



AUTHORITY BOARD MEETING

Date/Time: Tuesday, March 14, 2017; 2:00 p.m.

Location: BMO Harris Bank Center (Mercy Health Club Lounge – Ground Level)
300 Elm Street, Rockford, IL 61101

MINUTES

Board Members Present: Craig Thomas Luz Ramirez
John Phelps Mike Schirger
Sunil Puri Howie Heaton
Mike Dunn Tom Walsh

Board Members Absent: Marcus Hill

Others Present: Alderman Frank Beach

Guests: Beth Howard; Friends of the Coronado
Roseanne Haedt; Chartwell Agency
Isaac Guerrero; Rockford Register Star

Staff Present: Troy Flynn; Executive Director, BMO Harris Bank Center
Michelle Evans; Human Resource/Payroll Specialist/RAVE Board Secretary, BMO Harris Bank Center
Gretchen Gilmore; Director of Finance, BMO Harris Bank Center

Chairman Thomas called the meeting to order at 2:15 PM.

MINUTES – The minutes from the February 22, 2017 meeting were reviewed and approved.

MOTION: Motion to approve February 2017 minutes made by Mike Dunn, second by Howie Heaton. Motion passes unanimously.

COMMITTEE REPORTS

- **Finance** **Mr. Sunil Puri, Chair**

John defers to Gretchen Gilmore in Treasurer's report.

- **Executive** **Mr. Craig Thomas, Chair**

Craig Thomas combines the Executive report with Chairman's report. He states that some controversy was created over the letter to the Aldermen and the City that came out of the last meeting. As of yesterday, Attorney Tim Rollins had received all the FOIA information and it has or is being delivered. Craig also apologizes to everyone that had to search their emails to provide information for this FOIA request, which it is clearly an issue between the Mayor, Mr. Gorman, and one of our Board members. He goes on to say that he let the Mayor know that he did not believe the request was appropriate and we received it anyway. As a result of the letter sent, despite the characterization in the media, it was portrayed as the Board not being in favor of the project, when the letter was only intended to make it clear to the City what our needs may be going into the future. We have a management agreement that will come to an end in 2021 or 2022. Thanks to the hard work of the people in this room, we have significantly improved the financial situation of the organization, but we are still not completely healthy and are like a patient running around with no health insurance. We don't have the money in the bank to weather significant capital needs and we wanted to make sure the City was aware of this as they made the projections that led them to the conclusion that they thought they could fund existing obligations out of the redevelopment fund as well as fund the Gorman project and now the indoor market. The letter sent over engendered a significant reaction from the Mayor who got ahold of Craig immediately to meet and suggested they sit down with City finance, Gorman, and RACVB to go through the project. Craig focused his concerns on where we stand financially and where our needs might be in the future. They spent some time going through details and how they projected everything out. The two things he found important that prompted the follow up letter to the Mayor was, he wanted to put the anticipated negative balance in the redevelopment fund over the next five or six years in historical context of where it was when the current Board started. Projections are, it is significantly less than it was at that point. It is \$2-3M as opposed to the \$5-6M as when the Board was reconstituted, so it is nowhere near as upside down as it was. Second, and most significantly, what was the City projecting for an ongoing subsidy for our organization? Craig was concerned that if there had been a review of our financials showing we are operating cash flow neutral with a \$300K subsidy, then that's what they need to subsidize. He was assured the City's projections showed stable subsidies for us, and our subsidy would remain the same in the future. This means that if we are able to continue to maintain, if not improve how we are doing on a cash flow basis, there should be funds available to address capital reserve, which is something we need to talk about here today along with how we establish that process and begin to reserve those funds. As a result of that additional meeting, Craig offered to write a follow up letter to the Aldermen and to the Mayor letting them know he had the opportunity to review financial aspects of this and based on the assumptions along with what he was told, he was assured there are funds available at this stage to subsidize our needs as we have them. That is where it stands right now. The only comments made concerning RAVE were by Alderman Hervey, who sounded wary of the new letter. This shouldn't be and isn't about RAVE. Craig has declined any comments and requests for interviews. He thinks it was overblown by people with their own agendas.

- **Davis Park** **Mr. Tom Walsh, Chair**

No report but Craig did have a short discussion with Gary Gorman regarding the hotel's impact on the park and advised he did not plan for the project to have an impact on the park.

- **Coronado** **Mr. Craig Thomas, Chair**

Beth Howard reports that Friends is working on a capital assessment of the Coronado and plans to show how they hope to progress with improvements based on a template adopted from another venue. She will be attending a conference to see how the best of the best do this and will bring those ideas back to RAVE. Mike

Dunn raises the question, what was the redevelopment fund anticipated to be back when this RAVE Board took over? Craig Thomas answers that, the fund was in the negatives at \$5M+ and now the fund is positive. Alderman Frank Beach adds that any time there is common cash at the City as it would be different from the general fund, means that if we have to borrow money, we borrow it from ourselves or someone else to complete whatever we agree to. Over time and if it is pushed out far enough, the redevelopment should be producing sufficient funds to fund other opportunities but right now if you look at the numbers, we've been upside down every year now for at least ten years. That doesn't factor in the bond payments that need to be paid off that were originally put in to place years ago. Craig goes on to say that he was reassured that the subsidy will not be reduced and is confident that we can operate within the subsidy we are receiving now and we won't need to look at renegotiating.

- **Governance**

No report at this time.

- **Program Advisory Group** **Mr. Michael Schirger, Chair**

Mike Schirger reports that Troy and Kristen have made some tremendous efforts since their last meeting and it is very exciting. Troy adds that as far as the self-promoted events go, the diligence we have been putting in is paying off. What we have coming in in June is a beautiful Segway in to an agent that handles a large group of musicians that we want Rockford to see. If we execute this event in June, we really escalate our chances of getting the remaining groups. The deal structure we have in place is based off the relationships we have structured and grown. Once we get this program released, we are going to be in really good shape.

- **Capital Improvement** **Mr. John Phelps, Chair**

No report at this time.

TREASURER'S REPORT – Mr. Sunil Puri

John Phelps defers to Gretchen Gilmore. Gretchen reports that February was a really good month for us. Compared to last February, this February has done really well. Year to date, we are caught up to where we were February of last year. Our income, based on the successful February, is a lot better than last year. Our expenses were a little higher because we had a couple more games than last February. Things are looking really good right now. Craig defers asking for a motion to approve financials until Sunil Puri arrives at 3pm.

MOTION: Motion to approve February 2017 financials made by John Phelps, second by Mike Schirger. Motion passes unanimously.

GENERAL MANAGERS REPORT **Mr. Troy Flynn**

IceHogs Update: Troy reports that we have three games left in the month. We have two this weekend and one tonight. We have had a few trades, so we are a little light on our scoring. We are looking at having two to three sellouts on the last three games. We are working with a group and are incentivizing them as part of a building package to purchase some IceHogs tickets. All of this comes back to parking. Parking for a typical event is \$5. The promoter is not interested in paying for parking when he is already paying for rental and catering. Plus we are also trying to sell them an IceHogs ticket package. Troy was able to sit down with Jeremy Carter from the City, Nawar from ABM along with one of our team members, and negotiated a buyout which would come in to effect for certain events where we would be utilizing the decks that wouldn't be solely for IceHogs or an event, it would be for off peak times. We have that to a reasonable number and are looking to formalize that relationship. It's important when we are talking to a promoter, to let them know what that number is. This will be impactful on five events. Establishing this as a guideline is going to be interesting because the City is

definitely working with us but we have to get the promoters out of that confusion. They see a big number and they walk away. The City was very receptive to that conversation.

Marketing Update/Events Update: Our venture in to the banquet world is going to be the Season Ticket Holder dinner. That will be held here for the first time. We purchased 120 round banquet tables. We will be saving money by doing it in house, as opposed to past years where it was held outside of the arena. If everything locks up this year as we are anticipating, we would have, essentially, paid down a significant amount of the cost of the tables. Craig adds that we are not looking to compete with other venues, we are only looking to accommodate larger groups that may be too large for existing venues. Troy continues that as we continue to look at the business line items, we will be able to fine tune this and get things that are probably a little more palatable because our conversions are very expensive when it comes down to setup. Nobody can accommodate the seating and the setup that we can here. You will probably see this in the budget next year.

We have had significant events this month. Our attendance has been good. We have been seeing the revenues we have been hoping to see. Where some of the budget numbers were high, we are now coming in where we had hoped to be at the beginning of the year. The next iteration of this is going to be the self-promoted events. There has been a huge focus on those while juggling the ones we are still trying to lock up. The June event is going to take a lot of Mike Schirger's time with us on the marketing side of things because we are going to depend on the local musicians and groups to help grass roots this. That is going to be critical to growing the genres that don't typically come into Rockford but are popular, so making Rockford a mecca for these genres and emerging music is something we have always had on our wish list but is now becoming a reality. Miranda ticket sales are doing well. There are only a couple hundred seats left. Craig asks Gretchen when she anticipates starting the budget process for next year. She replies that she has sent out an email today and will be looking at the events for the upcoming year. Troy adds that he will be comfortable with the Board seeing something in June. This next budget should be pretty spot on. Craig defers back to Finance for approval of February financials now that Sunil has arrived.

Corporate Sponsorships: Corporate renewals are coming in. We are renewing season tickets now which are also going well. We are going to try selling another premium asset in the BMO this upcoming year. We have tested them out at the last two home games. They are essentially tables in the end zone that would be sold as a mini club box would be.

COUNSEL'S REPORT – Attorney Tim Rollins

No report at this time.

CHAIRMAN'S REPORT – Mr. Craig Thomas

No report at this time.

OLD BUSINESS:

No report at this time.

NEW BUSINESS:

No report at this time.

PLANNING SESSION:

Craig Thomas suggests that in a way to organize our time better and to serve as a better resource to management here, in addition to hopefully reengaging some of our Board members that we haven't really tapped in to as much as he thinks he could, is to discuss the committees we have now and discuss

restructuring them and who would be willing to serve on them. He states that he received an email from Attorney Tim Rollins that suggests, in lieu of the recent FOIA request, that he take some time and review the Open Meetings Act and what the limitations and requirements are. For example, what information is protected and what can be shared along with who it would affect. Meetings with more than two Board members is prohibited unless announced publicly and do not 'reply all' to emails addressed to the entire Board.

Current Committees:

- Finance
- Executive
- Davis Park
- Coronado
- Governance
- Program Advisory

Craig asks if we want to establish advisory groups or recruit advisory members. We have to have a separate Finance committee. The Executive and Governance committees could be one. With regard to Coronado and Davis Park, Craig would rather have a Capital Planning or Strategic or a Facilities Planning committee that would address these at the monthly Board meetings. He is trying to do away with things we are not using anymore and talk about things we do need. Craig would like to have an Ad Hoc committee that would stay and Ad Hoc. Program Advisory group will be important to keep. Sunil suggests to have one Board member act as liaison for each committee and the committee meetings can be ad hoc and made up by non-board members.

Committee Suggestions:

- Marketing
- Facilities
- Capital Planning
- Program Advisory
- Finance
- Executive
- Resident Company

Board member terms expire:

Mike Dunn 2020 – appointed by City of Rockford
Howie Heaton 2019 – appointed by Winnebago County
Marcus Hill 2020 – appointed by City of Rockford
John Phelps 2018 – appointed by City of Rockford
Sunil Puri 2021 – appointed by City of Rockford
Luz Ramirez 2017 – appointed by Winnebago County
Mike Schirger 2017 – appointed by Winnebago County
Craig Thomas 2019 – appointed by City of Rockford
Tom Walsh 2021 – appointed by City of Loves Park

Craig will send a letter to the different municipalities, confirming what we show for Board terms. He identified that Mike and Luz's terms are up, and assuming they are willing to serve, have them talk about reappointment. Frank Haney has not given any indication that he is replacing any appointees on our Board, so if everyone is reappointed, we don't have any vacancies right now. If people are comfortable talking about where they are at, Craig would like to have them share their thoughts about when their appointments are up with himself and John Phelps, on the executive level so they know where they stand and if they need to start

recruiting. He will also reach out to Frank Haney to see if he is going to appoint some new people along with whomever the new Mayor is, to see if they have any thoughts on a new direction. One of the things they would like to do is, once they confirm the liaisons for these different committees, is to have them give some thought as to skill sets or individuals outside our organization that they think would be of some assistance to help with those operations. For example, maybe having an architect involved with Capital Planning that is willing to serve as an ad hoc member for that committee.

Last year after a lot of negotiation, we entered in to a new agreement with the City. Starting this year, City finance took a different interpretation of the agreement than we had all anticipated to the negative tune of around \$165K on our subsidy. Craig and John met with City officials who understood where their interpretation was coming from. It is based upon a cash flow analysis the City attached to the document but the document itself does not reflect that interpretation. The reality is, the City has the ability to determine our subsidy and we are in position now where our subsidy is effectively reduced from where we thought it was going to be by \$165K. Our subsidy is still essentially the same however, the reduction had to do with the relief of some debt. This was part of the reason we agreed to the parking structure. We are also paying a dollar per drop count at IceHogs games and they are keeping the parking revenue. That legacy debt that was going to be relieved. Well, those payments they had netted off of their subsidy so effectively, they would just keep that. We are at the point now where it is \$165K negative to our cash flow. The good news is, with the anticipated increase in entertainment tax, which is part of our agreement for the two facilities, gets remitted back to us. However, we now have to deal with it on the promoter end. We anticipate that is going to offset only being upside down by \$65K rather than the \$165K. John adds that as we program more, we can drive that entertainment tax revenue to our benefit. In the verbiage of the parking agreement, in return of us paying a dollar per drop count and forfeiting parking revenues owed to the City, they were relieving us of debt. In the trajectory they put an attachment to the agreement, showing the debt they were relieving, that had effectively been netted off of the subsidy, so really we weren't going to see any benefit. John adds, 'which was never disclosed'. Sunil adds that it takes away what little margin we had hoped for to set aside dollars for preventative maintenance. It was told to us that the City Council agreed to this whole parking thing with the understanding as the City finance was interpreting that document and our Board agreed to it based upon the interpretation that we had that we represented to the Board, so in that sense, there was not a meeting of the minds. John offers that when they were in discussions, they said in exchange of you giving up parking and paying us a dollar, we will forgive you of your debt. We interpreted it to be the cash savings to offset what we are losing. They didn't interpret it that way. If they had come to us and said we will forgive you of your debt but we are also going to forgive you of the subsidy (that you use to pay the debt), it's a wash. It would have had no impact, so why even offer? It is not in the agreement as it currently stands. It is just an exhibit in the agreement. As a result of the City's interpretation to the agreement, which is contrary to what we believe the agreement says, it is going to result in the loss of \$165K per year.

Sunil suggests to identify three critical items to address that will satisfy points of future contracts.

1. Identify items we need to have the City improve upon
2. Identify items they've provided that we want to continue
(Craig will draft a letter to the City listing these items that need to be addressed)
3. Find out what the City is willing to do

Then these items will be addressed in writing and it will set up the process for Troy to be engaged in, going forward. We don't want be in a position of the City renewing this contract and saying, "We didn't know that was a big issue".

Capital Needs Planning:

Beth Howard provides summary pages from a cash flow projection report (a model provided by a Tennessee theater) to help identify how to address capital planning needs at the Coronado. John Phelps reports that when this Board took over, the finances were a mess, bills not being paid, bills literally in drawers being hidden, the balance sheet was a mess. Payables were extended way out beyond what they were going to be able to pay in a 12 month period. It was so dynamic, that he and Mike were going to City Council on a monthly basis asking for more money because they really didn't know what they needed the next month. They just knew they couldn't pay their bills and they needed some more money to keep the place open. From a capital budgeting stand point, it was very difficult in the early years because they were just trying to catch up. Now they think they've reached the point where the cash balances are pretty stable and they match up well with our current liabilities and we should be able to sustain ourselves on a monthly basis. We don't have to sell IceHogs tickets in May to pay the bills in the summertime and that kind of stuff that was going on previously. Gretchen Gilmore has put together a cash flow projection through the end of our contract with the City that shows what we estimate our cash surplus should be on an annual basis. He is not suggesting that we take all this money and earmark it for capital improvements because it is just a budget and sometimes you miss your budget. But this does give us an idea of the kind of capital surplus we should have available to start putting together a capital improvement program. Based on conversations at the last meeting where it was suggested we should have 1% of what our capital assets are worth, you'll see that this isn't sufficient. This isn't 1% a year, it is maybe half of that. It at least gives us some sort of idea of what our resources are which helps us get to the next step, which is starting to put together what kind of capital improvements we need to be making and prioritizing them in the context of what we have available to us. Craig asks Troy about a capital budgeting or ongoing maintenance programming through SMG and SMG corporate's resources to help us through this process. Troy introduces a maintenance program called Altum and explains how the Altum maintenance software program works. Craig states that we have talked about a Capital Planning committee but there is going to be several aspects to it. He wants to identify those aspects and how we are going to approach it, putting a plan in place for both facilities. The Capital Planning committee will deal with Davis Park when that issue is addressed but he doesn't think we are there yet.

Capital Planning

- Process for evaluating needs and time frame
- FOC 2 yr. to raise to a project
- Coronado – City/RAVE obligation
 - Insurance
- Budget impact
- Insurance
 - How to maintain
 - Insurance coverage
 - Involvement

Craig asks if they should task Finance and Gretchen with a capital reserve budget line item and are we going to come up with a number to start with and adjust as needed? John Phelps includes that we kind of know what surplus we are anticipating so we kind of know what our available cash would be. The other piece of that would be, what are our needs and priorities. He agrees we should start right away and be ready in the next fiscal year as possible. As Coronado and the BMO identify needs as they arise, it is quite possible that the Board is going to have to step in and prioritize those needs. Craig states he would like to identify a Board member to act as a liaison on this and start putting together a committee/ad hoc members to move it forward. John volunteers to act as the Board liaison for this committee.

Craig brings up the topic of a new RAVE logo. Troy has been working with staff on creating a new logo. Mike Dunn asks, what is not happening that would happen with a new logo? Mike Schirger provides that working

with local promoters, they will have a way to identify with us. Craig adds that they may not want to deal with SMG but RAVE is a community organization ran by local engaged civic leaders and that is a different animal.

We have a group of unpaid volunteers that oversee all these assets and manage everything. We have a contract with SMG pursuant to which we are joint employers of all the staff here. We don't have anyone who is solely subordinate to RAVE and is independent of any other organization. Someone who solely has RAVE's best interest as their sole goal. When we initially evaluated going with SMG and negotiating that contract, we relied on the business expertise of a lot of the people in the room but we didn't have anyone to rely upon for industry best practices, a paid employee who could help in facilitate that and educate us. Craig asks, d we budget someone to advocate for us to act solely as our representative, a consultant?

MOTION: Motion to adjourn made by Sunil Puri, second by Howie Heaton. Motion passes unanimously.

ADJOURNMENT – The Authority Board adjourned at 5:43 p.m.

Respectfully Submitted,

Michelle Evans, Authority Board Secretary