



## **How Much Will It Cost: A Community Recreation Center**

By Leadership Steamboat Class

Leadership Steamboat presents its community forum Dialogue Before Decision. This forum is designed to encourage engaged and informed decision makers by connecting our community to information and purposeful dialogue on issues vital to the future of the Valley.

This week Dialogue before Decision, looks at how a community recreation center might be funded. Any construction project requires asking critical questions.

- **How much will land cost?**
- **What will construction cost?**
- **How will it be financed?**
- **What are the monthly operating expenses?**
- **How will operating expenses be paid?**

Obtaining suitable land is the first hurdle that must be addressed. Steamboat Springs land can be cost-prohibitive. Two of the lowest cost scenarios include using a parcel of land already owned by the City or partnering with a private group to subsidize the cost by contributing cash, land or a combination of the two. Alternatively, land would have to be purchased.

The bricks and mortar of the project must also be funded. Usually, large capital improvement projects, such as a Community Recreation Center, are paid for through a bond issue. A bond must receive voter approval. An alternative that does not require voter approval is financing the project through a capital lease. For a capital lease, a new entity is formed that secures construction financing. The new entity builds the facility and executes a long-term lease with the City who, in turn, owns the facility outright at the end of the lease term.

If bonds are used to finance the project, the bonds may be paid for through sales tax revenue, property tax revenue, or a mix of the two. When asked by Frederick Polls in August 2006 whether they preferred a sales tax or a property tax, Steamboat Springs' citizens responded nearly 2 to 1 in favor of sales tax. Sales tax revenue, generated by visitor and resident spending, has historically been the source of revenue to service debt on major capital improvement projects in Steamboat Springs. The City of Steamboat Springs currently does not have a property tax. The same Frederick poll declared the most favorable proposed method of repayment for an estimated \$18 million dollar bond would be a 33% sales tax increase. In this case, for every \$3 you might spend on a cappuccino or latte, one penny would go towards a Community Recreation Center.

Membership and daily use fees provide revenue to pay for operating expenses, however, it is unlikely they will meet 100% of the budget requirements. At the Breckenridge Recreation Center, for example, user fees pay for approximately 75-80% of operational expenditures. An annual adult membership costs \$367.00; a daily pass costs \$10.00. How the operating costs of a Community Recreation Center are funded depends on what types of programs and facilities are included. Some amenities, such as a pool, cost more than others to operate. But these same amenities may have the potential for increased revenue generation. The final mix of amenities, programs and fees will determine the necessary level of subsidy.

Information from a previous feasibility study suggested the estimated revenue stream from annual and daily pass fees for a Steamboat Springs Recreation Center should cover about 68% of operational costs. The study used an annual membership for an adult of \$360.00 and \$8.00 for a daily pass. The subsidy to cover operating costs could be \$300,000 or more annually. Other City public facilities, such as Howelson Ski Area, are also subsidized up to \$300,000 a year.

Dialogue Before Decision wants to hear from you. What do you want to know about the Community Recreation Center issue? Please submit your questions, comments, and ideas to [dialoguebeforedecision@hotmail.com](mailto:dialoguebeforedecision@hotmail.com)