

# Finance and History

## Timeline

### Phase 1: Beginnings

#### 1971 – Construction of Municipal Stadium (now Dick Putz Field)

St. Cloud had been home to the St. Cloud Rox, a Class A professional minor league baseball team, since 1946, but was threatened with the loss of the team. The prior Municipal Stadium, at 25<sup>th</sup> and Division Street, was torn down to make way for a shopping mall – the current site of Lunds and Byerly's. The City acquired surplus Veterans Administration property and built a new stadium in an effort to retain the Rox. Unfortunately, following the 1971 season, the Northern League folded and, along with it, the Rox; the City was left with no prime tenant for its new 1,500 seat stadium.

Over the next few years, the City developed a new business model for the stadium: as home to high school, amateur and youth baseball, augmented by regional and statewide tournament play. Prior to the departure of the Rox, those teams had had little access to the City's premier field. During this period, the City instituted a commitment to quality maintenance of the field, and Dick Putz Field has been acknowledged as one of the finest amateur baseball fields in the country.

#### 1972 – Construction of Municipal Arena (now Dave Torrey Arena)

The City also constructed an indoor ice arena on the same piece of surplus Veterans Administration land, opening in 1972. The arena was the first indoor skating facility in the St. Cloud area, and was home to five high school hockey programs plus youth hockey and figure skating associations. In general, the type of user has remained constant, though some organizations have faded and new organizations emerged. Over the years, other indoor arenas have been built in the area, changing the MAC's competitive position.

#### Operating Budgets in Phase 1

The MAC has been heavily dependent on earned revenues from the beginning, though there was originally a significant subsidy.

- In 1971 (and before) the expenses of all City athletic facilities were paid out of the General Fund, through the budget of the Park & Recreation Department;
- In 1972 an additional \$93,300 of General Fund was expended for ice arena start-up costs;
- During 1973 through 1977, a portion of the City's Federal Revenue-Sharing funds were allocated to the MAC:
  - 1973 - \$255,360
  - 1974 - \$231,700
  - 1975 - \$242,400
  - 1976 - \$271,700
  - 1977 - \$297,500.
- During this period, the federal funds constituted close to half of the facility operating budget.

- Federal revenue-sharing ceased after 1977, but there was a remaining fund balance that subsidized MAC operations for several years.

## **Phase 2: Growth**

### 1980s and 1990s Business Model

Both the baseball and arena operations of the MAC continued to solidify their position in the local athletic marketplace. The mix of users of the arena and the stadiums continued largely unchanged. During this period the City began to subsidize MAC operations with General Fund funds:

- 1989 - \$135,000
- 1990 - \$140,400
- 1991 - \$118,400
- 1992 - \$120,200
- 1993 through 2003 - \$125,300 per year
- At the beginning of this period, the General Funds constituted about 25% of annual operating costs plus debt service; by the end of the period, the subsidy was down to about 8%.

### 1990: Golf Course Operations

In 1990, the City began managing the nine-hole golf course located on the Veterans Administration Medical Center campus adjacent to the MAC. In 1993, this arrangement was formalized in a lease agreement between the City and the VA. The lease agreement required the City to pay \$1 per year, provide free play to veterans and to operate and maintain the course.

1994-5 Renovation By this point, both Dick Putz Field and Dave Torrey arena had seen more than twenty years of heavy use and required significant upgrades. The cost of renovation and upgrades was borne by the General Fund, but the MAC began making annual payments of \$50,000 to reimburse the General Fund.

### 1995: Mayor's Study Group on Baseball

Mayor Chuck Winkelman appointed a Study Group in January 1995 to "conduct a comprehensive study of existing, community-wide baseball programs and baseball facilities" in the St. Cloud area. The Group issued a report and recommendations in June 1995. There was growing use by the same user organizations that had been the customer base since the early 1970s. In addition, the City was being asked to again consider hosting a Northern League professional baseball team. This revived Northern League was an organization of independent teams not affiliated with major league teams.

The Study Group did not make any recommendations about the value of a professional team, but rather laid out five scenarios and assessed the costs and benefits of each to various types of users. The five scenarios:

1. Renovate Dick Putz Field to 4,000 seats at a cost of \$2,000,000;
2. Renovate Dick Putz Field to 4,000 seats and construct an 800-seat stadium at a cost of \$2,425,000;
3. Build a new 4,000-seat stadium and make no improvements to Putz at a cost of \$2,160,000;
4. Build a new 800-seat stadium capable of future expansion at a first-year cost of \$425,000;

5. Do nothing.

#### 1996: St. Cloud MAC Expansion Proposal

At the same time, the idea of adding a second sheet of ice gained significant support, and City management assembled a comprehensive proposal, with the active involvement of user groups from both the baseball and ice arena communities.

The expansion proposal had four major elements:

1. A new lease agreement with the VA allowing City use of additional property;
2. Construction of a new baseball stadium on the leased land;
3. Addition of a second sheet of ice at the arena;
4. Renovation and extension of the golf course.

The financial plan for the expansion was multi-faceted: contributions, transfer of some operating revenues, ice rental surcharge, and forgiveness of the remaining debt from the 1994-5 renovation.

During this period, the City was approached by the Northwoods League, a college baseball developmental league, about adding a St. Cloud team.

#### 1996-1998 City Council Actions

The City Council took a number of actions necessary to realize the MAC expansion plans:

- September 23, 1996 – authorized the application for a \$250,000 “Mighty Ducks” grant from the Minnesota Amateur Sports Commission to support the second sheet of ice.
- October 7, 1996 – following a public hearing, the Council discussed the expansion plan for the MAC, encompassing (a) construction of a 900+ seat baseball stadium; (b) a 500+ seat addition to the ice arena; and (c) expansion of the golf course. The total project cost was \$3,014,000 and was to be financed by private donations and in-kind contributions, the Mighty Ducks grant, new debt supported by user fees, and forgiveness of the remaining \$737,000 owing to the General Fund for the 1994-95 improvements. After discussion, the several related resolutions were laid over to the next meeting.
- October 14, 1996 – Three resolutions were unanimously adopted:
  - Approving the project and adopting the preliminary budget;
  - Authorizing the Mayor to execute a rental agreement with the Northwoods League to use baseball facilities at the MAC; and
  - Authorizing an agent to sell advertising space at the MAC.
- November 18, 1996 – authorized agreements with Hagemeister & Mack Architects for design services and Conlon Construction for construction management services;
- May 5, 1997 – Three resolutions were unanimously adopted:
  - Accepting private donations and pledges in the amount of \$850,000;
  - Accepting the final construction budget; and
  - Authorizing the Mayor to execute an enhanced-use lease with the Veterans Administration.
- May 12, 1997 – Awarding construction bids.
- August 18, 1997 – Authorizing the receipt of the \$250,000 Mighty Ducks grant.

### 1997: New Lease with the Veterans Administration

On 7/28/1997 the City executed an Enhanced-Use Lease with the federal government, for a term of 35 years. The City agreed to:

- Redesign and improve the existing golf course, including the construction of a putting green;
- Construct a baseball stadium;
- Construct and maintain certain security fencing;
- Provide, at no charge, 2,000 rounds of golf per year to VA patients and accompanying staff, during specified periods of time;
- Credit the VA's water and sewer costs annually according to the following schedule:
  - \$5,000 per year for the entire term of the lease; plus
  - 5% of gross golf revenues during the first 20 years of the agreement, and 7% of gross golf revenues over the last 15 years; plus
  - 1% of gross of all baseball stadium revenues (both stadiums) over the last fifteen years of the agreement.
- Restrict use of the property to the golf course and baseball stadium;
- Maintain the property in good condition;
- Deed the property and improvements to the VA at the termination of the lease period.

### Expansion Project Finance

The expansion budget had by this time grown to \$5,170,000.

Private donations and pledges plus in-kind donations totaled \$974,000:

Cash and pledges:

- Viking Coca-Cola/Rose Ann Faber - \$250,000
- George and Shirley Torrey - \$250,000
- Thomas Ritsche/Thomas Ritsche Youth Fund - \$250,000
- St. Cloud Opportunities - \$50,000
- Holiday Inn/Dick and Dean Anderson - \$25,000
- Jerry Henkemeyer - \$25,000
- Coborn's Inc/Dan and Mabel Coborn - \$10,000

In-kind:

- Hagemester & Mack (stadium design services) - \$51,425
- Conlon Construction (construction management) - \$33,250
- Design Electric (electrical services) - \$27,000
- Central Minnesota Refrigeration (arena refrigeration services) - \$3,000

### Expansion Achieved

In December of 1997 the MAC opened its second arena which is parallel to the original ice sheet. Similar in function to the original sheet of ice but scaled down in size, this wonderful rink complements the main sheet very well. The new arena was designed to work with the original building so it could be used

as one large facility or be separated into two separate arenas. On July 23, 1998 the original arena was named and dedicated as Dave Torrey Arena and the second sheet was named and dedicated as Ritsche Arena.

In 1998, the second baseball stadium- christened Joe Faber Field – opened, making the MAC a unique complex with two beautiful regulation size baseball fields side-by-side. Each year the two fields average more than 400 games between the two of them. Teams from the area high schools, colleges, VFWs, Legions and amateur leagues make up the groups using these two fields. Each year the field host several prestigious tournaments starting with the State Class "AA" tournament, sandwiched by Legion and Amateur tournaments and winding up with St. Cloud Rox playoffs and Amateur state tournament qualification games. The two full facility stadiums, only 200 feet apart, make for an excellent venue for hosting tournaments, playoff games and state tournaments.

### Post-Expansion Business Model

The physical plant of the MAC is essentially unchanged since the major expansion in 1998-9, and the business model of the MAC is relatively unchanged since that time – heavy and growing use by a mix of users.

The expansion allowed a refined business model:

- Increased rental revenues, due to
  - Second ballpark
  - Second sheet of ice
  - Dehumidification system allowing year-round ice in the arena
  - Rental revenues increased from an average of \$337,000 the three years prior to expansion to \$554,000 the three years after expansion;
- Vigorous pursuit of advertising revenues, increasing from almost nonexistent to \$144,000 average the three years after expansion;
- Vigorous increase of concessions activities, going from \$120,000 before expansion to an average of \$301,000 the first three years after expansion;
- Property tax allocation of \$125,000 per year, plus a small allocation of Hotel/Motel taxes (\$22,000 to start);
- Unlike other City facilities, the MAC was expected to pay much of its capital costs as well as operations. The capital costs were assisted by transfers from the Civic Center.

The new business model worked well in the early years but began to unravel:

- The property tax subsidy first declined, in real terms, because it did not increase to match the rising costs of the facility. Pre-expansion, the property tax accounted for 25% of the MAC operating budget; by the early 2000s it accounted for about 8% of a much larger budget.
- The property tax subsidy then was suspended in full beginning with 2004 budget.
- Some of the expanded revenue streams –concessions, and advertising – rose quickly after expansion, but then plateaued by 2003 -5.
- Rental revenues, especially in the ice arena, continued to grow, but approached practical maximums. In addition, more competing facilities entered the central Minnesota market, dampening the MAC's ability to raise fees.

- In 2008, the City entered into an agreement to install a geo-thermal field at the MAC, with the intent that it would pay for itself through reduced energy costs.
- Meanwhile costs grew inexorably, as costs do.
- Administration froze rental rates during the recession that began in 2007. In one five-year stretch, costs rose 8% while revenues only rose 1.75%

The MAC coped with this deteriorating picture by

- Reducing the number of full-time staff and depending more on part-time, mostly minimum wage employees.
- Repeated dependence on fund transfers from the Convention Center for capital purposes.
- Eventual shifting of geo-thermal costs to the Food and Beverage Fund.
- Shifting of some operating costs to the Convention center budget.

The passage of minimum wage increases hit the MAC particularly hard; the facility routinely used 10-12,000 hours of part-time labor per year, so the increase were a significant budget hit.

#### Northwoods League

There has been a consistent presence of the Northwoods League at the MAC. In 1997, the Dubuque Mud Puppies moved to St. loud and were re-named the River Bats. The River Bats played from that time through 2006 at Dick Putz Field, then moved to Joe Faber Field in 2007. In 2012, new owners acquired the franchise and re-named the team the St. Cloud Rox. The team has continued to play its 35-game season at Joe Faber Field. Effective 1/1/2013, the team operates under a new contract with the City, which expires at the end of the 2017 season.

#### Capital and Operating Budgets

After the cessation of Federal assistance, the City instituted annual subsidy of the MAC from the property tax levy; in the following amounts:

- 1989: \$135,000
- 1990: \$140,400
- 1991: \$118,400
- 1992: \$120,200
- 1993 – 2003: \$125,300 annually
- 2004 – 2016: 0

By the early 2000s, management recognized that the operations of the facility could not adequately provide for necessary capital expenditures without assistance. The MAC has a considerable assortment of equipment, all heavily used. In 2000, a transfer of \$262,500 was made from the Civic Center Capital Fund to the MAC to partially pay the cost of boiler replacement and billboard construction. A further \$400,000 transfer from the Civic Center was made in 2001. (In subsequent budget years, there have been additional transfers from the (now) Convention Center budget to assist the MAC.) During this period, the repayment of the debt for the 1998 expansion was shifted to the Food and Beverage Tax Fund.

## Geothermal

In 2008, the City entered into an agreement with Harris Mechanical to install a geothermal field on the City-owned portion of the MAC property, with the goal of improving the energy efficiency of the ice arena. The City financed the installation of the field and necessary equipment, using the Food and Beverage Tax Fund as the source. Under the agreement Harris guaranteed a minimum level of energy savings and was obliged to reimburse the City if savings did not meet the guarantee threshold. The system did not live up entirely to expectations; natural gas usage dropped precipitously, but electricity savings were never as great as anticipated. Harris, under the agreement, made annual payments to the City through 2015. In early 2016, the administration negotiated a buy-out of the remainder of the agreement, including a cash payment from Harris.

## Operating Changes 2016

Management has made a number of adjustments in 2016 that affect operations and budgets.

- For a number of years the MAC was managed by two co-equal managers – one responsible for the arena and the other for baseball and golf. Beginning in late 2015, Todd Bissett was named the sole facility manager, on an acting basis.
- In 2016, we created a new operations supervisor position focused on the baseball and golf operations, while Mr. Bissett retained his direct management of the arena operations, and a new technical support position created. The new staffing complement is working well, though management believes we are still one or two positions short of appropriate staffing levels.
- A significant major change, instituted on a trial basis for the 2016 season, was that the Rox took over direct responsibility for concessions sales at Joe Faber Field. Formerly the concessions operations was done directly by City staff, a significant management and staffing obligation. Management will meet with Rox management later in September for a discussion about the 2016 season and concessions will be an agenda item. We believe the trial went well for both parties.
- Mr. Bissett and his staff have made a number of other changes to operations that have streamlined the work of the facility.