

**Board of Directors Business Meeting**

**Tuesday, November 12, 2019, 7:00 a.m.**

**Location: Idaho Falls Auditorium District Office**

**467 Constitution Way, Idaho Falls, Idaho 83402**

**Attendees: Terri Gazdik, John LoBuono, Bob Nitschke, Steve Vucovich, Rob Spear, Mark Fuller, Salem Thomas, Blake Davis, Mike Clements, Kevin Greene, Chad Hammond, Kevin Bruder (by phone), Chris Nations (by phone)**

**Minutes:**

1. **Action Item** - Call to Order – Chairman Gazdik called the meeting to order at 7:05 a.m. Accept the Agenda – Nitschke requested a change to the agenda to amend each item to include a better description of what will be discussed or acted upon. Nitschke requested to change the action item for Centennial Management Contract to a discussion item. Fuller agreed with that future agendas should be more detailed but recommended the current agenda not change except for making the Centennial contract a discussion item.
2. Action Item - Accept the Consent Agenda – Motion to accept the consent agenda contingent upon the minor updates to the minutes. Seconded. Motion passes.
	1. Meeting Minutes – 9/16/19, 10/22/19 There is one paragraph on the 10/22/19 minutes that needs to be replaced. The CSL “report” needs to be updated to more accurately describe the contents as a letter dated October 21, 2019 addressed to Rob Spear.
	2. Payables/Financials – Spear asked when the Board sets the budget for the next year. Gazdik responded that it will need to happen at the next meeting.
3. Discussion Item - Public Comment – None.
4. Action Item – Change Order Box Culvert – Spear explained that the Project Management Plan allows the Executive Director to authorize change orders up to $10,000. The Building Committee is authorized to approve change orders from $10,000 to $25,000 and that the full Board must approve change orders exceeding $25,000. This change order in the amount of $81,500 requires approval of the Board. This change order will move the box culvert from phase II of the project into phase I. The is necessary to establish the pedestrian walkway over Battle creek canal to connect the parking lots. Clements said that moving this change order for the box culvert will allow the construction company to accomplish everything they need to have happen around the canal to be ready for construction next year. LoBuono clarified that this item was previously budgeted for, it is just included in Phase II. Spear also indicated that the Building Committee has already reviewed and discussed this. Motion to approve the change order. Seconded. Motion passed.
5. Action Item – Building Exterior – Spear explained that Nations Group has identified the exterior of the building as a place that could be value engineered. Clements said that they have been hoping to get an alternate option from CRSA to reevaluate cost. Kevin DeKold said that if they choose to reduce the bricks off the river on the exterior of the building, some kind of concrete finish would need to be evaluated. The options for the concrete do not provide much of a cost savings. DeKold explained that deviating from the current river design could impact the entrances to the building. DeKold said he could provide a cost estimate for this alternate option. DeKold explained that they had originally planned to have the river be concrete, but they moved to brick because it would be cheaper due to the curing of the concrete. Gazdik asked what kind of cost reduction would come from changing the design. DeKold said if they were to remove a third of the brick the cost would be reduced about $100,000.

Nitschke said that the exterior look isn’t going to impact the attendee experience. Gazdik said that she thinks having a square river makes sense. Clements said that the exterior is probably the largest item on the value engineering list that is likely to save money. He also said a simpler design without the river would be fine.

Spear called Chris Nations into the meeting to answer Gazdik’s questions about cost reductions. Nations said that they weren’t imagining being able to reduce cost on the original design, but on using 50% brick of the original plan. Whether that is the old design or a new design, the goal will be to create a design using less brick in order to reduce cost.

Clements stated his team has also identified the exterior walls as an area for cost savings. Gazdik pointed out that in order to move forward the Board will have to authorize DeKold to come up with a price to create a new design so the Board can decide if they want DeKold to create the new design. LoBuono suggested that if they were to turn the “river” line into a straight line it would be cheaper. Spear said that he would like himself and Nations to work with DeKold and Clements to create the proposal for the Board.

No motion was made.

1. Discussion Item – Nations Group Update – Spear explained that he has provided the Board the most recent budget he and Nations had created together. Nations said that they have spent the last few weeks catching up. One of the biggest things they have seen is that the Board needed a budget that shows construction value and the direct costs and continue to carry contingency below the line. Nations feels confident that everything is in place with the information they have. They are sure there is still savings in the Furnitures, Fixtures and Equipment (FF&E) area as well. Nations provided an arena comparison sheet that detailed the percent of costs associated with each category. This will allow Bateman-Hall to compare its current budget against these percentages. Spear continued to review the current numbers. Spear shared how useful the Nations Group has been with this project. Spear said the next step is to have Clements submit his final numbers on November 15, 2019 to the Nations Group so they can review them. Spear explained that getting the total cost estimate together is crucial in determining exactly how much money is needed from the fundraising campaign. These revised numbers will provide more detail to the Board when deciding on a financing plan.
2. Action Item – IT Support – Spear asked how the Board had been doing with the swap over to Microsoft 365. Most of the Board has not been successful in having access to everything they need. Spear shared that there is a local IT company with great rates that could assist the with the Board’s IT needs. Gazdik shared that her company uses the services of this company. Motion to utilize this IT company. Seconded. Motion passes.
3. Action Item – Centennial Management Contract – The contract is getting close to being completed. Gazdik, Spear and Fuller had a phone conversation with Gilmore and Bell about the CSL recommendations.Fuller summarized a letter he has prepared for Centennial’s attorney. Fuller explained the relationship we are seeking is unique in the industry. Most private management agreements related to arenas involve a public sector owner and a third-party management company that does not have ownership or involvement in the facility’s primary sports tenant. Because Centennial would own the hockey club and the food service provider they have the ability to generate revenue. The recommendation is that Centennial Management will exchange this opportunity of significant revenue enhancement for structural modifications to the Event Center. Fuller reviewed other sections of the letter regarding the term of the contract, the management fee and incentive fee that will be 50% quantitative and 50% qualitative.

 Fuller recommended not having a base incentive fee for the first year because there will not be anything to compare it to. Any incentive fee cannot be tied to net profits. The qualitative portion of the incentive fee would be based on the following areas: innovative sales and marketing; repairs and maintenance; adherence to facility mission statement; and results of customer service surveys.

- Nitschke said he would like to see the quantitative requirements and recommended that repairs and maintenance be a quantitative item. Nitschke also suggested that any customer service evaluations consider the patrons of the facility, the actual users of the facility.

Nitschke said he has not seen a list of people dedicated to this contract. He wants a list of key personnel from CM that are planning to stay with the project through a specific amount of time. Fuller said that he will provide Nitschke with the original list that was provided to him at the beginning of contract negotiation. LoBuono asked if CM had given donation of any kind up to this point. Fuller clarified that they had not, besides a large donation of time and buying a number of items needed for the event center that they plan to give to the Board.

1. **Discussion Item** – IE Productions Contract – Spear explained that the contract has been in existence for over a year. He shared how Hammond has been attending fundraising events, BAC meetings, many Board meetings, and has provided advice on communicating the status of the project to the community. Spear explained that IE Productions has done what the Board has asked them to do. Nitschke shared that he doesn’t think the Board needs to keep the $3,500/month retainer fee and would rather pay them on a project by project basis. LoBuono said that IE Productions’ retainer fee was very reasonable compared to the other companies that bid on the project originally. Gazdik shared how IEP is doing more work than the monthly retainer fee some months, and some months it may be less. Nitschke requested a report of the things that they are doing so he knows that they are worth what they are being paid. Gazdik suggested that moving forward Spear meet with Hammond and discuss what is in the contract and anything that may need to be done to meet those needs. Spear will put IE Production’s accomplishments in his executive director report.
2. **Discussion Item –** Debt Financing of Event Center – Spear is expecting an underwriter proposal any day from Laura Lewis. He will continue to work on the budget with Nations and Bateman-Hall. The budget ties in closely with fundraising needs. Gazdik said that the Board needs to have the underwriter proposal if a decision is to be made at the next meeting. Spear said he would get it to the Board as soon as he receives it.
3. **Discussion Item** – Pioneer and Event Center – Pioneer Road is about done blasting rock. Event Center has a complete pad and the parking lots are almost done. There will be additional costs associated with some identified unsuitable soils areas. There is still canal work to do and a few utilities. Clements said the tree on the canal has been removed.

Spear expressed concerns that he was not made aware beforehand about the unsuitable soil removal and asked what steps were being taken to ensure that there wouldn’t be any more surprises like the unsuitable soils discovered on the north side of the building pad. Clements said that there is geotechnical engineer, Chris Park with MTI, who works with the crew every day. He feels good about the unsuitable soil that has now been taken care of. Nitschke asked if this was going to become a pattern of unforeseen issues arising and the construction company moving forward without keeping Spear and the Board up to date. Clements assured him that the goal is to keep Spear as informed as Clements is and that everything was communicated with Spear as quickly as possible. Clements continued that the budget for this phase of construction contained sufficient funds to cover the expense of the unsuitable soils, so this issue didn’t cost the Board anything over the planned budget. Spear explained that the amount originally planned for unsuitable soils was $20,000 and the latest report is that the total expense would be approaching $90,000. Because other allowances would not be spent, the overall cost of the project is still within the bounds of the GMP. Gazdik asked if there was going to be more overly saturated soil that would need to be removed in the spring. Clements remained certain that the unsuitable soil issue had been fully resolved. He stated that Knife River and Bateman-Hall were committed to completing their contract and having the building pad ready by spring, so they did what they had to in order to move the project forward. Blake Davis asked if the Board was satisfied with the situation. Spear emphasized that it is important to be made aware of any issues.

1. **Action Item** – Pathways Contract – Gazdik explained that the one-year Pathway contract had ended on November 1, 2019. Dave Jones and Phyllis Hockett of Pathway requested a three-month extension, until January 31, 2020, in order to complete the fundraising. Vucovich asked what the current payment situation is for Pathway. Spear read in the contract, the fees for this service is 10% of all naming rights funds received. Further, Pathway shall be paid $5,000 per month which is reimbursable to Idaho Falls Auditorium District upon receipt of naming rights donations. Spear shared an update on the fundraising campaign. The BAC met on Monday, November 11, 2019 and discussed a few more potential donors. Many are entities that requested the Board return either at the end of the year or in the beginning of 2020. There are a few other entities interested in purchasing suites. Other areas that are available for naming are the convention space, mezzanine/suite area, arena, main lobby, entrances and plaza. Motion to extend the contract for the naming rights marketing services for Pathways. Seconded. Motion passed.
2. **Discussion Item** – CRSA Update - DeKold said they submitted plans for a permit on Monday the 11. They are on schedule with the city for permitting. They should be able to meet the December deadline they have.
3. Report and Updates
4. **Discussion Item** - Executive Director Report – Spear directed the Board’s attention to the action item checklist. Nitschke asked about Spear’s interaction with Intermountain Gas Company. Spear explained that he will be talking with them about utilizing their services at the event center, and that he will take the opportunity to also determine their interest in helping to support construction of the event center.

Nitschke also asked about the outside lettering for the event center because the facility will not accommodate the planned 8.5 ft. letters. Yesco has the elevations and they are going to come back with a recommendation. Once a new rendering is received, we will communicate with Mountain America Credit Union to let them know the building cannot accommodate 8.5-foot lettering.

Nitschke asked about the landscaping and how the construction companies were now planning to save money on it. Spear and Clements agreed that what is currently planned is a little excessive so it will not be difficult to cut back on the cost.

Nitschke asked about using the old IRS regulations to negotiate the contract with CM. Fuller explained that following old IRS regulations as they relate to the calculation of the incentive fees is a good negotiating starting place.

1. **Discussion Item** - Legal Report – Fuller shared that there are still the regular two problem entities making and delinquent payments.

1. Calendar and Announcements
2. Upcoming IFAD Meeting – **Next Meeting on November 26, 2019 Discussion Item** - Announcements and Minor Questions
3. **Discussion Item** - Agenda Items for October 22nd meeting – Underwriter Proposal, Budget,
4. **Action Item** - Adjournment from Public Session – Motion to adjourn. Seconded. Motion passed at 9:15 a.m.

Action Items

Terri get Rob the template for the budget