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**Title:** Communication from the City Manager with a Request for a DISCUSSION on Funding Additional Capital for the PEORIA CIVIC CENTER.

**Sponsors:**

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**Attachments:** 1. 2020 Capital Grant-Budget (2) - Copy, 2. Capital Need List 2023 - Copy

Date	Ver.	Action By	Action	Result
2/28/2023	1	City Council	directed staff	
2/28/2023	1	City Council	directed staff	Pass

**ACTION REQUESTED:**

Communication from the City Manager with a Request for a DISCUSSION on Funding Additional Capital for the PEORIA CIVIC CENTER.

**BACKGROUND:** City staff has been exploring options to assist the Peoria Civic Center with their capital needs along with the \$25 million capital grant from the State of Illinois. The Civic Center has \$47 million of unmet capital needs as identified by their Capital Committee. The \$25 million state grant is making significant headway in addressing these unmet needs, but items such as the ice plant were not prioritized by the Civic Center Authority. The Civic Center Authority has also made an additional request of our legislators for more capital grants. The Peoria Civic Center Authority does not have the ability to levy taxes, so they are reliant upon program revenues from the Civic Center and Hotel Restaurant and Amusement Taxes to fund operations and capital. In fact, the original construction bonds and the 2007 expansion were funded with HRA-backed bonds. Currently, there are six years remaining on the 2007 expansion bonds. That debt service is as follows:

1/1/24	\$6,504,050.00
1/1/25	\$7,020,200.00
1/1/26	\$6,489,400.00
1/1/27	\$6,046,250.00
1/1/28	\$7,012,250.00
1/1/29	\$7,711,750.00

Hotel Restaurant and Amusement Tax collections have been affected by the pandemic, but have rebounded significantly for the past 2 years:

2016	\$10,048,128.20
2017	\$9,684,652.14
2018	\$10,626,907.05
2019	\$11,195,955.27
2020	\$7,732,158.29

2021	\$9,344,072.72
2022	\$10,631,686.20

The cascade of funds for HRA tax dollars is complicated and funds several items. The order in which HRA Tax dollars are distributed is as follows:

1. Debt Service for the Civic Center Expansion bonds (\$6-\$7 million annually);
2. One-third of the 3% Amusement Tax proceeds distributed back to the City to fund operations (approximately \$430,000 per year);
3. Debt Service on the Pere Marquette Hotel (approximately \$111,000 per year);
4. One-fourth of the 8% Hotel Tax proceeds distributed back to the City to fund road construction (approximately \$700,000 per year);
5. Distributions to the Convention and Visitors Bureau (\$542,500);
6. Distributions to the Tourism Reserve Fund (approximately \$345,000 annually);
7. Riverfront Marketing (\$50,000);
8. Arts Partners (\$100,000);
9. City financial administration costs (\$62,500); and
10. Distributions to the Peoria Civic Center (the remainder of the funds).

Since 2016 the HRA distributions to the Civic Center have been as follows:

2016	\$1,402,307.66
2017	\$1,293,667.64
2018	\$1,682,708.43
2019	\$1,650,527.96
2020	\$134,545.91
2021	\$798,356.78
2022	\$1,641,548.23

City staff has been in discussions with the Civic Center Authority and Mayor Ali, Councilman Cyr and Councilman Ruckriegel (Civic Center Council Liaison) about how the City could close the gap on the funding for the Civic Center capital needs, including the ice plant, and ensure that the Rivermen can continue to call Peoria home. The following table shows a \$20 million HRA-backed bond and proposed interest only payments during the 6 years that the existing debt service is still on the books. With this, the annual debt service would increase approximately \$910,000 during the period while the City still has expansion bond obligations, and then increase to \$1.935 million as the principal on the bonds would be paid off. The bonds would be retired on 1/1/42.

	<b>Wraparound</b>	<b>Existing Debt Service</b>	<b>Cumulative Debt Service</b>
1/1/2024	497,972.00	6,504,050.00	7,002,022.00
1/1/2025	910,000.00	7,020,200.00	7,930,200.00
1/1/2026	910,000.00	6,489,400.00	7,399,400.00
1/1/2027	910,000.00	6,046,250.00	6,956,250.00
1/1/2028	910,000.00	7,012,250.00	7,922,250.00
1/1/2029	910,000.00	7,711,750.00	8,621,750.00
1/1/2030	1,935,000.00		1,935,000.00
1/1/2031	1,938,750.00		1,938,750.00
1/1/2032	1,939,750.00		1,939,750.00
1/1/2033	1,938,000.00		1,938,000.00

1/1/2034	1,938,500.00		1,938,500.00
1/1/2035	1,936,000.00		1,936,000.00
1/1/2036	1,935,500.00		1,935,500.00
1/1/2037	1,936,750.00		1,936,750.00
1/1/2038	1,939,500.00		1,939,500.00
1/1/2039	1,938,500.00		1,938,500.00
1/1/2040	1,938,750.00		1,938,750.00
1/1/2041	1,935,000.00		1,935,000.00
1/1/2042	1,937,250.00		1,937,250.00
	<b>30,235,222.00</b>	<b>40,783,900.00</b>	<b>71,019,122.00</b>

The Civic Center Authority has stated that they still need an operating subsidy to address maintenance, repairs, and utility expenses. By issuing \$20M in debt, there will still be residual HRA tax dollars. The City could provide the Civic Center Authority a floor for HRA tax dollars at \$1.2 million annually. Thus, if funds are not available, the City could use General Funds to support the operations of the Civic Center and ensure that repayment of any funds issued by the City to the Civic Center are repaid in 2029 and 2030 if necessary. City staff examined the HRA tax revenues, and estimated four scenarios for subsidies to the Civic Center over the next 6 years:

1. A 1% decline in HRA taxes;
2. Flat HRA taxes;
3. 1% growth in HRA taxes; and
4. 1.5% growth in HRA taxes.

The following table shows the potential cumulative subsidy that the City might have to provide the Civic Center Authority to ensure a minimum of \$1.2 million of annual operating support. At most, the City would need to support the Civic Center with an additional \$5.5 million if HRA Tax revenues decline 1% annually for 6 years. If there is 1.5% growth in HRA taxes, the subsidy amounts to \$313,000. See the table below:

		1% Decline	Flat	1% Growth	1.5% Growth
<b>\$1.2 M Operating Subsidy Repayment</b>	2029	3,753,260	3,381,434	1,353,260	313,610
	2030	1,353,260			
	<b>TOTAL</b>	<b>5,106,521</b>	<b>3,381,434</b>	<b>1,353,260</b>	<b>313,610</b>

The Civic Center Finance and Capital Committees discussed the funding options and were supportive of the effort. The full Civic Center Authority will be discussing the matter on February 23, 2023.

In summary, the City can afford to issue \$20 million of debt for capital at the Civic Center, provide \$1.2 million of operating support, and by fixing the ice plant, allow the Civic Center Authority and the Peoria Rivermen to negotiate a new lease. Due to the need to clear the Civic Center of dates during the reconstruction of the ice plant, it would likely not be reconstructed until 2024. The City would work with the Civic Center Authority and coordinate this debt with the capital request made of our legislators, and the discussion of what to do with future HRA taxes remains a Council decision in 2029. As a sign of good faith to the Rivermen, the Civic Center Authority has shared open dates for the 2023-2024 season with the Rivermen.

**FINANCIAL IMPACT:** The City would issue \$20 million in debt for capital improvements on the Civic Center and guarantee a floor of \$1.2 million of operating support to the Civic Center for maintenance and repairs. HRA funds would likely cover most of the funding needed through 2028. As analyzed by staff, the range of

funding support would be likely be no more than \$5.1 million if HRA tax revenues decline 1% annually and \$300,000 if the HRA revenues increase 1.5% annually.

**NEIGHBORHOOD CONCERNS:** None, additional activity downtown benefits downtown residents and the City as a whole.

**IMPACT IF APPROVED:** The City staff would prepare the bond ordinances for Council approval, as well a modification to the Civic Center Intergovernmental Agreement to include the \$1.2 million floor modification.

**IMPACT IF DENIED:** The Civic Center would have to seek additional funding elsewhere for their unmet capital needs.

**ALTERNATIVES:** Council may have additional alternative suggestions that staff would be willing to explore.

**EEO CERTIFICATION NUMBER:** N/A

**WHICH OF THE GOALS IDENTIFIED IN THE COUNCIL'S 2017 - 2032 STRATEGIC PLAN DOES THIS RECOMMENDATION ADVANCE?**

1. Financially Sound City
2. Grow Peoria

**WHICH CRITICAL SUCCESS FACTOR(S) FROM THE COMPREHENSIVE PLAN DOES THIS RECOMMENDATION IMPLEMENT?**

1. Grow employers and jobs.
2. Support sustainability.

**DEPARTMENT:** City Manager's Office