



Hamilton County

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Board of Commissioners

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Administrator

Christian Sigman
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To: Board of County Commissioners

From: Christian Sigman, County Administrator *CMS*

Subject: Commissioner 2012 Sales Tax Fund Proposal Assessment

Date: November 16, 2011

The Board has asked the Administration to assess proposals from Commission offices concerning the pending deficit in the Sales Tax Fund. As in prior years, the Administration's assessment will focus on elements of certainty of implementation, viability of estimates and collateral policy considerations.

With a pending decision on the property tax rebate within two weeks, there is insufficient time to fully vet the proposals provided. This is especially true for the proposal to sell County real property assets. Earlier notice would have provided a more detailed review and potential solutions to the hurdles and challenges noted in this report.

Given the Sales Tax Fund is structurally imbalanced there needs to be a long term solution in the \$25-\$30 million range annually. As noted in Attachment A, absent deep expenditure reductions and/or additional significant revenue the Sales Tax Fund will have a \$14.2 million negative balance at the end of 2012 and a negative \$106.6 million balance by the end of the 2015.

The Administration recommends a multi-year solution. The Administration has recommended a multi-year solution that results in a balanced Sales Tax Fund through 2021 or 2024 depending on the annual sales tax growth rates assumption (1.0% or 1.5%, respectively). Key to the recommendation are team capital expenditure concessions and maintaining the property tax rebate at the current level (i.e., no change in taxes paid).

Commissioner Monzel Proposal:

This proposal would sell County assets to balance the Sales Tax Fund in 2012 and 2013 (Attachment B). In short, the Administration does not believe selling assets is a sound financial approach for a 1-3 year fix without regard to the continuing structural dynamics in the out-years in the Sales Tax Fund.

The first asset noted in the proposal is to sell Drake Hospital to UCHealth for \$13 million. Drake Hospital is a 269-bed facility with another 102 units of assisted living apartments on a 107 acre complex. The \$13 million number was devised by UCHealth and bears no resemblance to the actual value of the hospital. For example, the County Auditor estimates Drake's value at \$45 million. Furthermore, an appraisal based on income potential conducted in 2006 estimated the value at \$100 million. By way of comparison, Jewish Hospital at two thirds the size of Drake was sold to Catholic Health Partners in 2010 for \$180 million. The recently constructed 162-bed West Chester Hospital project totaled \$195 million and the 250-bed Mercy Health Hospital under construction in Green Township is estimated to cost \$200 million.

The Administration acknowledges that while comparing these hospitals to Drake Hospital is not an apples to apples comparison because of different services offered; these hospitals are at least in the same food group.

The lease agreement with UCHealth provides a purchase option for Drake in the amount of approximately \$27 million. The offered price of \$13 million is a 50% reduction from the agreement purchase option price.

Selling of Drake would result in the loss of \$1 million in annual lease revenue to the County general fund. The proposal from Commissioner Monzel's office would need to identify additional expenditure reductions totaling \$1 million in the recently approved 2012 general fund budget if the Drake Hospital was sold in 2012.

Selling Drake would also limit or eliminate the County's control over the historical mission of the facility as a rehabilitation hospital.

Other policy considerations include the notion that Drake Hospital was built with a voted property tax levy. Using the investments and assets from that levy for support of the Sales Tax Fund is a consideration, especially since all property owners pay for the voted property tax levies, but only owner-occupied residential units qualify for the property tax rebate as part of the Sales Tax Fund. Additionally, and though a subtle difference, using voted property tax revenue for health and hospitalization activities for other unrelated purposes is not the spirit or the intent of voted levies.

Given the changing landscape of the hospital system in the region and evolving federal health care policy, the Administration cautions against a quick sale to UCHealth as it may not exist in its current form in the coming years (e.g., the Health Alliance break-up) and the value of Drake Hospital could change dramatically.

Per Board policy concerning the General Fund reserve, any proceeds from the sale of property will be directed to rebuilding the General Fund reserve to the Board stated policy goal of 15%. This would require approximately \$10-\$11M of the sale proceeds.

If the Board were to seriously consider selling Drake, the minimum asking price should be \$27 million as provided in the lease agreement. The Board may even want to consider conducting an update of the property appraisal before considering a sale.

Regardless of the sale price, the first \$10-\$11 million would need to go to the General Fund reserve per Board policy. [See Attachment C for the Board policy concerning the General Fund reserve.] If sold, the Administration recommends retaining \$1 million in sale proceeds to cover the loss of 2012 lease revenue. If the hospital sold at the proposed \$13 million, this would leave approximately \$2 million for Commissioner Monzel's proposal to fund tax relief with asset sales. Given the projected deficit in 2012 of \$14.2 million, there would still be a sizable deficit.

Given that the PTR resources need to be in place by March 2012, the Board should have a firm, binding commitment from UCHealth to purchase Drake Hospital before the PTR vote on 11/21/2012. Absent the certainty that the sale proceeds will actually materialize in the first quarter of 2012 invites risk to the County's entire financial position if the PTR is reinstated to previous levels.

Selling Drake Hospital and directing the use of the proceeds is the Board's policy prerogative, but the Administration does not recommend the quick divestiture of long held assets at significantly less than their value to provide short-term tax relief.

The second asset identified for potential sale are the riverfront parking facilities. As noted in the Administration's parking report to the Board on October 10, 2011, divesting of parking assets is a very complex endeavor with competing policy goals. Please see the Attachment D for excerpts from the October 10 report.

Current long-term models for parking operations indicate that there will be an operating surplus in the parking fund once the State Infrastructure Bank (SIB) loan is repaid in 2018. At that point the parking fund is a net revenue contributor to the Sales Tax Fund. Based on interest from two large corporations recently announcing relocation to the central business district, the Administration projects that the entire riverfront parking operation may actually realize an operating surplus in 2012 without the planned rate increase noted in the Administration's previous Sales Tax Fund report. We will report to the Board as the details become available.

Team lease requirements concerning parking as well as the County's agreement with US Bank Arena limit the potential value of riverfront structures. (See Attachment E for relevant lease terms.) There are also restrictions and County parking commitments related to The Banks development (i.e., below podium residential parking and parking for planned office buildings...see Attachment F). The sale of County parking facilities would need the careful review of bond counsel and legal counsel as large portions of the riverfront parking facilities were funded with federal and state resources that may have to be repaid if the facilities are sold to a private entity. The repayment amount could be in the tens of millions.

Finally, the riverfront parking facilities enable economic activity on the riverfront based on the rate structures approved by the Board. The daily and monthly rates are, per Board policy, below market to provide low cost parking options for downtown workers, to encourage carpooling and enable retail activity at The Banks development. The guiding premise of private sector interest in the riverfront parking garages would be revenue maximization that would be counter to the Board pricing structure to achieve the aforementioned policy goals concerning economic development.

In summary, the Administration does not recommend selling assets to provide a short-term fix to the Sales Tax Fund. If the Board adopts a policy of selling assets for this purpose the Administration recommends an orderly appraisal and professional representation which would benefit the best interests of the County.

For presentation purposes only, if the 2012 PTR was approved at the full 30% and financed through the sale of Drake Hospital, the 2012 year end balance would total \$7.1 million. Absent additional property sales, other revenue and/or expenditure reductions this balance disappears in 2013 with the negative balance of \$7 million and quickly grows to a negative \$35 million—even with the teams agreeing to the Administration's framework for limiting capital expenditures from 2012 through 2015.

Commissioner Portune Proposal:

The proposal can be distilled down to: (Attachment G):

- Increase the Property Tax Rebate to 30% of revenue collected
- Limit capital maintenance / enhancement funding (Administration's proposal)
- Increase in other event revenue of \$1 million annually
- Bengals picking up operating expenses to match Reds (see next bullet)
- 25% reduction in operating expense subsidies
- Apply 50% of casino revenues
- Teams pay for any other shortfall with an IOU from the County.

Assuming all the elements were agreed to by the teams, the estimated result is a 2012 year end balance of \$3.1 million that quickly disappears in 2013 and increases to a negative \$26.2 million by the end of 2015.

The topic of additional event revenue has been briefed to the Board on several occasions. The Paul McCartney concert generated approximately \$150,000 to the County. Though the Bengals recently announced a major country music concert in the summer of 2012 for PBS, it is unlikely that the stadiums would draw the interest of 8-9 McCartney style events per year.

The lease provisions concerning operating expenses for both stadiums are clear. Proposals to reduce, limit or curtail these expenses will likely not get any traction with the teams, given past experience in these areas. These options were discussed with the teams during the development of the capital funding concessions.

The proposal to reduce the Reds operating subsidy would save \$1.3 million through 2015. Having the Bengals operating subsidy mirror the Reds would save \$31.5 million through 2015. It is unlikely that savings of 25% could be identified without compromising the routine maintenance of the stadiums, security of the patrons and the fan experience. Additionally, it is unlikely that the teams would make concessions in operating cost contemplated in this proposal.

Except game day expenses, the Paul Brown Stadium operating expenses (e.g., utilities, insurance, service contracts, etc.) are paid by the County directly. It is not possible to defer these costs without incurring penalties, fees, interest charges, potential disruption of services and may result in litigation from the teams for breach of lease obligations. Even if the teams agreed to "front" the expenses there would likely be interest costs associated with the effort that would have to be paid at a later date.

The Administration does not disagree with the notion of greater utilization of the stadiums to garner additional revenue and the Administration agrees that additional cost sharing should be encouraged with the teams; however, the Administration does not recommend Commissioner Portune's proposal as many of the elements are not certain in their implementation in 2012 (i.e., team concurrence) or the revenues are not bankable in 2012 (i.e., \$1 million annually for other event revenue).

Please do not hesitate to contact me if there are any questions.

Attachment A

Hamilton County, Ohio
Sales Tax Fund

Attachment A
CURRENT STATE

Year	Sales Tax Growth Rate	Gross Sales Tax	Estimated PTR	PTR Reduction	Annual Debt Service - cash flow	Debt Service Reserve Fund	Paul Brown Stadium (PBS) Operating	PBS Property Taxes	American Ball Park (GABP) Operating	GABP Property Taxes	PBS Capital Reserve	GABP Capital Reserve	PBS Capital Maintenance	GABP Capital Maintenance	CPS PILOT	Parking	Casino Revenues	Riverfront Development	Central	Operating Balance	Accum. Balance	1.5% Sales Tax Growth	Accum. Balance	
																								Operating
2010																						800		800
2011	n/a	64,466	(18,200)	13,500	(28,604)	(2,876)	(449)	485	(375)	(1,000)	(1,000)	(1,000)	(6,385)	(2,231)	(10,918)	(1,217)	-	(1,700)	(3,600)	5,398	(13,230)	5,398	(13,230)	
2012	0.0%	64,050	(19,215)		(27,227)	(3,551)	(463)	(1,174)	(386)	(1,000)	(1,000)	(1,000)	(6,385)	(2,231)	(10,916)	(1,298)	-	(3,600)	(3,600)	(14,198)	(14,198)	(14,198)		
2013	1.5%	65,011	(19,503)		(38,511)	(3,729)	(475)	(1,237)	(397)	(1,000)	(1,000)	(1,000)	(6,128)	(4,818)	(10,913)	(1,381)	-	(1,800)	(39,801)	(54,000)	(54,000)	(52,049)		
2014	1.5%	65,986	(19,796)		(40,034)	(3,911)	(491)	(1,302)	(409)	(1,000)	(1,000)	(1,000)	(6,128)	(4,818)	(10,909)	(1,522)	-	(1,000)	(29,330)	(63,330)	(63,330)	(60,362)		
2015	1.5%	66,976	(20,093)		(42,937)	(4,096)	(506)	(1,368)	(422)	(1,000)	(1,000)	(1,000)	(6,128)	(4,818)	(10,903)	(1,699)	-	(1,000)	(23,261)	(106,591)	(106,591)	(102,630)		
2016	1.5%	67,980	(20,394)		(44,180)	(4,285)	(521)	(1,440)	(434)	(1,000)	(1,000)	(1,000)	N/A	N/A	(10,902)	(1,877)	-	(1,000)	(22,246)	(128,837)	(128,837)	(123,849)		
2017	1.5%	69,000	(20,700)		(43,313)	(4,478)	(536)	(1,514)	(447)	(1,000)	(1,000)	(1,000)	N/A	N/A	(10,895)	(2,070)	-	(1,000)	(23,592)	(152,429)	(152,429)	(146,398)		
2018	1.5%	70,035	(21,011)		(44,760)	(4,673)	(552)	(1,591)	(461)	(1,000)	(1,000)	(1,000)	N/A	N/A	(10,886)	(2,263)	-	(1,000)	(24,553)	(176,992)	(176,992)	(169,903)		
2019	1.5%	71,086	(21,326)		(46,276)	(4,877)	(569)	(1,671)	(475)	(1,000)	(1,000)	(1,000)	N/A	N/A	(10,878)	(2,467)	-	(1,000)	(24,779)	(201,771)	(201,771)	(193,607)		
2020	1.5%	72,152	(21,646)		(47,806)	(5,091)	(588)	(1,755)	(490)	(1,000)	(1,000)	(1,000)	N/A	N/A	(10,869)	(2,681)	-	(1,000)	(25,403)	(227,174)	(227,174)	(217,920)		
2021	1.5%	73,234	(21,970)		(49,351)	(5,314)	(611)	(1,842)	(508)	(1,000)	(1,000)	(1,000)	N/A	N/A	(10,860)	(2,906)	-	(1,000)	(25,679)	(253,853)	(253,853)	(243,492)		
2022	1.5%	74,333	(22,300)		(50,991)	(5,549)	(632)	(1,934)	(528)	(1,000)	(1,000)	(1,000)	N/A	N/A	(10,851)	(3,141)	-	(1,000)	(27,816)	(281,669)	(281,669)	(270,184)		
2023	1.5%	75,448	(22,634)		(52,644)	(5,795)	(656)	(2,029)	(557)	(1,000)	(1,000)	(1,000)	N/A	N/A	(10,841)	(3,386)	-	(1,000)	(29,627)	(311,290)	(311,290)	(296,665)		
2024	1.5%	76,579	(22,974)		(54,239)	(6,051)	(682)	(2,129)	(586)	(1,000)	(1,000)	(1,000)	N/A	N/A	(10,831)	(3,641)	-	(1,000)	(30,944)	(342,234)	(342,234)	(328,452)		
2025	1.5%	77,728	(23,318)		(55,192)	(6,316)	(709)	(2,233)	(618)	(1,000)	(1,000)	(1,000)	N/A	N/A	(10,821)	(3,906)	-	(1,000)	(31,423)	(373,664)	(373,664)	(358,706)		
2026	1.5%	78,894	(23,668)		(56,191)	(6,591)	(737)	(2,342)	(649)	(1,000)	(1,000)	(1,000)	N/A	N/A	(10,811)	(4,181)	-	(1,000)	(34,409)	(398,067)	(398,067)	(371,917)		
2027	1.5%	80,077	(24,023)		(57,247)	(6,877)	(767)	(2,455)	(682)	(1,000)	(1,000)	(1,000)	N/A	N/A	(11,707)	(4,466)	-	(1,000)	(32,308)	(400,375)	(400,375)	(383,014)		
2028	1.5%	81,279	(24,384)		(58,368)	(7,174)	(797)	(2,574)	(719)	(1,000)	(1,000)	(1,000)	N/A	N/A	(11,706)	(4,761)	-	(1,000)	(30,944)	(410,394)	(410,394)	(391,805)		
2029	1.5%	82,498	(24,749)		(59,549)	(7,491)	(827)	(2,688)	(755)	(1,000)	(1,000)	(1,000)	N/A	N/A	(11,705)	(5,066)	-	(1,000)	(29,627)	(419,678)	(419,678)	(399,843)		
2030	1.5%	83,735	(25,121)		(60,786)	(7,826)	(857)	(2,827)	(800)	(1,000)	(1,000)	(1,000)	N/A	N/A	(11,704)	(5,381)	-	(1,000)	(28,461)	(428,225)	(428,225)	(407,123)		
2031	1.5%	84,991	(25,497)		(62,077)	(8,171)	(887)	(2,963)	(844)	(1,000)	(1,000)	(1,000)	N/A	N/A	(11,703)	(5,706)	-	(1,000)	(27,342)	(437,742)	(437,742)	(413,356)		
2032	1.5%	86,266	(25,880)		(63,376)	(8,526)	(917)	(3,104)	(884)	(1,000)	(1,000)	(1,000)	N/A	N/A	(11,702)	(6,041)	-	(1,000)	(26,267)	(447,421)	(447,421)	(419,143)		
2033	1.5%	87,560	(26,268)		(64,681)	(8,881)	(947)	(3,244)	(924)	(1,000)	(1,000)	(1,000)	N/A	N/A	(11,701)	(6,386)	-	(1,000)	(25,201)	(457,421)	(457,421)	(425,143)		
2034	1.5%	88,873	(26,662)		(66,000)	(9,246)	(977)	(3,389)	(964)	(1,000)	(1,000)	(1,000)	N/A	N/A	(11,700)	(6,741)	-	(1,000)	(24,144)	(467,762)	(467,762)	(431,143)		
2035	1.5%	90,207	(27,062)		(67,334)	(9,611)	(1,009)	(3,534)	(1,009)	(1,000)	(1,000)	(1,000)	N/A	N/A	(11,699)	(7,106)	-	(1,000)	(23,097)	(478,468)	(478,468)	(437,143)		
2036	1.5%	91,560	(27,468)		(68,681)	(9,981)	(1,039)	(3,634)	(1,059)	(1,000)	(1,000)	(1,000)	N/A	N/A	(11,698)	(7,471)	-	(1,000)	(22,060)	(489,528)	(489,528)	(443,143)		
2037	1.5%	92,933	(27,880)		(70,044)	(10,356)	(1,070)	(3,734)	(1,090)	(1,000)	(1,000)	(1,000)	N/A	N/A	(11,697)	(7,846)	-	(1,000)	(21,031)	(500,959)	(500,959)	(449,143)		
2038	1.5%	94,327	(28,298)		(71,427)	(10,736)	(1,101)	(3,834)	(1,124)	(1,000)	(1,000)	(1,000)	N/A	N/A	(11,696)	(8,221)	-	(1,000)	(20,012)	(512,780)	(512,780)	(455,143)		

Attachment B

2012 Stadium Fund Proposal

November 14, 2011

TO: Commission President Greg Hartmann
Commissioner Todd Portune
County Administrator Christian Sigman

FROM: Commissioner Chris Monzel

Hamilton County will continue to face challenging operating and budget issues for the foreseeable future. With the uncertainty in our state and local economies, I believe county government must provide innovative and nimble solutions if we are to meet the needs and expectations of Hamilton County residents. Throughout all of our recent budget discussions, I have indicated my intent to restore the full property tax rebate (PTR) that Hamilton County government promised property owners in the 1996 stadium agreements.

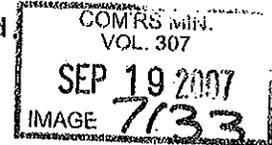
As an immediate means to restoring the PTR in 2012, I am proposing that the county sell Drake Hospital to University of Cincinnati Health (UC Health). Negotiations with UC Health officials have produced an agreement in principle. The sale would provide a revenue source that will adequately fund the projected shortfall in the stadium fund for 2012. We need to make sure county government is focusing on core functions while honoring prior commitments made to Hamilton County taxpayers.

Committing 2013 casino revenues, removing parking subsidies or committing a portion of proceeds from the sale of county-owned garages or assets, Hamilton County can meet the anticipated \$14 million sales tax shortfall in 2013. This approach provides a clear path to closing the stadium fund gap in 2013 and potentially beyond.

I look forward to working with representatives of both the Cincinnati Reds and Cincinnati Bengals on cost sharing capital improvements for the stadiums over the next four years. The county will work in good faith while still maintaining its commitment to keeping the PTR whole.

As the County Commission's highest priority is anticipating and providing for current and future budget needs, I am confident that the Commission will find this proposal a viable and conservative funding mechanism to close the stadium fund gap for the next 2 years.

Attachment C



RESOLUTION NO. 33

A RESOLUTION TO ESTABLISH A GENERAL FUND RESERVE POLICY

WHEREAS, the Board of Commissioners of Hamilton County, Ohio has, through the 2007 Budget Goals, indicated striving to achieve a goal of 20% of the general fund as an undedicated general fund reserve; and

WHEREAS, the undedicated general fund reserve is projected to be 3.6% of budgeted ongoing expenses by December 31, 2007; and

WHEREAS, a formal reserve policy is recommended by Moody's Investors Service, our debt rating agency; and

WHEREAS, it is recognized that it is prudent to establish a formal reserve policy.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of Hamilton County, Ohio hereby establishes a goal of fifteen percent (15%) of the current years' ongoing budgeted expenditures as a general fund reserve; and

BE IT FURTHER RESOLVED that if the reserve is not at the fifteen percent level the Board will increase the reserve by one half of one percent (0.50%) of the general fund budgeted expenditures each year until the fifteen percent (15%) level is attained; and

BE IT FURTHER RESOLVED that if the reserve is not at the fifteen percent level the proceeds of the sale of county property will be directed to the reserve; and

BE IT FURTHER RESOLVED that the reserve may only be used to stabilize revenues, retire outstanding debt or pay judgments; and

BE IT FURTHER RESOLVED that a unanimous vote is required to reduce the reserve; and

BE IT FURTHER RESOLVED that changes in the policy require a unanimous vote; and

BE IT FURTHER RESOLVED that the Clerk of the Board be and hereby is authorized and directed to certify copies of this resolution to Patrick Thompson, County Administrator; Christian Sigman, Assistant County Administrator; and all Hamilton County Elected Officials.

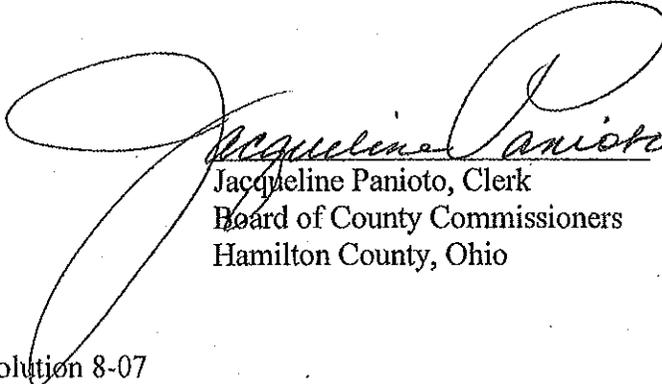
ADOPTED at a regularly adjourned meeting of the Board of Commissioners of Hamilton County, Ohio this 19th day of September, 2007.

Mr. DeWine YES Mr. Pepper YES Mr. Portune YES

CERTIFICATE OF CLERK

IT IS HEREBY CERTIFIED that the foregoing is a true and correct transcript of a resolution adopted by the Board of County Commissioners in session this 19th day of September, 2007.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the office of the Commissioners of Hamilton County, Ohio this 19th day of September, 2007.


Jacqueline Panioto, Clerk
Board of County Commissioners
Hamilton County, Ohio

P:reserves/reserve policy/reserve resolution 8-07

Attachment D



SEPTEMBER 19, 2011

As state and local governments struggle with revenue deficits, there is a strong temptation to make up those shortfalls through the liquidation of assets into the private sector. Some communities have elected to enter into a long-term concession agreement with private entities that pay an upfront amount to the municipality for the right to operate and collect revenue for a specified period of time, usually between 40 and 99 years. Other communities, such as Minneapolis, Minnesota elected to reduce the amount of city-owned parking assets by selling them to a private equity firm. Both of these divestment options have helped communities address immediate budget challenges. It is likely that the A & D Parkhaus Garage would be more suited for liquidation (sale of asset), whereas the Riverfront Parking System is more interconnected with the surrounding land uses and would likely require some form of a concession agreement.

Table 16: Two Primary Types of Parking Monetization Transactions

A parking Public-Private Partnership (“Parking P3”) transaction is an agreement between a municipality that owns a public parking system and a private operator.

Two Primary Types of Parking Monetization Transactions

Long-Term Concession

The municipality retains ownership of the system, while the private operator is responsible for operating the system within a pre-determined set of boundaries. Generally, the length of the agreement is between 40 to 99 years, during which time the private operator is responsible for all costs associated with operating the system.

The municipality receives an upfront payment based on the future value of the operating cash flow.

Sale of Assets

A sale transaction is an agreement between a municipality that owns a public parking system and a private operator where by the municipality liquidates or sells some or all of its parking assets. The municipality transfers legal ownership of the public parking assets to the private operator.

The municipality receives an upfront payment based on the current market value of the parking operations.



SEPTEMBER 19, 2011

POTENTIAL BENEFITS OF PARKING ASSET MONETIZATION

Governmental Benefits

- Enables the municipality to focus on its core mission
- Municipality is no longer exposed to the business risks of the parking system and the related financial impacts
- Operating standards ensure the municipality is providing a state-of-the-art and user-friendly system to the public

User Benefits

- Although municipal governments are adept at providing core services, they are admittedly not proficient at running revenue enterprises. This is a general acceptance in both the public and private sectors that a private operator often improves the user experience by virtue of their experience, expertise and focus on managing revenue enterprises.
- Operating standards require the system be run in a specific and user-friendly manner

Physical Improvements

- Private operators have nearly unlimited access to capital
- Private operators invest capital based on economic decision-making, rather than "capital triage" that municipalities with competing needs for capital face
- Operating standards require physical assets remain state-of-the-art.

Enhanced Financial Results

- Private operators are adept at improving operational efficiencies related to both revenues and expenses, increasing long-term profitability of the system
- Within the context of the agreement, a private operator will increase long-term profitability via profit-maximizing decision-making
- Private operators tend to be forward-thinking rather than reactive
- Private operators tend to be fast-acting (i.e. less red tape, counsel approvals, etc.)

POTENTIAL CONCERNS OF PARKING ASSET MONETIZATION:

Governmental Concerns

- Parking rates will increase in downtown and adversely impact office and residential tenants
- Possible change in legislation needed to bring the parking assets onto the tax roll under terms of a concession agreement
- The Administration will not have control over downtown public parking and how it is used
- A sale or long-term lease transaction requires public input, months of due diligence and time that may not be available
- Lose of flexibility using parking assets as an economic development facilitator

SEPTEMBER 19, 2011

- Many decisions must be made by the Administration that will directly impact the deal structure, including but not limited to:
 - ✓ What parameters will we place on future parking rate increases?
 - ✓ What parking revenue will be retained by the private investors (monthly, daily, special event, etc.)?
 - ✓ Will any of the parking revenue go back into community improvement projects?
 - ✓ Will it be permissible for any City and County employee parking subsidies to be removed?
 - ✓ Will it be permissible for preexisting revenue sharing contracts to be terminated?
 - ✓ Will it be permissible for leases to be renegotiated or terminated with building owners and tenants?
 - ✓ Will it be permissible for the parking assets to be used for purposes other than storing vehicles?
 - ✓ Will nearby on-street parking be included in a privatization of the parking system?
 - ✓ Will the capital raised through privatization be enough to defease the outstanding debt?
 - ✓ Who will be responsible for capital maintenance?

User Concerns

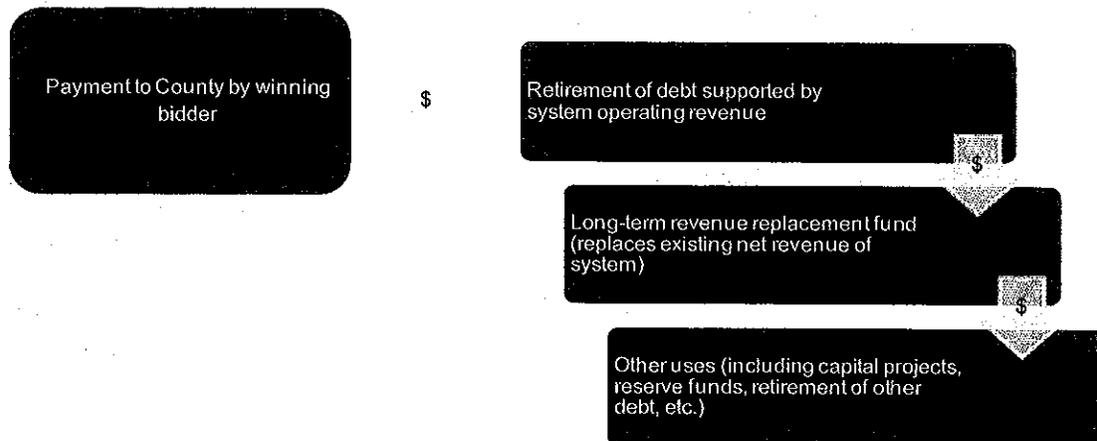
- Downtown building owners, employees, and residents may be concerned about future downtown parking rates
- Downtown building owners may be concerned that parking assets will fall into disrepair if privatized

USE OF PROCEEDS

Typically, a Parking P3 results in an up-front payment to the municipality in exchange from foregoing net operating income throughout the life of the agreement. As such, municipalities often apply the up-front proceeds in the following order:

Table 17: General Flow of Funds

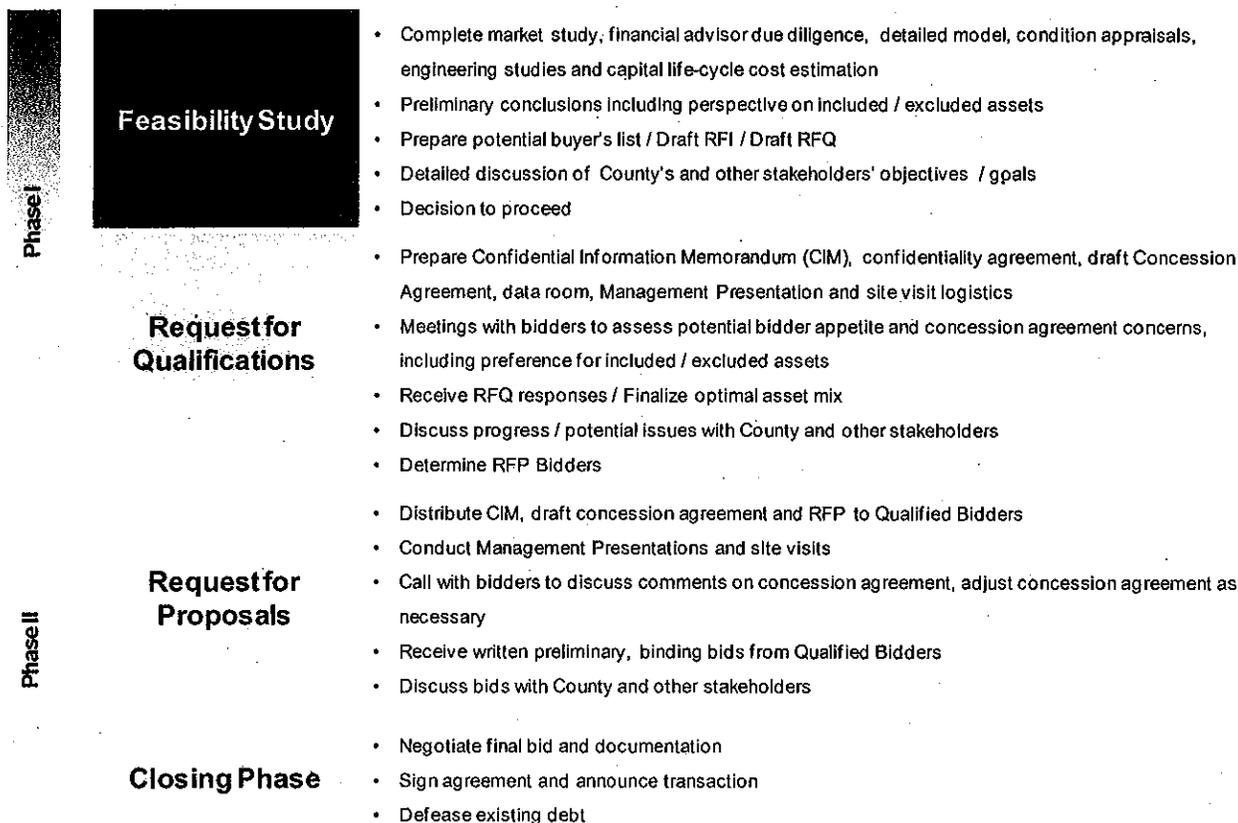
Flow of Funds





SEPTEMBER 19, 2011

Table 18: Overview of Public Private Partnership (P3) / Concession Process



PARKING OPERATION – PRIVATIZATION OPTIONS

It is commonly thought that privatizing a self managed function can lead to reduced costs and/or increased revenue. In the case of managing a parking system, the primary advantage is that private or third-party management by a professional operator can provide a means to possibly reduce costs, increase efficiencies and remove the owner from the day to day responsibilities of managing the system and the associated demands.

Today, several parking firms are experienced and successful, having found a niche just like companies that manage food or security services, or provide venue management. These firms have acquired knowledge and expertise by sharpening their skill-sets over many years of managing all types of operations. They maintain an internal structure that allows them to cost effectively collect parking fees, manage expenses, and provide staffing, accounting, consulting and other services. While at the same time, they act on behalf of ownership to provide a first-class parking experience that is consistent with the venue's mission statement. Many third-party management companies leverage economies of scale to provide better pricing for expense related items (e.g. insurance and uniforms) that may not be available to smaller sized companies.



SEPTEMBER 19, 2011

MANAGEMENT AGREEMENT

The responsibilities of the contractor under a Parking Management Agreement ("Agreement") as the facility or system manager should include, but not be limited to the following:

- o Hiring, training, and staffing parking personnel,
- o Collection of daily and monthly receipts,
- o Deposit funds collected into an owner account or into an interest bearing trust account opened in the name of the operator for the owner,
- o Reconcile daily bank and credit card deposits to monthly bank statements,
- o Manage monthly accounts receivables,
- o Accounting, record keeping and reporting,
- o Manage accounts payable for all parking system related expenses,
- o Conduct internal audits,
- o Maintain accounts receivable, accounts payable, cash/credit card sales and deposits,
- o Provide routine maintenance and custodial duties,
- o Provide all required insurance coverage's,
- o Provide marketing services.

Third-party managers are typically not responsible for structural, mechanical or electrical maintenance or for providing security services, which are usually sub-contracted with another third-party firm. For the services rendered, the manager typically earns a base monthly fee and may receive additional fees for ancillary services such as, accounting or consulting. The manager may also negotiate a percentage of the system's annual revenue or net income, above a base amount or threshold, as a performance based incentive. Under most Agreements, the owner is responsible for the negotiated management fee plus reimbursable operating expenses including, but not limited to the following:

- o Salaries and Wages for the assigned personnel,
- o Payroll taxes and fringe benefits,
- o Utilities,
- o Real estate tax,
- o License and permit fees,
- o Insurance coverage(s),
- o Accounts receivable, payable and credit card processing fees,
- o Structural maintenance,
- o Capital improvements.

The Agreement terms can range from one to five years; most agreements contain renewable options and cancellation rights for both the owner and manager for cause, while some agreements are cancellable at the owner's discretion without cause, provided sufficient notice is provided (30 to 90 days) to the third-party manager.



SEPTEMBER 19, 2011

LEASE AGREEMENT

In contrast to Parking Management Agreements, the term for a lease agreement can range from three to ten years, and may also contain a right of first refusal or renewal clause. Most lease agreements provide for a contractually established annual or monthly payment ("rent") to the owner regardless of the operating earnings generated from the parking system. The rent structure is generally comprised of a flat annual amount, a percentage of gross revenues, or combination of both. In most cases, professional parking firms desire to earn a higher fee under a lease agreement than under a management agreement, since they are at risk under the contracted obligations of the lease agreement. When operating under terms of a lease agreement, the operator ("lessee") is responsible for all facets of the parking operations, including, but not limited to the following:

- o Salaries and wages for all location personnel,
- o Fringe benefits and payroll taxes,
- o Insurance,
- o Utilities,
- o Routine maintenance items,
- o All other direct operating expenses attribute to operating and managing the system.

In turn, the owner ("lessor") is responsible for the following items:

- Major mechanical repairs and maintenance,
- Structural repairs to buildings,
- Real estate taxes,
- All capital expenditures.

Leasing a system or single facility typically will require a longer commitment and larger capital investment by the operator with greater long-term income potential, while the owner enjoys a stable source of revenue. Conversely, under a lease agreement the owner has limited recourse, other than legal action, to nullify the agreement should the third-party manager violate the terms of the agreement.

Municipal parking systems are not typically operated under lease agreements due to loss of control over the parking operations pursuant to the terms and conditions of the actual lease negotiated. Under a typical lease agreement, the lessee seeks to maximize revenue at whatever cost, which is achieved by limiting payroll expenses (single largest controllable expense) through staff reduction or by employing marginal personnel. Other expenditures are also limited to maximize profit; often without regard to customer service or operational practices.

Attachment E

32.17 No Partnership. Nothing contained in this Lease shall, or shall be deemed or construed so as to, create the relationship of principal-agent, joint venturers, co-adventurers, partners or co-tenants between County and Team; it being the express intention of the parties that they are and shall remain independent contractors as to each other.

32.18 Exhibits. All exhibits attached hereto shall be deemed to be and are incorporated herein by reference and made a part of this Lease. Each exhibit referred to in this Lease forms an essential part of the document.

32.19 Broker's Commission. Each of the parties represents and warrants that there are no claims for brokerage commissions or finder's fees in connection with the execution of this Lease, and agrees to defend and indemnify the other against, and hold it harmless from, all liability arising from any such claim including, without limitation, the cost of counsel fees in connection therewith.

32.20 Governing Law. This Lease shall be governed by the laws of the State of Ohio.

32.21 Counterparts. This Lease may be signed in counterparts, each of which shall constitute an original.

ARTICLE 33

PAUL BROWN
STADIUM

PARKING

33.1 County shall operate the Parking Facilities in a first-class manner for each event held at the Stadium Complex. County shall guarantee for each event held on a Team Use Day such minimum number of regulation size parking spaces (in accordance with applicable Legal Requirements and which spaces shall not be bumper to bumper) for use by Stadium patrons to be available in the Stadium Parking Facility as specified on Exhibit E attached hereto to be available on or before the substantial completion dates set forth on Exhibit E. Spaces at the Parking Facilities shall be made available for use by Stadium patrons at least six (6) hours before any professional football game held at the Stadium Complex on a weekend or a holiday and at least four (4) hours before any professional football game held at the Stadium Complex on a weekday which is not a holiday. County shall have the right to use the Parking Facilities for year-round public parking and for other uses in accordance with this Lease during periods other than those referenced in this Article 33, and subject to Team's and its patrons right to the free parking spaces provided for below.

33.2 County, within three (3) business days after the holding of each such event, shall remit to Team all parking revenues generated at the Parking Facilities in connection with events held on Team Use Days at the Stadium Complex after deducting therefrom for County's operating expenses (including, without limitation, the printing and mailing of parking tickets and passes) and taxes an amount

equal to (a) 11% of such gross revenues (including gross revenues generated from and "prepaid" parking passes sold for such events) and (b) 11% of the gross revenues that would have been received by County (based on the parking fees charged to the public) from complimentary parking passes provided by Team to patrons of the Stadium (such as holders of the Private Suites), provided, however, for the purposes of this clause (b), in no event shall any revenue be attributed to the parking spaces provided pursuant to Section 33.4 below. Parking revenues generated in connection with Other Events shall be divided equally between County and Team as provided for in Section 10.3. If the available number of spaces at the Stadium Parking Facility falls below the specified number required on Exhibit E (by the dates set forth on Exhibit E) for any event held on a Team Use Day at the Stadium Complex, without limiting any other rights or remedies available to Team under this Lease, County shall pay Team the revenue lost as a result thereof (calculated as follows: [subtract from the number then required by Exhibit E the actual number of available spaces and multiply the difference by the applicable event parking fee then in effect for single event parking]). Team shall have the right to set the price to be charged for parking at the Parking Facilities for all events (other than events on County Use Days) at the Stadium Complex. County shall have the right to set the prices to be charged for parking at all other times.

33.3 County shall maintain the Parking Facilities in good repair, including, without limitation, the provision of adequate lighting and security at all times and the prompt repair of any casualty damage or other damages. County shall provide all personnel, equipment and supplies necessary to operate and to maintain and repair the Parking Facilities. Team and County recognize the importance of efficient and courteous operation of the Parking Facilities to the success of the Stadium Complex, and County shall consider, if requested by Team, giving Team supervisory power over the management of the Parking Facilities to accomplish such efficient and courteous operation, but County shall be under no obligation to grant Team such supervisory power. At a minimum, however, Team shall have approval rights (not to be exercised unreasonably) with respect to the Parking Facilities personnel and the manner and method of operation of the Parking Facilities for events at the Stadium Complex.

33.4 Of the parking spaces to be provided at the Stadium Parking Facility, Team shall be provided throughout the Term, at no cost (on a 365-day 24-hour, exclusive basis), such number of dedicated spaces provided for in the Architectural Program for use by Team, its officers, directors, agents, employees, the media, and other guests/invitees, as specified, from time to time, by Team in writing. Further, on Team Use Days and Private Team Use Days, Team shall be provided, at no cost (on a 24-hour exclusive basis), such additional number of parking spaces provided for in the Architectural Program for use by Team, its employees, the media and other guests/invitees. Team shall have the right to designate the location within the Stadium Parking Facility of the parking spaces allocated to Team pursuant to this Section 33.4.

33.5 County shall permit Team to sell or otherwise provide parking passes for the Parking Facilities to patrons of events at the Stadium Complex individually or as part of a ticket package.

33.6 In addition to any other parking provided under this Article 33, County shall make available at all times on a non-reserved basis such number of parking spaces provided for in the Architectural Program at the Stadium Parking Facility to facilitate ticket purchases and distribution of ticket information relative to Team and purchases of merchandise from Team's novelty store located at the Stadium Complex. Such spaces shall be provided at no charge to Team, and no charge to any patron who parks for less than one hour and provides evidence (in a form reasonably designated by the garage operator or County) of having visited Team's ticket office or the Team store.

33.7 County shall not engage in, or permit others (except Team and its concessionaire) to engage in, the sale of food or beverages, novelties (on Team Use Days only) or other products on or within the Parking Facilities, subject however, to any existing rights that the current concessionaire at Cinergy Field may have with respect to the sale of such items on or within the Cinergy Field Parking Facilities (but only so long as such rights exist under existing agreements); provided, however, that (a) County agrees to use all commercially reasonable efforts to terminate any such rights held by the current Cinergy Field concessionaire and (b) County shall promptly pay to Team any revenues received by County arising from any such rights of the current Cinergy Field concessionaire relating to the Cinergy Field Parking Facilities. The parties shall use reasonable efforts to accommodate "tailgating" in appropriate areas of the Parking Facilities and the Plaza.

33.8 County, at its sole cost and expense, shall keep and maintain (throughout the Term and for a period of not less than five (5) years after the Term) at its offices separate, uniform, complete and accurate accounting records and systems for the operation of the Parking Facilities. The form and substance of such financial accounting systems and records shall be subject to the reasonable approval of Team. All such accounting records shall be available for audit, inspection and copying by Team or its designees throughout the Term and for the three (3) years following the end of the Term. County, at its sole cost and expense, shall cause an audit report (the "Annual Parking Audit Report") of the operation of the Parking Facilities to be prepared and submitted to Team in a form reasonably approved by Team for each fiscal year (or part thereof) of County occurring during the Term. If the Annual Parking Audit Report shows any deficiency in payments due Team, County shall pay such amounts immediately to Team.

33.9 To the extent the number of parking spaces included within the Stadium Parking Facility from time to time exceeds 5,750 (such excess spaces referred to as the "Surplus Spaces") and County desires to make available for use by third parties Surplus Spaces which are located either (a) to the east of Stadium Drive as extended north and south or (b) to the north of Pete Rose Way and east of Race Street as extended (any such applicable parking area or part thereof, hereinafter referred to as a "Surplus Parking Area"), then County, following notice to Team may

provide such third party users (such as a museum, but specifically excluding uses relating to sporting events not held at the Stadium Complex) with priority use of all or a portion of the Surplus Spaces on Team Use Days. In no event (even if replacement parking is provided), shall a sports facility user or other sports franchise (other than Team) be afforded rights of use hereunder to any Surplus Parking Area or Surplus Spaces on Team Use Days inconsistent with the rights of Team, and Team shall retain all revenues rights (including parking, concession and advertising revenues relating to game-day advertising by Team) and priority scheduling rights with respect to any such Surplus Parking Area and Surplus Spaces on Team Use Days. Except as provided in the foregoing sentence, Team shall retain no other concession, advertising or signage rights relating to Surplus Spaces designated for use by a third party non-sports facility user, but such release by Team shall last only for so long as such Surplus Spaces remain designated for use by such third party non-sports facility user.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed as of the date first written above.

Signed, delivered and acknowledged
in the presence of:

Deloris Charles
Printed Name: Deloris Charles

Teresa L. Nau
Printed Name: Teresa L. Nau

County:

THE BOARD OF COMMISSIONERS
OF HAMILTON COUNTY, OHIO

By: David J. Krings
David J. Krings
County Administrator

Signed, delivered and acknowledged
in the presence of:

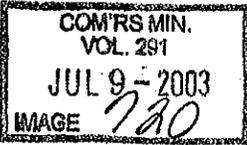
Katherine B. Blackburn
Katherine B. Blackburn

W. Stuart Dornette
W. Stuart Dornette

Team:

CINCINNATI BENGALS, INC.

By: Michael Brown
Michael Brown
President and General Manager



ARTICLE 32

PARKING AND PARKING REVENUES

32.1 The County and the Team acknowledge that as of the date of execution of this Lease, the redevelopment of the Cincinnati "Central Riverfront" area, including the construction of additional structured and surface parking facilities, is in progress. It is further acknowledged that the timing and sequencing of the construction of additional parking facilities, as part of the Parking and Infrastructure Improvements, as well as street grid improvements and expansion within the Cincinnati "Central Riverfront" area, has not yet been determined but is anticipated to occur over a five to ten year period. As a result, as of the date of this Lease, the County is not able to specify the exact location of the Required Spaces (as herein defined) that will be made available for Team Use Days during the Term. Notwithstanding the foregoing, it is understood and agreed that the following terms and conditions shall apply with respect to the Parking and Infrastructure Improvements:

32.1.1 During the Term, the Parking and Infrastructure Improvements shall contain 3,500 County-owned or operated spaces which are located in the closest geographic proximity to the Ball Park Project (the "Required Spaces"). The Required Spaces and all other Parking and Infrastructure Improvements shall be owned or operated by the County and will be located within the general proximity of the geographic area depicted in Exhibit 32.1.1 attached hereto and incorporated herein by reference. It is further agreed that up to 1,100 of the Required Spaces may also be made available by the County for parking for patrons attending football games at Paul Brown Stadium provided scheduling and coordination issues referred to in Section 32.1.4 are satisfactorily resolved. It is further agreed that, within the number of Required Spaces, the County shall make available to the Team throughout the Term, at no charge (on a 365 day, 24 hour exclusive basis), sixty (60) parking spaces in the Ball Park Garage and forty (40) parking spaces in the County' parking facility known as the East Garage and on Team Use Days, an additional sixty (60) parking spaces, at no charge, in the Ball Park Garage for the Team's exclusive use.

32.1.2 The Team shall receive all revenues generated by the Required Spaces, net of the allocable portion of the County's actual operating and maintenance costs and applicable taxes (the "County's Costs") attributable to the Required Spaces that are utilized for Team Use Days in a given Lease Year. The formula for determining the allocable portion of the County's Costs effective for each Lease Year shall be based on (x) the actual number of Team Use Days in the preceding Lease Year divided by (y) Three Hundred Sixty-Five (e.g., 81/365) (the "Allocable Portion"). The Allocable Portion shall be determined prior to the commencement of each Lease Year and shall be applicable to all parking revenues derived from baseball patrons parking in the Required Spaces immediately prior to or during MLB games or Events scheduled on Team Use Days. The Allocable Portion of the County's Costs shall be deducted from the gross revenues received from the Required Spaces and the net revenues shall be distributed to Team as provided in Article 32.1.3. Revenues generated by Parking and Infrastructure Improvements for Other Events and for Events held on County Use Days shall be

governed by Sections 10.3 and 10.4. The County (or other Persons entitled to receive revenues by or through the County) shall have the right to receive all revenues generated by the Parking and Infrastructure Improvements on Team Use Days, exclusive of the Required Spaces, and at all times and for all Events not specifically described in this Section 32.1.2. The Required Spaces shall be made available for Team Use Days (a) not less than two hours before any MLB game on a weekend, holiday or weekday afternoon game (such weekday afternoon games shall not exceed 10 MLB games per Lease Year), and (b) not less than one hour before any MLB game held at the Ball Park on a weekday which is not a holiday.

32.1.3 The County shall distribute to the Team all net revenues determined in conformance with Section 32.1.2 from the Required Spaces on a monthly basis, on or before the tenth day of each month along with an accounting for total number of Required Spaces used for each Team Use Day. The Team shall have right to set the price to be charged for parking in the Required Spaces on Team Use Days. The County shall have the right to set the prices to be charged for parking in the Parking and Public Improvements at all other times. Within 60 days after the last MLB baseball game is played in the Ball Park with respect to each Lease Year, the parties shall reconcile the amount owed by the County to the Team, or by the Team to the County, as it respects the County's Costs, the parties agreeing that the monthly payment of net revenues for the Required Spaces will need to be reconciled after the end of each baseball season.

32.1.4 Notwithstanding the foregoing, the Team acknowledges that the availability of all of the Required Spaces to the Team on an exclusive basis for all MLB games and Team Use Day Events will be limited to the extent that simultaneous events are scheduled at Paul Brown Stadium as provided in Article 32.1.1. The Team agrees to cooperate with the County to develop a procedure to identify and coordinate events which are scheduled to occur simultaneously or within proximate time periods as Paul Brown Stadium and U.S. Bank Arena in order to avoid traffic congestion, provide for public safety and allocate parking revenues among all event sponsors or other Persons entitled thereto. In addition, the Team agrees to cooperate in the scheduling of Events, to the extent such scheduling or the ability to direct or cause changes to occur in such scheduling is within the control of the Team, in order to avoid or minimize scheduling conflicts for Events held in or about the "Central Riverfront" area.

32.1.5 The County shall maintain the Parking and Infrastructure Improvements in good repair, including the provision of adequate lighting and security. The County shall provide all personnel, equipment and supplies necessary to operate, maintain and repair the Parking and Infrastructure Improvements.

ARTICLE 33

MISCELLANEOUS

33.1 Successors and Assigns. Each provision of this Lease shall extend to and shall bind and inure to the benefit not only of the County and the Team, but also their respective heirs,

Attachment F

ARTICLE 7
PRIVATE PARKING

7.1 Residential Parking.

7.1.1 Generally. Parking for Residential Units shall be provided in Private Parking Spaces, which may consist of Dedicated Parking Spaces, to the extent provided by the County, and/or Developer Parking Spaces.

7.1.2 Phase 1A Improvements. Developer anticipates that the Phase 1A Improvements will contain 318 Residential Apartment Units (even though the Minimum Phase 1A Improvements include only 300 Residential Apartment Units), for which the parking requirement, based on the Private Parking Multiple, will be 453 Private Parking Spaces. Such parking requirement will be accommodated by (a) the County designating as Dedicated Parking Spaces 153 parking spaces in the Phase 1 Parking Facilities, depicted as "Dedicated Parking" in Exhibit S hereto (the "Phase 1A Dedicated Parking Spaces"), and (b) Developer constructing a parking facility on and above the Private Podium on Lot 26B containing not fewer than 300 Developer Parking Spaces. If the Phase 1A Improvements as constructed contain fewer than 318 Residential Apartment Units, the County may reduce the number of Phase 1A Dedicated Parking Spaces as provided for above, on the basis of the Private Parking Multiple.

7.1.3 Phase 1B Improvements. Developer anticipates that the Phase 1B Improvements, if constructed, will contain 150 Residential Condominium Units (even though the Minimum Phase 1B Improvements include only 100 Residential Condominium Units), for which the parking requirement, based on the Private Parking Multiple, will be an additional 240 parking spaces. Such parking requirement will be accommodated by the County designating as Dedicated Parking Spaces, upon Completion of the Phase 1B Improvements, an additional 240 parking spaces in the Phase 1 Parking Facilities (the "Phase 1B Dedicated Parking Spaces"), which, when combined with the Phase 1A Dedicated Parking Spaces, will total 393 parking spaces. The Phase 1A Dedicated Parking Spaces and the Phase 1B Dedicated Parking Spaces, collectively, are depicted as "Dedicated Parking" on two levels in Exhibit S.1 hereto. If the Phase 1B Improvements as constructed contain fewer than 150 Residential Condominium Units, or if some or all of the Residential Units included in the Phase 1B Improvements are Residential Apartment Units rather than Residential Condominium Units, the County may reduce the number of Phase 1B Dedicated Parking Spaces as provided for above, on the basis of the Private Parking Multiple.

7.1.4 Future Phase Improvements. At the request of Developer, the County, in consultation with the City, will consider designating parking spaces in Future Phase Parking Facilities as Dedicated Parking Spaces, but the County shall have complete discretion in determining whether to agree to any designation of Dedicated Parking Spaces requested by Developer in the Future Phase Parking Facilities. If, at Developer's request, the County designates parking spaces in Future Phase Parking Facilities as Dedicated Parking Spaces, such designation shall be evidenced by a supplement to this Agreement.

7.2 Payment of Reimbursable Private Parking Costs.

7.2.1 Generally. Upon the Completion of the Improvements to each Development Lot, Developer shall, if such Improvements include any Residential Units, submit to the Public Parties an accounting of the Eligible Private Parking Spaces with respect to such Development Lot and, to the extent that such Eligible Private Parking Spaces are Developer Parking Spaces, an invoice for the Reimbursable Private Parking Costs attributable to such Developer Parking Spaces, together with reasonably detailed backup documentation supporting the invoice. Developer may invoice the Public Parties for Reimbursable Private Parking Costs which are Dedicated Parking Costs paid by Developer with respect to Partial Lot Parking Facilities pursuant to Section 5.2.1(e) only at such time, if any, that Developer has given a Full Air Lot Trigger Notice to the Public Parties with respect to the Air Lot immediately above the Parking Facility Lot within which such Partial Lot Parking Facilities are located, which has not been withdrawn and is no longer subject to withdrawal pursuant to Section 4.2.2(c). Within 60 days after receipt of an invoice pursuant to this Section 7.2.1 with reasonably detailed backup documentation, the Public Parties shall pay the invoice; provided that (a) if, within such 60 day period, the Public Parties contest the invoice in good faith and in writing, the Public Parties shall, pending resolution of such contest, be required to pay only the uncontested portion of the invoice, (b) the Public Parties may defer the payment of Reimbursable Private Parking Costs with respect to Developer Parking Spaces within Lot 26B as provided in Section 7.2.2, and (c) the Public Parties may defer the payment of other Reimbursable Private Parking Costs to the extent provided in Section 7.2.3.

7.2.2 Deferral – Lot 26B. The Public Parties shall have the right to defer all or any specified portion of the invoiced Reimbursable Private Parking Costs with respect to Developer Parking Spaces within Lot 26B until the later of (a) Developer's Commencement of construction of the Phase 1B Improvements or (b) five years after the date of the invoice. Any Reimbursable Private Parking Costs deferred pursuant to this Section 7.2.2 shall bear interest at an annual rate equal to the sum of (a) Developer's cost of borrowing in an arms' length, market rate financing, plus (b) 1%. Developer shall determine Developer's cost of borrowing in good faith and, at the request of the Public Parties, shall give the Public Parties written notice of Developer's cost of borrowing together with reasonable support for such determination. Any Reimbursable Private Parking Costs deferred by the Public Parties pursuant to this Section 7.2.2 shall bear interest at the rate provided above, and such interest shall accrue from the date which is 60 days after the date of the applicable invoice.

7.2.3 Deferral – Future Phases. The Public Parties shall have the right to defer all or any specified portion of the invoiced Reimbursable Private Parking Costs with respect to any Development Lot which consists of or is a part of any Future Phase Project Lot by up to five years beyond the due date of the invoice. Any Reimbursable Private Parking Costs deferred pursuant to this Section 7.2.3 shall bear interest at an annual rate equal to the sum of (a) Developer's cost of borrowing in an arms' length, market rate financing, plus (b) 1%. Developer shall determine Developer's cost of borrowing in good faith and, at the request of the Public Parties, shall give the Public Parties written notice of Developer's cost of borrowing together with reasonable support for such determination. Any Reimbursable Private Parking Costs deferred by the Public Parties pursuant to this Section 7.2.3 shall bear interest at the rate

provided above, and such interest shall accrue from the date which is 60 days after the date of the applicable invoice.

7.2.4 Audit Rights. Developer shall keep complete and detailed records, with copies of all invoices, payment applications, architect's certificates, affidavits and other records relevant to the Reimbursable Private Parking Costs, for a period of not less than three years after submission of the applicable invoices for payment to the Public Parties. Developer shall make such records available to the Public Parties at a location in Cincinnati, Ohio reasonably convenient for the Public Parties. The Public Parties shall have the right, within one year after Developer submits to the Public Parties an invoice for Reimbursable Private Parking Costs pursuant to Section 7.2.1, to audit Developer's books and records relating to the invoiced Reimbursable Private Parking Costs. If any such audit establishes that Developer has overstated Reimbursable Private Parking Costs as invoiced, the invoice shall be corrected on the basis of such audit, and if Developer has been overpaid for Reimbursable Private Parking Costs, Developer shall promptly pay the amount of such overpayment to the Public Parties. The cost of any audit of Developer's books and records performed pursuant to this Section 7.2.4 shall be borne by the Public Parties, unless the audit establishes an intentional misstatement of Reimbursable Private Parking Costs, in which event Developer shall reimburse the Public Parties for the reasonable cost of the audit.

ARTICLE 8

ECONOMIC DEVELOPMENT GRANT

8.1 Economic Development Grant Generally. In addition to any other payments to be made by the Public Parties to or for the benefit of Developer under this Agreement, the Public Parties shall make the Economic Development Grant to or for the benefit of Developer, which is intended to pay a portion of the Phase 1A Apartment Costs.

8.2 Payment of Economic Development Grant. The Public Parties shall pay the Budgeted Economic Development Grant to or for the benefit of Developer in installments, as follows. At each point that Developer achieves 25% Completion, 50% Completion, 75% Completion and 100% Completion of the Phase 1A Apartments, Developer shall invoice the Public Parties for 25% of the Budgeted Economic Development Grant, which invoice shall be accompanied by reasonably detailed documentation confirming the percentage of Completion of the Phase 1A Apartments, and the Public Parties shall pay such invoices within 45 days after receipt. If the Budgeted Economic Development Grant is adjusted pursuant to Section 4.7 on the basis of the Phase 1A Apartment Proforma #2, the final invoice for the Budgeted Economic Development Grant shall account for the adjusted Budgeted Economic Development Grant.

8.3 Repayment of Economic Development Grant.

8.3.1 First Reconciliation. The Public Parties are providing the Economic Development Grant to Developer to enable Developer to achieve the Target Return on the basis of the Phase 1A Apartment Proforma #1 and the Phase 1A Apartment Proforma #2. Within 30 days after the earliest of (a) the date four years after Completion of the Phase 1A Apartments, (b) the Stabilization Date, or (c) the closing of a Qualified Sale of the Phase 1A Improvements (such date being called the "First Calculation Date"), Developer shall furnish to the Public Parties an

Attachment G

**RESOLUTION No.: 2011-_____ ESTABLISHING
FRAMEWORK FOR STADIUM FUND DEFICIT ELIMINATION
VIA GOVERNING PRINCIPLES OF STADIUM AND
STADIUM FUND STEWARDSHIP**

RESOLUTION, enacted on this _____ day of November, 2011, for the purpose of establishing the policy framework within which the Hamilton County Board of County Commissioners shall guarantee Stadium Fund solvency, and within which, said Board shall make all decisions about fund management.

WHEREAS Hamilton County faces a deficit in the dedicated sales tax fund more commonly referred to as the Stadium Fund by year's end 2011 and for each year thereafter through the retirement of stadium related bonds due to the combination of :

1. the cost of existing debt service on bonds issued for the construction of Paul Brown Stadium And the Great American Ballpark;
2. Payments In Lieu Of Taxes [PILOT] top Cincinnati Public Schools;
3. property tax subsidies in favor of a certain class of residential county property tax payers [the "Property Tax Rollback" or "PTR"];
4. current 2011 operational expenses paid by Hamilton County as required under separate leases with the ***Cincinnati Reds and the Cincinnati Bengals***;
5. other payments being made out of the stadium fund for garages and lots that have been constructed to support the stadiums, the Banks, and property taxes; and
6. lack of growth in the dedicated 0.5% sales tax fund for stadiums, schools and property tax relief;

all producing annual expenditures in excess of the amount of sales tax revenues being generated by the dedicated 0.5% sales tax approved by voters in March 1996; and

WHEREAS, of the aforementioned items, at the time of the public vote in March 1996 for the dedicated 0.5% sales tax voters were promised that:

1. the tax would cover the costs of the land and construction for two stadiums and the garages, lots and related infrastructure to support the stadiums at an estimated cost of \$540 Million; and
2. the taxes collected would pay for any property taxes on the needed property;
3. that the taxes collected would provide \$5 million per year to support the Cincinnati Public Schools 20 year building program; and that
4. a class of residential property owners would receive property tax relief equal to 30% of the sales taxes collected each year; and
5. that the sales tax was intended to run for a period of 20 years or less; and last that
6. the sales tax would cover all obligations and would do so based upon expected growth in an amount equal to not less than 3% per annum.

WHEREAS, the impact of several worldwide events [the terror attacks of September 11, 2001 and the current ongoing global recession] that could not have been forecast or expected have conspired to undermine the forecasted growth in the sales tax fund; and

WHEREAS, the global recession upon the local economy continues to produce stark revenue forecasts for local and state governments such that Hamilton County must still need all state and federal obligations and mandates plus provide a full menu of local services to meet the demands and needs of a community in the throes of increased unemployment; higher rates of joblessness and foreclosures; all producing greater need in a time of approximately 25% fewer local revenues from all sources; and

WHEREAS, in addition to the aforementioned unanticipated events, other factors have worked to undermine the funding model that was understood by voters and that voters relied upon in March 1996 that have thrown the model out of balance, including:

1. cost overruns at Paul Brown Stadium that increased the cost of that one stadium to \$454 Million when voters were told in 1996 that two stadiums, garages and infrastructure would cost \$540 Million; and
2. the PILOT payments to schools are in excess of \$10 Million – over double what was promised to the schools in 1996 [\$5 million]; and

3. the sales tax has barely grown a cumulative 1% total in 11 years as opposed to the projected 3% per annum;

WHEREAS, the Board has opted to do a variety of acts to maintain fund balance over the years – some successful and others not, that include:

- various refinancing of the debt service on bonds;
- successful negotiations with the Reds over capital cost payments of various stadium improvements;
- the installation of field turf at PBS to enhance its marketability for other revenue generating events;
- the scheduling of revenue producing events such as the OHSAA football playoffs; college football games; concerts and other events;
- completion of the Banks parking facilities that will, once paid off in five years, provide a dedicated and reliable source of revenue for the county; and
- the willingness of the Board to consider new revenue measures, including the adoption of a cigarette tax proposal that was ultimately denied by the state legislature;
- negotiations with the teams, including the deal struck in December 2010 that neither team ultimately signed; and
- litigation with the Cincinnati Bengals; and

WHEREAS, the Board continues to engage the *Cincinnati Reds and Cincinnati Bengals* about these issues and in doing so must convey a reasonable posture that protects county taxpayers from additional expense and obligation while maintaining both stadiums as major league facilities suitable for the exhibition of Major League football and baseball;

WHEREAS, the current economic climate demands that Hamilton County adopt a framework for Stadium Fund solvency that is contained within the existing dedicated 0.5% sales tax and that does not add any additional tax burden to county taxpayers; and

WHEREAS, while the county anticipates receiving new tax revenues from the opening of the “Horseshoe” Casino commencing in 2013, said casino tax revenues should be reserved solely for the purpose of supporting positive

new economic development initiatives and completing existing positive growth economic development initiatives

WHEREAS, the Board must act prior to December 1, 2011;

NOW THEREFORE BE IT RESOLVED, by the Board of County Commissioners of Hamilton County, Ohio, that the following ***Principles of Stewardship*** shall govern the Stadium Fund; shall govern Hamilton County's management of said fund; shall govern the county's short and long range planning with respect to the oversight of said fund; and shall govern the county's relationship and negotiating/managing posture with the ***Cincinnati Reds and Cincinnati Bengals*** concerning the use of Paul Brown Stadium and the Great American Ballpark:

Stadium and Stadium Fund Stewardship Governing Principles

- Hamilton County shall operate, maintain and manage the Great American Ballpark, Paul Brown Stadium and all support operations for the benefit thereof in a fiscally sound and responsible manner, within existing budgeted resources and sources of funds for said purposes as approved by the voters of Hamilton County in March 1996 and for such purposes as were presented to the voters in anticipation of the vote of March 1996 and in such a manner that the total annual revenues realized by the county shall always be at least equal to the cumulative total of all expenses and financial obligations related to the same. Consistent with this policy the dedicated 0.5% stadium sales tax shall be reserved to be used as first promised to voters to pay for:
 1. Debt service on the capital costs of stadium construction; and
 2. 30% of sales taxes collected each year for property tax relief; and
 3. Taxes on riverfront property used for stadium purposes; and
 4. PILOT payments to Cincinnati Public Schools

- Hamilton County shall exercise **Best Efforts** at maximizing all net new revenues in favor of Hamilton County arising out of operation of the Stadiums and shall insist upon **reciprocal Best Efforts** from the **Cincinnati Bengals and Cincinnati Reds** to work in such a fashion as to generate net new revenues in favor of Hamilton County which shall be reserved for use by and dedicated to be deposited in the Stadium Fund. [**Target Goal: \$1 Million/year net new revenues**]. This paragraph contemplates new revenues generated from events staged at PBS or GABP and such other revenues that the Board shall designate used for such purposes as arise out of the sale of idle county property and assets. Said funds shall supplement each year the amounts remaining in the stadium fund from the 0.5% dedicated sales tax after paying the obligations above and shall, to the extent that a fund balance exists, be applied against the following obligations in the priority order listed:

1. Agreed upon Capital Improvements at GABP and PBS;
2. Operational Expenses of the **Cincinnati Reds and Cincinnati Bengals on a parity schedule, 50/50 until the payment of all such expenses, or the exhaustion of all remaining funds then on deposit in the stadium fund.**
3. When determining the amount of operational expenses to pay each year, Hamilton County shall first ask of each team that it agree to assume the balance of all such expenses that exceed the amounts remaining in the stadium fund, **or collect the same from its ticket holders;** and
4. When determining the amount of operational expenses to be paid, Hamilton County shall calculate such an amount after having first employed a **cost/wage/benefit freeze** in connection with all costs arising from vendor relationships at both stadiums and shall further conduct an exhaustive review of all costs associated with the operations of both stadiums for the purpose of implementing an immediate reduction in said annual operational expenses equal to the county's net revenue and expense reduction percentage arising out of the global recession and impact on the local economy. [**Target Goal: 25% reduction (\$2.5 Million est.) in the**

county's annual operational cost burden under leases with the Cincinnati Reds and the Cincinnati Bengals.

5. In the event that there are not adequate funds remaining on deposit in the stadium fund to cover all costs and expenses then due after having applied these principles and having followed these priority payment schedules, including after having presented such costs to the teams for payment; then in such an event any such unfunded obligation shall be carried upon the books and records of the county as an accrued liability that shall be carried with interest [equal to the annual percentage yield that the county is able to realize on the county's own idle investments] until such time as there are funds on deposit in the stadium fund sufficient to retire such accrued liabilities.
- The Stadium Fund model shall be based upon a projected annual growth rate in the dedicated 0.5% sales tax of 1.0% per annum .
 - The Board shall enact such further Resolutions as are necessary to effect the purposes and principles espoused in this Resolution, including:
 1. A Resolution that commits to pay all debts including accrued liabilities until paid in full; and
 2. A Resolution that commits to maintain the dedicated sales tax for only such time as is necessary to pay off all obligations set forth in this Resolution and to then repeal the tax when all such obligations have been paid in full;
 - In every year, an amount up to 50% of the revenues that Hamilton County receives from Casino operations shall be applied for the purpose of defraying the county's costs associated with parking lot and garage construction and operations and of related riverfront development and shall hold the dedicated 0.5% sales tax fund harmless from and against the costs associated with such obligations.

ADOPTED at a Regular Session of the Hamilton County Board of County Commissioners on this _____ day of November, 2011

_____Aye _____Nay

Mr. Hartmann

_____Aye _____Nay

Mr. Monzel

_____Aye _____Nay

Mr. Portune