

Grosse Ile 2020 Campaign Team Findings about the Township's Plan to Convert Airport Building 39 into a Multi-Purpose Community Recreation Center

June 1, 2020

* Even using extremely aggressive membership acquisition and renewal rates plus far too optimistic assumptions about major maintenance and operational costs, the Township's plan for the multi-purpose community recreation center has very weak annual net cash flow during 2020, 2021 and 2022 -- not yielding more than a surplus of \$24,000 per year.

The Township's plan would stabilize in 2023 through 2038 with an annual net cash flow of less than \$14,000. Of course, in order to achieve even that modest surplus, one would have to assume that maintenance and operational expenses do not increase during this time period for a facility which is more than 75 years old.

* The Township's plan appears to generated less than half of the annual net cash flow that was paid by the Tennis Center lease for Airport Building 39 -- total payments of about \$48,000 per year.

The Township Airport Commission has stated that the Tennis Center's \$48,000 in lease payments are not sufficient to properly maintain Airport Building 39, so it appears that the recreation center's projected net cash flow would increase the amount of the Township's unfunded financial liabilities for deferred maintenance on the facility.

* Our analysis assumed that the staff members for the facility were contract employees from a private management company with the Township paying no expenses for FICA taxes and benefits. If the analysis was calculated using Township employees with FICA taxes and benefits obligations, the annual net cash flow would be significantly diminished and may be negative.

* The annual net cash flow would get even weaker during 2023 when the expense of a loan for roof repairs is included. In fact, using a more realistic assumption about the true cost of the loan for the roof repairs would likely make the cash flow negative in 2023 and thereafter for the next 15 years.

* The Township has not performed detailed, local market demand analysis to support the highly aggressive membership acquisition and renewal rates. The Township's use of national averages for membership assumptions substantially increases the risks that the revenue projections will not be achieved which could make the annual net cash flow negative.

* It is impossible to perform a credible cash flow analysis of the Township's proposal to convert the Airport Building 39 into a recreational center without first having a professional building inspection performed that would in turn be used to obtain quotes from contractors for maintenance work. To date, the Township has not obtained a professional building inspection of Airport Building 39 or quotes on necessary major maintenance.