

**WORTHINGTON CITY COUNCIL  
SPECIAL MEETING**

**4:00 P.M., Wednesday, August 15, 2018**  
**City Hall Council Chambers**

**A. CALL TO ORDER**

**B. CITY COUNCIL BUSINESS**

1. CGMC Presentation / Update - Marty Seifert
2. Movie Theater Discussion
3. ATV's on City Streets

**C. ADJOURNMENT**

## ADMINISTRATIVE SERVICES MEMO

**DATE:** AUGUST 10, 2018

**TO:** HONORABLE MAYOR AND CITY COUNCIL

**SUBJECT:** ITEMS REQUIRING CITY COUNCIL ACTION OR REVIEW

### CASE ITEMS

1. **PRESENTATION BY MARTY SEIFERT OF THE COALITION OF GREATER MINNESOTA CITIES**

Marty Seifert from the Coalition of Greater Minnesota Cities, will be at the meeting to provide an update to Council on the CGMC's past year, their priorities, and for a review of the past legislative year.

2. **UPDATE AND DISCUSSION ON MOVIE THEATER PROPOSALS**

The City received two proposals in response to our RFP for movie theater development. Both proposals were similar in that they require significant investment by the City. *Exhibit I* provides information from the proposals.

Proposal #1 requests included City funding of real estate acquisition, site improvements and the building. Site selection was left to the City. The developer would provide the projectors, sound equipment, screens and seating. The developer's proposal was to lease the facility from the City and be responsible for all operational expenses except real estate taxes. The City's estimated investment is \$3.0 million.

Proposal #2 requested that the City be responsible for complete development, ownership and operations. They requested a specific site. The theater operator would act as a contracted management consultant. The City's estimated investment is \$6.0 million.

Both proposers projected first year box office sales of approximately \$550,000. Included is a side-by-side comparison of financial pro-formas based on the information provided in their proposals. At that volume of box office sales, the business is profitable from operations. However, the operations do not support the investment or debt associated with the capital costs.

Proposal #1 has the smallest investment by the City. Annual debt payments on a 15 year, \$3.0 million loan are approximately \$260,000. This would require a 5% to 7% increase in the tax levy to fund this single project.

**3. ATV'S OPERATING ON CITY STREETS**

According to the City Attorney, ATVs may not operate on CITY STREETS. However, by not prohibiting ATV operation within the City limits, a person MAY operate an ATV on county and state-aid roads (see Minn. Stat. 84.928 and the League Information Memo that you included - pages 5-9).

The confusing situation now is that ATVs may lawfully be operated on some roadways within the City and not on others. If the Council doesn't want to allow the operation of ATVs at all within the City limits, they should pass an ordinance to that effect. On the other hand, if they do want to do so, they should pass an Ordinance allowing them to operate on all streets within the City. City Council may consider other restrictions that may apply should they choose to allow ATV's throughout the City.

	#1	#2
<b>Revenue</b>		
Box Office Admissions	\$ 550,000.00	\$ 550,000.00
Admissions Tax	\$ (38,500.00)	\$ (38,500.00)
Net Admission	\$ 511,500.00	\$ 511,500.00
Concessions (65% of box office)	\$ 357,500.00	\$ 357,500.00
Misc. Revenue	\$ 12,000.00	\$ 27,500.00
Total Net Revenue	\$ <u>881,000.00</u>	\$ <u>896,500.00</u>
<b>Expenses</b>		
Film (57% of net box office)	\$ 291,555.00	\$ 291,555.00
Film Transportation	\$ 4,000.00	\$ -
Concessions COG (20%)	\$ 71,500.00	\$ 71,500.00
Rent	\$ 60,000.00	\$ -
Bonus Rent	\$ 25,575.00	\$ -
Operating Expenses	\$ 314,000.00	\$ 301,934.00
Management Fee	\$ -	\$ 62,755.00
Total Expenses	\$ <u>766,630.00</u>	\$ <u>727,744.00</u>
Net Income	\$ <u>114,370.00</u>	\$ <u>168,756.00</u>
<b>Owner's Income</b>		
Rent/Owner's Income	\$ 60,000.00	\$ 168,756.00
Bonus Rent	\$ 25,575.00	\$ -
TIF (65%)	\$ 39,000.00	\$ -
Property Taxes	\$ (71,000.00)	\$ -
Annual Debt Expense	\$ (261,000.00)	\$ (589,962.00)
Total	\$ <u>(207,425.00)</u>	\$ <u>(421,206.00)</u>

**Annual Levy Impact**

15 year Loan, 3-1/2% Interest

2018 Levy: \$3,998,294

Present Worth Factor: 11.517

Annual Bond Payment	Bond Amount	Levy Impact
\$ 100,000.00	\$ 1,151,700.00	2.50%
\$ 125,000.00	\$ 1,439,625.00	3.13%
\$ 150,000.00	\$ 1,727,550.00	3.75%
\$ 175,000.00	\$ 2,015,475.00	4.38%
\$ 200,000.00	\$ 2,303,400.00	5.00%
\$ 225,000.00	\$ 2,591,325.00	5.63%
\$ 250,000.00	\$ 2,879,250.00	6.25%
\$ 260,485.00	\$ 3,000,000.00	6.51%