



Durham Convention Center Authority Meeting

Thursday, September 25, 2014

City of Durham, General Services Department

2011 Fay Street

11:30 AM (Lunch)

The meeting was called to order at 11:50AM with the following representatives present:

Authority: Al Bass, Patrick Byker, Richard Ford, Dawn Paffenroth, Alice Sharpe, and Darah Whyte.

Owners: Drew Cummings, Sharon DeShazo, Jina Propst, Joel Reitzer, Al Walker, and Karmisha Wallace.

Guest: David Boyd, City of Durham, Finance Director

Management Company (Global Spectrum): Jen Noble and Andrea Gliatta.

A quorum was established for approval of the minutes. Al Bass made a motion to approve the August 28, 2014 meeting minutes: Richard Ford seconded, and the minutes were approved unanimously. Dawn Paffenroth and Jen Noble recommended a new format for minutes going forward.

Durham City and County Administration:

CAPITAL PROJECT UPDATE:

- PFC heat remains a priority issue. The City is reviewing the engineer's design solutions for supplemental heat. The design is offered as pro-bono by EDI, Inc. The \$45,000 estimate provided for the entire project is expected to increase. Funding has not been identified. The Owners wish to move on this project as a priority item.
- A detailed update for facility improvements was distributed at this meeting.

CAPITAL IMPROVEMENTS LIST:

Estimated total for facility improvements list: \$629,155.00

The Owners would like the list prioritized with PFC heat as the leading item, followed with the Grand ballroom lighting, and loading dock pipe repairs. These three items total \$265,000. The County will need to produce an agenda item in moving forward with this project; the City will not.

<u>Description</u>	<u>Estimate</u>
1. Fireproofing	\$50,000
2. PFC restrooms upgrade	\$45,000
3. Exterior Building/Marquee Signage	\$46,000
4. PFC heat issues	\$45,000
5. Grand Ballroom LED lights	\$190,000 (Ballast need replacing)
<i>Joel Reitzer will request GSD Energy Manager to review payback on LED lighting.</i>	
6. Pipe Repair in loading dock	\$30,000 - BFPB
7. Trash receptacles for Plaza area	\$5,155

8. MBP Energy Analysis/Study	\$7,000
9. MBP post commissioning	\$28,000
10. Hotel lobby sprinkler repairs	\$9,000
11. Grand Ballroom carpet	\$100,000
12. Hotel lobby upgrades (potential)	
13. Plaza fountain	
14. Irrigation	
15. Grand Ballroom doors replacement	\$20,000
16. Exterior monument sign	<u>\$54,000</u>
TOTAL	\$629,155

INTERLOCAL AGREEMENT:

- Presentation provided to review status and scheduling of new agreement. The new agreement addresses several areas:
 - Updated property definition of the convention center to include the plaza area.
 - Confirm joint ownership of property.
 - Finalizing the new agreement will include recording a new Durham Convention Center (DCC) deed that reflects City/County ownership at 50/50. Recording of the new DCC deed is scheduled for October 31.
 - Contract administrator’s powers/duties.
 - A City employee representing the City and County on all DCC matters.
 - Budgeting requirements for capital expenditures.
 - Capital budget will be required with annual capital submissions. The DCCA will collaborate with the management company on recommendations to the Owners.
 - Re-appropriation of capital funds limited at \$20k per occurrence. Anything above this amount needs approval through City/County officials.
- Management of joint venture net position (salvaging reserve in fund balance).
 - The City and County make annual appropriations to the joint venture.
 - Net position (fund balance) will be managed at a threshold of \$500k.
 - Net position shall only be used for capital expenditures or unanticipated operating shortfalls that exceed the projected operating deficit (if any) during a fiscal year.
 - All are in agreement with having the ability for the joint venture to have available cash not to exceed any amount the City and County has agreed upon. Owners can elect to increase the amount. The DCC will be funded based on positive operating results. Timing is important regarding money being placed in the joint venture.
 - The DCC interlocal agreement was available for City legal review on September 20.

CONTRACT EXTENSION WITH GLOBAL SPECTRUM:

- Owner’s agreed to extend the agreement by five years through 2019 with a termination option after year three.
- Management agreement changes include:
 - Owner funding cycle to Global Spectrum based on request.
 - DCC Plaza management.
 - Updates to operational processes.
 - Clarification on Facilities Maintenance Plan (FMP) implementation.
- Management agreement incentivizes Global Spectrum (GS) to achieve further decreases and improve facility utilization. Incentives are comprised of financial performance and qualitative performance.

- Financial incentive: Capped at 70% of the flat management fee for that fiscal year.
- Qualitative incentive: Up to 30% of maximum potential incentive fee.
 - Overall Management Performance – up to 15%
 - Corporate Citizenry – up to 5%
 - Customer Service – up to 5%
 - Asset management – up to 5%

Year	Available	Earned
FY2011-12	\$100,000	\$99,625
FY2012-13	\$103,000	\$101,437
FY2013-14	\$103,632	\$85,427
FY2014-15	\$106,500	TBD

The management agreement is available for City legal review on October 15. The vote to approve both the DCC interlocal and management agreements is:

- County – November 10
- City – November 17

MEDIATION WITH SHANER:

- The Owners received updates on settlement terms and conditions of the mediation of which they anticipate going forward to City Council and Commissioners in November. These terms and conditions will be subject to DCCA approval after City and County officials have given their approval.

Global Spectrum (GS) Report:

EVENTS FOR THE MONTH

Held 20 events with 32 event days booked and 4,266 guests.

Notable events:

- Durham/Orange County Quilt Show 1000 guests
- Fraternal Order of Police 800 guests
- Assoc. of Fundraising Professionals 800 guests
- Kalkhof-Hinson Wedding 247 guests

OCCUPANCY: For the month of August 17% with an increase over last year in August by 7%.

CURRENT FINANCES FOR THE MONTH OF AUGUST

	Actual	Budget	Variance
Gross Revenues	\$95,954	\$83,702	\$12,252
Less Event Expenses	(\$45,811)	(\$33,515)	(\$12,296)
Less Indirect Expense	(\$110,392)	(\$118,651)	\$8,259
Net Income (Loss)	(\$60,249)	(\$68,464)	+\$8,215

Year to Date

	Actual	Budget	Variance
Gross Revenues	\$205,033	\$142,151	\$62,881
Less Event Expenses	(\$84,755)	(\$52,891)	(\$31,864)
Less Indirect Expense	(\$225,954)	(\$239,968)	\$14,014

Net Income (Loss)	(\$105,676)	(\$150,708)	\$45,032
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Sales Pace: FY2014/15: Current Sales Bookings as of September 20, 2014.

- Definite/Actual: \$1,039,645
- Tentative: \$142,698
- Proposals: \$199,404
- TOTAL \$1,381,746 vs. Budget of \$2,100,548 leaving \$705,996 to book in the year for the year until 6/30/2015.

CUSTOMER SURVEY SCORES: Currently 4.54 out of 5.

STAFFING: James Archer accepted the vacant chef position. Jessica Mills accepted vacant event manager position began on September 22. A landscape company has been hired to manage the DCC Plaza area.

GS PUBLIC RELATIONS:

- Weekly Rotary Club meetings.
- Facebook/Twitter/Pinterest and website updates.
- Durham Magazine.
- Triangle Business Journal advertisement.

WEBSITE ACTIVITY:

- Visitors: 1,567 New: 78.56%
- Demographic: 781 Google organic, 174 Direct, 285 Durham Quilters.org, NC-APA 33, and Bull City Race Fest 26
- Page views: 3,882
- Page Visits: 2.48
- Duration: 1.42 minutes

Durham Convention Center Authority (DCCA):

- Dawn Paffenroth made a motion to accept the amount of \$85,427 as payment to Global Spectrum within a thirty day time-frame for FY2013/14 total incentive payment; Alice Sharpe seconded, and the motion was accepted unanimously.
- Dawn Paffenroth posed a question representing the finance committee regarding when the new agreement with Shaner will be implemented and how it will improve anticipated utility savings based on the current 50/50 cost share. This issue was raised due to the request for LED lights needed for the grand ballroom.

Subcommittees:

- **FINANCE COMMITTEE:** *Al Bass, Dawn Paffenroth and Richard Ford*
The finance committee recommends that the FY2013/14 audit results conducted by Cherry Bekaert be adopted followed by the thirty day time limit for the Owners to process the incentive payment. The only caveat to adopting the audit results is how the audit was prepared last year using FASB (financial accounting standards board) which is used more for non-profits. Per the interlocal, the audit should be prepared according to GASB (government accounting standards board). Richard Ford made a motion to accept the FY2013/14 audit results subject to editing the report format change from FASB to GASB; Dawn Paffenroth seconded and the motion was

approved by a majority vote. Alice Sharpe abstained due to inability to review the audit based on timing of membership.

Staff and Global Spectrum reviewed the DCC August 2014 monthly income statement. Forecast for FY2014/15 revealed fewer savings from expenses but revenues increased from same time last year.

- **FACILITY NEEDS COMMITTEE:** *Bill Kalkhof, Alice Sharpe and Patrick Byker*
The Facility Needs Committee addressed DCC facility improvements presented by Global Spectrum with the Owners.
- **MARKETING & SALES COMMITTEE:** *Darah Whyte, Richard Ford and Patrick Byker*
The congratulatory press release representing DCC FY2013/14 final operating results was presented. All reviewed the press release and discussed necessary edits. Moving forward, Jen Noble and Darah Whyte will update suggested edits and present at the October DCCA meeting.