

**CIVIC CENTER BOARD OF MANAGERS  
WEDNESDAY, JULY 10, 2019  
8:00 A.M. – CENTURY CENTER RECITAL HALL**

**Members Present**

Dennis Andres, Jr.  
Linda Doshi  
Greg Downes  
Gil Michel  
Michael Neises  
Aaron Perri  
David Varner

**Members Absent**

Randy Kelly  
Charmaine Torma

**Staff**

Jeff Jarnecke  
Jacob Hamman  
Scott Herczeg  
Maricela Juarez  
Kate Lawton  
Rebekah Love  
Cindy Masterson  
Shirley Rynearson  
Marika Anderson  
Mary Ellen Smith

**Others**

Aladean DeRose/City Legal  
David Matthews

The meeting was called to order at 8:00 a.m. by President Perri.

**CONSENT AGENDA**

Perri entertained a motion to approve the consent agenda 1) Minutes of May 15, 2019; 2) Claims May - June 2019 and 3) Financial Report – May 2019. Andres motioned to approve; Downes seconded and motion carried.

**VENUES REPORT**

**Personnel and Finance**

Varner reported that he as chair of the Personnel and Finance Committee, he met with Century Center and Morris Staff to review the FY 2020 Budget Funds for Century Center, Morris, and Palais Royale on Monday, July 8, 2019, at 1:00 p.m. There was not a quorum as Randy Kelly was absent. Varner suggested that the FY 2020 Budgets presented by Jeff Jarnecke be presented at this meeting for consideration.

**FY2020 Morris Performing Arts Center Budget**

Jarnecke reviewed the proposed Morris FY 2020 Budget Funds and reported that the Morris has a decreased reliance on Fund 101/General Fund which is reliant on the general tax base of the City. The Morris revenue is subject to the number of events hosted. The Lion King with three weeks of performances in March 2020 will increase 2020 revenue. In 2019 there are nearly 100 events booked and there are 74 events booked already for 2020. There are capital projects for the board to consider with anticipated private dollars raised for an endowment in anticipation of the 100<sup>th</sup> anniversary of the Morris in 2022. Those renovations and enhancements to the building will be brought to the board for approval. Morris Fund 101/General Fund Personnel Expense will decrease from 2019 budgeted amount through some staff efficiencies. FY 2020 Repairs and Maintenance expense increase as the HVAC system is needing more repairs and preventative maintenance ins important in the nearly 100-year-old building. FY 2020 Total Expenses are budgeted at \$1,288,573; FY 2020 Total Revenue is budgeted at \$1,189,000, which is a conservative number because the Morris is a rental facility. The Morris relies on resident users Broadway Theatre League of South Bend and the South Bend Symphony Orchestra as well as other promoters to bring events. FY 2020 Net Operating Loss is anticipated to be \$99,573 which would be subsidized by Fund 101/General Fund; however, the Morris has a \$6 million economic impact to the community and is a great source of pride and vitality to the community. Morris Fund 273/Palais Royale Marketing, Morris Fund 274/Morris Self-Promotion, Morris Fund 416/Morris Capital were included in meeting materials for members to review. Jarnecke explained that the Self-Promotion fund is for presenting shows at the Morris and to pay expenses over revenue for self-promoted shows. The first self-promoted event was booked

for June; however, the act was lost. Staff are aggressively pursuing an event for early November or mid-December and likely two shows in 2020.

### **FY2020 Palais Royale Budget**

Jarnecke reviewed the proposed FY 2020 Palais Royale Fund 401/General Fund. The space that Tapastrie restaurant occupies is at a reduced rate to ensure that the space is occupied which is important to the community. The Palais Royale operation may be adjusted next year to move Palais Royale positions to the Morris with some adjusted responsibilities. FY 2020 Net Operating Loss is anticipated to be \$142,378 which is a decreased loss from previous years. were included in meeting materials for members to review. The exclusive food and beverage agreement with Navarre Hospitality runs through December 2020. Conversations have started with Navarre Hospitality leadership because revenue is not where it needs to be. There are 49-50 events scheduled in 2019 which is up from the 47 events in 2018; however, that number is down from 62 events in 2016. There is increased competition from VenueND, the Brick, and the Armory. Navarre Hospitality is going to add a second sales position at their expense in the near term. Later this year or early 2020 a proposal will be presented to the board before going to bid. Perri requested a motion to approve the FY 2020 budget for the Morris Performing Arts Center and the Palais Royale; Andres motioned to approve; Downes seconded; and motion carried. Perri reported that the FY2020 budget funds will be presented to the City of South Bend Common Council Committee in August and for approval by the full Common Council in October which is different than the Century Center Fund 670/General Fund which is reviewed by the St. Joseph County Board of Managers for Hotel-Motel Tax, the City of South Bend Common Council, and the St. Joseph County Commissioners.

### **FY2020 Century Center Budget**

Jarnecke reviewed the proposed Century Center FY 2020 Budget and reported that there is no reliance on General Fund 101. The building is self-supported except for the \$1,275,000 subsidy from the Hotel-Motel tax. FY 2020 budgeted Total Revenue increased to \$4,940,074 with the number of increased booked events through 2022 and work by the staff on margins. Personnel Expenses remain relatively flat and Professional Services Expense is increased as part-time positions will not become full-time positions as City of South Bend or SMG employees; rather, there will be service agreements for security and housekeeping for events as it is less expensive in terms of training, onboarding and maintaining pay for a 40-hour week. Supplies expense is increased significantly in direct correlation to the Cost of Goods Sold for food and production for more events. FY 2020 Total Expenditures are budgeted at \$5,002,299. One reason for the Operating Loss of \$62,225 is a new allocation from the City of South Bend for Information Technology Department administrative costs.

The St. Joseph County Hotel-Motel Tax has been paying \$1,275,000 for an operating subsidy and over \$900,000 in capital improvements for the last 5 years and \$300,00 for the Energy conservation bonds. There will be less reliance on the Hotel-Motel Tax in the future because of the Indiana legislature change relative to the 1% tax which will now be distributed to the new Mishawaka sports complex and the Potawatomi Zoo. Possibly the St. Joseph County Hotel-Motel Tax could be increased.

Jarnecke reviewed Fund 671/Century Center Capital FY 2020 budget which the board references as the "Rainy Day" fund. The majority of the money is at KeyBank. Machinery and equipment are budgeted at \$20,000. There is \$2 million commitment in 2020 for renovation of the Bendix Theater for e-sports.

Jarnecke reviewed Fund 672/Century Center Energy Conservation Debt Service. The fund was established for debt service payments of the 2015 Century Center Energy conservation bonds used to make improvements at Century Center. Hotel-Motel tax revenue pays \$221,437 and \$95,720 is paid from the Operating Fund. The bond final payment is due on May 1, 2031.

Jarnecke noted that Century Center operates on a different model than convention centers in Indianapolis or Chicago. Century Center has 550-600 events and staff turn rooms with great frequency compared to other convention centers that have 300 larger scaled events. Without the Hotel-Motel Tax subsidy of \$1,275,000, Century Center is a \$3.5-\$5 million operation. Expenses are going to continue to increase with staff salaries and the cost of doing business. There could be more reliance on the City of South Bend General Fund in the future to cover the increased expenses. Within the next 16 months decisions will need to be made by the Board relative to the operations.

Jarnecke reported that staff are meeting with the Hotel-Motel Tax Board Budget Allocation Subcommittee on the week of July 29<sup>th</sup> and the full board meets on August 22, 2019. Jarnecke asked for approval from the Civic Center Board of Managers to ask the Hotel-Motel Tax Board for \$2 million to invest into the Bendix Theater renovation for e-sports. A local university may be ready to use the Bendix Theater as their home facility and to use the space for with their conference of 12 other Midwest members. Some institutions from Valparaiso to Fort Wayne have expressed interest in the Bendix Theater for e-sports as they are adding e-sports to their campuses. They are excited with the idea of having a brick and mortar venue as opposed to using computer labs for e-sports. Staff are also talking with the church services and other existing clients to see who would use the room differently with additional technology available. Room designs are being proposed which speak to the energy, excitement and youthful nature of e-sports. Jarnecke introduced the Bendix Arena new logo design.

Discussion followed that Century Center has been in the black for the last 4-5 years. The Interfund Allocation expense increased because of now including for the first time the City allocation for administrative charges for the Mayor's office and the Legal Department. The Board could decide in the future that the Hotel-Motel Tax revenue becomes an operating subsidy instead of paying for capital improvements.

Perri entertained a motion to approve the FY2020 budget for Fund 670/Century Center which will be presented to the St. Joseph County Board of Managers for Hotel-Motel Tax, and the South Bend Common Council as well as the \$2 million capital request from the St. Joseph County Board of Managers for Hotel-Motel Tax to renovate the Bendix Theater into the Bendix Arena for e-sports. Andres motioned to approve; Downes seconded and motion carried. Perri thanked Jarnecke, Dr. Varner and staff Marika Anderson and Maricela Juarez for their work on the FY 2020 Budget. Perri noted that the FY 2020 Budget should be on the path to approval by mid-October.

### **Building & Grounds**

Doshi reported that Scott Herczeg and staff continue to make progress on projects and she is excited about requesting approval for the \$2 million from the Hotel-Motel Tax for renovating the Bendix Theater into an e-sports arena.

Jarnecke reported that 85% of the projects are complete from the \$1.26 million for projects by the Hotel-Motel Tax Board and the additional almost \$800,000 which was carried over from projects in 2017 and 2018. The three remaining projects that will be completed by the end of the year include the reworking the elevator shaft in the north part of the building, renovation of restrooms in the north

part of the building and another part of the building, and the reconfiguration of the entrance and parking lot from Martin Luther King, Jr. Boulevard. All three projects are getting ready to go out to bid and the City Engineering Department has prepared specs. The new parking lot entrance will have a dedicated turn light and three dedicated lanes. It is anticipated that with the toll booth, downtown parkers would be charged on a daily basis in a manner that is consistent with the parking garages. This will be additional revenue for Century Center.

Projects completed include the new entrance coming in from the south side of the building, a new marquee outside, and a new ribbon board on the crosswalk coming from the DoubleTree by Hilton Hotel that will have content displaying in the near future for vehicles heading south on MLK Blvd. Staff are excited to be moving back into newly renovated offices on July 19. Security has been added including walk-through metal detectors for additional security at Century Center and elsewhere within City venues as needed; a camera system that can be viewed remotely without having to rely on the security center. Small wares including cups, saucers, silverware polishers will be delivered in a couple of weeks and will have a direct result in savings on personnel expenses. Jarnecke noted that these projects were done from the Capital Plan that Scott Herczeg and the SMG team prepared a number of years ago which is the 30-Year Deferred Maintenance Capital Improvement Plan. Jarnecke thanked Scott Herczeg and staff for their hard work and patience as they work through the renovation dust. The building is in great shape and will continue to be in the near term until a decision is made regarding the long-term use of the building.

Discussion following regarding the reconfiguration of the parking lot and the use of the parking lot for general public to park in the lot. The Century Center does have a relationship with the Courtyard by Marriott and the South Bend School Corporation that when they have larger meetings or events that people can park at the Century Center lot.

### **Morris Performing Arts Center**

Jarnecke reported that the Morris for 2019 Q2 had \$899.16 profit. The summer months are dark days with three Pulse FM concerts in June, July and August and is in a deficit operation in June and July. This is the case every year when the theater is quiet in the summer months with increased competition with outdoor venues, county fairs, and tours not coming through the area. The Morris has 84 events on hold in 2019 which include a number of exciting new performances and the theater should reach 100 events by the end of the year. The strong event line up September through December will finish the year in a strong position.

The ceiling repair is still scheduled and the project went to bid; however, no bids were received so staff were able to go to the open market. The project is now being discussed with a couple of vendors regarding scaffolding and whether to build out from the stage and have a lift to access the ceiling instead of building scaffolding throughout the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Balconies. The work is still scheduled to start August 26 and finish in time for the South Bend Symphony Orchestra concert on September 21. Jarnecke will have more info on the Morris 100<sup>th</sup> Anniversary and the capital campaign at the next meeting.

### **Century Center**

Jarnecke reported that Century Center had a strong 2019 Q2 with \$133,371 profit. That number is a bit higher because the first payments were received from the Hotel-Motel Tax Board. Almost every room in the building was turned two and three times on weekends with the busiest month of April that the building has had. Jarnecke thanked the sales and event teams for the strong performance and handling the volume of events.

Jacob Hamman reported on 2019 Q2 sales and marketing efforts. The most important metric is the 14,402 definite and tentative room nights in 2019, 13,526 room nights in 2020, and 6,863 room nights in 2021. The net Promoter Score is at 73.5%; survey return rate at 40%. New contracts down 6% - 173 in 2019 vs 184 in 2018. Actualized Room Nights up 2% - 8,508 in 2019 vs 8,333 in 2018. New Contracts Issued up 9% - 264 in 2019 vs 243 in 2018. Estimated Rent on New Contracts slightly down 9% - \$178,960 in 2019 vs \$196,550 in 2018. Number of Events up 24% - 273 in 2019 vs 221 in 2018. Attendance down 8% - 107,928 in 2019 vs 117,797 in 2018. Site visits up 3% - 269 in 2019 vs 262 in 2018. Three recent conferences have awarded Century Center and South Bend as their host sites after long bidding processes. Indiana Criminal Justice Association 2020, Delta Tau Delta Fraternity 2021, and the International Jugglers Association Conference in 2023. Staff traveled to Indianapolis to host the ISAE 5:05 event promoting the South Bend Conference in July. Hamman traveled to Atlantic City to participate in an SMG Co-Op and attend the 2019 Esports travel Summit presented by the NorthStar Travel Group.

Jarnecke commented that already for 2021 there are 6,863 room nights booked vs five years ago when there were not 6,000 room nights for the total year. One important note is that all three downtown hotels had turnover in the general manager positions which is a concern. Dave Waymire has agreed to come back and oversee the Doubletree by Hilton; however, Samantha Nibbelink left the Courtyard by Marriott and Victor Ravago left the Aloft Hotel.

Renovating the Bendix Theatre for e-sports was presented to the St. Joseph County Board of Managers for Hotel-Motel Tax. Assuming approval is received for that project, work would begin with the architects in October to determine the room design, complete a plan, and start construction in January if the bid process allows the project to move forward. Conversations regarding Century Center expansion are continuing with the City of South Bend leadership and stakeholders.

## **PRESIDENT'S REPORT**

Perri summarized that Revenues are up, Expenses are controlled or down in some instances. Economic Impact and Room Nights are increasing. The buildings continue to transform in a positive way. Strong leadership is in place.

## **OLD BUSINESS**

### **SMG Agreement Extension**

Jarnecke highlighted the SMG Agreement Extension of three years. It is consistent with the current agreement which goes through the end of 2020 and has a modest increase in the base fee. There is an option for the Board to consider with an option to renew in 2024 plus \$5,000 retention base and a second option to renew in 2025 plus \$10,000 retention bonus. Because of the uncertainty of Century Center expansion options in the future or whether it may exist in the future, one important note that was amended in the Agreement and agreed by SMG in principal is that the Century Center Board of Managers has the sole right to cancel the Agreement. Notice would be provided to SMG and pay out that existing year; however, the balance of the contract thorough 2025 would not be paid. If Century Center is no longer a convention center and were to return to a civic center or if the center were to relocate to a different building, then SMG would have the first right of refusal to be the provider within that building. A fee of 6.5% of Food and Beverage Gross Revenues paid on a monthly basis to SMG remains in the Extension Agreement. The Incentive Fee is now a fixed fee The Agreement provides a fair amount of latitude with little risk. Craig Liston, SMG Regional Vice President, thanked Jarnecke and team for their work on the Extension Agreement and stated that SMG looks forward to continuing to serve Century Center. Jarnecke requested Board approval to send the Agreement Extension to SMG to be signed. Perri entertained a motion to approve the

SMG Extension of and Amendment to Management Agreement dated April 1, 2018; Andres motioned to approve; Neises seconded and motion carried.

**Hotel Motel Tax Board – Update**

Downs reported that the St. Joseph County Board of Managers for Hotel-Motel Tax formed a committee in response to the change in the Hotel-Motel Tax by the Indiana legislature. Conversations have taken place with the Potawatomi Zoo board chair and the board has been invited to come to the next Hotel-Motel Tax meeting which has been rescheduled to August 22. The County Treasurer has set up two funds to deposit funds from July 1 – December 31 – one for Potawatomi Zoo and one for the new athletic complex in Mishawaka. The funds were not budgeted for 2019 and will come from reserves. The Hotel-Motel Tax Board will prepare for these funds in the 2020 budget. The hope is to have conversations with legislators regarding increasing the St. Joseph County Hotel-Motel Tax from the current 6% up to 7% or 8% and have an equitable formula to provide certain dollar percentage allocation to Century Center and other organizations. In the interim, there could be memos of understanding with Potawatomi Zoo and the athletic complex in Mishawaka. The athletic complex may be difficult to have a memo of understanding because there is no entity or board yet.

**ADJOURNMENT**

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

AP: mes