



### *City Council Memorandum*

**To: Mayor Fasbender & City Councilmembers**  
**From: City Administrator Dan Wietecha**  
**Date: July 5, 2022**  
**Item: Hastings Civic Center**

**Council Action Requested:**

If the City Council wishes to proceed with the Civic Center project in 2023, approve a budget amendment of \$200,000 for purchase of relief valves and motor control center, with the intent that these items be reimbursable by future bond proceeds.

Note: I recommend delaying the project in favor of pursuing other financing options.

**The question is one of timing:**

*Do we proceed with the Civic Center project in 2023 or delay by 1-3 years?*

There are needs for improvements (new refrigeration system and west rink roof replacement), and the CIP has the project scheduled for 2023. The relief valves (estimate \$70K to \$100K) and master control center (estimate \$100K) have a 10 month lead time and need to be ordered now if we want the project on schedule for construction next summer and open in time for the 2023-2024 season. Our consulting engineers recommend purchasing the valves and MCC now only if we intend to proceed with the project in 2023.

On the other hand, as we've seen the cost increase (from \$2.6M to \$4M), the state legislature did not act on a bonding bill (we requested \$1.45M in assistance), and it would be very tight for the City to finance two projects in one year (the other being the 2023 Neighborhood Project) – it may be better to delay the project to pursue other financing options. If the project is delayed one to three years, we would continue annual maintenance and probably need to add a cylinder or two of R-22 over the next few years to keep the system full (at current prices, a cylinder runs \$5K to \$6K). Barring a catastrophic failure of the refrigeration system, we anticipate being able to continue this “band aid” approach for several years. Engineers recommend not purchasing the valves and MCC now if we intend to delay the project.

**Project Cost Estimates:**

The present construction estimate is just under \$4M, plus engineering and contingency.

Refrigeration System	\$ 2,400,000
West Rink Roof	\$ 790,000
160 kW Solar Panels	\$ 215,000
Low-E Ceiling, West Rink	\$ 119,000
LED Lighting Upgrades	\$ 400,000
<b>TOTAL</b>	<b>\$ 3,924,000</b>

We plan bonding for the project under Minnesota Statutes, Section 471.345, subd 13 (Energy Efficiency Improvements) that would enable us to do the project as design-build (with a pre-selected list of qualified contractors invited to bid) rather than a typical competitive bid process. The primary reason for the design-build is to streamline the process, since time is of the essence. It would also enable us a greater degree of quality control in selecting qualified contractors. Our consulting engineers at Apex calculate an energy savings of \$51K annually (which would be dedicated toward the bond payments) from the refrigeration, ceiling, and lighting improvements.

Note: Other potential improvements (boiler, furnace, replacing two other flat roofs, and front entry) are beyond the scope of this “protect the asset” project.

**Financing Options:**

In addition to the Energy Efficiency Bonding, we may pursue a combination of other funding options.

Options for a 2023 project or a later project:

- School JPA – The City and School District have a long history of sharing in expenses of projects (on a case by case basis) that are mutually beneficial, including the east-rink roof around 2008. Whether the project occurs in 2023 or later, we will negotiate this with the School and are presently scheduling a meeting to discuss the project and finances with the School.
- State Bonding, current request – We applied for state bonding in the amount of \$1.45M (based on a project cost estimate then at \$2.9M). The legislative session ended without a decision on any bonding projects. If there is a special session, our current request would still be proposed (and we could request additional funding due to increased cost).

Options only for a delayed project:

- State Bonding, future request – We can re-apply for state bonding (and based on the current cost estimate) in a future legislative session.
- Local Option Sales & Use Tax – Recognizing the regional impact of the Civic Center, we could pursue authorization for a half-cent local sales & use tax. The steps in the process would result in a 2 to 3 year wait before construction. The authorization process first requires state approval and then approval by City voters. Advantages of this option is that it gets it off

the property tax and some communities have seen close to 50% of the sales tax revenues coming from non-residents. This could also be an option for other, separate projects such as the trails or a major park.

- Referendum – The financial difficulty of trying to accommodate two major projects (the other being the 2023 Neighborhood Project) in one year could be eased by “separating” this project from the CIP and bringing it to City voters under a referendum. During the June 20 City Council budget workshop, there was general support for a referendum approach to addressing a broad trails and parks improvement plan. Noting that the School District is expected to seek a referendum in November 2023, this would need to be timed so the two don’t compete against each other.

**Background Information:**

The Hastings Civic Center was constructed in 1980 and uses an R-22 freon refrigeration system, which under federal EPA can no longer be produced or imported. The age of the system requires maintenance and upkeep, with the R-22 increasingly difficult and expensive to obtain. A 2017 study by Apex Efficiency Systems, as well as a 2021 update, recommended an ammonia-based refrigeration system, which would include building modifications.

With the Apex study, the City also looked at options for adding roof-top solar panels. A 160 kW array on the west-rink roof was recommended. This would require and coincide with the current aged flat roof being replaced with a modified built-up roofing system. The roof has been repaired on multiple occasions, most recently about 3 years ago. Water continues to infiltrate the building through the roof. Water intrusion can cause many problems with a building and its systems. The new roof will improve water drainage, eliminate water intrusion and protect the building and its systems for years to come, as well as allow the best roof for the solar panel array.

**Financial Impact:**

\$200K for relief valves and motor control center. Total project estimate is \$4M.

The \$200K would use existing general fund dollars and would reduce funds available for 2023 CIP/CEP projects but would not limit projects budgeted in 2022. The intent is that these expenses would be reimbursable by future bond proceeds.

**Committee Discussion:**

City Council discussed possibilities of funding the Civic Center project in 2023 or in a future year during the June 20 budget workshop.

**Attachments:**

Not applicable