

May 5, 2011

To: Mr. John Kish

From: John Friend, CPA, CVA, Finance Chair, Evansville City Council

Subject: Specific Questions concerning Arena Costs

Dear John,

In review of your most recent financial report to the Council, I have formulated some specific questions which may be easily explained. I would like for you to review and come before us in the miscellaneous portion of our next Council meeting scheduled for May 9<sup>th</sup>.

1. **PARKING:** Exclusion of \$441,000 for parking lot bought from the Hulman & Co. as reported in the Courier & Press article dated June 3, 2010 and \$306,000 Executive Inn Annex bought from Browning for staging during construction and later parking (per ERC Minutes dated March 16, 2010.) It appears Browning paid around \$195,000 for the property about 90 days before the City bought it back which has the appearance that Browning profited by \$111,000 with a ninety day hold? Please advise.
2. **EXECUTIVE INN COSTS:** In your report you indicate \$6,000,000 to \$10,900,000 Executive Inn range attributable to Arena. Isn't it closer to \$13,357,693? This number includes the \$1.5 million estimate to tear down the remaining part of the hotel (work being done currently) you indicate this cost will be deducted from the Woodruff Incentive Package; however, we have no reporting on that final package? At a minimum, with the current Executive Inn Demo Costs currently recovered by Woodruff, minimum outlay for Executive Inn is \$11,857,693 as published? This seems to be contrary to your report? According to the minutes of the ERC dated July 15, 2009, resolution 09 ERC 34 for \$35,000: and on August 4, 2009 resolution 09 ERC 41, indicates the City paid Browning's cost to evaluate this project?
3. **PROFESSIONAL FEES—OTHERS:** Concerning the reported amount of \$556,000, is this all of the reporting for 1/2 million of outlay?
4. **PROFESSIONAL FEES—LEGAL:** As shown to be zero which we know can not be accurate, is that amount in the "Others"?

5. **PROFESSIONAL FEES—INSURANCE:** Your report indicates \$425,000; however, as previously published, the amount is \$749,490. It appears that the published amount were for 2-year policies for Property/Casualty, Flood/Earthquake; Clean up pollution? In addition, as shown in the published amounts(Courier & Press 7/21/09) was the cost of \$100,000 for Insurance Consulting paid to Old National Bank? Was there any written reports presented by ONB concerning recommendations? and if so, please provide the Council.
6. **POPULOUS (Architect):** As reported in the Courier & Press on 4/22/09, there was a \$95,000,000 architect's **not-to-exceed** on the Construction Costs; and Populous' fee would be 10% of the construction costs. Your report states that hard cost are \$94,846,000, which includes \$7,172,100 of Hunt Construction. If Hunt is subtracted from the total(surely the Architect wouldn't be paid a fee on the cost of construction management? (\$87,673,900 x 10% = Populous Fee of \$8,673,900)? However, your report states that Populous will be paid \$11,300,000, the difference in fee is \$2,626,100. Please reconcile?
7. **HUNT CONSTRUCTION (Construction Manager)** According to the Courier & Press article date 10/20/09, their total contract was \$5,300,000 excluding incentives of \$500,000. As stated in your report, the hard cost is \$7,172,000, a difference of \$1,872,000? If the "Future Costs" of \$820,000 as projected or the Utility Relocation costs of \$469,000 are included, won't Hunt miss their \$95,000,000, losing the \$500,000 incentive? and considering the unexplained increase as stated above, have they already received \$1,872,000 and expect to receive the incentive as well?
8. **WOODRUFF HOSPITALITY:** Per your report, there are zero costs. As reported, the value of the incentives are \$15,000,000 dated 12/21/10. We have not seen any reporting whatsoever on the final? Please advise.

In review, please feel free to contact me at my office or cell phone if you have questions.

Sincerely,



John E. Friend, CPA, CVA  
JOHN FRIEND & COMPANY, P.C.,