

BUDGET TASK FORCE

Minutes of June 12, 2009

Item 1. Call to Order/Roll Call:

Meeting was called to order by Chairperson Franklin Wheat at 8:30 a.m.

Members Present: Peter Arts, Mark Denkler, Howard Ellingsworth, Todd L'Herrou, Robert Moore, Alexander Simon, James Smith, Franklin Wheat and Vincent Dole (by speaker phone)

Members Absent: None

Guests Present: Bob Barcinski, Mark Baron, Rebecca O'Connor, Joseph Safford and Karen Schell

Item 2. Comments from the Public:

None.

Item 3. Match Point Contract Agreement:

Mr. Safford indicated basic changes from the original amendment were the cancellation of the administrative fee for handling the CRA sponsorship; reducing the administrative fee for managing/handling the sponsorships from 10% to 5%; voiding the \$10,000 sponsorship financing fee due from the City on March 1, 2009; and the contract was decreased from a 25 year agreement down to 5 years with 5 year renewal options.

Mr. Safford distributed the millage calculation of the ad valorem package for this year. Should City Commission not roll up the millage, there would be approximately a \$7 million impact on the revenue side. On the expense side of the budget, assuming all expenses remain the same other than the pension plans, there may be approximately a \$2-\$2 ½ million additional expense for the two pension plans. Approximately one half million for the General Employees Plan and two to two and a half for the Police and Firefighters Plan. Therefore if the millage does not change there would be an approximate \$9 million impact for the upcoming budget.

Mr. Baron stated he had a discussion with IMG and the City about adding naming rights. IMG has agreed to take it on in their sale as well. With naming rights there is no signage in the stadium; so if one were to buy naming rights, they would also buy a sponsorship. (\$250,000 is the current marketing price.) IMG would receive 20% of naming right sales. Match Point also added a clause to include any other funds the City receives would go towards the \$750,000 over the two years. This would allow individuals to front money to make sure the event stays. The agreement is now for five years with options to renew. If after two years, the City doesn't reach \$750,000, they have a right to cancel; likewise for the third and fourth year, if the City doesn't reach \$750,000 they again have the right to cancel.

Mr. L'Herrou expressed his concern with the personal donations in that we would want to illustrate the stadium could be financially feasible with the sponsorships versus personal donations to allow the events to remain.

Mr. Simon suggested removing "personal, State and County".

Mr. Ellingsworth agreed commenting he would not support any taxed dollars in that equation. Secondly, he would also like to see the timing of monies received changed. He would like to see the City have their initial investment received before spending additional money; \$375,000 to be received by October 15th, 2010 versus April 1st, 2011. Mr. Ellingsworth did not want to see an escalating exposure.

Mr. Baron indicated sponsors are much easier after the first year of an event. It would need to stay April as the next event is only five months away, we could not opt out.

Mr. Dole commented he is very impressed with the work that has gone into modifying the contract; none the less it seems this sole enterprise is a venture capital investment. The City is coming up with Capital now for a hope in returns down the road. This is risk that may or may not come about. Mr. Dole does not find this appropriate for the City and the taxpayer's dollars.

Mr. L'Herrou indicated there are various points where the City could cancel if they feel it's not working; however, there is no way to assess whether or not it's working other than the sponsorships. Mr. L'Herrou felt there is a need to build something for the element of economic impact. With this the City can then make an informed decision whether or not to continue in future years.

Mr. Barcinski indicated the last study was completed by MSRI in 2001 paid for by the City. The direct economic impact was based on hotel rooms, meals and transportation. In 2006, Blount, Hunter did a study for the Downtown Delray Beach Marketing Cooperative assessing their marketing program which included events. In terms of Tennis events, the study illustrated a positive response of 48%, a negative response of 4% and no impact was 41%. Other events that showed a higher positive but also higher negative was the Delray Affair, Art and Jazz and Craft shows. Responses were from all the businesses and clusters.

Mr. Simon suggested a recommendation of a study being completed for each five year term.

Mr. Baron agreed to Mr. Ellingsworth question of changing the language to indicate none of the \$750,000 would come from taxpayer funds.

Mr. L'Herrou moved to make a motion to accept the revised amendment with the removal of personal, County and State along with a recommendation to the City Commission that an economic impact analysis is completed one year before each of the five year renewal periods. The economic impact study would need to be started the year before (330 days) to allow time for completion and review, seconded by Mr. Arts. Said motion passed 6-1 with Mr. Dole dissenting.

Mr. Ellingsworth questioned the penalty clause should Match Point find a better deal two years from now and decide to the move the ATP Champions Tour. Would Match Point be willing to refund the City all of its money?

Mr. Baron agreed to an addendum that states at the end of each optional period, Match Point can only opt out if the City has received all its funding for the event. (The City would have the right to offset its commitment on the original agreement to get that money back.)

At this time, Mr. Smith suggested items for discussion at the next meeting as follows: the contract administrator, the committee extension or Task Force, suggestions of follow ups and the City to set up a website for citizen input.

Mr. Baron commented several times he was ready to leave thinking the agreement would not be approved; saying to himself, and then he could relax. This event is a huge project and he does it for City and his family. When the motion was approved he was very excited again even knowing the amount of work there was to do. Mr. Baron indicated the Task Force did a great job. If he was sitting in on the Task Force, he would have done nothing less than what had transpired. The Task Force was very professional; negotiation was tough and hard. He hopes the Task Force continues doing what they are doing because the City of Delray Beach truly needs what they have here. Mr. Baron stated "It cost me millions of dollars, but that is not the point. The point is we came out with something that is good for everybody." Naturally like every business one tries to get everything they can. Mr. Baron commended Mr. Ellingsworth; he received an e-mail from him upon which he took it upon himself business wise with the City and taking everything into account where we are today. Mr. Baron closed his presentation by thanking everyone at the meeting.

Item 4. Other Business:

None.

Motion to Adjourn:

There being no further business, Mr. Smith moved to make a motion for adjournment, seconded by Mr. Ellingsworth. Said motion passed unanimously. The meeting adjourned at approximately 9:43 a.m.

The undersigned is the Finance Director of the City of Delray Beach. The information provided herein is the minutes of the City of Delray Beach Budget Task Force of June 12, 2009, which minutes were formally approved and adopted by the Budget Task Force on June 16, 2009.



Joseph M. Safford, Director of Finance

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cc: Budget Task Force Members
Lisa Herrmann, Budget Officer
Rebecca O'Connor, Treasurer
Joseph Safford, Director of Finance