

CENTURY CENTER BOARD OF MANAGERS
WEDNESDAY, AUGUST 16, 2017
8:00 A.M. – SUITE 15/CENTURY CENTER

Members Present

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

Members Absent

Randy Kelly

Staff

Leanna Belew
Brandon Gerlach
Scott Herczeg

Others

Aladean DeRose/City Legal
John Murphy/City Controller
Steve Ellison/H-M Tax Board
Craig Liston/SMG
MPAC: Michelle DeBeck/
Marika Anderson

The meeting was called to order at 8:00 am by President Perri.

CONSENT AGENDA

Perri entertained a motion to accept the Consent Agenda:

- A) Minutes of May 17, 2017
- B) Claims of April-June 2017
- C) Financial Report – 2nd Quarter 2017

Andres moved for approval; seconded by Downes, the motion carried.

GENERAL MANAGER REPORT

Belew distributed cookies that celebrate both Century Center and SMG's 40th anniversaries.

Belew reported on 2nd Quarter highlights for the AGI and NOL; expenses; and rolling forecast.

NPS comparison: for the quarter – 76 vs 75 of 2016. YTD 80 vs 80.

- Return rate is at 32% vs 37% of 2016; YTD 37% vs 37% of 2016. With a benchmark of 50%, it is a challenge; however, efforts continue to increase the return rate - staff is sending out personal notes and follow-up calls to clients with a reminder of the survey. Perri asked if the 50% is
- Customer surveys for the quarter are maintained in the 90+ rating as with 2016.

Belew reviewed the profit margin; revenues & expenses by event type. She highlighted significant events with room nights: new is Whirlpool in which one meeting has developed into 30 meetings throughout the year.

- 51,000 attendees for the 2nd quarter; 2,800 room nights generated.
- Sales Activities: Hamman attended the ISAE annual convention with downtown district partners; he and CVB partner won the annual Corn Hole Tournament.
- 90 new contracts signed; 2858 new room nights generated; 107 site visits compared to 33 of last year (both catering and sales)
- Occupancy rates for space used: 402 vs. 361 in 2016.
- Social media – 4651 FB followers; 2748 Twitter followers
- Capital Projects Underway: Cooling Tower; Masonry Repairs; Skylight beam painting; Foyer upgrade of vestibule heaters; Fire pump replacement; Sprinkler system upgrades; New Chandeliers for Whitewater corridor

2018 Capital Projects presented to the Hotel-Motel Tax Board Allocation Committee totaling \$909,000 Includes additional exterior signs and two sided marquee in conjunction with the 2 way traffic – includes skywalk electronic sign; new lift equipment; second entrance to Convention Hall; Bendix stage access door; Bendix handrails; new entrance to kitchen from Pointe Room inside of Convention Hall; storage deck addition on lower level; Island door replacement;

softscaping and wayfinding; parking lot automation; exterior lighting upgrades; repair of West Race retainer gate.

Finance Committee: 2018 Budget

Varner requested Gerlach to report. Gerlach stated the proposed budget and assumptions were drafted with the Finance Committee; it has been sent to the Mayor and then Council next week.

To note: the Center/SMG and City are now both operating on an accrual basis. Perri noted the change is an accounting measure to eliminate maintaining two sets of books; there was no misuse or mishandling of funds.

Highlights of the 2018 budget: total revenue reflects a 12% increase (with the opening of two new hotels); goal is to further reduce expenses by 5%. With the "0" based budget, the cash balance will be designated to the capital reserve fund. Perri noted the large percentage variances in line items are the result of a change in accounts. Gerlach stated the City is realigned their accounts to match SMG's; such as telephone and internet are now a part of utilities.

Roemer questioned the increase in revenue vs the decrease in expenses - most are variable cost – such as salaries and benefits are significantly larger than 2016. Andres noted with the increase in business, staff would be working harder and longer and it should be an equivalent level of increase in salaries; also, an increase in wear & tear of the building. Belew stated with anticipated business with the hotels and 30 additional meetings with Whirlpool, they believe it can be achieved; most savings are anticipated with all the maintenance and repairs accomplished. Salaries are being brought up to the City's 10/10 an hour. Murphy noted the increases in payroll affect the event income; the 5% is a subtotal; minus the capital – it is more of a 1% increase in expenses.

Downes asked if changing to the accrual basis would require the board to amend the contract language to define the NOL incentive for 2017. Murphy stated it will not impact the NOL. Gerlach noted the contract reads the NOL is calculated on a basis of accounting acceptable to gap – cash basis is not to gap.

Andres asked Belew about the impact of three new facilities opening in the community (new casino, Eddy Street venue, redevelopment of the old armory on the river) – will they be competitors for meeting space. Belew stated the casino will not have meeting space initially; the new Crossroads at ND will also be opening – preference is given to ND events. No business has been lost to date; but we are enhancing our marketing and promotions. The Small Meetings Market conference coming in September will be providing opportunities for more business; the Center/Downtown District is hosting with the CVB and ND. There will be no significant meeting space at the new hotels. There may be a loss of weddings.

Varner asked Belew if she is confident with the budget – with the projections in revenues and expenses. Belew stated she is confident it can be achieved – she was conservative with the numbers; the staff is focusing on future business with the new hotels on board; wedding business next year is already double the number of 2016. To note: the Aloft will be open this fall; the Courtyard not anticipated to be open until January 2018.

Perri acknowledged Steve Ellison, President of the Hotel-Motel Tax Board and asked his thoughts. Ellison noted the tax receipts were up 2.26; reserves are in very good shape; there are challenges in protecting the funds. The Center's capital of \$909,000 was approved by the Allocation

Committee. The board is able to fund the CVB; special projects such as a Sports Complex study. The 2018 budget totals \$5.1 million; new to budget is a proposed \$400,000 for capital

development that supports tourism and \$1.5 million is proposed to be set aside to facilitate plans for a possible Sports Complex. No funds to the Center will be impacted by these items. Perri and Doshi thanked Ellison for the Tax Board's ongoing support of the Center's capital improvements.

With no further discussion, Perri entertained a motion to approve the 2018 budget and capital expenditures. Moved by Andres and seconded by Downes, the motion carried.

PRESIDENT'S REPORT

Perri discussed the HVS study to review joint management of the Center and Morris/Palais. A draft report has been received and will be distributed to the board for review; a presentation will be made to the board at the end of August.

Perri announced plans to have an economic impact study done by AECOM; the cost is \$9,000 and \$3,000 to own the module to produce future results in-house. Downes asked if it appropriate to delay the study until the hotels are open since they would be using estimated numbers. Perri stated it is something to consider; although the study would provide a base to start from and real numbers could be plugged in.

Perri announced the report of the Morris/Palais is forthcoming and acknowledged Michelle DeBeck and Marika Anderson; in the near future, he desires to have the board tour the venue.

Perri noted he was able to attend the IAVM conference last week with Craig Liston; it was a valuable experience to meet industry professionals from all types of venues; and a great resource for information of industry trends, benchmarks, etc.

OLD BUSINESS

None.

NEW BUSINESS

None.

ADJOURNMENT

With no further business, Perri entertained a motion to adjourn. It was moved and seconded and the motion carried.

AP:pp