

## **FAIRFIELD TAXPAYER RESPONDS TO AN RTM MEMBER ON PENFIELD PAVILION**

An RTM Member has responded to several residents with a message that we have copied in full below. We appreciate the time and effort that this RTM member and others have invested in this topic, and would like to respond to these comments as follows:

We believe the most important questions for the RTM to answer before they vote are:

1. **What do the people of Fairfield want on their beach** – a large pavilion like the damaged one, or a nice, smaller pavilion that offers restrooms, a concession stand, outdoor showers, shaded decks and a lifeguard station, maybe some lockers, but without a banquet hall? In particular, have the concerns of the people who live near Penfield Beach and who will bear the primary burden of the Town’s plan to expand its banquet-hall business been properly considered? The Member does not address this question.
2. **What is the current best use of \$1.6-\$2.0 million in taxpayer money** – given that economic conditions have changed dramatically over the last several years, are there more important things we could do with the funds that may be spent to rebuild a second banquet hall on Penfield Beach instead of just building a nice, smaller pavilion without a banquet hall? The Member does not address this question.
3. **Are the financial projections reasonable** – will the proposed facility really pay for itself and generate a \$1.7 million surplus over the next 20 years? If not, what are more reasonable projections? For example, should some reasonable allowance be made for the cost of managing a banquet-hall business that is booking an event more than every other day, and do we really believe that the banquet-hall business will increase its volume and revenue by 133% with less than a 30% increase in its costs? How much of the projected \$1.7 million in positive cash flow is attributable simply to the assumption that inflation will increase profits 2% annually for 20 years? How much of the positive cash flow that has been projected for the large, banquet-hall pavilion, like the concession and parking fees, would be the same for a nice, smaller pavilion? What allowance should be made for the general economic cycle? We agree with the Member that the RTM should “question and push back” on all these assumptions.
4. **What are the risks that the cost will be significantly more than expected** – due to cost overruns or lower FEMA reimbursements? We agree with the Member that the RTM should “question and push back” on all these assumptions, particularly whether a nice, small pavilion could be built at virtually no net cost to the Town.
5. **Have any flood and erosion control issues been properly addressed** – particularly since the Flood and Erosion Control Board just issued its master plan for the beach area? The Member does not address this question.

Beyond reiterating these important issues, we would also like to respond to the Member's accusation that Fairfield Taxpayer is guilty of misleading the public. The accusation begins by saying, "the \$6 million cost number quoted by Fairfield Taxpayer seems to me to be extremely misleading and therefore doing a disservice to the public." The Member does not dispute the \$6 million total cost of the project, but feels it is misleading because the Member believes that everyone should focus on the net cost to the town, which the Member computes at only \$1.6 million.

We disagree. We believe that both the gross and the net costs are important, and we believe that the net cost to the Town is substantially greater than \$1.6 million.

1. Fairfield Taxpayer's ad in the *Minuteman* reads as follows: "The current proposal is to restore and repair the entire 30,000-sf pavilion at a cost of \$6 million, which is more than it cost to build a few years ago." Our next sentence says: "The direct cost to Fairfield taxpayers would be **at least \$2.7 million** (plus interest) after what the Town *hopes* will be \$3.3 million in federal and state reimbursements and grants." In short, we addressed both the gross and the net cost of the project.
2. For anyone who is interested, the difference between the Member's net cost of \$1.6 million and Fairfield Taxpayer's net cost of \$2.7 million is explained as follows:
  - The Member assumes that using the \$1.75 million in insurance proceeds on this project is not a cost to the town. However, because the use of these funds is not restricted in any way (the Town could use them for any other operating or capital cost), they should be included in the net cost figure, *which is why the Finance Department presentation treats this amount no differently than it does what it calls "Debt Service – New Facility."* Thus, using the Member's number, the true net cost to the Town is not \$1.6 million; it is \$1.6 million plus \$1.75 million or \$3.35 million.
  - The remaining \$650,000 difference between \$3.35 million and \$2.7 million in net cost reflects the fact that the Member used the Finance Department's worst-case estimate of FEMA reimbursements (\$1.96 million) and Fairfield Taxpayer used the best-case estimate (\$2.61 million), which is a difference of exactly \$650,000.
3. Finally, we note that there is no free money, and thus anyone who thinks as we do in terms of "the cost to the taxpayers," as well as "the cost to the town," the full \$6 million is the true cost, because the \$2.7-\$3.3 million from FEMA and Community Development Block Grants will be paid by taxpayers here in Fairfield and in other towns and other states.

Our thanks to this Member for stimulating further debate, and to all other members for their service on the RTM.

The Message:

*Dear XXX,*

*Thanks for reaching out on Penfield. I don't want to minimize the initial outlay or the risks of this project. I also know that the numbers have move around somewhat over the past few months. I just wanted to be sure you know what the town's finance department is presenting to the RTM, and what they got approved from the Boards of Selectmen and Finance, as the cost estimate (at least according to the information I have received so far). I appreciate the constructive dialogue*

between those who think Penfield Pavilion is very important and those that do not (as well as all the arguments in between).

However, the \$6 million cost number quoted by Fairfield Taxpayer in their full page ad in the Minuteman seems to me to be extremely misleading and, therefore, doing a disservice to the public. I think most of our citizens are wise enough to understand the nuances of the cost/benefits/risks of this project and don't need to be spoon fed a misleading \$6 million headline number. Most people don't have time to read all the information or attend meetings, so below is what I believe are the town's estimates of the net cost:

**\$ millions**

6.00 Gross cost to rebuild

(1.7) Insurance recovery from Sandy

(2.0) \* Expected FEMA recovery from Sandy

(0.7) Grants

**(1.6) Town's net projected rebuild cost**

\$1.7 Town's net projected 20 year positive cash flow, including annual revenues & expenses

\* the issues with FEMA recovery, as I understand them, are (1) the project must be completed and all invoices submitted to FEMA before we can receive reimbursement and (2) FEMA doesn't give guarantees in advance as to exactly how much will be reimbursed so it is up to the town to interpret the rules (i.e. there is risk).

In my opinion, it is also important to remember that the Penfield Pavilion has been and is expected to be a money maker for the town. The town is providing us estimates that, over a 20 year period, the option they are presenting will be, in total, \$1.7 million cash flow positive. In the town's estimation, the only option considered that has a higher 20 year cash flow is to demolish Penfield and have NOTHING there in its place.

I do think it is very fair to question and push back on assumptions in the above net expected rebuild cost and 20 year expected cash flows. For example, what if there are building cost overruns, what if FEMA reimburses less, what if rentals are less than expected or if some maintenance costs have not been properly captured, etc. These are definitely project risks in my opinion and members of the RTM have been asking a lot of questions about them. Prior to this proposal reaching the RTM, the Board of Selectmen and Board of Finance asked many, many clarifying questions regarding these and other issues and were able to gain enough comfort to approve this plan.

In the end there is a huge difference between \$1.7 million/\$1.6 million and the \$6 million headline number.

For the most recent information provided by the town: <http://www.fairfieldct.org/content/10736/12226/>. In the box, click on "Finance, Board of", in the box click on "Backup" and the third box click on "Backup Docs 2015".

Thanks for taking the time to read this and best regards,

\* \* \* \* \*

