

MEMORANDUM

TO: City Council

FROM: David J. Deutsch
City Manager

SUBJECT: Gymnasium

DATE: April 30, 2008

At the first Budget Worksession on April 14, 2008, several Councilmembers suggested that a second City gymnasium should be built. The following schedule has been suggested: evaluation, planning and site study in FY09; architecture and engineering in FY10; and construction starting in FY11. The purpose of this report is to provide a framework for Council's review of this matter during the FY09 Budget deliberations. There are a number of issues that would need to be analyzed during the evaluation period, including:

- More detailed needs assessment.
- What should the program be for a new gymnasium?
- Location of gymnasium.
- Demographic analysis of potential users by age group (reference staff memo of March 20, 2008, prepared for the March 24, 2008 Council Worksession on recreation space allocation and the Recreation Master Plan).
- Residency of users.
- Board of Education and M-NCPPC facilities, and private facilities, and their role in meeting the indoor recreation needs. (County Council Member Turner and Board of Education staff have indicated a willingness to be helpful in obtaining increased playing time in the schools.)
- What is the proper size of a new gymnasium?
- The operating and capital budget impact of a new gymnasium.
- Involvement of user groups, Community Recreation Committee, Financial Advisory Committee.
- Potential for partnerships with other entities.

The fiscal impact of such a project needs to be acknowledged. If the existing 30,000-square foot facility were replicated at a \$250 per square foot cost, the result is a \$7.5 million construction program. If the program analysis results in a larger building of, say 40,000 square feet, the project then has a \$10 million construction cost. There are other significant costs such as the architect/engineer (generally 8 to 10% of the anticipated construction cost), as well as the possibility of an outside construction manager (3 to 4% of construction cost). These factors require additional funds in the following ranges:

Building Size (Square Footage)	Construction Cost	Architectural/Engineering, Construction Management	Total
30,000	\$ 7,500,000	\$ 825,000-1,050,000	\$ 8,325,000 - 8,550,000
40,000	10,000,000	1,100,000-1,400,000	11,000,000-11,400,000

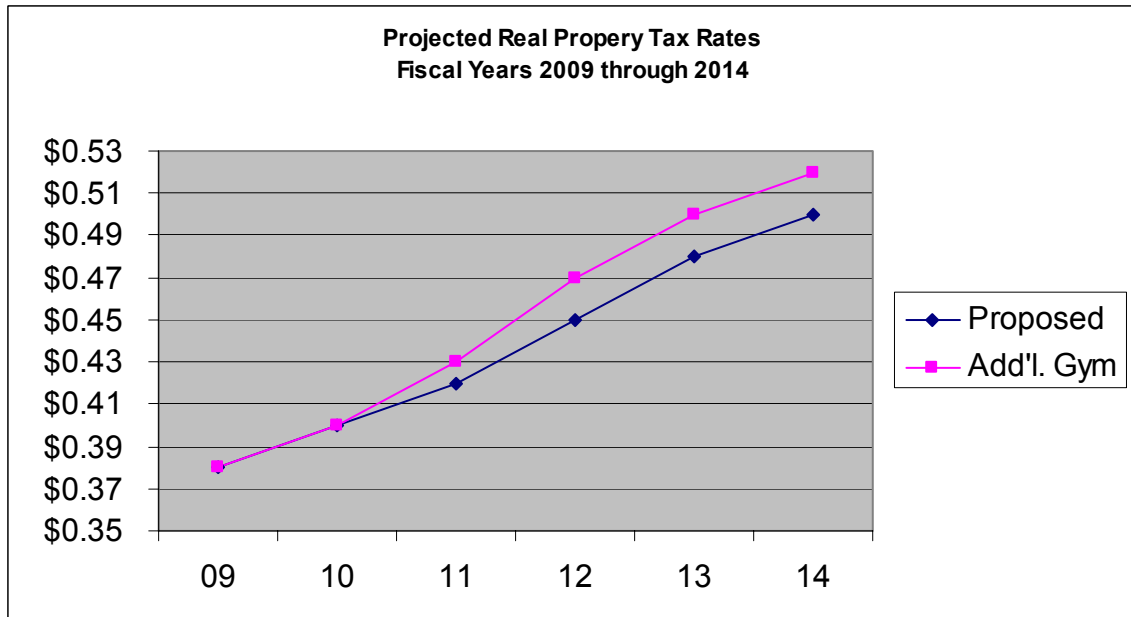
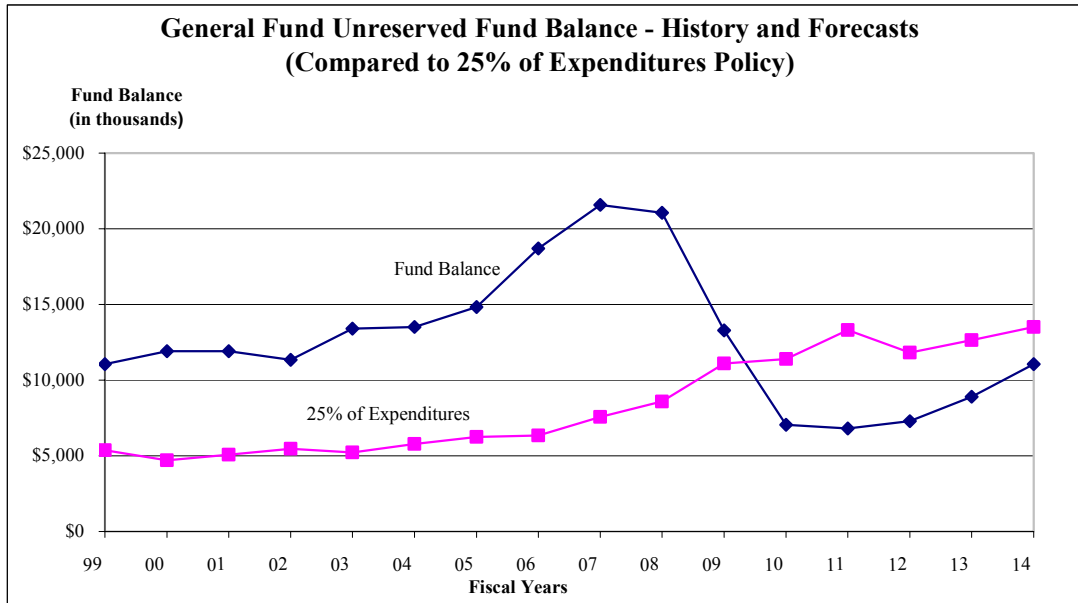
The City Hall project is based on a cost of \$312 per square foot. The Maryland-National Capital Park and Planning Commission is estimating \$300 per square foot for the new Kentlands Community Center. If the \$300 per square foot were used, the resulting project cost ranges from \$9,990,000 to \$13,680,000.

Capital funds for this project would need to be borrowed. The cash reserves in the General Fund will be insufficient to fund a project of this scope in FY11.

The operating cost in FY09 of the current gymnasium is projected at \$507,000. A similar-sized facility would cost approximately \$600,000 to operate, beginning in FY12. The expected annual debt service on a 20-year \$10 million bond issue is \$803,000, for a total annual operating cost increase of \$1,403,000. A major capital project also has a significant impact on staff time, even if a construction manager is retained. We have seen this occur with the development of the City Hall project.

It is critical to understand the financial impact of a gymnasium project that would be expected to commence construction in FY11. The FY09 Proposed Budget, in the Fiscal Policies section on pages 10 and 11, graphically displays the Fund Balance projections through FY14. The chart is based on implementing the FY09-FY14 Capital Improvements Program, as well as a series of other revenue and expenditure assumptions. The charts below show the impact of the borrowing for the new gymnasium. It includes the future debt service and the operating cost in the revised expenditure estimates. Also shown is the project impact on the Fund Balance in the General Fund. The forecast model shows a one-cent property tax increase in FY11 due to this project, followed by two-cent increases in subsequent year.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Increase or (Decrease)</u>	<u>Unreserved Fund Balance</u>	<u>Percent of Expenditures</u>
Balance at July 1, 2007				21,585	71%
Estimate - FY2008	33,797	34,330	(533)	21,052	61%
Budget - FY2009	36,602	44,369	(7,767)	13,285	30%
Forecasts:					
FY2010	39,305	45,543	(6,238)	7,047	15%
FY2011	53,020	53,258	(238)	6,809	13%
FY2012	47,739	47,267	472	7,281	15%
FY2013	52,165	50,537	1,628	8,909	18%
FY2014	56,208	54,055	2,153	11,062	20%



When the City developed Jericho Park several years ago, a pad site was cleared to accommodate an indoor recreation facility that the Bowie Boys and Girls Club (BBGC) planned to build. The BBGC project never came to fruition. The site is still available, and it is worth noting that in discussions regarding the proposed BBGC facility, City Council acknowledged that, given the location, a building with a less costly façade than the existing City Gymnasium could be built. In other words, if this site were chosen, the potential exists for a less costly facility than a gymnasium that may be constructed on a more prominent, visible location.

If City Council does initiate the process by supporting evaluation, planning and site study in FY09, it may be fiscally prudent to stretch out the proposed schedule. One possibility would be to use FY09 and FY10 for the evaluation, planning and site study. The evaluation, planning and site study could easily spill into FY10, given the building variables to be considered, along with multiple site options. If Council decides to move forward with a project, you could then initiate the architecture/engineering in either FY11 or FY12. This would allow construction to start in FY12 or FY13.

DJD/asf

Attachment