all this out before we got to this point.

Mr. Ashooh answered in part it was based on the concept that you could take the energy proposal and engineer as such that you could get enough safeties to make it work. We knew the cost of capital was always going to be at a certain level so you would have to accept that cost of capital and then find a way to reduce it by getting enough energy savings out of the building to make it work and that it where Enron said that they couldn't save enough money to make it economical but they would still provide us the capital.

Alderman O'Neil asked if that is the case, why are we limiting our negotiations for building manager to Ogden.

Mr. Ashooh answered because they were the winner on the original basis.

Alderman O'Neil stated but the whole thing has changed.

Mr. Ashooh replied no.

Alderman O'Neil responded you can't say it hasn't changed. They were the only ones willing to put up the \$11 million. My understanding is that other firms wanted nothing to do with that, but now we are talking about just giving them the management contract.

Mr. Ashooh replied let me correct your memory. The RFP that went out for building management was based on a number of items, none of which was a provision of capital. Ogden, with their experience in the business and their ability to provide an absolute guarantee against operating deficits to the building beat SMG hands down, they beat Bonham Services hands down, they beat Boston Concessions hands down. They beat all seven names that came up. After, they made that offer and we accepted it. That is when we went to them with a different idea. We went to them with this idea of how about a lease on the building in return for capital with this other partner and that is when it came. They are still willing to stand by their original offer. When you see the MOU, it will be according to those original provisions, the original mandates that we had to get since we are not going to be using their capital. If you remember, we were going to give them a lease on the building but they were also going to take control of the revenues. Now we are not going to give them the total revenues. The City will have much greater control over the revenues in the building. This is to the City's advantage.

Alderman Hirschmann asked has the duration changed.

Mr. Ashooh answered no. The contract still would have to be geared toward the indebtedness in the building.

Alderman Rivard stated the word greater when you said the City would have much greater control, that is pretty vague since things change quite frequently around here. What does greater control mean?

Mr. Ashooh replied well we are not using that capital or allowing Ogden to take control of the revenues in the facility to pay them for the capital they are providing. This is money that flows through the building directed by an agreement that the City has with Ogden and the hockey team on how debt service gets paid and as those revenues increase, they don't necessarily go to Ogden but they come to the City.

Alderman Rivard asked could we get some kind of a document that shows what you are talking about. Quite frankly, I don't understand a word you are saying. I apologize, but things keep changing. You are telling us that we have greater control, but I don't really know what is going on here. We lost \$11 million and now the luxury suite and box owners are going to pay. What we had over here we have now gotten over here. I am very confused. I would like to see something that would show us how these things are going to impact the City and what the benefits are. Right now, I am not sure.

Mr. Ashooh answered we are in the process of buttoning down the last details in the contract so we can operate this and once that is done you will have the precise numbers rather than projections. There will be actual numbers on how this deal will come together.

Alderman Rivard asked could we see a draft of the details before it comes here. You guys aren't going to sign a contract and then tell us what you did?

Mr. Ashooh answered MDC doesn't sign the contracts.

Alderman Rivard stated I don't understand this at all. I thought I understood what was going on here.

Chairman Cashin asked this is all coming back to us anyway right.

Mr. Ashooh answered yes. These are all City contracts. MDC is not signing any contracts.

Chairman Cashin stated right now I am a little nervous.

Mr. Ashooh replied I will simplify it as much as I can and state that the source of capital that we have will be as high quality as what we had before, but it will be from a different source at a lower cost to the facility which is the original plan that we had on this.

Alderman O'Neil asked so we are still looking at a 15-year contract with Ogden.

Mr. Ashooh answered that is correct.

Alderman O'Neil stated yet they are not putting up any capital. I thought the term of the contract and the life of the contract had to do with the capital they were putting up and now they are not putting up any capital. So, for 15 years we have to buy into whether they do a good job or not. We are locked into it. My understanding is that most facilities are five-year agreements.

Mr. Ashooh replied we are still looking at obligations or commitments from Ogden. You have to remember Ogden has an obligation to perform in this building. They are providing an absolute guarantee against operating deficits. If that building loses money and doesn't perform, it comes out of their pocket. If that is part of the financing structure, we need that part in place for the length of time that you have exposure as far as debt service and that is what Ogden is providing for us.

Alderman O'Neil stated it just seems like a pretty good deal for Ogden.

Mr. Ashooh replied actually what it does for us is it puts Ogden on a contract with incentives.

Alderman O'Neil stated but there is no risk for them now. Before there was a risk.

Mr. Ashooh replied you can't say that there is no risk because they are bearing all of the risk in the building. That guarantee against operating deficits is all the risk in the building and that is what they are taking. They are doing that now on a contract basis instead of doing it in return for control of the revenues in the building.

Alderman Hirschmann asked over the life of the project of 30 years, how much less in Rooms & Meals money would you use doing it this way.

Mr. Ashooh answered I am not sure what that number is at this point. Right now, if our numbers work out right instead of 20%/80% we might be a little bit better than that. How that translates to a difference in Rooms & Meals, I am not sure. It should be less.

Alderman Hirschmann asked you are just replacing that capital.

Mr. Ashooh answered we are replacing that capital at a lower cost and if we lower the cost of capital in that building, it gives us the ability to eliminate some of the surprises that may come in construction and we would have a better revenue stream that flows through the building.

Alderman Wihby stated when we originally talked about this and went out with the RFP's and Ogden got it, would any of the other outfits, if they knew what was going on now, would give us a guarantee too.

Mr. Ashooh replied they all offered us a guarantee. The problem was that they offered us a guarantee of different natures.

Alderman Wihby stated with what is happening now, are there any that would come back and say hey I will take that deal now and give you the same guarantee as Ogden.

Mr. Ashooh replied that has not happened. We have had other offers for debt service and for guarantees against operating losses made to us in that building but they have not been guarantees. They have been loans against future revenues. The chief buyers for this said it is not our policy to provide a guarantee against operating deficits but we will give you a clock instead worth \$100,000. What we needed was a bottom line guarantee against operating deficits. Ogden has since given us and always stood by their ability to provide that. To the best of my knowledge, no one else has given us the guarantee against operating deficits of the same quality with the same nature as that.

Alderman O'Neil stated I think the game has changed. That is my opinion.

Chairman Cashin addressed Item 4 of the agenda:

Discussion of the use of local labor and the construction manager selection process (Ken Edwards and William Craig).

Mr. Craig stated Item 4 shouldn't be on the agenda. It is premature. I don't know how it got there, but I am continuously getting proposals and I had two on Thursday and I got a call from someone today who wants to come in and see me. Our plan is within the next two weeks we will meet with those directly concerned to make sure that we can submit something to this Committee that would guarantee that Manchester people will be chosen to the extent possible to work on this project. If anyone has any questions, I will be happy to answer them.

Chairman Cashin addressed Item 5 of the agenda:

Discussion of proposed change order process for the construction of the Civic Center (William Craig).

Mr. Craig stated this morning we had a meeting in Kevin Clougherty's office with Peter Levy, myself, Ken Edwards, and Joanne Shaffer and Randy Sherman were also there. We finally decided how the flow and control and supervision of the construction manager was going to work. Peter Levy will be designated the key person to represent the City and the authority. He will be there daily to provide assistance. If there are any problems of a normal magnitude that he can't solve, he will go to Ken Edwards. If there is something really big that nobody can solve, we will dump it on your people. One of the things that this particular Committee it supposed to resolve with respect to the construction management contract is the

process of how change orders will be handed. Peter Levy went over that this morning and he is comfortable with it. I will ask him to explain it to you.

Mr. Levy stated change orders don't actually exist until after the guaranteed maximum price. Anything that happens prior to that is basically a revision to the program or change to the program. Those revisions that have impact on the cost and the guaranteed maximum cost but there is still that ability to evaluate engineering and if something in the program needs to be revised or changed we have the opportunity to do that. Once the GMP is executed and there is a change in the scope, i.e. something is added or there are some unseen conditions, which we didn't know about, it requires a change order to the guaranteed maximum price. This change order would be generated by the construction manager and it would come to me for review and then passed on through the Housing Authority to the Board. It is a fairly simple process.

Alderman O'Neil stated at one point there was some talk about different levels of change orders and dollar amounts that wouldn't need to come here. Was there any discussion of that?

Mr. Levy replied yes, there is further discussion of that and it would be that it hasn't been totally addressed at this point but it would be advantageous to have some sort of a limit or a maximum amount that could be authorized by myself for the City. Again, this is for expediting the process as quickly as possible. We have a very big budget and a very tight time-line. Change orders have a tendency to add time to a project and that is why we would want to avoid them as much as possible and minimize the change orders. If there is a need for a change order, it will be dealt with very quickly. Again, I think it is up to the Board as to how much they want to be involved in the process and if they want to be involved in a \$1,000 change or a \$1,500 change. Again, that all takes time. It takes your time and it also possibly stalls the project.

Mr. Craig stated it is my understanding that anything over \$25,000 would come to this Committee.

Alderman O'Neil asked did we approve that.

Chairman Cashin answered yes, above \$25,000.

Alderman Wihby stated I remember the \$25,000, but where is it. Where did we see that? Was that a proposal?

Alderman Hirschmann stated I saw a proposal but I didn't know it was accepted.

Mr. Craig replied I talked to various members of this Committee and the Committee on Community Improvement. This is an attachment to the proposed contract and the proposed contract was \$25,000. The proposed contract is a minimum contract here and I suspect it may have to go to the full Board.

On motion of Alderman O'Neil, duly seconded by Alderman Wihby, it was voted to approve the proposed change order process for construction of the Civic Center.

Alderman Hirschmann asked could we discuss one thing before it becomes a change order. I was mentioning early about a marquee or signage out front. Can that be engineered into the project? I think it should be before it becomes a change order.

Mr. Craig answered I don't know anything about the architectural plan.

Mr. Levy stated it will be part of the project.

Alderman Wihby stated we okay it before it gets to a change order, right.

Mr. Levy stated that is part of the design development program.

Chairman Cashin addressed Item 6 of the agenda:

#### Status of Phase II Business Development (Skip Ashooh)

Mr. Ashooh stated unless there are any specific questions, we started discussion on Ogden and this item is really to deal with those questions that still might be outstanding or business documents that are being negotiated at this point. I think we have touched on a number of those. We are still negotiating for naming rights and pouring rights and all of those things I touched on a few minutes ago. I don't think we need to go over them again, but I would be happy to answer questions.

Alderman O'Neil stated if we can get some kind of financial update as to where everything is, that might be helpful.

Mr. Ashooh replied that is not a problem and those numbers are becoming real.

Alderman Rivard stated and I would like a breakdown of the \$37,000 for the luxury suites and the money from the club seats and where that is going to go. How is that going to be divided up?

Mr. Ashooh replied that is part of the business document/business relationships that are being finalized now so you have the exact numbers. Once that is done, you will have a full-blown document that shows all of that. If you recall, the proformer that we provided earlier in the final report had estimates for our analysis of how this business plan would work. Now we are going to be able to put some real numbers to that same model and furnish you with that same model. You will have that.

There being no further business to come before the Committee, on motion of Alderman Rivard duly seconded by Alderman Wihby, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee