

**CIVIC CENTER COMMISSION**

Date: Thursday, April 27, 2023 at 9:00am  
DCU Center, 50 Foster Street, Worcester, MA  
2nd Floor conference room  
and virtually via Webex

**MEETING MINUTES**

**Attendees**

**Civic Center Commissioners**

Chair Brissette, Dist. 1; Commissioner Alexander, Dist. 5; Commissioner Economou, Dist. 1; Commissioner Herideen, Dist. 1; Commissioner McEvoy, Dist 2.

**City Staff**

Julie A. Lynch, Chief of Public Facilities

**ASM Global (SMG):**

Sandra Dunn, Jim Moughan, and Melissa Day

**1. Call to Order**

Chair Brissette called the meeting to order at 9:00am.

**2. Acceptance of Meeting Minutes**

Chair Brissette requested a motion to accept the minutes of the March 23, 2023 meeting. Mr. Moughan noted a correction that a rebate provided on a Community Day could not exceed the cost of the room rental. The motion was made, and seconded. The motion passed.

**3. DCU Center Audit**

The 2022 Financial Report, dated June 30, 2022, was presented by Matthew Hunt from consulting firm CLA, as well as Mr. McGourthy the City of Worcester Chief Financial Officer.

Mr. McGourthy noted the Audit was solid. Under the City’s contract for the DCU Center, as constructed, any excess revenues go back to the City. However, there was funding advanced to the DCU during the pandemic, and that obligation would be perpetually due without a contract change. The alleviation of this financial obligation needs to be part of the conversation in the system to remove from the DCU, either in credits paid at the end of the year or in some other form.

Mr. Hunt provided a summary of the Audit structure and highlights. The Auditor’s opinion is labeled as an adverse opinion, because they are based on the accounting principal in the DCU Center agreement, not general accounting principals.

Highlights are different from past due to covid. Assets of \$6.5M, most cash. \$1.2M Accounts receivable. Liabilities are \$8M, those owed to the City are approximately \$3M, which Mr. McGourthy discussed regarding the pandemic funding. Some advanced deposits and unearned revenue of approximately \$3.4M.

Mr. Hunt backed up to the beginning to review noting the page at the request of the Chair.

Page 4 is the management discussion and analysis report (MD&A). Some information comparing the financial status from past years, and general summary.

Page 5 shows the balance sheet from prior year, page 6 revenues from one year to the next. Page 7 typical balance sheet, and page 8 cash flow statement.

Page 7 \$6.5M assets and \$8.5M liabilities.

\$1.5M deficit is years with operating losses during covid. Mr. McGourthy is looking to make up funds over years. This is an unfunded liability.

Page 8 has revenue and expense statement is similar to pre-covid. \$6.5 M revenue, \$5.8M expenses.

Operating revenue \$662,000 and shown on this statement is that it goes right back to the City of Worcester, surplus distribution.

Page 9 is a cash flow statement; taking the revenue and expense statement and break it down on a cash basis.

Page 10 through page 15 footnotes to the financial statement. First footnote 1 are general accounting policies, and DCU policies on how those are accounted. Note 2 has basics information on deposits. Note 3 are a breakdown of amounts owed to Worcester; \$3M owed. \$2.3M cash advances during covid shutdown. \$662, 000 surplus generated in 2022. This is part of the liability because that was not necessarily transferred over to the City in cash as of June 30. Note 4 walks through the different funding requirements related to surplus distributions and cash flow advances. Note 5 management and incentive fees. Note 6 Surplus distribution. Note for small commitments regrading naming rights, etc.

Pages 16 and 17 two schedules outline different types of management fees incurred. 1<sup>st</sup> piece is fixed fee, CPI index becomes fee for current year. 2<sup>nd</sup> piece indicates target benchmarks. Capped at base fee. Incentive fee = base fee.

Food and Beverage Fees: \$75K base fee + incentive fees based on revenues and income. \$42K+ in incentive fees paid.

Mr. Economou asked regarding note 3, how does the city receive their funding or how are they credited? Mr. McGourthy noted that these are fees paid directly to the City. The cash advances are problematic. All revenues above cost are owed back to the City regardless, which is a challenge so the funding to pay cash advances back won't exist. Need to come up with a system to credit the DCU with Credits for the \$2.3M. The City pays checks and the DCU pays the City at various points.

Mr. Brissette asked if the \$1.5M is included in the covid funding or is it in addition to that number?

Mr. McGourthy noted that the \$1.5M is a product of the \$15.M owed to the City from cash advances. It will sit unless we set up a new system to pay the City back. He suggested \$662,224 is owed contractually to the City and is therefore not available to pay the \$2.3M back. We need to readdress that value and credit it against the \$2.3 to change how that money is recognized to bring that value down over the next few years.

Commissioner McEvoy asked why this is a liability if it was used to keep the building open. Mr. McGourthy noted this is not an ASM Global liability, but a DCU Center liability, a burden that this city owned entity carries as it relates to various external obligations, receipts, and the like. The City needs to figure out a way to account for this transfer of funding.

Commissioner McEvoy asked whether or not it is normal practice to call out city assets for repayment during the pandemic, or is this particular asset, the DCU Center, under a different obligation? Her concern was not concerned how it will be paid back, but if we pay it back and whether or not that is justified.

Chair Brissette noted that the problem with that is that without those funds, the DCU Center would not have been able to function.

Mr. McGourthy noted Mr. Hunt could respond to the question of the relationship of the City to the DCU, in more of an accounting framework. He noted this is not typical for the type of institutions that the DCU is of which there are two, DCU and WRA. They are entities with separate accounting entities. This has been the long-standing relationship, but does not mean the city is anticipating repayment of every dollar, but the City needs to say where it now exists.

Ms. McEvoy noted that this is exactly what ARPA money is for, and requested a side conversation to discuss. She noted it would be odd for an entity like this to have to come up with the \$2.4M. Mr. McGourthy noted the City did commit \$2.4M in ARPA funds to the DCU Center for the improvement to the electrical Vault.

Chair Brissette noted that the ARPA money was generous for capital projects.

Ms. McEvoy noted if it was just bookkeeping, then that is ok. Otherwise, if it is due, the Commission must know and understand that obligation. She requested a meeting to discuss.

Mr. Hunt noted the footnotes and the management agreement would be a place to look. This agreement notes monies must be returned to the City. Ms. McEvoy noted this was a completely different liability and wanted to understand that there is no other practical measure to address. Mr. McGourthy noted an amendment to the management agreement is need to address this condition, which it currently does not. Every time the DCU returns funds to the City through surplus, it will be credited to this debt.

A motion to approve was made and seconded. The Vote to approve passed.

#### **4. Master Plan Presentation**

The masterplan was presented by principal architect Jim Swords from Populous Architects, specializing in convention centers, and were hired in 2016 to complete a master plan for the DCU Center. Some work is now going to be completed. Mr. Swords presented the Facility Master Plan, which is the result of assessment of the building by the Engineering and Architectural team. This was presented to the Board in 2017.

Populous constructed a capital expense matrix, that went out 25 years for all the deferred maintenance or end of life equipment. Much of this work has been completed.

Some systemic or out of date issues continue, including exhaust fans, chiller, elevators, convention center roof, or fire alarm. Mr. Swords noted one of the biggest problems is the exhibit hall structural slab, which will be repaired. Accessibility upgrades have been completed.

Populous came up with four priorities: safety, envelope, capital asset upgrades, and technology

A capital expense matrix was presented. \$20M was remaining from \$30M of funding.

Fire Alarm, deferred maintenance, arena seating, convention center floor, structural upgrades for rigging grids and other enhancements, including trash room with ventilation. These are basic needs, that are moving forward for bid.

Ms. Lynch noted that they are working with the Budget office and Populous to assess what can be afforded. The sound system will likely not be installed in this phase.

Arcadis contract has a generous contract that can be amended for hundreds of thousands of dollars to be put toward projects.

Mr. Swords noted the back of house accommodations need to be upgraded. He noted Internet protocol television should be considered as a revenue enhancement and a technology enhancement that should be on the radar.

Expansion of the chilled water plant to accommodate the capacity in the building.

Ms. Lynch has charged Populous with assessing the HVAC for non-fossil fuel heat pumps through an engineering study and a solar study to see the impact to supplement power and therefore costs of operations.

Phase III project concepts were presented which will reflect the vision of what the DCU should be in the future, the masterplan. The project as a whole would be \$250M in today's dollars, but could be phased. A new building would be 3x's that cost.

Chair Brissette questioned whether there was any talk to collaborate on funds for improvements with the new contract coming up? Ms. Dunn noted that was possible and that this project would need a lot of funding sources.

Mr. Sword noted that work would not be duplicated in the master plan if performed now. Ms. Lynch noted the biggest challenge would be funding in order to complete the project in 7+ years. Mr. Swords noted that Birmingham project was a good example of an alteration.

Ms. Lynch will circulate to the presentation to the Commission.

## **5. Project Status Updates – City of Worcester**

Ms. Lynch summarized the status of capital projects and repairs at the DCU facility.

- a. Arena seating is in production and Stutman Construction is under contract to complete the demolition and installation with Hussey Seating.
- b. Convention Center electrical vault has an inspection scheduled for May 8<sup>th</sup> in order to obtain a certificate of occupancy.
- c. The installation of new switches for the network upgrade serving the cameras, telephones and the BMS have been held by ASM Global until the busy event season has passed, likely late June.

- d. Ballroom Chairs – July delivery date is holding.
- e. Master plan was just presented by Populous.
- f. Domestic Hot Water Heater is in design with NV5. This project will bid this month.
- g. DAS – Distributed Antenna System – Mobilitie is the successful proposer and is currently in negotiations with the Law Dept. to complete their contract.
- h. Arena Freight Elevator – The City is working with VDA consultants to identify the required improvements. They will be evaluating all elevators and the escalators.
- i. Arena floor folding seats will bid this month.

#### **4. AMS Global Reporting**

##### **a. Monthly Event/Arena Highlights**

- I. Ms. Dunn presented a comparison of pre-covid 2020 and current 2022 & 2023 events, food and beverage and attendance. Total attendance is 8.5% higher than pre-covid.
- II. Corner Eatery – will be replaced by a new Mexican taco and burrito eatery.
- III. Ms. Dunn reviewed the May 2023 DCU Center Arena highlights including the Pirates opening and Rainers closing and Convention Center Events were presented including NE Water Works, Brew Woo, and Got Sole Sneaker show.

##### **b. Marketing Update**

Ms. Dunn noted the social media report and April fools social media posts.

##### **c. Community Initiatives**

Ms. Dunn noted community events include working with St. John’s Food for the Poor Program.

##### **d. Operations Update**

ASM Global’s Operations include MA Pirates football field set up and VoIP system completion. Training of housekeeping staff was also completed.

##### **e. Food and Beverage**

Food and Beverage revenues were impacted during the Jiu Jitsu Competition with a 24% increase from the event last September 2022. NE Water Works Assoc. event was up 18% from prior year, and Brew Woo up 50% from 10 years prior.

##### **f. Finance Update & Human Resource**

Ms. Day noted that ASM Global’s February activity was a net income of \$1045,022; \$893,073 ahead of budget. With 25 more event days and 34,350 increase in attendance.

ASM Global focused on training and tracking training. They have better tools and remote tools now.

##### **g. Sales Update**

Mr. Moughan noted events coming back post covid. He also followed up on the Community Day request, and noted they will only be using 2 ballroom days, having downsized what they will do.

## **6. Adjourn**

Chair Brissette requested a motion to adjourn, which was seconded and passed.

**Next meeting: Scheduled on May 25, 2023 at 9am**