

The City of Pensacola retained my services to help address the deficit at the Maritime Park. The original deficit has been reduced by \$256,800 or 48.75%. This amount will be increasing by about \$30,000 for security during NFPB games outside the stadium as provided for in the contract and previously identified as a possible cost. Last season NFPB contracted for security services and billed the CMPA \$41,530. Please note the invoice is being reviewed by Financial Services. Some additional revenue will occur from moving the 150 spaces for the Blue Wahoos from the paved parking lot to Parcel 8.

The City of Pensacola and/or Community Redevelopment Agency (CRA) needs to budget for a cash shortfall of \$341,530 assuming no change in the current operations. This represents a projected shortfall of \$300,000 in FY2012/13 and up to \$41,530 for the prior fiscal year. Please note the actual budget amendment will be \$347,030 to cover \$5,500 in expenses for the opening event in the Amphitheater. The \$5,500 will be reimbursed by the City of Pensacola to the CMPA. These figures do not address repayment of the back of the house loan (\$500,000) or seat replacement (\$5,787 per year but was deferred for the current year). The annual payment on the back of the house loan is \$58,615 assuming a ten (10) year amortization at 3%. This assumes no change in program activities beyond acting as landlord on a breakeven basis. A change in programming activities will increase the deficit. The increase cannot be quantified, however, without knowing the scope and magnitude of the programming.

The CMPA derives their funding from appropriations from user fees, ticket surcharges, Common Area Maintenance (CAM) fees, events, naming rights, and advertisements and special appropriations from the City. The CMPA has no revenues outside those previously identified. Consequently any deficit is funded by the City of Pensacola.

It is my opinion that absent other revenues (i.e. additional special appropriations from the City and CAM charges) the Maritime Park cannot break even on operations. This is typical for this type of venue. The policy question is "How much the City is willing to invest in the Maritime Park to benefit the overall City and what level of programming is desired?"

SUBSEQUENT EVENTS

There were several meetings held with representative(s) of NFPB. The discussions focused on the recommendations contained in the original report. A significant amount of time was spent discussing event programming in the stadium. Historically the inside of the stadium was off limits to CMPA/City personnel. As of this date, the CMPA/City does not have a key to the facility.

At the initial meeting a discussion was held about using an entity with a relationship to NFPB to manage the programming inside the stadium during non-professional baseball days. Subsequent meetings revealed that NFPB had not been financially successful on event promotion, most notably a significant loss on Winter Wonderland.

We seemed to be making substantial progress, however, NFPB's representative advised me by telephone in early April that NFPB has no interest in altering the current agreement in response to some comments made by a local citizen until the parties to the negotiation are better delineated. Recommendations one and two below will address that issue. There are some changes to the Agreement which are necessary and beneficial to both parties.

NFPB advised Neighborhood Services in April they were pulling out of events in the stadium with the exception of sporting events and events of interest to NFPB. The Neighborhood Services staff indicated they found out about this from a potential user who was referred to Neighborhood Services by the Wahoos. The Wahoos also changed the contact information on their website site without the knowledge of the City's Neighborhood Services Department.

NFPB's designated representative stated NFPB does not plan to schedule or host non-professional baseball events unless of interest to the team owner. This approach could allow NFPB to "cherry-pick" events. Cherry-picking events is choosing the events that are likely to be more profitable. Consequently, we recommend a uniform and consistent policy for charging for stadium usage.

City staff does not, in my opinion, have the time, resources or appropriate venue to program the ball park or amphitheater on other than a straight rental basis. Furthermore, the timing for transition is too short for even a skilled event manager.

There are three methods for managing venues of this nature: They are:

- **Straight rental.** The promoter contracts with the venue and pays an established fee for the rental plus extras. This approach is similar to renting a hotel room, ordering room service, a movie, using the mini bar, etc. The promoter is charged for items billed and takes all the risk.
- **Promoting Events.** The venue under this approach provides the facility and books the event (i.e. entertainment, food service, etc.). If sufficient tickets and/or sponsorships are received to cover expenses, the venue is profitable for that event. If not, they lose money. Please note entertainers typically require a 50% deposit at the time of booking. Consequently, this approach requires a substantial cash infusion on the front end for advertising, events, etc.

- **Combination Approach.** A combination approach is where the venue and the promoter partner and share the risk on a percentage basis.

Neighborhood Services' programming of this venue will subject the CMPA/City to scrutiny for the booking and operation of these events. Typically events are not scheduled or booked on short notice. Furthermore it takes time to establish the reputation for a venue and a book of business. A two to three year ramp is typical. Consequently the City/CMPA needs to carefully consider the financial and non-financial impacts of the approach or approaches used.

Ovation's is an established firm with a solid track record. CMPA gets 20% of concessions revenue, based on an informal side agreement with NFPB. I believe NFPB, however, gets a higher percentage from Ovation's. If the City or another management company assumes responsibility for these events the catering revenue should go to the CMPA/City for those Community Days.

Other considerations regarding event programming are: (1) events will be compared to prior events (i.e. will the CMPA/City do as good or a better job than NFPB); (2) the number of events booked (again it will be compared to past history and future possibilities); (3) the impact on staffing and costs; (4) a proposed minimum rental/services schedule for events held in the stadium.

These venues typically lose money – some, large amounts of money, unless subsidized from another source. The policy question is how much the CMPA/City want to invest annually. This amount should be established and programming developed around the revenue provided. Please note the revenue can be derived through additional special appropriations (a percentage of the lease revenue going to the CMPA or programming).

RECOMMENDATIONS.

1. **Either replace the CMPA members with City Council/CRA or have the CMPA report directly to the Mayor or City Administrator.** Currently there is **no** one governing body responsible for decision making. While this was most recently evidenced by the YMCA property issue it permeates to the day-to-day activities. One governing body needs to be responsible for the decisions at the Maritime Park. This can be achieved by appointing the individual members of the City Council to serve as the CMPA members or changing the reporting relationship of the CMPA. Naturally all property decisions by law would require Council approval; however, a three person negotiating team could be used. The current approach is at best confusing to the public, developers, staff and the public.

2. **Make one person accountable for all activities at the Maritime.** No one is in charge and decisions are reactive, not proactive and fragmented. One person needs to be responsible and accountable for all activities at the Park. There needs to be one person (i.e. Mayor or City Administrator) assigned total responsibility for the Park including the budget. Furthermore, the Maritime Park needs to be managed against an approved realistic budget.
3. **Claim All Non-Baseball Days as "Community Days".** Section 4 (c) of the contract between the CMPA and NFPB states that "Within fifteen (15) days after NFPB receives approval from the League to release the schedule of Club Home Games for the upcoming season, NFPB and the CMPA Manager shall deliver such schedule to the CMPA." The section further states "NFPB shall have the right to reserve the Multi-Use Facility for NFPB Events for any time during the calendar year other than days of Club Home Games so long as such dates were not previously reserved for community events." This provision has created some coordination challenges as some non-baseball events are scheduled almost a year in advance (i.e. baseball and large concerts) and others on somewhat short notice. There have been reports of events being bumped and scheduling conflicts. A scheduling conflict occurs when incompatible events are scheduled at adjacent locations for the same date and time. A Rock and Roll event at the stadium and a wedding in the Amphitheater would be an example. This has not created a significant problem to date but can and will as the number of events increase. There are times that moving an event is necessary and warranted. The challenge is that one single entity needs to be in control of bookings on non-baseball days for the entire Maritime Park. Furthermore with NFPB being interested solely in sporting events and events in which the owner has interest, this could be financially detrimental to the City. We recommend the CMPA/City claim all non-baseball days as "Community Days" and work with NFPB to accommodate their needs in the best interest of the Park. NFPB should pay the established rental rate for all booked events that are outside professional baseball. The notification to NFPB should be sent registered mail return receipt requested.
4. **Establish Minimum Rental Fees for Events to Cover the Variable Costs.** This recommendation was approved by the CMPA at the April 17, 2013 meeting. These fees need to be fairly and equitably charged to all non-professional baseball events.
5. **Consider Issuing an RFQ for Operation of the Total Maritime Park for Non-Baseball Days.** The CMPA issued an RFP/RFQ in the past for operation. The City Neighborhood Services Department "won" the bid at a maximum net loss of \$256,054. This is **not** sustainable. We recommend

that an RFP be issued for operation of the Park including the use of the Multi-Use Facility for all non-Baseball days. The RFP should specify certain events that support the goals of the area and downtown. We recommend that the service provider have prior comparable experience and meet minimum financial requirements. If one entity does not control the non-baseball days this will be problematic. This recommendation should not be undertaken until the organization, reporting and the amount of loss the City is willing to support as outlined above are addressed.

6. **Parking.** While the immediate concern is current revenue, when the new office building is completed the parking revenue will be reduced. There are a total of 336 parking spaces in the paved lot (314 regular and 22 handicapped). Additionally there are 42 parking spaces on the street. The City committed 200 spaces to the office building and 150 to NFPB. Clearly some employees of the Office Complex will stay the night of a ball game or perhaps the employer will have a ball park night for employees. The Studer Group's Office building will have come surface parking on site. While some under-building parking had been considered, that was abandoned due to cost considerations. This will limit the number of season parking passes that can be sold. The Neighborhood Services Department is now using Parcel 8 for parking the 150 space committed to the Blue Wahoos. Consequently, this should provide some additional revenue in the interim. We would note ECUA is now allowing parking on their site. If the other tenants cannot provide onsite parking for their customers during special events, this will reduce event parking. Most likely a parking structure will be required as the site is further developed. We recommend it be designed to operationally accommodate special events and other lessees. The City does not want to be in the business of deciding who pays for parking and who does not. If a playground is constructed and a family wants to use the parking during a special event, are they going to be charged or is the playground closed during special events? This should be addressed as part of the planning process.
7. **Signage on the Right-of-Way.** The CMPA has received a proposal on the installation of Digital Signage at both ends of the Maritime Park. The proposal provides for a seven spot rotation with one of the spots designated for CMPA/City use. We recommend that signage be placed on the City's right-of-way to resolve some ambiguities in the contract documents, however, further legal guidance maybe required. My understanding is that the City currently has a sixty (60) foot right-of-way from the center line of the road. This recommendation has been discussed with several members of the City.
8. **Naming Rights.** Section 8.3 of the contract between CMPA and NFPB states "NFPB shall have the exclusive power and authority from time to time during the Term to designate the official name and/or designate a

naming sponsor of the Multi-Use Facility as well as the "Baseball Field", subject to CMPA's approval..." The provision further states the revenues are divided 50%/50% subject to certain conditions. The Multi-Use Facility is largely recognized by the public as "Blue Wahoos Stadium". It was agreed between Mr. Remington and myself that Mr. Studer and the Mayor would call on the five or six firms in the community most likely to be such a sponsor. Those meetings to my knowledge have not occurred. Now is the ideal time, in my opinion, to market those rights. Hopefully, the Mayor and Mr. Studer have agreed upon a schedule. I believe now is the prime time to market those naming rights.

9. **NFPB should be responsible for HVAC Maintenance inside the Drip Line.** My understanding is this issue has been resolved.
10. **Sell Banners at the Stadium During Community Day Events.** Currently advertising banners, if a non-baseball event is held in the stadium, remain in place and visible. The CMPA should consider selling that banner space for non-baseball events and/or cover the existing banners. Please note the rental income is negligible until a book of business is established.
11. **Office Space.** Section 4(a) of the Agreement between NFPB and the CMPA provides about 450 square feet of office space to the CMPA. NFPB's representative states that they are willing to vacate this space. While the space could be used for event programming we believe NFPB needs the space, however, that was not the corporate decision. We value the approximately 450 square feet at about \$9,000 annually. Clearly it is unfair for NFPB to be using this space for no charge.
12. **Select or Issue RFP/RFQ for Broker/Developer to Market and Develop Surrounding Parcels.** The services of CB Ellis have been retained for this purpose. Lease negotiations are ongoing on parcel number one and the proposed tenant will be addressing their parking needs on the leased property.
13. **Require Liability Insurance for Any Offsite (i.e. outside the drip line) activities.** The City's Risk Manager advises me this issue has been addressed.
14. **Security Services outside the Stadium.** This issue has been resolved and will impact the CMPA budget \$30,000 annually.
15. **Miscellaneous Appropriations Agreement.** There is a Miscellaneous Appropriations Agreement between the City and CMPA dated August 30, 2012 that states starting in FY2014 the City will contribute \$75,000 annually to the CMPA. My understanding is this relates to the proposed

office building. This revenue will probably not be realized until FY2014 and has therefore not been recognized in this report. The CMPA has expressed a desire to have supplemental appropriations made under the same circumstances in the future. The net effect of this will be a revenue transfer from the City's General Fund to the CMPA.

16. **Obtain sales tax reports, tax returns or financial statements from NFPB.** All parties want NFPB to be a financial success. The Agreements between the parties do not require NFPB to provide audited financial statements or tax returns. NFPB should be willing, however, to provide sales tax reports which should provide a gauge for performance.
17. **Variable Attendance Surcharge.** NFPB is unwilling to discuss this option.
18. **Size of CMPA Board.** The CMPA Board has 14 members. The size of the Board was probably appropriate during design and construction phases. The construction has been completed and the focus is now solely on budget and operations. Please note the City is responsible for marketing and leasing the private development not the CMPA. Consequently, it is recommended that the CMPA Board be reduced to a more manageable number (i.e. seven) since design and construction is complete.
19. **Pursue Grants for the Marina at the Maritime Park.** The installation of a marina will be an additional amenity at the Maritime Park. A significant amount of funding for such an amenity should be available through grants. We recommend that someone be assigned the responsibility to write grant applications for that purpose.
20. **Breakwater Funding and Construction.** The Breakwater project is a projection into the bay frequently referred to as a "jetty". Hatch Mott MacDonald, the Construction Owner's Representative, estimates the cost of the Breakwater at \$2.6 million. Some individuals believe that number is low and others high. Permits have not yet been received from the necessary regulatory agencies for construction. Based on the cost estimate provided and funds available, the CMPA will be about \$1,000,000 short to complete this project. The largest variables in this estimate are the cost for concrete and steel. An escalation in those components could significantly impact the cost. Please note capital dollars cannot be used to supplement operations. We recommend that the Gulf Breeze Loan pool be approached about using \$500,000 of these funds to repay the back of the house loan which is an eligible cost and the City/CMPA increase the amount of the grant request for the Marina by a corresponding amount.

21. **Amphitheater Needs.** There is insufficient fencing for proper crowd control to manage ticketed events at the amphitheater. The lack of fencing requires the installation of temporary barricades every time there is an event. We also understand that a motorized hoist or lift is necessary for rigging at the Amphitheater and a question has arisen regarding the adequacy of the walkways and supporting infrastructure to the venue. This requires further examination. The aesthetics of these improvements also needs to be a consideration.
22. **Make Claim on Performance and Completion Bond.** The construction team advises me this issue has been satisfactorily resolved.
23. **Maritime Park Renewal and Replacement.** There is a variable ticket surcharge assessed in accordance with Section 6 (b) of the contract between the parties. Section 14 (a) states that "CMPA shall maintain a capital maintenance fund for Capital Maintenance and Repairs for the Multi-Use Facility and the Maritime Park. The Capital Maintenance Fund shall be funded by the Variable Sale Surcharge." Paragraph 14 (b) states: "at least annually, NFPA and CMPA shall perform a walk-through inspection of the Multi-Use Facility in order to determine what Capital Maintenance and Repair items are necessary from time to time". Some argue that these funds can be used for maintenance and operations of the facility. The funds generated are significantly short of what is needed to make these improvements. We suggest a phased approach where the fee is increased gradually over a ten (10) year period. This will ensure funds are available to make these improvements. If funds are not available, they will most probably be requested from the City. Lack of proper planning in the early years for this Capital replacement represents a significant potential financial liability.
24. **Break Out Revenues and Expenses for All Maritime Park Related Activities.** Revenues from non-baseball events are not appropriately broken out from revenues by event to determine whether an event was profitable. We recommend that expenses and revenues be separated by cost center (i.e. Common Area Maintenance Charges, baseball, parking, stadium events, events and promotions, etc.) to determine the financial success of each endeavor.
25. **Consider Consolidating the Financial Statement with the City of Pensacola.** Currently, CMPA checks are written separately and the books maintained apart from the City of Pensacola using Quick Books. The check writing process requires two CMPA members to sign the checks for internal control. The CMPA now writes about 35 checks per month because of the addition of security services. It is not recommended to combine the books if security services checks are written for tax reasons. Furthermore, Neighborhood Services and other City

Departments provide all services other than legal to the CMPA. The books for events are maintained by the City. We recommend that the financial bookkeeping be consolidated subject to the condition above and approval of the City's legal advisor, lenders and accountants.

26. **Common Area Maintenance (CAM) Charges.** CAM or (Common Area Maintenance) Charges are those charges that the landlord assesses in addition to land lease fees to cover a variety of costs ranging from property taxes (if applicable), special assessment, to maintenance of the drainage system and landscape maintenance of the common areas. While CAM charges can be an agreed upon amount with an escalator as with the CMPA, it works better to have a formula for calculation of the charges as the lessee will not argue they are being over or under charged.

27. **Back of House Loan.** The CRA made a loan of \$500,000 to the CMPA to cover back of the house improvements. The CMPA is to reimburse the CRA/City. We recommend that the Gulf Breeze Loan pool be approached about using \$500,000 of new market tax credit funding allocated for the Break Water to fund the additional costs at the Amphitheater. The Break Water, as previously stated, is underfunded by approximately \$1 million. A grant could be sought and the balance of Break Water funding used as a match. Other alternatives would include agreeing upon a repayment schedule or the CRA/City forgiving the loan. The annual payment on a \$500,000 at 3% would be \$58,615 assuming a ten (10) year amortization.

I would like to thank City staff for all their assistance in the preparation of this report. It has been my pleasure to serve the City and once items one and two are addressed I believe additional progress can be made.