

Open Work Session
Wicomico County Youth & Civic Center Revenue
March 17, 2020

Mr. Steve Miller, Director of Recreation, Parks and Tourism, and Mr. Chuck Russo, Deputy Director of Recreation, Parks and Tourism, came before Council. Mr. Miller thanked Council for having him. He said he wants to talk about some of the revenue challenges they are facing at the Civic Center this year, and how they anticipate a shortfall in this year's budget with respect to revenue. He said they have been talking about this for months with County Administration and with their Board, and he knows Mr. Dodd has heard many of those conversations over the last several months, and they agreed that it would be a good idea just to come before the whole Council to communicate, tell Council where they are, and some of the challenges they are experiencing so there are no surprises come June. He said their intent here is to communicate information with Council, and hopefully they will do that.

Mr. Miller said there are three issues which he hopes to outline and address with respect to the Civic Center. He said number one is that they have a structural deficit just in the way the Civic Center budget is built, and that is with respect to revenue. He said number two is it has been a very difficult year for them on the entertainment front, which, of course, a lot of their revenue comes from entertainment events, and it has been a very challenging year, so he will touch on that. He said thirdly, obviously, is changing as they speak, but, with recent developments with the coronavirus, public events are going to further impact them, so he will touch on what is happening there with respect to the Civic Center. He explained, when they combine those three things, and when they have a structural deficit, a difficult year in entertainment, and then they have a national crisis on their hands, they are going to end up with a shortfall, and that is why he is there today. He said he would like to outline these issues, then present some courses of action they have taken and some possible steps they could take as they look ahead, and then answer any questions Council might have.

Mr. Miller said, in terms of the Civic Center budget as a whole, he knows Councilmembers are aware of this, but just for members of the public who are watching, the Civic Center budget like Recreation and Parks is a special government fund. He said he knows for years it has been talked about as an enterprise, and he thinks for many years it was actually listed in the County books as an enterprise, but the Civic Center has never really truly been a self-sustaining enterprise. He said he is not aware of any publically owned and publically operated arenas in the country that are true enterprises that turn a profit with facilities of their nature. He clarified, they are a government fund, as he said like Recreation and Parks, and they require an appropriation to balance their budget as most other Departments in the County do.

Mr. Miller said he would like to give a snapshot of the Civic Center appropriation over the last 15 years. Referring to his slide, he said from 2006 to 2020 they can see roughly the appropriation has nearly doubled as it has grown 88 percent from 2006 to 2020. He said, obviously, he has heard criticism and concern over that number growing, but there are two primary factors that drive that number. He explained, number one is salary, and number two is benefits. He said, if he takes salary as an example, from 2006 to 2020, salaries have grown 60 percent, so roughly a \$400,000 growth in salaries. He said part of that is because salaries grow over time just like in other Departments, but the other part is that three years ago a decision was made to evenly split their Department, which is comprised of Recreation

and Parks, Tourism, and the Civic Center. He said their overhead, staff, himself, Mr. Russo, Ms. Oland, box office staff, and marketing staff serve all three budgets, and they decided to split those evenly in thirds. He said this was not done prior to that, so that created an extra burden on the Civic Center as far as salaries go, so salaries are certainly one factor. He said a bigger factor, which he knows the County is experiencing as a whole, is the growth in benefits. He said the Civic Center benefits first started getting charged to the Civic Center budget in 2006. He said, since that time to now, they have seen a growth of 181 percent in the last 15 years in the cost of benefits at the Civic Center, and, again, that is more than \$400,000. He said another way to look at it would be to just take the appropriation out of the Civic Center budget and do a true apples to apples comparison without the benefits to see how they have done over the last 35 years. Referring to his slide, he said this shows the appropriation in 1985, 1995, 2005, and then where they are this year, and they can see from 1985 to 2020 they are at a \$4 difference if they were just to take the benefits out of the picture and compare apples to apples. He clarified, with the growth of salaries, and the growth of the cost of everything to run the operation there is a \$4 difference. He said they could argue that in terms of performance and in terms of things they can control over the last 35 years they are on par or better than where they have been in terms of the things they can control. He said another way to look at it is, if they look at the appropriation they get from the County, the percentage of that which is benefits. He said, if they look at 2006 when benefits were first loaded, it was roughly half of the County appropriation that covered their benefits, and then roughly half covered everything else, which is salary, operating expenses, and all the other things it takes to run the building. He said, if they look at where they are now in 2020, 71 percent of their County appropriation is now dedicated to benefits, which means there is a much smaller piece of the pie that they need to spend on salaries, operating costs, and all the other things that make their building go. He said, practically speaking, the reason he is telling Council this is because, more than any other Department, there is very much pressure, and they are very reliant on their ability to generate revenue because there is very little appropriation to cover their costs.

He said, comparing this to the rest of County Departments, his next slide shows the percentage of benefits of the appropriation. He said they took ten Departments, including Recreation and Parks, and Council can see that in most Departments in the County the percentage of their benefits in their total appropriation is roughly a third at 20 to 30 percent, and is pretty consistent across the board in all the different Departments. He said then they get to the Civic Center and see 71 percent of their appropriation is tied to benefits, which, again means there is very, very little to cover everything else that they need to do. He said, again, revenue is their challenge, and that is why they are there today.

Mr. Miller said his next slide shows that for fiscal year 2020 their budget has been set at \$1.2 million dollars as far as net revenue for events. He clarified, that is a net number, so picture that revenue as the bar they have to hit to make their budget work, and the net revenue number includes things like rent, concessions, catering, box office fees, and all the things that are tied to events. He said the bar that has been set for them is \$1.2 million dollars to make their budget go. He explained, the challenge with that is, looking at the last 11 years, his slide shows how events have performed for the last 11 years. He said most of the time they are in that \$850,000 to \$1 million dollar range in net revenue, so even in a good year, if they were to hit \$1 million dollars in net revenue, that budget is \$1.2 million, so on July 1 when the fiscal year turns, he knows he is looking at a \$200,000 hole on day one because they have just not been able to hit that revenue target. He said, in going back further, but he would guess it is much further

than the last 11 years, they have not been able to hit that target. He said the first issue is that they have a structural issue in the Civic Center budget, and it is tied to revenue, particularly revenue that is tied to events, and the math just does not work, and they feel it needs to be addressed in some way.

Mr. Miller said the second issue he touched on is that they have had a very difficult year in FY20 in terms of events. He said some of them are bad luck, and some of them are bad decisions, but they have had some events that are losers. He said at the beginning of the fiscal year they had several events that did not perform and that did not sell tickets, and they lost money when they were expecting to make money, and that happens sometimes in entertainment. He clarified, they had several shows that were losers that did not perform the way they wanted. He said they had their share of bad luck, such as the Alabama show, which was a big deal for this community, but the lead singer got vertigo, so the whole tour got bumped a year and they lost revenue and had to refund a lot of tickets and things of that nature. He said they have had family shows, and Mr. Russo can give Council more details on this type of thing, but they usually pick off one or two a year for family and kids shows, and a lot of them have chosen to test out different markets this year, so they had a very difficult time getting kids shows to come to the Civic Center. He said it has been a very challenging and difficult year for a lot of reasons. He said some shows did not go, some canceled, and they had a lot of challenges. He said entertainment drives a lot of that million dollar net number, and drives a lot of the spinoffs, such as concessions, box office fees, catering, amusement tax, and all the things that turn those buckets are not happening when people are not buying tickets and shows are not performing the way the County needs them to perform.

Mr. Miller said they have known about this trending for some time. He said they knew coming into the fiscal year was a difficult start, and they have been working with the Administration and the Board to try to mitigate the losses because they have known it has been a very challenging year, and they have taken some steps to try to close the gap. He said they have several positions at the Civic Center they have not filled, which has been a challenge for them, but they have tried to make that work. He said they have cut out things like travel, and they have put off projects and some repairs and expenses. He said they have done everything they have had to do to try to tighten the budget and close the gap as best they can, and they are trying to generate revenue in other ways. He explained, they have had some success over the last months with Midway shows. He said he does not know whether any of Council have attended those, but they have had some dinner shows in Midway just looking for ways to generate activity and generate revenue, and they have had some success there, but, again, they have had a very challenging year overall. He said, when he was scheduled a few weeks ago to initially make this presentation, he was hoping to end with a little bit of optimism that their spring schedule was very strong. He explained, they were poised to make an announcement of a major concert in April, but that has since been postponed until next year. He said, earlier in the meeting a Councilmember mentioned DPI, but they had four other major events that are Tourism and Civic Center events that have canceled, and that is just the start where they have had events cancel. He said a lot of their business happens in the spring, so three weeks ago they were optimistic that they could somewhat close that gap, but of course now everything has changed with what is going on. He clarified, they are a public event facility, and right now they do not have the ability to run public events, so obviously that is a major concern. He said they do not know at this point, and no one knows at this point, what the impact of that will be, but in their business it is going to be significant. He said it is a lot of lost revenue and a lot of lost events, and it is certainly making

a very challenging situation much, much more challenging, and he knows Council is aware of that, but he just wanted to point that out.

Mr. Miller said, if Council had asked him three weeks ago, he would have thought the gap would be somewhere around \$300,000 in a worst case, and they felt like they could close that gap with the events they had scheduled, but at this point he would hesitate to even throw out a number because they simply do not know how long events are going to postpone or cancel. He said they just do not know what that impact is going to be, but it is going to be a significant shortfall on the revenue end, and that is something they are going to track, obviously, as the spring goes on.

Mr. Miller said the last part of his presentation is what do they do about it? He said, ultimately, some of this is out of their control, certainly, with the coronavirus and what is going on, but in terms of the other issues, ultimately, that will be up to the Administration and Council to decide what they do. He said, in terms of this fiscal year and the challenges they are facing, they do not have a reserve fund at the Civic Center. He explained, the only reserve at the Civic Center is the restoration fee, and that is tied to Legislation. He said, just to throw an idea out, they have a reserve fund balance at Recreation and Parks, so if it is the will of the County Executive and the County Council, one of the things they could consider at the end of the year would be to transfer reserve funds from Recreation and Parks to cover this hole, and they would not have to dip into the general fund, so that could be a course of action they could consider, and there are other things. He said, in terms of moving forward, looking at the FY21 budget and looking ahead, they have a revenue issue. He said he is speaking for himself here, but he sees two possible courses of action. He said one is that they lower that revenue bar figure since they have not been able to meet that in over 12 years. He said, if they lower that bar and make it more achievable, the appropriation would need to rise correspondingly to continue as they are, and that is certainly one thing they can look at. He said, if Council does not want to go that way, one other avenue they could pursue would be to take drastic measures on the revenue side, which could include increasing their rent, increasing ticket fees, increasing food costs, and there are a lot of venues that charge for parking, but they do not. He said they could look at free events, as they do a lot of free community events, such as the dental clinic, the kids free backpack event, and a lot of civic events, which he thinks, personally, are a good thing, but they could look at those types of things and change course there. He said one of the challenges, and he is sure Councilmembers hear this when they talk with constituents, but one of the complaints they hear often is that the fees are already too high. He said people do not like the ticket fees, and people do not like the fees, so by taking drastic measures there and raising fees, it could have the opposite effect and drive people away, and they certainly do not want to do that, but these are things they have to look at and they have to consider. He said his intent today was to tell Council where they are, and to tell them the challenges they are experiencing and that it is more so on the revenue side, but it is something that one way or another they need to look at and address. He clarified, he realizes the County has many other challenges, and as a community they have bigger challenges they are facing, but they wanted to communicate with Council so there are no surprises, and to tell Council where they are.

Mr. Hastings asked how Mr. Miller and his staff confidently know what the public wants as far as entertainment. He said he is aware of Alabama, but there is no way he was ever a fan, but he did go to a lot of monster truck events when he was a kid. He then asked how they confidently know they are doing

what the public wants and what will pay, to which Mr. Miller responded, they try to keep their ear to the ground in terms of communication with the public. He explained, they have a marketing team that gets regular feedback on social media, and they try to engage people as to the types of acts they want. He said a lot of times there is a disconnect because people want to see big acts, but with the cost of acquiring those acts, people are not willing to pay the ticket price, so it is a balancing act to try and figure out what can work from a financial standpoint, and what people want to see. Mr. Russo added, basically, one of the things to realize is the largest grossing show in the history of the Civic Center was \$215,000, and was Gretchen Wilson, which is country, and was many, many years ago. He said, if they do the math on that with today's ticket prices, most acts would not even fit in their facility with the amount of seats they have, so they chop off a huge amount of artist's ability right off the top. He said their sales history even with shows they have tried over the recent past have not been as successful as they would have liked. He explained, an example would be when Matchbox 20 came in, which is a big name act, and as soon as that act was booked they thought that was going to do wonders, but it was the lowest selling show on that tour. He said they just had Kelsey Ballerini open her tour, which is country, and they were the lowest selling of her tour. He said that is one of the worst things they want to hear on their end is that their market is the lowest selling, but it comes down to demographics. He said they have to do that research with the local business community to find out disposable income, and it comes down to choices. He said Mr. Miller mentioned family entertainment, and the Civic Center used to have the Ringling Brothers Circus every year, but they no longer have a tour, so that circus does not exist. He said they have done Disney on Ice in the past, but that is usually an every-few-year type of show, and is cyclical on when it can come to their market. He said research is done on radio and TV stations and social media to see what are the things the community wants. He said generally they are a family market, and Mr. Hastings mentioned the Monster Truck Show, and they have kid's shows and different things like that, but those things have become a lot harder to obtain. He explained, all of the communities want those shows in their community, but they have to be able to see the tickets for those shows to keep them in their community as well. Mr. Hastings asked if there is a public resource or association, and he is assuming there is some sort of resource where they can see which acts are trending, to which Mr. Russo responded, they are in two organizations. He explained, they are members of the International Association of Venue Management, and they have several staff members who are members of that so they can stay plugged in with what is out there and available. He said they are also a member of what is called the Venue Coalition, which is for similar venues across the United States and Canada, and they conference call and work together with that Coalition. He said it is like a talent agency that works for all of these venues placing entertainment, and they know the constant tours that are available, the pricing of those tours, and availability of those tours, so they work closely with the Coalition to try to bring those types of shows to Salisbury.

Mr. Holloway said he was on the Civic Center Commission back in the 1990s, which he thinks was when Mr. Russo came to work for the County. He said this has been a fight since then, and was probably a fight before then where they have to decide whether they want the taxpayers' budget to fill in to help support the Civic Center. He said it is something good for the County even though it costs them money. He said back in the 1990s they had the situation where everybody thought beer and alcohol sales would save the Civic Center, so that was finally initiated just a few short years ago. He then asked if that has been profitable, to which Mr. Miller responded, yes. He said he heard the same thing that it was going to save everything and turn a profit, but it never hit the projections. He clarified, it has been profitable,

and it has been good for them. Mr. Holloway said the last time he talked to Mr. Miller about this he said it was not, to which Mr. Miller responded, it has always been profitable, it is just the level of profit has not been what was projected by the study through the Stadium Authority, but it is profitable, and it helps. Mr. Holloway asked if the profit has exceeded the cost of implementing it, to which Mr. Miller responded, yes. Mr. Holloway asked if they have considered a reduction in force. He clarified, Mr. Miller said they have not had any new people filling in any blanks, but they are looking at a situation now where they are not going to be booking anybody in the near future, to which Mr. Miller responded, they are going to follow the County Administration's lead on that as far as reduction in force. He clarified, their intent is to not hire positions until this fixes itself, but he thinks there is so much unknown, so they will need the County Executive's direction as far as how long this is going to last and how it will impact the workforce, but at this point, they are not, at least not that he is aware of.

Mrs. Acle said this may sound like a very simple question, but she is unclear on why they were not charged benefits before, to which Mr. Miller responded, his understanding is that benefits were loaded to each Department budget in 2006. He said prior to that he believes it came out of the general fund, but, as far as showing it in the Department budget, that began in 2006. Mr. Holloway explained, there was a line item in the budget that took all the benefits, and that was eliminated. He said it was a truth in budgeting and actually shows what each Department costs. Mr. Wayne Strausburg, Director of Administration, then came before Council and said the reason they did that is it is just better accounting and shows the true cost of each one of the Departments, so that is the reason it was done. He said it does skew the results of the Civic Center when they look at them historically because the County changed, so Mr. Miller is trying to true that up to give Council a better picture of what has really happened. He said the fact of the matter, which Mr. Holloway touched on, is revenue and being able to generate revenue, and what they are seeing is that the marketplace has changed not only nationally but locally, and what used to work is not working any longer, so they are going to take a really hard look at how they utilize that asset.

Mr. Holloway said he likes Mr. Miller's idea of utilizing money in the reserve from Recreation and Parks because the Civic Center is part of Recreation and Parks. He said they have basketball tournaments out there and things like that, so he thinks that would be one avenue to take.

Mrs. Acle said their population has grown and, as a parent, she utilizes the after school programs, and she cannot imagine not having those, and she is just wondering what their thoughts are on expanding to community centers with more after school programs at more schools and the middle schools. She said she does not know what she would have done without Kids Club, and many parents rely on it. She then asked if the Civic Center is even conducive to having larger venues to generate income because, if it is not something that is conducive to making a profit, then it may not even be a road they should go down. Mr. Miller responded, with the after school programs, they run those at seven different sites across the County, and they use Board of Education facilities for that, and that is something they have explored with the Board of Education to expand. He said they have done that in the past and have had varying degrees of success, but if they do not have enough children to participate, it does not make it worth it, but they are open to that. He said, if there was a demand, they would certainly explore that with the Board of Education on facilities, and expand those services. Mrs. Acle asked if they would be willing to work with other venues on that for after school programs, such as community churches and faith based

organizations, to which Mr. Miller responded, they actually operate out of the Westside Community Center, and they use the Glen Robinson Community Center for some recreation programs, so they look for open and available space, and they are open to doing that. He said, if there is demand, they can certainly rise to that challenge. He said, in terms of the second question, he kind of touched on it in his comments. He said, if they go anywhere in the country, venues of this size are not profitable. He said the Ocean City Convention Center, for example, is not profitable, so there is a cost, but if they are asking his personal opinion, there is also a value to be able to host graduations and community events that generate an economic impact. He said there is a return, but there is also a cost, and what he tried to demonstrate is that the bulk of the cost is tied up in benefits. He said he thinks they do a fairly good job of trying to minimize the rest of those costs by event revenue and those types of things, but this year has been exceptionally poor. He said, as a general rule, he thinks it is an asset that is worth having. He said, again, that could be part of a bigger discussion with Council and the Administration, but it is an asset that he believes the community benefits from and that they enjoy for a wide variety of things. He said they have the Happy Timers senior program, they do youth basketball programs, so they do a lot of things that are quality of life assets. He said the appropriation for Recreation and Parks is \$2.5 million, and what they are talking about for the Civic Center is a little over a million, so, relatively speaking, they are about 2 to 3 percent of the overall County budget, and there is a lot of return. He clarified, that is his opinion, but certainly that could be a public discussion. He said this has been discussed with their Board, and Mr. Dodd is part of those discussions.

Mr. Cannon said the benefit percentage appropriation he finds a little confusing whereas he thinks it would be easier to understand if it were in actual dollars whereas they saw what the revenue was and what the appropriations were, and what the benefit amounts were. He said the percentages can be somewhat misleading, and he would just like to know if the benefits based on their operating budget alone are astronomically higher than Roads, or something to that effect. He clarified, this makes it look like their benefits are astronomically higher than any other Department, but that is not really true, but that is sort of what it looks like because he is comparing it to the appropriation only. He said he would rather see how their benefits are skewing based on their actual operating budget to make sure it is realistic, and he is sure it is going to show that it is realistic. He said the benefits really are not holding them back because that is commensurate with their operating budget, but what is holding them back is just simply the fact that they need more appropriations. He said he does not understand how appropriations are being considered to be tied percentage-wise to benefits, to which Mr. Miller responded, he understands Mr. Cannon's point. He explained, he was trying to illustrate that, relative to the appropriation, it costs something to run the Civic Center, and relative to what that costs, the percentage of that cost more and more has been taken out by benefits. He said the only reason he points that out is because now they look at 29 percent of what they get from the County has to cover all of their salaries, all of their operating expenses, and all of their events costs, so there is much less now that they have as far as County support goes to cover everything else. He said he was just trying to illustrate that benefits now are the bulk of what the County contributes, and they are now forced to generate revenue to cover that gap, and that is a challenge. He said it is disproportionate, but his intent was what they are asked to do in terms of revenue generation. He said, even if they look at Recreation and Parks, they generate revenue through programs and events and facilities, but, even there, 32 percent of that appropriation is benefits. He clarified, he was just trying to illustrate that, to which Mr. Cannon responded, he understands, but he thinks a better evaluation would be to evaluate how their

expectations of revenue are falling so extremely short that the appropriations they are receiving cannot possibly accomplish what they need to accomplish. He clarified, there is no fault to that because a friend of his is in the promotions business, and he said they could go bankrupt ten different times in ten different years because it is impossible to guess what venues are going to be accepted by the public, and he does not care how good someone is at it. He said he guesses if they were into one venue and they knew that very well and knew right where to go, but in this case, they are trying to bring in a myriad of different venues to this audience, and it is hard to pick and choose. He said he thinks they need to recognize that, and Mr. Miller was suggesting whether they lower the bar on the Civic Center net revenue, and if they have not hit that mark in ten years or even more as suggested, then, yes, that has to come way down. He said maybe they need to reevaluate the Civic Center budget and just accept what Mr. Miller is suggesting as revenue because it is going to be a loss. He said there is some revenue, but his guess is that a lot of this revenue is from the consistent venues, such as the DPI Banquet, and the ones that are killing them are the entertainment venues. He then asked if that is right, to which Mr. Miller responded, the entertainment fluctuates. He said, again, those are all excellent points, but one of the challenges is that they build their budget in January and February, so they are building out 12 to 18 months ahead where they do not know exactly what is going to book, what is going to be on tour, and what is going to market, so it is a crystal ball, and that \$1.2 million for net is too high. He said they have not hit that in a long time, and, actually, that number was even bigger several years ago when it was \$1.5 million, so they have tried to steadily bring that down to be more realistic. He said he thinks their attempt in the FY21 budget is to try to balance this thing out and get this thing under control, but it is difficult to forecast. Mr. Cannon said he says that because he is sure Mr. Miller will come back before Council to talk during a budget session, and he thinks Mr. Miller really needs to emphasize the fact not so much that the benefits are killing them because he saw that and thought, is the County giving the Civic Center ten times what they are giving everyone else in the County, but he thinks they should more realistically look at what their losses are honestly with the Civic Center, and face that head on so they know how to act on that. He said that is what the dollar amount should emphasize, not the fact that their benefits are killing them because it is the lack of revenue that is killing them.

Mr. Dodd said he thinks it would benefit Council if Mr. Miller had the number of employees listed, especially over the years, and draw relation to the number of employees compared to the benefits because he thinks that would help. He said some of the charts showed 2019 compared to 2009, but he would like to see what the Civic Center did prior to 2009, or maybe ten years prior to that because he thinks that would help Council. He said they cannot afford to lose the Civic Center. He said it is a quality of life mechanism for the County, and he thinks the people really appreciate it, but they just have to do something to get the right venues in there.

Mr. Holloway asked Mr. Russo what year he started with the County, to which Mr. Russo responded, 1993. Mr. Holloway asked how many people were in management at the Civic Center then, to which Mr. Russo responded, there were just two, and then they had an accountant, a box office manager, and support staff. Mr. Holloway asked how many they have now, to which Mr. Russo responded, it has not grown. Mr. Holloway said there is a kitchen manager, they have a beer and wine manager, and a marketing manager, so that has changed, but the revenue has not changed much, and he thinks that is part of the problem. He said a lot of things have grown on that end.

Mr. Dodd said that Mr. Russo mentioned the different concerts, and he thinks they know he has been to many concerts over the years, and he thinks the last one Mr. Russo mentioned was Kelsey Ballerini, but he did not go to that because of the ticket price. He said those ticket prices are astronomical compared to two or three years ago. He said he thinks he had a discussion with Mr. Miller, and he was told it was the promoter making those prices, but those prices were leveled around \$45 to \$50 per seat, and he thinks that is probably the reason that some of these concerts are not filling seats. He said someone may be able to afford to use up their savings to go to a \$150 concert, but they will not be going to another one the next month because they spent all of their money they had in savings that they would use for entertainment, so he would like to see them come up with some plan to make better use of their concerts. He said, for example, when Alabama comes here, is the Civic Center really making money off of Alabama other than concessions? He said they are the ones making money off the tickets, to which Mr. Russo responded, the venue will make rental from the promoter, and then the ancillary revenue streams are what Mr. Miller mentioned. He said entertainment on a one-day event does generate a lot of ancillary revenue, so that is an important fact. Mr. Dodd said they have a lot of employees to pay.

Mr. Hastings said this is an important public good, and he cannot put a value on him meeting Bob Dylan in 2002 at a concert there. He then asked if there are other ways they can generate revenue, such as solar in the parking lot. He said he knows that goes into capital, technically, but they have a large parking lot and they could do what Wor-Wic did or Salisbury University. He then asked if there is a hotel room tax fee, to which Mr. Russo responded, yes. Mr. Hastings said, as far as graduation ceremonies and the dental clinic, is that in-kind? He said he knows it is money changing hands from the schools to the County, but is there a better way to account for what would be a rental fee, to which Mr. Miller responded, there is an arrangement with the Board of Education. He explained, there is some trade for the County utilizing facilities for Kids Club and after school programs, and they utilize the Civic Center for graduation, so there is some trade as far as that goes, but the Board of Education does pay a rental rate, and it is a reduced rate, but they track those types of things whether it is a free or reduced rental. He said they track that so they know that potential lost revenue if they were to charge the full rate, so they are able to track that kind of thing.

Mr. Cannon said he thinks the one thing they learned through the last recession was that one of the highest priorities of the County along with Roads, Education, and Public Safety is quality of life, and that is what the Civic Center is driving. He said the County does not make a profit on Roads, they do not make a profit on Public Safety, and they do not make a profit on Education. He said quality of life is very important, and he would fully support whatever attempts Mr. Miller is making to try to improve the quality of life in this County, and he thinks Mr. Miller is. He said Mr. Miller has been burdened with this albatross that there must be a profit, and, of course, Council wants to see that, and they would love to see that, but he thinks they need to accept rationally that may not be the situation. He said it is a bit of a shift here where Mr. Miller is going to have to reintroduce his budget recognizing to a certain degree that they are not going to be profitable, and everything else will be gravy above that if they were to bring in a profit. He said, if they were operating efficiently, that is key too, and he knows that is important. He said the questions as far as management he does not have any problems with, but as far as how they operate efficiently is critical in all cases, but still he thinks they have to accept the fact that there is potential losses in the Civic Center just as they have losses in any other Department that improve the quality of life of the citizens.

Mr. Holloway said he agrees with Mr. Cannon, and they have been fighting this since back when Mr. Russo was hired because these were the same discussions they were having when he was on the Civic Center Commission. He said it has never been profitable, and it is going to be tough to be profitable, but they have to decide whether they want something that improves the quality of life and gives people the opportunity to go to different events there.

Mr. Strausburg said he thinks one of the keys that is very important is that the entertainment industry has really changed, and their marketplace has changed, and he really thinks they have to drive the top line. He said this is really a revenue issue. He said they always try to be more efficient in terms of how they are operating, but the entertainment industry has really fundamentally changed, and he thinks they have to take a hard look at the Civic Center model and rethink that model to see whether or not they are keeping up as well as they can with that changing industry, and they are working on that as they speak. He said, while they look at the budget issues, he does not think there is a venue in the country like theirs that generates a profit. He said the State of Maryland writes a check to underwrite the Ocean City Convention Center losses on an annual basis, to which Mr. Dodd responded, the County needs to find a way to tag onto that. Mr. Strausburg said he would love to have the State help them out. He said he thinks, in terms of being efficient, that is absolutely critical, and they want to keep operating loss as minimal as they can for their taxpayers while maintaining that quality of life asset. He said, that being said, he thinks they need to take a very, very hard look at the model to see how their venue fits in today's entertainment environment, and how it will fit over the next five years, and he thinks that is a very, very important task that they have to dive into. Mr. Dodd said Mr. Hastings was leading into that when he asked Mr. Russo how they know what kind of concerts to book. He then asked if there is a way they can have a separate Committee for people who are really interested in entertainment and find out what people want to see come to the Civic Center, to which Mr. Strausburg responded, he does not think that would hurt. He said he and Mr. Bill Chambers went to Annapolis and met with the Ramshead Group, who have concerts all up and down the east coast, and they were, quite frankly, surprised of the venue the County has, so they invited them down. He said they were very interested in their venue, principally because of the proximity of two universities because that is really the population they look at. He said that is an untapped resource, and they were favorably impressed, so rethinking how they are programming and who they are dealing with, and who they are trying to attract is paramount and critical. He said Mr. Chambers has a long history in arena operations, so he thinks inside the Civic Center Advisory Board they really need to ask that Board to think outside the box. Mr. Dodd suggested they have a subcommittee for that and invite some people from the college because that is big all across the country. He said colleges put on big concerts, and Salisbury University has 6,000 students, so that is something to tap into. Mr. Strausburg said they are not tapping into that population to the extent they could. Mr. Dodd said, as a Councilmember, he is always going to defend their quality of life issues with the Civic Center, the Shorebirds, sporting events, and the softball world series because that is what brings people to their community, and they spend money at the restaurants and the hotels, and they buy gas at the convenience stores, so they are spending money indirectly.

Mr. Cannon said he hates to micromanage their Department, but when they come here, Council has questions, and sometimes they want to offer suggestions. He said, be that as it may, with the way social media is now, he would think if they could not do it personally there would be a company they could

hire because there has to be some means by which they should be able to get the word out enough within a year to know exactly what this captive audience in Wicomico County wants to see so they would know before they even opened up the doors, or before they even signed a contract that they were going to get 3,000 people at that show, especially with the way the new age of technology and social media is. He said he is kind of surprised that they cannot narrow it down and they open the doors and only have 100 people show up. Mr. Holloway said he has an example, which is Nascar. He said the attendance at the race tracks has fallen. He said they are taking seating out, and one of the reasons is that people have TVs at home and they can sit in their house and see more than they can see going to a race. He said he thinks that has a lot to do with it. He said young people stay home and play video games, or people stay home and watch sports. He said he thinks they are up against that as much as anything, to which Mr. Strausburg responded, that was what he meant about the entertainment industry changing. He said all of these acts can be seen on YouTube, so if someone wants to watch and hear them, they are right there on YouTube, and if they are not on YouTube, they can be streamed through the internet. He said they have an entire generation coming up who just views the world differently than an in-person experience, and the County is not reacting to that as quickly as they need to. Mr. Dodd said people will tell him there is nothing like being at a live concert, to which Mr. Strausburg responded, he could not agree more.

Mr. Hastings said the generational difference is important. He said there are golf club communities around the State and country that are going under because millennials do not play golf. He said, if someone currently goes into a casino, they will not see anyone under the age of 35. He said there are generational differences, and he thinks this is a very good time to acknowledge those and look at. He said comic cons are big, so if they can do something localized and it is a comic book convention, or an experience, he thinks those kinds of things are bigger. He clarified, he is not trying to micromanage, but he is very interested, and he loves entertainment, and loves this venue.

Mr. Miller said, as far as disposable income, he thinks sometimes there is a difference between what people want to see and what they are willing to pay to see, and that is a challenge. He said they may say they want to see a certain act, so then they book them, but do not sell tickets as they expected, so that is a challenge. He said they have to measure the market and what people can spend, and what tickets will cost, and it is a challenge.

Mrs. Acle said, owning a small business and recruiting physicians to the area, the Civic Center is in that recruiting book because the fact that they have Field 7½ and after school programs, that is very, very big, and she just wants to thank Mr. Miller.

Mr. Dodd said the chart that showed the Civic Center net events revenue looked like it dropped in 2017 and then spiked up in 2018, but dropped again in 2019. He then asked if Mr. Miller has any idea why, and what will dropping the revenue mark do, to which Mr. Miller responded, a lot of that is based on the events they book and how successful those events are. He said, as far as dropping that number, the challenge they face is, if they cannot hit the number, they have a gap on July 1, so they have to find ways to fill that gap, and that challenge is getting harder and harder as the costs of goods go up, as the minimum wage goes up, and as all of their expenses continue to go up, but they are trying not to raise rates, so that gap just gets harder and harder to hit. Mr. Russo added, it is cyclical in nature. He said they

have events that were there the year before, or different activities that were one-time events, and their base book of business is about 40 or 50 percent of their books, so they have to generate the other 50 percent with new business that they hope becomes annual, or is a one-time that comes in year to year. He said the success of concerts could vary from year to year. He said Kelsey Ballerini compared to another country act that happens in the same year could be different numbers totally.

Mr. Holloway asked if the groups coming in dictate the price of the tickets, to which Mr. Russo responded, they go off a tour history, but, yes, AAG and Live Nation are the two largest promoters of shows all across the country. He said AAG did Kelsey Ballerini, so they would have set the prices for that particular show because they bought the entire tour and price pointed similar in all the markets they are going to play. He said, if it is a show the County is doing, they will do research, and they have tour history that shows average tickets sold by an artist and the average gross for all the dates that artist has done in a period of time, and that is how they base their ticket pricing. Mr. Holloway said it is not the County's fault that the tickets are so high, to which Mr. Russo responded, absolutely not. He said 90 percent of the time it is the promoters bringing in the shows who are setting the pricing. Mr. Dodd said the problem with acts like Kelsey Ballerini is they are new and just getting into the business and their popularity is rising, but it is not there yet because they are on the charts, but they have not established themselves, or they will not come to a small venue like the Civic Center, so price is an issue there.

Mr. Cannon said he has received complaints about the ticket fee charges that are over and above the price of the ticket, and he thinks it is disproportionate. He clarified, in other words, someone called him and said his ticket was \$25 and then all of a sudden the box office fee was another \$12, so they did not buy the ticket for the show because they thought they were getting ripped off. He said his question really is whether they adjust that. He said, if someone is buying a \$100 ticket and it is a \$10 service charge for the ticket, the person may say that is okay because it is only another \$10, but when it is \$25 or \$35 for the ticket and another \$10 for the fee, the person may say they are not going to buy it. He said he is curious as to whether or not they have built that strategy into their pricing, to which Mr. Russo responded, one of the fees that is on top of that is a user fee, and is a traditional thing in the industry if someone buys from Ticketmaster. He said the Civic Center's fees are significantly less than other major ticketing companies, so if someone was to buy their tickets out of market for an amphitheater or another show in D.C. or Baltimore, those fees would be significantly higher than the Civic Center's handling fees. He said there is a 5 percent Legislative action, so that is 5 percent of whatever the ticket price is. He said then they have sliding scale fees that are part of their budget as a revenue stream, and other fees that they have to put on top of the ticket price to the customer, which is kind of the price of buying a ticket. He said he knows that creates a ton of heartburn for buyers and confuses them because a \$100 ticket can then become \$100+, and it gets confusing, but there are multiple breakdowns of what makes up that fee. Mr. Cannon said that is the only example he has where people have actually run in the other direction when it is disproportionately unacceptable, to which Mr. Russo responded, that is understandable, and it could vary from show to show depending on those fees. Mr. Holloway said there should be a truth in advertising where, if they put a price of a ticket out, that should be what the ticket costs. He said, whether it is going to cost \$100 or \$50 to go to a show, that is what it should be. He said he was down south and they went to a venue to purchase tickets the day before the show, and it was advertised what it was going to cost, and that is what it cost him. He said Mr. Miller mentioned free parking, and it was interesting because that whole town did not have a parking meter in the whole city.

He said he was told that was part of their success, so he thought that was interesting. He said, to have something that is \$40, but when they get there it is \$48 or \$52, that does cause problems.

Mr. Miller thanked Council for all the comments and questions and the engagement. He said it has been a very difficult year for their Civic Center staff because they have taken this to heart. He said it has been very stressful for them, and they have done everything they can do to try to minimize this, and they are working as hard as they can. He said Council's comments today were encouraging, and he knows they will be encouraging to the staff, so he thanks them for that, and for their time today. There was no further discussion.



Larry Dodd, Council President



John T. Cannon, Council Vice President



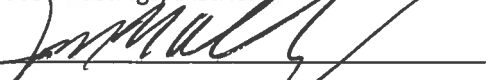
Ernie Davis, District 1



Nicole Acle, District 2



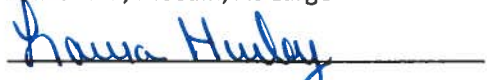
Josh Hastings, District 4



Joe Holloway, District 5

absent

William R., McCain, At-Large



Laura Hurley, Council Administrator