

**Board of Directors Business Meeting**

**Tuesday, October 27, 2020, 7:00 a.m.**

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

<https://zoom.us/j/8694715148>

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

**Attendees: Terri Gazdik, John LoBuono, Bob Nitschke, Steve Vucovich, Rob Spear, Mark Fuller, Rebecca Casper, Mike Clements, Kevin Greene, Chad Hammond, Trenton Saxton, Kevin DeKold, Mike Carpenter, Mike Horrocks, Ben Kahn, Steve Keller, JD Horbush**

**Agenda**

1. **Action Item** - Call to Order
2. **Action Item** - Accept the Agenda. Vucovich moved to accept the agenda. LoBuono seconded. Motion passes.
3. **Action Item** - Accept the Consent Agenda
	1. Meeting Minutes – 10-13-20
	2. Review of the Payables/Financials

LoBuono moved to approve the consent agenda, Vucovich seconded. Motion passed.

1. **Discussion Item** –Public Comment (Any member of the public is welcome to take three minutes and share concerns or questions with the Board). No Comment.
2. **Discussion Item –** Review Centennial Management contract changes and discuss additional exhibits for signature. Spear explained that the contract is not ready for the Board to take action on because of the changes that still need to be made by Centennial Management and the need for Gilmore Bell to create an Exhibit to be attached to the contract. Gazdik suggested that this item be placed on the November 10th agenda, but it was important to brief the Board on the status of the contract and the changes made. Spear proceeded to update the Board on the changes to the contract. The definition of hockey club was changed to remove any reference to minor league hockey. Section 3.3 was modified to include the statement that, “the manager may not replace the Junior A Hockey Club with a minor league professional hockey club without the approval of IFAD.” Fuller pointed out that this section was missing the following language. “At such time as Manager determines to operate a minor hockey league franchise, this contract shall be subject to renegotiation of paragraph 6.3 between the parties to address this significant change in circumstances.” Spear also reviewed section 6.3 and referenced the escalation clause that was added to 6.3(a) and the language added by Centennial Management is 6.4. Spear explained that the word “approximately” needed to be removed from 6.3(b) and from 6.4.

Gazdik explained that a change to a minor league hockey team could go either way (revenues would be greater but expenses as well) and we would need substantial participation from the community before deciding to move to a minor league team. Gazdik asked about the last sentence that was added to 6.4 and the definition of revenue. Fuller suggested that the Board have Bill Kreuger review that language. Spear said it was important to get all the changes made and agreed upon with Centennial Management before sending this document to Kreuger. Spear said he would follow up with Centennial Management. Nitschke said the paragraph 6.4 was confusing and that if the Hockey Team was going to receive all food and beverage revenue, the contract should state that. Gazdik said Nitschke is correct, the contract specifically excludes catering revenue from hockey but not concession revenue. Fuller explained that we are still waiting for Exhibit G which is the Subordination, Non-disturbance, and Attornment Exhibit. Fuller said this provides the language for assignability and that if IFAD fails to make payment on the certificates of participation, and the financial institution takes the building back, it allows the management agreement to be assigned to the financial institution. Fuller indicated that Brad Patterson, of Gilmore Bell, said that because the document (Exhibit G which is the Subordination, Non-disturbance, and Attornment Exhibit) was created while he was at his previous firm, he did not have access to that document and has been working with the City Attorney’s office of that client to secure a copy.

1. **Discussion Item –** Review and discuss updated financing plan from Raymond James. Spear presented the most recent financing plan from Raymond James that was developed assuming Tax revenues at 75% of 2019 levels for 2021, 85% for 2022, 95% for 2023 and then returning to 100% from 2024 on. The schedule assumes a 2% growth rate per year for the first eight years of the plan and is based on a BBB- rating. The plan also assumed a final GMP of $55M. As Spear explained the rating agencies would like a 1.25 debt coverage and this plan shows approximately a 1.14 debt coverage. Spear indicated we would need to get to a 1.15 debt coverage to be able to move forward. Spear said that this plan would generate $58.25M and includes $10M from IFAD and another $3M in fundraising. Out of the $58.25M there would be approximately $54.93M available for construction because $2.63M is required for a reserve fund and there will be $697k of expenses associated with issuing the debt. Spear said to ensure IFAD would have $10M available to contribute to this financing plan, Spear presented a long-term revenue and expenditure proforma for fiscal 2021. At the end of 2021, it is estimated IFAD would have approximately $10.9M available for financing after operational expenses are covered.

Gazdik asked if the projections are based on a 75% revenue estimate and if 2019 is the base year. Spear said that the pro forma is based on a 75% estimate for 2021 and 2019 is the base year. LoBuono asked about the interest rate on the debt that IFAD would be paying. Spear said he doesn’t have the exact number but believes it is at 4.5%. Spear explained that this type of transaction is very appealing to investors right now because it is considered high yield and backed by a long-term revenue stream. Spear stated it will be very important for the Board and the Executive Director to take an active role in managing the finances of the facility, once it is open, by monitoring revenues and expenses each month and making the appropriate adjustments. It will be important to find ways to increase revenues or decrease expenditures, with the goal of ensuring that Event Center revenues cover expenses at the end of each year.

Spear shared the proforma and explained that no capital expenditures were included in the projection because the goal would be to expend the funding received from the sale of the certificates of participation first which allows for IDAD’s fund balance to grow. Fuller asked if the proposed CRSA fees for the rebidding package are reflected in the projection. Spear said they are not because he anticipates that these fees will be recovered once the certificates of participation are sold.

1. **Action Item –** Approve CRSA’s Architectural and Engineering Fees for the rebidding process. Spear summarized the request and referred the Board to the CRSA contract language that explains the process in the event of a termination or postponement. “9.2 If the Owner suspends the Project, the Architect shall be compensated for services performed prior to notice of such suspension. When the Project is resumed, the Architect shall be compensated for expenses incurred in the interruption and resumption of the Architect’s services. The Architect’s fees for the remaining services and the time schedules shall be equitably adjusted.” Spear then referenced the CRSA proposal and explained the $111,380 request includes amounts for consultants but does not include the recent approval for additional HVAC work. DeKold explained that this exercise includes repackaging of all the bid documents and updating them with the addendums that were approved. DeKold emphasized this was not just sending out previously prepared bid packages.

Nitschke said he would like to see more detail to justify this expense. As Nitschke explained, this request seems like a lot of money for just repackaging the bid documents. The bid documents were only prepared a few months ago and there hasn’t been much changed to the design. DeKold said that this is essentially performing another bid phase of the project and is more than repackaging. DeKold said the last time, this phase cost $130k and now they are requesting $111k. DeKold said CRSA is preparing a cleaner and an entire new set of documents. Nitschke responded that he would like to see more detail even though the amount was reduced from $130k to $111k. It seems like there is a lot less work involved because the majority of the work was done on the original packages. Nitschke recommended that we engage the Nations Group to review this request and validate that it is a reasonable amount. Gazdik agreed and said that is a fair statement and recommended that Spear contact Nations and ask for a review in order to help the Board establish a baseline and have something to compare it too. Fuller said it was important to have this work detailed so the Board has complete understanding about what it has paid for and to avoid any misunderstandings. Spear said that CRSA provided some preliminary information on the cost and indicated $83k was for CRSA’s services and $27k was for the consultants. Spear said it would be helpful to have each amount broken out and detailed. Spear outlined to the Board that of the original $1.6M fixed fee contract, 8% of that was earmarked for the bidding phase. Gazdik asked if this request was time sensitive. Dekold said it was time sensitive but that CRSA could wait until the November 10 meeting for approval. Gazdik said if necessary, the Board could call a special meeting.

1. **Action Item –** Discuss the impact of alkali–silica reaction (ASR) in concrete footings, tilt walls and sidewalks and possible mitigation strategies (Fly Ash (different types), Lithium, outsourcing aggregates or in combination). Steve Keller of Keller Concrete will join the Zoom call at 8a. Spear asked Mike Clements to identify the participants. Mike introduced Steve Keller of Keller Concrete, Mike Horrocks Pocatello Ready Mix and Ben Kaan of Thornton Tomasetti (structural engineer on the project). Keller provided an overview of ASR and mitigation strategies. Keller explained that ASR is caused from the aggregate. Unfortunately, Idaho Falls is an area where there is an abundance of active aggregate. Keller discussed the ways to mitigate ASR: the use of Lithium which is a chemical; the use of different fly ashes (biproduct of burning coal) and the use of aggregate that is not prone to ASR reactions. Keller said for this project Keller said they used a combination of these strategies to address ASR. Going south, following the Snake River, the problem of ASR in the aggregate diminishes the farther south you go. Exposure to moisture can accelerate the ASR issue.

Mike Horrocks then explained the requirements of the State in regard to ASR. Mike said there is a test for the aggregate called ASTM C1567. The State recommends using a minimum of 25% of fly ash and the fly ash being used must be approved by the State. Horrocks said for the last 15 years they have been using a great fly ash out of Arizona; however, these plants are now closed. Horrocks said the State requires testing of the fly ash that is going to be used and also requires ASTM C1567 test once the fly ash is mixed into the concrete. Horrocks said fly ash has become extremely expensive. Currently they are trucking fly ash out of Illinois which has shown to be a very consistent and effective fly ash. Horrocks mentioned there is also a Canadian Ash but it is difficult to find and a Utah fly ash has proven to be not very effective. Horrocks explained that some aggregate is extremely reactive, and some is not. The ideal situation is to use aggregate that is not reactive because you eliminate ASR from the start. If a project is going to use aggregate without any mitigation, the State requires proof of non-reactive aggregate. In summary, Horrocks said the aggregate out of Pocatello has proven to be the least reactive and requires less mitigation. The farther north you go, the aggregate is very prone to ASR. Horrocks said the use of fly ash is very environmentally friendly because it is a byproduct from the burning of coal.

Kaan added that from Thornton Tomasetti’s standpoint they want all structural elements (footings, tilt up walls and bowl concrete) mitigated by using non-reactive aggregate (with proof) or through the use of additives, lithium, or fly ash. Kaan said it is important to get input from people in the area who are dealing with this ASR issue on a daily basis to provide input and direction. Kaan asked if the State preferred fly ash or lithium?

Horrocks said he has used both lithium and fly ash for decades. Lithium is becoming extremely expensive because of the use in lithium batteries. Fly ash is cheaper. Lithium comes with several problems. It is an accelerant and requires a retardant or a stabilizer and impacts the finishability of concrete. Horrocks said the only issue with fly ash is air entrainment, (intentional creation of tiny air bubbles in concrete) but it aids in finish ability. Horrocks said the reason he is so favorable toward the Pocatello aggregate is because it is less reactive. The Pocatello aggregate comes out of the Portneuf drainage and geologists say this is part of the Great Salt Lake drainage and not part of the Snake River drainage. He said proof of this working effectively is evident in past projects and referenced the sidewalks in the city of Pocatello that have survived two plus decades using 6 1/2 bag concrete with the Pocatello aggregate. When you get to 7 and higher bags of concrete then you can start seeing the effects of ASR.

Kaan said he agreed with Horrocks and finding non-reactive aggregate is the best approach.

Keller explained for this project the value engineering exercise resulting in suing a combination of less reactive aggregate and fly ash because this was the least expensive approach. Horrocks said what they are finding out is when lithium is required on a project, they are seeing fly ash used with a little lithium. Horrocks said when using both you are creating problems from two additives instead of one. For example, lithium impacts concrete set times and fly ash has the air entrainment issue which has to be closely monitored.

Horrocks said it all comes down to the ASM C1567 test. It doesn’t matter what additive is used; the test must show minimal expansion after 16 days to show the mitigation is working.

Clements asked Keller what exactly was recommended for the project and the cost savings. Keller said they settled on hauling aggregate from Pocatello and using fly ash for mitigation that resulted in a $300k savings. The fly ash recommended is an expensive fly ash.

Spear shared the value engineering exercise to the group showing the cost savings using fly ash instead of lithium. Spear said it shows $31k savings in sidewalks and $311k savings in tilt panels. Spear showed that the use fly ash instead of lithium was recommended in exterior slabs and the face of tilt panels, no ASR mitigation in footings, interior slabs, and backside of structural tilt panels. Spear questioned not having footings mitigated because Kaan recommended that footings be mitigated. Kaan said the interior slab on grade does not need to be mitigated because there is a moisture barrier below it and the slab will be sealed. Kaan said they recommend footings and tilt panels be mitigated because this a facility where you will be creating and melting an ice slab and it will create humidity. Spear asked specifically if the interior of the tilt panels needed to be mitigated. Kaan said because they were exposed to the humid air, the interior panels would need to be mitigated.

Gazdik asked about the potential for discoloration of the concrete because of the use of fly ash. Keller said that was a concern, but when you use consistent fly ash this problem is minimized. When coal is burned carbon will be present in the fly ash and can cause discoloration. Keller said the reason they haul fly ash from so far away is to have consistent fly ash. Horrocks said the Illinois fly ash is consistent and has shown no discoloration. Horrocks said he recommended viewing the overpass near Pocatello that used the Illinois fly ash. Keller said that temperature, humidity, weather can play a role in the discoloration of concrete but over time the concrete will whiten and blend. What they can control is consistent fly ash, slump (thinness, thickness) in the concrete.

Spear summarized this discussion stating that it was important to utilize Pocatello aggregate and Illinois fly ash. Nitschke stated that he was pleased to see we are adhering to an ASTM standard. He also pointed out the VE savings took credit for not treating the footings and interior panels. These must be mitigated. Clements said he will work with CRSA and Thornton Tomasetti to get these mitigations into the specifications.

**Report and Updates**

1. **Discussion Item** - Executive Director Report
	1. Fundraising and Budget Update. Spear said revenues and expenses are holding constant and that financials should be available for the next Board meeting after September revenues are received. Fundraising is moving forward, and Spear said he had several positive meetings last week. He said he continues to follow up on outstanding proposals and referred the Board to his weekly Executive Director report for details.
	2. Pioneer Road and Event Center Construction progress report. Spear said he is not aware of any outstanding punch list items. Clements said all the punch list items are done and they are waiting for a few final invoices before issuing the final payment requests.
	3. State Tax Commission Collections Update. Spear said he has been in contact with the State Tax Commission and they have communicated that they have identified the problem with the Airbnb collections. Spear said there was discussion about who was entitled to the late fees. Spear said he reviewed the State Tax Commission MOU but did not find any reference to late fees. However, because IFAD compensates the State Tax Commission on a quarterly basis, Spear said he communicated to the Commission that any late fees should be remitted to IFAD.
	4. Action Items
		1. Spear to follow up with Centennial Management to resolve outstanding contract items
		2. Upon agreement of Centennial Management contract, Spear to contact Bill Kreuger of CSL to get a final copy of his report
		3. Fuller will continue to work with Gilmore Bell to get Exhibit G, the Subordination, Non-disturbance, and Attornment Exhibit
		4. Spear will follow-up with Raymond James for additional financing information and plans
		5. Follow up with CRSA for additional documentation on services for the rebidding package
2. **Discussion Item** – Fuller briefed the Board on the City deciding to use Certificates of Participation for the construction of the new Police Station. Fuller explained there is a community sentiment that the use of Certificates of Participation is a method to skirt the bonding process. Fuller said he has been approached, in his political position, to explain Certificates of Participation. As Fuller explained, Certificates of Participation are legal and have been approved by the Idaho Supreme Court. Fuller asked if the Board has any objection to his involvement with this issue and providing an explanation on Certificates of Participation. Fuller felt it is in the best interest of the Board to be proactive in explaining Certificates of Participation. Gazdik asked Fuller how he intended to communicate this issue. Fuller said he has been approached by a local radio station and that he would use the newspaper to educate the citizens about Certificates of Participation. Spear stated he was in favor of getting out in front of this issue, being transparent and providing factual information. Gazdik said it was important to inform the public and more information is better in this case. Fuller said people feel that the issuance of Certificates of Participation has the potential to cost the citizens of Idaho Falls and there is just no possibility of that**.**

Chad Hammond felt it is was important to visit with the mayor before starting to communicate to the general public. Gazdik requested that Fuller and Spear visit with the mayor and then bring the matter back before the Board.

 C**alendar and Announcements**

1. Upcoming IFAD Meeting – **Next Meeting on November 10, 2020**
2. **Discussion Item** - Announcements and Minor Questions
3. **Discussion Item** - Agenda Items for November 10, 2020 meeting
	1. Review and discuss Centennial Management contract
	2. Review detail for CRSA’s invoice for rebidding services

Meeting adjourned at 9:06a