



Ice Arena Project Frequently Asked Questions

The following questions were asked of council members, emailed to city hall and/or found on social media sites. In an attempt to clarify information and ensure the broadest audience has a full understanding of the Ice Arena Project this FAQ list was developed. It will be updated as new information is received.

1. Has the city considered other funding for the project?

A. Bonds for Sale

B. Energy Houses (people/contractors/business donate their time/resources to be part of the process)

The city will need to sell bonds to finance the project. Building up cash reserves over a long period of time to finance new facilities is not feasible for municipalities. Bonding for large projects over a large period of time ensures future residents who benefit from the facilities pay for those facilities.

By state law, any project more than \$100,000 must be publically advertised by closed bid. The bid process will allow local contractors, business and firms to submit competitive bids for all parts of the project. We will encourage local businesses to review the projects and consider their generous support which would be reflected in their respective bids.

2. Why did the city let the community buildings go for years without doing the necessary repairs?

Each of the city buildings in question are scheduled for expensive repairs/system replacement due to their age and wear. Each alone is expensive to operate due to extremely specific uses. Completing the scheduled repairs/replacements will extend their operational life into the near future, however, they will not become significantly cheaper to operate and will not meet the growing needs of our community. The Council found that combining uses in one facility better utilizes space and staffing, accounts for community growth, and is a more cost-effective long-term solution.

3. Why should taxpayers support building a \$25 million Ice Arena when you haven't bothered to maintain the current buildings?

The current buildings have been properly maintained. In fact, visitors frequently are unaware of the age and actual physical condition of the facilities in question. Just like your house periodically needs a new roof, furnace, appliances, windows, etc. after 20-40 years, city buildings need the similar investment. In the case of The Barn rink, the steel support frame was once coated with insulation and moisture has corroded the steel and expensive mitigation work is needed. Further, the size of the building and rink are not sufficient to meet needs for locker rooms, storage, training, and spectator space.

4. Since the Arena is an Enterprise Fund is there an opportunity for it to feed back into the General Fund for the city if there is a surplus?

The Ice Arena is a Special Revenue Fund. An Enterprise Fund operates like a private business where the total profits pay for all operational and capital costs (i.e. building construction, build-out). A Special Revenue Fund requires revenue from an external source to operate, in this case to pay for the capital construction. Historically, Ice Arena revenue exceeds operational (staffing, utilities) costs. This revenue is

not enough to make the bond payment. The excess is used for minor equipment replacement as needed over time.

5. Why construct a building that only serves one sport at that cost level?

The most current proposal is intended to serve multiple sports and community activities, maximize facility use and serve the community for the next 40+ years. The current facility is very limited in use because it was only intended to serve ice users. The new facility will have more seating, climate-controlled space, meeting rooms and a concession area with some cooking opportunity to serve not-for profit group's fundraisers. The ice rink area with the ice out can host concerts, car/boat/camper/craft shows, fundraising events, dry floor athletic events, etc. Also, the Olympic shell, which is intended to be expansion space for a future third rink, will include artificial sports turf in the interim to provide year-round training opportunities for high school activities, community use, and youth athletic turf uses such as softball, baseball, football, lacrosse, and soccer.

6. Why are you pushing this project through when the community voted no on the referendum?

The referendum included funding for a senior center, large community space as well as park and trail improvements. All of which was intended to replace the existing Ice Arena, Lions Park Center, and Senior Activity Center. It would have also funded trail extensions and would have added a skate board park, splash pad, and modern restroom facilities to Orono Park. The new project is only intended to replace the Ice Arena and Lions Park Center community space. The Senior Activity Center will be a different project at another date. Literature provided prior to the referendum explained the need to repair/replace these facilities whether the referendum was successful or not.

7. Why is the city not going with the \$10-12 million option from the referendum to take care of the problem?

The 10-12 million dollar option included:

- Replacement of the two ice plants, roof, and doors and rust removal of structural assembly in the Barn Rink for the Ice Arena.
- ADA-compliant bathrooms, roof, HVAC, windows and interior improvements at the Activity Center
- Roof, moisture mitigation, and HVAC replacement at the Lions Park Center.

It did not address additional needs such as:

- Locker room additions, storage space, dryland training space, lobby expansion or office space addition to the Ice Arena.
- Limited parking availability at the Activity Center or additional usage opportunities so the building wasn't restricted to only 40 hours of senior citizen use per week.
- Kitchen improvements or interior remodeling of Lions Park Center.

The Council opted to not pursue the short-term fix at their meeting on January 17, 2017.

8. Shouldn't the Hockey Association come up with the money to pay for this facility?

The Elk River Youth Hockey Association constructed the original asset (The Barn Rink) and financially participated in the addition of the Olympic Rink and lobby costs. Users of the Ice Arena, including the youth hockey association and Elk River Figure Skating Club, rent the ice at a rate that covers all operational costs. No other youth or user group has contributed the same percentage of facility construction cost or operational cost for playfields or facilities. The latest rendition includes a refurbishing of the Olympic Rink into a 30,000 square foot field house for use by youth and adults for field turf activities.

9. Is the School District helping pay for this facility?

Not as a direct payment. The city and district are collaborating on parking and stormwater mitigation and the district will pay negotiated rental/lease fees for space use.

10. Will Youth Hockey have to pay a user fee to use the facility to help off-set costs?

Yes, the cost of ice, office, and training space is expected to continue to fully account for daily operational costs. This is true for all facility users including the hockey association, figure skating club, high school district, other athletic associations, and other user groups.

11. What about finding other sources of funding such as sponsorships, naming rights, donations?

The city applied for available Mighty Ducks Grants through the State of Minnesota to offset costs for the facility up for vote during the 2016 referendum. Unfortunately, the 2017 legislature did not fund additional grants. Later this spring, the Council will consider hiring a consultant to seek sponsorships and naming rights. Because the capacity for these funds is unknown, it is difficult to account for annual payment offsets to bond payment.

12. What is the sales tax option?

Minnesota laws allow for local option sales and use taxes to be raised by cities provided the Council directs a city-wide vote by referendum; the election is approved; and the state legislature passes a bill setting a tax for a predetermined amount, purpose, and period of collection.

Minnesota Department of Revenue data shows in 2015 Elk River had \$3.88 million in taxable sales (excluding clothing, vehicles, services, and food). A one-half of one percent (0.005) tax on the 2015 sales would be enough to pay the estimated annual bond payment.

13. What is the bond option?

Cities sell bonds to finance large projects such as police stations, fire stations, libraries, city halls, and recreation facilities. Investors buy the bonds because they are safe investments with a guaranteed interest rate for a set period of time. The benefit of financing with long-term bonds is that as we attract new residents who utilize the facilities they also contribute to the payment for construction of the building. Quality of life projects for recreation also bring new residents to the city, which often provides workers for local business.

14. Why is the timing of the project being so rushed?

Improvements to the Ice Arena have been discussed for more than 10 years citing a need for locker room, office, storage and lobby space needs and understanding the need to replace the ice-making plants due to the international ban on the production of R22 refrigerant. Second, the school district has parking lot and athletic field improvements scheduled and ice arena construction will cause damage and result in added repair/replacement costs if we wait until after they are complete. Third, the City Council directed a community task force to gather community input, review recreation facility needs, and recommend options using the information from past arena improvement discussions in 2015. From an operational standpoint, the project is long delayed.

The construction timeline requires a start after the high school year and boys' tennis season for safety reasons to avoid heavy equipment use with the student population in the area. The goal is to have the facility enclosed by the start of the school year. Further, there is a need to maintain the Olympic ice for ice users throughout the construction period which is expected to be complete in April of 2019.

15. Why was there not a survey sent out?

Multiple community engagement actions have taken place since 2014. The City Council initiated a Community Center Facility Task Force who met with all user groups and community organizations with an interest in recreation facilities and community space and held multiple public open houses. The Parks and Recreation Master Plan included surveys, community meetings and open houses to solicit feedback for the long-term future of our park and recreation system.