

**CIVIC CENTER BOARD OF MANAGERS**  
**WEDNESDAY, May 17, 2017**  
**8:00 A.M. – SUITE #15**

**MEMBERS PRESENT**

Aaron Perri  
Allison Fox  
Randy Kelly  
Dennis Andres, Jr.  
Michael Neises  
Linda Doshi  
Greg Downes  
David Varner

**MEMBERS ABSENT**

Cathy Romer

**STAFF**

Leanna Belew  
Scott Herczeg  
Brandon Gerlach  
Jesse Vogel  
Jacob Hamman

**OTHERS**

Aladean DeRose, City  
Craig Liston, SMG  
Steve Ellison, TXBD  
Bill Lamie, AAG

The meeting was called to order by Aaron Perri at 8:00 a.m.

**CONSENT AGENDA**

Perri entertained a motion to approve A) Minutes of February 15, 2017) Claims Jan-Mar 2017; Financial Report – 1<sup>st</sup> Quarter 2017. Andres moved for approval; seconded by Kelly, the motion carried.

**GENERAL MANAGER'S REPORT**

Leanna Belew reported on the first quarter of 2017 and covered the NOL, Hotel Room Nights and the Net Promoter Score. Belew explained the changes which are outlined in the new contract extension which changed the number of events with 20 on peak to the number of hotel rooms reported. Our room night goal is an average of the 3 year average which was 7600. The Net Promoter Score changed as well. The benchmark is now 60. Year to date financials AGI we are up 7% to budget and down from last year by 34%. This difference is due to the events that we had last year first quarter we had Reith Riley's 100<sup>th</sup> celebration, Cressy Everett, and First Source Bank's holiday party which were all onetime events. Expenses we are better to budget and last year by 4% the NOL is better than budget by 13% but down from last year by 81% for reasons mentioned earlier. January 2016 was a month that we did not experience a loss but made about \$39,000. Looking at the rolling forecast we will finish the year strong based on some of the events booking for the last half of the year. The in the year for the is still strong. Belew states that it will be tough to make the \$888k loss but possibly under a million. The 3 year average comparison shows us right in line regarding the AGI, a little better than the 3 year average in Expenses and very close to the NOL average. The NPS changed in the contract amendment we are now being measured on the return rate of our surveys. First quarter of 2017 our return rate is 49% our goal is 50% which is aggressive considering the national average for survey return rate is about 7%. Last year's return rate for Q1 was 37%. We have a good system on getting the surveys out and then to follow up with reminders. 2017 Q1 NPS is 86 compared to last year Q1 which was 100. Belew shared the average customer survey scores with shows an overall average of 94 for all categories-Staff, food and beverage, facility, audio visual and security. Neises asked the question about the 86 score compared to the other scores and Belew explained that the 86 was just the NPS and does not include the other scores. Profit Margin by Event Type shows that our first quarter consumer shows is our largest profit margin. Belew says that the first quarter is consumer show season with boat shows, RV show and those types of shows. The overall profitability is 58%. The Revenue & Event by type still has the SBMA and SBCSC events as separate types. We are working to dissolve those categories and feed them into banquets or meetings. First quarter recap, significant events included Kroger with 172 hotel room nights and is a repeat from last year, Rekindle the Fire with 863 attendees, Star Martial Arts 200 room nights 1100 attendees, and our consumer and public shows with a combined attendance of 64,000 and 141 hotel

room nights. Belew mentions that the Afdent AutoFest and Discover the Dinosaurs events were up with AutoFest having 15,000 attendees and the Dinosaurs with 17,000 attendees. Varner stated that he heard that these shows look at the market to determine how many dinosaurs they actually bring so if the attendance is bigger will they bring more dinosaurs next time. Belew responded that it depends on how much space is available in the facility. We were maxed out on space with this particular show. But they will rotate inventory when they book again. Some of the significant banquet events included Logan Nose On with 1100 attendees, Salute to Business with 964 attendees and Dr. MLK Day breakfast with 1000 in attendance. Jake Hamman attended Indiana Tourism Conference at Purdue University along with some of our industry partners. Q1 new contracts signed and returned is down about 3% due a lot of this is due to timing as we are trying to get our signed further out, contracts issued, room nights generated are down because of the same reason. Room rental is up by 4%. Attendance is up by 35% and our Room nights reported is down 26%. The occupancy rates is down 7% largely due to the church groups. Some notable bookings for this quarter was Godfrey Marine with 885 room nights, South Bend Clinic Holiday Party 700ppl, Dinosaurs, Forest River, Stanz Food, Forest River, Federal Mogul, Crowe Horwath and Ramencon for this September and September of 2018 which will bring about 500 room nights. This was a piece of business from Merrillville when the Radisson closed for renovation. We have 2 new churches South Bend Community Church and River of Life with good room rental and will be with us for a few months, Social Media we have 4400 Facebook followers and around 2700 Twitter followers. Operations Herczeg states that the Cooling Tower and Fire Pump replacement sprinkler system upgrade have started and Masonry Project and Skylight Beam painting will go out for bid in June. A couple of the projects were projects that are left from last year. Perri mentioned the year over year comps are down and asked how we compare to the 3 year average. Belew responded that we are in line with our 3 year averages. Perri asked for an update on Priscilla. Belew stated that she is still out and without assuming anything we are not sure if or when she will return. Perri asked that we send an address for Priscilla. Perri then asked about the Small Market Meeting which will be here in October. Belew stated that there will be about a120 meeting planners that will be here in October. The CVB requested a special fund from the HM Tax Board so that we can wow the attendees while they are here. The CVB is planning a post event FAM for any attendee with an RFP and the FAM will include a football game. Leanna stated that she will keep the board updated and will get more information as it comes in. Perri asked Doshi and Herczeg if there were any updates or anything to add from Building and Grounds to which Herczeg commented about the plants going in on the streets in front of CC. Perri then asked Neises if there was anything to add from the Marketing Committee and Neises replied that he had nothing to add.

### **CIVIC CENTER BOARD BY LAWS**

Perri moved on to the next agenda item Civic Center Board By Laws Amendment. The Civic Center Board of Managers is the term the state legislation refers to this board and we will continue to use this name as the authority is extended over the Morris and Palais. In order to keep in line with the Common Council Ordinance Amendment we have made some updates to our By Laws, there were some changes that were necessary mostly service level changes and nothing structurally. We just added some terminology to include the other venues and to clean up any language that said Century Center. Perri thanked Aladean, Michael and Allison for their assistance with this. At this point and time the committee structures will remain in place and the meeting schedules will stay as they are until we really take a look at a joint management structure and get a better understanding of how we want to do financial reporting, meetings and committee structures. Perri asked if there were any questions and there were none. Andres moved for approval; seconded by Neises; the motion carried.

**CENTURY CENTER HISTORIC FINANCIALS**

Perri then referred to the CAFR and John Murphy for discussion. Perri stated that as we look at a new management structure it is important to look at the history of the financials as well as clarify and questions that may have come up due to an email that was circulated several months ago. The email referred to the City's numbers showing one set of numbers and SMG's numbers another. John Murphy put together a very comprehensive summary explaining the differences. Perri said that the bottom line was that there are 2 sets of accounting and different book keeping cash base accounting and accrual base accounting. Perri further stated that there were no improprieties, no mishandling of funds or misstatement of revenues or expenses. The audit not yet complete for 2016. John's team and SMG's team have been working hard to verify these numbers.. Perri asked Murphy to highlight some of the information in the CAFR. Murphy stated that the audit is progressing. Murphy also stated that the City has approval from the State Board of Accounts to switch the City records for Century Center to accrual accounting. This will create a more fluid interface between the budgets. Doshi asked Murphy if that will help with closing the books faster to which Murphy replied yes. Murphy continues with the CAFR report and states that the CAFR give as many details as the SMG may but that it will give totals. Murphy says that on page 8 which is the Hotel Motel Tax revenue. This shows that since 2005 the hotel motel tax revenue has remained the same. Page 9 Sports Development tax which was allocated to Century Center is no longer available. Murphy continues with page 14 which is the depreciation expenses which shows the capital investments that have been made into Century Center. Murphy states that this is a healthy indicator that the depreciation expenses have increased as this shows more capital equipment depreciate. Lastly, Murphy referred to page 17 capital contributions from other sources – either the 2008 CC bond or the 2015 Energy Savings bond which shows that in many years the capital contributions were small but in recently the board of managers have been able to secure additional funding and the contributions have improved. Murphy says that this is a trend report and is a healthy report. Downes asks for clarification that we are not accelerating depreciation that is just a reflection to which Murphy replies that it is straight line depreciation. Perri refers to page 4 revenues and expenses where in 2013 it spiked and explained that reporting with previous companies was we did not count gross food and beverage as revenue- we only counted the net. Neises asks about the chart on page 10 "fees and charges" revenue shows a significant spike and Murphy replied that's the same concept and that it is attributable to food and beverage. Varner asked if comparing gross to net is also showing a discrepancy.

**CENTURY CENTER INCENTIVE APPROVAL**

Perri asked Varner to discuss the Century Center incentive approval which Varner said should be subject to the completion of the audit which should be done by the end of the month and could be approved before the next board meeting in order to avoid it being delayed for 3 months. Aladean DeRose agreed. Downes moved for approval; seconded by Andres and the motion carried.

**SKYWALK AGREEMENT**

Aladean DeRose discussed the Skywalk Agreement. DeRose says that the last time this was updated was with the new ownership of the Double Tree. The easement has been in effect since 1987. DeRose stated that there was a change in management of the hotel in 2011 and now there is another change. The new owner is AFP and want assurance that the current easement remains in effect and the only change is the change that is presented today which is just a procedural change with the current owner. Aladean asked for a motion to approve the agreement; Andres moved to approve the agreement; seconded by Neises; the motion carried. Aladean also asked for a motion to approve signature by Aaron Perri; Andres moved to approve; seconded by Doshi, the motion carried. Varner wanted to clarify that it is just procedural and there is no other obligation from Century Century Center to which Aladean reiterated that it is just procedural.

**PRESIDENT'S REPORT**

Perri moved on with the Agenda and presented a couple of forms to be filled out by the board members to include the Duality of Interest and the Conflict of Interest. Please fill them out and send to Leanna. Perri also introduces the Statement of Conduct which now everyone has a copy.

Perri then suggested that we start inviting the Morris and Palais to our meetings and have them give us updates. Perri stated that in almost 2 decades the Morris has not had an oversight board. Perri recognized Michelle DeBeck with the Morris and states that she is the acting GM at the Morris and Palais. Perri states that the City is hiring a consulting firm to help with determining a management structure. Perri was not prepared to say which firm but that they would be working with the City for about the next 3 months. Perri said that there were 3 firms : AECOM, PWC and HVS which comes recommended from the CVB. The firm will work with the board of managers, CVB Hotel Motel Tax Board, the existing management teams at CC, MPAC and Palais. SMG Corporate will be involved, as well. We expect the consulting firm to provide a forecasts under various management assumptions, what can we expect to see under the various structures that they propose and look at other case studies and benchmarks of other cities. Perri says that this is not unique to our City and that other cities that have a joint management firm that oversees a convention center and performing arts center. Perri hopes that by the August meeting we should have a clear path of how we will merge the 2 groups. Perri asked for questions. Downes asked if this would be 2 separate budgets for 2018. Perri responded that we will continue to budget per –usual with CC submitting a budget and MPAC submitting their own budget. Perri states that if all goes well that will be the most we spend in operating these 2 facilities. Varner asks for a copy of the contract from the consulting firm. Perri agrees that he will send the contract to the board. Perri also noted that the funding for the consulting firm will come out of City funds and not CC funds. Perri states that the consulting firm will also help to make sure that the hotel motel tax contributions are protected.

Perri states that the last economic impact study is 5 years old and that he will be asking AECOM for a proposal on what that would cost and he will bring that back to the board. Perri asked Downes to explain the most recent AECOM report, Downes stated that when we were considering the Courtyard by Marriott, AECOM was asked to give an updated report of what the impact would be just for CC. And the results were significant. Downes recalls that the economic impact as reported in the initial report was around \$8.5 million per year and they thought that with the new hotel that would go up by about \$4million. Downes recalls showing this to the council. Varner asked if this was for the entire community or just CC. Downes replied that this was not gross EI but NET EI for Century Center.

Perri continued with the VPA undergoing a consolidation of various service contracts, Waste management, HVAC contracts. This year alone there was a savings of \$104k across all venues. In no instance did service levels go down and in most instances we were able to get a heightened level of service. Perri thanked Scott for his help. Perri mentioned the service contract for Event Security and that the CC team and MPAC are working together to combine this service with a joint RFP. Perri then thanked CC Team and their involvement in the Best Week Ever coming up later this month.

**OLD BUSINESS-None**

**ADJOURNMENT**

With no further business, Perri called to adjourn, Andres made a motion and Varner seconded. Motion Carried.