

FINANCE SUBCOMMITTEE

November 17, 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: Greg Comfort, Margie Pizzuti, Linda Moulakis, Bill Westbook, Diana Albrecht, Mary Duchi

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, Economic Development Director Joe Henderson, Finance Director Brent Lewis, Assistant Finance Director Jon Lindow

CONSULTANTS

PRESENT: Leon Younger, Nick Deardorf, Nancy Weir

1. Approval of the Minutes from November 3, 2020 Meeting

All members, except Todd Walters who had not yet joined the meeting, voted in favor of the approval of the November 3rd minutes.



2. Operating Pro Forma Update

Leon Younger described the full potential proforma that is based on a 3% market capture for memberships and approximately 70% program capacity. Estimate first year revenues of \$3,350,631 and expenses of \$2,977,538, including a 5% reserve fund for capital expenses.

The proforma with a market stress test includes a 33% reduction in memberships and 50% less in daily admissions. This model shows revenues of \$2.3M and expenses of \$2.8M. Including the 5% capital outlay the annual operating loss with this stress test model is \$616,719 in the first year. This would allow a 79% cost recovery rate. Compared to Westerville, which has a 85% cost recovery goal and Dublin that has a cost recovery goal of 50%, Leon believes that these numbers are very reasonable.

Debbie McLaughlin overviewed the current Parks and Recreation program and facility operating budgets and the various rates of cost recovery. Cost recovery rates vary from 114% for shelters and barn to 29% for the existing Senior Center.

Department subsidizes the City subsidizes existing recreation programming including senior services by \$523,600. If the Community Center is operating at full potential this subsidy would be decreased by \$476,374 for all overall recreation programming. At the stress test levels the existing subsidy would increase approximately \$349,148 annually.

Leon Younger indicated that he was careful with his modeling to ensure that members felt as though there was adequate access to the facility and not overloaded with programs. As a result that 70% program level was conservative compared with other facilities that he has seen as high as 85% utilization.

Director McLaughlin noted that Dublin has a 50% cost recovery goal and any revenue above that amount is set aside for future capital reserves. Westerville has a target cost recovery amount of 85% but the senior center, even though it is now integrated into the community center, is budgeted for separately and has a cost recovery goal of 20-25%. Worthington has a cost recovery goal of 70% and they price items and cost recovery based on the level of benefit for each program or service. The more individualized the program, the higher the cost recovery for the service. For example, personal trainers may have a cost recovery rate higher than 100% while an open gym or open swim period might have a lower cost recovery rate below 100%.

3. Scholarship Overview and Options

Debbie McLaughlin overviewed the history of scholarships for recreation programs which have been privately funded. She noted that private fundraising takes time and



resources and those funds have been mostly depleted. More recently, the City added the ability for customers to donate via Rectrak when signing up for classes and programs.

Director McLaughlin presented options that could be utilized moving forward including a model that would utilize 2% of membership revenue. Two percent would generate between \$30,000 and \$45,000 based on the specific business model that is utilized. Another option would be to allocate \$1 of each monthly payment toward scholarships that would generate \$55,092 annually to establish a reoccurring revenue stream independent of private fundraising.

4. Capital Financing Update

Dan Ralley presented updated information regarding the modeling for capital expenses utilizing estimates that Williams has provided for the potential Kingsdale community center location showing a \$50M all-in construction cost for the community center. The 50,000 square feet of office space would be an additional \$10M in estimated expense that the City would have to finance using lease agreements as the primary repayment mechanism.

Assuming \$10M in cash, including private fundraising and cash from the City's General Fund Reserves, the City would have to debt finance \$40M for the construction of a community center. Utilizing an above market interest rate of 3.15% the community center capital stack would have an annual gap of approximately \$615,000 after all available tax increment financing resources are utilized.

Ralley noted that the City will be working with Pizzuti Solutions to analyze the model for the private office space, but that preliminary projections show approximately \$250,000 in annual net lease revenue that should first be applied toward annual debt payments for the Community Center. The remaining gap is within the amount generated annually by the City's bed tax (\$500,000) and the income tax that is projected to come from 50,000 square feet of office space.

5. Discussions of Recommendations

Matt Rule noted that he is working on a bulleted pointed outline of recommendations that he intends to distribute to Finance sub-committee members. This outline will be the focus of discussion at the next Finance sub-committee meeting.

6. Public Comment

None

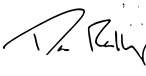
* * *



The meeting was adjourned at 1:23 p.m.



Chairperson


City of Upper Arlington
Community Center Feasibility Task Force
Facilities & Partnerships Subcommittee

ATTEST:

Secretary

