



MEMORANDUM

To: Mayor and City Council

From: Mike Land, City Manager

Date: June 13, 2017

Reference: Work Session – Discuss proposed Coppell Arts Center

2030: Community Wellness and Enrichment Strategy – Goal 1: Community Gathering Places and Goal 3: Expand Cultural Arts Amenities and Opportunities.

General Information:

On Tuesday May 30th Kirk Johnson presented the final Schematic Design for the proposed Coppell Arts Center. During that presentation Council provided some additional design direction and requested that there be additional discussion on the potential funding of the facility. Specifically, the two areas to be discussed are future citywide capital projects being planned over the next 4 to 5 years and the ability of the CRDC to carry the debt of the proposed arts center going forward.

Introduction:

Since the May 30th meeting Mr. Johnson has continued to modify the proposed arts center plan based on the input provided by Council and some additional information provided by the arts community. Should the Council authorize Phase 2 - Design and Development specifically and Construction Documents, he will present a final plan for Council's approval prior to moving forward.

Per Council's request staff has provided input in developing a master schedule of large capital items through Fiscal Year 2021.

Additionally, staff prepared a cash flow analysis for the CRDC through 2039 which included issuing \$14 million in debt for the arts center, its operational costs and revenues.

Analysis:

Potential Capital Expenditures through 2020-2021

The attachment titled Potential Capital Expenditures through 2020-2021 is provided for your review.

I have broken the information into various subcategories based on potential funding pools. These subcategories are General Fund, Utility Fund, and CRDC. Additionally, there is a smaller subsection "Other Potential Projects" that also would fall under the General Fund category. These projects though have yet to be vetted. For example, the discussion on Fire/EMS service area is just beginning.

Any projects funded through debt in the General Fund have the potential for an impact on the tax rate. Basic rule of thumb is that every \$0.01 cent of property tax generates approximately \$700,000 of revenue. Debt Service for every \$1,000,000 is approximately \$100,000 in today's market. The City will be retiring approximately \$600,000 of debt service payments on average over the next five (5) years. Said another way, by FY 2021, the City will have retired approximately \$30,000,000 worth of debt.

Based on the list of projects through fiscal year 2021, staff has identified approximately \$69,500,000 in General Fund projects. Of that amount, approximately \$51,000,000 would require debt to be issued. The balance, \$18,500,000 would be paid in cash through the IMF Fund and Designated Fund Balance.

Projects identified in the Utility Fund category are expected to be funded through their respective rate structures. Projects identified as requiring debt total \$29,155,000. Staff is doing an analysis on the water and sewer fund for the impact the debt has on the rate structure. Several of the projects were included in the original business plan adopted two years ago. The Drainage Utility (DUD) Fund and Designated Reserves pick up the additional \$1,800,000 in costs.

The final subcategory on this master sheet is the CRDC. The only potential project for debt funding is the proposed arts center at \$14,000,000. The balance of the projects (with a more complete listing on a separate spreadsheet, CRDC Sales Tax and Fund Balance Projections) are paid for with cash flows from the ½ cent sales tax dedicated to this fund and total \$7,300,000 for a CRDC total of \$21,300,000.

In total, through Fiscal Year 2021, staff has identified specific infrastructure needs in the amount of \$124,355,000 plus the \$14,000,000 for the proposed arts center. By year, this breaks down to \$41,200,000 plus the potential \$14,000,000 for the arts center in 2018, \$50,555,000 in FY 2019, \$6,500,000 in FY 2020 and \$26,100,000 in FY 2021. These figures do not include the Other Potential Projects totaling an initial estimate of \$16,600,000.

CRDC Sales Tax and Fund Balance Projections

The categories listed include, Sales Tax, Debt Service (2014 Bonds), Transfer to General Fund (for maintenance and operations of the CORE, Wagon Wheel and other Parks and Recreation related items), LSP and Library Operations and Maintenance (staff is holding off using CRDC funds until we have a couple of years of history to help ensure the proper allocation), Available

for Projects/Debt Service, Park Maintenance (this is the first time in the Department's history that it will have a dedicated fund for larger maintenance items) and Planned and Prioritized Projects (listed on the far right side of the spreadsheet and as determined by staff with input from the Parks and Recreation Board). From this point to the right on the spreadsheet the potential funding, operations and maintenance of the proposed arts center is introduced.

The Planned and Prioritized Projects for FY 2018 include the construction of the Freeport and Parkway trails, median improvements and installation of the Coppell street lights along these two projects, the Moore/Campion Trail extension, the first payment of two to the CISD for the CMSE turf field and stadium improvements, installation of sports lighting controllers, expansion of the Senior and Community Center parking lot and new monument sign on Bethel, the construction of a new Wagon Wheel monument sign and replacing the UV pool filter at the CORE. In FY 2019, the Council may choose to implement the enhancement to AB Central and contemplated in the plan, installation of a new boardwalk connecting ABE and Moore Rd. Park, constructing the Magnolia Trail connection, constructing Macarthur Trail, the second and final payment to CISD for CMSE improvements, additional sports lighting controllers, and BEC storage. For FY 2020 planned projects include possible enhancements per the master plan to ABE, trail lighting at Wagon Wheel Park, construction of the Grapevine Creek Trail, renovations to Duck Pond Park, and BEC deck expansion. Planned improvements in FY 2021 include a new BEC parking lot, installation of trail amenities, and fencing at WW Park. Moore Rd. Park improvements are scheduled to begin in FY 2022. Starting in 2022 the City will begin scheduling annual median and street light improvements. One thing to note on the median and street light improvements, between now and about 2022, Freeport, Parkway and Belt Line will be under construction and hopefully completed so the installation program will be continuing, just through these dedicated street construction projects.

Proposed Arts Center

The debt service is calculated based on issuing \$14,000,000 with a twenty-year repayment and at an interest rate of 4%. Operations and maintenance costs are based on the current program developed by Kirk Johnson.

Considering the Planned and Prioritized Projects, funding the debt service and operations and maintenance costs through the CRDC is a viable option. While at no time will the CRDC's budget documents and Fund Balance reflect the CRDC Fund Balance After Art Debt and Operations column shown on the spreadsheet because of the way the budget is structured, the cash flow model does produce results that are in the black. (For budget purposes recall that until a project is adopted by the Council and funded by the CRDC, no project expenditures are budgeted, thus the Fund Balance discrepancy between what is projected during the budget process and what the final number becomes.)