



CITY OF GRAND RAPIDS

Meeting Agenda Full Detail - Final City Council Work Session

Monday, July 13, 2020

4:00 PM

City Hall Conference Room 2A

CALL TO ORDER: Pursuant to due notice and call thereof a Special Meeting/Worksession of the Grand Rapids City Council will be held on Monday, July 13, 2020 at 4:00 p.m. in City Hall Conference Room 2A, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

CALL OF ROLL: On a call of roll, the following members were present:

Discussion Items

1. 20-1183 Review the IRA Civic Center Business and Marketing Plan 2020
Attachments: 7-13-20 Civic Center Plan
2. 14-0789 Review 5:00 PM Regular Meeting

ADJOURN



CITY OF GRAND RAPIDS

Legislation Details (With Text)

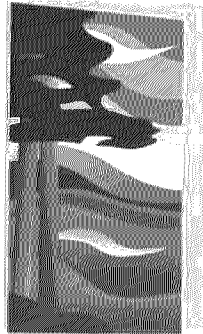
File #: 20-1183 **Version:** 1 **Name:** Civic Center Business Plan
Type: Agenda Item **Status:** CC Worksession
File created: 7/8/2020 **In control:** City Council Work Session
On agenda: 7/13/2020 **Final action:**
Title: Review the IRA Civic Center Business and Marketing Plan 2020
Sponsors:
Indexes:
Code sections:
Attachments: [7-13-20 Civic Center Plan](#)

Date	Ver.	Action By	Action	Result
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Review the IRA Civic Center Business and Marketing Plan 2020

Background Information:

Attached is the IRA Civic Center Business and Marketing Plan 2020 to be reviewed at the City Council Work Session.

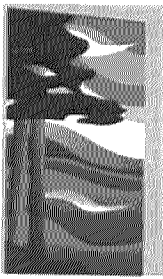


CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE

IRA Civic Center

Business and Marketing Plan 2020

Draft: June 15, 2020



CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE

420 NORTH POKEGAMA AVENUE. GRAND RAPIDS, MINNESOTA 55744-2662

June 15, 2020

Mayor Adams and City Council
420 North Pokegama Avenue
Grand Rapids, MN 55744

Re: Civic Center Business and Marketing Plan 2020

Dear Mayor Adams and City Council;

Enclosed is the 2020 Civic Center Business and Marketing Plan. For the past ten years the Civic Center has had a negative fund balance, which was \$176,200 as of December 30, 2019. This is due in part to capital project expenses dating back to 2001. If you removed the capital expenses, the revenues typically cover the operation and maintenance costs. This plan will address historical trends, identify areas of operations that need to change, and opportunities to increase rentals, which will eventually eliminate the negative fund balance and provide for growth to fund future maintenance needs.

Like Pokegama Golf Course, we believe if challenging decisions are executed we can turn the financials around and continue to make the Civic Center the "hockey destination" of Minnesota, if not the Midwest.

If you have any questions, please do not hesitate to contact us.

Sincerely,

Dale Anderson
Director of Civic Center/Parks & Recreation

Tom Pagel
City Administrator

CC: Civic Center/Parks & Recreation Board
GRAHA
ISD 318

INTRODUCTION/FINANCIAL HISTORY

For several years, the IRA Civic Center has had greater expenditures than revenue resulting in a negative fund balance of \$176,200 as of December 30, 2019. This plan will address historical trends, identify areas of operations that need to change, and opportunities to increase rentals. This will eliminate the negative fund balance and provide growth in revenues to fund future maintenance needs.

If you remove necessary capital expenditures, revenues have still been less than expenditures the past four years. There are many reasons for this negative result, including but not limited to staff makeup, not maximizing rental opportunities, keeping ice during slow demand months and needed capital improvements in an aging facility. The following table identifies ten years of audited financials:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	\$602,569	\$632,303	\$670,748	\$671,373	\$738,062	\$700,298	\$849,709	\$716,852	\$721,359	\$741,158
Expenditures:										
Operating	623,246	640,535	696,195	674,407	674,128	661,270	692,597	749,122	728,528	752,645
Capital Outlay					66,676	112,406	260,131	158,057	0	0
Rev. over (under) exp.	(20,677)	(8,232)	(25,447)	(3,034)	(2,722)	(73,376)	(103,019)	(190,327)	(7,169)	(11,487)
Rev. over (under) exp. w/o Capital	(20,677)	(8,232)	(25,447)	(3,034)	63,954	39,028	(10,954)	(46,345)	(7,169)	(11,487)
Other sources:										
Insurance recoveries	0	0	0	0	0	31,103	7,810	7,000	5,439	0
Sale of capital assets	0	0	0	0	0	0	38,000	14,075	0	0
Transfers from other funds	0	27,450	27,000	27,000	31,516	19,544	0	145,067	0	0
Net change in fund balance	(20,677)	19,218	1,553	23,966	28,794	(22,731)	(57,209)	(24,185)	(1,730)	(11,487)
Fund balance (deficit) - January 1	(111,772)	(132,449)	(113,231)	(111,678)	(87,712)	(58,918)	(81,649)	(138,858)	(163,043)	(164,773)
Fund balance (deficit) - December 31	(\$132,449)	(\$113,231)	(\$111,678)	(\$87,712)	(\$58,918)	(\$81,649)	(\$138,858)	(\$163,043)	(\$164,773)	(\$176,260)

These fiscal challenges are not new to the Civic Center as identified in the 2001 Audit:

In addition, pursuant to Resolution 96-141, this fund was committed to repay the General Fund for financing of the IRA Civic Center expansion. The total amount to be repaid was \$711,255 over a thirty-year period which was supposed to have begun in 2000. In 2002, the City forgave this commitment with the understanding that, if in the future, the Civic Center covers the cost of operations and capital requirements, that they make an annual contribution to the General Fund in the amount of 50% of the excess needed for operations and capital requirements.

Since this council action has occurred, the Civic Center has not been able to contribute excess revenue to the general fund. Later in this plan, there is a recommendation similar to this resolution, but instead, fifty percent of excess revenues would be dedicated to any General Obligation debt service related to the Civic Center and the remaining balance would stay in their fund balance for smaller capital improvements.

Focusing on the 2019 financials on a month-by-month basis starts to identify where certain focus needs to be placed. In the table below it is evident that the months of May through October create major expenditures greater than revenues resulting in a deficit of \$117,029.

Civic Center Five Year History					
	Actual 2019	Actual 2018	Actual 2017	Actual 2016	Actual 2015
	Rev/Exp	Rev/Exp	Rev/Exp	Rev/Exp	Rev/Exp
January	(27,429)	(27,158)	(20,271)	(15,658)	(38,359)
February	38,353	60,669	42,879	58,564	(21,989)
March	34,502	22,927	29,443	20,864	20,082
April	22,678	9,310	(88,231)	4,947	63,935
May	(6,314)	12,159	(27,002)	221	48,362
June	(23,288)	(25,740)	(25,198)	(25,657)	39,810
July	(14,297)	(17,311)	(36,498)	(1,933)	(4,721)
August	(18,512)	(29,294)	133,286	(270,565)	(14,039)
September	(26,030)	(11,385)	(9,040)	147,569	(32,759)
October	(28,588)	(20,103)	(56,867)	(18,827)	(40,183)
November	17,460	(10,593)	(45,347)	(11,265)	(20,162)
December	20,977	34,842	58,661	54,529	(22,699)
Total	(10,488)	(1,677)	(24,185)	(57,211)	(22,722)

The primary reason for expenditures greater than revenues during these periods is high labor costs, and not maximizing ice and dry floor rentals. Inevitably, the months of May and September will likely create deficits because of necessary annual maintenance to the facility.

LABOR EXPENDITURE REVIEW

Prior to 1993, GRAHA owned and managed the concession stands at the Civic Center. It is believed that after the expansion of the East Venue around 1993, the City took over operations. A full-time Manager/Administrative Assistant who spends an estimated 50% of their time on the concessions staffs the operations. The full-cost with wages and benefits for this position are around \$80,000. If you include \$40,000 in the operations of the concession, you can see the negative impact to the financials in the following table.

Year	Revenue	Supplies Expense	PT Staff Expense	FT Staff Expense	Net Profit
2019	\$95,855	54,730	28,002	40,000	(\$26,877)
2018	\$107,152	62,981	28,746	40,000	(\$24,575)

We are recommending the elimination of the Concession Manager/Administrative Assistant position and request that the current employee in this position be transferred to a General Fund department.

In addition, it is requested that the Finance Department perform the financial functions and charge the Civic Center for services in a manner similar to Pokegama Golf Course. This will result in an estimated savings of \$57,000. It is proposed that the concessions first be offered to GRAHA who is the primary user of the facility. If they are not interested, the City should then go out for RFP's to secure a concessionaire.

Currently, the Full-Time Janitor position has been allocated to the Library, City Hall, and Central School, where there is a need. It is recommended that this transfer become permanent which will result in an estimated savings of \$32,000.

To recognize the fiscal impact of these proposed changes, the Actual 2018 revenue and expenditures were modified to eliminate both positions. A summary follows:

CITY OF GRAND RAPIDS CIVIC CENTER DEPARTMENT 2018 ACTUAL VS MODIFIED (NO CONCESSION)			
	2018 MODIFIED	2018 ACTUAL	Percent Reduction
REVENUES:			
TOTAL CHARGES FOR SERVICES	2,842	103,170	-97%
TOTAL MISCELLANEOUS REVENUE	610,104	618,125	-1%
TOTAL OTHER SOURCES	5,493	5,493	0%
TOTAL REVENUES	\$ 618,439	\$ 726,848	-15%
EXPENDITURES:			
PERSONNEL			
Total Personnel	240,624	361,086	-33%
SUPPLIES & MATERIALS			
Total Supplies & Materials:	15,147	90,309	-81%
OTHER CHARGES & SERVICES			
Total Other Charges & Services:	297,129	287,129	3%
TOTAL EXPENDITURES	552,900	728,524	-24%
Excess Revenue > Expenditures:	\$ 65,539	\$ (1,676)	

The total impact of outsourcing the concession stand and transferring the two employees to open positions in the General Fund for 2018 would have resulted in an expenditure reduction of \$67,215. In the private sector, this would have created a profit of \$65,539 or a 10.6% profit.

Another area of potential labor savings is with the Full-Time Civic Center Maintenance position. During the summer of 2020, because of not having ice, this position has been allocated to the Airport for the months of June, July, and August, performing maintenance at the Airport.

By having this person at the Airport, part-time summer staffing has been reduced. The off-season maintenance at the Civic Center is typically performed by this person in April/May and September/October. Moving forward, if this allocation of maintenance staff is feasible, it would save the Civic Center a minimum of \$20,950 per year.

In summary, eliminating the concession stand, transferring the two employees to the general fund, and seasonally allocating the maintenance position to the Airport would result in a savings of \$88,165. This savings includes budgeting 1,000 hours of part-time employees.

REVENUE GENERATION

Like many facilities, there are peak desired months, days, and times to rent ice at the IRA Civic Center. It is also critical that the IRA Civic Center continue to provide summer ice if the community is going to maintain a strong hockey presence in the State. However, greater focus needs to be placed on renting ice in the summer. The following table identifies the revenues over expenditures for the sixteen weeks of ice from July through October of 2019. It also takes into account the potential savings of transferring the two employees to the General Fund.

IRA CIVIC CENTER - OPERATIONS										
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE										
FOCUSED ON 2019 NON-WINTER MONTHS										
	July		August		September		October		16 Week Ice Total	
	Actual	Modified	Actual	Modified	Actual	Modified	Actual	Modified	Actual	Modified
Revenues:										
TOTAL REVENUES	26,392	26,392	34,956	34,956	27,862	27,862	25,261	25,261		
Expenditures:										
TOTAL EXPENDITURES	40,689	32,813	53,468	43,120	53,892	43,461	53,849	43,427		
Capital Outlay:										
Building/Blgd Improvements	-		-		-		-			
Eqpt/Machinery/Furn/Fixtures	-		-		-		-			
TOTAL CAPITAL OUTLAY	-		-		-		-			
REVENUES > EXPENDITURES	(14,297)	(6,421)	(18,512)	(8,164)	(26,029)	(15,599)	(25,588)	(18,166)	(57,426)	(48,349)

To eliminate the loss of \$48,349, there needs to be an addition 280 hours of ice rented over the sixteen-week period. When you include April (not shown above but a weaker rental month), there is 19 weeks to sell an additional 280 hours. Breaking this down it would be an additional 15 hours per week, or two hours per day. Currently, most weekends July through September sit idle. To achieve the goal of 280 hours of additional ice it is recommended to focus on the following areas:

1. Work with MN Hockey to book two High Performance tournaments in August/September. This would generate 50 hours of ice time.
2. Continue efforts to fill our August Goalie Camp with Robb Stauber. This camp nets \$11,000 when maxed out with 40 goalies. This generates 30 hours of ice time.
3. Market to North American Hockey League teams to host a summer tryout camp. This potentially generates 20 hours.
4. Increase efforts to maximize spring/fall weekend ice with MN Hockey, Adult Tourneys, and begin looking for AAA youth tournament options. An average tournament generates 25 hours of ice usage a weekend.
5. Work closer with VGR to increase tourism-based dry floor rentals.

Moving forward, we know that ice rental in July can be profitable. If ice rental can be profitable for the month of August, it should remain in place for the month of September. This is primarily because staff will be performing annual needed maintenance regardless of ice rental and it is feasible to rent enough ice to recover the cost of utilities estimated at \$11,000. This would equate to 64 hours of rental in the month of September.

SUMMARY/RECOMMENDATIONS

The first recommendation is to transfer two employees to the General Fund eliminating the Concession Manager/Administrative Assistant and Janitor position, and issuing a RFP to outsource the concessions. In addition, in 2021, the maintenance position should seasonally allocated to the Airport as an experiment. By implementing this recommendation, the IRA Civic Center can recognize a savings of approximately \$88,165. If it is determined that this is not feasible, the estimated savings is \$67,215.

Our second recommendation is to maximize and achieve an additional 280 hours of ice rental. If this is achieved it will generate an additional \$48,349 in revenue over expenditure.

If these two recommendation were in place in 2018, it is possible that the revenues over expenditures could have been a positive \$136,514 with \$610,104 of revenue. This would quickly replenish the cash reserves and provide funding for on-going maintenance needs at the IRA Civic Center.

Finally, if these recommendations are implemented and they create revenues greater than expenditures, fifty percent should be utilized to pay off General Obligation debt service bonds issued for major repairs to the facility and the remaining should be placed in the Civic Center reserve fund for minor capital needs.

Councilmember Voltz introduced the following resolution and moved for its adoption:

RESOLUTION NO. 96-141

**A RESOLUTION ESTABLISHING A PAY BACK PLAN
FOR THE CIVIC CENTER AND
GRAND RAPIDS SPORTS COMPLEX OF \$711,255
FOR 30 YEARS WITH PRORATED 5.44% INTEREST**

WHEREAS, the City Council met in a special council meeting on Tuesday, May 28, 1996, to discuss finalizing the Civic Center/Newton Farm Expansion Project financing plan, and

WHEREAS, the meeting verified the total pay back amount of \$711,255 and concluded with the following points to be included in the pay back plan: (1) Civic Center operations pay back = \$569,004 (80%), (2) Grand Rapids Sports Complex operations pay back = \$142,251 (20%), (3) length of pay back plan to be no more than 30 years, (4) implementation of the plan would be delayed for three years to honor grant obligations to establish capital improvement funds, and (5) interest to be charged and equal to the interest rate on the bonds 5.44% and also delayed, and

WHEREAS, this information was presented to the Park and Recreation Advisory Board on June 3, 1996 and the Civic Center Board on June 12, 1996 in which both boards were concerned about the interest charge, and

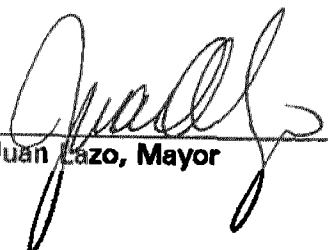
WHEREAS, at the June 24, 1996, meeting the City Council tabled the pay back plan and scheduled a work session to discuss options, and

WHEREAS, a joint proposal from the Park and Recreation Advisory Board and the Civic Center Board was presented to the City Council on November 25, 1996,

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Grand Rapids, Itasca County, establishes the following pay back plan for the Civic Center/Grand Rapids Sports Complex:


The total pay back amount of \$711,255 of which \$569,004 (80%) will be paid back by Civic Center operations and \$142,251 (20%) will be paid back by the Grand Rapids Sports Complex operations. The length of plan to be 30 years, with a total of \$146,594 interest charged prorated based on 5.44% with 80% the responsibility of the Civic Center and the remaining 20% the Grand Rapids Sports Complex. The pay back plan to be delayed for three years starting 2000.

Adopted this 9th day of December 1996.



Juan Lazo, Mayor

Attest:



Karlene M. Gale, City Clerk

Councilmember Saxhaug seconded the foregoing resolution and the following voted in favor thereof: Sanderson, Fritz, Saxhaug, Voltz, Lazo; and the following voted against same: None, whereby the resolution was declared duly passed and adopted.

**City of Grand Rapids,
Minnesota**

**Financial Analysis and
Management Considerations**

Special Revenue Funds

IRA Civic Center

A summary of activity of this fund is as follows:

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenue	\$442,238	\$486,588	\$536,151
Expenditures	<u>574,373</u>	<u>663,230</u>	<u>669,588</u>
Revenue over (under) expenditures	(132,135)	(176,642)	(133,437)
Operating transfers from General Fund	<u>78,000</u>	<u>45,000</u>	<u>45,000</u>
Increase (decrease) in fund balance	(54,135)	(131,642)	(88,437)
Fund balance - January 1	<u>54,694</u>	<u>559</u>	<u>(131,083)</u>
Fund balance (deficit) - December 31	<u>\$559</u>	<u>(\$131,083)</u>	<u>(\$219,520)</u>

The fund balance has decreased significantly in each of the last three years. A large part of the decreases was due to unbudgeted capital outlay expenditures. The City's General Fund loaned the IRA Civic Center \$210,000 in 2000 to provide funding for some of these costs. This loan is repayable over 15 years at 6%.

In addition, pursuant to Resolution 96-141, this fund was committed to repay the General Fund for financing of the IRA Civic Center expansion. The total amount to be repaid was \$711,255 over a thirty year period which was supposed to have begun in 2000. In 2002, the City forgave this commitment with the understanding that, if in the future, the Civic Center covers the cost of operations and capital requirements, that they make an annual contribution to the General Fund in the amount of 50% of the excess needed for operations and capital requirements.

We recommend the City closely monitor this fund and take action to ensure the deficit is addressed.