



Duluth Entertainment Convention Center

DECC AUTHORITY BOARD OF DIRECTORS REGULAR MEETING

September 28, 2023, Meeting Minutes

CALL TO ORDER

A Regular Board Meeting was held Thursday, September 28, 2023, in the Harbor Side Convention Center Room 2023. Chair Peter Singler called the meeting to order at 11:31 AM. A quorum of directors was present.

Chair Singler summarized the Board Communications policy with Board Members as adopted by the Board in 2022.

BOARD MEMBERS PRESENT

Chair Peter Singler
Secretary & Treasurer Laura Mullen
Carrie Heffernan
Pat Mullen
Tony Sertich
Jason Vincent
Josh Axelson

BOARD MEMBERS ABSENT

Vice Chair Martha Bremer
Lynne Williams
Bill Nelson
Mary Finnegan

DECC STAFF PRESENT

Dan Hartman
Amanda Denton
Lucie Amundsen
Ronni Murphy

OTHERS PRESENT

Monica Haynes, Director of Bureau of Business and Economic Research - UMD
Media
Public

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.

APPROVAL OF CONSENT AGENDA

Chair Singler reviewed the consent agenda. The consent agenda included the meeting agenda, financial statements from June and July 2023, and meeting minutes from the special meeting on September 15, 2023. MOTION to approve the consent agenda requested by Chair Singler; motion made by Secretary & Treasurer L. Mullen and seconded by P. Mullen. Motion unanimously carried.

OTHER

Executive Director Hartman introduced Monica Haynes, Director of Bureau of Business and Economic Research at UMD. Haynes presented a summary of the recently developed economic impact tool, "DECC-IT" (DECC Impact Tool) as developed by Haynes and her team. Haynes shared the assumptions used to create the tool, how to operate the tool, the types of events the tool is applicable for, and noted that the tool will require an annual update. The Board thanked Haynes and team for their efforts in developing the tool, and noted the insights gained from the use of the tool will be invaluable.

Chair Singler noted that the annual board retreat will no longer be an experiential meeting, but rather will be hosted at the DECC. The updated proposed date is November 8th or November 9th. Chair Singler encouraged Board Members to provide availability to Murphy as soon as possible. The Regular November Board Meeting will be moved to occur during the updated retreat date.

EXECUTIVE DIRECTOR REPORT

Executive Director Hartman provided an update regarding the DECC's financial situation. Hartman noted there has been a public misunderstanding of the DECC's financial procedures. Hartman summarized recent history impacting the finance department at the DECC: In May 2022 Finance Director Caty Kaups left the DECC; the DECC brought in an interim finance consultant, but there were delays in getting up-to-date finance statements in part due to unavoidable personal circumstances for the consultant; in August 2022 Finance Director Jason Reid was hired; finance statements were delayed as Reid learned the DECC's systems; in March 2023 the Board approved moving to a prior-prior month finance statement review to allow more time for internal processing and statement review; in May 2023 Finance Director Jason Reid left the DECC; and in late May 2023 Finance Director Amanda Denton was hired. Due to these changes, the DECC experienced significant delays with access to up-to-date financial statements. However, the DECC finance statements are now up-to-date and in alignment with prior-prior month review. Hartman closed by noting that it is common for entities to do a prior-prior month finance statement review to allow time to properly close out each month's financials. Of note, Both Spirit Mountain Authority and Duluth Airport Authority complete a prior-prior month financial review (i.e., January finance statements are reviewed in March). Hartman suggested the DECC revert to a prior month review with the Finance Committee meeting being held closer to the monthly board meeting to allow for finance statement completion and review. The Board discussed and noted it is challenging to close out prior month finances to create finance statements in time for the monthly board meeting. The Board plans to discuss this further at the next Finance Committee meeting but suggested the DECC team continue with prior-prior month review in the interim.

Hartman pivoted to address his goals for the meeting: ensure all are on the same page and outline the severity of the DECC's current moment.

Hartman reminded Board Members that the DECC's financial software is complex. Additionally, the DECC's finance coding is in need of updates and is not reflective of significant changes to the DECC's operating structure.

Hartman outlined the challenges impacting the DECC's finances. First, post COVID, the DECC's payroll has increased significantly. The DECC was required to increase wages to maintain competitiveness in the current market. In 2023 so far, the DECC has spent \$2.8 million on payroll, compared to \$1.8 million in 2019. Of note, the DECC has averaged less staffed hours in 2023 despite the higher payroll expenses. Hartman estimates a \$2 million dollar increase in payroll in 2023. Hartman pivoted to note that in addition to the payroll increases the DECC has been coupled with unexpected significant facility/capital costs. Hartman reminded Board Members that it is important to avoid criticizing past actions and focus on looking forward.

Hartman redirected to share immediate steps he plans to take. Hartman is assessing staffing and plans to make an estimated \$1 million reduction in payroll. Hartman noted reductions may lead to some struggles with events and operations as the DECC adjusts to a new staffing model. Hartman pointed out that the DECC's current model is broken and needs review and adjustment. Hartman plans to investigate reducing an additional \$500,000 in non-payroll costs. Hartman is not sure if this is possible but will explore options. Hartman plans to aid this plan by centralizing spending, ending a variety of spending accounts, and declining to do significant updates to the Haunted Ship in 2024. Hartman noted some software such as the Meltwater contract are being reviewed to determine if savings can be achieved. Hartman also shared that some contracts are locked into multi-year agreements and are not able to be terminated in advance of the agreement end date. Finally, Hartman noted he has already begun exploring additional staffing models.

Hartman expects to see positive trends by December that are reflective of the actions discussed above. Hartman noted that the DECC needs to be on the right track by February 2024.

Hartman encouraged Board Members to reach out with ideas and considerations as Hartman assesses the DECC's operational model. Hartman shared examples of operational review and adjustments at Glensheen that resulted in positive impacts to Glensheen's financials (i.e., implementation of self-guided tours). Hartman noted that adjustments to staffing alone will not change the DECC's financial situation and that a new model will be necessary for the DECC's long-term success.

The Board discussed Hartman's presentation and the Board's role in supporting the DECC.

Hartman thanked the Board for the ideas suggested at the Special Board Meeting in September: researching eligibility for Employee Retention Tax Credit (ERTC) payments; adjusting the timeline of the annual UMD payment, and working with a venue consultant to complete an operational review of the DECC. Hartman is currently exploring all three

suggestions. Hartman has received a proposal from a venue consultant and hopes to enter into an agreement for consulting services in the near future.

Secretary & Treasurer L. Mullen departed at 12:21 PM

Haynes departed at 12:21 PM

Hartman noted he requested to cancel the September Finance Committee to ensure that the full Board could be included in the discussion due to the DECC's current financial status. Hartman introduced Finance Director Denton to provide an update regarding the DECC's finances.

Denton shared that the finance department is currently down two FTEs. Denton is researching options to bring in temporary accounting consulting services to assist with workload, succession planning, best practices, and standardization.

Denton pivoted to discuss July financials. Denton provided an in depth review of financials across all departments at the DECC. The Board discussed the DECC's financials with Denton and Hartman.

COMMITTEE REPORTS

Strategy

1. Chair Singler provided an update on behalf of the Strategy Committee. Chair Singler shared that the Strategy Committee discussed and prepared for Hartman's presentation to the City Council.
2. Chair Singler noted the Committee discussed potentially instituting a full-time hiring freeze. The Board discussed and determined it is important for Hartman to have full authority to hire as needed to support DECC operations. Hartman may introduce a hiring freeze as an internal control if necessary, at his own determination.

Finance

1. Finance update provided by Hartman and Denton.

Governance

1. No update provided.

Ad Hoc Parking Committee

1. No update provided.

OLD BUSINESS

No Old Business was discussed.

NEW BUSINESS

No New Business was discussed.

ADJOURNMENT

Chair Singler requested a motion to adjourn. The meeting adjourned at 1:03 PM.

UPCOMING MEETINGS

The next regular meeting will be held October 26, 2023, location to be determined.

Submitted by:

Peter Singler, Chair

Laura Mullen, Secretary & Treasurer

Date

Date