



T-BONES BASEBALL CONTRACT REVISION

Unified Government Commission

June 29, 2017



Tonight's Agenda



- ⚾ Review status of T-Bones Baseball
- ⚾ Review proposed new Management Agreement provisions
- ⚾ Recommend adoption of proposed new Management Agreement

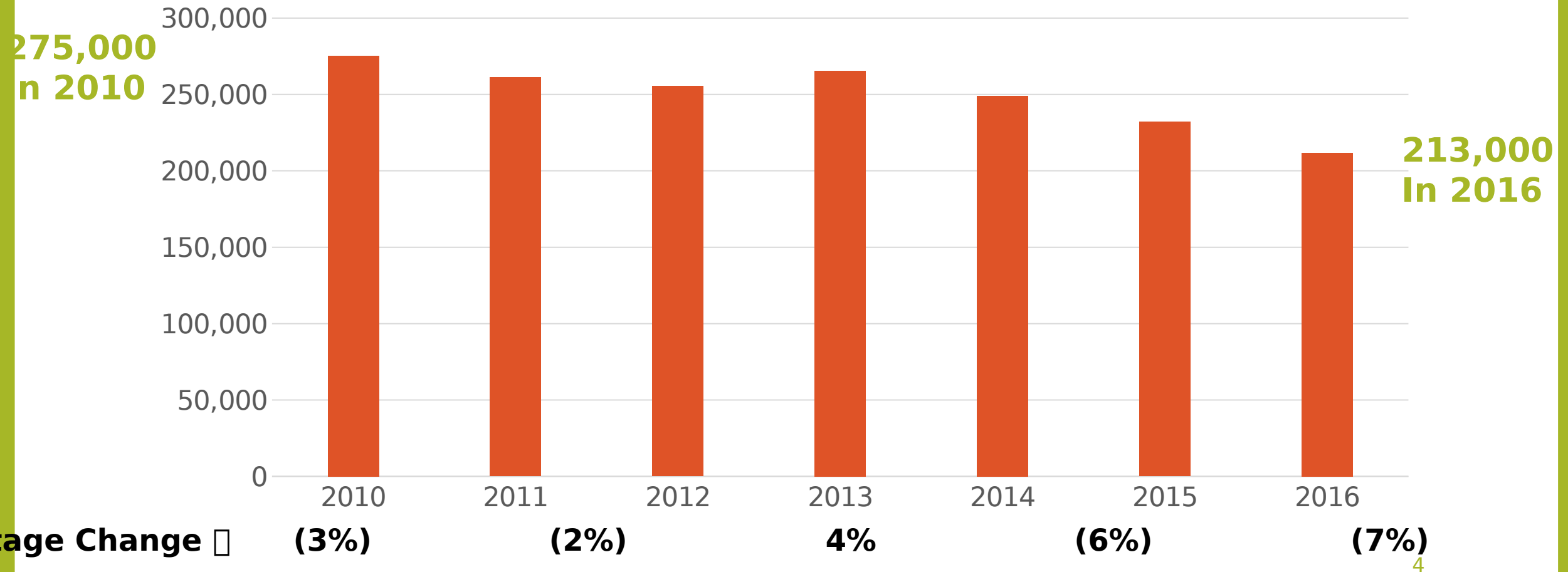
Current Status



- The Kansas City T-Bones generate a direct and indirect **economic impact of \$4.2-million a year** for Wyandotte County and are an integral part of the Village West area, which is the #1 tourist attraction in the state of Kansas.
- As new attractions have been added, attendance at the T-Bones games has declined.
- In 2014, the Unified Government took over ownership of the Community America Ball Park, making the T-Bones a tenant.

T-Bones Baseball Annual Attendance

*between 48 and 50 games per season



Current Status



- June 2016: The UG sent a demand letter to the T-Bones
- T-Bones responded that their income was insufficient to meet the current lease agreement obligations
- UG paid \$125,000 in September 2016 for:
 - Property taxes on parking lot, and
 - Legends common area maintenance charges

Current Status

- UG purchased stadium in February 2014; State approved use of \$5.5 million in STAR Bonds; Bonds paid off December 1, 2016; No outstanding debt on stadium.
 - 20-year Lease with annual payments from T-Bones to UG
 - T-Bones pay all operating expenses; UG pays for capital maintenance costs
 - T-Bones pay 50% of UG sewer rates and 100% of UG stormwater rates
 - T-Bones pays 100% of BPU electric and water rates
 - T-Bones pay 50-cent ticket tax that goes to Parks & Rec TURF fund
 - T-Bones pay for taxes on parking lot and the Legends common area maintenance charges
 - UG liable for property tax on stadium*
- * Due to SBOE finding that stadium activities are not tax-exempt; appeal process ongoing
- UG receives 25% of profits from non-baseball events held at stadium
 - T-Bones must make stadium available to local high school teams and community events for minimal cost

Current Situation: UG Staff Review

- Agreed Upon Procedure conducted by UG Independent Auditors
 - Revenue and attendance declines correlated year-over-year
 - Salary and travel expenses consistent with size of team operations
 - Cash management and financial transactions review demonstrated proper controls
- Compared agreement provisions of 11 publically-owned baseball teams
 - Several consistent with T-Bones agreement
 - Several did not require team to pay utilities
 - Most included provisions for revenue sharing arrangements
- Jointly worked with T-Bones on a pro forma financial “break-even” analysis
 - Pro forma model analysis assumed team can sustain operations during lean years

Management Agreement

- Modify from lease to **Management Agreement**
 - T-Bones named as Manager
 - Provides opportunity to change tax status related to property tax on stadium; If granted, tax exemption would mean the UG no longer liable for \$246K p/yr.
 - T-Bones will no longer pay to the UG annual lease payment of \$33K p/yr.
- Change the agreement term from 20 years (ending in 2034) to 6 years (ending in 2022)
- UG responsible for Legends parking lot property tax and common area maintenance costs:
 - Property tax on Legends parking lot - totals \$119K p/yr., 46% or \$54,740 UG receives back
 - Common area maintenance charges - totals \$25K p/yr.
- BPU/UG utility account put in the UG name for bills beginning in June 2017
 - T-Bones paying UG discounted portion of total bill (including sales tax/PILOT), estimated at 45% of total bill
 - T-Bones discount on future utility bills in the UG's name:
 - ERC and ESC remain at existing rate structure
 - Electric rate of 6.5 cents per kWh going forward
 - Water rate at \$1.77 per CCF going forward
- UG covering the remaining costs of the utility bill, estimated at 55% of total bill



Management Agreement

Past Due Bills and Surety Bond

- T-Bones agrees to pay past due bills over 4-years (\$20K p/yr.)
- Proposal includes that unpaid UG sewer/stormwater bill of \$6K discounted to \$3K
- **Management Contract is structured on a “go forward” basis, using actual performance numbers. Indication is they will be able to cover costs outlined.**
- **T-Bones required to obtain a surety bond of \$135K**, which includes:
 - Annual utilities estimate with sales taxes & PILOT: \$115K
 - One-fourth of other obligations paid by UG (parking lot property taxes, CAM): \$20K.

UG Fiscal Input (Anal)

	Reins Agent	Pat Yrs Activity	Request Agent Mile	
Inflows				
TBres Basic lease agent	3,000	3,000	-	Change from lease to long term agent
Property Tax on Stadium	113,160	113,160	-	Receive 45% back of \$248K in 2016 total
Property Tax on Legends Parking Lot	54,740	54,740	54,740	Receive 45% back of \$119K in 2016 total
Ticket Tax	2,500	12,000	2,500	
TBres portion of EP Electric and water utility	-	-	14,750	Request 45% of \$25K est. 2017 total
Associate EP Utility bill FLOTTA to UG	-	-	29,000	Associate with \$25K est. 2017 utility total 100% back to UG
UG coverage on utility payments	6,000	-	6,000	Charge at 50% per previous contract agent
Pat due Legends litigation to UG agent plan	-	-	20,145	\$1K pat due 2016 Legends related litigation recovered over 4 years
Total Inflows	\$ 231,900	\$ 212,900	\$ 249,635	
Outflows				
Property Tax on Stadium	245,000	245,000	-	Shift long term agent change to take agent
Property Tax on Legends Parking Lot	-	119,000	119,000	UG responsible for Legends agent
Legends Common Area Maintenance	-	24,600	24,600	UG responsible for Legends agent
EP Electric and water utility payments	-	-	25,000	Request pay EP is 100% of \$25K est. 2017 total
Pat Due UG coverage on utility payments	-	6,300	-	Total amount pat due thru May 2017
Total Outflows	\$ 245,000	\$ 394,900	\$ 338,600	
Net Inflows / (Outflows)	\$ (14,100)	\$ (18,000)	\$ (14,965)	



Management Agreement

Efforts by T-Bones Baseball

Ownership has outlined the following efforts to improve attendance and revenue

- Improved sales team and efforts
- Group ticket sales focus
- Increased promotions and marketing focus
- Increased corporate and advertiser sales



T-Bones Baseball Economic Impact

Direct Economic Impact

TAX REVENUE

State Revenue

Sales Tax	\$80,580
Alcohol Tax	\$11,589
Real Property Tax (state ²):	\$29,242
Payroll Tax (estimated at 2% of payroll):	\$20,065
State Revenue Sub-Total	\$151,486

Local Revenue

Sales Tax	\$38,200
Alcohol Tax	\$27,040
Real Property Tax	\$214,444
State Revenue Sub-Total	\$279,684

TOTAL DIRECT ECONOMIC IMPACT:	\$431,170
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Indirect Economic Impact

OTHER COMMUNITY ECONOMIC IMPACT:

Local Utilities	\$232,000
Visiting Team Lodging	\$61,582
Personnel (payroll), Medical	\$1,381,980
Other Local Expenses (maintenance, etc)	\$743,983
Other Capital Investments	\$76,988

Other Community Economic Impact Total	\$2,496,483
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Indirect Economic Impact (20% Multiplier Effect)	\$499,297
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Est. Spending at Village West Legends	\$814,865
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TOTAL INDIRECT ECONOMIC IMPACT:	\$3,810,645
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DIRECT & INDIRECT ECONOMIC IMPACT	\$4,241,815
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Recommendation: Adopt proposed new Management Agreement

The screenshot shows the official website for the Kansas City T-Bones baseball team. At the top, there is a navigation bar with links for HOME, TEAM, TICKETS, NEWS, SCHEDULE, COMMUNITY, BALLPARK, and SHOP. Below this is a secondary navigation bar with links for DONATION REQUEST, PROMOTIONS, MARKETING OPPORTUNITIES, OUR PARTNERS, and CONTACT. The main content area features a large image of baseballs on a field, a 'HEADLINES' section with several news items, a 'T-BONES TV' section with a video player, a 'GAME CENTER' section with 'ON DECK' and 'UPCOMING GAMES' tabs, and a 'NEWSLETTER SIGN-UP' section. There are also promotional banners for 'GET YOUR TICKETS HERE' and '2017 Schedule'. The website is set against a background image of a baseball game in progress.

**THE OFFICIAL SITE OF THE
KANSAS CITY T-BONES**
FIELD OF THE YEAR - 2009, 2010 LEAGUE CHAMPIONS - 2008 ORGANIZATION OF THE YEAR - 2004, 2007, 2010, 2014

HOME TEAM TICKETS NEWS SCHEDULE COMMUNITY BALLPARK SHOP

DONATION REQUEST PROMOTIONS MARKETING OPPORTUNITIES OUR PARTNERS CONTACT

HEADLINES

- T-Bones announce 2017 coaching staff
- T-Bones hire new "voice" of the team
- T-Bones add outfielder, two pitchers
- T-Bones sign three pitchers for 2017
- Pro fastpitch softball returning to KC

More...

T-BONES TV

Outstanding play - Jimmy Mojica vs...

GAME CENTER

ON DECK UPCOMING GAMES

GET YOUR TICKETS HERE

2017 Schedule

Click to view

2017 TLX | \$279 PER MO. / 36 MO.

CHICAGO Acura Dealers EXPLORE NOW

NEWSLETTER SIGN-UP

KEEP UP WITH THE T-BONES BETWEEN GAMES

Email Address **SUBMIT**