

**Board of Directors Business Meeting**

**Tuesday, February 23, 2021, 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, Bob Nitschke, Steve Vucovich, Mike Carpenter, Rob Spear, Mark Fuller, Mike Clements, Blake Davis, Kevin DeKold, Laura Lewis, Russ Stenquist, Kevin Greene, Rebecca Casper**

**Agenda**

1. **Action Item** - Call to Order 7:03
2. **Action Item** - Accept the Agenda. Vucovich moved to accept the agenda. Carpenter seconded. Motion passed.
3. **Action Item** - Accept the Consent Agenda
	1. Meeting Minutes 2-9-21
	2. Review of the Payables/Financials

Carpenter moved to accept 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). Russ Stenquist congratulated Steve Vucovich on receiving a Businessman of the Year award. Gazdik asked Stenquist to provide information on the award.
2. **Action Item** – Review financing scenarios from Lewis, Young, Robertson & Burningham and select an investor

Laura Lewis presented the verbal details of a proposal received from Nuveen. Lewis said Nuveen sharpened their pencil to IFAD’s benefit and recommends that IFAD move forward with the Nuveen proposal. The proposal is a 30-year Certificates of Participation (COPS) at 5.25% fixed rate, down from its original proposal of 5.50%, with capitalized interest of one-year. Nuveen wants the reserve fund cash financed. This reserve will be funded from bond proceeds. The transaction is considered a direct purchase, where the investor purchases all the COPS. The COPS are callable after five years at a 1.02 premium. That reduces to par after 7 years. After six years, a 1.01 premium would be due. Lewis said all the transient room revenues would be deposited into a lock box. This means that instead of the TRT revenues flowing from the state to IFAD’s account, the revenues would be placed in a trustee account where the trustee would keep 1/6 of the interest and 1/12 of the annual principal payment each month.

Lewis reviewed the coverage schedule and explained that there are elements that appear reasonable. The TRT revenues starting in 2021 are based on 2019 levels. Revenues are assumed to increase by 2% a year, additional room revenues once the facility opens increase fairly significantly the first nine years and then level off at a 2% growth rate. Lewis explained the revenues left after debt service payments are not phenomenal but should cover the estimated $200k of IFAD operating costs. Lewis said her hope is that transient room taxes will be higher than anticipated and that there may be additional revenues generated from the operating agreement. Since the Nuveen proposal is currently all verbal, Lewis said the next step is to put this into a term sheet and start the due diligence process.

Gazdik asked if the $11M of IFAD funds included the amounts ($2.53M & 1.57M) listed as revenues available after debt service in 2021 and 2022. Spear said those numbers were not part of the $11M. Gazdik then asked if those revenues ($2.53M & $1.57M) were available for FFE and to cover any operational shortfall. Spear indicated that was true.

Spear asked Lewis if Orix had sharpened its pencil and come back with another offer. Lewis said they did come back with another offer, but it was not as good as Nuveen’s. Specifically, Orix did not adjust its interest rate. Spear asked if Orix still allowed to call after four years at par and asked about future interest rate risk. Lewis said no one can predict future rates but does not think they will increase 4% in the next 4-5 years. Lewis said because this is a direct purchase (Nuveen buying all the COPS) this provides IFAD with more flexibility to negotiate if a worse-case scenario happened.

Lewis said there will continue to be demand for tax exempt paper because there is a lot of cash in the market and also because the ability to “advance refund” was taken away. Since bonds can now only be refunded after the call date, there is not a lot of refinancing taking place and this has dried-up tax-exempt paper. In the past, refunding made up 40% of the tax-exempt municipal bond market. Lewis believes the demand, while not as high as today, will stay strong into the foreseeable future.

Gazdik asked Lewis to compare the Orix and Nuveen proposals and the call dates and whether Nuveen was approached about a shorter call period. Gazdik assumed a request to shorten the call date would result in a higher interest rate. Lewis confirmed Nuveen was approached and said the interest rate would be higher.

Lewis said the ORIX proposal is a blended structure involving capital appreciation bonds and is very complicated at a 5.75% rate. The Orix structure actually builds up debt rather than pay it down. Lewis said she is not a fan of capital appreciation bonds. These only work if you knew you had a big chuck of revenue coming in after a period of time, such as 10 years.

Carpenter asked if Orix was notified there was competition and whether they were willing to lower their interest rate. Lewis said all of those conversations have taken place between the underwriter and the potential investors.

Spear asked if the call date from Orix was still four years at par. Lewis consulted with Raymond James and confirmed the callable dates were earlier, but the premium was much higher. The premium started out at 5% after three years, 4% after four years and 3% from years 5 through 7 and declined to par after ten years. The Orix transaction also included a 98% of original bond issue discount. Spear stated a 1.02 premium was estimated to be about $800k and could be rolled into a refinancing plan.

Nitschke said he recalls Lewis being uncomfortable with a 1.10 debt service coverage. Spear said that was the minimum threshold for a rated transaction. The current financing scenarios are not going to be rated transactions. Lewis confirmed this was the case. Spear said once construction risk is removed (the building is completed), IFAD would be in a much better position to offer a rated transaction. Possibly in the ‘A’ category.

Carpenter stated even with Nuveen’s lower interest rate, the structure offered by Orix could still be preferable.

Spear reminded the Board that even if the Board accepts to move forward with one of the proposals, everything is still dependent on an attractive Guaranteed Maximum Price (GMP).

Gazdik asked if Nuveen was requiring a debt service coverage. Lewis said Nuveen has not indicated a minimum coverage and that Nuveen was utilizing the same revenue stream listed in the coverage sheet and has not seen the assumptions used.

Spear asked if Nuveen would require an updated Hunden study. Lewis said Nuveen would still need approval from its credit committee and may request the study be updated.

Lewis said it is her recommendation that IFAD pursue moving forward with the Nuveen proposal. Lewis said for years and years, financing has been just outside the reach of IFAD and now is just inside the reach of IFAD. While Lewis wishes COVID-19 hadn’t happened and this could be a rated transaction with lower interest rates, this is what she would do if in IFAD’s shoes. Especially if the construction costs are favorable.

Lewis said the next steps would be to get all the documents prepared by the various counsels (bond, underwriter, and disclosure) which would include a limited offering memorandum. There will still be a point in time, once all the due diligence has taken place, and all the documents are prepared, that the Board will need to take action to formally approve the COPS sale.

Gazdik expressed concern that if the GMP came in too high and the Board was unable to proceed with the Nuveen proposal, if this would be perceived as not acting in good faith? Lewis said it wouldn’t because the investor wants the building to constructed.

Fuller wanted clarification that remaining TRT funds available in 2021 and 2022 could be used for Furniture, Fixtures and Equipment (FF&E). Lewis said those dollars were available for that purpose.

Spear also reminded the Board that the financing plan would deposit $52M into the construction account and if the construction GMP was less than that, those funds would be available for IFAD use to cover FFE or operations.

Lewis asked about timing for the GMP. Spear said bids are due by March 9, 2021 and the final GMP to be delivered by March 31, 2021.

Gazdik asked, based on Lewis’s recommendation, if the Board was willing to accept moving forward with Nuveen as the investor. Carpenter moved to accept that motion, Vucovich seconded. Discussion ensued.

Spear asked if any work performed by the various counsels would still be able to be utilized in the future. Lewis said the limited offering language may need to be redone but this is work that will not be lost.

Nitschke asked how much FFE would cost. Spear said that answer would be part of the GMP but is estimated to be $4.5-$5M. Fuller asked if the money needed for FF&E was included in the $11M that IFAD was contributing for construction. Spear said it was not. Lewis said the $11M is included in the sources and uses statement as part of the $52M available for construction.

Motion passed unanimously

Gazdik asked how long it will take to get the documents drafted. Lewis said Stephanie Bonney will draft the documents once the term sheet is received from Nuveen. Lewis expected the due diligence would take about one month and that the Nuveen would want to see the final GMP.

Spear asked about using a portion of IFAD’s $11M to procure some startup materials, like steel, before the financing plan was put into place. Lewis said she would ask that question.

1. **Action Item** – Discuss and approve process for announcing Board vacancies.

Gazdik introduced the topic and stated that IFAD does not have a process in place to replace Board members.

Nitschke said the process should be simple and suggested posting any Board vacancy on the IFAD website, on social media accounts and possibly in the Post Register. Nitschke’s goal is to make Board vacancies well known.

Carpenter said he agreed with Nitschke and said vacancies should be posted. He said the current Board should also do its own due diligence on identifying potential new Board members (e.g., do they reside in the District), but the process needs to be simple.

Gazdik suggested posting the announcement for a week and once potential candidates are identified have Fuller verify address eligibility. Then the Board might ask for a bio and ask candidates to attend a Board meeting to present themselves. Nitschke said there are really two instances, the first is one when there is a tragedy or someone resigns, we would follow the process outlined by Gazdik. Second, when there is an election coming up, the Board should announce Board vacancies and the election process to make sure people know. Nitschke said he attended some IFAD Board meetings before he decided to run. Nitschke stated he had reservations on how the most recent Board vacancy was filled although he did not have reservations of the result.

Carpenter cautioned that a formal process does guarantee a cohesive Board or one that stays together for a long period. Nitschke said he just wants the process to be more than word of mouth because we must give people who might be committed to the project an opportunity.

Fuller said from a historical aspect there have been 10-12 Board members since IFAD’s inception. By statute, the Board has 30 days to fill a vacancy. After 30 days, someone can petition the judge, who established the District, to be appointed to the Board. Fuller said that process has never been activated. Fuller said whatever process the Board comes up with should have a 30-day deadline.

Gazdik asked if a written policy should be developed because it appears the statute covers how vacancies can be filled. Carpenter stated the statute should just be followed and used as the process. Nitschke said he is more concerned with the awareness factor because the statute dictates what we can and can’t do. The important thing is to get the word out that vacancies exist and ensure people have the opportunity to serve the community.

Carpenter stated when someone is appointed to fill a vacancy, whether for two months or six months, the backstop is the next May election or when the seat is up for election. Nitschke said he just doesn’t want the Board to be a secret club where Board positions get filled by people that are part of a closed society. It’s not a political affiliation it is an apolitical affiliation that is community based.

Fuller stated appointments to the Board are to fill the term of vacant seat. It is just a coincidence that Carpenter had been appointed and the seat is up for election in May.

Spear shared the current Board seats and the length of each term. Fuller said different seats carry different terms.

Gazdik asked if the Board wants to adopt a formal procedure to advertise and approve someone for a vacant seat. Nitschke said that is important to let people know when a vacancy exists and when there is going to be an election. Gazdik said it appears that we do not need to adopt a formal procedure. Vucovich thought it was important to advertise but keep it simple. Gazdik asked Spear to draft something that could be put on the Website. Nitschke asked that is be more inclusive than the website and suggested the Post Register and East Idaho News. Spear said he would draft something for Fuller’s review.

1. **Discussion Item** – Review and discuss security plan (card readers, door preparation, cameras). Spear said that it was important to get more detail for the bid specifications on how the event center would be secured. Spear indicated that Omni Security developed the plan that was included in the Board Materials. Spear said representatives from Omni Security, Bateman Hall, Centennial Management, Perkins Will and CRSA participated in several calls. Spear explained that OMNI security suggested installing 14 card readers and preparing 3 other doors for future card readers. Card readers costs about $2200 each and prepping a door costs about $150 per door. Spear also showed where 31 (3 of which would be 360-degree cameras) cameras would be located in the facility and the locations for 10 future cameras. Spear explained the camera locations are placed with the goals of being able to follow an individual throughout the facility.

Nitschke asked where is the security plan? Spear explained that when Nitschke was part of the building community he may recall seeing a plan developed by CRSA that referenced exterior security (e.g., bollards) and internal security (e.g., cameras and magnetometers). Spear indicated a formal security plan does not exist but the plan before the Board is to provide information on how the internal security of the building would work. Nitschke responded that this is not a plan and what is being presented is an answer to a plan. A plan would have a purpose and objectives. Spear said this plan has a purpose and that is to identify security needs in order to get the security package out for bid and to identify the doors that would require specific hardware. Spear said if the Board wants a more sophisticated security plan, it will need to be drafted.

Gazdik asked if Centennial was involved in these discussions. Spear said Kevin Bruder and Kevin Greene were involved and that Bruder provided the security layout of the Maverick Center.

DeKold said that Perkins Will was also involved in the discussion.

Nitschke said we are just fragmenting and have only pulled out a couple of things, cameras, and card readers. Other security features need to be defined. Nitschke said he has not heard about metal detectors, security personnel and stated there needs to be an overarching security plan developed that defines what the objectives are. Then you can identify the tools necessary to satisfy those objectives. Spear said the basis was Omni security. They are security experts and they designed this based on the goals of the operator; securing access, ability to see the facility and the ability to track someone from point entry into the facility, have cameras over the ice especially in off hours. Spear said Nitschke makes a good point, but that Omni Security has provided a secure plan for the facility. Spear said if Nitschke wishes to have formal security plan that he would take that on and make sure the document being discussed is incorporated into such a plan. Spear said he would make sure he visited with the operator to make sure their philosophy is incorporated into the plan. Spear said the purpose of today’s presentation was to make sure we had enough information to get an accurate GMP. Nitschke said that may (an accurate GMP) not be the case if things need to be added like employee theft, personnel safety, cybersecurity. Nitschke went on to say that it needs to be decided that if the cameras need to see every spot in the facility. Do you need cameras in the luxury boxes, locker rooms, bathrooms.? Nitschke said it is important to specify what the cameras will do.

Spear then reviewed the camera locations identified in the plan and explained the opportunity will exist in the future to make modifications. Spear said it was important to get something in the bid documents. Spear asked DeKold and Clements to comment.

DeKold said Spear hit the nail on the head and that it was important to get something that is feasible out to bidders. DeKold said things can be changed later and that the plan is robust and covers almost every scenario that may come up in the future. DeKold said there was a lot of involvement and input into the current design and DeKold thinks it is appropriate.

Carpenter stated that the purpose of the Mountain America Center is much different than the controlled access of an INL facility. Thus, there is a need for a different set of security needs. Carpenter does not see a need to expend resources on developing a formal security plan.

Nitschke said he was not sure why Carpenter referenced the INL. This event center, like any facility, has specific security needs and requirements. First you must decide what the requirements are and then determine camera locations, card readers and armed guards and other types of security techniques needed to satisfy the requirements. This information needs to be captured up front. Carpenter responded that we wouldn’t know what the security needs of a Disney on Ice would be and doesn’t understand the need to identify anything more than what has been provided.

Clements stated the security system has always been part of the package and what has been presented are the details. It is common to delay these until the end because of the change in technology. Clements questioned as to why it is in front of the Board at this point. He said a formal plan could be in front of the Board but not the details for the bid process. Clements said the Board has already approved the design of the facility. Nitschke asked if there were any design requirements for the security system. Blake Davis said they are going off the standard designs for a facility like this. Davis said this discussion is out of context and that we have months to perform a formal security plan and months to change. As far as the GMP, if the current design gets us to 90% of where we need to be, the GMP will be more accurate. Carpenter agreed and said it was important to move forward with the GMP. Carpenter asked if this approach is common when constructing a facility of this size.

Dekold responded and said there are several ways to do this. There is much more information this time than the last bid process. DeKold said last time they had a plug-in number and this time they are sharpening the pencil to allow for a more accurate bid and agreed with Davis that this is 90% of where we need to be. DeKold said we are actually being more proactive than most projects. Most wait until the end and are subject to huge number swings.

Fuller asked why are we treating this as an addendum, why wasn’t this included in the original bid packages to include cameras and card readers? DeKold responded that the biggest reason is that all the players (owner, operator, contractor, etc..) had not been to the table to discuss the details. Having Division 28 (the security package) be listed as owner supplied in the previous bid basically removed this from the GMP.

Vucovich asked about future cameras. Spear said these extra cameras would be attached to the building to view the parking lot and the outside of the facility. Nitschke said, so we have no cameras for the parking lot? I don’t remember that being discussed and bought into. Spear said that discussion probably should have happened before the light pole bases were put in. Omni security said wiring would have needed to be installed in the parking lot in order for cameras to be installed on light poles. Spear said that is why there are additional cameras suggested for the outside. Spear said he is sure there are sophisticated cameras that can capture views at a long distance. Nitschke said that is exactly why we need to sit down and decide what we need. Nitschke thinks we have a hole with these parking lots scattered around with no security cameras out there to protect against things like vandalism. There is not a major facility in town, Wal Mart, that doesn’t have cameras in the parking lots for various reasons, car accidents, fights, whatever. Nitschke said all of this should have been in an overarching security plan.

Vucovich said that at his facility the cameras are installed on the building and can go out 300 ft. These cameras can identify accidents but don’t have the ability to zero in on license plates. They can identify the make and model of a car.

Spear said the purpose of the agenda item was listed as a discussion item to make the Board aware that we are moving forward with security details to allow for a more accurate GMP.

Gazdik said this was a good discussion and is something that should come before the Board at a future Board meeting. Gazdik said it seems like Spear discussed security requirements when communicating to the Board on where cameras and card readers would be placed in the facility and thinks these statements can be memorialized in a document at some point. Nitschke asked about other features like portal monitors, metal detectors, explosive detectors, what are we doing about that. These items could cost a lot of money. Spear said once the facility is under construction those discussions can take place. Spear said the Board will need to decide if they want security guards with wands or magnetometers. Spear said he was opposed to spending money on a formal security plan until a GMP is finalized. The GMP will dictate whether or not IFAD can move forward.

Carpenter mentioned that the Department of Homeland Security had funding available for these security type things to protect communities. Carpenter explained that grants can be written to underwrite some of those costs. Spear agreed that is a goal for the future, once construction starts, and is one the District will need to focus on. Nitschke said you are digging yourself another hole because if you fail to design the features necessary you may miss opportunities. This is why you do this thought process up front. Nitschke suggested finding out what the requirements of a grant are. It is so much easier to design things correctly than to adapt later.

Spear said he believes the plan presented is solid and did look into the future and had good involvement from the operator and the security company. The plan provides a good look as to what the security system would look like in the facility.

**Report and Updates**

1. **Discussion Items** - Executive Director Report
	1. Fundraising/Financing – Spear referred to the Executive Director report and the activity taking place. He said there are a number of proposals outstanding that need to be followed up on. Spear said Bonham Wills is in discussion with seven major companies on various naming rights. Spear said that he and Carpenter met with Mario Hernandez and discussed how Mario would assist in meeting with potential donors. Spear pointed out to the Board that Hernandez said that for the month of January, Teton Toyota and Teton Volkswagen sold 100 more vehicles than in any other January in its history. Hernandez attributed this to the positive publicity he received from the Teton Auto Group donation.
	2. State Tax Commission Reports – Spear said the State Tax Commission is now interested in pursuing and identifying other short-term rentals.
	3. Bid Process Update – Spear said there are several addendums being developed. Nitschke asked about the status of the Hunden report. Spear said he would follow up with Hunden.
	4. Action Items
* Draft Board Election Language
* Follow-up with Hunden
1. **Discussion Item** - Legal Report – Fuller complimented Spear on the Idaho Falls March magazine article and said it was very well written. Fuller said he had no formal legal report but said that he recently talked to Eric Browning of FinFun and their desire to support the facility on something that supported kids. He said Browning should be approached next year.

 C**alendar and Announcements**

1. Upcoming IFAD Meeting – **Next Meeting on March 9, 2021**
2. **Discussion Item** - Announcements and Minor Questions
3. **Discussion Item** - Agenda Items for March 9, 2021 meeting
* Review Hunden Report

Meeting adjourned 9:02 am