# MINUTES OF A SPECIAL JOINT MEETING OF THE CITY COUNCIL AND ECONOMIC DEVELOPMENT CORPORATION BOARD OF DIRECTORS CITY OF WHITE SETTLEMENT, TEXAS

6:00 PM – Thursday, February 17, 2022
Pecan Grove Convention Center
405 N. Las Vegas Trail, White Settlement, TX 76108

**CALL TO ORDER**

Mayor White called the meeting to order at 6:00 p.m. with a quorum of members present as follows: Council Member Paul Moore, Mayor Pro Tem Evelyn Spurlock, Council Member Eddie Delgado and Council Member Gregg Geesa. Council Member Munoz was absent due to conflict with work schedule.

Staff present included City Manager Jeffrey J. James, City Secretary Amy Arnold and City Attorney Drew Larkin, Executive Administrative Assistant Ann Elias, Community Services Director Rich Tharp, Finance Director Krystal Crump (Foght), Public Works Director Larry Hoover, Fire Chief Brandon Logan, City Marshal Randy Rogers and Communications Manager Aaron Hall. Others present included City Engineer Brian Darby, P.E., Vice President James DeOtte Engineering, Inc.; Adam LanCarte, Vice President, Hilltop Securities, Inc.; Laura B. Alexander, Senior Managing Director, Hilltop Securities; Sam Gill, Partner, McCall, Parkhurst & Horton, LLP. and Jimmy Holmes of H TWO Marketing.

**WORK SESSION**

1. Hold a work session to receive financial and operational information and to discuss the continuation or dissolution of the Splash Dayz Water Park.

Mayor White and City Manager Jeff James welcomed attendees to the meeting and provided guidelines for public comments which included the option to text questions to a staff member who will then read the question allowing for all questions to be heard and answered clearly.

Finance Director Krystal Crump began by reviewing the presentation agenda and introducing guest speakers which included City Engineer Brian Darby, P.E., of JD Engineering, Inc.; Adam LanCarte of Hilltop Securities, Inc.; Laura B. Alexander of Hilltop Securities; and Sam Gill, Partner, McCall, Parkhurst & Horton, LLP.

Finance Director Krystal Crump and Adam LanCarte began the presentation by reviewing debt definitions and providing information on

- Estimated refunding results
  - $48K a year reduction in debt service payment
- Estimated pay off (Defesance)
  - City/EDC would need $9.79M to pay off debt
  - EDC debt service reserve fund amount ($1.095M)
  - Additional $8.695M needed
- Fund balance options
- Payoff amount similar to 10 – 15 years worth of savings
- Financial analysis of options to consider (noting analysis are considered preliminary and subject to change)

- Remains open and debt <u>is not</u> defeased
    - $13,374,015 total debt service paid over next 13 years
    - $2,802,061 operating transfers made over the next 13 years
    - $1,030,225 used from debt service reserve fund
    - $15,145,851 total estimated funds spent over the next 13 years
  - Decommissioned and debt is defeased
    - $1,029,410 total debt service paid over the next 13 years
    - $9,790,411 cost to defease the water park debt
    - $402,061 operating transfers made over the next 13 years
    - $1,095,000 used from debt service reserve fund
    - $2,000,000 cost to decommission
    - $12,008,970 total estimated funds spent over the next 13 years
  - Remains open and debt <u>is</u> defeased
    - $1,029,410 total debt service paid over the next 13 years
    - $9,790,411 cost to defease the water park debt
    - $2,802,061 operating transfers made over the next 13 years
    - $1,095,000 used from debt service reserve fund
    - $12,526,882 total estimated funds spent over the next 13 years
- Removing the asset requires removing the debt
- Consequences of defeasance
  - Less cash to generate interest
  - No fund balance available to transfer for funding projects
  - Must operate within fund balance policy (40%)
  - Strong reserves and 75% or more in fund balance desirable for good rating
- Considering what is best use of public funds

After this portion of the presentation, City Council and EDC member questions included:

- What is current bond rating?
  - A: Current rating is Double A Minus (AA-).
- If payoff & decommission will the bond rating decrease?
  - A: It is possible to drop one rating category.
- Could the EDC pay back the General Fund?
  - A: Yes, is an allowable project therefore funds could be transferred.
- Why only 200K yearly operating transfer as listed in options?
  - A: With anticipated revenues and marketing to increase sales staff feels the amount is reasonable, with $200,000 from Hotel/Motel tax to fund the convention center and not factored into the water park funds.
- Clarify refinance – estimated refunding with bond market current status?
  - A: current rates are increasing, a wait and see approach is best for favorable options if that is chosen.
- On closing the park and debt not paid off, a liability without a collateralized asset, is that an option?
  - A: No, this is not an option because it is required to pay off debt if water park is closed.
- Is partial pay off an option?
  - A: If open, yes. If decommissioned, no.

- Regardless of option chosen, the NPV variance between options is
    - A: Close to $900,000 with explanation of percentage used effect on increasing or decreasing the margin. Operating transfers also effect these amounts.

Questions from the public in attendance included:

- Have we looked into an amusement park management company?
    - A: Yes, however, would not pay the debt payment and want to see a profitable park prior to taking over. DFW is a is becoming a saturated market.

The next portion of the presentation, demolition costs, was presented by City Engineer Brian Darby who explained:

- Review of project site would not include convention center and outside pavilions
- $2,000,000 estimated to bring back to open space parkland
    - Future use plans would impact these costs
- Details of process to include:
    - Removal of slides and structures, etc.
    - Demo of sidewalks, bridges, etc.
    - Demo wave pool, lazy river, piers
    - Grading, backfill, etc.
    - Sod area and install sprinklers
- Additional expenses to included:
    - Subsurface utility engineering and removal
    - Environmental and geotechnical studies and investigations
    - Future franchise and public utilities installations

After this portion of the presentation, City Council and EDC member questions included:

- Would we try to sell the slides, etc.?
    - A: There is a potential to resale parts and/or slides.
- How many acres is the park?
    - A: 11.5 acres.

There were no questions from the public concerning this portion of the presentation.

The next portion of the presentation, marketing, was presented by Jimmy Holmes of H TWO Marketing who explained:

- Marketing strategy recap and results (*% as compared to best season 2019*)
    - 25% increase in admissions revenues, 16% increase in overall revenue and 11% increase in season pass sales
- Marketing plan for the 2022 season
- Sales projections with in park sales focus and facility comparison
- Park reinvestment, pricing strategy, aggressive marketing
- Current economy impact on marketing
    - CPI inflation at 7% - highest since 1982
    - Could impact any projections
    - Impact on customers disposable income and vacation/travel vs. staying in town

After this portion of the presentation, City Council and EDC member questions were heard after public questions and included:

- What are sales projection final numbers?
  - A: Are included further in presentation
- Is there opportunity for growth?
  - A: Yes, there is leverage to increase revenue, a lot of opportunity.
- Concern of other water parks within radius.
  - A: Must have the ability to penetrate the market and bring people to the park, a marketing driven business.
- What is the average price to expand?
  - A: Cost is dependent on what type of product is put in the park. Attractions are reinvestment back into the park which drives prices and brings customers.

Questions from the public in attendance included:

- Have we considered offering a way to pay out the cost of season passes for families that may want to buy for multiple kids, like KLARNA or SEZZLE or an alternative?
  - A: Staff explained the ability to provide this option is dependent on whether it is offered by the software used for payment processing as well as tracking and collecting concerns.
- How many courtesy or free passes are given out to family and friends of elected officials and city staff?
  - A: City employees do not receive free passes, elected officials were given 10 tickets. Elected officials give out the free passes provided to them, some purchase additional tickets to give away.
- How do our prices compare?
  - A: They are low.
- Have they considered doing a discounted rate to White Settlement residents?
  - A; There is a current discounted rate for all residents. Residents have a reduces rate season pass as well.

The next portion of the presentation, operations, was presented by Rich Tharp, Community Services Director, who explained:

- Introduction of new park manager who could not attend the meeting due to illness
- In-season operational highlights
  - Memorial Day to Labor Day (90 Operational days) Tuesdays thru Sundays 11 am – 8pm
  - Staffing teams – front gate, gift shop, concessions, maintenance, aquatics
- Off-season operations – make ready for In-season operations
  - Off-season team includes park manager, crew leader, part-time and temporary staff
  - Major maintenance tasks including slide, pool, building, equipment
  - Landscaping, signage, storage
  - Sales and marketing tasks
    - Pricing matrix review, budget planning, promotions, advertising
  - Staffing including review of policies and procedures, recruiting, training and orientation
  - Procurement of park supplies and equipment
  - IT Systems
- May madness including staffing and inspections

- In-season operations
  - Daily tasks for inspections, sanitation, equipment operation and water management
  - Concessions, front gate, guest safety
- End of season operations
  - Inventory, deep clean and breakdown, storage, organization, reports and inspections, collection of uniforms and other personnel matters.
- New to the water park for the 2022 season
  - Rental opportunities, expanded concession menu, online discounts
- Projections – Reviewed by Finance Director Krystal Crump
  - Projections if remain with current marketing strategy
  - $1.5M to $2.03 projected five year
  - Majority of increase from admissions - $855,000 to $1,367,500 projected
  - Some projections include convention center due to being from same fund
    - In 2024-2026, will only contribute convention center funds if projections met
    - Potential to be in the black in two years
  - Seasonal Pay including incentive plan and future incentive / bonus plans
  - Daily collections vs cost to operate (looking at 90 day or 365 day operation basis)
    - 90 day basis = $17000 day
    - 365 day basis = $4000 day

After this portion of the presentation, City Council and EDC member questions included:

- What is the difference between 90 days of operations total per day and current budget? Is this upside down an forcing transfer?
  - A: Difference in the numbers is the transfer in. Yes.
- Clarify of past expenses to gel coat slides?
  - A: Budget for wax not gel coat.
- Revenue jump seems high, why do you think we can increase that much without much experience?
  - A: By moving from GROUPON to direct sales from the water park, doubling rental capacity and increase of group activities/sales will increase sales revenue.
- With 7% inflation increase, how will an increase in ticket price bring more customers?
  - A: Prices are currently well below market. When inflation increases individuals cut out expensive vacations to stay close to home.
- Why do we not have hamburgers?
  - A: Looking at working into the matrix.
- How long has H TWO Marketing been with the City and what is the difference between marketing consultant vs in house marketing? Have we under marketed the park?
  - A: 2 years with 2021 season being first full year. Difference also includes revenue strategies, sales approach, focus and better penetrate the market. Cannot speak on the past, there are many revenue opportunities.
- Do projections factor in payroll expenses to keep up with the market?
  - A: No. This expense Is a huge factor to consider going forward. Information provided on slide for $1/hr. increase being a $68,077 increase in numbers.

Questions from the public in attendance included:

- Why is it closed on Mondays?

- A: Is the lowest attendance on average which costs more to run than other days and provides an opportunity to perform maintenance, mowing, cleaning, etc.

- Did the parks he (Jimmy Holmes) worked with previously have a large debt included?
  - A: Yes, much bigger than the city's current debt.
- Has the city done any grant writing? My understanding is that the community is under 20,000 residents and both the Department of Agriculture and HUD have a number of grants.
  - A: No, HUD are most difficult to manage, management of repayment outweighs advantages. Not aware of Department of Agriculture grants.

The next portion of the presentation, budget timeline, was presented by Finance Director Krystal Crump, who reviewed:

- Budget kickoff, proposed budget due date and adoption of budget due date
- Staff requests direction from City Council and EDC regarding how to proceed.

Mayor White called for a brief recess at 7: 50 p.m. before moving to the next agenda item. Mayor White called the meeting back to order at 8:00 p.m.

2. Take action to give staff direction as a result of items discussed in work session.

Mayor White comments included needing more information on what it would cost to do what the citizens want; asking what do the citizens want. Mayor White commented stating input is needed from more citizens and suggested an additional workshop.

Council Member Comments included: lack of resident attendance to meetings, multiple discussions on the item with no decision being made, the need for a decision to be made without continuing to delay, concerns of questions unaddressed and the need for further discussion, and the possibility of holding a town hall meeting.

Finance Director Krystal Crump responded by explaining the OpenGov software platform includes an feature called Open Town Hall which could be used as an option to solicit feedback.

Public comments included:
William Wright addressed the City Council and EDC stating he feels council members should meet with their constituents and hold off on a decision until the next regular meeting due to limited number of residents in attendance, estimating less than 1%.

Michele Cooper addressed the City Council and EDC in favor of a town hall where citizens could provide their input noting the feeling of being excluded by many of the residents.

Scott Evans commented on attendance of residents to meetings, doubtful a larger number would attend a town hall, provided his opinion that a decision needs to be made even though half the people will be mad regardless of the decision, and his thoughts as to what should be decided.

Sent by text: It does not matter what we say, you will do what you all want. Just make a decision and we will have to deal with it.

Another comment by text asked to clarify what budget year is being discussed "are you talking about this year or next?". Finance Director Krystal Crump confirmed the 2023 season as the 2022 season is already in the approved budget.

Patricia England commented expressed frustration for residents who do not attend meetings but complain about decisions, shared her experience that change can happen when a resident is involved and speaks with elected officials, referenced a decent budget and current elected officials willingness to listen noting the elected officials represent everyone not just a select few.

City Manager Jeff James discussed date options for a town hall meeting settling on March 5, 2022 from 10 a.m. – 12 p.m.

Scott Evans addressed City Council and EDC clarifying his comment to say it is Council's job to decide what is in the best interest of the city.

Michele Cooper requested information be provided to citizens that was given to City Council and EDC.

**Mayor Pro Tem Spurlock made a motion to hold a town hall meeting on March 5, 2022 from 10 a.m. to 12 p.m. Council Member Geesa seconded the motion which carried unanimously.**

**ADJOURNMENT**

With there being no further discussion, Mayor White adjourned the meeting at 8:37 p.m.

Approved this 1st day of March, 2022.

Ronald A. White
Ronald A. White, Mayor

CITY OF WHITE SETTLEMENT TEXAS

ATTEST:

Amy Arnold
Amy Arnold, City Secretary