

2012 COMMITTEE OF THE CITY COUNCIL
Rapid City, South Dakota

December 11, 2006

Attendance:	Alderman Karen Olson	Alderman Ron Kroeger
	Alderman San Kooiker	Alderman Malcom Chapman
	Alderman Tom Johnson	Alderman Lloyd LaCroix
	Alderman Bill Okrepkie	Alderman Deb Hadcock
Absent:	Alderman Mike Schumacher	Alderman Bob Hurlbut

The meeting was called to order at 7:00 P.M. by Council President Tom Johnson.

Others present included Mayor Jim Shaw, Finance Officer Jim Preston, City Attorney Jason Green, Civic Center Manager Brian Maliske, Growth Management Director Marcia Elkins, Public Works Director Dirk Jablonski, and Administrative Coordinator Jackie Gerry.

Council President Johnson indicated the Committee would discuss the Rushmore Plaza Civic Center Multipurpose Addition – Bid Package 2, Project No. IDP06-1555.

Mayor Shaw outlined several possible options to fund the project. He reminded the members that what is now contemplated is a new arena seating 5,000 to 7,000, and adds 365 new event days. He indicated that by having a hockey team would generate approximately \$1 Million annually, and other new events could bring in another \$1 Million annually. Other events currently being hosted at the Civic Center would be allowed to grow with the new expansion. Mayor Shaw suggested the City has three options – do not build the expansion, delay the expansion, or build the expansion. Building raises the question of where do you get the money.

Mayor Shaw indicated the Civic Center can possibly help pay for the expansion in the following manner: Bond against the BBB Tax, for an estimated \$3 Million; Add One Dollar to the BID Tax, for an estimated \$8 Million; Pre-sell the skyboxes for an estimated \$3 Million over ten years or \$200,000 annually; Offer naming rights to the Civic Center for an estimated \$2 Million; Install another advertising sign on Omaha Street at 5th Street for an estimated \$2 Million over ten years or \$200,000 annually; Rescind the No Smoking Policy for events currently held at the Civic Center, for an estimated \$2 Million over ten years; Reserve parking at \$2 Million; and Implement a Restoration Fee for an estimated \$2 Million.

Mayor Shaw defined the BBB as Bed, Booze and Board, which is an extra penny allowed by State law on restaurants, bars, hotels and motels. He indicated that in 2007, \$2.5 Million can be collected in Rapid City. The Civic Center, by agreement, receives seventy-five percent of that tax, equally approximately \$1.8 Million. The Convention and Visitors Bureau currently receive twenty-five percent of that tax, estimated at \$625,000. He indicated that the Civic Center believes they can make a payment of approximately \$350,000 annually for a \$3 Million loan; after they repay the City for a loan. Their present payment to the City is \$260,000.

Mayor Shaw indicated that by adding One Dollar to the occupancy tax would raise another \$600,000; and that amount could fund the CVB rather than the twenty-five percent from the BBB Tax. He indicated that this would allow the Civic Center to borrow approximately \$8 Million against the BBB Tax and make a higher payment of \$625,000.

Mayor Shaw reminded the members of the three scenarios offered at an earlier meeting. They involved borrowing money. Borrowing from the SAB 28, Revolving Loan Fund, CIP, and the Futures Fund. Mayor Shaw offered other scenarios that included: Extending the 2012 one year, capturing the eighth year of 2012; Extending the bond for eighteen months; Extending the bond for twenty-four months; or a Twenty Year Bond.

Alderman Johnson cautioned the members at looking at every revenue stream that the Civic Center may have available, because they are going to need additional revenue to make certain that the facility stays competitive.

Alderman Chapman indicated that he was not pleased with the three options discussed during the last meeting; and that he was not interested in effecting the BBB as it relates to the CVB. In response to a question from Alderman Chapman, Mayor Shaw indicated that bonding would be against only a portion of the seventy-five percent of the BBB. Mayor Shaw noted that there would need to be a change in State law to add another dollar to the BID tax.

Alderman Olson reported that there is a proposal that could be considered under the Futures Fund.

At the request of Alderman Kooiker, Civic Center Manager Maliske estimated that the furniture, fixtures, and equipment costs for the new arena upon completion. He indicated that the Civic Center has a capital outlay of \$300,000 - \$360,000 each year that is spent. He estimated that about \$593,000 is needed to come out of the Civic Center fund the year of the opening of the facility. In 2008 the \$300,000 - \$360,000 and a supplement of \$250,000 of the cash reserves of the Civic Center will cover those costs. The projected need in 2009 totals \$291,000. In 2009 he anticipated being able to fully meet the needs of the facility.

Alderman Okrepkie indicated that the use of the BBB and BID is money being taken away in advertising dollars; and the Futures Fund and the possible opportunities assists in the economic development of the community.

Responding to a question from Alderman Johnson, Public Works Director Jablonski indicated that the best estimate that is available is \$24 Million for Phase 2, and that includes a contingency. He indicated that the estimate is being refined and will be made available no later than Wednesday; and the intent is to present the estimate to the Council on December 18, 2006. Alderman Johnson suggested the members need to identify the amount needed, need to identify the funding source, and need to identify the source to repay the additional dollars. Responding to a comment from Alderman Hadcock, Council President Johnson indicated the City must identify a funding source before bidding any project.

Responding to a question from Alderman Kroeger, Preston indicated an ordinance change is not required if the plan remains as it currently exists. But an ordinance change is needed if the bonding is extended for eighteen months. Alderman Kroeger indicated his interest in only bonding on 2012 revenue because this is a 2012 project.

Maliske, responding to a question from Alderman Okrepkie, commented that the pool tournament has indicated they will honor their contract through the third year and will attempt to

move the tournament to Sioux Falls permanently; and the dart tournament will honor the next two years of their contract.

In response to a question from Alderman Okrepkie, Preston indicated that bonding using revenue from parking and advertising may not be tax exempt; and suggested bonding against the third penny, the Civic Center's share, and use other revenue sources to replace the operational costs. Alderman Chapman offered support for building the expansion to the Civic Center, and suggested the cost of the project should stay within 2012. He indicated that he was not interested in the use of the CIP Contingency and supported bonding. Preston, responding to a question from Alderman Kooiker, indicated that on the 6.6, the bond maturity date is December 2013; on the 9.7 the maturity date is December 2014; and an ordinance amendment is required to bond beyond the seven years. Alderman Kroeger indicated that it is important to remember that a third round of 2012 is started and have until the end of 2007 to pay for the last round of the program. Preston responding to a question from Alderman Kroeger indicated that tax exempt bonds are not recallable.

Chapman moved, second by Okrepkie to direct staff to bring additional information regarding the bonding, and direct the City Attorney's Office to prepare for Council consideration the 2012 ordinance change necessary to accommodate the bonding. Alderman Kooiker believed the members were at a disadvantage, not having the revised construction estimate. He believed the City needed to find ways to cut costs in the project and to look at a cost-benefit analysis of the full project. Kooiker advocated a fiscally responsible approach. Alderman Kroeger asked that staff coordinate this ordinance change to come for second reading the night the Council accepts or rejects the new bids. City Attorney Green cautioned the Council about timing the date of the proposed ordinance amendment to the date the Council awards the bid, because the bid award will be effective immediately, and the ordinance will not be effective for twenty days and there is the referendum period. He indicated the Council could be in a situation where a bid has been awarded and the perceived funding source is not available. Alderman Kooiker indicated that he could not support the motion without a revised construction estimate.

Rick, a member of the audience, pointed out that only two contractors bid the project and suggested they may not have had the experience in building this type of structure. He recounted the details of his attempt to track the progress of the project and joining the Construction Industry Center, only to be denied. He indicated he had four major contractors interested in bidding the project because they have experience in the construction of arena and stadium structures. He indicated that through competitive bidding, the City can lock in a price and still keep a performance schedule with quality workmanship. Dan Michael, Rapid City offered support in funding the project from 2012 and suggested 2012 money remain in the City and the State.

Upon a vote on the motion, motion carried with Kooiker voting NO.

Council President Johnson recommended that the way to repay the bond is through the sales tax collection of 2012.

Kroeger moved, second by Chapman to identify as the funding source for bond repayment, the 2012 Sales Tax collection. Dan Michael, Rapid City stressed that the project be bid with alternates and indicated one of the alternates should be the skyboxes. He noted his contact of other facilities in the region and revenue received from skyboxes. He urged the members to

move forward with an ordinance amendment. Alderman Kooiker supported the concept of bidding alternates and indicated that a construction estimate is a map on how to proceed. He pointed out that there is a difference between cash flow and revenue generation and profit. Because the Civic Center Manager identified available funds for the purchase of furniture, fixtures and equipment beyond the original projection of several weeks ago, Alderman Kooiker asked to know what additional funds are available at the Civic Center and asked to see financial statements.

Upon a vote being taken on the motion, motion carried with Kooiker voting NO.

Okrepkie moved, second by Olson to authorize staff to re-advertise for bids for the Rushmore Plaza Civic Center Multipurpose Addition – Bid Package 2, Project No. IDP06-1555. Motion carried.

Alderman Chapman indicated there is a need to have another discussion about 2012 in conjunction with changing the ordinance.

As there was no further business to come before the Committee at this time, the meeting adjourned at 8:57 P.M.