

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Compliance of Staten Island Minor League Holdings, L.L.C., (Staten Island Yankees) with Their Lease Agreement May 1, 2001–December 31, 2002

FN03-116A

June 27, 2003



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has examined the compliance of Staten Island Minor League Holdings, L.L.C., (Staten Island Yankees) with the terms of their lease agreement with the New York City Economic Development Corporation (EDC). The results of our audit, which are presented in this report, have been discussed with officials from the Staten Island Yankees and EDC, and their comments have been considered in preparing this report.

Audits such as this provide a means of ensuring that private concerns conducting business on City property comply with the terms of their agreements, properly report revenues, and pay all fees due.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please contact my audit bureau at 212-669-3747 or e-mail us at audit@Comptroller.nyc.gov.

Very truly yours,

A handwritten signature in cursive script that reads 'William C. Thompson, Jr.'.

William C. Thompson, Jr.

WCT/GR

Report: **FN03-116A**
Filed: **June 27, 2003**

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*The City of New York
Office of the Comptroller
Bureau of Financial Audit*

**Audit Report on the
Compliance of Staten Island
Minor League Holdings, L.L.C.,
(Staten Island Yankees) with
Their Lease Agreement
May 1, 2001–December 31, 2002**

FN03-116A

AUDIT REPORT IN BRIEF

In December 2000, the Staten Island Minor League Holdings L.L.C., (Staten Island Yankees) and the New York City Economic Development Corporation (EDC) entered into a 20-year lease agreement that commenced on May 1, 2001. The agreement grants the Staten Island Yankees exclusive rights to use the Richmond County Bank Ballpark at St. George. Under the terms of the agreement, the Staten Island Yankees are required to pay EDC an annual base rent for actual attendance, for complimentary tickets, for “no-shows,” and for the team store, and percentages of revenues generated from special event net income and from advertising revenues. The Staten Island Yankees are required to deposit \$25,000 per year into a sinking fund that EDC is permitted to use for capital work at the stadium. The agreement requires EDC to pay the Staten Island Yankees net parking lot income. The Staten Island Yankees are also required to carry comprehensive property and liability insurance that names the City as an additional insured party, pay all utilities, and maintain a \$50,000 security deposit to EDC.

This audit determined whether Staten Island Yankees paid the appropriate fees due EDC, and whether they paid these fees on time. The audit also determined whether the Staten Island Yankees maintained adequate internal controls, received the appropriate payments from EDC, maintained the required insurance, paid all utilities, reimbursed EDC for electricity use, paid its security deposit, and paid its capital contributions.

Audit Findings and Conclusions

For the 2001 and 2002 lease years, the Staten Island Yankees adhered to certain non-revenue-related requirements of the agreement. They maintained the required property and liability insurance that named the City as an additional insured, deposited the required \$50,000 security deposit with EDC, contributed \$25,000 into a sinking fund available for EDC to pay for any capital work at the stadium, and paid water and sewer charges. However, because of internal control weaknesses over the recording and reporting of revenue from attendance, it could not be determined whether the Staten Island Yankees paid the appropriate fees to EDC. In addition, payments that were due were consistently made late, resulting in late fees due of \$35,774. Also, the Staten Island

Yankees did not reimburse EDC \$303,858 for electricity use and have an outstanding balance of \$25,000 due for their 2002 percentage of signage revenue. We also found that EDC overpaid the Staten Island Yankees \$8,885 in parking lot net income. Therefore, based on the available records, the Staten Island Yankees owe EDC at least \$373,517. Finally, even though the agreement contains a provision for payments to EDC from sales at the team store, the amount to be paid has not been negotiated between the Staten Island Yankees and EDC.

Audit Recommendations

The audit recommends that the Staten Island Yankees: pay EDC \$373,517 for outstanding fees and late charges due; make all future fee payments on time, as required by the agreement; calculate actual attendance and fee payments based on turnstile counts, as required by the agreement; visually distinguish between paid and complimentary tickets; and ensure that the actual attendance for events can be properly supported.

The audit also recommends that EDC: ensure that the Staten Island Yankees remit \$373,517 for outstanding fees and late charges due; charge the Staten Island Yankees the appropriate late fee assessments when necessary, as stipulated in the agreement; and negotiate specific fee terms for the team store as specified in the agreement, retroactive to the store's first day of operation.

EDC's response, which also included comments from the Staten Island Yankees, indicated that both entities generally agreed with the report's recommendations. It stated that since the Staten Island Yankees have remitted several payments (subsequent to the issuance of the preliminary draft of this report) towards their outstanding balance pertaining to signage and electricity, the Staten Island Yankees now owe an amount less than \$373,517. The Staten Island Yankees agreed to implement the remaining recommendations that pertain to enhancing internal controls over revenue from ticket sales.

INTRODUCTION

Background

On December 7, 2000, Staten Island Minor League Holdings, LLC, (doing business as the Staten Island Yankees) and the New York City Economic Development Corporation (EDC) entered into a 20-year lease agreement that commenced on May 1, 2001. The lease, which is monitored by EDC, grants the Staten Island Yankees exclusive rights to use the Richmond County Bank Ballpark in Staten Island. The allows the Staten Island Yankees to sell game tickets, operate the team store, sell stadium advertising, provide food and souvenir concessions within the stadium, and lease the stadium for special events (i.e., art, culture, community, charity, civic, and amateur sporting events). The agreement also allows the Staten Island Yankees to either operate or subcontract the operation of stadium concessions. For the 2001 and 2002 lease years, the Staten Island Yankees operated the concessions.

Under the terms of the agreement, the Staten Island Yankees are required to pay EDC an annual base rent for actual attendance, for complimentary tickets, for "no-shows," and for the team store, and percentages of revenues generated from special event net income and from advertising revenues. The agreement also requires that the Staten Island Yankees deposit \$25,000 each year into a sinking fund that permits EDC to perform capital projects at the stadium. In addition, the agreement requires that EDC pay the Staten Island Yankees a portion of the net income from the

City’s parking lot adjacent to the stadium derived from vehicles at the lot two hours before, and one hour after a stadium event. The base rent, percentages of revenue payments, and other payment requirements are detailed in Table I, which follows:

TABLE I
Base Rent, Percentages of Revenues and Net Profit, and
Other Payment Requirements Required by the Lease

Rent Payments:

Base Rent for Game Attendance	Ranging from \$0 to \$510,000, based on the actual paid attendance. ¹
No Shows and Complimentary Tickets	\$0.50 per complimentary ticket issued and paid no-shows. ²
Team Store	Rent to be determined based on negotiations between EDC and the Staten Island Yankees. ³
Special Event Net Income	30% of Special Event Net Income in excess of \$143,000.
Stadium Advertising Revenue	50% of revenue received from advertising capped at \$250,000.
Capital Contribution	\$25,000 annually, paid into a sinking fund, due March 1 and October 31.
Electricity	100% of actual costs incurred for the stadium, as billed by EDC.

EDC Payment to the Staten Island Yankees:

Net Income from Parking	100% of the net parking lot income related to vehicles at the premises two hours before, and one hour after a stadium event.
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In addition, the agreement requires that the Staten Island Yankees carry comprehensive property and liability insurance that names the City as an additional insured party; pay for the stadium’s water and sewer use; and provide a \$50,000 security deposit to EDC. Finally, the

¹ Section 3.01(a)(ii) of the lease defines “actual attendance” for a particular lease year as the total number of ticket-holders who actually attended team home games, less complimentary ticket holders who attended team home games. Base rent of \$100,000 is payable when actual attendance exceeds 125,000 persons. Base rent increases in steps to a maximum of \$510,000 if actual attendance reaches more than 245,000 persons.

² Section 3.01(b) of the lease defines “no-shows” and complimentary ticket holder rent payments as applicable only in years in which actual attendance exceeds 125,000 persons.

³ Section 3.01(c) of the lease states that team store rent shall be determined and agreed upon by EDC and the Staten Island Yankees, which is still unresolved. This matter is discussed within the Findings section of the report.

agreement requires that the Staten Island Yankees submit to EDC each lease year, an Attendance Report, Statement of Special Events Net Income, and Statement of Signage Revenue.

Objectives

Our audit objectives were to determine whether the Staten Island Yankees:

- paid the appropriate fees due EDC and whether these fees were paid on time;
- maintained adequate internal controls over the recording and reporting of their gross receipts and attendance;
- received the appropriate net parking payments from EDC in accordance with the agreement; and
- complied with certain other requirements of their agreement (i.e., maintained the required insurance, reimbursed EDC for electricity use, paid for their water and sewer use, provided the proper security deposit, and made the required capital sinking fund contributions).

Scope and Methodology

This audit covered the period May 1, 2001, through December 31, 2002. To achieve our audit objectives, we reviewed and abstracted the relevant terms and conditions of the lease agreement. To determine whether the Staten Island Yankees remitted the required statements and paid all fees due EDC on time, we reviewed EDC records that included its accounts receivable and payable ledgers, tenant history ledger, cash detail report, the Staten Island Yankees rent statements, check payments, insurance certificates, and correspondence between the Staten Island Yankees and EDC.

We evaluated the internal controls over the Staten Island Yankees ticket and revenue collection, record keeping, and reporting functions. On November 7, 2002, we conducted a walkthrough of the Staten Island Yankees' operations pertaining to ticket sales and game attendance. On February 5, 2003, we conducted a walkthrough of the Staten Island Yankees' operations pertaining to special events revenue. We documented our understanding of the Staten Island Yankees procedures and controls through memoranda. We completed an analytical review of the Staten Island Yankees' reported actual attendance and revenue to identify any inconsistencies.

We reviewed the daily attendance reported on the Staten Island Yankees "Event Detail and Attendance Detail Report" for home games played. We compared the total sales and total attendance for the stadium seating areas listed on this report to the amounts reported to EDC. The Staten Island Yankees did not maintain turnstile count information. Therefore, we counted all the ticket stubs provided by the Staten Island Yankees officials for the 2001 and 2002 baseball seasons, and compared our counts to the total attendance reported to EDC to confirm whether the event detail and attendance detail reports were accurate.

To determine whether the Staten Island Yankees accurately reported special event net income to EDC and paid the appropriate fees, if any, we compared the reported amounts for special events to the supporting documents that included special event calendars, and cash receipts and cash disbursements ledger accounts for the 2001 and 2002 lease years.

To determine whether the Staten Island Yankees paid their advertising fees to EDC and paid them on time, we reviewed copies of the advertising contracts for the 2001 and 2002 lease years, and using EDC records, reviewed the amounts paid.

To determine whether the Staten Island Yankees maintained the proper insurance coverage that named the City as an additional insured party, we examined the Staten Island Yankees' certificates of insurance and insurance policies. To determine whether the Staten Island Yankees paid their water and sewer charges and reimbursed EDC for electricity at the stadium, we reviewed billing statements and copies of canceled checks. To determine whether the Staten Island Yankees deposited the proper amount as security and made the proper capital sinking fund contributions, we obtained copies of the canceled checks and traced the amounts on the checks to Staten Island Yankees books and records.

Finally, to determine whether EDC paid the Staten Island Yankees their share of parking revenue, we examined the contract between EDC and Central Parking Systems, the parking lot operator. We determined whether Central Parking's payments to EDC were in accordance with the contract by reviewing EDC monthly Management Report revenue statements, and Costs of Operations statements from Central Parking Systems, tracing those monthly amounts to EDC daily detail reports of revenues and sales for all stadium events. Based on this information, we then determined whether the Staten Island Yankees received the appropriate payments from EDC.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, § 93, of the New York City Charter, and the Comptroller's audit authority under § 32.02 of the Staten Island Yankees lease agreement.

Discussion of Audit Results

The matters covered in this report were discussed with officials from the Staten Island Yankees and EDC during and at the conclusion of this audit. A preliminary draft report was sent to Staten Island Yankees and EDC officials and was discussed at an exit conference on June 3, 2003. On June 4, 2003, we submitted a draft report to Staten Island Yankees and EDC officials with a request for comments. On June 17, 2003, we received a written response from EDC.

EDC's response, which also included comments from the Staten Island Yankees, indicated that both entities generally agreed with the report's recommendations. It stated that since the Staten Island Yankees have remitted several payments towards their outstanding balance (subsequent to the issuance of the preliminary draft of this report) towards their outstanding balance pertaining to signage and electricity, the Staten Island Yankees now owe an amount less than \$373,517. The Staten Island Yankees agreed to implement the remaining recommendations that pertain to enhancing internal controls over revenue from ticket sales.

The full text of the EDC and Staten Island Yankees response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The Staten Island Yankees adhered to certain non-revenue-related requirements of the agreement. They maintained the required property and liability insurance that named the City as an additional insured, deposited the required \$50,000 security deposit with EDC, contributed \$50,000 into a sinking fund available for EDC to perform capital projects at the stadium, and paid their water and sewer charges. However, because of inadequate controls over the recording and reporting of revenue from attendance, it could not be determined whether the Staten Island Yankees paid the appropriate fees to EDC. In addition, payments that were due were consistently made late, resulting in late fees due of \$35,774. Furthermore, the Staten Island Yankees did not reimburse EDC \$303,858 for electricity use and have an outstanding balance of \$25,000 due for their 2002 percentage of signage revenue. We also found that EDC overpaid the Staten Island Yankees \$8,885 in parking lot net income. Therefore, based on the available records, the Staten Island Yankees owe EDC at least \$373,517. Finally, even though the agreement contains a provision for payments to EDC from sales at the team store the amount to be paid has not been negotiated between the Staten Island Yankees and EDC.

These matters are discussed in detail in the following sections of this report.

Attendance Recording and Reporting Weaknesses

For the 2001 and 2002 baseball seasons, the Staten Island Yankees reported actual attendance of 132,028 and 116,322, respectively. As a result, the Staten Island Yankees base rent was \$100,000 for 2001 and \$0 for 2002. However, because of inadequate controls over the attendance recording and reporting functions, we were not able to verify whether the reported attendance was accurate and therefore, whether the correct fees were paid to EDC.

Specifically, rather than using turnstile counts, as required by the agreement, the Staten Island Yankees calculate attendance based on a computerized scanning system that automatically records tickets into a computer database, categorizing whether the ticket was paid or complimentary. (As previously stated, reportable attendance does not include complimentary tickets.) We found that the process of calculating game attendance through the scanning process is unreliable since torn, mangled, or damaged tickets cannot be read by the computerized scanner, and are therefore, not included in recorded attendance. In addition, tickets lost or misplaced would not be included in the total recorded attendance figure. In fact, we found 57 ticket stubs from a game played on June 25, 2002, included with the July 15, 2002 stubs. These stubs were never scanned and included in the reported attendance figures.

Furthermore, the annual attendance statements forwarded to EDC could not be reconciled to the individual game attendance reports or to the manual count of tickets that we performed. For example, our count of ticket stubs for game 37 held on September 2, 2002 showed that 2,587 people attended the game. However, the report of scanned tickets indicated that only 1,805 people attended the game. When informed of this discrepancy, Staten Island Yankee officials performed their own manual count of tickets, which found that 2,586 people attended the game—one person less than we counted. In total, we found that 7,751 tickets were not included in 2001 and 8,378 tickets were not included in 2002.

As mentioned earlier, the Staten Island Yankees did not pay EDC the base rent for 2002 because reported attendance was only 116,322—8,679 less than the 125,001 threshold at which a \$100,000 base rent payment would have been required. Our count of the tickets available to us disclosed that at least 8,378 ticket stubs were not included in the figures reported by the Staten Island Yankees. Assuming all of these stubs represent paid attendance (since the stubs do not indicate whether the tickets were paid or complimentary), paid attendance still would have been 301 attendees below the threshold requiring the base rent payment. Nevertheless, given the weaknesses in attendance recording and reporting, we cannot be assured that all ticket stubs were provided to us and question whether attendance actually fell below the threshold.

The Staten Island Yankees Owe \$35,774 in Late Charges

Because the Staten Island Yankees paid base rent, percentage rent on signage revenue, and sinking fund contributions from two to 11 months late for 2001 and 2002, they owe a total of \$35,774 in late fees to EDC. Although EDC sent the Staten Island Yankees monthly notices about rent payments due, EDC assessed late fees totaling only \$1,875, while actual late fees due amounted to \$37,649, resulting in an additional \$35,774 in late fees still due EDC. (See Appendix I for the calculation of late charges.) Article 13(a) of the lease agreement states that:

“If any payment of Rental, or any other payment due hereunder, is not received by Landlord within thirty (30) days after receipt by Tenant from Landlord of notice that such payment has become due, and is not received by Landlord within thirty (30) days after receipt by Tenant from Landlord of a further notice that such payment is overdue by more than thirty (30) days (except that no such further notice shall be required in the case of late payment of any Base Rent or Proceeds Payments) . . . then a late charge on the sums so overdue, calculated at the rate of one and one-half percent (1 1/2%) per month . . . compounded from the date such Rental or other payment first became due.”

The Staten Island Yankees Owe \$25,000 in Signage Revenue

For 2002, the Staten Island Yankees owe a balance of \$25,000 in net signage revenue. Of the \$250,000 owed for 2002, the Staten Island Yankees paid EDC \$225,000.

Staten Island Yankees Owe Electricity Charges of \$303,858

As of December 31, 2002, EDC has not been reimbursed for \$303,858 pertaining to stadium electricity charges. Article 9, § 9.01 (iii), of the lease agreement requires that the Staten Island Yankees reimburse EDC for all electricity charges for the stadium.

EDC Overpaid Parking Net Income of \$8,885

EDC records indicate that it paid the Staten Island Yankees \$8,885 more than they were entitled to for parking lot income during 2001 and 2002. In two cases, EDC did not deduct the 10.25 percent in parking taxes from parking lot revenue. This resulted in the overpayment of \$9,655 to the Staten Island Yankees by EDC. In another instance, EDC miscalculated the parking tax by \$770, which resulted in an underpayment of that amount to the Staten Island Yankees. The net effect is that the Staten Island Yankees owe EDC \$8,885.

Team Store Charge Not Negotiated

Although the stadium team store was completed before the May 1, 2001, commencement of the lease, we found that the team store rent, as stipulated in Article 3, § 3.01(c), of the lease agreement has yet to be negotiated. Article 3, states in part:

“Following substantial completion of the Team Store . . . Base Rent shall include an amount payable in respect of the Team Store. The parties shall negotiate reasonably and in good faith, as well as continuously and diligently, to determine Store Rent . . . prior to Substantial Completion of the Team Store.”

It should be noted that the team store has been open since the first home game in 2001, and the absence of specific negotiated terms on the fees due from the revenues earned has resulted in lost revenue to EDC. Accordingly, negotiated fees due should be retroactive to the store’s first day of operation.

Recommendations

We recommend that the Staten Island Yankees:

1. Pay EDC \$373,517 for outstanding fees and late charges.

Staten Island Yankees Response: Staten Island Yankees officials responded that they “disagree with the amount due EDC. Since the [preliminary draft] report was prepared, the following has occurred:

- a) We have paid the \$25,000 due for 2002 signage (Check #4406, April 29).
- b) We have paid \$50,000 toward 2002 electric bills (Checks #4400, \$20,000, March 31; #4404, \$20,000, April 29; #4418, \$10,000, June 4).
- c) We have still not seen the revised bills for 2002 electricity, so we do not know precisely what the amount is.
- d) We have not determined what is owed to us by the EDC for water and gas in 2002, which will be deducted from the final amount.
- e) We disagree with the late charges assessed, pursuant to the letter agreement between Staten Island Minor League Holdings and EDC for a payment schedule in 2002.

“Therefore, we agree that we owe an amount less than \$373,517 subject to final reconciliation of electric, gas, water and late fees.”

2. Make all future fee payments on time, as required by the agreement.
3. Calculate actual attendance and fee payments based on turnstile counts, as required by the agreement.
4. Visually distinguish between paid and complimentary tickets.
5. Ensure that the reported actual attendance for events can be properly supported.

Staten Island Yankees Response: Staten Island Yankees officials responded that they agreed with Recommendations 2 through 5 and stated: “We have purchased working turnstiles and will reconcile the turnstile numbers with our scanned numbers for actual attendance calculations.”

With regard to visually distinguishing between paid and complimentary tickets, Staten Island Yankees officials stated: “This recommendation will be implemented with the start of the 2004 season. We had already designed and printed our tickets for 2003 by the time the audit report was prepared and were unable to implement this change for the 2003 season.”

We recommend that EDC:

6. Ensure that the Staten Island Yankees remit \$373,517 for outstanding fees and late charges due.

EDC Response: EDC officials stated: “The Staten Island Yankees have remitted several payments towards their outstanding balance. The most significant item is for the reimbursement of stadium electricity charges. Due to the complexity of the electrical wiring and metering in this newly constructed facility (which included many users with the same master electrical account), EDC commissioned extensive testing of the electrical system. In December 2002, EDC retained the services of an energy systems consultant to verify the prior usage and appropriate billing for all parties. The consultant has recently confirmed the utility charges and the adjustments will be reflected in the July 2003 billing statement.”

7. Charge the Staten Island Yankees the appropriate late fees stipulated in the agreement.

EDC Response: EDC officials stated: “We agree. EDC will bill late charges as stipulated in the agreement on past fees due and on future late payments beginning with the July 2003 billing statement.”

8. Negotiate specific fee terms for the team store, as specified in the agreement, retroactive to the store’s first day of operation.

EDC Response: EDC officials agreed with the recommendation and stated: “In adhering to the ‘Most Favored Nation’ clause in Section 39.20 of the Lease, NYCEDC shall propose to the Staten Island Yankees identical terms to the team store rent provisions granted to the Brooklyn Cyclones.”

Auditor Comment: EDC did not address the part of the recommendation proposing that the Staten Island Yankees be charged rent for the team store retroactive to the store’s first day of operation.

Staten Island Minor League Holdings, LLC
Schedule of Late Charges Owed Compounded Monthly
May 1, 2001, through December 31, 2002

Component	Rent Due	Due Date	Late Charges Cover Period		Months Overdue	1.50% Late Charge
			From	To		
2001 Base Rent	\$ 25,000	05/01/01	05/01/01	07/30/01	3	\$ 1,142
2001 Base Rent	25,000	06/01/01	06/01/01	08/03/01	2	756
2001 Base Rent	25,000	09/01/01	09/01/01	01/31/02	5	1,932
2001 Base Rent	25,359	10/31/01	10/31/01	05/20/02	6	2,370
Total Base Rent/Late Charges						\$ 6,199
2001 Signage Revenue	\$ 75,000	05/30/01	05/30/01	05/02/02	11	\$ 13,346
2001 Signage Revenue	125,000	11/30/01	11/30/01	06/03/02	6	11,680
2002 Signage Revenue	25,000	05/30/02	05/30/02	08/05/02	2	756
2002 Signage Revenue	25,000	11/30/02	11/30/02	04/01/03	4	1,534
Total Signage Revenue/Late Charges						\$ 27,316
2001 Capital Contribution	\$ 12,500	03/01/01	03/01/01	01/31/02	11	\$ 2,224
2001 Capital Contribution	12,500	10/31/01	10/31/01	01/31/02	3	571
2002 Capital Contribution	12,500	03/01/02	03/01/02	06/21/02	3	571
2002 Capital Contribution	12,500	10/31/02	10/31/02	03/13/03	4	767
Total Capital Contribution/Late Charges						\$ 4,133
Total Late Charges Owed						\$ 37,649
Total Late Charges Paid						(1,875)
Total Late Charges Due						\$ 35,774



New York City
Economic Development
Corporation

June 17, 2003

Greg Brooks, Deputy Comptroller
Policy, Audits, Accountancy & Contracts
City of New York
Office of the Comptroller
1 Centre Street – Room 530
New York, New York 10007-2341

Re: FN03-116A

Dear Mr. Brooks:

This is in response to your draft "Audit Report on the Compliance of Staten Island Minor League Holdings, L.L.C. with their Lease Agreement May 1, 2001 - December 31, 2002".

The following are the recommendations included in the report and our comments:

Staten Island Yankees:

1.) "Pay EDC \$373,517 for outstanding fees and late charges."

We disagree with the amount due to EDC. Since the report was prepared, the following has occurred:

- a) We have paid the \$25,000 due for 2002 signage (Check #4406, April 29).
- b) We have paid \$50,000 toward 2002 electric bills (Checks #4400, \$20,000, March 31; #4404, \$20,000, April 29; #4418, \$10,000, June 4)
- c) We have still not seen the revised bills for 2002 electricity, so we do not know precisely what the amount is.
- d) We have not determined what is owed to us by the EDC for water and gas in 2002, which will be deducted from the final amount.
- e) We disagree with the late charges assessed, pursuant to the letter agreement between Staten Island Minor League Holdings and EDC for a payment schedule in 2002.

Therefore, we agree that we owe an amount less than \$373,517 subject to final reconciliation of electric, gas, water and late fees.

- 2.) "Make all future fee payments on time, as required by the agreement."

We agree.

- 3.) "Calculate actual attendance and fee payments based on turnstile counts, as required by the agreement."

We agree. We have purchased working turnstiles and will reconcile the turnstile numbers with our scanned numbers for actual attendance calculations.

- 4.) "Visually distinguish between paid and complimentary tickets."

We agree. This recommendation will be implemented with the start of the 2004 season. We had already designed and printed our tickets for 2003 by the time the audit report was prepared and were unable to implement this change for the 2003 season.

- 5.) "Ensure that the reported actual attendance for events can be properly supported."

We agree.

EDC:

- 6.) "Ensure that the Staten Island Yankees remit \$373,517 for outstanding fees and late charges due."

As stated in Item 1, the Staten Island Yankees have remitted several payments towards their outstanding balance.

The most significant item is for the reimbursement of stadium electricity charges. Due to the complexity of the electrical wiring and metering in this newly constructed facility (which included many users with the same master electrical account), EDC commissioned extensive testing of the electrical system. In December 2002, EDC retained the services of an energy systems consultant to verify the prior energy usage and appropriate billing for all parties. The consultant has recently confirmed the utility charges and the adjustments will be reflected in the July 2003 billing statement.

EDC will continue to pursue all other outstanding charges as noted.

- 7.) "Charge the Staten Island Yankees the appropriate late fees stipulated in the agreement."

We agree. EDC will bill late charges as stipulated in the agreement on past fees due and on future late payments beginning with the July 2003 billing statement.

8.) "Negotiate specific terms for the team store, as specified in the agreement, retroactive to the store's first day of operation."

We agree. In adhering to the "Most Favored Nation" clause in Section 39.20 of the Lease, NYCEDC shall propose to the Staten Island Yankees identical terms to the team store rent provisions granted to the Brooklyn Cyclones.

Very Truly Yours,



Deo Singh
Controller

cc: Andrew M. Alper (EDC)
John Cirolia (EDC)
Jonathan Fair (EDC)
Tanya Tesa (EDC)
Christopher Malin (EDC)
Robert Bernstein (Mayor's Office of Operations)
Josh Getzler (SI Yankees)