

**Board of Directors Business Meeting**

**Tuesday, November 10, 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, Blake James, Kevin Greene, Chad Hammond, Trenton Saxton, Kevin DeKold,**

**Agenda**

1. **Action Item** - Call to Order 7:01a
2. **Action Item** - Accept the Agenda – Spear said agenda item VI needs to be removed for the agenda. LoBuono moved to accept the agenda. Vucovich seconded. Motion passes.
3. **Action Item** - Accept the Consent Agenda
	1. Meeting Minutes – 10-27-20
	2. Review of the Payables/Financials. Gazdik explained the reason that taxes receivable was 50% higher than the previous year was because there is now a two-month lag in getting receipts from the State. Gazdik noted that it was encouraging that IFAD receipts for September were 79% of budget and for the year 65%. Gazdik said the tax receipts are currently showing net collections (less the State Tax Commission fee). She suggested the gross collections be reported as revenues with the State Tax Commission fees listed as an expenditure under Professional Services. Spear said he would work with Preston Groom of WIPFLi to correct. LoBuono moved to approve the consent agenda, Vucovich seconded. Motion passed.
4. **Discussion Item** –Public Comment (Any member of the public is welcome to take three minutes and share concerns or questions with the Board). No public comment.
5. **Discussion Item –** Review Centennial Management contract changes and discuss additional exhibits for signature. Spear presented the changes to the management contract that were agreed upon by Centennial Management. Spear reviewed with the Board changes that were made to section 3.3 which included adding the following sentence; “At such time as Manager determines to operate a minor hockey league franchise, this contract shall be subject to renegotiation of section 6.3 between the parties to address this significant change in circumstances.” Spear also reviewed the changes to section 6.3. The word “approximately” was removed from 6.3b and 6.3c. Section 6.4 was modified to clearly state that concession and catering revenue would not include revenues from Hockey Club games. Spear stated the definition of revenue for concessions and catering was defined “to mean gross sales (including rental revenues received from third party vendors subcontracting with the Concessionaire) less taxes, uncollected credit card charges, discounts, tips and service charges (as well as any items sold at “cost”). Spear said it was important to Centennial Management to remove items sold at cost from any commissions.

Spear referred to Exhibit G, which is the Subordination, Non-disturbance, and Attornment Exhibit. Fuller then briefed the Board saying that this document allows the trustee to operate the facility in the event that IFAD defaults on its payments. Fuller explained that he has modified the document to remove any reference to a Hockey team. Because IFAD is not going to directly contract with a hockey team, any reference to the hockey team must be removed. Fuller said he is hopeful that all the exhibits will be finalized by next meeting and the contract ready for Board approval.

Nitschke expressed concern with section 3.3 because it only allows for 6.3 to be renegotiated. Nitschke felt this could be very restrictive to future boards. Gazdik stated that the contract requires IFAD to be consulted before a minor league team is added. Gazdik said she is not sure what other items would need to be changed if a minor league hockey team was added. Fuller said in his opinion, other than the revenue sharing, whoever plays on the ice should not impact the other items in the contract. Nitschke said he thinks just limiting any renegotiations to revenues is insufficient. Nitschke stated there may be other things we learn after several years of operation that may also need to be changed. Gazdik said she is comfortable because the entire language of 3.3 requires IFAD to be part of the process for bringing in a minor league hockey team. Gazdik said the plan is to have contract ready for review and signature for the next Board meeting.

1. **~~Discussion Item –~~** ~~Review and discuss updated financing plan from Raymond James~~
2. **Action Item –** Approve CRSA’s Architectural and Engineering Fees for the rebidding process. Spear summarized the proposal and indicated the new proposal is for $80,010. This amount reflects approximately 65% of the cost for the original scope of work. Spear said the proposal does allow CRSA to be compensated for work that would exceed the 65% proposal. He provided the example that CRSA, because of a more competitive bidding cycle, may need to answer more questions. DeKold said CRSA is hopeful that a clean set of documents will increase bidder confidence and reduce CRSA’s work. Again, DeKold said additional bidders could result in more work for CRSA. LoBuono asked about the net cost and how the original estimate was reduced from $110k to $80k. DeKold responded that there are three numbers to keep in mind. First was the original cost of $128k, then the first estimate for the rebid of $111k to the now $80k which is based on 65% of the original scope of work. Gazdik explained the fee breakdown is about half to CRSA and half to the sub consultants. Nitschke asked if the proposal only works one way and if the work is less than 65% will the CRSA fee be reduced. DeKold said they would be open to that and said it is totally driven by the addendums and the amount of questions. Those are the indicators of CRSA’s effort. DeKold said he doesn’t anticipate this will happen because there will be a significant level of interest in the rebid. Nitschke stated he is supportive of paying for work that CRSA performs, he just doesn’t want to pay for work they didn’t do. Gazdik asked for a motion stating that IFAD would adopt the fixed fee amendment of $80,010 with the caveat that the fee could increase or decrease depending on the actual work performed. LoBuono moved to adopt the fixed fee of $80,010. Vucovich seconded. After discussion and Fuller recommending that one line, be modified to the proposal stating, “that both CRSA and IFAD reserve the right to readdress the fee if efforts exceed or fall below 65%.” LoBuono amended his motion to adopt the additional language and give Chair Gazdik the authority to sign the amendment with the changes that fixed fee could be adjusted by both parties if work efforts exceeded or were below the 65% threshold. Vucovich seconded. Motion passed unanimously.

1. **Discussion Item –** Review draft 2021 Budget for IFAD operations. Spear shared the projected end of the year 2020 budget and a projected 2021 budget. Spear said he projected out the remaining expenses for 2020 in order to arrive at an ending fund balance because the ending funding carries forward to 2021. Spear estimated 2020 October and November revenues at 70% and included the remaining $500k in capital expenses for Pioneer Road and Event Center Phase I. Spear said he did not identify any capital expenses for 2021 because in the event that certificates of participation are sold, any capital related expenses incurred could be reimbursed because of the resolution adopted by IFAD. Gazdik asked if the cash flow reflected actual revenues through September. Spear confirmed that the revenue figures were current. Spear also stated he was confident the 70% revenue collection estimate is achievable because of the recent Airbnb reconciliations. Spear then shared with Board the year to date collections from the third-party marketplace facilitators (Expedia, hotels.com, travelscape) along with the Airbnb revenues. Spear indicated that the District has collected over $109k from these entities and that these are revenues that were not realized in the past. Spear said he has communicated this information to Raymond James for inclusion in a financing plan. Nitschke asked about the State Tax Commission fees and why they were not reflected in the 2021 budget. Spear said this was an oversight and he would make those adjustments. Nitschke also asked about fundraising expense and a placeholder for an owner’s representative. Gazdik requested that the Board provide Spear with any other changes to the budget and that the Board should expect a final budget to adopt during the next Board meeting. Spear said if construction started in the spring, another fund would be established for all capital expenditures. The Board would then have a fund for operations and one for capital expenditures.
2. **Discussion Item –** Review communication strategy for Certificates of Participation (COPS). Spear said the proposed press release was prepared in consultation with Mr. Fuller. Spear explained some of the details of the release, stating that the use of certificates of participation is an Idaho Supreme Court approved financing plan. Spear asked Fuller to share his thoughts about the press release. Fuller said he has two concerns, first is the City of Idaho Falls intention to use COPS financing for the construction of a $60M police station and his expectation that political conservatives will push back on the use of COPS. Fuller referenced the ADA county commissioners using COP financing to fund a $38M jail expansion and some media opposition to this financing plan. Fuller explained that there is a lack of understanding about the use of COPS and that some media outlets are referring to the use of COPS as trickery and in violation of the Idaho constitution. Because bonding requires a 2/3rd voter approval, Fuller stated that in his opinion it would be important to get out in front of this issue and educate the public. Fuller explained the use of COPS is legal and that IFAD already received 63.32% voter approval when the District was formed. This method of funding places no risk on the citizens of Idaho Falls and is simply taking advantage of the opportunity presented by the financial markets. The purchasers of the COPS bear the financial risk because future IFAD boards can elect to not allocate annual funding toward the payment of the COPS. This places all the risk on the purchasers of the COPS and not on the citizens of Idaho Falls. Fuller said the document provides good information, however, how it is distributed is the key. Fuller thought that simply releasing the document to a local media outlet would result in the document being modified and could link the City’s use of COPS with IFAD’s potential use of the COPS. His recommendation was to pay to publish the document as it stands and to do it weekly for four weeks. Failure to get ahead of this could result in the citizens believing the use of COPS is wrong. Fuller said he anticipates that that publishing this in the newspaper would see the newspaper supporting the use of COPS for constructing the police station and also the use of COPS for constructing the Event Center.

Gazdik asked if the City has been informed of this strategy. Spear said this has not been presented to the City because he felt it was important to have a document approved and agreed upon before such a meeting. Spear then asked Mayor Casper if she would like to comment. Mayor Casper said she is grateful that we are thinking about educating the public because it is very difficult to get some messages out and this is a tricky one. She thought by publishing this, it might be a good way to get this information out. And then once the City has its public discussion on November 23, the public may already be informed. Mayor Casper said the emphasis is that COPS are legal and don’t bind the citizens and places the risk on individuals who purchase the COPS. This is important information. It also is important to use this method to help reduce delays in construction and cost escalations. She would love to say that the Auditorium District is using COPS and the City is using COPS in order to lift each other up. Mayor Casper stated that the City of Chubbock issued COPS last December for a new City Hall and they sold out within two hours and received no public pushback. Chad Hammond thought it was important to find other examples across the state that have used this type of financing. Hammond said he passed the proposed media release around his office and people were questioning why this is showing up when it hasn’t been identified as an issue. Hammond also expressed that although the document was well put together, it was hard to read. Gazdik asked if Hammond was concerned about bringing an issue to the forefront when it doesn’t need to be. Hammond agreed. Gazdik said she likes the idea of adding to the document that this is not new financing and include examples of entities that have used COPS. Hammond said there were several sentences that could be misconstrued and needed to be reworded. Vucovich stated that the document should be expanded to educate the public about the room tax. Vucovich also recommended that the third bullet be deleted. Hammond agreed that the third bullet was confusing and, although true, seemed wrong. Gazdik suggested that Fuller work with Chad to revise the document. Fuller explained it would be better to have Spear work with Hammond as he has already provided the legal background.

Nitschke said he shares Hammond’s view and questions why we are raising the issue. Nitschke said we should sell the COPS and move on and not put ourselves in a position to have to defend the use of COPS. Fuller said as legal council to the Board he recommends that issuing a communication to the public is something the Board should consider. If the Board doesn’t think this is an issue, then the Board should just address the issue if it comes up. Fuller said the Board used to have a frequently asked section on the website and should consider putting an explanation of COPS on the website. Gazdik said education is important and having it on our website may be a better alternative. Hammond said he would draft a document and provide to Spear for review.

**Report and Updates**

1. **Discussion Item** - Executive Director Report
	1. Fundraising and Budget Update. Spear informed the Board that IFAD received a $50k commitment ($10k per year for five years) from the MDU Foundation. Spear said the Business Advisory Committee (BAC) had a good meeting with several assignments being made to committee members. Spear said he is working with a BAC member to determine how to apply for a INL economic development grant because INL requires the requesting organization be a 501 (c) (3). Spear said several key meetings are coming up in the next few weeks.
	2. State Tax Commission Collections Update – addressed in agenda item VIII.
	3. Action Items
		1. Get Centennial Management Contract ready for approval
		2. Work with CRSA to add language to the rebidding scope of work
		3. Adjust 2021 budget for approval at the 11-24-20 meeting
		4. Spear work with Hammond to draft an FAQ on COPS for the website
2. **Discussion Item** - Legal Report. Fuller said there was nothing further to discuss.

 C**alendar and Announcements**

1. Upcoming IFAD Meeting – **Next Meeting on November 24, 2020**
2. **Discussion Item** - Announcements and Minor Questions
3. **Discussion Item** - Agenda Items for November 24, 2020 meeting
	1. Management Contract
	2. 2021 Budget
	3. COPS FAQ/Document

Meeting adjourned at 8:19a.