



Agenda Item: Discuss And Consider Approval Of Stewart Beach Mobile Amenities - Phase I - Proposed Financing Plan

Background: On September 28, 2021, the Galveston Park Board of Trustees approved a budget and Capital Improvement Plan (CIP) that contained the purchase of mobile amenities for Stewart Beach. On December 15, 2021, the trustees approved the purchase of two restroom mobile amenities and one concessionaire mobile amenity, and the installation of new electric and water utilities to service the mobile amenities.

The project was budgeted to be financed by a loan over a five-to-seven-year period. Originally, the plan was to approach our banking institution about acquiring a loan to finance the project. However, the Park Board ended fiscal year 2021 in a strong cash position with significant working capital. Staff weighed the Park Board's current financial position and determined that it would be more beneficial to finance the project internally than externally.

Staff proposes financing the project through a \$600,000 loan from Tourism Development's (TD) unrestricted cash balance that will be repaid over a 7-year period at an interest rate of 0.25%. TD unrestricted cash balance was at \$2.5 million per the most recent unaudited financial statements.

By financing the project internally, the Park Board would achieve the following:

- Save over \$100,000 in interest expense compared to external financing (assuming a 5% interest rate), and interest expense paid would be retained by the Park Board as interest income received by TD.
- Put our working capital and strong cash position to use by using it to leverage a much-needed capital project.
- Commit currently uncommitted resources.
- Create a new legitimate financing mechanism that could be used for future capital projects.

Staff pulled the interest rates earned on deposits at the bank by account. The average interest rate is 0.24%, which is less than the 0.25% proposed in the financing plan. That said, under this proposal, TD would actually earn more (albeit a small amount) in interest by investing the funds into Stuart Beach than they would leaving it in the bank.

The proposal has been vetted by the City Auditor and our external auditors and has received approval from both. The loan would be recognized as a transfer of funds from TD to Stewart Beach (SB) and booked as a Due To Other Funds (SB) and Due From Other Funds (TD).

Project expenses will be charged to SB's budget, and at the end of the project, expenses will be reconciled against the loan. If total expenses are less than the loan amount, the difference will be immediately transferred back from SB to TD, thereby reducing the Due To by the amount of the transfer.

After that, debt service payments will follow the proposed amortization schedule with one payment of both principal and interest occurring annually until the loan is satisfied.



GALVESTON
* ISLAND *
Park Board of Trustees

Agenda Item Overview

Staff Recommendation: Staff recommends the committee approve the Stewart Beach Mobile Amenities - Phase I - Proposed Financing Plan.

Funding Source: For expenses, the funding source is contained in SB-51-5250 Capital Improvements. The source of funding is Tourism Development's unrestricted cash balance.

Mobile Amenities Cost Breakdown

Item Description	Vendor	Unit Cost	Total Cost
Mobile restrooms	Global Enterprise	\$ 132,460.00	\$ 264,920.00
Stainless restroom products	Texas Correctional Industries	\$ 10,723.00	\$ 21,446.00
Mobile concessionaire	Global Enterprise	\$ 68,780.00	\$ 68,780.00
Electrical services to mobile units	Crescent Electric	\$ 81,926.62	\$ 81,926.62
Waterline extension	Self Perform	\$ 1,000.00	\$ 1,000.00
Shade Cover (3 units)	Rush Co	\$ 21,600.00	\$ 21,600.00
Decking	Self Perform	\$ 10,000.00	\$ 10,000.00
Showers/Changing rooms	Self Perform	\$ 10,000.00	\$ 10,000.00
Lockers	TBD - vendor		
Signage		\$ 5,000.00	\$ 5,000.00
Pumper truck insert	Satelite	\$ 18,566.00	\$ 18,566.00
Tractor with forks		\$ 25,000.00	\$ 25,000.00
Trailer(s) pumper and haul away		\$ 15,000.00	\$ 15,000.00
		Total Cost: \$ 400,055.62	\$ 543,238.62
		10% Contingency: \$ 40,005.56	\$ 54,323.86
		Phase I Grand Total: \$ 440,061.18	\$ 597,562.48

Stewart Beach Mobile Amenities - Phase I - Proposed Amortization Schedule

Loan amount	\$ 600,000.00
Annual interest rate	0.25%
Loan period in years	7
Start date of loan	3/1/2021

Fiscal Year	Beginning Balance	Payment	Principal	Interest	Ending Balance
2022	\$ 600,000.00	\$ 43,237.70	\$ 42,509.84	\$ 727.86	\$ 557,490.16
2023	\$ 557,490.16	\$ 86,475.40	\$ 85,179.23	\$ 1,296.17	\$ 472,310.93
2024	\$ 472,310.93	\$ 86,475.40	\$ 85,392.43	\$ 1,082.98	\$ 386,918.51
2025	\$ 386,918.51	\$ 86,475.40	\$ 85,606.15	\$ 869.25	\$ 301,312.35
2026	\$ 301,312.35	\$ 86,475.40	\$ 85,820.41	\$ 654.99	\$ 215,491.94
2027	\$ 215,491.94	\$ 86,475.40	\$ 86,035.21	\$ 440.19	\$ 129,456.73
2028	\$ 129,456.73	\$ 86,475.40	\$ 86,250.54	\$ 224.86	\$ 43,206.19
2029	\$ 43,206.19	\$ 43,237.70	\$ 43,206.19	\$ 31.51	\$ (0.00)
		\$ 605,327.81	\$ 600,000.00	\$ 5,327.81	