

City of Bowie

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Mayor  
Tim Adams



# THE CITY OF BOWIE, MARYLAND

May 19, 2020

Greetings City of Bowie Residents,

On May 19, 2020, after a seven-hour public meeting that included over 190 public comments, the City Council voted four to three to stop construction and cancel the contract for the \$24 million dollar IcePlex Project and re-purpose the funding to completely renovate the existing Ice Arena and to support other recreational facilities in the City.

I did not come to this decision lightly. My vote was based upon months of carefully reviewing the City's financial data, considering feedback from residents and visitors to the City, and evaluating what is in the best interests of taxpayers and the City's residents. Each of the four person majority's independent review of the project brought them to the same conclusion: the IcePlex project was not in the overall best interest of the City of Bowie. I believe the prior City Council's decision to execute this contract was a mistake and, as explained below, did not make fiscal sense for the City of Bowie.

First, I want to reaffirm that the City of Bowie is currently in an excellent financial position. Moody's Investors Service has given our City a AAA bond rating, we have \$39 million dollars in the reserves fund, and property taxes have not been raised for 11 consecutive years. The Mayor and City Council are dedicated to keeping our City's finances in excellent condition.

The City Manager's Proposed Fiscal Year 2021 Budget presented to the City Council on April 9, 2020 required us to carefully examine the City's long-term financial outlook. The City's reserve fund is projected to rapidly decline over the next three years. The proposed budget for Fiscal Year 2021 requires \$9.3 million dollars from the reserve fund just to balance the budget. After the reserve fund's balance lowers to \$29.9 million in FY 2021, it is projected to continue to decrease to \$20.1 million in FY 2022 and is expected to continue to lower thereafter. The proposed budget also states that property tax increases are being considered in next year's budget. The City Manager's budget was one of several factors that made me revisit the City's overall financial forecast, including major projects such as the IcePlex.

The IcePlex Project would have been the single most expensive project in the City's history – even costing more to build than our \$22.5 million dollar City Hall and Police Department Building. In order to finance this massive project, the prior City Council decided to take out a loan in the form of Municipal Bonds in the amount of \$24 million dollars. This loan more than tripled the City's bonded debt from \$8 million in FY 2020 to more than \$31 million in FY 2021. Given that the IcePlex Project would only have served a small subset of Bowie's overall population and would not have provided an essential service to the City's seniors or majority of youth and adults, I felt that the high cost of the project was unjustified.

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There are numerous other factors that contributed to my decision to vote to cancel the IcePlex Project, but some of the top reasons are as follows:

### **Industry Experts Agree That the IcePlex Project Does Not Make Fiscal Sense**

In 2012, the City hired a third-party consulting company, Sport Facility Advisors Group (SFAG), to conduct a technical and financial assessment of the potential development of indoor recreation facilities in Bowie. One of the facilities analyzed was a new Ice Arena. After performing extensive market research, public outreach, and financial analysis, SFAG produced the 2013 Feasibility Study. That Study concluded that the need in the City of Bowie supported investing only approximately \$10.66 million in constructing a new Ice Arena – not \$24 million -- and the new facility would cost Bowie taxpayers an additional \$1.5 million dollars to subsidize operations over the first five years. It does not appear that the prior City Council considered the recommendations of this Study when voting to execute the contract for the IcePlex Project.

In 2020, Black Bear Sports Group (BBSG), the largest owner/operator of ice rinks in the United States, including two here in Maryland, submitted a letter to the City Council echoing the findings of the third-party Feasibility Study and further opined that, based on their experience, there is no justification for the IcePlex Project to cost \$24 million dollars. In addition, BBSG offered suggestions as to how the City could transform the existing Ice Arena into a world-class facility while keeping costs reasonable. This could be accomplished through extensive renovations of the existing Ice Arena, including building a new sheet of ice, installing a new sub-floor, installing a new ice plant, installing a new dehumidification system and HVAC system, repairing the roof, and renovating the locker rooms and bathrooms all for less than \$3 million dollars – a fraction of the cost of the IcePlex Project. Issuing a Request for Proposals (RFP) regarding the renovation of the existing Ice Arena is one of the various options the City Council is currently considering.

### **Canceling the IcePlex Project Will Save Taxpayers Money**

The cancellation of the IcePlex Project will cost money in the short-term but will ultimately save the City more money in the long-term. The contract itself allows the City to terminate the contract “without cause.” The City’s Finance Department estimated that past and future costs would total \$6.5 million to cancel the IcePlex Project as of May 15, 2020. However, this estimate includes the cost of general infrastructure improvements that were made to the project site (*i.e.* sewer, gas, etc.) that can be re-purposed for any future use of the site and should not be considered total losses.

Canceling the contract now will save the city from spending an additional \$21 million to construct the project in addition to the substantial annual operating losses. The current Ice Arena operates at a \$300,000 loss each year. The 2013 Feasibility Study estimated that a new \$10 million Ice Arena would suffer \$1.5 million in operating losses over five years – the \$24 million IcePlex would likely lose even more.

### **COVID-19 Was A Factor in Determining If the IcePlex Project Makes Fiscal Sense**

We cannot pretend that COVID-19 will not impact the City’s revenues and budget. The City Manager’s FY 2021 Proposed Budget included a warning about likely long-term financial impacts as a result of the COVID-19 global pandemic. These concerns

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have been echoed by Maryland's Comptroller Peter Franchot who has stated the State's Income Tax revenue would be greatly impacted as the result of COVID-19. This is significant because Bowie's \$66 million dollar budget for FY 2021 relies on \$12 million dollars from State Income taxes. The specific Bowie tax revenue sources likely to be negatively impacted by the COVID-19 economic impacts include:

- \$32 million received from local property taxes.
- \$12 million received from state income taxes.
- \$500,000 in permit and licensing fees related to new building and renovations.
- \$435,000 received from hotel taxes.

We have to plan for the current and future financial impacts of COVID-19 by reviewing the City's entire long-term financial outlook and the IcePlex Project was part of that review.

**Conclusion**

Given the economic downturn caused by the COVID-19 pandemic and expected decrease in state and local tax revenue, the City Council is carefully examining the City's entire long-term financial outlook. Industry experts from 2013 and 2020 agree that the IcePlex Project does not make fiscal sense for the City of Bowie. We can meet the needs of the ice community without burdening taxpayers with fiscally irresponsible debt. The City can install a brand new ice sheet and fully renovate the current ice arena for a fraction of the cost of the IcePlex Project.

I understand that many residents and visitors to our City will be greatly disappointed by the decision to cancel the IcePlex Project. This decision does not mean the City of Bowie does not support users of the current ice arena. We can greatly enhance the ice amenities offered in the City while also keeping the financial burden on taxpayers low. The entire City Council supports the ice community and I personally look forward to working with them on a plan to address their needs in a way that makes sense for Bowie residents.

Sincerely,

Tim Adams  
Mayor