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Regular Board Meeting

DECC Board of Directors

Thursday, April 25, 2024



DECC AUTHORITY BOARD OF DIRECTORS | AGENDA Regular Meeting

Senator Sam Solon Board Room | Thursday, April 25, 2024 | 12:00 PM to 1:30 PM

Mission

We host events, create experiences, and drive our regional economy

Values

Hospitality | Entertainment | Community | Visionary | Stewardship

I. CALL TO ORDER

II. PUBLIC OPEN COMMENT PERIOD

Members of the public sign in and each receive 3 minutes to speak

III. APPROVAL OF CONSENT AGENDA

- a. Agenda
- b. Regular Board Meeting Minutes - March 28, 2024
- c. February 2024 Financials

IV. NEW BUSINESS

- a. Resolution 01-24 in Support of Special Appropriation Application (Bonding)
- b. DECC Board Bylaws
- c. Statement on Private Social Gatherings Policy

V. OLD BUSINESS

- a. Parking Operations Proposal
- b. Closed Session pursuant to section 13D.05, subdivision 3(a) to evaluate the performance of an individual who is subject to the public body: Executive Director Hartman

VI. EXECUTIVE DIRECTOR REPORT

- a. Update

VII. COMMITTEE REPORTS

- a. Strategy
 - i. Update
- b. Finance
 - i. Update
- c. Governance
 - i. Update

VIII. OTHER

- a. None

IX. ADJOURNMENT

UPCOMING MEETINGS

The next regular business meeting is scheduled for Thursday, May 30, 2024, location to be determined.



DECC AUTHORITY BOARD OF DIRECTORS REGULAR MEETING

March 28, 2024, Meeting Minutes

CALL TO ORDER

A Regular Board Meeting was held Thursday, March 28, 2024, in the Senator Sam Solon Board Room. Chair Peter Singler called the meeting to order at 12:02 PM. A quorum of directors was present.

BOARD MEMBERS PRESENT

Chair Peter Singler
Vice Chair Laura Mullen
Bill Nelson
Zack Filipovich
Carli Amatuzio
Shane Peterson
Pat Mullen

BOARD MEMBERS ABSENT

Treasurer Tony Sertich
Secretary Jason Vincent
Martha Bremer
Mary Finnegan

DECC STAFF PRESENT

Dan Hartman
Amanda Denton
Ronni Murphy

OTHERS PRESENT

Councilor Tomanek
Media

OTHERS ABSENT

None

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, Meeting Minutes from the Regular Board Meeting on February 29, 2024, and finance statements for December 2023 and January 2024. MOTION to approve the consent agenda requested by Chair Singler; motion made by P. Mullen and seconded by Filipovich. Motion unanimously carried.

EXECUTIVE DIRECTOR REPORT

Executive Director Hartman began with an educational update related to the DECC's expenses. Hartman presented three pie charts depicting the following data for January 2024: DECC expenses, department expenses, and staff expenses (*pie charts referenced in supplemental section*). Hartman reviewed the expenses chart highlighting the various expense categories and which expenses were included. For example, the supplies category contains floor cleaner, office supplies, event supplies, etc. Hartman reviewed the department expenses chart noting that property maintenance and administration contained the largest expenses for January. Hartman reviewed the staff expenses chart noting which staff were included in each department. Building Services made up 19% and Property Maintenance made up 16% of staffing expenses.

Hartman reminded Board Members that January is typically a slow month for the DECC. January resulted in \$1,000,000 in expenses, with \$200,000 in fixed revenue (i.e., taxes, leases, etc.). An estimated 46% of the DECC's January expenses were related to facilities, supplies, contracts, etc. and 54% of expenses were related to payroll. Hartman noted the eliminated positions from fall 2023 have resulted in an estimated \$50,000 a month in savings. Hartman summarized that the DECC will need an estimated additional \$200,000 reduction in payroll costs to break even, or \$275,000 without tourism taxes for January. Hartman clarified that further payroll cuts would impact service delivery significantly.

Hartman shared that third party or outsourcing food and beverage or parking may not be advantageous for the DECC. In 2023, catering and concessions combined had a 26% profit margin. If the DECC outsourced catering and concessions with a typical 20% profit margin, the DECC would have lost \$215,791 in 2023. Similarly, the DECC benefited from a 76% profit margin in 2023 in parking. However, parking has many impacts/variables including weather, dynamic pricing, and many potential third party options with a variety of applicable models. Hartman noted that dynamic parking could work for some areas of the DECC but would not work well in others and could result in the DECC leaving funds on the table. In 2023, the DECC earned an estimated \$1.25 million in profit in parking. Hartman estimates if the DECC had outsourced parking the DECC could have lost \$187,756. P. Mullen noted there could be an advantage to looking into third party parking options if they can be more efficient (i.e., less bottlenecks, improved technology, etc.). Hartman agreed.

Hartman redirected and summarized that the DECC can continue to decrease payroll to reduce expenses at the potential cost of negatively impacting service delivery or focus on booking more events. Hartman continues to focus on booking more events at this time.

Hartman redirected to provide an update related to the DECC's strategic framework.

1. **Policy & Procedure:** Hartman provided an update on recent policy/procedure work at the DECC. Hartman shared that the DECC completed the 2023 audit entrance meeting with the audit team. Board Members should receive a letter detailing topics discussed during the meeting from the auditor's office.
2. Legal is currently reviewing the public vs. private gathering policy statement. Board Members will receive a copy of the draft policy at an upcoming meeting.
3. The Governance Committee completed a review of the DECC Authority Board Bylaws. The suggested edits are currently being reviewed by the Strategy Committee and will be provided to Board Members at a future meeting.
4. **Contract Management:** Hartman provided an update on recent contract management activities at the DECC. Bernick's plans to provide a proposed sponsorship agreement to the DECC for review. The proposed agreement would be applicable for events from June onward. Hartman noted that Bernick's is also interested in extending the current beverage agreement by three years. Vice Chair L. Mullen asked about the exclusivity provisions of the agreement, and Hartman clarified that the agreement has exclusive soda provisions.
5. Hartman shared that the applicable cruising-related agreements have been updated for 2024. Updates include added tariffs to pay for dredging. Hartman explained that there are now two tariffs: one for operations and the newly added tariff pays for dredging.
6. **Community Connection:** Hartman provided an update regarding recent community connection efforts. Hartman asked Board Members if/how often they would like to see social media analytics. Vice Chair L. Mullen suggested a quarterly social media metrics update.
7. Hartman provided an update related to some of the DECC's legacy partners. Hartman noted that the DECC continues to work toward industry best practices, and this has complicated relationships with some of the DECC's long-term partnerships. To illustrate, Hartman shared that the DECC announced a National Ballet Swan Lake event. Of note, the DECC is the only venue in Duluth with a large enough stage for the production. The DECC received feedback from Minnesota Ballet that they were concerned the DECC was bringing in other similar acts. Hartman explained that the DECC should not say no to bringing in arts, national acts, etc. as it is part of the DECC's role to bring these events to our community. Hartman shared that he discussed marketing strategies with Minnesota Ballet and suggested they consider partnering with the national event in some way such as tabling at the event, etc. Hartman noted that he has also been in discussion with Duluth Superior Symphony Orchestra (DSSO) regarding overdue payment. Prior to Hartman's arrival at the DECC, the DECC approved the DSSO to switch to a non-Ticketmaster ticketing platform. This agreement violates the DECC's Ticketmaster agreement. Due to this, the DECC plans to work with DSSO to transition ticketing back to a Ticketmaster product. P. Mullen asked what potential next steps look like for the DECC, and if the DECC would be releasing DSSO event holds, etc. Hartman explained that the DECC plans to discuss

payment with the DSSO and come to an agreement and next steps. P. Mullen asked for an update regarding the status of Vista Fleet. Hartman shared that in 2023 the DECC agreed to switch the Vista Fleet to an alternative payment structure and this arrangement has been helpful for both the DECC and Vista Fleet.

- 8. Economic Impact:** Hartman provided several updates related to economic impact. Hartman shared that the recent Jason Isbell concert in Symphony Hall went well. Hartman shared several event photos taken by staff Member Nick Barrett noting that Barrett is a skilled photographer. Hartman shared that the recent high school robotics competition was a success with high attendance. Hartman noted the robotics event is enjoyable with great energy. Hartman shared several photos from Motorhead Madness noting that the event went well but had decreased attendance on Sunday due to snow.
- 9.** Hartman provided an update on upcoming events at the DECC. Hartman shared that the DECC team is currently working on a taco festival. The event will be held the same day as Trampled by Turtles (Bayfront Festival Park) to encourage concert goers to enjoy the festival before the show. Hartman estimates 1,000 attendees for the taco festival. MercyMe will have a show in DECC Arena. Concession stands were recently updated for the Harbor Monsters Arena Football and will be usable for the MercyMe show. Hartman noted it is great to see DECC Arena coming back to life. Council Liaison Tomanek asked what ticket prices were for the sellout Sam Hunt show in AMSOIL Arena. Hartman explained the typical ticketing structure noting that the DECC makes its revenues from bars, concessions, etc. Nelson asked what a promotor must pay to rent a space at the DECC, for example, what would a promotor pay to rent DECC Arena? Hartman explained that promoters negotiate the rental as part of the rental agreement, and it varies. Amatuzio asked if the DECC factors in shows that have no bar when negotiating rentals. Hartman confirmed that this is factored in as part of the agreement.
- 10. Capital Investment:** Hartman provided an update related to capital investments. Hartman noted that the bonding bill is progressing and is likely to be completed around mid-May. Hartman shared that he plans to ask Board Members to submit a letter to representatives on behalf of the DECC. Council Liaison Tomanek noted that each Board Member submitting a letter should personalize the template. Council Liaison Tomanek also asked Hartman to provide a list of individuals to whom the letter should be sent. Hartman summarized the DECC's request noting that the DECC's top priority is to fix the Victaulic rings/heating/pipes. The DECC currently must heat DECC facilities in the summer months, because the Victaulic rings/pipes cannot be shut off. Additionally, the rings regularly malfunction or require repair, frequently resulting in floods within DECC facilities. Hartman closed by noting the Victaulic rings/pipes request is an estimated \$2.2 million.
- 11.** Hartman shared that the City Side Convention Center escalator is repaired. The repair was an estimated \$20,000.
- 12.** Hartman shared that the McKinstry energy assessment proposal has been put on hold. Due to the DECC's current need for a facilities conditions assessment, bonding

funding, etc. it was determined more information is needed. Hartman plans to have Board Member Peterson meet with McKinstry as Peterson is experienced in energy efficiency work.

13. Hartman shared that the Duluth Energy Systems (DES) contract will be discussed at a future meeting. DES plans to move the DECC to a higher rate. Our current contract has expired, and they are awaiting renewal to increase the rate. The DES team and the DECC's engineer team have conflicting data regarding the DECC's utilization. Dan will present a summary to the Board at a future meeting.
14. Hartman provided an update related to the AMSOIL Arena scoreboard request for proposal (RFP). The RFP is open and has been extended through April 17, 2024. The DECC expects several proposal submissions based on vendor interest. The DECC is planning for a ten year lease and is currently working with Architecture Advantage for a structural engineering assessment related to the scoreboard.
15. Hartman noted that the DECC plans to apply for the 2024 Minnesota Historical Society legacy grant. The DECC is seeking funding for a conditions assessment of the William A. Irvin.
16. Additionally, Hartman noted that the DECC has submitted a pre-application for congressionally directed spending ("earmarks", "community project funds") with Congressman Stauber's office. The official application is not open yet, and this is a highly competitive process. The DECC plans to submit to all applicable offices if funds become available. The DECC's draft submission is related to energy efficiency projects due to the DECC's status as an emergency shelter.

COMMITTEE REPORTS

Strategy

Chair Singler provided an update on behalf of the Strategy Committee.

1. The Committee met with McKinstry to review their energy efficiency work proposal. The proposal includes a 20 year loan with payback through savings generated from gained energy efficiencies. The proposal looked appealing, but more information is needed. The proposal will come to the full Board for review after additional information is obtained.
2. Results from the Board strategic planning survey of Venulogix action items are aggregated (*a summary of the results is included in the supplemental section*). The Board discussed potential next steps. Chair Singler asked the Board to consider how these priorities will guide Hartman's work, what the Board should be on pace with, and how the Board should be updated regarding progress. The Board asked Hartman to present a draft plan at a future meeting, likely June 2024. The draft plan should include a list of Hartman's priorities for the next year, with a summarized 3-5 year plan as many of the action items are interrelated. The Board summarized that strategic conversations are important, and an ad hoc strategic planning committee may be ideal for planning purposes.

3. Chair Singler noted that the Duluth Energy System contract is up for renewal. The DECC has options to heat with steam or the DECC's own boiler system. The contract will come to the Board for review at a future meeting. The Board discussed how this information can be most effectively presented to the Board. It was suggested that Hartman gather key data points and provide a 1-2 page summary related to the DES contract and the DECC's heating options. Hartman asked Board Members to email him regarding any specific data points they want included in the supplemental materials. Chair Singler shared that in January 2023 the DECC heated with boiler heat only for one month and the resulting bill was comparable to previous steam bills. P. Mullen asked how the DECC can utilize the DECC's boilers in negotiations for the contract. The Board discussed.
4. The Committee completed final updates on Hartman's performance evaluation. The evaluation was distributed to Board Members that began their term on the DECC Board prior to July 1, 2023. A summary of the results will be presented in the closed session as noted on the meeting agenda.

Finance

1. Finance Director Denton reviewed December finance statements, noting that year-end adjustments are still in progress and will result in additional changes. Building Services had an \$83,000 loss variance due in part to the \$190,000 UMD Suite payment. Property Maintenance was \$110,000 better than budget. Of note, the MN Power electricity interim rate refund of \$63,000 came in. Marketing and sales was \$23,000 better than budget. Catering was \$39,000 better than budget. Concessions was \$81,000 better than budget. Administrative had a \$241,000 loss variance due to an accounting reclass adjustment to correctly record the temporary ice chiller, higher than expected expenses including \$52,000 Ungerboeck software expenses and \$49,000 OPEB liability expenses. The ticket office was \$22,000 better than budget and parking was \$88,000 better than budget. December had many high parking volume events including Bentleyville, Arrowhead Ice Fishing Show, etc. December ended with a total operating loss of \$243,000. Regarding non-operating revenues we booked an additional \$538,000 in tourism taxes for 2023 (overage compared to budget). Our net change in retained earnings is \$415,000k. At the time of reporting, the year reflects a net loss of \$325,000, however this is subject to change.
2. Hartman reminded Board Members that we received a check from the City of Duluth for the temporary ice chiller previously, and now payment for the chiller has been reflected. The DECC paid an estimated \$106,000 for the temporary chiller from DECC funds.
3. Hartman highlighted that increased tourism tax revenue is incredibly beneficial for the DECC. Chair Singler noted that when the DECC brings in visitors Duluth benefits as well.
4. Filipovich asked for clarification regarding the DECC's marketing expenses, how much of the DECC's marketing is local vs. the broader region. Hartman clarified that marketing varies by event. Hartman noted the DECC's marketing reach is frequently

regional to drive potential attendees from other towns to Duluth for our events. Examples include: St. Cloud, Brainerd Lakes, etc.

5. Council Liaison Tomanek asked if the DECC's tourism tax allotment may change under new City administration. Hartman clarified that the DECC receives a set percentage of tourism tax.
6. Hartman shared that the Finance Committee briefly discussed the DECC annual audit. Hartman reminded Board Members that the City Council is fiscally responsible for the DECC's finances as the City of Duluth is the DECC's designated fiscal agent. The DECC Board has a moral fiscal responsibility regarding the DECC's financials.

Governance

1. Vice Chair L. Mullen provided an update on behalf of the Governance Committee. The Public vs. Private Gathering policy is currently being reviewed by legal. The Committee recently completed a review of the DECC Authority Bylaws. Both documents will be provided to the Board for review at a future meeting.
2. The Committee is in the initial stages of planning for the upcoming City-appointed open seats in June.

OLD BUSINESS

No Old Business was discussed.

NEW BUSINESS

Chair Singler closed the session pursuant to section 13D.05, subdivision 3(a) to evaluate the performance of an individual who is subject to the public body: Executive Director Hartman at 1:19 PM.

Denton, Hartman, and Media departed at 1:19 PM.

The Board discussed Executive Director Hartman's 2023 performance evaluation results.

Council Liaison Tomanek departed at 1:28 PM.

MOTION to open the session requested by Chair Singler at 1:38 PM. Motion made by Filipovich and seconded by Vice Chair L. Mullen.

OTHER

No Other Business was discussed.

ADJOURNMENT

Chair Singler requested a motion to adjourn. The meeting adjourned at 1:38 PM.

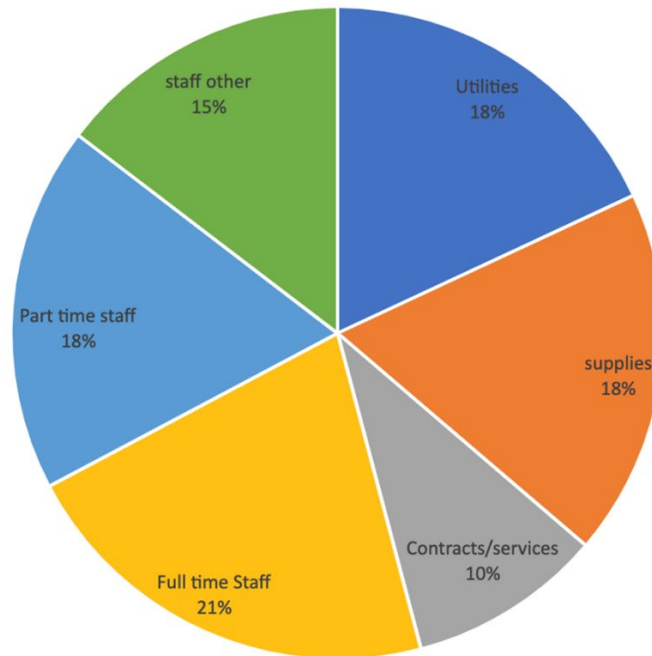
UPCOMING MEETINGS

The next regular meeting will be held April 25, 2024, location to be determined.

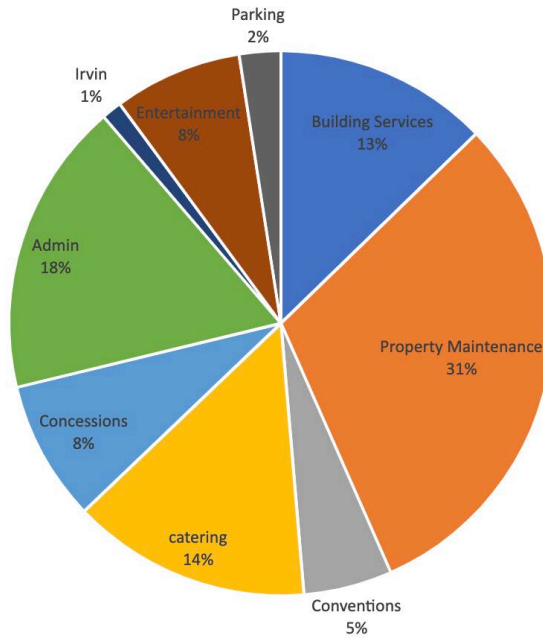
SUPPLEMENTAL

Pie charts as referenced in Executive Director Hartman's update:

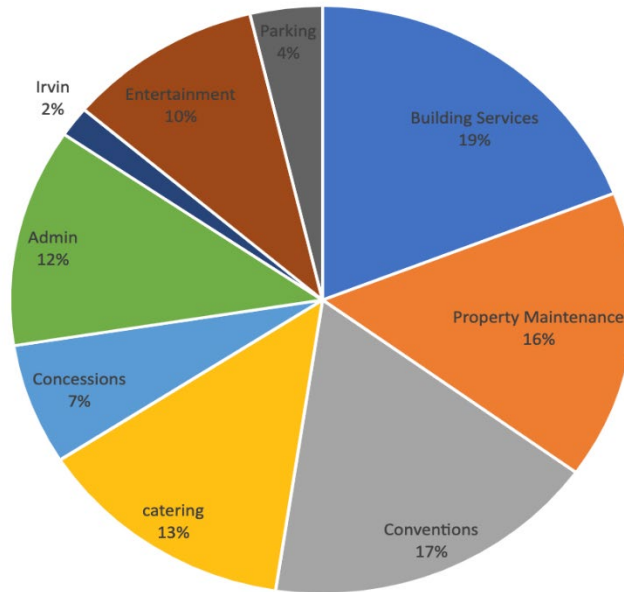
DECC Expenses January



Department expenses- January



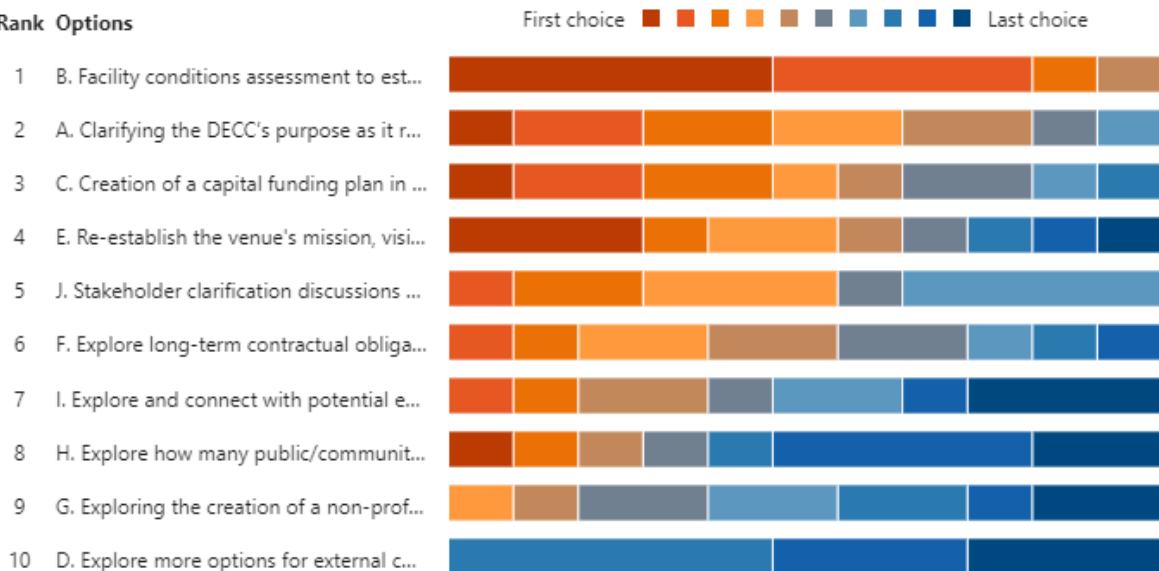
Staff expenses - January



Board Strategic Planning Priorities Ranking (survey results).

1	B. Facility conditions assessment to establish a prioritized capital improvement plan
2	A. Clarifying the DECC's purpose as it relates to capital funding support
3	C. Creation of a capital funding plan in conjunction with relevant stakeholders
4	E. Re-establish the venue's mission, vision, and values
5	J. Stakeholder clarification discussions - City, County, State, Clients, etc.
6	F. Explore long-term contractual obligations as applicable and in conjunction with the DECC's purpose
7	I. Explore and connect with potential external funding sources: County, City, State, Naming Rights, non-profit, etc.
8	H. Explore how many public/community things do we do? Should we do?
9	G. Exploring the creation of a non-profit arm (i.e., foundation, friends of the DECC, etc.)
10	D. Explore more options for external communication, "telling the DECC's story"

Rank Options



Submitted by:

Peter Singler, Chair

Jason Vincent, Secretary

Date

Date



Duluth Entertainment Convention Center

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY RESOLUTION IN SUPPORT OF SPECIAL APPROPRIATION APPLICATION

At a meeting of the Duluth Entertainment Convention Center Authority Board of Directors, held in the Senator Sam Solon Board Room on Thursday, April 25, 2024.

BE IT RESOLVED that the Duluth Entertainment Convention Center (DECC) act as the legal sponsor for the project contained in Minnesota Session Laws 2023, Chapter 71, Article 1, Section 14, Subdivision 15, entitled DECC 2023 Asset Preservation.

BE IT FURTHER RESOLVED that Duluth Entertainment Convention Center (DECC) has the legal authority to receive financial assistance, and the institutional, managerial, and financial capability to ensure adequate project administration.

BE IT FURTHER RESOLVED that the sources and amounts of the local match identified in the development proposal are committed to the project identified.

BE IT FURTHER RESOLVED that Duluth Entertainment Convention Center (DECC) has not violated any Federal, State or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice.

BE IT FURTHER RESOLVED that upon approval of its development proposal by the state, Duluth Entertainment Convention Center (DECC) may enter into an agreement with the State of Minnesota for the above-referenced project(s), and that Duluth Entertainment Convention Center (DECC) certifies that it will comply with all applicable laws and regulation as stated in all contract agreements.

BE IT FURTHER RESOLVED that the non-DEED source(s) of funds identified in the sources and uses outline in the application total the amount of \$0 and are committed and adequate to fully fund or provide the match for the project identified in the application.

BE IT FURTHER RESOLVED that any source(s) of the Applicant's fund(s) to fully fund the project shall be from the DECC operating account which has an adequate amount of funds to cover the commitment.

NOW, THEREFORE BE IT RESOLVED that the Board Chair and/or Executive Director is hereby authorized to execute such agreements as are necessary to implement the project(s) on behalf of the Duluth Entertainment Convention Center (DECC).

Submitted by:

Peter Singler, Chair

Jason Vincent, Secretary

STATEMENT ON PRIVATE SOCIAL GATHERINGS

POLICY

The DECC Authority Board of Directors serves as the governing board of a public entity. As such, the DECC Authority Board of Directors (the "DECC Authority Board") is subject to and complies with Minnesota Chapter 13D requirements (Minnesota Open Meeting Law).

From time to time, members of the DECC Authority Board may gather socially for peer networking purposes. Where less than a quorum (quorum is defined as more than 50% of the total number of members on the DECC Authority Board) is gathered, small, private conversations about official business are allowed if not had for an improper purpose, such as avoiding public discussion, forging a majority in advance of public hearings on an issue, or hiding improper influences such as the personal or pecuniary interest of a public official.

If the number of board members gathering socially reaches the level of quorum during these gatherings, no official business or information on official business will be decided, received, distributed, discussed or otherwise deliberated on, unless the gathering is open to the public and otherwise complies with the Minnesota Open Meeting Law.

Chance or social gatherings of the DECC Authority Board, where no official business is discussed or conducted, are not subject to Minnesota Chapter 13D requirements, and as such, will not be open to the public unless otherwise decided by the DECC (established via *Moberg v. Independent School District No. 281*, 336 N.W.2d 510 (Minn. 1983)).

DEFINING PEER NETWORKING

The process of connecting and interacting with others socially to develop professional and social contacts. Further defined by Connection Builders: The act of consistently establishing, building, and maintaining mutual trust and respect with your professional peers.

EXAMPLES OF SOCIAL GATHERINGS

Examples may include but are not limited to:

- DECC Authority Board Holiday Gathering
- Attending a DECC event as a member of the public
- Attending DECC events in a reserved space/suite/location
- Pre-Board Meeting social lunch
- Off-site events such as a "happy hour"

PURPOSE

The purpose of this policy is to outline the DECC Authority Board’s stance regarding private social gatherings for DECC Authority Board Members for the purposes of peer networking.

HISTORY

Effective XXX

Revision History: April 15, 2024

Approval: (list date- month, date, year) by name, title

Signed by:

Name, Title

Date

DRAFT