

BUDGET TASK FORCE

Minutes of June 9, 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 and Franklin Wheat

Members Absent: Vincent Dole

Guests Present: Bob Barcinski, Ivan Baron, Mark Baron, John Butler, Glenn Zolrates, Lisa Herrmann, Rebecca O'Connor, Joseph Safford and Karen Schell

Item 2. Approval of the agenda:

Mr. Ellingsworth moved to approve the June 9, 2009 agenda, seconded by Mr. Arts. Said motion passed unanimously.

Item 3. Comments from the Public:

Mr. Glenn Zolrates of 955 Egert Circle, Delray Beach, Florida, stated he has been involved in tennis as a professional tennis player for 40 years. He came to Delray in 1992 and purchased property that was offered to the City at no cost to build a tennis stadium. The City decided to build where it currently is. His opinion is that Delray Beach is spending a lot of money for a 20 year contract. The same players are continuously playing and signing on. Only two or three other places have done the Tournament due to the extreme cost. Mr. Zolrates highly suggests as a tennis player and taxpayer, not to engage in this contract.

Item 4. Approval of the Budget Task Force Minutes for May 19, 2009:

Mr. Smith indicated two minor changes; on page 4 it states recommends offering a separate retirement package, he requested to have it read recommends not offering a defined benefit plan. The third recommendation further on the page states Recommends the City implement a procedure for a memo of financial reporting; he would like to have it read recommends the City implement procedures for a memo of financial reporting.

Mr. Ellingsworth requested a correction on page 3, fourth paragraph; where it says, Mr. Ellingsworth also agreed this is a good idea to broaden the duties of the individual; however, he felt the individual would litigate; requested it to read mitigate the effectiveness by not reporting to an independent board.

Mr. Arts moved to approve the May 19, 2009 minutes as amended, seconded by Mr. Ellingsworth. Said motion passed unanimously.

Item 5. Match Point Contract Agreement:

Mr. Safford indicated Mr. Baron introduced an item before the City Commission to initiate an ATP Champions Tournament event that would tie in with the initial Match Point Agreement. Spreadsheets were distributed illustrating costs for both tournaments. Due to the evaluation of the first agreement, Mr. Safford felt the Budget Task Force should be advised this item was coming before a regular meeting for passage. The ultimate motion of the City Commission was to refer this item to the Budget Task Force for their analysis and recommendations, then report back to City Commission for vote.

Mr. Safford mentioned from the initial presentation before City Commission, Mr. Baron has reduced his amendment by \$95,000. There is no charge for overseeing the CRA contribution; nor is there any charge for administration. Charges in the Match Point Agreement are basically \$375,000 per year increased by a

3% CPI. A revised chart illustrates the magnitude of this discussion; the contract would go to 2030 representing roughly \$10.8 million.

Mr. Mark Baron of Plantation, Florida indicated the ATP Champions Tour Events is eleven years old and new to America. There will be six events brought to the United States; exclusively for the Southeast. A sanction has been received for the ATP Champions Tour with a deadline of June 19th, 2009. The average event has attracted between 20,000 – 25,000 people. Qualifications for an individual to play in the tournament are as follows: one must have been the number one player of the world, one must have been a finalist in a grand tournament and/or one must have been on a Davis Cup winning team for the year. (There are also two wild cards.)

Mr. Baron stated he probably spends more time in Delray Beach than the average person who works outside the City and lives inside the City. He has learned what Delray Beach is about. Their objective is to increase the impact from their events which includes Junior events as well as the ITC events. Mr. Baron continued stating Delray Beach has changed quite a bit in the past 11 years. To date, there are 62 events each year. The ATP Champions Tour event is budgeted for approximately \$900,000. It is a family business in which the Baron family is behind this event for whatever it will take. This will be the biggest thing they have accomplished and this will be the only event in the world that has an ATP Champions Tour and ITC Tournament event in a nine day period. The economic impact to the City will be two-fold. Individuals purchasing for the ITC Tournament will also purchase for the ATP Champions Tour and vice versa. Both will feed off each other. The original contract agreement was for five years, then it was requested to make it a ten year contract and two years later it was requested to make it a long term event. Should the event be moved from Delray, Match Point would have to pay \$5 million. At the time it was very important for the event to be here. The stadium was not built for Match Point; it was the only tin stadium Mr. Baron has ever seen. When walking the steps he was nervous and scared due to the noise it created. Now he looks at it as being the most exciting thing around. When the points are good and the people start banging, the noise is insane and he would have it no other way. Improvements to the stadium have been discussed for the benefit of the site to be used the way it needs to be used. (Concessions, staging, lighting, etc) County Commissioners and the Deputy County Administrator are behind this event.

Mr. Baron distributed a handout illustrating the outlook of what this event is. IMG is the biggest Management Company in the world; they have consented to handle the City's Sponsorships. Their fee is 20% which is worldwide. The City's sponsorship is \$375,000. IMG will have 15 months to sell the sponsorships before the City pays any money. Mr. Baron indicated they are currently negotiating the potential of selling television rights worldwide for this event also.

Mr. Arts confirmed if the City sells all six sponsorships without the help of IMG, they are looking at \$750,000 less the \$75,000 owed Match Point (10% fee). If IMG sells those that would be another 20% off for a net to the City of \$540,000. The City's total net profit would be \$165,000 assuming all transactions take place. Mr. Arts questioned how the City was doing with the sponsorships themselves.

Mr. Barcinski responded the City has not had any success with any sales.

Mr. Arts questioned if this would be on the tennis channel?

Mr. Baron responded the ATP Champions Tour will be televised worldwide. Coverage should be parallel to the ITC event. Should the ATP Champions Tour not be televised, The City would receive \$30,000.

Mr. Smith questioned the caliber of players that would be playing; would Match Point be willing to put a clause in the contract as an incentive to get these players.

Mr. Baron indicated he checks on the players and is aware of who is out there willing to participate. The City originally requested a minimum of \$125,000; Mr. Baron increased it to \$200,000; he will now increase it to \$250,000 minimum.

Mr. Smith indicated the idea of IMG selling sponsorships is fantastic; however, he would feel more at ease if the City could presale to allow that revenue to come in. Is there something Match Point could do contractual wise to lessen the risk of the City's contract portion?

Mr. Baron could not guarantee revenue income. Presently ticket sales and renewals have been put on hold. Once the players are lined up, then tickets sales will be available. The City has never had a management company to offer to sell a sponsorship. The only reason we got IMG is because having a Championship Tour event here is going to guarantee them money. They know the City needs the money to have the event and they want us to be in good standing; it works for everyone. Mr. Baron stated he had a discussion with the City Manager about the economic impact, the times today, taxes, income to the City and budgeting. Mr. Harden stated, "Based on comments from a number of well qualified observers, we believe the economy is beginning to turn around." Turn around could be the fourth quarter of 2009 or the first quarter of 2010. This was reassuring. Mr. Baron needs to come up with the finances today to cover what needs to be covered. The City has a time. Mr. Harden is in agreement with bringing the stadium up to date. (The stands/benches, the entrance, etc.) With City Commission approval, Mr. Harden is willing to let the County come in as partners to improve the stadium. The City would have first rights of refusal, first rights on what goes in there, date availability, etc.

Mr. L'Herrou questioned in reviewing the economic analysis the figures are based on a 2001 survey. What was this based on and has there been any effort to obtain more recent numbers?

Mr. Baron responded the City of Delray Beach hired Sport Management Research Institute (SMRI) for \$25,000 to do an economic marketing impact of the event. Current figures are based on a 3% CPI increase.

Mr. L'Herrou questioned if the 10% fee could be removed.

Mr. Baron indicated there is cost involved in selling sponsorships; however he would be willing to facilitate this agreement with the City in lieu of a 10% management fee to reduce to 5% and all sponsorships that the City has excluding the CRA sponsorship of which they receive nothing.

Mr. Ellingsworth questioned the length of the contract; his concern is the lost of money if the City doesn't sell the sponsorship as anticipated. The economic impact study looks optimistic; however, he would be opposed without the City recovering its portion of output. The Task Force would not be serving their mission if they jumped on board with another 25-30 year contract. There were large issues with the original contract to begin with. At this time he would not support a long term contract but consider a limited commitment with the City having a performance standard (meaning they receive their money back). Mr. Ellingsworth could not see the Task Force adding additional cost without some guarantee.

Mr. Baron stated he would revise the agreement in which he believes both parties could live with.

Mr. Simon indicated with the current economic problems Match Point covers the first year which is very gracious and wise. The Task Force recently learned that Delray's tax base will be down another 15% next year. What is the possibility of covering the first and second year? Mr. Simon also expressed his concern of a long term contract. Would it be possible to have a five or ten year contract with a renewal option if performance thresholds are met?

Mr. Baron stated financially he could not cover the first and second year.

At this time, Mr. Safford tied the comments of the Task Force together as follows:

Marketing figures are extremely important; this is a nine day event. Impact has changed in the past eight years. (Largely overstated in 2001)

The budget is possibly \$7 million dollar short due to property taxes. Should City Commission increase the millage rate to the roll back rate the City may break even; however there are still frozen wages, positions and the probability of cutting positions.

If there would be no impact to cover the \$375,000 or a possibility of recovering it down the road, it would help the scenario.

Mr. Wheat questioned the number of tournaments that the Champions Tour would play and where the prior Tour would be before coming to Delray Beach.

Mr. Baron stated Delray Beach would be the first tournament of the new year; the season ends in November. This is perfect; the next Tour would be in another country.

Mr. Wheat commented the economic prediction was based on the fact the tournament was scheduled in September which is the off season where hotels were more open for receiving people. February is the peak time of the season where businesses may be already filled to capacity. Timing would have a great impact. (The original study was based on the March 5-11, 2001 tournament.)

Mr. Baron commented awareness generates people to return to Delray Beach.

Mr. Simon questioned the penalty for non televised coverage; \$30,000 seems to be very minor. Television coverage is a major reason for bringing it here; television is critical.

Mr. Baron stressed every event is televised; he would agree to increase it to \$100,000.

The consensus of the Task Force is that the Champions Tours would hopefully supplement the original contract not add additional expense; provide income to offset expenses with the other contract.

Mr. Ellingsworth questioned what would the City's net would be if all six sponsorships were sold?

Mr. Arts indicated after IMG and the City's 5% administration fee; it would be \$570,000 less 375,000 for a total of \$195,000 net to the city each year.

Task Force Members agreed to call another meeting for Friday at 8:30 a.m. to review the revisions.

Item 6. Review issue of finance/audit committee and financial analyst/contract reviewer:

Mr. Ellingsworth moved to defer this item to the June 16th meeting, seconded by Mr. Moore. Said motion passed unanimously.


Item 7. 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 10:30 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 9, 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