

COUNTY COMMISSIONERS' WORK SESSION MINUTES
TUESDAY, September 27, 2016

The Board of County Commissioners met today in their weekly Work Session.

Present at today's meeting were:

Dennis P. Stuckey, Chairman
Joshua G. Parsons, Vice-Chairman
Craig E. Lehman
BOARD OF COUNTY COMMISSIONERS

Robert T. Still
CHIEF CLERK

Lisa Johnson
ASSISTANT CHIEF CLERK

Christina Hausner, Esquire
SOLICITOR

Also present were:

Tom Baldrige, President
LANCASTER CHAMBER OF COMMERCE AND INDUSTRY

Peter Barber, Co-Owner
2 DUDES PAINTING COMPANY

Heather Bowman
ORTHOPEDIC ASSOCIATES OF LANCASTER

Dale Brubaker, Grant Coordinator
DISTRICT ATTORNEY

Bruce Clark, Resident
NEW HOLLAND

Kelly Decker, Business Administrator
YOUTH INTERVENTION CENTER

Randy Gockley, Coordinator
EMERGENCY MANAGEMENT AGENCY

Tony Haws, Inmate Services Supervisor
PRISON

Lori Herr, Partner
HOTEL LANCASTER

John McGrann, Owner
PENN STONE

David Proulx, Vice President
FINANCE & ADMINISTRATION; FRANKLIN & MARSHALL COLLEGE

William Rhodes, Partner
Ballard Spahr, LLP

Ian Ruzow, Partner
LANCASTER BASEBALL, LLC

Matthew Sternberg, Executive Director
LANCASTER COUNTY HOUSING AND REDEVELOPMENT AUTHORITIES

John Thomas, Partner
HOTEL LANCASTER

David Warren, Executive Director
LANCASTER COUNTY CAREER AND TECHNOLOGY CENTER

Commissioner Stuckey called the meeting to order at 10:00 a.m.

Commissioner Stuckey announced that the Board of Commissioners met in Executive Session on Tuesday, September 27, 2016 at 9:00 a.m. to discuss Pending Litigation including the Christener matter, and Personnel Matters related to potential litigation.

Commissioner Stuckey announced the approval of the August 30, 2016 Work Session Minutes, and September 6, 2016 Work Session Minutes and postpone approval of the September 13, 2016 Work Session Minutes and September 20, 2016 Work Session Minutes.

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1. Randy Gockley, Coordinator, presented a Grant Agreement on behalf of the Emergency Management Agency.
NOTE: For more information please refer to the County Commissioners' Meeting Minutes dated September 28, 2016.
2. Kelly Decker, Business Administrator, presented an Agreement on behalf of the Youth Intervention Center.
NOTE: For more information please refer to the County Commissioners' Meeting Minutes dated September 28, 2016.
3. Tony Haws, Inmate Services Supervisor, presented an Agreement on behalf of the Prison.
NOTE: For more information please refer to the County Commissioners' Meeting Minutes dated September 28, 2016.
4. Dale Brubaker, Grant Coordinator, presented a Grant Application on behalf the District Attorney's Office.
NOTE: For more information please refer to the County Commissioners' Meeting Minutes dated September 28, 2016.
5. Bob Still, Chief Clerk; Matthew Sternberg, Executive Director, Lancaster County Housing and Redevelopment Authorities; William Rhodes, Ballard Spahr, LLP, and Ian Ruzow, Partner, Lancaster Baseball, LLC presented the Clipper Magazine Stadium Financial Restructuring Proposal.

Mr. Ruzow reported that the Lancaster Barnstormers rent is way out of line for the size of its population and its possible draw for baseball, noting it is the highest rent in the Atlantic league. Although the team is doing well in ticket sales, it continues to struggle to make rent payments. He noted that if the rent was comparable with other stadiums, he would not be here today with this proposal which allows for the following: the continued scheduled payments to satisfy the existing bond; it maintains the County's guarantee to the remaining nine years of the bond without extension; it extends the current lease from nine remaining years to eighteen years without the extension of a guarantee from the County; does not increase the amount of County Guarantee; the County gets fully reimbursed; and does not increase the amount of interest being charged. Mr. Ruzow commented that the parties involved in the baseball stadium today are not the parties that created this situation; noting that while the issues are serious he believes they are the parties that can solve that problem and ensure the stadium stays open for the foreseeable future. Mr. Ruzow believes this is a solution that will allow the Lancaster Barnstormers to continue to play a vital economic development role for the years to come.

The following people expressed their support for the team and the stadium, and the business, partnerships and industry downtown and asked the Board of Commissioners to support the proposal.

- Peter Barber, Co-Owner, 2 Dudes Painting Company
- John McGrann, Owner, Penn Stone
- Dave Proulx, Vice President of Finance & Administration, Franklin & Marshall College
- Lori Herr, Partner, Hotel Lancaster
- John Thomas, Partner, Hotel Lancaster
- Heather Bowman, employee, Orthopedic Associates of Lancaster
- David Warren, Executive Director, Lancaster County Career and Technology Center

Mr. Rhodes stated that the financial burdens of the stadium are not borne solely by the team. The authority, as owner of the stadium, is generally responsible for major capital maintenance and repairs at the stadium, but the authority lacks a dedicated revenue stream to fund such maintenance and repairs. In a sense of community partnership, the authority and the team have worked collaboratively in recent years to share necessary capital maintenance and repairs, and the authority has found temporary stopgap-measures to meet its expenses to date. Mr. Rhodes also commented that despite this collaboration, the team needs to stretch its rent payments over a longer period in order to reduce annual operating deficits. Also they are proposing a solution that avoids adding new refinancing costs to the problem by seeking the County's assistance in two ways: first: provide nine and a half years of assistance to reduce the team's rent and net operating losses during the initial term of the lease. In return, Lancaster Baseball will agree to the two option renewal periods that are in the current lease to add an additional nine years to the current lease term. Lancaster Baseball will commit to fully reimbursing the County for its assistance during the remaining term of the lease by paying reimbursements to the County in amounts well in excess of the rent than would be otherwise due during the extension period. Second; provide annual financial support to the authority to help it fund its obligations with respect to capital maintenance and repairs at the stadium during the lease.

Mr. Sternberg stated that a few of the main objectives of the proposal that he had in mind is to not have an extension of the debt that would take it way far into the future, that would require more issuance costs, more interest expense over the life of the bond. Also he feels that keeping the future liabilities in check is an important thing to try and achieve so that the County doesn't get stuck with an even worse problem in ten to twenty years from when they have an older stadium that would possibly need some significant renovations and still looking at the original debt on it still being on the books.

In response to Commissioner Lehman's inquiries Mr. Rhodes stated that the debt service would be paid on schedule in the same amount that are currently required; they don't have the ability to change that. The proposal is roughly a split of the rent. The team has figured out that the projected operations rent in the amount of about \$450,000.00 a year is a modest lost to the team. The request would be for rent from the County in the amount of \$650,000.00 for each of the remaining nine years. In exchange instead of paying the rent that is projected to be due in the nine year extension period that the team would make payments to the County in the amount of \$450,000.00 through that term, which would result in about two million dollars left and they would pay

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that in one lump sum. The proposal is to exercise the options now as part of an agreement with the County, for their support, so that the lease will run eighteen years even though the bonds will retire on schedule in nine and a half years. Mr. Ruzow commented that it is his company's desire to have baseball there for eighteen years but if not and they need to do something else they will with the commitment to continue paying the County back to make it whole again regardless of what sport is played at the stadium. Mr. Sternberg stated that under the original lease the Redevelopment Authority is responsible for major capital maintenance to keep the stadium in good shape as a good investment for the community and also make it an attractive viable destination for the community members. The work that has been done to date was funded when they did a refunding of the bond back in 2012 to take advantage of lower interest rates that provided them with about \$800,000.00 extra that went into the capital maintenance fund. At this point those funds have been expended and the Authority will need to be speaking to the Board of Commissioners about the alternatives for funding for those portions of capital maintenance that have been the Authority's responsibility under the lease. Mr. Sternberg stated that he expects to continue to have discussions with the board regarding how the capital maintenance costs will be paid and that there aren't an awful lot of other alternatives or mechanisms to deal with.

Commissioner Lehman stated that while the proposal certainly merits consideration, but if the County is going to have to subsidize rent at \$650,000 over nine years and then have to come around and then fund maintenance cost for the facility for the nine year; it makes the price tag of this whole arrangement much higher than simply \$650,000 for nine years. Also he stated that he feels that those discussions need to be held now and figure out who may be paying for what and not simply view this as the County is only going to subsidize the stadium for \$650,000. Commissioner Lehman also stated that if there is another mechanism to try and deal with the maintenance so the County isn't going to be asked down the road to cover those maintenance costs, that it would be helpful for him to have an understanding of what they are and how those would be effectuated over time.

Mr. Sternberg stated that they are ready to get into those discussions and that Mr. Still has the items that they are expecting to deal with between now and next season; they look forward to getting that presented to the Board of Commissioners along with the extended projections for the life of this proposal, until 2034, so that they understand in some detail the magnitude of what they are dealing with and when. Commissioner Lehman asked Mr. Sternberg if their intent is or is not to come back to the County and ask for those costs. Mr. Sternberg responded that they are. Mr. Rhodes added that the projections that the Barnstormers and the Authority have worked on are based on engineering estimates; it is based on sound asset management approaches to ownership. Also Mr. Rhodes added that the team does pay for some of the capital maintenance currently; which averages over \$100,000 a year of capital maintenance that the team currently pays in addition to the \$25,000 mentioned. In response to Commissioner Lehman's questions, Mr. Sternberg went on to describe what capital maintenance items the team is responsible for paying. Mr. Sternberg stated that any capital repairs that are a value of \$20,000 or less are the team's responsibility for paying under the lease and any that come in at greater than \$20,000 are the authority's responsibility. Commissioner Lehman stated that the only reason that he is mentioning it is because if these are big ticket items and there is timeliness in response to dealing with them the County could be forced to borrow money to pay for them given that the County does not have a whole lot of large cash sitting there that can be deployed for a capital item, if asked by the authority due to the authority not having the resources to deal with maintenance issues.

Commissioner Parsons thanked everyone who came and expressed their opinions. Commissioner Parsons briefly clarified the details and stated that there were three parties to the original baseball deal in 2004. The Redevelopment Authority owns the stadium. The Team rents from the Stadium. The rent from the Team is used to pay the bond payment for the bonds that the Authority used to build the stadium. They both signed a contract in 2004. The new owners assumed that contract in 2014. The County's only part in this is that the County backs or in other words guarantees the bonds. Other than that, the County had no part in the contract. Basically what is happening is a dispute between the Authority and the Team. Commissioner Parsons stated that as he understands it the proposal is asking for a whole new structure which includes the Team asking the County to pay \$650,000 a year of taxpayer subsidies to the Team. And the Authority is asking that the County pay for the maintenance. Those are big changes. Also Commissioner Parsons stated that the County's debt level is between \$220 million and \$230 million, which is historically very high for Lancaster County and the County has major capital needs, like the prison and potentially elsewhere. He also stated that a more realistic way to get a collaborative agreement that preserves baseball, is for the two parties who are in dispute is to come up with some framework. Specifically they should look again at the option of restructuring the bonds. Commissioner Parsons stated that the County received a proposal in the mail in March from the Team's attorney suggesting a new restructuring of the 2013 bonds, which could allow the yearly rent to be adjusted to a more manageable amount. That means the Team and the Authority would work out a deal where the bonds are restructured and then approved by the County but it would not mean any payments from the County. He feels this is a more realistic way forward. Also he thinks there is a way to solve this problem. He thinks the first step is to have an independent look at your books. The second step is to look at what the original proposal was, which was restructuring the bonds rather than pay with money from County taxpayers.

He also understands that under the current proposal the claim is that the County would recoup the money, but what is the recourse if something happens to baseball during that period of time. Lastly Commissioner Parsons stated that he will review the proposal, but to be fair and transparent to everyone he wanted to give his initial thoughts upfront.

Mr. Ruzow wants everyone to understand that if Lancaster Baseball, LLC had not stepped in 2014 that the stadium would be closed, which would have caused a much bigger issue. They came in and took over because they did not want to see that happen and wanted to ensure that baseball continued in Lancaster County. The proposal that the Commissioners received in March was not accepted by the authority's board, and through numerous meetings and a lot of hours spent on this solution where it did not extend guarantees, and the County will be made whole seemed to be the best resolution.

Mr. Rhodes explained the problems with refinancing the bonds and why they chose not to propose that. Commissioner Parsons stated that he understands that they appear to be in a not ideal situation but that they are all agreed that they need to find a solution. But that it is not realistic for the two parties who entered into a contract to simply believe that they can turn to the County

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taxpayers to solve that problem. He stated that he just wanted to be clear on that, and that the County has responsibilities too. That is why he laid out the County's current financial situation because they have significant capital needs and significant financial responsibilities. Also he stated again that he thinks that the way forward is between Lancaster Baseball, LLC and the Authority and that the County's piece of it is that they guaranteed the bonds.

In response to Commissioner Stuckey's questions Mr. Sternberg stated that they have had some discussion with the City of Lancaster and they don't have a lot of resources available to help in this magnitude. Also there has been some preliminary discussions to use PRIZ as a mechanism for funding and they are going to pursue that. Mr. Sternberg also stated that they haven't looked at specific sources from the Commonwealth since the stadium was being built and that the state doesn't have a lot of resources available through standing programs at this point.

Mr. Clark asked the presenters questions and expressed comments in opposition to this proposal.

Commissioner Parsons thanked everyone for coming to the presentation and for working together to find a collaborative solution to this and appreciates their time. Commissioner Lehman also thanked everyone for coming and for making their presentation. Commissioner Lehman also commented that he is open to the proposal but has huge reservations about the maintenance piece not addressed because if the County does decide to help with the rent over the nine years and is made whole over an eighteen year period, that is good for everyone rather than having the full guarantee being called at some point. He urged them to continue to work on the maintenance piece and if it is resolved without seeking County assistance down the road that will make the proposal here easier for him to consider. Commissioner Stuckey echoed what his colleagues had said and thanked them for the professional presentation, and thanked everyone for their input and comments. Also Commissioner Stuckey stated that the County's resources are very slim in terms of being able to help, and the budget for next year is tighter than it has been.

6. On motion of Commissioner Lehman, seconded by Commissioner Parsons, the following Appointment was made to the Drug and Alcohol Advisory Board for a three year first term starting September, 2016 through December 30, 2019.

Ms. Barbara Randazzo
1 Arrowhead Drive
Elizabethtown, PA 17022

Motion passed unanimously.

7. Lisa Johnson, Assistant Chief Clerk, presented the September 28, 2016 Commissioners' Meeting Agenda noting the Presentation of Letter of Commendation for the 125th Year Anniversary of the Salvation Army, Lancaster Corps, 5th Annual Molly Curtis Softball Tournament Check Presentation and no other changes.

8. On motion of Commissioner Lehman, seconded by Commissioner Parsons, the meeting was adjourned at 11:19 a.m.

Motion passed unanimously.

Respectfully submitted,

Sara E. Glatfelter, Executive Assistant
Commissioners' Office