

**Board of Directors Business Meeting**

**Tuesday, May 10, 2022, 7:00 a.m.**

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

[**https://us06web.zoom.us/j/89086763231**](https://us06web.zoom.us/j/89086763231)

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

**Participants:** Terri Gazdik (Via Zoom), Rob Spear, Bob Nitschke, Mike Carpenter (Via Zoom), Mike Clements, Erik Hudson, Mark Fuller, Kevin Greene (Via Zoom), Kevin Bruder (Via Zoom), Rebecca Casper (Via Zoom), Alex Ortiz (Via Zoom), Ken Wheadon (Via Zoom)

**Agenda**

1. **Action Item** - Call to Order 7:03 AM
2. **Action Item** – Accept Agenda. Nitschke moved to accept the agenda. Gazdik seconded. Motion passed.
3. **Action Item** - Accept the Consent Agenda
	1. Meeting Minutes – 4-26-22
	2. Review of Payables/Financials. A payables list of $29,825.08 was reviewed and approved. Spear briefed the Board on the March financials and emphasized that the TRT revenues were $135K above budgeted amounts for the first four months of the year. The cash balance of the District is $2.046M. Nitschke moved to accept the consent agenda. Carpenter 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). There were no public comments.
5. **Discussion Item –**Receive a construction schedule update from Mike Clements of Bateman Hall and Ken Wheadon of CRSA. Clements said weather continues to impact the high roof completion because workers can only work half days. The roof is about 75% complete and could be completed within the next 7-10 days if the weather cooperates. Framing around the entrances is 80% complete and brick should start being installed soon. Despite the bowl not being completely dried in, the main concourse slab is three quarters done. The last pour is scheduled for 5-11-22. After the first-floor concourse is completed, the focus will be on the apron slabs which sit inside of the precast just around the ice rink. That will be followed by completing the pour back strips on the second level which attaches the pre-cast to the second-floor concourse. Decking has started and is expected to be completed in 2-3 weeks. Preparation for the sidewalks has begun.

The goal is to get the bowl area ready for the ice slab contractor who is due on site the first week of June. In order to be ready for the ice slab contractor, most of the overhead work in the bowl must be completed which includes installation of all the mechanical infrastructure, fire sprinkler system and painting.

If the ice slab can be poured as scheduled on 7-8-22, Clements said they will be feeling really good. A backup pour date is 7-22-22 in case they can’t make the 7-8-22 pour date. Over the next three weeks the focus will be on getting the exterior wrapped up and getting ready for the ice slab.

Clements said the big issue right now is the requirement to have a fire pump installed in the facility. The pump was part of the 2019 bid allowances but was removed in the 2020 bid as a possible VE item. In preparation of the 2020 GMP, Bateman Hall asked VBFA to conduct a fire flow test so Bateman Hall could inform the contractors of the water flows available for the design the fire protection system.

Between that first bid and second bid, Bateman Hall received flows from the city and when the fire contractor was awarded the project, he also conducted fire flow tests to verify that what VBFA provided was still good. This test was conducted over a year ago and at that time the fire flows were good and matched what VBFA provided. So, the fire system was originally designed based on those flows.

At the start of the project the fire protection installer double checked the flows and found the flows from the City had changed significantly. The bottom line is there is less water flow from the city than the value used in the original calculations. Clements said the change was attributed to the City’s growth. Clements stated that there are two options to correct this. Either redesign the piping in the arena and add additional piping or, add a fire pump to the system to bring up the flows. Redesigning the pipes will cost the project time, especially since most of the work would need to be done in the bowl area. Clements said when they presented this to the Fire Marshal, he recommended the installation of a fire pump. The fire pump is going to be an additional cost to the project. The only thing they are working through now is where the pump will be located because per code it must be enclosed. By going with the fire pump, the fire protection contractor can start piping in the arena. So Preferred Fire should be there this week in order to follow the schedule that is necessary to complete the bowl work before the ice rink installation starts. Clements estimates the cost will be between $50K and $75K.

They are still awaiting clarification whether the pump needs an automatic transfer switch that will wire the pump to a generator or if the pump can just remain on permanent power.

Fuller asked about what the enclosure entails. Clements said the fire pump has to be in a room separated from anything other than water services. He is hopeful the enclosure can be built in the back of the house near the water heaters. It will need three walls, a roof and a door that is fire rated for one hour.

Although Clements said putting in the automatic transfer switch for the power makes sense, the engineers have said it may not be required. The switch is a $20,000 item.

Ortiz asked if there were any lead times for the pump. Clements said the lead time were about 10 to 12 weeks and could be installed in the last 30 days before opening.

Spear asked Clements to comment on the HVAC changes in the banquet room. Clement said because of the additions to the air exchanges, this has not allowed the banquet hall be completed. It is important for the banquet room to be completed so the subcontractors can transition into the main bowl and work on restrooms, concessions and the offices.

Nitschke stated that he needed some more information and is not sure of the hang ups, how many issues there are, who gets to decide, and what you are asking the Board to do. Clements said he doesn’t really need anything from the Board. The engineer didn't have cooling capacity and the sound barriers required for that banquet room. This was identified by the mechanical installer in the form of a Request For Information (RFI) and then it was sent back to CRSA for a redesign to resolve the issue. They are just now trying to find the most cost-effective solution. Nitschke asked if it was just a dollar thing now? Clements said it is a dollar issue, ordering and scheduling issue.

Gazdik asked if Wheadon had any comments. Wheadon said the final resolution for the issue in the banquet room was based on the sound and reconfiguration and the water pump issue and enclosure is being reviewed by Dave Scott.

1. **Discussion Item –** Discuss process for purchasing remaining FF&E items. Spear presented a draft process for purchasing the remaining FF&E items totaling $818K which would be owned by Hogan and leased to IFAD. Spear suggested delegating purchase of all of the remaining items to the operator, Centennial Management. The process would follow State of Idaho purchasing policy as follows:
* For items less than $50K Centennial can purchase but should request three bids unless the procurement of personal property or services is through contracts entered into by the Idaho Division of Purchasing.
* For items greater than $50K and less than $100K the process will require Centennial Management to solicit 3 bids. Final selection will need approval of the IFAD Executive Director.
* For items over $100K the process will require a sealed bid process. The IFAD Board will approve any expenditure greater than $100K.

Gazdik asked if this has been reviewed with Centennial Management. Spear said he reviewed with Hudson and Hudson was comfortable with this approach. Hudson agreed.

Nitschke said it appears only one item on the list would exceed $100K. Spear said a package of items could exceed the $100K level. Nitschke said he was just trying to determine how much of the Board’s time would be required and didn’t think spending time on small items was worth the Board’s time.

Carpenter said he is comfortable with what has been presented. Gazdik asked Fuller if a vote is needed on this proposal. Fuller said it could not be voted on today but encouraged a vote take place at the next Board meeting.

Spear said he would modify and bring this back to the Board for the next meeting.

1. **Discussion Item –** Erik Hudson will provide background on Ticketing System. Hudson said an RFP was issued and he received six proposals and narrowed the list to four. Each of the four had an opportunity to present to Hudson and Spear. Hudson displayed a matrix summarizing the proposals received from four ticketing companies and said he would like to enter a negotiation phase with the highest-ranking company. Hudson said all the companies would provide the equipment because all ticket providers earn their money from fees. Hudson explained that he ranked each proposal on five categories:
	* 1. Service Fees/ Financial / Incentives (40%)
		2. Product & Technology (25%)
		3. Marketing Services (15%)
		4. Provision of services and support (10%)
		5. Delivery methods (10%)

To protect the confidentiality of the companies, Hudson assigned each a numerical code. Carpenter asked if the companies involved have a presence in this area. Hudson said all of them do but company 4 is a national recognized company.

Gazdik reminded Hudson that this was a discussion item. Hudson said he understands that but wanted to brief the Board on the process he went through to narrow the proposals into one so he could enter into the negotiation phase.

Nitschke said that if Hudson wanted him to approve something he would need more information, confidential or not. Nitschke would like to see what the design specifications were for this ticketing platform, the breakdown for the five categories used to rate the companies and how the weights were applied. Finally, how did Hudson and Spear come up with the final score. Was it averaged or done separately? Nitschke wants this documentation before the next meeting. Nitschke also wanted to know if the weighting for the service fees was based on what the customer pays or the center’s cut.

Hudson said the company he would like to negotiate with is company number 4 and after he has a final proposal he would come back to the Board and present the detail behind the categories. Nitschke wants to receive the materials well in advance of the next Board meeting.

**Action Item –** Approve Point of Sale System for Mountain America Center. Hudson presented a summary of the three proposals received based on the cost of the system. Hudson said Diamond Concessions will take on the annual operating cost of the software. Hudson displayed the cost of VenueNext package at $58,644. The software cost is $23,820. For company three the cost was $65,510 plus another $35,810 for the software. Company two was $158,555 and another $57,470 for the software.

Hudson said the design of the Mountain America Center presents a lot of access for the customer and it is important to have a point of sale (POS) system that meets the needs of the customer. Hudson said VenueNext provides a handheld device that will be great for suite ordering and loge box ordering. The devices have a full menu and the ability to process payments. Hudson said it is also equipped with a 4G telecom capability as well the ability to connect to center Wi-Fi. Nitschke asked about 4G already being somewhat obsolete. Hudson said the 4G access for a backup.

The VenueNext platform provides 52 fixed POS platforms, 25 handheld devices and 4 free standing, self-service kiosks. Hudson said the processing capability of the system is extremely quick. Nitschke asked if the system was going to be cashless. Hudson said even though we are moving to a cashless society all the stand-alone POS will be card and cash based.

This system will also allow a person the ability to order from their seat.

Carpenter moved to allow Centennial to move forward with the procurement of the VenueNext POS system. Gazdik seconded. Nitschke stated that he did not receive enough information or time to review and as someone who has oversight responsibilities, he can’t make a decision. Motion passed 2-0-1 with Nitschke abstaining.

1. **Action Item –** Approve Centennial Management Rate Card for the Mountain America Center. Hudson provided background information on the development of the rate card. He started his presentation by referencing the Management Agreement language that states, “At least annually, Manager shall produce, for approval by IFAD, a “Rate Card” for various arena and equipment rentals, sales and uses within the Arena. IFAD hereby grants to Manager the ability to deviate from the “Rate Card,” as needed, to negotiate individual event financial arrangements that may be necessary to attract those events to the Arena. Permanent adjustments to the “Rate Card” shall require the approval of IFAD. The “Rate Card” shall not apply to concessions, hockey club merchandise pricing, or event ticket pricing.”

Hudson displayed the initial pro forma that was developed by Centennial Management and based on several commissioned studies. Hudson referred to the revenue side and said he updated the suite/loge revenue numbers based on actual expected revenue.

Nitschke asked what the studies were that Hudson was referring to. Spear said previous studies focused on the revenue side and Hudson is going to use the expenditures from the pro forma to explain how these impact the rate card. Nitschke said he was a fan of using expenditures instead of focusing solely on revenues.

Hudson used the expenditure numbers from the pro forma and indicated the total $1.9M is the “hotel load” (costs associated with activities and fixed costs that will be incurred). This is the amount the center must cover in order to break even or make a small profit.

Hudson said as starting point he researched rates from 6 other comparable facilities and identified a cost per seat. The average rental cost of the comparable facilities was $1.75 per seat vs. $1.57 per seat for the MAC. For the conference space, Hudson used a cost per square foot. The average for the 6 facilities was $.27 per sq. ft. which is the same amount for the Blue Cross of Idaho Conference space.

Nitschke questioned the seating capacity of 6,000. Hudson said that is the capacity for a center concert and he is using that as baseline. Nitschke stated that IFAD has spent a lot of money on feasibility studies and the comparable arenas referenced in those studies should be used.

Hudson said he evaluated the convention space using cost per square foot and compared the Blue Cross of Idaho space with two Idaho Falls convention spaces.

Hudson then walked the Board through the calculation of the rental rates listed in the pro forma by calculating the rent for each of the anticipated events listed below:



Once Hudson calculated a rental rate for the main arena and convention space, he compared revenue estimates to the Centennial pro forma. He found that his rental revenue numbers were very consistent with the pro forma. This was the first test of the reasonableness of the rental rates.

Nitschke asked how costs for a rodeo vs full house graduation are comparable? Hudson explained a rodeo would have same rental rate, because the additional costs the rodeo would incur for manpower, hauling dirt in the facility, etc. would be charged to the promoter.

Carpenter asked if the data check numbers were just a baseline and wondered if the events listed could be increased. Hudson said it is more important to have more quantities of events and keep the rental rate lower, rather than raise the rental rate and have fewer events. This allows community groups to utilize the facility.

Carpenter asked if the value of the seat can be increased over time. Hudson said for large scale events they want to maximize rates and for community groups they want to discount the rate if possible.

Hudson then provided an example of a full house concert and all the revenues associated with the concert. He showcased the various charge backs (labor, curtain, etc.), and the estimated attendance. Hudson also showed an example of using the convention space and the various charges. Hudson then evaluated these examples with the original pro forma and found they were very consistent. Hudson indicated this was his second test on whether the rental rates were reasonable for the MAC.

The last test was taking a large-scale concert where every aspect of the facility is being utilized (labor, staging, chairs, lights, Wi-Fi, etc.) in addition to the rental rate. Hudson said these pro formas are develop using a national database called Poll Star. Poll Star provides ticket price averages, average gross sales, and attendance figures that allows someone to determine if a certain concert is viable. Hudson said they will consult with the technical rider and hospitality advisor (they identify the types of amenities requested by the artist (coffee flavor, snacks, etc.). He will also take the guarantee the agent is asking and plug this information into the spreadsheet. The ultimate goal is take the average ticket sales number and analyze all expenditures, including the rate card and determine the profit margin. The end result is the spreadsheet should show the center will make a small profit. Based on this analysis the $9,000 rental fee proves to be a reasonable rate. Hudson then briefly reviewed the revenues and expenditures associated with this event.

Hudson closed by saying Centennial Management doesn’t get paid a bonus nor does the management fee increase based on the net profit of the facility. Hudson said the rate card was developed and tested based on data available and he is confident the rate card is reasonable for this facility.

Nitschke asked if events would be booked even though they might lose money? Hudson said there will be events that the center schedules that do not do as well as estimated. There are also community events scheduled that contribute to the economic impact of the community where making a profit is not the goal. Hudson cited a study that was commissioned by a sports tourism entity that Hudson worked for which concluded that events that draw regional support, outside of hotel rental costs, contribute $65 per person per day to the local economy.

Nitschke said it sounds like the pro forma analysis would be done on a case-by-case basis and then a decision would be made on whether to host the event. If profit were the sole factor for determining whether to host an event this would be misguided.

Spear said a key component to event success is effective marketing and wanted to take a moment to introduce Kelsey Salsbery who was recently hired as the Marketing Director for the facility. Salsbery is an Idaho Falls resident who has a background in event center marketing and has spent the last 10 years in a marketing role for a local wealth management company.

Carpenter asked if the parking lot was going to be utilized as a revenue generator along with realizing there could be some unforeseen insurance expenses (i.e. running into a light pole, fender benders). Hudson said an entity renting the parking lot or facility will be required to provide proof of liability insurance. Hudson said for ticketed events there will be $3 per car fee charged. That will be added on at the time of ticket purchase. Hudson said the rate can be flexible.

Fuller asked Hudson to indicate in the large-scale concert pro forma where the facility fee and parking fee are shown. Hudson showed where the fees were calculated along with some other revenue items. Fuller pointed out in the example that half of the $25K profit was from parking and facility fees. Hudson that is one way to view it, but all revenues go into a pot and is offset by expenditures. Hudson said all venues charge facility and parking fees. Bruder agreed and said these are common fees and these fees have been included in the original proforma projections for a long time.

Nitschke wondered if there would be attendants collecting parking fees. Hudson said that would not be the case and any fee would be part of the ticket cost.

Nitschke suggested that free parking could be advertised, and you could just add $3 to the cost of a ticket. Hudson said the 1500 parking spaces will allow easy access into the facility.

Hudson said he would like to seek the Board’s approval for the rate card presented. Gazdik stated that there is a lot of detailed information to process but the process and assumptions used to develop the rate card make sense.

Fuller commented from a legal standpoint there are several steps that would need to be taken to satisfy the IRS Revenue Procedure for control over use of the managed property and annual approval of the rate card. Fuller said because of the low attendance of Board members and that only 40% of the Board members approved the previous agenda item it might be prudent to delay approval until the absent Board members have an opportunity to review and approve.

Gazdik asked about the concern for delaying the rate card approval. Bruder said he would recommend voting on the rate card today and then Centennial would come back in September to again brief the Board. This rate card is a living document that is subject to change and can be reviewed more than just once a year. Because events are already being booked it is important to have an approved rate card. Gazdik said it is a good idea to discuss the rate card at a future date but recognizes the need to approve the rate card today because events are being booked. Hudson said he is spending 5-6 hours per day visiting with promoters and indicated he already has holds on the calendar for June of 2023.

Spear reminded the Board that it will be approving the annual budget before the opening.

Carpenter said his motion is to approve the rate card as long as the Board has an opportunity to revisit the rate card in August or September. Gazdik seconded the motion. Nitschke commented that he was pleased that the analysis included looking at actual expenditures rather than averages that were found somewhere else. However, he was concerned that he is only receiving the detailed information now rather that last Friday. He can’t approve things that he has not had a chance to review beforehand. Nitschke said because of that he can’t support the rate card but will not vote against it. Nitschke said Hudson’s presentation should have had an entire page of references detailing where the numbers came from. Gazdik said the Board will have the opportunity to review the rate card in three months but feels it is necessary to move forward today.

Carpenter and Gazdik voted to accept the rate card subject to review in 90 days. Nitschke abstained. Motion passed.

**Report and Updates**

1. **Discussion Item –** Update from Erik Hudson and Kevin Bruder on Mountain America Center Operations and discuss communications plan. Spear said Hudson is awaiting feedback on the communication plan. Nitschke said he will review but said the current plan was more of a to do list. Communication is important and all the audiences must be addressed. The current plan is lacking and should include things like press releases. Hudson said he would engage Kelsey Salsbery in development of the plan.
2. **Discussion Item** - Executive Director Report
	1. Fundraising/Cash Flow Update – Spear said he has updated the cash flow projections and will provide to the Board. Bonham Wills has submitted a proposal for the mezzanine.
	2. State Tax Commission Reports – Covered under the financial statement review.
	3. Construction Update/Change Orders – Covered in construction update.
	4. Action Items
		1. Process FF&E payments
		2. Start procuring remaining FF&E items
3. **Discussion Item** - Legal Report. Fuller complimented the Executive Director on his efforts for completing the FF&E financing plan.
4. **Tour Event Center –** There was no tour.

 C**alendar and Announcements**

1. Upcoming IFAD Meeting – **Next Meeting on May 24, 2022**
2. **Discussion Item** - Announcements and Minor Questions
3. **Discussion Item** - Agenda Items for May 24, 2022, meeting
	1. Approve FF&E procurement process
	2. Approve Ticketing Platform Purchase
	3. Approve Communication Plan
	4. Construction Update
	5. Modify 2022 Budget
	6. Tour construction site

Adjourned 9:20 AM