

**CIVIC CENTER BOARD OF MANAGERS  
WEDNESDAY, OCTOBER 16, 2019  
8:00 A.M. – CENTURY CENTER RECITAL HALL**

**Members Present**

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

**Members Absent**

Dennis Andres, Jr.  
Charmaine Torma

**Staff**

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

**Others**

Aladean DeRose/City Legal  
Mikki Dobski  
Daniel Parker/City Controller

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 July 10, 2019; 2) Claims July – September, 2019, and 3) Financial Report –September 2019. Neises motioned to approve; Downes seconded and motion carried.

**VENUES REPORT**

**Personnel and Finance**

Varner stated that when he reviewed the expenditures for this year noticing that there were hefty changes in the cost allocations at Century Center and the Morris. It would be good to have an understanding of the allocation procedure. There will be a request for \$1 million in reserve funds for esports at the Bendix Arena. It is important to know that is going to be reimbursed. Perri commented that it may be prudent to invite Dan Parker, City of South Bend Controller, to discuss allocations at a meeting. Parker also serves on the Board for the Hotel-Motel Tax and understands both sides of the equation.

**Building & Grounds**

Doshi reported that the new large planters are in place at the entrance to Century Center from the parking lot. Jeff Jarnecke will have building details in his report. Perri commented that Jarnecke should be listed at the top of the agenda for future meetings.

**Century Center, Morris Performing Arts Center & Palais Royale**

Jarnecke reported that Q3 consolidated revenue at Century Center, the Morris, and Palais Royale was \$4,268,437 (71%) of the \$6 million revenue expected. The Morris was lower because of little business during the time the theater was blocked out for anticipated ceiling repair and typically the Summer is slower. The next 90 days are very busy at the Morris including anticipated Jeff Dunham show, Bob Dylan and Joe Bonamassa concerts that are selling well. The consolidated expenses were \$4,016,949 (63%) of the budgeted \$6.3 million expenses which leads to a consolidated \$251,488 profit.

**Century Center**

Jarnecke stated that SMG has done a great job with revenue while decreasing expenses at Century Center. Year-to-date profit is \$487,444. This will be a strong year with the F&B events booked through the remainder of this year. Cost of Goods Sold is 23%. Labor cost is 27%. Net promoter score is 90. Response rate is 30%. Anticipated 2019 room nights is 15,124 and in 2020 there are 14,339 room nights which is well on the way to the goal of 18,000 room nights. The consultant's report stated that a building this size should be contributing 18,000 to 25,000 room nights within a community this size. The top number may be 20,000 room nights until a broader conversation takes

place about expansion or reconfiguration of space within the building. Work needs to continue with Rob DeCleene and the Visit South Bend Mishawaka team to continue to bring events into St. Joseph County and especially downtown South Bend.

Discussion followed on the response rate of 30% being down compared to the usual 50%. The contract with SMG expects the goal of 40-50%. Jarnecke explained that he reviews all the client evaluations and they are mostly positive. Further comments were that from a meeting planner perspective, it is tough to take the time to complete all the surveys from the convention centers and hotels. Tighter, briefer, and more specific questions are easier to complete than long surveys. Staff will review the follow-up evaluation.

Jacob Hamman explained that there has been a lack of response from clients. He reported on 2019 year-to-date sales and marketing efforts. Actualized room nights is up 3% -- 13,039 in 2019 vs 12,696 in 2018. Number of events up 23% -- 389 in 2019 vs 316 in 2018. New contracts issued up 16% -- 366 in 2019 vs 316 in 2018. Three large conferences signed contracts: Indiana Criminal Justice Association for 2020, AAF District Conference in 2020, and Delta Tau Delta for 2021. Staff and Visit South Bend Mishawaka traveled to Louisville to attend the Connect Conference to meet with meeting planners and had many successful appointments. Staff attended the Small Market Meetings Conference in Green Bay, WI, and had many successful one-on-one meetings.

Jarnecke stated that the remaining projects will be coming to an end by the end of this year. The North restrooms project has gone out for rebid because no bids were received in the first effort. We should know by next week whether those are within the budget. The North elevator project has gone to open market. We are waiting for word back on the reconfiguration of the main entry. Concrete will be poured coming off of Dr. Martin Luther King, Jr. Boulevard for three lanes for whatever configuration is needed along with a dedicated turn arrow at the stoplight to help with traffic flowing into the parking lot. There will be a new attendance booth and gates to be able to entirely close the lot when full or on the weekend when there are no events.

Prior to Thanksgiving the stairs will be painted leading to the Great Hall which will eliminate the current yellow tint. The Great Hall Doors are being refabricated to slide and open easier. The offices are finishing being redecorated, new wayfinding signage is being installed. The new planters at the entrance from the parking lot are decorative and are also a security measure. One planter will be repositioned at the drive that leads to the Great Hall overhead door and two planters will be parallel to the parking lot to prevent a vehicle from driving into the Discovery Ballroom doors or the main lobby. Discussion ensued on the temporary entrance to the parking lot from Jefferson Boulevard and how it is convenient for drivers coming from the East. Jarnecke responded that if there is money available in the budget, that entrance would be a 2020 project.

Jarnecke presented updates on renovating the Bendix Theatre for e-sports. Vala Marketing, a local marketing firm, has designed the logo and is working with us on positioning and marketing efforts with the upcoming Chamber's "Momentum" event at Century Center. The Century Center booth at the event is being converted to an e-sports mini arena experience. Consultants have been secured. An organization call has taken place with the E-sports Entry Advisory Group. This is a three-way partnership between Conventions, Sports & Leisure International (CLS) which is oftentimes found in feasibility studies for convention centers around the country. Their role is to evaluate the competition and help work through pricing strategy. Ingame is an e-sports production company which holds its own events. They are planning to send us some of their events to bid on in the near future. Simply

New produces e-sports events around the country. They are coming to meet on October 23 to work through details of the \$2 million budget. Staff have already looked at seating, carpet and technology. January and February 2020 have been blocked on the calendar to start construction with carpet and chairs. March and April are full with events so dates are blocked for construction to finish in late-April and May. Testing would take place in June. Discussion will take place on team rooms and whether a LAN café should be operated. Staff are actively engaged with the University of Notre Dame about hosting e-sports during a future Idea Week. ND has committed to hosting an e-sports tournament on campus during Idea Week 2020; however, ND is interested in working with staff on the Bendix Arena. President Gregg Chenoweth of Bethel University visited with his Crossroads Conference Commissioner Larry Sinclair. President Chenoweth confirmed that six out of the eleven institutions in the Crossroads Conference are starting e-sports. They are excited about the Bendix Arena and Century Center will host the Presidents' meeting on April 21, 2020.

About one inquiry per week is being received about renting the space, date availability, pricing, as well as groups hosting their own events and organization tournaments. Staff are working with VSBM staff to submit a response to a proposal to host the inaugural National Association of Collegiate E-sports Annual Convention July 15-17, 2020, with 300-500 attendees. They would host the event at their expense and the Bendix Arena could open on July 15. Jarnecke pointed out a sample Bendix Arena e-sports chair. Jerseys and caps with the Bendix Arena logo were distributed to members.

Discussion followed about the St. Joseph County Board of Managers for Hotel-Motel Tax funding. Jarnecke responded that \$2 million will be funded -- \$1 million as part of the 2020 budget and \$1 million as part of the 2021 budget. Neises commented that he was impressed with the rapid pace of the project moving forward. Varner added that the efforts with meetings, partnerships and logos prior to starting the project have momentum to continue.

### **Morris Performing Arts Center**

Security and safety remains a priority. Handrails will be added in all three balconies by December 31 after installation in the Royal Boxes earlier this year. Walk-through metal detectors were purchased for Century Center which are being used at the Morris temporarily. At the first two events (Children's show and Christian concert) that the metal detectors were used there were discovered a gun, a loaded clip and six knives. New metal detectors will be purchased for the Morris. Security and screening processes will be reviewed.

The total number of 93 events in 2019 is down a bit from 2018; however, is a strong number. There are currently 75 events scheduled in 2020 which includes Disney's The Lion King in March with the longest run ever of three weeks. The Morris hosted The Lion King event with performers from the show for about 250 people and provided a group sales opportunity. Disney is working within the community to promote the event with signage and a significant presence at the tree lighting in December in downtown South Bend the night before the tickets go on sale to the public on Saturday, December 7.

The ceiling work is going to be rebid around Thanksgiving since there were no bids initially and the calendar dates to do the work had expired. August to September dates in 2020 have now been blocked to do the work. Details will be given at the January 8, 2020, meeting on other projects to be completed prior to the 100<sup>th</sup> anniversary in 2022 of the opening of the Morris.

Morris revenue was sluggish as was anticipated with only the three Pulse FM events in June, July and August. Then the theater was blocked for the ceiling work which did not happen. Year-to-date

expenses are \$117,756.31 which are 69.01% of the \$170,627.00 anticipated budget deficit. Additional expenses were incurred with some emergency maintenance projects. Revenue will increase with upcoming shows.

### **Palais Royale**

Revenue is not where it needs to be. The lease revenue from Tapastrie is part of the Palais Royale revenue and is a struggle to collect. Conversations are ongoing with the Tapastrie owners. Also, the number of events is not where it needs to be to drive revenue. Conversations have been held with Kurt Janowsky of Navarre Hospitality and he understands that the Palais is in a deficit sales position. The number of events went from a high of 65 events in 2017 to 47 events in 2018, and will likely finish 2019 with 51 events. The decrease in number of events may be a combination of factors – increased competition with Venue ND, The Brick, The Armory, etc.; pricing strategy; or marketing. Century Center has more weddings in 2019 than the Palais Royale. We have identified some short-term solutions. Navarre is adding a second sales position and will pick up the additional expense for additional event set-up staff. One full-time Palais staff will become Morris staff in 2020, leaving only two full-time City staff at the Palais. Long-term solutions need to be discussed.

Doshi commented that parking for events at the Palais Royale is a detriment also.

### **PRESIDENT'S REPORT**

Perri commented that during his involvement with the board for eight years there have been very few things that have garnered the attention of media and stakeholders throughout the region as the Bendix Arena. At meetings he attends there is much enthusiasm about South Bend being on the cutting edge of e-sports and that Disney's The Lion King is coming to the Morris in March 2020.

There is interest for the St Joseph County Board of Managers for Hotel-Motel Tax to pursue an increase in the hotel-motel tax rate. The City of South Bend also shares that interest. Representatives of both boards, the City of South Bend, and the City of Mishawaka could have a conversation and perhaps hire a lobbyist to work through that process in 2020 in time for the 2021 Indiana legislative session. Perhaps the hotel-motel tax is not the panacea for everything that needs to be done in this community. A professional sports development tax is another tool that communities are taking advantage.

Doshi commented that on her recent Uber bill coming from the airport to downtown Chicago there was a line item chauffer's tax for McCormick Place.

Perri highlighted that on Tuesday, October 22, the Venues Park & Arts Foundation will host the Second City at Century Center as a fundraiser for Howard Park.

Perri announced that Charmaine Torma sent notice to Mayor Buttigieg and himself that she will step down from the board due to professional obligations. The position will be filled by a new mayoral appointment.

Perri thanked Jarnecke, Hamman, Scott Herczeg and Century Center team for the good financial and operation position that Century Center is in. Economic impact and room nights are up. The building continues to improve. He is proud of the work being done.

Perri noted that Dan Parker, City of South Bend Controller, will be added to the agenda for the next meeting.

## **OLD BUSINESS**

### **Hotel-Motel Tax Board Update**

Downes reported that Hotel-Motel Tax Board has accepted the Indiana legislature decisions on hotel-motel tax distribution. The board has reached out to the Potawatomi Zoo and the City of Mishawaka in anticipation of the new Mishawaka athletic complex. Formal Memos of Understanding were signed so that everyone is on the same page. The mandated funds for this year were funded from reserves. Josh Sisk, Executive Director, and Margie Anella of the Potawatomi Zoo, and also Ken Prince representing the City of Mishawaka came to the board meeting on August 22, 2019. There is a good working relationship and they know what is expected of them going forward. The board expects them to come to Hotel-Motel tax board meetings at least once a year to report on their progress.

The next step is to become aggressive in terms of the ongoing progress of the Indiana legislature. Several counties in Indiana have already been successful in increasing their hotel-motel tax rate. What feedback could be gained by having both cities, St. Joseph County, the Chamber of Commerce.

### **2020 Budget: Bendix Renovation**

Jarnecke reported that the St. Joseph County Board of Managers for Hotel-Motel Tax has approved \$2 million for the Bendix renovation into the Bendix Arena for e-sports -- \$1 million in Fiscal Year 2020 and \$1 million in Fiscal Year 2021. Century Center staff requests the board to tap into capital reserves up to the additional \$1 million if needed to cash flow this project. The first \$1 million would be paid by St. Joseph County directly from the Hotel-Motel Tax Board. The additional \$1 million in reserves would be paid by capital reserves of the Century Center Fund 671. St. Joseph County would be invoiced on January 2, 2021, and those funds would be replaced at the time of the first St. Joseph County check run. Jarnecke asked for the approval from the Board to aid in the cash flow of the renovation rather than do half of the project in 2020 and wait to complete the project in 2021.

Questions were raised about the timing for tapping into the reserve funds and how that affects the reserve funds for any capital projects. Jarnecke responded that the timeframe would be 2020 late Q2 or Q3. The Bendix Arena would be nearly open at that point in time. Anticipated expenses include the consultant group at \$100,000, 500-550 chairs at less than \$100,000, carpeting at \$75,000, and the rest for what we imagine the space to be – LAN Café, computers, desks. The more significant expense will be the electronic ribbon boards and video boards as compared to being something to add on later. Those would be scheduled to be installed April or May 2020. A deposit would be needed upfront and the balance would be paid when the project was complete. The fund has not been tapped for any current capital projects. It is his understanding that the goal of the Board was to get that fund over \$1 million. There was \$177,000 surplus moved from an operations perspective to that account so there is a budget of \$1,175,000 so there would be \$75,000 left in the budget labeled as the “rainy day” fund. That is not generally assigned or allocated for any Century Center work projects. Perri added that there is a signed Memo of Understanding from the Hotel-Motel Tax Board that they understand the commitment.

Perri entertained a motion to approve the \$1 million cash flow request to complete the renovation of the Bendix Theater into the Bendix Arena for e-sports in 2020 with the understanding that the \$1 million will be reimbursed in January 2021. Varner motioned to approve; Downes seconded and motion carried.

## **NEW BUSINESS**

### **Palais Royale Food and Beverage RFP**

Jarnecke stated that the current agreement with Navarre Hospitality for the food and beverage operation runs through December 31, 2020. The F&B revenue for the Palais Royale and Morris is not where it should be. There is the opportunity to either re-imagine the operating model, imagine a new operating model, or have a new partner in place to deliver the food and beverage service. The rent may need to be adjusted. A more aggressive sales approach may be needed. Different types of events might be possible such as the professional wrestling event at the Palais Royale to be held October 18. Jarnecke discussed this with Curt Janowski of Navarre Hospitality when they met recently. Although Janowski would prefer to negotiate the re-imagine directly, he understood the position to go directly to a Request for Proposal (RFP.) The RFP would be for a model similar to what is in currently in place with an agreement to be the exclusive caterer to sell, prepare and serve F&B at the Morris Center including concessions and alcohol. The operation and staffing might change. Another option might be to have a non-exclusive agreement where one provider would have the liquor license and multiple vendors selling and catering at the Morris Center. Discussions with clients and surveys indicate that the decision to book an event is more about the space than it is about the caterer because it is so different than Venue ND, The Brick, The Armory and other event venues. Clients may not be choosing the venue because of Navarre Hospitality; however, their experience is bettered by the caliber of caterer within the space. That would be a priority as bids are evaluated. Jarnecke stated that the RFP could be issued by the end of October, responses by Thanksgiving and that after the holiday a subgroup of the board could help evaluate the bids and give a recommendation to the board at the meeting on January 8, 2020. The timeframe is important to successfully sell the space in 2020 and beyond. There would be startup costs for the vendor to actually start selling the space before they could deliver booked events. It is important that clients do not feel there is any bait and switch or disingenuous sales campaign. It is important to note that even with an operating loss, the Palais Royale does have about a \$3.5 million economic impact to downtown South Bend.

Downes stated that the level of competition is much greater now. He asked if there are any issues with the current agreement with Navarre Hospitality before the expiration date of December 31, 2020. Jarnecke responded that it would be difficult to opt out of the agreement before the expiration date.

Neises asked if the RFP would include both business models. Jarnecke replied that the RFP would include both options and vendors could respond do one or both options. The RFP would be written so that the board would exercise either option. One of the vendors could be identified to handle operation of the Morris concessions. One vendor could be chosen to sell the space and then the clients would choose an approved caterer for their event. The Palais would retain rent and provide certain services such as housekeeping and security. Tables, chairs, china and silverware are owned by the Palais Royale and could be rented to the caterers. The commission structure would likely be different because caterers would no longer keep food in the building. The food might not be prepared in the Palais kitchens but might come in hot boxes.

Kelly suggested the pricing model is important because the Palais Royale would have been the first choice for an upcoming Montessori 50<sup>th</sup> Anniversary event; however, the event will be held at Century Center because of pricing and a perceived parking issue.

Neises asked if there would be different price points with different caterers. Jarnecke responded that there could be varying price points, rent could be far more competitive, selling the space could be more aggressive with more events that are not as focused on food and beverage and still have

an impact on having people come to downtown South Bend, dining at restaurants and having the space be an arts and cultural entertainment destination.

Varner asked what reasons were given by Navarre Hospitality for the decrease in events at the Palais. Jarnecke explained that parking was an issue last year when Colfax Avenue was torn up and this year the Main-Colfax garage was closed for six weeks for construction. Also, in 2016 the Centerplate sales team was selling the venue for events held in 2017. There are marketing challenges as many people from the region when at the Morris do not know that the Palais exists. Doshi suggested adding wayfinding signs for the restrooms and elevators. Potential clients that want to have weddings at the Basilica at Notre Dame are having receptions at VenueND. Discussion followed on the level of competition from other area venues. The competition will increase with the addition of the 4,000 sq. ft. hotel ballroom at the Four Winds Casino. It does become a challenge to sell the Palais for a wedding on a Saturday nights when there are shows at the Morris because of concerns about parking. Selling the space for events other than weddings was encouraged. Jarnecke added that the Palais is now open as the "Palais Lounge" for concessions and beverages during Morris shows when there is not another event at the Palais. The second floor doors from the Rotunda into the Palais are open and eliminates congestion in the Morris Grand Lobby and gives people the opportunity to enjoy refreshments and see the Palais.

Perri stated that Navarre Hospitality and Morris staff have been working hard to try to figure out the right model. For example, Navarre Hospitality is now in charge of setting room rental rates which used to be controlled by the Morris. Navarre Hospitality is now negotiating rent and has been given more flexibility with use of the Morris Grand Lobby as a pre-event space. There have been upgrades with a new logo, website, and staff uniforms. It is time to look at a different business model. Perri entertained a motion for the board to approve to issue a RFP for the Palais Royale and Morris food and beverage service provider. Kelly motioned, Varner seconded and the motion carried.

**OTHER BUSINESS:**

The next meeting is scheduled on Wednesday, January 8, 2020.

**ADJOURNMENT**

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

AP: mes