

**ST. JOSEPH COUNTY BOARD OF MANAGERS
FOR HOTEL-MOTEL TAX
THURSDAY, AUGUST 22, 2019
8:30 A.M. CENTURY CENTER BENDIX THEATRE**

Members Present

John Anthony
Greg Downes
Joseph Kurth
Mark McDonnell
Dan Parker
Paul Phair
Carmen Piasecki
Thomas Walz
Gary West
Ron Zeltwanger

Members Absent

Jenny McNeil

Others

Aaron Perri, Venues Parks & Arts
Rob DeCleene & Staff, VSBM
Century Center Staff
Jeff Jarnecke, Venues Parks & Arts
Aladean DeRose, City of South Bend
Josh Sisk, Potawatomi Zoo
Margie Anella, Potawatomi Zoo
Ken Prince, Mishawaka

The meeting was called to order by President Anthony at 8:30 a.m.

ROLL CALL

Roll call was taken with the following member absent: Jenny McNeil. Anthony welcomed new board member Paul Phair. Phair introduced himself as the Vice President of Development at Holladay Properties.

APPROVAL OF MINUTES

Anthony entertained a motion to approve the minutes of April 26, 2019. McDonnell moved to accept; seconded by Downes, the motion carried.

TREASURER'S REPORT

Zeltwanger reported on the period ending June 30, 2019: Receipts were \$2,275,745 with Disbursements of \$3,027,874 with a remaining cash balance of \$5,372,131. There is remaining amount of \$3,759.974 to be disbursed in the next six months. Two new additional disbursements are included in the 2019 previously approved budget including \$234,968 for the Potawatomi Zoo and \$352,453 for the Mishawaka Sports Complex which will drive up expenses for the remainder of 2019. The reserve amount of \$5,372.131 adding the projected Q3 and Q4 revenue of \$3,524,525 (based on 2018 Q3 and Q4 revenue) less the \$3,759,974 balance to disburse for the remainder of 2019 budget and the Potawatomi Zoo and Mishawaka Sport Complex disbursements total of \$587,421 results in a projected 2019 year end reserve balance of \$4,549,261. There is potential to end with a higher year end reserve balance of \$4.8 million if revenue grows in Q3 and Q4 similar to the last couple years.

Zeltwanger thanked Piasecki, Kurth, McDonnell, Anthony, Jarnecke and DeCleene for their work on the 2020 proposed budget. Century Center proposed 2020 disbursements are reduced by a little more than 10%. The Century Center Bendix Theatre renovation into an esports venue has \$1 million budgeted in 2020 with the intent to approve the second \$1 million request in the 2021 budget for a total of \$2 million. Century Center was asked to continue to explore other funding options (naming rights, sponsors, internal budget, etc.) as well as bring the final number to the Hotel-Motel Tax Board in the 2021 request to see if there could be any offsets from the second request to lower the amount.

The CVB (VSBM) 2020 budget is also reduced by 10%. The allocated amount for the CVB (VSBM) bid fund is \$100,000. 2020 projected hotel-motel tax revenue is \$6 million. The Potawatomi Zoo

and Mishawaka Sports Complex total projected disbursements is \$1 million which is included in the 2020 projected disbursements of \$6,277,937 resulting in a projected 2020 year end reserve balance of \$4,271,324. The budget was presented by Jarnecke, DeCleene and Mari Bishop to the St. Joseph County Commissioners.

Anthony entertained a motion to approve the submitted 2020 Budget. Downes moved to accept; seconded by Walz, the motion carried.

An email has been received from St. Joseph County Auditor John Murphy that the 2020 budget has been approved without any changes. The public hearing is scheduled on September 10, 2019, and the budget adoption meeting is scheduled on October 8, 2019. Discussion following regarding the money budgeted for the Mishawaka Sports Complex and Century Center building expenses. The money for the Mishawaka Sports Complex will be held in reserve and encumbered until the venue is operational. Parker explained that St. Joseph County has set up three separate funds for the General Fund, Potawatomi Zoo and the Mishawaka Sports Complex. Jarnecke explained that there is a 30-year master plan for capital improvement at Century Center. Because of the disbursements of the Hotel-Motel Tax Board, Century Center was able to make significant progress towards improvements throughout the building and will take some time off from major improvements with the exception of converting the Bendix Theatre into the Bendix Esports Arena for a diversified revenue stream.

PRESIDENT'S REPORT

Anthony stated that earlier in the year the State Board of Accounts informed the Hotel-Motel Tax Board of the need for written documentation of funding agreements with the organizations being funded. Those documents have been sent to the Potawatomi Zoo, Mishawaka Sports Complex and Century Center so that going forward the Hotel-Motel Tax Board is in full compliance. The notice of this meeting was sent to representatives of the Potawatomi Zoo and the City of Mishawaka. Anthony welcomed Josh Sisk and Margie Anella with Potawatomi Zoo and a Mishawaka representative to the meeting. Anthony will talk with the representatives about having Potawatomi Zoo and the Mishawaka Sports Complex give reports in the future.

Anthony spoke on the growing economic concern and that the tourism industry often feels a slow down first. There has been a 10-11 year run of tax revenue increases in St. Joseph County which some may question whether that pace will continue. There is more hotel room supply than ever, more is being done to attract room night demand, and so far rates have held strong. However, this may not be sustained in economic down cycles. The cash reserves are in the budget to still be able to meet commitments if tax revenues go down. Critical Century Center projects have been funded that had been deferred maintenance in past years to the point that this year the Bendix Theatre new initiative is funded instead of routine maintenance. Kurth spoke on the \$100,000 bid fund which allows VSBM and SMG staff at Century Center to write off the meeting room rental cost in the bidding process for groups to come to South Bend.

Agency Reports

Visit South Bend Mishawaka:

Rob DeCleene distributed the newly updated Studebaker Bendix Heritage Trail brochure which highlights the trail around the area Studebaker and Bendix industrial heritage of the area. He reported on July 2019 St. Joseph County hotel occupancy data as reported by the STR, Inc. Destination Report. The hotel room demand over the last 12 months is triple the national average with a direct reflection from events such as Garth Brooks, NHL Winter Classic, USA Hockey National Championship, US Senior Golf Open, and Liverpool Soccer Friendly. The task is to continue that success into 2020. There are seven Notre Dame home football games in 2019 and

only six home games in 2020. The 18-month forecast should be received in early September and will be shared with hotels to help them with their 2020 budget process. The SpringHill Suites is the only hotel under construction now and will open in 2020 Q1 in Roseland with 91 rooms. There should be an announcement soon on the hotel project at the Four Winds Casino which will probably open 2021 Q3.

Major events over the summer included: the Midwest Minor League Baseball All-Star Game, the US Senior Golf Open with 4.5% up on hotel occupancy that week and national media coverage on Fox Network with images of the Notre Dame campus and downtown South Bend, and the Liverpool v. Borussia Dortmund Soccer Friendly at the Notre Dame stadium with 95% hotel occupancy.

The VSBM achieved for the first time the Destination Marketing Accreditation Program (DMAP) accreditation with distinction by Destinations International at the July convention in St. Louis. The "Mondays Can Wait" tagline was trademarked. VSBM was awarded the "Oak Tree Award" by the Friends of St. Joseph County Parks in June 2019 "for support which enables others to discover and enjoy the County Parks."

Meeting sales had 10 total conversions with 4,327 room nights. Three events reflect the new hotel room inventory in downtown South Bend – 2020 AIM Ideas Summit, 2020 Association of Indiana Counties Annual Conference, and 2021 Association of Public Treasurers of the US and Canada Annual Conference. The meeting sales team the last year has focused on the top 150-200 clients and a consistent presence in Indianapolis which is starting to pay off. The tradeshow season has started with Indiana Society of Association Executives (ASAE) Annual Convention which was hosted by VSBM at Century Center, the Aloft Hotel and Notre Dame; Destination International Annual Convention; Connect MEGA; Small Market Meetings Conference; Association of Indiana Counties Annual Conference; and the Antique Automobile Club of America Eastern Fall Meet.

DeCleene reported on 2019 sports sales with 32,891 room nights year-to-date plus 10 events that still need to be entered into the system. There were 36,091 room nights generated by sports in 2018 vs. in 2019 being on track for over 40,000 room nights (which does not reflect Notre Dame football or team sports.) Sports sales had 11 total conversions with 4,950 room nights including the 2020 Midwest Women's Bowling Tournament, the 2020 Good Neighbor Games and the 2023 International Jugglers' Festival which will take over the downtown hotels, Century Center for a week in June with a parade down Michigan Street and demonstrations at the Gridiron. VSBM is invited representatives of the S.P.O.R.T.S. Conference to South Bend during the US Senior Golf Open to attempt to be the conference host in 2021 or 2022.

DeCleene and Nick Kleva attended the recent ribbon cutting opening of the Health & Aquatics Center in Elkhart which is a massive facility that can bring in huge events that would typically be held in larger cities. Kleva is working with the Director of the Aquatics Center to utilize hotels here for their events.

VSBM hosted an appreciation event July 10 at the LaSalle Kitchen for hockey partners CFIA, The Ice Box, Irish Youth Hockey League, and Michiana High School Hockey League. A commemorative gift was given of the South Bend Tribune issue with the headline "Hockey Town." In 2018-2019 there were 30 events, 41,175 attendees, 22,784 room nights and \$12,703,917 economic impact.

The Basement digital campaign continues with partners South Bend Cubs, VenueND/Morris Inn, US Golf Senior Open, Gillespie, Inn at Saint Mary's, and Hilton Garden Inn. April 26 – August 15 there were 260,000 total web site visits and 206,702 total unique visitors. Top referral sites were

Google, Facebook, BasisDSP, Bing, Yahoo. Top referral cities were Chicago, South Bend, Indianapolis, Nashville, Granger.

The Golden Romer with 110 total event days was rewrapped after the US Golf Senior Open to update the mobile visitor center. Ongoing work continues with Community Tourism Actions Plans

for Downtown Mishawaka and Lakeville. Final presentations will be the third week of September. Work continues on the Community Tourism Action Plans developed last year with New Carlisle and North Liberty.

Lauren Stout was hired last year to focus on travel media and promotion in new ways. Travel media visits included golf blogger Patrick Koenig June 28-July 2, SW Michigan travel blogger Jessica Springer July 13-14, WTHR Indy Chuck's Big Adventures: Indiana Getaways July 17-18, Indy-based food influencer Mike Gillis July 25-26, editor of Indy's Child magazine Nicole Sipe August 3, and blogger Stephanie Taleghani August 20-22. Stout was at the North American Travel Journalists Association (NATJA) Conference in June at Syracuse, NY, and will be going to TBEX conference for travel bloggers in September at Billings, MT. Similar to the Golden Roamer 100 events, the goal is to have 100 travel media events to promote the area.

Sales have started for the 2020 Visitors' Guide with 100 pages (the largest guide ever -- 16 pages more than in 2019 and vs. 24 pages in 2009.) A total of 80,000 will be printed and 30,000 map overrun will be delivered to hotel front desks. Sixteen pages are dedicated to the foodie scene as the area has evolved into a foodie destination.

Century Center:

Jeff Jarnecke reported on 2019 Q2 performance of \$133,000 in the black with the strongest months of April and May ever within the history of the building. Because of the strong performance by SMG and to attract new General Manager candidates, the Civic Center Board of Managers at the meeting on July 10, 2019, elected to extend the contract with SMG for another five years.

Jacob Hammon reported on 2019 January – July sales and room nights. The 2019 anticipated room nights is 14,563; 13,046 in 2020; and 6,863 In 2021. He recently traveled to Atlantic City to participate in an SMG Co-Op and attend the 2019 Esports Travel Summit presented by the North-Star Travel group. The number of contracts signed and returned decreased 9% from 209 in 2018 to 190 in 2019; however, new contracts issued increased 5% from 273 in 2018 to 288 in 2019. Actualized room nights increased 9% from 9,232 in 2018 to 10,026 in 2019. Estimated rent from new contracts decreased 3% from \$207,575 in 2018 to \$202,135 in 2019. The number of events increased 25% from 248 in 2018 to 311 in 2019. Site visits are up 4% from 283 in 2018 to 294 in 2019. Anthony commented that the number of 2019 room nights is almost 3 times the number of 2014 room nights and thanked staff. Hammon replied that the increase in room nights is attributed to the joint effort between the City of South Bend and SMG and also that there are more room inventory available to now go after larger events.

Jarnecke reported that the 2020 budget anticipated revenue is \$4,940,073 and expenses of \$4,9987,715. In about three years the numbers will need to rely slightly on the City of South Bend as well as the Hotel-Motel Tax Board if expenses continue at the current pace. At some point critical mass will be reached and not enough events will be able to be produced throughout the year to get to a \$6 million gross number. This is consistent with expansion discussion in the future which the Civic Center Board of Managers continues.

Jarnecke reported significant progress on the \$1.26 million capital improvement projects for the building. Landscaping, digital boards, entryway, storage decks, lifts and smallwares are complete. Offices, wayfinding/softscaping and security are nearly finished. The only remaining projects that have not started include: the North restrooms to be bid in August, the North elevator to be bid in September and the parking lot entry off Martin Luther King Jr. Boulevard will be re-bid because the first bids were higher than expected. That work is anticipated to be completed in Spring 2020.

Jarnecke shared the strategy and new logo designs for the Bendix Arena which were designed by a local firm who are gamers and excited about the project. Chris DeWitte contacted Jarnecke after the news first broke and has been great assistance. A letter was shared from United Youth Theatre Group, an existing client who uses the Bendix Theatre for performances and practices, which states that with the planned investment, they will use the space even more. A letter of support was shared from Bethel University President Gregg A. Chenoweth. A letter from CSL International, INGAME, and Simply New expressed interest on the reimagination of the space. Currently there are 130 NCAA member institutions sponsoring esports and another 20 are expected in 2020 with 1100 members. Staff will continue to work to identify the Bendix Arena niche and positioning in the market to ensure a diverse revenue stream. The next step is the budget approval from the City of South Bend Common Council and the St. Joseph County Commissioners. It is anticipated to start work on January 2, 2020, by removing carpeting and installing new seats and infrastructure to be able to start bringing in tournaments June 2020. A sample Bendix Arena branded gaming chair was available. Bendix Arena shirts and caps were given to board members. An esports game was demonstrated by a group of gamers.

OLD BUSINESS

McDonnell updated on tax legislation that formalized allocations to the Potawatomi Zoo and the Mishawaka sports complex. He thanked Greg Downes and Dan Parker for their work on this. The board is dipping into the reserve fund to allocate the money for this year as well as the 2020 budget. McDonnell and Kurth will engage friends at the Indiana Restaurant and Lodging Association and ask lobbyists to keep an eye on room tax bills so the Board can act in a proactive manner. The State Board of Accounts has indicated that there should be written authorizations with the agencies that funds are allocated. Anthony commented that how the money is allocated and invested in the community is important.

NEW BUSINESS

Anthony discussed the article published by the Journal Gazette of Fort Wayne on August 16 that a website link was previously sent to board members "Hotel Tax to Increase by 75 Cents Per Night" which was voted to increase the Hotel-Motel Tax from 7% to 8%. St. Joseph County Hotel-Motel Tax is 6% which is one of the lowest rates in Indiana. It is important to have more funds to re-invest in tourism. To receive approval to raise the tax is probably a couple year political process with bringing a long-range master plan to grow tourism in the community to state officials. Increasing communication with state legislators is important.

ADJOURNMENT

With no further business, Anthony called for a motion to adjourn. It was moved, seconded, and the motion carried.