



DECC AUTHORITY BOARD OF DIRECTORS SPECIAL MEETING

September 15, 2023 Meeting Minutes

CALL TO ORDER

A Special Board Meeting was held Friday, September 15, 2023, in the Senator Sam Solon Board Room. Chair Peter Singler called the meeting to order at 11:32 AM. A quorum of directors was present.

BOARD MEMBERS PRESENT

Chair Peter Singler
Lynne Williams
Bill Nelson
Carrie Heffernan
Pat Mullen
Mary Finnegan
Josh Axelson

BOARD MEMBERS ABSENT

Vice Chair Martha Bremer
Secretary & Treasurer Laura Mullen
Tony Sertich
Jason Vincent

DECC STAFF PRESENT

Dan Hartman
Amanda Denton
Lucie Amundsen
Ronni Murphy

OTHERS PRESENT

Media

APPROVAL OF CONSENT AGENDA

MOTION to update the agenda to add a section for new business as agenda item four with the following resolutions: 04-23: in support of a line of credit for bonding capital projects and 05-23: in support of a line of credit requested by Chair Singler; motion made by P. Mullen and seconded by Williams. Motion carried unanimously.

PUBLIC OPEN COMMENT PERIOD

Chair Singler asked for a review of the public open comment period sign-up sheet, no members of the public signed up for comment.

EXECUTIVE DIRECTOR REPORT

Executive Director Hartman provided a financial update to the Board. Hartman noted that the DECC is currently facing two problems: the problems of the past and the post-COVID reality.

Historically, the DECC has not had funds available for infrastructure repair and other capital projects. Hartman reminded Board Members that in 2021 the ammonia leak happened in the Curling Club ice plant, resulting in the beginning of several large infrastructure-related expenditures. Hartman explained the complicated use, patching, and rerouting that has occurred with the DECC's ice plants and HVAC systems to direct cooling throughout the facilities during the last 20-30 years. For years two ice plants have supplied cooling for five of the DECC's locations, an inefficient but necessary model due to the DECC's inability to direct funds toward capital projects and infrastructure. Hartman noted this is one of many infrastructure issues throughout DECC facilities. An additional example, the DECC's electric transformer is long overdue for replacement. Hartman noted the transformer that provides most of the power for DECC facilities was due to be replaced in the 1980s.

Hartman reminded Board Members that the DECC has been awarded \$5,000,000 in legislative bonding funds to address several infrastructure issues including roofing and the electric transformer. However, the DECC still faces significant infrastructure needs. Hartman followed up by sharing that the DECC has had an estimated \$600,000 in unbudgeted infrastructure-related costs in 2023. Examples include the replacement of the Harbor Side AC unit; EPA penalty; security door replacement; Harbor Side escalator motherboard; and an air conditioning reroute for Symphony Hall.

Hartman transitioned to discuss post-COVID realities at the DECC. 450 of the DECC's 500 employees are part-time staff. Like many other institutions, the DECC has struggled to fill part-time positions post-COVID. Now, the DECC pays an average of \$16.00 per hour for part-time positions, rather than an average of \$10.00 per hour pre-COVID. With increased wages the DECC still continues to struggle finding part-time staff. Of note, the building services department has worked 700 fewer hours in January-July of 2023 than in January-July of 2019, but payroll is an estimated \$200,000 higher in 2023.

Hartman reminded Board Members that the DECC has historically had large financial peaks and valleys annually. To offset the DECC's typical peaks and valleys, and increasing staffing and operational costs post-COVID, Hartman hired marketing, entertainment, and additional event planning staff to generate additional revenue.

Hartman stated that an increased emphasis on marketing has worked for the DECC. Hartman reviewed Pollstar event attendance data that reflected the DECC was previously below average attendance rates on entertainment and is now consistently above average attendance rates (Hartman estimates previously 20% below average, now 40% above average). To illustrate, the recent Price is Right show at the DECC was 51% above average attendance rates for the show on Pollstar. Hartman noted the biggest net gain has been the improved performance of the William A. Irvin Museum and Haunted Ship. In 2022, the Irvin and Haunt combined grossed an estimated \$1,000,000 for the first time. In 2017, the Haunted Ship earned \$206,327 gross and in 2022, the Haunted Ship earned \$622,519 gross. Hartman noted that the Irvin's change in performance can be attributed to: expanded marketing including Twin Cities audiences; the addition of the Fast Pass; the creation of a

desired product; and good weather. Hartman further noted that entertainment has experienced positive effects from marketing with attendance rates increasing from 58,258 in 2019 to 66,877 in 2022.

Hartman redirected and shared that the strategy to create new events has been less effective. Hartman believes that the ramp up period to create new events takes longer than expected, new events have come with unexpected additional risks, and this strategy has caused tension with DECC partners. Hartman believes this strategy should be reviewed and reevaluated.

Hartman redirected and noted that the DECC's strategies were not enough to combat financial limitations, and as of September the DECC is reporting \$891,000 cash on hand. Hartman noted that based on previous discussion the DECC had planned to take additional action if cash available dipped below \$1,000,000. Hartman reminded Board Members that September/October is typically the DECC's lowest point of cashflow. In October 2022 the DECC reported \$1,058,000 cash available. However, in December of 2022, the DECC reported \$2,400,000 cash available.

Hartman noted that Board Members have inquired why notice regarding the DECC's financial status was not provided sooner. Hartman attributes this to the DECC's consecutive gap in finance directors.

Hartman noted that Board Members have also inquired why the DECC is suffering "more" than other venues. Hartman attributes this to the DECC's ten-venue status. Due to the DECC's volume of venues the DECC's fixed infrastructure cost is significantly larger than that of many of the DECC's peer institutions. To illustrate, Rochester is essentially half the DECC's size with no ice components. To further illustrate, Minnesota Power estimates about 40% of the DECC's electrical costs are attributed to the compressors used to make ice. Furthermore, Hartman noted the DECC also received less COVID-related funding than many venues. Hartman showed Board Members Save Our Stages Grant awards for many venues including Xcel Energy Center, First Avenue, and The Armory (Minneapolis) for comparison. Moreover, Hartman observed that the DECC also receives less operational support in the form of grants or public funds than many other similar Minnesota venues. Additionally, Hartman shared that October 2023 is the first month the DECC will no longer be paying the COVID electric bill through Minnesota Power. Hartman reminded Board Members that Minnesota Power agreed to allow the DECC to pause payments for a period throughout the pandemic, and the DECC has been paying the additional sum in monthly installments since fall of 2021.

Hartman outlined a three-step action plan for the Board:

Step One: request a loan from the City of Duluth for \$1,000,000 to ensure the DECC can meet its financial obligations in the short-term, i.e., assist with cashflow. If approved, the DECC will be required to pay back the loan to the City of Duluth. The loan from the City will allow the DECC additional time to review operations and make adjustments. Step Two: internal restructuring and rethinking. Hartman noted the DECC has significant payroll liability with the current staffing model. An example of restructuring could include adjustments to the DECC's parking operation. Hartman reminded Board Members that the Board currently has an Ad Hoc Parking Committee reviewing parking operations. An example of rethinking could include going cashless. Going cashless would allow volunteers to operate tills in concessions

and decrease staff hours counting cash and preparing cash for events. The DECC plans to launch a cashless operation in AMSOIL Arena soon. Hartman noted that rethinking is not as simple as just raising rates due to the current market and competition. Hartman noted that Rochester is currently providing free space/room rentals as part of an incentive package to attract clients. Step Three: pursue sponsorships more aggressively. The DECC currently has three venues available for sponsorship, if all three are named the DECC should expect to gain \$600,000 in revenue. Hartman encouraged Board Members to connect him with contacts they have from local businesses that may be interested in sponsorship opportunities. Hartman closed by noting he was overly optimistic about how fast the DECC could grow earned revenue to catch up to large increases in expenses. However, Hartman remains extremely optimistic about the DECC's future and he believes this situation will grow the DECC into a more responsive, adaptable, and better supported institution.

The Board thanked Hartman for the detailed review of the DECC's financial status and discussed the information provided by Hartman. Board Members suggested the following: Hartman speak with UMD regarding the timing of UMD's annual payment; Hartman seek external consulting services for an operational review; and Hartman review current budgeting practices and create a process for more accurate forecasting/projections.

P. Mullen departed at 9:15 AM

NEW BUSINESS

Hartman introduced Resolution 04-23 in support of securing a line of credit for up to \$5,000,000 from the City of Duluth for bonding capital projects. Hartman noted the DECC was awarded \$5,000,000 in legislative bonding funds for capital projects but must pay for the projects up front and seek reimbursement. Hartman plans to seek a line of credit from the City of Duluth to cover the up-front cost of the bonding projects and will assist the City in acquiring reimbursement for the funds after the projects are complete. MOTION to approve Resolution 04-23 requested by Chair Singler; motion made by Williams and seconded by Heffernan. Motion carried unanimously.

Hartman introduced Resolution 05-23 in support of securing a line of credit in the amount of \$1,000,000 from the City of Duluth to ensure the DECC can meet its financial obligations. The Board discussed Resolution 05-23. Hartman noted the request for the line of credit will require a vote by the City Council. Hartman encouraged Board Members to attend the City Council meeting on September 21, 2023, in support of the DECC. MOTION to approve Resolution 05-23 requested by Chair Singler; motion made by Williams and seconded by Nelson. Motion carried with affirmative votes from Chair Singler, Williams, Nelson, Heffernan, and Axelson (Finnegan abstained).

ADJOURNMENT

Chair Singler requested a motion to adjourn. The meeting adjourned at 9:24 AM.

UPCOMING MEETINGS

The next regular meeting will be held September 28, 2023, location to be determined.



Duluth Entertainment Convention Center

RESOLUTION 04-23: DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY RESOLUTION IN SUPPORT OF SECURING A LINE OF CREDIT FROM THE CITY OF DULUTH FOR BONDING CAPITAL PROJECTS

At a meeting of the Duluth Entertainment and Convention Center Authority Board of Directors, held in the Senator Sam Solon Board Room on September 15, 2023.

WHEREAS the Duluth Entertainment and Convention Center Authority (DECC) has secured \$5,000,000 in legislative bonding funds toward the completion of capital improvement projects at the DECC.

WHEREAS it is required that the DECC pay for the completion of the approved capital projects and submit required documentation of project compliance and completion for reimbursement from the approved legislative bonding funds.

WHEREAS the DECC seeks to secure a line of credit in the amount of \$5,000,000 from the City of Duluth to provide advance payment for capital projects from the DECC's 2023 approved legislative bonding funds request.

WHEREAS the DECC seeks to partner with the City of Duluth to submit required supporting documentation for the completed capital projects to secure reimbursement for the City of Duluth from the DECC's approved \$5,000,000 in legislative bonding funds.

WHEREAS the DECC Board of Directors desires to confirm its support for the DECC to complete the capital projects outlined and approved in the 2023 legislative bonding funds request.

WHEREAS the DECC Board of Directors desires to confirm its support for the DECC to secure the line of credit from the City of Duluth.

WHEREAS the DECC Board of Directors desires to confirm its support for the DECC to partner with the City of Duluth to submit for reimbursement for up to \$5,000,000 as included in the DECC's approved legislative bonding request.

THEREFORE, IT BE RESOLVED that Daniel Hartman, Executive Director of the DECC is authorized to negotiate and enter into an agreement with the City of Duluth for matters related to securing a line of credit in the amount of up to \$5,000,000 for the completion of the DECC's approved bonding capital projects.

Submitted by:

Peter Singler, Chair

Laura Mullen, Secretary & Treasurer



Duluth Entertainment Convention Center

RESOLUTION 05-23: DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY RESOLUTION IN SUPPORT OF SECURING A LINE OF CREDIT FROM THE CITY OF DULUTH

At a meeting of the Duluth Entertainment and Convention Center Authority Board of Directors, held in the Senator Sam Solon Board Room on September 15, 2023.

WHEREAS the Duluth Entertainment and Convention Center Authority (DECC) seeks to secure a line of credit in the amount of \$1,000,000 from the City of Duluth to ensure the DECC can meet its financial obligations.

WHEREAS the DECC seeks to negotiate a repayment plan that is favorable for both the DECC and City of Duluth.

WHEREAS the DECC Board of Directors desires to confirm its support for the DECC to request a line of credit from the City of Duluth and, if approved, negotiate a repayment plan.

THEREFORE, IT BE RESOLVED that Daniel Hartman, Executive Director of the DECC is authorized to negotiate and enter into an agreement with the City of Duluth for matters related to securing, and repayment of, a line of credit in the amount of \$1,000,000.

Submitted by:

Peter Singler, Chair

Laura Mullen, Secretary & Treasurer

Submitted by:

Peter Singler, Chair

Laura Mullen, Secretary & Treasurer