



Memorandum

To: Mayor and City Council Members
From: John Stephens, Acting Assistant City Manager
Date: January 14, 2003
Subject: Town Lake Park

As you are aware, the construction and operation of the Palmer Civic Center, garage, and park on Town Lake are funded primarily through the 5% rental car tax that voters approved in November 1998. They are also funded to a lesser extent from revenues from the operation of the garage and civic center and from interfund borrowing (used for park construction only).

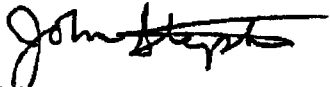
On July 30, 1999, a memo from City management advised Council that the amount to be spent for construction of the park could be raised from \$10.8 million to \$18.5 million. In fiscal year 2000, because rental car tax revenues were exceeding projections, City management advised Council in a memo dated August 8, 2000, that the construction of the park could be accelerated and completed over a seven-year period rather than occurring over a fifteen-year period as planned in 1999. However, because the park construction was also to be funded through interfund borrowing, management proposed that the interfund borrowing be limited to approximately six million. Please note that at that time, the estimated cost of phase two was \$7.4 million, with \$5.2 million projected to come from rental car tax revenue and interfund borrowing and the remainder of \$2.2 million to come from private donations. However, the City has in fact appropriated the entire \$7.4 million cost of phase two. In fiscal year 2002, the City appropriated \$5.6 million; this year, the City appropriated the remaining \$1.8 million.

Because of the economic downturn, rental car tax revenues are well below projections. Fiscal year 2002 actual rental car tax revenues were 12.3% below budget and 17% below fiscal year 2001 actual revenues. City staff have recently reviewed and updated the projections for park construction spending and Palmer Center operations and maintenance costs in light of the downturn. Given the decline in revenue and an increase in projected operations and maintenance expense, funding the construction of phases three and four of

the park from interfund borrowing will take us well beyond the limit proposed in fiscal year 2000, which I would not recommend.

We will be able to finish the construction of phase two, although we now project that doing so will take us slightly above the recommended borrowing limit. In doing so, the City will have more than fulfilled its commitment to stakeholders in this project, because it will have spent \$2.2 million for the construction of phase two that was intended to have come from donations. However, for the foreseeable future, phases three and four will have to be funded from alternate sources, e.g. private donations or a bond election.

Please call me at 974-2076 if you have any questions about this memo.



John Stephens

Acting Assistant City Manager

cc: Toby Futrell, City Manager

Mike McDonald, Chief of Staff

Jesus Olivares, Director of Parks and Recreation