

**Board of Directors Business Meeting**

**Tuesday, November 24, 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**

**Agenda**

1. **Action Item** - Call to Order 7:03a
2. **Action Item** - Accept the Agenda. Spear recommended moving agenda item VIII to the next meeting since the report was received late on November 23. Spear also said that agenda item XI would not be discussed as Spear and Hammond have not met to discuss the informational piece on Certificates of Participation. Gazdik suggested leaving those items on the agenda and if there is no discussion, we can move to the next meeting. LoBuono moved to accept the agenda. Vucovich seconded. Motion passes.
3. **Action Item** - Accept the Consent Agenda
	1. Meeting Minutes – 11-10-20. Spear said that changes submitted by Fuller and Nitschke have been included.
	2. Review of the Payables/Financials. Spear pointed out there is a new annual expense from the New Sweden Irrigation District. Fuller stated the levy includes both canals.

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 comments.
2. **Action Item –** Review and accept final CSL study. Spear briefly reviewed the changes to the study requested by Gilmore Bell. Spear stated that Gilmore Bell wanted language confirming that CSL conducted benchmarking research with respect to use of comparable arenas by comparable hockey teams and use of differing arenas by comparable hockey teams. Spear indicated that Bill Krueger placed the following wording in the document. “Additionally, CSL conducted benchmarking research with respect to the use of comparable arenas and event centers by comparable hockey teams and use of differing arenas and event centers by comparable hockey teams. The research included obtaining a number of private management and food and beverage agreements associated with comparable arenas and event centers in operation throughout the country.” Nitschke asked for clarification of that sentence because it looks like it is stating the same thing twice. Fuller responded that Gilmore Bell’s concern was that we have a state-of-the-art system with a semi-pro team, and Gilmore Bell wanted to be sure that other state of the art facilities were reviewed for our level of team. Most comparable facilities house a professional hockey team. Fuller said when you read the sentence, they are talking about the use of comparable arenas and event centers by comparable hockey teams and use of differing arenas and event centers by comparable hockey teams. Fuller explained it is not possible to evaluate the facility IFAD is constructing with the level of hockey team that will utilize the facility. Fuller said the primary purpose of the CSL report is to provide research and address the items that are necessary for the tax attorneys to give IFAD the opinion necessary to sell the certificates of participation. Fuller said the tax attorneys have now stated they will issue that opinion. So, the CSL report is not for public consumption, it is for IFAD’s tax attorneys. Fuller stated that all the changes to the CSL study were motivated by the tax attorneys and not IFAD.

Nitschke said that background was helpful, but the sentence is still confusing. Gazdik appreciated Fuller’s explanation and asked if there were other issues with the changes to the CSL study. Fuller wanted the Board to know that Krueger performed additional work, and this was an expansion of his review.

Nitschke had two more questions; why is Fuller referring to a semi pro team and why is he describing the facility as state-of-the-art facility. Fuller said the use of semi-pro was incorrect but that the reference to state-of-the-art facility was based on this being a brand-new facility and that we are pushing the envelope in some areas such as HVAC and audio-visual equipment. Nitschke stated that state of the art is when we are buying things nobody else has.Spear indicated that the Board may have the opportunity to adopt some unique mitigating strategies once the HVAC study is reviewed. Nitschke said he is not sure what Spear is asking the Board to do and that he still has the same reservations as in the past. Nitschke described that CSL was not able to identify any comparable amateur team situations that we could compare, and the management contract ended up with revenue splits for hockey based on a professional team and not an amateur team. Nitschke said the report fell short of what he would have liked to see. Spear said that his intent was to bring closure to this issue. As long as the report remained a work in progress, people were constantly making changes. Spear said it is important to finalize this document so it can be delivered to Gilmore Bell and allow them to issue their opinion that is required to sell the certificates of participation. Because of this, Spear said it is important for the Board to formally adopt the study. Fuller reiterated the purpose of the study was to satisfy our tax counsel and used the example that this study is like an appraisal for a bank. Fuller recommended the Board approve this study and agree that CSL has satisfied its contractual obligations. Nitschke said the Board ended up writing a scope of work and part of an acceptable product is that it addresses all the items in the scope of work. LoBuono made the motion to adopt the CSL report. Gazdik seconded and asked Fuller if Gilmore Bell has accepted the report. Fuller responded that Gilmore Bell has accepted the report. Motion passed 3-1. Gazdik, LoBuono, and Vucovich voted yes. Nitschke voted no.

1. **Action Item –** Review Centennial Management agreement and the exhibits and approve for signature. Gazdik acknowledged that a significant amount of work was done over the past two weeks and asked if the Exhibits were the only changes to the contract. Fuller said there were some pagination issues and spelling corrections. All the changes were clerical and none of the internal language was significantly modified. Most of the work was on the Exhibits. Fuller mentioned the first draft of this agreement was sent to IFAD in September of 2012. Fuller explained that Exhibit F, the private use analysis, was not updated. Fuller recommended that Exhibit F be reviewed and updated every year because there are so many unknowns regarding how the various spaces will be used in the future. Some private spaces may become public spaces and vice versa. Fuller said a number of changes were made to Exhibit G, SUBORDINATION, ATTORNMENT, and NONDISTURBANCE AGREEMENT which requires Centennial to operate the center even if IFAD is not involved. Fuller said all references to the hockey club were removed from Exhibit G. Fuller explained that Exhibits C and H included drawings of the space to be utilized. Exhibit D list the FF&E for the facility. Fuller said the contract has been sent to Dave Elmore. Fuller said if there are changes requested by Elmore, these changes will come back to the Board. Gazdik asked if Gilmore Bell has approved the changes and Fuller indicated they have, focusing their review on the tax issues.

Nitschke stated that there are some house cleaning things that need to be done on the Exhibits. Nitschke referenced some changes that needed to be made to the table of contents. Nitschke said he didn’t understand why Exhibit C and H were the same document. Fuller explained the documents are the same, but one identifies IFAD’s space and the other the manager’s space. Nitschke felt there should be one Exhibit that was referenced for both areas. Fuller said he felt that having the same Exhibit for C and H was easy to understand. Nitschke went on the ask why the title for Exhibit F was so long. It should just be called the Private Use Analysis. Nitschke asked why the title of Exhibit G did not include the entire title? Nitschke also wanted an explanation of the Exhibit F. Fuller said this document was generated by Gilmore Bell and was designed to identify the private and public use space in order to comply with IRS regulations. Spear explained that it was a struggle to get finality to this document (Exhibit F) and is the reason why Fuller recommended the document be reviewed every year. Spear said that the first spreadsheet is simply calculating all the square footage in the arena and breaking out the private use space (bad space) and public use space (good space). Once this is done a percentage is calculated and applied to the cost of the event center. Nitschke said he understands square footage and the reason locker room space for the hockey club would be private, but didn’t understand why the locker room space, when used by high school sports, would still be considered bad space. Spear said the next page of the Exhibit actually breaks out the percent usage by the hockey team. Spear said he believes the document does reflect when the space is used privately vs, publicly. Nitschke asked where the 6,570-hour figure came from. Fuller said it is 18 hours per day x 365 days per year. Nitschke said he would like to talk to the person who prepared the Exhibit. Nitschke did not think hockey would utilize the facility for that many days and hours. Spear said the document was prepared conservatively when identifying private use space, in order to provide flexibility and ensure compliance with IRS regulations. Spear agreed that it is not an easy document to understand but is a document Gilmore Bell will rely on to issue their opinion. Fuller explained he would fix the issues relating to the table of contents. Gazdik called for a motion to approve the agreement for signature. LoBuono moved to adopt the agreement for signature. Vucovich seconded.

Nitschke said he would like a discussion and went on to explain his reservations of the contract. Nitschke said he still has small, medium, and large concerns with the contract as written. An example of a small thing is we couldn’t get the use of the arena definition appropriately defined, it was just copied from the Maverick Center. For the medium things, the document throughout references these applicable standards. These are totally vague and Nitschke said he has tried repeatably to get clarity and has been told there are industry standards. When Nitschke questioned the industry standards he was told these just relate to comparable facilities. He then asked how these were identified, asked how you would go about determining what would constitute an applicable standard, and for examples of comparable facilities. He received no answer from Centennial Management. Nitschke said his concern is for future boards and when something comes up, there will be no understanding of what an applicable standard is. Nitschke says the term “applicable standard” appears multiple times throughout the document. Nitschke said he is still concerned about the length of the contract and that concern was confirmed by the CSL study. He is also concerned that Centennial has only operated one additional event center, that had annual operating losses ranging from $260k to $1M over a ten-year period. Nitschke doesn’t believe they will operate close to what Centennial’s pro forma indicated. Nitschke said he has asked for changes to the pro forma, like enhanced cleaning costs, that were never added in. Nitschke went on to say the pro forma was based on the Chukars organization and, in his opinion doesn’t believe the Chukars will exist in the present form. He said he has never been happy with the revenue splits being the same for professional hockey and amateur hockey. Nitschke claims the contract was never competitively bid and he has brought this up before. Nitschke claimed there would be a lot more interest in the management of the facility if the parties knew that the Board was responsible for losses versus the manager.

Gazdik explained that these items have been discussed by the Board in the past and asked if there were any comments regarding Nitschke’s concerns. Spear said that leaders and organizations get what they allow. In the case of the Maverick Center, the City of West Valley is comfortable allowing the Maverick Center to show a deficit at the end of the year. Some of the deficit appears to be attributed to expenditures and revenues being transferred out of Maverick Center operations. Spear said it will be very important for the Board and Executive Director to monitor revenues and expenditures on a monthly basis and ensure the center operates at a break-even level. It is important to always have your pulse on the operations of the center.

LoBuono, said that when you have contract over 50 pages long it is always going to be subject to different interpretations. LoBuono said he is not concerned with the minor league baseball issue, because that can be addressed when it becomes clearer. Essentially the contract meets our concerns, and we must understand things will change over time. LoBuono said we need to approve the contract. Gazdik asked Vucovich to comment.

Vucovich said it is unfortunate that there are not 40 other similar facilities in the country to base a study on. Vucovich said the numbers have been reviewed and discussed over and over. Vucovich sides with Gilmore Bell and trusts that the contract contains everything we need to comply with IRS regulations. Vucovich asked Spear if there was another company that provided information about operating the facility. Spear said the District did receive information from another company. Vucovich said some of the questions won’t be answered until the facility is opened and that he personally experienced this when opening several of his businesses. Sometimes you have to make assumptions and that is what we need to do here. We will never have 100% of the answers.

Gazdik said the concerns raised by Nitschke will be noted and reflected in the meeting minutes and stated that the Board has discussed these concerns in the past. Gazdik called for a roll call vote. Nitschke voted no, LoBuono voted yes, Vucovich voted yes, Gazdik voted yes. Motion passes 3-1. Gazdik said depending on the Elmore Sports Group comments, the Board may still need to address any comments made by the Elmore Sports Group.

1. **Discussion Item –** Review and discuss updated financing plan from Raymond James. Spear referred the Board to four funding scenarios: $53M, $54M, $55M, $56M. All scenarios require the District to contribute $13M to the financing of the project from a combination of tax receipts and fundraising.

Spear reviewed the revenue assumptions and noted that revenues for the first three years were based on 75% of 2019 levels for year one, 85% for year two and 95% for year three. The annual revenues are based on 2% growth rate for the first 8 years of the financing plan. After year 3, new revenues increased significantly based on additional hotel nights generated by the center being opened, and the dollars generated by third party marketplace facilitators (Expedia, hotel.com, etc..) and Airbnb rentals. Spear was clear to point out that these revenues (Expedia, Airbnb, etc..) have not been recognized in the past.

Spear also pointed out that the District would not have a debt service payment for 2021. The debt payments are also lower in the second and third year and gradually increase through year 12 and then settle at $2.4M per year through year 30. The scenarios project a debt coverage ratio ranging from 1.14 ($53M) to 1.22 ($56M). Spear said 1.15 is the minimum to achieve a rating, with 1.25 being ideal. All scenarios assumed a BBB- rating and a 12 month draw schedule. Spear said it is important that at least $3M in donations be secured. Spear said that he briefly discussed with Raymond James an intermediate financing plan for the next three years, to get the project started, and then sell COPS. This should allow District Tax receipts time to recover to 100% of 2019 levels.

Gazdik asked about the third-party marketplace revenues and Airbnb revenues and said they don’t appear to be recognized in 2021. Spear said that was correct. Gazdik mentioned that the new TRT revenue figures were based on the Hunden report that indicated once the center was open, it would increase room nights. Gazdik pointed out that the large increase in 2024 from new revenues could be where the third-party marketplace facilitator revenue and Airbnb revenues are reflected. Spear agreed and pointed out that base year revenues of $2.397M could actually be increased by $125-150k because year to date revenues from this source (market place facilitators and Airbnb) was already $109k and this is a COVID year. Spear said that although the State Tax Commission has identified short-term revenues from Airbnb, there are still revenues available from entities who do not conduct business through Airbnb.

1. **Discussion Item** – Review HVAC study prepared by Spencer Howell of VBFA. Gazdik stated this would be moved to the next meeting.
2. **Action Item –** Review and adopt 2021 Budget for IFAD operations. Spear presented the 2021 budget with adjustments made for possible Owner’s Rep expenses and fundraising expenses through March. Gazdik called for a motion adopt the 2021 budget. LoBuono moved to adopt the 2021 budget. Vucovich seconded. Motion passes
3. **Action Item –** Approve IFAD to partner with the Exchange Club to pursue grant opportunities. Spear presented to the Board that in order for IFAD to be eligible to apply for INL grants, it must be recognized as a 501(c)3 organization. Spear provided INL with the legal interpretation that as a political subdivision of the state, IFAD is eligible to receive contributions which may be tax deductible as a charitable deduction by the donors. INL still determined IFAD is not eligible and in the future may reconsider the need to be a 501(c)3 organization. INL recommended that IFAD find a 501(c)3 to partner with. Spear said the Exchange Club is willing to submit an application partnering with IFAD. Spear explained the grant would be for audio visual equipment that could be used to enhance the mission of the Exchange Club which is focused on preventing child abuse.

Gazdik asked if the Exchange Club is comfortable with providing all funding received to IFAD and how that would that look. Spear said the funding would flow to IFAD and that the Exchange would gain visibility and could possibly find unique ways to use the event center for fundraising opportunities. Gazdik asked if there is any arrangement in place with the Exchange Club. Spear said there was not an arrangement, but one would need to be established once the funds were awarded.

Gazdik said this appears to be a good opportunity. Gazdik asked if there was a motion to partner with the Exchange Club. LoBuono moved to allow IFAD to partner with the Exchange Cub for applying for INL grants. Vucovich seconded. Nitschke asked if there was a downside to this and whether it keeps us from engaging with other 501(c)3 groups. Spear stated that he was just focused on finding an entity to partner with and had not consulted with any other 501(c)3 organizations besides REDI.

Gazdik stated that this actually opens up other opportunities for businesses and clubs to help facilitate moving this project along. LoBuono said this grant request is only focused on audio visual and that in the future there could be other areas of partnership. Gazdik asked Spear if he felt there was any downside with this arrangement. Spear said it is a possibility that another 501(c)3 could be offended by the arrangement but he doesn’t know who that 501(c)3 organization could be. Nitschke stated that he doesn’t know about the Exchange Club and just didn’t know if there was some baggage, and if there was baggage he would like to know ahead of time. Spear said he wasn’t aware of any baggage. Gazdik indicated the Exchange Club could also be a future partner for other grant opportunities.

Gazdik called for a vote. Motion passed 4-0.

1. **Discussion Item –** Review communication strategy for Certificates of Participation. This was moved to the 12-8-20 meeting.

**Report and Updates**

1. **Discussion Item** - Executive Director Report
	1. Fundraising, Budget Update and State Tax Commission Collections Update. Spear said a lot has already been discussed but wanted to point out the estimated fund balance moving into 2021 was estimated at $10.7M. Spear said he finally received the detailed tax collection reports from the State Tax Commission for September and was pleased to see that this did not include any of the outstanding Airbnb revenues because the 82% collection rate compared to last September was accurate. Spear said the month of November would need to remain open until January in order to capture all the 2020 collections. Spear mentioned that he communicated with Host Compliance and with the State Tax Commission about identifying other short-term rental properties and that there may be an opportunity to collect on these revenues.
	2. Event Center Timeline. Spear provided an updated timeline in response to Board member Nitschke’s request to have a more integrated schedule where all the activities (fundraising, financial planning, preconstruction activities) are identified and includes any hold points and go/no go decisions. Spear shared the timeline and stated he elected to be very specific and sorted it by date. Spear reviewed the timeline and focused on the need to raise a million dollars by 12-31-20, achieve the 75% of 2019 TRT revenues levels by 12-31-20 and the need to have new GMP by 3-17-21. Spear said it is difficult to determine which is the most important of these items as they are all critical to moving the project forward. Spear then asked the Board for feedback.

Gazdik asked if the financing dates integrate to what Laura Lewis provided. Spear said for the number of days required for each item it did. Nitschke asked what decision is required prior to sending bids documents out. Spear said ideally you would like another $1M in fundraising and assurance that revenues will be at 75% of 2019 levels. Nitschke said he is still trying to understand who will determine when the project is a go or no go. Is it Raymond James? Gazdik said it is a circular decision and the GMP is critical to determine how much funding we actually need. Nitschke said because we need an GMP and we can’t get a GMP until we send the bids out, irrespective of the funding, that is what we need to have. At least that is what is being told to Nitschke.

Gazdik said these items were put into place in order for the Board to see if progress is being made. In January, the Board will need to review revenues and determine if we are comfortable moving forward. Gazdik said the timeline gives us a guide in determining how to move forward. Vucovich said that if we ask for another GMP, we are showing commitment and that by the end of January we need to know where fundraising stands. Nitschke asked who was reviewing the bid documents? Spear said CRSA and Bateman Hall were reviewing. Clements said his crew and Hogan are reviewing and will forward to CRSA and to Nations Group. Clements expects all of CRSA’s documents to be done by 1-4-21 and then Bateman Hall will review. Fuller asked if these would be available for the Board to review. Clements said the Board could review if they choose. Nitschke said he did not recall approving the bid documents last time. Clements said the Board needs to review the HVAC study and determine what direction to proceed.

* 1. Action Items
		1. Board to review HVAC
		2. Spear to complete INL grant with Exchange Club
		3. Spear to work with Hammond on COPS educational piece
1. **Discussion Item** - Legal Report. Fuller needs updated address information from Board members. LoBuono needs to re-register since he has a new address.

 C**alendar and Announcements**

1. Upcoming IFAD Meeting – **Next Meeting on December 8, 2020**
2. **Discussion Item** - Announcements and Minor Questions
3. **Discussion Item** - Agenda Items for December 8, 2020 meeting
	1. HVAC Discussion
	2. Adopt 2021 meeting schedule

Meeting adjourned 8:57a