

**GATEWAY ECONOMIC DEVELOPMENT
CORPORATION OF GREATER CLEVELAND**

**Minutes of a Meeting of the
Board of Trustees**

**Held on May 13, 2015
3:00 o'clock p.m.**

**Offices of
Climaco, Wilcox, Peca, Tarantino & Garofoli Co., L.P.A.
Cleveland, Ohio**

There being a quorum present, Mr. Offtermatt called the meeting to order at 3:05 p.m. The following Board members were present: Timothy Offtermatt, Matt Carroll, William Reidy and Emmanuel Glover. Tracey Nichols was absent. Also present were Todd Greathouse, Brian Kelly, Daniella Nunnally of Gateway and Dennis Wilcox, General Counsel, as well as Dennis Lehman, Joseph Znidarsic, Jim Folk, Andrew Miller and Alex King from the Cleveland Indians, David Faller, Consultant from Osborn Engineering, and Jay Miller from Crains Cleveland Business.

The Minutes were deferred and there was no public comment.

Mr. Offtermatt then summarized the meeting schedule for May. Today's meeting is primarily to review, discuss and ask questions about Major Capital Repair requests from the Cleveland Indians. The Board will then have a meeting 2 weeks later on May 27th to clarify any outstanding issues and to vote on making a recommendation to the County of approval or disapproval of such Capital Repair requests. He summarized that the Indians have made a number of requests and described the process by which Gateway reviews and forwards this on to the County for consideration of payment from the sin tax.

Todd Greathouse then gave an update on the Republican National Convention. He reported to the Board that there was a previous meeting with Jon Pinney and others working with the Host Committee, and Gateway was awaiting a proposed agreement from the Host Committee. Among other issues are Gateway's use of its offices during the Convention, which may not be possible, and use of the garage for potential office space for the Convention. Mr. Wilcox then also noted that a Gateway Special Event Permit Application was sent to Mr. Pinney for use of the Common Area. In response to a question about whether a decision had been made on the use of the garage for offices, it was agreed that it had not.

Then, Mr. Greathouse continued with the Executive Director's report to discuss the Gateway Plaza watch parties for the Cavaliers and reported to the Board on the safety and other considerations being taken into account. In response to a question from Mr. Offtermatt,

Mr. Greathouse confirmed that no ticket was needed to enter this event, however, all alcohol was contained within a single area.

Mr. Greathouse then gave a report on Common Area maintenance. The staff is making repairs and bringing the Common Areas up to date especially after the wear and tear after the long winter.

Next, Mr. Greathouse reported on Arena Major Capital items and summarized various contracts. He first reviewed the QTV video production contract with GTG showing approximately \$461,000 still owed. Also, the contract had a \$292,828 favorable balance. He next reviewed the Parsons sound system contract, showing \$75,000 owed and a favorable balance of \$134,068 and the Key general contractors for QTV video which showed \$127,213 still being owed.

Next, he discussed the ANC summary for the scoreboard, showing an approximately \$25,000 favorable balance. He then discussed the hoist system for the new scoreboard. He reported the Cavaliers wanted a new hoist system at a cost of \$500,000-600,000 and that they wanted to apply the \$553,000 in cost savings from other contracts approved to pay for this system.

Mr. Faller then reported to the Board that no information on a new hoist system was submitted by the Cavaliers in their initial scoreboard request to Gateway and none was planned for or anticipated. In addition, the Cavs have maxed out on the contract for the scoreboard and any savings have been obtained from other contracts. He confirmed that a new hoist would cost approximately \$550,000-600,000. He also noted that when the Cavs prepared their bid documents they did not anticipate or include a hoist system as part of the specifications. Mr. Offtermatt noted that Gateway had closed out the other contracts with savings, but did not feel, since they were closed out, that savings should be utilized for a new request with respect to the scoreboard. Mr. Wilcox read the resolution the Board had passed indicating the Board's approval of the scoreboard as presented. Mr. Offtermatt then indicated it would not be appropriate to use savings and move the money around for a new project. He indicated to Mr. Greathouse that the Cavaliers should make a new request or amend their original request to include a new hoist system. Mr. Faller also indicated that the weight of the new scoreboard from original specifications would not require a replacement, but because of changes to the scoreboard, the present hoist system is at maximum capacity and the Cavaliers would like to replace it as a result.

Mr. Greathouse then reviewed the Arena Security Command Center and Security Cameras. A bid package would be expected shortly with an RFP having been approved on 4-29-2015, with a walk through on 5-1-2015 and proposals to be received on 5-26-2015 with a starting date of July 2015. Mr. Offtermatt asked if this was being coordinated with the RNC and Mr. Greathouse indicated that would need to be worked out.

Next, Mr. Greathouse reported on the Arena roof. Whiting Turner, the Cavaliers contractor, through Robert Dye, has prepared specifications for the roof systems, which is being prepared to release for bid. Upon questions, Mr. Faller indicated that roof replacement bids would be received in 3 weeks, following bid issued. He indicated the work would include 3 high sections this calendar year and the remainder of the roof next year. Mr. Reidy questioned the life expectancy of the Arena roofs and Mr. Faller indicated the existing roofs had approximately 20 year life expectancies and since these are the original roofs, that useful life had been exceeded. He noted original roof warranties are normally only 20 years.

The Board next heard from Daniella Nunnally with respect to inclusion results. She is developing a new format and re-charting the work and the numbers. She is also working through exclusion for specialty items and will have up to date numbers from the Cavaliers at the next meeting. In response to a question, Ms. Nunnally noted that the original goals are 15% MBE, 7% FBE and 8% SBE and indicated they were slightly under now for the Arena, but for Progressive Field those numbers were looking good, but noted it is still early. They are still working on the Arena numbers.

Next, Mr. Offtermatt asked Mr. Greathouse to review previous Major Capital for Progressive Field which the Board had recommended for approval. Mr. Greathouse noted there was an original request of \$4.2 million for the sound system. The Indians have that project on hold, except for \$97,000 spent for the new Gate C construction. It was also noted that the concrete resurfacing had commenced for only \$134,000 and the contract for high steel of \$2,184,000 was on hold at this point, as well as the full concrete resurfacing.

Next, the Board moved to new Capital Repair requests from the Cleveland Indians. Mr. Faller presented a Power Point which is attached to these Minutes as Exhibit A. He noted that certain items were withdrawn by the Indians as not a high priority. The first item withdrawn was the replacement of suite furniture. The next item he reviewed was the replacement of food service equipment. This was reduced from \$5,000,000 to \$2,750,000. Mr. Faller noted that most of these items were at the end of their useful life.

Then he discussed the scoreboard system and reported that this was being used for far longer than the expected equipment life and was not compatible with new technology. The last time the video board was replaced was in 2004. Mr. Offtermatt asked about the requirements in the Lease and Mr. Wilcox and Mr. Znidarsic confirmed that the standard for replacing an obsolete component, such as the scoreboard, is that the replacement will most likely be used in at least 75% of Major League ballparks within the 5 years of obsolescence. This was slightly changed from the original lease which had a specific one-time replacement provision. It was noted that the scoreboard has been well maintained and that the Indians

have paid for upkeep of the current scoreboard. It is currently 18 out of 30 Major League ballparks in size and no new structure would be needed for the replacement scoreboard.

Mr. Offtermatt asked Mr. Faller out of the 15,000 square foot total for the new scoreboard, how much was signage and Mr. Faller indicated the present scoreboard has 10,000 square feet of signage which would be replaced in its entirety by the new video board. Mr. Offtermatt asked about this video display being used in 75% of the ballparks. Mr. Faller responded that his analysis from 2015 indicates the average area of the scoreboard for the top 25% is 7,763 square feet and the new scoreboard would obviously exceed that number. Mr. Carroll then asked for the cost per square foot and Mr. Faller indicated that the cost for square foot was lower with the larger scoreboard, \$600 per square foot vs. \$980 per square foot. Mr. Faller speculated that the scoreboard structure being sufficient to hold the entire structure would reduce the square footage cost, based on the fact the \$980 square foot value likely contained costs associated with new structure. Mr. Offtermatt then questioned about replacing the existing scoreboard with one large video board and not consider the fixed signage to stay in place and asked are we not simply replacing signage with video display.

Mr. Faller then indicated he examined the structure for the scoreboard and it was in good condition although some painting and cosmetic work was done, some painting within the structure would be required at some point to protect the structure steel. The coatings are not failing, but they are no longer offering full protection to the steel and cosmetic surface corrosion is beginning to occur.

Mr. Carroll then asked why is this so much larger than the other scoreboards, and Mr. Znidarsic indicated the obsolescence of fixed signage and other ballparks doing larger scoreboards is a factor. He also noted it would fit the current scoreboard structure. Mr. Lehman then added that the scoreboard structure was the largest at the time Progressive Field was open. Also, because of the infinity boards requiring no edge, they wanted to use the entirety of the structure. He indicated this was consistent with what the modern fan is looking for. Mr. Offtermatt then asked if the Indians had a 5,500 square foot scoreboard currently replaced with a new scoreboard or variable signage, is that the same thing as it exists today. In addition there were 4 other side displays presented for \$1,036,500 which was deducted from the cost being presented. This project moves the graphics computers and servers to a controlled environment where they can be kept in a controlled environment away from dust and moisture they are currently exposed to in the open air rooms.

Next, Mr. Faller reviewed the mechanical and HVAC systems for the Ballpark. Mr. Offtermatt asked what the useful life was of these systems and Mr. Faller indicated it was 20 years. He said some units can last 20-25 years, but this was within the target level of replacement and because of its use in an outdoor park where the

system is not running all the time, the start-up and shut down of the system creates more wear and tear. This project is estimated at \$5,000,000 for chillers, cooling towers and contingency. Other HVAC repairs would be deferred for 3-5 years and expected to be done in the 2019 season. The deferred costs are valued at \$10,000,000 in 2015 dollars.

Mr. Faller then discussed the suite and Press Box fire suppression systems which were removed from the request as being under \$500,000 and, thus not Major Capital.

Then he discussed the Suites and Press Box glazing. He indicated the sliding windows were vulnerable in any system of this type and the Indians would defer a number of these suite windows because it would be better to spend the money when there are suite renovations. As a result, the Indians will be revisiting some of the items and these items may be staged as others for HVAC, sometime before 2019. He did note that the Press Box and broadcast areas had a lot of water coming in and so that this area would be addressed and that the request has been reduced by 50% to about \$1,500,000.

He next discussed suite corridors and balcony flooring which is the original carpeting. He indicated that may also be staged and has been withdrawn at this time. He noted that new materials (that were tested in the Ballpark previously) had been developed that would be much more resilient, easier to clean and repair and have a longer life.

Then, he discussed the access controls and surveillance system, some of which the Indians have been using for 20 years. Useful life is in the 10 year range. The Indians have exceeded the useful life for this equipment and this is similar to the security and access control equipment that is going into the Arena at the Cavalier's request. Given the current estimate including design, it is a \$2,856,000 project.

Finally, Mr. Faller noted the next steps which would include coming back to the Board in the next meeting to determine whether to pass these on to the County with a recommendation of approval of the Board.

Dennis Lehman then noted on behalf of the Indians that costs to repair some of these items like the scoreboard are to the point of being catastrophic and the repairs are very expensive and he hoped that this could be moved along quickly. Bill Reidy asked about other ballparks and what their condition is and Mr. Offtermatt offered that it depends on the leases and also whether the team and the public have specific terms on capital. He noted that the Indians put in about \$2-3 million of capital annually which is in his estimate more than most middle market teams. Mr. Znidarsic then noted that although the Ballpark is 21 years old, we still consider it new, and there is a need for considerable investment because of the extended useful

lives of many improvements.

Mr. Greathouse then gave a report on the alterations in the Ballpark and noting they were only going through punch list items which should be concluded the end of the month.

At this point Mr. Kelly gave his financial report. He first reported on the Quickens Loan Arena management contracts and noted \$412,000 was being self-funded for the Arena and that \$13,644,727 had been spent out of the Major Capital accounts for the Arena. Mr. Offtermatt interjected that the auditor's would be looking at these numbers and Mr. Kelly concurred.

Next, he reviewed the Progressive Field alterations showing total disbursements and receipts of about \$14,898,000. The total would be \$18,000,000 when completed. Mr. Offtermatt asked if there would be follow through and inclusion, and he indicated there would be. Finally, he noted that the Progressive Field Major Capital included \$97,000.

Then Mr. Kelly gave the financial reports. He first reviewed the operating account which showed a balance as of April 1st of approximately \$78,000, total receipts of approximately \$289,000 and total disbursements of approximately \$221,000, for a total cash balance on April 30th of \$146,365. The Ballpark account had started with a balance of about \$123,500 with about \$303,000 in receipts and \$353,000 in disbursements for an ending balance of \$154,000.

He then reviewed the 90 day forecast for May through July which included a beginning balance of over \$146,000, receipts of about \$1,490,000, a total estimated revenues of \$1,637,182 and disbursements of \$1,626,589 for an estimated operating balance of \$110,593. He noted that a number of taxes would be paid in July totaling \$833,000.

Next, Mr. Kelly informed the Board of the on-going audit activities which commenced about 1 1/2 weeks ago. He noted that they are reviewing the capital expenditures and Mr. Offtermatt asked when the estimated time for the audit meeting would be and he thought some time June to mid-July. Mr. Reidy asked if the statement was going to be broken down to separate operating and capital and Mr. Kelly indicated it would be and that Major Capital would be reflected separately in the records.

Finally, upon motion made by Mr. Carroll, seconded by Mr. Glover, the Board unanimously adopted the Minutes of the last meeting.

The next meeting is May 27, 2015.

Upon motion made by Mr. Carroll, seconded by Mr. Reidy, and the Board unanimously adjourned the meeting at 5:00 p.m.

APPROVED BY:

SECRETARY-TREASURER

William J. Reidy