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Introduction

The City of Reno received a Triple-A Minor League Baseball team during the summer of 2009. It is expensive to have a high level baseball team call a city home. Granted, the Reno Aces are not part of Major League Baseball, but they are only one step below. It does not cost nearly as much money to house a minor league team, but Reno is not nearly as large of city as the cities in which professional teams are located. The payrolls of Major League Baseball teams are in the tens of millions of dollars, where as the base pay for rosters at the Triple A baseball level are in the tens of thousands. The players at the Aces level do not play baseball for the money, they play because they love the game. Reno lobbied to have the team brought to Reno for many reasons (hoping the team would give the city a profitable investment and tourist attraction), and the point of the research for this thesis is to find out if it is financially viable to have a team in Reno. Determining all of the reasons would be nice, but the research will focus on the financial aspects of the team and if the City of Reno, Washoe County, and some of the local businesses (maybe some of the local casinos) are benefiting from having the baseball team (Harrah's Casino is the only casino mentioned in the paper because it has a direct benefit from the park's attendees, but there are less obvious benefits to other casinos that are beyond the scope of the research for this topic).

Does the Triple-A baseball team in Reno have a positive impact on Washoe County, especially the City of Reno financially? Housing a baseball team can give the people of Reno something to do on weekends or a place to spend time with the family, but boosting the morale of the residents was not the only reason the team was brought to Reno. It is not financially responsible for a governing body (or anybody) to undertake a

project that is going to lose money in the long run. Reno started building a stadium solely for the Reno Aces in 2008 and completed it in 2009, which means the city is projecting that team will stay for many years and that it will continue to be an asset for the city rather than a liability.

Comparing the financial records of Washoe County and the City of Reno from 2008 to 2009 is the best way to see if Reno is benefiting from having a local baseball team. The City of Reno operates on a fiscal year beginning on July 1 and ending on June 30. The financial statements as of June 30, 2009 are currently available. However, June 30, 2009, was the middle of the inaugural season for the Aces. The statements for the year ending June 30, 2010 will not be available until mid-summer of 2010, so other means were used to determine the financial impact of the baseball team on the city, such as minutes from various city meetings and quarterly and unofficial financial reports put out by the city. In addition, a specific Baseball Stadium Fund was analyzed in depth to help determine the impact of the baseball team on the city and county. An interview with the owner of the team was going to be performed but it could never be scheduled. It was hard to make contact with real people associated with the Aces whether a phone call or email was used to communicate. Without the interview, more assumptions regarding the owners had to be implied rather than confirmed using the minutes of the Reno City Council. Questions regarding the placement of the team had to be researched, not obtained through a personal interview.

There should be a positive outcome from this study. The city has many smart, trustworthy people working for it and one hopes that they would not waste the money of the local residents on a project that would waste tax-payer money. The city undertook

the task of housing a baseball team; it believed a team had the capability to bring steady revenue to the city over an extended period of time. There were many cities in the running to get the baseball team, and the leaders of the team chose Reno. Obviously, the owners chose Reno over the other cities because of aspects that Reno possesses that the others do not. Finding out those reasons was more challenging without the interview of the owner.

It cannot be ignored that the team was brought in for other reasons that just to improve the city financially. Downtown Reno has been a place that local residents avoid because of the horrible stories that people say about it. In reality, downtown is not a bad place and the baseball team is going to try and correct some of the stereotypes about downtown. The area around the ballpark is continuously being revamped, and new restaurants and shops will be built around the ballpark in the near future, according to city officials. If the baseball team were going to completely destroy the tourist attraction of Reno, the team would not have been moved to Reno. Even though getting tourists to come to Reno to see the Aces is a nice side benefit, it is not the sole reason they come to Reno. The baseball team is geared toward the local residents to be proud of, not for tourists to plan their trip around. The stadium seats less than 10,000 people, which does not leave much room for tourists if local residents are interested in the team's games. With Major League Baseball teams so close to Reno, there is no incentive for a person to make a trip to Reno just to see the new baseball team. The tourists will still come to gamble; an evening at a baseball game would be an added bonus.

Personal Background

I chose this topic because of my major and love for baseball. Ever since I can

remember I have loved the game of baseball, and recently have become very interested in the financing of baseball organizations. Professional baseball teams cycle through hundreds of millions of dollars every year, and somebody has to make sure they are doing so responsibly. The team I would choose to work for would be the San Francisco Giants, but working for any team at or near the professional level would be a dream come true. I knew when I chose my major, Accounting, that I wanted to find something that could eventually get me working for a professional sports organization. Everybody needs accountants so the Accounting major was a good starting place for my career goals. The honors program requires a thesis and the timing was perfect when Reno found out that it was getting a minor league baseball team. For my major and my career interests there could not have been a more perfect option for me to write my thesis on. I am currently applying to New York University to be accepted into their Sports Business Masters program. The program provides internships and full time employment with sporting teams while still in school and immediately following graduation.

Literature Review

The literature review contains a wide variety of readings that were used to complete the research needed for the paper. The sources range from Reno City Council meeting minutes from 2007 through 2009, Comprehensive Annual Financial Reports for Washoe County and the City of Reno, and various articles relating to obtaining a new sports franchise. The articles were used sparingly while the minutes provide a good source of background information regarding the Reno Aces baseball organization.

Reno City Council Meeting Minutes

Minutes throughout the past three years are used in this project to show the development of the team and its stadium in downtown Reno. The council holds formal meetings every two weeks, and possibly more often if there are special issues that need to be dealt with. The Reno City Council Meetings are where the majority of the discussion regarding the Minor League Baseball Team took place. The Reno City Council is made up of elected citizens from the surrounding area. The purpose of the council is to make decisions regarding the city and what the city chooses to do with its resources. There were also joint meetings with the Redevelopment Agency that contain very useful information regarding the team and what happened with the team on a monthly basis.

A summary of the minutes provides the background to the acquisition of the team and the thoughts of the council members leading up to opening day for the team. Providing the background and thoughts leading up to the start of the baseball team helped show if the city and county were trying to make the investment profitable.

City of Reno Comprehensive Annual Financial Report for the year ended June 30, 2009 and the year ended June 30, 2008

The Financial Report for the year ended June 30, 2009 is crucial for the thesis because it gave a base number to compare the current year with. If only the current year were used, one would not be able to tell if there was an overall increase or decrease in revenues, expenses, liabilities, and assets from one year to the next. The statement is also important because it gives all of the details regarding how the stadium was paid for and how much, in total, the stadium was projected to cost. This document also explains that

the citizens of the city are excited for the new baseball team even though it is a tough economic time. The summer of 2009 was the first year for the baseball team calling Reno home, and the council members (along with the citizens of Reno) are hoping the team will influence more people to go downtown regularly. The report provides financial statements concerning the city and how the city uses the money it generates. The amounts spent for the operations associated with the baseball team were found and analyzed.

Washoe County Comprehensive Annual Financial Report for the years ended June 30, 2004-2009

There is a special fund for the Aces baseball stadium, called the Baseball Stadium Fund, so it is easy to analyze how long it took to complete the stadium and how much the baseball stadium actually cost the county. There are also many footnotes and related charts to show how certain items have been affected by the new team and their costly stadium. This document shows that most of the stadium was funded with bonds but there were other smaller pieces that helped cover the final cost. One of the smaller pieces is a two cent rental car taxed administered by the county.

The statements also provide basic revenue numbers that I used to determine whether the baseball team had a positive effect on the county as a whole. Even though the revenue numbers may not be the best indication of the financial effect of the team on the City of Reno, it can give a reasonable estimate. Other revenue funds were examined, specifically tax revenues, to see if the city is gaining money from the additional rental car tax to help provide funding for the stadium.

Journal of Sports Economics-An Event Study of the Economic Impact of Professional Sport Franchises on Local U.S. Economy

The article uses an event study approach to analyze the impact of a professional sports franchise on a local economy. Although the article deals with the four major professional sports in the United States, the Major League Baseball portion of the study can be easily transferred to the AAA minor league affiliates. The article is very specific to the thesis because it deals with expansion franchises and franchises that are moving cities. The Aces moved from Tucson, AZ in 2009, they are not a brand new expansion team.

The study shows that when dealing with all four major sports, the overall impact on the local economy is negative in the long and short runs (the per capita income decreased). Specifically for baseball, the local economy is only adversely affected in the short run, and roughly even over the long run. The study also shows that cities with more than one major sport franchise fair better than cities with just one franchise. Reno might consider trying to get a team from another sport if it will increase the local economy more than just the minor league baseball team will. The article does not provide a positive answer to the thesis proposed. According to the article, the investment will prove to be unprofitable.

Economic Development Quarterly- Prosperity or Blight? A Question of Major League Stadia Locations

This study shows that teams with stadiums in the Central Business District (CBD) have a greater positive economic impact on cities than teams that do not play in the CBD. A definition found online describes the CBD as a downtown section of a city,

generally consisting of retail, office, hotel entertainment, and governmental land uses with some high-density housing (Allbusiness.com, Inc). Since the Aces Stadium is very close to downtown (on 2nd Street), where most of the tourists end up, it is probably safe to say that the city of Reno chose the right placement for the ballpark. The tourists end up near downtown because there are not many other options for nightlife around Reno. Had the city put the stadium in the extreme north or south parts of town, the economic impact might have been worse than it will prove to be being located so close to downtown. The study points out that even if the stadiums are put in the CBD it is not guaranteed that all of the costs will be covered; it just shows that the revenues tend to be higher when the stadium is in the CBD.

Economic Development Quarterly-Sports Stadiums and Area Development: A

Critical Review

The review focuses on the purchase of a stadium by a city's government and how to tell if it will be a positive impact on the city. The author states that when cities agree to build a stadium, the city should have the team sign a lease saying that they will at least stay until the amortization period of the stadium is over. The study also recommends that for every one million dollars the city is in debt because of the stadium, (about \$81 million for Reno) the park should be used twice. According to this method, the Aces ballpark needs to be used at least 162 times per year in order to make it prosperous. The Aces have 144 total games, which means they played 72 games at home. According to this study, in order for the stadium to be prosperous, the city must use the stadium 90 more times every year

Journal of Convention & Event Tourism- Is There an Optimal Type of Ownership

and Organizational Structure When Developing Convention and Entertainment Facilities?

The article focuses on what the best management structure is for most public facilities. The City of Reno and SK Baseball both own parts of the Baseball Stadium District and it is important to find out if this is the best scenario for Reno. If not, it would be worth noting followed by a presentation of what a better management (or ownership) structure would be.

Accounting for Governmental & Nonprofit Entities

The book used for the Governmental Accounting Class offered at the University of Nevada, Reno will be very useful for defining terms and providing basic knowledge on how to account for governmental funds. The text was easy to read and easy to learn from so it provides a good base on how to account for the different items associated with the baseball team. For example, the money that comes in from the rental car tax is a special revenue, which because of the text, can be accounted for easily. When terms are presented in the writing that are specifically related to accounting, a definition of the term will follow shortly thereafter.

Background/History

(Review of Reno City Council Meeting Minutes and Joint Reno City Council and Redevelopment Agency Meeting Minutes)- All meetings are just of the Reno City Council unless otherwise specified

The talks regarding the acquisition of the minor league baseball team started in June 2007 and wrapped up just after the start of the first season started in Reno. After each meeting the minutes and any related information is posted on-line for the citizens of Reno to view.

Everything that takes place in the meeting is public knowledge and therefore must be available for everybody to read. After the date of the meeting, if it reads “joint,” then the meeting took place between the Reno City Council Members and the Redevelopment Agency for Reno.

June 27, 2007 - This was the first day in which the Reno City Council entered into discussions with Washoe County, SK Baseball, LLC and other parties to discuss the development of a baseball stadium for the AAA baseball team. SK baseball is the owner of the Tucson Sidewinders (the Triple A affiliate of the Arizona Diamondbacks) which will eventually move to the Reno/Sparks Area.

July 11, 2007 – The members of the Reno City council discuss the possibility of using the stadium for other purposes than just to host the minor league baseball team’s home games during the upcoming summers. The plot of land that was projected to be used for the stadium currently houses Fire Station No. 1, which will have to be moved if the baseball stadium is placed in its spot. The council members also discussed the success rate of relocating baseball teams (this issue will be analyzed in depth later in the paper). If the team were relocated to Reno, it would be possible to obtain a 20-year lease on the stadium. There are also thoughts of having the team call Sparks home. People around the country know more about Reno than Sparks, but some council members think that it is a more reasonable option to have the team build the stadium in Sparks, possibly by the new Legends establishment.

September 12, 2007 – The property for the baseball stadium is leased to Nevada Land, LLC for the development of the Triple A baseball stadium. The fair market value was determined and the land was transferred from the City of Reno to the Redevelopment

Agency, and then will be leased out to Nevada Land, LLC. The actual dollar amount of the land was not given in the minutes, but is not crucial to the baseball stadium itself because two separate parties will own them.

September 12, 2007- Joint – A Car Tax Development Agreement, for the proceeds of Rental Car Tax going to the funding of the stadium, was agreed upon by the City of Reno, City of Reno Redevelopment Agency, Washoe County, SK Baseball, and Nevada Land, LLC (these are the five parties involved with the project up to this date). There was discussion regarding having a Ball Park District that would pay a portion of the costs associated with the construction of the stadium and to pay portions of the costs attributable to the actual Ball Park District. An update on the negotiations for the Triple A baseball team was also presented, but no details were given in the minutes of what was discussed.

September 21, 2007 – Joint – This was the first discussion of a Loan Agreement between the Redevelopment Agency and Nevada Land, LLC for no more than 10 million dollars to pay for the costs incurred while moving Fire Station No. 1.

November 1, 2007 – Joint – The Freight House site is determined to be the only viable option to house the baseball stadium project. It was decided that the Fire Station will be moved, more or less, to two locations. The main headquarters will be placed on Valley Road and 4th Street, while the remaining pieces will be placed strategically throughout the city (according to staff reports from this date).

February 13, 2008 –Joint – Sierra Nevada Construction will do the construction of the new fire station, while the supplies and manufacture needs will be provided by U.S. Modular Group. These costs are not to exceed \$609,060. Although these costs do not

pertain to the baseball stadium fund, because the Fire Station had to be moved because of the stadium, it is important to make sure the station is going to be reconstructed. The projected cost for the parking structure for the baseball stadium attendees will cost \$6,422,373. The parking structure construction management services contract was awarded to C.M. Works, Inc.

February 27, 2008 – Bison Construction was awarded the bid for the Apparatus building for the New Fire station; the cost is not to exceed \$649,090. The project is to be funded by a loan from S.K. baseball.

March 26, 2008 – The Parking Gallery, which was built for other events around downtown Reno, will be used as collateral for the S.K. Baseball Loan.

April 9, 2008 – Joint – Pre-construction meetings have begun dealing with the Baseball Stadium. The season starts April 17, 2009, so there is not much time left to start and finish the construction.

April 23, 2008 – Joint – The loan from S.K. Baseball is discussed. The 10 million dollar principle amount will be paid in three installments. The two initial installments of 3.6 and 2.4 million dollars respectively will be paid within the next year, while the remaining four million will be distributed later.

June 25, 2008 – Joint – Although the minutes are not specific on the amounts, Redevelopment Agency #1 (RDA1) asked for a budget augmentation from the city council, and the motion was carried by the members of the board. This is important because the Baseball Stadium is located in RDA1, and when they ask for their budget to be increased, it means they are spending more money than they anticipated they would at the beginning of the year. Governmental organizations are required to operate on a

balanced budget, which means revenues equal expenditures (or expenses). Budgets are made at the beginning of the year to comply with a balanced budget approach, so when the expenses are increased toward the end of the year due a budget augmentation, it is unknown if there will be enough revenues to match the new expenditures. When expenditures are greater than revenues, it is called a deficit, which means the government may be having some financial problems.

July 16, 2008 – Joint – The members of the city council suggest that it would be in the best interest of the developers of the Baseball Stadium to have retail business surrounding the stadium in the Ball Park District (the money from the retail businesses would go to the City of Reno, so the developer may not care if there are retail business in the district). A loan was taken out from Redevelopment Agency #2 (RDA2), by RDA1 to help pay for the construction of the stadium. A portion of the revenues generated by the Baseball District will be used to payoff the loan from RDA2. Council members suggest that the park developers have a two million dollar incentive to build the retail portion of the stadium project. The incentive would be for a maximum of one million dollars per year, the minutes did not specify how the extra money would be made to pay the developers the extra money.

September 24, 2008 – Joint – The City of Reno/Redevelopment Agency has completed all of its obligations to the stadium developers although they have not yet been able to close the deal due to a small piece of land that the City and SK Baseball do not know what to do with. The piece of land is close to the Ball Park District, but other parties, besides SK Baseball, are interested in owning the land.

November 10, 2008 – Joint – Meridian Business Advisors was hired due to a proposition

by Nevada Land II, LLC to determine the feasibility of having the Baseball District as a mixed-use project (recreation and retail).

December 17, 2008 – Joint – The parcel of land mentioned earlier is separate from the stadium and is not needed for the stadium but SK Baseball was hoping to get for employee parking and provide an easement for Sierra Pacific (now NV Energy). SK Baseball will only bring the land to a usable condition if they can have it and it can be tied to the Stadium Lease Agreement. Fire Station #1 has been moved successfully and there is, as mentioned earlier, four million dollars left on the loan from SK Baseball. The city council members discuss amongst each other about talking to SK Baseball and asking if they can change the lease agreement so that the remaining balance can be used elsewhere. It will be tough to get this done because companies do not like to change lease agreements if they can help it, due to legal troubles if the contract is breached.

January 14, 2009 – Joint – The owner of SK Baseball was present at this meeting and would prefer that the Council/Agency not take action on their recent request for assistance with the retail portion of the Ball Park District. The developers have plans to put in a restaurant, entertainment and a plaza in various locations around the stadium. To clarify, SK Baseball is not saying they never want assistance, just not currently. They would rather see what happens when the season begins and how their ideas fair. The council members also discussed an article that appeared in the Reno-Gazette Journal. The article stated that SK Baseball was asking the city for more money towards building the stadium. The article was not fully true because SK baseball just need a cosigner on the loan from where they were getting another loan to complete the stadium. All baseball stadiums have clubhouses that are usually off to the side of the stadium, but because there

was not enough room to build connecting clubhouses, the developers decided to build the clubhouses below the field. This process took more money than expected and the developers need a little more financing assistance.

March 11, 2009 – Joint – The council members reach an agreement with the Reno Redevelopment Agency, SK Baseball, LLC, and Nevada Land, LLC concerning changes in the Payment Agreement to support the additional retail and commercial development projects. The way I read the new terms for the retail portion of the agreement, it says SK Baseball gets at least \$500,000 each year for the next two year. The amount per year cannot exceed one million dollars per year because the initial agreement was for no more than two million dollars total. Opening day is just around the corner but the city council members are still discussing plans for phase two of operations, the retail portion. It is easy to see why the City of Reno is trying to push the stadium to have a retail portion. The retail portion would increase the property taxes for the stadium by \$485,000 for the 2009-2010 year. SK Baseball also asked for an additional \$500,000 to complete phase two. For the first year of phase two, it does not seem like it will make any money, but it might lose some for the City. Reno is still pushing the retail portion because it will gain additional revenues in the future even if they will not earn money presently.

April 17, 2009 – The first baseball game is played at the new Aces ballpark against the Salt Lake Bees. The Aces won the game their first home game 11-2.

June 24, 2009 – Joint – RDA1 asked for another budget augmentation for the upcoming fiscal year. This was the second straight year that RDA1 has gone over budget, mainly due to the newly constructed baseball stadium.

February 24, 2010 – The developers requested full property tax exemption. There is no

clear answer to why they would request this other than they did not make enough money to pay it in the current year. Hopefully this is not the case because the team is only starting its second year in Reno, with many more contracted to follow. Reno will have to keep a close eye on what money they are bringing in from the property taxes from the stadium to make sure they are receiving all they deserve. There has been no decision yet as to whether or not the stadium owners will get the property tax exemption.

Financial Aspects (mostly of the stadium because that is all the information that is currently available)

As stated in the Introduction, the City would not bring in a Minor League Baseball team if it did not believe that it would make money during the time it is located in Reno. According to the Washoe County CAFR¹ from the 2008/2009 fiscal year, after everything associated with the baseball team (baseball team, retail outlets, etc.) is complete it will have cost the City of Reno 81 million dollars. The baseball team will bring in a one time economic impact of 135 million dollars and continuing economic impacts of 9.4 million dollars per year. These numbers are a good sign because it means the baseball team will stimulate growth in the economy, especially in the area immediately surrounding the ballpark. An economic impact is defined as an economy-wide (macroeconomic) effect on employment and incomes produced by a decision, event, or policy (www.businessdictionary.com). The part of definition that the baseball stadium focuses on is the decision to house a baseball team. It is projected to have a positive

¹ CAFR –Comprehensive Annual Financial Report- A government’s annual report that contains three sections-introductory, financial, and statistical. It provides more information than just the external financial statements.

economic impact because it will produce jobs, generate revenue, and bring people to downtown Reno. The numbers for the economic impact came from the Management Discussion and Analysis (MD&A) section of the City of Reno CAFR. The MD&A is a required portion of the CAFR that explains what the financial statements show and how to interpret some of the numbers provided.

Usually a district is called a Special Improvement District and is created to rebuild the area in the district. There were many terms used above having to do with districts, but they are all talking about the same district around the stadium. The Ball Park District was created to house the stadium and all of the retail stores around it. All money generated in the District goes toward the beneficiaries within the district. For example, all of the sales taxes generated in the Ball Park District would go to help fund the actual stadium and the retail stores that will soon be created in phase two of the development process. Depending on how many fans the team is able to draw and what amount of merchandise it will be able to sell, it will increase its worth as it does better. As more people go to the games, they will be more inclined to stay in downtown Reno and either gamble or go to the stores around the ballpark. It is unlikely that the baseball team will be able to increase its revenue every year because the novelty of the team will wear off for the locals. People are excited about the team when it first comes to a city, but after it is a commodity people are no longer interested and move on to newer entertainment. The city (and team) must retain the fans to create a profitable investment.

Also mentioned above were Redevelopment Agencies (RDAs). Again, these are not easy to describe but they can be put into simpler terms than what definition city officials might give. The Ball Park District is included in Redevelopment Agency 1

(RDA1). The agency is larger than the district, so it includes more business, and some different guidelines. An example would be what the casino, Harrah's, must do being in RDA1 with the addition of the minor league baseball team. It is assumed that because there will be more foot traffic in downtown Reno, especially around Harrah's, the casino must pay more money than it already does to the Redevelopment Agency. The people who are downtown will be more likely to get a room at Harrah's because it is closer and they will be more likely to gamble there because it is more convenient. The increase in business that the Ball Park District is presumed to bring to Harrah's, Harrah's must give back a percentage of the new profit to the RDA. The overall goal of an RDA is to improve the area within the boundaries, just like a district but on a larger scale.

A Baseball Stadium Fund was created in 2004 in the Washoe County financial records in hopes that a team would someday come to Reno. The fund was started early because the city did not want to miss an opportunity of receiving a baseball team because it was not as far advanced in the process of financing a stadium as another city of similar size. If the County did not have a fund for the construction of a baseball stadium and another city did, the other city would be chosen because it would take too long to move the team if no plans had been made already. The Baseball Stadium fund is shown, from the Washoe County CAFR, in Appendix II. The different amounts in the funds show the funding progress each year and what other funds are being put into the baseball stadium fund each year. The Baseball Stadium fund, until 2009, was classified as a capital projects fund². The fund was initially created to build a stadium, which would classify it as a capital asset held by the city. Once the stadium was built and there was no more

² Capital Projects Fund – A fund created to account for all resources to be used for the construction or acquisition of designated capital assets by a government (must be owned by the government).

capital asset to build, the Baseball Stadium Fund was reclassified to be a special revenue fund³. The money that goes into the Baseball Stadium Fund can only be used for purposes associated with the ballpark. Capital project funds and special revenue funds are located in the fund financial statements of the CAFR, but there are other financial statements that a governmental body must issue. The Government-wide financial statements are not entirely applicable to this project because they are so diverse and it is hard to break down what revenues actually came from the minor league baseball team. One number that did change significantly was the amount of revenue that was generated from 2007 to 2008 because of the issuance of the bonds to build the baseball stadium. The Program Revenues⁴ for Culture and Recreation increased from 17 percent to 31 percent of expenses for that program. The dramatic increase occurred because the government recognized the proceeds from the sale of the rental car tax bonds. Although this may be a one-time revenue it still makes the financial ratios a little better than they were in the previous year.

The actual cost of the stadium is hard to determine because of the various amounts of money being talked about throughout the minutes and CAFRs. Since the issuance of Subordinate Lien Car Rental Fee Capital Appreciation Revenue Bonds (otherwise known as the imposed car rental tax) Washoe County has collected \$32,295,190. Of that amount, \$22,056,096 was collected in 2008 and \$10,239,094 was collected in 2009 (Appendix 1). All of these proceeds, according to the original contract were required to go towards the construction of the baseball stadium. Other items should

³ Special Revenue Fund – Fund used to account for revenues from specific taxes or other earmarked revenue sources that by law are designated to finance particular functions or activities of the government.

⁴ Program Revenues – Revenues linked to a specific function or program and reported separately from general revenues on the government-wide statement of activities.

be included in the final cost for the stadium. Ten million dollars was required to move the Fire Station and build a new one elsewhere. The city took a loan from the developers of the stadium that it must pay back. The loan amount should be added to the total cost of the stadium because the station would never have been moved if the stadium was built. The retail area around the stadium should also be included in the total cost of the stadium because, again, the shops would not have been built if the stadium were not present.

Phase two of the developers plan around the baseball stadium began after the start of the first season. The retail stores around the stadium are going to be housed in a second district, know as a Sales Tax Anticipated Revenue (STAR) bond district. The benefit to being in this district is that the district has the ability to issue STAR bonds to further the development of the business in the district. The City of Reno is really trying to revamp downtown Reno, and one way to do that is to put retail stores in that will make money. Although West Street Market may not be associated with this project, it is also has money being put into it to make it more appealing to local residents and tourists. The Ball Park District is not the only area in downtown Reno that is attempting to bring more people into the city center. Reno, as with most other cities, is going through rough economic times, and one way to pull out of those times is to encourage people to spend money in the city so that the city can provide more services for the people with the increased revenue.

Other Ways that Finances Could be Effectuated (Other Authors' Thoughts)

“If the decision has been made to construct a stadium, locating it in the CBD will probably generate greater economic benefits than locating it in the suburbs...” (Nelson,

261). According to Nelson, the opportune place to put a stadium in a city is in the Central Business District (CBD). The article never actually defines what it considers a CBD, but the definition used earlier in the paper can be used for this evaluation.. Even though before the stadium was built the Second Street area of town would not have been considered a CBD, the addition of the stadium and retail stores tries to change that connotation. The Aces stadium was built on Second Street because that was the only viable option other than next to the Sparks Marina. The actual reason why Reno was chosen was not found, but, according to this article, it was the right place to build the stadium to house the team. The study was done for professional sports teams, but it can be put on a smaller scale and related back to the Aces. The Reno Aces are a minor league affiliate of the Arizona Diamondbacks, which would be considered the “professional” team. The Aces are a professional team, just not to the scale that Nelson is analyzing. The author uses a formula that takes into account the percentage of team playing in the CBDs of their city, on the edge, and not in the city’s CBD. The formula also takes into account the personal income of people located within the Metropolitan Statistical Area (MSA). MSA’s are defined as geographical divisions, determined by the United States Office of Management and Budget, for the purposes of census data and other urban population calculations (businessdictionary.com). Again, the article does not explain what constitutes the MSA, but it can be assumed that it includes the CBD and most of the working population. The article states “...people attending games in the CBD are more likely to spend money before and after games in the CBD than if they attend games at non-CBD locations” (Nelson, 255). The city officials were thinking correctly when they wanted to entice the developers of the stadium to build retail stores around the stadium

because they thought people would be willing to spend money once they were already in the CBD. Turning the Second Street area into a CBD, according to the article, will increase the revenues that the MSA receives, which will in turn increase the positive affects of the having a sporting team.

Was it economically responsible to bring minor league baseball team to the city of Reno? Before the team decided to move here the economy was better than it was than when they actually arrived. People have discussed whether or not the team will continue to bring fans in over the next ten years. The stadium was the first thing constructed in the Ball Park District but it surely will not be the last. Baade and Dye believe that it is not financially responsible to build a stadium and bring a team to a city just for the team, there must be accompanying places. “Approving a stadium, then sitting back to wait for promised growth is naïve public policy. If a stadium is to have an economic impact on the city, it needs to be part of a package of planned and balanced development” (Baade, Dye, 274). Reno seemed to be aware of this fact when it started the redevelopment project in the downtown city center. The baseball stadium may have been a catalyst for growth in the downtown area, but since the city found out it was getting a team, it has spent a considerable amount of time revamping the area where most people stopped going in Reno. The thoughts of downtown Reno a couple of years ago were not good, but they have started to turn around lately.

The optimal type of management of a sporting facility depends on what the city plans to do with the facility. Publicly managed facilities “try to maximize the ‘direct’ benefit of the center to local residents (public service) rather than maximizing the ‘economic’ benefits for the local economy (economic development)” (Bordelon, Fenich,

185). The Reno Aces baseball stadium was built by SK Baseball but is owned by Washoe County and City of Reno. If SK Baseball wanted to own the stadium they would have had to fund it themselves, but they would also have other means of using it that would not benefit the city as much as it will benefit it in the current management situation. The city cares about the morale of the residents and, usually, tries to do what is in the best interests of its residents. The stadium was built for the SK Baseball team, but what happens when the stadium is not being used during the offseason or the team decides to relocate again after their contract with the city is up? The city wants to, as discussed earlier in the minutes, use the stadium for other purposes than just the Triple A baseball team. There have been talks of concerts, and high school baseball games, etc. If the building was privately owned, the city would not have the freedom to do what it wants when the team is not using it and it would just be an empty building for half of the year. Hopefully in the upcoming years the city and county can come up with innovative ideas to use the expensive stadium to get the full benefit from it. The city chose the correct ownership style for this public center to enhance the positive financial impact of the stadium. The city will get a portion of the revenue generated by the use of the stadium, money that it would have to find from elsewhere if the stadium was privately owned.

Projections for the Future (One outside author, one internally developed conclusion)

“...we find that a professional sport team does not have a positive impact on the local community” (Lertwachara, 253). Lertwachara believes that it is not in the best interest of any local community to house a sports team. He just talks about professional sports teams, but for this project the data is being related to smaller affiliates of those

professional teams. The author of the article believes that all of the models that project positive benefits from sports teams do not take into consideration inflation, causality, overall economy, specific characteristics of local areas, and events' age. Although it is an extremely bleak look at what might happen in the future, it should be taken into consideration. People rarely look at the bad side of things because they cannot handle negative outcomes, but they happen more than positive outcomes. For example, 88% of all startup businesses fail within the first two years. This is a terrible percentage, but new business start up every day in hopes that they will be part of the 12%. On the other hand, always looking at the negative effects would never get anything accomplished. Sure there is a possibility that the Aces will not be profitable, but nobody really knows until the project has been tested and given a couple of years to get started. A couple of years down the road will be a good time to evaluate the negative affect of the baseball team, according to Lertwachara.

Reno is not going to have the same results as every other city that has tried to house a minor league sports franchise. According to all of the articles above, the city has done everything it has to do if it wants to have a successful investment with the baseball team. The correct placement of the park with the retail stores around the park should increase the marketability of the team. SK also owns the Developmental League basketball team that calls Reno home (the Bighorns). The basketball team came first, so that was probably a large influence in bringing their other team to Reno. Had they not liked the city they would not have brought the second team to Reno. The baseball team may not make a huge amount of money for the City of Reno or Washoe County, but it should at least breakeven and not cost the city money. There are no numbers to back up

this analysis but with how the baseball team has been run so far, it seems like the people in charge know what they are doing and can make the investment profitable.

Ideas for Future/Further Research

When the thesis was in the brainstorming stages there were many great ideas that did not make it to the final report, which was a disappointment. The largest weakness of the paper was the bad luck of 2009 being the inaugural season of the Aces. It would be great if there were more years available to see how the team is fairing. The first year can be deceiving for new teams because the people in the city really want to support the team and want the team to be successful. After a couple of years the fans may lose interest and there will be nobody attending the games, and therefore the team would not make any money. Having only one year of financial statements available, there is nothing to compare the revenues from this year to. It could be said that this was a good year for revenues because they were larger than expenses, but it is really hard to determine if it was a good year because of the lack of comparable information.

Originally, an interview with the owner of the Aces was planned to ask various questions regarding why the team was moved to Reno and what they hope to benefit from now that they are in Reno. After emailing and trying to call the owner multiple times, it was determined that it was not going to happen because nobody would respond to any requests. The paper would have been more complete if an outside source could have been used to answer some questions instead of just trying to determine the answers to the questions. Obviously the owners of the baseball team are busy because it was the first season of operation.

The last major weakness of the thesis came about when comparable financial

statements were trying to be found. Triple A baseball teams usually go to cities that are smaller and have potential for growth so it should be easy to find another city that had a team recently expand to it. This was not the case. Cities have had these teams for many years, if not decades, and no longer have the revenues and expenses broken down to account for the baseball team as a single unit. All of the revenues and expenses are blended together with the rest of the financial information for the city or respective county where the city resides. Other cities such as Eugene, Oregon and Tacoma, Washington were analyzed but the numbers for the baseball team were not specifically broken out so it could not be determined if they had a positive or negative effect on the city or respective county. Without concrete numbers of how much the team is bringing to the city is almost impossible to compare financial information. A percentage could be used to determine the revenue amount as a portion of the total revenues but even in that case the information provided would be biased.

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