

## **Here's the Facts: Subsidizing the Sportsplex**

"What I see is the Sportsplex is a goldmine for the city because you have two restaurants."

Tony Wu, Councilman  
City Council Meeting, June 15, 2021

The Covid pandemic lockdown presented business, especially those in the entertainment and recreational industries, with significant financial challenges. When the public could not attend recreational and sports events, the operators of these facilities lost money. During the lockdown, Big League Dreams was sold to a new owner, TC Sports Group, LLC, successfully renegotiated all contracts with the cities where a Sportsplex was located ***with one notable exception—the City of West Covina!***

### ***The Consequences***

Residents learned the City had taken over the Sportsplex operation when amendments to the City's landscape contract began appearing on council meeting agendas. Agenda Item 12 on the May 4, 2021 council meeting, for example, authorized a \$10,000 monthly increase to the landscaper's contract until "until a landscape maintenance contract is awarded for West Covina Sportsplex formerly known as Big League Dreams." Residents started asking questions. The city's response was concerning.

According to the City Manager and **Tony Wu** the Sportsplex was in poor condition, had maintenance and safety issues, and the city and contractor had a "poor landlord-tenant" relationship (City Council Meeting, June 15, 2021). These issues do not reflect the long-standing relationship the City had with Big League Dreams but appear to be issues that recently developed.

- **Council Priorities:** Prior to department head purge that began in 2019, when **Dario Castellanos**, **Letty Lopez**, and **Tony Wu** were elected to the city council, the City had processes in place that addressed maintenance and safety issues annually. When **Letty Lopez** and **Tony Wu** replaced large numbers of city employees, the city's institutional memory was lost. Priorities changed.
- **Safety Inspections:** Safety issues are highly concerning. Regardless of who operates the Sportsplex, the City owns the facility. The City has a responsibility to ensure safety equipment is regularly inspected. Apparently, the City did not do routine inspections of city venues but blamed the previous contractor for safety deficiencies. Ultimately, the City spent approximately \$25,000 to fix the alarm system.
- **Pandemic Lockdown:** The lockdown made the situation worse because routine maintenance was ignored. Turf was not watered. Landscape went unkept. The extended lockdown period meant plumbing was not used for extended periods of time which resulted in costly plumbing repairs.

**Letty Lopez** and **Tony Wu** made this major funding commitment without a financial analysis and needs assessment and with disregard of the council's fiduciary responsibility to West Covina residents/taxpayers. There was no public council meeting about funding, bond payments, staffing requirements, or maintenance needs. The decision to operate the Sportsplex was made without public input. In short, there was no transparency.

Originally, the Sportsplex was designed to operate without any city funding with a five-fold revenue plan: Nightly softball/soccer; Weekend/Weekday Tournaments; Restaurants; Special Events; Sponsorship and Branding.

Currently, revenue from the city-operated Sportsplex is not even close to the amount of money the city is spending to upgrade, maintain, and operate the facility. Indeed, the council is using significant general funds to subsidize the Sportsplex as shown in the table below “Fund 242 – Sportsplex Deficits.”

EXTRACT		
FUND 242 – SPORTSPLEX DEFICITS <sup>1</sup>		
(Compiled by Jerri Potras, October 2022)		
Budget Text <sup>2</sup>		
“FY 2022-23 Expenditures: Expenditures fund staffing, maintenance and operations of the complex. Due to start-up costs and necessary improvements to the complex, the Sportsplex is proposed to be subsidized by the General Fund in its initial years. However, once established, it is expected to be self-sustaining. <sup>3</sup>		
REVENUE & EXPENDITURE (R & E) <sup>5</sup>	FY 2020-21 ACTUAL	FY 2021-22 ESTIMATED
● <b>Revenue</b>		
Charges for Services	---	\$132,890
Other Revenues		5,851
Use of Money & Property		80,723
<b>Revenue Total:</b>	---	\$219,464
● <b>Expenditures <sup>4</sup></b>		
Salaries & Benefits		\$330,520
Materials & Services	\$106,864	234,139
<b>Expenditure Total:</b>	\$106,864	564,459
● <b>Deficits</b>		
	<b>(\$106,864)</b>	<b>(\$344,995)</b>
<b>Notes</b>		
<sup>1</sup> Source: 2023 Budget. Operating & Capital Improvement Program FY 2022-23. City of West Covina, p. 262.		
<sup>2</sup> “Fund Overview: The City took over operations of the Sportsplex in 2021. This fund accounts for activity at the West Covina Sportsplex, a recreational facility which amenities include softball fields, a pavilion, playgrounds, and restaurants.” Ibid, p. 262.		
<sup>3</sup> Budgets project expenditures & revenues during the budget preparation process. The City now holds festivals and other events in the Sportsplex. The City Council ratified \$122,708.51 in purchases for Spring Festival held March 2022 to be absorbed in the FY 2021-22 Sportsplex budget under special events. Residents who submitted Public Records Requests estimate the Spring Festival’s direct and associated expenditures to be about \$211,546.		
<sup>4</sup> Staff have been hired and equipment purchased to maintain the Sportsplex as a city run facility. Details are ambiguous to residents.		
<sup>5</sup> Budget and accounting principles differ between the private and public sectors. In the public sector, the objective for “holding assets” is the ability to support service delivery, not the ability to generate cash flows (Dr. Jens Heiling, Ernst & Young, 2020).		

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- Related Tables | Spring Festival**
- City Council Actions/Comments
  - Admission & Carnival Revenue
  - Elsie Messman Public Comment

### The Impact

- **Opportunistic and Unrealistic Decision-Making:** Simply stated, the City and Big League Dream's new owner could not successfully negotiate because **Tony Wu** determines contract terms in West Covina. He pushes his opinion as fact, an example of which was evident at the June 15, 2021 City Council meeting:

**Tony Wu** explained that the Sportsplex was a “goldmine” because it has two restaurants that sell beer and wine and that the City could contract with restaurants and get 50 percent of the revenue. Wu indicated restaurant revenue, plus revenue from Sportsplex facility rentals along with the savings from energy upgrades will make the Sportsplex “self-sufficient” and provide enough revenue to “improve the place.” Wu stated he thought revenue would come in “instantly”, not in the year or two the city manager mentioned. **15 months later, there is still no restaurant at the Sportsplex.**

The council majority discuss operating the Sportsplex using pro-forma years. Pro-forma earnings are a controversial private sector financial concept that is not associated with responsible public sector agencies. Pro-forma earnings use hypothetical estimates built into data to give a “picture” of profits if certain nonrecurring are excluded and are not computed using standard generally accepted accounting principles (GAAP) (“Understanding Pro-Forma Earnings”. The Investopedia Team. December 30, 2020.)

**Tony Wu is playing a budget game at taxpayer expense!**

Council Discussion on YouTube: [June 15, 2021](#) Approximate Timestamp: 2:54:11

- **Park with Limited Resident Access:** The West Covina's facility did not open because the City Council took over the SportsPlex as the city's newest park, a park with little to no recreational access to residents as it once had. Previously, the public had access to the facility during week days until about 5:00 PM.
- **Costly Facility Upgrades:** Big League Dreams new owner, TC Sports Group, LLC, is upgrading and improving their stadiums. The City of West Covina now has to pay to upgrade West Covina's facility.
- **Bond Payments from the General Fund:** Now that the City of West Covina is operating the Sportsplex the City must make bond payments using General Fund monies—or deficit spend. When Big League Dreams ran the facility, BLD paid the city about \$450,000 annually—that money was used to make bond payments.

*Resident photo posted on a Facebook page of the locked and gated Sportsplex on a September Wednesday afternoon. Before the City took over the Sportsplex operation, residents had access to the facility weekdays until about 5:00 PM.*



**Here's the Facts: Spring Festival Event Loss**

DATA AT A GLANCE						
EVENT: WEST COVINA SPRING FESTIVAL MARCH 12 & 13, 2022						
TABLE 1						
CITY COUNCIL ACTIONS & COMMENTS						
Compiled by Jerri Potras, July 2022						
Date	Session	Item	Title / Action Summary	Council Vote <sup>2</sup>	Revenue	Expenditure
03/01/22	Regular	7	Ratification of Contract with Paul Maurer for Amusement Rides, Attractions, Games, and Concessions for the City's Spring Festival <ul style="list-style-type: none"> <li>• <i>Staff Report Attachment: Contract</i></li> <li>• <i>Extract from Agreement:</i>  <i>Revenue sharing based on gross revenues:</i> <ul style="list-style-type: none"> <li>• Under \$50,000, WC receives \$0</li> <li>• Between \$50,001 and \$75,000, WC receives 15%</li> <li>• \$75,001 or more, WC receives 20%</li> </ul> </li> </ul> <i>WC Carnival Ride Sales: \$71,854 <sup>5,6</sup></i>	5-0	\$10,778.10	
03/15/22	Regular	---	City Council Meeting Agenda Item: Mayor/Council Reports <ul style="list-style-type: none"> <li>• <i>City Council Meeting Minutes. Item: Mayor/Council Reports:</i>                      "Councilman Wu thanked staff and all the vendors that participated in the Spring Festival. Mayor Pro Tern Diaz and Mayor Castellanos also thanked staff for a wonderful Spring Festival."  </li> <li>• <i>Meeting Video on YouTube: Approximate Timestamp: 2:48:15</i></li> </ul>	---	---	
06/14/22	Regular	14	Ratification of Expenditures for the 2022 West Covina Spring Festival <ul style="list-style-type: none"> <li>• <i>Staff Report Attachments: Invoices</i> <ul style="list-style-type: none"> <li>• <i>United Site Services: \$55,923.56</i></li> <li>• <i>A-1 Event &amp; Party Rentals: \$66,784.95</i></li> </ul> </li> </ul> <i>Agenda Staff Report states these purchases are to be absorbed in FY 2021-22 Sportsplex budget under special events (account no. 242.61.5167.6188).</i>	5-0		\$122,708.51
<b>Council Ratification of Event Loss Total: (\$111,930.41)</b>						
<b>Notes</b>						
<sup>1</sup> Compiled using City Council Meeting Agendas and approved Council Meeting Minutes for Calendar Year 2022 posted on city website. <sup>2</sup> 2020 City Council: <i>Number in parenthesis denotes council district. <b>Bold</b> denotes district is included in November 2022 election.</i> <ul style="list-style-type: none"> <li>• Mayor: Dario Castellanos (<b>4</b>);</li> <li>• Mayor Pro Tem: Rosario Diaz (3)</li> <li>• Councilmembers: Letty Lopez-Viado (<b>2</b>); Brian Tabatabai (1); Tony Wu (<b>5</b>)</li> </ul> <sup>3</sup> Search of calendar year 2021 minutes had no results. (Search: City Clerk Documents, Minutes. Search Term: Spring Festival) <sup>4</sup> Blue font is compiler's notation. <sup>5</sup> Carnival ride sales and attendance data obtained via Public Records Request PR-166 Final Response April 4, 2022. <sup>6</sup> Event Attendance: <ul style="list-style-type: none"> <li>• Total Paid Adults (12 and over): 5,596 (General, \$5 ticket = 3,567; West Covina Resident, \$3 ticket = 2,029)</li> </ul>						

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**Note:** Resident's submit Public Records Request (PRR) requesting cost information on the Spring Festival and/or use city documents such as Staff Reports and Meeting Minutes to compile data. Depending on the documents and time period associated with the request, the event loss dollar amounts will vary.

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**Here's the Facts: Spring Festival Event Loss**

DATA AT A GLANCE			
WEST COVINA SPRING FESTIVAL 2022			
TABLE 2			
ADMISSION & CARNIVAL REVENUE <sup>1</sup>			
Compiled by Jerri Potras, July 2022			
Category	Quantity	Price	Revenue
<b>Admission</b>			
<b>• Entry Fee Per Person</b>			
General <sup>2, 3</sup>	3,567	\$5	\$17,835
West Covina Resident <sup>3</sup>	2,029	\$3	\$6,087
Children 12 & Under <sup>4</sup>	4,400	Free	\$0
Complimentary <sup>5</sup>	82	\$0	\$0
<b>Sub-Total:</b>	10,078		<b>\$23,922</b>
<b>Less Complimentary:</b>	82		<b>\$0</b>
<b>Total:</b>	9,996		<b>\$23,922</b>
<b>Carnival Rides <sup>6</sup></b>			
<i>(8 Adult &amp; Teen Rides   6 Kiddie Rides)</i>			
<b>• Wristbands</b>			
Presale Unlimited Ride	303	\$25	\$7,575
Day of Unlimited Ride	969	\$35	\$33,915
Complimentary <sup>7</sup>	29	Free	\$0
<b>• Coupons (3 to 6 coupons required per ride.)</b>			
Individual Ride	3,264	\$1	\$3,264
Sheet of 24	1,355	\$20	\$27,100
<b>Total:</b>	<b>5,920</b>	<b>\$81</b>	<b>\$71,854</b>
<b>Notes</b>			
<sup>1</sup> Data compiled from Public Records Request completed April 4, 2022 and March 1, 2022 City Council Meeting Staff Report, Agenda Item 7.			
<sup>2</sup> Non-West Covina resident.			
<sup>3</sup> Adult & over 12 years of age.			
<sup>4</sup> Approximate count.			
<sup>5</sup> Tickets typically distributed by city officials.			
<sup>6</sup> Revenue sharing agreement with carnival operator based on gross revenues. City portion: \$10,778.10 (15% of gross revenue).			
<sup>7</sup> Provided by carnival operator at no charge to the city.			

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**Here’s the Facts: Spring Festival Event Loss**

**ELISE MESSMAN, WEST COVINA RESIDENT**  
*Public Comment on Spring Festival*  
*City Council Meeting, September 6, 2022*

“ . . . The next item, the Spring Festival we had in March was a flop and the money the City spent was out of hand. These figures do not include employee salary and charges to credit card just to name a few. Here are a few items:

United Services for Sanitation	\$55,923
Entertainment	\$ 11,800
A-1 Event and Party Rental	\$66,785
Petty Cash	\$3,000
Festival Sound	\$9,500
L.A. Health Department	\$3,400
Barricades	\$4,543
Hollywood Elite Security	\$6,678
Deep Cleaning the Sportsplex	\$13,600
Shuttle Service	\$8,312
Get the Field Back in Order	\$28,000

***To a Grand Total of \$211,541 so far.***

The staff estimated about 10,000 people attended and that was just a guess. But 2,029 people from West Covina residences attended paying \$3.00 to a total of \$6,087 and 3,569 from other cities paying \$5.00 for \$17,835 to a total of \$23,932 admission that was collected. Whoever was recruiting or promoting this event was not doing a good job.

In West Covina, if only 2,029 paid residents out of a total 110,000 residents is disgraceful.

Should we do it again? I would say, “Absolutely, No.”

Even if the City collected \$50,000 which I don’t think they did, we would still be at a loss of \$161,546. I blame the Council and staff for a failure and why they didn’t and why did we need a festival when the 4<sup>th</sup> of July has always been a reason to get together. Listening to one person and not doing your homework, this Council and some staff have proven that they are over their head. I’m sure we could spend this money for everyone’s benefit—not just a few.

Thank you.

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Transcribed Jerri Potras

Source: [September 6, 2022 City Council Meeting](#) video posted on YouTube. Approximate Timestamp: 48:28

**Note:** Resident’s submit Public Records Request (PRR) requesting cost information on the Spring Festival and/or use city documents such as Staff Reports and Meeting Minutes to compile data. Depending on the documents and time period associated with the request, the event loss dollar amounts will vary.