



Memorandum

To: Honorable Mayor and Members of the City Council
Administration and Public Works Committee

From: Martin Lyons, Assistant City Manager/Chief Financial Officer

Subject: Creating the Robert Crown Community Center Maintenance Fund

Date: June 7, 2016

Recommended Action:

Staff and the Robert Crown Subcommittee recommend the creation of the Robert Crown Community Center (RCCC) Maintenance Fund in the FY 2019 Annual Budget. This fund will be used for specific long-term infrastructure maintenance items at both the Robert Crown Community Center and surrounding fields as identified below.

Funding Source:

Revenues to support the anticipated long term maintenance costs of the RCCC shall come from operating revenues of the new facility. These revenues will be reviewed not less than once every five years to determine if the proper funding has been set aside for the timely replacement of infrastructure detailed in this memorandum.

Summary:

The proposed RCCC Infrastructure Maintenance Fund is recommended to be created based on the feedback provided by donors to the RCCC Construction Project. Understandably, donors want to ensure that their contributions to a new center will result in not only a state of the art facility, but that said facility will be maintained and updated throughout a long and useful life. The table on the next page provides a listing of all of the mission critical systems and equipment that would be funded via this reserve fund. Normal supplies and consumable equipment are not included in this analysis and will continue to be funded from either the PRCS or Library operating budgets.

RCCC INFRASTRUCTURE FUNDING INVENTORY

ITEM/TYPE	USEFUL LIFE	REPLACEMENT COST (in 2016 \$\$)
Site Systems	3 - 30 years	\$ 2,065,000
Building Frame/Envelope	15 - 30 years	\$ 2,100,000
Mechanical/Electrical/Plumbing	15 - 30 years	\$ 2,300,000
Life Safety/Elevator	5 - 30 years	\$ 270,000
Interior Common Areas	6 - 30 years	\$ 1,200,000
Specialty Items(e.g. scoreboards)	10 - 30 years	\$ 2,825,000
TOTAL		\$ 10,760,000

Using the total amount of equipment to be funded, staff has created a long term contribution and spending table based on useful life and available funding options.

MAINTENANCE LONG TERM FUNDING SUMMARY				
YEAR	REVENUE/ CONTRIBUTION	EXPENSE	SURPLUS/ (DEFICIT)	RESERVE
2019	300,000	-	300,000	300,000
2020	309,000		309,000	609,000
2021	318,270	10,927	307,343	916,343
2022	327,818	-	327,818	1,244,161
2023	337,653	53,906	283,747	1,527,908
2024-28	1,846,423	719,189	1,127,234	2,655,142
2029-33	2,140,510	7,778,118	(5,637,608)	(2,982,466)
2034-38	2,481,438	5,166,468	(2,685,030)	(5,667,496)
2039-43	2,876,667	4,583,744	(1,707,077)	(7,374,573)
2044-38	3,334,845	15,316,246	(11,981,401)	(19,355,974)
TOTAL*	14,272,624	33,628,598	(19,355,974)	(19,355,974)

*Future expenses are in current dollars for each year of the expense and this is why the original \$10,760,000 inventory number grows to \$33,628,598 over 30 years.

At an original contribution amount of \$300,000, the Maintenance Fund will exhaust the available fund balance for the first time in year 15. If the annual initial contribution is increased to \$500,000, the fund maintains a reserve balance for nearly all future years. At the end of 2038, as was the case in 2002, all of the equipment will have reached the end of useful life, and a substantial expenditure for rehabilitation will be needed. If the maintenance fund is established at \$300,000, an additional \$19.4 million in funding would be needed to have all systems properly updated at the 30 year mark; at \$500,000 initial funding, the ending year additional payment would be \$9.8 million. A detailed analysis of this funding projection is provided as Attachment 1.

The main source of proposed funding for this maintenance fund is increased revenues from the new RCCC. The table below shows a summary of projected financials.

ROBERT CROWN CENTER - OPERATING PRO FORMA		
	Current	New Facility 2019
	2016	(Full Year Rev.)
Ice Rink & Camp Program Revenues	\$1,072,110	\$1,835,416
Community Center Program Revenues	\$313,460	\$390,710
REVENUE TOTALS	\$1,385,570	\$2,226,126
Ice Rink Program Expenses	\$1,225,129	\$1,457,640
Community Center Program Expenses	\$949,196	\$1,044,406
EXPENSE TOTALS	\$2,174,325	\$2,502,046
City General Fund Subsidy (revenue less expense)	-\$788,755	-\$275,920

From the original revenue projections nearly six years ago, through the Design/Build/Operate/Finance Option, to the present process, building a new facility has consistently shown a greater increase in revenues than expenses for the ice and turf facilities. In the table above, the General Fund support of RCCC operations for 2016 is \$788,755. This subsidy level is projected to be reduced by just over \$500,000. Using a portion of these funds to transfer revenue into the RCCC Maintenance Fund beginning in 2019 will not negatively impact General Fund Operations and will ensure future maintenance of the facility. Further reasons for the establishment of the RCCC Maintenance Fund are as follows:

1. Maintenance of the new facility was a consistent theme from survey responses and from major potential donors. Approval of the Fund now can also improve our fund raising ability over the next year.
2. Will improve over all City reserves and will reduce dependence on debt for capital maintenance

The City/Library has other options to meet this need and prefunding per the above mechanism is not the only available solution as follows:

1. Establish a separate revenue source for the RCCC Maintenance Fund such as a portion of other home rule taxes (sales, amusement, hotel tax, etc.)
2. Continue to use debt to pay for facility maintenance.

Legislative History:

N/A

Attachments

Detailed Capital Funding Plan

