

## FINANCIAL REVIEW BOARD – MEETING MINUTES

NOVEMBER 8, 2011

100 N.W. 1<sup>ST</sup> AVENUE, DELRAY BEACH, FL. 33444

### Item 1. Call to Order

The Chairman of the Board, Ms. Christina Morrison called the meeting to order at 8:15 A.M.

### Item 2. Roll call

#### MEMBERS PRESENT:

Christina Morrison, Chairman  
Anthony Cottone  
Jeff Ritter  
Luise Piane

#### MEMBERS ABSENT:

John (Jack) Hallahan  
David Stein, Alternate  
Sharon Roth, Alternate  
Rosalie Blood, Vice Chairman

#### STAFF & GUESTS PRESENT:

Barbara J. Flynn, Exec. /Tech. Asst.  
Robert Barcinski, Asst. City Manager  
Sharon Painter, JCD Manager

### Item 3. Approval of Agenda-

Ms. Morrison asked for approval of November 8, 2011 agenda. Mr. Cottone motioned to approve the agenda, seconded by Mr. Ritter. Said motion passed unanimously.

### Item 4. Approval of Minutes -

Approval of Minutes of Meeting of October 25, 2011 – Mr. Cottone moved to approve the minutes, seconded by Ms. Piane. Said motion passed unanimously.

### Item 5. Public Comment – None.

### Item 6. Handouts –

- Ms. Pearce – Policy Changes effecting the Financial Review Board
- Mr. Barcinski- Tennis Facilities Task Team Final Report

### Item 7. Open Issues-

A.) TENNIS CENTER OPERATIONS ANALYSIS: Mr. Cottone stated the purpose of this meeting was to review the Tennis Center and the Stadium with JCD Sports Group. Object is to increase revenues, lower expenses, and increase values and programs the City offers to the community. The City is passionate about promoting tennis in the community and voted to call Delray Beach “Tennis Beach” for one week during the tournament. If the City is spending \$4.9 million on tennis a year, he proposes that the residents should be more encouraged to be involved in tennis. In review, there are many programs available, however to promote more tennis in the community he recommended that the Board recommend offering programs free for the junior youth, especially underprivileged, that cannot afford to pay. Mr. Cottone would like to subsidize their play using current budget allocations, if favorable. It was noted and confirmed by Mr. Barcinski that the tennis center was built for tennis only and is not suitable for other uses such as concerts.

Mr. Cottone discussed with Mr. Barcinski and Ms. Painter the following 2012 approved budget items for:

#### Tennis Stadium: (Account 001-4210)

- \$73,150 (item 31-40) - Other Professional Services – Ms. Painter indicated this includes staff for the ATP tournament, Chris Evert and youth tournaments.
- \$42,400 (item 34-90) - Other Contractual Services – This line includes a separate contract that is paid to JCD. Mr. Barcinski stated the City pays JCD \$15,000 to manage, promote and market the tennis stadium; and \$27,400 share of the base contract agreement, totaling the \$42,400.
- \$55,400 (item 55-43) - Chris Evert Classic Tournament – Mr. Barcinski explained \$47,600 goes to Chris Evert with an agreement for her to give one half of that back through the City to the Drug Abuse Foundation. The State matches the Chris Evert charitable contribution amount. Also from this item \$3,500 is to provide private security, parking attendants and other items required by contract for this tournament.
- \$164,570 (item 55-46) – Players International Management, Inc. – Mr. Barcinski explained this is the City fee paid to Mr. Ivan Baron for four (4) Junior Tournaments. In terms of three of the four have economic impact \$177,000, \$700,000 and \$822,000. Mr. Cottone stated this is the highest level of junior competition and is an international tournament, and now we need to grow our own champions by way of the program for the underprivileged.

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Ms. Painter asked if the Board had looked at the programs offered by Parks and Recreation. Mr. Cottone stated they had found that at the Community Center there is a capacity for 100 children, and a 200 capacity at Pompey Park. He indicated there are only forty (40) children in the after school program currently utilizing the Community Center and sixty (60) at Pompey Park. He felt the price per month is too high for some families. Ms. Morrison asked where is money in the budget that we can change to be funneled into creating the tennis programs for underprivileged children. Mr. Cottone stated that if there is nowhere to cut from the Stadium and Tennis Center but there may be money that can be moved from somewhere else in the Parks Department's budget. Ms. Morrison recapped there is a total expense of \$2.132 million for the Stadium only. Mr. Barcinski stated the income for the Stadium is \$539,000 and the income for the Tennis Center is projected to be \$826,000. The Community Redevelopment Agency (CRA) will donate to the City \$535,000 from their budget for sponsorship of the ITC Tournament (versus \$500,000).

- \$443,000 (item 55-47) Champions Tour – Mr. Barcinski said next year this figure should go down. Mr. Cottone stated there is a total loss for the Stadium of \$1.67 million. Mr. Barcinski stated the Commission looks at it as an investment for the economic impact and the national and international exposure it brings to the City. Mr. Cottone agrees that for a City to be known for promoting tennis it is a necessary expense. The Board would recommend utilizing these expenses to favor the community by establishing a tennis program for children that cannot afford to play otherwise - if funds could be found.

Tennis Center Expenses (including Delray Swim and Tennis Club) (Account 001-4215)

- \$394,430 (item 31-90) Other Professional Services - Mr. Cottone stated this covers the salaries of tennis pros, clerks, etc.
- \$372,770 (item 34-90) Other Contractual Services – Mr. Cottone stated that 80% of \$410,000 in lessons revenue is paid to the tennis pros for teaching from the account and the City receives 20% as revenue. Mr. Barcinski stated the revised amount for next year is \$437,570. Mr. Cottone received a net comparison of other cities and this breakdown indicated is comparable.
- \$73,088 (item 43-10) Electricity – Mr. Barcinski stated the budget was reduced to \$70,980 because this was the actual amount for this year. Ms. Painter stated during the two or three week period when they have the ATP tournament the usage is high. This is our share of the total electric cost for the site.
- \$30,290 (item 43-25) Irrigation Water – This is for the courts and landscaping.

Mr. Cottone stated the contract with Lavers is for the next 10 years – the City owns the courts, but the condo association has first rights to ten of the twenty-four courts and the parking area near these courts. He wanted to know the reason we have this agreement. Mr. Barcinski stated it is because they agreed to sell the facility to the City at a discount. Also discussed was possibility of leasing courts or selling some. The City has a philosophy, in this economy, where they do not want to sell any City property they currently own. However, the Mayor is in discussion concerning the rental of some of the courts. The Baseball School may want to start an academy and use some of those courts, and buy condo units to house students.

Again Mr. Cottone asked if there would be a problem if underprivileged kids could use the courts on off-peak hours. Ms. Painter stated that would not be a problem. One of the reasons the Swim and Tennis Club is important to us is we have several leagues and not enough space at the Tennis Center. This facility gives them more clay courts for seniors and the youth tournaments. There are times in the afternoon the courts are not used. Mr. Barcinski stated the pool was also part of the complex purchase, and the pool needed renovation which the City paid for. The Parks and Recreation Department manages the pool area. Mr. Cottone stated if we could find \$200,000 a year (for pros and equipment) it would be enough to pay for the youth to come for free to use both the courts and the pool. Mr. Barcinski advised the Board to present their recommendation to the City Manager and City Commission for the free program for youths.

Mr. Barcinski stated the budget is tight and it may not be easy to find the funds for this program. Ms. Morrison stated the Parks and Recreation Department is a \$14 million part of the budget, there must be money we can funnel for this program and further the tennis industry in our City. Mr. Cottone noted that at the Commission meeting they discussed the drug element; Mr. Cottone stated the youth need a chance to get involved in programs that will keep them off the streets at a reasonable or free cost.

Mr. Cottone mentioned there are currently approximately 360 memberships for the Tennis Center, which he hopes can be increased. Ms. Painter stated many residents belong to communities that have their own tennis facilities, but there still is a chance to increase memberships. She has developed some marketing programs with the hotels to get higher attendance. They also work with some of the local schools. Mr.

Cottone had an idea where the tennis teams at the schools could play at off-peak hours for free. Mr. Barcinski stated they have a new initiative which is a Friday night mixer, using the alcohol license and adding food to draw more people in. JCD and the City officials are actively doing everything they can to promote tennis. Ms. Morrison asked if we could get a grant from the US Tennis Association. Ms. Painter stated the City of Delray Beach came in the top ten cities with the USTA and they did receive a grant for some youth programs, and they have applied for more.

Ms. Morrison stated between the two facilities we are losing \$1.9 million a year, most of which is due to the Stadium. She asked if the Stadium has to be fully operational all year. Ms. Painter stated it costs nothing when it is not used; all of the expenses are for the tournaments. Mr. Ritter asked what revenue is driven by the current memberships. Mr. Barcinski stated it is \$147,000 a year, and most of the revenue for tennis comes from lessons.

Mr. Ritter indicated he joined as a member and stated there needs to be someone that follows up and manages the database of members to reach out, and there may be a potential to build on membership. He indicated you need to reach out to them to keep existing customers and generate new customers. Mr. Ritter indicated that he felt there needed to be a unified marketing plan for the City, CRA, DDA, DMC and Chamber of Commerce which would include marketing and promoting tennis. Mr. Barcinski indicated that he did not think that trying to develop a comprehensive strategy for these groups was a function of the FRB. Mr. Ritter believes members that have knowledge and expertise in marketing and that are willing to provide it at no cost will benefit the City if they listen. Mr. Barcinski indicated that their ideas are welcome for tennis promotions and marketing.

Ms. Painter stated that even though tennis expenses lose \$1.9 million a year, it feeds the rest of the City as far as people staying in hotels, eating in the restaurants and it drives the business downtown. Mr. Barcinski stated on Tennis Center operations the projected loss for next year's budget is \$350,000 and the Stadium's projected loss is \$1.6 million.

Mr. Cottone stated on the City revenue sheet the total line items are \$741,500 but of that amount \$399,000 is listed as tennis lessons. He believes that is not correct because the City only receives 20% of the money collected from these lessons. Mr. Barcinski stated the amount is balanced out on the expense side of the budget; an amount is budgeted for lessons in revenue and 80% of that total is budgeted for expenses.

Mr. Cottone spoke of the IMG contract that was for four years, which they are three years into, and have produced no revenue for the City. Per correspondence with Mr. Cottone he indicated that IMG agreed to exit the existing contract to allow a local advertiser in, if the City wishes, but would like to continue negotiations with several of existing companies. To do this the City would need to set up an RFP for local advertisers. Ms. Morrison stated a Delray Beach company (Sherwood Honda) spent \$975,000 for naming rights for a stadium in Boca, and were never approached by the City of Delray Beach to sponsor their tournaments. Mr. Barcinski said the problem is they cannot compete with sponsors that Mr. Baron already holds such as Porsche; i.e. we cannot have another car sponsor. Another problem is that IMG also has a contract with Mr. Baron to find him sponsors. The Board also discussed revenues for selling naming rights, which is difficult because it is hard to place value.

Mr. Barcinski advised the Board to submit their recommendations such as generating an RFP to hire a local company for advertising and IMG would need to send a formal letter to the City Manager stating they will amend the contract as an exclusive role for advertising and the specific terms. Mr. Barcinski stated some companies may look at all assets such as the beach, baseball, golf, tennis and package all for a sponsorship or naming rights. The Board will also submit recommendations for the youth program.

Ms. Morrison stated the group that benefits from the tournaments is the downtown area, so one of the downtown taxing authorities (DDA or CRA) could possibly handle the tennis expenses. Mr. Barcinski explained that the tax money goes to the State, then to the County, and the City receives money based on the population; we received no tax money based on sales tax revenue. He agrees the benefactors are the businesses.

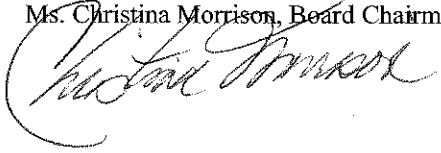
Mr. Barcinski agreed he and the Board have the same goals for tennis and to enhance the City for the residents, but maybe different methods to do this.

**Item 8. New Business and Open Discussion-**

**Item 9. Adjournment -**

Mr. Cottone motioned to adjourn the meeting seconded by Ms. Piane. Said motion passed unanimously. The meeting adjourned at approximately 10:00 a.m. The undersigned is the Chairman of the Financial Review Board. The information provided herein - Minutes of City of Delray Beach Financial Review Board - Meeting of November 8, 2011. The Financial Review Board will formally approve these minutes on ~~December 13, 2011.~~

Ms. Christina Morrison, Board Chairman



*January 17, 2012, as amended*