

Agenda

Operations Committee

Friday, October 1, 2021

8:00 a.m.

**Kent County Administration Building
300 Monroe Avenue, NW
Grand Rapids, MI 49503**

- | | | |
|----|---|----------------|
| 1. | Call to Order | Lew Chamberlin |
| 2. | Welcome New CAA Board Member Mandy Bolter and
New County Administrator Al Vanderberg | Lew Chamberlin |
| 3. | Minutes of April 2, 2021 | Action |
| 4. | ASM Global Operations Report | Eddie Tadlock |
| 5. | Report from Experience Grand Rapids | Doug Small |
| 6. | Report from ASM Global | Rich MacKeigan |
| 7. | Public Comment | |
| 8. | Committee Member Comments | |
| 9. | Adjournment | |

RESOLUTION BY COMMISSIONER STEK

WHEREAS, The Kent County Board of Commissioners appoints two members of the Convention/Arena Authority Board to fill four-year terms that begin on January 1 and end on December 31; and

WHEREAS, One of the two county-appointed positions will be vacant as of July 1, 2021; and

WHEREAS, this item has been reviewed and recommended by the Legislative and Human Resources Committee for approval by the Board of Commissioners; and

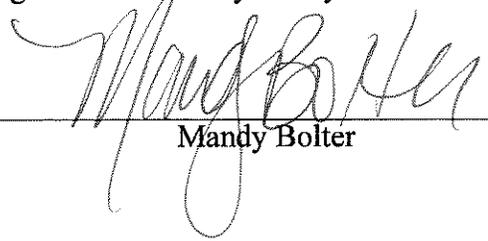
NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners hereby approves the appointment of Kent County Board of Commissioners Chair Mandy Bolter to the Grand Rapids-Kent County Convention/Arena Authority Board to fill an unexpired four-year term ending December 31, 2022.

Commissioner Stek moved adoption of the resolution.

STATE OF MICHIGAN }
County of Kent } ss

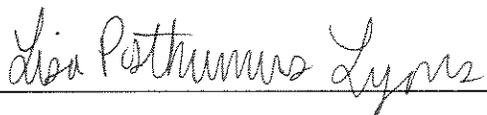
I do solemnly swear (or affirm) that I will support the Constitution of the United States, and the Constitution of this State, and that I will faithfully perform the duties of the office of
Board Member, Grand Rapids - Kent County Convention Arena Authority

in and for the County of Kent, State of Michigan, according to the best of my ability.



Mandy Bolter

Subscribed and Sworn to before me, this July 22, 2021



Lisa Posthumus Lyons, County Clerk/Register
Kent County, Michigan

My Commission Expires _____

**MINUTES OF THE GRAND RAPIDS-KENT COUNTY
CONVENTION/ARENA AUTHORITY
OPERATIONS COMMITTEE
VIRTUAL REMOTE MEETING
FRIDAY, April 2, 2021**

1. Call to Order

Committee Chair, Lew Chamberlin, called the meeting to order at 8:00 a.m.

Attendance:

Members Present: Lew Chamberlin
Rosalynn Bliss
Jim Conner
Glenn Del Vecchio
Steve Heacock
Al Jano
Birgit Klohs
John Van Fossen
Floyd Wilson, Jr.
Richard Winn

Members Absent: Peter D'Arienzo
Diane Nagelkirk
Darius Quinn
Charlie Secchia

Staff/Others:	Scott Atchison	Info Center GR
	Kathy Bart	ASM Global
	Wayman Britt	Kent County
	Steve Carey	Potomac Strategic Development Co. LLC
	Kate Carlson	<i>MIBiz</i>
	Hilarie Carpenter	ASM Global
	Thomas Coomes	CitiGroup
	Eric DeLong	City of Grand Rapids
	Jeff Dood	Kent County
	Christa Ferguson	WOOD TV
	Gino Giacumbo	ASM Global
	Alison Goodyke	ASM Global
	Scott Gorsline	DP Fox
	Tim Gortsema	Grand Rapids Griffins
	Grant Hall	ASM Global
	Jen Henkel	ASM Global
	Lyndsey Horvath	ASM Global
	Jennifer Kasper	City of Grand Rapids
	Michael Lozon	Bluewater Technologies
	Rich MacKeigan	ASM Global
	Mary Manier	Experience Grand Rapids
	Brian McVicar	<i>The Grand Rapids Press/MLive</i>

Jackie Morse	ASM Global
Angela Nelson	Experience Grand Rapids
Torrance Richardson	Gerald R. Ford International Airport
Doug Small	Experience Grand Rapids
Emilee Syrewicz	Opera Grand Rapids
Eddie Tadlock	ASM Global
Aaron Terpstra	City of Grand Rapids
Brad Thomas	Progressive AE
John Van Houten	Progressive AE
Marvin Van Nortwick	Kent County
Susan Waddell	CAA
Mark Washington	City of Grand Rapids
Richard Wendt	Dickinson Wright
Robert White	CAA
Robert Wilberding	Bluewater Technologies
Ed Wilson	Country Inn Suites
Jessica Wood	Dickinson Wright
Paul Ymker	Bluewater Technologies

2. Minutes of January 8, 2021

The January 8, 2021, meeting Minutes were approved.

3. Federal Stimulus Planning

Grant Hall, Business Operations Manager at ASM Global – New Orleans, attended the meeting to summarize two federal grant opportunities that will become available to public and entertainment venues. Mr. Hall has been tracking funding opportunities for ASM Global clients to ensure that venues are well positioned and well informed to take advantage of them. The Shuttered Venue Operators Grant (Save Our Stages) program is part of a stimulus package that was passed at the end of December 2020, with \$15 billion allocated to the Small Business Administration (SBA) to administer the program. The SBA will begin to accept applications April 8 and start allocating funds over the coming months. ASM would not apply for the funds but would provide support and pull together documents for its clients to submit applications directly. The grant awards could be up to 45% of gross revenues in fiscal year 2019. There are specific eligibility criteria that ASM is tracking closely, and the program applies to theaters, performing arts venues, and live entertainment venues. The SBA has provided a preliminary document checklist and ASM is reviewing those for its clients so that applications can be submitted on April 8 once the portal is open. An FAQ document with additional information is to be released today, and there was a webinar this past Tuesday on how to apply for the grant and that was attended by ASM and CAA staff. ASM reviewed a draft application form and noticed two errors that would unintentionally not allow a public entity to apply, regarding the type of entity and the requirement for tax forms. ASM venues around the country reached out to the SBA and, at the end of the webinar, it was mentioned that the application form would change to make it possible for public entities to apply.

Along with that opportunity is another on the horizon that is part of the \$1.9 trillion stimulus package that was signed into law two weeks ago. Within that package, there was \$350 billion allocated to cities, states, counties, and territories within the United States. Those funds are very similar to the CARES Act, where they are coming directly from the federal government and U.S. Treasury and making their way to the states, cities, and counties. Those funds can be transferred within state, county, and city budgets to quasi-government agencies or authorities. They can also be transferred to nonprofit organizations, such as CVBs. ASM is currently researching the bill and trying to understand where there may be an opportunity

to receive funds and where it makes sense for ASM clients to pursue funds, given that many client venues have been impacted significantly by COVID-19. The funding allows for broad use by the receiving parties such as negative economic impact due to COVID-19, as well as to offset lost revenues directly related to COVID-19. ASM is recommending that its client venues address this issue with its city and county boards, as there may be an opportunity to receive funding through this program. This money is to provide support for the community, and our venues have been hit significantly harder than almost anything and the venues are great economic generators. The funds should be arriving to states, cities, and counties within 46 days (60 days from when bill was signed).

Questions and answers followed. Regarding Save Our Stages, Chair Chamberlin asked if the CAA would apply as the entity or in the names of the actual venues. Rich responded that the application would be submitted by the CAA, because the building owner must apply. Chair Chamberlin asked where to make application for the second pot of funds. Mr. Hall responded that the applications will be submitted directly to the governmental unit that received the funds. Regarding the second pot of funds, Mayor Bliss stated that the relief funds that are coming to the City can be used up until December 31, 2024, and they can be used for lost revenues by the entity. The City's number one priority will be to fill its own budget holes, which are significant because of the income tax reductions. The City also has several other priorities they are considering based on how much funds remain after filling budget deficits. The funds will be part of the City's annual budget process and will be discussed by the full City Commission as to how the funds are allocated. In conversations with Chair Bolter of the County, the County is not planning to make immediate decisions about the funds and will have a more deliberate process. Mr. Winn stated that he thinks the second pot will run dry before venues have a chance to apply. Because the Save of Stages grant is based on revenue, there is a big anticipation there is not going to be enough money based on how the calculations can be made. Has there been any discussion with the government on how those funds will then be parlayed? Mr. Hall responded that the SBA would review the applications in the order that they are received, and applicants can apply for up to \$10 million. By setting a cap, the SBA's goal was to get to all impacted organizations that apply. The SBA has structured the program that the first 14 days, venues that have received a 90% loss in revenue when compared to their pre-pandemic levels in fiscal year 2020, those would be allocated first, followed by a 75% loss in the next 14 days, and then after that a 25% loss. Mr. Heacock asked if the only parameter was lost revenues and not based on need, size, use, etc. Mr. Hall responded that, so long as an entity hits 90% and submits its application within the time frame, it should receive the funds. Mr. Chamberlin asked whether there were offsets if other funding was received. Mr. Hall responded that if an entity received a PPP, the grant would be reduced by the PPP amount. Mr. Heacock asked if there were restrictions on use of the grant funds. Mr. Hall responded that there are restrictions, such as payroll, utilities, taxes, rental, operational costs to reopen, necessary business expenses, administrative costs, leases, and insurance payments. Ms. Klohs asked about next steps. Mr. MacKeigan responded that the application continues to be refined and, once it has been finalized and the window opens for applications, we will be able to submit. Chair Chamberlin thanked Mr. Hall and ASM for all their assistance and support with the grant programs.

4. Report from Experience Grand Rapids

Ms. Mary Manier provided an overview of the CVB's sales activities and marketing efforts. The sales team has been active soliciting future business for the buildings and working with the ASM sales team to rebook business that has canceled or postponed. The Washington DC office staff hosted and sponsored various organization chapter meetings. Staff participated in several state meetings, symposiums, and conferences. Sales staff and ASM Sales Director Kathy Bart attended an in-person trade show in Charlotte, NC, and met with 32 religious planners to discuss future business. Staff hosted two educational sessions and introduced 50 meeting planners to Grand Rapids. The sales team attended a virtual marketplace with 17 planners and hosted a couple of clients for in-person site inspections.

5. Preliminary FY 2022 Budget Plan

Mr. White reviewed the financial capacity of the CAA going forward over the next several years. Mr. White summarized a 10-year history of the CAA's financial activities up to FY 2019, the last full year prior to closure on March 14, 2020. In FY 2010, the Van Andel Arena® produced net proceeds of \$1.16 million. The primary driver of revenues is concert activity, which can be variable. DeVos Place® activities produced net proceeds of \$36,000. Arenas can do a little bit better than break even based on concert activity; convention centers around the county are lucky to break even on an operating basis. The next line is SMG incentive fees, earned if certainly benchmarks and thresholds are reached. The fourth line is other net proceeds, which is interest earnings less administrative expenses. Included in administrative expenses are contract with Experience Grand Rapids, Downtown Improvement District annual assessment, landscaping, insurance, payroll for one full-time employee, and professional service contracts with himself, Cheri McConomy, Richard Wendt, Rich MacKeigan, and Progressive AE. There is no compensation for any Board or Committee member of the Authority. Additional detail is included in the monthly financial report. In 2010, there were net operating proceeds of just under \$1.3 million. Out of that, \$675,000 was expended for major repair, improvement, or replacement projects, leaving the CAA at the end of FY 2010 with \$24.7 million in unrestricted fund balance. When the CAA was established in 2000, the Downtown Development Authority transferred an initial operating reserve of \$3 million. When the DeVos Place® convention center construction contract was completed, there was \$12 million left in that budget. That was a \$224 million project; final expenses totaled \$212 million and that added \$12 million to the reserve of the CAA. Over the course of the first 10 years, from 2001 through 2010, the CAA was able to general excess net operating proceeds above and beyond its capital expenses and that added \$10 million to the fund balance over the first 10 years.

Mr. White reviewed the total net operating proceeds line across the years. As of FY 2010, there were \$1.3 million in net operating proceeds. The low point was in FY 2014 when there were \$521,000 in net operating proceeds due to a recession that lasted from 2009 through 2012. FY 2014 suffered from a lack of concert activity at the Arena. Over the last three years, there CAA experienced its best years before closure of the buildings. The CAA had its best year ever in FY 2019 with \$4.8 million in net operating proceeds. The total of capital spending over the 10-year period amounted to almost \$21 million of repairs, improvements, and replacements. In FY 2010, the fund balance was \$24.7 million, and, at the end of FY 2019, there was \$24.2 million in fund balance. The CAA was able to cover its operating expenses, provide for \$21 million of capital spending, and still hold \$24 million in reserves over the 10-year period.

Mr. White next reviewed more recent history and the FY 2022 preliminary budget table that includes FY 2019 (best year of CAA), FY 2020 (includes only 8.5 months of activity, since venues closed 3/14/20), current FY 2021, and preliminary forecasts for FY 2022 and FY 2023. Net operating proceeds of \$4.8 million in FY 2019 dropped to \$658,000 in FY 2020. Closure of the facilities for the last three months of the fiscal year substantially reduced operating revenues. The most recent estimate for FY 2021 puts the CAA at an operating loss of \$6.5 million. Initial forecasts for FY 2022 estimate an operating loss of \$991,000, and in FY 2023 we expect to be at full operations and forecast net operating proceeds of \$1.6 million. Capital expenditures spent in FY 2019 totaled \$4.2 million; in FY 2020 totaled \$3.3 million; and in FY 2021 totaled \$4.3 million (\$1.5 million to replace fly rail system in performance hall, \$750,000 to recover Arena upper bowl seating, and \$400,000 contributed to Lyon Street improvement project).

The fund balance reduced from \$24.2 million in FY 2019 to \$21.6 million in FY 2020, dropping to \$10.8 million in FY 2021. Based on the forecasts for FY 2022 and FY 2023, the CAA ends FY 2022 with \$9.6 million and \$7.6 million in FY 2023. The CAA was created by a joint venture of the County, City, and State of Michigan. In the Articles of Organization, the City and County identified certain reserve powers that they would retain in providing overview for the CAA. One of those reserve powers is, if that fund

balance were to drop below a certain minimum, then the CAA would have to submit its operating and capital budgets to the County and the City for prior approval before considering them for adoption. As of June 30, 2022, that minimum fund is identified as \$2.25 million. At \$9.6 million, the CAA is well above that threshold that would require prior approval by the County and the City for its operating and capital budgets. For FY 2022, there is a forecasted \$200,000 in capital expenditures, which is specific to the final one-third share of the CAA's contribution to the upcoming Lyon Street project. In FY 2023, the \$3 million forecast for capital expenditures is a placeholder currently. Mr. Heacock stated that the CAA spent \$4 million on capital projects this past year, which sounds like a lot of money but is only 1% of the buildings' values. Chair Chamberlin added that some of those projects were uniquely suited to be completed while the venues were closed. Ms. Klohs stated that the Arena is 25 years old this year and much of the maintenance done on the buildings came out of net operations and the CAA did not have to touch those resources that were stewarded so well, which gave the CAA the funds to get through the pandemic. Mr. Heacock concluded the discussion by acknowledging Grand Action, who had the right to ask for the \$12 million leftover from the construction of DeVos Place® but graciously agreed that the CAA keep it as a reserve for future maintenance needs.

6. Preliminary FY 2022 Capital Plan

Mr. MacKeigan stated the preliminary plan contains two FY 2021 carryover items. The suite refurbishment of \$370,000 did not proceed because the Arena was not producing revenue and the suite owners have not been able to be involved in the plans due to COVID-19. The CAA share of the Lyon Street project, totals \$600,000, with \$400,000 being carried over from FY2021, and an additional \$200,000 will be requested to complete the CAA's commitment. ASM will not be making any requests for additional FY 2022 capital projects but may come back and request an amendment if revenue supports the request. The CAA will see an overall savings of \$770,00 in the FY 2021 capital budget, which will offset the request for inclusion in the FY 2022 budget. ASM is revamping the long-term capital project list to allow for a more graduated return to normal levels of spending. ASM plans to come to the Committee in October with a detail project listing of the revamped long-term capital and a list of high-priority projects that, if the revenue projections support, would lead ASM to request a budget amendment. Mr. Winn stated that the Lyon Street project in total is approximately \$8 million. Mr. MacKeigan added that the plan will be presented to the CAA at the May 2021 meeting.

7. Report from SMG, a Division of ASM Global

There was no report.

6. Public Comment

Scott Atchison, Info Center GR, spoke in support of an information center to be located at the corner of Pearl Street and Monroe Avenue, specific to the downtown area. The stand-alone structure would be open 24/7, be highly visible, and include a real-time daily menu matrix that changes depending on downtown activities.

7. Adjournment

The meeting adjourned at 9:04 a.m.