# Resolution 2015-165

## Resolution Authorizing Selection of Option a – Reduced for the Phillips Community Center Aquatic Facility and the Preparation of Final Design and Construction Documents Based on Option a – Reduced

Whereas, The Minneapolis Park & Recreation Board (MPRB) is the steward of Minneapolis parks and recreational facilities;

Whereas, The MPRB is the owner of the Phillips Community Center (PCC) at 2300 13th Avenue South, Minneapolis, which includes a six-lane indoor competitive pool that has been unused for several years;

Whereas, In 2011, the MPRB and the non-profit group, Minneapolis Swims entered into a fundraising agreement that was superseded by a 2013 Memorandum of Understanding (MOU) for preservation of the pool and creation of an aquatics facility at PCC;

Whereas, In 2012, the Minnesota Legislature passed a bonding bill that included a $1,750,000 grant to the MPRB for the facility, the MPRB was granted $325,000 through the Hennepin Youth Sports Grant program for the facility, and Augsburg College pledged $100,000 to the facility;

Whereas, The State of Minnesota requires its funding to be encumbered by May 11, 2016;

Whereas, Minneapolis Swims remains committed to raising funds for the construction of the project and has indicated pledged capital from Augsburg College, the Shakopee Mdewakanton Sioux Community, and other entities, along with an indication of support for the use of MPRB Commissioner District 3 Contingency Funds for the project;

Whereas, Funding support for the project in the form of use fees has been indicated by Minneapolis Public Schools for $150,000 per year for five years and from Augsburg College for $50,000 per year for five years, although commitments have not been defined;

Whereas, Interest in an aquatics facility at Phillips Community Center remains strong as the MPRB and Minneapolis Swims have pursued the project;

Whereas, The Board of Commissioners authorized proceeding with the development of the Phillips Community Center Aquatic Facility with the intention of constructing and operating the facility upon the commitment and acceptance of necessary capital funds by March 31, 2015;

Whereas, MPRB has engaged consulting services to provide preliminary design options and develop finance models demonstrating the expenses and revenues related to each design option;

Whereas, MPRB staff has reviewed the consultant's report and determined the costs of construction, the finance model, and the program development for the facility are best aligned with Option A – Reduced; and

Whereas, This resolution is supported by the MPRB 2007-2020 Comprehensive Plan, which envisions "Recreation that inspires personal growth, healthy lifestyles, and a sense of community;"

RESOLVED, That the Board of Commissioners authorize selection of Option A – Reduced for the Phillips Community Center Aquatic Facility and the preparation of final design and construction documents based on Option A – Reduced; and

RESOLVED, That the President of the Board and Secretary to the Board are authorized to take all necessary administrative actions to implement this resolution.

TO: Minneapolis Park and Recreation Board

FROM: Michael Schroeder,

DATE: April 1, 2015

SUBJECT: Resolution Authorizing Selection of Option a – Reduced for the Phillips Community Center Aquatic Facility and the Preparation of Final Design and Construction Documents Based on Option a – Reduced

**BACKGROUND**

In 2012, the Minneapolis Park & Recreation Board received $1.75 million from the State of Minnesota in support of a revitalized pool at the Phillips Community Center (PCC). Additional funding of $350,000 would come from Hennepin County through a Hennepin County Youth Sports Grant. By previous action of the Board of Commissioners, a Memorandum of Understanding (MOU) was executed between MPRB and Minneapolis Swims, a non-profit aimed at equity and access for swimming opportunities in the City of Minneapolis, that identified a fundraising deadline of June 30, 2014, by which time Minneapolis Swims would have raised a five year commitment in operating funds of $250,000 per year and a five year commitment in program funds of $100,000 per year. At that time, there was an expression of interest in funding from Augsburg College, Minneapolis Public Schools, and YMCA. The Shakopee Mdewakanton Sioux Community also indicated interest in financially supporting the project. Additionally, the MOU identified no specific capital fundraising milestones beyond the $2.2 million that had already been raised however it articulated that both Minneapolis Swims and the Park Board desired to raise additional capital for the project. It also articulated that a project construction scope would be recommended to the Park Board of Commissioners based on available funding. The original deadline for fundraising has since passed and Minneapolis Swims has indicated it will not be interested in operating the facility. However, Minneapolis Swims has indicated it would continue its efforts to obtain firm funding commitments supporting the project.

***Options and cost estimates***

To better define the project and align with the efforts of Minneapolis Swims, the MPRB was asked to develop a design and financial model for the revitalization of the pool at PCC. Designs developed by MPRB in concert with Minneapolis Swims demonstrate a range of options:

Option A -- Reduced estimated $2,613,000 in project construction costs

Option A -- Reduced would renovate the existing six-lane pool; locker rooms and office space for pool administration would be

renovated, and a spectator viewing area would be created on the second floor.

| | |
|---|---|
| Option A | estimated $4,270,500 in project construction costs<br>Option A would renovate the existing six-lane pool and provide a new zero-depth entry warm-water teaching pool; locker rooms and office space for pool administration would be renovated, and a spectator seating area would be created on the second floor. |
| Option B -- Reduced | estimated $5,422,500 in project construction costs<br>Option B – Reduced would renovate the existing six-lane pool and provide a new four-lane, zero-depth entry warm-water teaching pool; locker rooms and office space for pool administration would be renovated, and a spectator seating area would be created on the second floor. |

***Project funding***

Funding supporting construction would be assembled from a variety of sources, including:

| Secured funding | |
|---|---|
| 2012 State of Minnesota Bonding | $1,750,000 |
| Hennepin County Youth Sport Grant | $325,000 |
| MPRB match to Hennepin County Youth Sports Grant | $45,000 |
| | $2,120,000 |

| Pledged funding | |
|---|---|
| Augsburg College | $100,000 |
| Shakopee Mdewakanton Sioux Community | $250,000 |
| MPRB Commissioner District 3 Contingency Funds | $100,000 |
| Minneapolis Foundation—Capstone funding | *$250,000 |
| East Phillips Improvement Coalition | $50,000 |
| Margaret A. Cargill Foundation | $50,000 |
| Rogue Foundation | *$50,000 |
| Midtown Phillips Neighborhood Association | $50,000 |

| | |
|---|---|
| Wells Fargo | $25,000 |
| Ventura Village | $10,000 |
| | $935,000 |
| * *Funding from these sources is predicated on an eight-lane pool; total* | |
| **Total secured and pledged funding for eight-lane pool** | **$3,055,000** |
| ***Total secured and pledge funding for six-lane pool*** | ***$2,755,000*** |

Funding available with secured and pledged funding meets the estimated project cost for Option A – Reduced. Other options remain at a project cost deficit in amounts indicated in the following table:

| | **Option A – Reduced** | **Option A** | **Option B – Reduced** |
|---|---|---|---|
| Estimated project cost | $2,613,000 | $4,270,500 | $5,422,500 |
| Secured and pledged funding | $2,755,000 | $2,755,000 | $2,755,000 |
| **Project balance** | **$142,000** | **($1,515,500)** | **($2,667,500)** |

Based on secured and pledged funding, additional capital funding is required to meet the estimated project costs for Option A and Option B -- Reduced. Possibilities for elimination of other current capital projects to cover the capital shortfall include:

| **Capital shortfall funding option** | | **Option** | **Amount** |
|---|---|---|---|
| ***CIP REALLOCATION STRATEGIES*** | | | |
| Re-allocate 2016 CIP for Bossen Field (Net-debt Bonds) *($2,500,000 programmed)* | *Requires an action by the Board of Commissioners and re-submission to CLIC* | Option A | $1,600,000 |
| | | Option B -- Reduced | $2,500,000 |
| Re-allocate 2017 CIP for Bossen Field (Net-debt Bonds) *($450,000 programmed)* | *Requires an action by the Board of Commissioners and re-submission to CLIC* | Option A | *not needed* |
| | | Option B -- Reduced | $170,000 |
| ***CIP REALLOCATION PLUS MORTGAGE STRATEGIES*** | | | |
| Re-allocate 2017 CIP for Bossen Field (Capital Levy) ($412,300 | *Requires an action by the Board of* | Option A (CIP reallocation | $412,300 |

| | | | |
|---|---|---|---|
| programmed)<br>***PLUS*** | *Commissioners to re-allocate CIP funds* | strategy) | |
| Secure a mortgage | *Debt service might be reduced by additional pledged capital* | Option A (mortgage strategy) | $1,103,200 |
| | | Option B— Reduced (CIP reallocation strategy) | $412,300 |
| | | Option B – Reduced (mortgage strategy) | $2,255,200 |

These strategies suggest that it is possible to fund an option other than Option A – Reduced. It is important to note that these strategies not only leverage funds from other committed projects, but the MPRB would have to work with the Capital Long-range Improvement Committee to effect the changes. In addition, pursuit of a mortgage requires servicing the debt from a source that is not yet identified.

***Operating position***

A consultant to the MPRB has developed a financial model for each option that recognizes the costs of operation, revenue projections, and the establishment of a fund for on-going capital repairs. However, MPRB Finance staff reviewed the models and found several items to be overly aggressive in terms of revenue projections. The reassessment of the finance model reveals shortfalls in Net Operating Position for each of the three options:

| | **Option A -- Reduced** | **Option A** | **Option B -- Reduced** |
|---|---|---|---|
| **EXPENSES** | | | |
| **OPERATIONAL EXPENSES** | **418,080** | **446,080** | **453,580** |
| Utilities | 67,000 | 87,000 | 94,500 |
| Maintenance | 14,000 | 18,000 | 18,000 |
| Equipment and Supplies | 2,950 | 3,950 | 3,950 |
| Staff | 265,830 | 265,830 | 265,830 |
| General Office | 21,500 | 21,500 | 21,500 |
| Miscellaneous | 4,000 | 5,000 | 5,000 |
| Increased Staff Cost (MPRB staffing) | 33,000 | 33,000 | 33,000 |
| Increased Utilities (filling pool) | 0 | 2,000 | 2,000 |
| Increased office/IT costs (MPRB network) | 9,800 | 9,800 | 9,800 |

| | | | |
|---|---|---|---|
| **PROGRAM EXPENSES** | **107,926** | **107,926** | **107,926** |
| Community and Educational Programs | 3,163 | 3,163 | 3,163 |
| Fitness and Therapy | 5,950 | 5,950 | 5,950 |
| Learn to Swim | 87,700 | 87,700 | 87,700 |
| Camps and Clinics | 11,113 | 11,113 | 11,113 |
| Team Programs | 0 | 0 | 0 |
| **TOTAL EXPENSES** | **526,006** | **554,006** | **561,506** |

**REVENUE**

| | | | |
|---|---|---|---|
| **FACILITY REVENUE** | **35,750** | **35,750** | **48,125** |
| Camps and Clinics | 5,000 | 5,000 | 5,000 |
| Class and Program Space Rentals | 0 | 0 | 2,000 |
| Club and Training Rental | 0 | 0 | 0 |
| Events | 20,750 | 20,750 | 31,325 |
| Sales | 0 | 0 | 0 |
| Memberships | 10,000 | 10,000 | 10,000 |
| Facility Sponsorship/Contributions | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| **PROGRAM REVENUE** | **172,300** | **372,300** | **377,500** |
| Community and Educational Programs | 7,500 | 7,500 | 8,000 |
| Fitness and Therapy | 2,500 | 2,500 | 5,000 |
| Learn to Swim Sponsorships/Grants/Etc. | 40,000 | 40,000 | 40,000 |
| Learn to Swim Registration Fees | 80,000 | 80,000 | 80,000 |
| Camps and Clinics | 13,800 | 13,800 | 16,000 |
| Club Team and Training Programs | 0 | 0 | 0 |
| Program Sponsorships/Contributions | 28,500 | 28,500 | 28,500 |
| Miscellaneous | 0 | 0 | 0 |
| Minneapolis Public Schools | 0 | 150,000 | 150,000 |
| Augsburg College | 0 | 50,000 | 50,000 |
| **TOTAL REVENUE** | **208,050** | **408,050** | **425,625** |
| **NET OPERATING POSITION (DEFICIT)** | **(317,956)** | **(145,956)** | **(135,881)** |

It is important to note that the operating model makes assumptions related to Program Revenue support from Minneapolis Public Schools ($150,000 per year for five years) and

Augsburg College ($50,000 per year for five years). This revenue is included in Option A and Option B – Reduced. There is no guarantee for these revenues beyond Year 5, in which case the Net Operating Position for the options would be summarized as follows:

| | Option A -- Reduced | Option A | Option B -- Reduced |
|---|---|---|---|
| Net operating position (deficit) including MPS and Augsburg | (317,956) | (145,956) | (135,881) |
| MPS and Augsburg revenue elimination | *no impact* | (200,000) | (200,000) |
| **MODIFIED NET OPERATING POSITION (DEFICIT)** | **(317,956)** | **(345,956)** | **(335,881)** |

Should a mortgage be pursued, the operating model must be adjusted to account for the debt service. The following table demonstrates the impact of mortgages on each of the options using the BASE operating model (the model that includes Minneapolis Public Schools and Augsburg College contributions):

| | Option A -- Reduced | Option A | Option B -- Reduced |
|---|---|---|---|
| Net operating position (deficit) including MPS and Augsburg | (317,956) | (145,956) | (135,881) |
| Debt service: $1,515,500 mortgage (Option A) | | (87,642) | |
| Debt service: $2,667,500 mortgage (Option B – Reduced) | | | (154,262) |
| MODIFIED NET OPERATING POSITION (DEFICIT) | (317,956) | (233,598) | (290,143) |

Staff has not defined a source of funding to support debt service.

***Program alignment***

Program alignment is a particular concern for the pool at PCC. The intent underlying the project is the equitable access to indoor swimming facilities, especially related to teaching youth to swim, being safe around water, and providing facilities that use water for healthy exercise programs. As noted in the consultant report, the Learn to Swim program "will need to be the most important program and the foundation for the successful and proper operation of both the programming element of this facility and the financial viability of the overall operation of the facility." [emphasis from original report] Each option addresses this goal in different ways:

- Option A – Reduced provides teaching stations for Learn to Swim programs in the renovated existing pools that can be removed to allow for lane swimming and competitions
- Option A offers capacity for Learn to Swim programs in a zero-depth entry teaching pool; provides a separated pool that addresses cultural needs
- Option B – Reduced offers capacity for Learn to Swim programs in a zero-depth entry teaching pool with additional lanes; provides a separated pool that addresses cultural needs

***Bonding alignment***
Funds from the State of Minnesota carry language from the legislation stating:

> *For a grant to the Minneapolis Park and Recreation Board to predesign, design, engineer, reconstruct, renovate, furnish and equip the Phillips Community Center indoor competitive swimming pool and toe predesign, design, engineer, and construct an additional indoor multipurpose family pool and facilities associated with an aquatic center in the community center, subject to MN Statute, section 16A.695. This appropriation is not available until the commissioner [MMB] determines that at least $350,000 is committed from non-state sources.*

Non-state sources have been secured through a Hennepin County Youth Sports Grant and matching MPRB funds.

Option A – Reduced does not provide the additional indoor multipurpose pool.

***Project timing***
Timing is an important factor for consideration. The funding from the State of Minnesota needs to be encumbered by May 11, 2016. Initiating the process of final design and construction documents allows staff to proceed toward that deadline.

**RELATED BOARD ACTIONS**

| | |
|---|---|
| July 16, 2014 | Resolution 2014-250 authorizing the following actions to proceed with development of the Phillips Community Center aquatic facility with the intention that the MPRB will construct and operate the facility upon the commitment and Board of Commissioners acceptance of necessary capital funds by March 31, 2015: |

1. For a period of six months through February 28, 2015, direct staff to continue collaborating with Minneapolis Swims and other organizations in an attempt to raise the capital necessary to construct the project described as Option A (base option) or Option B, which includes an 8-lane pool rather than the 6-lane pool in the base option;
2. For a period of six months through February 28, 2015, direct staff to continue collaborating with Minneapolis Swims and other organizations to gather commitments for

the full amount of operating costs in the first five (5) years of operations for Option A (base option) or Option B;

3. Direct staff to present a proposed project scope and budget at the conclusion of the six-month fundraising period, by March 31, 2015, for Board of Commissioners authorization of construction documents and capital allocation;
4. Direct staff to present a revised operating pro-forma for the proposed project as identified in #3 above by March 31, 2015 to the Board of Commissioners;
5. Accept the Hennepin Youth Sports Grant provided to the project in the amount of $325,000 with an MPRB match of $45,000;
6. Enter into a grant agreement with the Metropolitan Council for legislative appropriation toward the project in the amount $1,750,000;
7. Direct staff to draft an agreement with Minneapolis Swims for ongoing scholarship and programming toward the facility.

**RECOMMENDATION**

Option A – Reduced is the only option with a project cost that is within the total secured and pledged funding. While revenues appear to be more favorable for Option A and Option B – Reduced, considering the lack of commitment from Minneapolis Public Schools and Augsburg College beyond five years tends to equalize the Net Operating Position (Deficit). In addition, the need to define additional funding to support Option A or Option B – Reduced is an important consideration; re-allocation of funds from other planning improvements is possible, but in some cases requires re-submission through CLIC. Also, the debt service is significant in the review of Net Operating Position (Deficit) as a source of funding to support the debt service has not been defined.

Drawbacks to Option A – Reduced focus on the programming of the pool. While a Learn to Swim program can be accommodated in this option, the cultural needs of some pool users may not be fully addressed. In addition, Option A – Reduced does not fully align with the bonding language of the State of Minnesota. Other options address all concerns related to programming, except for the desire for an eight-lane competitive pool.

Therefore, staff recommends authorizing selection of Option A – Reduced for the Phillips Community Center Aquatic Facility and preparation of final design and construction documents.

This action is supported by the following vision and goal statements in the MPRB 2007-2020 Comprehensive Plan:

**Vision Theme 2:** Recreation that inspires personal growth, healthy lifestyles, and a sense of community.

**Goal:** Residents, visitors, and workers enjoy opportunities to improve health and fitness.

**Goal:** People connect through parks and recreation.

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**ATTACHMENTS:**

- PCC Pool designopitions (PDF)

Prepared By: Michael Schroeder,, Planning Services
Review:
Michael Schroeder Completed 03/27/2015 7:46 AM
Jayne Miller Completed 03/27/2015 10:38 AM
Minneapolis Park and Recreation Board Pending 04/01/2015 5:00 PM