

TO: Michael C. Van Milligen, City Manager
FROM: Marie L. Ware, Leisure Services Manager
SUBJECT: Five Flags Civic Center General Financing and Referendum Information
DATE: November 7, 2019

INTRODUCTION

The purpose of this memo is to share information related to financing and referendums related to Five Flags Civic Center.

DISCUSSION

The Summary of Phase 2 for an Expanded/Improved Five Flags Civic Center contained a section of Potential Financing Techniques and Vehicles. A review was conducted between Bill Krueger, Principal of Conventions, Sports and Leisure International, Jenny Larson, Budget and Finance Director, HR Cook, General Manager of Five Flags Civic Center and Marie Ware, Leisure Services Manager of the list of potential financing techniques and vehicles in the Phase 2 Study.

General obligation bonds are a typical funding source municipalities use for large capital building projects. Depending upon the specifics of any improvement, renovation and/or new project chosen for the general obligation bond amount, a vote of the community likely is needed with a 60% approval rating of the vote. If this method of funding is used the City Council and Mayor author and approve the language that would be on the ballot. The public then votes for or against the measure.

Revenue bonds are bonds that have a revenue stream that is guaranteed to pay the bond payments as they come due. Typically there is a continuous revenue stream, for sales tax or hotel/motel tax. These revenue streams are currently committed to other projects or by vote are going to another entity.

TIF funds for the downtown could be a funding source however they are currently allocated to other capital improvement projects.

Naming rights are commonly used as is evidenced in similar Iowa facilities such as U.S. Cellular Center in Cedar Rapids, Iowa and Tyson Events Center in Sioux City, Iowa.

The Summary of Phase 2 for an Expanded/Improved Five Flags Civic Center outlined the opportunities for naming rights for Five Flags Civic Center. In this study it shared 25 cities and their naming rights package and terms. Many cities put the naming rights package funding received toward their capital building project. Others do not count on it for the building project but use it later in the construction process. If naming rights is considered a decision is made where the funding would be used in the project.

The process of naming rights includes steps such as assessing the value of the naming rights, developing a formal RFP for naming rights, establishing the term and the contractually obligated revenue stream with annual payments going to operating or capital expenses. CSL stated "for the purposes of planning, it would be reasonable to assume that the proposed Five Flags Civic Center Project could secure a naming rights partner for approximately \$5.0 million over a 15 year term." This was based upon the scenario 4 option. Bond counsel would be consulted to make sure safe harbor rules are met.

Grants can always be considered if the grant has applicable timing to the project. These would not be able to be sought until a project and its details are fully established. Dubuque is aggressive in looking for and applying for grants as projects get established.

Ticket surcharges are used in communities with proceeds going toward the construction costs. Currently there is a surcharge on tickets that assists with the operation expenses of the Five Flags Civic Center. This surcharge could potentially be raised by \$1-2. This surcharge would be for those that are purchasing tickets thus it is direct to the customers of the Five Flags Civic Center.

Private donations and/or endowments could be an option considered for the project. The donations could be used for the capital construction.

Event parking fees have been used in other communities. A regular use level for parking could be established so that on event days the increment above the regular parking revenue could be used toward the project. This may or may not be an option for Dubuque.

As one can see there are options for financing to consider. If a vote is determined to be a direction to go, when the ballot language is determined any ancillary revenues that make up the capital project stack needs to be determined. For example if the project total is \$50 million (a make believe project amount for this example) and of that \$50 million total there is \$5 million of private donations committed then the ballot would be for \$45 million. If however there is only \$500,000 private donations then the ballot would be for \$49,500,000.

This review is not a final review but is outlined to give the City Council an idea of the financing options of a project that could be considered. If a project is determined staff can research further these options based upon guidance given by the Council as well as seek expertise from financial experts and bond counsel.

REFERENDUM DATES AND INFORMATION

If the City Council wishes to consider a referendum vote, then timing of a vote is necessary to review. City Attorney Crenna Brumwell has provided two informational memos as a part of this City Council work session packet regarding referendum votes. If the City Council wishes to consider a referendum vote then there are specific timelines set by Iowa Code. There are two dates in 2020 and three dates in 2021 that can be used for a vote on referendum issues. In the memo she outlines the latest dates that could be used to set ballot language. As her memo indicates there would need to be time built in prior to the dates the council has determined the vote would be held.

The Council would need to determine the project that is to be requested for voter consideration and the dollar figure that would go on the ballot. There would need to be time built in for education of the public on the project that is on the ballot. The timeframe shown is the shortest timeframe possible by Code. The City Council can lengthen the timeframes to accommodate staff work on the details for preparations for a ballot measure as well as education of the public between setting the language on the ballot and the voting date. The other memo is important to review as it outlines for City Council, staff and members of city boards and commissions answers provided to question related to a referendum.

CURRENT CAPITAL IMPROVEMENT BUDGET FOR FIVE FLAGS CIVIC CENTER

In March of 2019 the City Council approved as a part of the FY20 budget a capital improvement budget for FY 20-24. A review of this capital improvement budget will show that because the Five Flags studies were taking place and ultimate decisions on the future course of action related to those studies was yet to be set, there is extremely limited capital improvements in the first four years of the CIP. Listed in FY 24 was capital improvements totaling \$7,535,000. This is important to understand because over the last number of years we have tried to be very fiscally responsible and not install capital improvements that can not be used in another project whether new or renovation or status quo. The FY 20-24 CIP is attached for review.

If the Council determines it wishes to place a referendum on a ballot and the ballot passes, there is time needed for bond sale, selection of consultants and design team, design timeframe, bidding and award of bids is an approximate 20-24 month timeframe before demolition begins. During this time the current Five Flags Civic Center remains operations and the building and its infrastructure would need to continue to work. Certain capital improvements might be necessary to help the facility continue in its operation.

If the Council determines it wishes to place a referendum on a ballot and the ballot fails, then the FY 24 capital improvements budget outlined will fix the basic deferred maintenance needs of the Civic Center until such time as future Council's determine the direction for the future.

ACTION REQUESTED

This memo is for informational purposes only.

cc: HR Cook, General Manager
Jenny Larson, Budget and Finance Director