

**Board of Directors Special Meeting**

**Friday, March 20, 2020 7:00 a.m.**

**Location: Idaho Falls Auditorium District Office and Zoom Conference**

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

**Attendees:** Terri Gazdik, John LoBuono, Bob Nitschke, Rob Spear, Mark Fuller, Salem Thomas, Chad Hammond, Kevin Bruder, Richard Catten, Kevin DeKold, Trenton Saxton, Mike Clements

**Minutes:**

1. **Action Item** - Call to Order – at 7:04.
2. **Action Item** - Accept the Consent Agenda
   1. Meeting Minutes – 3-10-20, 3-13-20. Spear suggested removing the 3-13-20 minutes as they are not yet ready to approve. Motion to accept the agenda. Seconded. Motion passes.
   2. Review of the Payables/Financials - Gazdik reviewed the financials from last year at this time as well as the current updates. There are only two payables for this meeting. Motion to approve the consent agenda. Seconded. Motion passes.
3. 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 -** Review, discuss the operating pro forma presented by Centennial Management. Kevin Bruder of Centennial Management will present. Gazdik and Spear thanked Kevin Bruder for being prepared to present the Centennial Management (CM) pro forma.

Bruder briefly recapped some of the studies IFAD has undergone in preparation for construction of the event center. He then explained the pro forma that was presented to the Board. It is an anomaly because it is based on a 15-month “year” or term. He said the pro forma was prepared with a conservative approach and is a “best estimate” because they don’t have any actual data to review. Bruder laid out what a typical year would be like. He pointed out that CM does their best in all areas to reduce expenses, labor, utilities. He introduced Richard Catten, CM’s legal counsel.

Gazdik asked what the least profitable months of the year are. Bruder said in the winter when all you are receiving is fixed income from the anchor tenant (hockey), you don’t tend to make as much money from events such as concerts, wrestling, or monster truck shows. Concerts generally like to come through in the months people like to be outside. He is planning on working on getting trade shows which are good at any time of year and finding events like wrestling and basketball tournaments that will be held on the same weekend every year.

LoBuono asked about the “District User Fee” showing an income of $184,000. Bruder said that it is a fee that is charged on all paid admissions to an event. He explained that for hockey games there will be one dollar paid by each attendee that will be recognized as a User Fee. Concerts are a little different because on occasion they can increase the User Fee amount. One dollar is rather conservative. Fuller stated that that money doesn’t go to “the Board” but to gross operating revenue. LoBuono then asked how many concerts CM is planning on hosting. Bruder said that in the pro forma they are planning on five full-house and 10 half-house concerts.

Gazdik asked about “Reimbursed Expenses.” Bruder explained that it is listed under “Event Staff Reimbursable.” When CM hires operations crews for set up and take down of the show, they pass the expense on to the shows and mark this up by about 10%. Bruder pointed to the difference in Reimbursed Expenses (revenue) to Event Staff Reimbursable (expense) being 10%. Fuller asked who does the reimbursing. Bruder said that whoever is putting on the show pays that cost.

LoBuono read part of the pro forma and asked about the concessions and catering net revenues for junior hockey events and other things. Spear indicated that IFAD would get 35% commission, on gross sales, for concessions and 15% for catering, except for the junior hockey events. Hockey does not share concession and catering revenue from its events. Bruder said they are following the model that is used for the Grizzlies for the event center. He said the numbers per capita are more conservative than the numbers used in the Maverik Center.

Spear asked Bruder to explain how Hockey Clubs work and what expenses they have that will not be covered from the operating revenues of the arena. Bruder said the biggest driver will be labor. He said that the hockey club will be responsible for all salary and benefit costs of its employees, coaches, trainers, players etc. It could be a benefit to possibly share the labor team between the hockey team and the Chukars. When you look at the hockey club there are costs associated with housing the players, equipment and league costs, but it is a business. Bruder said they were being conservative and used a paid attendance of 800 people per game. However, the expectation is it will be higher than that. Fuller clarified that if a concert were to come to the event center, IFAD receives money for novelties, concessions, entrance fees, but IFAD will not receive anything but a $4,000 per game payment for the hockey games. Bruder said that is correct but that there will still be parking income and hockey will be the largest driver for sponsorship money coming in. Fuller asked if the $4,000 was a set number and Bruder said that $4,000 is what it the Maverik Center started at, but it can still be negotiated if the Board feels it is necessary. Spear asked about a box office fee. Bruder said that 3.25% of the ticket price was used for the box office fee calculation. Box Office fees from hockey would be in addition to the $4000 per game figure. Bruder also pointed out that the more people that go through the front door will increase the box office fee and make sponsorships and advertising more attractive. Bruder went on to say that online ticket purchasing companies have higher fees than the at-the-door fees.

LoBuono said he can’t imagine having four rodeos or four monster truck rallies in a year-long period. Bruder explained that what is listed is event days as opposed to events, so what is listed is representing two rodeos at a Friday and Saturday (two days) each.

Vucovich asked if the Board User Fee is the same as the District User Fee. Bruder said it is.

Nitschke said he heard Bruder say that players would not have to pay for their own lodging and receive a salary. As far as Nitschke understood about the junior A amateur league, the players would pay their own way. Bruder said in Utah that is how they operate but that the Grizzlies are a professional minor league team. In other places there are “host family” options. However, these players are trying to move up in leagues, so the Maverik Center takes care of them, including medical expenses. Fuller said he understood it the way Nitschke understood it, that the players would pay to be part of the league and stay in host family homes so there shouldn’t be any expenses given for the hockey players. Bruder said it will likely follow closely to whatever Kevin Greene does with the Chukars Baseball team. Bruder stated that Kevin Greene is in a much better position to answer any questions about hockey.

Richard Catten suggested that Bruder talk about travel and that this is a cost to the hockey team. Bruder mentioned the cost of a bus, lodging and team meals is the responsibility of the hockey team. Bruder also mentioned medical costs and medical insurance are the responsibility of the hockey team. Gazdik said that helped her understand better what expenses would have to be covered if there is to be a hockey team in the event center. Nitschke wanted clarification on whether the hockey club would be covering any medical expenses. Bruder indicated that he came prepared to discuss the event center, not the hockey team. But he knows that it takes 4,000 people at the Maverik Center at each hockey game to cover all their costs.

Nitschke asked how this first year is going to relate to subsequent years: a honey moon or learning period. Bruder said there is going to be a “honeymoon” period of sorts for the event center. He said that with the growth in Idaho Falls, CM anticipates the number of people attending events to increase. They will have to adjust to what the people want to see, but they will be doing their best to provide popular shows. Gazdik asked if Bruder had factored the honeymoon period into the projection. Bruder said they had, and that they try to be conservative at every step. All of the studies done in the past have been conservative. Bruder said he believes worst case scenario would be breaking even.

Nitschke asked that if what is presented is conservative, then what is considered optimistic. Bruder said he hasn’t looked at the best-case scenario. Other studies that have been completed did that for the Board.

Vucovich asked about the operational expenses of $606,000. He asked if most of the costs are fixed per event. He stated that if this is true, the only way to improve the bottom line is to increase attendance at each event. Bruder said that everything that Vukovich stated is correct. Maintenance may increase with more wear and tear, but most are fixed expenses.

LoBuono asked how CM derived the $4,000 rent payment per hockey game. Bruder said they have had lots of conversations about that payment. It is a fair rate for the venue considering that at the end of the year it will be a six-figure income for the Board. It is high compared to the rest of the league but is decent because CM is hoping to have a pro hockey team in the event center in the future. Lobuono asked what the Grizzlies pay the Maverik Center per event. Bruder said that right now the hockey team does not pay any rent. Bruder said that over time West Valley City decided to waive the fee in hopes of keeping the hockey team around a lot longer. Catton said that the hockey team started out with a $10,000 rent per game, but the team could hardly afford that. West Valley City steadily lowered rent but increased its revenue share from hockey (now around 40%) until they could get rid of rent fees for the hockey team all together.

Fuller asked if the pro forma included two full hockey seasons. Bruder said it is more like a season and a half. Fuller said that during the season and a half, the result is operating profit of $22,000. He suggested that CM is only able to accomplish that positive income number based on “Miscellaneous Revenue” which is projected at $25,000. He asked where the misc. Income comes from. Bruder said there is always a revenue stream CM doesn’t anticipate. For example, there was an event last week (at the Maverick Center) where they made an unexpected $3,500. He said they calculated that misc. Category at $1,600 per month of various incomes. Fuller asked for other examples of this random increase. Bruder said that they also have equipment rental on top of original costs. CM often rents furniture to shows that would be reflected in miscellaneous income.

Spear mentioned to Bruder that information received from a public records request from West Valley City indicated large annual deficits. Spear asked Bruder and Catten to explain these deficits. Catten began the explanation by talking about how West Valley City had built other event venues (amphitheater) fully knowing that this would impact revenue to the Maverik Center. West Valley City doesn’t really care where the income is coming from as long as it is coming in, so they weren’t worried about building other competing entities. Bruder continued that West Valley City was making more money by having two event centers. It made them the entertainment capital of central Utah. The first example of running at a deficit was the year they held the Olympics. There were 45 days in which there were no events held because it was dedicated to the Olympics. Another example of running at a deficit is when West Valley City decided to support a local company instead of using the best online ticket sales option. It showed a loss but supported the local economy. Catten explained that the City has other revenue streams to support the Maverik Center. Bruder said they often give discounts for schools hosting graduations. They host two universities and nine graduations for local high schools. Profit-loss is not as important to the City since it is a community venue. Covering costs is important, but not necessarily making money. Traditionally they try to make a little money on those events. Fuller mentioned graduations listed on June 22, 2020 and asked if CM was planning on making money on those events. Bruder said there are three graduations listed and only one is showing income.

Nitschke said that part of his concern is that all the comparable arenas to the event center show that they run at a deficit. Then, CM produces this pro forma that shows that this event center will not run at a deficit. Bruder said that CM has been very conservative in their production of this pro forma and have built it with the understanding that the Board wishes to not lose money. Other event centers have outside issues that this Board will not likely see. Bruder also explained that CM has been meeting West Valley City’s goals even if they aren’t hitting the bottom line. This Board has made it very clear that the main goal for this event center is to hit the bottom line, and that should be possible if that is the main goal. He also mentioned the lower utility costs in Idaho Falls.

Fuller pointed out that on the current pro forma, the Board Gross Revenue is $22,000 per year. CM is expecting an incentive payment each year on top of their fixed payment, but that has not been calculated in the pro forma. Another thing that was not listed is the long-term maintenance expense. Fuller asked Bruder what CM expects their incentive fee to be. Bruder said they do expect the Board to find an alternate income option in order to pay for those things. CM does understand that they will have to do their best to ensure an increase in the Gross Revenue so that their incentive payment is possible. Bruder said they are also grateful that the incentive fee is not based solely on the bottom line.

Spear asked if there are any other venues that have the management company also owning the hockey team and concessionaire. Bruder said it is more common in a university environment and in pro sports. Of event centers that Bruder is familiar with, only about 4 out of 24 own the team but do not operate the venue. Most have a third-party manager. As far as concessions it is not very common, even in college sports arenas. Bruder said that one of the benefits of owning the concessions is having the employee positions overlap. Spear stated that this clarifies his understanding that this is unique management approach and is the reason that synergies and efficiencies should be created.

Spear asked about the suite and club seating income. It says 56% of the income will go to the center and 44% will go to the hockey team. It also states that, “The hockey team will sell suites and club suites and pay all associated expenses.” Spear asked if this also covers non-hockey events and what expenses will the hockey team be covering. Bruder said the hockey club would be the sales arms for the venue so they would go out and sell the suites and the packages on an annualized basis. If a suite was sold for a non-hockey event, the revenue would come back to the venue. If a company doesn’t pay for a loge or suite for the entire year, the venue has an opportunity for additional revenue streams at a per event basis. Food charges will be separately charged to the suite holder. Sometimes a drink may be included in the suites, but those would come from the concession's expenses.

Nitschke asked about the number of full-time staff. He asked if the “Full-time staff” will include the hockey staff. Bruder responded that hockey employees are not part of the full-time staff number. Bruder said he is not sure of the amount of hockey staff required. It will depend on how many of Kevin Greene’s Chukars Baseball staff can be used for hockey operations. Bruder explained that the benefit of having the Chukars staff involved ensures there will be sufficient personnel. Catten asked if that sharing includes training staff. Bruder said he is unsure of Greene’s model or what that need is. Other teams have clinics or have people on call. Bruder said that the Maverik Center has a full-time trainer but isn’t sure that will be the case. Catten confirmed that there will be a coach and an equipment person. Bruder also added there will be people recruiting and that there will be recruiting expenses.

Nitschke asked how much CM is planning to make in the first 15-month period. Bruder said they plan to make the management fee from IFAD. Nitschke asked about the other income opportunities. Bruder said they had yet to figure the numbers from their three income opportunities. They need all three entities to make it work or it isn’t feasible. Nitschke explained that he was asking because he wants the rewards to be commensurate with the risks. He added if the Board wanted to increase the bottom line then the best way is to increase the number of people entering the center. Additionally, CM could also increase the sharing percentages that have previously been discussed. Bruder said that is correct.

Gazdik asked what the catering commission is based on. Bruder said it is gross revenues less taxes. The Board will receive 35% of all concessions sold at special events and shows, and 15% of catering. Gazdik asked if the catering company is paying for the cost of food and labor. Bruder said that is true. Gazdik was impressed with those numbers. Fuller asked if those numbers are supposed to be identified in the agreement between IFAD and CM. Bruder said they don’t need to be because they will be identified in the agreements between CM and the concessionaire, and between CM and the hockey team. Gazdik said that anyone who has worked in food knows that 35% is a large cut. Catten said CM knows if they don’t meet their budget line item, they won’t receive their incentive fee. This is evidence that CM is dedicated to this project.

Nitschke asked if there are supposed to be ice shows in the pro forma. Bruder said ice shows is covered in the “Family Shows” category. He said they hope it will include things like Disney on Ice and circuses, etc. Nitschke suggested breaking the categories into more specific categories.

Nitschke shared that the sheets showing numbers don’t line up with the document CM shared as the pro forma. The way he understood was that the Board will receive $4,000 per game and $2,000 of ice rental for the months the hockey team will not be there. The sheet shows that the rental will be paid during the season instead of during the off season. Bruder explained that the money shown during the hockey season is in anticipation of local hockey teams renting the ice. They feel the number listed is conservative based on the arena’s capability to host youth hockey tournaments.

Fuller asked if the ice sheet would be maintained during the summer months. Bruder said CM does not keep the ice in the Maverik Center during March through September. If the need is greater for this arena, they would be willing to maintain the sheet of ice, as long as the expenses are covered. Vucovich asked if the pro forma is based on no ice from March to September. Bruder affirmed that assumption.

Nitschke asked what to do about other numbers that don’t line up between the pro forma and the numbers sheet. Gazdik said to send all differences to Spear and he will communicate to CM.

1. **Action Item –** Review additional exterior rendering options and approve an alternate Rendering for Exterior of Mountain America Center.

Spear explained that the Building Committee met last week and determined that they like the main entryway, but that the rest of the building looks institutional. CRSA created three different options with different cost estimates. Trenton Saxton from CRSA explained that they took the Building Committee’s comments into account and created some small-change renderings such as adding more louvers, and some band lighting.

The rendering the Board was reviewing was the $425,000 increased-cost option. Saxton acknowledged that the Board is trying to decrease the cost, so this option is not feasible. He offered options of moving louvers and band-lighting around the facility so that it isn’t quite as expensive. DeKold said that one of their other options is increasing the lighting more on the louvers. One thing they were worried about is covering the Mountain America Center lettering when viewing close to the building. He said if an attendee is out past the first few parking stalls then it shouldn’t affect the visibility of the lettering. It should be very visible from the freeway. The other option would have added $100k in increased expenses. DeKold said there is likely a metallic finished option and a gray option. Saxton clarified that the red strips are extra louvers. DeKold specified that the blue lines are the band lighting. DeKold explained that this rendering is not a final design. CRSA is trying to give the Board the options with varying levels of cost and brick so the rendering can be revised.

Vucovich asked if these cost increases are over the cost decreases that the Board was planning on using after utilizing less brick. DeKold said that was true and that the least expensive increase would still be a net decrease of $200k from the full-brick option. Gazdik asked if there was a rendering available in more detail than the schematic. DeKold said no, but they could for around $4,000-$5,000. Gazdik liked the band lighting to give it more of a cosmic look. Vucovich explained to the Board that the metallic band was suggested because the lighting would only make a difference in the evening time of the events. The band would help the building look like the entryway even during the daytime hours.

Nitschke asked if there were louvers on the back of the building. Saxton said yes because there is a lot of equipment that would be visible. DeKold said they initially planned on some louvers on the back of the building based on a study they completed. Depending on the direction someone is driving, the back of the building may be visible for a moment. However, it could save some expenses if there are not louvers on the back. Spear pointed out that the marquee sign will be back there catching the eyes of drivers. The Board agreed that the back of the building does not need to have the louvers, so that could save some money.

Spear asked when CRSA needed an absolute decision about the exterior from the Board and what else they would need. DeKold said they need feedback like not having louvers on the back of the building and having band lighting for the sides. They would also like a final price option if possible. Saxton said they would need all this information by the end of April. DeKold suggested that they would need the final direction by the beginning of April in order to have it ready to be approved on the Board’s meeting on April 14.

Saxton asked if the Board wants louvers on the South side because there is an option to only have louvers on two sides instead of three. DeKold said that the North already has some louvers and he suggests leaving those there and deciding whether to have them on the other sides. LoBuono said he thinks it would help to give it an artistic appearance instead of the institutional appearance. Spear suggested starting the proposal allocation at $120,000 with the consideration that there will be no louvers on the back, so that $120,000 can be given to address the East and North sides of the building, including the band lighting. Saxton said if they were to do band lighting on three sides of the building with the redistribution of the louvers from the back the cost would be about $140k. Vucovich said he would go for $150k because it gives the Board a little more flexibility in design options. DeKold said that his understanding in what the Board wants, it will be better able to use the $150k figure.

Saxton offered to put together a proposal allocating $150,000 for the new lighting and louvres. It will be ready for approval on Tuesday, March 24, 2020.

1. **Action Item** – Discuss and possibly act on critical need items approved by Board on 3-13-20 for submittal preparation and material orders for the Event Center Phase II project.

Spear said that the Building Committee discussed how much of the approved $462,000 could be recovered. Spear said that around $200k could be recovered. Nitschke brought up the fact that there is a potential issue with coronavirus and how it is going to affect the event center. He said it would be in the best interest to not spend money that doesn’t need to be spent. The coronavirus may affect fundraising and other monetary incomes. Spear shared that the preliminary GMP is around $50 million not including the $5.5 million FFE or any owner contingency. The Board will need to allocate about a $1.2M contingency toward the project. The GMP includes $650,000 of contingency from Bateman Hall. The $1.2 million would be in addition to the $650k. Spear stated that this contingency should be adequate because the value engineering exercise and the delayed GMP allowed the scope to be thoroughly reviewed. When including FF&E and additional contingency, the final GMP will be around $57M.

Gazdik asked for Spear to review the senior lien from Raymond James. Spear showed the Raymond James proposal to generate $38 million from the sale of Certificates of Participation, a reoffering premium of $7.8 million, $7.2 million in IFAD contributions, and donations of $4.1 million. This creates a total of $57,381,000. Another sub lien could create $2.5 million more sold through additional Transient Room Tax collection which brings the total to $59.8 million. Spear said that he thinks they can work with the FFE to get it to a more favorable number and with the contingency amount the Board is within the range offered by Raymond James. Gazdik said that the actual construction deposit would be $54,289,000. She said it is a good idea to finance the FFE separately because at some point some of those items will need to be replaced in the next 30 years before it is finished with financing. Spear noted the biggest concern now is how Covid-19 is going to affect the Transient Room Tax (TRT) due to the lack of travel. It may affect revenues and the ability for a rating agency to approve this plan. Hopefully any decreases in TRT collections will be temporary.

Spear is going to set up a conference with Raymond James and Laura Lewis to discuss the next steps on how to finance the project and how the lack of hotel revenue is going to affect the funding of the event center. Spear suggested calling the current potential donors and telling them that the Board understands the current environment and would like to revisit donations at a later date. There will also likely have to be more fundraising in the future. Gazdik suggested that continuing to buy materials may be beneficial to the overall project cost. Spear said it would be a good idea to discuss that at the next meeting on Tuesday, March 24, 2020.

No action taken. Item tabled for 3-24-20 meeting.

**Report and Updates**

1. **Discussion Item** - Executive Director Updates - The biggest update Spear wanted to share regards the GMP. He indicated there are a lot of seating options displayed in the IFAD sitting in the office right now that need Board input before any decisions are made. Spear said there are several alternate seating options that could potentially lower the GMP. Gazdik asked to have the Board visit the office to determine which seating they think is best.
2. **Discussion Item** - Legal Updates - Fuller did not share any further updates.

Calendar and Announcements

1. Upcoming IFAD Meeting – **Next Meeting on March 24, 2020 Discussion Item** - Announcements and Minor Questions – The meeting on March 24, 2020 will again be held over Zoom. Nitschke said that he had sent an article to Spear regarding the importance of seating. Spear said he would send it to everyone.
2. **Discussion Item** - Agenda Items for March 24, 2020 meeting - Discuss and possibly act on critical need items approved by Board on 3-13-20 for submittal preparation and material orders for the Event Center Phase II project.
3. **Action Item** - Adjournment from Public Session - Motion to adjourn from public session. Seconded. Motion passes. Meeting adjourned at 9:45 a.m.