ROLL CALL AND DETERMINATION OF QUORUM
MEMBERS PRESENT: Charity Doyle, Chairman; Gary Brown, Member; and Patri Acevedo Fuentes, Member, and via teleconference Jason Lambert, Member; and Tim Johnson, Vice-Chairman.

OTHERS PRESENT: Craig Baltzer, Executive Director; Tracy Heitsch, Deputy Director/Finance; Jayne Kraemer, Deputy Director/Events; David Owen, Stage/Production Manager; Cody Patterson, Guest Services Safety and Security Manager; Teresa Dringman, Accounting Clerk; Justin Williams, City Attorney; and via teleconference Greg Strommen, City Councilman and Kent Bush, Rapid City Journal.

ADOPTION OF AGENDA
Motion to approve agenda was made by Brown, and second by Acevedo Fuentes, motion carried.

APPROVE MINUTES
1) March 22, 2022 – Motion to approve minutes as presented made by Brown, second by Acevedo Fuentes, motion carried.

GENERAL PUBLIC COMMENT
Kraemer introduced Cody Patterson, the new Guest Services Safety and Security Manager. He started yesterday. We are excited to have him on board. He has some background in the entertainment industry before joining the military.

FINANCIAL ITEMS REQUIRING BOARD ACTION
2) Bill List – Heitsch highlighted items greater than $5,000. As expected food and beverage for resale is about 65% of the bill list. She highlighted club commissions, Capital One as being Walmart, Climate Control for our second round of replacement filters, FarmTek for additional rubber matting that we purchased for animal events and other needs, Kone for our quarterly service agreement payment, ULINE for operational supplies, and energy plant related expenses. Motion to approve bill list as presented made by Acevedo Fuentes, second by Brown, motion carried.

3) Capital Update – Heitsch stated we have the normal capital update today. We have $700,000 for the capital budget for the year. We are taking it line item by line item as pricing changes are constant. The first few items were approved last year but due to procurement issues all are not here yet. Today we are discussing the DSP (Digital Sound Processing) replacement plan. We have challenges in our existing facility with sound processing. We have had some failures in some of the rooms over the last several months. To bring in an outside company would cost 2.5 times the amount we are proposing for approval today. We will be using our in house production team talent to install and program the system. David Owen states the DSP takes analog input and converts it to the amplifiers for speakers. We are looking to replace this in every room with the exception of the Summit. We will be able to send a feed from Summit to the Ice Arena and anywhere in between, when the project is complete. We will be updating network switches since ours are outdated. This will fix our existing issues and modernize our abilities. As a part of this process, we will be upgrading the theatre sound system as well. The low quote was through SoundPro for the DSP which is a local company. The speakers will come from Full Compass. Switches will come from IT. Baltzer said some areas are original equipment. Concourses are original speakers, and they are not very good quality. That is something that remains on the list. This will make us connected through the entire facility. Kraemer said with events over the entire complex we will be able to communicate what is happening in the Summit to the Barnett, and we cannot do that right now. Owen says they are waiting to see how long it will take to get parts. The local companies are having more luck purchasing equipment. Once we get it all here, it would take 1 to 2 months to completely install and program. Heitsch said we need to work on voice evac throughout the building and this will lay the groundwork for getting it started. The southside theatre exterior panel installation should start in May. The Ice Arena compressor overhaul is being researched right now. LED light conversion is another thing we are waiting on but with an electrician on staff it will be a lot more
cost effective; however, it is a process. We will look into the Rushmore Hall pneumatics in the summer. We received the utility pickup, and it came in $190 less than budgeted. Motion to approve the capital update with purchase of the DSP replacement package made by Brown, second by Lambert, motion carried.

ITEMS NOT REQUIRING BOARD ACTION

DISCUSSION FROM THE CHAIR, BOARD MEMBERS, AND STAFF

4) Event Update – Kraemer stated on Saturday, April 2, we had our first Marshals Game. That night we had to do a complete changeover because we had the State Student Council Convention the next day. That Sunday we had to totally flip Rushmore Hall from Kids Fair to a banquet. Baltzer said these are difficult changeovers. Labor continues to be a problem. Kraemer stated Student Council was in the theater on Sunday afternoon and in the Summit they had a dance and games on Sunday evening. Our Operations team did a great job. It is all about scheduling different crews at different times with Operations and Food and Beverage (F&B). We had the Student Council Convention on Sunday and Monday. We had ACT testing with 500 students the next day upstairs. We did host the Sheriff’s Department annual meeting on Wednesday and Cross Politic on Thursday. Last weekend we had the gun show, Post 22 First Pitch Auction, Douglas Prom, and a Marshals football game. This week we have the Faith and Hope Community Breakfast on Wednesday with the head football coach from SDSU as the guest speaker. The Rush is back with games on Wednesday, Saturday, and Sunday. We need to win games to clinch a spot in the playoffs, which we haven’t done since 2015. On Easter Sunday we have Rimrock Church. Next week we have the Broadway show, An Officer and a Gentleman on Tuesday and Wednesday. Next Friday we have the Chicago concert in the Summit. We have an overnight changeover for the Lakota All Star games which will be a girls’ high school game, a boys’ high school game, a girls’ college game, and a boys’ college game Saturday in the Summit. These are invitational games with Native American youth coming from all over the country to participate. We have the Central/Stevens prom at the same time in Barnett. We do not see a slow down until May after school is out. Heitsch said we may have a couple of weeks in the summer open, but the slow summers of old, are no longer, which is good for business. Kraemer said the summer is our project time. We need to shut down rooms for a whole week to complete maintenance work and deep cleaning. It is hard finding times to shut down rooms for extended periods of time to be able to deep clean, including carpets.

5) Executive Director’s Update – Baltzer wanted to expand on what Kraemer was talking about. The division we are in hockey is a tight race. There are several teams that are bunched up. We are one point away from clinching. It is exciting. The last time Rush was in the playoffs was Baltzer’s first year here. They are doing really well. The football team crowds are really fun. Their events have been drawing some good crowds, and the people are eating and drinking. They did lose last weekend, but they were playing one of the toughest teams in the league. A lot of the teams in the league are regional to include Billings, Gillette, and Sioux City. Baltzer also wanted to show awards The Monument received. We received two Master Craftsmanship Awards from the Construction Industry Council, as nominated by Tessiers. One was for the Central Utility Plant Steel Beams and Supports, and the other was for the Summit Arena HVAC Ductwork and Installation. These were awarded because of our ice storage technology and a lesser used product called DuctSox. It is a soft ductwork. We also got an award for that because it is a newer project. Baltzer has a meeting set up with Brook Kaufman, the new president of VRC, on Monday afternoon where he will also be giving her a whole facility tour.

6) February Financial Summary – Heitsch indicated we knew the February cash position was a little lower than normal, but we also know March is going to come in strong. Debt service came out earlier than anticipated, and we had increases with insurances and the cost for food and beverage. In 2018 it was different because reconciling for Stock Show happened in February which typically happens in March. Labor reimbursements for shows, box office revenues, and sales tax continue to be strong. We have had a good first 60 days of 2022. The BBB also continues to be strong. We only received one payment in February. Now that we are in the month of April, we can look back 3 months. The BBB is still up over 19% when compared to the same payment received at this time last year, and that is up from 2020. At some point inflation and the rising cost of fuel will impact the BBB, we believe. Concessions revenue is strong. It is substantially higher than previous years. The Summit was built to sell food and beverage, and it is doing so. Expenses are strong as well. Our total year-to-date expenses are highest in the last 5 years. We talked about insurances, and we have $220,000 more in insurance expenses than in the past, mostly related to the new arena. The cost of product, supplies, and wages are all up. We are going to see the impact of wage increases. We are going to need about 170,000 part-time hours throughout the year. As for debt service, as a reminder for the Board, the Board took on a $5 million bond in 2008 to help with finishing the ice arena with parking, security, roofs, and HVAC. That bond will be completed in 2028. That is about $390,000 to $400,000
annual payment. We took on the $121,000 payment for the center hung scoreboard and ribbon board, starting this year. This is a 10-year payback. It was withdrawn in February but was supposed to be March. Interdepartmental charges and PILT we will be over $600,000 for the year. Our challenges continue for 2022. We will continue to purchase food and beverage for resale as wisely and effectively as possible amongst the continually rising prices. We will buy the best product for the best money we can. March is strong with the largest revenue and expenses we’ve seen in recent history. It is our biggest cash flow month of the year. We still have a lot to learn as to the impact of the Summit Arena on our overall operations.

7) Proposed Budget 2023 - Heitsch stated we are projecting up to 18 months in advance with this budget. There has been so much change in the world. Baltzer stated the amount of time Heitsch has spent with each department is amazing. There has been a lot of modeling and projecting. We do not have a whole lot of time with the new building, and we are in the midst of labor shortages, increasing costs and wages. She worked really hard. Heitsch stated the way the city budgeting process works is Enterprise Funds have to present their budget to City Hall by the end of April so that the general funds can do their budget and have it completed by September/October. Once we complete our budget, it sits at City Hall until the City Council considers the overall City budget in the early fall.

Our budget experience is a great tool for us. We budget very close to actual, without building a budget with “fluff” or “fat.” For example, in 2021 we were within a 0.5% of our budget for revenues and expenses. After completing round 1 of our budgeting process, we were out of balance. We had to rally the troops and readdress the budget, meaning we had to make some difficult choices and cuts. It required us to cut specific items, programs, or repairs from the budget to make the budget balance. We had to make some hard decisions. There are lots of challenges, and challenge was our theme for this year. The good news is of the six department directors, there is 101 years of combined experience in our industry. When we go beyond the senior staff to our other levels of management and our full-time staff, we have 300 years of combined industry experience. We learned that we need to trust ourselves in the process. We have some confidence. Heitsch wants to thank the senior staff.

It is a hard time of the year to build a budget – it’s our busiest event season of the year. Each month each department director analyzes where they are based on actuals vs budget, so all are very versed in the operation and importance of their budgets. Heitsch reviewed the PowerPoint presentation and noted in 2021 we had 1.9 million people view our website pages. You can see when the new arena started to kick off by the escalation in new website viewers. We had 430 events in 2021, but we are not back to pre-COVID levels. We had 954 event days. This is up substantially from 2020 but not back to pre-COVID levels either. We have 52 full-time employees but have only 46 of those positions filled. We are budgeting to have those positions filled in the future. We are gaining slowly. We have 337 part-time employees which is only up 36 from 2020 during COVID. Overall, the number of part-time employees compared to pre-COVID is slim – we were around 700 before. Baltzer says the struggle is we can only work a certain number of hours for part time. This labor issue is just going to continue. Our team has done a good job of thinking outside the box with community service workers, work release, and local groups. These programs cannot always be counted on, however. Social Media subscribers continue to rise substantially. The numbers of patrons through the building last year was 436,107. Again, we are not back to the pre-COVID level, but we are gaining. Baltzer stated a really good arena in an A market would be doing 500,000 to 600,000 a year. This is our down year with the number of events, and we’re still near those A market numbers. That shows we are operating at an extremely high level. Getting a half million people to our venue is a big deal.

Heitsch stated we have three main budget goals: do our homework, learn from our years of experience, and create real projections. We built an event matrix of anticipated events in the Summit and how it would impact overall facility events, attendance, food and beverage, etc. We knew that 2022 would be a year of real recovery. We are still seeing challenges in the touring market. Baltzer said we are seeing a lot of movement around and canceled events. We are still seeing communities reacting to COVID. So many shows are coming back all at once, and every venue is so hungry, it is driving up the price. It is definitely recovering but really strange. Heitsch said there isn’t a new normal in the touring industry, yet. We learned from the construction of the ice arena. We had put so much of our resources to the completion of that particular venue, the rest of the facility faltered. We cannot allow that to happen. We have to be cognizant of the needs of the existing building. Rushmore Hall is still the most used space in the building. It is important to improve our facility. We really wanted a $1 million capital budget but we were unable too. We had to reduce our 2023 proposed capital budget to $750,000. We know we have a ton of strengths and weaknesses. One is staffing. The folks we have here are willing to do anything. It is also a weakness because we are over working our dedicated team. Another weakness is how to control the costs. We have some control over food and beverage pricing and rental pricing, but the costs just continue to escalate. We are continually addressing processes and procedures. We talked about the touring show environment. We have adjusted. Real
projection includes what we really need. We start that at staffing. The proposed organizational chart shows the Board of Directors at the top with Craig Baltzer next and then Jayne Kraemer and Tracy Heitsch as Deputy Directors as well as our three Department Directors. As a note, we have 52 full-time employees but have six open positions. We are looking to add four more/new positions in 2023. Additionally, we have identified future potential positions. Heitsch then went into detail discussing each department staffing and the potential changes.

Heitsch said our challenge is how to control our expenses as the costs of everything we purchase continue to rise. We have to budget for what we need for staffing and then generate/adjust the revenue to support it. Most software is now based on annual subscriptions. By 2023, our annual subscriptions will not be under warranty in the Summit Arena. IPTV, Triple Play, and Daktronics will begin to expire and those subscription costs will be part of our 2023 budget. With Kone adding four elevators and two escalators, the PM numbers are huge. The majority of the impact will be in 2024. Insurance is costing us $200,000 more with the new building. We have debt service from the center hung and ribbon board plus our existing bond from 2008. We need to continue to market our building to make sure the large promoters know we exist. All of these are escalating costs. We are learning what the impact of the Summit is on the existing building. The revenue budget slide shows actual revenue for 2020 COVID year where we had had 2-1/2 months and then shut down. We had things come back in July. In 2021 we made a recovery. The 2022 budget revenue projections are probably a little strong based on the event matrix we’d created and the fact that the touring market has not rebounded as we’d hoped and projected in 2022. Our 2023 budget is higher than 2022. This is primarily from the BBB. We have had a lot of discussions, and we don’t think the double-digit BBB increases will continue. In 2022 we budgeted 4.5 million for the BBB, which is potentially quite a bit lower than it most likely will be. For us in 2023, we went back to a 3% escator. Baltzer said even if it doesn’t grow, it is still strong. As a reminder the BBB is based on a 1 cent sales tax on restaurants, bars, and hotels. We budgeted 3% average increase in rental rates. We are going to learn what utilities will do, but we do not expect it to change dramatically as we continue to improve our efficiencies thru technology. LED technology has become readily available with a fraction of usage costs and with our in house electrician, we are able to do the conversions more cost effectively. Baltzer said PILT and interdepartmental charges are not projected to increase in 2023 based on multiple conversations with the City Finance Officer. We knew it was already too high. That is something that is going to be a continued battle. Concessions operating revenue is at $5.736 million with building rentals at $1.317 million, other rentals to include equipment is at $170,000, non-operating revenue/BBB at $4.372 million, and sponsorships at $1.165 million. We still have a few sponsorships that remain to be sold; however, the large partnerships are sold.

Our expense budget shows actual expenses in 2020 and 2021 and what we proposed in 2022 and 2023. We don’t expect the products and services that we are purchasing to go down in price or to stabilize any time soon. We have increased that number by about 20%. Debt service is obviously higher. Utilities are not expected to be substantially higher. We are taking into account some of the efficiencies with pneumatics and LEDs. Insurances are going to continue to go up. We have added a few positions and cannot keep our part-time labor wages stagnant and expect to remain competitive. Those are the five areas with substantial increases. As we look at departments, the big numbers that jump out are administration $2.45 million which includes interdepartmental charges, debt services, and insurances adding up to $1.5 million of that total. Another big one is facility operations at almost $3 million, of that $1.6 million is full-time and part-time wages and benefits and $1.2 million is utilities. Concessions at $4.6 million with about $2 million in full-time and part-time wages and $1.6 million in food and beverage costs of product for resale.

For the 2023 Capital Outlay we were really hoping to maintain $1 million. We need revamp the prioritized needs list and will spend time this summer analyzing and diving deep into that plan. We cannot let the existing facility falter. We have to do some real analyses. We will be bringing that plan to the Board for consideration, next fall.

As a reminder, we book events at The Monument for three main purposes: 1) Grow the bottom line of The Monument. 2) Contribute to the outstanding quality of life in Rapid City thru diverse programming. Not every event makes money. We don’t make money on Broadway shows, but they are important to bring to the community. 3) Finally, we book events to bring people to town and be a major contributor in the overall economic engine that drives our community.

No action is needed on the budget today. We hope you have questions, comments, and suggestions regarding the proposed budget over the course of the next two weeks. At our next meeting we’ll be asking for your input and suggestions and potential approval of the budget.
Acevedo Fuentes wanted to acknowledge the hard work, investment, and dedication to this budget. This is really hard to plan for a second year with only a few months of operations complete. The CIC awards are a big deal. They recognize the efforts of the team and that this building was built to sell things. She was at the Home Show, and the fieldhouse looked so good. It made her happy to see the connector. She stated we potentially are not going to get back to the numbers of events we hosted pre COVID. We are going to work smarter and not harder. We have a lot more facility to run. We have a way better facility to run. Thank you! Baltzer said we are really proud of the new building. The fear was the number of add alternates in the project at the beginning of the process, and getting those add alternates in by completion. Every one of them was a necessity. The connector is functional. It was absolutely necessary. The loading dock, the center hung scoreboard and ribbon board, the second escalator, and the locker rooms were all necessary.

8) **Barnett Fieldhouse Arena Seating** – Baltzer stated as you remember he came to the board talking about the Barnett seats. The problem was the cost of removing the seats greatly outweighed any potential revenue from selling them. We were planning on saving that for later but Central States Fair (CSF) came forward and asked to be considered as a recipient of the Barnett seats. Working with our city attorney there is a way to transfer/donate to another government entity. The deal with CSF was that we could donate, but they would need to expend the labor to remove the seats. We developed a contract. CSF has signed it, now we need the chair and vice-chair of the board to sign it upon agreeing to move forward. There is an end date of October 1 for removing the seats and they will have to work through our event schedule. They will have to work with us on their process of removing. There are over 5,000 seats. It is a big project. Doyle asked if we will be supervising, and Baltzer said we will. There is definitely a correct way to remove them, and we want to ensure it is done properly. **Motion to move forward with the contract with Central States Fair to transfer arena seating from the Barnett Fieldhouse was made by Brown, second by Acevedo Fuentes, motion approved.**

Brown asked about ADA issues for the floor of Barnett Fieldhouse. Heitsch said that is part of the overall capital plan and analysis. The costs are huge. Baltzer stated the old numbers from several years ago, to make the entire Barnett arena ADA compliant, was nearly $30 million. The lower level of Barnett only represented about $780,000, using figures from several years ago. We thought that was reachable. That is something that we have to go back to. I think we could stand to have a full reevaluation of it. The way we are using Barnett Fieldhouse is very different now.

Brown asked if we would be able to communicate event scheduling with the schools so that we do not fight over parking. Baltzer said he has had some meetings, but we need to have more meetings. He wants to do that early this summer if he can. That Adams Street property could be extremely valuable as additional parking. We would like to demolish the building but would have to build a lot up there. He would love to see the city involvement with that project and would like to have the city take down the building.

**ADJOURNMENT**
Doyle adjourned the meeting at 9:52 a.m.

Respectfully submitted,

Teresa Dringman
Accounting Clerk
The Monument