February 13, 2015

Two whom it may concern:

As elected representatives for the citizens of Westfield, it is our job to make decisions that we believe will best meet the needs of this community economically while enhancing our quality of life. It is a responsibility and a privilege that all of us take very seriously each day.

This type of public/private partnership is an important issue for consideration. I sincerely respect the residents in this community who had concerns, and stepped forward to make sure their council members' decisions were as informed as possible.

I'm proud of our staff – many of whom are also Westfield residents and taxpayers – who have gone above and beyond what is required by the Public Access Counselor in terms of making sure the public has access to relevant documents. They have made themselves available for questions, clarified all details regarding the process, and have published the relevant documents on the city's website in order for residents to peruse the facts, figures and numbers themselves, should they choose to do so.

The following questions were collected during the public comments section during the City Council meeting of February 9th. This document answers those questions.

As your Council President, I again would like to emphasize the importance of this valuable public discussion. Hopefully, it can be a benefit to all concerned.

Respectfully,

Chuck Lehman

President, Westfield City Council

Jeff Harpe

Q-1: Where's the transparency?

A-1: Prior to the meeting on October 27, 2014, documents pertinent to this proposal have been posted to the city's website, distributed to the media and updated accordingly as new developments occurred. Also prior to both public hearings, October 27th and February 9th, legal notices were published in the Indianapolis Star and the Noblesville Times.

Q-2: Where are the facts?

A-2: See above.

Q-3: Where are the figures?

A-3: See above.

Q-4: Where are the numbers?

A-4: See above.

Q-5: Who's the puppet master here? Who's pulling the strings for the city council?

A-5: Individual members of the City Council researched the documents on their own and came to their own conclusions on the matter. No one is pulling anyone else's strings.

Q-6: What's at stake when this place is built and people walk away with their golden parachutes?

A-6: There are no golden parachutes. If the insinuation is that city council members will somehow personally profit from this project, please present that evidence immediately.

Brian Ferguson

Q-1: Has the City has conducted a request for a proposal process that allows developers to competitively bid on the right to build the Indoor Facility?

A-1: As is included in the Westfield Sports Commission report (hard copy available) the need and demand for an indoor field sports facility was identified. The original concept for such a building was smaller is scope and was part of the initial construction of Grand Park. However, as conversations progressed between soccer/field sports leadership and the Westfield Sports Commission it became apparent the original concept for such a facility would be too small and would not meet the then current – and ever growing – demands for indoor field sports.

In 2011, as conversation continued, the city was approached by Indiana Soccer Association (ISA) with the idea to partner in constructing, and operating, an indoor field sports facility. ISA had already commissioned concept design(s) for the facility and overall was seeking a financial partnership with the city.

In 2013 the city was approached by a single private investor seeking a partnership in constructing and operating an indoor facility. After several discussions with the individual it was apparent the financial terms sought by the individual were not in the city's best interest(s).

In the summer of 2013 the city received another partnership proposal from Keystone Construction and Development. Not unlike the offer from ISA, Keystone desired a financial partnership with the city in order to build and operate indoor facility.

Both proposals from ISA and Keystone sought the city to pledge borrowing capacities (such as County Option Income Tax: COIT, TIF, Property Taxes) in order for financing to be secured. While the city successfully has entered into such financial backing agreements before (most notably Wellbrooke) the timing and terms to do so in this project were not optimal as it would have limited the city from doing other future projects and/or partnerships.

In December 2013 the city was presented a proposal by Holladay Properties (HP) to partner in the design, construction and subsequent Triple Net leasing of an indoor field sports facility. The differing factor(s) with the proposal from HP was no direct pledge of borrowing capacity/instruments (COIT, TIF, Property Taxes) was being sought other than the financial security of available revenues specifically monies received through lease agreements. Furthermore, HP sought no operational presence leaving the city the options and availability to have exclusive rights and negotiations to any/all net revenues generated within the footprint of the facility operations.

As part of due diligence of each proposal the city incorporated the outside expertise of O.W. Krohn and Associates to provide accounting review of all financial components. Furthermore, the city investigated financing and constructing the facility without HP. The financial terms (rates, re-fi lockout, early payment /payoff, and term) offered by a lender of the city did not match that of the lending institution of HP. In fact the non-exempt rate offered by HP was lower with greater flexibility in term.

Lastly, the city has conducted itself in accordance with Indiana Code 36-7-12-20(b).

Q-2: Will there be property taxes paid on the indoor facility and if so; who is paying the taxes?

A-2: On the largest portion of the facility there will be no property taxes. The reason for such is due to usage classification of the commercial facility rather the ownership classification. Over 92% of the facility will be used and operated by ISP which is a Not for Profit entity. As far as the space occupied by Jonathon Byrd's, their lease unit cost includes a Payment In Lieu of Taxes (PILOT) calculation.

Q-3: Will Westfield essentially be paying taxes to itself?

A-3: No (see the above question and associated response)

Q-4: Why does the City need to guarantee lease payments?

A-4: As is the case with most all Public Private Partnerships (P3) the public partner offers a significant element of stability. As was previously noted, the city engaged in P3 with Mainstreet LLC, which is now known as Wellbrooke. In this P3 the city used its COIT backing of $15 million in order for Mainstreet LLC to obtain financing. Without the city's financial partnership role Wellbrooke most

assuredly would not be open for business thus adding to the economic vitality of the city. When the city does partner with the private sector terms of the agreement are required such to mitigate as much potential risk as possible.

Q-5: Why haven't the financials from Grand Park's first year been disclosed?

A-5: The year-end close and reconciliation of year-one is still underway as is the rest of the city's 2014 financials. These numbers will be posted as soon as possible.

Q-6: Why does the City need to be the risk bearer?

A-6: The city is not the sole risk bearer. As noted in the agreement HP is the primary holder of the debt. Furthermore risk is transferred to subtenants in the form of a required escrow ($500,000 up to $1M) and the usual and customary performance and default clauses.

Q-7: Why doesn't the developer sign agreements with them (the tenants)?

A-7: As noted in a previous response HP has no desire to operate this facility. Furthermore, given the city's already sole investment in Grand Park it would be less than optimal for the city to relinquish control of this critical asset in that of programming, visitor experience and quality of product delivered.

Q-8: Why shouldn't the payment be considered as debt for the City of Westfield?

A-8: At no time has this proposal been represented as being debt-free or without any sort of risk. This was clearly stated by council members at the meeting in October.

Q-9: Why don't the soccer organizations sign a 25-year non-cancellable lease agreement with the directly with the developer?

A-9: Please refer to previous response from Question 6.

Q-10: What disclosures have been made since the December 27, 2014 meeting?

A-10: There was no December 27, 2014 meeting. Prior to the meeting on October 27, 2014, documents pertinent to this proposal have been posted to the city's website, distributed to the media and updated accordingly as new developments occurred. Also prior to both public hearing, October 27th and February 9th, legal notices were published in the Indianapolis Star and the Noblesville Times.

Q-11: Have any disclosures been made in the last two weeks?

A-11: This question is somewhat ambiguous. The action(s) taken related to this project took place on December 8, 2014 wherein the sublease agreements were introduced to the City Council. On January 12, 2015 both agreements received a 7-0 approval by the City Council. Also in the last few weeks, all documents related to the lease and sub-lease agreements have been updated and displayed on the city's website.

Q-12: How does this meeting avoid the prejudice associated with the Open Doors lawsuit recently filed?

A-12: The city does not make comments related to pending litigation.

Clarification: Ordinance 15-02 Section 4

Clarification Response: This is standard language drafted by the city's legal counsel. But to be specifically clear, the Mayor and his staff have no pecuniary interest(s) in this project.

Marla Ailor

Q-1: Will you please consider my opinion about this indoor soccer facility?

A-1: Yes

Q-2: Why should the Citizens of Westfield accept your word that a 53 million dollar project will produce revenue promised?

A-2: This is a $25M project. It should be recognized there is no project without some sort of associated risk. However, the city conducted due diligence efforts using third-party input from accounting professionals, local soccer leadership input determining current and future demand. The city also enlisted the consultation of an owner /operator of similar facility in Pontiac, MI. Using this information the city's risk has been mitigated within each agreement.

Q-3: Why won't you follow-up the Request for Proposal process?

A-3: Please see response A-1 to Mr. Ferguson.

Q-4: What if the project could be completed for far less?

A-4: Given the design and scope of the facility the best suited project and financial partner is found in Holladay Properties. Extensive research and due diligence has proven this agreement is our best option to efficiently build this facility.

Ron Thomas

Q-1: Is the property taxed, and if so, to what extent?

A-1: See response A-2 to Mr. Ferguson

Comment: Mr. Thomas expressed his view regarding the fiscal condition the city is in.

Mr. Thomas stated, "We currently have the second highest tax rate in the county, which is not great shape."

Clarification: The City of Westfield tax rate is not the second highest in the county. In 2013 the City tax rate was $.8424 / $100 of assessed valuation. In 2014 the City tax rate was $.80750 / $100 of assessed valuation and in 2015 the City tax rate is $.7698 / $100 of assessed valuation reflecting a $.04 every year for the past two taxing years. The City of Westfield tax rate is the fourth lowest in the county in 2014 and the fifth lowest in 2015.

When reporting Total Combined Rate (a summation of ALL taxing authorities: School, Library, Township, County, City & Solid Waste) it is important to clearly note one taxing authority has no control over another when setting tax rates. In 2013 the total tax rate for the City of Westfield was $3.0947 / $100 of assessed valuation, in 2014 it was $3.0960 / $100 of assessed valuation and in 2015 the Total Combined rate is $3.0430 / $100 of assessed valuation. When comparing Total Combined

Rates, Westfield did in fact have the second highest rate in 2013 and 2014, and in 2015 the third highest. Again, it is important to note the tax rate the city has complete control over is not the second highest.

The finance rate presenting in this partnership was/is more competitive and flexible than terms offered to the city through typical municipal financing. Refer to response A-1 to Mr. Ferguson.

In 2014 the city's S&P Bond Rating improved two classifications from AA- to AA+. This bond rating is still effective in 2015.

The city's Rainy Day Fund has a sustained balance of $1 million. Additionally, in 2008 the city stopped the practice of deficit spending and now has a cash operating balance of over $4 million eliminating the need to have a line of credit in order to pay daily operational expenses.

Q-2: How are the COIT backed bonds due in 2016, 2017, and 2018 going to be paid?

A-2: As part of the Grand Park debt structure each short term COIT Bond Anticipation Note (BAN) is scheduled to be refinanced into Tax Increment Financing (TIF) Bonds, using the tax increment from commercial economic growth within the Grand Junction TIF district. The city has a pro forma that reflects the current available increment is sufficient to refinance both the 2016, 2017 BANs into Bonds as well as a portion of the 2018 BAN. In the event Increment has not occurred to offer coverage for the entire 2018 BAN the city has a contingency plan of using COIT as debt coverage until such time Increment is available to cover the remainder of the 2018 BAN.

Q-3: Question is related to the legal definitions within the Statute.

A-3: All questions related to legal definitions are referred to the City's legal counsel.

<u>Linda Naas</u>

Q-1: What was the reason for the revote on this issue?

A-1: To satisfy concerns raised by the public.

Q-2: How does this resolve the Open Door issue?

A-2: **The city does not make comments related to pending litigation.**

Q-3: There have been no open meetings. Where are these discussions happening?

A-3: There have been two public hearings related to this matter, October 27, 2014 and February 9, 2015.

Q-4: Concerned about Mr. Burtron's statements regarding 250K excess per year

A-4: These figures are found in the pro forma and are relative to the building of the park.