

**CIVIC CENTER BOARD OF MANAGERS
THURSDAY, APRIL 23, 2020
10:00 A.M. - VIDEO/TELECONFERENCE**

Pursuant to Executive Order 20-09, Section 4 (A), issued by Indiana Governor Eric Holcomb and continued by Executive Order 20-18, by which strict compliance with Indiana's Open Door Law is currently suspended due to the COVID-19 health emergency, the City of South Bend Civic Center Board of Managers met on April 23, 2020, at 10:00 a.m. by video/telephone conferencing in which a quorum of members participated. This meeting was made available to members of the public and the media as provided by the Open Door Law. Official action by the Board commenced after 10:20 a.m.

Members Present

Linda Doshi
Greg Downes
Randy Kelly
Gilbert Michel
Michael Neises
Aaron Perri

Members Absent

Dennis Andres, Jr.

Staff

Jeff Jarnecke
Jacob Hamman
Scott Herczeg
Kate Lawson
Marika Anderson
Mary Ellen Smith

Others

Aladean DeRose/City Legal

The meeting was called to order at 10:05 a.m. by President Perri who stated that the meeting was being conducted by video/teleconference via the Indiana Open Door Law.

PRESIDENT'S REPORT

Perri is proud of the staff and the way they have been responding to this crisis. It has required a lot of flexibility, changes ticket refunds, and event reshuffling. There has been a staff reduction of hours and people are being reassigned to different work flows and environments. He remains encouraged by the tenacity of the team and the number of special projects and client engagements that are continuing. The budgets will be impacted by the crisis.

There are a lot of things up in the air and not a lot of understanding of when things can resume any type of normalcy. Mass gatherings as they relate to a convention center, performing arts center or ballroom are going to be some of the longest impacted things. The Century Center remains on standby for a hospital expansion. Only if it becomes necessary, the State would move in with 48 hours notice and unpack. Fortunately, our community has not required that level of additional services. Perri thanked Scott Herczeg, Jeff Jarnecke and the team who hosted the Army Corps of Engineers, the National Guard and several healthcare professionals to look at how to prepare if necessary.

VENUES REPORT

Morris Performing Arts Center

Jarnecke reported that one of the benefits of the change in schedule is that the ceiling repair may be able to be moved up. A call is scheduled later today with Gibson Lewis who was awarded the contract to discuss getting started the first part of May. There are no events scheduled in May or June and there are a couple of events left in July. That allows Gibson Lewis to have more time to build the scaffolding, perform the repair, and countersink all the existing plaster and molding in the upper balconies within the Morris. Moving up the repair work will open up the calendar in late August, September and October and, hopefully, there will be an environment that has relaxed restrictions and some events could be brought back to the Morris and Palais during that time.

From a booking standpoint, more promoters are making the decision to hedge against events in 2020 and are now looking for dates in 2021. It was originally thought the Morris could weather this storm and the challenges faced with losing the two weeks of The Lion King and South Bend Symphony concerts cancelled. Now there are more events leaving 2020 and moving to 2021 so that

promoters do not have to go through a second cycle of cancelling and refunding tickets. While it is a rolling estimate, work with the Controller's office on a business interruption claim estimated that just with the three South Bend Symphony performances and the two weeks of performances of The Lion King that were cancelled total almost \$400,000 of lost revenue. That is a difficult position to overcome in the future. Staffing and schedules are being reviewed and staff may be utilized in other functional areas in the Venues Parks and Arts Department to realize efficiencies and savings. This is consistent in the industry across the country. Jarnecke is anticipating a difficult budget conversation and financials for this fiscal year.

Palais Royale

The Palais Royale was already scheduled to be a deficit operation for this year. Navarre Hospitality on the second day of the restrictions laid off a vast majority of the staff. Currently there are some events still scheduled in August, September and the rest of the calendar of the year; however, there have not been events since mid-March. It is expected that the Profit and Loss will be difficult with little chance to recover.

Century Center

The professionalism of the staff is appreciated. Union members (set up and part-time staff) were furloughed several weeks ago. Last week City of South Bend staff (facilities and maintenance) were furloughed. Some staff use vacation and comp time to supplement reduced hours worked. It is important to have the building ready in case it is needed to be used as a field hospital. The building temperature has been lowered to reduce utilities. ASM staff are in week two of reduced hours at currently 32 hours per week. On Monday, March 27, staff hours will be reduced to 20 hours per week for two weeks. On Monday, May 11, the entire ASM staff will be furloughed with the exception of three individuals who would work a few hours per week for continuity of service to respond to inquiries, incoming sales calls, and have accounts receivable ability to pay bills. The savings that will result from the furloughs and not incurring expenses from the cost of food and beverage and cost of goods sold will result in a better financial position in the near term as compared to budget. In any given year there are \$360,000 utilities, insurance, allocation, and remaining payroll expenses.

The Bendix Arena brick and mortar, flooring, chairs, green rooms, and back of house projects are done. The technology package is out to bid currently and responses are due in late May. Board discussion needs to take place on whether to move forward with awarding that. Outside of the NLF, esports are probably the biggest winner during the pandemic around the globe in terms of participation, viewing and popularity. Bethel University is still moving forward in recruiting their team and have designed a jersey. The St. Joseph County Board of Managers for Hotel-Motel Tax has funded this project with \$2 million -- \$1 million in this year and \$1 million next year. The Civic Center Board of Managers has given approval to cash flow the project with the cash reserves until the second \$1 million is received. Esports will likely help get Century Center back faster compared to the lag that will likely occur in the more traditional meeting, events and convention industry.

Other projects are moving forward as originally awarded and budgeted by the Hotel-Motel Tax Board of Managers. The renovation of the north elevator has been awarded and is waiting to be scheduled. The north restrooms project is now out for a quote. That project will be under \$150,000. With the building being quiet, it is a good time to get those projects done.

Jarnecke gave credit to Scott Herczeg, Jacob Hamman, Rebekah Love, Kate Lawson and the entire ASM team that the work that has been done in the building is incredible. Staff have gone through closets, updated spaces, done preventative maintenance, housekeeping, deep cleaning, painting,

and projects that are difficult to complete when 526 events are running per year. When the building does reopen, it will be cleaner and flow from an operational standpoint.

Rob DeCleene from Visit South Bend Mishawaka shared a couple of weeks ago that there was less than 20% occupancy of the 5,000 hotel rooms within St. Joseph County when normally the hotel rooms would be at 50-60% occupancy. Other communities such as Indianapolis hotel rooms are closer to 7% occupancy.

One event is still scheduled on the books for late May; however, it is not optimistic that the event will be permitted to happen within the Century Center as it is a mass gathering of people for a show. It is not optimistic that the schedule June events will happen for a variety of reasons; however, largely because of the mass gatherings stipulation. It is hopeful to ease back into events in July. The ASM team is doing a good job of staying in touch with clients who are facing tough decisions relative to their events. There has been a huge number of postponed events; however, there are also cancelled events.

Downes suggested that if Century Center is asked to become a field hospital that someone notify Gibson to make sure that the insurance carrier for the property insurance is okay with that so there is no question of coverage if the occupancy changed. DeRose will contact Gibson regarding the usage if Century Center is asked to become a field hospital.

Downes commented that the Q1 of this year has not been terribly impacted; however, the next three quarters are going to be awful. Hotel-Motel taxes next year may be a disaster. He suggested that the Hotel-Motel Tax Board be contacted before any scheduled projects through the end of the year using Hotel-Motel receipts are continued. Jarnecke stated that he talks with John Anthony every week on a variety of topics and they have discussed esports funding. He will discuss with John the funding for the elevator and restroom projects and will confirm that the board is committed to seeing those projects finished.

Downes commented that if there is a need to reduce building systems that the alarm, sprinkler and protection systems at the Century Center and the Morris remain in place. He suggested that Gibson should be notified if there is a need to reduce any of these systems so they can contact the insurance company to get permission. Jarnecke responded that only the temperature has been decreased. Herczeg added that all systems are functional.

Michel asked if there were efforts made by Century Center or ASM to apply to any paycheck protection program funds to help mitigate some of the costs. Jarnecke responded that a claim was filed with Gibson for insurance and are able to quantify about \$200,000 in loss for the Century Center and \$400,000 in loss for the Morris. The totals are being continually updated. First, is the business interruption insurance claim. Second, Jarnecke has been working with colleagues in Venues Parks and Arts and the National Endowment for the Arts has approved an Interruption claim as phase one with eligibility for \$50,000. Phase two starts next week with eligibility for reimbursement of funds for payroll or building expenses during the interim. Perri commented that VPA did look into PPE, but only 501-6c organizations were eligible for that and government owned organizations are not eligible for that. Staff did participate in a phone call with the International Association of Venue Managers with Senator Young's office to advocate for an expansion of that PPE program to include government owned facilities, but that was not put into the bill. DeRose added that staff are looking to the general legislation that has been enacted or is in progress with

Congress to see if there is anything that will help any of our City organizations with reimbursement of costs and expenses.

CONSENT AGENDA

Perri entertained a motion to approve the Minutes of January 8, 2020. Downes motioned to approve; Neises seconded and motion carried with Doshi, Downs, Kelly, Michel, Neises and Perri all voting "Aye."

OLD BUSINESS

Morris/Palais – Navarre Agreement

Perri stated that the Morris/Palais – Navarre Agreement is a new two-year agreement that Jarnecke worked on diligently with Curt Janowsky's team to put the liability and potential more on the catering company and removing some of the risk from the City side of the equation. Jarnecke thanked the subcommittee that reviewed the Request for Qualifications (RFQs) and their recommendation which was affirmed by the board to move forward with Navarre. In the new agreement Navarre would have the exclusive rights for Morris and Palais concessions. The Palais would become more of a rent or lease agreement as compared to a revenue shared agreement. Jarnecke reviewed the Fund 101 – General Fund budget for the Palais Royale under the new agreement. The \$25,000 annual license fee is not shown on the revenue side. The \$25,000 will continue to go to the Licensing Fund where those funds go today and is used to improve the Palais. The other revenue line item is rent associated with the Tapastrie space. When they became insolvent and were going to sell to Fatbird LLC, in March Fatbird elected to pause on the lease agreement. The worst case is that there would be no rental income and the space would be turned into pre-function space for the Palais; \$3,400 per month rental or closer to \$5,000 per month with the basement option. The new model with Navarre requires them to assume all costs associated with staffing (\$130,000-\$150,000 per year) and utilities (\$60,000-\$80,000 per year.) This new model should mitigate expenses while still providing economic impact to the City of South Bend. This agreement does allow to provide notice to Navarre if the board decides to elect to end the agreement for any or no reason. That provides some latitude that was not available with the past agreement. With no further discussion, Downes motioned to approve signing the new agreement with Navarre; Kelly seconded and motion carried with Doshi, Downs, Kelly, Michel, Neises and Perri all voting "Aye."

IATSE Local 187 Agreement

Perri stated that the IATSE Local 187 agreement is with the stagehands at the Morris. Jarnecke stated IATSE Local 187 brought in some help from Chicago to negotiate the agreement. In Q1 through The Lion King of this year with the new Local 187 board members and new business agent that the team did very well. There is much more confidence to enter into the agreement. The new agreement includes a clause for the City of South Bend to dissolve the agreement if there are issues consistent with past issues. Local 187 is still being investigated by the Department of Labor and the issue has not been resolved. There were other issues within the board and with solvency and the previous agreement did not give the City protection from that. The new agreement includes that if they fail to meet staffing requirements on a consistent basis, if they become insolvent or have more technical issues that would be of concern to the Morris, then there are now remedies in place. There is a 2.5% increase each year for stagehands, riggers, and audio/visual stagehands. The new training, reporting and support structure that they have with the folks in Chicago will position them for success in the future. Jarnecke asked for the board's approval to sign the agreement and thanked DeRose for the work and patience working with IATSE Local 187. Discussion followed on how the pricing is competitive with other union facilities. The Lerner in Elkhart is not a union building so there are times that the Morris production costs may be higher. With no further discussion, Kelly

motioned to approve signing the new agreement with IATSE Local 187; Doshi seconded and motion carried with Doshi, Downs, Kelly, Michel, Neises and Perri all voting "Aye."

ASM Global – FY19 Performance Bonus

Jarnecke explained that the ASM Global bonus structure for the year is by criteria defined through the agreement with ASM Global. The results are dropped in relative to the performance. Two of the three categories are awarded at full and the third is survey results. The survey results came in at 37% as compared to the benchmark of 50% so that ends up as a slight reduction. Perri added that this is the financial recognition of some of the things discussed at the last board meeting. All indicators are up including hotel room nights, economic impact, customer service scores and the net operating loss has continued to go down. With no further discussion, Neises motioned to approve the FY19 Performance Bonus to ASM Global; Kelly seconded and motion carried with Doshi, Downs, Kelly, Michel, Neises and Perri all voting "Aye." Perri stated that the bonus will be paid to ASM Global expeditiously.

Esports Marketing

Perri commented that esports is a market that continues to grow here as we enter a new normal where people are not in huge arenas and sporting events. Jarnecke continues to have conversations with Dr. Chenowith at Bethel University who remains committed to the initiative. There is need for website development to share information and allows for folks to subscribe to become members to play unlimited on a monthly basis. Vala Marketing in Goshen which designed the graphics package, style guide and backdrop is the recommended firm to create the website (\$15,000) and also aid in marketing (\$30,000). The website would move forward and the marketing would be on hold until the initiative is ready to move forward. The \$45,000 total are dollars from the previously awarded \$1 million from the Hotel-Motel Tax Board. The firm has the expertise and the firm are all gamers. With no further discussion, Downes motioned to approve in form signing the agreement with Vala Marketing for esports marketing website development and marketing support not to exceed \$15,000 for website development and \$30,000 for marketing support with potential adjustment later to give authorization to make changes if necessary based on the best interests of the City; Neises seconded and motion carried with Doshi, Downs, Kelly, Michel, Neises and Perri all voting "Aye."

NEW BUSINESS

Palais Royale - Center for the Homeless Use Agreement

Perri explained that the Center for the Homeless has requested use of the Palais Royale kitchen as they undergo a major renovation of their kitchen. They need to be able to prepare meals and the Palais kitchen is not currently being used for events. Jarnecke added that the Center for the Homeless asked for the use of a kitchen within the Venues Parks and Arts venues (either the Century Center or the Palais) for their staff to come Monday through Friday from 11:00 a.m. to 3:00 p.m. to prepare up to about 100 meals each day and to take the food back to their facility. The anticipated usage is about one month in duration. Kurt Janowsky at Navarre is supportive of the request of the use of the kitchen. There would not be a rental fee because of the good work that the Center for the Homeless does and since this would be during core operating hours of the facilities team at the Morris/Palais who are able to let them in and help coordinate. It is the staff recommendation that we seek approval from the Board to move forward with that agreement. Neises asked if there would be any additional liability incurred for letting the Center for the Homeless use the Palais if there were bad food or people get sick. DeRose replied that no, there is not a problem as this is covered in the insurance requirement and by the indemnification requirement of the contract. With no further discussion, Kelly motioned to approve the FY19 Performance Bonus to ASM Global; Neises

seconded and motion carried with Doshi, Downs, Kelly, Michel, Neises and Perri all voting "Aye." Jarnecke stated that the agreement needs the signature of Perri and Kelly. He will coordinate with them for the signatures.

Perri thanked DeRose for the legal effort that goes into all the agreements.

ADJOURNMENT

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

AP: mes