

FINANCE SUBCOMMITTEE

September 22, 2020

Due to the ongoing situation with COVID-19 and pursuant to H.B. 197, this Community Center Feasibility Task Force, Facilities & Partnerships Sub-Committee Meeting was convened remotely via video-conference using Zoom.

This meeting was called to order by Chair Rule at 12:00 p.m.

SUBCOMMITTEE

MEMBERS PRESENT: Subcommittee Chairperson Matt Rule, Linda Mauger, Brian Perera, Todd Walter

SUBCOMMITTEE

MEMBERS ABSENT: None

TASK FORCE MEMBERS

PRESENT: Bill Westbook, Nick Lashutka, Margi Pizzuti, Dianne Albrecht

STAFF PRESENT:

City Manager Steve Schoeny, Assistant City Manager Dan Ralley, Community Affairs Director Emma Speight, Parks & Recreation Director Debbie McLaughlin, Parks Planning & Development Manager Jeff Anderson, City Attorney Darren Shulman, Economic Development Director Joe Henderson, Finance Director Brent Lewis, Assistant Finance Director Jon Lindow

CONSULTANTS

PRESENT: None

1. Approval of the Minutes from September 8, 2020 Meeting

All members voted in favor of the approval of the September 8th minutes.

2. Establishing Sub-Committee Goals

Chairperson Rule suggested three categories of goals that he would like to utilize for the Finance Sub-Committee.

- 1) Capital stack. How are we going to fund the construction of a community center?
- 2) Operational Expenses. How will the funding for a community center be structured? A) Fee Structure Programatic or subscription based revenue model? B) Cost Recovery – Is there a philosophy that sub-committee would like to utilize for the Community Center? C) Fee participation. Should persons within different groups pay different rates?
- 3) Partnership philosophy. Is there a philosophy around partnerships that this sub-committee would like to recommend with regard to third party tenants and operating partners?

3. Financial Model Presentation

Assistant City Manager Dan Ralley gave a presentation (attached) overviewing possible capital and operating funding sources for a community center. The presentation noted the availability of TIF and Hotel/Motel Bed Tax as possible sources of funding.

Following the presentation Chairperson Rule indicated that the presentation helps clarify funding options and frame the question as one of the appropriateness of the use of funds.

Chairperson Rule also asked about facility reserves. Debbie McLaughlin noted that Dublin has a 50% cost recovery goal and sets aside reserve based on overages that are received above this 50% goal. Brian Perera asked about Capital Expenses for the facility and noted the need for greater detail on a facility. Matt Rule echoed support for these comments and concerns.

Linda Mauger asked about the components of the facility and whether features such as a swimming pool were included in the estimates. It was noted that Phase I of the Task Force's work included a list of features that could be included in the facility but that these were subject to the final recommendations of the Task Force.

Linda Moulakis asked about how partnerships could factor into financial discussions about a community center. Chairperson Rule indicated that the committee needed to further discuss this issue.



3. Public Comment


None

* * *

The meeting was adjourned at 1:10 p.m.



Chairperson



THE MAYOR
CITY OF UPPER ARLINGTON
1000 MARKET STREET
ARLINGTON, VA 22201

ATTEST:

Secretary



Upper Arlington Community Center Financial Modeling

September 22, 2020



Assumptions

- Community Center will be 100,000 square feet
- Construction will be \$400 per square foot
- \$40M in Capital Expenses
- Annual operating expenses will be approximately \$40 per sq ft



TIF Funding

TIFs (in annual dollars available)*

- Kingsdale Core \$55,000
- Arlington Crossing \$163,000
- Kingsdale West \$45,000
- Kingsdale Continental \$1M

TOTAL \$1.26M

* Length of TIFs vary



Other Capital Funding Sources

- Bed Tax \$500,000 (annual)*
- General Fund Cash \$7M
- TIF \$1.26 (annual)

* Bed Tax can also be used for operating expenses



Annual Debt Payments

Total Cost	\$40M
Less Cash	\$7M
\$33M 2% for 30 years	\$1.5M per year
\$33M 3% for 30 years	\$1.7M per year
Total Available for Capital Expenses	\$1.73M



Annual Debt Payments with Private Fundraising

Total Cost	\$40M
Less Cash	\$6M
Private Fundraising	\$4M (10%)
\$30M 2% for 30 years	\$1.33M per year
\$30M 3% for 30 years	\$1.41M per year
Total Available for Capital Expenses	\$1.73M
Bed Tax Available for Operating	\$300,000 - \$400,000



Operating Budget Assumptions

	Size	Total Budget	Per Sq Ft	% Cost Recovery
Dublin	110,000	\$4M	\$36.36	50%
Westerville	96,000	\$3.6M	\$37.50	85%
Worthington	72,000	\$3M	\$41.66	70%
Upper Arlington	100,000	\$4M	\$40	75%



Operating Expenses

Assuming 75% Cost Recovery

- \$4M Annual Budget
- \$3M in memberships, class fees, daily admissions, and rentals
- \$1M annual contribution from the General Fund

Note: The City is currently spending \$700,000 on personnel that would normally be part of a community center.



Bed Tax

- Pre-COVID, City was receiving approximately \$275,000 annually from first hotel on Lane Ave.
- Second hotel will open Sept. 2020
- If Capital outlay is \$30M or below (with private fundraising)....
- And TIF projections are consistent with model...
- Between \$300,000 and \$400,000 of Bed tax could be available to defray annual operating expenses



Alternative: Income Tax

- Westerville allocates .25% of income tax rate toward Parks and Recreation
- If Upper Arlington allocated .1% of income tax rate toward P&R it would provide \$1.1M
- Allocating .2% of income tax of 2.5% rate toward P&R would provide \$2.2M
- Parks is currently averaging \$1.72M in 10yr CIP



Summary

- \$40M cost of constructing a Community Center can be funded via TIF and Bed Tax
- If debt issuance is lowered to \$30M, bed tax can help cover 30-40% of the annual operating gap

