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To: Finance Committee <financecommittee@cityofmadison.com>

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Subject: Madison Mallards

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Finance Committee,

One of the biggest challenges of the last 7 months has been effectively communicating nuanced situations while operating within the bounds of our flawed digital world. With that in mind, I am writing today in an to attempt to thoroughly communicate the current position of the Mallards and how it connects to the renegotiated Use Agreement coming to the next Finance Committee meeting.

As you can imagine, 2020 has been difficult for us. In June we were forced to cancel our season due to guidelines from Public Health Madison & Dane County. This created a reality that means, optimistically, that the Mallards won't play a baseball game for a 21 month span from the end of the 2019 season until the start of a hopeful 2021 season. Current PHMDC guidelines do not allow the playing of baseball in Dane County and there is no guarantee that rule will change in time for the launch of a 2021 season. If baseball is allowed to be played, it is unlikely that mass gathering restrictions would allow normal crowds to return to Warner Park in 2021. Thanks to the fact that many of our corporate supporters and fans have allowed us to hold onto cash deposits made for 2020 events and carry them forward to 2021, we have charted a financial path forward to make it to Opening Day 2021. During the 21 month window without games, the Mallards will lose a significant amount of money as we attempt to keep our talented full-time staff as intact as possible and cover other expenses, which we hope will give us a chance to come out of this situation strongly. On top of that, we will start the hopeful 2021 season in a hole as we make good on deposits paid in 2020. On top of all that, we have been forced to start selling assets to make sure we have enough cash on hand in 2021. Even being optimistic and forecasting an outstanding financial performance in 2021, it would still take us 3 years to dig out of the negative impacts created by the pandemic.

2020 was supposed to be the Mallards 20th season in Madison. We are extremely proud of what we have accomplished here since our launch in 2001. We feel there are many positive impacts the Mallards have on our community, but here is a brief outline of the major ones:

1. Over \$7 million dollars have been invested by the Mallards into improvements and maintenance at Warner Park since 2001. Once improvements are completed, the Mallards donate them to the City and they become property of the City for no cost to the taxpayers. The Mallards still carry a private debt burden tied into the last round of improvements.
2. The Mallards employ over 400 part-time employees in normal years, with approximately 2/3 of them coming from within 3 miles of the ballpark. It has almost become a right of

passage for youngsters on the northside to work at the ballpark and we are proud to provide positive role-models for hundreds of first time workers in our community.

3. Real estate on the north side of Madison has seen the most aggressive growth in valuation over the past few years in our entire community. We believe the Mallards have had a positive influence on the influx of young professionals moving to the north side thus improving property values, thus driving property tax collection for the City.
4. The Mallards donate over 20,000 tickets per year to area reading programs as incentives for students. On top of that, we have raised over \$1 million for local non-profits through various fundraising programs.

With all of that in mind, I want to candidly outline why the new Use Agreement is structured in the way that it is. Obviously, the reduction in rent in 2020 and 2021 is an attempt to simply keep the team afloat in these challenging times. Here is an outline of the rationale of why the rest of the agreement is structured the way it is:

1. The \$1/ticket fee in 2021 is an attempt to find balance with the City for 2021 payments in the event that things return to normal from a mass gathering perspective. We see this clause as protecting both parties and sharing both the up and down side scenarios that could play out in 2021.
2. The annual renewal terms are related to the Mallards long term interest in dramatically improving Warner Park. Conversations between the Mallards and the City had commenced about the potential solutions to the short-comings of the current facility pre-pandemic and obviously stalled over recent months. Over the next 3-5 years our hope is to come to an agreement with the City of Madison that makes Warner Park viable for the next 20 years and we wanted to create a situation where there would be pressure on both sides to keep the dialogue going and finalize a deal when the time is right.
3. The 8 year potential term allows us the opportunity to re-structure private debt related to improvements we have recently funded at the ballpark.
4. In terms of annual rent payment after 2021, there are typically two types of structures for minor league baseball teams operating in public stadiums. One is for the municipality to invest in building out a new or dramatically improved stadium potentially as part of an economic development project and charging back the team whatever annual amount is needed for the overall project to work. The other is for the municipality to charge a lower annual rent for an existing facility to the team and leave the obligation and cost for improvements and maintenance to the facility with the team. Our arrangement in Madison has been more the latter, with the City of Madison contributing about \$900,000 in improvements to the facility specifically for the team since 2001. Even in the short term, the facility has significant needs for improvement and repair and it is unlikely the current City fiscal situation would provide any dollars to fund these improvements. Therefore, we are pursuing a clause here that allows us to reduce rent in out years in exchange for approved improvements we fund in the short term. It is important to note that the Mallards current lease included a dramatic increase in annual rent payment along with the addition of utility expenses shifting to be covered by the team. Over the last 10 years, this improved financial deal for the City has resulted in the Mallards paying back

and saving the City significantly more dollars than the \$800,000 the City invested in the facility in 2011.

5. Unlike restaurants, our business will be essentially shuttered for a 21 month period. We have hosted a run of drive-in movies at the ballpark, but the income from those events has just slightly offset the more significant losses our business will still endure in 2020 while allowing us to continue to employ more people than we could have otherwise.

Our hope and our belief is that the use agreement in front of your committee charts the right path for our business, the City and for our entire community to continue to thrive together for another 20 years. Thank you for your consideration and I look forward to continuing to build upon the remarkable success story we have co-written with the entire City of Madison.

Vern Stenman
President
Madison Mallards
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