SPECIAL COMMITTEE ON THE CIVIC CENTER

August 25, 1999 **7:00 PM**

Chairman Wihby called the meeting to order.

The Clerk called the roll.

Present: Aldermen Wihby, Rivard, Cashin, Hirschmann, O'Neil, Sysyn, Clancy, Pinard, Shea, Pariseau, Thibault, Girard

Absent: Aldermen Klock, Reiniger

Messrs: K. Clougherty, W. Craig, S. Stern

Chairman Wihby stated this is not a public hearing it is an informational session. The Aldermen will be given a chance to ask any questions after Finance Officer, Kevin Clougherty speaks to make sure that we get through the presentation. I have asked Mr. Clougherty to start from the beginning of this project, what was adopted and voted, the question on the ballot, and take us to where we are today on the new numbers there is documentation on those numbers and the reason they are there.

Chairman Wihby addressed item 3 of the agenda:

> Update to be presented by Kevin Clougherty, Finance Officer relative to the current financing structure for the Civic Center.

Finance Officer Kevin Clougherty stated going back to the original proposal and tracking that to the present status of the project. I went back through the presentations that were made, the proformas presented to the Board at that time and then did a comparison to today. It is important to note that what I am comparing to is the original proposal that was given to the Board in August of 1998. It was prepared based on estimates and best information at the time. What is currently available is what the consultants have developed, as a result of much better information then was available back when. William Craig with the Housing Authority is here. He and Steven Stern are working with us on this project. Mr. Stern has been doing the financing for this project. I have asked Mr. Stern to join us in case there were any questions that need the detail that I do not have.

We went back to the original handout that was made available at the time of the August 1998 presentation. In that, I added another column that compares to where it is today so that you can see before and after. That is a lengthy document and there is a lot of repetition. I summarized, in six slides, information that is going to help answer a lot of the questions that the Board and others are interested in.

The Non-Binding Resolution that was adopted by the electorate states "The Board of Mayor and Aldermen should they approve $50 million dollars of fully insured bonds for construction of a civic center in Downtown Manchester, the total project will be paid with private funds and a portion of the City's share of the State Meals and Rooms money". That says a lot, but it is important to go back and understand that there is more than the referendum in terms of the details of what this deal has to be. Since day one of the Civic Center proposal that was presented by Hunter Interest there have been a series of requirements and requisites that have to be met in order for this project to be approved by the Aldermen. In 1998, these were and still are the requisites. They still have to be met by the consultants when they come back to you or no deal. It is important to review them:

> **"No property taxes are going to be used to construct or operate the facility"**. If they come back with a proposal that does counter that, it is not going to be passed.
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> "**The City will own the building"**.
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> **"The City will contribute a maximum of 80% of capital costs from Meals and Rooms Tax monies or tax-exempt, insured bonds backed by those monies"** that is required in the referendum.
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> **"Rooms and Meals tax-exempt, insured bonds shall not exceed $50 million".** They cannot come back and say we are $50 million and change, that is the maximum; if they exceed that no deal. This is the deal from the City's standpoint and you cannot pick and choose from this list, you have to hit every single one of these or no deal.
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> **"The debt service for the project has to provide for 30% coverage ratio"** in any given year, the debt service, that is the principle and interest to be paid on the Rooms and Meals bonds cannot exhaust all of the Rooms and Meals money that the City is getting at that point. There has to be at least 30% more in the Rooms and Meals money increment coming to the City than what the Debt Service is going to be.

"Private businesses will invest a minimum of 20% of total project budget" don't come back and tell us you have 19.97%, it has to be a minimum of 20% and that is an important benchmark that has to be met.

"Ogden will guarantee the City against any operating deficits and prohibit any general fund appropriations" this is a must, it has to be done.

"Construction risk will be assumed by a Construction Manager".

"**The City and Ogden will share excess facility cash flow"**.

"Project financing and operations will be non-recourse to the taxpayer" if there is a problem with the Rooms and Meals, it cannot come back to the City, it has to be through an insurer. On the private side, if there is a problem with the revenues that are backing the issuance of the 20% private bonds then that cannot be recourse to the City.

There has to be an **"Insurance commitment of tax-exempt Bonds"** and **"Underwriting commitment for private financing"** before the Board will consider anything.

Those are the marching orders, they have been there and Attorney Craig and City Solicitor Tom Clark are bouncing up against this criteria to make sure that any of these proposals live within the exact detail specified by the Board. That is the deal that has to come back to the Board. Over the last couple of months, people have been working to pull together this deal. It is not done, but in the meantime there has been some question about what are the costs of this. There was a figure in the paper about $8 million dollars. What I have done is prepared a slide that will explain where the $8 million differential is and what it is made up of and what it means.

On the chart, as of August 18th, which is the original proposal based on the best information that they had at the time, the **total funds required** were $59 million dollars. They thought that Meals and Rooms would provide 77.8%. That would support a project budget of $57 million dollars. The Meals and Rooms Bonds that would be needed to support that; the 80% would be $44,100,000. Under the current proposal, which is work in progress and is not completed, they are understating the revenues because they are not putting revenues in until they are contractually obligated. They are also building in reserves. The total funds required have gone from $59 to $67 million dollars. The Rooms and Meals shares have gone from 77% to 79%. The **project budget** has gone from $57 million to

$60 million. The **Rooms and Meals Bond** requirement if all of these things were to happen would go from $44.1 million to $49.7 million dollars. The original budget for the land was $3.2 million dollars; they are now carrying in $4.8 million dollars which is a difference of $1.575 million dollars. That **land** category includes not only the acquisition of the land but it includes eminent domain proceedings, relocation of businesses. That is an "all in" number rather than just the acquisition of the land. When they put in the original numbers of the $3.2 million that was based on assessed values that they had from the Assessors Office which was the best numbers that they had at the time. Subsequently, they have been able to go out and do some appraisals and other things, take a look at the Market and have felt that it is necessary to put in an additional $1.5 million as a reserve in case when this is all settled, it goes up to meet some of the things that are happening in the Market. That does not means that is committed for that price or that it is going to happen at that number, it just means that they are taking additional precaution in putting dollars off there in the form of a reserve to make sure that if it does happen there will be money available within the $50 million. Part of the consideration is when these numbers were prepared there was no cap or bond at that point, there was just their best projection. It could have been $45, $47 or whatever it came up to. Now that you have a $50 million dollar bond resolution, one of the concerns is that expenses could creep up here in the form of construction, then you would have on top of that, the issuance cost. We have seen that before with the airport where issuance cost can be a factor. What they are doing here is taking some precautions for the City, to make sure that those reserves are in there up front. That does two things; it commits the full amount of the $50 million dollar bond issue and it creates pressure on the construction side to stay within its budget. If those were not in there, then you might see some things creeping. These are legitimate concerns and reserves that they have put there. Whether they materialize and whether they are actually in the final deal is something that will have to come back to you to be approved. Right now it is prudent to include them but they are not definite numbers, they have not sold anything here. This is still very much work in progress. **Site work construction** is tracking. They have had some value engineering meetings and in the proform of the differences is a little bit in the favor of the budget of $25,000. **Fees and Services, $423,000**…what happened on that is it is a mistake. When the original budget was proposed for the building, they put in all the costs for the services, the engineers but they did not put in the $380,000 number which they had, but did not get rolled up into the budget for the cost of the borings and the site work. That is the budget number that has to be included, you have to put it in.

Steven Stern interjected the full range of expenses for the entire architects and engineering team, which comprises a number of sub-disciplines, it is my mistake that I left it out of the 1998 budget.

Mr. Clougherty continued but nonetheless it is a real number and it has to be in there. That is what that increase is. The next line, **FF&E** (fixtures, fit up and equipment). Originally it was $4.7 million, now it is $5.5 million, an increase of $810,000. Roughly $610,000 of that $810,000 is enhancements to the scoreboard. When this number was put together, nobody was certain what would be the interest. Although we had market studies that had been prepared for the Board on Arthur Edison, there was no certainty as to how the market would respond. Would businesses be interested in buying suites and doing advertising deals in a business like this. Since that time, the consultants have sold all of the box seats, and because of that market interest there is a $610,000 increase in the scoreboard, that can be used for advertising. That will increase your private commitment. They have the cost in here, the $600,000, but conversely they have not increased the revenue that may be generated from that scoreboard because they have not done the negotiations and the contractually obligated contracts that would firm that up. You have a conservative approach, the consultants are putting in the expense, but not yet reflecting the revenue until that is confirmed. If you do not have the demand that is out there, you probably do not have to do the scoreboard either and that is something that can be value engineered as the project is going on. **Project Contingency**, some things have been moved back and forth but still a substantial amount of money in contingency for the project.

Mr. Stern interjected part of the reason that the contingency is down is because in 1998, we did not have a firm contract, a firm number, an actual analysis on any number in the budget, it was a plan. It was the best working estimates from everybody. Of the $61 million dollars, almost 40% of that project budget are actual bids, appraisals, estimates, etc. and as a result, we do not have to carry the same size contingency against real commitments than we did against estimates. It is only a very modest decrease in the project contingency, roughly a 5% decrease in the project contingency, while roughly we fixed 40% of our cost. It is another place where we are hearing on the side of conservatism but not to the point of foolishness.

Mr. Clougherty continued, the next item is the **Stub Period Contingency**; the City owns a building, you go out and build it and in the meantime you have all of these commitments from people for their suites, entertainers for Ogden. Ogden's guarantee of the building is not going to start until they actually have a building to operate. It only makes sense; they are not going to guarantee something that they are not controlling. What happens is that they have this program up and running and the building does not come on in time for some reason, that is not Ogden's fault. The building is not built; we do not deliver the building. What the consultants have done is they said let's take a year's revenue as a contingency and put that off to the side so that in the event, there is a delay in the building, the City

is not going to be at risk and they have this reserve in place to take care of any of the expenses and the commitments that have to be made. The Stub period is a timing issue. Once you have a proposal from the group that meets all of the requirements and you look at the timetable, it may be evident that this Stub period is not a concern. Right now, because it is taking longer to develop some of these things, that is a prudent reserve to put in there and it seems prudent to have a reserve for something like that then to have actual expenses in the building going up. The total of all of those items is $3,895,000. Because you are increasing the project size, that is the difference between the $57 million and $60 million, the financing costs are going up. Just because the number is going up, there are a lot of things in a financing that are based on size and fees. If a lot of those things do not materialize, these numbers likely will come down. If you are going to include them on the project budget, then you have to provide for them on the financing side as well. You will see the **Rooms and Meals** go up $190,000. On the next slide, I will talk about what the difference is between the deal that was proposed by Ogden and Enron vs. what the current financing arrangement is. Under the previous deal that was proposed, Ogden and Enron were going to act as bank. They were going to give dollars into the building up front, but they were going to get that money back through the revenues of the building. So you did not have issuance cost, now if you go through a **private financing**, you will have cost, credit rating cost. In the long run, you will probably be better off because you will not be paying the same rate. Those are costs if you are going to do what is being proposed now, in terms of a financing, then those have to be included. The **Insurance for the Meals & Rooms Bonds**, we have independently confirmed there are several insurers that are looking at this and we have had our financial adviser make sure that these numbers that are in a proforma are accurate. The next number is another reserve that is prudent to have in the budget. It is a **Debt Service Reserve**; you have seen these on all of our other bonds that we do for the City. When you go out and do a financing, one of the things that the banks want to make sure is that you are going to pay the mortgage. One of the things that they do is what is the highest principle and interest payment in any given year. Take up to that amount of money and put it aside. In the worse possible scenario, you have that money set aside and you have a year to work things out and make things happen. That is a usual requirement for financing and not uncommon for any of the things that have done, we had to do it for the Airport and for the Water Works. There are two ways you can do that, you can buy a surety so that in the event you need it, you can have that available. That costs about $116,000. The other way you can do it is you go out and raise that money and have it sit there over the life of the bond issue. At the end if you have not used it, it makes your last debt service payment. The banks have not said that you cannot do the surety, but to be prudent, they have included that as a reserve up to the $50 million to make sure that that is committed rather than going into something else or being used for construction and expenses. You are making sure that in the worse case, if you

have to come up with that money, it is there. The last item is **Capitalized Interest**; a timing issue not unlike the Stub Period. If you build a building and you issue the bonds, you have a deadline to make principle and interest payments, just as you may have some commitments under the Stub Period for the operation of the building, you will have an interest payment that you will have to make. You want to make sure that you have that interest payment set aside in the event that the bonds are out of sync in terms of their timing with the revenue coming in. That is a product of how these bonds come to you in a final proposal. If the final proposal comes in and says it meets all of the criteria, which it has to, and it can be done in a schedule that is not going to require a Stub Period, then you are looking at some reduction in the Capitalized Interest as well. But for right now, they are carrying it as a number to be prudent and make sure that that is set aside. It is important to have all of those numbers in there because in the event you have to use them you do not want people thinking that we can go out and raise this project from $39 million up to $42 million and not have all of these other costs follow. The purpose of this is to make sure everybody is looking at the entire picture and that the reserves are creating pressures to make sure that the expenses on the construction side stay in line. The total of the $3.895 million and the $4.1 million is that $8 million dollar number that we have been hearing about in the paper. That is the difference between the $59 million and 67 million. Of the $8 million dollars, the City's requirement is 79.30% (about $6+ million dollars). Of the $8 million, $5 million is made up of these contingency reserves. Of the remaining $3 million, $1.1 million is going to be paid for by the private sector because they have to pick up their 20% share. The remaining $2 million is the actual real increases in the project, comprised of the $1 million dollars that we said is the architects and engineering omission in the budget and the $600,000 for the scoreboard plus the balance of those line items.

Mr. Stern stated it was presented to the Board of Mayor and Aldermen and subsequently to the voters in public hearings and the public television session through the late summer and fall last year. Then the vote was approved, in January you approved the financing resolution with all of the constraints that Kevin Clougherty has listed and appropriation to go from the concept in 1988 to bring me back a plan that meets all of these things. We have been working extremely hard to do this. The project has changed, and an $8 million dollar number is not an insubstantial number to deal with. But Kevin Clougherty is right that it is an act of prudence rather than an act of wild spending. What has happened here is that the act of selling the 27 suites in twelve days, the fastest sell out of suites in American Hockey League history has changed the view of this building in the marketplace, not only in Manchester, but the national business sports and financing marketplace. In roughly 40 days, from the time that the suite sell out was announced, we had reached an agreement in principle with Ogden on a Memorandum of Understanding, we have reached an agreement of lease terms

with a hockey club ownership group, we have finally prepared the financing package can be submitted to private lenders and we have already received verbal indications from two different banks of their intent to present us with financing proposals that satisfy these criteria and that will allow us to do this project. This is a work of art and a work in progress but there is a change in the perception and the realities of this project that has occurred. It is very difficult right now to point to every single contract, they do not all exist yet. There has been more that has happened in the last 60 days in this project that happened in the 10 months before that. It is because the Manchester Community and Market has said, "we want the building". I have been told by all of the folks, whether it be the MDC or the Board of Mayor and Aldermen or Mr. Clougherty or many of you privately, publicly by the financial advisor "these are the ground rules, these are the game, you have what you need to go out and do it but do not bother to come back and do not look at us until you meet the ground rules". I got excited when I got the Ogden and the hockey team memorandums. I was able to submit the financing package. You know when you go to a bank, whether it is on your home or your business, the bank comes back and shows me this is how much it is going to cost, this is how much I have in income to pay for it and the bank is going to increase the cost and decrease your income. They are going to take the worse case on both sides. That is what I tried to do in my financing package. I have been talking with the banks; this is not out-of-the-blue that I developed this. What you see here, what Mr. Clougherty has been trying to make the point of and why it is happening now is that this is in the context of the presentations to banks that we believe is going to receive a favorable response. This is the worse case on how much it is going to cost and how much it will generate in revenues. If it can work for the banks, the insurance company, and meet the criteria that the voters established last January, then all I can do is go up from there. If I can get it done in the worse case then I can do better and that is what I am trying to do. One of the increases in cost, about 20% of the increase in the project budget, is your fault. You have been successful in what you are doing in revitalizing the economy in Downtown of Manchester and it is beginning to have an impact on the market. The $1.6 million dollar (roughly) increase in the price of the land if that is what it amounts to, that is a sign that something is happening in Downtown. I cannot do anything about that except smile and say it is your fault, not mine but we have to pay for it. If land costs more and eventually assessment will be up, that is what this is all supposed to be about.

Mr. Clougherty stated the end of the day, when I did this form and I had a lot of advice on how it should look, I tried to construct something that could serve as a report going forward. I had hoped that the Board would look at this and get back to me on the format because these numbers are going to change. This is how it was in July, that rate is different. You can do a report daily and it would change. You have to have a point of reference and hopefully that is what this presentation

does for you. This is where you started, this is where you were in July and then any subsequent changes, you can then have some control over it. As much as the banks like to see all of these reserves, and as much as the banks are happy about all of that, personally we would like to see this number go down, the amount of bonds that are going to be used for Rooms & Meals reduced. If you don't have to use all of those, you use the least amount that you have to and get the deal done. The other point is that a lot of these expenses and reserves are in there but the revenues are conservative estimates as well. As those numbers go up, if they do go up, then we would expect that would have an impact on the amount of Rooms & Meals bonds also. There is some thought put into this form so that going forward, you on the Committee can track what is happening with this. The next slide, there has been a lot of discussion or confusion about what was the "so-called" **Ogden/Enron deal** and how was that going to work and where we are now, what is the difference, are what we doing now better or worse. Ultimately the Board is going to have to decide whether it is better or worse because the deal has to meet all of the criteria when it is finally presented to you. Originally Ogden was going to provide the project $2.5 million dollars but they were going to get paid back that money, act as a bank, through the revenues of the building. Not only were they going to get their $2.5 million dollars paid back, they were going to get a 20% rate on that. That is what they would have required. Enron was going to provide $6.9 million dollars worth of capital into the building, do all of the electrical, finance all of the HVAC, the ice-related items, the security, all of that Enron will pay up front. They will do that at 8% and they will be paid back through the revenues in the building. It is not that they would throw money into the pot. It was always because they understood that the revenue generated through the building would be sufficient to pay back their commitment. If you take what the original estimates were, the $2.5 million that they were going to come in with, the $6.9 million, there was $9.4 million that was going to be financed through them as banks. Enron, when they reviewed the original proforma, which is the original budget for the building, they looked at the energy line and said if you do a co-generation approach, you can save about $240,000 a year on that line item. That $240,000 translates into about $2 million dollars worth of borrowing so now the capacity is $11.4 million. If you take that and invest it based on the schedule going out you have about $1.7 million dollars. A total private commitment that equals 77% of the project originally at $13 million dollars. The current proposal says why would you have Ogden and Enron, even though they are still willing to do this (EVANTAG is now filling in for Enron) it does not make sense from what the consultants are saying to do that because you now have $11.9 million dollars in revenues that are available. There are going to be savings in the energy line item, the one that was in there is high, it will come down, and there will be savings. But rather than throw out a number that is going to change all of the time, we will put "to be determined". Right now you have EVANTAG and their engineers are working with architects and engineers and coming up with a

definitive number and Enron was not able to do that because they did not have the modeling, concept, the building or architectural plans to do that. There will be something there and that will add to the $11.9 million, this does not include the revenues that consultants expect to get from the scoreboard improvements and some of these other naming rights that are being currently negotiated. As all of those items come in, they will have effect on these numbers. But even if you went with the $11.9 million and you invest it and you will make about $2.2 million based on markets that we looked at yesterday. Your total private commitment is now $14 million rather than $13 million. That comes from the 20% private and it is still being developed, it is improving. It is still based, whether you have Ogden and Enron or you have a current bank, all of this is going to get paid back by the revenues in the building.

The **Operating Analysis**, you issue the bonds but then you also have to take a look at the Debt Service. At the end of the day, under the original proposal, you have $1.4 million that would have been generated by bottom line revenue. But then you also would have had the financing cost, the Debt Service, that you have to pay back is about $1.3 million. That does not leave much to fund repair/replacement, to providing incentive to Ogden to do better or for the City to share it. Obviously, those were conservative estimates at the time. Under this current proposal, which does not include the energy savings that are expected, some of the revenues to be formalized above the $11.9 million, you would end up with a bottom line of $2.1 million in an average year. You would still have $1.2 million in Debt Service, that leaves $900,000 so you could fully fund your repair and replacement. You could provide an incentive to Ogden and the City gets its money. Under the old proposal, you were getting $11.4 million for $1.3 million. You are now getting $11.9 million and it is costing you $1.2 million. Under the current proposal, you are getting as estimated at this point, which is conservative, as are the expenses; the prospect of the City actually sharing considerably is much better when you work the numbers through. This is a summarized sheet and it is designed to show what is happening as this project moves forward. You want to keep these things updated so that as the revenues get improved, you want to see what is happening there because the more that you can increase the private capital and keep the expenses down, the less you have to finance the Rooms & Meals money.

Mr. Stern referencing the numbers below the line stated what ended up being true is that we could not even fully fund the Repair/Replacement Fund because of the amount of money that was going to have to flow back to Ogden and Enron. One of the things I have heard from a number of Aldermen over the last 5-6 months is that we need to make sure that we take care of maintaining this building and keeping it in good shape. It is a smart and really sound policy thing to do. It will pay real benefits for you in the long run. The final point on the operating analysis;

the private financing on both sides, the Enron/Ogden bank of 1998 and the "bank" bank of 1999, both were 15 year financing, assuming they got paid under either case starting in year 16, that $1.2 million of Debt Service that was going to pay off a loan flows right to the bottom line. You have 15 more years $1.2 million or another $18 million dollars in the out years, if these numbers, the proformas are realized of available monies to the building, to the City, to whatever the Board of Mayor and Aldermen 15 years from now will choose to do, that did not exist before.

Mr. Clougherty agreed with Mr. Stern. This $14 million dollars, you are going to finance over 15 years at $1.2 million a year. In year 15, it is all paid off so you get the $2.1 million (does not get reduced down to $900,000) and it flows all the way down here and all of these numbers go up commensurate. The main difference is that instead of going through two companies, using them as a bank at higher interest rates, you would go through a more traditional financing. This borrowing, people thought it is Enron and Ogden on the line and not the City and that is right. But conversely over here the other companies are on the line and not the City. There can be no recourse to the City for this private sector money. It is issued through the Housing Authority but it is through the bank, and the bank does their due diligence and does the risk taking on this and makes sure that they are comfortable with it when they go ahead with the loan. That would not come back to the City, in that sense the City is protected on both sides.

Mr. Stern stated if there was an impression that I left earlier that Ogden and Enron were giving the City $11 million dollars for the project, I apologize for that because that was never in any of the documents. Ogden and Enron are New York Stock Exchange companies and are not charitable foundations. If they put their money someplace, they expect a return on it. I have heard that impression was around, that we were going to receive as a gift $11 million dollars. But nobody gives you $11 million dollars unless you are the gates of the Ford Foundation.

Mr. Clougherty continued I have been asked to consider that Ogden is making out better on this deal currently the way it is going than they were originally. I went back and looked at that, back to the bids, the original proposal and compared the proformas with the consultants where we are now.

In **August of 1998**, they were going to provide $2.5 million but they were going to get a **20% return** on that so it would have made $500,000. They would not give any guarantee of the revenue in the building to back any other debt. Even if the private revenues increased under the previous scenario, they would not have flowed into more debt to help reduce Rooms and Meals. They wanted a **base**

management fee of $175,000, was not available and their **incentive management fee** the first year was $86,511. That is based on 5% of the building rental was the incentive requirement. They would have walked away with $761,000.

Under the current proposal, because they are not going to be financing this, they have guaranteed in writing that they will give $250,000 in **concession revenues** for the building. That can then be turned around and be used to raise capital. The **base management** is $450,000. Their **subordinate business management fee** is $150,000. The **incentive management fee** is $74,000 based on building revenues you want them to work to build the revenues. The bottom line is at $674,000 so that is less than what they had under the previous arrangement.

I went back further than that, is that better than their original proposal. The City went out in 1997 and did a full bid RFP process. There were about 9 national companies that responded. We had all of the major concession and vending corporations. Ogden was the low responder. Not only were they the low responder, but they were the only responder that said that they would guarantee the City against operating losses on the bottom line. Their proposal, back then, they would make $1.6 million dollars available. Based on this $250,000 a year pledge they have given us, you can raise $2.1 million. Clearly, it is better than originally. Originally they were going to guarantee and take a look at a 5-year contract. They have now agreed to 15 years. Their base fee was $180,000 now it is $450,000 because they want to get to a bottom line for their corporate rate of return. Their incentive fees, about the same and their return on their investment is now gone because they are not providing any equity. Overall, they are considerably lower than their low bid in 1997.

Debt Service vs. Meals & Rooms Amount slide, this shows the impact of the current proposal on Rooms & Meals money vs. the original proposal. We always keep the $455,000 base amount, that is the green line, that always stays with us, it does not have anything to do with this deal, that is constant. This blue shaded area is the Debt Service for the project in August 1998. If that deal had been done, the $44 million dollars worth of Rooms & Meals bonds would have looked like this. This gray shaded area is the increment, what we will have in addition from Meals & Rooms beyond the Debt Service payments. This light blue shaded area is what the current proposal shows if all of those expense items came in where they are currently being carried if you had to pay up all of those contingencies and take care of those. You had to issue up to $49 million dollars, that is what the Debt Service would look like. The likelihood of that happening is still open, we have to wait and see and be prudent and put those things in. In the meantime, it is important to note that there is still tremendous capacity in terms of what the City gets from its incremental increase from Meals & Rooms. There is also the increase in Meals & Rooms money that will be needed to pay the debt under the

new scenario in the first 10 years is a total of $666,000. The increases do not come until later on when the increment is higher and the important thing to note is right about 10 years out, 11 years or 15 years out, you have the opportunity to call the bonds and do a refinancing to try to do something about that. You have the effect of what Steve Stern pointed out correctly in one of my charts is that in 15 years, the revenues from the building do not have to go to pay the Debt Service for the private bonds. They could be used to reduce the burden on Rooms & Meals or to offset some of those increases. That $223,000 that is program in an average year could be higher and could work to offset against some of those things. This is a chart that we have been trying to build on and it is something that every time that there is a change in the plan, you might want to have brought back to you so you can see what the impact is.

In reference to the next slide "**Assessing the Stability of the Project, Contractual Income Analysis**" is an update on the sales side. It was data that we came by today. It talks about the different items, the original estimates and where they are now. You can see that some of these are already done. If you are taking a look at where is there income increases and where is there potential for income increases and are those real. This slide gets to that.

Mr. Stern stated some of the things that these contracts and these deals or the transactions that these numbers represent are either very active negotiation right now or very close to a decision or have actually been concluded. Where they are not marked "sold" have not been formalized in an executed document but will be shortly. I want to be as absolutely open and honest, as I have been for 2 years with you, and talk about the warts as well as the beauty spots. Some things I have to be very careful about what I do and do not say because we are right on the edge of obtaining a lot of what we are seeking.

Having said that, the estimates on the **Suites** were always carried at a factor of 80% or 85% sold. We have sold out the suites.

There was an article in *The Union Leader* the day before yesterday that said that the **Club Seats** were now available for sale and 20 of them were sold yesterday. Those are $1,600 a year minimum of 5 years, so that is $80,000 of sales yesterday.

We have been at intense negotiations on a **Naming Rights** transaction and we have a conference call set-up either Friday or the beginning of next week with a company that wants to conclude the discussions with us before their Board of Directors meeting a week from Thursday.

The **Pouring Rights** numbers represent what I believe is a transaction that will be executed and while I have not confirmed this by survey in every building, we have been told that this is the largest Pouring Rights deal in the American Hockey League. In addition to small cities in Canada, it includes cities like Philadelphia and Cincinnati, Rochester. If we are in the top 2 or 3 it is a statement about the Manchester market. We put up this slide to document to you the statement that I made earlier that there is a reality to this project. The market is saying that they want the project and that if the market pays for it, the building will come.

Mr. Clougherty stated not all of the revenues are in there yet. You do not have the revenue for the scoreboard that we were talking about.

Mr. Stern stated we did not change any of the advertising and signage revenues yet.

Mr. Clougherty references the final slide "**1999 Requisites for Final Approval**". The Board has always been clear with requisites that have to be met. The current proposal, in its current status does meet, at least from the financing side all of those proposals. It has not done some contractual things on the service side. In terms of financing, it is within the caps and it does work. Although, it is on the high side, we would like to see that come down. If the project proceeds in the direction that Mr. Stern is indicating, it may. It has to meet these requirements and then the Board is going to have its chance to take a look at and say this is something we agreed to or disagreed to. Those are the criteria and they are not changing and they have not changed. The only people who can change them are you people and you have not told me to change those, and I do not expect you are going to tell me to change them. That is the plan, they are working to it. That is a status report on where they are currently, you have to understand it is work in progress and there is still other items going on. That concludes the analysis that I did to date and hopefully it provides the information that the Chairman was looking for.

Chairman Wihby asked Mr. Clougherty can you explain this document that just got passed out to the Aldermen. What is the date on this.

Mr. Clougherty replied that is the handout you received in August of 1998. I went back through that document and I added a column that says 1999 so you can compare that. All of the numbers should track up and tick and tie to what you have seen on the summary slides I gave tonight.

Chairman Wihby asked the document we got in August, should all be the same other than the handout that we got today.

Mr. Clougherty replied we made these copies just before the meeting. I have not had a chance to go back.

Mr. Stern stated the coverage ratios when the debt changed; the coverage ratio table has to change. While we have it, we need to supply it to you. It is not precise to say that every other table is the same but we can give you the information.

Chairman Wihby asked Mr. Clougherty to send any diagram that is different to the Board of Mayor and Aldermen.

William Craig stated on behalf of the Manchester Housing and Redevelopment Authority and Tom Clark on behalf of the City, are in charge of drafting all of those documents that reflect that financing plan that has just been outlined to you. Both Tom Clark and I have pledged that all of those documents will reflect the requirements of the referendum on all of the bullet points that Mr. Clougherty outlined to you. In addition to that, before they are adopted and become effective, they will be presented to the Board. We will be willing to meet with any of you or all of you, individually or collectively to explain any questions you have so that before you are asked to act on it you will understand it so that you will know exactly what you are doing.

Steve Stern stated Chris Morgan just told me that 30 more club seats have been sold and so now they are now up to 50 and all of the suite license agreements have been returned and of them, 14 are for 9 years, not 5 years. If that doesn't say something about the market and what it says to the banks about the certainty of income.

Chairman Wihby stated the reason I called this meeting was because of the $8 million dollar increase I read about in *The Union Leader*. A couple of the Aldermen called me and asked do you know anything about that, we are on the Committee and we do not know anything about it. I don't know where it came from but it is always dangerous when you stick a number out there and you don't have any backup information to explain what it is. Everybody automatically assumes it is $8 million dollars extra in costs and that's absorbent and we cannot do that anymore and we are over our limits. I asked Kevin Clougherty to make the presentation as open as he could. Go back, get all of the information and look at it so that we understand what the $8 million dollars comprises of. It sounds like most of the $8 million ($5 million) is Contingencies and Reserves. Do we expect half of that not materializing and that coming back along with the interest that would change with that.

Mr. Clougherty replied it is a work in progress Alderman Wihby. I had to take a point in time (July) and said this is where it is and I looked at the proformas. But I cannot tell you that one thing may go up and one may go down. What I can tell you is when they come back with the final proposal, it has to meet all of those items and right now it does. The expectation is the surety is something that has flexibility ($2 million dollars). There are some sizable numbers in there that has some chance for movement in our direction. But that is today, I look at the CIP projects and I see that all of those are going up and that may happen and I am not prepared to say that this will not. But that may be set off by the final revenue numbers that you get in the final contracts. You have to wait until you get the pie and evaluate that, rather than all of the ingredients that are going into it separately.

Chairman Wihby referencing the Stub Period Contingency asked is there a deadline, if we were to okay this tomorrow or a year from now, do we know that we would not have to pay that.

Mr. Clougherty replied you are looking at that if you tried to keep to the current timeline. There may be some room to do something with business interruption insurance, which may reduce those numbers.

Mr. Stern stated that he strongly recommended that be put in there. Mr. Clougherty was reluctant about it. My experience in these projects is that they take longer rather than shorter and you want to be cautious about the construction process. This is not a reserve that can be used for construction costs explicitly. If it is not used, eventually it will come back to you.

Chairman Wihby asked if it would stay in the number no matter what.

Mr. Stern replied it should but we may get to a time where the financing the time of the building is so long that Ogden will say we do not need it. The construction managers will give us the kind of guarantee that will seal us off against it. It is very prudent to have and it cannot be used by anybody but the City. No property taxes, no general fund appropriations have been told to us. This is the protection against that, if the building opens in December or February instead of September.

Mr. Clougherty stated that he would rather have it tied up in a reserve. I am not against it, rather than thinking we have $5 million dollars worth of capacity up to $50 million that we can spend on this project and just ignore all of these other costs. I am comfortable with it.

Chairman Wihby stated you have a two-page list that tells you what this Board and the Citizens told you to do, you will have to follow that. We are hearing that there is no hockey team and there is no guarantee for 15 years because of that. Is there a Memorandum of Understanding for a hockey team that is willing to come for 15 years or not. I know it doesn't matter, because if there is no hockey team, you are not going to fulfill that page and therefore it is going to die anyway.

Mr. Clougherty replied with the hockey team, there are a couple of parties negotiating. There has been a commitment to the 15 years in writing contrary to what others are saying.

Chairman Wihby asked there is a hockey team coming for 15 years in writing.

Mr. Clougherty replied in the affirmative and stated it has to be there.

Chairman Wihby stated if you did not have that, we are not going to proceed because you are not going to get the guarantee from Ogden.

Mr. Clougherty stated one of the groups has signed.

Mr. Stern stated but there is not yet an executed Memorandum of Understanding with the hockey club. There is a Memorandum of Understanding of lease terms that has been agreed upon that several ownership groups have seen. That outlines lease terms that appear to be acceptable to those ownership groups and that work with Ogden and the Ogden Memorandum of Understanding, it is the Management Agreement. Whatever the talk is, it is a 15 year deal and it is a bank requirement. There is a lot of noise going around about this but it is real simple from the bank's point of view. The fundamental underlying contracts have to equal the term of the financing.

Chairman Wihby stated three things that I heard; no hockey team, the project's $8 million costs, and did the Enron deal cost us more and you have showed us today that is not true.

Mr. Clougherty referencing the question about the guarantee replied once you have the 15 year contract with the hockey team and that is worked into the arrangement with Ogden. All of these pieces have to fit together, Ogden; the hockey team and the City have to agree. Once that is in place, there are requirements that Ogden is putting on a hockey team (bank letters of credit) to make sure that they will deliver. Ogden's commitment to the bottom line is if there is a hockey team and they have an agreement and there are 4 people in the seats, that is not our problem it is theirs. That is clear to them.

Chairman Wihby asked that goes for the funding of the private money also. If you do not sell the seats that all goes towards Ogden's contract.

Mr. Clougherty replied in the affirmative stating that is their problem it is not ours.

Mr. Stern stated it is the bank's problem if it all falls apart.

Alderman O'Neil asked Mr. Clougherty, some of this information could be forwarded to me if you do not have it tonight. You mentioned on the land, the increase of the almost $1.6 million dollars included some reserves and I thought you used the word reserves for land and some reserves for construction.

Mr. Clougherty replied in the negative. The number for land is more than just land. It is the acquisition of the land, eminent domain proceeding, and relocating companies as a result of that. Anything involved with the actual securing of the site.

Alderman O'Neil asked why those numbers were not picked up earlier. We knew that was going to have to happen.

Mr. Clougherty replied they were as part of the assessed valuation and as part of the original budget at that time. Costs have escalated and we have done an appraisal and formed those numbers. Now you have a better idea of the range. They took the actual appraised value and looked at what was happening out there and then added to that as well as a cushion.

Mr. Stern stated with the exception of $5,000 for the cost of the appraisal, the same categories were in before and they were site acquisition, relocation, title appraisal. Those are the four components of this cost category. The difference is in the potential cost of the land.

Chairman Wihby asked that is the old number compared to the new assessed value.

Mr. Clougherty replied that would have been the bulk of that first year plus some estimated costs of the other items.

Mr. Stern stated the demolition costs of the property have always been carried under the construction budget both previously and currently.

Alderman O'Neil referencing fees and services asked is an additional $423,000 it would be helpful for the other members and me if we got a complete breakdown of that. Fixtures, Fit-up and Equipment, you mentioned $610,000 for the scoreboard, where is the other $200,000.

Mr. Stern replied I can give you an FF&E budget from 1998 and 1999 but this is one of those places where we had an estimate of the FF&E budget in 1998. The 1999 budget is based upon a bid list that was completed by Ogden for an almost identical sized building in Wilksbury PA in late June 1999 plus the changes which included a video replay board as opposed to the matrix board that we had before. These are bid numbers as opposed to estimates. The FF&E list is 2½ pages long so if you ask where are the changes, there are 30-50 changes, a sum of a lot of little changes.

Alderman O'Neil stated send it because I would like to see what the estimates were and what the actual numbers are.

Alderman O'Neil asked if The Stub Period money would go to Ogden.

Mr. Stern replied in the negative and stated that is the City's money. Nobody will give you a guarantee against operating deficits until there are operations. This is what happens to fund the cost of maintaining the staff.

Alderman O'Neil asked whose staff.

Mr. Stern replied the City and Ogden's staff.

Alderman O'Neil stated that there will not be any City staff there, it will be Ogden's staff, so it is Ogden's money.

Mr. Stern replied but it is the marketing of the building, the services being performed for the building and for the marketing of the building, the staffing, etc. Before the building is open and generating any revenue, in the event that the building opens late.

Alderman O'Neil asked this is the management company's money, not the City's money. Who is going to get this money…the management company will get this money so that they will have staff on site.

Mr. Stern replied in the affirmative but it is not an Ogden expense.

Alderman O'Neil stated Ogden would get the money for staffing the building to make it ready to operate fully.

Mr. Stern replied in the affirmative.

Alderman O'Neil asked would it not be in our best interest to time the opening of the building to where it is most utilized with the staff.

Mr. Stern replied in the affirmative.

Alderman O'Neil stated that might be a figure we do not need to carry if we tie it on our end, the opening of it. If we are not going to be ready to open in April (for example) and it is not going to be ready until September, there is no need of having Ogden on board in April.

Mr. Stern replied in the affirmative.

Alderman O'Neil stated that number possibly could be eliminated.

Mr. Stern replied in the affirmative and stated that is the same thing I stated to Alderman Wihby, right now you really want to be conservative and keep that in there. If you are right about April, and that is what it is, you are right.

Alderman O'Neil stated we do not want to pay them to run a building that does not need to be run.

Mr. Stern replied in the affirmative and stated but what if it is November not September. What if you can still get the hockey season in but you have lost a couple of months of concerts. You might get most of the hockey season in and your family shows. It is a tough call right now.

Alderman O'Neil asked the bottom line falls on us.

Mr. Stern replied it falls collectively on the City, Ogden and the hockey club, even the banks together on the partnership. What we want to do is put money aside so that there is no coming back to the budget.

Alderman O'Neil asked if we do not need it, it makes the picture a little bit better.

Mr. Stern replied you might or might not know that you do not need it until after the construction starts. I cannot give you a definite answer today.

Alderman O'Neil asked Mr. Clougherty, the capitalized interest bonds vs. the revenues. I did not understand the timing part of that. It increases the numbers about $1.5 million dollars.

Mr. Clougherty replied if the building gets into a similar type of time issue, you can conceivably have a debt service payment. For example, you are setting up the debt for a schedule that is going to have a July payment. You may not have revenue from the building because it has not operated long enough to cover that. This is a reserve to make sure that there is going to be enough money to make that first payment. As they get closer to bringing you a final product, I would expect that those are areas that you are going to start taking a look at and see some movement. Right now, capitalized interest is something we have done in other projects and bond issues. It is a legitimate and acceptable approach in the markets and I do not have a problem with them using that because it is not being used for something else and it is holding that price of the building up.

Alderman O'Neil stated I did not know that the Ogden and Enron portion was a loan at 20% and asked Ogden incentive: $409,000, but then turn the page there is no where that amount adds up to their other incentives. Is it $409,000 plus the incentives on the next page.

Mr. Stern replied the operating analysis is an average of all the 15 years. The $450,000, which is paid ahead of debt service. Then there is the subordinate base management fee, which is paid after debt service. There is an incentive fee, which is paid after the repair and replacement fund is funded. The first page, the operating and analysis is an average year, I took all of those line items and added them up and divided by 15. On the second page, the incentive fees are just the first year and it is the $150,000 and $74,000 (roughly $225,000). In the fifteenth year, they may get a half-a-million dollars or more of incentive fees. The incentive fees grow in the out years and it averages whatever it was on that $409,000.

Alderman O'Neil asked the $409,000 is the average over 15 years.

Mr. Stern replied in the affirmative and stated that would be $6 million total in fees.

Alderman O'Neil asked on the next page the heading is July 26, 1999, that would be the first year.

Mr. Stern replied in the affirmative.

Alderman O'Neil asked for a breakdown of the payments.

Mr. Stern replied revenues come in, operating expenses are paid. Then the senior base management fee is paid, and then the debt service on the private revenue bonds is paid. Then the subordinated portion of the base management fee, which is that $150,000, is paid. Then the repair and replacement fund is funded. Then the incentive fee is paid.

Alderman O'Neil asked for the scope of base management fee maybe a couple of examples of subordinate business management fee.

Mr. Stern corrected the language on the report to read "subordinate base management fee". The word "business" is wrong on the slide.

Alderman O'Neil asked that be defined a little more and get that to him.

Alderman Wihby asked on your list of what-goes-where, what was the third thing.

Mr. Stern replied gross revenues pay first operating costs of the building, then the senior portion of the base management fee, then the debt service on the project revenue bonds.

Alderman Wihby asked what happens if there is no money left over after the senior portion of the base management fee, who is paying the debt service.

Mr. Stern replied the bank; it is the bank's risk.

Mr. Clougherty added that is the private side. The bank has to look at that subordinated flow of funds from the building and be comfortable with it.

Mr. Stern stated let me take you a step further, if there is no money left over after operating costs are paid, there is no base management fee. It is not alone, if there is an operating deficit; it is not alone from Ogden. It is a check.

Alderman O'Neil asked we would get that breakdown and some definition of each category.

Mr. Clougherty replied in the affirmative.

Alderman O'Neil asked Steve Stern, at this point are we too far in to go back out to look at other management companies. In my opinion the framework of this whole project has changed.

Mr. Stern replied you are the decision-makers not me. How can I say to an elected body that you are too far in to anything to make another decision. You have the only company who gave us a full guarantee.

Alderman O'Neil stated but that was based on information and projections in 1997. The game has changed.

Mr. Stern continued we are getting more out of them for less money.

Alderman O'Neil asked your answer is no, it does not make sense to go back out.

Mr. Stern replied in my opinion it does not make sense but I would not make that recommendation, it is not my decision.

Alderman O'Neil asked the scoreboard revenues are not reflected, why do the revenues for naming rights and club seats show less than the estimate in 1998.

Mr. Stern replied it was because he had left out the commissions in the 1998 budget.

Alderman Wihby stated you took them out at the bottom instead.

Mr. Stern replied in the affirmative.

Alderman O'Neil asked for it to be redone with the correct numbers.

Mr. Stern replied in the affirmative.

Alderman Hirschmann stated the conservative approach that we have used has caused a perception problem. It is only a problem of perception and that is why we are here tonight. You are explaining what is going on and what has happened in the past two weeks. You do an injustice when you tell a news reporter the project has gone up $8 million dollars and you did not address it on net terms. The project did not go up $8 million dollars, the scoreboard cost $600,000, how much is that scoreboard going to bring in over 15 years. More than $600,00 probably so when someone of the financial group addresses the press in the future I would like things addressed on net terms so that the truth gets out to the people so when the phone rings I do not have to explain to 500 people that it did not go up $8 million dollars. It is just not right.

Mr. Stern stated I have been in the finance world for 33 years. I first started at the

First National Bank of Chicago in 1966. You would think that after that amount of time, I would know better. I have worked very hard on this project and it has become something that I believe in and passionately care about. It has been very difficult. I am your investment banker and I do not get paid unless this is successful. I cannot tell you how terrific I felt when the suite sales triggered all that happened in June and July. The Ogden deal and the hockey deal started to come together. I got serious with the banks and I sent the financing package out. As Bill Craig will tell you, how long I have been trying to get this package together to have a business deal that I could formally present in the financing industry. Mike Cousineau called and we were going to talk about the Ogden deal and he asked me a couple of questions and you would think that I would know after 33 years that I should be talking to my clients before I talk to the press. I just started to talk and it was foolish and I apologize to each of you and the difficult positions that I put you in. I apologize for the impolitic way I acted and all I can say is that I am sorry.

Alderman Hirschmann replied it is accepted but that is not what I am asking for. I want to keep it on net terms and keep the discussion there because we have a perception problem. Is there an expert that can carry a gross revenue number for that scoreboard so that we can show the public that it is no cost after 15 years or after a year.

Mr. Stern replied we have a contractually obligated income plan and sales that is exceedingly detailed that breaks out the amount of potential revenues by dasher board, scoreboard, building signage, amount of sponsorship monies for the team, etc. Yes we can measure that.

Alderman Hirschmann stated one of the phone calls I received said the new deal is not that good because the other 20% is coming from club seats, etc. The perception of the public is we are not going to get the cash today but we are going to an investment bank and borrowing based on those sales so we are going to have the money up front. Please tell the people that we are getting that 20% of money up front, we are not waiting for it.

Mr. Clougherty stated that has always been the case.

Mr. Stern stated the same time that we sell the Rooms & Meals bonds and put the money in the project fund is the same day that we close the bank loan and put the money in the project fund.

Alderman Hirschmann stated the bankers are more excited now than they were before.

Mr. Stern stated we do not put any money into the bank, we do not spend a dime on the site until we have all of the money in place.

Alderman Hirschmann asked the price of the construction; Enron was going to build a co-generating plant in this facility. There is not going to be a co-generating plant, so where is the savings in the construction cost for that plant not being constructed. There has to be a number somewhere that we are not spending $500,000 to build a generator.

Mr. Stern replied we do not know whether we are going to spend it or not yet. There is that question mark on energy savings and Peter Levy is here who is the project coordinator for the City.

Alderman Hirschmann stated but the perception for the $8 million dollars is not real. Construction cost could be less because we are not building a co-generation plant.

Mr. Stern asked who said that. I cannot tell you whether or not we are.

Mr. Clougherty stated they are still evaluating whether it makes sense to do the co-generation plant.

Mr. Stern stated Peter Levy is coordinating the task force comprised of Lavallee-Brensinger, HOK, Ogden, Flack & Kurtz (the mechanical engineers) and EVANTAG. They are getting into the actual construction cost estimating, space consumption, and the energy savings analysis to determine whether or not it is cost beneficial to the project to build some kind of co-generation facility on site.

Alderman Hirschmann asked if we were staying with the concept that Ogden is gone.

Mr. Stern replied but we are not building any benefits into that while we are keeping the costs on the cost side.

Mr. Clougherty stated even if it comes down to it that the co-generator is not the way to go, the number that was put into the original budget for energy was a conservative number based on the high energy rates that were there at the time. We have seen some movement at the State with some things that are going to change. There are going to be some reductions in that, whether they come as a result of a co-generator is realistic. Until you know exactly what those are, you should not be putting them in your proforma and counting on them because you are counting something before it has hatched.

Alderman Hirschmann asked who did the appraisal, assessed value of that parcel.

Attorney William Craig replied that was authorized by your Committee and the full Board on June 7th authorizing the Manchester Housing and Redevelopment Authority to get an appraisal on the property. Don Krafts Company did the appraisal.

Alderman Hirschmann asked is that company the highest level of appraiser that we could ask for. The Assessors Office states that there is an appraisal position that reassessed the property. They are at a higher level.

Mr. Craig stated that Don Krafts Company is an MAI.

Alderman Hirschmann stated we paid a few thousand dollars to do that right. We promised the person that we would pay that, is being negotiated.

Atty. Craig stated there has been no promises yet.

Alderman Hirschmann stated that $8 million dollars again is not real because we may not pay that price. The press could have been told that we might not pay $4.8 million dollars for the land. I am confident that the requisites for final approval in the new plan are what we had asked for in the beginning. All the guarantees are there to a better tune, we are actually going to make a profit. After 15 years, we are going to make a lot of profit it seems. Let's end all of the perception problems.

Alderman Rivard asked Mr. Clougherty, the surety bond for $116,000 goes up to $2,050,000, a 1.8% increase. What are the advantages to the City, why would we want to increase the project by almost $2 million dollars.

Mr. Clougherty replied you could provide comfort to banks in two ways. You can provide the surety, which we originally thought was $116,000 or you can actually take the principle of the surety, and put that money there. The surety is the way to go and you are going to be pushing the banks hard for that. Right now, to be ultra-conservative put in the full principal amounts and carry it. Because that is set there, it will not be used for something else.

Alderman Rivard referencing $1.8 million dollar increase that may not be there.

Mr. Clougherty replied in the affirmative and stated right now it is prudent to carry that because it keeps pressure on the project budget in the right way. If that gets out of control you have nothing else as a contingency.

Alderman Rivard stated there are a lot of these costs that have been suggested. A big increase that may or may not be there. In most cases, it may not be there. Surety bonds are being issued every day of the week, a big business today. For us to spend almost $2 million dollars more, I would be concerned about that. And asked when will we know what this adds up to.

Mr. Clougherty replied at the final deal.

Mr. Stern replied we will obtain an agreement with the hockey club, an underwriting commitment from a bank, an insurance commitment on the Rooms & Meals tax bonds that we will conclude the naming rights discussions in a time-frame that will allow us to come back in September to your Committee for the October 5th Board of Mayor and Aldermen meeting for concrete approval. Whether or not I get it done on that schedule is only partly within my control. There are a lot of external pressures that are operating in our favor and the momentum of what is going on in the sales effort is reinforcing that pressure.

Alderman Cashin asked why is it more prudent and why are we adding $1.1 million dollars in contingency in 1999 that we did not add in 1998.

Mr. Stern asked is this the sum of the decrease in the project contingency and the increase in the stub period reserve or the operating contingency. The answer is that there are two different things; money has shifted from one category to the other but in 1998, we did not have any dollars in for this operating protection. We used, as we nailed down project costs (FF&E budget) of $27 million dollars of the project budget. We were able to somewhat reduce the project contingency, the portion of the project that goes against the hard and soft costs of constructing, developing and equipping the building. But we had nothing in before for what happens if the building opens late and now we do. That is why it is prudent. I do not want to come back for a general fund request.

Alderman Cashin asked but we could not see this in 1998.

Mr. Stern replied we did not.

Alderman Cashin asked what has me concerned is that Enron and Ogden was a loan. I attended every meeting of this Committee and no one on this Committee was ever told that was a loan and now we are told tonight that it is cheaper if the City does it because this was a loan. I can assure you that this will be discussed at length at Committee level, it will not be discussed here tonight because this is not the place for it.

Mr. Clougherty replied the context of the loan and the requirement for Ogden was provided in writing as part of the report that was given to the Board back in August of 1998.

Alderman O'Neil stated the word "loan" was not used during any time period in 1998 that I was aware of. I do not know what other word was used but "loan" certainly was not the word used.

Mr. Clougherty replied that might be true. I will go back and look at it.

Alderman Cashin referencing that the word "loan" was never used and stated it's not "it may be true", it is true.

Alderman Shea asked why exactly did Enron and Ogden decide to withdraw or did they withdraw.

Mr. Clougherty replied Ogden is still in the deal.

Alderman Shea interjected; I mean the 20%.

Mr. Clougherty replied that they would still give you the money at 20%.

Alderman Shea interjected, no the $11.4 million that they were forthcoming. In other words, the initial cost was going to be $50 million dollars plus they were going to contribute 20% ($10 million) is that correct.

Mr. Stern replied Ogden would still offer the $2.5 million today and I told them that we did not want it because we could do it cheaper, it was better for the project. We could still obtain the $8.5/$9 million dollars from a utility today.

Alderman Shea asked the financing team made the decision.

Mr. Stern replied in the affirmative and stated Enron is not very involved in investments in the New England market for larger corporate strategies that I do not know about.

Alderman Shea asked the discussions that were conducted by Ogden for several months were really nothing in writing, was it verbal that they might contribute 20% and then get a 20% return.

Mr. Stern replied Ogden never said that they would contribute 20%. They would assist us in trying to obtain the 20%, that is in writing and that was in the August report. The terms and conditions on the 20% internal rate of return were in their bid that came to us all the way back in 1997. I had discussed publicly in 1998 that Ogden was looking for a 20% return on investment. That was in writing and that was publicly discussed before.

Alderman Shea asked they were going to contribute 20% towards the cost is that correct.

Mr. Stern replied in the negative.

Alderman Shea asked they were going to come forward with Enron to have a 20% type of contribution.

Mr. Stern replied in the affirmative and stated that is different than Ogden investing 20%.

Alderman Shea asked Enron is no longer involved at all, is that correct.

Mr. Clougherty replied in the affirmative.

Alderman Shea asked to explain the business arrangement with Ogden and the financial risk Ogden is assuming in this arrangement.

Mr. Stern replied the downside of the project, if it doesn't perform. If all of these projections about concerts and hockey and family shows, etc. are wrong and the building looses money, Ogden pays it. Plus they have to put $250,000 a year in from their concession company for concession guarantees. There are no qualifications at all.

Alderman Shea asked is there any arrangement prior to the construction that there will be certain guarantees given to Ogden that there will be certain types of activities. Are they going into it blind or do they have certain assurances that there will be certain activities.

Mr. Stern replied the hockey club is going to play. We are going to have a hockey lease that's it. They are responsible for generating the activities of the building, we are not.

Alderman Shea asked if the projected cost for constructing a Civic Center have continued to escalate from an initial estimate of the City's financial burden, first of all it was $46 million to no more than $50 million to newspaper's anticipating financing from $59 million to $67 million without a brick being laid and the entire financial responsibility for constructing solely on the taxpayer's burden. Can you provide a definitive answer at this time as to what ultimately will be the cost to construct the Civic Center.

Chairman Wihby stated no one can give you that answer. These are all numbers that are changing every day.

Alderman Shea asked would the cost escalate.

Chairman Wihby stated you have the two pages, the first page says what the voters voted for, and the second page is what we have told them what they had to do. If it does not fall within that, the Board will not support anything over these requirements.

Mr. Craig replied it says the cost shall not exceed $50 million dollars.

Mr. Stern stated if it is a $200 million dollar project, it is not going to cost you more than $50 million dollars bond.

Alderman Shea asked it is $50 million to the City but it costs now $67 million.

Mr. Clougherty replied it has to be made up on the private side.

Alderman Shea asked how would we know the private is going to contribute the difference.

Mr. Stern replied you wouldn't do it unless you have the contracts and the commitments.

Alderman Shea asked the luxury boxes have been sold but they have not come through with the total amount. They have only come through with $5,000 is that correct.

Mr. Stern replied in the affirmative.

Alderman Shea asked how much does a luxury box cost.

Mr. Stern replied $37,500. The bank is willing to lend on that right now. Before we put that $5,000 number out as a non-refundable deposit and wrote the suite license agreement, we talked with the banks about the amount of deposits required for their lending purposes. They are willing to do it. The money comes from the banks and they use those contracts to pay themselves back.

Mr. Clougherty stated the requisites are not changing. The City's commitment is $50 million in Rooms & Meals bonds. If this building can generate and grow on the private side to a $75 million dollar building, then great. We, the City, own more of a building for the same amount of money that we have invested. It has to be made up on the other side. We have a better City asset that the City controls entirely. The there is no recourse to the taxpayers. All requisites have to be met and the project can grow but only within the dimensions of the plan that the Board of Aldermen has set up.

Alderman Shea asked is there a cap on the insured bonding for the Civic Center. Assuming the cost increases to $70 million, what happens with the bonding.

Mr. Clougherty replied we are only insuring the City's $50 million, the bank has to stand behind the rest. That is not part of that.

Alderman Shea asked when we go to the bank we would want to be covered for $50 million bonding.

Mr. Clougherty replied the Rooms & Meals is separate from the private money that has to be raised. That is going to have to come through the banks and supported by the private contracts. That can grow and we would get more of a building.

Alderman Shea asked who are these private investors.

Mr. Stern replied in the past the major banks in the nation that have financed these kind of projects at the major and minor league level include *Bank of America, Chase Bank, Fleet Bank*. Those are the three largest banks in terms of bank lending to this industry. There are international banks *Canadian Imperial Bank, Societe Generale* from France that are also very active in the sports facility. There are an array of other banks for these mid-sized projects as opposed to a project that houses a major league team that are regional in nature that historically have financed community projects and economic development projects of major interest in their community. There is a wide range. As long as it is structured and secured properly for them and that the contracts are in place and of a credit-worthy nature that the banks to lend against. That is the secret to the private financing. That is why the suites, club seats, naming rites and the advertising have to be sold. The

lenders have to look at the credit-worthiness and the extent and length of those contracts. If they are satisfied, they will lend against it.

Alderman Shea asked do we pay this bonding to the bank on a yearly basis or a one-time basis.

Atty. Craig replied on the tax-free bonds you pay twice a year. On the private money that is going to come from the banks, they are going to decide.

Alderman Shea asked is this rate affected by inflation at all or do you pay the same every time.

Atty. Craig replied it is a fixed rate once you lock it in.

Alderman Shea stated banks know bonds went up one-quarter of a percent yesterday.

Atty. Craig replied in the affirmative and stated Mr. Greenspan did a number yesterday.

Alderman Shea asked Kevin Clougherty on the projection for the Rooms & Meals, you did not give specific numbers tonight but what would you estimate we would have to get back from the Rooms & Meals to cover the expenses to begin this project. You gave projections in November of 1997 are those still valid.

Mr. Clougherty replied I would supply those to you in writing tomorrow. The balance after the issuance is about $1.6 million.

Alderman Shea asked we would require $1.6 million the first year for the construction of the $50 million dollar building.

Mr. Stern replied of the $49 million dollars of Rooms & Meals tax bonds. You are asking how much Rooms & Meals taxes would be required in the first year to pay the debt on it.

Alderman Shea replied in the affirmative and asked would that just pay the debt not the principle.

Mr. Stern replied that is principle and interest. It is just interest in the first year.

Mr. Clougherty stated you structure your debt service to match the flow of the funds. One of the requisites is that you have to have that 30% cushion each year. I can show you what that is each year; I have not calculated it. I can give you the associated numbers that go with that if you would like.

Alderman Shea asked does this seem right, the $1,063,908 for the year 99-2000.

Mr. Clougherty replied in the affirmative and stated as it grows in time to meet the flow of the funds.

Alderman Shea asked we would be $600,000 short if we projected that figure. You are going to take that figure and add it to the previous year's figures. How much do you anticipate we will have in the Rooms & Meals revenue when we cut the bonds. When are we going to cut the bonds.

Mr. Clougherty replied timing on this project is the issue in the stub periods and reserves. When do the bonds get issued and payment made what do we have available from Meals & Rooms at that time, is it enough to cover the payment.

Alderman Shea asked if the Aldermen vote October 5th for the Civic Center, then someone will go to the bank and say we need $50 million dollars in order to build this Civic Center.

Mr. Clougherty replied if that is the number it comes down to.

Alderman Shea asked and then we will be obligated for the next 30 years to pay that particular bond but we will insure that.

Atty. Craig replied it is a limited obligation, it just comes from a certain percentage of the increase in Rooms & Meals tax on the non-taxable. If that falls through then the insurer has to pick up the shortfall.

Alderman Shea asked but are we still obligated for the amount that we bond as a City.

Atty. Craig replied only on that limited basis, the increase in the Rooms & Meals tax. It is not a double obligation; you cannot go out and raise property taxes to take care of it.

Alderman Shea asked we will begin paying that particular money when we cut the bond and we are cutting that bond at that time for the total time whether it is a 15 or 30 year period or whatever time it takes to pay that off.

Atty. Craig replied in the affirmative.

Alderman Shea asked how much money, including bonding, has the City spent for the Civic Center project up until now.

Mr. Clougherty replied the phase I budget was $180,000 in February 1997. This $2.6 that we are currently operating is included in the $50 million authorization. All of the expenses are run through Manchester Economic Development Office and we can give you a budget and tell you what has been spent to date.

Alderman Shea stated he would appreciate that. Other people have material like that and I do not.

Alderman Shea asked as the City's Financial Officer, you have stated only revenues from the Rooms & Meals will be used to pay for the Civic Center for the next 15 or 30 years. There are no other sources that we will use.

Mr. Clougherty replied in the affirmative and stated that is because it is one of the directives that we have to stay within. That is what we will enforce.

Alderman Shea asked Mr. Stern, you have worked with several different projects over the years, what would you estimate the attendance must be at the Civic Center in order for it to be a feasible project.

Mr. Stern replied attendance should be 5,000 a hockey game which is average attendance. It is a number that is a little bit lower than the average in the American Hockey League across the league and a number that we have been told by all three of the finalists in the RFP bidding from facility managers that it was a reasonable number. The hockey team that they are basing their own proformas, which they have not completely shared with us on the same kind of, numbers. We have what appears to be a real-world estimate that parties with different interest then ours have all said is a reasonable number to estimate.

Alderman Shea stated this paper indicates that there are 20 teams in the American Hockey League and out of those 20 teams, 11 out of 18 drew less than the projected attendance. Philadelphia, Rochester, Hartford and Providence drew very well. Hershey, Worcester and Kentucky, Springfield and Syracuse and the rest did okay. Hopefully the City will support it, but that means that on a consistent basis for the 40 or 42 games we have to draw over 5,000 people.

Mr. Stern replied the Hockey Club and Ogden have to in the end. It is not the City's capital that is at risk in that regard.

Alderman Thibault asked a hockey team going to sign a 15-year contract, what happens if this hockey team goes bankrupt, is that guaranteed.

Atty. Craig replied that is Ogden's problem.

Alderman Thibault asked would they have to replace it with concerts.

Atty. Craig replied it is Ogden and the bank's problem.

Alderman Thibault asked because you have changed the financing method with Ogden, do they end up with the same percentage of revenues (parking, etc.). What percentage does the City get for all revenues. There was a revenue sharing type of deal before.

Mr. Stern replied there had been nothing negotiated before and at one point in the transaction, Ogden was getting it all. Now there is an explicit sharing formula. It is not a number; there is this order of ranking of hierarchy of how the fees are paid. Ogden's incentive fee below the repair and replacement fund is capped. Everything below that comes to the City. It is capped so that their incentive fee cannot be more than 20% of their base fee. For example if their base fee was $600,000, their incentive fee cannot be more than 20% of their total fee. Their incentive fee would be capped at $150,000 if their base fee were $600,000. Above that everything goes to the City. It is not unfair to say the City gets 80% of the bottom line of the building.

Alderman Clancy asked does the State guarantee the 80% of the Rooms & Meals tax that the City is going to spend for this building.

Mr. Stern replied that is a bond insurance risk.

Alderman Clancy asked how much is the City going to be paying a year on this $50 million bond. Is it $1.64 million.

Mr. Stern replied it goes up from $1.6 to $4 million in the up years. $1.6 in the first year.

Alderman Clancy stated that he has not heard anything about parking at the Civic Center just costs and asked where are people going to park, a parking garage.

Mr. Clougherty replied included in their proforma, there is an amount of money in the budget for the building. There is revenue for parking. What Jay Taylor of MEDO has been doing is working with the Traffic Department and others to take a look at how many spaces are in the downtown area and are there going to be

enough spaces to generate sufficient parking and is there some way that the City could enjoy some of that activity. He has done a complete inventory of all the parking spaces in the area, a walking survey of distance, assumptions of utilizations. All of that parking has to be negotiated as part of the next phase. That is where we get down to a final contract with Ogden that states the City is willing to provide "x" number of spaces that we have available under these terms and conditions. Jay Taylor is trying to make sure that when he gets into that discussion, he knows what the terms can be so he can make sure that the City's side is properly represented.

Alderman Clancy asked Mr. Clougherty if the City is going to buy the land from Lake Ave. to Auburn Street they should take all of those parcels of land, not leave three or four buildings standing. They should build a parking garage if it is going to be feasible. I do not think it will work.

Chairman Wihby stated we already voted on that to not take those properties. All you are doing is raising the price of the project.

Alderman Clancy stated they have to have a place to park.

Atty. Craig stated Jay Taylor's analysis shows that presently the City has under its control, sufficient parking spaces to meet the projected needs. Also included is free shuttle transportation so that people would not have to walk any further than they want to. If you want to spend a lot more money, take some more properties and build a parking garage but that was put before the Board once before and it was voted down.

Alderman Clancy stated most places that have a Civic Center have a parking garage within a one or two block area.

Mr. Stern replied we have one here on the corner (*The Center of New Hampshire* parking garage). The real success buildings in terms of economic impact are those buildings that are in the fabric or grid of a downtown and allow dispersion in a number of directions and somehow have a tie. The real economic development is along those pedestrian and transit corridors between the parking facilities and the activity site itself. If you put all of your parking around the building, you have isolated the building and created a destination, a suburban building in a downtown area. That is not what this is about or what you want. If you have a free shuttle service you can get on and off that and you can take it from the Civic Center to *Joe Kelly's* or to *The Black Brimmer* and then go to the Bridge Street or Wall Street garage. You can get on and off for an hour or two before and after, that is how businesses profit from this and that is how economic development occurs.

Alderman Clancy asked but would you want to do that.

Mr. Stern replied I did that in Chicago and Denver. I did not park right next to the building, it was too expensive. I went to a tavern or restaurant because I did not want to spend $10-$15 to park in the lot right next to the building.

Alderman Clancy stated I am not saying right on top of the building, I am saying that this location does not have adequate parking.

Chairman Wihby stated we would be looking at the parking issue with Mr. Taylor. He wants to come to the Committee with his analysis.

Alderman Shea asked Mr. Stern are there any other cities that are publicly funding a Civic Center like Manchester. Different communities like Portland and Hartford are regional. Could you name where this is taking place.

Mr. Stern replied Wilksbury, Trenton, Bridgeport (100% publicly funded) are buildings under construction.

Alderman Shea stated Bridgeport is 36% private invested.

Mr. Stern stated it is $35 million dollars of State monies and a smaller building. The Mentmore Corporation is going to finance a community skating rink. The ice hockey facility (public assembly facility) is 100% State grant.

Alderman Shea stated that is a State grant, unlike us.

Mr. Stern replied it is public money.

Alderman Shea asked where is it coming from.

Mr. Stern replied the State.

Alderman Shea stated it is a little different.

Mr. Stern stated each one is different, but each is mostly public money. In Portland, there is a $20 million dollar private foundation, but it is still a $55-60 million dollar building.

Alderman Shea stated it is going to be built for about $46 million.

Mr. Stern stated I have been through the numbers within the last two weeks with the feasibility consultant and the preliminary designer. It is not going to be a $46 million dollar building.

Alderman Shea stated they had a meeting the other day, the Board of Selectmen and that is what they came up with. How much is Wilksbury contributing publicly.

Mr. Stern replied I do not remember the exact amount, I will get that for you.

Alderman Shea asked if it is $50 million or less.

Mr. Stern replied I do not remember.

Alderman Shea asked for the amount of Trenton also.

Alderman Pariseau asked Mr. Clougherty, the bottom line for the City maximum $50 million dollars including finance charges related to bond issue.

Mr. Clougherty replied you could only issue $50 million dollars worth of bonds, that is the line.

Alderman Pariseau asked but the whole City package does not exceed $50 million including interest.

Mr. Clougherty replied in the negative and stated that is the bond.

Alderman Pariseau asked do we have an estimate of expenses dealing with the infrastructure with this Civic Center. For example, Granite Street off ramps, widening of Granite Street, parking garage, and Elm Street renovations. Do we have an idea of what that is going to cost.

Mr. Clougherty replied any infrastructure cost of the building are in the construction budget. We are not expecting to do any widening proposals as part of what was included tonight.

Chairman Wihby stated the Granite Street widening was there, it was not because of the Civic Center.

Alderman Pariseau stated the off and on ramp is being extradited because of the Civic Center.

Chairman Wihby stated it has been in the planning for ten years.

Alderman Pariseau asked do we have a cost associated with that.

Mr. Clougherty replied I will meet with Bob MacKenzie tomorrow and get you an answer to that. I do not have it tonight.

Alderman Girard commended Mr. Stern, Mr. Clougherty and Attorney Craig for doing a terrific job throughout the Civic Center process, as have members of the Civic Center Committee. This is an enormous amount of work particularly for the Civic Center Committee members who do it as volunteers.

If you take a look at the money we are using to amortize this debt for the Civic Center, it is State money. It is Rooms & Meals money, not the property tax payer money of the City of Manchester.

Chairman Wihby in closing stated on behalf of the Committee, thank all of you for the presentation today. It was unfortunate that number came out without the Committee knowing about it, without having some sort of a number put to it. It started a lot of rumors and some people who were looking to make a campaign out of this political season have done so. You have done a great job in explaining it and as my letter stated to this Board, I asked everybody to wait until tonight and look at the numbers and not get going on rumors. I also put in there that we have a concern that we had a vote from the public saying $50 million dollars. We had a second page that was given to us today that we understand is parameters that the insurance from the Rooms & Meals, the operating deficit etc. that are going to make sure that we do not have to do that. I know that this Board, if you come to us outside of the parameters, is going to vote this project down and rightfully so. We have gone out there and said to people what we wanted to do and they voted yes. As long as we live within there, we should move forward. It is unfortunate that the numbers came out but we have straightened that out today. We will be having a Committee meeting in another week, if needed. All that has been asked for, send it to all of the Aldermen so everybody has it.

Alderman Cashin asked to have that meeting as soon as possible.

Alderman Wihby replied we will schedule it for next week if we can.

Alderman O'Neil asked it would be helpful, if some of the numbers may change daily, to add a third column of updates to watch trends each time we meet.

Chairman Wihby addressed item 4 of the agenda:

> Copy of a communication from the Executive Director of the Associated Builders and Contractors, Inc. NH/VT Chapter regarding attempts to justify imposing a union Project Labor Agreement (PLA) for the construction of the Civic Center.

On motion of Alderman O'Neil, duly seconded by Alderman Hirschmann, it was voted to receive and file.

There being no further business to come before the Committee, on motion of Alderman O'Neil, duly seconded by Alderman Hirschmann, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee