The Board of Directors met at 3:00 PM on Tuesday, June 1, 2010 at the Regional Enterprise Tower in the A. E. Hunt Conference Room. Present were Board members: Mr. Rob Jones, Chair, Mr. Dan Griffin, Dr. Herman Jones, Ms. Dusty Kirk, Mr. Stanley Parker, Mr. Rick Pierchalski and Ms. Connie Yarris. Chief Counsel Jim Norris, Executive Director David Donahoe and staff as well as members of the public and news media were also present. Notice of the meeting was published in accordance with the Act and By-laws and on the ARAD Website.

Public Hearing and Comment Period

Mr. Jones reported that no one registered to speak at the public hearing and comment period.

Minutes

There were no corrections to the minutes of the April 27, 2010 meeting. Mr. Griffin moved approval of the minutes with Mr. Parker seconding the motion. The motion was unanimously approved.

Treasurer's Report

Mr. Parker gave the following report:

Board Members:

May revenue representing March sales was $7 million or 3.7% higher than May of last year. It is the first month in over a year that tax revenue has been appreciably higher than the same month in the prior year. Revenue also exceeded budget for the month.

Consumers around the state apparently reacted favorably to the end of winter as state sales tax revenue was also up over last year. The major increase locally was in general sales although auto sales were also up slightly for the month. National reports indicated that there was a surge of retail activity in March but that it did level off in April. Results from the April sales will be received by the District next week.
Through five months this year tax revenue is $32.5 million or 1.2% below the first five months of last year. Investment income continues to lag with only $14,000 earned to date compared to over $75,000 for the same period last year.

Expenditures in the grant and administration funds are in line with budget with the exception of employee benefit costs. The Executive Director will discuss that with the board in his report.

Thank you.

As there were no questions from the Board, Mr. Jones asked that the report be put on file.

Proposal by Sports and Exhibition Authority

The Chair stated that the District had received a letter from the Sports and Exhibition Authority asking for concurrence in a plan to refund the 1999 bond issue that led to the construction of the stadiums and convention center. Funds made available from the issue will be used for capital needs at the center.

The Chair asked Mr. Donahoe to summarize the request and outline the resolution and introduce representatives of the Authority present to answer questions. Mr. Donahoe gave the following presentation:

Background

In 1999 the District Board agreed to support the Regional Destination Financing Plan (RDFP) that would result in the construction of two new sports stadiums and a “renovation/rebuild” of the Lawrence Convention Center. The plan was submitted by the then Mayor of Pittsburgh, a majority of the Allegheny County Commissioners and the Sports & Exhibition Authority (SEA). Included in the plan was the payout of the remaining debt on Three Rivers Stadium as well as the cost of its demolition. The plan also required a bond issue supported by the county hotel tax for the Convention Center, significant state contributions and, in the case of the stadiums, contributions from tenant revenue.

The District agreed to transfer its $10 million a year minimum funding commitment for Three Rivers to the RDFP bond issue payments and add $3.4 million for a total of $13.4 million a year. This amount essentially fulfilled a pledge the original RAD Board made to increase funding to Three Rivers by 3% a year – it just did it on an expedited schedule.

Once the cap was reached, however, there would be no increases in that amount for stadium upkeep as maintenance responsibilities were transferred to the tenants of the stadiums.

Since there is no full time tenant of the convention center, the SEA remains responsible for the Center expenses using earned revenue and limited remaining proceeds from the hotel tax. The District has also made operating and capital grants of over $5 million to the Center to assist the SEA as the Center found a market and other funding sources.
The original principal amount of the RAD bond issue was $176.5 million. Due to timing of the projects, all of the District bond proceeds were used on the two stadiums although the Convention Center remains a designated regional asset under the RDFP. SEA is required to provide annual, independent engineering inspections of any asset funded through the bond issue and we have received them each year on the two stadiums.

**Issue**

During the Convention Center construction, the SEA entered into a financing lease for the building’s chiller equipment and a variable rate note to cover other costs. These obligations impacted the Center’s operating budget by about $1 million a year according to the SEA. Even with District support and gambling revenue, the SEA projects continued operating deficits.

**Proposal**

As a result of the change in markets and removal of refunding restrictions in the original issue, the SEA is proposing to refund all or part of both the 1999 RAD bond issue and hotel tax issue. In this process, all of the savings would be taken at the front end and applied to projects.

Based on current market conditions, the SEA is projecting that the RAD bond refunding would net about $5 million in new funds while the hotel tax refunding would yield around $3 million. The SEA would apply these proceeds first to buy out the lease on the chiller plant (around $6.2 million), second to payout the variable rate note ($4 million) and, if any proceeds remain, apply them to capital needs at the Center. There would be no change in the amount of the District’s annual debt service commitment and no change in the term of the multi-year grant which runs to 2030.

District counsel has prepared a resolution, which would be required if the Board decides to approve this request. Since market conditions on the day of the sale cannot be precisely predicted, the resolution authorizes the issuance of a maximum of $185 million in bonds although current projection is that the debt service will only cover about $177 million. This happened in the original issue as well where the Board authorized a maximum $205 million but the issue ended up at $176 million.

The SEA bond issue, unlike the Carnegie Library issue we dealt with earlier this year, is considered debt of the District and must be listed as a liability on our balance sheet. Therefore, the resolution contains the necessary approval to file documents with the State Department of Community and Economic Development.

The resolution also provides that all out of pocket expenses incurred by the District will be paid from the proceeds of the issue and allow the RAD Board to determine an appropriate engineering inspection schedule for the convention center.

Mary Conturo, Executive Director of the Sports and Exhibition Authority, along with representatives of bond counsel and the underwriters are here to answer any questions the Board might have.
In response to Ms. Kirk’s question, Ms. Conturo stated that the Bond total costs of issuance would be $3.8 million, which includes $2.4 million for bond insurance and debt reserve surety bond. A determination of whether to purchase insurance had yet to be made and would be made only if it was economically viable.

In response to Mr. Pierchalski’s questions, Mr. Jason DiMartini representing PNC Capital Markets said that while the numbers listed in the proposal letter were current, the sale could not take place until mid July at the earliest. The markets are volatile and a movement of one basis point meant $155,000 in cost or increased savings. Mr. DiMartini said he was confident that a sale would take place and result in substantial return to the Authority. He also clarified that the $5 million expected from the sale was net of all costs. While there would be additional debt, the debt service would not change.

In response to a question from the Chair, Mr. DiMartini said that there was no obligation to borrow even if the District approved the request. The SEA has engaged an independent financial advisor to examine the final numbers before a commitment is made.

In response to a question from Ms. Kirk, Ms. Conturo said that the priority for the refunding was to take out the chiller lease but that it had to be done in whole meaning that at least $6.2 million would have to be obtained from both the RAD and the hotel tax bond refunding. If that proved impossible, the variable rate loan would be the next priority. She said that the Authority required a savings of at least 3% of the issue in order to proceed.

In response to a question from Mr. Pierchalski, Ms. Conturo said that the chiller lease was held by a private company, Noresco.

The Chair thanked the SEA for taking steps to brief the members on the proposal and for obtaining independent opinions on the proposal.

Mr. Griffin then moved the adoption of the following resolution, seconded by Ms. Kirk with all members voting in favor.
WHEREAS, the Board of the Allegheny Regional Asset District (the “Board”) by its resolution adopted July 9, 1998 designated the David L. Lawrence Convention Center, PNC Park, and Heinz Field (the “1998 Plan Assets”) as regional assets pursuant to Section 6101-B et seq. of Title 16 of the Pennsylvania Second Class County Code (the “Act”), authorized annual grants to the Public Auditorium Authority of Pittsburgh and Allegheny County (now the Sports & Exhibition Authority of Pittsburgh and Allegheny County) (the “Authority”) to provide for the payment of debt service on bonds to be issued by the Authority to finance the construction of such regional assets, authorized the Allegheny Regional Asset District (the “District”) to enter into a Cooperation and Support Agreement and an Intercept Agreement, and incurred lease rental debt within the meaning of the Local Government Unit Debt Act, 53 Pa.C.S. §8001 et seq. (the “Debt Act”) in an amount not to exceed $205,000,000 for the purpose of paying costs related to the construction of the 1998 Plan Assets; and

WHEREAS, the Authority issued $176,625,000 aggregate principal amount of its Regional Asset District Sales Tax Revenue Bonds, Series of 1999 (the “1999 Bonds”), of which $168,355,000 remain outstanding, supported by the annual grants of the District; and

WHEREAS, in order to evidence such annual grants, the Authority, the City of Pittsburgh (the “City”), the County of Allegheny (the “County”), the Stadium Authority of the City of Pittsburgh (the “Stadium Authority”) and the District entered into a Cooperation and Support Agreement dated as of May 6, 1999, and entered into a First Amendment to Cooperation and Support Agreement dated as of January 13, 2005 (as so amended, the “Existing Cooperation Agreement”); and

WHEREAS, the Authority has determined that it may be financially beneficial to undertake a project (the “Refunding Project”) to currently refund all or a portion of the 1999 Bonds and to apply the upfront savings to pay the costs of (i) the payment of the termination payment in accordance with the existing energy agreement relating to the cooling system in the Convention Center, and/or (ii) the prepayment of all or a portion of the Authority’s 2010 Variable Rate Term Note dated April 19, 2010 (the “Authority’s 2010 Note”) (which was allocated to Convention Center capital improvements and operating costs), and/or (iii) such capital improvements to the Convention Center as the Authority shall determine (collectively, the “Permitted Uses”); and
WHEREAS, in order to accomplish the Refunding Project, the Authority has determined to issue bonds (the “Authority Refunding Bonds”), without any increase in the amount of the annual grants to the Authority under the Existing Cooperation Agreement; and

WHEREAS, the Existing Cooperation Agreement requires that the District consent to the issuance of the Authority Refunding Bonds and the Board desires to provide such consent and agree to the Authority’s use of the debt service savings; and

WHEREAS, the Board desires to enter into a second amendment to the Existing Cooperation Agreement in order to evidence various matters relating to the Refunding Project and the Authority Refunding Bonds.

NOW THEREFORE, in consideration of the foregoing, the Board of the Allegheny Regional Asset District hereby adopts the following resolutions, effective immediately:

1. **Consent to Issuance of Authority Refunding Bonds.** The Board hereby consents to the issuance of the Authority Refunding Bonds upon the condition that (i) the annual grants to the Authority from the District as set forth in the Existing Cooperation Agreement are not increased and (ii) the upfront debt service savings are applied to the Permitted Uses. The Chair, Vice Chair or Executive Director of the District are hereby authorized to execute and deliver (and the Secretary or the Assistant Secretary are hereby authorized and directed to attest, if necessary) any certificates, instruments and documents required to be delivered by the District in connection with the issuance of the Authority Refunding Bonds (collectively, the “District Documents”), including, but not limited to, an amendment or supplement to the Existing Cooperation Agreement (the “Cooperation Agreement Amendment”) and the intercept letter with the Commonwealth of Pennsylvania, a continuing disclosure agreement and a disclosure certificate pertaining to any offering document for the Authority Refunding Bonds. Each such District Document shall be in form and substance approved by the District’s Chief Counsel and the officer executing the same, such approval to be conclusively evidenced by such officer’s execution thereof.

2. **Debt Act Authorizations.**

   (a) The Board has been advised by representatives of the Authority qualified by experience that the reasonable estimated useful life of the 1998 Plan Assets is at least 23 years. The refunding of all or a part of the 1999 Bonds, the refinancing of Authority debt incurred to construct 1998 Plan Assets, and financing of a portion of the costs of capital improvements to the 1998 Plan Assets are hereby determined to be a “project” of the District within the meaning of the Debt Act. Reasonable cost estimates for the project have been obtained from persons qualified by experience.
(b) The indebtedness of the District is hereby increased to an amount not to exceed $185,000,000 in the aggregate. Such indebtedness shall be lease rental debt of the District as defined in the Debt Act and is authorized to be incurred for the purpose of paying costs related to the financing and refinancing of the construction of and capital improvements to the 1998 Plan Assets.

(c) The Board hereby directs that the necessary documentation be filed with the Pennsylvania Department of Community and Economic Development (the “Department”) so that the debt incurred hereunder may be approved as lease rental debt of the District. It is therefore hereby declared that the lease rental debt of the District to be incurred hereunder shall be an amount equal to the total principal amount of Authority Refunding Bonds to be issued, which amount shall not be in excess of $185,000,000, nor in excess of the limitations as set forth in the Debt Act. The Chair, the Vice Chair or Executive Director and the Secretary or the Assistant Secretary of the District are each hereby authorized and directed to prepare, verify and file the Debt Statement required by Section 8110 of the Debt Act, together with the Borrowing Base Certificate and an application for approval of said indebtedness with the Department and to do and perform all other acts and sign all other documents necessary and proper for the obtaining of the approval of the Department.

(d) The maximum amount to be paid in each year pursuant to this Resolution with respect to the Existing Cooperation Agreement as amended by the Cooperation Agreement Amendment (as so amended, the “Cooperation Agreement”) is $10,870,000 for calendar year 2010 and $13,400,000 for each of the calendar years 2011 through 2030. The Cooperation Agreement is a ‘subsidy agreement’ as defined in the Debt Act. The District covenants to include the amounts payable under the Cooperation Agreement in its budget for each year in which such amounts are payable; to appropriate such amounts from District revenues for such payments and to duly and punctually pay such amounts or cause them to be paid on the dates and at the places and in the manner stated in the Cooperation Agreement according to the true intent and meaning thereof.

(e) Pursuant to and subject to the provisions of the Debt Act and upon receipt by the District of the approval of the Department, the District shall enter into the Cooperation Agreement Amendment containing terms and conditions consistent with this Resolution.

(f) The Chair, Vice Chair or Executive Director of the District are hereby authorized and directed to execute the Cooperation Agreement Amendment for and on behalf of the District containing terms and conditions consistent with this Resolution, in such form as may be satisfactory to the officers signing such Cooperation Agreement Amendment, subject to
approval as to legality by the Chief Counsel to the District, and the Secretary or Assistant Secretary of the District shall attest the same and affix thereto the seal of the District.

(g) The proper officers of the District are hereby authorized and directed to perform all acts necessary and proper for the delivery of the Cooperation Agreement Amendment, the payment of the amounts due under the Cooperation Agreement, and the performance of all acts required thereby.

3. **Costs and Expenses.** All out-of-pocket costs and expenses (including counsel fees) incurred by the District in connection with the Refunding Project, including the issuance of the Authority Refunding Bonds, shall be paid or reimbursed from the proceeds of the Authority Refunding Bonds or from funds otherwise provided by the Authority.

4. **Inspection and Report Requirements.** The Board is hereby authorized to determine the appropriate schedule for the inspection and receipt of an inspecting engineer's report in connection with the Convention Center.

AND IT IS FURTHER RESOLVED THAT

(a) this Resolution shall be effective immediately, and

(b) all prior inconsistent resolutions or parts thereof adopted by the Board are hereby repealed and of no effect.


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**Allocation's Committee Report**

Mr. Jones announced that in order to begin the 2011 budget process, the Board needed to adopt the procedures and guidelines. He called on Ms. Kirk to present a report from the Allocations Committee.

Ms. Kirk gave the following report:

Board Members:

Before reporting on the 2011 budget guidelines, we want to bring members current with respect to the 2010 budget.

The District has received five months of revenue this year with the June returns due next week. To date, revenue totals $32.5 million or 1.2% lower than the same period
last year. After 17 straight months of flat or falling revenue, May posted a 3.7% gain over May of 2009. It was also the highest May revenue ever recorded by the county sales tax. May represents March sales so some of this growth may be attributable to end of winter pent up demand. Nevertheless, it was good to see business activity in the county rebounding.

The District’s original budget projection was that revenue would decline an average of 5% per month for the first six months of the year and then even out for the last six months. The actual receipts are better than projected so far with only one month hitting a more than a 5% decline.

Absent a reversal in this trend, the District will be in a position to fully fund the 2010 allocations and release the 10% withheld from contractual asset allocations as scheduled beginning with the July payments. We recommend that the committee, on behalf of the Board, review the June and July revenue with the understanding that any recommendation to withhold the funds later than July would be brought before the full board.

Moving to next year, we are submitting for your consideration the outline of the 2011 budget process. The package includes a calendar and the draft applications for contractual and annual grants.

The committee has considered comments made at the April meeting with the Advisory Board and is not recommending changes in the eligibility or evaluation guidelines for the coming year. The discretionary capital grant program will remain closed for 2011 except for parks and trails, a large segment of which is required to be funded by statute. It appears that we will need reserves again next year to fund basic operating grants. A decision on refunding the Connection Grant category in 2011 will be made as part of the budget process. For now, the program remains open to applicants each quarter and there is a balance of $146,000 for allocation this year.

As reported in April, the committee believes that revenue diversification is critical to the future of a majority of the assets. Rather than add this as a separate evaluative criteria, however, we have asked staff to provide analysis on this subject as a part of their review process. This information will be available to all members.

The committee believes that the 2011 program outlined in these documents emphasizes the Board’s duty to preserve a group of quality, well-managed and diverse regional assets and encourage them to consider how to respond to economic realities. We look forward to working with the Board and applicants during the coming months and move the adoption of the recommendations outlined in the documents and in this report.

Submitted by,

Allocations Committee
Dan Griffin, Stan Parker and Dusty Kirk

Mr. Pierchalski moved seconded by Ms. Yarris to approve the Allocations Committee report. The Board unanimously voted to approve the report.
Regional Parks Committee

Mr. Rob Jones recommended that the Board establish a Regional Parks Committee given the commitment of the District to this funding area. He noted that there were a number of issues including land use issues that would face the parks in the future. Mr. Parker felt this was a good idea and the parks were a critical asset. Ms. Kirk said she thought the parks were very important to the community and asked how the committee would be structured. The Chair responded that he was not locked in on any structure and thought that the committee should decide how to proceed.

Mr. Norris responded to Ms. Kirk’s question that the Board could establish a committee by simple majority vote.

Mr. Pierchalski moved that the Board establish a Committee on Regional Parks, Ms. Yarris seconded and the motion passed unanimously.

The Chair appointed Mr. Parker, Ms. Kirk and Mr. Pierchalski to the newly formed Regional Parks Committee and the Board approved the appointments unanimously.

Executive Committee Report

Mr. Pierchalski gave the following report:

The District’s three year agreement with Eckert Seamans Cherin and Mellott for Chief Counsel Services expires this month. The Committee requested a proposal from the firm to continue those services for another three year term.

The proposal provides for no increase in the retainer rate for the first year. In the second year there would be a modest increase with the rate held steady in the third year. Hourly rates for extraordinary legal work paid for by the District would increase by $5 an hour per year after the first year with such work reimbursed by third parties subject to negotiation with them.

The rate proposal is modest. More important, we believe that the District has been well served by the counsel assigned to our work over the last six years.

Therefore, we recommend that the District accept the proposal and the Board appoint Eckert Seaman Cherin and Mellott as Chief Counsel for another three year term.

Submitted by

Executive Committee
Rob Jones, Rick Pierchalski, Stan Parker
Mr. Griffin motioned approval for Eckert Seamans Cherin and Mellott to remain as Chief Counsel for another three year term seconded by Ms. Yarris. The Board unanimously approved this appointment.

**Executive Director's Report**

The chair asked Mr. Donahoe for his report.

Mr. Donahoe advised that the District received a 40% increase in premiums for the current employee health care coverage. The administrative budget did not have sufficient funds to meet this amount. At the request of the Executive Committee, staff explored options for reducing the overall costs while maintaining the coverage currently enjoyed by employees.

Based on information from the District’s broker/advisor, JRG Advisors, Mr. Donahoe said that one option, PPO Healthy Savings, provided for a high deductible but lowered the premium increase to 6%. Under the plan, the District will fund individual health savings accounts in the amount of $1,500 per covered individual. This will cost $9,000 a year assuming the current group remains as populated. These accounts become the property of the employees but must be used for health care purposes now and in the future. If an employee uses it for other than health care expenses, the funds become taxable to the employee.

By a unanimous vote, the Board authorized staff to establish Healthy Savings PPO BlueQ $1,500 Benefits Plan and authorized an increase in the general fund budget not to exceed $6,000.

**Old/New Business**

There was no old or new business reported.

**7th Member Election**

The Chair stated that, pursuant to the provisions in the statute, the District solicited nominations for the at large board seat from regional economic and community development organizations. In addition to direct letters to such organizations, information was issued to the press and in District publications.

The process resulted in three nominations. All three have indicated that they meet the eligibility requirements and are willing to serve the two year term. Board members were provided with the resumes and contact information for the candidates.

The nominees are:
Marcie G. Eberhardt, Corporate Foundation Director, nominated by the Allegheny Conference on Community Development.
Dr. Herman Jones, Educator and the current at large member, nominated by the Manchester Citizen’s Corporation.

Dr. Daniel Rosen, Educator nominated by the Friendship Development Associates.

After discussion, it was decided to hold the vote on the 7th Member until all Board members have a chance to interview the candidates. A special meeting will be held, which will include the candidates, at a date to be determined.

Adjournment

Mr. Rob Jones adjourned the meeting at 4:10 PM.