

**Minutes of the Meeting of the Finance Committee of Council
Held in the Caucus Room of the Municipal Building
On Monday, September 12, 2016**

Committee Members Present:

Chairman, Ward 2 Councilman Dennis McBride

Ward 1 Councilman Bob Butkowski; Councilwoman-at-Large Tammy Holtzmeier

Others in Attendance:

Ward 4 Councilman Scott Radcliffe; Law Director John Gasior; Ward 3 Councilwoman Mary Berges; Finance Director Bill Logan; Tom Kramig, Lake Erie Crushers; Matt Perry, National Sport Services; Council President Craig Witherspoon

Mr. McBride called the meeting to order at 6:36 P.M.

Discussion of Stadium Lease – Lake Erie Crushers Baseball

Mr. Kramig began the discussion with a review to catch everybody up. He stated that a year ago Steve Ellison owned the team, there was the lawsuit going on between Avon Baseball and the City of Avon, and the City was hoping for an improved situation with the ownership of the team. Mr. Ellison was open to the sale of the team at the time and Mr. Kramig was interested in pursuing it. So we started conversations simultaneously with both Mr. Ellison and the City. We were told that the goals of the City were a.) to have a local owner, someone who was involved in the community, who could be here on a daily basis, who was committed to a partnership with the City and not have an adversarial relationship such as the previous owner, and who wanted to work with the City to make both the team and the stadium successful, and b.) to realize the full potential of the stadium by scheduling additional events. In his view he has achieved to a fairly good point of success, all of those goals.

Mr. Kramig stated that their goal coming into this whole process was to create a self-sustaining baseball franchise that the community could support and be proud of. The situation with the previous owner had sort of degenerated and had become a very negative impact on the community. We wanted to build a long-lasting relationship with the City that would be a win-win for everybody. This was not a two to three year venture for us; this was a long-term plan to own the team, run the team, and be part of the community. We wanted to provide a superior fan experience that had suffered dramatically and he thought that they have achieved a lot of that. And they want a winning baseball team. Since purchasing the team in February, they have made a lot of investment in the ballpark equipment, capital investment, and the purchase price was a premium price to try and get the previous ownership out of the mix. They put in \$150,000. in just capital improvements to the ballpark – fixtures and improvements to the physical plant, and thousands of dollars more in just equipment purchases, new point of sale equipment, new technology, new servers, etc. all of which had become outdated and non-functional. They have doubled the size of the front office staff, doubled the number of events held at the ballpark this year as opposed to 2015, and have reached a 98% customer service rating, and that was a real priority for him.

Mr. Kramig said in regard to future projects, they have made some improvements, but there is a long way to go. They have done surveys this season with people at the ballpark and the number 1 item that people wanted was a video board. Other survey requests were for paving the parking lot, have more

shaded areas in the ballpark, and extend the backstop netting. He said they also want to revamp the kids' zone, and address the right field area which becomes swampy every time it rains.

Mr. Kramig continued by saying so essentially they were here tonight to begin discussion about what is possible concerning the lease. They are looking for some short terms options for some financial modification while they are doing all this catch-up investment in the ballpark and the business. They want to address the stadium marquee revenue, which was the source of conflict with the previous owner; they want to come up with a new solution for that. They want to open up new areas of signage on the exterior of the stadium to help this revenue shortfall that they have. And then they want to talk about extending the lease. They want to be here a long time and they want to make this work for everybody.

Mr. Kramig stated that as they heard over and over again in their discussions of a year ago with the City, this is a partnership. It has to work for the City and it has to work for the business, otherwise it is not going to work for either side. They are paying double the league average which competitively makes it a challenge but that is what it is; that lease was set up eight years ago to fit what the City needed at the time. He said they have shown a lot of investment, time, money, staff, and effort into this turnaround process. They have made great strides this year but there is still a lot of work to be done. And renegotiating a lease is not something that is totally out of the question in this industry; this happens on a regular basis in minor league sports or even at the major league level, where leases are renegotiated to make it more financially viable for the team in an ownership change, or in a turnaround change where a team has run into challenges as this one has. So again, they are here tonight to start the conversation to find a solution that works for the City and for the team. Mr. Perry added that they did not feel like it was prudent to come tonight with a hard and fast proposal. There are a lot of issues, questions, and concerns out there so it seemed from their standpoint that it would make more sense to first bring everyone up to speed. He asked if the next step then might be to form a committee that they would work with to look at these issues over the next 60 days or whether they should come back to the Finance Committee with some suggestions, recommendations, and proposals.

Mr. McBride said that he has not spoken to anybody on Council that is predisposed to one approach or another. It would be helpful to have supplemental information in terms of ongoing capital investments at the stadium. We just need to look at everything and then prioritize where we need to go; we certainly do not want to set Mr. Kramig up to fail.

Mr. Logan explained that the lease states that the City is responsible for repair and maintenance type items over \$1,000. per repair and/or over \$10,000. in the aggregate. He said that he and Mr. Gasior have met with Mr. Kramig and Mr. Perry a few times on trying to simplify the lease just from a marquee revenue standpoint; just to amend the lease for that. The marquee revenue that the City does receive all goes toward capital improvements in the stadium. The team pays \$250,000. rent per year over the baseball months, May through September, which goes directly toward debt service on the stadium.

Mr. Perry stated that they did not know what everybody had expected them to lay on the table tonight but they certainly did not think that a lease negotiation was where they were looking to go. He thought they were just looking for direction and if they can focus on the next 60 days to revisit some of the things that might be possible for consideration, that is what they look to do. So that when they come back again, they have some elements that have been thought out and discussed. Mr. Kramig added that a year ago when they were talking to everybody, they heard over and over how there were huge communication challenges with ownership. So they are coming to this saying, here we are

communicating about this situation we are in and looking to talk to our partner to understand the parameters of things that can be done. This is about communication, about starting a conversation that in the long term will benefit both parties.

Mr. Butkowski asked Mr. Kramig, after one year of operations, what items occurred that he did not find in the due diligence process before taking over ownership. Mr. Kramig answered that the point of sale system, which was outdated the second week of December, was the biggest surprise. We did not count on that, but other than that, it has been pretty much what we expected. Mr. Butkowski then noted that in previous discussions, Mr. Kramig had talked about some costs that he had to incur in taking over ownership of the team and those costs added up to a significant amount when you look at your revenues vs your expenses for last year. Moving forward, it seems a lot of those expenses would be one-time expenses, such as legal fees, etc., the \$140,000. for the set up of the awning and the bullpen and all that. So as we start adding those together and looking at that number vs what you are projecting for 2016 and moving forward, we are just trying to understand what it is that you are asking of us. Are you asking for a rent reduction? Mr. Kramig responded that he was asking for a conversation; he is not ready to get that specific. He said he thought that it bears further conversation with the City and further exploration of options as to what can be done.

Mrs. Holtzmeier stated that that is where some frustration occurs on her side. She said that Council members just had a 6:00 P.M. meeting with a roomful of residents concerned about their water bills and Council walked out of that meeting to come to here because we were expecting to have negotiation about the lease. If we are just having a conversation she would rather have stayed in that other room and talked to our residents about their water concerns. Perhaps we are walking back the discussion about a negotiation of the lease and there is room for that. There are always multiple paths to take. But she has some frustration because she had expected more than conversation tonight; she had expected more from the ownership, some definitive requests of what they were looking for. She added, though, that if they need more time for that, that was perfectly fine.

Mr. Kramig said that they were looking for financial relief from their business partners. That can take many forms and he felt like we need to explore all those different options a little further. Again, this is a partnership. In a partnership, you have conversation; one partner does not walk in and demand you have to do this for me right now. There are a lot of different ways to approach this. The City understands what is possible and he wants to have those conversations with the knowledgeable people from the City before proposing anything.

Mr. Perry said, and that was why there was some walk-back - because there was feedback that some of the things they were prepared to put on the table would be rejected. Mrs. Holtzmeier said, so if you are not asking for anything and you want to instead have a discussion, what is next for you? What do you want to see next? Mr. Kramig responded that he would like to sit down with a designated group of Council members and explore some of the options we have kicked around initially to see what is feasible and what might be palatable to the full Council.

Mr. McBride suggested several things to be discussed with a committee such as the capital investments that were made this year, reimbursements from the City, what other improvements need to be made, what is the return from those, advertising and how that is going to be shared between the team and the City, ways to cut expenses, the best way to increase revenue, the cost of signage and what revenue that would generate, all these things. He said Mr. Kramig should give the City his top requests or suggestions and let's start working on it. Until all of this is put out there, he does not think any of them really

understand or the public will understand, what it takes and what the numbers are. At some point, we would need a closed Executive Session of Council for the numbers. He said that Mr. Kramig was here because he wanted help from the City but we need to have that conversation about what the real numbers are.

Mr. Kramig stated that one thing that they talked about initially was that his method of business was to be very transparent. The City is his partner and has a lot more invested in this facility than he does, so there has to be total transparency. Mr. Perry advised that concerning what the options might be, they are in market right now with a new naming rights opportunity which will create additional revenue and they have also contacted someone about local ownership. He added that they have this 3 year window of this turnaround which they knew was going to take time, investment, and help where they could find it. So they are looking for some direction as to who they should be working with, and they are ready to provide detailed information but they just felt that coming tonight, what they had initially intended to bring probably was not prudent. So he suggested taking 60 days and coming back with something that is workable for everybody. Mr. Butkowski said it was his opinion that they should not overthink this about not being prudent at this point. If they really want to have an open discussion then they should just lay everything on the table as to what all the options are.

Mr. Kramig said, again, they are looking for financial relief and they are open-minded about what form that takes but he does not think that they are ready tonight and know enough about the City's position and what is possible and acceptable to say they want to do this or that. He said he thought that we need to spend more time discussing with the right people as to what is possible.

Mr. Witherspoon asked the Law Director about discussions as a committee and Mr. Gasior said that when we start getting into some specifics of revenue sharing projections or things of that sort, their information can be confidential and then it would be subject to Executive Session. Mr. Perry said that they would leave that to the City to make that determination. Tonight they just want to make sure that they have answered all questions.

Mr. Gasior stated that the Administration has had meetings with Mr. Kramig and Mr. Perry and the position has always been that the City is a landlord, they are a tenant, the lease is the lease, and the rent is the rent, and there are provisions in the lease for non-payment of rent. He said that he was looking at this in a cold, legal fashion but that is the Administration's position. The City is not a partner and Mr. Gasior said he did not think that the City ever wants to be partners, but we do want Mr. Kramig to be successful. The word "partnership" may have been bounced around a little bit because of the unique relationship we had with the previous owner but this is a landlord/tenant relationship here. Mr. Kramig's success, running a baseball team, goes a long way toward his ability to pay the rent. But the City has responsibilities also under the lease and probably the most difficult one was the marquee sign revenue because that funds a capital account that goes to putting in the netting and the things like that. This stadium was supposed to run without any contributions whatsoever from the General Fund. Mr. Gasior said that unless we get some clear indication from Council that Council has any desire to modify anything in this rent other than the marquee sign revenue provision, he does not know that there is any desire on the Administration's part to renegotiate the rent. Mr. Kramig has heard this position several times already but he wanted to meet with the Finance Committee directly to see if there is any possibility that you might have a different feeling toward the lease.

Mr. McBride thought that most Council members feel the same, but then how do we help the team increase revenues? Mr. Gasior said to the extent that we have the ability to help them without going into the General Fund or otherwise. Mr. McBride noted that the City does have responsibilities for capital improvements at the stadium. Mr. Logan said that painting is a good example; we did phase 1 of that painting this year already and we are looking at starting phase 2 either now or in the spring. Mr. Gasior said that in regard to the marquee sign revenue issue, he thought that we should consider a flat rate rather than trying to calculate and understand how they are assigning 10% to the marquee sign the way the previous owner was doing it and that would certainly help them through the sign. And there may be some other opportunities for signage there, although we have to be careful about our sign code and the allotted amount of signage that is available. Those are some things that we did talk about but when the topic came up about the lease, the Administration had no desire to renegotiate the lease. And there were some discussions about an entertainment tax. Mr. Butkowski said, understanding where the Administration stands, he thought there were still some options to be looked into in an Executive Session format to discuss what options might be available.

Mrs. Holtzmeier asked if there were any provisions in the lease that would prohibit Blue Dog Baseball from getting any additional investors and Mr. Gasior responded he thought that we may have to approve them but he wants to double check that. The main thing here is that they need to increase revenues and we may find some ways through amending the marquee sign clause. We have to look into all that but as he explained, the position of the Administration is that relief on the rent is out of the question. .

Mr. McBride asked Mr. Kramig and Mr. Perry to put together their information and requests and the City would form the working committee to sit down with them to begin going through it.

Mr. McBride adjourned the meeting at 7:27 P.M.

Transcribed by Gail Hayden, Assistant Clerk of Council