

**Board of Directors Business Meeting**

**Tuesday, July 14, 2020, 7:00 a.m.**

**Location: Idaho Falls Auditorium District Office/Zoom Videoconference**

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

**Attendees: Terri Gazdik, John LoBuono, Bob Nitschke, Steve Vucovich, Rob Spear, Mark Fuller, Kevin DeKold, Rebecca Casper, Mike Clements, Chad Hammond, Kevin Greene**

1. **Action Item** - Call to Order – at 7:10a
2. **Action Item** - Accept the Agenda – Spear suggested removing agenda item 5 from the agenda. Nitschke moved to accept the agenda as amended. Vucovich seconded. Motion passes.
   1. Meeting Minutes – 6-9-20 and 6-23-20. Spear communicated that he was asked to go back and review the 6-9-20 minutes for accuracy. Spear referred to page 9 of the minutes. Spear said, Nitschke requested changing a statement to “Nitschke stated using the percentages for a professional hockey team with vastly different expenses for an amateur team is most inappropriate.” This was changed from “Nitschke said, it is the same concern I have, it still may be insufficient for what we need and for what’s appropriate.” Gazdik said it was ok to summarize meeting minutes but to change what was said or to include additional information to what was discussed is not appropriate. Fuller concurred, stating the minutes must be a record of what occurred and not what we wish would have been said. Nitschke responded, saying he was just trying to make it more clear. Nitschke said he is comfortable leaving what was actually said during the meeting in the minutes. No change was made to proposed 6-9-20 minutes.

For the 6-23-20 meeting minutes, Spear referenced page 10 of the document and the proposed change from Mr. Nitschke. Nitschke added the following, “Madam Chair as I stated before I understand your position on that, I look at it differently in the sense that it is going to be real close, if at all, as to whether we can operate the center in the black. It is important to know how much money somebody else is making because maybe we could get a bigger percentage of the profit that would help cover the operational deficits. Nitschke related an analogous instance in Idaho Falls where the golf courses were operating in the red. Upon investigation, it was determined that all the profits from the golf course were going to the pros. When the city took over the carts from the pros, the golf courses began operating in the black. Nitschke stated again, it has to do with not whether it’s what the industry standard is, it’s whether or not the Board will have enough money to cover projected operational deficiencies.” This was changed from, “Nitschke stated, Madam Chair as I stated before I understand your position on that, I look at it differently in the sense that it is going to be real close, if at all, as to whether we can operate this thing in the black. It is important to know how much money somebody else is making because we could get a bigger piece of that, that would cover operational deficits and without that knowledge we have seen instances of that with the city government here used before on the golf carts when they finally decided the city deserved part of that and, as a matter of fact took it over, then all of the sudden golf courses were profitable. Again, it has to do with not whether it’s what the industry is, its whether or not it is sufficient for us to have money to cover projected operational deficiencies.” Spear clarified the part adding the reference to the golf pros was added for clarity. Gazdik suggested that be struck from the minutes. Nitschke then asked, are we providing a transcript or meeting minutes? We currently have a mixed bag, sometimes we are quoting what was said, other times we are summarizing. Nitschke said he is not trying to alter the meeting minutes; he just wants them to be understandable. Spear said moving forward, when Board members speak, he will capture what was actually said but also will summarize when appropriate. Gazdik said that meeting minutes have gotten lengthy and she would like to see summaries of some of the content. At the same time, it is important to capture what was actually said by board members. Nitschke said he is more in favor of capturing the details but to leave the bad speech patterns out. Only in specific instances would he put the actual transcript in the meeting minutes.

* 1. Review of the Payables/Financials – Gazdik had a question on the check to SRL Master Property Owners Assoc. Spear said he would contact Ball Ventures for clarification and additional supporting documentation. Spear explained the other check payable to SRL was the final installment for Event Center Drive. Spear reviewed the final spreadsheet with the Board
  2. and showed the project was completed $65k under budget. Gazdik reviewed the May financials and pointed out May 2020 tax collections were at $77k versus $232k from May 2019. Spear said he is monitoring revenues and expects the June financials to provide more information on where things are trending. Gazdik said she appreciates receiving the reports from the Research and Business Development Center and mentioned this group is available for hire if needed. LoBuono moved to accept the consent agenda and Vucovich seconded. Motion passes.

1. **Discussion Item** –Public Comment (Any member of the public is welcome to take three minutes and share concerns or questions with the Board)**.** Bob Nitschke addresses the Board as a member of the public.
2. **Action Item –** Review, discuss and approve annual audit. Gazdik said the board had not approved the audit because it was not clear whether the 2019 budget was re-opened. Spear affirmed to the board that the 2019 budget was not re-opened and amended. Nitschke commented that on page 8 of the report, it states, the District is in the preliminary design phase and that this statement needs updating. Nitschke also commented on the timing differences that may result in the District having funds in the checking account that are not covered by the FDIC. He acknowledged how it happens but wanted to know if presently all the funds are covered by the FDIC. Gazdik explained that the District keeps a small amount of cash in checking accounts until payables arise that require a transfer of funds from the LGIP investment account. This was a timing issue and resulted in the audit identifying a point in time where checking account balances exceeded the amount backed by the FDIC because the payables had not been paid at that point. Once the payables were paid, the checking account balances were within the FDIC covered amounts. Gazdik explained it is not our practice to have amounts in the checking account greater than what the FDIC would cover. Spear referred to the current balance sheet which indicates the District checking account balance is below the $250k threshold. Gazdik asked for a motion to approve the audit pending the change to the preliminary design language. LoBuono made the motion to accept the audit report. Vucovich seconded. Motion passes.
3. **Action Item -** Approve early payment for bond underwriting services; MSBT Law as Bond Counsel, Gilmore Bell as Disclosure Counsel, and Skinner Faucet as Underwriter Counsel **– Removed from agenda**
4. **Action Item –** IFAD Public Records Policy – to review and approve revisions to the policy. Mark Fuller presented updates to the District policy that was originally adopted in November of 2012 in order to update the policy in accordance to Idaho law. Fuller explained that Idaho re-codified the Idaho public records sections into different code numbers, and he updated the document accordingly. Fuller also explained the most significant change in D4, which states, that if additional time is needed to respond to the request an additional ten (10) working days may be granted upon notification of the requestor. If still more time is needed, the IFAD will notify the requester and work to provide the record at a mutually agreed-upon time. The original policy allowed for 7 calendar days. Because the Board meets every two weeks, this change gives the Board more time to respond to such public record requests. Fuller recommended adopting this policy as of July 14, 2020. LoBuono made the motion to accept the changes to the public records policy. Nitschke seconded. Motion passes.
5. **Discussion Item –** Review and discuss CSL study. Gazdik acknowledged that the Board only received the report the previous evening and that they probably had not time to review it. Spear presented the highlights of the report as follows:

* The evaluation and discussion presented is largely based on a pre- or post-COVID environment and do not reflect present and near-term conditions impacted by the COVID-19 pandemic
* Most of the private management contracts associated with these three national private management firms either involve food service that is provided by the private management company (or affiliated entity) or the rights for the private management firm to independently contract with a third party for food service operations
* The ownership relationship between Centennial and Diamond is typical of the largest third-party private management firms in the industry (i.e., ASM Global, Spectra and VenuWorks); however, the additional ownership relationship with the Event Center’s expected primary sports tenant (i.e., NA3HL junior hockey team) is atypical among comparable venues
* Two entities had contracts extending beyond 10 years, one 11 years and one 25 years
* Fixed Fee amount appears reasonable based on other comparisons
* Incentive Fee calculations vary and provide good detail as the District identifies incentive fee calculations
* Longer contract terms shift more risk to the facility owner and its investment in the facility product. Shorter contract terms create a simple and clear mechanism for facility owners to re-bid the management contract should performance expectations not be met
* In general, the third-party private management industry has historically realized between $150,000 and $250,000 in total cumulative Base plus Incentive Fee compensation paid per year for comparable projects around the country
* The Manager will own and place the hockey club (NA3HL team), which will also ostensibly serve as the Event Center’s primary, and sole, sports tenant.
* The Management Agreement is presently structured with a term of 15 years. As mentioned in the previous opinion letter from CSL, it is believed that this term length places a relatively high level of risk on IFAD.
* Based on analyses previously conducted for the project, it is likely that the Event Center will operate at breakeven or worse (i.e., financial operating deficit); as such, IFAD will be responsible for an operating subsidy in some, if not most, years
* Based on industry standards, the net percentage of concessions revenue retained by the Event Center should fall within a range of 30 to 45%. The net percentage of catering revenue retained by the Event Center should fall within 15 to 30%. Based on the notes/assumptions provided by Centennial in the Pro Forma document (dated March 16, 2020), the revenue splits assumed to be retained by the Event Center are 35% and 15%, respectively, which fall within the two recommended ranges.
* The two most prominent items of risk to IFAD are (1) length of agreement term, and (2) the real possibility of a larger than expected financial operating deficit (ergo, a higher than expected IFAD subsidy requirement) due to Manager underperformance or unforeseen industry occurrences.

Fuller requested the Board provide the study to Gilmore Bell. Gazdik reminded the board that the Board must get Bill Krueger’s approval to release the document. Spear said he would reach out to Krueger and seek permission. The Board requested that Bill Krueger be available to participate in the next Board meeting.

1. **Discussion Item –** Distributed new renderings for Event Center. New renderings were presented and made available to Board members. Gazdik requested Board members to seek input from individuals, friends, and family.

**Report and Updates**

1. **Discussion Item** - Executive Director Report
   1. Fundraising and Budget Update – Spear provided an update on the recent Business Advisory Committee meeting. Spear said he provided a spreadsheet to the BAC listing prospective donors. Spear has asked the BAC to provide him with contact information of individuals for each of the entities listed. Spear mentioned that Jim Werner, retired INL executive, joined the BAC and is going to provide contact information for the various entities affiliated with INL. Spear said he is talking to the local American Nuclear Society group on 7-17-20. Spear provided a brief budget update and mentioned all actual revenues to date are reflected in the budget.
   2. Pioneer Road Construction progress report – Spear said that landscaping will start in August and chip seal and striping will take place on 8-18 and 8-19. The road will remain closed until it is chip sealed and striped. Horrocks is completing all as-built drawings and preparing close-out materials and a certification letter for the City.
   3. Event Center Phase I progress report – Still awaiting soft spot to dry out before rolling in the presence of MTI.
   4. Event Center Phase II – Spear mentioned the Board needs to decide on whether or not to proceed with Phase II and suggested this be on the next meeting agenda. Mike Clements mentioned that it may be possible to keep the team of subcontractors (with the exemption of 3-4 packages) together into the spring. Clements wants the opportunity to put that out there rather than just a re-bid.
   5. Ball Ventures last invoice – Last invoice for Event Center Drive was received and approved for payment.
   6. Action Item Checklist – Spear wanted to make sure all action items discussed during the meeting were agreed upon by Board members. Action Items discussed and approved:

* Contact Scott Bond and change the sentence in audit report
* Contact Bill Krueger for approval to distribute report to Gilmore Bell and ask him to join the next Board meeting
* Board members to seek input on renderings
* Gather information on air circulation and exchange rates

1. **Discussion Item** - Legal Report. Mark Fuller did not have anything to report

C**alendar and Announcements**

1. Upcoming IFAD Meeting – **Next Meeting on August 4, 2020** – the Board approved moving the July 28th meeting to August 4, 2020 because Gazdik is unavailable for the July 28th meeting.
2. **Discussion Item** - Announcements and Minor Questions
3. **Discussion Item** - Agenda Items for August 4, 2020 meeting

Meeting adjourned to Executive Session at 8:38a

1. **Action Item** - Adjournment to Executive Session. Gazdik, moved that the Board, pursuant to IDAHO CODE § 74-206, convene in executive session to: Consider records that are exempt from disclosure as provided in Chapter 1, Title 74, Idaho Code. [Idaho Code § 74-206(1)(d)]. Motion was approved.
2. **Executive Session -** Idaho Code Section 74-206 (1) (d) To consider records that are exempt from disclosure as provided in chapter 1, title 74, Idaho Code.
3. **Adjournment from Executive Session** at 8:55a
4. **Action Item –** Action taken on matters discussed in Executive Session. No action was taken as a result of the executive session.

Adjournment from public session at 8:57a.