

Dutchess Stadium Review and Summary

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Dutchess Stadium Review and Summary

Background/Organization

On November 16, 1993 Dutchess County Entertainment Corp. (DCEC) signed agreements with: Beacon City School District to lease property for the purpose of constructing a Stadium; and Keystone Professional Baseball Club(Keystone/HVR/Club) to occupy the facility. In January 1994, Dutchess County approved \$2,500,000 in funding towards the original construction. A Master Agreement and Amendment A-1, dated April 11, 1994, between Dutchess County and DCEC outlined the original provisions including the county's construction cost obligations, the corporation's construction and project obligations, and the county's option to acquire all rights in the event of default by DCEC. On May 5, 1994, DCEC assigned the Master agreement to the Hudson Valley Stadium Corp(HVSC). Effective April 14, 1995, with Amendment A-2, the County assumed all the liabilities and assets of the HVSC per an amendment to the Master Agreement which stated "due to litigation, unforeseen delays, inability to raise funds in a timely fashion and cost overruns...it is necessary for the County to take ownership of the entire facility, complete construction and pay all costs of construction...".

The Stadium is situated on 21 acres located on Route 9D in the Town of Fishkill, New York. A total of \$8,300,000 was appropriated for construction of the stadium. The construction was sufficiently completed in the first half of 1994 to allow for the first season of baseball in 1994. The clubhouse was completed in the early part of 1996. Expenditures for construction totaled \$ 8,294,264.69.

The Hudson Valley Stadium Corporation has operated the Stadium since 1994.

Scope/Methodology

The objectives were to show a historical perspective of the costs of construction; a ten year summary of HVSC's revenue, expenditures and payments to Dutchess County; the county's financial obligations and a review of the Stadium Reserve Account.

Information was derived from Resolutions, Contract Agreements, County Financial Records, and County audits.

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Construction Funding

Bond resolution #11, January 11, 1994, was approved by the Dutchess County Legislature authorizing the issuance of serial bonds in the amount of \$2,500,000.00 to pay part of the construction costs of the stadium, estimated to be \$3,750,000.00. On March 3, 1995 Resolution # 62 requested the Legislature ‘due to shortfall in financing and overruns in construction costs...to consider the financing of the stadium provided that the cost of construction is not to exceed \$8,000,000.’ Subsequently, a bond resolution #127 dated March 13, 1995 provided \$8,300,000.00 with the following financing plan: \$3,479,500.00 serial bonds (an increase of \$979,500); \$2,500,000.00 from the New York State Urban Development Corporation grant dated January 16, 1996; \$1,500,000.00 anticipated from the Dutchess County Industrial Development Agency (IDA); \$750,000 anticipated from donations and \$70,500 anticipated from Keystone for the construction of three additional skyboxes.

The chart below illustrates the budgeted appropriations and the actual revenues realized. Revenue from the IDA and Gifts and Donations was less than anticipated; interest totaling \$24,183.63 did offset some of the deficit resulting in a net transfer of \$64,984.39 from the County’s fund balance.

	Budget	Actual
Serial Bonds	\$3,479,500.00	\$3,479,500.00
Urban Dev. Corp Grant	2,500,000.00	2,500,000.00
DC Industrial Dev. Agency Grant	1,500,000.00	1,475,296.67
Gifts and Donations	750,000.00	679,800.00
Skybox Contribution	70,500.00	70,500.00
Interest		24,183.63
From County Fund Balance (9/30/2004)		<u>64,984.39</u>
	<u>\$8,300,000.00</u>	<u>\$8,294,264.69</u>

The UDC Grant obtained from New York State contained the stipulation that a yearly deposit of \$25,000 would be made to a General Reserve Fund, to be utilized for maintaining the Stadium. The fund, Stadium Reserve Account, was established in 1996 by Dutchess County.

Occupancy and Related Agreements

In 1994, Keystone signed the initial agreement with HVSC to occupy the stadium with the Hudson Valley Renegades (HVR) minor league baseball team. *Throughout the report Keystone, the Club and HVR are used interchangeably.* The contract with subsequent amendments (A-1 and A2) was effective June 1, 1994 through May 31, 2006 (a twelve (12) year term). A-1 (3/24/95) provided the inclusion of a ticket surcharge and also made various changes to the rent calculations. The surcharge was an additional rent paid by HVR to HVSC and directly remitted to Dutchess County. This was the only consistent stream of cash remitted to Dutchess County at approximately \$53,000 per year. A-2 (10/10/97) was a separate agreement between HVSC, Keystone and the County which further defined the use and occupancy of stadium including signage, advertising and repairs and maintenance. This agreement gave Keystone the right to retain all advertising proceeds.

Obligations of the HVSC and Keystone outlined in the agreements included the rental consideration. Rental payments were paid to HVSC for operational costs with the annual net proceeds(net profit) to be paid to Dutchess County to offset stadium construction costs. A summary of rental provisions is attached as Exhibit 1.

Obligations of HVR included electric utility costs, liability insurance for baseball and concession operations, groundskeeping and internal maintenance of the Club's facilities related to their operations. In addition, HVR was responsible for a payment of up to \$5,000 aggregate for cost associated with water, sewage and heating of the stadium. HVSC was responsible for structural and other maintenance not listed in the agreement.

In 1999, Keystone made improvements to the Stadium at a cost of \$241,831. This was reported in our 1999 county audit, at which time we noted 'there were no formal agreements between HVR and HVSC or the County'. These improvements included an upgrade of the grandstand seating to "reserve grandstand seats", creation of a 150 seat picnic area and a 25 "Premium Box Seat" area. The revenues derived from construction projects were not included in rent calculations until the construction costs were recouped by Keystone which occurred at the end of the 2003 baseball season

In June 2004 another agreement was executed between HVSC, Keystone and Dutchess County which allowed HVR to purchase, install and retain ownership of a new scoreboard; this agreement also noted the intention of the Club and the County to enter into

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negotiations for HVR's continued use beyond May 31, 2006. This agreement was amended May 2006 to provide for the extension of occupancy agreement through December 31, 2006. It also extended the scoreboard agreement and provided HVR the exclusive right to the HVSC skybox.

HVSC Revenue and Expenditures

Details of HVSC revenues and expenditures are shown on pages 7 and page 8. Net proceeds representing the operating loss or revenue of HVSC is shown on page 11. Highlights of revenue and expense follow the ten year summaries.

Revenues and expenditures are reported on a cash basis; that is, monies are recorded in the year received and the year expended.

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Comparison of Revenue: 1996-2005

<u>Revenues</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Cash Banks	\$ 350	\$ 300	\$ 550	\$ 300	\$ 225	\$ 200	\$ 300	\$ 0	\$ 0	\$ 0
DC Reserve Fund								33,619		
Donations	1,300	300	945	50	100	100				
Fifty-Fifty Receipts	28,794	30,835	24,340	25,169	20,200	21,453	18,344	14,946	10,082	2,785
Insurance Recovery	3,440			10,902						
Interest Income					751	508	88	22		
Loan	10,000									
Maint/Repairs Reimb				2,529						
Miscellaneous	245	36		750					25	5
Parking Lot Income/ Tailgate Fees	65,397	69,353	80,254	96,969	75,420	87,766	86,813	76,591	86,317	106,454
Parking Permits	20,979	21,435	21,613	26,995	32,124	28,307	24,492	22,539	20,751	20,200
Permits		500								
Plates	1,420	235	88							
Refund Overpymt	2,699									
Refund-Prior Yrs.Exp.					10,630			1,174		
Security Reimburse		180		11,450						
Sky Raffle	7,000									
HVSC-Skybox Rent	9,900	10,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Special Events	12,567	21,674	10,800	26,621	22,512	18,612	18,711	13,293	37,306	45,487
Stadium Const.	70,000									
Stadium Rent-HVR	159,615	145,665	101,287	114,611	99,612	98,112	107,653	93,668	92,386	75,000*
Ticket Surcharge		105,038	53,744	53,171	54,038	57,351	56,988	52,776	55,135	0**
Utility Reimburse.	<u>5,000</u>	<u>0***</u>								
Total Revenues	<u>\$398,706</u>	<u>\$411,051</u>	<u>\$308,621</u>	<u>\$384,517</u>	<u>\$330,612</u>	<u>\$327,409</u>	<u>\$328,389</u>	<u>\$323,628</u>	<u>\$317,002</u>	<u>\$259,931</u>

*The total rent for 2005 was \$110,632 of which \$25,000 was received in 2005 and \$85,632 was received in 2006. \$50,000 of the \$75,000 received in 2005 was payment for the 2004 rent.

**In 2006 HVR remitted \$49,784 for the ticket surcharge of 2005.

***The \$5,000 Utility reimbursement for 2005 was remitted in 2006.

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Comparison of Expenditures: 1996-2005

<u>Expenditures</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Advertising	\$ 0	\$ 2,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 250	\$ 0	\$ 0
Bank Note Payable	10,000									
Bank Service Chg.								99	10	
Building Improv.	855				13,417	11,552	19,705			
Cash Bank	350	300	550	300	225	200	300			
Capital Improvmts.	70,500							24,959	9,120	11,229
Construction	3,078	1,060	12,747							
Management	65,000	65,000	56,667	99,908	90,000	90,000	90,000	90,000	90,000	99,997
Gifts & Donations	<u>2,408</u>	<u>38,402</u>	<u>300</u>	<u>50</u>	<u>100</u>					
Due to Beacon		1,000		455	337	333			362	
Equipment	3,000	7,867	5,350	10,054	5,248	2,230	21,781	743	3,600	11,000
Fifty-Fifty Expense	13,576	14,598	14,093	14,454	10,087	12,550	11,709	9,776	7,665	2,255
Insurance	14,216	3,892	3,461	5,190	5,220	8,719	10,132	9,111	9,831	9,336
Interest Expense		38								
Legal & Accounting	21,424	12,844	9,457	23,891	11,211	11,115	8,804	7,380	203	9,044
Loan Payment Officer	5,000									
Miscellaneous	1,053	871	592	567	75	182	415		1,312	1,150
Payments to County		<u>70,000</u>		<u>7,750</u>	<u>16,400</u>		<u>15,500</u>		<u>25,000</u>	
Office Expense	2,109	831	654	1,156	1,918	887	1,256	1,149	728	1,150
Parking Permit Refunds			29							
Pymts to Beacon SD	16,800	16,800	16,800	19,950	19,950	19,950	19,950	19,950	19,950	26,250
Permits		1,000	1,000		800				235	244
Rental-Field Maint.				2,200					522	
Repairs & Maint.	37,570	37,574	40,305	73,532	51,928	50,726	34,872	63,916	42,579	49,975
Reserve Fund		<u>50,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	
Security	9,103	8,529	567	21,940	9,418	9,194	8,862	7,941	8,560	10,103
Skybox Raffle	7,280									
Special Events Exp.	3,304	2,950		4,800	8,047	4,627	6,156	5,610	7,045	4,811
Special Plates	895	160	63							
Tailgate Party Refund			785							
Ticket Surcharge		<u>105,038</u>	<u>53,744</u>	<u>53,171</u>	<u>54,038</u>	<u>57,351</u>	<u>56,988</u>	<u>52,777</u>	<u>55,135</u>	<u>0</u>
Traffic Control	9,777	16,030	16,323	6,981	7,413	9,480	12,068	12,209	11,262	12,248
Trailer Rental				3,546	1,800					
Utilities	<u>13,502</u>	<u>10,810</u>	<u>12,077</u>	<u>14,397</u>	<u>11,942</u>	<u>43,704</u>	<u>15,508</u>	<u>17,590</u>	<u>19,208</u>	<u>13,795</u>
Total Disb.	<u>\$310,800</u>	<u>\$468,094</u>	<u>\$270,564</u>	<u>\$389,292</u>	<u>\$344,574</u>	<u>\$332,800</u>	<u>\$334,006</u>	<u>\$323,460</u>	<u>\$337,327</u>	<u>\$262,587</u>
Less: Pmts to DC	<u>0</u>	<u>70,000</u>	<u>0</u>	<u>7,750</u>	<u>16,400</u>	<u>0</u>	<u>15,500</u>	<u>0</u>	<u>25,000</u>	<u>0</u>
Total Net Disb.	<u>\$310,800</u>	<u>\$398,094</u>	<u>\$270,564</u>	<u>\$381,542</u>	<u>\$328,174</u>	<u>\$332,800</u>	<u>\$318,506</u>	<u>\$323,460</u>	<u>\$312,327</u>	<u>\$262,587</u>

Note: Highlighted rows are funds paid to the county. The Ticket Surcharge was a direct passthru payment to the County..

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Revenue Discussion

The HVSC received revenue primarily from five major classifications for the ten year period 1996 through 2005. These major revenues included the 50/50 receipts, parking lot income and permits, HVSC skybox, special events, and rental income derived from the HVR. The changes in the revenues were noted as follows:

- **50/50 Receipts:** Since 1999 revenues from this income has decreased. In 2004, the Pitch for Kids Foundation initiated its own raffle. In 2005, HVSC's 50/50 was discontinued. 50/50 Revenues are offset by related expenses: net revenue was \$15,218 in 1996 and \$530 in 2005.
- **Parking Lot and Permits:** Revenues remained consistent throughout the ten year period; however, in 2005, Parking Lot revenues were reported at an all-time high of \$106,454 which appears to be attributed to an increase in the parking fee. Revenue was partially offset by Security and Traffic Control expenses, and ticket printing expenses.
- **HVSC Skybox Rental:** This revenue remained constant at \$10,000 per year through 2005. It was discontinued in 2006 with the occupancy agreement extension for the period June 1, 2006 through December 31, 2006.
- **Special Events:** Revenue from these events varied throughout the ten year period; however in 2004 and 2005 this revenue showed a marked increase which was primarily attributed to parking fees for several events. Special Events Expenses which could be identified are reported for each year and must be considered against these revenues.
- **HVR Rent:** Monies received from HVR included revenue from gross ticket sales, concessions, utility reimbursements and miscellaneous adjustments. This revenue varied throughout the 10 year period; and showed a decline from \$159,615 in 1996 to \$75,000 in 2005. It represents the monies actually paid to HVSC each year.

Expenditures Discussion

The HVSC expended an average of \$323,885 each year. The major expenditures include the following:

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- Construction/Capital/Building Improvements: In 1996 the skybox construction reimbursement of \$70,500 was reported. Expenses regarding improvements were not consistently classified. Some expenditures recorded in these accounts were reimbursed by the Dutchess County Stadium Reserve Fund (see page 13) and recorded as Revenue – DC Reserve Fund (2003), Maint/Repairs Reimb(1999); or netted from the respective expenses (2004); or paid directly to the vendor(2005).
- Management. Management fees have increased from \$65,000 in 1996 to \$100,000 in 2005.¹
- Payments to Beacon: The land, owned by the Beacon City School District (BCSD), was leased for a 30 year period with an automatic renewal of an additional 20 years. The lease period began effective June 1, 1994 and as of June 1, 2005 the lease is in its 12th year.²
- Repairs and Maintenance: The maintenance costs have averaged \$48,298 over the ten year period.
- Reserve Fund: The HVSC remitted \$25,000 for 6 of the 10 years. The remaining 4 years allocation was fulfilled by the County from the ticket surcharge distribution.
- Security: Security is hired by the HVSC to maintain order within the Stadium. A portion of this expenditure is paid by the HVR. An annual average of \$9,422 was expended for security over the ten years.
- Traffic Control: This expenditure includes payment to outside police agencies for accessing the Stadium from Route 9D and employees in the parking lot. An annual average of \$11,379 was expended for these services over the ten years.
- Utilities: The HVSC is responsible for gas, water, sewage and electricity in excess of \$5,000. The HVR reimburse the HVSC \$5,000 per year for electricity usage. The average annual cost of utilities over the ten year period is \$17,253.

¹ Since May 1999, HVSC contracted with the Greater Southern Dutchess Chamber of Commerce (GSDCC) to perform the management, bookkeeping and the day-to day Stadium operations. The GSDCC in turn contracted with Keen Management for day-to-day operations.

² These payments are contractually established for 50 years with the rents increasing \$3,150 every five years until the 30th year. Currently the contract is in its 12th year and the rent is \$23,100.

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Net Proceeds Summary - HVSC 1994-2005

Net Proceeds were derived from the gross revenues less gross expenditures as reported on pages 7 and 8. The chart shown below includes 1994 and 1995 as the net proceeds are cumulative. The period 1994 through 2005 net proceeds from operations totaled \$161,848.68. \$134,650 of the proceeds was paid to the County. The balance of the net proceeds, \$27,198, was the HVSC bank balance as of 12/31/05.

The following chart summarizes the net proceeds for HVSC.

<u>Year</u>	<u>Total Cash Revenues</u>	<u>Net Cash Disb.</u>	<u>Net Proceeds</u>
1994	\$ 756,838	\$ 756,826	\$ 12
1995	232,904	222,080	10,824
1996	398,706	310,800	87,906
1997	411,051	398,094	12,957
1998	308,621	270,564	38,057
1999	384,517	381,542	2,975
2000	330,612	328,174	2,438
2001	327,409	332,800	(5,391)*
2002	328,389	318,506	9,883 *
2003	323,628	323,460	168 *
2004	317,002	312,327	4,675
2005	<u>259,931</u>	<u>262,587</u>	<u>(2,656) *</u>
			\$ 161,848

Payments to Dutchess County

Pre 2004	\$ 109,650	
2004	25,000	
2005	<u>0</u>	
Total Payments to Dutchess County		<u>134,650</u>

TOTAL NET PROCEEDS DUE DC AS OF 12/31/05 \$ 27,198

*Net proceeds insufficient to make the annual payment of \$25,000 into the Stadium Reserve Fund.

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Dutchess County Financial Obligations

Remittances to Dutchess County

Monies remitted from HVSC to the county since 1995 to 2006 were comprised of Net Proceed payments, Donations & Gifts, Ticket Surcharge and Ticket Turnback payments. The following chart shows the receipts booked by the county for each year. These monies were applied to reduce the Debt Service of Capital Project.

The Debt Service Payments column represents the annual payments applied by Dutchess County to the Debt Service account for the Stadium: Principal of \$2,829,500 and Interest of \$977,166.42. The Annual Deficit column shows the net cost to the county each year. As of the end of 2005, \$3,295,931.15 was expended by Dutchess County for debt service and unfunded construction costs for the Stadium. As noted previously, \$64,874.39 was applied to the construction funding from the County Fund Balance.

Stadium Debt History - 1995 to 2005

	Receipts	Debt Service Payments	Annual Deficit
1995	0.00	66,689.58	(66,689.58)
1996	0.00	446,456.92	(446,456.92)
1997	175,037.98	406,109.00	(231,071.02)
1998	53,743.82	403,260.00	(349,516.18)
1999	61,552.86	386,903.42	(325,350.56)
2000	71,635.25	354,685.00	(283,049.75)
2001	111,172.36	353,585.00	(242,412.64)
2002	(30,118.11)	361,647.50	(391,765.61)
2003	27,776.50	348,485.00	(320,708.50)
2004	80,135.00	340,578.75	(260,443.75)
Capital Deficit Funding (2004)	(64,984.39)		(64,984.39)
2005	24,784.00	338,266.25	(313,482.25)
	-----	-----	-----
	\$606,326.27	\$3,806,666.42	\$(3,295,931.15)

The debt service schedule provides an estimated retirement of the bond on February 15, 2008. Based on this schedule an additional \$691,523 (\$650,000 principal and \$41,523 interest) will be added to the debt service total of \$3,806,666.42 for a total of \$4,498,189.42.

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Stadium Reserve Account

As of December 31, 2005 the balance of the Stadium Reserve Account was \$172,650.04. It should be noted that in various years (2001, 2002, 2003, and 2005) the HVSC was unable to provide a distribution to the County of the \$25,000 reserve account requirement. In those years the County met the \$25,000 yearly reserve requirement by allocating a portion of the ticket surcharge. The following table summarizes the Reserve Account.

Year	Description	Receipts	Disbursements	Balance
1996-99	Contributions	\$100,000.00		\$100,000.00
1999	Repairs to Stadium		9,680.40	90,319.60
2000-03	Contributions	75,000.00		165,319.60
2003	Fire protection system repairs		2,291.96	163,027.64
	Purchase Ice Maker		6,500.00	156,527.64
	Parking Lot Lighting		18,327.00	138,200.64
	Scoreboard Repairs		3,970.73	134,229.91
	Scoreboard Repairs		2,529.27	131,700.64
	Contribution	25,000.00		156,700.64
2004	New sound system		10,000.00	146,700.64
	Repair roofs (3 buildings)		18,000.00	128,700.64
	Repair drainage pipe		1,500.60	127,200.04
	Contribution	25,000.00		152,200.04
2005	Fence Installation		4,550.00	147,650.04
	Contribution	<u>25,000.00</u>		172,650.04
Totals		\$250,000.00	<u>\$77,349.96</u>	

Disbursements were made after review and approval by the County of individual expenses. Handling of payments was inconsistent: The 1999 disbursement was paid at year-end to HVSC and recorded by HVSC as \$9,680 revenue in 2000 as a Refund of Prior Years Expense. The 2003 disbursement paid to HVSC and recorded by HVSC as DC Reserve Fund revenue \$33,619. The 2004 disbursements were recorded by HVSC as credits to their expense accounts (\$28,000 capital improvements and \$1,501 to the repair and maintenance account). The 2005 disbursement was paid directly by the County to the vendor.

The total of \$77,349.96 does not represent the total spent on repairs to the stadium. As seen on Comparison of Expenditures: 1996-2005, page 8, HVSC expended an additional \$482,977.00 in repairs and maintenance from 1996 through 2005.

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Summary

The review of the last 12 years presents the history of the Dutchess County Stadium including the relationships between Dutchess County, HVSC, and the HVR; total costs of construction; the associated costs and revenues of operating the Stadium; the county's financial obligations; and the Stadium Reserve Account.

The receipts received by Dutchess County during the 12 years of the Stadium's life were insufficient to pay the interest payments on the debt service: the net deficit to Dutchess County was \$3,295,931.15 as of December 31, 2005. As the Stadium has been operated primarily for the benefit of the Hudson Valley Renegades, it is difficult to assess the benefits received directly by the citizens of Dutchess County in return for this expenditure.

Dutchess County is projected to expend an additional \$691,523 (\$650,000 principal and \$41,523 interest) on the original construction through February 2008. Future financial impacts to Dutchess County are dependent on the terms and conditions of subsequent contracts and agreements, the sufficiency of the Reserve Account to cover required repairs on an aging Stadium, and additional improvements to the Stadium.

Diane Jablonski
Dutchess County Comptroller

Exhibit 1 – Occupancy Agreement Provisions

Ticket Revenue-

Percentage of Gross Ticket Revenues (Less the Dutchess County Ticket Surcharge and Sales Tax) – The rate of payment is based on the turnstile attendance:

Turnstile attendance: 100,000 – 139,999	12.5% of Ticket Revenue
Over 139,999	17.5% of Ticket Revenue

Skybox Revenue-

The skybox revenues are allocated to ticket revenues and rental of skyboxes revenue:

Ticket Revenue- See Ticket Revenue above

Rental skyboxes revenue: 20% of gross revenues derived from the rental of these suites.

Note: One skybox is being solely utilized by the HVSC. In 2005 the HVSC received \$10,000.00 for the rental of this skybox.

Concession Revenues-

HVR Games – Gross Food and Beverage (less Sales Tax) – Rate of payment is to be 7.5% of gross concession revenues once the turnstile count has reached over 95,000.

Non-Club Sponsored Events- The Club receives “the lesser of 20% of the gross revenues or 40% of the Club’s net revenues from food and beverage sales. The balance of the net concessions revenues is paid to the HVSC

Dutchess County Ticket Surcharge

A Dutchess County surcharge is imposed on all tickets sold by the HVR for each home baseball game.

Gross Ticket Surcharge

\$0.50 per ticket sold for \$5.00 or more

\$0.25 per ticket sold for less than \$5.00