

Memorandum



DATE January 15, 2010

TO Members of the Economic Development Committee: Ron Natinsky (Chair), Tennell Atkins (Vice-Chair), Jerry Allen, Dwaine Caraway, Sheffie Kadane, Linda Koop, Ann Margolin, Steve Salazar

SUBJECT **Southern Skates Update**

Attached you will find a briefing on criteria for Request For Proposals to lease or sell Southern Skates skating rink facility in accordance with HUD CDBG Regulations.

Should you have any questions, please contact me at (214) 670-3314.



A.C. Gonzalez
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge Municipal Court
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill Jordan, P.E., Assistant City Manager
David Cook, Chief Financial Officer
Jeanne Chipperfield, Director, Office of Financial Services
Karl Zavitkovsky, Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Lee McKinney, Assistant Director, Office of Economic Development
Helena Stevens –Thompson, Assistant to the City Manager

Southern Skates Update

Economic Development Committee

January 19, 2010



Purpose

- Respond to Economic Development Committee Southern Skates directive to:
 - provide Profit and Loss for FY 08-09 and first quarter FY 09-10.
 - generate a set of criteria for a Request For Competitive Sealed Proposal (RFCSP) for lease of facility to operate a skating rink by a non profit or for profit entity
 - generate a set of criteria for Request For Proposal for sale of the Southern Skates facility
- Seek guidance from Economic Development Committee on next steps

Overview

- Staff continues to pursue options for the skating rink facility
- Options On The Table
 - Lease operation to for profit or non profit entity
 - Sell facility
 - City continue to operate skating rink
- Facility currently operated by the City through the Park and Recreation Department
- Currently operating on a limited schedule to achieve break even operation

Overview

- Operated skating facility at a loss since 2004
- Inquiries to date from non City operators (for profit/non profit) require subsidy from the City of Dallas
- Current City approved budget does not include subsidy

Profit and Loss

FY 08-09

| Revenues | Description | Amount | Totals |
|----------|----------------------------|--------------|-----------------------------------|
| | Admissions & Skate Rental | \$105,875.12 | |
| | Concessions | \$21,436.05 | |
| | Misc Revenue | \$105.90 | |
| | Interest | \$11,154.63 | |
| | | | \$138,571.70 |
| | | | Operating Revenues for FY 2008-09 |
| Expenses | Salaries | \$118,962.71 | |
| | Security | \$27,506.67 | |
| | Concessions | \$9,548.72 | |
| | Utilities | \$48,057.46 | |
| | Skate Replacement & Repair | \$14,985.00 | |
| | Misc. Expenses | \$20,049.40 | |
| | | | \$239,109.96 |
| | | | Operating Expenses for FY 2008-09 |
| | | | \$ -100,538.26 |
| | | | Total Operating Loss |

*Miscellaneous Expenses include cleaning supplies, extermination, telephone, credit card charges, clothing, etc.

Profit and Loss

October 2009

| Revenues | Description | Amount | Totals |
|-----------------|----------------------------|------------|--|
| | Admissions & Skate Rental | | \$6,247.50 |
| | Concessions | \$865.20 | |
| | Misc Revenue | \$611.75 | |
| | Interest | \$0.00 | |
| | | | <u>\$7,724.45</u> Operating Revenues for October 2009 |
| Expenses | Salaries | \$6,253.30 | |
| | Security | \$2,402.00 | |
| | Concessions | \$1,058.00 | |
| | Utilities | \$1,799.03 | |
| | Skate Replacement & Repair | \$210.00 | |
| | Misc. Expenses | \$0.00 | |
| | | | <u>\$11,722.33</u> Operating Expenses for October 2009 |

*Miscellaneous Expenses include cleaning supplies, extermination, telephone, credit card charges, clothing, etc.

Note:

The reduced hours of operation began in late October rather than October 1, 2009 resulting in higher salary and security cost for October

Profit and Loss

November 2009

| Revenues | Description | Amount | Totals |
|----------|----------------------------|------------|--|
| | Admissions & Skate Rental | \$5,051.00 | |
| | Concessions | \$281.00 | |
| | Misc Revenue | \$139.25 | |
| | Interest | \$0.00 | |
| | | | <hr/> |
| | | | \$5,435.25 Operating Revenues for November 2009 |
| | | | |
| Expenses | Description | Amount | Totals |
| | Salaries | \$3,602.78 | |
| | Security | \$738.72 | |
| | Concessions | \$500.00 | |
| | Utilities | \$1,600.00 | |
| | Skate Replacement & Repair | \$0.00 | |
| | Misc. Expenses | \$1,089.33 | |
| | | | <hr/> |
| | | | \$7,530.83 Operating Expenses for November 2009 |

*Miscellaneous Expenses include cleaning supplies, extermination, telephone, credit card charges, clothing, etc.

Profit and Loss

December 2009

| Revenues | Description | Amount | Totals |
|----------|----------------------------|------------|--|
| | Admissions & Skate Rental | \$5,003.00 | |
| | Concessions | \$148.00 | |
| | Misc Revenue | \$148.31 | |
| | Interest | \$0.00 | |
| | | | <hr/> |
| | | | \$5,299.31 Operating Revenues for December 2009 |
| | | | |
| Expenses | Description | Amount | Totals |
| | Salaries | \$4,448.25 | |
| | Security | \$738.72 | |
| | Concessions | \$500.00 | |
| | Utilities | \$1,921.19 | |
| | Skate Replacement & Repair | \$0.00 | |
| | Misc. Expenses | \$900.00 | |
| | | | <hr/> |
| | | | \$8,508.16 Operating Expenses for December 2009 |

*Miscellaneous Expenses include cleaning supplies, extermination, telephone, credit card charges, clothing, etc.

FY 09-10 First Quarter Analysis

- Recap

Revenue \$18,459.00

Expense \$27,757.00

Loss (\$9,298.00)

- Operating challenges have included:

- Typically slow winter months

- Concessions operate at a loss

- Plan to break even by Fiscal year end

- Privatize concession operations

- Eliminate city concession staff

- Increase revenue during warmer months (typically higher attendance)

- Increase revenues during summer months from recreation center summer camp participation

HUD/City Meeting

- Staff met with Ft. Worth HUD Office to clarify “reasonable/normal” profit for a For Profit operator lease or contract
- HUD requested that the City conduct some research and submit a profit structure for their review.
- City staff submitted proposed profit structure and criteria for Request For Competitive Sealed Proposal (RFCSP)
- City staff received written approval of proposed profit structure and criteria for RFCSP from HUD

RFCSP Criteria for Contract or Lease of Operations – For Profit

- Lessee must execute 3 – 5 year contract
- Lessee must have at least 2 years prior experience operating a skating rink
- Building to be delivered to Lessee in sound physical condition
- Financial consideration for rink operation to be an operating stipend not to exceed 10% of gross operating revenue.
- City will not subsidize operating losses – must be absorbed from stipend or owner's resources
- Lease payments to the City of 3% of monthly gross revenue (to CDBG Program Income)
- Capital Expense Reserve funded at rate of 3% of monthly gross revenue

RFCSP Criteria for Contract or Lease of Operations – For Profit, cont'd.

- Capital expenditures to be approved by City of Dallas PRIOR to contracting for expenditure
- Capital building needs greater than capital reserve balances to be paid by the City – reimbursed as reserve account builds
- All remaining capital reserve balances at the end of lease period to be returned to the City of Dallas as Program Income
- Operator will be responsible for all utilities and general normal maintenance inside/outside of facility
- Excess profit after all expenses, stipend, and taxes to be returned pro rata to the City and HUD annually
- Operator must understand and comply with HUD regulations and make operation available to City's internal audit team

RFCSP Criteria for Contract or Lease of Operations – For Profit, cont'd.

- Lessee must maintain automated financial management system
- Lessee must submit monthly Financial Statements to the City by the 15th of each month
- Lessee must submit year end CPA prepared Financial Statement to the City within 120 days after business fiscal year end
- The City of Dallas reserves the right to reject any and all proposals received
- All proposals must be approved by the Dallas City Council
- Operator may not use facility for other than a skating rink and activities associated with a skating rink without proper procedure and prior consent from the City of Dallas

Criteria for RFCSP Contract or Lease Operator – Non Profit

- Must enter into 3 – 5 year agreement
- Must operate skating rink at financial breakeven plus 3% reserves for repairs. Any profit over Reserve for repairs must be returned to the City's HUD line of credit as Program Income
- Operator must understand and comply with HUD Regulations
- Operator must allow review of operation by City of Dallas internal audit team
- Operator will be responsible for all utilities, general maintenance inside and outside the building and repairs
- The City will be responsible for major repairs to the facility according to the executed Lease Agreement

Criteria for RFCSP Contract or Lease Operator – Non Profit, cont'd

- Operator must maintain an automated Profit and Loss management system
- Operator must submit Profit and Loss statements to the City quarterly
- The City reserves the right to reject any and all proposals received
- All proposals are subject to approval by the City Council
- Operator may not use the facility for other than a skating rink and activities associated with a skating rink without proper procedure and prior consent from the City of Dallas

HUD Criteria for Sale of Southern Skates Facility

- Selling the facility constitutes a change of use. HUD Regulations require that prior to the RFCSP, a PUBLIC HEARING must be called for the benefit of impacted citizens
- After the PUBLIC HEARING, the Dallas City Council must approve or decline the sale of the facility.
- If sale is approved after the PUBLIC HEARING, the RFCSP process may begin

Criteria for RFCSP for Sale of Southern Skates Facility

- HUD is open to an aggressive public Bid process for establishing FMV
- HUD requires that the proposed Bid be advertised aggressively. Staff suggest:
 - advertise in local real estate and conventional publications, including business and
 - ethnic publications
 - post notice of Bid opening at the skating rink facility
 - send bid notification to known skating rink operators
 - post bid notification on City's web site
- HUD recommends:
 - no minimum Bid be advertised
 - reasonable deed restrictions in advertisements i.e. industrialized housing, SOBs, liquor stores or similar uses, reservations of mineral rights, etc.
- HUD to review Bids before presentation to City Council

Next Steps

- Receive guidance from Economic Development Committee