

Only a mild wind from the Wind Creek sale

The Bethlehem Gadfly Budget, Serious Issues, Wind Creek Casino September 5, 2019

(Latest posts in a series about Wind Creek Casino and the budget)

We knew it was coming. The City once projected a windfall of \$5-6m from the sale of the Sands to Wind Creek. But wise Gadfly followers were quick to say that the sale would be structured in such a way to favor Wind Creek. And so it turned out. The City realized but \$317,000.

But the projected windfall was not factored into the 2019 budget except in a kind of “wish list.” And on Tuesday Council moved to begin the approval to do some tidying of the budget now that the sale is complete.

Key thing for us to know is that “Since 2013, Bethlehem’s dug itself out of deficit spending, built its cash reserves and earned an A+ bond rating, [City Business Manager Eric] Evans noted. The city currently has more than the 15 percent S&P wants to see in savings.”

In other words, the City is in pretty good shape financially. Tip o’ the hat!

Many Gadfly followers were hoping for more of a kick for such projects as the pedestrian bridge and the Rose Garden from the Casino Transfer Tax, but “The city found grants and other funding sources for projects like improvements to the Rose Garden, a pedestrian bridge study and security upgrades to City Hall.”

Gadfly is always curious about financial manipulations. Here’s how the deal was structured in Wind Creek’s favor. Sigh.

“The difference between the city’s initial projections of as much as \$6.5 million and the actual transfer tax of just over \$300,000, boiled down to how the casino deal was structured. It allowed for only the value of the underlying land to be computed in the transfer tax calculation. To enable Las Vegas Sands Corp. to sell 100% of the Sands Bethlehem’s operations to Wind Creek, the minority owners, BethWorks Now LLC, had their stake in the facility transferred into a ground lease. Wind Creek, which owns the structures and improvements on the site, entered into a lease with the ground landlords.”

Don’t you wish you had lawyers so good!

Sara K. Satullo, “Without \$5.9M casino sale windfall, Bethlehem looks to rainy day fund for \$3.9M of projects.” lehighvalleylive.com, September 4, 2019.

Bethlehem officials hoped the sale of the Sands casino would net them a \$5.9 million cash windfall to help knock lingering major repairs off the city’s to-do list. But then the casino sale’s complex structuring only left the city with \$317,000.

Now, the administration has crafted a plan to still tackle some of the big-ticket items that keep getting kicked down the road by tapping its \$15 million rainy day fund and \$1.48 million left over from its 911 center consolidation.

On Tuesday evening, Bethlehem City Council’s finance committee heard the pitch to fund \$3.98 million of the projects — things like fire trucks and street paving — and then the full council backed the budget transfers on first reading during the regular meeting. Council will vote on the ordinances at its Sept. 17 meeting.

The city typically borrows \$5 million every other year to tackle capital repairs, but as costs rise the money doesn't go as far, said Eric Evans, city business administrator. Some of the projects have lingered on the list since 2007.

Since 2013, Bethlehem's dug itself out of deficit spending, built its cash reserves and earned an A+ bond rating, Evans noted. The city currently has more than the 15 percent S&P wants to see in savings, so Evans said he feels comfortable tapping the rainy day fund.

The administration wants to get back on a fire department vehicle replacement schedule, make repairs to the Bethlehem Area Public Library columns, fix the floor of the City Hall garage and put in a new Rodgers Street facility for the ground maintenance staff.

There's some welcome news for downtown residents and merchants: \$175,000 for a massive snow blower to clear huge piles of snow. Currently, after narrow roads are plowed of snow the city brings in front-end loaders to put the snow in dump trucks to cart it away. The snowblower will streamline the process, Evans said.

Council identified a Lehigh River pedestrian bridge study and upgrades to West Bethlehem's Rose Garden as important projects for the potential casino transfer tax.

On Tuesday night, council sought reassurances those projects were still being funded.

The pedestrian bridge study will be grant funded while there's \$105,000 for the Rose Garden — \$50,000 from a bond, \$50,000 in city recreation fees and \$5,000 from the Mount Airy Neighborhood Association, Evans said. There's a potential \$110,000 grant for the Rose Garden as well.

The city plans to postpone spending \$200,000 on converting street lights to LED; lighting upgrades on Route 412, \$220,000 of drainage work on Fifth Street and \$200,000 on an addition to the Easton Avenue firehouse.

Nicole Radzievich, "So, the tax windfall from the Sands casino sale fell short. Here is Bethlehem's Plan B." Morning Call, September 4, 2019.

Bethlehem had hoped that a tax windfall from the \$1.3 billion sale of the Sands casino would jump-start some long-delayed projects like fire truck replacements and road maintenance.

But now that the real estate transfer tax turned out to be just over \$300,000 and not the \$6.5 million once projected, Bethlehem Mayor Robert Donchez's administration on Tuesday released its Plan B.

The plan delays nearly \$1.62 million worth of those projects and uses surplus cash to cover nearly \$4 million of them. About \$2.5 million will come from a surplus the city has accumulated since 2012 and another \$1.48 million will come from cash left over from its 911 operations, which consolidated with Northampton County's operations.

Business Administrator Eric Evans said that by the end of last year, the city had about \$15 million in cash, or about 19% of the city's operating budget, and is expected to finish this year with a modest surplus.

After spending \$2.5 million in reserves, the city's cash on hand is expected to drop to 16% of the operating budget, Evans said. Standard & Poor's bond rating agency recommends a cash balance of 15% of an operating budget.

Over the next 1½ years, the money is budgeted to go toward two fire trucks, trunking system radios, a snowblower for a front loader, street

overlays, a chiller, a garage floor, repairs to the Bethlehem Area Public Library columns and a project at the public works facility on Rodgers Street.

That still leaves about \$1.62 million in projects, such as lighting upgrades and more street work, that will be postponed until funding is identified. The city found grants and other funding sources for projects like improvements to the Rose Garden, a pedestrian bridge study and security upgrades to City Hall.

The difference between the city's initial projections of as much as \$6.5 million and the actual transfer tax of just over \$300,000, boiled down to how the casino deal was structured. It allowed for only the value of the underlying land to be computed in the transfer tax calculation.

To enable Las Vegas Sands Corp. to sell 100% of the Sands Bethlehem's operations to Wind Creek, the minority owners, BethWorks Now LLC, had their stake in the facility transferred into a ground lease. Wind Creek, which owns the structures and improvements on the site, entered into a lease with the ground landlords.