

ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
REGULAR BOARD MEETING
September 26, 2017

A regular Board meeting was held on Tuesday, September 26, 2017 at 4:00 p.m. in the Symphony Hall Mezzanine. In attendance were Chair Roger Reinert, Vice Chair Don Ness, Secretary Crystal Pelkey, Mary Finnegan-Ongaro, Greg Fox, Carrie Heffernan, Karen Pionk, Yvonne Prettner Solon, and Jay Seiler. Members Deb Messer and David Ross were excused from the meeting. Staff members Chelly Townsend, Caty Kaups, and Sue Ellen Moore were present. Chief Administrative Officer of the City Dave Montgomery; Fryberger Buchanan Smith & Frederick bond council Bob Toftey, and Chief Financial Officer of the City Wayne Parsons were also present.

Reinert called the meeting to order at 4:05 p.m. and noted that a quorum had been met. Reinert briefly reviewed the agenda and asked the Board if there were any objections to moving some items around in favor of the guests present. No objections were made.

Reinert asked for a motion to approve the minutes from Regular Business Meeting, August 29, 2017. Pionk made the motion to approve, and Ness seconded the motion. The August Minutes were approved unanimously.

Staff Reports

Kaups presented the Finance Report for August 2017, which was a great month, and nearly all variances were from the Chris Stapleton concert which was not booked at the time the budget was made, as well as the MN School Nutrition Association. Building Services variances were from Stapleton rent and suite rentals and the MN School Nutrition expo set up. Catering variance was from beer sales at Stapleton, and both Concessions and the Ticket Office had nothing budgeted for the month so the revenue was well over. Irvin has been over budget most of the summer from higher attendance. For expenses, a lot of labor went into the concert. Catering was over from food and liquor costs. Concessions was over budget due to Steve Rudh's retirement and the hiring of two new managers, and Parking has been doing a lot of striping in-house in the parking lots and ramps.

Reinert asked for a motion to approve the Finance Reports for August 2017 and the Operating Fund Check Registers. Ness made a motion to approve, and Heffernan seconded the motion. The motion carried unanimously.

New Business

Reinert turned the floor over to Montgomery to discuss the Seawall and Minnesota Slip, and Montgomery introduced Toftey and Parsons to the Board. Montgomery gave an overview of the situation of sink holes, contamination, and other issues that have plagued the area for several years. The City and the DECC have worked together to fill sink holes, stabilize the area, and build relieving platforms for safe boarding of the Vista Fleet. The original crib walls still stand and are in different levels of deterioration, depending on the year installed and the type of cribbing. The focus for the first phase of the potential project includes sections of the Minnesota Slip from near the Blue Bridge to the end of the Slip, past the William A. Irvin. The City, DECC staff, and AMI have been looking at options for a few years, and the MPCA has offered \$2.1mil if the DECC would be in a position to begin the project this winter as opposed to a year from now. The City plans to ask the Legislature for the bond money to complete the second phase of this project. Final pieces of funding would come from the refinancing of the AMOIL Arena bonds. Parsons explained the timeline of the project: the MPCA offer came on August 28, so cleanup would happen in May and the repair would happen prior to that. Bidding will open now, and the City

Council bond issuance should be awarded by October 23. The largest bid package for labor would open October 13, so this would need to go before the City Council on October 9 to request bonds. This first phase would take approximately \$6.1mil and hopes are for bids to be close to that. Reinert clarified that the City Council would like the DECC Board Resolution to Adopt the Pledge Agreement in hand on October 23.

Kaups departed at 4:46 p.m.

Questions were asked about the AMSOIL Bond refinance and the availability of that money, as well as the Hotel/Motel tax, and Toftey answered that the life of the bond expires in 2034 and the DECC and UMD will still be paying until that time, but the money saved on the lifetime with the refinance can now be used for other building and property improvements. Toftey also mentioned that Mayor Larson and UMD have had discussions about extending their lease arrangement and potentially lowering payments to extend the term, but this conversation also needs to include the DECC. Several members of the Board expressed that it is difficult to make a decision at this time not knowing UMD's intentions and financial situation. Finnegan-Ongaro asked about the deterioration on the opposite side of the Slip managed by the Meierhoffs and Pauluccis. The opposite side, as explained by Montgomery and Townsend, is not in as bad of shape as the DECC side, and the MPCA offer is only for our side of the Slip and seawalls. Ownership of the seawall was another question asked. The Board expressed that they have raised similar questions prior to this. Montgomery also explained that there has been no funding secured federally, from the Port, City, or State.

Pelkey departed at 4:56 p.m.

Discussion continued on the topic and it became clear that today would not be feasible to ask for action. Montgomery explained that if the Board does not take action today with too many questions of liabilities, the MPCA grant money could be pulled and federal funding would be unsure given the legislative session's decision on bonding funds. The City and DECC need to agree on the terms if we were to ask the Legislature for bonding. No action from the Board was asked by the City at this point, as there were too many questions that still need answers. Parsons would be sending along several documents requested by the Board, including the lease revenue spreadsheet, Food/Beverage Tax spreadsheets, and documents about the bond payments and service.

Montgomery, Parsons, and Toftey departed at 5:24 p.m.

Townsend stated that another new piece of business includes the City Side Convention Center roof, which needs repair or replacement soon. Roof Spec has determined that many of the roofs on DECC facilities need repair, but the City Side Convention Center is in the worst shape and damage to the inside of the building is becoming evident. The roofs were all expected to have 30-year lifespans and the end of the spans are approaching, aside from the Harbor Side Convention Center and AMSOIL Arena. Bids were requested and Commercial Roofing came in lowest with a bid of \$187k. It was asked where the funding for this project would come from, and the DECC has a \$2.3mil Operating Reserve that can be drawn from for capital improvements. The Board requested a list of the Capital Improvements already done and upcoming in the next few years. Safety is the key issue here, and Townsend would like to make sure that we keep it as a priority.

Prettner Solon made a motion to approve the City Side Convention Center Roof Repair project and accept the Commercial Roofing bid of \$187k. Ness seconded the motion. The motion was

approved unanimously. Townsend stated that the project should be mobilized by the October meeting.

Old Business

There was no Old Business at this time.

Staff Reports

Townsend did not give the Event Recap or Operations & Upcoming Events Report but noted the events page in the report and remarked that it is an exciting building in October. Pionk commended the DECC on nearly meeting the hiring goals mentioned last month. Townsend mentioned for the Attractions Report that the Haunted Ship's "Nightmare on Harbor Drive" is getting ready to open on October 5, and the Irvin regular tours just finished up for the season over the past weekend.

Moore gave the Sales and Marketing Report and noted that the Midstate Organized Crime Organization is a group returning to the DECC in August 2019, making their first appearance in 10 years. She also commented for the Communications that there was a great article in the Duluth News Tribune about the American Society of Civil Engineers Conference on Technical Advancement that was recently here and the planner told her that they enjoyed their time in Duluth very much and they would return year after year if we could. Finally, the Minnesota Republican State Convention will return to the DECC May 30 – June 3, 2018 while the Democrats simultaneously host their meetings in Rochester.

Reinert stated that a retreat could be on the horizon for the DECC Board of Directors for some space to talk, realign, and form committees, as well as work on some Long Range Planning. Townsend brought up the urgency of the UMD situation and that Athletic Director Berlo is thinking of creative ways that the DECC could help them out in the long run, as they are a big tenant of ours and are worried about their Athletics department. Some of the financial hardships come from an NCAA change in how scholarships are awarded and funded, and this is leading towards the budget shortfall or ask for relief on the lease with a lesser monthly payment and extending the life of it. It was suggested that Berlo attend in October, and the Board would like to approach the concept of serving liquor in AMSOIL Arena during UMD athletic events. UMD does not share any profits from the liquor sales in the Champions' Lodge, Suite Bar, or Blue Line Club; they do share in the revenue from Suite sales.

The next regular meeting is on October 31, 2017 at 4 p.m.

Reinert asked for a motion to adjourn the meeting. Ness made the motion to adjourn, and Pionk seconded the motion. Reinert adjourned the meeting at 5:58 p.m.

Submitted by:



Roger Reinert, President



Crystal Pelkey, Secretary