

PENFIELD PAVILION QUESTIONS FOR BOF

1. **PUBLIC SENTIMENT** – What do the residents want on Penfield Beach – a large pavilion with banquet hall, a smaller pavilion without a banquet hall, or just basic facilities like restrooms, outdoor showers and a concession stand?

- Based on ~300 e-mails and on the comments at two public meetings, the overwhelming majority do not want a large pavilion with a banquet hall. How about a referendum?
- In what remains a difficult economic environment, with the State facing serious fiscal challenges, and with taxes already too high in Fairfield, perhaps the public is correct that we should not be spending \$6 million on a beach pavilion.
- If there were nothing there right now, would the BOF seriously consider a proposal to build a second banquet hall on the same beach?
- If we are going to triple the number of banquet-hall events in two pavilions on Penfield Beach from >100 (2 nights/week) to >300 (6 nights/week), don't the residents in the Penfield Beach neighborhood have a right to be heard on how that might affect their safety and quality of life?

2. **OPPORTUNITY COST** – What is the best use of the ~\$2 million in taxpayers' money that it will cost to retain a second banquet hall on Penfield Beach?

- What is the opportunity cost of spending this ~\$2 million at a time when the Town faces ~\$150 million in essential capital spending over the next ten years?
- Eliminate portable classrooms? Air conditioning in more schools? A new IT system?

3. **FLOOD AND EROSION CONTROL** – How can a project on Penfield Beach be approved before we understand how it may affect or be affected by the Flood and Erosion Control Board's master plan for that beach?

- The FECB's plan for Penfield Beach will not even be presented to the BOS until January 8th, let alone evaluated by other Town bodies.
- Instead of consulting directly with the FECB, the BOS approved a \$6 million pavilion based on non-expert assurances from the Director of Public Works about flood and erosion control.
- Since a new pavilion will not be completed anyhow in time for the 2015 summer season, why not consider the FECB's master plan for Penfield Beach before approving it?

4. **FUNDING RISKS** – Is the BOF comfortable with the projections of non-Town funding from FEMA and two Community Development Block Grants?

- What are the risks that FEMA reimbursements will be lower than expected?
- Is there any risk that the State will not be able to provide the expected \$725,000 CDBGs?

5. **COST OF SMALLER PAVILION** – Why does the PBC think that the construction cost of a smaller pavilion would be 2.2x higher per square foot (\$348 versus \$161) than that of large pavilion, even though it would avoid the ~\$700,000 cost of moving the West Wing to and from the parking lot?

- Using a more reasonable estimate, the cost of the larger pavilion is at least \$2 million more, which is basically the cost of retaining a second banquet hall on the same beach.
- If the damaged banquet hall were not sitting there, would anyone propose that we build one?

6. REVENUES AND EXPENSES – Is the BOF satisfied with the projections of future revenues and expenses, and thus do the Town’s financial experts really believe that the large pavilion will pay for itself and help to pay back the \$4 million in debt still outstanding from the old building?

- Will a second banquet hall on the same beach really generate \$175,000 in incremental revenues with no adverse effect on revenues from Durrell Pavilion?
- Is it reasonable to include revenues from Changing Rooms, Concessions and Parking in the proposed project given that they could all be generated without building a large pavilion with a banquet hall?
- Is it reasonable to assume that the expenses of operating a second banquet hall will increase only **17%** (from \$70,500 to \$82,567) when usage of the banquet hall rises **133%** (from \$75,000 to \$175,000)? For example, Operations costs will rise only \$1,000 (from \$15,000 to \$16,000)?
- Have all the relevant costs been included in the analysis? What about the costs of: managing and supervising >300 events per year in two banquet halls; marketing; water; heat; security; property and liability insurance; increased demands on police and fire; etc.?
- In reality, there is simply no way that the large pavilion will pay for itself over the next 20 years, let alone pay back the \$4 million sunk cost from the old building.

7. ACCOUNTABILITY – How can the BOF approve a \$6 million project without knowing who is in charge?

- No one seems to be willing to accept full and ultimate responsibility and accountability.
- Fingers are being pointed in every direction, including the current PBC, the past PBC, the architect, the engineer, FEMA, the FEMA consultant, the construction manager, the Parks & Rec Director, the Parks & Rec Commission, the current DPW Director, the past DPW Director, the Finance Department, the CFO, the Flood and Erosion Control Board, the Board of Selectman and the First Selectman.
- Some seem to think that we should simply accept the recommendation of the PBC, but many key considerations (other than construction-related costs and benefits) are beyond the PBC's scope, including program objectives, revenue and expense projections, financing costs, public sentiment and opportunity costs.

8. FUNDING COSTS – Is the BOF satisfied that everyone understands that the \$1.75 million in insurance proceeds is not free money, and that it should be treated no differently than any other Town funds required for this project?

- Because there are no restrictions whatsoever on the use of the \$1.75 million, this money is no different than any other funds used by the Town to fund its capital expenditures.
- If the Town uses it for a second banquet hall, we will have to raise \$1.75 million more in the future to pay for other capital expenditures, and thus the assumed debt service cost should actually recognize that future interest rates are likely to be significantly higher than they are today.

9. FREE LUNCH? – As the Town’s financial experts, it would be helpful if the BOF would remind everyone that money from FEMA and from State CDBGs is not free – it is merely taxpayer money coming out of a different taxpayer pocket.

| PENFIELD PAVILION DATA (\$000) | | | | | | | | |
|--------------------------------------|------------------|--------------------|----------------------|--------------------|--------------------|----------------------|----------------------|---------------------------------------|
| [1/05/15] | Option No. | From PBC and Town | | | More Realistic | | | Possible 9A Small w/ Lockers |
| | | 7 | 7A | 9 | 7 | 7A | 9 | |
| | | Big w/o Lockers | Bigger w/ Lockers | Small | Big w/o Lockers | Bigger w/ Lockers | Small w/o Lockers | |
| CAPITAL COST | | | | | | | | |
| Total Cost* | \$4,550.4 | \$6,028.7 | \$2,862.9 | \$4,550.4 | \$6,028.7 | \$2,362.9 | \$3,841.2 | |
| Less: Site Devel. & Bulkhead | 791.1 | 848.1 | 774.0 | 791.1 | 848.1 | 774.0 | 800.0 | |
| FACILITY COST | \$3,759.3 | \$5,180.6 | \$2,088.9 | \$3,759.3 | \$5,180.6 | \$1,588.9 | \$3,041.2 | |
| Decks, Ramps, Boardwalks | 14,000 | 13,000 | 3,500 | 14,000 | 13,000 | 3,500 | na | |
| Building Sq. Feet | 9,300 | 16,715 | 2,500 | 9,300 | 16,715 | 2,500 | na | |
| Total Square Feet | 23,300 | 29,715 | 6,000 | 23,300 | 29,715 | 6,000 | 12,415 | |
| Facility Cost/SF | \$161 | \$174 | \$348 | \$161 | \$174 | \$265 | \$245 | |
| Contingency Risk | High | High | Low | High | High | Low | Low | |
| Contingency Allowance | 15% | 15% | 10% | 15% | 15% | 5% | 10% | |
| Total Cost | \$4,550.4 | \$6,028.7 | \$2,862.9 | \$4,550.4 | \$6,028.7 | \$2,362.9 | \$3,841.2 | |
| Less FEMA | 1,501.0 | 2,609.8 | 1,410.2 | 1,501.0 | 2,609.8 | 1,410.2 | 2,519.0 | |
| Less CDBGs (\$500 + \$225) | 725.0 | 725.0 | 725.0 | 725.0 | 725.0 | 725.0 | 725.0 | |
| NET COST TO THE TOWN | \$2,324.4 | \$2,693.9 | \$727.7 | \$2,324.4 | \$2,693.9 | \$227.7 | \$597.2 | |
| ANNUAL CASH FLOW AS OF YEAR 3 | | | | | | | | |
| Revenues: | | | | | | | | |
| Rental | \$175.0 | \$175.0 | \$0.0 | \$150.0 | \$150.0 | \$0.0 | \$0.0 | |
| Lockers | 0.0 | 38.0 | 0.0 | 0.0 | 38.0 | 0.0 | 38.0 | |
| Concession | 49.9 | 49.9 | 24.4 | 49.9 | 49.9 | 49.9 | 49.9 | |
| Parking (Incremental) | 60.0 | 60.0 | 40.0 | 60.0 | 60.0 | 60.0 | 60.0 | |
| Total Revenues | \$284.9 | \$322.9 | \$64.4 | \$259.9 | \$297.9 | \$109.9 | \$147.9 | |
| Expenses: | | | | | | | | |
| Salary/Wages | \$49.4 | \$58.0 | \$17.7 | \$69.0 | \$77.6 | \$17.7 | \$26.3 | |
| Operations | 16.0 | 16.0 | 10.4 | 22.1 | 22.1 | 10.4 | 10.4 | |
| Flood Insurance | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | |
| Electric | 13.0 | 13.0 | 4.7 | 23.3 | 23.3 | 4.7 | 4.7 | |
| Subtotal | \$82.6 | \$91.2 | \$37.0 | \$118.6 | \$127.2 | \$37.0 | \$45.6 | |
| Heat | ~ | ~ | ~ | 12.0 | 12.0 | 0.0 | 0.0 | |
| Water | ~ | ~ | ~ | 4.0 | 4.0 | 0.0 | 0.0 | |
| Property Insurance | ~ | ~ | ~ | 4.0 | 4.0 | 0.0 | 0.0 | |
| Marketing | ~ | ~ | ~ | 15.0 | 15.0 | 0.0 | 0.0 | |
| Maintenance & Repairs | ~ | ~ | ~ | 10.0 | 10.0 | 0.0 | 0.0 | |
| Rental Mgmt & Admin | ~ | ~ | ~ | 60.0 | 60.0 | 0.0 | 0.0 | |
| Total Costs | \$82.6 | \$91.2 | \$37.0 | \$223.6 | \$232.2 | \$37.0 | \$45.6 | |
| Net Cash Flow | \$202.3 | \$231.7 | \$27.4 | \$36.3 | \$65.7 | \$72.9 | \$102.3 | |
| Less Debt Service | 152.8 | 177.1 | 47.8 | 152.8 | 177.1 | 15.0 | 39.3 | |
| ANNUAL SURPLUS/(DEFICIT) | \$49.5 | \$54.6 | (\$20.4) | (\$116.5) | (\$111.4) | \$57.9 | \$63.0 | |
| 20-YEAR SURPLUS/(DEFICIT) | \$990.0 | \$1,092.0 | (\$408.0) | (\$2,330.0) | (\$2,228.0) | \$1,158.0 | \$1,260.0 | |

COMMENTS: At its meeting on December 2, 2014, the BOF deferred its decision on Penfield Pavilion pending additional information on: (a) FEMA reimbursements; (b) the cost of Option 9; (c) projected revenues and expenses for all options; and (d) the FECB's Master Plan for the beach area.

This analysis makes adjustments to the cost of constructing Option 9 and to the revenues and expenses associated with each Option. The cost of Option 9 has been reduced from \$348/sf to \$265/sf (vs. \$161/sf for 7 and \$174/sf for 7A), or by \$500,000.

A \$500,000 reduction for Option 9 appears justified because the current estimate illogically assumes that many of its costs will equal those of the much larger Option 7,** and by the fact that the PBC estimates that the cost of adding 6,415 sf of lockers (bigger than 9) is only \$222/sf. It appears that the estimate for Option 9, unlike those for Options 7 & 7A, assumes no re-use of existing fixtures, equipment and materials.

The cost of keeping a second banquet hall (BH) on Penfield Beach is therefore \$2.2 million (\$4.6 vs. \$2.4), and \$2.1 million (\$2.3 vs. \$0.2) after all reimbursements and grants.

The cost of adding lockers is \$1.5 million (\$6.0 vs. \$4.5), and only \$400,000 (\$2.7 vs. \$2.3) after reimbursements and grants.

Revenues for the BH have been reduced to reflect negative impact on Durrell Pavilion income, and to reflect economic cyclicality. Concession and parking income should be the same for all options.

The only fixed expense is Flood Insurance. The portion of the other three expenses that is attributable to the BH (\$22,000 in Salary/Wages, \$5,000 in Operations and \$8,000 Electric) should all rise in line with the assumed 133% increase in BH revenues.

Other expense line items have been added with guesstimated costs. Most important, there should be a significant allowance for the cost of managing a business that is booking an event every other day.

Debt service has been computed using the Finance Dept. formula (1.315x), which assumes a 3% interest rate, but the figure shown is 1/20 of the total 20-year cost of the debt, not the higher cost in year 3.

Based on this analysis, the big BH pavilion (with or without lockers) will cost the Town about \$115,000 per year, and the small pavilion will make a \$60,000 profit.

THE BIG PAVILION WILL NOT PAY FOR ITSELF, LET ALONE PAY BACK THE \$4 MILLION IN SUNK COST FROM THE OLD BUILDING.

* Total Cost does not include the \$400,000 that has already been spent, much of it on design work on Options 7 and 7A, the costs of which are therefore understated.

** \$1.13 million versus \$1.17 million for Carpentry, Roofing, Finishes, Fire Protection, Plumbing, Mechanical, Electrical and Project Requirements (per Shawmut Cost Summary Sheet 30-Oct-14)