

SPECIAL COMMITTEE ON BASEBALL/CIVIC CENTER

October 15, 2024 at 6:15 PM

Chairman Morgan called the meeting to order.

The Clerk called the roll.

Present: Aldermen Morgan, Vincent, Kantor, Fajardo, Goonan

Messrs.: T. Bechert, P. Chiesa, Aldermen Barry & O'Neil

1. Communication from Tim Bechert, General Manager of the SNHU Arena, requesting capital improvement funding in the amount of \$3,646,780 for Phase I.

Chairman Morgan stated the Manchester Civic Center debuted in 2001. Mayor Wieczorek and the aldermen were on the forefront of making this happen and thanks to them. It was originally called the Verizon Wireless Arena and over the years it became known as the SNHU Arena. Around 2010, Mayor Gatsas led the effort to create a new contract with SMG. I would like to acknowledge Tim Bechert who has been the leader of the management team since the beginning. Thank you Tim for being here. This committee hasn't met since 2021 so about three years and beyond that last meeting, there has been little oversight from the city on the civic center. Our goal with this committee is to establish an oversight which will make sure the citizens of Manchester get what the civic center was made to do from Day 1 which is to provide sports and entertainment and bring people to the downtown area. We are not going to get into the details of the contract at this time but I would like to establish that this committee over time will enforce the existing contract so that the citizens of Manchester receive the maximum production of the arena for its benefit. The first thing I would like to do is address the letter that was received by ASM Global Counsel Zachary Augustine on August 30. I believe everyone has a copy of that. Tim, do you have a copy of that?

Tim Bechert, SMG General Manager, responded not with me but I am familiar with it.

Chairman Morgan stated I will have the Clerk read the letter into the record.

Matt Normand, City Clerk, stated this letter is addressed to Mayor Ruais and the Board of Aldermen dated August 30 and it reads:

I am writing in regard to the above-referenced contract, pursuant to which SMG, a wholly-owned affiliate of ASM Global, provides management services at SNHU Arena. I understand that there may be some questions about SMG's and ASM Global's status, including in connection with ASM Global's recent acquisition by Legends Hospitality.

In short, SMG continues to exist as a legal entity, and the contract to provide management services at the Arena is in full force and effect. As you might imagine, in the twenty-four years since the management agreement was originally signed, SMG's ultimate ownership has changed several times. For example, in 2019, SMG's parent company merged with AEG Facilities to form

ASM Global; most recently, ASM Global was acquired by Legends Hospitality. Each of these changes in ownership was structured to ensure that SMG continued to exist and provide uninterrupted service to its clients. And while the management agreement prohibits assignment without the prior consent of the other party, none of these changes in ownership constituted or required an assignment of our contract.

s/Zachary Augustine, Assistant General Counsel, ASM Global

Chairman Morgan stated so in summary, SMG is the original guarantee of the contract signed in 2010. SMG became ASM Global as Matt was saying in 2019 when AEG Facilities and SMG merged to form a new global venue management service company. Last year, ASM Global was acquired by Legends. In addition, we now know of a company called Saver, which is owned by ASM Global which is also managing the arena. As you can see, from the average person's perspective, this is a big confusing. Maybe you can clear it up for us. I am not saying that there is something wrong but there are many companies coming and going and we want to make sure we know who we are dealing with.

Mr. Bechert responded I am not a legal expert by any stretch and I am certainly not a business attorney either. I rely on those in our office to address those issues but what I can tell you is the company that I work for now is the same company that I have been working for since we started in 2001. What little I do know about the structure of things is that when private equity becomes involved in a business, it is going to get flipped, primarily within six years. That is from what I understand from others. I am not exactly sure what it is that you are asking me but again I still report to the same people that I have been reporting to for 23 years. Saver is our food and beverage contractor that also falls under that umbrella.

Chairman Morgan stated so obviously we just want to make sure the city is protected. That is the bottom line. Atty. Chiesa are you comfortable with the letter and how it reads and the protection of the city?

Peter Chiesa, Deputy Solicitor, answered I have read the letter and I have no reason to dispute either its factual or legal representations. SMG is still a company registered to do business in NH. It does hold the trade name for SNHU Arena. Again, I have no reason to dispute the representations made in the letter.

Chairman Morgan stated we weren't able to take a deep dive into the corporate structure through right.

Atty. Chiesa replied no I didn't. As I said, I looked at the Secretary of State's website and checked the current status of SMG. As far as who has owned SMG shares over the years and who owns shares now, that would take some research.

Chairman Morgan stated this is a good example, and this is a little off topic but the need for an internal auditor. It is very important. In the city charter Section 6.12 it says that "there shall be an independent city auditor nominated and appointed by the Board of Aldermen." If we had someone in place, we could easily refer this to them and then this

could be solved. I think it is important and this is an example of why we should move forward in that direction.

Alderman Fajardo stated I am noting here that while it has changed hands and restructured, etc. that the same contract is in place. I also note that the contract was initiated April 1, 2010. I am just curious as to when was the last time that this committee or the Board reviewed that? I am wondering if there is an opportunity for us to take a closer look. Fourteen years is a long time. It may still be the same contract and you may still be reporting to the same entity but all things being equal, it feels like this could be a good opportunity for us to take a closer look at the details. You mentioned an independent auditor and I think there are other details in the contract as well that to my knowledge we haven't been as diligent about enforcing as we need to be.

Alderman Goonan stated we asked our Solicitor's Office to look at these management company changes over the last 23 years. I am not sure if we need to do a deep dive into this and spend money on some auditor because we don't have an auditor. We would have to allocate money. In my opinion, I think the Solicitor does a great job and I don't see any reason why we could just go off their opinion.

Alderman Fajardo stated just to clarify, I more so mean for this committee to familiarize ourselves with the contract. At the end of the day, we are the group that is in theory the steward of the contract on behalf of the taxpayers. I don't know, Alderman Goonan, if you have had the opportunity to read the fine-print of the contract but I have not. I started to.

Alderman Goonan stated well I trust the Solicitor's Office. They are doing the reading for me and if they say it is on the up and up, I think it is on the up and up. I just don't know if we need a deep dive into this.

Alderman Fajardo asked how about just a toe in the water or a shallow dip.

Alderman Goonan responded we can do that but who is going to do that. Are we going to hire an outside agency?

Alderman Fajardo stated no I am more so putting a call to action to this committee to be more involved and familiarize ourselves more deeply with the terms of the contract if we are not holding up certain aspects of it. Those may be inconsequential but I can't say that I know the answer to that question right now. I think it is the role of this committee to do that work.

Chairman Morgan stated I am not going to speak for Peter but I think what he is saying is we received this letter and they on the other side are saying in summary everything is good which it may be but we on our side need to do our due diligence to make sure it is good. A deep dive is not what he is saying but again I don't want to speak for Peter. He said he saw the letter and has no reason to believe it is not good but we as a city should make sure we are protecting our \$100 million plus asset by making sure it is there. I think an internal auditor makes 100% sense whether we decide to have one for this or we everything. I don't know at this point but we can talk more about that.

Alderman Goonan asked do you have an issue in particular that you are looking at.

Chairman Morgan answered I think the issue is the fact that it has changed company names three to four times. While no one is doubting that Mr. Bechert has been there, it is the company. The SMG that signed the contract in 2010 is not SMG anymore. It is Legends I think right.

Mr. Bechert replied we are still SMG here. Legends is a parent company.

Alderman Fajardo stated I think one example, Alderman Goonan, is there is a requirement that a marketing plan be brought before this committee on a somewhat regular basis. I think it is more than every three years if I had to guess. That would be one example where I think we owe it to the taxpayers to make sure that we have a strong sense of what is going on in there and that it is essentially creating a return on a significant investment.

Alderman Kantor stated I am concerned about the use of the facility and the full potential and to bring in more shows. Back in the day, we had the hockey team and the football team and we don't have that anymore.

Mr. Bechert asked would you like me to address that.

Chairman Morgan answered sure.

Mr. Bechert stated the glory days were the glory days and that was wonderful. We were on a pretty unique ride back in 2001 and it lasted about fifteen years and then reality started to set in. The truth of the matter is that the parent company, AEG, owner of the LA Kings and their affiliates saw a better opportunity to get their top tier program closer to the home team. Everyone does remember the 40 game sell-outs and sold-out concerts. We were brand-new on the block and in one of the most competitive markets in the country and we were lighting it on fire. That market has continued to grow. We have competition all around us. What keeps us in business is the opportunity and the ability to promote within our geographical boundaries and not exceed those. The second we start tiptoeing into Massachusetts and the others, the big dogs start barking and biting at your heels saying no you stay north and we own Boston. We have prided ourselves, quite frankly, on the fact that our successes which continue to this day as we are still one of the top five performers in the country under 15,000 seats and that has been consistent for 23 years. That is not changing. What has changed is the tenant. Let me bring this back not to pour water on anything but I think the number one sport in this state is politics and then there is hockey. In 2015 when the Monarchs went to the Calder Cup Finals for the first time, again people's memories pick up the sold-out games. In those championships games, we never had more than 2,500 people in that building the year they won. After their parade down Elm Street, which continued out to LA, they brought in the ECHL team and then they brought in a year later a new ownership group with deep pockets. The owner was a billionaire head of a Fortune 500 company based out of Boston and they struggled to get 800 people into the building. Those are business decisions. With 800 people, you are not selling sponsorships and you are not selling tickets. It is like lighting fire to a good thing. It had nothing to do with us. They made the decision to pull out in the middle of their contract. The ownership of

that hockey team did not fulfill their contractual obligation which often times would put you into a situation. For us, it stopped some hemorrhaging to be quite frank. To keep a sheet of ice down for seven months is \$600,000+. You need four full-time employees to maintain that sheet of ice. You are giving up dates for practices. The booking book is stymied. We turned what is perceived by a lot as a negative but from a business perspective and the protection of the building and the viability and financial stability of the building into an opportunity. It allowed us to do more family members and multiple day shows which we struggled to do because of hockey practices and hockey games. We had to give up dates for play-offs. You sit on those dates for months not knowing if they are going to be utilized or not. In my seat, those are all the things that I have to weigh. We would love to have a successful hockey team. We don't run the hockey teams. They are owned and operated by another entity. We are the conduit that gives them the space to utilize. That is our function. Business decisions, which impact the community, are not ours. The ticket prices are not ours. The promotions are not ours. The unfulfilled promises are not ours. The deliverables that are due the community are not ours. So it is a double-edged sword but I think coming out of that and then you throw Covid in the mix as well, I can tell you as we have done in the previous 20 years, we are still out performing most arenas under 15,000 seats in this country. We were ranked globally for all capacities at 130th last year. Manchester is on the map. It is known. It is a tourist spot destination. I think sometimes too we get lost or the focus seems to shift to a venue up north on the lake, which is now owned by Live Nation who is an 800 lb. gorilla in our business. You know that, Chris, from your previous promoter days. They control 85% of the touring market and they are going to put those bands that they tour into their owned and operated facilities where they make 100% of every penny that comes into that place. We can't compete with that; nobody can compete with that. We have a very, very solid relationship with them in the Boston office so at the end of their three-month season, the overwhelming number of our shows are promoted by Live Nation in our building. What they don't have control of and operate is arenas so they cut deals with us so that we can get the shows we are doing and we get more than our fair share and that is because of the strength of the market. I think it is also the strength of our ability to contain what we do when we need to into our market. The fact that we can generate what we do and have been over these 23 years is pretty outstanding. I am very proud of it to be frank. I don't think we are missing opportunities. What we can't get into as a business is doing events for the sake of doing events. You are burning money and that is not what our company is about. The reason we have the contract that we do right now is in 2000 and before the city fathers had the foresight and the community as a whole had the foresight to say not all of us are bullish on this and we don't think it is going to succeed and we don't want to take the risk. One of the criteria for the operator when this went out to bid was to have a company that was willing to take on the downside if there was one and that is incredibly unique. That is almost unheard of in our business. Most of these buildings are subsidized by the municipalities that own them and build them. That is not the case here. In fairness and in full disclosure, the bidder that won the bid, Ogden, went out of business and was consumed before they could even step foot into the building so we inherited that contract and we stood by it. Our portfolio of 325 stadiums and arenas globally...there are only 16 true what we call P&L accounts where we are responsible for the bottom line. From an operating perspective, I do not have the ability to come back to this committee or the full Board and say we had a great year and we did 70 shows and we only lost \$10 million. In any other market, that bill goes to the

municipality and that goes onto the taxpayers to cover that loss. I don't have that card in my deck here. We are responsible for the bottom line. So the decisions that I have to make when it comes to performances, shows, talent, etc. are business decisions. We are not going to go into everything with a hope that it is going to succeed and we are going to sell the appropriate amount of tickets. We win some, the overwhelming majority, and some don't perform up to what we thought they were going to do. I don't have the luxury of coming back here and saying we had 80 shows and we only lost \$5 million. Isn't that great?

Chairman Morgan stated I appreciate what you are saying and I think a lot of what you are saying is true. I think that the general sense of the community is that it is a sleepy arena. That is just from our standpoint. People who live here have seen that since the hockey team went away there is just not a lot going on. You make the points of top 10 here or top 5 there. That is valid to a point but I don't think the average person understands that and I think that is where we want to get to as a committee. We would like to somehow help you get more shows and do more things so we can get the downtown filled up because that was the purpose of the whole thing. That's it. Don't look at this as adversarial. We are really just trying to work together. I understand your position because of the contract. Maybe we can consider renegotiating the contract. I am just throwing that out there too which I know you don't want to hear but maybe that is an opportunity down the road.

Mr. Bechert responded I hear what you are saying alderman and I won't dispute the perception that people have. I am not sure how much control I have over that outside of dumping an inordinate amount of information and statistics which we are happy to do but what I can tell you with 100% certainty is that we are performing or over performing and have over performed and that should be a concern of the Board; that we are doing the job we were hired to do. We are excelling at that job. If you can help change whatever perceptions that are out there that we are sleepy...maybe it is an educational process to say hey not all tenants are good. Having dog shows or whatever it is is great for 60 people but it doesn't belong in an arena. I am all ears when it comes to that.

Alderman Fajardo stated I just learned a lot so thank you for that. That is an example of the type of information that as a committee member for the last three years since we haven't met, I haven't had. Even getting to a point where we are having more consistent regular communication from you is helpful to understand the model as you just described it. Sports is certainly important but as I said before, we have to insure that the significant investment is creating a return for our taxpayers. It sounds like you are a good steward of that. I would like to see those numbers. I would like to see more information simply because first it is our responsibility but also it sounds like there is a lot going on that is very exciting. To the extent that we can have more conversation, the better.

Mr. Bechert responded thank you. I appreciate that.

Chairman Morgan stated let's move on to why we are here which is for the capital expenditures. Before we do that, I will let Aldermen Barry and O'Neil speak.

Alderman Barry asked Atty. Chiesa, the names may have changed but the contract remains the same right.

Deputy Solicitor Chiesa answered that is cored.

Alderman Barry stated I think that is important and I think it is important that we as a city abide by that contract. Tim is coming here as a representative of the arena. At the last meeting we had, the full Board meeting, Alderman Levasseur had asked that the Public Works Director go down and meet with Tim or people from the arena. Has that happened?

Mr. Bechert responded yes.

Alderman Barry stated we did receive a letter from Tim Clougherty and he recommends what Mr. Bechert is asking for at the arena. It is in dire need of improvements and Tim Clougherty, who I have a lot of respect for and trust, went down there and made his recommendation.

Chairman Morgan stated just to give a little push back on what you said about what Atty. Chiesa said, we are getting that from their letter. We didn't do any research on our side. You may be right. I am just saying from our side we should do some due diligence to make sure that is correct.

Alderman Barry replied we did because what we asked for was to send our Public Works Department down to make sure that the improvements we heard were needed were in fact needed.

Chairman Morgan responded I am not talking about the capital improvements. I am talking about the name changes.

Alderman Barry stated honestly I don't even care about the name changes. We need to focus on what the arena needs.

Chairman Morgan stated well we care and that is why we asked.

Alderman Goonan stated I don't care about the name changes myself. I do care about what we asked Director Clougherty to do. I was happy that he came back and justified the ask. I fully trust Tim also think he did a great job looking at everything and it really justified these needs for that arena. I think it is our responsibility and I think, Tim, you have done a great job over the last 23 years. Like I said, I really don't care about the contract. If they say it is a good contract and changing hands didn't change anything, I am okay with that. I think you are doing a great job and top five in the country is something to be proud of. I understand that back in the good old days we were packing that place with hockey. I don't think that is coming back. I know we had discussions before when I was the Fire Chief that we were losing money with that. I think you make money with some of the shows in the off season from Live Nation. I kind of understand the business aspect a little bit and I do understand that people would think why is it empty all summer but I think you explained that pretty well.

Alderman O'Neil stated I think something for my colleagues to understand, and Tim touched on it, is this is a very unique agreement. It has guarantees that there will be no operating deficit to the city. As Tim mentioned, out of 325 facilities that they run, only 16 have a similar agreement to this. That was the decision made at that time. He has to do whatever he can to keep the finances on the plus side there and he should be commended for that after 24 years. This thing about name changes, Tim, when was the chiller project done?

Mr. Bechert responded I believe it was 2019-2020.

Alderman O'Neil asked do you remember the dollar amount.

Mr. Bechert answered I think the capital expenditure was \$1.4 million. I am not positive.

Alderman O'Neil stated we have been through something very similar. The chillers were failing. We had Disney ice shows and the NCAA hockey tournament. We have been through this already with them and with Tim Clougherty working hand-in-hand on that project. The name change didn't have any effect on that or the city passing a \$1.4 million bond to replace the chillers. The sleepiness of this...somebody should have driven by when Cirque de Soleil was going on. How many shows were there?

Mr. Bechert answered six.

Alderman O'Neil stated talk to the downtown business community about that. They were getting \$50 in one private parking lot for those shows. We have had a lot of successful shows in the arena. As Tim mentioned, he can't control Live Nation. They control all bookings and own Ticket Master. There are lawsuits in states against this. The DOJ is looking into this monopoly.

Mr. Bechert stated yes and 40 attorney generals have joined the lawsuit.

Alderman O'Neil stated so that is something he can't control. He gave the history of the group that owned the LA Kings. They decided to do the switch to an EHL team and the ownership group did a poor job running it. I think this continues to be an outstanding building. I talk it up all the time. There are opportunities. Tim brings in everything he can. There is stuff off the radar screen with bands practicing for national tours there. They stay in hotels here. Tim is not selling tickets to those. I hope the committee can get behind this capital improvement project. We have done it once before so this whole thing about name change had no effect on that. I would ask the committee to give this favorable consideration.

Chairman Morgan stated so Mr. Bechert you are requesting \$3.6 million for Phase I improvements which consists of a number of items. As has been mentioned, DPW has gone and toured the facility and come to the conclusion that these items are necessary. Is there a motion?

Alderman Fajardo moved to approve the Bond Resolution and refer it to the Committee on Finance.

Chairman Morgan stated before I take that motion, I would like to talk about a few items that are on the list. One would be the video board system. What is the purpose of a video board system if we don't have a sports team?

Mr. Bechert answered video board systems have nothing to do with sports teams, scoreboards do and that is what we have right now. We have a 23-year-old scoreboard which is non-functional. It is a glorified Lite Brite on a good day and it doesn't serve a purpose. We are one of the only buildings in New England that doesn't have a new video board, which is what we are looking for. A video board serves multiple purposes. Just about every tour that is coming through the building or looking to come through the building, the first thing they ask is what is your video capability. We have had to give the answer we don't have one. Whether it is center hung, which this one is supposed to be...it comes in four different panels and can present itself like a scoreboard but it is a video board that has a scoreboard component through software so it can be utilized when we do NCAA nationally televised hockey games or graduations. We haven't had the ability for the students to see themselves as they march down to get their diplomas. It is a necessary tool to have if we are to be a competitive building in this market place.

Chairman Morgan asked is it preventing you from getting shows now.

Mr. Bechert answered it absolutely does. Every tour needs extra stuff if they can get it. They are going to come with their eight trucks or three trucks or eighteen trucks and they always look for enhancements from the building. What we are asking for in this capital expenditure project is not just a video board. It is part of three components if you will. It certainly is the four-panel video board but it also includes the end zone ribbons which we currently don't have. We have monochrome lights. It also includes the marquee out front which is currently running on Windows 7 and we can't service it. When it goes, it goes. Like I said, the scoreboard is gone. There are no parts and nobody will service it. When a panel goes, there is no replacing it.

Chairman Morgan stated the other thing is the ice plant emergency repair. We are not doing any shows.

Mr. Bechert responded we are. As a matter of fact, when we were doing Disney on Ice this year, we got the leak. The brine leaked. We did not have the ability to make a sheet of ice and that cost us operationally \$75,000 because we had to rent a portable ice plant and service in order to get a show that we had over \$2 million in ticket sales on. So it was either cancel that show and lose that or we had to invest \$75,000 to make sure that show went on. That can't happen.

Chairman Morgan asked that will solve this then.

Mr. Bechert answered yes. At this time, we still don't have the ability to make a sheet of ice.

Chairman Morgan stated I appreciate the explanation on that and on the video board. I wasn't aware it had multiple components.

Alderman Vincent asked what is the time difference between Phase I and Phase II.

Mr. Bechert answered Phase II will cover the next up to eight years.

Alderman Vincent stated the reason I ask is because it is \$3.6 million now and Phase II is \$3.4 million. I didn't know when we can expect to the \$3.4 million.

Mr. Bechert replied we are going to look to address parts of it next year. We can only take on so many projects at a time and we have quite a few to get through this year.

Alderman Goonan duly seconded the motion. Chairman Morgan called for a vote. *There being none opposed, the motion carried.*

Chairman Morgan stated I have one other thing. Alderman Fajardo mentioned an annual marketing plan. Have you ever presented that to us?

Mr. Bechert responded yes we did in the beginning and then there didn't seem to be an ask. You will be receiving it now. I am here to be the conduit so if there are things you need as it relates to this building, I am more than happy and have been to do whatever it is that you want.

Chairman Morgan stated I would like to schedule another meeting probably in November. Can we have that plan by then?

Mr. Bechert replied you can have it tonight.

*There being no further business, on motion of **Alderman Fajardo**, duly seconded by **Alderman Goonan**, it was voted to adjourn.*

A True Record. Attest.

A handwritten signature in black ink, appearing to read "Matthew Morgan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Clerk of Committee