

**Board of Directors Business Meeting**

**Tuesday, March 10, 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, Rob Spear, Mark Fuller, Salem Thomas, Mike Clements, Blake Davis, Kevin Greene, Kevin DeKold (by phone), Chad Hammond

**Minutes:**

1. **Action Item** - Call to Order – at 7:05 a.m.
2. **Action Item** - Accept the Consent Agenda. Nitschke said that he would like to add a discussion item for the Centennial Management (CM) MOU. Gazdik said that she doesn’t see a reason to discuss the MOU seeing as it has already been approved and is currently in force. Nitschke said that he sees the MOU as part of the reason that the pro forma has yet to be delivered. Fuller said that he was planning on addressing the MOU in his explanation in item V.
	1. Meeting Minutes – 2/25/2020 - Nitschke suggested adding a “might” to one of Gazdik’s comments on page 2. Gazdik said that would be fine.
	2. Review of the Payables/Financials - Motion to accept the consent agenda. 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) - Kevin Greene with the Idaho Falls Chukars stated that CM has always had a good relationship with IFAD Board members with the exception of one individual. Greene doesn’t appreciate some of the company attacks toward CM by the one Board member and does not enjoy hearing those comments.
4. **Action Item –** Approve Letter of Engagement from Rudd and Company. The last engagement letter with Rudd and Company for audit services went through 2018. This would be a single year engagement letter with a fee of $7,000. The Board agreed that Rudd and Company had done a great job with their engagement. Motion to approve the new engagement letter with Rudd and Company. Seconded. Motion passes.
5. **Action Item** – Review, discuss and approve, in principle, the Centennial Management Contract for operating the Event Center and deadline for receiving a pro forma. Spear explained that CM expects the $30,000 check to be payment for prior services and be available for deposit. Gazdik clarified that even if the check were available for immediate deposit, it would not change the fact that the check was written to cover the pre-opening services offered by CM.

Spear explained some of the recent changes to the Centennial Management contract. The naming rights section 6.2 needs to be changed to allow IFAD to sell the naming rights for the remaining locations. As it currently reads Centennial can sell those and those sales become part of operating revenues. Spear reminded the Board that any revenues from naming rights needs to go toward constructing the Event Center. Greene explained that it has never been CM’s intent to take over the selling of the naming rights before the cost of construction has been covered. He is saying that if Pathway is unable to sell all of the naming rights opportunities, and the event center is still able to be funded in other ways, then CM would like to continue selling those opportunities.

Spear said that he cannot recommend to the Board that they approve the contract without reviewing the pro forma provided by CM. The Board agreed.

Fuller read a statement from the most recent communication from CM’s legal counsel. Their stance is that they will not release the pro forma to the Board until the $30,000 has been made available to them for the pre-opening services and the management agreement has been “approved.” Nitschke said that this is what is most concerning to him. He is worried because the only information he has been able to review shows that the Maverik Center operates with significant deficits that the Board could not sustain. CM says the MOU does not specify a date for production of the pro forma. This is causing the Board to not be able to move forward. The MOU is also causing the Board to not talk with other potential operators so they can’t find out if other companies are more responsive. As a steward of the public’s money, Nitschke would like to make sure that contracting with CM is what will be best not only for now, but also for future Boards. Nitschke asked if there was any way to terminate the MOU a few weeks early in order to begin talking with other potential managers. He also hasn’t seen the changes in the contract so he isn’t sure if the things the Board said they wanted have been included in the contract.

Spear responded to Nitschke by saying that there have been some good negotiations with CM in which there has been give and take on both sides. Nitschke said he felt that every time the Board asked for something, CM shut it down and said things like “the Board is trying to micromanage.” Fuller said he can provide Nitschke with step by step color coded contract negotiations.

Gazdik asked Spear to walk through the contract section by section to be able to agree with the contract in principle. Nitschke said he feels that if the Board approves the contract “in principle” then CM will never agree to any further changes because the Board will have already agreed with it.

Vucovich asked if the $30,000 check is truly to pay for the first three months of operation, even if the event center is unable to open in 2021. Secondly, he asked Kevin Greene if the roles were reversed would he enter into the agreement. Greene said that the Board has the information for the construction, so the current concern with CM is operations. He said he would personally help with putting together the pro forma presentation. The pro forma is nearly complete. Fuller said he tried to get a representative from CM to present it at this meeting, but was unsuccessful.

Gazdik responded to Vucovich’s first question by saying that the $30,000 check will be credited against the first three months of operation whether the event center opens in 2021 or later. Fuller reminded the Board that he told CM that the Board will not pay CM for the pro forma. When CM sent an invoice indicating the costs it would cover, it only referred to the pre- opening services. Fuller explained that they are now requesting access to those funds immediately instead of waiting until September which is one of the months this payment will cover. He said to think of it as an advanced payment of pre-opening services in order to advance the pro forma.

Spear showed the previous invoice which listed that the $30,000 is for future pre-opening services. Spear said he thinks they should just let CM rewrite the invoice to include the work that they have already done if that helps justify whether CM can deposit the funds now. Gazdik said she is not opposed to giving them the check available to deposit now with the current version of the invoice. It clearly states that the payment would cover the first three months of pre-opening services, not that it is payment for the pro forma. Nitschke said that it would be paying for services that have not yet been given. Gazdik agreed and explained that the Board has done it multiple times. Nitschke said he would still like to see the impacts to the pro forma if the Chukars Baseball Team were to become disassociated with Major League Baseball. Fuller read a statement from the CM legal counsel which said that the Chukars will not be disbanded so only one pro forma will be provided. Greene spoke to that and said that he is still uncertain of the future relationship with Major League Baseball. However, there is every intention of hosting baseball in Idaho Falls in 2021 whether they are affiliated with Major League Baseball or not.

Spear explained the termination provision on page 40, D.c.3. Spear said he felt comfortable moving forward with the way the termination has been addressed as do Fuller and the CM legal counsel. Nitschke said he thought it would be an appropriate addition to include budget. Spear said that budget had been part of the negotiation previously and they decided not to include it. The section is currently broadly written to cover areas like budget. Nitschke said it would be better to have it more specific.

Spear referred to another area of the contract that was changed by CM. It is clear that if alcohol was not able to be sold, CM would not want to manage the Event Center. CM made it clear that revenues would be severely impacted if alcohol sales were prohibited. Nitschke said it worries him that CM is not willing to contract with that as a provision because it is such a small possibility of happening and the Board is responsible for the revenues, not CM.

Spear also brought up the fixed fee and the incentive fee. The incentive fee specifically has a qualitative portion and quantitative portion. Nitschke pointed out that no where in the contract does it say that the incentive fee may not be paid. Gazdik pointed out that the manager will only be paid the incentive fee if they meet all the requirements. Spear stated that section 21.3 e vi should only include payment of the fixed management fee and not the incentive fee.

Spear addressed Nitschke’s concern that he would like to know the names of those working at the event center. Spear said it is virtually impossible to indicate who will be working at the event center when they haven’t started hiring for the positions yet.

Spear said that the Board originally wanted to have the agreements between the Board and the concessionaire and hockey team, but it makes more sense for the affiliates to contract directly with manager of the facility. LoBuono asked for the definition of “event day.” Fuller identified that an event day has to be ticketed. Spear said that they didn’t find it necessary to specify the difference between arena and event center. Gazdik said that she would like Spear to develop an executive summary of the entire contract to be presented to the Board.

LoBuono moved to allow CM to deposit the $30,000 check to be used for pre-opening services. Seconded. Three Board members voted affirmative. One member voted in negation. Motion passes.

Gazdik offered that a Board member could be present during the meeting with Gilmore Bell and CM later on 3/10/20 and that a summary of the changes made in the contract be sent to the Board following. Gazdik requested a special meeting to be held later in the week in order to approve the changes made in principle. Nitschke requested a meeting with Spear to more fully understand the changes made to the contract.

1. **Discussion Item** – Review status of the Guaranteed Maximum Price (GMP) for Event Center Phase II. Spear shared that Bateman Hall continues to identify and evaluate Value Engineering (VE) items. He shared a document that the Nations Group created. Right now the total hard construction costs are at around $49 million. Furniture, Fixture and Equipment (FFE) is being held outside of the construction project and is currently at $5.8M but is expected to be less with some additional VE. The final GMP should be available within the next 7-10 days. One option to move the project forward would be to remove the FFE from the bond financing. There are a couple different ways to finance the FFE outside the bond financing. One of the ways would be to get a line of credit from a financial institution. Another is to have that component as a subordinate bond. Both of these are possible because it appears that the Transient Room Tax (TRT) has increased since the State Tax Commission took over collection. Preliminary figures show January 2020 revenue has increased 11% over January 2019. If that percentage increase remains consistent throughout the year, it could increase TRT revenues by $250,000 per year. [Editor’s Note: Spear clarified in 3-13-20 meeting that collections were up 2% instead of 11% over January 2020 because the State Controller’s Office mistakenly included IFAD’s $10k setup fee in the initial report.] Mike Clements said that the anticipated date for the GMP is March 25, 2020.
2. **Action Item –** Discuss and approve critical need items for submittal preparation and material orders for the Event Center Phase II project in order to meet the August 2021 Event Center opening. Spear presented the Board with a document outlining critical items that need to be started in order to meet the construction timeline. These costs are estimated at $466,792. Clements said that Bateman Hall is asking for $650,000 so that they can not only order the materials they need to start construction, but also to move trailers and other items into position when they are ready. Gazdik said that when they asked about this earlier, storage was an issue. Clements said that they are currently ordering raw steel and it would be delivered to the contractor’s facility. Gazdik asked if the Building Committee had reviewed the proposal. Spear said they had. Nitschke is concerned that if the Board is unable to proceed with construction this year or if a different project is decided upon that it would be a monetary loss. Vucovich asked what would happen to the materials if construction did not proceed this spring. Blake Davis said that they would have to find a way to resell it or pay a storage fee. Spear asked if the Board could wait until the GMP is prepared to approve this proposal. Clements said that the Project Schedule could not wait that long. The original intent was to be working in March. If the Board will approve this now, there is still a chance the building could be complete in August of 2021. If they do not, it pushes construction back to at least September of 2021.

Spear said that there is still a projected $4 to $5 million gap, but the suggested bond underwriters have both offered plans to overcome that gap. Another option is ask Mountain America Credit Union to help us with a line of credit. The key is closing the gap. Spear discussed with the Business Advisory Committee (BAC) about the impact on fundraising if construction goes vertical. All in attendance agreed that going vertical would actually help with selling the naming rights. Spear feels that waiting another year to begin construction would adversely affect the construction of the event center, again. He feels it is worth the risk to move forward as soon as possible. Spear thinks getting information on the bond underwriter, the GMP, closing the fundraising, getting more information on the tax receipts and getting a positive pro forma would all help with this decision. One bond underwriter said they could likely close the gap to $2.5 million by changing the way the Board would pay back the certificates of participation. Spear said the Board will not have to worry about the bonds not being sold because both bond underwriters are very well capitalized. LoBuono asked if there had been discussions concerning the line of credit options. Spear said that he had that discussion with one of the potential bond underwriters. Vucovich asked what the payback process would be for the line of credit. Spear said one option was 12 months and the other was 24 months. Gazdik suggested asking the companies because they both have experience with municipalities in Idaho. She also reminded the Board that this would be the last resort for making payments. Fuller expressed concerns with the legality of the Board seeking a line of credit. Gazdik will address this issue with Laura Lewis.

Spear reminded the Board that the item at hand is the approval of the $650,000 for construction costs. Nitschke said he would like to have more information on the overall financial package before voting on this. Gazdik agreed and suggested meeting on Friday to discuss the bond underwriter, the critical submittal proposal, and the Centennial Management contract approval.

Spear will send the proposals from the two bond underwriters and a comparison created by Laura Lewis to all the Board members.

1. **Action Item –** Review and approve bond underwriter for the sale of lease revenue (certificates of participation) for financing the Event Center. This action was delayed until more information could be gathered, especially on the line of credit and whether the Board could enter into this arrangement.
2. **Discussion Item** – Discuss the alternatives the Building Committee provide concerning if there is delayed construction. Spear said that the Building Committee discussed what it would look like if there need to be alternatives to the event center. Nitschke explained that the present location and design are not conducive to later expansion. They discussed the possibility of asking Ball Ventures for a different plot of land. They discussed that if financing is not available right now, then it might be worthwhile to create a simpler design with more opportunity to expand later. Spear said one idea could be to ask Snake River Landing if there is more room across the road to have more parking if needed. This could allow expansion into the parking areas near the Event Center. Kevin DeKold said that as far as seating expansion, the bowl cannot be created any bigger. It would require some redesign if there are other areas that would need redesign.

**Report and Updates**

1. **Discussion Item** - Executive Director Report
	1. Fundraising Campaign and status of prospects - Spear said he had previously covered the fundraising updates earlier in the meeting.
	2. Pioneer Road Construction progress report – Work just started again.
	3. Event Center Phase I progress report - The bridge structure has been placed. Clements said they will update their completion. Horrocks is very pleased with pad elevation. Nitschke asked about the construction schedule. Spear said he needs to update it.
2. **Discussion Item** - Legal Report
	1. Transient Room Tax Update - Both hoteliers that were overdue for 2019 have finally paid up to date. One of the hotel owners said that they don’t think this year will be as good as last.

 C**alendar and Announcements**

1. Upcoming IFAD Meeting – **Next Meeting on March 24, 2020**
2. **Discussion Item** - Announcements and Minor Questions – Special meeting to be held on Friday, March 13, 2020.
3. **Discussion Item** - Agenda Items for March 24, 2020 meeting
4. **Action Item** - Adjournment from Public Session at 9:05 a.m.

**Action Items**

Gazdik ask Laura Lewis about Line of Credit options

Spear to update the Project Schedule