

***Proceedings of the Council of the City of Joliet, Illinois  
held on the 22<sup>nd</sup> day of September, 2010***

SPECIAL MEETING of the Council of the City of Joliet, Illinois held on Wednesday, September 22, 2010 at 3:40 P.M. in the Council Chambers, Joliet Municipal Building, 150 W. Jefferson Street, Joliet, Illinois for the following purpose:

1. Review of Lease Agreement with Joliet JackHammers
2. Review of Condition of Silver Cross Field
3. Review of Applications for 2011 IHSA Tournaments
4. Other Baseball/Field Issues

The pledge of allegiance was led by COUNCILMAN GIARRANTE.

ROLL CALL

PRESENT: MAYOR PRO-TEM WARREN C. DORRIS and DISTRICT 4 COUNCILWOMAN SUSIE A. BARBER, DISTRICT 2 COUNCILMAN TIMOTHY M. BROPHY, COUNCILMAN AT LARGE THOMAS C. GIARRANTE, COUNCILWOMAN AT LARGE JAN QUILLMAN and DISTRICT 1 COUNCILMAN JOSEPH R. SHETINA.

ABSENT: MAYOR ARTHUR SCHULTZ and COUNCILMAN AT LARGE MICHAEL F. TURK.

ALSO PRESENT: CITY MANAGER THOMAS A. THANAS and CORPORATION COUNSEL JEFFREY S. PLYMAN.

The City Manager stated that this meeting was called solely for the purpose of addressing some of the issues related to Silver Cross Field and the Joliet JackHammers and their relationship with the City. He said there are three items on the agenda, one is to review the lease agreement which is really focusing on the financial issues that have come to the forefront over the past few months, and there are two parts of that, one being the financial picture with the City of Joliet as the landlord of the facility and the JackHammers as the tenant, and the other part being the creditors, many of whom are present today and some of whom may want to address the Council later in the meeting.

The City Manager said the second item is the condition of Silver Cross Field. He said Mayor Schultz asked staff to go through the field last week and they came back with some notes as far as things that needed to be tended to fairly soon before another season happens, and they'll be putting that report together and getting that to the Mayor and Council.

The City Manager said the third item is reviewing the City's application for the IHSA Boys Baseball Tournaments for 2011. He said that we've been hosting the tournaments here in Joliet for several years and they are very successful as far as bringing people into the City and spending dollars here. He asked Marketing and Communications Director Ben Benson to give a brief presentation on the status of the IHSA Baseball Tournaments.

Mr. Benson stated that 2010 has been closed out and we had a successful tournament. He said the JackHammers did come through with the gate receipts

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and the IHSA has been paid in full. He said the attendance was down a little bit this year with the economy and the rainy weather.

Mr. Benson said in the spring of 2011 there is currently one tournament on the books, the Class 3A and 4A playoffs, and that is the last year of the 5 year agreement with the IHSA. He said the other 5 year agreement for the Class 1A and Class 2A finals has been completed. He said we are in the process of rebidding that and that bid is due October 1 and he is finalizing the details. He said we are competing with Springfield, Peoria and Normal and it's going to be tough to keep both tournaments next year. He said 5 or 6 of the teams out of the 8 have come from downstate, so it wouldn't be a reflection on our hosting ability. He stated that the IHSA baseball committee feels that we conduct a great tournament and Silver Cross Field is a great place for the state final, especially for those Chicagoland schools on the 3A and 4A weekend.

Mr. Benson said after some numerous discussions with IHSA and their executive director, we are going to be able to renew our five year agreement for the 3A and 4A weekend with a letter of intent and he is asking for the Council's approval to do that. He said he would submit that letter with the bid on October 1 for the 1A and 2A tournaments and we should find out by October 12-15 whether a new city will be selected for those tournaments.

COUNCILMAN SHETINA asked about the agreement with IHSA and the economic aspect of it.

Mr. Benson said for each weekend we spend almost \$15,000 bringing these tournaments to town and we pay the JackHammers and their staff to help us run the facility. He thanked Joliet Township High School Athletic Director Chris Olsen and their volunteers and staff that help put this on. He said each weekend brings in about \$150,000 worth of economic impact to the City of Joliet in the restaurants and hotels and it's quite a return on our investment.

COUNCILMAN SHETINA asked if that includes the gate or anything like that.

Mr. Benson stated the gate receipts all go directly to the IHSA.

COUNCILMAN SHETINA asked about the concessions.

Mr. Benson said the concessions go to Aramark and the JackHammers might get a small piece of that.

COUNCILWOMAN QUILLMAN moved that the Council authorize the submittal of a Letter of Intent to the IHSA to renew the five year agreement to host the Boys Class 3A and 4A State Baseball Finals at Silver Cross Field.

Motion seconded by COUNCILMAN GIARRANTE.

Motion carried by the following vote:

AYES: COUNCILWOMAN BARBER, COUNCILMEN BROPHY, GIARRANTE, COUNCILWOMAN QUILLMAN, COUNCILMEN SHETINA, TURK and MAYOR PRO-TEM DORRIS.

NAYS: NONE.

The City Manager stated Joliet Township steps in every single year and co-hosts the tournament, and he thanked them for all of their involvement.

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COUNCILMAN SHETINA asked what the terms of the JackHammer's lease are and who is responsible for what. He said the City is the landlord and is supposed to deliver a product that is viable and usable and whatever kind of lease it is, somebody is responsible for the upkeep.

COUNCILMAN GIARRANTE said there are two major problems over there, the plumbing and the insulation. He asked if that has been repaired.

The Corporation Counsel said there are still a couple of open issues that pertain to ongoing maintenance problems at the stadium and compliance with all of the original construction requirements. He stated that about a year ago the team had complained about excessive heating and cooling bills, and they believed that the building was under-insulated and that was investigated over the course of the winter, and it was verified that insulation in the western wall in the area of the team offices and the box office, the entire western wing of the stadium, had not been properly insulated, and that was brought to the attention of the contractor who agreed to pay for any repairs and actually agreed to just write the City a check and have the City take care of those repairs. He said those repairs were made in April of this year.

The Corporation Counsel said that then the second problem became known which was that the building had been constructed with certain types of plumbing fixtures which utilized compression fittings instead of soldered fittings, and that they had begun to fail. He said the construction drawings required the use of soldered fittings and so there is an ongoing discussion with Walsh Construction about the ultimate responsibility for any damages caused by the failure of the compression fittings. He said in April the washroom on the concourse level above the team offices had a major failure of one of these compression fittings and the offices were flooded out. He said it was so bad that it flooded out in the course of a Friday evening and a police officer on patrol happened to see water running underneath the door onto the adjacent street and reported it.

The Corporation Counsel said so there are those two main issues that are still open, the insulation which has been fixed and that bill has to be finalized with Walsh, and then there's the ongoing plumbing issue because of the use of compression fittings instead of soldered fittings that have begun to fail. He said last spring we repaired at least three locations where there were major failures of these compression fittings, so during the course of the season we didn't have any further problems, but we don't know if we will have additional failure of these fittings and whether leaks will pop up. He said it's something that remains to be resolved and really the only way to get to the bottom of that is to open up the plumbing system, which in most cases is contained within a cement block wall, so it's very difficult to deal with that problem. He said we've taken the position with the team that with that flood, they need to process their insurance claim. He stated that they did have insurance that covered much of the loss they suffered, and once there is a final determination of that insurance claim, the City can then proceed with any uncovered losses they might have, and then we can involve the construction contractor on that. He said those are the two open issues that deal with the stadium.

The Corporation Counsel said apart from that, the stadium is a first class facility that has a couple of issues that have become known to us and are fixable, it just will require some patience and attention. He said we'll have to stay on top of that compression fitting issue for sure because until they're all replaced, they may fail.

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COUNCILMAN SHETINA asked about the lease.

The Corporation Counsel said the lease was signed in April of 2001 and took effect with the start of the 2002 Northern League season. He said it's a 15 season lease, we just completed the 9<sup>th</sup> season, so there are 6 more seasons to go on the lease. He stated the current amount of annual rent is approximately \$230,000 payable in two installments. He said there is an additional opportunity for rent that is based on attendance. He stated in the first few years of the lease we actually received that additional rent, but attendance has been down the last three years, and we haven't been paid that additional rent, so essentially the revenues coming to the City from the lease are approximately \$230,000 in rent paid by the team. He said there is additional revenue that comes to the City via the naming rights agreement with Silver Cross Hospital who pays \$150,000 each year for the naming rights and there's a sharing of that amount with the team, with the team normally receiving \$88,000 and the balance coming to the City. He said given the situation we found ourselves in a year ago, currently 100% of the naming rights are under the control of the City, so we have the potential for an additional \$88,000 in revenue that would otherwise go to the team. He said the City's total revenue this year would be approximately \$380,000 if rent is paid in full and if naming rights fees are paid. He said naming rights are paid in advance by the hospital, so what we receive on October 1 of this year is in consideration of baseball operations in 2011, and if there are no baseball operations in 2011, then Silver Cross might have a claim to have that fee refunded to it.

The Corporation Counsel said in terms of responsibility, in his opinion the lease is very clear, it was negotiated and drafted over several meetings with City staff and with the ownership and legal counsel of the team. He said the objective that the City had back in 2001 when it was being negotiated was that we thought it was very important that not only does the team provide quality baseball, entertainment baseball, but that it operates the stadium, because it's a major undertaking to own a facility like that and it requires a lot of work, a lot of personnel, and a lot of expertise, and the City does not have experience in operating sports facilities like that. He said so the lease required the team to operate the facility, and in addition, it required the team to take care of the maintenance of things that would fail or break during their normal use. He said what the City kept as its responsibility as the owner would be capital repairs like the replacement of an elevator, replacing a heating system, repairing the plumbing, etc. He said the City would have the typical long term responsibilities that would go with ownership. He said the day to day responsibilities that would go with occupancy of the structure, that is the team's, and that was very carefully negotiated because the City wished to minimize its operating and long term expense at the stadium. He said we knew that maintenance costs money and we wanted that expense to be with the entity that could use the building to generate a profit, so we thought it was appropriate to ask the team to pay for ordinary maintenance of the facility and they've done so. He said during the first 6 or 7 years of operations, the team was very successful in operating the facility at a profit and maintaining the facility in a first class condition. He said it's now 8 years old and with anything else that has become 8 years old, it will need additional care and the City will need to make additional capital investments in the facility, but things like light bulb replacement, repainting, carpet cleaning, that's the team's responsibility under the lease. He stated many of these things, and they are significant expenses, were thought about in 2001 and it was a business negotiation that was conducted and we ended up where we ended up.

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COUNCILMAN BROPHY asked if those individual items are spelled out in the lease and the Corporation Counsel said yes.

COUNCILMAN BROPHY asked if we have each secured insurance on the physical items and the replacement value.

The Corporation Counsel said yes, we both have insurance.

COUNCILMAN BROPHY said so those things that are deferred should not necessarily be so because they are very clear in how they were laid out, day one, so that part of the lease is not, as rumored, not clear as to who is responsible for what.

The Corporation Counsel said he thinks much of what would be considered maintenance is spelled out exactly, but with any legal document, you'll reach the limits of what people thought about and what they could articulate in writing. He said we've had a great relationship with the team over the years, and we've always had open doors and could work our way through these disputes. He said he doesn't think we're here today because of confusion over maintenance, it's a much larger financial issue than that.

COUNCILMAN BROPHY asked if the origin of the rent was completely arbitrary or was there a guess at the annual expenses and maintenance and therefore escrow would be required.

The Corporation Counsel said the rent was arrived at by virtue of competition; the City conducted a public request for proposals and received 4 proposals. He stated that the JackHammers bid \$200,000 as the 2002 starting rent, plus this additional rent payment that was attendance based. He said that was their bid and it was in a market context with other leases that were out there. He said that was the initial rent and there's a provision for a CPI adjustment and so that's how it's now up to about \$230,000.

COUNCILMAN BROPHY said he would argue that almost every good landlord in this economy has made some sort of consideration to keep good tenants, and he hopes at some point in this conversation we talk about just what that appropriate amount might be if we want to continue to have baseball in this park. He said if we're going to go another six years and if they're going to complete the lease, he thinks we need to talk about that as part of the agenda today. He said originally we intended this to be an economic development catalyst; we wanted the spinoff retail shops, we wanted it to do a bunch of indirect things, we wanted it to add to the quality of life of the citizens of Joliet, add to jobs so the people who are sitting here could keep employees busy doing work for the team, and so now that we know what it takes to run that, we should probably try to tie a reasonable rent to some amount of maintenance or if we want to do it arbitrarily now that we know that number is difficult, maybe we can do that.

The Corporation Counsel said a report was prepared last year about this time comparing the Joliet lease to the Schaumburg, Kane County and Gary leases and our lease was towards the middle and maybe a little less than the average in terms of what we required financially in terms of rent. He said also contained in that report was a summary of tenant responsibilities, and it's pretty much the rule that the tenant has facility management and maintenance responsibility, but

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landlords and tenants do vary on that. He said there are different approaches that can be considered.

The Corporation Counsel said a summary of the financial position was distributed to the Council and we were asked to take a look at what the team owes the City, what financial issues are on the table, and some of it involves a lot of detail, so he just boiled it down to the basics so we can see kind of bottom line where we're at relative to the team. He said this would just involve the City and team and no third party creditors.

The Corporation Counsel said there are three issues – rent, flood and other City bills that are owed. He said that the annual rent is about \$230,000. He said in 2009 the JackHammers did not pay all the rent that was due so a memorandum of understanding was negotiated and executed that provided for installments to be made during the 2010 season, and those installments were not made in full and the City is owed approximately \$103,000 in back rent from 2009. He said the next installment of 2010 rent is due next week; he doesn't know if that will be made, and assuming it's not, the total amount of rent that would be due the City is just under \$220,000. He said the JackHammers, as the facilities manager, have performed certain repairs during the course of the 2010 season and they have invoiced us for those expenses. He said these are thing that under the lease it is clear that they fixed on our behalf and we would reimburse them for that, and that amounts to just under \$20,000 worth of work that they've done that they've invoiced. He said that invoice is still pending and was not paid in light of the failure of the team to pay the MOU payments during the course of the season. He said if that is net out, the net rent due the City is just under \$200,000. He said when the lease was negotiated, the City negotiated a guarantee that in the event the team faced financial problems that we would have a letter of credit on hand that would be an alternate source of payment. He said we do have a letter of credit in the amount of \$220,000 issued by First Midwest Bank, so in the event the team was unable to pay the rent that is due the City, we would be able to present a sight draft at the bank to obtain payment. He said so the City's rent payments are secured and protected.

The Corporation Counsel said regarding the flood claim, there's been some public discussion of what has happened there and what that does regarding the liability of the team. He explained the flood damage and said the team brought in professional organizations to help with the cleanup and remediation, and those third parties invoiced the team \$77,500 for their work. He said he doesn't know if any of those invoices have been paid, but that is \$77,500 in claims that would not go to the JackHammers, it would go to those third parties.

COUNCILMAN GIARRANTE asked if any of these invoices would be covered by insurance.

The Corporation Counsel said we know some of it is, and one of our issues with the team is to try to get their insurance company to deal with the claim one way or the other so we know where we stand.

The Corporation Counsel said the JackHammers also suffered some expenses with the flood and they submitted their own invoice to the City in the amount of \$31,000.00. He said so there is about \$108,000 worth of damages related to the flood, \$31,000 of which would go to the JackHammers and \$77,000 of which would go to third parties, and we do not know yet what the insurance company is responsible for and is willing to pay.

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The Corporation Counsel said finally, he thinks the Council should be aware that it's not just about rent or the flood. He said every business in Joliet has other expenses that they incur, and there's approximately \$43,000 worth of other bills that the team owes the City including for paramedics, water and sewer, false alarm fees and other security that the City provides and pays for during the course of the season. He said that should be taken into account as well.

COUNCILMAN GIARRANTE asked if any of the \$3,800 in false alarm fees can be attributed to the plumbing problem setting off the alarm.

The Corporation Counsel said he doesn't know, but it's something that could be discussed. He said so far we've invoiced for these fees and haven't received payment or an objection.

The Corporation Counsel said that concludes his report and to summarize, the City is owed approximately \$200,000 worth of rent, and we still have the open flood claim which needs to be finalized once the team's insurance honors its payment request.

COUNCILMAN SHETINA said with respect to the negotiations with the JackHammers and the amounts that we're owed and those that are questionable, at the last negotiation session, what was brought up by the JackHammers and the City and what has been done to try and negotiate this.

The City Manager said over the past few weeks he has had several meetings with the ownership group and he made it clear that he believes the Council was looking for the City's bill to be paid as soon as possible as well as all of the creditors, and that in order for that to be done, two things had to happen – either there had to be a cash infusion from the partners who are part of the organization, or basically a sale of the team. He said it has been his experience over the last three years in dealing with this that the business model that the JackHammers have can not sustain the obligations that they have and that they need additional cash to make the business model work. He said the ownership group has indicated to him that they are in agreement and that they are working on a sale of the team, and if that happened, then they would be able to address the financial obligations that the team has both to the City and to the creditors. He said there is no guarantee of 100% payment across the board if that happens, but he made the City's position clear and he thinks the ownership acknowledges that that's what it's going to take to fix this problem. He stated that short of that happening, it would be his position that the next step would be looking for alternatives and moving on to a search for another team.

JackHammers President Peter Ferro Jr. stated that he would like to address these issues, but first take a little bit of a step back. He said they got here in 2002 and a lease was negotiated between their management and the City, and that lease was negotiated in good faith and was a market rate lease at the time. He said their main objective was to bring affordable family fun to Joliet, that's what they were told the City Council wanted, that's what they were told that Mayor Schultz wanted, and he thinks that's what they have done over the past eight years. He said when they opened up a general admission ticket was \$5.00 and today the ticket price is still \$5.00. He said over the last 8 years they have attracted 1.5 million people to downtown Joliet, they have 150 schools in this community participating in a book buddies club since 2004 which has resulted in over 1.2 million books being read, and approximately 80,000 kids in this

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community being able to attend a JackHammers game free. He stated he thinks they have done a pretty good job on that end of things.

Mr. Ferro stated that during those 8 years the ownership of this company has reinvested \$800,000 worth of improvements in the City's stadium. He said they employ around 200 employees a year, and during that period of time they have booked over 5,000 hotel rooms in this community, spent about \$16 million on mostly local goods and services and been able to help charities raise \$1 million over that time period with Aramark allowing community organizations to work in the stands and through their various promotions. He said the team has paid \$1.5 million directly to the City towards the construction of the stadium and about \$1.6 million in lease payments to the City in addition to the \$800,000 of stadium improvements. He said his family also put in \$750,000 into the Miracle League field which belongs to the City.

Mr. Ferro said they are in a predicament at this point; there's no question about it. He said they have struggled, why have they struggled, it's pretty simple – it's called the economy. He said from 2007 to 2008 their total revenues went down approximately 7%, from 2008 to 2009 their revenues went down 24%, and from 2009 to 2010 they went down another 3%, so in three years their total revenues are down 34%. He said the rest of the minor league teams in this country are experiencing the same problems. He said the Northern League's average attendance when they started in 2002 was around 4,600, this year it will be about 3,600. He said everyone is competing for the disposal income of the consumer and the consumers are being very frugal with that dollar.

Mr. Ferro said what they did instead of just sitting around and wait was to make some personnel changes, drop their personnel costs in the last two years by approximately 27%, cut their advertising costs 40% and saved 40% of their utility costs this winter by installing some temporary heaters and shutting off the HVAC of the stadium. He said they brought in new General Manager Jamie Toole, got back out into the community, tried some innovative advertising over the last winter that created some buzz and tried to rejuvenate the JackHammers name and get people back out to the ballpark. He said they freshened up the stadium, brought in new acts and tried to do what they thought would bring people to the stadium. He said they brought in a new field manager and had their best record since 2002 this year on the field and finished in third place and made the playoffs for the first time since 2002. He said their attendance this year was up a bit, approximately 165,000, and the problem is that didn't translate into revenues.

COUNCILMAN TURK arrived at the meeting at this point.

Mr. Ferro said this entity needs additional capital, but it's not like they haven't done anything in the last two years. He said that \$800,000 has been brought into this company to try and keep it viable and to where it is the pride of the community that it was intended to be and that it was and to try to keep it to where it will provide jobs and monies to the local economy. He said their problem is they have done what they can on variable costs and the trouble with the business model is that they have two main fixed costs that they can't control. He said one of the main fixed costs is league costs including player costs which they think will be significantly changed for next year, and the other fixed cost is the facility cost and that consists of the lease payments to the City and the repairs and maintenance that are the team's responsibility. He said the lease was written in 2001, it was a market lease, it was negotiated and he thinks there's some wording in there that still needs to be interpreted, but as far as the

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payments go, they were legit at that point in time. He said that was in 2001, the unemployment rate then was probably 5%, it's probably at 10% or 12% now. He said their revenues have decreased and their lease payments have increased because there's a CPI adjustment in that lease. He said they began at \$200,000 base rent and are now up to about \$232,000.

Mr. Ferro said what they are looking for is a way to stay viable and a way to get the creditors paid, and the only way to do that is for them to attract additional capital in this venture. He said in order to get that accomplished, he is here asking the Council for some relief in these lease payments, it's as simple as that. He said he would love to be able to sit down and talk about this as far as the lease payments go and as far as the responsibilities of who pays for what going forward. He said this is not the forum to get into details, but he thinks there is room to discuss both of those issues. He said what he would love to see happen is that everyone gets paid what they deserve and to keep this ballclub functioning, whether it's the existing ownership, whether it's new ownership or a combination of that; this community deserves that park and it deserves that ballclub. He said that was the intent and that's what his goal is.

COUNCILMAN SHETINA asked Mr. Ferro what the current condition is of the Northern League and if he thinks it can remain viable.

Mr. Ferro said right now in minor league baseball there are about five leagues in this country, and the three major ones in the Midwest would be the Northern League, the Frontier League and the American Association. He stated that those three leagues have had discussions over the summer about reorganization and how they can reduce cost structures. He said that may result in simply a change of rules or some combination of leagues, but that's still up in the air. He said the Northern League as of today is an eight team league which is up two teams from several years ago. He said the Northern League's attendance is down as are the other two leagues. He said there are brand new stadiums in the Frontier League that this year have attracted 2,400 people a game. He said this is not a local issue, it's a country-wide issue.

COUNCILMAN SHETINA said he realizes that there are a lot of people who have money at stake here and the City also has money at stake, and it seems to him that it is in everybody's interest to keep this going if possible. He said he is looking at what the JackHammers owe to the City and to vendors and he asked Mr. Ferro what cutting the rent in half would do for them. He said he would hope that staff would negotiate somewhere in that range and it is opinion that it's to everybody's advantage to keep this going. He said that, along with the potential for the school to come in and play their football games there for a fee and some other things, may help keep it operating other than just the JackHammers team itself. He said we should try to work out something along those lines so that Pete can pay his creditors and the City is not really injured if they do something about the rent. He said there should be some common ground with respect to the rents coming in and paying the vendors, keeping the City happy and having an agreement on who pays for what when something goes bad.

COUNCILMAN GIARRANTE said he agrees with COUNCILMAN SHETINA and he thinks this is an important thing for the City of Joliet and the people of the City of Joliet. He said he agrees with Pete that this is not something that needs to be discussed at this venue. He said he would like staff to sit down with the representatives of the JackHammers and see if something can be worked out, something viable that is going to get us some of our rent and that's going to

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allow them to pay the people they owe, and maybe they can come up with some new monies from some people that are willing to invest if the rent isn't as high. He said he would hate to see the place sitting there empty with no one using it because that's not going to be good for anybody and we're still going to have the upkeep and we're not going to have any money coming in. He said so he would like to see staff sit down with the members of the JackHammers to see if they can work something out, and if they can't, they can't, but bring something back to us if possible.

COUNCILWOMAN QUILLMAN asked the City Manager if he has been trying to negotiate some things lately and if this is at a stalemate.

The City Manager said we're not at a stalemate, we actually did a similar exercise in November and December of 2008, and part of his concern as City Manager is the brand, the goodwill of the team and the City. He said while we are a landlord, and he has had many discussions with a lot of the creditors who are here today and some who aren't, we aren't legally liable for the bills of the JackHammers, but it's our tenant, and we suffer along with Pete and his owners and we suffer some embarrassment because of the financial situation. He said having said that, in 2008 he had that same feeling, and that's why Pete, John Costello, Jeff and he sat down and went through their invoices creditor by creditor, set up a payment schedule using some of the money that the JackHammers had coming from the Silver Cross Hospital naming rights agreement, and we tried to get everybody as current as possible back then. He said we didn't do that exercise in 2009 and we didn't do it this year, and he thinks part of the problem is there's just not enough revenue there. He said this business model does not work, and even if the City cuts the rent in half, he's not sure that fixes the problem either, and that's why we really do need to see a cash infusion or a capital call that addresses the creditor's needs, because it really is important to him as manager of this City that we maintain some good faith with a lot of the people who are here. He said he knows Pete feels the same way, and this is not a situation where Pete and he disagree, it's just that we could probably net our rent out to zero, and he thinks we would still have some problems. He said that's why we do need to see a change in the business model. He said he is more than willing to negotiate with Pete and his team as far as relaxing the rent if that's the direction of the Council, but we really need to see a business plan that goes into place immediately to address the creditor's needs too, and also tell us what is going to happen in 2011. He said he agrees with Pete, he follows the other independent leagues and keeps an eye on attendance figures and attendance is down. He said other teams are surviving though, they're making adjustments in rent payments, but he doesn't think they have the financial crisis that we're seeing right now, and we really do need to see a realignment so that Pete's team doesn't have to travel to Canada and Fargo and Kansas City, they need to be playing most of their games within a 2 or 3 hour radius of Joliet, and that would make a lot more sense and save on bus transportation and overnight accommodations.

COUNCILWOMAN QUILLMAN asked how close are they to some kind of agreement on the league issues.

Mr. Ferro said they are getting much closer to at least reducing the cost structure as far as the player cost goes. He said the travel cost may take one more year to get done. He said that they're all in the same boat, everyone is struggling, and some of them are making money, but most are making less money than they used to make and they're all looking for cost issues, so he thinks the long

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term business model for a minor league baseball team in this facility is going to have to be a restructuring and reorganizing of travelling. He said it's probably going to happen in two steps, it's probably going to be a cost reduction to start with and then a reorganization. He said it's convoluted and very complicated because it involves 30 teams to try to get everybody satisfied, but it's happening.

COUNCILWOMAN QUILLMAN said she's not asking Mr. Ferro to say it here today, but is there a total figure of what the JackHammers owe their creditors, not counting the City.

Mr. Ferro said he doesn't think it would be appropriate to talk about that today, but he knows what the figure is and it's significant.

COUNCILWOMAN QUILLMAN said so even if we were to forgive the rent, it probably wouldn't be enough to cover that.

Mr. Ferro said Tom has put it succinctly; what needs to happen here for this to continue on is there needs to be a rent reduction, relief, forgiveness, but also with that there needs to be a capital infusion in this company, and the only way to get that is either additional monies through partial investors, or a sale of the team.

COUNCILWOMAN QUILLMAN said she is curious to find out why when the ballpark was first built a maintenance fee fund wasn't set aside for the ballpark, because we knew it was a brand new ballpark but it wouldn't last forever, and we were going to face these issues down the line.

The City Manager said he's not sure, he thinks it was anticipated that revenue from the team would be sufficient to maintain the City's obligations. He said we anticipated \$200,000 a year, and it seemed reinvesting that into the ballpark would probably keep it in great shape. He said obviously with the revenue not coming in and the expenses going up, in the last couple of years we've had some issues, and he's not pointing fingers, but sometimes when there is deferred maintenance, it gets worse and it gets more expensive to fix, so that's why we've had that problem. He said throw in a flood too, that didn't help, the timing was terrible, and we don't blame Pete for that.

COUNCILWOMAN QUILLMAN asked Mr. Ferro if he is planning on selling the team or just giving up ownership at this point if his plan doesn't work out.

Mr. Ferro said we're looking at all the alternatives at keeping this thing viable and right now everything is on the table. He said he is here looking to the City for some relief as a tenant so the plan would then be to attract additional equity into this company through probably a sale or a partial sale, that's the plan.

COUNCILWOMAN BARBER asked if it is possible if we could sit down with Mr. Ferro and look at other ways where we could help him by bringing in some other people to assist in paying for some of the things that he is doing.

MAYOR PRO-TEM DORRIS said he thinks anything is possible, and one thing we need to understand is the cost structure. He asked what percentage is fixed costs and what is variable.

Mr. Ferro said he would have to look at the numbers again but the fixed costs for repairs, maintenance and lease payments for the facility have been around

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\$600,000 or \$700,000 a year. He said when he talks about variable costs, there is a certain variability in payroll, but there's not a lot we can do with that, and the other fixed cost is the league cost which is probably 25% of the revenues. He said the lease issues are probably 35% or 40%.

MAYOR PRO-TEM DORRIS said that is his point, most of the costs are fixed costs and the variable costs aren't that great. He said it is those fixed costs that are costing the big dollars. He said the issue he has is you can bring in \$3 or \$4 million in new capital, but if you don't get your fixed costs down where you're making money, it's going to eat that capital up. He said even though it's a lot of money, the rent is not going to save the JackHammers. He said he thinks we need to look at a business plan that says with these fixed costs and these attendance numbers, this is going to be the bottom line, and then see exactly where we are. He said the attendance also was a major part of the revenue decreasing. He said when we look at the rent, he doesn't think we should just arbitrarily say we're going to cut the rent a certain amount, he thinks we still have a responsibility to the citizens to try and collect some of that money. He said we should also look at the attendance level and maybe put together a model that uses a scale that reduces the rent if attendance goes down, and if attendance goes up, the rent goes up.

MAYOR PRO-TEM DORRIS said he believes that the JackHammers and the ball field have brought some real value to the City and it has improved the quality of life. He said he thinks it would really be a detriment to Joliet if we allow that field to sit dormant in the evenings other than the high school, but he thinks the cost structure really needs to be looked at because as a business decision, it doesn't make a lot of sense to keep losing money and pouring good money in there and there's no light at the end of the tunnel. He said he thinks before this Council can make a decision, we need to see those business models and see if there's a way to reduce the fixed costs because that appears to be the major part of their cost structure.

Mr. Ferro said the two major fixed costs are the facility costs and the league costs. He said we've talked a little bit in the past about having a sliding scale on the rent so that it is more of a cooperative, more of a partnership, and he thinks that's probably what we're looking for here, we're looking for some sort of a partnership. He said this is not just about the JackHammers, it's about the City of Joliet and everybody else here, so we're looking for some sort of cooperative way to keep this thing going in the future.

COUNCILMAN GIARRANTE asked Mr. Ferro if he has to pay so much to the league per year to be in the league.

Mr. Ferro said yes, there are dues.

COUNCILMAN GIARRANTE asked if they're looking at lowering that since all the teams are hurting.

Mr. Ferro said yes, it's probably gone down 50% in the last 3 or 4 years. He said one way it comes down is just adding more teams to the league. He said we've looked at everything to try to cut costs here, and we spent money that backfired. He said we had some acts here this year that we thought would draw more revenue and it just didn't do it. He said so that's a mistake, but you've got to try to keep things fresh and keep people wanting to come out to the ballpark. He

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said he thinks that everybody is just fighting an uphill battle here with this economy, it's not like it was 10 years ago, simple as that.

COUNCILMAN BROPHY said he thinks the question that needs to be dealt with is are we going to have baseball here or not, and his opinion and his wish is, yes. He said so his further instruction would be that we would be irresponsible to take this kind of request from a second year tenant who has not had a track record and time to prove himself and time for us to evaluate the true operation of an entity, but here is a 10 year tenant who he thinks we can all agree while we have no comparison is a superior tenant compared to what we might end up with. He said he thinks Mr. Ferro and his team and the families have done a great job, those investments, especially the extra things like the Miracle League, go way beyond, and so he thinks they have earned a seat at the table. He said he thinks many good landlords have had these discussions with their tenants in every sort of commercial setting to keep good tenants, and he thinks what we have here is a superior tenant and we should do everything we can to keep them, because without them, he doesn't think we can play hockey in this thing, he thinks we need to play baseball.

COUNCILMAN GIARRANTE said he thinks the feeling pretty much is for everyone to sit down and come up with a viable agreement.

MAYOR PRO-TEM DORRIS said but he thinks we have to see a business plan. He said maybe it's a four or five year recovery, but he thinks there have to be steps that the JackHammers are going to take and the City is going to take to get them there. He said so he thinks we've go to see a business plan, and we don't have to wait until the end of the year to see if that plan is working, and we need to be tracking that plan every 5 or 6 weeks once the season starts and see if we can do something in the middle of the season to try and make sure we can raise more revenue. He said the Mayor is not here and he knows the Mayor really supports the Joliet JackHammers, but he thinks we really need to see business plans with 3 or 4 different models showing how we're going to turn this thing around.

COUNCILMAN GIARRANTE said he should have also included in his comments an agreement that would include paying off these vendors that are owed.

The City Manager said that has been a major concern of his and the staff's. He said he thinks some of the business practices that we've seen have not been appropriate and he thinks there are people here who would like to express that. He said he thinks they want him to let the Council know that they're disappointed with how they've been treated, and he thinks part of our negotiations need to focus on the creditors and on cash infusion, and we really need to do this in a very short period of time because if we do reach impasse, we need to do that quickly because the staff needs to go out and find another tenant for the ballpark. He said he would like to be able to finish this in the next 10 days. He said he knows it's a short time frame, and certainly we'll start meeting with Pete immediately as we always have, but we really need to focus on getting the job done and getting it done quickly.

COUNCILWOMAN QUILLMAN said she has one question, and she has heard this time and time again, why does their staff not return phone calls. She said that has been the biggest complaint, she has even made a phone call and didn't get a return call.

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Mr. Ferro said it's a poor excuse, but he thinks they've been overwhelmed. He said between running the ball team and the financial issues, he thinks it overwhelmed them and that's unfortunate and it's inexcusable, but it's there. He said he's not running and hiding, he thinks that's why he's here tonight, he knows their issues, he has spoken to some of these vendors here and have promised them and the Council that he is going to do whatever he possibly can to get this rectified. He said he can't perform miracles, can't guarantee anything, but he has been in this community for 60 years and he's not going anywhere. He stated that he also wanted to make sure that everyone is aware that he is not the only shareholder in this company, there are six other shareholders, and none of them have stepped up to put any cash in this company, it's been him that put the cash in here. He said if he hadn't put money in here two years ago, we wouldn't be having this discussion right now, there would be no baseball here.

COUNCILWOMAN QUILLMAN asked Mr. Ferro if he might restructure his own staff going forward.

Mr. Ferro said it's very possible.

MAYOR PRO-TEM DORRIS said he thinks that just like the JackHammers are on hard times, those vendors who are sitting out here are on hard times too. He said it's hurting everybody and they're not getting paid. He stated that his suggestion would be to pay these vendors with a portion of the naming rights fees from Silver Cross Hospital that the JackHammers were supposed to receive on October 1 for next year.

Mr. Ferro said we're open for discussions. He said he thinks we need to talk about the \$19,000 worth of approved repair items that haven't been paid, the flood issue of \$108,000, then there's this naming rights issue, and he thinks if we put all this together, we'll be able to get some of this done. He said there's nothing off the table at this point.

MAYOR PRO-TEM DORRIS told Mr. Ferro that when he starts mentioning things that are going to benefit the JackHammers, it appears that he is trying to take care of the JackHammers before he takes care of these vendors. He said his suggestion is to take the money that's earmarked for the JackHammers and pay some of those vendors. He said he knows there may be \$19,000 in capital improvements that the City may owe the JackHammers, but he thinks we really need to take care of these vendors first.

Mr. Ferro said if we were paid the \$19,000 today, it would all go to these vendors. He said every penny we get in right now is going to the vendors other than payroll. He said if we came to an agreement where out of that flood claim the City had to pay \$60,000 or whatever, it would all go to the vendors. He said it's not going anywhere else but the payroll and the vendors and the utilities to keep the lights on.

MAYOR PRO-TEM DORRIS said he thinks the vendors may feel a little better if they can receive the money from the City because they haven't been able to communicate with the JackHammers.

Mr. Ferro said we have suggested that if there is money due to the JackHammers from the City, that the City pays the vendors direct, he doesn't have a problem with that.

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COUNCILMAN BROPHY said he has a problem with that. He said he wants them to get paid, but he doesn't want to micro-manage the business and he doesn't want to co-mingle funds and he doesn't want to do a lot of those things that will make it an accounting nightmare.

MAYOR PRO-TEM DORRIS asked if that was done last year.

The City Manager said we did a form of it in 2008 but we did not do it last year.

COUNCILMAN TURK said if everybody digs in and there's no negotiations, and no discussion, nothing is going to happen, and we can't afford that to happen. He said that the City Manager had mentioned negotiating right away with Pete and his team, and while their rent is very important to us and very important to the taxpayers of Joliet, he thinks the first thing we need to negotiate is the payment of the vendors and then we can back off and come second. He said the City Manager had mentioned maybe a 10 day window to try and negotiate something and he thinks that's reasonable to see if we can get something done.

The City Manager said he was suggesting that we spend the next 10 days negotiating so we can report back to the Council at its next meeting on October 4. He said he can't guarantee we will reach an agreement and he can't guarantee all the issues will be addressed, but we really do need to keep this on a very timely schedule and make sure we keep pushing forward.

COUNCILMAN GIARRANTE asked if we could get a progress report in executive session.

The Corporation Counsel said we can discuss terms and conditions related to a lease.

COUNCILWOMAN QUILLMAN said she has a problem with executive sessions. She said this involves everybody and she wants everything out there in the public, so forget about the dollar amounts and everything in the lease agreement, she understands that has to be discussed, but when we come out of that session she wants everything out in the open and aboveboard and open for everybody to see, because this doesn't just involve us, this involves everybody in the City of Joliet, especially the taxpayers, and they have a right to know what's going on.

COUNCILMAN GIARRANTE said they will know that when the agreement is done. He said he thinks to air what's going on in the agreement during negotiations is unnecessary. He said once the agreement is finished, everyone will be notified and that will be voted on at an open meeting. He said it's just like negotiations with the different unions, we don't discuss them while they're going on, and he doesn't think it's necessary to discuss negotiations with the JackHammers while they're going on.

MAYOR PRO-TEM DORRIS asked if anyone in the audience wanted to make any comments.

Mr. Jim Laurin, owner of Alpha Janitorial, said he was hired by Jamie Toole to clean up the stadium after the games for the last few home stands and any playoff games. He said he was paid for the first home stand, did the second home stand plus two playoff games, and ever since then, there hasn't been any response to his e-mails and phone calls. He said he hasn't been paid and he

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thinks it is criminal. He said he has keys to the stadium and he turned them over to the City Manager.

Mr. Ed Rachel, President of Stagehands Local 124 Joliet, stated they've had an agreement with the JackHammers since 2002 where they would be the labor union that would put together the staging, sound and lights for any shows that they would have at the field, and for years that worked out just fine. He said this year however on June 27 there was a show and they had 3 employees there who worked and this contract signed by Jamie Toole, the bill was turned into them around that date and they never heard back from them. He said he talked to Mr. Toole at a game in August and he was less than cordial and given a copy of the bill and that's how it was left. He said Mr. Toole is not a great representative for the JackHammers and the City of Joliet. He said hopefully this will be resolved and it is a minor issue for his union but a lot greater issue for the rest of the public that is here that has not been given a fair share when it comes to being paid back. He thanked Mr. Ferro for keeping the JackHammers here and said as a long time citizen of Joliet, he loves downtown Joliet and it has great businesses and entertainment and is as nice as anywhere else and people need to realize that. He said unfortunately management made some bad decisions here and it just needs to get corrected.

Mr. Joe Buchholz, owner of Buck Services, said he wanted to commend Pete Ferro who has responded to his phone calls. He said they are a cleaning and maintenance company who was hired to prepare the stadium not just this year, but they were the original company that was brought in here in 2002 and worked directly with Walsh Construction as well as prepared the stadium and worked on a daily basis all the way into the season to 2005. He said they had a wonderful relationship and that's when things were going well. He said they parted ways in a positive manner. He said they came back and developed a contract totaling \$65,000 this year starting in May and running through the entire 12 months after that. He said what they're asking for at this time is a plan of action so a payment plan can be made. He said out of \$65,000, \$49,000 is outstanding. He said he is disappointed that they chose to bring another vendor in knowing darn well that they didn't pay him and they may not be able to pay them. He said that no one deserves not to get paid and they welcome the opportunity to work directly with the City and they love the opportunity the City is looking for to keep the JackHammers alive and he commended the JackHammers for their great product.

Ms. Cheryl Muscato, Vice President of Rocket Imaging, explained the graphic services they provided to the JackHammers at Silver Cross Field and the \$38,000 they are owed. She also explained the resulting financial impact on their business and family.

Mr. Jared Darling of Salkeld Sports explained that the JackHammers owe them money for providing team uniforms, product and fan wear. He said he received a minimal check and their phone calls or emails were never returned.

COUNCILWOMAN QUILLMAN said as angry as all the vendors all are and could be and should be, there's one common thread she has heard here this evening, and that is that no one seems to be angry at Mr. Ferro and they respect him for being here and she would like to commend him for being here. She said she doesn't know who the other five partners are, but this could have been a terribly ugly meeting and everyone has been very respectful and she commended Mr. Ferro for being here today.

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Mr. Bill Kent of Servpro Joliet stated they were the ones brought in for the water damage and they and Integrity Restoration are owed for work they did on the building itself. He said all they need is for the JackHammers to get the insurance company to give them a denial letter so the City can pay them the money owed. He said it's not a matter of the JackHammers not having the money, it's their not doing their due diligence.

MAYOR PRO-TEM DORRIS suggested that Mr. Kent talk with the Corporation Counsel and Mr. Ferro after the meeting to get that resolved.

COUNCILMAN GIARRANTE said he thinks it's pretty clear what the Council's feelings are and we need to get this resolved and hopefully we can get it done by the first meeting in October.

COUNCILMAN SHETINA moved that the Council adjourn at 5:15 p.m.

Motion seconded by COUNCILWOMAN BARBER.

Motion carried by the following vote:

AYES: COUNCILMEN BROPHY, GIARRANTE, COUNCILWOMAN  
QUILLMAN, COUNCILMEN SHETINA, TURK, COUNCILWOMAN  
BARBER and MAYOR PRO-TEM DORRIS.

NAYS: NONE.

\_\_\_\_\_  
ARTHUR SCHULTZ  
Mayor

\_\_\_\_\_  
JANET K. TRAVEN  
City Clerk

Recorded on Tape

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