



DECC AUTHORITY BOARD OF DIRECTORS | REGULAR MEETING

July 27, 2022 Meeting Minutes

CALL TO ORDER

A Regular Board Meeting was held Wednesday, July 27, 2022 via virtual Zoom meeting. Chair Lynne Williams called the meeting to order at 11:31 AM. A quorum of directors was present.

BOARD MEMBERS PRESENT

Chair Lynne Williams
Vice Chair Peter Singler
Secretary & Treasurer Matthew Baumgartner
Carrie Heffernan
Jason Vincent
Laura Mullen
Mary Finnegan
Bill Nelson
Pat Mullen
Martha Bremer

BOARD MEMBERS ABSENT

Don Ness

DECC STAFF PRESENT

Dan Hartman
Ronni Murphy
Emma Deaner
Kimberly Carr

OTHERS PRESENT

Media
Brent Malvick, Hanft Fride
Ross Litman, Curling Club Representative
Steven Hanke, Attorney City of Duluth

ADJUSTMENT OF THE AGENDA

Heffernan arrived at 11:32 AM

Baumgartner arrived at 11:33 AM

Chair Williams asked for a motion to amend the agenda to remove the draft financial statements for April and May from the consent section of the agenda and relocate them to the Executive Director report section; and to move the old business (Curling Club/Ice Chiller Bid) directly after the approval of the consent agenda. MOTION to update the agenda requested by Chair Williams; motion made by L. Mullen and seconded by Bremer. Motion unanimously carried.

APPROVAL OF CONSENT AGENDA

The consent agenda included the meeting agenda and meeting minutes from the regular meeting on June 29, 2022; and the updated board meeting schedule reflecting changed meeting dates for September (September 29, 2022), October (October 27, 2022), November (November 17, 2022), and December (December 15, 2022). MOTION to approve the consent agenda requested by Chair Williams; motion made by Heffernan seconded by Vincent. Motion unanimously carried.

Hanke arrived at 11:39 AM

OLD BUSINESS

Chair Williams introduced Ross Litman, Curling Club representative to the Board, and thanked Litman on behalf of the Board for his attendance at the meeting.

Litman introduced himself as a Curling Club representative and thanked the DECC Board for their continued partnership with the Curling Club. Litman shared that he was speaking on behalf of the Curling Club because Bob Magie was unavailable.

Litman shared that Litman and Hartman have been in regular communication regarding the Curling Club ice chiller since the July 2021 ammonia leak. Litman shared that the Curling Club is committed and willing to participate in continued discussions with the DECC Board surrounding the Curling Club.

Litman reviewed the proposal details sent by the Curling Club to Executive Director Hartman in July 2022. The Curling Club has proposed supplying an additional payment to the DECC in the lump sum of \$100,000 or \$10,000 per year over 10 years. The Curling Club is willing to be flexible regarding the payment, and is open to continued discussion with the DECC. Additionally, the Curling Club is willing to re-open their current contract for negotiation in one year. The Curling Club would like to wait through the next curling season before opening the contract up for renegotiation.

Chair Williams on behalf of the Board and Hartman thanked Litman for the Curling Club's willingness to offer additional funding and the possibility of reviewing the contract in 2023.

The Board discussed the Curling Club's proposal, and Litman clarified that the Curling Club is offering the \$100,000 sum without additional contractual stipulations. Litman also further clarified that the contract renegotiation is not currently listed in the proposal offered by the Curling Club, and reiterated the Curling Club's willingness to open the contract in one year's time.

Litman closed by stating that Hartman's July 2022 proposal to the Curling Club was compelling and aided the Curling Club in their decision to send forth the current proposal.

Based on Board discussion at the June 2022 regular meeting, Chair Williams asked for a motion to break the Curling Club contract. No motion was made to break the Curling Club contract.

Chair Williams asked Hartman to speak regarding the Curling Club contract.

Hartman thanked Litman for attending the meeting on behalf of the Curling Club. Hartman summarized the Curling Club's commitment to offer a \$100,000 contribution toward the new chiller. Hartman stated that breaking the Curling Club contract may lead to a perception that the DECC does not value its contracts.

Hartman presented a summary of the current plan for the ice chiller replacement and additional context for consideration by the Board. Hartman shared that if the Board moves to accept the chiller lease proposal from MPECU, the first payment would not be due until July of 2023. The lease is for \$701,000, with an annual payment of \$100,000. The DECC will utilize used equipment to add to cost savings, the items being purchased are included in the supplemental documents for the meeting. Hartman noted that the new chiller is a smaller unit, for use by the Curling Club only, providing potential efficiency gains for the DECC over time. Additionally, Hartman noted there is an opportunity cost for continuing to utilize the space for the Curling Club of \$140,000 estimated. Hartman noted the DECC could utilize a temporary chiller in the space for \$100,000 a year estimated, with payments beginning in September of 2022. Hartman reminded the Board that if the chiller is not complete by October 1, 2022, the DECC will owe the Curling Club additional funds.

Hartman urged the Board to make a motion to approve a lease proposal from U.S. Bank or MPECU to pay for the Curling Club ice chiller.

Chair Williams asked for a motion to approve the MPECU lease proposal, as included in the supplemental Board documents, for the Curling Club ice chiller.

P. Mullen shared that he fully supports Executive Director Hartman's request to approve a lease proposal for the ice chiller, further indicating that the Curling Club is a terrific tenant of the DECC.

MOTION to approve the MPECU lease proposal as included in the supplemental Board documents made by P. Mullen and seconded by Vice Chair Singler.

Secretary & Treasurer Baumgartner noted that the MPECU proposal stipulates that the DECC can wait a year to make the first payment for the chiller lease. Secretary & Treasurer Baumgartner urged the DECC to avoid waiting for a year for the first payment if the DECC has the means to make the payment as the delayed payment will impact amortization of the lease interest and could also be impacted by inflation.

L. Mullen shared that she is in support of approving the lease as the DECC owes a contractual obligation to the Curling Club. L. Mullen also noted that the DECC values community, and

the Curling Club is part of the Duluth community. L. Mullen asked Litman to share with the Curling Club that the DECC is currently in difficult financial circumstances.

Secretary & Treasurer Baumgartner shared that he spoke with the DECC's finance consultant Craig Chilcote from AKA Accounting. Chilcote explained that the DECC's draft financials indicate the balance sheet for April and May is not balancing, but Chilcote indicated that the DECC is currently able to meet its financial obligations.

Secretary & Treasurer Baumgartner, in referencing the motion regarding the Curling Club ice chiller, noted the DECC is a public entity and that the DECC honors its contracts. Secretary & Treasurer Baumgartner also encouraged the DECC to seek out the lump sum payment from the Curling Club, rather than the ten (10) year payment as inflation may impact these funds.

Finnegan shared concerns regarding the DECC's ability to make a long-term financial commitment for the ice chiller lease, due to the DECC's current financial position. Finnegan noted the DECC may be able to utilize other sources to cover the cost of the chiller such as bonding funds.

Chair Williams asked the Board for any further discussion regarding the MPECU lease proposal, there was no further discussion. MOTION to approve the MPECU lease proposal for the ice chiller made by P. Mullen and seconded by Vice Chair Singler. Motion approved with an affirmative vote from: Chair Williams, Vice Chair Singler, Secretary & Treasurer Baumgartner, Heffernan, Vincent, L. Mullen, Nelson, P. Mullen, and Bremer (opposed: Finnegan). The vote was: 9 in favor; 1 opposed; 1 absent.

Litman, on behalf of the Curling Club Board of Trustees and members thanked the DECC Board for their partnership, and shared that he would follow up with Hartman regarding the Curling Club's \$100,000 proposal.

Litman Departed at 12:13 PM

EXECUTIVE DIRECTOR REPORT

Update

1. Executive Director Hartman provided an update on the DECC's finances and budget. Hartman shared that the DECC ended May at \$219,721, however, without the City of Duluth Tourism Tax funds and COVID grant funds (SVOG) included it would have been -\$775,267. Hartman noted that the DECC's finances typically have many peaks and valleys throughout the year. The DECC ended March of 2022 with a higher peak than March of 2019, however, the DECC ended April and May of 2022 much lower than April and May of 2019. Hartman projects that 66% of the budget problem is lack of attendance for events in 2022, versus 78% of the budget problem for 2019.
2. Hartman noted that payroll for 2022 is currently 8% above budget, and that the increased cost is mostly security.
3. Hartman shared that operating costs (non-payroll) are up 11% from budget versus up 7% from budget in 2019. The majority of the increased costs in 2022 are heat, sewer, repairs and licenses, and contracts.

4. Regarding next steps, Hartman reminded the Board that entertainment at the DECC will take time to build.
5. Additionally, Hartman shared that the current sales approach is no longer adequate for the DECC's needs. A new Convention Sponsorship and Sales Manager will be starting in mid-August. Hartman will work with this individual to target local sales.
6. Hartman's additional plans for the DECC include: a more aggressive approach towards creating new convention/meeting sales, which will include a "hot deals" program on rooms; and an expanded sales approach via the addition of a sponsorship and sales staff member and support from Aimclear in creating sales lists. Additionally, Hartman plans to increase the focus on "DECC Presents" events to increase revenue during the current fiscal year.
7. Additional conservative measures Hartman plans to take include: Decreasing DECC staff travel plans, delay contract/license/upgrades when appropriate, and Hartman requests that the Board delay his salary increase until January of 2023.

Vice Chair Singler noted that Hartman cannot defer his salary increase without Board action. Chair Williams requested a motion to defer Hartman's salary increase to January 2023. MOTION to defer Hartman's salary increase to January 2023 made by Vice Chair Singler and seconded by Bremer.

8. Hartman introduced DECC staff Emma Deaner and Kimberly Carr to provide an update on entertainment at the DECC. Deaner and Carr presented on the entertainment approach at the DECC and future plans for entertainment curation at the DECC.

COMMITTEE REPORTS

Executive

1. Chair Williams provided an update on behalf of the Executive Committee. The Board Retreat will be held in Duluth, location to be determined. Vice Chair Singler and Bremer will be sending out supplemental documents in advance of the meeting.
2. Chair Williams was contacted by the State regarding a report of MN Open Meeting Law compliance concerns at DECC Board Meetings. Chair Williams spoke with the State to review the concerns and received some training resources to support MN Open Meeting Law. Chair Williams noted these resources will be particularly helpful for the onboarding of new Board Members. Chair Williams also learned from the State that the Board must hold meetings within the City of Duluth boundaries.
3. Chair Williams shared that per DECC Bylaws the Governance Committee is responsible for reviewing governance polices.

Finance

1. Secretary & Treasurer Baumgartner provided an update on behalf of the Finance Committee. Secretary & Treasurer Baumgartner reiterated that the DECC's balance

sheet for April and May is not balanced. The DECC's operating cash per Chilcote was at 1.9 Million at the time of discussion. The DECC has a separate box office account, these funds are restricted and reserved.

2. Secretary & Treasurer Baumgartner shared that he will meet with the finalist Finance Director candidate for a final interview.

Governance

1. Bremer provided an update on behalf of the Governance Committee. The committee reviewed Board applicants in June and provided a recommendation to the Mayor's office. The candidate, Tony Sertich, will interview with City Counsel on August 11, 2022.
2. Bremer sent Board Members a survey on behalf of Propel that will serve as a Board Member self evaluation.

Ad Hoc - Guest Experience

1. L. Mullen provided an update on behalf of the Ad Hoc Guest Experience Committee. The committee met and reviewed survey data and the type of events surveyed. L. Mullen encouraged Board Members to utilize the guest experience survey to provide feedback after attending DECC events.

NEW BUSINESS

Hartman shared that he has been looking into additional parking models for the DECC, including the use of Interstate Parking. Hartman may ask Board Members to participate on a task force to advise on parking changes.

OTHER

No other items to discuss.

ADJOURNMENT

Chair Williams requested a motion to adjourn. The meeting adjourned at 12:58 PM.

UPCOMING MEETINGS

The next regular meeting will be held August 16, 2022 and August 17, 2022 at location to be determined.

Minutes reported by Ronni Murphy, Office and Project Manager.

Submitted by:

Lynne Williams, Chair

Matthew Baumgartner, Secretary &
Treasurer

Date

Date