

**GATEWAY ECONOMIC DEVELOPMENT
CORPORATION OF GREATER CLEVELAND**

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

**Held on November 18, 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 approximately 3:10 p.m. Board members Timothy Offtermatt, Matt Carroll and William Reidy were present. Board member Emmanuel Glover was on speaker phone, but did not participate or vote in the meeting. Ms. Tracey Nichols was absent. Also present were Todd Greathouse, Brian Kelly, and Daniella Nunnally of Gateway, and Dennis Wilcox, General Counsel, along with his colleague David Cuppage. Present from the Cleveland Cavaliers were Mozelle Jackson and Antony Bonavita. William Tarter was present from the public.

The first item of business was approval of the Minutes. Upon motion by Mr. Reidy, seconded by Mr. Carroll, the Minutes of the August 26, 2015 meeting were unanimously approved.

Next the Board heard public comment. Mr. Tarter asked several questions respecting the team leases and descriptions of major capital, and specifically why scoreboards which had previously been replaced by the teams, were being replaced with sin tax dollars as major capital items. Secondly, he wanted to understand Gateway's total request for sin tax reimbursement from the County. And finally, he wanted to know if there were lease discussions with the Indians to extend their lease beyond 2023.

Mr. Offtermatt spent some time answering Mr. Tarter's questions, first, specifically about the question of Major Capital obligations under the lease. He noted that the scoreboard was indeed replaced in the Arena with private funds, but some public funds were used in 2004 to replace the Ballpark scoreboard. Secondly, he noted that the numbers presented to the County for reimbursement were cumulative and a number of different Minutes of Gateway meetings would need to be reviewed to understand that. Finally, he acknowledged the Indians lease did expire in 2023. He was not aware that the Indians were in

negotiations to extend the lease at this time.

In response to a follow-up question by Mr. Tarter, Mr. Offermatt noted the Sin Tax is not part of the County general revenues for budgetary purposes.

Next, the Chairman's report was given. Mr. Offermatt noted that the County Council approved a resolution authorizing the County to serve as issuer for up to \$65,000,000 of Bonds for Major Capital Repairs at the Ballpark and Arena, however, he indicated that the final issuance amount would be closer to \$60,000,000. He emphasized this is not secured by the general credit of the County and is non-recourse to the County with the County Excise Tax serving as the sole security for the Bonds.

He reported that the Project Fund will contain revenues which will be distributed per requests received under the bond documents. The bond issue is expected to close on December 16 and he noted that a number of reimbursements for the Cavaliers and Indians for previously completed projects will be drawn at closing and the remainder for ongoing Ballpark and Arena Major Capital projects will be reimbursed through draw requests from Gateway to the Trustee and then proceeds be delivered to Gateway and then to the contractors or teams as appropriate. He also reported that there is a potential for future bonds and that money has been set aside for future project needs.

Mr. Greathouse then gave the Executive Director's Major Capital report. He first thanked everyone who has been helping on the many projects going on, including Major Capital and Alteration projects and for the quick responses of both staff and outside service providers.

He first reported on the Quicken Loans Arena Major Capital projects, including progress on the Command Center Cameras project which was approved by the Board in the amount of \$3,060,000. The final phases are being completed with the Cavs. The system seems to be functioning well and there are only a number of small change orders remaining and he believes that they will be under budget for this project.

Next, he discussed the Arena roof with Whiting Turner, as the construction manager, and Dave Faller reviewing the Project. So far there are 4 RFP's to qualified contractors. The roof system would be a poured system. Mr. Offermatt then asked the question about whether this project was large enough to need a construction manager and in response Mr. Greathouse and Mr. Wilcox indicated that the project is a specialized project that would look for qualified roofing companies that could handle the project and a construction manager would be helpful. The bids are due on December 24th and the work is to be completed by May 24th.

Next, Mr. Greathouse gave a report on new Major Capital requests by the Cavaliers pursuant to a letter dated October 8, 2015 from the

Cavaliers. The first item was the request for a replacement of retractable Arena seating for \$3,100,000. Previous quotes had been given for \$2,250,000 plus contingencies. Mr. Greathouse reported this needed to be reviewed by Dave Faller at Osborne. The lead time for replacement was approximately 6 months, so that this item needed to be ordered by the end of December since the Republican National Convention will result in a total of 22 rows of seating on the north and south ends being removed. Because the useful life of the seating is towards the end, it made more sense to install new seating after the convention. Mr. Carroll asked about the review of the project and contingency number and Mr. Offtermatt indicated that we could review this at the next meeting and consider this item. Mr. Carroll also asked if Gateway had done its normal review for this project, and Mr. Offtermatt replied that if we were going to accelerate for the Cavs and Indians requests, we need to get together with our engineering consultant, Dave Faller, when we can get back to the Board with an answer on the Cavaliers' new request. Mr. Greathouse stated they will expedite the performance review. The next requested item was a scoreboard hoist which is being reviewed now. Finally, there is an HVAC project that would occur after the RNC Convention and will take additional time to review.

Mr. Offtermatt indicated that there could be a meeting with the Cavs later, but that there may be approximately \$2,500,000 of Excise Tax left in 2016 after the Excise Tax Bonds are issued and it may be a few years before another bond issue could be issued by the County and, therefore, there was a need to prioritize some of these repairs.

Mr. Greathouse concluded that Mr. Faller would be doing an analysis of the items in the recent requests as soon as possible.

Next, Mr. Greathouse gave a progress report on the approved Major Capital for the Ballpark. The first item was the scoreboard system. He indicated that Gateway is close to signed contracts with Daktronics and Beck and that Gilbane's addendum for the Phase 2 project was ready for signature as well. Mr. Greathouse indicated that they were able to negotiate a bigger and better scoreboard under budget with an \$800,000 contingency. There was next a reminder for County Council follow-up on the scoreboard warranty period which Mr. Greathouse and Mr. Offtermatt said they would supply to the County Council.

Mr. Greathouse talked about the Ballpark sound system. This was a \$4,700,000 approved item. They are doing RFP's now and hope to get the work done as the season progresses, as some of this can be done during the season.

He next reviewed the HVAC project. There is a \$5,200,000 request and there are bids for cooling towers and safety valves being proposed.

Then he talked about the concrete resurfacing. Again, specifications were being prepared for bid.

He then discussed the security control, which is approximately a \$2,800,000 project with RFP's being sent.

He then discussed the food and service equipment of approximately \$1,400,000 is out and there is a negotiated agreement with Tri-Mark to provide this.

Finally, he discussed the high steel, noting that this was approximately \$2,200,000 and bids were out to 5 vendors.

Then Mr. Greathouse reported on the Phase 2 Major Capital that the Indians are doing in connection with the Alteration project and include certain activities that will be done now to save dollars later when the Major Capital is completed. This includes fire suppression, suite and press box glazing, suite balcony flooring and HVAC in the suites.

Next, he moved to the new Major Capital request from the Indians, including \$5,000,000 for food service equipment and this includes plumbing, electrical and structural review. The other item is vertical transportation, in particular the outdoor escalators where certain steps were being replaced. There was a report from Schindler on the escalator and elevator replacements.

Finally, he discussed lighting foot light candles for the field lighting, which currently do not meet the Major League standards, but will be upgraded hopefully through a new LED system which will include a 10 year warranty. This is an approximately \$1,800,000 project. Matt Carroll then asked regarding the approved items for Capital Repair.

Mr. Offtermatt then talked about the Phase 2 alterations. Mr. Greathouse indicated that these were moving as expected. Mr. Offtermatt asked about the inclusion numbers, and Daniella Nunnally reported to the Board that there is approximately [\$1,200,000] in the right field project. The report was almost complete, but the right field project has not been finally closed and it was agreed that when the contract is finally closed, a final inclusion report will be prepared for the Board.

Then Mr. Offtermatt asked Mr. Wilcox to summarize the RNC negotiations. Mr. Wilcox reported that the parties are close to an agreement for use of the Common Areas by the RNC for the Convention, which should cover Gateway costs.

Mr. Kelly then gave the financial reports. He first reviewed the Gateway operating account which had a balance on October 1st of \$455,612, total receipts of \$195,863, and total disbursements of \$193,035. The balance as of October 31st was \$158,440.

He then reviewed the Ballpark Capital Account which had a beginning

balance of \$30,356 on October 1st, with \$128,600 in receipts and \$78,253 of disbursements for an ending balance on October 31st of \$80,703.

Mr. Offtermatt then asked about the real estate values. Mr. Kelly indicated there were no changes in Gateway's real estate valuation.

He next moved to the forecast from November 1 through December 31, 2015, showing an opening account of \$158,440, revenues expected to be \$349,792 for a total of \$508,232, of which \$418,733 is expected to be disbursed, which leaves a balance at year-end of \$89,499.

Mr. Kelly then reviewed the Progressive Field Alterations Account which had total receipts during 2015 of \$22,343,467.11 and total disbursements of \$20,316,714.03 for Phase I and \$304,837.91 for Phase II. Summarizing from the beginning of 2014 there had been receipts of \$26,266,756.86 and total disbursements of \$24,545,798.49 leaving a balance at the end of October 2015 of \$1,722,208.37.

Next, he reviewed the Progressive Field Major Capital Account which had receipts in 2015 of \$346,709.40, and disbursements for Phase I Major Capital of \$336,909.40, leaving a balance of \$10,250.

Next, he reviewed the Quicken Loans Major Capital Account showing total receipts and disbursements in 2014 of \$13,644,727.40. In 2015 receipts and disbursements each were \$2,654,493.29. He also noted certain self-funded alterations by the Cavaliers at Quicken Loans Arena of \$709,342.69.

Mr. Kelly reviewed the proposed 2016 budget which included a comparison to the 2015 budget which shows approximately a 2.2% increase over 2015 for both Progressive Field and Quicken Loans Arena. He also noted that the business improvement assessment is slightly lower and the property taxes were approximately the same. He has had discussions with both teams who have approved the budgets.

He next referred to the Ballpark Capital budget which was a total of \$2,414,097 for 2016. There was some discussion about the need to replace the bollards, although that is not in the budget at this time.

He then reviewed the Progressive Field inclusion numbers showing 20% MBE, 9% FBE and 4% DBE.

The Board after further discussion considered resolutions to approve the annual operating budget and the Indians Capital budget.

Upon motion made by Mr. Reidy, and seconded by Mr. Carroll, the Board unanimously passed the following resolution.

RESOLUTION NO. 2015-4

REGARDING AUTHORIZATION AND
APPROVAL OF ANNUAL OPERATING BUDGET
FOR 2016

WHEREAS, Gateway Economic Development Corporation of Greater Cleveland ("Gateway") has entered into Lease Agreements with The Cleveland Indians Baseball Company Limited Partnership ("Indians") and the Cavaliers Operating Company, LLC ("Cavaliers") (collectively the "Lease Agreements"); and

WHEREAS, the Lease Agreements provide for determination of rent to be paid by each of the Cavaliers and Indians pursuant to an annual operating budget approved by Gateway; and

WHEREAS, such budget is to be approved by Gateway by November 15 of the preceding year for the annual budget, or as soon as practicable thereafter; and

WHEREAS, pursuant to the Lease Agreements, Gateway has worked with the Indians and Cavaliers to develop the 2016 annual operating budget and presented the same to the Board of Trustees; and

WHEREAS, the Board of Trustees wishes to adopt and approve Gateway's 2016 annual operating budget.

NOW, BE IT RESOLVED, that the Board of Trustees of Gateway on behalf of Gateway does hereby authorize and approve Gateway's annual operating budget, including for the Cleveland Indians and Cleveland Cavaliers, as presented and attached hereto as Exhibit A.

BE IT FINALLY RESOLVED, that the Chairman or Secretary-Treasurer are and each of them is hereby authorized and empowered for and on behalf of Gateway in its name to take all actions necessary to carry out the foregoing budget or to modify the same pursuant to the Lease Agreements without further action or notification to the Board, which such officer or officers shall in his, her or their judgment be deemed necessary, advisable or desirable in connection therewith, which execution or approval shall constitute the conclusive evidence of the approval and authorization thereto of Gateway.

After further discussion, upon motion made by Mr. Carroll, and seconded by Mr. Reidy, the Board unanimously passed the following resolution.

RESOLUTION NO. 2015-5

REGARDING AUTHORIZATION AND
APPROVAL OF ANNUAL CAPITAL BUDGET
FOR THE CLEVELAND INDIANS FOR 2016

WHEREAS, Gateway Economic Development Corporation of Greater Cleveland ("Gateway") has entered into a Lease Agreement with The Cleveland Indians Baseball Company Limited Partnership ("Indians") (the "Lease Agreement"); and

WHEREAS, the Lease Agreement provides for the Indians to perform capital repairs in the Ballpark on behalf of Gateway; and

WHEREAS, the Indians and Gateway have annually agreed to a capital repair budget under the Lease to be funded by the Indians and performed by Gateway and the Indians (the "Budget"); and

WHEREAS, Gateway has worked with the Indians to develop the 2016 annual capital budget and presented the same to the Board of Trustees; and

WHEREAS, the Board of Trustees wishes to adopt and approve Gateway's 2016 annual capital budget with the Indians.

NOW, BE IT RESOLVED, that the Board of Trustees of Gateway on behalf of Gateway does hereby authorize and approve Gateway's annual capital budget with the Indians as presented and attached hereto as Exhibit A.

BE IT FINALLY RESOLVED, that the Chairman or Secretary-Treasurer are and each of them is hereby authorized and empowered for and on behalf of Gateway in its name to take all actions necessary to carry out the foregoing budget or to modify the same pursuant to the Lease Agreement without further action or notification to the Board, which such officer or officers shall in his, her or their judgment be deemed necessary, advisable or desirable in connection therewith, which execution or approval shall constitute the conclusive evidence of the approval and authorization thereto of Gateway.

The Board next reviewed the meeting schedule for 2016 and discussed the possibility of potentially having another meeting to discuss Major Capital requests in December.

There being no further business before the Board, upon motion by Mr.

Carroll and seconded by Mr. Reidy, the meeting was adjourned at 4:30 p.m.

APPROVED BY:

SECRETARY-TREASURER
