

**THE RHODE ISLAND CONVENTION CENTER AUTHORITY 423rd
MEETING OF THE
BOARD OF COMMISSIONERS August 31, 2017**

A meeting of the Board of Commissioners of the Rhode Island Convention Center Authority (hereinafter referred to as "Authority", the "CCA" or the "Board") was held on August 31, 2017uly 27, 2017 pursuant to notice, at the Rhode Island Convention Center, One Sabin Street, Providence, Rhode Island.

Board members present were Bernard Buonanno, Paul MacDonald, Stan Israel, Catherine Parente, Jeff Hirsh, John Hooper, Patrick Butler and Dale Venturini.

Mr. Mendez and Mr. Nee were unable to attend.

Also present were James P. McCarvill, Executive Director and Donald Nadeau, Rhode Island Convention Center Authority; Tom Papa, Governor Raimondo's Office of Boards and Commissions; Larry Lepore, Pamela Bacon, John McGinn and Susan Lataille, the Convention Center; Cheryl Cohen and John Ciolfi the Dunkin' Donuts Center; Martha Sheridan, PWCVB; Dan Schwartz and Michael Gravison, the VETS; Alan Chille, Judy Ferriera and Lyn Singleton PPAC/PFM; Michael Crawley and Samantha Robitaille, Citrin Cooperman; Robert Bromley, Senate Fiscal Office, Socrates Ramirez, Hilton Providence; Jim McCaughey, Barry Wenskowicz, Thomas Uva and Vin Mesolella, Narraganset Bay Commission; Bruce Leach, Legal

Counsel and Eileen Smith, Recording Secretary;

Mr. Buonanno called the meeting to order at the meeting at 9:00 AM and asked for a motion to approve the minutes of the June Board Meeting. Upon a motion duly made by Mr. Butler and seconded by Ms. Parente it was unanimously

VOTED: to approve the minutes of the June Board meeting.

Mr. Buonanno stated that the next meeting would be held on Thursday, August 31st at 9:00 AM.

Mr. Buonanno noted that we were encouraged to seek the assistance of the Narragansett Bay Commission to move forward with our green energy initiatives. Mr. McCarvill noted that the Narragansett Bay Commission had developed an RFQ/P for the project and we hoped that we could collaborate in their search. Mr. McCarvill stated that we were late in the process but NBC was willing to issue an RFQ/P for the Authority and since they have more familiarity in the field NBC would make a recommendation to the Board. Mr. Mesolella distributed a summary of the responses. He stated that 17 renewable energy net metering project proposals from five renewable energy developers were submitted. A copy of the analysis is attached. Mr. Mesolella stated that it is NBC's recommendation that the Convention Center Authority negotiate with Wind Energy Development through a Power Purchase Agreement. Mr. Mesolella said that this is NBC's

recommendation but all negotiations will be up to the Authority. Mr. Mesolella stated that NBC had hired Adler, Pollock & Sheehan as their legal representatives during negotiations. Mr. Mesolella assured the Board that NBC would assist in the negotiation. Mr. Hooper asked if NBC would have any issue with the Authority using the same legal team. Mr. Mesolella and Mr. Uva said that they would not and would authorize Adler, Pollock & Sheehan to provide any information to the Authority.

Discussion ensued regarding potential energy savings. Mr. Uva said that costs will rise as nuclear plants and coal go off line. Mr. McCaughey noted that a net metering credit of 30% is probably the best choice. Mr. MacDonald noted that decision will be all about the savings. Mr. Mesolella commented that it will also be about choosing the right developer. One that has the ability to get it done. Mr. Lepore stated that our customers are concerned about renewable energy. Ms. Venturini asked if there will be any infrastructure costs to us. Mr. Mesolella answered none. Mr. Hooper stated that we appreciate NBC for doing this for us. Mr. Mesolella noted that NBC has the expertise. Ms. Parente asked if there is a down side. Mr. Mesolella said no. Mr. Israel said that we will always get 30% no matter what the rate is. Mr. Buonanno said that he cannot see a down side. Mr. Hooper said that he is on the same page as Paul and Bernie. Mr. Lepore thanked the people from NBC noting that we do not have any experts in this field on our staff. Upon a motion duly made by Mr. Butler and seconded by Mr. MacDonald it was unanimously

VOTED: to instruct Mr. McCarvill to continue investigating the most reasonable options for development of a renewable energy generating system, starting with WED.

Mr. Buonanno asked Mr. Schwartz to present the financial and operations information for the VETS. Mr. Schwartz was very pleased to report that the VETS finished the year with a profit. Mr. Schwartz announced a year to date Net Income variance to budget of \$76,767 and a year to date variance of \$91,505 to the prior year. Mr. Schwartz stated that he expects that fiscal year 2018 will be even better and the VETS will continue their upward trend. Mr. McCarvill congratulated Mr. Schwartz. Highlights of upcoming events were presented. Mr. Hooper thanked Mr. Schwartz saying that we are aware of the difficult task of making the arts profitable. Mr. Gravison presented that results of the digital marketing efforts.

Mr. Buonanno recognized Mr. Lepore and asked that he update the Board on the financial statements regarding the Convention Center and the Dunk. Mr. Lepore reported that the loss of some events, the Flower Show and the Beer Show, negatively affected the Convention Center. He said that we are about to replace those events. Mr. Lepore stated that for the month of June the Net Income for the Convention Center was \$75,361 to budget and \$273,528 to the previous year. Year to date Convention Center Net Income was (\$488,901) to budget and (\$1,089,924) to the prior year. Mr. Lepore

noted that we are spending more money in operations as the building gets older. He reported that a building superintendent is being hired and will identify projects that need to be addressed and in order of importance. Mr. MacDonald mentioned that the Mall is now initiating two hours of free parking. He asked if this will have an impact. Mr. Lepore said that he did not think it will affect us. Mr. Hooper asked about the shows that we lost and would they have made up for the loss. Mr. Lepore said that they would have helped. He stated that he has a list of events where we have lost or that have underperformed. Mr. Hooper asked if the Board could get a copy of the list. Mr. Lepore said that he would have the information at the next Board meeting. Mr. Buonanno noted that salary and wages are up significantly. Mr. Lepore stated that it all comes back to allocations. Mr. Hooper questioned operational supplies and asked what makes up that line item. Ms. Bacon responded that it includes many items and she would investigate and report back at the next Board Meeting.

Mr. McGinn presented the results of the July Phone Blitz that was completed by the Convention Center Sales team. Mr. McGinn distributed a summary of the recent event activity. He also included customer testimony regarding the visit by the Vice President during the NGA Conference.

Mr. Lepore reported on the financial statements for the Dunkin' Donuts Center. He stated that Net Income for the month of June was \$118,098 to budget and (\$139,704) to the prior year. Mr. Lepore

reported that year to date New Income was (\$43,520) to budget and (\$212,297) to the previous year. Mr. Lepore said that this year there will be no performances by Tran Siberian Orchestra. He said that we could not reach an agreement on the ticket rebate. Discussion ensued regarding the plans to upgrade and reconfigure the Metro Café space. Mr. Hirsh asked where that stands. Mr. Lepore noted that the project has not moved forward because the amount of \$350,000 that SMG will contribute is not sufficient to complete the job.

Mr. Lepore said that recent talk of expansion has put that on hold. Mr. Hooper said that he had traveled with the Governor of Alabama following the National Governor's Conference. The Governor of Alabama had nothing but good things to say about the event and the City.

Ms. Cohen brought to the Board's attention the monthly one-sheet highlighting the Dunkin' Donuts Center upcoming events. She was excited to note that a sandcastle will be erected outside the Dunk as a promotion for Disney on Ice. Ms. Cohen noted the Ticketmaster online retargeting campaigns. Mr. MacDonald asked how we pay and is it by clicks. Ms. Cohen said yes it is. Ms. Cohen reported that Pollstar Magazine has rated us at 87 of the top rated venues in ticket sales in the world. She said that last year we ranked 200th. Ms. Cohen said that she wanted to let Mr. MacDonald know that Hartford finished at number 187.

Mr. McCarvill Reported on the financial statement of the Authority and

the consolidated financial statements. Mr. McCarvill stated that for the month of June the Authority was \$12,142 to budget and \$27,491 to the prior year. Year to date the Authority results are \$248,071 to budget and \$31,253 to last year. The consolidated results for June were \$233,940 to budget and \$137,273 to the prior year. Year to date consolidated was (\$207,583) to budget and (\$1,179,463) to prior year. Mr. McCarvill reported that we continue to look at refunding the 2009 bonds. He said we will be watching so that we can do the best deal for the Authority. Mr. McCarvill said that he would let everyone know when we had something to report. Mr. MacDonald asked if the delay in passing the State budget would have an impact on this deal. Mr. McCarvill said that it is not good. Mr. McCarvill noted that he had spoken with Tom Mullaney who suggested that we don't do anything that we don't want to do or that doesn't make sense. Therefore we are waiting on improved conditions.

Martha Sheridan addressed the Board. She distributed the CVB's monthly report. Ms. Sheridan stated that the NGA was a resounding success. She said that this building performed extremely well and our Governor is a great ambassador for our State. Ms. Sheridan said that everything was perfection. Looking at the CVB, Mr. Hooper asked about RevPar and Mr. MacDonald asked about average daily rate. Ms. Sheridan explained both.

Discussion ensued regarding the PC Contract. Mr. Buonanno said that Mr. McCarvill and Mr. Lepore are working with PC and we are

close. Mr. McCarvill said that we will work it out. Mr. Butler asked what seems to be the biggest issue. Mr. McCarvill answered that dates are the biggest sticking points. Mr. Butler questioned if we had inquired about helping them sell tickets. Mr. Buonanno said that they are not interested. They want to do that in-house.

The Garrahy Courthouse Parking Garage was discussed. Mr. McCarvill gave an update on where the project stands now. He said that Public Works approved our plan for cutting sidewalks. He also said that negotiations are ongoing with Wexford regarding 400 spaces and a re-build provision in the contract that we keep the building insured. Mr. McCarvill stated that design work continues and we are in discussion with zoning and City Planning to eliminate retail space on Richmond Street. Mr. Butler reminded everyone that costs have gone up and will continue to rise as we wait. Mr. McCarvill said that at the moment we are not anticipating getting any more money.

Mr. Buonanno asked Mr. Crawley to address the Board. Mr. Crawley's talking points are below.

At the May Board Meeting, we reviewed the management company's updated responses to the FY16 financial statement audit comments. These responses were submitted to the State with designated completion dates. Commissioner Parente requested that my team test the management company's responses. We have completed our work during the past month and reviewed the results with

management. I will summarize the results pertaining to the four areas.

FY16 Audit Finding: Untimely Bank Reconciliations

SMG Response, May 2017:

*** Completion date - 07/01/2016: Bank reconciliations are now prepared on a timely basis, prior to the closing of each month**

Citrin Cooperman Observations, July 2017:

*** Bank reconciliations were prepared for each month**

*** DDC Box Office: An unexplained reconciling item, which reduced adjusted bank balance by \$6K with description of "miscellaneous (immaterial)" - increased to \$7K in May 2017 (latest available)**

FY16 Audit Finding: Review of Bank and Account Reconciliations

SMG Response, May 2017:

*** Completion date - 01/01/2017: Bank and account reconciliations are tracked using a reconciliation log, which also includes a column for approval.**

Citrin Cooperman Observations, July 2017:

*** Both: 5 of 10 Logs completed (Jan. thru May both buildings) -**

*** DDC:**

ڜ Certain cash and receivables accounts not included on Log

 Certain reconciliations (AP Event Liability & AR F&B) included unexplained Reconciling items ranging from \$12K to \$42K consistently for several months

 AR Ticketmaster Reconciliation

 Available for February 2017 only (month requested)

 Included \$3.7M in adjustments to correct 4 months of activity

FY16 Audit Finding: Review of Journal Entries

SMG Response, May 2017:

*** Completion date - 07/01/2016: Journal entries are tracked using a journal entry log, which also includes a column for approval.**

Citrin Cooperman Observations, July 2017:

*** Both: 2 of 22 Logs completed (July thru May both buildings)
 2 completed JE Logs were those requested for testing**

FY16 Audit Finding: Review of DDC Event Settlements

SMG Response, May 2017:

*** Completion date - 04/01/2017: An Event Log has been created to document the settlement, review, and posting of each event.**

Citrin Cooperman Observations, July 2017:

*** DDC: 0 of 2 Event Logs completed (April and May)**

*** Of 5 events selected:**

 2 re-settlements were paid to promoters outside of the 5 day required time period per contract (18 and 149 days after event)

 Management seeking to re-negotiate 5 day clause

 Other event settlements or re-settlements were paid to promoters approximately 90 days or longer (89, 96, and 149 days) after event

 Per management, time lag due to waiting for communication from promoters

Ms. Parente asked if there is a management plan to address these issues going forward. Mr. Lepore said that he apologizes for missing deadlines and they have no excuses. Mr. Lepore noted that Ms. Bacon had informed him that she was behind but he thought that that the staff could pull it all together. Ms. Parente said are you confident that those audit comments will not be repeated. She also asked what the ramifications would be if they are repeated. Mr. Crawley stated that he did not know. Mr. Hirsh asked what SMG Corporate has to say. Mr. Lepore said that he has not informed them. He said that he is not sure that they would be of any help. Mr. Lepore said that he lost focus on what needs to be done. Mr. MacDonald said that he appreciates Mr. Lepore's candor. He said that you can't un-ring a bell. Ms. Venturini asked if the financial statements that she received today are correct. Mr. Lepore reported they are correct. Lengthy discussion ensued regarding the financial reporting and the potentially obsolete ways in which the staff continues to work. Mr.

Crawley stated that there should be tighter controls over financial matters. Mr. Hirsh announced that the Finance Committee would meet on Wednesday August 2nd at 11:00 AM

Mr. Buonanno asked if there was any other business. Hearing none he asked for a motion to adjourn. Upon a motion duly made by Mr. Butler and seconded by Mr. MacDonald it was unanimously

VOTED: to adjourn at 11:17 AM