

**Board of Directors Business Meeting**

**Tuesday, February 11, 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, Steve Vucovich, Rob Spear, Mark Fuller, Salem Thomas, Mike Clements, Kevin Greene, Kevin DeKold (by phone)**

**Minutes:**

1. **Action Item** - Call to Order – at 7:01 a.m.

**Action Item** - Accept the Consent Agenda – Motion to approve the meeting agenda. Seconded. Motion passes. Nitschke pointed out one place in the minutes where a comment needed to be removed. The payable concerning the US-Yellow Pages needs to be reviewed by Dorothy Banner before making the payment. Motion to approve the consent agenda. Seconded. Motion passes.

* 1. Meeting Minutes – 1/28/2020
	2. Review of the Payables/Financials
1. **Discussion Item** - Public Comment (Any member of the public is welcome to take three minutes and share concerns or questions with the Board) - None.
2. **Action Item –** Approve Addendum #3 to the contract for Naming Rights Marketing Services with Pathway Associates – To extend the fundraising contract until April 30, 2020 - Spear explained that this is a modified version of the previously agreed upon addendum. Phyllis Hockett made one modification indicating that they would not receive payment from the Board at all instead of a potential requirement to pay it back. Gazdik shared a concern that the Board may have already paid Pathway for the month of January which should not have been paid based on the presented addendum. Spear pulled up the past expenses and found that the retainer fee had not been paid. Motion to approve Addendum #3 to the contract for Naming Right Marketing Services with Pathway Associates. Seconded. Motion passes.
3. **Discussion Item –** Discuss the extension of the Nations Group contract which ends February 29, 2020 - Spear pulled up the Nations Group contract and showed that they will continue to help the Board with the FFE because that is part of their scope for phase I. The contract also showed that they will be under by contract until the end of March. Swanson asked how their work is going and if they are working well with the other groups. Spear explained that they are fulfilling their contract and doing their best to interact with the other groups working on the project. Their value engineering is very important at this point in the project.
4. **Discussion Item** – Review and discuss bid proposals received at the bid opening - Spear explained the set-up of the document. Nitschke asked what an “allowance” means in relation to this document. Mike Clements explained that an allowance is a known necessary item in unknown quantities. Nitschke asked about the Storm Water Pollution Prevention Plan (SWPPP) because he thought it would be a one-time cost. Clements said it could be discussed more in depth at the meeting tomorrow. He also explained that SWPPP affects all the subcontractors with the berms that have been put in, the changing of the entrance to the project, proper trash disposal and a number of other things effecting the site area. The preliminary Guaranteed Maximum Price (GMP) before any value engineering (VE) is estimated at $52,834,000, but ideally the GMP would be <\_ $49,000,000 for the project to proceed at this time.

Spear talked about the VE possibilities listed on the document. He mentioned that not building the convention center next to the arena did not seem like a value engineering option that should be considered. Nitschke added that it can’t be classified as a VE item since it is a change of scope. Clements said it was listed as an add alternate when they bid it. Spear said it is too important to the operations of the arena to consider not building it. The Board could save $300,000 on an alternate facade. Spear pointed out that these VE items will need to be vetted and would be vetted during the construction meeting on 2-12-20.

Gazdik asked if there was a way to discern which contractors would come from out of state, because the assumption is that travel adds costs. Clements explained that there are only two areas where out of state companies bid and they were bidding on packages where there were no in-state contractors. Clements said that coverage for areas of the project were generally pretty good. Two areas where there was less competition were the precast and the ice rink, but that is to be expected due to the uniqueness of those projects. Rebidding will not be as helpful as many would hope. The mechanical engineering section was bid at $2,000,000 over the budget. Bateman-Hall may not have included as many contingencies on some of the big projects as they should have which may have caused some skewed expectations. Clements mentioned that there were a few bids that came in late. Spear asked if it would be in the Board’s best interest to rebid separate HVAC and plumbing package in order to get better pricing. Clements said it is a positive to have the plumbing, and HVAC combined. Rebidding those as a separate package is not beneficial.

Clements mentioned an electrical company that pulled their bid out at the last minute even though they had been helpful with creating the bid packages. They decided they didn’t want to participate because it would tie up all their resources in one project. There are likely other companies in similar situations that decided not to bid because of other opportunities. On the other hand, some of the companies who did bid want to know as soon as possible so they can move on with other contracts if needed. Clements advised the Board to be conscious of subcontractors in that position because deciding to not move forward with the project in 2020 will cause them a lot of issues.

Fuller asked Clements’ opinion on which packages to rebid. Clements said the main one he suggests rebidding is the landscaping package. Clements confirmed with Tana Barney that there are other landscaping options that may be better for the Snake River Landing area.

Gazdik shared that one of the potential companies that is the low bidder is known to have issues. She received correspondence that this company was struggling with their ability to keep up with the schedules on other projects. Gazdik said she would share this information with Clements.

Spear talked about the FFE which is estimated at $5 million. This amount will need to be added to the final GMP number.

Spear said he wants to see what the Transient Room Tax (TRT) will be like with the State Tax Commission having taken over. The reports for January will be given to the Board in March. If there are sufficient extra funds, it will help the Board’s financing plan. The RFPs for the bond underwriter are due on Wednesday, February 12. Right now the underwriters may refer to the CSL study which is very conservative. Spear doesn’t feel like those numbers really reflect the true operations of the event center since they are based on averages of about 25 Event Centers across the U.S. This is the best that can be done until an actual pro forma for the Mountain America Center is prepared. Only then can the attribution of “very conservative” be determined.

Kevin DeKold said that the project is in a normal spot compared to other projects similar to it. Vucovich asked about the necessity of having ASR mitigation on the tilt-up wall on the exterior of the building. Clements confirmed that it is beneficial if the aggregate used in the concrete contains high alkali. He reminded the Board that use of salt as a deicer can exacerbate the ASR.

Clements suggested calling the contractors into the meeting the following day if the Board had questions for them. Spear asked about the possibility of testing for ASR in the aggregate beforehand. Clements said that it could be possible to import aggregate from outside the area. Clements mentioned the alternate exterior design that could save $300,000. Clements said that with confirmation from engineers it looks doable. Vucovich asked if it would be required to ASR mitigate a wall that would be covered with brick. LoBuono asked how the bids up to this point impact the total cost. Spear showed him which items had already been started and paid for, and which projects still need to be considered. With the bids in, the construction is estimated at $52,483,000 before additional value engineering.

Spear shared some financing options that some bond underwriters have offered the Board. The highest amount that we may sell bonds for is $49 million while others are a more conservative $42 million. Spear explained that the selected underwriter should be able to create a financing schedule that could allow the Board to move forward. Spear also reminded the Board that there are still 11 outstanding proposals for naming rights opportunities as well as other companies that could offer donations. Spear is hopeful to receive up to $3 million more in donations.

1. **Action Item** – Review, discussion and approve of the Centennial Management Contract for operating the Event Center – Spear said that he had received an email from the general counsel of Centennial Management (CM) indicating that some material changes were made to the contract, including the Board wanting to have its own contracts with the concessionaire and the hockey team. As currently written, CM believes the Board could select a hockey team or concessionaire outside the Elmore Sports Group. Spear clarified that was not the Board’s intent. The Board just wants to be able to identify the revenues coming from hockey and food and beverage sales. CM expressed concern that they would need to create new contracts and this would delay the process. Spear suggested having a face to face negotiation with CM to more fully understand the situation of both sides. Spear mentioned that Laura Lewis will be contacting Kevin Bruder to explain the importance of having a pro forma developed. Fuller shared that he feels the same way as Spear. The Board has been very clear about the necessity of the pro forma and has never mentioned trying to find a new concessionaire or hockey team. CM is now stating that they don’t feel it is important to work on the pro forma until the overall agreement has been agreed upon.

Swanson suggested being more open with communication between the parties. He agreed with the idea of a face to face meeting. He asked what would change within the negotiation process if the Board were to have the pro forma right now. Spear said having a pro forma is essential to establish operational viability because IFAD has limited resources to support event center operational costs.

Fuller shared his frustration more fully by saying that there was a face to face meeting at the beginning of the negotiation and the Board has now put more than 10 hours' worth of Board meetings into reviewing the contract. The only response from CM is that the current draft is unacceptable. Gazdik explained that the largest issue is having the affiliate contracts between IFAD and the affiliates instead of between CM and the affiliate. Gazdik said the Board simply wants to be the contracting party with the concessionaire and the sports team. Gazdik said they have progressed the contract through the term, management fee, the incentive fee, and a number of other significant items.

Spear said that it might be worthwhile to have the affiliate contracts be between CM and the affiliates, as long as the management agreement can detail the revenues to be received by IFAD from hockey and food and beverage sales. Fuller explained that because of IRS regulations, those contracts might have to be made with IFAD. Kevin Greene responded that these last statements were simply part of the negotiation process. Fuller reiterated his desire to have another face to face conversation with CM about the contract.

1. **Discussion Item** – Discuss alternatives if there is delayed construction - Spear said this should be an open discussion about the possibility of not building as desired. Spear said the bids will expire 45 days from the January opening date so the decision will have to be made before then. He reminded the Board that they will receive the RFPs for the underwriters this week. That will help determine the possibility of funding the project. Spear mentioned again the importance of having a pro forma for the underwriter so they know where the building stands on operational viability.

Nitschke asked what is/are the Board’s Plan B or Bs if we are unsuccessful in obtaining the financing needed to build this event center at this time. He said it is good project risk management to discuss and have other alternatives in hand. One idea might be to redesign the center to be expandable and build what we can afford now and expand later. Nitschke reminded the Board that we are not bound to stay with the present location at Snake River Landing. If we were to decide to move to a different location that would allow the event center to expand at a later date we would receive back the money we have put into site development. Fuller confirmed that this is accurate. Fuller further explained that the Board cannot decide to disband if it “fails” to build the event center. The public will have to vote to dissolve the Auditorium District.

 Spear suggested having this open discussion with the Building Committee and bringing some ideas to the full Board at the next meeting.

**Report and Updates**

1. **Discussion Item** - Executive Director Report
	1. Fundraising Campaign and status of prospects - Spear said that he already shared basically everything earlier in the meeting. Nitschke asked about the possibility of extending the amount of time over which the amount of money would be paid instead of asking for less money. Spear said that is definitely a strategy to consider.
	2. Pioneer Road Construction progress report - Spear said that both projects are going well. Pioneer Road is currently paused due to weather. Knife River is still working on the storm line on the projects. It appears they will be under their rock quantity. They said that of 55 light poles only 5 of them will hit rock. Spear had a discussion about laying conduits across the canal for possible future use. Knife River said they had extra 6” conduits and they would place them. Spear discussed the SWPPP changes with Knife River this week. There was a discussion of a SWPPP change order. The change order still places SWPPP charges well within the original scope and allowance.

The power poles have been removed along the south end of the property. This has been carried as a $250,000 expense and recent estimates from Tana Barney at Ball Ventures place the cost at $244k, of which IFAD is supposed to pay half. Ball Ventures sent an email explaining that they will cover their half of the cost after the Board pays their half. If expenses for pole removal have increased since October the Board will have to pay the increase. Spear reminded the Board that they do not have to approve this payment because it has been adopted as part of previous approvals.

* 1. Event Center Phase I progress report - There has been a lot of progress made and things are going well. HK has had to wait for better weather conditions but that is the only issue. Nitschke asked who had to pay for relocating the water line below the frostline. Spear said that the Board had paid for it. Knife River did exactly as the plans said, it just happened that the plans were based on Utah’s regulations instead of Idaho’s. Mike Clements reminded that Board that contingencies are budgeted exactly for this reason. Issues like this are to be expected. Nitschke disagreed that that is the proper use for contingency dollars. The Board should not be on the hook for costs arising from a design that failed to meet the requirements.
1. **Discussion Item** - Legal Report - Fuller asked an insurance representative about a Builders Risk Policy Premium. He said it will be $40,000 per year based upon a $50 million building. Spear clarified that the $5,000 per month currently being paid is just for Pioneer Road. Flood and Quake coverage is between $1,000-$1,500 per million dollars of building with a $50,000 deductible. This will be coverage in addition to the Builders Risk Policy. Fuller said that Builders Risk is insurance to cover risk during construction. ICRMP will be the least expensive. Fuller clarified that if the Board has an 18 month construction period then the Builders Risk Coverage will come to a total of $60,000.
	1. Transient Room Tax Update - Fuller is still working to get the last payments from the two locations that are regularly late. He has been in contact with them and they know they have money due.

Fuller asked for the schedule of Spear and Gazdik in order to set up a time to meet with the CM counsel. He said he would aim for Friday, February 21, 2020.

 C**alendar and Announcements**

1. Upcoming IFAD Meeting – **Next Meeting on February 25, 2020**
2. **Discussion Item** - Announcements and Minor Questions
3. **Discussion Item** - Agenda Items for February 25, 2020 meeting - Discuss delayed construction options. Vucovich asked if the Board needed to meet next week. The Board decided they did not.
4. **Action Item** - Adjournment from Public Session - Motion to adjourn at 9:04 a.m. Seconded. Meeting adjourned.

**Action Items**

Thomas review US-Yellow Pages payment

Fuller set up face to face meeting with CM