

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

Date: June 28, 2017

Authority Memo Number **043-2017 Special Meeting Minutes**

A special meeting of the Will County Metropolitan Exposition and Auditorium Authority Board was held on Tuesday, June 20, 2017 at 15 E. Van Buren Street, Joliet, Illinois 60432. Chairman Bob Filotto opened the meeting at 4:06 P.M. with a quorum present and welcomed Board members and the public.

Present: Joe Carlasare, Donnie Chestnutt, Jane Condon, Bob Filotto, Tom Osterberger, Jeff Pierson, Kathy Trizna and Council Liaison Pat Mudron

Absent:

Others: VenuWorks COO, John Siehl; Joliet City Finance Manager, James Ghedotte and members of the Rialto Square Theatre Foundation, the Volunteer Organization, IATSE Local 124, the public and the press and via phone, VenuWorks CFO, Tim Sullivan

Staff: Val Devine, Jack Ericksen, Dale Evans, Patti Fitzpatrick, Jan Gilligan, Nancy Lindmark, Marilyn McSteen

Authority Memo Number **040-2017 VenuWorks Proposed FY 2018 Budget**

Members reviewed the VenuWorks Projected Profit & Loss Budget as of June 20, 2017.

Review: The Chair reported that the meeting is to allow budget review by members in a forum that allows the exchange of information. He introduced Devine, Siehl and Tim Sullivan, CFO, VenuWorks, who participated via phone. Since this is the Board's first budget review with VenuWorks, a line-by-line discussion was requested. • Carlasare noted that an annual budget was provided and noted the WCMEAA-VenuWorks Agreement specifies a monthly budget with explanations and assumptions by month for revenue and operating expense. He was concerned that other terms of the contract may be waived if the annual budget is accepted. The Chair had requested only cash flow by month; he will bring the question to legal counsel. Sullivan said next year's budget will be broken out by month, which is their typical process. Authority finances were being converted to QuickBooks and with all the transitions he wasn't comfortable enough with the data by month to produce the budget in that format. The Chair said, due to the failure of the network server information about FY 16-17 is being worked on, but currently unavailable. Sullivan said quite a bit of analysis went into each component and it lines up with historical data and compares with similar VenuWorks venues. • Sullivan explained a report distributed earlier used 2016 data, but it was reconsidered, given the condition of the space and the time it would take attract new tenants. Revenues: Sullivan said Lines 1 and 2, real estate assumptions, were based on a spreadsheet provided them. Line 4 now includes event labor reimbursements. Line 5, Event Sponsorship, is new data. Line 6, Concessions, is based on attendees and per capita sales data from similar VenuWorks venues. The percentage range is due, in part, to the typical percentage for electronic media being much lower than percentages on soft goods. Line 9, Ticket Rebates (from Ticketmaster) and Facility Fees. Line 10, Co-Pro Revenues are difficult to estimate; the Authority's revenue has been very low in past years. Sullivan tends to be more conservative, but based on other venues, \$80,000 should be possible with 60 shows. Siehl said VenuWorks plans more co-pros than the Rialto has previously booked. Line 11, Miscellaneous Income: any revenue that doesn't fit specific line items. • Siehl said the budget is a fair assumption based on other theatres that have produced that much revenue. • It was agreed that the words 'net' and 'gross' are

superfluous and will be deleted from all revenues. Expenses: Lines 15 through 18 are staff expenses; 19 through 29 are general business expenses. Sullivan said insurance numbers were estimated; the actual number should be available later this week. "Taxes & Benefits" appear in the Assumptions field on Line 15 and as an Expense in Line 17: "& Benefits" is to be deleted from one of these locations. • Line 25, Repairs / Custodial / Production is difficult to estimate since equipment outages cannot be anticipated. Members expressed concern that a lower number than previous years is unlikely to suffice. Sullivan said \$53,000 had been paid to an independent cleaning service in 2016; this service was cancelled in April 2016. Board members were given a tour of Rialto Complex where it was made clear that we are in a precarious situation with the physical plant. The Authority has no capital repair funds. The buildings are being cleaned by full and part time Rialto staff. • Line 29 includes \$80,000 for the proposed Olivieri Management Services and for Wermer, Rogers, Doran and Ruzon accounting firm for the Authority's annual audit (and annual Foundation audits).

EXECUTIVE SESSION to DISCUSS MATTERS of PERSONNEL

No action will be taken in executive session.

Motion: Carlasare moved and Trizna seconded the meeting into closed session to discuss matters of personnel at 5:01 P.M.

AYES: Carlasare, Chestnutt, Condon, Filotto, Osterberger, Pierson, Trizna

NAYS:

The open meeting reconvened at 5:15 P.M.

The Chair asked if there was any further comments or questions regarding A.M. 040-2017 VenuWorks Proposed FY 2018 Budget before moving to Old Business. Pierson thanked everyone for the time and effort that went into budget preparation and to the thorough responses given to questions raised.

OLD BUSINESS

Authority Memo Number **039-2017 Review of Property Management Proposal for Two Rialto Square**

Motion: Condon moved and Chestnutt seconded a motion to require Board approval of the final version of the Property Management Proposal prior to execution of the document.

AYES: Carlasare, Chestnutt, Condon, Filotto, Osterberger, Pierson, Trizna

NAYS:

Discussion: Carlasare reported that Carl Buck, an attorney with the law firm of Rathburn, Cservenyak & Kosol, was retained to ascertain that the document contains no scrivener's errors and no issues that would put the Authority in jeopardy. Due to Board members' follow through, Olivieri has revised the contract in several areas of concern and is the document undergoing review and which, as of today, has not been executed.

• Condon noted that, per the WCMEAA-VenuWorks' Agreement VenuWorks is responsible for property management which this proposal duplicates making the \$80,000 seem a redundant expense. Carlasare said, until a contract is executed, there is no contract and it's important to have everyone's opinion; Mr. Pierson wasn't able to attend the last special meeting and others may have additional questions and comments. In response to the Chair's question, Carlasare will ask Mr. Buck to attend next week's meeting, but the attorney will not comment on Board procedure. Osterberger said Condon's concern is the budget and he said there has been a terrible change from 2015 to now. The Chair said the decrease in

rent underlines the fact that what previous Boards have done doesn't work. There was no one, nor is there now, anyone who has the expertise to do so. If we don't do something now, the downward spiral will continue. \$83,000 this year, \$63,000 next year – this is an investment. Pierson said the trend in rental income and the history of the theatre, which indicates that the Rubens Brothers intended for rental properties to provide subsidize the theatre. Pierson said it's imperative that we continue in that effort and, by using the numbers contained in the proposal, the 75% increase could bring us close to being self-sustaining by 2020. It's an opportunity and an investment. We all got on this Board at a low point in Rialto history and we need to take educated risks. We do have to do our homework, but the current model clearly hasn't worked. Olivieri's an architect who loves the building, has a great team and provided a phenomenal marketing analysis. If the vote were taken today, Pierson would vote yes. The Chair asked what changes in the proposal members have requested. Condon: the management company proposed \$25,000 be held in an escrow account; John Olivieri said he would push the escrow deposit back five months; Olivieri stood by his statements regarding a second broker's percentage at the rate of \$1.50 per square foot, but those brokers may push for a higher rate; he is willing to scratch 4% annual rate increases, for now; he agreed to strike fees for certain professional services; maintenance projects under \$10,000 would be increased by 20%, but the increase for larger projects would be 10%; he also agreed to strike the 18% penalty fee for payments made 30 days late.

- Carlasare said revised copies would probably be provided at the next meeting. Members must be confident that the investment would be worthwhile.
- Osterberger asked if the Chair thought there was any way VenuWorks would consider an addendum to their Agreement, given that we would be shifting some of building management liability from that contract to Olivieri. Mr. Siehl said he had spoken with Mr. Peters, based on an email from the Chair. It would be unlikely. VenuWorks has invested more than \$70,000 in the Rialto from September through March and would like to see some return on that investment.
- Chestnutt said it's a three part contract and wondered if it would be possible to begin with one component with the intention of moving forward. Maybe we need a new broker to bring in more tenants which would generate more income to support the property. If the proposal could be accepted in increments, she wondered what part would generate the greatest return for the Rialto. The Chair said we would have to ask Olivieri if splitting components of the Proposal would be an option. Chestnutt said she hadn't considered that option before the Authority Budget was reviewed. \$80,000 may not be within our reach, but if Olivieri would consider separating the components, it might give us a start at improving the space. The Chair said we can ask the question.
- Osterberger said VenuWorks would have to be involved, as well. Per contract, VenuWorks must manage the property. He noted that some aspects of the building are in very poor condition. Tenants have legitimate complaints. Olivieri's expertise is needed in the long run.
- Condon addressed VenuWorks, a company that knew the leaseholds have to be managed and asked their plan for the buildings. Siehl said he and Devine have a proposal for the general upkeep and maintenance – carpet cleaning, deep cleaning, office cleaning. He added that VenuWorks' expertise is not in the area of leasing space, but VenuWorks does know how to manage the upkeep of public spaces, including offices. He and Devine spent several hours with a cleaning / custodial service detailing the issues and getting costs. Some carpeting and tile must be replaced. Maintaining buildings is an ongoing process, which is a challenge when there are cash flow issues. Siehl noted that the carpeting in the Rialto has been cleaned because those carpets were not up to VenuWorks' standards.
- Condon asked if VenuWorks was going to invest

time in talking to tenants whose leases are coming up to discern their biggest concerns. Devine said she and Filotto had met with a tenant whose major complaint was that no one listened to them; phone calls weren't returned. We must get to a place where we have credibility. Devine has begun that process by keeping her word when promises are made and initiating calls to update tenants on status of those concerns. Condon said, if VenuWorks is responsible for and capable of managing tenant properties, we are considering paying \$4800 per month for something we are already entitled to receive. In response to the Chair's question Condon said attracting new tenants is where a broker would participate. Pierson asked how VenuWorks could produce an occupancy rate increase of 75% by 2020. Siehl said, they haven't made projections on that. Their goal was to get cleaned up and put back together. • Carlasare summed up, stating we have a contract that's been approved, but has not been executed and a discussion of whether VenuWorks can take over property management. Based on this he moved to table this discussion so that, at the next meeting we can resolve it, one way or the other, with an attorney present [Motion withdrawn.]. The Chair said there is some confusion about who can make that motion. Condon asked if we can agree not to execute the contract. The Chair said we are going to go to John Olivieri to see if he will split the components contained in the Proposal. He added that he wants to go forward with this regardless because it's the only way to accomplish what needs to be done, properly. Pierson said he believes we can work with Olivieri, whether as segment or in its entirety. Osterberger said what he heard was that, perhaps John and the appropriate person at VenuWorks talk about how to dovetail the undertaking between the two entities so that, perhaps a more palatable financial agreement can be made. Regardless, Osterberger said, without knowing the proper protocol for amending a motion, he thought, if we make a motion regarding the final contract, we would accomplish the matter so we can see these changes. Carlasare agreed and said he just wants to be clear in his directions to legal counsel that, even assuming there are no scrivener's errors, we are not moving forward with executing the contract. It's important that we are all on the same page. Osterberger suggested a motion stating that we require this Board to approve the final version prior to execution. Condon thanked Osterberger and said that represents her intent for the motion. • Condon said a commitment from the City is needed before we approve the budget and, if we make this commitment and encounter deficit spending next year, we need to have some confidence that the City would back us. The Chair asked Mudron if the City would even consider taking that action. Mudron said, in the absence of a City Manager, Interim City Manager Shanahan would make any recommendations to the Council and Mayor. Applications have closed and filling the position in three months was the goal, yet the previous City Manager search took six months. In addition, the Council usually gets the first rough draft of the City Budget in November. He cautioned that it is unlikely that the Council would make any commitment before reviewing the City Budget.

PUBLIC TO BE HEARD

- Michael Morgan advised the Board to keep City Officials informed of the business of the Rialto.
- Evans said the January workshop was intended to include a dedicated funding discussion, but members couldn't attend a full day session. He suggested that the discussion is necessary and suggested a workshop be scheduled for next month. The Board was in favor of the workshop and asked staff to schedule it.

• Ron Romero said he has observed comments on social media for quick and easy solutions to fix the Rialto. He offered to provide video coverage of meetings to help interested persons realize that there isn't an easy fix. Many people compare the Rialto to other theatres that have a lot of shows of interest to them, shows the Rialto doesn't have. Romero records the meetings so more people in the community can have an understanding of the complexities the Board and staff have to deal with. He asked what could be done to raise awareness of these issues. Osterberger said it will take time. VenuWorks is a good organization. He said it was our job to beat them up today, but what they have accomplished in just a few months is crazy! All Board members hear the comments Romero referred to. We need some time. Pierson said we need time, but we don't have time. Romero said the public needs to accept that we have a good Board and staff in place and progress is being made. Chestnutt said, in the two short months VenuWorks has been in place, she has received various comments about the Rialto. She encourages them to contact Devine. She said if people approach Board or staff, even if it's negative, you can be heard and then a solution may be found. If all a person chooses to give is a string of negatives without giving Board or staff the opportunity to address the issues in a positive way that will allow everyone to move forward, we will continue to have a challenge. Every member of this Board is committed to getting to the place where the Rialto's full potential is reached and every member here to help. Positive strides are being made. We're doing the best we can for the Rialto and want to partner with the community do achieve what's best for the Rialto and we have full faith in VenuWorks to help us get there. Carlasare said he hopes City Council comes to these meetings and sees the same complexity of the issues and challenges facing the Rialto. Romero said that is one of the reasons he's been videotaping; a lot of people are unable to attend – he added that there may be other ways the Board can be proactive in reaching out to the community. Devine said the Rialto staff has participated in community events - Star Wars Day and New Orleans North. A concerted plan to reach out to people, to do things the right way with intention and forethought. Morgan said previous management and Board member limited their visits to City Hall to those times when they needed additional City funds, which set a bad precedent that must be overcome. Lichtenauer said four members on this Board are appointed by the Mayor. One would think the Mayor would have trust in his appointees. Filotto confirmed that Board members keep in touch with the Mayor.

• Carol Mulvihill said volunteers get long lists of Rialto events for which they are asked to volunteer. These events bring money to the Rialto and they should be listed to let the community see the big picture of Rialto events. Devine said a different kind of calendar needs to be prepared to notify local business owners of these events in order to prepare for people who would like to patronize their businesses.

• Lynne Lichtenauer commented that the City portrays the Rialto as a taker, always asking for money. Who tells the public about the economic benefit of this theatre that draws people to spend their money in downtown Joliet? The Rialto generates economic benefit to Joliet and the County. We are not just takers, we also do give back. A downtown study identified the Rialto's economic contribution to the City of Joliet. A man commented that the restaurant across the street was very busy during a dance event. A woman commented that Jitters staff had a similar experience.

Motion: Carlasare moved and Trizna seconded adjournment.

The Chair called a voice vote; the motion carried unanimously. The meeting adjourned at 5:50 P.M.

Minutes respectfully submitted by Jan Gilligan, Administrative Assistant.

Kathy Trizna, Board Secretary

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