

**CIVIC CENTER BOARD OF MANAGERS
WEDNESDAY, JANUARY 8, 2020
8:00 A.M. – CENTURY CENTER SUITE 15**

Members Present

Linda Doshi
Greg Downes
Randy Kelly
Gil Michel
Michael Neises
Aaron Perri
David Varner

Members Absent

Dennis Andres, Jr.

Staff

Jeff Jarnecke
Jacob Hamman
Scott Herczeg
Rebekah Love
Marika Anderson
Mary Ellen Smith

Others

Aladean DeRose/City Legal
Daniel Parker/City Controller

The meeting was called to order at 8:05 a.m. by President Perri.

CONSENT AGENDA

Perri entertained a motion to approve the consent agenda 1) Minutes of October 16, 2019; 2) Claims October - December, 2019, and 3) Financial Report – November 2019. Downes motioned to approve; Varner seconded and motion carried.

VENUES REPORT

Personnel and Finance

Varner stated that the Financial Report ending in November 2019 was in the meeting materials.

Building & Grounds

Doshi stated that the painting of the stairway to the Century Center Great Hall looks great.

Century Center, Morris Performing Arts Center & Palais Royale

Jarnecke reported that because of the 1-8-20 date of the meeting, the Consolidated Financial Performance of Century Center, Morris and Palais Royale for December and 2019 have not been finalized yet. The estimated total economic impact of the three venues is \$21.5 million vs \$24 million in 2018. The Morris estimated net is \$173,127. The Palais Royale had a net loss of \$151,107 and continues to be a challenge. The Century is estimate to be above \$4.5 million in total revenue and \$4.5 million in expenses. The 2019 financials will be finalized in the coming weeks and reported at the next meeting.

Morris Performing Arts Center

Jarnecke reported that the 2019 total number of 91 shows is down 11% from the 102 total shows in 2018 which was a record year. There are 85 shows currently booked for 2020 and it is anticipated to have more than 100 shows booked. The Pollstar 2019 end-of-year ranking was #73. Estimated profit is \$173,127. Economic impact was \$8.2 million. There were 124,594 tickets issued in 2019. Discussion followed on the ceiling repair work needed, the perception that the building was falling down and the impact that had on the Morris.

Ticket sales were 7% by phone, 51% by internet and 42% walkup vs 50% walkup in the past. The goal is to increase the internet sales and drive down the reliance on the Box Office for ticket sales. Box Office hours have been adjusted to Tuesday – Friday 11:00 a.m. – 4:00 p.m. and will probably adjust the summer hours.

There is a new 10-year lease (5-year term with a 5-year option) with American Theatre Guild to be the exclusive promoter of Broadway shows to the Morris. The organization has been a consultant to the local Broadway Theatre League of South Bend and has been bringing Broadway shows to 13 venues across the country.

Jarnecke and City Attorney Aladean DeRose are working on a new agreement with the International Alliance of Theatrical Stage Employees/IATSE Local 187. The local union has had some significant issues in delivering staffing as directed which reflects on the image of the Morris. Word gets out fast to promoters if the Morris cannot deliver on back stage load in and loud out. A Department of Labor investigation is taking place with the group and there has been some turnover. The City is being patient as these issues are being worked through and the local members work very hard at the Morris through the years. The new agreement should be ready to sign at the next board meeting.

The Lion King is March 4-22 with the longest run of 24 performances over three weeks. Ticket sales are strong for weekend performances; however, there is some work to be done for ticket sales of Tuesday, Wednesday and Thursday performances.

The Morris will be celebrating the 100 year anniversary in 2022. Koda Consulting, a firm from Chicago that has worked in the past with Venues Parks & Arts, has been engaged and City Departments of Community Investment, Engineering, Mayor Mueller are involved in the reimagination of the block in front of the Morris, possibly adding on to the north of the building, a future parking garage, and to reconfigure the Jon R. Hunt Plaza to welcome people to the Morris year round with more usable space while addressing ingress, egress, safety and security concerns of a 2500 seat venue. A meeting is scheduled later this week with the consultant firm to discuss the project further. Hopefully at the next board meeting there will be renderings to share.

Marika Anderson, Director of Financial Services, has worked with Dan Parker, City of South Bend Controller, to create a non-reverting fund for Morris profit to remain with the Morris. In any years there is a loss, a draw may need to be made from the fund. The 2019 profit of \$173,127 and money in the capital account will be used to pay for the \$350,000 ceiling repair expense. The ceiling repair work will be awarded to Gibson Lewis, LLC at the Board of Public Works meeting next week. The work is scheduled for August-September and will repair the ceiling that fell and countersinking anchors into all the plaster so that this issue does not have to be addressed again. Insurance denied multiple attempts on the claim for ceiling damage except for the business interruption of moving the Ringo Starr and Alison Krauss concerts to Century Center.

Palais Royale

Jarnecke reported we are exploring a new agreement with Navarre Hospitality and that the 2019 total number of 58 events is an increase of 14% from the 51 total events in 2018 and credited Navarre Hospitality. There are three weddings booked for January 2020 which is a higher number than the previous year. There is an anticipated \$151,107 loss as the type of events in the ballroom did not increase the revenue that was needed. A staff change has been made to move one of the three staff members to the Morris for a staff expense savings in 2020. The remaining two staff members are the Assistant Facility Operations Manager and the Administrative Assistant. More responsibility has been placed on Navarre Hospitality to deliver the revenue. The economic impact was \$2.2 million.

Discussion followed on the impact that the Michigan Street and Colfax Avenue construction had on the number of events. Also, there is the perception that parking is difficult for Palais events; however, it is actually closer to walk from the Main/Colfax parking garage, cross the street and enter the Palais than it is to park far out in the Century Center parking lot. Also, DTSB Ambassadors will walk people to their cars in the parking garage. The Century Center had more weddings in 2019 than the Palais Royale and those events were not lost to other venues in South Bend or VenueND.

Century Center

Jarnecke reported that the 2019 total number of 526 events was an increase of 17% from 2018. Due to two less conventions, the 2019 attendance of 165,133 is down 10% from 2018, and the economic impact of \$11.1 million is down from \$12.5 million. Also, the 2019 attendance at consumer shows (RV show, boat show and others) were down. Consumer shows are generally local residents that are not staying the night, dining or spending money downtown. The 2019 net operating loss is estimated to be similar to 2018. Hotel Room nights increased 6% to 15,023. Currently there are 14,019 anticipated room nights in 2020; 10,699 room nights in 2021; and 4,283 room nights in 2022.

Jacob Hamman reported on 2019 year-to-date sales and marketing efforts. Actualized room nights is up 6% - 15,021 in 2019 vs 14,217 in 2018. Number of events up 17% - 526 in 2019 vs 450 in 2018. New contracts issued up 3% - 446 in 2018 vs 433 in 2019. The Net Promoter Score is 81.5% with the goal of 80% and the return rate is 37.19% with the goal of 50%. Conferences booked include the Aim Conference for 2020 American Massage Association Conference for 2020, and RAMENCON Conference for 2020. A New car show for 2020 was booked to replace the old Afdent show. Staff attended T.E.A.M.S 2019 with ASM Global to meet with rights holders of sports and esports events and also had great meetings with a few esports promoters.

Jarnecke gave updates on remaining projects. The North elevator project went to bid; however, no bids were received so staff are working with the Otis Elevator Company to have the issue resolved. The North restrooms project went to bid; however, no bids met the budget so that project is going back to bid again late January. The parking lot construction work is done except the gates being installed and the parking attendant booth is back ordered for a couple more weeks. Then the entrance off of Dr. Martin Luther King Jr. Boulevard will be open again. There has been discussion of continuing to use the temporary entrance to the East side of the parking lot from Jefferson Boulevard because it is convenient for drivers coming from the East and would reduce congestion at the main entrance. If there is no acceptable bid on the elevator project, then it is possible that approval would be asked of the board to use that money to create an East side parking lot entrance. A quote has been received and would be possible to pay by shifting those dollars without an additional allocation of money. The only remaining project is reconstructing the dam that holds the water back on the East Race. That project is tied into the River Walk project which has gone to bid a couple of times and has exceeded the Parks budget.

The Bendix Theatre old chairs, grid and infrastructure have been removed and old carpet will be removed by the end of this week in preparation of renovating the space for esports. New chairs and carpet are on order. A draft report from Esports Entry Advisory (EEA) is due soon with a resulting business plan to be created to turn Suites 12-15 into a LAN gaming center to use as for a LAN Café during the week with stations for Bethel University as the primary tenant or for tournament use with the Bendix Arena. If the spaces are needed for other events, the gaming equipment could be removed and then set back up after the event. There is space designed for board games because esports gamers also play board games. EEA is creative in their approach in that if some components do not work in a year or two they could be removed so the space could be turned back into meeting space. SimplyNew (which designed the Arlington, TX, facility) will be presented to the City of South Bend Board of Public Works to be retained to design the IT components. Marketing and operational plans will be developed and then sponsorships can be secured for both physical items and electronic applications.

Jarnecke reported on the long term plan for Century Center and the Morris. He is working with Craig Liston, Regional Vice President at ASM Global, on staffing and have held off on posting the

General Manager position at Century Center as the operating model is reviewed. ASM Global has interest in managing the Morris and Palais Royale and the food and beverage operation. ASM Global might decide to hire one manager or two managers. An update should be available at the next board meeting.

Jarnecke thanked City Attorney Aladean DeRose who has been a tremendous partner working with the City in regard to the newness of esports. Her counsel, creative thinking, leadership and guidance are appreciated with this and assistance with the Morris stagehand union contract.

Finally, as the South Bend Tribune reported this morning, Tapastrie will be closing. The business was a tenant of the Palais Royale and were struggling to pay rent. More than \$50,000 of improvements were made to the inside and outside of the building. Part of the deficit operation of the Palais Royale was the lower Tapastrie \$3,500 monthly rent, Common Area Maintenance (CAM), and property taxes which is revenue to the Palais Royale. The back rent that is owed is approximately \$25,000 which will likely not be collected coming out of 2019. The owners Carol Meehan and Tom Welsh are actively pursuing other businesses to take over the lease, buy their assets and open as soon as possible. There are meetings with interested parties later this week to discuss those options. There is a contingency plan in the event that the space is not rented again as a restaurant to operate that area as welcoming event space for pre-event functions in the Palais, ticket packages for dinner before a Morris show, and other events.

PRESIDENT'S REPORT

Perri stated that SMG merged with AEG Facilities and has become ASM Global. All the SMG leadership and people that Century Center work with are now with the ASM Global.

Perri reminded members that some board seats have reached the end of the term. The position that was filled by Charmaine Torma who resigned is appointed by the South Bend Mayor. Mayor Mueller will be soon be making his appointments for all boards and commissions.

Perri noted that the economic impact number was down from the previous year when every other study done in the last few years all predicted that there would be a plateau hit. It does underscore the effort that the team will need to do to keep the numbers up. At some point there will be a plateau. We need to continue to plan for the future evolution of this building, reimagine space, and how we keep up with the marketplace regionally and nationally. Esports is certainly a step in the right direction.

Perri stated that there will be a cross-functional team of folks including Hotel-Motel Tax Board, Chamber, this board, and perhaps some other key partners in the community to look at an increase in the Hotel-Motel Tax. Rob DeCleene is going to help form that committee. The first meeting will be held in the next month or two. A lobbyist might be hired to help the committee navigate. The two conversations would be tied together – the evolution of Century Center and how additional economic impact could be squeezed to not hit a plateau. Discussion followed on how each percentage point would be approximately \$1 million in tax. There is a record high of approximately 5,000 hotel rooms within St. Joseph County that are subject to the 6% Hotel-Motel Tax. Downes volunteered to be involved with the new team. He stated that with the change by the Indiana Legislature July 1, 2019, the new distributions to the Potawatomi Zoo and the yet to be determined Mishawaka athletic complex are about \$1 million per year. In 2019 that came out of the Hotel-Motel tax reserve fund and the amount is budgeted for this year. Downes believes it is critical to get an increase effective July 1, 2021, or as soon as possible. Several other Indiana counties have done this successfully. This should be a non-partisan issue. The City of South Bend, City of Mishawaka, St. Joseph County

need to present a united front with the Chamber of Commerce. It is Varner commented that some communities raise revenue from a tax on rental vehicles.

OLD BUSINESS

Presentation on City Allocations

Dan Parker, City of South Bend Controller, gave a presentation on City Allocations. Interfund Allocations are also known as Corporate Allocations or Indirect Cost Allocations. In addition to direct costs of providing services such as personnel and supplies at Century Center, the City also incurs indirect costs such as shared administrative expenses (Mayor's Office, City Council, Legal, Administrative & Finance, Human Resources, Information Technology, etc.) Using Interfund Allocations the costs for these City-wide administrative functions are allocated across all departments. The reason this is done is to measure the true cost of providing services. Every City department benefits from the shared administrative functions and would need to incur direct cost if those shared functions were not provided. This is important for departments that set rates such as Utilities to capture all costs to establish accurate fees and to request reimbursement under grants. The Government Finance Officers Association (GFOA) recommends and auditors require that all governments have a systematic and rational methodology to allocate indirect costs.

The City has four allocations – Administrative (\$55,660) is based on 2019 operating expenditure budget (Mayor's Office, City Clerk's Office, Common Council, Administration & Finance, Human Resources, and Legal Department); Liability Insurance (\$39,014) is based on historical claims (Safety & Risk Department, General Liability Claims, Worker's Compensation Claims, Business Insurance Cost/primarily property insurance); Innovation & Technology (\$57,585 to Century Center and \$15,936 to ASM Global) is based on number of users licenses, computers for each department (Software, hardware, personnel); and new for 2020 Facilities Management (\$7,396) is the cost for the City's centralized asset management planning which is based on 2019 Utilities cost. The largest single IT allocation line item was \$22,400 for a Wireless Access Point (WAP) digital hardware for Century Center. The Morris and Palais Royale do not receive any allocation for Worker's Compensation or General Liability because there have been no claims in the past several years. The total 2020 allocation for Century Center is \$169,544 vs the 2019 allocation of \$162,380. The 2019 Century Center Operating Budget was about \$1.4 million compared to the total City Operating Budget. Discussion followed on the methodology. Parker explained that the methodology for the allocation can be changed as long as it is systematic and rational. Perri commented that the more Century Center earns, the allocations are higher. The presentation by Parker will be emailed to Board members.

Ratification of EEA Consultant Agreement

Jarnecke reported that the Executive Committee met November 21, 2019, and approved the Board to enter into an Agreement with Esports Entry Advisory (EEA) to provide analysis for the planned renovation of the Bendix Theater into an esports venue and to identify market conditions and start to work through the business plan, proformas, and operating structure. The Board is asked to ratify the Executive Committee's decision to enter into the agreement with the \$100,000 consultant fee. Perri entertained a motion to accept the Esports Entry Advisory Agreement. Doshi motioned to approve; Downes seconded and motion carried.

Morris/Palais Food and Beverage RFQ

Jarnecke stated that the Morris and Palais Royale currently have a Food and Beverage Agreement with Navarre Hospitality until December 31, 2020. If nothing changes, then the venues will continue to have Navarre Hospitality as the Food and Beverage provider. No action is being requested from

the Board today. It is recommended to bring to the Board at the next meeting a shorter-term agreement with a different structure. One idea is that the City would have no expense for employees and utilities and that Navarre would have those responsibilities. The City would continue to insure and have liability costs. The Palais Royale would have no expense and would receive some percentage of commission on the events; however, would have to forego the current \$75,000 exclusive rights fee that is paid in the current agreement.

The Request for Proposal (RFP) was distributed to five groups. Centerplate who formerly had the agreement and J.C. Lauber acknowledged that they had received the RFP but did not submit a proposal. LaSalle Grille elected to not submit a proposal. The committee deemed ASM Global not responsive. Navarre Hospitality submitted the only proposal. The Palais Royale has a \$2-\$3 million economic impact to downtown South Bend. Discussion followed on the past Global Spectrum and Centerplate agreements with Century Center and performance incentives. If Navarre Hospitality were responsible for utility and staff expenses, their staff could be pulled from their other venues to set up and service events. The current \$75,000 exclusive rights fee is paid directly to a different City account. A new agreement that drives top line revenue and mitigates loss will be presented to the Board for review at the next meeting. Possibly Kurt Janowsky with Navarre Hospitality could attend the next meeting to answer questions on marketing.

OTHER BUSINESS

Doshi thanked Priscilla Phillips who retired the end of 2019 for her many years of service to the Board. Perri commented that Phillips received the Key to the City at a party given in her honor at the Four Winds Casino December 19, 2019.

Perri stated that the next meeting is scheduled on Wednesday, April 8, 2020, at Century Center.

ADJOURNMENT

With no further business, Perri entertained a motion to adjourn. It was moved, seconded, and the motion carried.

AP: mes