

**CENTURY CENTER BOARD OF MANAGERS
WEDNESDAY, NOVEMBER 19, 2014
8:00 A.M. – SUITES #8-9**

"Interim Draft"

MEMBERS PRESENT

Linda Doshi
Dennis Andres, Jr.
Greg Downes
Alison Fox
Aaron Perri
Carmen Piasecki
Michael Neises
Cathy Roemer
Valerie Schey
David Varner

MEMBERS ABSENT

STAFF

Leanna Belew
Scott Herczeg
Chris Kinnard
Crista Thompson
Chris Kinnard
CC Staff

OTHERS

Aladean DeRose, City Legal
Jennifer Hockenhull, City Finance
Steve Ellison, Tax Board
Therese Dorau, City Energy Dept.
Bill Lamie, Alliance Architects

The meeting was called to order by President Downes at 8:00 a.m. Downes welcomed Craig Liston, Regional VP of SMG.

APPROVAL OF MINUTES

Downes entertained a motion to approve the minutes of August 20, 2014. With no changes, Neises moved for approval; seconded by Andres, the motion carried.

APPROVAL OF CLAIMS

The claims were circulated for review and signatures. With no questions, Andres moved to approve; seconded by Roemer, the motion carried.

TREASURER'S REPORT

Belew reported on the period ending October 31: the month is down by \$138,000 to budget; a lot to due to timing of events, the ND football schedule; some of the events will take place in November and December. While revenues were up, expenses were up also with some unexpected repairs such as the Art Museum elevator and chillers. The budget was based upon expectations of some events that are on a rotating schedule and with the lack of historical data. For the 2015 budget, the forecasting will reflect an improvement. Downes noted an improvement in the net operating loss is reflected in the forecast for the end of the year. Roemer noted the net operating loss through October is worse than the same for last year. Downes stated it is \$140,000 – a slight improvement by the end of the year but worse than last year by \$93,000. He requested the staff, Roemer, and Liston to review the 2015 budget again to ascertain it is realistic and they have expressed confidence in the numbers.

Roemer stated the 2014 budget was not based upon strong historical data and with the addition of the food and beverage operations had an impact on the negative balance reflected. Downes noted another factor is with the prior contractor departing, long term sales efforts halted. Andres moved to accept the financial report; seconded by Schey, the motion carried.

Downes noted the new display installed by the SB Alumni Association Hall of Fame; also, the food and service were excellent at their dinner last evening.

COMMITTEE REPORTS

Building & Grounds: Perri commented on the good work and cooperation of both the Center's staff and City officials on the energy performance project. Perri provided an outline of the Ameresco proposal: a guaranteed energy savings contract to be completed within the next year. Scope of the project include the 7 roofs, conversion of lighting to LED, replacement of ceiling tiles including the Great Hall, HVAC upgrades and control system upgrades. The plan presented is a draft; the scope may increase with additional items with an ROI or others that are planned to be addressed in the future. A significant portion of the SMG capital plan will be addressed in the project.

The contract will afford the board to have a significant amount of work accomplished with a minimum down payment: \$5 million worth of work with a \$1 million down payment. The work is guaranteed with no change orders; the work will be measured and verified throughout the duration of the 15 year contract; use of local contractors wherever possible. Ameresco will receive a range of 1 to 10% return; if the guarantee is not met, they assume the loss.

The down payment is proposed of the following: \$500,000 from the capital account of \$1.4 million (rainy day fund), \$100,000 from remaining Tax Board capital allocation of the 2014 budget, and \$400,000 from the 2015 Tax Board capital allocation. For the first three years, no additional payments are made; year 2018 with the \$150,000 bond payment to expire, a larger payment is proposed. Some flexibility is requested with the capital fund amount – approval for an amount up to \$750,000. The Building & Grounds and Finance committees have given the much thought and review of the financing of the projects along with discussions with the Hotel-Motel Tax board on the plan. Approvals from the Tax Board, Board of Public Works, and City Council are required for the project to proceed.

Downes noted the 2015 budget has \$915,000 allocated from the Tax Board - \$400,000 will be designated for the project; other projects can be funded from the remainder. The Executive Committee would approve the final amount from the capital fund to be disbursed. Varner asked what items would be considered if the highest amount of the capital fund is used. Perri stated more information will be gathered on the ROI on additional items such as cosmetic repairs. Downes further noted significant landscaping is needed. Also, no additional costs for the Green Roof are in the plan – it should be accomplished with the entire roof replacement; there will be incremental costs beyond a normal roof. The Green Roof board is requested to submit an approximate cost as soon as possible. Downes noted the fund has not been as successful as they had hoped; he believes \$40-50,000 has been raised. Herczeg stated there are other energy conservation items that could be added – the ROI has to be reviewed.

Varner noted he was anticipating the Green Roof board to cover their costs through grants and fund raising efforts and not borne by the Century Center Board. Downes stated they are expected to share significantly in the costs of the Green Roof; perhaps once the project starts, the fund raising will be enhanced; the board may have to front the costs and they repay. Perri summarized the total costs and savings: \$4.8 million for capital items; \$5.7 total savings and cash contributions. Downes noted there are no savings reflected with the specialty projects; however, the savings estimated is conservative and we expect they will exceed their guaranteed amounts. Neises asked if there will be a way to monitor and record their use of local contractors.

Downes stated the Board of Public Works will monitor the contract; Ameresco understands it is an important priority to the board and all other parties. Some specialty constructions may require outside companies; another question is how local is defined. The goal would be to use St. Joseph County

based contractors. Perri noted Ameresco has already been working with local contractors on the proposal.

Roemer stated her understanding of the financing plan: the first three years payments are made with the actual energy savings; the remainder payments are to be made with the savings and the Tax Board contribution per their approval. Downes confirmed and stated all savings beyond the guarantee are retained by the Center.

With no further discussion, Downes entertained a motion to approve use up to \$750,000 from the capital account for the project to proceed subject to approval by the Hotel-Motel Tax Board, Board of Public Works and the City Council. Downes recommended the timing schedule: present to Board of Public Works now, then to City Council, and Tax Board in January. Schey motioned for approval; seconded by Roemer, the motion carried.

Herczeg reported two capital projects are progressing: passenger elevator modernization (will include interior improvements with new doors, walls, floors, and lighting). Work will begin December 1. New carpeting for the lower suites and corridors is being milled and will arrive week of December 5; project to be done in 3 phases. Downes noted the largest challenge with accomplishing the work is being able to stay open for business during the construction without it negatively impacting the top line revenue. Downes thanked Herczeg for all his good work with the capital projects.

Marketing: Neises further thanked Herczeg and stated the capital improvements are what is needed in order to continue to sell the building.

Crista Thompson highlighted convention sales: at the end of the first quarter in March in 2013, compared to 2014, there are 10 conventions booked for 2015; the shift in the sales focus has been on business that brings hotel rooms.

GENERAL MANAGER'S REPORT

Belew reported the NPS score for October: with a 47% return rate on customer surveys, the NPS score is 76% compared to 56% last October. Year to date, NPS score is 67%.

Number of events booked with 20 hotel rooms on peak, to date, the year will finish with 24 events; in addition, there were 14 weddings with 20+ hotel rooms.

Belew introduced new staff members: Marc Rossetti, Executive Chef who came from a SMG center in Rockford, IL; Krista Griffey, new catering sales manager; Jesse Vogel, Interim F&B Director until the position is filled permanently.

PRESIDENT'S REPORT

Downes noted the board approved a memorial for Jeff Gibney on the island; the project is planned for the spring next year with Bill Lamie assisting in the display.

OLD BUSINESS

NEW BUSINESS

Appointment of Nominating Committee: Downes announced the appointment of Linda Doshi as Chair; members Alison Fox and Michael Neises. The committee will draft the slate of officers for the February meeting in 2015.

SMG 2015 Incentive: Downes reported on the status.

Incentive #1 - largest incentive is based upon SMG achieving a net operating loss of less than \$900,000; to date, this will not be accomplished for 2014 – no earnings; it also could be highly unlikely for 2015.

Incentive #2: events geared toward room nights, SMG is at 24 to date; if that holds until year end, they would earn 10% of the base fee - \$13,500; important to note is 14 weddings have produced 20+ room nights (not included - incentive based upon conventions). For 2015, Downes would recommend raising the benchmark from 20 to 24 hotel rooms on peak nights with increments of 2 earning the incentive. To date, SMG has booked 17 of these events for 2015 plus 8 weddings with room nights. The earning is to a maximum of 15%.

Incentive #3: the NPS score – the benchmark is 50% and the earning starts at 60%. To date, the score is at 67%; if it holds, the earning would be 5-7%. No change to this incentive is recommended.

Downes entertained a motion to amend incentive #2 by increasing room nights to 24 with increments of 2 over 24; incentives #1 and #3 to remain as is. With no further discussion, Schey motioned for approval; seconded by Roemer, the motion carried. Downes will work with Aladean DeRose on the addendum to the SMG contract to be executed by both parties.

Board Meeting Date Change: Downes requested the board to change the February 2015 meeting from the third to the second Wednesday due to his out of town schedule. With no objections, the first meeting in 2015 will be Wednesday, February 11. The remaining meeting dates will remain on the third Wednesday.

ADJOURNMENT

With no further business, Downes called for adjournment.

GD:pp