

**Board of Directors Business Meeting**

**Tuesday, November 26, 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, Salem Thomas, Kevin Greene, Blake Davis, Chad Hammond, Rebecca Casper, Chris Nations (by phone), Kevin DeKold (by phone), Trenton Saxton (by phone)**

**Minutes:**

1. **Action Item** - Call to Order – at 7:04 a.m.
2. **Action Item** – Accept the Agenda – Motion to accept the agenda as presented. Seconded. Motion passed.
3. **Action Item** - Accept the Consent Agenda
	1. Meeting Minutes – 11/12/19 – Nitschke has some comments so Gazdik suggested they wait to approve the minutes until next meeting.
	2. Payables/Financials – There are no financials this meeting. Motion to accept the consent agenda. Seconded. Motion passes.
4. **Discussion Item** - Public Comment (Any member of the public is welcome to take three minutes and share concerns or questions with the Board) – Kevin Greene shared a word of thanks for having Gazdik and Spear meet with Centennial Management in Utah last week.
5. **Action Item** – IFAD Budget for 2020 – Spear reviewed the proposed 2020 operational budget for the District – Gazdik explained that the fiscal year ends November 30. Spear estimated that the District would begin the 2020 fiscal year at around $12.5 million in cash. Spear estimated that hotel-based revenues will remain flat for 2020. Gazdik explained that the Board has always planned for a 5% growth and that estimate has always been exceeded. Gazdik also pointed out that if the cost of living is a 3% increase then this same rate should be reflected in the 2020 budget. Spear indicated he would increase the TRT revenues by 3%. Spear explained that it is possible that the State Tax Commission will be able to increase collections because they have access to all the short-term rentals in the area. Nitschke asked if this budget was based on the assumption of construction beginning in March. Spear said that this budget proposal is not based on construction beginning in March. Spear did not recommend any changes to the office budget area. Spear suggested increasing the budget for attorney fees by $1,200/month to better reflect what was actually spent in 2019. Nitschke said that he disagrees with the approach because he expects Fuller to do less. e.g. no tax collection duties, and management contract completed. Gazdik asked if Spear had included the other attorney’s fees that had been helping with contract negotiations. Spear did not include these expenses in that line item but will adjust legal fees to reflect any other contracted attorney fees.

Spear recommended the PR budget continue through May and then revert to an hourly rate. Chad Hammond of IE Productions agreed and stated that if construction does not begin then he would want to freeze the contract and go to an hourly rate. Spear explained the assumptions used to budget for capital projects. He explained that the majority of the work for Pioneer Road and Events Center phase I would be complete by the end of February 2020. Pioneer Road cost of $1.7M and Event Center Phase I costs of $1.648M were budgeted in 2020. If construction is not started, the cash at the end of the fiscal 2020 year will be around $10 million.

Vucovich asked about the video marketing that they had discussed previously. Spear said he had anticipated that it would be a 2019 expense but depending on the cost and the deliverable this could become a 2020 expense. LoBuono asked if they had started selling loge and suite packages. Spear said the Business Advisory Committee met on Monday afternoon and understand that the importance of using suites and loges to solicit additional funds to support construction.

Motion to accept the budget contingent upon the change on the 3% increase for hotel tax. Nitschke suggested that employee wages should increase by 10%. The payroll budget was adjusted by 10%. Seconded. Motion passes.

1. **Action Item –** Underwriter Proposal – Review and discuss the proposal for the hiring of an underwriter to assist the District with a debt financing plan – Spear said he has had many discussions with Laura Lewis about this. By the time the district goes to sell the certificates of participation, they will have already spent around $8 million for road improvements, A&E fees, and Event Center and parking lot pads. These expenditures need to be removed from any construction estimate. Spear also explained that there needs to be more value engineering done on this project to help determine the best GMP (Gross Maximum Price) possible. Once this is complete a final plan for the financing of the project can be developed. More in depth value engineering is needed to help identify areas that can offset the recent $1.3M in additional finishing costs. Spear is working with the Nations Group, Perkins-Will, who have completed several similar buildings, and with Bateman-Hall Hogan to identify value engineering opportunities in order to arrive at a more accurate GMP. Gazdik asked what the plan is to get a more accurate estimate ready for the next meeting. Spear said he will be meeting with the Nations Group, Perkins-Will, Bateman-Hall/Hogan, over the next week to determine a better estimate. Spear communicated to the Board his concerns over the volatile nature of the most recent estimates, but that he anticipates this will be finalized in the next two weeks. Spear indicated that the projected Transient Room Taxes are very conservative in this document. Spear explained that there is not enough financial information (construction estimate) to take action on this proposal today.
2. **Discussion Item** – Centennial Management Contract – To discuss the negotiations of the management agreement for the operations of the Mountain America Center – Gazdik explained that she and Spear and Greene met with Kevin Bruder and Richard Catten of Centennial Management last week. Centennial Management and IFAD had good discussion about what each party expected. Spear shared a list of items that were discussed. Spear explained that Kevin Bruder told them in the meeting that operations really work best when the operator, hockey team and food and beverage provider work together. For example, the hockey team at the Maverick Center loses money but the company is able to offset these losses by food and beverage sales. Spear said that they didn’t discuss the time period of management contract because the letter from Mark Fuller indicated that a 15-year management agreement, with two 5-year extensions was acceptable. Nitschke indicated he was not aware of the Board ever approving or discussing a 25-year option for CM. Nitschke recommended a separate meeting to discuss the contract in detail. Gazdik said she agrees that a special meeting to discuss this issue may be a good idea.

Spear communicated that the Management Fee will be $120,000 for the first year without any incentive fees because there is no data to base the incentive fee calculation on. Spear said that Centennial agreed that the incentive fee would be based on both qualitative and quantitative metrics. The quantitative calculation will be based on a tiered percentage of revenue calculated on an established base. For example, if base revenues are $1M then the operator would receive a percentage of the revenues for revenues between $1M -$1.25M, then another percentage for revenues from $1.25M-$1.5M, etc. revenue. The qualitative areas discussed were 1. Promoter satisfaction, 2. Customer satisfaction, 3. Owner satisfaction. Promoter satisfaction could be based on how frequently CM contacts promoters. Customer satisfaction could be based on items like cleanliness of the facility and wait times for entrance and concessions. Owner satisfaction could be based on timely repairs, proactive media and social media responses. Nitschke said that he would like to have a discussion as a Board to talk about the incentive fees. Nitschke recommended that CM create a pro forma describing the situation if the minor league contract with the Chukars is cancelled. Spear indicated that he hopes the baseball team is not taken away but could see that if they were there would be more money available for sponsorships. Mayor Casper and Kevin Greene both shared that they don’t think the baseball team will be taken away from Idaho Falls.

Spear communicated that 90% of the events held at the Maverick Center generate a profit. Spear also shared that the Maverick Center found a niche market in hosting gymnastic events and that it is important for the Mountain America Center to find its own niches. For example, research conferences around the Idaho National Laboratory and Potato industry could be potential candidates. Gazdik asked Spear to contact Richard Catten about when we would receive an updated draft and pro forma so they can schedule a special meeting to discuss the contract in detail.

Nitschke asked for performance data from the Maverick for the past ten years. Nitschke stated the Board has not been provided documented evidence of the performance of the Maverick Center. Greene suggested that Spear contact West Valley City to find out that information.

1. **Discussion Item** – Nations Group Update on what the Owner’s Representative is reviewing and any project cost recommendations – Chris Nations called in to share an update. Nations has put together a cost estimate and is planning on meeting with most of the partnering groups in the next two weeks so the Nations Group can bring a well-calculated estimate to the December 10 meeting. This will strengthen the bid process. They are still reviewing FF&E items; including kitchen equipment and signage.

The plans are on schedule. CRSA expects to receive comments from the City of Idaho Falls on December 3. Bateman Hall and Hogan sent Nations Group their bid packages, so CRSA is currently reviewing those.

1. **Action Item** – CRSA Redesign of Exterior Proposal – to review the cost proposal for redesign of the exterior of the Event Center – Kevin DeKold and Trenton Saxton called in. The Board requested that CRSA provide a cost estimate for an exterior redesign option. Nitschke said he hopes that the redesign is going to be much simpler and eliminate the river design in order to save costs. DeKold said that much of the expense is coming from the brick, not necessarily the shape of the brick. He would like to keep most of the brick in the entryways to make sure it is aesthetically pleasing and meets the Snake River Landing requirements. They are trying to not add cost back in by curing the concrete in an expensive way. DeKold said they would have the rendering ready by December 10. LoBuono suggested that they include the color in the concrete from the beginning so that they don’t have to repaint it every 5 years. DeKold said that solution may work but cautioned the board that different tones could emerge on the individually poured tilt-up panels. Gazdik said that she feels the $12,020 would be money well invested to get a design much cheaper than is currently planned. Motion to approve the redesign. Seconded. Motion passes.

Report and Updates

1. **Discussion Item** - Executive Director Report
	1. Pioneer Road Update –
	* Building Pad 100% complete
	* Site stabilization 95% compete
	* Site Demo 100% complete
	* Utility Blasting 98% complete
	* Utilities 12% Started 11/14/19
	* Overall site completion: 60%-65% complete. The project is ahead of schedule. There was a little bit of delay on the manholes.

* 1. Event Center Phase I update -
	+ Storm 85%
	+ Complete Water Line 85%
	+ Complete Sewer to site 100% Complete
	+ Blasting 100% Complete
	+ Demo 95% Complete
	+ Mega Trench 15% complete
	+ Overall completion 40%
	1. Fundraising Update – There are several proposals being considered. The committee recognizes that this is time sensitive now. There was a productive BAC meeting held on Monday to review progress and identify new opportunities.

 Calendar and Announcements

1. Upcoming IFAD Meeting – **Next Meeting on December 10, 2019 Discussion Item** - Announcements and Minor Questions
2. **Discussion Item** - Agenda Items for December 10 meeting – Discuss when to have meetings in 2020.
3. **Action Item** - Adjournment from Public Session – Motion to adjourn. Seconded. Motion passes.