

**Board of Directors Business Meeting**

**Tuesday, September 12, 2023, 7:00 a.m.**

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

[**https://us06web.zoom.us/j/81550338998**](https://us06web.zoom.us/j/81550338998)

**Event Center Drive, Idaho Falls, Idaho 83402**

**Room 2416**

**Participants:** Rob Spear, Terri Gazdik, Lisa Casper (via Zoom), Mike Carpenter, Ron Warnecke, Mark Fuller, Erik Hudson, Spencer Monk, Jennifer Bjornlie, Kevin Bruder (via Zoom), Catherine Smith (via Zoom)

**Agenda**

1. **Action Item** - Call to Order 7:00 AM
2. **Action Item** – Accept Agenda - Carpenter moved to accept the agenda. Warnecke seconded. Motion passed
3. **Action Item** - Accept the Consent Agenda
	1. Meeting Minutes – 8-22-23
	2. Review of Payables/Financials – A payables list totaling $10,296.48 was reviewed and approved. Spear clarified the payment to East Idaho Hockey was for 10 season hockey tickets for Cal-Ranch per the donation term sheet. Spear said this was the last year of this two-year obligation.

Spear provided the following comments on the July financial statements:

1. Expenditures were higher than normal because of the $114K payment to Bateman Hall.
2. TRT revenues are $75K higher than budgeted with July TRT revenues equaling $371,941 versus a budget of $373,708.

Warnecke moved to accept the consent agenda. Carpenter 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). There were no public comments.
2. **Action Item** – Discuss and approve a schedule for future IFAD Board of Director meetings. Gazdik suggested moving to one meeting per month and asked Fuller if this is an issue. Fuller said that it was his understanding that moving forward, the IFAD Board would meet once a month. Warncke and Carpenter agreed that scheduling one meeting per month is appropriate and suggested other meetings could be scheduled as necessary. Spear suggested keeping the September 26th meeting to discuss 2024 budgets, adoption of the Notice of Renewal for the annual lease appropriation and possible refinancing discussions. Gazdik, Casper said they are not available on 9-26-23. Spear said he could provide all budget documents via email, make adjustments, and provide a 2024 budget for approval at the 10-10-23 Board meeting. Board members agreed to move forward with one meeting per month. Gazdik said it appears that the meetings would be on the first Tuesdays of the month for October, November and December of this year and then could transition to the fourth Tuesday of every month. The fourth Tuesday is better for Centennial Management to present monthly financial information. No action was taken because the IFAD Board meeting calendar has been set for 2023. Fuller said no action is needed for meetings that may not be held. Action will need to be taken to adopt the 2024 IFAD Board meeting schedule.

1. **Discussion Item –** Discuss insurance premium increase from Idaho Counties Risk Management Program (ICRMP). Spencer Monk of The Hartwell Corporation presented and explained the large premium increase from ICRMP and possible solutions:
2. Monk presented a document that contained language from ICRMP stating the reason for the 67% increase. “On behalf of the ICRMP Board of Trustees, I wanted to provide some context to this year’s estimated renewal premiums. As with every April meeting, the Board reviewed ICRMP’s current financial position and discussed the program’s estimated future funding needs. Those needs are mainly based on estimates regarding trends in both claim frequency and severity as well as market costs to secure adequate reinsurance backing.

Unfortunately, the reinsurance marketplace has become extremely challenging over the past five years with 2023 being the worst so far. Both liability and property reinsurers are reducing limits, and coverages, while significantly increasing pricing. Due to this market deterioration as well as ICRMP’s own adverse claim development, the program will need to increase renewal premiums more this year than in recent history.

Being local elected officials themselves, the ICRMP Board fully understands the budgetary challenges Idaho public entities face. The ICRMP Board strives to provide members with the best property and liability insurance coverages possible, while balancing the need for maintaining stable, affordable pricing.

As an insurance pool, all ICRMP members share the cost of claims which is the driving force behind premiums. The ICRMP Board strongly encourages all members to contact our risk management team to take advantage of training and resources to reduce your entity’s claims and risk exposures. If each of us takes a small step in risk reduction ICRMP as a whole can take a large leap toward ensuring future stable pricing and coverages.”

1. Monk said ICRMP provides key coverage in the following areas:
	1. Property, Liability, Errors & Omissions, Flood/Quake, CYBER, Employment Practices Liability Insurance (EPLI).
2. Monk presented the following options to IFAD for just property insurance for a $59M building replacement cost:
	1. Cincinnati Insurance Co
		1. Property Only-$58,425 ($25k deductible)
	2. Travelers Insurance Co
		1. Property Only-$74,635 ($25k deductible)
	3. Liberty Mutual- declined to consider
	4. CHUBB- not responsive
3. Monk stated that if one of the property insurance options was chosen then Mono Line policies would need to be procured for:
	1. Directors & Officers
		1. $12,000 to $14,000
		2. Rated off Assets managed
		3. Would include EPLI
	2. CYBER
		1. $8,500 to $9,500
		2. Rated off projected revenue
		3. MFA would be required for IFAD and Vendors
	3. Liability
		1. 25-30% of Property Premium
	4. Flood/Quake
		1. $10mm limit-$30,000 to $40,000
		2. $59mm limit-$125,000 plus
			1. Subject to 5 to 10% loss deductibles
4. Monk said ICRMP is a great product and cautioned the Board that if it chooses to purchase Mono Line policies it would lose other coverages provided by ICRMP such as $50K coverage for active assailant coverage (shootings), law enforcement liability and sexual abuse.
5. Monk said despite the 67% premium increase he recommended continuing with ICRMP. In 16 years, Monk said he has only removed one public entity from ICRMP and that was at the request of ICRMP.

Spear asked if IFAD could procure property insurance from the Cincinnati Insurance Company and the other insurances from ICRMP. Monk said ICRMP is an all or nothing insurance alternative and IFAD must procure all insurance from ICRMP. This is because allowing entities to pick and choose insurance coverages creates too much risk to the pool.

Hudson questioned the replacement value of $59M and suggested it would be much higher. Monk said he would consult with Bateman Hall to get a more accurate replacement cost number. Spear asked if the replacement cost was increased to $70M, how much would the premium increase. Monk said he would provide that information.

Gazdik wanted to know if the FF&E and contents of the facility would be covered by the building insurance. Monk said the best way to describe what is covered is turn the building upside down and what is left intact would be covered by the building insurance. Spear explained the building insurance would most likely cover all the attached kitchen and concessions equipment and video boards.

Monk said the current premium covers the $59M for the building, $2.5M for contents and $500K for business income.

Monk said the IFAD Board should consider budgeting another 5-10% increase for 2024-25. After that he expects the premiums to level out as ICRMP gets its liabilities from police shootings and fires under control. Gazdik asked if ICRMP has pending claims that could cause additional increases in the premium. Monk said ICRMP has factored in claims from existing litigations into the current premium amount. Gazdik asked if IFAD was in an Idaho Falls pool or in the entire State of Idaho pool. Monk said IFAD is in the entire state pool that consists of over 1200 members. Over 98% of public entities use ICRMP. Several larger municipalities (City of Boise, ADA County) in the State have elected to self-insure. Monk said most self-insured entities have $700-$800M in property values.

As discussion continued on identifying an amount for the property insurance, Spear commented that he did not see a situation, outside of an earthquake, where the building would be completely damaged. Monk agreed. However, Spear pointed out that any investor involved in a refinancing would most likely require the building to be insured at full replacement cost.

Spear asked if there is any overlap with the insurance being procured by Centennial Management. Warnecke asked who is listed as an additional insured. Hudson said IFAD is always listed as an additional insured. Hudson explained the coverage limits and said it is $5M for injuries and death by one, $5M for injuries and death by more than one and $1M for property damage. Monk said ICRMP mandated that IFAD’s contract with Centennial be adjusted to make sure the risk was pushed down and explained that ICRMP views IFAD at the top of the risk pyramid and requires as much risk as possible be pushed down. For example, if a person was injured attending a concert, ICRMP wants to make sure IFAD is the last entity liable and that the promoter, artist and Centennial assume the liability. Hudson stated there are 2 layers of coverage when a promoter brings an event to the event center. The promoter’s insurance and then Centennial Managements insurance. Bruder said when Centennial self-promotes an event, there is an additional policy purchased by Centennial on top of its general liability policy. So, IFAD is always the third layer with the intent to hold IFAD harmless. Warnecke asked about the hockey team and Hudson said hockey is just like a promoter who supplies its own insurance.

Monk explained that the $59M building value is significant and all insurers (ICRMP, Cincinnati etc.) will purchase reinsurance. Monk said, for example, this means the primary insurance company may be on the hook for only $5M of a $59M dollar loss. Monk said there is a lot of volatility in the reinsurance market.

Fuller stated IFAD must have insurance but asked if IFAD can afford the large premium increase. Spear said it adversely impacts IFAD’s cash flow but it appears IFAD can still cash flow operations until 2028 when refinancing can take place without a penalty. Spear did say he would prefer IFAD pursue refinancing now to create a much healthier financial position moving forward. Spear said the current financial performance of the event center would be plus if IFAD pursues refinancing at this time.

Gazdik suggested that IFAD keep the replacement value of the building at $59M with the option of adjusting upward if needed. Spear said he would like to know the cost of increasing the replacement value to $70M. Monk said he would provide that.

1. **Discussion Item –**Receive a punch list update from Rob Spear. Spear provided the following punch list items that were discussed on 9-8-23 with Bateman Hall. Spear said the items provided by CKS are punch list items that are the responsibility of IFAD because those installations were not part of the Bateman Hall scope. Spear said there are some ongoing concerns with the hardware installed in the doors for the Ticket Office main entry and with the shore power shorting when buses are plugged in. The HVAC system is improving and Centennial Management is considering hiring an independent consultant who is currently employed by Lewis Mechanical to assume the HVAC oversight. Hudson said Lewis will train the operations staff to conduct filter replacement and other minor maintenance items.

Gazdik asked about the status of the high steel inspection. Spear said he would consult with Bateman Hall to find a resolution.

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**Report and Updates**

1. **Discussion Item –** Presentation from Erik Hudson on Hero Arena at Mountain America Center Q4 forecast, draft 2024 budget (includes Capital Improvement requests) and operations. Hudson presented the following information:

Q4 Forecast

1. Hudson stated that ticket sales and events confirmed for Q4 have positioned the center to have its best quarter and finish the year with net profit of $971K.
2. Expenditures are estimated to be less than budgeted for the year
3. Revenues for September are higher because of additional events.
4. Martina McBride has only 100 tickets left and that is a self-promoted event
5. Ticketmaster – Sold over 90,000 tickets which resulted in a bonus of $1.50 per ticket for every ticket sold over 50,000.

Spear asked if the profitability of the event center and the profitability of the conference space can be broken out. Hudson said this can be provided and he plans to present this data and other data during his year-end report to the Board.

Warnecke asked why the event staff for hockey and ice rental was $133K higher than budgeted. Hudson said this is because there was no data available to accurately budget at the beginning of the 2023 year.

Gazdik asked what revenue sources cover the cost of hockey costs. Hudson said there is $2 per ticket sold, suite and loge revenue (56% to facility versus 44% to hockey) and advertisement and sponsorship revenue (70% to facility and 30% to hockey).

Warncke asked why the large increase in miscellaneous revenue. Hudson this was due to the interest being earned in the sweep account. Mountain America Credit Union allows the Mountain America Center to transfer funds between accounts without penalty.

Carpenter asked why the large increase in Repairs and Maintenance. Hudson said $175K of the $221K was for snow removal.

2024 Proposed Budget

1. Budget is now based on actual data and Hudson said he has taken a very conservative approach both on the revenue and expenditure side.
2. Hudson said the biggest factor in year 2 is how the consumer will embrace the shows.
3. Advertising Income = $308K with $55K from food and beverage, $122K from IPTV, $81K from pillar/column wraps, and $50K from Ticketmaster. Spear asked if there was any movement on sponsoring food items where a business would sponsor a burger or fries. Hudson said there is interest and he is working with Megan Wescoat on this idea.
4. Hockey and Ice Rink revenue increased to $11K because it is based off of 2023 actuals
5. Building Rent Increased $21K
6. Concessions and Catering increased $86K
	1. Per Cap (amount spent per person at an event) budgeted at $9 even though there is has been nothing lower than a $11 per cap from prior events.
7. Event days from last year’s budget of 136 to 231 mainly due to the increase in Conference Room dates. Below is list of event days:



1. Reimbursable expenses from labor supplied to shows is budgeted at a 30% profit on revenue side
2. Ticketmaster - $75K marketing revenue from Ticketmaster for being the ticketing platform
3. Salary budget is for 11 full-time employees and includes a 7% cost of living increase
4. Part-time staffing is increasing because there will be additional security for events
5. Utilities are budgeted with a slight increase due to the increase in natural gas costs
6. Snow removal is budgeted at $175K and that service is currently out for bid
7. Liability insurance is $15K but does not include coverage for shows and concerts because those are budgeted separately.
8. Maintenance contracts are higher because additional contracts were added and include elevator, HVAC, water treatment, ice plant, and generator.
9. Repairs, Maintenance and Supplies – this amount remains at $55K
10. G&A expenses increased $88K because of more allocation to Advertising Expense and additional software licenses.
11. $6K is a new budget for employee appreciation
12. $53K is a new budget item for IPTV license

Capital Improvements Proposed estimated at $56K:

1. Floor drain addition to Zamboni pit. Currently the entrance to the pit has a shower size drain and when the Zamboni augers are sprayed with hot water after scraping the ice, the back of the house floods because the drain size is too small. $11K cost
2. Additional pin pad locks for catwalk.
3. Carpet replacement for mezzanine and conference space. The current color is prone to stains.
4. Tile installation outside of pantries and in the transition space between the kitchen and conference space. Price is $8K.
5. Vehicle safety ramps for ice rink threshold = $4K
6. Additional radios and AED units
7. Shelving for storage space
8. Walk behind scrubber
9. Pipe and drape
10. Pallet racks

Hudson said he has not placed the capital improvement costs into the budget until the Board has reviewed.

Fuller asked why the Management Fee increased 25%. Hudson said that he wanted Bruder to assist in the explanation. Bruder said the initial management fee was in the $150K to $200K range and it was negotiated down to the $120K range during the pre-opening services phase. In the contract there is a 30–60-day period before the end of the fiscal year when the management fee can be negotiated for future years. Bruder believes there is a bonus structure that needs to be negotiated for next year as well. $150K is currently a placeholder until further discussion can be scheduled.

Spear asked if parking should be increased for hockey. It is currently at $1 for hockey and $3 for other events. Hudson did not think it was appropriate to raise the parking fee or facility fee for this season. Warneck commented that the hockey season coincides with the amount of snow removal that needs to be done.

1. **Discussion Item** - Executive Director Report
	1. Cash Flow Update – Spear presented a detailed TRT report through July of 2023. Spear also presented a comparison of July 2022 TRT revenues to July 2023 TRT revenues. The report indicated that three entities did not remit in July of 2023. Spear also presented an updated cash flow projection that included the ICRMP premium increase. Spear said he has not adjusted a premium increase for future years. Spear said he also adjusted the salary line downward starting in May of 2024. Spear said it is important in 2028 budget year that the donation revenue coming in is balanced between operations and the Hogan FF&E payment.
	2. State Tax Commission Reports – Handout presented
	3. Action Items
		1. Follow up on ICRMP premium
		2. Monitor punch list
		3. Provide Board with Capital Improvement Plan
2. **Discussion Item** - Legal Report- Fuller indicated the tolling agreement has been signed. A Zoom call is scheduled for 9-13-23 to schedule a mediation and to identify proposed mediators.

**Calendar and Announcements**

1. **Upcoming IFAD Meeting** – **Next Meeting on October 10, 2023 –**

Board agreed next meeting will be on 10-10-23

1. **Discussion Item** - Announcements and Minor Questions
2. **Discussion Item** - Agenda Items for October 10, 2023, meeting
	1. Review and approve 2024 IFAD budget
	2. Adopt Notice of Renewal for the Annual Lease Appropriation
	3. Approve 2024 Centennial Management Budget and Capital Improvement Plan – Hudson requested guidance on recording some new assets that were procured (i.e., used Zamboni). Hudson suggested discussion of the end of year audit. Bjornlie suggested utilizing Rudd and Associates for the audit. Gazdik said a review of the Centennial Management agreement is needed before decisions can be made.
	4. Executive Session
3. **Tour** - Board Member Tour of Mountain America Center (after Executive Session) – This was not conducted due to the length of the Board meeting and physical absence of some Board members.

**Meeting adjourned 9:25 AM**