

**Hamilton County
Convention Facilities Authority (CFA)
Meeting Minutes**

To: CFA Board Members

From: Jeff Aluotto, CFA Secretary

Subject: Meeting # 34: July 29, 2014

CFA Members Present: Paul Brehm, Shawn Butler, Lee Czerwonka, Jim Downton, Larry Grypp, Edward Knox, Gwen McFarlin, Mark McKillip, and Daniel Meyer

CFA Members Excused: Cliff Bishop and Danny Hill

CFA/Project Staff Present: Karen Alder, Jeff Aluotto, Lisa Anderson, Roger Friedman, and Bill Moller

Guest: Bethany Pugh, Tim Offtermatt, Dennis Schwallie, Ric Booth, Dan Lincoln, and Barrie Perks

1. Call to Order

Chair Daniel Meyer called the meeting of the Hamilton County Convention Facilities Authority to order at 12:45 P.M.

2. Review of Minutes

The minutes from the June 7, 2013 meeting were approved by a voice vote.

3. Review of the Sixth Supplement to the Cooperative Agreement

Jeff asked for some flexibility to combine items 3 and 4 on the agenda.

4. CFA Refunding Presentation

Jeff Aluotto mentioned that the primary topic for today's agenda is the refunding of the CFA bonds. In addition, Bill Moeller and I will be discussing the Sixth Supplement to the Cooperative agreement, changes include a longer term to the agreement, elimination of the annual contribution by the City and County have historically made to the CFA funding structure on the advice of the underwriter and others on the bond team.

Tim Offtermatt, senior underwriter gave an overview on the refunding issue. The bond team is looking at a refinancing and restructuring of the original 2004 bonds in an attempt to take advantage of interest rates and growth in the hotel tax revenue, which are enabling

restructuring of the bonds to reduce the expose to county and city. In addition, we are generating \$5 million of new capital to satisfy some current capital improvement needs to the center and at the same time still generating savings.

The original financing plans dating back to 2004 included project budget \$145 million, the primary source of funding for the project budget was municipal bonds consisting of two series. The first series was secured by the hotel taxes, reserve funds, and credit enhancements provided by a triple "A" bond insurer. The second series of bonds was secured by a subordinate lien on the hotel tax and additional reserve fund, annual guarantee of debt service shortfall by the City of Cincinnati. Both of these series were tax exempt. Tim indicated that what the bond team was able to accomplish with the refinancing is to eliminate contributions by the County and the City, the additional reserve and the second lien bonds all together because there is sufficient savings and revenue to roll all outstanding bonds up into the first lien.

Bethany Pugh, Managing Director with PFM, presented information regarding the refunding issue. Bethany indicated that the current market has provided an opportunity for significant savings and economic refunding of the outstanding senior and subordinate lien bonds that the CFA board issued in 2004. Historically low interest rates have allowed us to move ahead with the refunding of outstanding bonds. She indicated the proposed refunding is not extending in maturities. It is a pure level saving structure with the new money piece layered on for the purposes of refunding. This is the traditional and most conservative approach to looking at a refunding. The debt service payment should be several hundred thousand dollars less than the current debt service payments. Comparing old debt (old debt to be refunded) compared to the refunding debt based upon the current market savings will result in a \$6.8 million present value savings.

The original bond issuance back in 2004 on a combined basis was \$106,005,000. The amounts currently outstanding look at 2015 and beyond will be \$74,600,000. The new issuance is \$73,750,000.

Ric Booth discussed the \$5M capital plan of the Duke Energy Center. Ric provided a list of capital needs at the Duke Energy Center. The majority of the projects are maintenance projects. A lot of the projects were on edge of being done with the 2006 expansion and renovations were deferred. Some of the projects are obsolete at this time and need to be replaced. There are some questions about the plumbing; the original 1967 infrastructure will be reviewed with the building audits. There some items on the list that will added or enhance the facility and will enable the facility to be more competitive in the marketplace and add value to the center.

Roger Friedmann, Jeff Aluotto and Bill Moller discussed the sixth supplement to the Cooperative Agreement.

Jeff discussed the Waterfall. The first idea was to guarantee \$300,000 from the City of Cincinnati to Convention Visitor Bureau to ensure that there was a minimum of investment from the city toward the marketing and promotion of the center. Also considered the \$1.3 million agreement that the County and Sharonville for financing the Sharonville Center. The BOCC realized that with the suspension of the annual contributions of the City and the County the risk to meeting the \$1.3 million obligation increased in any given year. Based on

this item, the City and the County discussed the risk and determine the million annual contribution from the City resulted in \$400,000 to the County's bottom line. Therefor there is an element in the Six Supplemental which states that if the County's residual falls below \$1.3 million the City and the County will make that difference up; on a 4 to 1, City and County, to a maximum of \$400,000 for the City so that the County's risk level will be where it was initially.

The Six Supplement is for six years, which can be amendment at any time. There will annual actions of the CFA board to direct the trustee on how to distribution funds in accordance with the frame work of the supplement.

The CFA board members approved the sixth supplement to the Cooperative Agreement by roll call.

Ms. Brehm	<u>Yes</u>	Mr. Bishop	<u>Absent</u>	Mr. Downton	<u>Yes</u>
Mr. Grypp	<u>Yes</u>	Mr. Hill	<u>Absent</u>	Mr. Knox	<u>Yes</u>
Mr. Lovitt	<u>Absent</u>	Ms. McFarlin	<u>Yes</u>	Mr. McKillip	<u>Yes</u>
Mr. Meyer	<u>Yes</u>	Mr. Czerwonka	<u>Yes</u>	Mr. Butler	<u>Yes</u>

The CFA board members approved the Resolution for the Authorize, Sell and Refunding of Bonds by a roll call. Cooperative Agreement by roll call.

Ms. Brehm	<u>Yes</u>	Mr. Bishop	<u>Absent</u>	Mr. Downton	<u>Yes</u>
Mr. Grypp	<u>Yes</u>	Mr. Hill	<u>Absent</u>	Mr. Knox	<u>Yes</u>
Mr. Lovitt	<u>Absent</u>	Ms. McFarlin	<u>Yes</u>	Mr. McKillip	<u>Yes</u>
Mr. Meyer	<u>Yes</u>	Mr. Czerwonka	<u>Yes</u>	Mr. Butler	<u>Yes</u>

5. Review of the Bond Documents and Structural Elements of the Deal

Bethany Pugh and Dennis Schwallie gave a presentation on the bond documents and the structural elements of the deal. The resolution prepared is for \$85 million. Why \$85 million verse the \$74 million, the \$74 million assumes that the bonds can be sold at a premium. This is possible today but when we actual go to the market this may not be the case. The goal is to build in some flexibility so that we do not have to come back to the CFA board as the transaction goes forward.

The restructuring of the bonds will do away with the old first and second lien bond concept. It will consist of only first lien bonds. The restructuring does away with the City's and County's annual contributions over and above the hotel taxes.

6. Future Study

Dan Lincoln spoke about the future study. The expansion projects can take seven to ten years to go through that process. The intent is to look down the road 5, 10 15 years to see where we should be at the end of that time. The headquarter hotel is the number one issue and number one obstacle. You recently heard about the Arena also impedes long term growth in bring in conventions and sporting events. Primary objective is to provide a market program financial/economic impact analysis for potential future expansion of the Duke Energy Convention Center. Primary objectives are highly strategic and forward looking

planning analysis; develop comprehensive research and collaborative process requiring input from stakeholders throughout the industry which will be the bases for developing a cohesive long term master plan for future expansion of the center.

7. Other Business

Karen Alder discussed the Hotel Tax Status Report concentrating on the 2013 information. The City budgeted \$1.5 million and collected \$2.6 million. The County budgeted \$4.8 million and collected \$7.0 million. Next she discussed the CFA Expense Report, highlighting that the expenses were \$56,803. Finally she discussed the reconciliation of the distribution account as of 12/31/2013 there was a balance of \$3,861,528.

8. Next Meeting

TBD

9. Adjournment

Meeting adjourned at 2:20 P.M.