

**Board of Directors Special Meeting**

**Friday, January 3, 2020 7:00 a.m.**

**Location: Idaho Falls Auditorium District Office**

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

**Attendees:** Terri Gazdik, John LoBuono, Bob Nitschke, Doug Swanson, Rob Spear, Mark Fuller, Salem Thomas, Mike Carpenter, Mike Clements, Trenton Saxton, Rebecca Casper, Chris Nations (by phone)

Minutes:

1. **Action Item** - Call to Order at 7:04 a.m.
2. **Action Item** - Accept the Consent Agenda
	1. Meeting Minutes – 12/10/19 – Nitschke already made his changes. No further changes necessary.
	2. Review of the Payables/Financials – Fuller said that he and Spear reviewed the first and second pay applications for Event Center Phase I and Pioneer Road submitted by Bateman-Hall and that Spear addressed all of Fuller’s concerns. Nitschke asked if the legal fees included fees for the attorneys who provided counsel on the Centennial contract. Fuller confirmed that the fees listed on the payables would be coming to him. LoBuono mentioned it was the lowest he had seen the legal fees. Fuller reminded the Board that he had been out of the office for a while during the last pay period. Gazdik explained the highlights of the November financial statements. She explained that the transient room tax for November 2019 increased 9.71% over November of 2018. Motion to approve the meeting minutes and the payables. Seconded. Motion passes.
3. **Discussion Item** - Public Comment (Any member of the public is welcome to take three minutes and share concerns or questions with the Board) – None.
4. **Discussion Item** – CRSA presentation of the new exterior building design for the Event Center. The Board reviewed two renderings. Trenton Saxton of CRSA called in to explain the two renderings. The two renderings showed the front entrance of the building which is the view the Board requested. Spear asked how much change would need to happen with the construction documents if one of these plans was used opposed to the river design plan. Saxton said that the panels will all remain the same. Only the exterior coating and look of the walls will change. Clements asked how long it will take them to get the drawings made in order to update the bid package. Saxton said that they could get it sent in two weeks. Clements said that it would be too late because of the bid date and that the rendering needs to be delivered by Friday of next week, 1/10/20. Saxton said they would have to work hard to get that out by then. Spear clarified that the bid date had recently been moved from 1/15/20 to 1/22/20.

LoBuono said he liked the darker colors of the rendering that had more red. Gazdik asked if the river design that was created first could be a bid alternate or if the Board needed to make a decision right now. Clements explained that it could be a bid alternate option if the Board wanted. Saxton said that the new design would be cheaper to build because the materials will be cheaper, and the labor will be less intensive. Carpenter asked if the design was going to be contemporary with other designs in the community. He expressed concern that the building would be a little too blasé. Spear explained to Carpenter that they are following the design requirements of Snake River Landing.

Casper reminded the Board that the exterior of the building has been redesigned a number of times to reduce cost. She requested that the Board think about how much would be saved from the new design, and if it isn’t significant, then the current river design should remain. The building should be iconic and a place where the community would want to gather. Gazdik asked the Board their thoughts. Vucovich said he is underwhelmed about the newest design. Swanson and Gazdik agreed and Swanson expressed that it looks institutional. Nitschke said that he is still more concerned about the interior of the building and thinks cost savings on the exterior is a good idea. LoBuono said he would like to see an add alternate design to see any potential cost reduction. He also would like to see the potential cost differences in labor as well. The Board agreed. Casper remarked that if the bare building were dressed up a bit that it could look like a special building even if the Board decides to use the newest rendering. Spear asked Clements and Saxton to put the river design as the original in the bid package, and the new rendering as an add alternate.

1. **Discussion Item –** Nations Group update on new construction cost estimates and progress made on identifying Value Engineering items – Chris Nations called in. He said his group has spent the last month identifying potential savings areas. Nations thought it was wise to push back the bid date a week. Spear explained that it was time for the project to move forward and get actual costs. Trying to value engineer any further at this point was not productive. Gazdik asked Clements how many companies have responded to the bid documents. He said they have had questions coming in daily and that he and his staff are responding. Clements said he is anticipating a lot of out-of-state interest in bidding on the event center. Clements said the response has been good, but he is anxious to see who will show up to the bid meeting. Fuller asked about the impact of the tariff on the price of steel. Clements said that the tariff is still slightly increasing the cost, but they are anticipating a flatline. Spear asked Clements to brief the Board on the progress on Pioneer Road and Event Center Phase I. Clements stated that everything that they needed to get done before the winter shut-down on Pioneer Road and Event Center Phase 1 went well.
2. **Discussion Item –** Review and discuss underwriter proposal for identifying and contracting with an underwriter for the potential financing of the event center – Spear reviewed the proposal page by page. He said there were some numbers that need to be updated such as the amount that has been spent on site preparations. The 2020 budget will need to be reevaluated because of the omission of the Snake River Landing owner’s assessment. Spear asked about one of the statements on page 3 which read,” while TRT cannot be pledged without a vote.” Fuller suggested leaving the vote issue out. It could be re-written as, “TRT revenues that are available can be utilized.” Spear said the Board will need to decide two people to be part of a selection and review committee. Spear said that Laura Lewis suggested the executive director, chairperson, and another person. Fuller made a correction on the date when proposals were due to 2020. Spear said he would like input on what the RFP should address. Vucovich asked about the language on page 4 regarding the situation if the bonds are not all sold. Spear said that the words in the proposal are simply standard and that question needs to be asked of the responders. All indications are that these certificates of participation will all be sold. Spear said actual tax collection numbers need to be used for 2016, 2017, 2018, and 2019. Spear said he was planning on sharing the actual numbers with Laura Lewis so her estimations would be based on actuals.
3. **Discussion Item** – Review and discussion of Centennial Management contract for operating the Event Center – All Board members have a redlined draft of the contract dated 12/3/20. Gazdik and Spear met with Kevin Green and Kevin Bruder and Centennial Management’s attorney, Richard Catten. Spear shared that he thought there would also be a pro forma to review in conjunction with the contract, and there is not yet one available. Nitschke said he needs to see a pro forma written by Centennial Management as well as a contract with a hockey team, contract with Diamond Concessions (DC), and information on the last 10 years of the Maverik Center’s performance. LoBuono agreed that the Board needs a bit more information before a decision can be made. Gazdik clarified that this is a discussion item on the agenda, not an action item.

The Board agreed to go through the draft agreement page by page.

Page 6. Nitschke expressed his concern about the ambiguous definition of applicable standard. Nitschke requested a better explanation of applicable standard for this event center. He said he would like to see a couple of examples of where and how the applicable standard has been used so he could see how the process is used. He also asked for how “comparable” would be determined as well as a list of those facilities that would be considered comparable.

For “abandonment” Vucovich mentioned that having 60 days without a major event was too long. Fuller explained that it originally said 180 days. Vucovich suggested a lower number like 30 days. Nitschke concurred.

Nitschke said it was confusing to have “arena” refer to everything. His preference would be to have “arena” only refer to the bowl area of the event center and use “event center” in reference to the building and property as a whole. LoBuono also suggested calling it the “MAC” instead of “event center” because it is technically the Mountain America Center.

Page 7. With regards to the Arena Parking Facilities, Nitschke said that it isn’t up to Centennial Management to determine how many parking spots should be available.

Nitschke also suggested a draft concession contract be made available or at least key provisions be specified. Fuller explained that the Board will not have a say in the concessions because that will be a separate contract between Centennial and Diamond Concessions. Centennial and Diamond Concessions will be in charge of the menu together. Swanson asked if Diamond Concessions was going to pay a rental fee to Centennial Management. Gazdik explained that the Board will receive a fee from the concessionaire. It is a concession rental.

Nitschke said he would like to know how many days per year the event center will be in use not just event days. Fuller said that Centennial Management counts how many events they have per year, not how many days per year the center is in use.

Page 8. Under Gross Operating Revenues, it was not clear just how all the monies were to be distributed. First it said any and all revenues and receipts of every kind. In the next sentence it say the revenues of Affiliates shall not be included. Gazdik explained that the hockey team covers all their own fees and keeps all their revenue, and then pays the Board a fee for use of the space. Fuller clarified that they only thing the Board is paying Centennial Management is a management fee at $10,000 per month the first year; the Board is not responsible to pay for salaries of hockey Centennial Management employees. Centennial Management will pay rent for the building, the hockey entity will pay for their hockey players and necessary staff, the Board will pay for the shows that come to the event center.

Page 9. With regards to Operational year Nitschke asked if it might be better to align the operational year with the fiscal year to avoid confusion. Right now, they are different. Fuller said that it may be possible to extend the first operational year a couple of months so the second operational year and fiscal year would begin at the same time.

Page 10. Nitschke feels that a 15-year contract with two five-year extensions is too long. He thinks it will put the board at increased risk as well as he doesn’t think it will do the future Boards any favors to have such a long contract. He also pointed out that the CSL review cautioned against a long contract. Gazdik said that having longevity in the contract makes the agreement more favorable for both parties. Fuller explained that there is a necessity of sorts to make an agreeable contract with Centennial Management because there aren’t any other management entities to go to.

Vucovich said he felt that if Centennial Management needed one year to prepare for the proposed opening date, then if the date was pushed back a year Centennial Management would still only need one year to prepared. Their preopening day for which Centennial Management is paid should stay one year from opening, even if there is a hiatus.

Page 11. Nitschke suggested eliminating “sole” referring to responsibility and authority in section 3.1. Fuller agreed that would be wise.

Page 12. In 3.1 (c) Nitschke recognized that the Arena License Agreement with the Hockey Club will follow this contract but would like to see key provisions that need to be in the agreement specified in this contract.

Similarly in 3.1 (d) Nitschke thinks that key provisions of the contract with the concessiionaire need to be specified in this contract.

In 3.1 (e) Nitschke pointed out not only in this section but throughout the tone of the contract is that the Board is subordinate to the Operator. The Board should be able to make any and all policies and guidelines they feel are necessary. If the policies and guidelines impact the operator then a discussion should be had and the contract modified appropriately. Not the other way around. Fuller said he will discuss with Centennial Management.

Page 13. In paragraph 3.3 “Other Professional Sports Teams” Nitschke said the words “consulting with” be replaced by “approval of.”

Page 14. Nitschke pointed out that under (d) it should refer to 9.7 not 9.8. Swanson asked about the Board being able to book events in the events center. Spear clarified that the Board will still have to do their scheduling through Centennial Management.

Page 15. Nitschke said he wants the Board to have a say in the price of concessions. Fuller explained that often the performer sets the price of the tickets so Centennial Management cannot agree to give the Board that authority because they don’t have it themselves.

Nitschke asked about the roles of titles such as Manager, Chief Manager, General Manager, and the executives. He said there needs to be some consistency.

Page 16. Nitschke requested a wording change to, “Booking shall be consistent with community values” instead of community standards.

In the section on maintenance Nitschke asked to know what the “relevant dollar thresholds” are.

Nitschke asked about rewording the sentence in section 4.5 that talks about the Board being able to “repair and replace” things in the event center. He said it seems like any Board member could go through and change things on their own. Spear explained that it is meant to indicate that as owners of the building, the Board should be able to request certain repairs and maintenance be made to the building as necessary.

Page 17. In the Performance Standards section Nitschke wanted to know the definition of applicable standard that would be implemented. Spear pointed out that they define applicable standard on page 6.

Nitschke Section 4.5 Chief Executive of Manager is a confusing title. Throughout the document, the terms Manager, General Manager, Management and now Chief Executive are used. There needs to be greater clarity on just who is who. Spear explained that Kevin Bruder has a number of titles within the company. LoBuono agreed that General Manager would be better in this situation.

In the section 4.10 Maintenance Standard Nitschke asked that the word “If” be removed with respect to trash removal and snow removal. Fuller agreed that the point is that the manager is in charge of snow and garbage removal and that it should read as such.

In 4.11 Nitschke asked about security in general and what was the status of the metal detectors. Fuller said that their conversation before was about modifying the code provision to allow metal detectors in this facility. Fuller said that it may be more of a liability for the building owners to have metal detectors and then not act on the items they find using such devices. Vucovich read part of the contract which explained that the manager will be in charge of on-site safety.

Page 18. Nitschke requested that the title of 4.14 and in the last sentence the phrase “community standards be replace by community values.

In section 4.15, Nitschke said that he feels that it would be beneficial to have a representative from Centennial Management at all of the Board’s meetings, not conditional. Vucovich thought the IFAD Executive Director should be the liaison with Centennial Management.

Page 19. In 4.16, Nitschke questioned the need for the words “of non-commercial size.” Fuller explained that it was in there because Centennial Management cannot delegate authority they do not have.

Pages 20-22 skipped in order to discuss article 7.

Page 23. In 7.1 the incentive fee will not be paid the first year which is why the flat fee is currently set at $120k. Spear explained that the agreement with Centennial is to have three broad incentive areas at this time; customer satisfaction, owner satisfaction, and promoter satisfaction. Spear expressed concern on establishing a minimum and maximum management fee because there isn’t enough information at this point. Spear said he wants to see how the first year goes before that decision is made. Fuller said he isn’t sure the Board should agree on a cap or minimum on the base fee. Gazdik said that it would be hard to get someone to come work if they didn’t already know the base salary they would receive. Fuller said he proposes changing the wording so that it explains that the base salary will stay the same throughout the original 15-year contract.

Page 24. In 7.2 Spear explained that the quantitative calculation will be based on a tiered % of revenue about a TBD base. For example, if base revenues are $1M then the operator would receive a % of the revenues for revenues between $1M -$1.25M, then another % for revenues from $1.25M-$1.5M, etc. Nitschke suggested basing the fee on the number of paying guests. Swanson said he is worried about Centennial Management sending in their hours and requesting pay based on labor and expenses. Gazdik said that the hourly doesn’t matter to the Board. That is why the Board has put together the base and incentive fees. Gazdik said that if there is not money coming in from the events then there won’t be much of a reason to give an incentive fee. Their job is to increase the bottom line. Gazdik explained that the Board doesn’t need to worry about the amount of the net income of Centennial Management as long as the public, the Board and the customers are satisfied, and the bottom line is increasing. Swanson asked who was in charge of media marketing and responses. Spear showed in the contract where it indicated that Centennial Management would be covering those things based on the owner satisfaction qualitative measurement, specifically the timely response to any negative social media posts.

Nitschke expressed concern about charging guests for parking. People in Idaho are not used to paying to park. Fuller asked if anywhere in Idaho Falls required payment for parking. The only place listed was in downtown meter parking.

Nitschke asked if one bad incident could make the Board choose to not give any incentive fee. Gazdik explained that the Board has full right to choose to give or not to give the incentive fee based on their satisfaction. There are not percentage allocations given to the Board satisfaction, customer satisfaction and guest satisfaction.

1. **Discussion Item –** Review and discussion of the proposed Idaho Falls magazine article – Emily Fitzpatrick of Idaho Falls Magazine recommended changing the article to a question and answer. Spear said that would be fine because that allows the Board to really get their message out. Spear shared with the Board the magazine article that is set to come out in February. Emily Fitzpatrick will be writing the piece. Spear discussed some of the main points of the article with the Board and asked that they review it further. Fuller asked if there is any reason to not include an invitation to see what has been done. Spear said it would be fine to include an invitation like that. The Board suggested answering the question, “what is happening on the site right now?” Swanson suggested making the difference between the event venues Idaho Falls already has and the new event center more apparent. People don’t really grasp the magnitude of the event center yet.

**Report and Updates**

1. **Discussion Item** - Executive Director Report – Spear told the Board the best way to access the information that he has is by using OneDrive. The Board said they looked forward to being able to access all project documentation.
	1. Fundraising Campaign and status of prospects – There are still entities very interested. One of them was not going to be able to be sure until after February and Spear is optimistic that they will contribute. Spear discussed the 2020 Budget and the Snake River Landing assessment that was not included in the 2020 adopted budget. Fuller explained that the previous budgets were created before the Board owned the land. The land was donated in October 2018. Because the land now belongs to the Board, there is an 8.57% amount that the Board will have to pay each year. This was not included on the budget this year and will need to be added. Fuller said that Snake River Landing forward billed this bill to be prepared to pay for the 2020 expenses. Spear added a line item to the budget called “Owner’s Reserve Fund.” It was agreed to put this on the agenda for the next meeting to approve the revised budget.
	2. Pioneer Road Construction progress report
	3. Event Center Phase I progress report
2. **Discussion Item** - Legal Report
	1. Transient Room Tax Update – There are two entities that are still working on getting up to date with their expenses. The local entity made a large payment. They are on track to be up to date. The other entity has an arrearage payment that reached $20,000. The head accountant said they would get the payment corrected in $5,000 increments over the next 4 weeks. They have also agreed to pay their December payment on time.

 Calendar and Announcements

1. Upcoming IFAD Meeting – **Next Meeting on January 14, 2020 Discussion Item** - Announcements and Minor Questions
2. **Discussion Item** - Agenda Items for January 14th meeting – Approve the Revised 2020 Budget.
3. **Action Item** - Adjournment from Public Session – It was decided that any other comments on the Centennial Management Contract would be sent to Spear before the next meeting. Motion to adjourn at 10:53 a.m. Seconded. Motion passes.

**Action Items**

Board should review proposed CM contract

Spear contact West Valley City to request their contract with CM

Spear request pro forma from Centennial Management