

Community Center Advisory Board Agenda

Wednesday, February 8, 2023, 12:00
City Hall, Council Chambers

Members:

___ Brandon Edmundson

___ Lisa Kuhl

___ Kyle Gustafson

___ Michael Edman

Liaisons:

___ Mat Mahoney (Fairmont Schools)

___ Jay Maynard (City Council)

___ Britney Kawecki (City Council)

Others:

___ Cathy Reynolds

___ Dick Strassburg

___ Julie Dotzenrod

A quorum of city council members may be present during the advisory board meeting, but no official business of the city will be decided.

Meeting Agenda:

1. Approve Agenda
2. Approve Previous Meeting Minutes: November 9, 2022
3. Discussion
 - a. Board/Liaison Roles and Responsibilities
 - b. Project Organizational Chart
4. Old Business
5. New Business
 - a. Elect 2023 Officers
 - b. Review Step Two Contract Amendments with Tegra
 - c. YMCA Proforma Questions
6. Updates
 - a. JLG Contract Amendment / Ice Mechanical Amendment
 - b. Local Option Sales Tax
 - c. State Bonding
 - d. New Market Tax Credit
 - e. Fundraising
7. Next Meeting: March 8, 2023
8. Adjourn

Community Center Advisory Board

Meeting Minutes: November 9, 2022

The Community Center Advisory Board meet on November 9, 2022, at 12:00 p.m. in the City Hall, Conference Room. The following members were present during the meeting: Brandon Edmundson, Lisa Kuhl, Michael Edman, and school liaison Mat Mahoney. Council liaisons Councilor Randy Lubenow was present. Councilor Michele Miller and Kyle Gustafson were absent. Others present included Cathy Reynolds, and Tegra representative Dick Strassburg.

Edman made the motion to approve the agenda which was seconded by Kuhl. The motion passed.

Kuhl made the motion to approve the meeting minutes from the October 19, 2022 meeting which was seconded by Edman. The motion passed.

The latest conceptual designs and conceptual cost models were reviewed. Edman made a motion to recommend to council that they:

1. Order a compressor for the ice rink,
2. Commit to building the YMCA and applying for the New Market Tax Credit, and
3. Commit to seeking additional funding in the form of state bonding, additional local option sales tax or other funding sources.

The motion was seconded by Kuhl and the motion passed.

A motion to adjourn the meeting was made by Edman and seconded by Kuhl. On vote the motion carried and the meeting was adjourned.



Community Center Advisory Board
February 8, 2023

From: Cathy Reynolds

To: Community Center Advisory Board

Subject: Tegra Phase 2 Contract Amendments

Policy/Action Requested: CCAB recommendation on approval of the contract amendment.

Recommendation: Discussion

Overview:

Tegra has completed the step one scope of work under our consulting agreement with them from January 2022. An amendment to the contract needs to be approved to authorize them to continue to step two of the scope of services. Tegra proposes moving forward with step 2 for \$150,000 to be paid in 12 monthly installments of \$12,500. The final cost for Phase 2 would be set with the approval of the guaranteed maximum price (GMP).

A second amendment is also provided that lays out a scope for financial management services. They are proposing providing these services for the new market tax credit and state bonding for \$315/hour. Staff is looking at existing services already provided by our financial advisor and bond counsel, who will already be involved in the process, to determine the additional need.

Attachments:

1. City of Fairmont / Tegra Consulting Contract, Amendment #1
2. City of Fairmont / Tegra Consulting Contract, Amendment #2

Consulting Agreement
Fairmont Community Center

AMENDMENT #1 dated February ____, 2023

This Amendment #1 amends the Consulting Agreement dated January 25, 2022 between the City of Fairmont (CITY) and The Tegra Group, Inc (TEGRA) a Minnesota Corporation.

WHEREAS, The CITY desires to obtain the services of TEGRA for the scope of services outlined in the Consulting Agreement for Step Two; and

WHEREAS, TEGRA desires to perform Step Two services subject to the terms and conditions set forth herein.

NOW THEREFORE, the Parties agree to amend the Consulting Agreement as follows:

1. Paragraph 7 will be amended to include the following:

b. Step Two.

- i. TEGRA to provide Step Two Project Management Services outlined in Paragraph 3 for a fixed fee of one hundred fifty-four thousand dollars (\$154,000) payable in 12 monthly installments of twelve thousand eight hundred thirty-three dollars (\$12,833) each. TEGRA to submit monthly invoices to CITY beginning February 2023. Step One and STEP Two fees total 1% of the total project cost of twenty-four million four hundred thousand dollars (\$24,400,000). If Step Two services are completed in less than 12 months, the remaining balance of the fees will be payable at the time of the City Council's approval of the Guaranteed Maximum Price Amendment to the Owner Contractor Agreement..

2. Paragraph 8 will be amended as follows:

Reimbursement expenses are capped at \$15,000 for Step One and Step Two.

IN WITNESS WHEREOF, the parties hereto have caused the Consulting Agreement dated January 25, 2022 to be amended with amendment #2 as of the date written above.

CITY OF FAIRMONT

TEGRA GROUP

By: _____

By: _____

Printed Name: Lee Baarts

Title: Mayor

Printed Name: Richard Strassburg

Title: Partner/President

CITY CLERK

Consulting Agreement
Fairmont Community Center

AMENDMENT #2 dated February ____, 2023

This Amendment #2 amends the Consulting Agreement dated January 25, 2022 between the City of Fairmont (CITY) and The Tegra Group, Inc (TEGRA) a Minnesota Corporation.

WHEREAS, The CITY desires to obtain financial management assistance for the Fairmont Community Center project; and

WHEREAS, TEGRA desires to perform financial management assistance subject to the terms and conditions set forth herein.

NOW THEREFORE, the Parties agree to amend the Consulting Agreement as follows:

1. Paragraph 3 will be amended to include the following services in the Step Two Scope of Services.

t. Financial Management Services

- i. New Markets Tax Credit TEGRA to support NMTC process lead by the City, Foundation or agent to either. Support to include (i) securing real estate project documents associated with design and construction of the new Community Center development required under NMTC, (ii) assisting with NMTC closing as requested, (iii) assisting with ongoing pay application process required under NMTC during construction, and (iv) assisting with project closeout requirements under NMTC at completion of construction.
- ii. Minnesota State Capital Grant/Bonding TEGRA to support City efforts to secure and utilize State of Minnesota Capital Grant/Bond financing for the Community Center project. Support services may include the following or others as agreed to by the parties:
 - Team structuring and engagements in accordance with State and/or City/Foundation contracting guidelines.
 - Facilitate general project planning, and alignment with other financing sources if applicable, with key partners and legal advisors.
 - Oversee key milestone processes such as submitting project funding request to the State and predesign submittal.
 - Assist with grant document negotiations including facility operating agreement, grant closing, and construction start.
 - Monitor compliance with grant requirements and other related agreements and facilitate ongoing pay application process during construction.
 - Oversee project closeout in accordance with grant documents and other financing sources.

2. Paragraph 7 will be amended to include the following:

- c. Step Two Financial Management Services. TEGRA to provide Step Two Financial Management Services on an hourly basis. TEGRA agrees to assign Paul Koerber to this project to perform

services generally described in amended Paragraph 3 above as directed by the City for an hourly rate of \$315 per hour for hours incurred in 2023. Hourly rate to be annually inflation adjusted based upon Consumer Price Index. TEGRA to submit monthly invoices to CITY for time incurred the previous month. Total compensation for Financial Management Services is initially capped at fifty thousand dollars (\$50,000). Extended scope and or fee adjustments to be determined by parties as appropriate.

IN WITNESS WHEREOF, the parties hereto have caused the Consulting Agreement dated January 25, 2022 to be amended with amendment #2 as of the date written above.

CITY OF FAIRMONT

TEGRA GROUP

By: _____

By: _____

Printed Name: Lee Baarts

Printed Name: Richard Strassburg

Title: Mayor

Title: Partner/President

ATTEST:

CITY CLERK



Community Center Advisory Board
February 8, 2023

From: Cathy Reynolds
To: Community Center Advisory Board

Subject: YMCA Proforma Questions

Policy/Action Requested:

Recommendation: Discussion

Overview:

The city council voted to send questions to the Foundation on the YMCA's proforma to seek clarification on several areas. The council asked that the Foundation provide a response and then we look at scheduling a work session to discuss. The Foundation has provided the attached responses.

Does the CCAB have any follow-up questions or items that they would like to recommend to the council prior to a work session being scheduled?

Attachments:

1. Foundation Response to Questions on YMCA Proforma

Questions on YMCA proforma

January 27, 2023

Thank you for your questions regarding the initial Fairmont YMCA proforma. The proforma is meant to be a working document using projections and assumptions. It incorporates community make-up, facility requirements, programming, local economy, work force, philanthropy, etc. This document will be adjusted and updated as the scope, design, and governance of the YMCA community center project is finalized. We have answered the questions to the best of our ability in writing, but a more thorough and complete discussion will be helpful during the follow-up, in-person workshop.

1. The YMCA has made statements that membership numbers decreased in 2020 with COVID and that memberships have not returned to pre-COVID numbers and members are utilizing the facility different.
 - a. In the proforma the YMCA utilized 2019 data to form a benchmark for operations for a YMCA in Fairmont. If memberships have not returned to pre-COVID levels how is 2019 data a good data set for Fairmont operations? What if any adjustments are being made to this 2019 data to account for the decline in memberships seen since COVID?
 - The statements made by Y representation about membership not yet returning to pre-covid numbers were generalized statements about state and national averages. Several Ys within the Northern Alliance, especially those with newer facilities, are over 100% pre covid membership numbers. Examples would include Hermantown MN, Austin MN, Winona MN, Southwood County WI, and Marshfield WI. At the time of the initial proforma development, it was agreed upon with the Y's financial and market analyst, that using 2019 financial data was best so that we would not be including COVID relief dollars.
 - b. How are members utilizing the facility different in a post COVID environment?
 - Generally, we have seen less locker room usage, more virtual offerings, increased needs for senior programming, childcare, and increased demand for swim lessons, camp, youth sports, and evidence-based programming.
 - c. If members are utilizing the facilities differently, is the standard 45,000 square foot YMCA floor plan the best conceptual design for our facility? Should adjustments be made to account for the changing use?
 - Based on the current facility requirements as laid out by the City, the current 45k sqft design is about the minimum size to successfully operate and have financially sustainable operations. As we look to finalize design, the Y would request engaging "GRO", their design development partner. GRO specializes in facility space and design optimization and would help make any necessary adjustments based on usage trends.

2. The YMCA proforma utilizes 5 communities to create a baseline for Fairmont operations. These five communities include Brainerd, Marshall, Fergus Falls, Worthington, and Albert Lea. These benchmark communities are all larger than Fairmont, all contain at least a 2-year if not a 4-year college and have a younger demographic profile.

a. How did the YMCA decide these were the best benchmark communities for a YMCA in our community? What factors were taken into consideration with this decision?

- The benchmark cities were based on population and core market make-up for compatible city sizes within a 15-, 20- and 25-minute drive of Fairmont. (See attached for detailed insights data; population comparisons outlined below).

• Marshall	13,641 (2021 census data)
• Worthington	13,726
• Fergus Falls	14,029
• Brainerd	14,275
• Albert Lea	18,428
• 15-minute Radius of Fairmont	12,765
• 20-minute Radius of Fairmont	15,972
• 25-minute Radius of Fairmont	22,162

- Membership revenue for “college students” is focused on virtual learners and summer specials targeting students at home for the summer and is a conservative number. The estimates are not based on having a college in the community.
- FACC and the YMCA are in the process of reanalyzing the comparable communities used for the proforma and will be updating figures, as needed. The YMCA was very confident in the numbers originally provided and emphasized their conservatism in penetration and growth rates [please note no “3rd party” insurance membership benefits revenues (e.g. “Silver Sneakers”) have been placed into the proforma].

b. If we are going to utilize a community with a population over 8000 more than Fairmont, would it not make sense to then utilize a smaller community to create a balance when averaging the benchmarks to create the baseline for our operations? Why or why not?

- The population comparisons are based on a comparable market with 15–25-minute drive times from Fairmont, not its actual city population size of 10,410 (2021 data). They are market based. The Y’s experience is that significantly smaller market sizes are not adequate comparisons due to the wide programming and facility fluctuations.
- There are Ys in very small markets, however, (1,500 - 8,500 population) that are experiencing very positive results in both financial performance and community impact.
- Importantly, the success or failure of a local Y heavily depends on debt management, leadership, community support, and decision making.

- c. The anticipated memberships include 25 college student annual memberships in the first year and increasing to 70 annual college memberships in year five. The benchmark communities all have colleges so this would make sense for their operations, how do you conclude that Fairmont will have this many annual memberships for college students without a college in the town?
- As noted in 2a above, membership revenue for “college students” is focused on virtual learners and summer specials targeting students at home for the summer and is a conservative number. The estimates are not based on having a college in the community.
3. The YMCA proforma shows contributions of \$180,000 to \$260,000 per year for the first 5 years to support operations. This is in addition to the \$400,000 per year shown for the first 5 years to build a \$2M endowment to support operations and programming and the \$20,000 - \$40,000 per year forecasted for revenues from government contracts/grants. What information has been evaluated for fundraising in Fairmont to be confident that the YMCA can raise \$180,000 - \$260,000 on an annual basis to support operations?
- For every \$1,000,000 of annual revenue, the YMCA targets 15% to come from contributed revenue. Contributed revenue is made up of charitable fundraising and through earnings generated on the endowment fund. This is what is typical across communities of similar size to Fairmont. Smaller communities often have larger contributed revenue percentages than larger communities.
 - Additional market data reflecting households >\$500k value, HHI >\$200k, number of businesses, overall households and giving rates were also assessed to help frame endowment and fundraising revenue projections accordingly.
4. The proforma shows membership revenues in year one higher than one benchmark community and by year three being higher than three of the five benchmark communities. As each of these benchmark communities are larger than Fairmont, what are your planning factors for forecasting greater membership revenues for this YMCA?
- The benchmark cities are comparable in market size as noted in 2b above. Market area data, market make-up and the Y’s historical experience were all factored into the forecasting numbers. It is important to note that no “3rd party” insurance membership benefits revenues (e.g. “Silver Sneakers”) have been placed into the proforma. Each community has different revenue models set up with 3rd party payers that drive different revenue models. Continued analysis is ongoing.
5. The proforma shows program service fee revenues ranging from \$485,943 in year one to \$590,666 in year five. The year one revenues in this category exceeds four of the five benchmark communities program service fee revenues. What are your planning factors for forecasting greater program service fee revenues for this YMCA?
- The proforma was based on the types of programming that will be offered at this specific YMCA. Each YMCA offers programs and classes that generate fees from members and non-members (swim lessons, childcare, youth sports). The YMCA’s experience is that newer

facilities and communities are able to generate higher fees than YMCAs in more mature markets. The benchmark cities are comparable in market size as noted in 2b above, but have different programming and fee models than what is rolled out at a new YMCA. Continued analysis is ongoing.

6. The proforma includes “occupancy” costs estimated at \$4 per square foot. What is included in this expenditure line?

- Occupancy includes utilities (electric, gas, water), phone, internet, and other overhead costs. This was estimated at \$4 per square foot on a 47,000 square foot facility with a 2.5% increase each year. Exact elements will depend upon a discussion involving building operations and ownership. These discussions are in the initial phases between the City and the Foundation.

7. How are routine maintenance costs planned to be covered?

- It is anticipated that routine maintenance costs (such as facility cleaning, removing trash, general appearance upkeep, etc.) will be the responsibility of the Y, while outside landscaping upkeep, snow removal, etc. will be the responsibility of the City. Repairing items that are broken, such as maintaining electrical systems, heating and air conditioning systems, and other utility services, etc. will depend upon a discussion involving building operations and ownership. These discussions are in the initial phases between the City and the Foundation.

8. How does the Foundation/YMCA plan to cover capital maintenance needs of the facility?

- Capital maintenance expenditures, or the cost of renewing, replacing, rehabilitating, refurbishing or restoring assets to ensure that services continue at the same level of performance that was first delivered, will depend upon a discussion involving building operations and ownership. These discussions are in the initial phases between the City and the Foundation.