

WILL COUNTY METROPOLITAN EXPOSITION AND AUDITORIUM AUTHORITY

DATE: 28 September 2016

AUTHORITY MEMO NUMBER 083-2016

RE: Special August 17, 2016 Meeting Minutes

A special meeting of the Will County Metropolitan Exposition and Auditorium Authority Board was held on August 17, 2016 at 15 E. Van Buren Street, Joliet, Illinois 60432. Chairman Daniel Vera called the meeting to order at 4:15 P.M. with a quorum present and directed the body rise for the Pledge of Allegiance led by Jan Gilligan. The Board Chair welcomed those in attendance and directed roll be called.

Present: Mary Babich, Vicki Murphy, Mike Murray, Dave Thornton, Cindi Tyler, Dan Vera and Council Liaison, Pat Mudron

Absent: Mary Beth Gannon – had to leave the meeting just prior to the start due to a medical issue. Others: Legal Counsel, David Silverman; Foundation Board President, Tricia Simpson; Vice President, Steve Randich; Members, Lynne Lichtenauer and Tim Shanahan; IATSE Local 124 President, Ed Rachel and Business Manager, Lorin Lynch; Pinnacle Venue Services' Representative, Douglas Higgons; VenuWorks' Representative, John Siehl; and approximately 45 members of the public; and members of the press. Staff: Mike Biedron, Jack Ericksen, Dale Evans, Patti Fitzpatrick, Jan Gilligan, Leann Hoffrogge, Beth Jados, Annette Parker, Trish Stoner

The Chair announced the meeting was being held in the Rotunda because the other large space is narrow and people has had difficulty hearing. The Chair encouraged members of the public who wish to comment step up to the table in order to be more easily heard. ▪ He stated that the Mayor and City Council had presented some legal questions at yesterday's City Council meeting, one of which addressed Pinnacle's addition of Mr. Onesti to their presentation. Legal Counsel Silverman will address that question. Silverman said the Authority had not entered into a formal bidding process. It was a request for proposal, which tends to be more fluid and dynamic; some changes and negotiations are anticipated as the process goes forward. In the request for proposal, the Authority included a provision that the Board could do what is in the best interest of the Rialto. Silverman does not think that the company's decision that Mr. Onesti would be an employee or work here at the Rialto was a problem. If the Board thinks that's what is in the best interests of the Rialto they can vote for it. Silverman said he saw nothing, legally, that had to be done. The Chair asked if a motion was in order. Silverman replied yes.

The Chair stated a second legal question had been asked at the City Council meeting: Was the stipend from the City of Joliet included in either company's Performa? The Chair directed the question to Evans, Authority Finance Manager. Evans said neither company included that number in their proposal. The Chair recognized each company's representative in attendance. They confirmed no City stipends were included in their numbers. The Chair asked legal counsel if anything needed to be clarified. None was needed. The Chair repeated the question to everyone present. No questions were raised.

AUTHORITY MEMO NUMBER 075-2016--A Selection of a Third Party Management Company: Pinnacle Venue Services' Amended Proposal

Motion: Murray moved and Tyler seconded approval of Pinnacle Venue Services' amended proposal and acceptance of their proposal as presented on August 15, 2016.

AYES: Babich, Murphy, Murray, Thornton, Tyler, Vera

NAYS:

Discussion: The Chair ascertained that Board members were aware of what is being voted on. He asked if there were any questions on the advice of Counsel. At the request of a member of the public, the Chair re-stated the motion, adding that it was based on the advice of legal counsel. The Chair addressed all present as to whether anyone else needed clarification on what the Board will be voting on right now. Hearing none, the Chair directed roll be called.

See legal counsel's comment, above.

The motion was approved.

PUBLIC TO BE HEARD:

Prior to opening the floor to public comment, the Chair recognized everyone's interest in the Rialto's future. He asked those who may choose to speak to refrain from personal attacks and notified everyone to keep it civil, as representatives from the companies who gave presentations on Monday are in attendance. He asked people to discuss what they liked and didn't like in the proposals; there may have been points made that the public questioned or supported – those perspectives may not have been considered by Board members. That's what we're asking for tonight. The Chair asked if anyone needed clarifications. Hearing none he invited the public to be heard.

- Carol Mulvihill said she had attended all the meetings. The first presentation [Pinnacle] was okay, but the second one [VenuWorks] gave her brain culture shock and the light bulb went on. She thinks VenuWorks has a more logical plan in the five areas discussed. Her impression from Pinnacle's presentation, was that they would ask for more money in negotiations. She said there are factions here today with different ideas, yet everyone has passion for the Rialto and wants it to succeed. She doesn't understand why we can't work together. In her opinion VenuWorks will run the Rialto with the changes it needs. Without Pinnacle in the picture, we still have Onesti 43 miles away. She hopes that those who like Onesti would get him involved in the community events. Maybe we can work together. Maybe in the future we can coordinate some events with Onesti. Onesti's business is successful because he's a hands-on businessman who is there for all the shows. He can't be there and here at the same time – something is going to fall. She's afraid it'll be the Rialto.
- Bob Hernandez thinks Onesti could be successful operating multiple businesses, like other businessmen in the community. ▪ The Mayor of Joliet had asked for the Inspector General to come in and look at everything, without restriction. He thinks that should be an option the Board looks at and accepts. ▪ These groups have projected losses; that money will have to come from somewhere and Joliet taxpayers want open and transparent government. Hernandez mentioned Legal Counsel Silverman in connection with "another vote" because he (Hernandez) is going to ask the Attorney General because a Chairman doesn't have the authority to appoint a committee or a City Councilman, to vote on a matter, especially on the matter of the final two, one of which will be selected to run the operation. He suggested that the Mayor and Governor need to appoint a new Board.
- Legal Counsel responded that this Board created an advisory committee to make a recommendation to the Board, the same as the City does. The Committee made a recommendation to the Board, which the Board may or may not follow. He added that we would be more than happy to cooperate with any investigation or any Attorney opinions that you may care to bring forward.

- Tim Shanahan said he respectfully disagrees with the comment that Joliet taxpayers are supporting the theatre. 70% of Rialto patrons come from outside the City. The Rialto's overall budget since 1988 when the City provided \$20 Million is far greater than that.
- Teresa Evans said that in 1980's, the tax revenue coming in was hotel / motel taxes, not City residents' tax money. If those funds hadn't been redirected, we wouldn't be in the current situation. She said the City should be thankful the Rialto is here. As a young TV commentator once said, seeing the inside of this place, alone, is worth the price of admission.
- Wayne Barnett spoke on behalf of Ron Onesti. He invited the Board to an Onesti show of their choice. He said, if they visit restaurants in St. Charles, they should ask what the Arcada does for them.
- Kathy Spivey said Pinnacle contacted Onesti, not through any undue influence, but because they had seen how much locals want him here. She agreed that people come from surrounding communities and much longer distances to attend Rialto events. She is a Rialto supporter and all this petty arguing is getting to her at this point. We want the best for the Rialto; that is why we support Ron Onesti – we believe he would do the best job.
- Mike Morgan said local restaurants need three to five shows a week plus rentals. Morgan said the City has been investing money in the Rialto and he didn't see where they were getting a return on that investment. Whoever comes in must bring in a lot of shows.
- In response to a gentleman's question, the Chair said the number of shows mentioned were based on each company's proposal. Pinnacle is projecting 147 events, approximately 50 to 60 concerts the first year. VenuWorks estimates about the same. You need to select the right mix of shows; it does no good to present more shows than the audience base can afford to attend – 50 to 60 concerts is a good number. The number of total events would be increased by other events.
- Jim Roolf said he had been listening to a lot of emotional pleas to help the Rialto, and that's important, but I think, when making this decision I would give this counsel to the Board: You have two fine companies have come to you, you've evaluated them, one, perhaps has another, recent add-on, but whatever the case may be, you have to go through them as objectively as you can. You have to understand, that while we appreciate the intrinsic value of this theatre to our community, and to walk in here – it's amazing! It's like being in a theatre almost anywhere else in the world you can think of. They don't make them like this anymore. But you also must understand that we have to build a business model here. You have to have a business plan. I'm sorry, there may be one person that we all think can do this, but we have two fine companies that are here. The one thing I have learned in my forty-plus year career is not to stumble over things that are behind you. You have to be thinking forward. You have to create a vision for this theatre and that vision needs to include the City of Joliet and all the communities that are in the area. It's a guess on my part, but somebody can validate it – the ticket sales for the shows over the last few years have to be 60% from outside of Joliet. Roolf stated that was a good percentage – one that could be built on with the two companies that were here on Monday. He said, I sat through those presentations; I didn't say anything when there was a comment period, but I think you have two fine companies that have demonstrated success, wherever they are. You have also heard it said that the \$600,000 has not been included in either proposal. I do think the City has a vested interest in the Rialto because there has been a new downtown or city center plan and this theatre plays a vitally important role in that plan. I understand the emotion; I've been on a number of boards and made some tough decisions, not always the most popular one. I would only suggest that whatever decision is made, we have to unify and support it. We have to step up and say, "We want the Rialto here. can we determine the future just by one company or the other?" If, at the end of the contract, the company has done an 'okay' job, you might be looking at someone else to step up and do it again. I would just encourage the Board to think about this as objectively as you can. I know there'll be personal attacks; I'm not going to

stumble over stuff behind me. We have a plan from two different companies. We have to evaluate them and move forward. You have the support of a number of folks around town who have met regularly trying to provide some valuable insights and business strategies; perhaps we have no authority. We don't vote on anything, we can only make suggestions, just as others are. It is the Board's responsibility to make the decision, to develop the plan and carry it out.

- Lichtenauer said she felt privileged to be part of the advisory committee and thanked the Board for the opportunity. She stated she took exception to the Pinnacle presentation the Committee witnessed on Monday, August 15th. It was not the proposal submitted for Committee review and received number two rank on August 8th. She does, however, agree with Roof, they are two fine companies. The WCMEAA conducted the proposal review and made every effort for complete transparency according to procedures outlined by City Manager Jim Hock. ▪ Lichtenauer stated her 11 ½ years as a Rialto employee, 4 ½ of which she was the executive director, taught her there are financial risks in running any theatre. A successful theatre depends not only on successful show and ticket income, donors and sponsors; they depend on a dedicated funding source. This theatre is an amenity in downtown Joliet and it needs a serious commitment. Teresa Evans was correct, it did have a dedicated funding source, brought to the Authority Board by Chris Dragatsis, the first Board Chairman, who visited other cities with civic centers to learn the source of their operating revenue. He brought the idea of hotel / motel taxes to Joliet and they liked the idea and initiated that funding. It takes all of us to make the Rialto the happy place it needs to be. That's why the Rubens Brothers built their dream theatre in our home town.

- A woman stepped forward to ask the Board to carefully consider their decision and, possibly, hold off and table today's vote to think about it. She considers the decision vital. The Board has the opportunity to bring the community of those who love the Rialto to move together to make it great again.

- A woman commented that a corporation doesn't have the right touch to realize what is here and what is needed. Onesti has a proven record. Onesti has a track record; the other companies both said they would operate at a loss; Onesti is in the black. Outsiders have no allegiance or loyalty to the Rialto.

- Mary Lou Shanahan asked if anyone had Onesti's financial statements. Everyone thinks he's great at bringing in a gross amount, but she hasn't heard the net. She attended both presentations, Monday. She, too, thought Pinnacle was good, but when Onesti was brought in, she felt it was a little sly on their part. When she heard VenuWorks' proposal, there was substance to it – things she hadn't thought of: saving money on Ticketmaster fees and establishing an Angel Fund as a cushion for potential losses. She said the agenda calls for a vote and, at the City Council meeting, it was stated that there would be a decision tonight. She thinks the Board should vote.

- Ed Rachel introduced himself as the President of the stagehand Union in Joliet. He said everyone in this room is on the same side. No one walked in her to sit in the air conditioning. Everybody came for the same purpose. We need to thank this Board for doing a job and taking a lot of negative comments for the things they're trying to do. They're trying to balance out everything that everyone said today – and everyone has a valid point. We need to work together. We have 140,000 people in Joliet. There are 60 people in this room who care. More people need to care like we do. We need to appreciate the Board and ourselves.

- Theresa Evans asked if the Volunteers would still be involved with the theatre. The VenuWorks rep said absolutely yes. They have found Volunteers to be very effective in the theatres that have them. The Pinnacle rep said Volunteers are the lifeblood of any successful theatre.

- A gentleman asked what it takes per month to keep the theatre open. The Chair said the amount varies from month to month depending on events. He yielded the floor to the Finance Manager. Evans gave a detailed, passionate response to that question, which response included theatre history and the information that not a dime of Joliet resident's property tax goes to the Rialto. When the applause died down, Evans stated that in 2015 there was a \$551,000 deficit (a deficit of approximately \$48,000 per month). In 2015 total expenses were \$3,375,000; if expenses were equal throughout the year those expenses would be approximately \$287,000 per month.
 - An angry exchange followed with individuals talking over each other. The Chair pounded on the table to receive a modicum of civility and reminded those present of the ground rule set earlier: There were to be civil comments.
 - A woman commented that the foundation, the bricks and mortar, needs to be taken care of, because without it there would be no theatre.
 - Dave Pomatto, Interim Technical Director, recommended that everyone go to the website www.AfterTheFinalCurtain.net to see what happens to so many of these venues. It's good that Onesti has kept the Arcada going, VenuWorks is maintaining several historic theatres; Pinnacle probably is, too. It's always going to come down to money – money versus art. We look at this building as a piece of art. It IS worth the price of admission just to see the art.
- The Chair thanked those who spoke, and asked if there were any further comments. No one responded. The Chair directed the meeting to New Business.

NEW BUSINESS:

AUTHORITY MEMO NUMBER **075-2016 Selection of a Third Party Management Company**

The Chair asked if any of the Board members if there were any clarifications or questions before there is a vote or if there is any interest among the members to delay or table the vote. The Chair polled Board members, individually. No member was interested in delaying or tabling the vote and he stated that to the two persons who had encouraged delaying the vote. ▪ The Chair returned to the matter at hand, selection of a third party management company. He asked members: Are there any questions, comments or clarifications at this point? The Chair deferred to Legal Counsel Silverman, who said the Board would be selecting a management company, there would be negotiations that the Chairman and Silverman would probably be involved in. A contract would then be brought back to the Board at a later meeting for a final vote. If no agreement can be reached, the Board would be free to contact another vendor. Silverman said there was a committee recommendation, but that isn't binding on the Board; he informed the Board that members could vote for any of the candidates and that members may discuss their thoughts before voting.

- Murphy stated that she reviewed the proposals after Monday's presentations. Both Pinnacle and VenuWorks seem to be ready and able to begin working by September First, both were eager to work with the local business community, both seem to have an understanding of the Rialto's past and current situation. Pinnacle Venue Services' original proposal did not match their final presentation. By adding an additional player to the mix after the proposal due date, I feel it tainted the spirit of the selection process. While several of their concepts were acceptable, I feel they did not provide enough detail. VenuWorks' company representatives had specific, defined duties within the organization. Ticketing & Marketing has the ability to negotiate the Ticketmaster convenience fee. Their marketing skills move beyond traditional advertising including digital ads. Programming staff's ideas were more than just booking bands. Food and Beverage is a revenue generating area that offers the most financial benefit moving forward. The Rialto's food and beverage service has been in

need of upgrades for a long time. Safety and the role it plays in attracting visitors to the Rialto seems to be well understood. Financial outlook plan for the Rialto is specific and realistic and based on their experience with working with theatres of similar size. VenuWorks was specific on their projected improvement plan. They had a realistic vision of what the Rialto can and cannot be. It is my wish that whomever is selected in this process, they understand diversity in programming.

- Murray read the following: Let me start by sharing a little story with you. Unlike many in this room and within our community, I am not originally from here. I chose to move my family here about 13 years ago from West Palm Beach, Florida. Although I am well aware of the Historic Story of the Rialto and what it has meant to this community, I am not aware of the inner workings of the Theatre, and to be frank, I think that's ok. I have had a simple philosophy for most of my life, "you can be part of the solution, or part of the problem." Regarding my serving on this Board, I would like to try and be part of the solution. So I was sworn in less than a month ago, and the first task on hand was this, "The Theatre is in trauma, we have called 911, it's been rushed to the hospital, and we have to make a decision on who is going to operate." From what I could gather, the consensus from the Rialto Board, the employees and volunteers, my fellow tax payers, and the city officials, that a company (with a proven track record), was the best solution. So I was presented, right after my first meeting, with five RFQ's of companies interested in the management of the Theatre. After digging into these proposals one thing became very clear, we had some great companies, with great track records to choose from. I spent countless hours reading, studying, and looking online at various things, and then having vigorous discussions in an open meeting about all of them. The list was narrowed down to two, and I was so excited to meet and hear from both of the finalists, (although they were not my top two picks, we had a process, we live in a democracy and I am going to support and give my best to what the majority selects). I believe we have a Fiduciary responsibility to do what's in the best interest of this Theatre, and set aside personal interests.

What has transpired the past 48 hours is an embarrassment! It is an embarrassment to this Theatre and all the History she holds, it is an embarrassment to this City, (in which I live, own a business, both my children attend school here, my wife works here, and we have volunteered countless hours for most of the past 13 years for various charities) all in a small attempt to make this a better place to live and work. Is this how the "City of Champions" acts? We are now at an inflection point. We are going to make a decision tonight on a trauma surgeon. Once that decision has been made, everyone, and I mean everyone - This board in its entirety, the staff and volunteers, the City officials, and my fellow tax payers, everyone that has an interest in this Theatre - Has a simple choice, get behind the new management company and do everything you possibly can to help this Theatre survive, thrive, and be more robust than it's ever been, or be against its survival. There is no middle ground. This is a partnership that needs everyone pulling in one direction for it to succeed! You are either for the Theatre or against it. If you are not united in its revitalization, you are clearly against it! My choice as to what to do after tonight will be clear; to see this Theatre thrive and become the anchor that this city needs. It is my hope, truly my hope, that we can get united behind one of these two companies to work together to improve this place. Thank you.

Additional comments:

- Tyler thought VenuWorks answered the more pointed questions asked. Pinnacle is new and hungry, they have several people from differing backgrounds which is a benefit. It's also a positive point for them that, if I voted for them, I'd be appeasing a group of very vocal people, which is the wrong reason to vote. VenuWorks has a plan that works for historic theatres. They have a plan. We need to improve food and beverage. Both companies welcome the Volunteers. We need to fund

needed repairs. We need to keep maintenance up. We need to have confidence that the team coming in a couple of weeks has the ability to move forward.

- Vera said he had read the five proposals and reread them. He took notes of the presentations and studied them after the meeting. His due diligence included driving to Iowa to look at the theatres there and to St. Charles to see the Arcada. He is ready to make his vote and he is very confident that everyone will get behind the vote to move forward. The Chair added that no member of the Board contacted him regarding this decision and he asked no one to vote a certain way. Everything has been out in the open. He appreciated the comments tonight.
- Thornton thanked the Chair for leading the Board on this arduous and extensive process that led to where we are now. He said the process couldn't have been more transparent, in his opinion. We had a member of the City Council on the committee who reported to the City Council. And here we are with two excellent choices. Thornton feels comfortable in the decision he arrived at, but he will support the decision of the Board. Ultimately it's for the Rialto. He had no prior bias in this process and no one pressured him at any time during the process. We did exhaustive research. Thornton is happy to be making the decision today. He said, if we delayed the decision we would be further behind the eight ball.
- Babich said we're all here for the Rialto. We have two great companies. Regardless of the selection she asked everyone to back the decision. She added that the Rialto also needs financial support.

The Chair said the vote would be done by a call of the roll. Each member will respond out loud with either "Pinnacle" or "VenuWorks." The Chair called for final comments. He asked Board members if they were ready. Hearing no questions or comments, The Chair directed Roll be called:

Mary Babich: VenuWorks

Vicki Murphy: VenuWorks

Mike Murray: VenuWorks

Dave Thornton: VenuWorks

Cindi Tyler: VenuWorks

Dan Vera: VenuWorks

The Chair said the vote is six to nothing, VenuWorks. This vote directs us to begin contract negotiations.

The next meeting will be the Regular Meeting on August 24th in the Hospitality Suite. At that time it is hoped that a contract will be prepared for a September 1, 2016 start date. The Chair thanked both venue service company representatives for attending the meeting. All five companies were very responsive. Everyone who participated in the proposal review process was very professional.

BOARD AND PUBLIC TO BE HEARD:

- Tyler: I was very impressed with both companies, both on paper and in person and I thank them for time, effort, thought and detail they provided to the Board to help us make this important decision. The fact that they both see great potential with the Rialto and are eager to work with us gives me the confidence that we will be in a much better position in the near future. It is my opinion that VenuWorks can get us there swiftly and seamlessly with their experience and expertise in managing historic theatres in the Midwest. They know what works, what doesn't, and are willing to try new possibilities that fit with our community. Do I think Pinnacle could do the same? Probably, the Rialto doesn't have time for probably – we need to move forward with a detailed plan for success and a

company that has the personnel, resources and systems in place that VenuWorks brings. This is a business decision that requires us to consider all the data we've been able to gather and to weigh that according to what we feel will be in the best interests of the Rialto and, by extension, downtown Joliet and Will County. There are 683 thousand citizens in Will County and I cannot let myself be influenced by one group of people to make a choice I don't feel is right for the theatre. As a member of this Board it is my duty to consider the interests of the entire community, not just one group. If you truly support the Rialto, I hope you will work with community panels for programming and fundraising that our new management team will put into place. Your input to and support of the theatre will ensure its success. I strongly encourage Mr. Onesti to be open to opportunities with our new management to work together and benefit all involved and I hope that Caesar's/Harrah's will do the same. The possibilities are truly exciting if everyone works together with the common purpose of what is best for the Rialto. The City of Joliet needs the Rialto Square Theatre to be successful as we are the pulse of downtown and I hope they support the theatre as we move forward. We plan to provide entertainment and events that will bring back our loyal patrons and attract the new audiences who will be the future of the theatre. Long term success and growth for our Jewel of Joliet is our common goal.

Murphy: As a Board Member, I believe diversity means a variety of ethnic and age entertainment and not just a 'style' of entertainment. I feel we have missed that market in the past and it could be a significant revenue generator moving forward.

Public Comments:

- Carol Mulvihill said she welcomed new safety training.
- Theresa Evans thanked the Board for all the hours they always give to the Rialto
- John Siehl thanked the Board on behalf of VenuWorks, he thanked Pinnacle, as well. He told everyone that VenuWorks will do their very best for them. He added, VenuWorks works toward diversity in entertainment.
- Tim Shanahan said he was excited about the Rialto's future. He said it was his and Mrs. Shanahan's anniversary and he took the opportunity to ask the VenuWorks representative if they could get the Moody Blues at the Rialto for his wife.
- Bob Hernandez wished luck to both presenters and he hopes funds can be raised for the Rialto without taxpayer funds.

The Chair addressed those in attendance when he asked if there were any further comments. He stated that some passion was seen and some deliberation and understand the process the Board has gone through. He publically thanked City Manager Jim Hock for giving us the process we should follow. That process was followed.

ADJOURNMENT:

Motion: Babich moved and Murphy seconded adjournment.

AYES: Babich, Murphy, Murray, Thornton, Tyler, Vera

NAYS:

The Chair declared the meeting adjourned at 6:45 P.M.

Minutes submitted by Jan Gilligan, recording secretary.

David Thornton, Secretary