

PROCEEDINGS OF THE CITY COUNCIL
Rapid City, South Dakota

March 27, 2006

Pursuant to due call and notice thereof, a special meeting of the City Council of the City of Rapid City was held at the City/School Administration Center in Rapid City, South Dakota on Monday, March 27, 2006 at 7:00 P.M.

The following members were present: Mayor Jim Shaw and the following Alderpersons: Mike Schumacher, Ray Hadley, Karen Olson, Bill Okrepkie, Tom Johnson, Ron Kroeger, Deb Hadcock, Malcom Chapman and Sam Kooiker. The following Alderpersons arrived during the course of the meeting: Bob Hurlbut; and the following were absent: None.

Staff members present included Finance Officer Jim Preston, City Attorney Jason Green, Civic Center Manager Brian Maliske, Parks & Recreation Director Jerry Cole, Executive Secretary Kay Rippentrop, and Administrative Assistant Jackie Gerry.

Finance Officer Preston briefly reviewed the 2012 cash analysis spreadsheet pointing out that Yr2005 are actual figures that include the bond proceeds, interest, and sales tax receipts. Preston noted that Yr2006 projections are based on four percent sales tax increase, and interest at three percent. As directed by the City Council, Preston indicated 2006 includes the 2012 projects. He noted the Rapid Transit building is moved from 2007 to 2006 because the Council approved several contracts; as is the Canyon Lake Restoration Bypass System moved forward because of an approved contract.

Fred Thurston explained that the Thurston Design Group was hired, in conjunction with the Alliance of Architects and Engineers to develop a concept that looked at the existing Civic Center with a possible expansion and addressing ADA accessibility, or an additional structure. The addition of a new structure was believed to be the better option. Thurston explained that they developed the plans and specifications for construction that is anticipated to be completed in October 2007 so that the hockey team can begin their season in the new complex. Thurston noted that they are on schedule and on budget with the project.

Civic Center Manager Maliske explained that the expansion of the Rushmore Plaza Civic Center project was presented before the 2012 Committees. The City Council approved the expansion project. Maliske outlined the present facility as having approximately 150,000 SF, the arena in a reserved seating accommodates 9,408, the theater seats about 1,752, the immediate market is 100,000 and the regional market is 185,000. He indicated the Civic Center actively buys radio and television stations in Wyoming, Montana, North Dakota, Nebraska and Iowa. Maliske listed the diverse types and numbers of events hosted at the Civic Center. He explained that the Civic Center was originally constructed for the purpose of hosting State basketball tournaments, and they are still an important part and a core function of the facility. He noted the State tournament is not the largest basketball tournament; the Lakota Invitational with thirty-two teams is the largest tournament. Maliske noted the attendance records at the Civic Center and explained that events are being turned away because the Civic Center does not have the dates opened.

Maliske indicated that with the Civic Center expansion they would gain 365 new lease dates per year for such events as a hockey game, concerts, trade shows, basketball games, etc. The new arena being proposed, depending upon the configuration, can seat 5,000 to 7,000. This will be

the first facility, within the Civic Center, that will be completely ADA accessible and completely code compliant. Maliske projected 200,000 to 300,000 new and additional customers to come to the Civic Center.

Thurston reminded the members that the project is on-schedule and on-budget, but that there are several features that are enhancement features to the arena, one being the added seats to the arena to increase it up to the 5,000 seating capacity; also the idea of a club area and suites.

Tim Roach, Project Architect reviewed the site plan of the expansion noting a reduction in a paved area outside the structure. He noted no significant changes in the first floor plan. He pointed out the additional space needed in the second floor plan to accommodate the skybox seating and suites. Roach indicated that they could proceed with the original design and budget; or proceed and build the shell space for the suites and club area, to be left for a future project; or proceed with the entire expansion project to include the suites and club area. The advantage of the second option is that the City will save money upfront; but the space being built is not a revenue generator. Roach reviewed the cost options – original plan of 98,000 SF at \$15.3 Million; shell design option of 114,555 SF at \$17.3 Million; the entire project at \$18.5 Million.

Thurston offered several design sketches for the members to review. He emphasize that they are on the low end of the construction costs for an arena of this sort. Thurston asked for some guidance on whether to proceed with the original design, whether to build the suites and club area seating as a shell area or the entire project. Upon direction, he indicated that they could begin an aggressive schedule of completing the design, bidding the project, and construction for completion in October 2007.

In response to questions from Alderman Kroeger, Thurston explained that a seating arrangement will determine the seating numbers. If the arena floor space is used for seating, the numbers increase. Maliske explained that there could be a total of twelve suites and will vary in size from twelve people each to eighteen people each. The price of a club seat is less than a suite and more than a regular seat.

Mayor Shaw indicated this re-design in the Civic Center expansion is an estimated \$3 Million and questioned the projection of potential revenue. Maliske indicated that arenas are built because they make money. Convention space is built to lease out and rent hotel rooms. Theaters are built because of quality of life. With a 200,000 – 300,000 projected patrons that it will bring to the facility, this facility will not only be cost effective for itself, but it will generate some revenues that can be used to pay for ADA and code compliance upgrades for the existing Civic Center facility. Maliske explained that the Civic Center Board has identified \$3.5 Million worth of ADA and code compliance issues that must be corrected. The revenues were projected for the suites per year, for a minimum of a five year contract. This revenue did not include the tickets the patrons are expected to purchase to attend an event. Maliske believed the suites could be sold within eighteen months and spoke of the economic impact of this expanded facility and suggested the Civic Center is competing with Denver and Minneapolis.

In response to questions from Alderman Chapman, Maliske explained that the second largest revenue generator is paid parking for this type of facility. Another revenue generator is naming rights. Sponsorship is the third largest revenue generator. He explained that the Civic Center's current fund is \$900,000, of which \$150,000 is held back each year to buy events; and this year \$295,000 has been earmarked to be used for capital outlay.

Preston, responding to a question from Mayor Shaw, explained that the expanded Civic Center expansion project could be funded from the 2012 Program, but other approved projects would need to be reduced. Alderman Kooiker suggested the City should consider bonding the needed funds with the anticipated revenue. Preston indicated bonding is expensive and suggested borrowing could be more appropriate. Maliske reminded the Council of the need to use the anticipated revenues for upgrades in the existing facility. Alderman Johnson reminded the members that the design team is under a tight schedule and needs direction from the Council. The Council now needs to determine if the City can fund the additional cost, without reducing or eliminating projects. Johnson suggested funding the added cost means losing projects. He suggested the Council needs to decide if the suites are appropriate. With the aid of an overhead, Finance Officer Preston and the Council analyzed the added cost of the Civic Center in Yr2006 and Yr2007, adjusting project amounts, and moving projects to other funding years. Alderman Johnson indicated there is another change in the program. Currently, it is being assumed there would be a four percent growth in sales tax, Alderman Johnson believed that 4.5 percent sales tax increase per year is a reasonable amount. Alderman Chapman indicated that the Council needs to give direction on the design, and then determine how to fund the increase in cost. He suggested that as money comes back in from the Civic Center, those revenues be used to support the 2012 plan that was put in place. Alderman Johnson indicated that there has been a demonstration that the City can come up with the full funding of the Civic Center with suites and club seating, which provides the best revenue; and that the Council can clearly tell the design team to continue the design and design with Option #3 with suites and club box seating; and that there is an agreement on the 4.5 percent on the sales tax increase per year.

Johnson moved, second by Chapman to direct the design team to proceed with the design of the Civic Center expansion as outline in Option #3 with club seating and suites. Alderman Kooiker voiced concern about giving the direction without identifying the funding. Discussion ensued about giving direction, identifying funding for the expanded project, and that another meeting is essential to work out the funding. Question was called by Hurlbut, there being no objection a vote on the motion was taken. The motion carried with Kooiker voting NO.

Olson moved, second by Okrepkie and carried to go into Executive Session at 9:16 P.M. to discuss a personnel matter. The Council came out of Executive Session with all members present. No report was given.

As there was no further business to come before the Council at this time, the meeting adjourned at 9:30 P.M.

CITY OF RAPID CITY

ATTEST:

Finance Office

Mayor

(SEAL)