

FINANCE COMMITTEE MEETING
JULY 7, 2009

Finance Committee Chair Mr. Knuchel opened the Finance Committee Meeting at 6:48 p.m. In attendance from the Committee were Mr. Knuchel and Mr. Lajeunesse. Mr. D'Ambrosio was absent and excused. Also in attendance from Council were Mr. Morley, Ms. Vaughn, Mr. Matheke and Council President Mr. Elshaw.

In attendance from the Administration were Mayor Andrzejewski, Law Director Klammer, Finance Director Condron, CBO Stigalt, Police Chief Ruth, and Fire Chief Whittington.

Also in attendance were Bond Council Mr. Sharb, Financial Advisor Mr. Sudsina, Mr. Carfagna and Mr. Seymour and Mr. Slocum representing the Lake County Captains as well as members of the public in the audience.

AMENDMENT: LEASE AGREEMENT: CITY OF EASTLAKE & LAKE COUNTY CAPTAINS

Mr. Knuchel: We had discussed this previously and amendments were made to the contract which was put into legal form, per our request. I will provide Mr. Carfagna and Mr. Seymour of the Lake County Captains an opportunity to explain some of the changes.

Mr. Carfagna: As mentioned since our last meeting, over a series of meetings and ongoing dialogue with Council members and Administration we have revised the Fifth Side Letter Agreement and met the requests of the City in so doing. A couple of introductory points – the City was kept whole – it was held harmless – it can make a little money but will not make any less. In that regard we have come a long way to the credit of the negotiators on behalf of the City. It is a different deal than what we thought we had in December. The City is held harmless from any losses and will be kept whole by this agreement. At the same time the Captains are given an incentive to do more events which will we are hopeful will bring people to Eastlake and make more money for the City and the team. If something does happen the City will be paid back. For the Captains it does give us some room to operate – help in the cash flow – certainly that is a way we believe to preserve baseball in Eastlake. As mentioned in the press release that went out with the naming right payment – the Club has directly invested over \$8.5 million in buying the naming rights and concessions equipment over the course of the lease and it is estimated the Club will directly invest over \$15.5 million over the course of the 25 year lease. The naming rights are only partially sold. The Captains have had to make up the rest. At the same time as an organization the ownership has taken no management fee which has been verified by an independent verifier Mr. Mike Slocum who has audited and been given more access to the information and has reported back and confirmed this to the City officials. Yet we still are hosting and will continue to host Community events like the 4th of July fireworks – we did not make any money on that – it was a break even event – we invested a lot of time in human resources and capital and not making any money in partnership with the City. We want to do more in concerts. I will end here with the introductory remarks and we are certainly open to a lot of questions – any questions you may have about this side letter agreement – it is complicated – when you have eight people working on a document that tends to happen – we

wish we could have kept it simpler. We included the things that were asked of us and it is our expectation that after discussion this will be moved thorough Committee to Council for a vote.

Mr. Knuchel: Mr. Klammer, I know you had some concerns about the Fifth Side Letter that was detailed in an email today – would you like to explain those and if they have been integrated into the Fifth Side Letter?

Mr. Carfagna: There were some comments I received by email from Mr. Klammer that were incorporated item for item a few weeks back.

Mr. Klammer: There was a new version received from your Council and I made some comments on them.

Mr. Carfagna: What were those?

Mr. Klammer: There was nothing earth shattering. At 1.02 I know that the Mayor has a good grasp on how there is some guarantee for the City on this *inaudible due to paper shuffling* the language is to a certain degree *inaudible* but for some type of guarantee in that regard. I understand the parties think that they worked that into the Article II New Rent Credit: Credit Procedure somehow. I am fairly confident that at the conclusion of this discussion it will show how you guys anticipated that would address a minimum concrete guarantee. Section 1.03 – in looking at it again I wanted we address how the City will get paid if there is a change in the ownership interest or if we don't address how the City will get paid if the assets are sold – but I think the language allows itself to include that in there. I know there is some kind of schedule - or - upon sale of ownership interest or sale of the assets or substantial sale of the assets. My last comment was essentially these are negotiation issues but in my mind if we are agreeing to a 50%-50% on the annual rent there should not be a maximum amount of \$37,500 *inaudible*. Maybe I misunderstood the intent of the provision and maybe that gives credit today but in Section 2.01 *inaudible due to paper shuffling* a maximum the City is going to be paid of \$37,500 which is *inaudible* in my perspective. My last comment was we reference in 2.04 again this provision that the City shall not unreasonably withhold approval for any new ventures. For some reason I am bothered by the language “ventures” - when you combine that with the closing line in that paragraph it does give the team a little bit bigger out than I would be comfortable with but I think if we can all understand what “ventures” means we will *inaudible*. Those are questions of intent *inaudible*.

Mr. Knuchel: Mr. Carfagna – anything that Mr. Klammer just said that will change things from your perspective?

Mr. Carfagna: Just to review one more time – Section 1.02.

Mr. Klammer: That is a small issue. I think if the intent was to guarantee that by way of *audible*.

Mr. Carfagna: Right.

Mayor Andrzejewski: But the big one is in Section 2.01 – the last sentence that I pointed out to you.

Mr. Knuchel: Mr. Elshaw, does this have something to do with these provisions?

Mr. Elshaw: Actually, while Mr. Carfagna is reviewing the request. I think it would be helpful if we took a step back to where we left it at the last meeting to get everybody up to speed on what changes have been made. I think that would be very helpful and also on the record to talk about what work has gone into this on all sides. What the changes have been. It has changed from when we last talked to what we have today and we need to get to that point first I think and then talk about these additional items if that is okay. Just a side comment – in our Landlord/Tenant relationship with the Captains I think it has been a very successful and a good relationship. We want to continue to have that relationship with the Captains. The Captains have come to this City asking for help as they are having some difficulties. As has been communicated to the Captains this end product might not be exactly what you were hoping for but the City is also struggling financially and we will do the best we can to help the Tenant to solidify your financial picture. I think some of the points from last time – the two major points at least in my opinion were the term of the lease – it was originally at a five year – we talked about a three year and it has been changed to a three year term – also, the guarantee of stadium events was very important but that has all been rearranged – just in general we have a base rent that we have been collecting in the past and as long as the City is in agreement that is indeed what the rent should be going forward. There is also this new rent based on the attendance that we would accept and any difference between the base rent and the new rent would still be owed to the City – and, that goes back to what Mr. Carfagna was saying – the City is kept whole. It is just amortized over a period of time and that also was originally put in at five years – I know there was some difficulty with that period of time – again, the timing was an issue – that has been reduced to three years. So, with a three year lease and a three year amortization the most we are out is six years. But, it does begin to amortize in year four. And, there is also an upside – the Captains can make up for the difference between the base rent and the new rent schedule with concerts or other stadium events. That is an upside plus an upside also is that if they should go beyond that rent the profits come to the City. It is good that we are trying to keep this as a win-win and that at the very least the City is kept whole. Yes, there is a timing where there may be an interest calculation involved but for the most part we are trying to give the Captains some time to regain their financial footing.

Mayor Andrzejewski: So everyone puts it in perspective. Let's say the rent we received previously was \$300,000 and the rent we receive with the new agreement if it is at its lowest level is \$200,000. The term used in the contract is a "discount." So, there is a discount out there of \$100,000. That \$100,000 can be made up by concerts, other events, by using their ingenuity and let's just say that after three years that \$100,000 discount is actually \$30,000 – so they have come up with \$70,000 and there is \$30,000 left – then at that point the \$30,000 would be repaid to the City over the next three years as \$10,000, \$10,000 and \$10,000. What I like about this new agreement – the City is kept whole – the City is not going to lose a nickel on this deal. But, it also gives the Captains' management – which I happen to think we have two more aggressive people running the operation now in Mr. Carfagna and Mr. Seymour. And, that they will now

have more incentive to go out there and get some more concerts and get some more things. We have talked about a few things they may do on their own to attract more concerts. It gives them the financial incentive but also gives the City of Eastlake an opportunity to earn more money which is what we are looking for. They have come through on their payment of the naming rights. As Mr. Carfagna stated they only sold part of the naming rights to Classic and they have come up on their own with the rest and they have fulfilled their agreement to us – which we do appreciate because as you will hear in the second half of this meeting very important to what we will do in the next two months. As far as the Administration is concerned – with the help of Council – with the help of everybody – it has all been worked out and we are all in favor of it – with the exception of that last line. The reason we get rid of the last line is because the naming rights agreement said after five years the City would split revenue on the advertisement on the bridge 50%-50%. Now, we are prepared to take a chance – we will fulfill our end of the bargain – right now we get \$37,500 – if the revenue on the advertising from the bridge next year is \$75,000 we are kept whole at \$37,500 – but if it is \$50,000 we will lose a little bit. However, if it is \$100,000 we split 50%-50% and we make a little bit. It gives again the incentive to the Captains to go out to get more advertising but also part of the naming rights agreement five years ago it was included at a 50%-50% split.

Mr. Klammer: In 2011.

Mr. Knuchel: Correct, after five years.

Mr. Elshaw: To get everyone up to speed. The agreement Council had in its hand last was not this latest document – we received this today. So, there will probably be a quite a few questions but we did receive an email dated June 22, 2009 – this was before Mr. Klammer had comments that came in – that is what I was working off of and I think that is what everyone on Council was working off of. I did email Mr. Klammer's comments out so you could try to integrate that into the agreement but since that time there were a few additional changes made and that is where Mr. Klammer comes in now with his questioning and I have some also, as I am sure do other members of Council.

Mayor Andrzejewski: Let's just make it a little simpler. The new agreement that everyone received today changed it from a five year agreement to a three year agreement. It also included specifically the change we asked to make – if the City sponsored an event outside the stadium that the revenue from that would go to the City and not account against the discount. Now, if the Captains sponsor an event outside the ballpark then of course the revenue would be counted towards the discount. The only other thing I had was the one provision we have to change about the \$37,500. Any leftover amount after the discount would be amortized and paid back to the City over three years – not five.

Mr. Condon: There was one other change that was discussed on the CRIF – they have a number – Mr. Elshaw mentioned the rent schedule – the rent schedule is all out of the naming rights – those are contractual obligations – the variable was the CRIF amount put into that \$30,000 but there was a change made where that will be reconciled yearly – so, all the numbers in the schedule are good and that will get the mechanism to the actual *inaudible*.

Mr. Knuchel: Mr. Condrón, are you comfortable with these numbers?

Mr. Condrón: Yes.

Mr. Matheke: Where this stands right now I will be voting no – this is not in the best interest of the citizens of Eastlake. I will give you two examples: Section 2.01 “annual rent payment including CRIF” – CRIF needs to stay out of this. CRIF is separate and needs to be paid to us – for those of you who do not know that is the \$.25 per ticket that goes to update and repair the stadium. This does not need to be included in the base rent. The last page – we got \$30,000 across the board for CRIF. Am I to assume the Captains plan on selling 120,000 tickets a year for the next five years? That is what \$30,000 in CRIF comes up to – 120,000 tickets x \$.25. I do not see giving whatever the CRIF amount as a discount on the rent. They need to be kept separate. The second item I have serious reservations about is Section 2.04 about how “unreasonable the withholding of approval shall be deemed a violation of this agreement and shall credit Cascia for having paid the full Net Amount Due over this Term” – there is no way that is going to fly – who will determine what is unreasonable – who is going to determine that if we say no to an opportunity that no one will have to pay rent for three years – that is unreasonable – that needs to go.

Mr. Knuchel: Mr. Klammer, would you like to address this?

Mr. Klammer: That was one of the comments I had. Those are the things that you can negotiate your way through and sometimes it is just language. I am a little uncomfortable with it but then again in fairness language like “unreasonably withheld” is typical – you find that in some language and to answer your question unfortunately the one who decides it is a Judge. There is that business risk so to speak. But, I share your same concerns. I think that is a little too one sided in a certain sense that it gives a little bit too much right to not necessarily walk away but even withholding payment on the reality that litigation will solve the issue can be a serious detriment to the City when you talking about reductions you are talking about now.

Mr. Matheke: The rent schedule as it exists I cannot see as being cumbersome to the organization. I would love to go out there as a member of this City’s Administration and tell every business in this City – times are tough and we are going to collect 10% less on your income tax this year. That is not going to happen. I would like to tell every resident in this Community – times are tough and we are going to collect 10% less on your property tax. That is not going to happen. The City will be going through some tuff times and to give away what we are giving away here monetarily I do not see it being in the best interest of citizens of this Community and I think when people line up to start getting reimbursed for the problems this stadium has created in this Community the citizens of this Community should get paid first. That is all I have to say. Thank you.

Mr. Knuchel: I think the only issue we had that was not discussed was the CRIF fund.

Mr. Condrón: I would just say there is a new agreement where the actual amount will be part of what is paid every year – we will get it.

Mr. Knuchel: This does not mean we are not getting the CRIF money?

Mr. Condron: Correct.

Mr. Matheke: No, it is lumped into the \$200,000 that they are paying for rent. So, if the CRIF is \$30,000 they are paying \$170,000 in rent. If the CRIF is \$56,000 they are paying \$144,000 in rent. They are taking the money that is our money and using it as a discount against their rent. No – that will not happen.

Mr. Klammer: The scale slides somewhat.

Mr. Matheke: The scale has nothing to do with it.

Mr. Klammer: The principal is rather sound but the scale does slide somewhat because the gate receipts schedule here is basically gate receipts as of the CRIF money.

Mr. Carfagna: All of that money, respectfully, will be paid back at the end of this – one way or the other. It will be the same dollars in one way or the other. Mr. Condron will review this every year with us.

Mr. Condron: In answer to Mr. Matheke's comment. There are two parts to the base rent – it is the base rent in Schedule A which is known as the naming rights grant – there is the base and then the CRIF.

Mr. Elshaw: I think there is some confusion and we need to understand. I do have some other comments on this and I know Mr. Klammer also brought up the issue on 2.04 – maybe it is best we understand the intent of what we are trying to get at in that section. Let's just go back to what the City would be out so that way we are all under the same understanding. My understanding was this last page titled "Lake County Captains Rent to the City of Eastlake" - that in my opinion was base rent – is that correct – what we all agreed would be - if we did not do this deal at all this is the rent to the City except for the CRIF which we did talk about having to be adjusted to actual numbers each year. But, do we agree that – I have another schedule here that actually Mr. Slocum, our former Finance Director, put together on what we were collecting on base rent from the Captains. The first line the base rent of \$329,962 was the City's land obligation of \$358,000 – this is all lumped into one number. \$358,467 – then there was what was called the "excess x over y" which was \$148 – profit on the sale of development of a parcel was a credit of \$28,357 – so, we agreed in the past that was \$329,962. The bridge rent is at \$375,000 currently.

Mr. Condron: That is part of the naming rights.

Mr. Elshaw: The plaza rent which comes through the Captains but is actually Classic and is now Lake Health System – so the \$13,000 we agree with. The CRIF – I do agree with Mr. Matheke – that needs to be adjusted but we do agree that the City is owed that – this schedule is telling us this is what we are due – no matter what happens here – we still collect the CRIF because we

need to do improvements. The stadium will not repair itself. Then there was a naming rights credit of \$64,000 that we were in agreement with – there were credits for the State funds received prior to 04/2012 and received after. That will be gone after 2009. But, my understanding is our base rent that we can agree to is \$326,795 with an adjustment for the CRIF.

Mayor Andrzejewski: Mr. Matheke, if the CRIF goes up \$10,000 then the rent becomes \$336,000 and that is the number we will be made whole. If they pay us \$200,000 that year they owe us \$126,000. If at the end of three years that \$126,000 is still in the hole it will be paid back to the City in its entirety over three years. I understand your comments but I think you are maybe not understanding that the City is held whole including CRIF fund that our Finance Director and Mr. Carfagna or Mr. Seymour will reconcile at the end of the year. That \$30,000 is an estimated figure – it could be \$50,000 – it could be \$25,000 but the City is held harmless.

Mr. Elshaw: If I may continue because I was not finished. That was the base rent that we are due and now we are talking about what the Captains have asked for as far as a reduced schedule which is now based upon attendance. Basically, if the Captains do nothing – no additional stadium events – they owe us based on \$1,500,000 in receipts – they owe us rent of \$200,000 now but actually what they owe us is \$326,795 saying the CRIF is at \$30,000. They still owe us the difference of \$127,000 – it is just at the end of the term if they do no stadium events you guys still owe us that – you will just amortize that over three years. It still comes to the City. Is there a loss on interest – yes, probably there is.

Mr. Condron: But, interest rates are not that high.

Mr. Elshaw: I understand that – but, there is that – we do agree on that. However, it does give you a chance to get your financial footing. But, then in between they can make up their different with stadium events.

Mr. Klammer: If there is the shortfall for lack of a better term in the year 2010 and we do a concert in 2010 do we reduce the shortfall that year less any cash flows due to the City? So, the incentive for them to do their concerts still benefits us in that year's numbers. It is an interest free loan to a certain degree with the extent that it encourages them to do the concerts – we get that a year which reduces the interest free loan components.

Mr. Carfagna: What makes up the interest is the \$2,500 additional fee we are paying for bridge advertising as well as the now 100% concessions for the City for events held outside the park. The sale bonus which is in there is a new item. There are other new items which is new money for the City.

Mr. Matheke: The problem I have is Section 2.01 clearly states “annual rent payment, including CRIF” – change that to excluding CRIF then if we are going to keep the CRIF out of this. It needs to stay out of this completely. I do not know why it is even being brought into this. The way this is worded is if you have \$1.5 million or less in gate receipts that your rent, including the CRIF, is \$200,000. Now, I understand at the end of six years we are going to be made whole. I cannot see us going out and giving a six year interest free loan - yes interest rates are low right

now – but, if anyone remembers the 1970’s they could be up to 20% within 1½ years – so, let’s not kid ourselves that they will stay low for ever. Take the CRIF out of this completely. Keep it separate. Collect \$.25 per ticket and send it to us at the end of the year –put it in the fund – leave it out of this agreement all together.

Mr. Carfagna: So you are saying section 2.01 to delete that “including CRIF”?”

Mr. Matheke: That is the major problem I have with this and the other one is the language that we talked about. Just keep it the same.

Mr. Lajeunesse: Mr. Matheke, I agree about the CRIF – it took me a while to understand it when I first received the contract. But, you are right – I think it should be taken out of the equation. Also, I do have a question about the concerts. In 2004 there were two concerts. How is a concert brought to the stadium? Isn’t it a decision of the minor league – who makes the decision on who brings the concerts?

Mr. Seymour: We do. Through a lot of time and effort to bring shows here. This incents us to do that – if we don’t do this we have no incentive to do it and we become a baseball only company. Bottom line. There is a tremendous amount of resources, funds, staff time that goes into putting on a single show let alone multiple shows in addition to all the other events that take place that we manage at the ballpark. If this does not pass we become a baseball only company. We turn down concerts – we turn down every other event because we have to interest in doing that. Bottom line.

Mr. Lajeunesse: I completely understand about the concerts. I did that research when the concerts first came to the stadium – I was just curious because this year we only have one concert so far and there were some years when we did not have any and some when we had two – so, what determines one concert here or two?

Mr. Seymour: There are a lot of factors that go into it. Routing of acts, costs – working out a deal. But, also the time – the time involved. We factor that into it.

Mr. Lajeunesse: So, in reality as part of this contract you are managing the stadium for the City?

Mr. Seymour: Yes, which we have been anyway. We manage every event that takes place there.

Mr. Lajeunesse: Which is something I do not think is your position to even do.

Mr. Knuchel: That is not part of this conversation.

Mr. Lajeunesse: I understand that but it is part of the fact that this is not being included in our discussion of the financing.

Mr. Klammer: We are also getting 100% of other events that the City suffered in not getting all the revenue from in the first place –so, there is balance there. They will be able to handle more of the bigger concerts and we will focus on the more manageable events.

Mr. Knuchel: Thank you, Mr. Klammer.

Mr. Lajeunesse: Thank you, Mr. Klammer and Mr. Condrón for getting my information to me a little while ago. But, I still think that there are some questions that need to be researched before we pass this on for a vote.

Mr. Knuchel: So, what would the questions be?

Mr. Lajeunesse: That is one of them and you can continue on.

Mr. Knuchel: What was the question?

Mr. Lajeunesse: The suite being included. The suite is already in our original contract – correct?

Mr. Knuchel: Presently, we have two dates to use the loge – this would be our loge for the season.

Mayor Andrzejewski: We will get the facts on the table - #1 – a loge is not included in the original lease – the only thing included in the original lease is the opportunity for the City to use the loge twice a year – which we have done in economic development breakfasts and lunches. When I first became Mayor I was bombarded with – do concerts – do concerts. So, I did a lot of research and the research is in my office if anyone wants to see it. And, what I have found is this – there are plenty of what are called booking agents out there – they will give us all the acts we want – however, they don't want to be a promoter – they don't want to do ticket sales, advertising, produce the protective covering for the field, sound system, stage. What they want to do is say – Mayor, we will bring you x,y,z band and you pay us 15% fee. It is impossible for the City of Eastlake to do concerts at that stadium. We don't have the staff to do it and we don't have the expertise, nor will I put the City in the danger of losing money on a concert – which is the other thing you have to consider. If it rains – if tickets don't sell – we are not going to take that loss. We never would put the residents in that position. The Captains by doing the concerts have the expertise to do it and if you noticed the concerts we have had over the years – they all come in trucks with the stage, sound system, with the Captains doing the promotions, absorbing the advertising costs, the brochures, the scheduling. The other thing I look at is how many dates are actually available outside of baseball to do dates – so, you have to find that concert that utilizes stadiums and have the expertise as they do to negotiate a deal where they can make money and the promoter can make money. Where the City wins all the time is – we have an 8% admissions tax – so, if they do two concerts – risking nothing the City gets 8% of the admissions cost. We will make over \$5.00 per ticket on this concert coming up – plus, we make the parking across the streets. So, they have two or three concerts the City and the Captains will make money. It is not very easy to do a concert nor would the City ever get involved in those type of things. I thought we could initially but once you do the research you do not want any part in it.

Secondly, the Captains do not manage the stadium. As a matter of fact Mr. Seymour and Mr. Carfagna and I have had several discussions about that – the City owns the stadium and they are the tenant. So, to say the Captains in effect are managing the stadium is not a true statement – we manage the stadium. The City on this deal negotiated very hard to get a couple of things. The first thing and I don't think people here realize how important this is to us – is to finally get the opportunity by contract to do events outside the stadium without having to pay the Captains for concessions. When you do an event outside the stadium the #1 moneymaker – beer and concessions. Right now the Captains have the concession runs. So, they have given us that so if we want to do another festival we can do it now. As far as the loge for a year – the late Steve Guard said that is one thing the City should negotiate for and we would use that to pay back our residents by offering the loge on a raffle basis to families for as many games as we can and to also use the loge for further economic development and thanking our businesses for being in Eastlake. There are a couple of things in this lease that the City negotiated for that will directly benefit the City and its residents.

Mr. Morley: Section 1.05 - I understand we will get 100% of concessions but for this to be valuable for us we will have to go out and get something. The last thing we did have outside the stadium was the Irish Festival. For that to be a positive for us the City will have to move and get events for outside a stadium – for that to be a plus in this. I understand that is a concession from the Captains to us but if we don't do anything with it – it is just a section on this sheet that is really no help to us.

Mayor Andrzejewski: I understand that – I have had calls from other groups and as soon as I tell them that we have to work out a deal with the Captains for the concessions, especially the beer, the conversation virtually ends.

Mr. Morley: I think it is good that it is in there – I just think we need to use it.

Mr. Carfagna: By major league rules, my Club is aware of this – the Cleveland Indians must grant their approval for any franchise to operate within 75 miles of Cleveland. The Indians do not have to give any reasons that they choose to withhold their approval. To allow the Captains to operate within 75 miles of Cleveland the Indians obtain a 25% interest in the Captains at no cost. The Cleveland Indians franchise agreement with the Captains expires at the end of the 2010 season. We, as a result, will be sitting down with the Indians this fall and this is going to be part of the discussion. I cannot overstate how important this amendment is to the Club to keep it here in Eastlake and doing all the good we are doing in the Community – again \$15.5 million over the course of the 25 year lease - \$8.5 million to date – we are not taking money out – we are putting money in. Again, we want to keep the team here.

Mr. Knuchel: I had some concerns earlier on about what it was that the Captains were doing themselves to bend to the bottom line – and, I had some concerns I raised with Mr. Carfagna. Maybe it would be helpful to tell us what you can about what the team has done to make their bottom line better. Including things such as the change in the leagues, some positive things you have done with radio stations to get your message out more about the Captains baseball.

Mr. Seymour: You mentioned the radio agreement – making an agreement with a 50,000 watt station that allows us to market ourselves more effectively throughout the entire northeast Ohio corridor – allows us to sell more valuable sponsorships to our radio broadcast – allows us to basically reach out and touch that many more people. I think in general on the business side it reduces our cost. You mentioned moving to the Midwest league – that in of itself will be a considerable savings to us as far as travel, for lodging –everything on the baseball side. We as an organization over the last year have taken a look at every single line item and have found ways to reduce costs across the board. I have been involved in this several years ago with a prior team – a turnaround project and I can tell you that the genesis of it was a release free negotiation – it allowed the team to be freed up from a living albatross over its neck and to be able to out and attract other events. Just be able to function as a business. It was a similar situation where money was not being taken out of the organization – it was certainly being put into the organization to keep it going. I think as a business in general over the last year we have changed – we have changed philosophies and we will begin to experience expense savings and hopefully see some revenues increase right now. We are a little bit behind as any business will tell you at this point versus last year but I think in general we have changed philosophies and this plays a key role us to become more than a baseball only company because of the time and effort involved in the other things we want to do – quite frankly.

Mr. Elshaw: Regarding salaries and wages. How much have you taken from that line item in terms of reductions?

Mr. Seymour: It is about a 22% reduction versus year to date last year. We streamlined across the board – whether it is staffing or each of our individual line item expenses – we have been able to reduce almost every one with staffing being one of the major areas – both in our seasonal as well as our full time staff.

Mr. Elshaw: How much is the Carfagna or Murphy family gaining from the Captains franchise as far as salaries and so on?

Mr. Carfagna: Zero.

Mr. Seymour: No salaries – no management fee - for upwards of the last five or six years there has not been a management fee paid.

Mr. Elshaw: Back to Section 1.03 which addressed a sale of the Captains – should there be a sale – and, we talked about assets or ownership interest. One thing that was a question - I do not understand Major League Rule 54. Can you describe what that means?

Mr. Carfagna: We brought a copy of the rule book for major and minor league baseball. Rule 54 covers the transfer or sale of a franchise – it is pretty straight forward – basically, there is one ultimate authority for each team in all baseball – whether it is an asset sale or any other kind of sale. When that ultimate authority becomes someone new it is called a control interest transfer. It is essentially what it is in a nutshell. If we were to sell the Club to somebody outside the family a control interest transfer would occur.

Mr. Elshaw: Since that is referenced in the contract can we get a copy of that?

Mr. Seymour: Certainly.

Mr. Morley: Mr. Carfagna, in going back to what was said regarding negotiating with the Indians are you saying they have the right to say the Captains cannot exist?

Mr. Carfagna: We are only allowed to play baseball here because we have their permission.

Mr. Morley: If you go into these negotiations and it does not come out very well can they say the Captains cannot play in this area?

Mr. Carfagna: They can.

Mr. Morley: And, there is no recourse for you?

Mr. Carfagna: Due to the anti-trust exemption there are territories owned by major league teams – this territory is owned by the Indians.

Mr. Lajeunesse: Mr. Carfagna, that is interesting – can you go into a deeper clarification. Did that go on with the other two teams?

Mr. Knuchel: I do not want to get into this in detail because it does not have anything to do with the lease – if you want to get with...

Mr. Morley: The only reason I asked that was if it was going to impact what we are doing when they go into negotiations with the Indians.

Mr. Lajeunesse: I just wanted to understand what he was referring to.

Mr. Carfagna: It is common place for big league teams to own chairs - when this ballpark was being built – before it had a team – we were in Columbus, Georgia and we had to negotiate with the Indians to move here and if they had said no – there would be an empty ballpark there right now. It is as simple as that. In order to get the negotiations done we gave them 25% interest in the team without any obligations at no cost. In exchange they gave us approval to play ball.

Mr. Lajeunesse: Is that typical?

Mr. Carfagna: I do not know because they are private businesses but from what I read Dayton is in a somewhat similar situation.

Mr. Seymour: I do not know specifics. I have heard that major league teams are now looking at minor league teams as direct competition and not allowing teams to move into their territory.

Mr. Lajeunesse: I appreciate it – some of this is the first time I have heard it – I know how you came to be but it is understanding – so, if this negotiation does not go well with this contract can the Indians say they will not give you authorization because of this?

Mr. Carfagna: I do not want to speculate – all I am saying is the agreement is up in 2010 and we need to sit down with them in the fall.

Mr. Matheke: You said when you moved to the area the Indians had a 75 mile rule – I was under the impression that was for their own minor league system – if the Minnesota Twins wanted to move a team here would they still have to get the Indians approval? I wanted to make sure that no matter what franchise the Indians would have to approve it.

Mr. Carfagna: They have to give approval.

Mayor Andrzejewski: If an independent team wanted to come here that is not affiliated with major league baseball could then come here?

Mr. Carfagna: There are independent leagues here.

Mayor Andrzejewski: So if it is affiliated with major league baseball – I do not want to have this option – but, if an independent team wanted to come here they could just like Avon did and that other hick town out there?

Mr. Carfagna: In theory yes – it does not happen overnight.

Mr. Elshaw: Section 2.01 – aside from the CRIF which I understand Mr. Matheke's concern – it talks about the bridge advertising – one item that was inserted – the Mayor had a concern as far as the Captains advertising on the bridge sign and they have agreed to pay us \$2,500 a year for their advertising – is that correct?

Mr. Carfagna: Yes.

Mr. Elshaw: However, the next sentence “In no event, however, shall Cascia's payment to the City exceed \$37,000 per year attributable to the Pedestrian Bridge.” I don't think that should be put in there. We want it to be a win-win – it is risk for both. We both take the risk – we both gain with the advertising – so, can we cross that sentence out?

Mr. Carfagna: Yes.

Mr. Elshaw: Section 2.04 – I think everyone is having trouble with that one. That was brought up by Mr. Matheke and our Law Director. I feel the same. Mr. Carfagna, please give us an idea as to your intent. What is your worry that you feel it is necessary within this contract because we do not feel it is necessary.

Mr. Carfagna: I think it was more attorneys' language than business people. Being in baseball we meet a lot of folks where business ideas are presented – that there is an idea that could benefit the City that the team could be involved in – the City made money and as a result of that it would account for this. As the Mayor said earlier if we can put together a deal that will benefit the City we want to do that. Whatever that is – it is hard to foresee what that would entail – that is the intent. The “unreasonable withholding” is the attorney's language. If there is a strong objection to that I think we have defined it pretty well and I think we can cross off the strict part of that landing.

Mr. Klammer: In Section 2.03(e) – I advised Mr. Elshaw that I had no objections but in reading it again in the “By way of example” section – it takes about “in the event Cascia generates, brokers, or participates in a real estate or other business venture” – I guess I had not anticipated that this was intended to fall in other events at the City or stadium – did you have something in mind as to other real estate ventures?

Mr. Carfagna: Something that has come up in the past is – we have been approached by a developer to buy a parking lot – make an offer on it and build a hotel. That would be an example where in the past there is no reason or incentive to do something like that. Now, that this built in when we meet people we have this in mind to bring business back and make the City some money.

Mayor Andrzejewski: Just to clarify – if we sold half the parking lot to a developer to put up a hotel that money generated does not go towards the money you owe us because that is our parking lot and that is our real estate.

Mr. Carfagna: But, I am saying if we were to participate in that somehow, someway – that some recognition would be made for that.

Mayor Andrzejewski: You can get all the recognition you want – I will put you on the front page of the newspaper – the real estate is owned by the residents of Eastlake – part of that is we have the parking consideration there. There was an idea presented where we would put an office building there – which we would love to do but the ground floor would be parking.

Mr. Klammer: If they were to purchase the northeast corner of Vine Street which is a parking would it be your intent that that would be a credit somehow.

Mr. Carfagna: Somehow, someway if we can make some money for the City – it would be something we would have to sit down and talk about it.

Ms. Vaughn: Are you talking about a finder's fee?

Mr. Carfagna: Something like that.

Mayor Andrzejewski: That would be acceptable.

Mr. Knuchel: Do you want to change that language?

Mr. Elshaw: Yes. Then we will redefine 2.03(e)?

Mr. Klammer: I will work with it. And also the removal of 2.04.

Mayor Andrzejewski: In 2.01 the line referring to exceeding \$37,500 will be removed.

Mr. Elshaw: I think 2.04 has given everyone problems – we are not understanding it – if it can be removed that is great. Otherwise we should re-word it because if we withheld on something I would assume we felt it was not in the best interests of the City and we want to reserve that right to make that call.

Mr. Cafagna: Of course.

Mr. Elshaw: So, you see our side.

Mr. Knuchel: Mr. Lajeunesse, maybe what you were trying to say before is – what would happen if the Captains were not allowed to continue doing baseball at the stadium – if the agreement did not go through. The City would be made whole up to the point that you would no longer be able to do that – is that correct? If the agreement with the Indians did not go through where would that put the City?

Mr. Elshaw: How is that covered in the original lease document?

Mr. Klammer: I am not sure that is a fair question because that will go back to the original lease agreement and I don't want to answer now.

Mr. Knuchel: Well, I was just trying to throw it out there because that is what he was trying to get at.

Mr. Lajeunesse: I try to make sure I am seeing the whole picture – you are right Mr. Knuchel, that is where I wanted to go. Thank you for clarifying it – if you cannot give me an answer now maybe you can get it to me. I am trying to see what is the end result if we don't work together and something happens – which I want to – but we have to understand the results of what will happen. I don't understand how a major league team can just choose to not let you operate here.

Mr. Carfagna: Due to the anti-trust exemption – it does not make business sense – it is not something you see in American business for that reason. It is basically a franchise license that can be pulled.

Mr. Klammer: So, if the team has an ownership interest they will want to see how you manage your costs.

Mr. Carfagna: They have a seat at the table.

Mr. Lajeunesse: Since I don't know the answer obviously I don't know the question to ask but I would like to see the final picture.

Mr. Carfagna: Hypothetically, it would not be pretty. It would be very, very bad.

Mayor Andrzejewski: This whole discussion started with that I don't want to put a City in a position where during a recession we are trying to find another team to occupy the ballpark. That is the reason I opened discussions with them. You know my past history as far as the Captains and giving money. Then when Mr. Condrón and I saw Mr. Slocum's analysis and documentation we were convinced before we even came to you that the Captains needed some assistance so we can keep them in Eastlake – I am stressing the word assistance. Not give backs, not gifts, not hand-me-downs. We are looking to keep the team here especially during a recession time to give them some operating room and give them some cash flow without hurting the City. Mr. Klammer, I think 2.04 could be put mute by saying "If as owners of the stadium the City and its residents – if they were to propose an event that was against our ordinances or morally reprehensible to us the City would have every right to deny that legally" – right or wrong?

Mr. Klammer: It would, regardless of the reason.

Mayor Andrzejewski: I can't think of an event that we would object to if it makes money. Without going into graphic detail it would be some morally reprehensible event or something that was against our ordinances or the laws of the State of Ohio – which will not happen.

Mr. Matheke: I can give you a perfect example of something you would not want to have held in the stadium – and please I do not think you guys would even think of doing this – back in the 1980's there was a group call Two Live Crew that were the most profane group out there – they were doing outdoor concerts – not that in a million years would I think someone would want to book an act like that – but, that could happen. And, we don't want to be caught by someone proposing a concert of that nature and us saying no – don't do that. The 75 mile rule is the reason most Triple A teams in places like Memphis and Louisville – large cities that are out of the major league areas. I think this is coming along – I want to keep the CRIF money separate and the six years interest free loan – I don't really have a problem with that as long as we are made hole at the end of this. And, I do appreciate the work you do in putting on the concerts because it is not really easy. Because of the league you are in now and thank goodness you are moving to the Midwest League – hopefully things will straighten out. But, with the Double A league and the other teams in this area all being in different leagues it is tough to get schedules aligned to where you can get these groups that are traveling from New York to Chicago and hitting 18 minor league parks along the way. It is tough because of the scheduling – I hope you get as many as you can because I know it is not very easy with your schedule. When will the Midwest league come out with your schedule?

Mr. Seymour: We just saw a first draft last week.

Mr. Matheke: So you have an idea where the openings are going to fall for next year.

Mr. Knuchel: The CRIF fund seems to be a hang up – could we do something about that now?

Mr. Elshaw: I think I have heard just about everything I had questions on - I may have additional questions. But, at this point it is down to the CRIF and to be honest I was contacted by Mr. Carfagna and Mr. Seymour – they wanted to talk to me about what issues I had with the contract. I did not have a problem with that. One point I had to get across to them was the difficulty that we are having in the City – financially – and I am only one member of Council – they also asked Mr. Knuchel, as Finance Committee Chair. That is only two members of Council and I told them whatever conversations we had would probably be reiterated tonight and needed to be so that we included all members of Council for a thorough understanding. One item that did come up in the discussions was the removal of the CRIF from the rental. But, I think what needs to happen is that we need to talk about –Mr. Carfagna and Mr. Slocum were talking about cash flow issues with the Captains. Maybe you can help us understand that and what difficulties you are having. Maybe we can work something out. Our fear and I do not want to put words into Mr. Matheke's mouth - but, we know the stadium has to be repaired so for us to now collect the CRIF accordingly and hold that off may be detrimental to the repairs of the stadium – and you guys don't want that as well.

Mr. Carfagna: Sure.

Mr. Elshaw: I also understand you had some cash flow issues.

Mr. Carfagna: In this amendment all the CRIF money will be paid. That is part of these calculations. We will sit down with Mr. Condrón each year and figure out what the number is and it will be paid per this amendment. It is not an intent not to pay it – we are going to pay it – it is part of the amendment. It is a matter of striking out the language in Section 2.01 for it to be the same agreement that we reached here after months of discussions and meetings – this began in October and looked totally different. In December we had a deal, now we are here in July and if we are going to make this additional adjustment it is almost like where does it end – we can keep adjusting and adjusting and pretty soon there is no agreement. If we make that change regarding the CRIF and we keep everything the same there is no deal. Unless, we adjust the total gate receipts accordingly – so if it is a \$30,000 estimate - \$200,000 in rent – we make that \$170,000 and again at the end of the year the total dollars – we will add that up – what is the City not receiving in total dollars in 2009, 2010, 2011 that it was owed less any new revenue – revenue credits. Whatever that number is we will pay you.

Mr. Knuchel: I guess my question would be to Mr. Condrón. How much do we have in the CRIF fund now?

Mr. Condrón: About \$275,064 – that is the balance as of May 1st.

Mr. Elshaw: Mr. Carfagna had hit on something – I understand the cash flow issues and that is what you are looking for – you are looking for help on your cash flow. And, I understand Mr. Matheke's concern with keeping that separate and not considering that part of rental. So, I guess

we hit on something that maybe – I don't know if it is acceptable - that you are saying if we pulled out the CRIF from the schedule and we will keep receiving that we can reduce your new rent based on total gate receipts by \$30,000.

Mayor Andrzejewski: He is suggesting using the estimate of \$30,000 – maybe more – maybe less. The actual number we will receive could be more or less but for purposes of adjusting the rent if I hear you right you are suggesting to remove \$30,000.

Mr. Elshaw: It does not do a lot for the City but I understand what it does for the Captains and it keeps our CRIF coming in a separate fund and we will be able to make repairs and take care of the stadium. I do not know if that will be acceptable but it is a thought.

Mr. Carfagna: If we are going to strike that then that is how it has to be to do the same deal.

Mr. Knuchel: Mr. Matheke, do you have any problems doing it that way?

Mr. Matheke: Yes, I sure do. We are looking at a bottom line here of a \$200,000 rent payment. And I am just going to go to 2010 since who knows what is going on. In and of itself I don't have a problem with that but the way I see things is – on this last page the Captains' base rent is \$329,962 plus a naming rights credit of \$64,000 – so, we are looking at in 2010 if nothing happens from this point forward we are looking at \$265,962 which is owed. With things as it is if we leave that at \$200,000 basically we are deferring \$66,000 till the end of this term. Again, the CRIF is the CRIF. If they collect \$42,000 then \$42,000 goes into the CRIF account and we should be not subtracting that or adding it to the base rent. \$200,000 from a \$265,962 base rent we are still looking at a 25% rent reduction.

Mr. Carfagna: There are additional naming rights rent being paid in the interval to reduce that amount – so, you are looking at – as it is currently written – about \$250,000 coming in 2009 – but, then you have a concert this year – that will add we estimate between \$30,000 to \$50,000 – so you have almost \$300,000 coming in 2009 already. So, it is a deferral of \$26,000 in rough numbers estimated. I would like to ask, if it is okay with the Committee, Mr. Slocum to speak – not about specifics per se.

Mr. Slocum: There are a couple of thoughts I would like the Committee to zero in on. Take a look at the CRIF payments – it is a quarter of a ticket. What's happened with the CRIF payments over the last five years? Drastic decrease – from the City side – our CRIF fund is being really murdered and it is – there is no doubt. But, what does that mean for the Captains? Those are whole tickets that they are no longer selling – it is a quarter to you – it is \$8.75 to them for that type of decrease. I did take a look at their books – they have a decrease in revenues – a significant – which you know just by taking a look at the payments into the CRIF fund. Because one of the things I looked at is – were those payments correct? And, I got myself comfortable that they were correct coming into the City which meant that the ticket sales were down. You are dealing with a franchise – they are not pulling money out either from salaries and management fees or any type of income off of it – quite conversely they are investing more and more money into it. And, the think I as concerned with as a citizen walking into this thing is –

are we going to be able to keep that stadium filled? In my mind and as a citizen I think you have to meet them half way – give them a little bit of the latitude so they can utilize that money in creating other investment opportunities. Putting on these concerts – it takes a big investment on their part that they can just as easily lose on. And, if they win then it becomes a giant win-win for both them and the City. There is a limit in my mind and I have no firsthand knowledge as to their other financial resources are but I think there is a limit in my mind as to how much more money they will be willing to put into strictly a baseball operation and I think what they are trying to get to here – and, I saw this for the first time yesterday – so, I have not been involved in the drafting of this whatsoever – I did not want to be part of the drafting – but, I do think that you have an opportunity to hopefully keep the team here and to put them in a position where they can not only return more for themselves which – they are a business – they are a business to make money – but, they are going to create opportunities for the City to make more in the long term. What I suggested earlier is adjust the rent schedule – maybe you don't go with the whole \$30,000 – maybe you go \$25,000 so the base rent becomes \$175,000 and if the CRIF comes in at \$42,000 you get \$175,000 plus the \$42,000. Whatever the CRIF actuals are due the City from the CRIF. That way that integrity of the CRIF would be maintained.

Mr. Knuchel: That sounds like a good idea.

Mr. Slocum: That is my thought. And, just to set the record straight. I have not been paid by the Captains one cent of this year whatsoever – so, I am not on their payroll today or anything like that. I got paid for an engagement last year and that ended with the meeting with Mayor Andrzejewski and Mr. Condron last year. I am not getting paid to do this. I am here as a citizen.

Mr. Knuchel: Could you explain it one more time – what you compromise is?

Mr. Slocum: In my mind you strip off any reference to the CRIF being part of the formula – that they will agree to keep paying the CRIF – but, you then adjust that red schedule – instead of \$30,000 use \$25,000 less but adjust everything down so you go \$75,000 - \$200,000 - \$225,000 - \$250,000 and it is still an additional \$25,000. But, then you get the entire – and hopefully you are hitting higher amounts which mean you are generating more for the CRIF fund anyways.

Mayor Andrzejewski: And, more for revenue.

Mr. Lajeunesse: I agree with that Mr. Slocum. This just came to us for the first time. So, Mr. Carfagna and Mr. Seymour, I know this gets a little frustrating on your end but again – we were here three months ago and now it is three months later. So, as much as it is frustrating for you it is frustrating for me because as you suggested, and I appreciate your openness – you had discussion and you had discussion – I guess I could have discussed it with you also but the point is – we have a new Council person and he is interested in what is going on – he needs to get caught up. We are seeing some of this for the first time – Rule 54 – so, there are numerous questions for us to do this properly – not to say no one else did it properly. I appreciate the discussion and if that is some where we need to meet and do that I am fine with that for the good of both sides.

Mr. Knuchel: So, Mr. Carfagna, the question to you is – is that acceptable?

Mr. Carfagna: That we carve out the CRIF and the other changes we discussed – and we adjust it down.

Mr. Elshaw: And we scratch the CRIF totally from the rent schedule so that is never included as part of rent.

Mr. Knuchel: Is that acceptable?

Mr. Carfagna: That is acceptable. And, then I will note too that we will make those other changes that have been requested.

Mr. Klammer: Mr. Carfagna, does Rule 54 address the sale of the assets as well as the ownership interest?

Mr. Carfagna: Yes, I believe that it does.

Mr. Klammer: *inaudible*.

Mr. Carfagna: Absolutely, in fact that is how most of them occur.

Mr. Elshaw: To continue with Mr. Klammer – ownership in stock or assets is covered.

Mr. Knuchel: What did you say, Mr. Klammer?

Mr. Klammer: Looking at the rule *inaudible*.

Mr. Elshaw: Back to the CRIF – we asked this earlier but not everybody heard it – how much did we collect, Mr. Condron, in the CRIF last year?

Mr. Condron: About \$36,000.

Mr. Knuchel: Mr. Lajeunesse – can we move this forward with the revisions and the issues Mr. Klammer needs to straighten out?

Mr. Lajeunesse: Move it forward.

There were no further questions or comments. The Committee agreed to move this matter forward to the next regular Council meeting.

GRANT ACCEPTANCE: POLICE DEPARTMENT: CAMERAS: \$15,905

Chief Ruth: We applied for a \$15,000 grant through the Byrne's Memorial Grant – we will use that to purchase cameras which we will be purchasing under State Bid – we were awarded it and need your acceptance of it.

There were no further questions or comments. The Committee agreed to move this item forward to the next regular Council meeting.

STATE BID: POLICE DEPARTMENT: LIVE SCAN FINGERPRINTING SYSTEM:
\$15,899

Chief Ruth: We want to move forward into the 20th century – not quite the 21st century yet for us. This provides us the ability to take fingerprints electronically. Right now we still use the old card and ink method which a lot of times the prints become smudged – they have to be hand sent into the various agencies – this would be all automated and there is less room for error – very little maintenance upkeep on the equipment – it is all computerized and it has direct links in so the fingerprints would automatically be downloaded into to BCI, the FBI and the County – they do automatic checks for any hits on warrants on criminals – it is a lot faster and a lot less manpower intensive and there is a lot less room for error. The money is budgeted to do this. We will be purchasing this under State Bid.

Mr. Morley: Does that price include everything – there is nothing when it gets here – do you have to pay for installation?

Chief Ruth: As far as I understand that includes everything we need to get up and running.

Mr. Morley: Will they supply training?

Chief Ruth: Yes, there will be training – it is relatively simple to use. Officer Formick is already familiar with it.

Mr. Elshaw: We do have to stay one step ahead of the criminals – it was anticipated within the budget – I am good with it.

There were no further questions or comments. The Committee agreed to move this item forward to the next regular Council meeting.

RECISSION: LEGISLATION NO. 2009-055: BID AUTHORIZATION: EMERGENCY
GENERATOR/POLICE DEPARTMENT

Mr. Knuchel: As Service Director Semik is absent and excused – Mr. Mayor?

Mr. Condon: We do not need to bid because our recommendation is to go with the State contract. If we are going with the State Bid we have to rescind the legislation to advertise for bids.

Mr. Knuchel: For those who do not remember we approved legislation allowing them to go out for bids for this. In the meantime it was found it may be a better idea if we just went out and looked for the State Bid. I must remind everyone that this should have been done prior to us approving the bid advertisement. That is why we have to rescind our prior legislation.

Mr. Lajeunesse: Prior to getting any draft legislation it should first be checked to see if it is what they want to do.

Mr. Knuchel: That was my point.

There were no further questions or comments. The Committee agreed to move this item forward to the next regular Council meeting.

STATE BID: EMERGENCY GENERATOR/POLICE DEPARTMENT: \$31,618

Mayor Andrzejewski: We need it.

Mr. Knuchel: This is in the budget – we do need this and have discussed it for two years – it is time to pull the trigger on this.

Chief Ruth: Again, the equipment we currently have is 20+ years old and is original to the building. It leaks fumes throughout the building – the starter needs to be rebuilt – parts for the equipment are not longer available – we need to move on this quickly because one of these days we will need that generator and it will not function for us. It is time to replace it and is long overdue. The money is in the budget.

Mayor Andrzejewski: I wish to concur that in all seriousness this item should have been replaced ten years ago – it is another one of those items like the 911 system that we found that should have been replaced that we are now expending good money but needed money to replace it.

There were no further questions or comments. The Committee agreed to move this item forward to the next regular Council meeting.

STADIUM BOND FUND PAYOFF: DEFEASE LEGISLATION

Mr. Knuchel: Today, for our bond counsel we have Mr. Mike Sudsina and Atty. Mike Sharb. Mr. Condon, are there any opening statements you would like to make about this?

Mr. Condon: I believe the memo of June 12th would be the starting ground because it laid out the history as far as a blueprint of where we are today. I guess the idea of paying off the bonds early came to fruition in 2004 when the City refinanced and bonded some notes and one of the issues was the tax exempt issue and there was a 5-year call feature put into that with the idea of gathering monies from the naming rights which was yet to be negotiated and the Transportation monies which was yet to be received and hopefully in five years putting those to the bonds. In the earlier Recovery Plans that was the discussion on the \$788,000 with General fund balance at \$1.2 million assuming we got \$700,000 from the other sources which we traditionally get from the various revenues related to the stadium. We made two modifications since I have been here –one we increased the dollar amounts – in 2006 pursuant to the Recovery Plan that was in effect at that time we established as separate fund called a “callable bond fund” – it has had no expenditures since it was instituted in 2006 – it has just accumulated these types of revenues with the idea of getting funds together to pay off the bonds early. As, I mentioned we put another \$2.4 million in through our internal transfers and the sale of the 37 year easement to the cell

tower and interest that we received through interest rates. We got about 5.4% for 2006 and nine months ago 7%. It has gone down to under 1% where it is today. One other thing we had to change through our contacts with Mr. Sharb who is the City's bond counsel when all this activity took place for the ballpark was the legality of the sources of use for the funds. It turned out that we had to change our plan a little bit to meet the guidelines – IRS regulations on what sources of funds can be used to retire tax exempt debt. You would usually think that government money is all tax exempt but I guess the IRS looks at it that it has already been a tax break to that so they don't want any more of their own money given people discounts. That changed the focus a little bit and we had to look at taxable issues – because taxable bonds have a higher interest rate and they don't have any restructure. So, when you call it good and bad money it turns out that we are able to accumulate the resources to take completely off our books with things known as a bond defeasance – which the City did in 2005 when it refinanced the City Hall building. Of the taxable issues that has the highest interest rate – it was an \$8 million+ issue in 2002 and beginning in the year 2006 the Administration kicks up to 6%. If we had \$8 million that could only be used for taxable bonds it was rather simple to say *inaudible*. The other taxable issue is about \$4.3 million and it has lesser interest rates and that was part of the 2004 bonding - \$9.8 and \$4.3. Through these other funds that we were able to accumulate we can take advantage of what the City initially thought of with the 5-year call feature with our funds we put in – interest, sale of the 37 year easement, and that grant we found in that #620 fund and all we put towards the 2004 tax exemption we can take advantage of the call feature. We asked Mr. Sharb to take a look and make some recommendations as to sources and uses – he has some attachments that you have taken a look at. Maybe he can explain.

Mr. Sudsina: I would like to compliment everyone at the table – having been at this table in 2004 when all this was coming down and I am sure Mr. Sharb shares my sentiments – you folks have done a phenomenal job to get us to this point today where we can actually start paying off some of this debt. We have been sitting in the background watching all the good things you have done and we would love to compliment you on all your hard work.

Mayor Andrzejewski: What we did in 2004 in going out and rebidding the bonds and taking the year to year interest only notes and making them into long term bonds with a call feature is paying off now.

Mr. Sudsina: Absolutely, without a doubt. On page one of this hand-out – it is a summary of the money of the money and the sources upon which are the funds you folks have put away with this date to come. And, the uses are laid out – what we will be paying off or at least depositing in escrow about \$7.8 million for the 2002 taxable bonds – they did not have the 5-year call feature – those are callable in 2012. We set up an escrow fund to take care of those until the call date in 2012. However, the 2004 tax exempt – we are taking four of those maturities – the last four and the foremost expensive maturities – 2028-2029-2030 and 2031 and we are defeasing those. Those were subject to the 5-year call which is the August 1st of this year – so, those will totally disappear with no escrow involved with the 2004. The 2002 will require an escrow until 2012. The mechanics of the escrow were important in understanding because you put that money there and you want it to grow. If any of your dollars are sitting around you want them to grow and work for you and that is one of the problems right now – we all know interest rates are low and

as we parked that money there for that purpose we will legally be able to defease this – it is off the City’s book – doesn’t exist anymore as far as anyone is concerned except the bonds are not callable yet – so, it has to sit there in the bank. The way we are planning on setting this up is those dollars will be used to purchase Federal Treasury bonds – the safest investment there is – unfortunately that is accompanied by fairly low interest rates right now. But, the type of Treasury Bonds we are planning on purchasing are bonds we can later sell if interest rates turn around and get better and we can actually capitalize on that between now and 2012. So, we have about four years that we are trying to keep flexible until we potentially restructure that escrow if that opportunity arises. We are trying to do everything we can to orchestrate this so it works to the City’s greatest benefit over the time the money sits there. That is pretty much it in a nutshell. Page 2 is a handmade report but I wanted to show you what we found *inaudible* on page 2 what the mechanics are in the escrow – we have \$7,020,000 worth of bonds that we are calling – in order to defease those bonds and legally say they are gone you have to put even more money in now so the \$7.8 million can grow to the point where we have enough money to pay the bonds off in 2012. And, in the meantime making principal and interest payments between now and then as well. So, we have the \$7 million we are paying off – we have had \$800,000 so it has earning power under today’s interest rates so when the day comes we will have \$8.422 million to pay off the bonds of which we will have earned \$594,000. And these by the way – these numbers are based on interest rates from May to earlier mid-May. They change every day. In prepping for the meeting yesterday I re-ran everything – this is just part of it and Treasury rates have actually gone down – which means that right now that we need more money – we need \$50,000 more to make it work. And, they are coming down which is good – until we actually pull the trigger and buy those securities which will be in about 30 days from now the rates can change again – I don’t hesitate to guess there will be another \$50,000 – maybe it will come back the other day.

Mr. Elshaw: But, you are only looking at a 30-day closure?

Mr. Sudsina: Absolutely. I think page 2 is helpful to understand the dynamics of the escrow fund and how much money you will earn over the four years. The last couple of pages – one shows you how we are paying off the tax exempt funds in 2009 and page 4 projects how what is left after we get this all done.

Mayor Andrzejewski: Please note six years have been taken off the payment schedule. It is like repaying your mortgage and instead of it being a 30 year mortgage now you are down to 24 years. And, our intent is to keep whittling down on that so that eventually it gets to a point where we can pay the whole thing off.

Mr. Knuchel: And, the efforts of everyone here that voted to each time we wanted to put money in that callable bond fund – I say thank you. Because that is part of what brought us to this point.

Mr. Elshaw: I agree that stocking away the \$2.4 million really helps out – and if you can add to that.

Mr. Condrón: Without that we would not be able to *inaudible* we’d need to use our own resources.

Mr. Elshaw: Absolutely. Stocking away of additional funds while we were in fiscal emergency and while we are in an economic downturn is still very important to us and is one of the best things we've done – in my opinion.

Mr. Matheke: We got most of this in our draft and I went over this and all I have to say is a lot of this is a no-brainer. I mean paying off 6% bonds instead of 4% bonds – yes, let's do it. So, thank you for all the work that you have put into this and all the work you have done over the years with this because this is not something you had to prepare for this month – we have been preparing for this ever since the first promissory note on a napkin to get this stadium started.

Mayor Andrzejewski: This started in 2004.

Mr. Klammer: I want to compliment you guys too – I think what Mr. Sudsina and Mr. Sharb said was directly on point – this is the first big event that you folks have had from the planning through fiscal emergency and the planning afterwards. Mr. Condrón constantly looking at these numbers and insisting every time money came in to put it towards the bonds. This is the first big success we have had because of all that. I wish there was some fanfare – I really do. There has been no other community in Lake County that has been presented with that burden and make this substantial step towards eliminating that burden. You can't name one – even the City of Mentor got themselves out of fiscal emergency and did not have this long term problem.

Mr. Sharb: Deflect most of the credit in this direction which is where it is do – Mr. Sudsina has prepared all the financial analysis – my role is limited to the lawyerly aspects of this which were guiding Mr. Condrón and the City through where to put the money in the right place to not compromise the status of any of the bonds and ultimately once they presented me with the plan it was to produce the ordinance which is full of lots of words which may not be easy to figure out. But, this does exactly what Mr. Sudsina just told you it is supposed to do. I wanted to underscore a couple of things. One is the assumption is if this is passed by Council it will go into immediate action in the form of an immediate call note throughout the next day as to the bonds that will be called for optional redemption and as the Ordinance makes clear that will happen on August 15th. Within 30 days some real bonds will disappear in real life and it puts the mechanism into place for those that are being escrowed until a call date. The other thing I wanted to mention in case there is confusion is on the governments – Mr. Sudsina had mentioned they are the safest securities possible and that is why in order for us to conclude that these bonds that were defeasing are not outstanding as a matter of law. They must be escrowed with those types of securities so we are making the choice not only because they are the safest but because the statute requires that because they are the safest.

Mr. Sudsina: More fanfare is yet to come as you folks do the hard job of stashing away money – on the last page besides highlighting what we are doing with the two issues this is also our guide with Mr. Condrón to pick off additional bonds in the future. This thing is ranked by the most expensive bonds and then down.

Mr. Condrón: We are going to keep using that – August 1st and every August 1st thereafter. When we budget for the current debt we are always going to transfer and knock off as we go.

Mr. Sudsina: Mr. Condrón asked me to look at refinancing what is still outstanding and whether that would work. Under these low interest rates right now at least for escrows because the one set of bonds does not come to the call date until 2012 and the other ones are 2015 – we don't have a lot of earnings power in the escrow – even if we had the opportunity. We will continue to monitor that – right now the 2004 taxable's are the best candidate because they will be made tax exempt. Frankly, even at a 50% improvement in rates – a ½% improvement in rates be it a combination of escrow rates coming up and bond rates coming down or some combination of that – 50 basis points (½%) gets where we can probably refinance pretty much all of it.

Mr. Elshaw: I guess for the record right now – how much are we paying, Mr. Condrón, in principal and interest – what are our current payments for debt?

Mr. Condrón: Between \$1.9 million and \$2 million total per year.

Mr. Elshaw: And, after we go through this process what are our payments?

Mr. Condrón: It is a separate schedule but for illustration - post defeasance in 2010 it will be \$1,207,450.01. And of that we use a combination of General Fund transfer which is budgeted since I have been here at \$1.2 million and we look for those other revenues in the stadium – the rents and the parking to come up with the other \$700,000. So, if we use the same formula it would go to \$507,450.01 instead of the \$1.2 million.

Mr. Elshaw: So, literally, less than half - we have cut this in half. That is outstanding.

Mayor Andrzejewski: The goal is to get to a point where no money is coming out of the General Fund and as we continue to pay off the bonds and the \$507,000 goes down – so no money from the General Fund is used for the stadium.

There were no further questions or comments. The Committee agreed to move this matter forward to the next regular Council meeting.

RECOGNITION OF THE PUBLIC

There was no one who wished to speak.

The meeting was adjourned at approximately 8:56 p.m.

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