

URBAN COUNTY COUNCIL
BUDGET & FINANCE COMMITTEE SUMMARY

NOVEMBER 27, 2007

Dr. Stevens chaired the committee meeting, calling it to order at 1:00 pm. All committee members were present.

I. Lexington Horsemen, Assistance with Parking and Concessions

Susan Harris, Director of Business Development for the Horsemen, presented the committee with a proposal. (see attached)

Bryan Boehm, General Manager, stated they want to work with Lexington Center. He stated they want to bring affordable entertainment for all downtown. He stated they are not asking for any money to go to the Lexington Horsemen organization.

Bill Owen, Lexington Center Corp., stated their desire is to help all their users be successful in hosting events. He stated the Horsemen can address the Lexington Center Corp Board at a meeting if they would like. Mr. Owen passed out a 9 page discussion to the committee. (see attached). He stated they see this coming down to three questions:

1. What are the concessions and parking prices at Rupp Arena; how do they compare to other venues; do they impact attendance at events? Mr. Owen stated they began a survey in July and completed it in September. Page 2 of handout is the completed survey showing pricing for concessions for other venues. He stated they were able to compare 14 menu items with Applebee's Park and 9 of those items are equal or lower at Rupp Arena. Page 3 and 4 gives information on parking rates. Page 5 gives information on event utilization.

2. What are the terms of the Horsemen lease and how are they different from other Rupp tenants? Page 6 gives information on lease benefits. He stated page 7 and 8 shows what happened the last few years with attendance and tickets sold. He stated turn stile can be more than tickets sold because of the comp tickets. He stated after 2006 new owners took over and they changed the structure of the lease to flat rate.

3. What are Lexington Center Corps financial obligations and how does it meet them? Page 9 gives information on financial obligations.

CM James asked what the rental rate is based on.

Mr. Owen stated the anticipated attendance rate does have some bearing. He stated they have two tenants who do events by contract every year. They are the Horsemen and UK basketball. He stated for others rent is usually lump sum and each event is a little different. He stated the Horsemen have the lowest rent of all events.

CM James asked who makes up the cost when they have dollar days.

Mr. Owen stated nobody makes up the difference in cost. He stated concession operations are all Rupp Arena employees.

CM James asked if the prices for concessions and parking risen since 2003.

Mr. Owen stated yes they have. He stated this is the first time that a promoter has objected to their prices. He stated to keep them from coming to LFUCG for more funding the Lexington Corp uses this paradigm. He stated they made a 300K request in 2003 for funding support from LFUCG and it was declined.

CM Ellinger asked if outside UK basketball if the Horsemen is the most unique local user of the facility.

Mr. Owen stated yes that is true.

CM Ellinger stated it would be a win win if we could boost the attendance. He asked if they have ever lost money on doing promotions on a single game.

Mr. Owen stated he had not looked at that because it has not markedly achieved greater attendance. Mr. Owen stated the Horsemen promote the events that have concession specials.

CM Ellinger asked if community organizations can come in and run the concessions.

Mr. Owen stated they do allow that.

CM Ellinger asked what costs they incur for parking.

Mr. Owen stated their biggest cost is capital to reseal the lot, landscaping and maintenance. He stated last time they resealed the lots it was around 36K. He stated parking helps support other things as well.

CM Myers asked about rental fee.

Mr. Owen stated \$9,500 on top they pay bond fee, sales tax and any other staff requests they have outside of the flat fee. Mr. Owen stated he can get the committee a copy of the lease.

CM James asked about the drops in attendees.

Mr. Boehm stated minor league in sports starts off strong and their goal is to keep the excitement going on.

CM James asked if the change in divisions will help.

Mr. Boehm stated absolutely. He stated they are in the marketing of advertising the rivalries of Cincinnati, Lexington and Louisville. He stated they are starting a 4 game package this year. Mr. Boehm stated Lenny House has opened up his books to anyone who would like to see them.

CM Myers asked for the documents showing the difference in the rent. He stated we can not afford as a city to lose the Horsemen.

CM Moloney asked how many complimentary tickets they give out for a game.

Mr. Boehm stated around 1000 depending on the agreements with partners it varies.

CM Moloney asked if when the schedule is made up if they try to avoid competing activities such as Legends games.

Mr. Boehm stated they do try to avoid competing activities but sometimes it is not possible to avoid. He stated there will be 4 games on the same night as a Legends game.

CM Ellinger asked if Lexington Center Corp knows what the economic impact would be if they Horsemen did not make it.

Mr. Owen stated they do have that data but he has not calculated it and will get it to the committee.

CM Ellinger asked what the cost would be for the 4 requests made in the proposal of the Horsemen.

Mr. Owen stated he can get that data for him.

CM Ellinger asked to have that data provided to the committee.

II. Review of Provisions of Financing to Partnered Agencies

CM Myers asked Commissioner Askew for information from the law department as to what has to be in a PSA and how do we recapture unspent funds from partner

agencies. He stated they are looking for something to be able to hold them to the outcomes they stated they could provide.

Commissioner Askew asked if he wanted information that they could review through the course of the year as opposed to when they come asking for more money at the end of the fiscal year.

CM Myers stated absolutely. He stated quarterly would be preferred.

CM Myers asked if in the PSA we could ask for their total budget to see where their other funding sources are coming from.

Commissioner Askew stated he thinks they can ask for that.

Commissioner Helm stated this past year they started a process asking each agency to present their information to a panel. She stated part of the problem is they have not been monitoring the agencies throughout the year.

CM Myers asked where the administration is with the one size fits all process for next year.

Commissioner Helm stated she is meeting with Mr. Cubine and Mr. Deaton later this week and should have something to present to Council soon.

CM Myers asked that Commissioner Askew be included in the process.

Commissioner Askew asked when the committee would like to see the draft of the proposed changes.

CM Myers stated they would like to see it early enough to send recommendations to full Council and have it approved prior to start of the application process for this fiscal year.

III. Financial Updates

This item was continued to the next meeting.

The meeting adjourned at 2:30 pm.

LFUCG Budget/Finance Committee

November 27, 2007

Lexington Horsemen Discussion

1. What are the concessions and parking prices at Rupp Arena; how do they compare to other venues; do they impact attendance at events?
2. What are the terms of the Horsemen lease and how are they different from other Rupp tenants?
3. What are Lexington Center Corporation's financial obligations and how does it meet them?

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VENUES													
Rupp Arena Lexington, KY	Commonwealth Stadium Lexington, KY	Applebee's Park Lexington, KY	Keeneland Lexington, KY	Regal Cinemas Lexington, KY	Assembly Hall Champaign, IL	Memorial Stadium Champaign, IL	Nippert Stadium Cincinnati, OH	Greensboro North Carolina	Great American Ballpark Cincinnati, OH	Diddle Arena Bowling Green	Boling Arena Knoxville, TN	KY Expo Center Louisville, KY	
sm. Drink	\$2.75							\$2.50	\$1.00	\$2.00	\$2.00	\$2.50	\$2.00
lg. Drink	\$3.75	\$4.50	\$4.25		\$3.50	\$4.00	\$4.00	\$4.00	\$4.00	\$4.75	\$4.00	\$3.75	\$3.00
coffee	\$2.00	\$3.50	\$2.00	\$1.25	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$4.00	\$3.50	\$3.50	\$3.00
small popcorn	\$3.00	\$3.00		\$2.75		\$2.00	\$2.00	\$2.00	\$2.00	\$2.75	\$2.00	\$1.50	\$2.00
peanuts	\$3.00	\$3.00	\$3.50	\$3.00	\$2.50	\$3.00	\$2.50	\$3.00	\$3.00	\$4.00	\$2.00	\$2.50	\$2.00
BBQ sandwich	\$4.75	\$6.00		\$3.00		\$3.00	\$3.00	\$3.00	\$3.00	\$4.00	\$3.00	\$3.00	\$3.50
hamburger	\$4.00	\$6.00		\$3.50			\$4.50	\$5.00	\$5.00	\$4.00	\$5.00	\$5.50	\$5.00
super dog	\$3.50		\$4.00	\$3.25	\$3.00	\$3.00	\$3.50	\$4.00	\$4.00	\$4.00	\$5.00	\$5.50	\$5.00
soft pretzel	\$3.00	\$4.00	\$3.00	\$3.00	\$2.50	\$3.00	\$2.50	\$3.00	\$3.00	\$3.75	\$3.00	\$3.00	\$3.50
potato chips	\$2.00			\$1.50		\$2.00	\$2.00						\$2.50
extra cheese	\$1.00	\$1.00	\$0.50		\$3.00	\$4.00	\$3.50	\$2.00	\$2.00	\$2.00	\$2.00		\$2.00
ice cream	\$3.00			\$2.75	\$1.00	\$1.00	\$0.75	\$1.00	\$1.00	\$0.50			\$3.50
wine	\$5.00			\$4.25	\$3.50	\$5.25				\$3.00	\$5.00	\$3.50	\$5.00
cocktail	\$8.00					\$5.00			\$6.25	\$6.25		\$4.50	\$4.50

*Survey completed 9/07

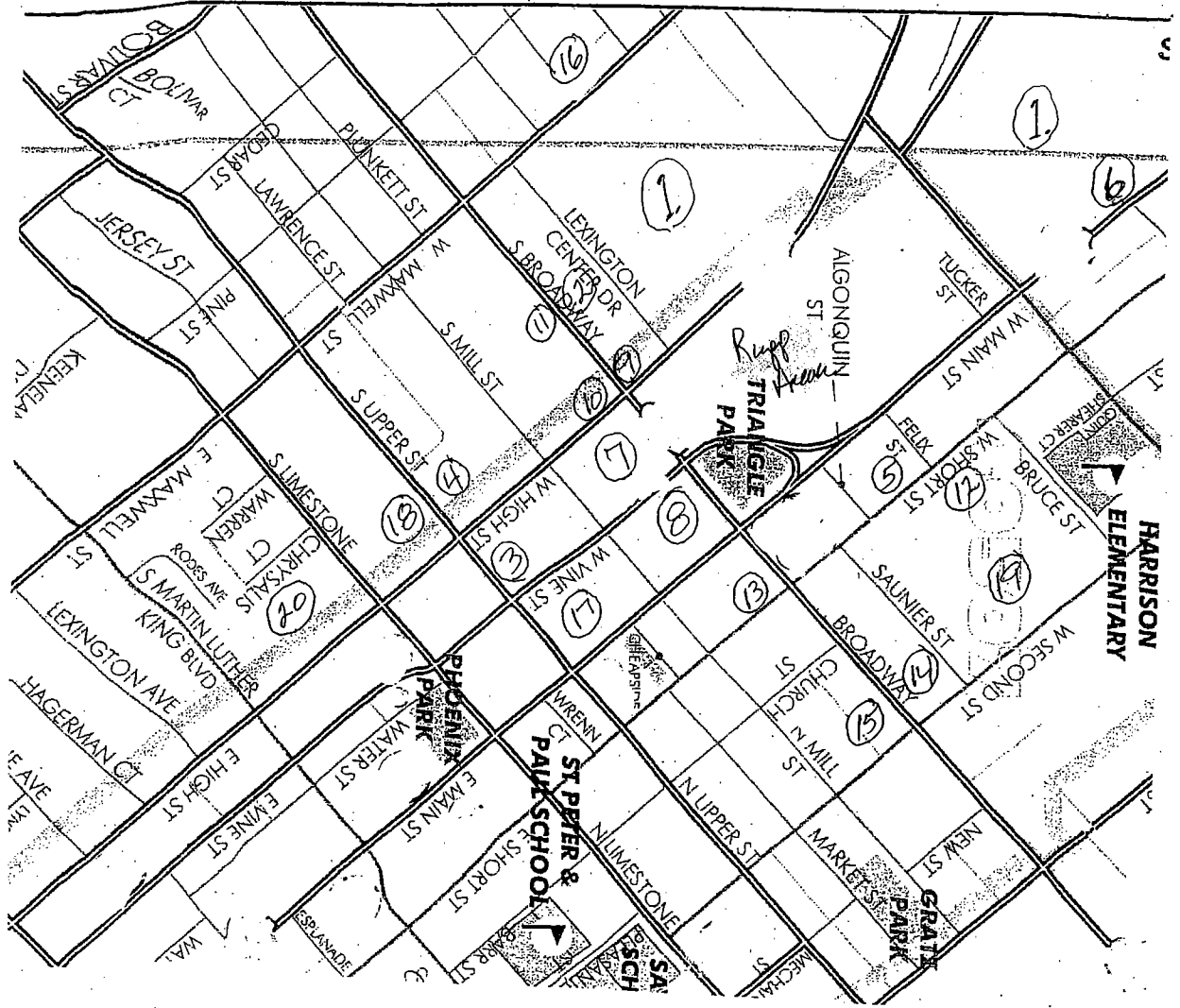
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Parking rates 11/21 UK vs Liberty

1. Rupp Arena	10.00
(parking for Horsemen and other events with attendance less than 10,000 discounted 20% to \$8.00)	
2. Langley Properties garage-across from Hyatt	10.00
3. PNC Bank	10.00
4. United Methodist Church-High/Mill	10.00
5. 1 st Baptist Church-Short St entrance	10.00
6. Motorcars on Main (next to Salvation Army)	10.00
7. Central bank Building (Kincaid Tower)	12.00
8. Radisson Hotel	12.00
9. Lot at High/Broadway across from Hyatt	20.00/25.00
10. Lot at High/Broadway-gravel	20.00
11. 336 Broadway	15.00
12. Short St/Felix	15.00
13. Victorian Square garage	8.00
14. Broadway Christian Church-2 nd Street	8.00
15. Across from Broadway Christian	8.00
16. Pleasant Green Baptist-Maxwell St	8.00
17. Financial Center Garage-blue building	7.00
18. Federal Unemployment office-High/Upper	6.00
19. St. Paul's-Saunier Alley or 2 nd Street	5.00
20. Calvary Baptist Church-MLK Bvd	3.00

Main Street Baptist did not park 11/21 because of prayer meeting but usually match Rupp rates.

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RUPP ARENA UTILIZATION

<u>YEAR (fye 6/30)</u>	<u>EVENT /PERFORMANCE</u>	<u>ATTENDANCE</u>
2007	90 performances/83 days	790,990
2006	100 performances/88 days	801,013
2005	127 performances/109 days	816,066
2004	88 performances/75 days	663,445
2003	129 performances/112 days	735,948
2002 **	75 performances/69 days	599,453
2001	118 performances/108 days	762,226

** Renovation/construction limited availability

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Lexington Horsemen Lease Benefits

- Lowest rent of any Rupp Arena users.
- Attendance based rent credits beginning at 4,500 making it possible to reduce rent to only actual game day personnel cost at 7,334 attendance. **ONLY Rupp Arena tenant with this benefit.**
- Lowest bond fee of any Rupp Arena tenant.
- Free office space 365 days per year including all utilities—value \$18,500 annually. **ONLY Rupp Arena tenant with this benefit.**
- Discounted parking for season ticket holders. **ONLY Rupp Arena tenant with this benefit.**
- \$1.00 beer, \$1.00 hotdog concessions promotions to build attendance. **ONLY Rupp Arena tenant with this benefit.**
- FREE use of parking lot for tailgate promotion—Horsemen opted to rent a private lot across from Hyatt Regency.
- FREE parking for game personnel—unlimited.
- FREE use of arena for practice when available.
- FREE use of Heritage Hall for tryouts and field maintenance. LCC charges only for installing and removing field. **Free parking for tryout personnel during KHSAA Sweet 16.**

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Lexington Horsemen
03 Season

DATE	DAY/ TIME	OPPONENT	TIX SOLD	T- STILE	RENT	
29-Mar-03	Sat. 8:00p	Lake Charles	8,224	8,757	364.00	
19-Apr-03	Sat. 7:30p	Oklahoma	5,418	5,468	5,032.00	
3-May-03	Sat. 7:30p	Myrtle Beach	4,805	4,646	5,854.00	
10-May-03	Sat. 7:30p	Evansville	5,565	5,454	5,046.00	
24-May-03	Sat. 7:30p	Ohio Valley	6,132	6,278	4,082.50	
14-Jun-03	Sat. 7:30p	Tennessee	6,079	5,957	4,543.00	
28-Jun-03	Sat. 7:30p	Ft. Wayne	5,466	5,562	4,938.00	
TOTAL:			41,689	42,122	29,859.50	
AVG:			5,956	6,017	4,265.64	

Lexington Horsemen
04 Season

DATE	DAY/ TIME	OPPONENT	TIX SOLD	T- STILE	RENT	
27-Mar-04	Sat. 7:30p	Fort Wayne	4,864	4,952	5,548.00	
17-Apr-04	Sat. 7:30p	Ohio Valley	4,419	4,606	5,816.00	
24-Apr-04	Sat. 7:30p	Tupelo	4,264	3,966	6,000.00	
7-May-04	Fri. 7:30 p	Wichita Falls	3,124	2,919	6,000.00	
29-May-04	Sat. 7:30p	Evansville	3,223	3,160	6,000.00	
12-Jun-04	Sat. 7:30p	Show Me	3,481	3,434	6,000.00	
26-Jun-04	Sat. 7:30p	Waco	3,361	3,322	6,000.00	
2-Jul-04	Fri. 7:30 p	Staten Island	2,978	3,413	6,000.00	
10-Jul-04	Sat. 7:30p	Atlantic City*	1,778	1,998	6,000.00	
16-Jul-04	Fri. 7:30 p	Houma	2,128	2,465	6,000.00	
TOTAL:			33,620	34,235	59,364.00	
AVG:			3,362	3,424	5,936.40	

Lexington Horsemen
05 Season

DATE	DAY/ TIME	OPPONENT	TIX SOLD	T- STILE	RENT	
26-Mar-05	Sat. 7:30p	Ohio Valley	3,880	4,217	6,000.00	
30-Apr-05	Sat. 7:30p	Ohio Valley	3,811	4,091	6,000.00	
15-May-05	Sun. 2:00p	Tupelo	2,482	1,963	6,000.00	
28-May-05	Sat. 7:30p	Omaha	2,151	2,323	6,000.00	
11-Jun-05	Sat. 7:30p	Sioux Falls	2,091	2,316	4,500.00	
25-Jun-05	Sat. 7:30p	Tenn Valley	2,304	3,115	4,500.00	
30-Jul-05	Sat. 7:30p	Evansville (Play	2,663	3,332	4,500.00	
6-Aug-05	Sat. 7:30p	Sioux Falls (Play	3,435	3,837	4,500.00	
TOTAL:			22,817	25,191	42,000.00	
AVG:			2,852	3,149	5,250.00	

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Lexington Horsemen
06 Season

DATE	DAY/ TIME	OPPONENT	FIX SOLD	T STILE	RENT
24-Mar-06	Fri. 7:30p	Ohio Valley	3,758	4,402	4,500.00
15-Apr-06	Sat. 7:30p	Omaha Beef	2,862	3,688	4,500.00
28-Apr-06	Fri. 7:30p	Fort Wayne Freedom	2,595	2,966	4,500.00
13-May-06	Sat. 7:30p	Evansville	2,988	3,590	4,500.00
3-Jun-06	Sat. 7:30p	Rockford	2,389	2,919	4,500.00
10-Jun-06	Sat. 7:30p	Sioux City	2,860	3,517	4,500.00
24-Jun-06	Sat. 7:30p	Peoria	3,313	6,408	2,388.00
22-Jul-06	Sat. 7:30p	Rockford Raptors (Playoff Gme	3,035	4,459	4,500.00
TOTAL			25,800	31,949	33,888.00
AVG			2,975	3,994	4,236.00

*New ownership - Restructured lease to
Flat Rate including game day staff*

Lexington Horsemen
07 Season

DATE	DAY/ TIME	OPPONENT	FIX SOLD	T STILE	RENT
7-Apr-07	Sat. 7:30p	Evansville	3,014	3,434	3,569.34
15-Apr-07	Sun 3:00p	Ohio Valley	2,226	2,465	3,345.64
12-May-07	Sat. 7:30p	Rock River	2,890	4,490	3,441.80
2-Jun-07	Sat. 7:30p	River City	2,469	2,660	3,770.96
9-Jun-07	Sat. 7:30p	Bloomington	2,182	2,263	3,385.15
23-Jun-07	Sat. 7:30p	Sioux Falls	2,749	3,565	2,699.89
14-Jul-07	Sat. 7:30p	Ohio Valley	2,430	3,256	3,202.37
28-Jul-07	Sat. 7:30p	Bloomington - Playoff Game	1,548	2,694	3,461.68
TOTAL			19,508	24,827	26,876.80
AVG			2,439	3,103	3,359.60

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What are Lexington Center Corporations financial obligations and how does it meet them?

Assets include:

- Rupp Arena
- Lexington Convention Center
- Shops at Lexington Center
- Lexington Opera House
- Triangle Park
- Ancillary parking lots

Current Operating Budget: \$10.6 million

FY 2008 Debt Service: \$3.6 million

FY 2008 Approved Capital Maintenance Expenses: \$1.8 million

Sources of revenue:

Hotel/Motel room tax—2% by KRS statute (varies annually)

Convention/Visitors Bureau inter-agency contract agreement—(\$948,000 annually)

Cash flows from operations (rent, concessions, parking, etc) (varies annually)

Over its 32 year history Lexington Center/Rupp Arena has paid 100% of operating budget and annual capital maintenance expenses. Debt service (\$102 mil) has been paid 50% from hotel/motel room tax; 33% from LCC operations; 16% from LFUCF general fund (over half in the first 10 years—1976 to 1986).

Lexington Center is already providing significant financial support (*attendance based rent credits, office space, parking support, concessions "specials", etc*) to the Horsemen relative to all other Rupp Arena tenants. We feel further subsidy is contrary to the best interest of Lexington-Fayette Co taxpayers and that their interest must be considered first. While we are committed to maximizing utilization of the facilities we manage it must be achieved in a financially responsible way.

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