Section I - Executive Summary

Market Analysis:

The primary goal of this study was to examine the feasibility of a community recreation facility in the City of Lonsdale through market analysis, demographic review and operations analysis.

The Lonsdale service area population is growing at a moderate rate with the population projected to grow about 4% over the next five years to reach a population of 22,325 people by the year 2021. The demographic profile of the community indicates that the age group distribution is somewhat mixed. There is a higher concentration of under 5, 5-17 and 45-54 age groups than the national level. This points to a large number of families with young children in the service area. The median age of Lonsdale service area is younger than the national level while the median household income is higher. Another factor is that the cost of housing in Lonsdale is slightly higher than the national but lower than the state level. Age and household income are two determining factors that drive participation in sports and wellness activities. The demographic profile suggests that there will be continued support and demand for recreation activities and programs in the future.

There are limited recreation and fitness providers in the service area and the other service providers have a narrow business focus on the adult fitness market while the wellness and recreation opportunity for young people, seniors and athletic teams are underserved in the community. Although the School District has been generous with their support of youth sport activities in the Lonsdale area it is clear that the existing inventory of space within the School District(s) is no longer sufficient to meet the growing needs of the youth sports programs, expanding school activities and community recreation. The need for more gymnasium space, leisure swimming pool and fitness component was validated through market analysis review to assess community needs.

Statistics from the National Sporting Goods Association (NSGA) were overlaid on to the demographic profile of the service areas to determine the market potential for various activities that can take place within a sports and wellness center. The market analysis concluded that the Lonsdale area is underserved for recreation swimming, fitness and recreation opportunities, especially for family activities, youth fitness and senior citizens. These groups are also the same groups that have a significant concentration represented in the age group distribution.

Operations:

An operation analysis was conducted to examine facility costs and revenues for base facility developed during the programming phase of the study by the architect. The operating pro-forma developed represents a conservative approach to estimating expenses and revenues and was completed based on the best information available and a basic understanding of the project. Fees and charges utilized for this study were generated from information gathered during the assessment of market value in the Lonsdale area. One overriding aspect of the pro-forma that must be taken into consideration is the fact that cardio equipment and exercise equipment will not be included in the facility. Fitness is one of the components that drive membership and revenue.

The results of the operations analysis indicate that the proposed community center will not recover 100% of its operating costs through revenue and consequently will require tax support for operations. The operating pro-forma did not include debt service since the funding for this project is likely have a dedicated funding sources determined by voters. Most community centers in urban areas around the country recover 75% to 95% of their operating expenses through fees and charges.

Expense and Revenue Comparison

Category	Facility Budget
Expenditures	$805,885
Revenue	$719,790
Difference	($86,095)
Recovery percentage	89%

Conclusion:

The market conditions are favorable for supporting a community recreation in Lonsdale service area. The proposed facility, by virtue of the leisure pool, multiple gymnasium space, group fitness and community rooms will differentiate this facility from the any other facility in the area. The joint powers collaborative is ideally positioned to not only improve the quality of the facilities in Lonsdale service area, but also to enhance the quality of life for residents and become an identifying landmark to the landscape that attracts families, businesses and perspective employees to the Lonsdale service area.

Weekly participation in active recreation activities from service area can be expected to be somewhere in the range of 10-12% of the population which equals approximately 2,149-3,224 individuals, (based on 2016 population estimates for the service area). This participation range can be expected to generate about 860 membership units. This is a relatively small membership base to rely on for the operation of a full-scale community center. The success of Lonsdale facility will require on-going support from the City and School Districts. Similar facilities in other areas of the country suggests that these types of centers have been cost effective in meeting local sport and wellness needs. The lack of having a fitness equipment ion the community center will have present a significant challenge in selling memberships, which in turn could require more tax support to balance the operating budget.

Without question, a new community center will enhance the quality of life in the Lonsdale area while improving recreation and wellness opportunities. The proposed center fills the service gaps for a variety of community, recreation, fitness and sports and expands the wellness access in the community for children, teenagers, families and seniors. A new center will become a source of tremendous community pride and will bring the community together along with making the area more attractive for major employers to attract new employees. The center will also help establish and recognize the facility as a contributor to the economic health of the community by providing jobs, through the purchase of local goods and services and by generating tourism trade.

Section II – Demographic Summary & Market Review

Ballard*King & Associates (B*K) is working with The City of Lonsdale to complete a feasibility study for a community recreation center.

The following is a summary of the demographic characteristics of the service areas along with recreation and leisure participation standards as produced by the National Sporting Goods Association (NSGA), also included in participation information provided by the National Endowment of the Arts (NEA).

B*K accesses demographic information from Environmental Systems Research Institute (ESRI) who utilizes 2010 Census data and their own demographers for 2016-2021 projections. In addition to demographics ESRI also provides data on housings, recreation and entertainment spending and adult participation in activities. B*K utilizes information from the NSGA and NEA as they are some of the thorough reports available on activities that could take place in a community recreation center. B*K receives no financial gain by citing these sources or using their services.

Service Areas: The primary service area is as described as a geographical area that includes the Cities of Montgomery and New Prague. A map of the service area can be found on page 10 below. Primary Service Areas are defined as the distance people will travel on a regular basis (a minimum of once a week) to utilize a facility or its programs. Use by individuals outside of this area will be much more limited and will focus more on special activities or events (tournaments, etc.).

Service areas can vary in size with the types of components in the facility. A center with active elements (pool, weight cardiovascular equipment area, gym, track, etc.) will have a larger service area than a more passively oriented facility. Specialized facilities such as a competitive aquatic venue will have a bigger service area, making it more of a regional destination.

Service areas can flex or contract based upon a facility's proximity to major thoroughfares. Other factors impacting the use as it relates to driving distance are the presence of alternative service providers in the service area. Alternative service providers can have an effect upon membership, daily admissions and the associated penetration rates for programs and services.

Table A – Service Area Comparison Chart:

	Primary Service Area
Population:	
2010 Census	20,523[1]
2016 Estimate	21,496
2021 Estimate	22,325
Households:	
2010 Census	7,478
2016 Estimate	7,890
2021 Estimate	8,223
Families:	
2010 Census	5,565
2016 Estimate	5,842
2021 Estimate	6,072
Average Household Size:	
2010 Census	2.73
2016 Estimate	2.71
2021 Estimate	2.70
Ethnicity (2016 Estimate):	
Hispanic	2.6%
White	95.5%
Black	0.7%
American Indian	0.4%
Asian	0.8%
Pacific Islander	0.1%
Other	0.9%
Multiple	1.7%
Median Age:	
2010 Census	35.6
2016 Estimate	36.6
2021 Estimate	37.4
Median Income:	
2016 Estimate	$67,091
2021 Estimate	$75,731

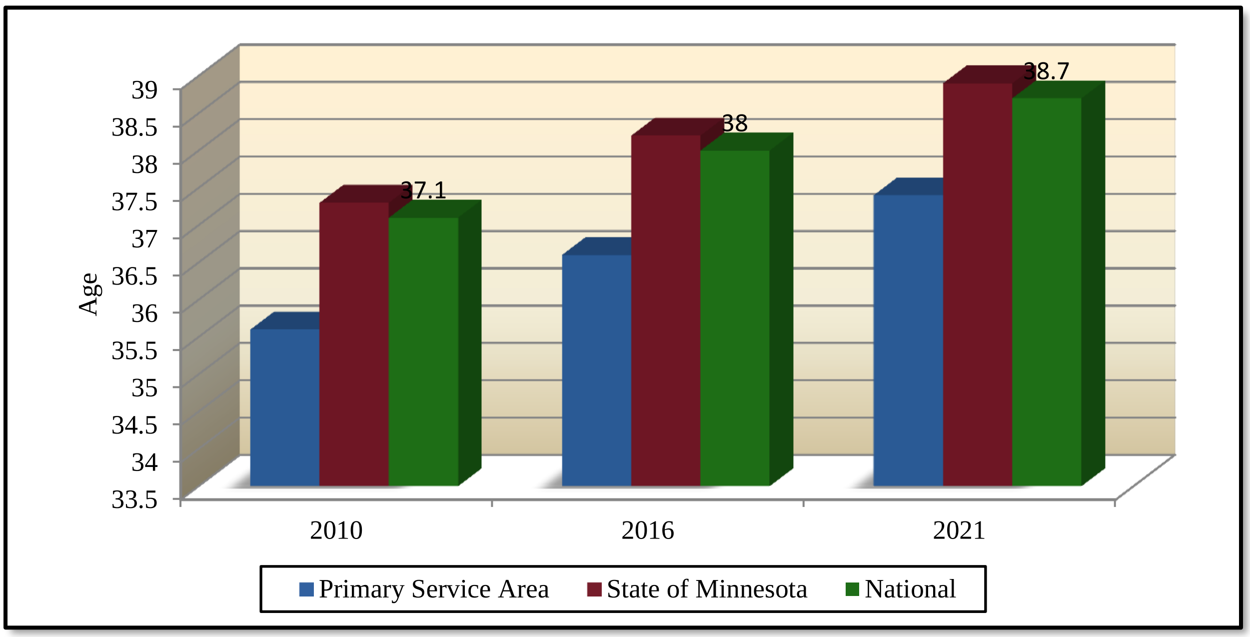
[1] From the 2000-2010 Census the City of Primary Service Area experienced a 30.5% increase in population.

Age and Income: It is important to compare the median age and median household income levels to the national levels. Age and income are primary determiners of participation in recreation activities. The lower the median age, the higher the participation rates are for most activities. The level of participation also increases as the median income level goes up.

Table B – Median Age:

	2010 Census	2016 Projection	2021 Projection
Primary Service Area	35.6	36.6	37.4
State of Minnesota	37.3	38.2	38.9
Nationally	37.1	38.0	38.7

Chart A – Median Age:



The median age in the State of Minnesota is slightly greater than the National number, while the age in the Primary Service Area is less than the State and the National number. A lower median age points to young families with young children, which are primary users of indoor recreation centers. However, there is still a significant adult and retiree population that would also use the facility.

Households with Children: The following chart provides the number of households and percentage of households in the Primary Service Area and the Secondary Service Area with children.

Table C – Households w/ Children

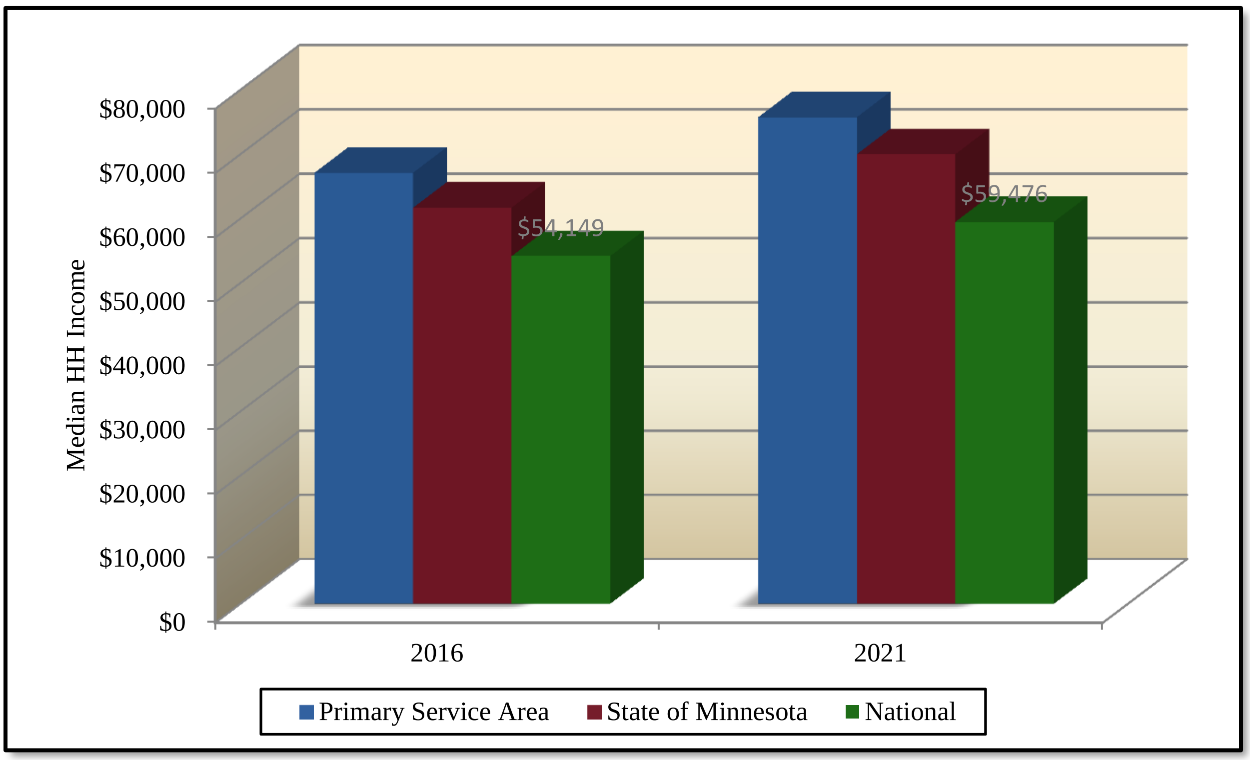
	Number of Households w/ Children	Percentage of Households w/ Children
Primary Service Area	3,011	40.3%

The information contained in Table-B helps further outline the presence of families with children. As a point of comparison in the 2010 Census, 31.3% of households in the State of Minnesota and 33.4% of households in the U.S. had children present.

Table D – Median Household Income:

	2016 Projection	2021 Projection
Primary Service Area	$67,091	$75,731
State of Minnesota	$61,657	$69,976
Nationally	$54,149	$59,476

Chart B – Median Household Income:

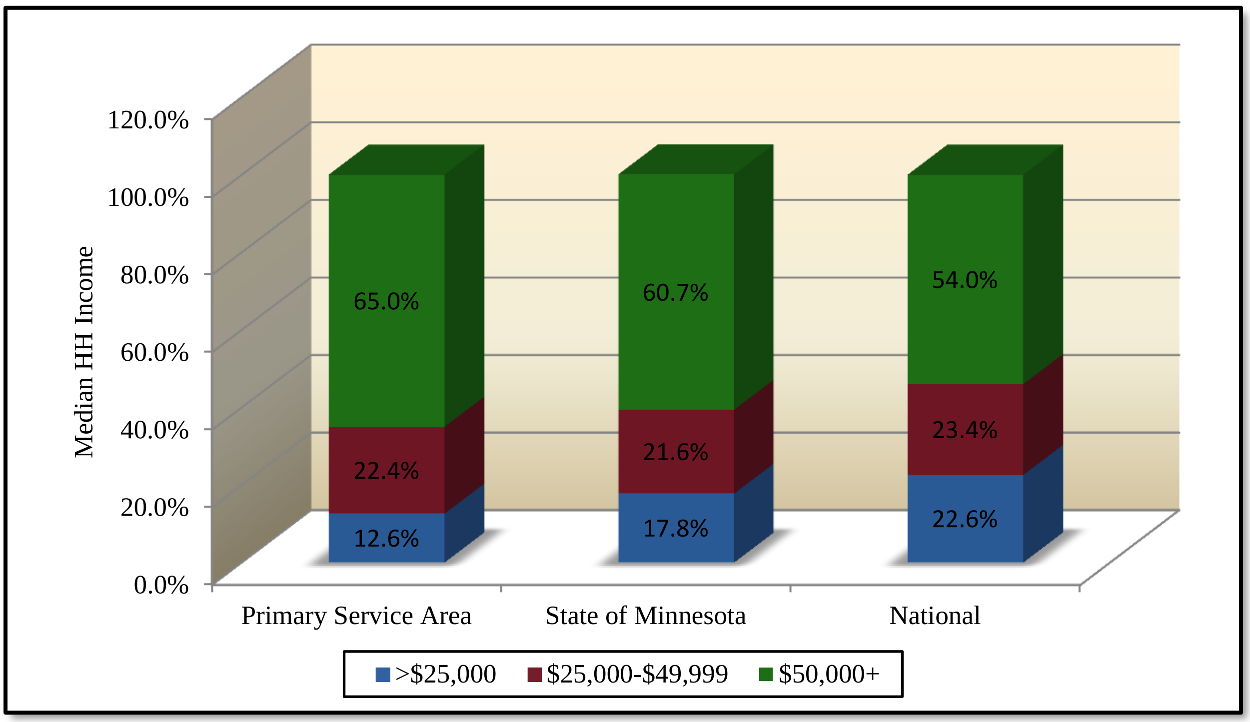


Based upon 2016 projections for median household income the following narrative is available:

In Primary Service Area, the percentage of households with median income over $50,000 per year is 65.0% compared to 54.0% on a national level. Furthermore, the percentage of the households in the service area with median income less than $25,000 per year is 12.6% compared to a level of 22.6% nationally.

The median income in the State of Minnesota is greater than the National number and the Primary Service Area is greater than the State. The income level must be balanced with the overall cost of living to determine ability to pay for entertainment and recreation services.

Chart C – Median Household Income Distribution



Household Budget Expenditures: In addition to studying Median Age and Median Income, it is important to examine Household Budget Expenditures. In particular, looking at housing information; shelter, utilities, fuel and public services along with entertainment & recreation can provide a snapshot into the cost of living and spending patterns in the services areas. The table below looks at that information and compares the service areas.

Table E – Household Budget Expenditures[2]:

Primary Service Area	SPI	Average Amount Spent	Percent
Housing	104	$21,306.14	30.3%
Shelter	*103*	*$16,116.67*	*22.9%*
Utilities, Fuel, Public Service	*106*	*$5,189.48*	*7.4%*
Entertainment & Recreation	107	$3,125.01	4.4%

State of Minnesota	SPI	Average Amount Spent	Percent
Housing	108	$22,110.52	30.6%
Shelter	*108*	*$16,781.39*	*23.2%*
Utilities, Fuel, Public Service	*109*	*$5,329.13*	*7.4%*
Entertainment & Recreation	109	$3,192.00	4.4%

SPI: Spending Potential Index as compared to the National number of 100.

Average Amount Spent: The average amount spent per household.

Percent: Percent of the total 100% of household expenditures.

Note: Shelter along with Utilities, Fuel, Public Service are a portion of the Housing percentage.

[2] Consumer Spending data are derived from the 2004 and 2005 Consumer Expenditure Surveys, Bureau of Labor Statistics. ESRI forecasts for 2016 and 2021.

Chart D – Household Budget Expenditures Spending Potential Index:

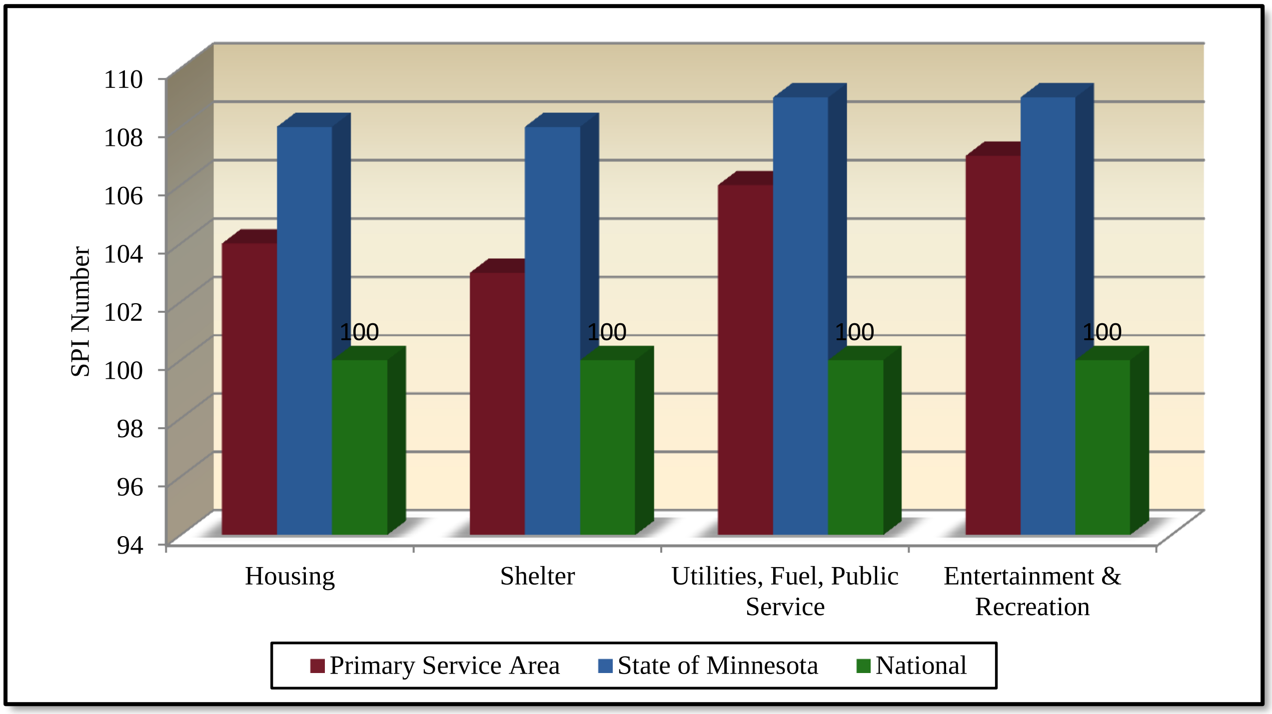


Chart D, illustrates the Household Budget Expenditures Spending Potential Index in the service areas. The SPI differs from the meidan house income pattern in that within the Primary Sevice Area they are spending less than on a State level, which may indicate they have additional dispoable income for recreation services.

Further Narrative on Housing:

The total number of housing units in the Primary Service Area, according to the 2010 Census, is 8,025 and 93.2% of those are occupied, or 7,478 housing units. Of the available units the bulk are vacant, 1.7%.

Recreation Expenditures Spending Potential Index: Finally, through the demographic provider that B*K utilizes for the market analysis portion of the report, we are able to examine the overall propensity for households to spend dollars on recreation activities. The following comparisons are possible.

Table F – Recreation Expenditures Spending Potential Index[3]:

Primary Service Area	SPI	Average Spent
Fees for Participant Sports	112	$100.09
Fees for Recreational Lessons	108	$133.25
Social, Recreation, Club Membership	103	$197.97
Exercise Equipment/Game Tables	110	$60.22
Other Sports Equipment	110	$10.54

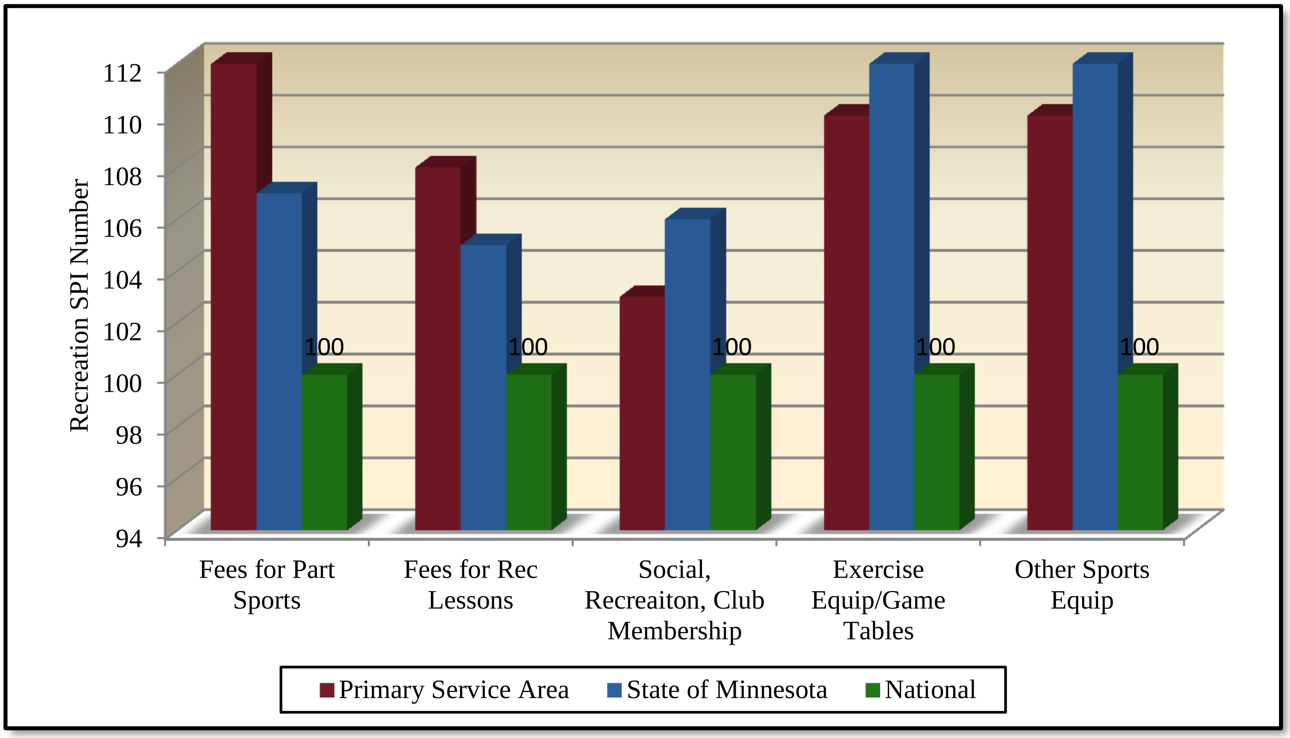
State of Minnesota	SPI	Average Spent
Fees for Participant Sports	107	$95.64
Fees for Recreational Lessons	105	$129.76
Social, Recreation, Club Membership	106	$202.74
Exercise Equipment/Game Tables	112	$60.88
Other Sports Equipment	112	$10.74

Average Amount Spent: The average amount spent for the service or item in a year.

SPI: Spending potential index as compared to the national number of 100.

[3] Consumer Spending data are derived from the 2006 and 2007 Consumer Expenditure Surveys, Bureau of Labor Statistics.

Chart E – Recreation Spending Potential Index:

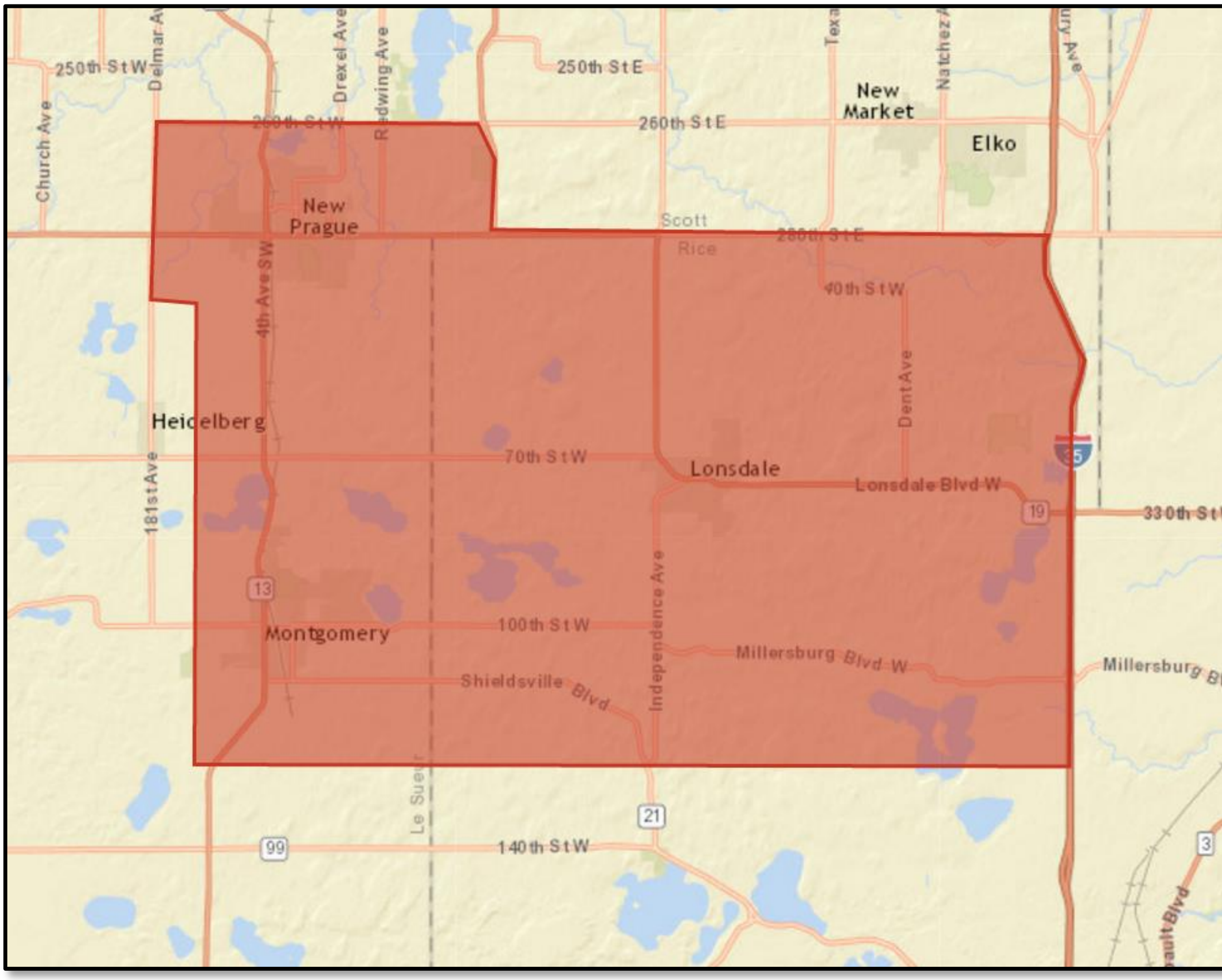


The Spending Potential Index for Recreation between the State of Minnesota and the Primary Service Area potentially average themselves out. The State is higher in some categories which the Primary is higher in other. The consistency is that both the Primary and State numbers are higher than the National number.

It is important to note that these dollars are currently being spent.

Service Area Description – The service area, as defined by the City includes the City of Lonsdale New Prague and Montgomery, using Highway 35 as an eastern border.

Map A – Primary Service Area Map:



Population Distribution by Age: Utilizing census information for the Primary Service Area, the following comparisons are possible.

Table G – 2016 Primary Service Area Age Distribution
(ESRI estimates)

Ages	Population	% of Total	Nat. Population	Difference
-5	1,907	8.9%	6.2%	+2.7%
5-17	4,133	19.2%	16.5%	+2.7%
18-24	1,563	7.3%	9.9%	-2.6%
25-44	5,614	26.1%	26.3%	-0.2%
45-54	3,182	14.8%	13.3%	+1.5%
55-64	2,403	11.2%	12.8%	-1.6%
65-74	1,484	6.9%	8.8%	-1.9%
75+	1,209	5.6%	6.3%	-0.7%

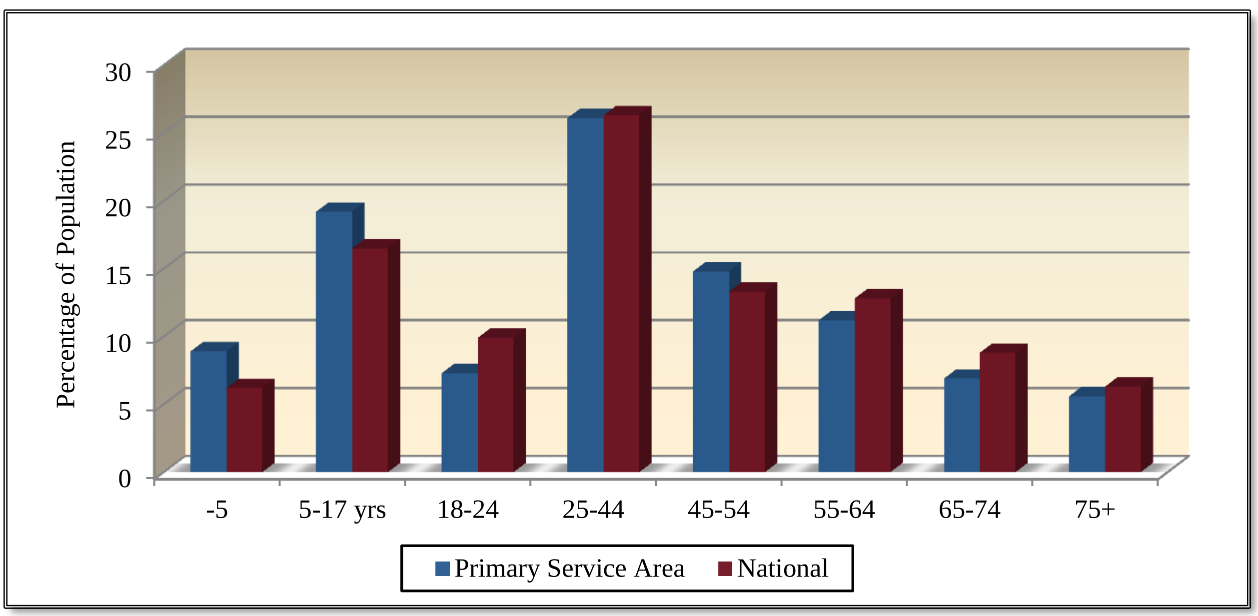
Population: 2016 census estimates in the different age groups in the Primary Service Area.

% of Total: Percentage of the Primary Service Area/population in the age group.

National Population: Percentage of the national population in the age group.

Difference: Percentage difference between the Primary Service Area population and the national population.

Chart F – 2016 Primary Service Area Age Group Distribution



The demographic makeup of the Primary Service Area, when compared to the characteristics of the national population, indicates that there are some differences with an equal or larger population in the -5, 5-17 and 45-54 age groups and a smaller population in the 18-24, 25-44, 55-64, 65-74 and 75+ age groups. The largest positive variance is in the -5 and 5-17 age groups with +2.7%, while the greatest negative variance is in the 18-24 age group with -2.6%.

Population Distribution Comparison by Age: Utilizing census information from the Primary Service Area, the following comparisons are possible.

Table H – 2016 Primary Service Area Population Estimates
(U.S. Census Information and ESRI)

Ages	2010 Census	2016 Projection	2021 Projection	Percent Change	Percent Change Nat'l
-5	1,940	1,907	1,937	-0.2%	+1.9%
5-17	4,080	4,133	4,131	+1.3%	+0.5%
18-24	1,308	1,563	1,557	+19.0%	_+0.4%
25-44	5,779	5,614	5,900	+2.1%	+9.6%
45-54	3,125	3,182	2,908	-7.8%	-8.8%
55-64	1,972	2,403	2,715	+37.7%	+18.2%
65-74	1,194	1,484	1,760	+47.4%	+56.2%
75+	1,098	1,209	1,417	+29.1%	+27.1%

Chart G – Primary Service Area Population Growth

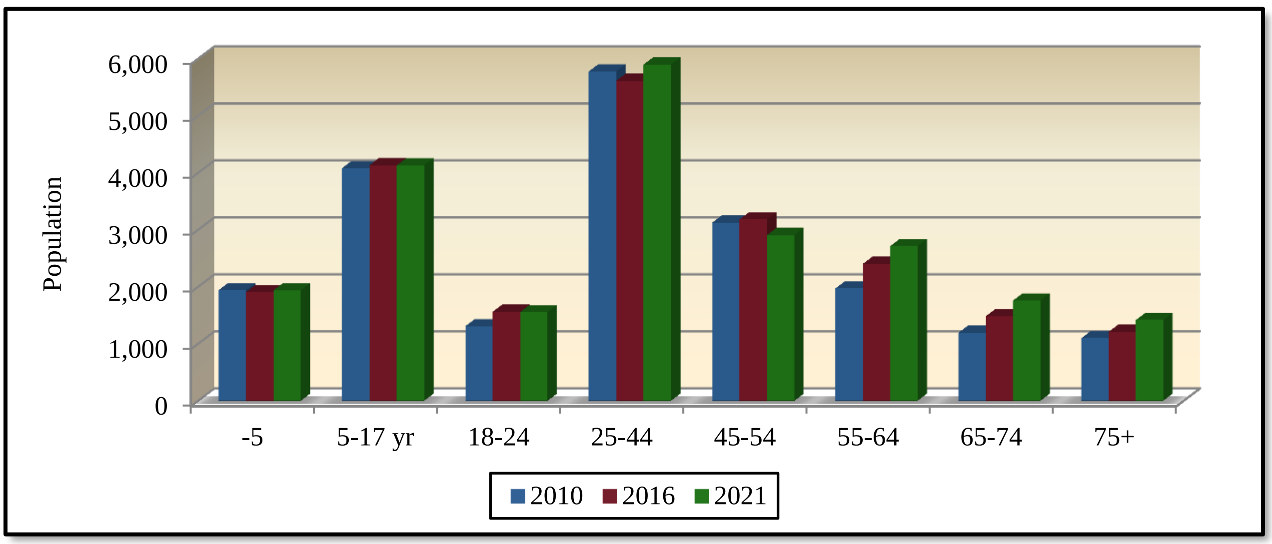


Table H, illustrates the growth or decline in age group numbers from the 2010 census until the year 2021. It is projected that all but two of the age groups will experience an increase, with -5 and 45-54 experiencing a decrease. It must be remembered that the population of the United States as a whole is aging and it is not unusual to find negative growth numbers in the younger age groups and significant net gains in the 45 plus age groupings in communities which are relatively stable in their population numbers.

Ethnicity and Race: Below is listed the distribution of the population by ethnicity and race for the Primary Service Area for 2016 population projections. Those numbers were developed from 2010 Census Data.

Table I – Primary Service Area Ethnic Population and Median Age 2016
(Source – U.S. Census Bureau and ESRI)

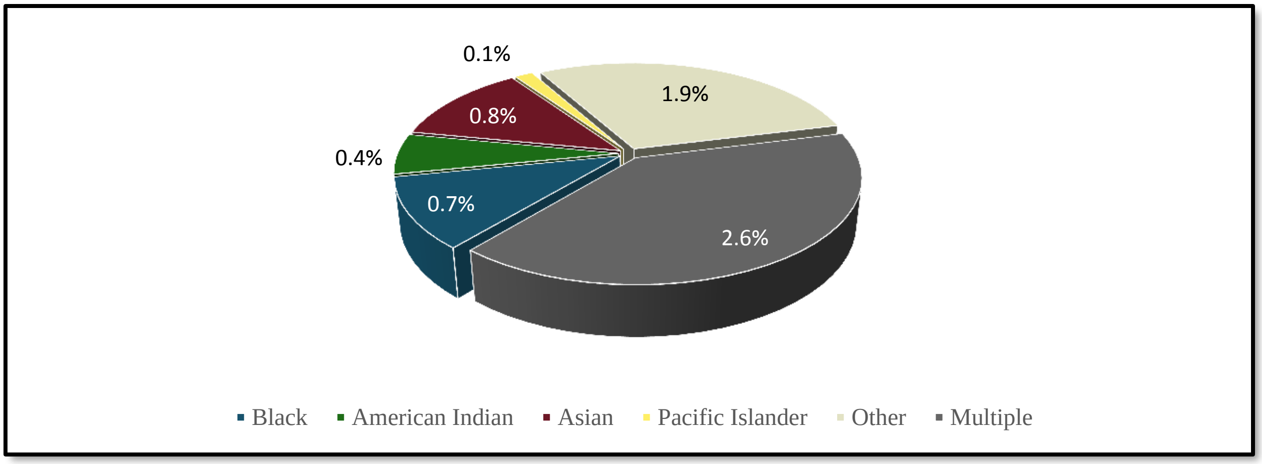
Ethnicity	Total Population	Median Age	% of Population	% of MN Population
Hispanic	566	17.8	2.6%	5.3%

Table J – Primary Service Area Population by Race and Median Age 2016
(Source – U.S. Census Bureau and ESRI)

Race	Total Population	Median Age	% of Population	% of MN Population
White	20,526	37.2	95.5%	83.0%
Black	144	26.3	0.7%	6.0%
American Indian	96	31.7	0.4%	1.2%
Asian	165	30.0	0.8%	4.9%
Pacific Islander	26	22.5	0.1%	0.05%
Other	183	23.0	1.9%	2.2%
Multiple	356	11.7	2.6%	2.7%

2016 Primary Service Area Total Population: 21,496 Residents

Chart H – 2016 Primary Service Area Non-White Population by Race


0.1%
1.9%
0.8%
0.4%
0.7%
2.6%
Black
American Indian
Asian
Pacific Islander
Other
Multiple

Tapestry Segmentation

Tapestry segmentation represents the 4th generation of market segmentation systems that began 30 years ago. The 65-segment Tapestry Segmentation system classifies U.S. neighborhoods based on their socioeconomic and demographic compositions. While the demographic landscape of the U.S. has changed significantly since the 2000 Census, the tapestry segmentation has remained stable as neighborhoods have evolved.

The value of including this information for the Service Areas is that it allows the organization to understand better the consumers/constituents in their service areas and supply them with the right products and services.

The Tapestry segmentation system classifies U.S. neighborhoods into 65 individual market segments. More than 60 attributes including; income, employment, home value, housing types, education, household composition, age and other key determinates of consumer behavior are used to identify neighborhoods.

The following pages and tables outline the top 5 tapestry segments in each of the service areas and provides a brief description of each. This information combined with the key indicators and demographic analysis of each service area help further describe the markets that the Primary Service Area looks to serve with programs, services, and special events.

For comparison purposes, the following are the top 10 Tapestry segments, along with percentage in the United States. The Primary and Secondary Services may or may not reflect these segments:

1. Green Acres (6A)	3.2%
2. Southern Satellites (10A)	3.2%
3. Savvy Suburbanites (1D)	3.0%
4. Salt of the Earth (6B)	2.9%
5. Soccer Moms (4A)	2.8%
	15.1%
6. Middleburg (4C)	2.8%
7. Midlife Constants (5E)	2.5%
8. Comfortable Empty Nesters (5A)	2.5%
9. Heartland Communities (6F)	2.4%
10. Old and Newcomers (8F)	2.3%
	12.5%

Table K – Primary Service Area Tapestry Segment Comparison
(ESRI estimates)

	Primary Service Area		*Demographics*	
	Percent	**Cumulative Percent**	**Median Age**	**Median HH Income**
Middleburg (4C)	29.8%	29.8%	35.3	$55,000
Green Acres (6A)	19.1%	48.9%	43.0	$72,000
Up & Coming Families (7A)	16.3%	65.2%	30.7	$64,000
Soccer Moms (4A)	14.6%	79.8%	33.6	$84,000
Heartland Communities (6F)	9.5%	89.2%	41.5	$39,000

Middleburg (4C) – Residents are conservative, family-oriented consumers. Still more country than rock and roll, they are thrifty but willing to carry some debt and are already investing in their futures. This market is younger but growing in size and assets. Young couples, many with children are present in these neighborhoods. The Hispanic (10.5%) population in this market is significant.

Green Acres (6A) – This segment features country living and self-reliance. They are avid do-it-yourselfers, maintaining and remodeling their homes. Outdoor living also features a variety of sports; hunting, fishing, motorcycling, hiking, camping and golf. This is an older market, primarily married couples, most with no children. There is little diversity within this segment.

Up & Coming Families (7A) – This segment is in transition, residents are younger and more mobile and ethnically diverse than the previous generation. They are ambitious, working hard to get ahead and willing to take some risks to achieve their goals. Their homes are new; their families are young. There is a significant Hispanic (26.7%) and Black (14.8%) population in this segment. Residents participate in activities that include; baseball, weight lifting and yoga.

Soccer Moms (4A) – This is an affluent, family-oriented market with a country flavor. Residents are partial to new housing away from the bustle of the city but close enough to commute to professional job centers. They favor time-saving devices, like banking online or housekeeping services, and family-oriented pursuits. Most households are married couples with children.

Heartland Communities (6F) – These communities are semirural and semiretired. These older householders are primarily homeowners. Their children have moved away, but they have not plans to leave their homes. Their hearts are with the country; they embrace the slower pace of life here but actively participate in outdoor activities and community events. There is little diversity in this segment. Walking is the main form of exercise within this segment.

Demographic Summary

The following summarizes the demographic characteristics of the service areas.

- The Lonsdale service area has a reasonably large household size and the median age is younger than the national number and lower than the state. There will be growth in the population in the coming years.

- The Lonsdale service area has a median household income level that is higher than the state and national level and as a result has a higher Recreation Spending Potential Index.

- The Lonsdale service area has significantly more households with children than the national numbers and there is expected to be significant growth in the youth age groups in the coming years.

- There is a reasonably small Hispanic and Africa American population in the service area.

- The market conditions and population characteristics are favorable for on-going support and participation in indoor recreation activities.

Sports Participation Numbers:

In addition to analyzing the demographic realities of the service areas, it is possible to project possible participation in recreation and sport activities.

Participation Numbers: On an annual basis the National Sporting Goods Association (NSGA) conducts an in-depth study and survey of how Americans spend their leisure time. This information provides the data necessary to overlay rate of participation onto the Primary Service Area to determine market potential. The information contained in this section of the report, utilizes the NSGA's most recent survey. For that data was collected in 2015 and the report was issued in May of 2016.

B*K takes the national average and combines that with participation percentages of the Primary Service Area based upon age distribution, median income, region and National number. Those four percentages are then averaged together to create a unique participation percentage for the service area. This participation percentage when applied to the population of the Primary Service Area then provides an idea of the market potential for various activities.

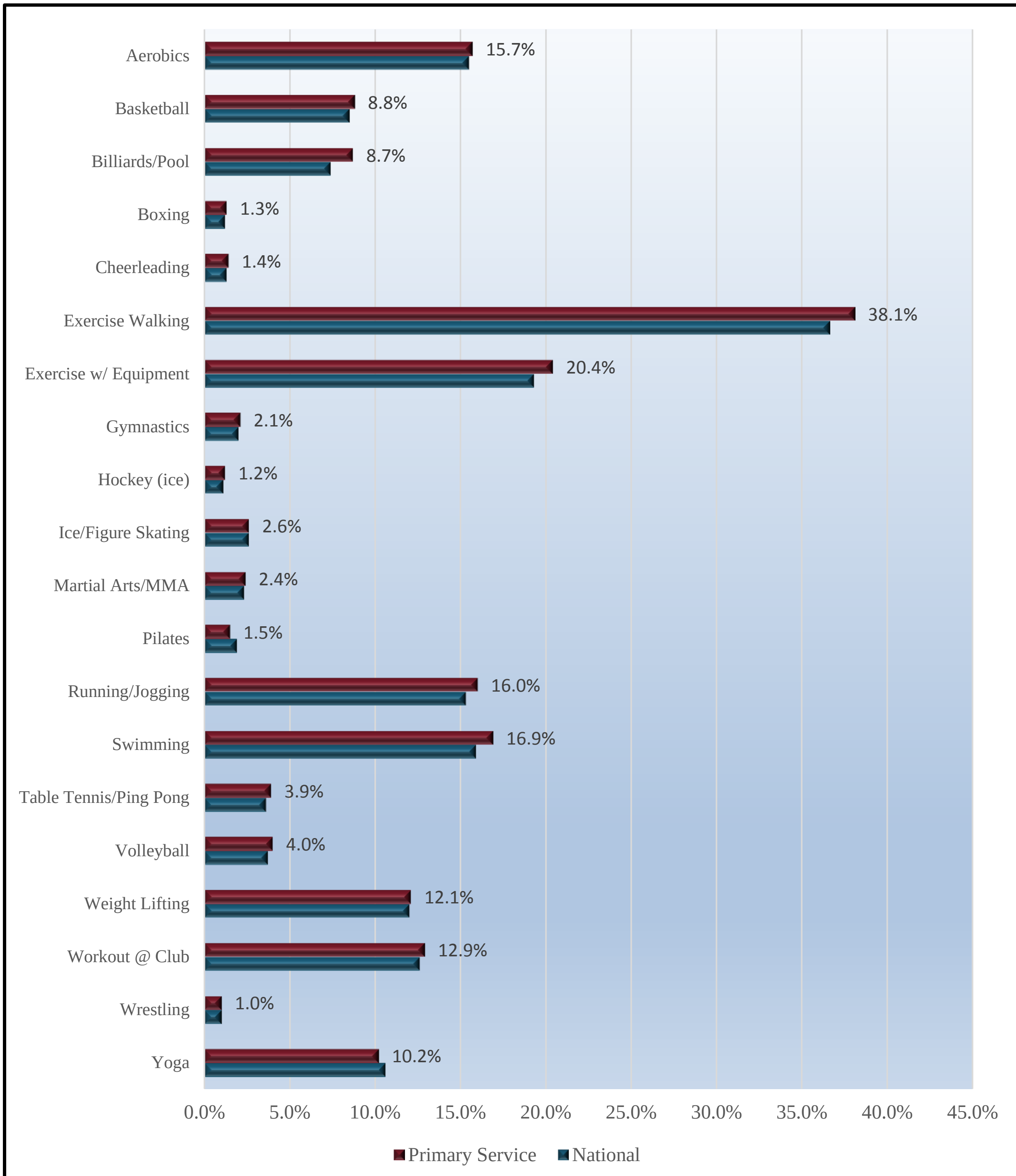
Community Recreation Related Activities Participation: These activities are typical components of an active recreation center.

Table L – Recreation Activity Participation Rates for the Primary Service Area

Indoor Activities	Age	Income	Region	Nation	Average
Aerobics	15.1%	16.6%	15.6%	15.5%	15.7%
Basketball	9.1%	10.1%	7.5%	8.5%	8.8%
Billiards/Pool	7.3%	8.3%	11.9%	7.4%	8.7%
Boxing	1.2%	1.3%	1.3%	1.2%	1.3%
Cheerleading	1.5%	1.8%	1.1%	1.3%	1.4%
Exercise Walking	35.7%	38.8%	41.1%	36.6%	38.1%
Exercise w/ Equipment	18.6%	21.5%	22.2%	19.3%	20.4%
Gymnastics	2.3%	2.4%	1.6%	2.0%	2.1%
Hockey (ice)	1.2%	1.3%	1.0%	1.1%	1.2%
Ice/Figuring Skating	2.8%	2.9%	2.3%	2.6%	2.6%
Martial Arts / MMA	2.4%	2.8%	1.9%	2.3%	2.4%
Pilates	0.3%	1.9%	1.7%	1.9%	1.5%
Running/Jogging	15.5%	16.7%	16.6%	15.3%	16.0%
Swimming	16.4%	17.6%	17.5%	15.9%	16.9%
Table Tennis/Ping Pong	3.6%	3.7%	4.6%	3.6%	3.9%
Volleyball	3.9%	4.7%	3.6%	3.7%	4.0%
Weight Lifting	10.4%	12.8%	13.3%	12.0%	12.1%
Workout @ Clubs	12.1%	13.0%	13.8%	12.6%	12.9%
Wrestling	1.1%	1.1%	0.8%	1.0%	1.0%
Yoga	10.2%	10.9%	9.1%	10.6%	10.2%

Age: Participation based on individuals ages 7 & Up of the Primary Service Area.
Income: Participation based on the 2013 estimated median household income in the Primary Service Area.
Region: Participation based on regional statistics (West North Central).
National: Participation based on national statistics.
Average: Average of the four columns.

Chart I – Comparison of National & Primary Service Area Participation Percentage:



Anticipated Participation Numbers by Activity: Utilizing the average percentage from Table-Q above plus the 2010 census information and census estimates for 2016 and 2021 (over age 7) the following comparisons are available.

Table M – Participation Rates Primary Service Area

Indoor Activity	Average	2010 Part.	2016 Part.	2021 Part.	Difference
Aerobics	15.7%	2,863	3,024	3,149	+286
Basketball	8.8%	1,606	1,696	1,766	+160
Billiards/Pool	8.7%	1,593	1,682	1,752	+159
Boxing	1.3%	230	243	253	+23
Cheerleading	1.4%	259	274	285	+26
Exercise Walking	38.1%	6,943	7,332	7,636	+693
Exercise w/ Equipment	20.4%	3,724	3,932	4,096	+372
Gymnastics	2.1%	376	397	414	+38
Hockey (ice)	1.2%	210	222	231	+21
Ice/Figure Skating	2.6%	482	509	531	+48
Martial Arts / MMA	2.4%	429	453	472	+43
Pilates	1.5%	265	280	292	+26
Running/Jogging	16.0%	2,923	3,086	3,214	+292
Swimming	16.9%	3,075	3,247	3,382	+307
Table Tennis/Ping Pong	3.9%	709	749	780	+71
Volleyball	4.0%	727	768	800	+73
Weight Lifting	12.1%	2,214	2,338	2,435	+221
Workout @ Clubs	12.9%	2,348	2,480	2,583	+234
Wrestling	1.0%	184	195	203	+18
Yoga	10.2%	1,862	1,967	2,048	+186

Note: The estimated participation numbers indicated above are for activities that could take place in and around an active aquatic/recreation center. These figures do not necessarily translate into attendance figures for various activities or programs.

Participation by Ethnicity and Race: The table below compares the overall rate of participation nationally with the rate for Hispanics and African Americans. Utilizing information provided by the National Sporting Goods Association's 2016 survey, the following comparisons are possible.

Table N – Comparison of National, African American and Hispanic Participation Rates

Indoor Activity	Primary Service Area	National Participation	African American Participation	Hispanic Participation
Aerobics	15.7%	15.5%	14.5%	14.1%
Basketball	8.8%	8.5%	12.4%	9.6%
Billiards/Pool	8.7%	7.4%	5.4%	7.4%
Boxing	1.3%	1.2%	2.0%	2.5%
Cheerleading	1.4%	1.3%	2.0%	1.0%
Exercise Walking	38.1%	36.6%	31.2%	28.1%
Exercise w/ Equipment	20.4%	19.3%	17.6%	16.2%
Gymnastics	2.1%	2.0%	2.2%	2.1%
Hockey (ice)	1.2%	1.1%	0.6%	0.8%
Ice/Figure Skating	2.6%	2.6%	1.4%	3.1%
Martial Arts / MMA	2.4%	2.3%	2.3%	2.9%
Pilates	1.5%	1.9%	2.0%	2.5%
Running/Jogging	16.0%	15.3%	14.3%	18.9%
Swimming	16.9%	15.9%	8.3%	13.7%
Table Tennis/Ping Pong	3.9%	3.6%	2.1%	3.2%
Volleyball	4.0%	3.7%	3.0%	4.4%
Weight Lifting	12.1%	12.0%	11.7%	11.8%
Workout @ Clubs	12.9%	12.6%	11.3%	13.1%
Wrestling	1.0%	1.0%	1.1%	1.4%
Yoga	10.2%	10.6%	8.4%	11.9%
Did Not Participate	15.7%	22.1%	26.8%	27.5%

Primary Service Part: The unique participation percentage developed for the Primary Service Area.

National Rate: The national percentage of individuals who participate in the given activity.

African American Rate: The percentage of African-Americans who participate in the given activity.

Hispanic Rate: The percentage of Hispanics who participate in the given activity.

There is not a significant Black or Hispanic population in the Primary Service Area. As such these numbers play less of a factor with regards to overall participation.

Summary of Sports Participation: The following chart summarizes participation in both indoor and outdoor activities utilizing information from the 2016 National Sporting Goods Association survey.

Table O – Sports Participation Summary

Sport	Nat'l Rank[4]	Nat'l Participation (in millions)	Primary Service	Primary Service Area Percentage
Exercise Walking	1	106.3	1	38.1%
Exercising w/ Equipment	2	56.3	2	20.4%
Swimming	3	46.3	3	16.9%
Aerobic Exercising	4	45.1	5	15.7%
Running/Jogging	5	44.5	4	16.0%
Workout @ Club	8	36.6	6	12.9%
Weight Lifting	11	34.8	7	12.1%
Yoga	13	30.7	8	10.2%
Basketball	14	24.8	9	8.8%
Billiards/Pool	15	21.5	10	8.7%
Volleyball	24	10.7	11	4.0%
Table Tennis/Ping Pong	25	10.5	12	3.9%
Ice/Figure Skating	33	7.6	13	2.6%
Martial Arts / MMA	36	6.6	14	2.4%
Gymnastics	39	5.8	15	2.1%
Pilates	42	5.6	16	1.5%
Cheerleading	46	3.7	17	1.4%
Boxing	47	3.6	18	1.3%
Hockey (ice)	50	3.3	19	1.2%
Wrestling	51	3.0	20	1.0%

Nat'l Rank: Popularity of sport based on national survey.

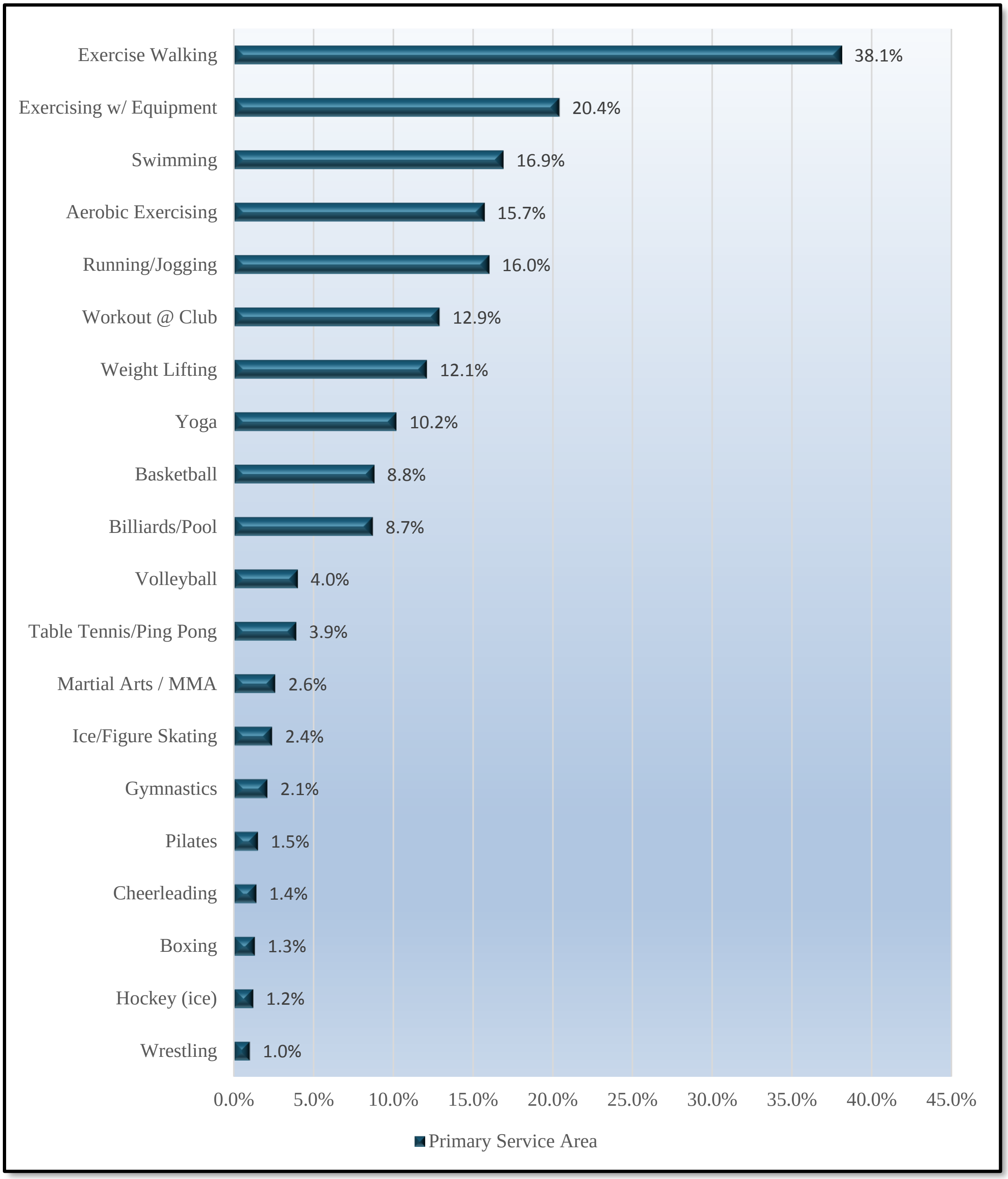
Nat'l Participation: Percent of population that participate in this sport on national survey.

Primary Service Rank: The rank of the activity within the Primary Service Area.

Primary Service %: Ranking of activities based upon average from Table-Q.

[4] This rank is based upon the 54 activities reported on by NSGA in their 2014 survey instrument.

Chart J – Sports Participation in Primary Service Area



Participation by Age Group: Within the NSGA survey, participation is broken down by age groups. As such B*K can identify the top 3 age groups participating in the activities reflected in this report.

Chart P – Participation by Age Group:

Activity	Largest	Second Largest	Third Largest
Aerobics	25-34	35-44	18-24
Basketball	7-11	12-17	18-24
Billiards/Pool	35-44	25-34	18-24
Boxing	25-34	18-24	12-17
Cheerleading	7-11	12-17	18-24
Exercise Walking	55-64	65-74	45-54
Exercise w/ Equipment	18-24	25-34	35-44
Gymnastics	7-11	12-17	25-34
Hockey (ice)	12-17	7-11	18-24
Figure/Ice Skating	7-11	12-17	18-24
Martial Arts / MMA	7-11	12-17	25-34
Pilates	25-34	35-44	18-24
Running/Jogging	18-24	12-17	25-34
Swimming	7-11	12-18	35-44
Table Tennis/Ping Pong	7-11	18-24	12-17
Volleyball	12-17	7-11	18-24
Weight Lifting	18-24	25-34	35-44
Workout @ Clubs	18-24	25-34	35-44
Wrestling	12-17	7-11	18-24
Yoga	25-34	18-24	35-44

Largest: Age group with the highest rate of participation.

Second Largest: Age group with the second highest rate of participation.

Third Largest: Age group with the third highest rate of participation.

Market Potential Index for Adult Participation: In addition to examining the participation numbers for various indoor activities through the NSGA 2016 Survey and the Spending Potential Index for Entertainment & Recreation, B*K can access information about Sports & Leisure Market Potential. The following information illustrates participation rates for adults in various activities in the Primary Service Area.

Table Q – Market Potential Index for Adult Participation in Activities

Adults participated in:	Expected Number of Adults	Percent of Population	MPI
Aerobics	1,439	9.3%	110
Basketball	1,310	8.5%	103
Bicycling (road)	1,592	10.3%	104
Ice Skating	373	2.4%	99
Jogging/Running	2,234	14.5%	109
Pilates	444	2.9%	104
Swimming	2,642	17.1%	110
Volleyball	524	3.4%	104
Walking for Exercise	4,491	29.1%	109
Weight Lifting	1,681	10.9%	110
Yoga	1,060	6.9%	97

Expected # of Adults: Number of adults, 18 years of age and older, participating in the activity in the Primary Service Area.
Percent of Population: Percent of the service area that participates in the activity.
MPI: Market potential index as compared to the national number of 100.

This table indicates that the overall propensity for adults to participate in the various activities listed is greater than the national number of 100 in 9 of 11 instances. In many cases when a participation number is lower than the National number, primary factors include a lack of facilities or an inability to pay for services and programs.

Sports Participation Trends: Below are listed a number of sports activities and the percentage of growth or decline that each has experienced nationally over the last ten years (2006-2015).

Table R – National Activity Trend (in millions)

Increasing in Popularity

	2006 Participation	2015 Participation	Percent Change
Yoga[5]	10.7	30.7	186.9%
Running/Jogging	28.8	44.5	54.5%
Gymnastics[6]	3.9	5.8	48.7%
Aerobic Exercising	33.7	45.1	33.8%
Hockey (ice)	2.6	3.3	26.9%
Exercise Walking	87.5	106.3	21.5%
Exercising w/ Equipment	52.4	56.3	7.4%
Weight Lifting	32.9	34.8	5.8%
Martial Arts/MMA[7]	6.4	6.6	3.1%
Pilates[8]	5.5	5.6	1.8%

Decreasing in Popularity

	2006 Participation	2015 Participation	Percent Change
Workout @ Club	37.0	36.6	-1.1%
Cheerleading	3.8	3.7	-2.6%
Volleyball	11.1	10.7	-3.6%
Boxing[9]	3.8	3.6	-5.3%
Basketball	26.7	24.8	-7.1%
Ice/Figure Skating	8.2	7.6	-7.3%
Swimming	56.5	46.3	-18.1%
Wrestling	3.8	3.0	-21.1%
Table Tennis/Ping Pong[10]	13.3	10.5	-21.1%
Billiards/Pool	31.8	21.5	-32.4%

2015 Participation: The number of participants per year in the activity (in millions) in the United States.
2006 Participation: The number of participants per year in the activity (in millions) in the United States.
Percent Change: The percent change in the level of participation from 2006 to 2015.

[5] Growth Since 2007.
[6] Growth Since 2009.
[7] Growth Since 2013.
[8] Growth Since 2014.
[9] Decrease since 2013.
[10] Decrease since 2009.

Non-Sport Participation Statistics: It is important to note that participation rates in non-sport activities. While there is not an abundance of information available for participation in these types of activities as compared to sport activities, there are statistics that can be utilized to help determine the market for cultural arts activities and events.

There are many ways to measure a nation's cultural vitality. One way is to chart the public's involvement with arts events and other activities over time. The NEA's Survey of Public Participation in the Arts remains the largest periodic study of arts participation in the United States, and it is conducted in partnership with the U.S. Census Bureau. The large number of survey respondents – similar in make-up to the total U.S. adult population – permits a statistical snapshot of American's engagement with the arts by frequency and activity type. The survey has taken place five times since 1982, allowing researchers to compare the trends not only for the total adult population but also for demographic subgroups.[11]

The participation numbers for these activities are national numbers.

[11] National Endowment for the Arts, *Arts Participation 2008 Highlights from a National Survey*.

Table S – Percentage of U.S. Adult Population Attending Arts Performances: 1982-2008

					Rate of Change	
	1982	**1992**	**2002**	**2008**	**2002-2008**	**1982-2008**
Jazz	9.6%	10.6%	10.8%	7.8%	-28%	-19%
Classical Music	13.0%	12.5%	11.6%	9.3%	-20%	-29%
Opera	3.0%	3.3%	3.2%	2.1%	-34%	-30%
Musical Plays	18.6%	17.4%	17.1%	16.7%	-2%	-10%
Non-Musical Plays	11.9%	13.5%	12.3%	9.4%	-24%	-21%
Ballet	4.2%	4.7%	3.9%	2.9%	-26%	-31%

Smaller percentages of adults attended performing arts events than in previous years.

- Opera and jazz participation significantly decreased for the first time, with attendance rates falling below what they were in 1982.
- Classical music attendance continued to decline – at a 29% rate since 1982 – with the steepest drop occurring from 2002 to 2008
- Only musical play saw no statistically significant change in attendance since 2002.

Chart K – Percentage of U.S. Adult Population Attending Arts Performances:

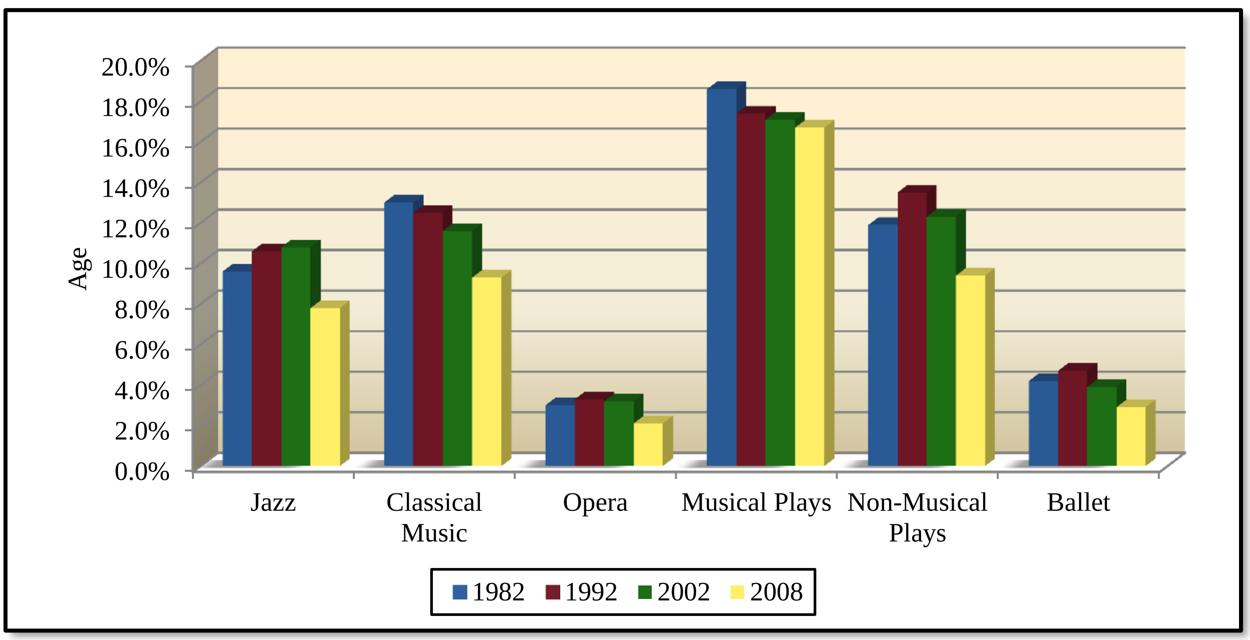


Table T – Percentage of U.S. Adult Population Attending Art Museums, Parks, and Festivals: 1982-2008

					Rate of Change	
	1982	**1992**	**2002**	**2008**	**2002-2008**	**1982-2008**
Art Museums/Galleries	22.1%	26.7%	26.5%	22.7%	-14%	+3%
Parks/Historical Buildings	37.0%	34.5%	31.6%	24.9%	-21%	-33%
Craft/Visual Arts Festivals	39.0%	40.7%	33.4%	24.5%	-27%	-37%

Attendance for the most popular types of arts events – such as museums and craft fairs – also declined.

- After topping 26% in 1992 and 2002, the art museum attendance rate slipped to 23 percent in 2008 – comparable to the 1982 level.
- The proportion of the U.S. adults touring parks or historical buildings has diminished by one-third since 1982.

Table U – Median Age of Arts Attendees: 1982-2008

					Rate of Change	
	1982	**1992**	**2002**	**2008**	**2002-2008**	**1982-2008**
U.S. Adults, Average	39	41	43	45	+2	+6
Jazz	29	37	43	46	+4	+17
Classical Music	40	44	47	49	+2	+9
Opera	43	44	47	48	+1	+5
Musicals	39	42	44	45	+1	+6
Non-Musical Plays	39	42	44	47	+3	+8
Ballet	37	40	44	46	+2	+9
Art Museums	36	39	44	43	-1	+7

Long-term trends suggest fundamental shifts in the relationship between age and arts attendance.

- Performing arts attendees are increasingly older than the average U.S. adult.
- Jazz concert-goers are no longer the youngest group of arts participants.
- Since 1982, young adult (18-24-year-old) attendance rates have declined significantly for jazz, classical music, ballet, and non-musical plays.
- From 2002 to 2008, however, 45-54-year-olds – historically a significant component of arts audiences – showed the steepest declines in attendance for most arts events.

Chart L – Percentage of U.S. Adult Population Attending Arts Performances:

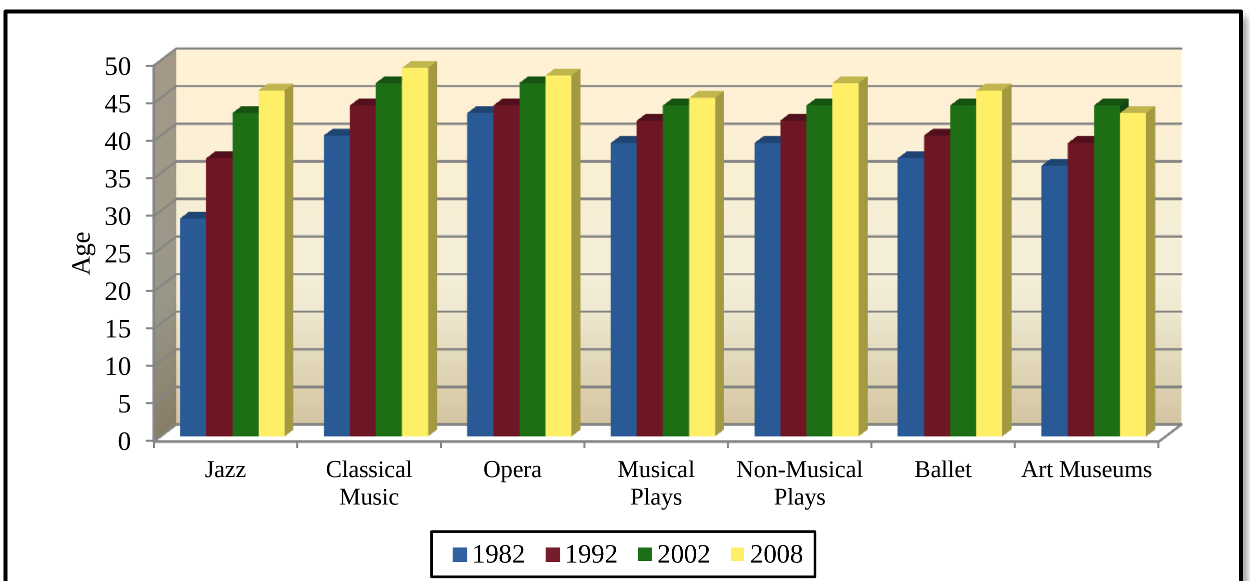


Table V – Percentage of U.S. Adult Population Performing or Creating Art: 1992-2008

				Rate of Change	
	1992	**2002**	**2008**	**2002-2008**	**1982-2008**
Performing:					
Jazz	1.7%	1.3%	1.3%	+0.0%	-0.4%
Classical Music	4.2%	1.8%	3.0%	+1.2%	-1.2%
Opera	1.1%	0.7%	0.4%	-0.3%	-0.7%
Choir/Chorus	6.3%	4.8%	5.2%	+0.4%	-1.1%
Musical Plays	3.8%	2.4%	0.9%	-1.5%	-2.9%
Non-Musical Plays	1.6%	1.4%	0.8%	-0.6%	-0.8%
Dance	8.1%	4.3%	2.1%	-2.2%	-6.0%
Making:					
Painting/Drawing	9.6%	8.6%	9.0%	+0.4%	-0.6%
Pottery/Ceramics	8.4%	6.9%	6.0%	-0.9%	-2.4%
Weaving/Sewing	24.8%	16.0%	13.1%	-2.9%	-11.7%
Photography	11.6%	11.5%	14.7%	+3.2%	+3.1%
Creative Writing	7.4%	7.0%	6.9%	-0.1%	-0.5%

Adults are creating or performing at lower rates – despite opportunities for displaying their work line.

- Only photography increased from 1992 to 2008 – reflecting, perhaps, greater access through digital media.
- The proportion of U.S. adults doing creative writing has hovered around 7.0 percent.
- The rate of classical music performance slipped from 1992 to 2002 then grew over the next six years.
- The adult participation rate for weaving or sewing was almost twice as great in 1992 as in 2008. This activity remains one of the most popular forms of art creation.

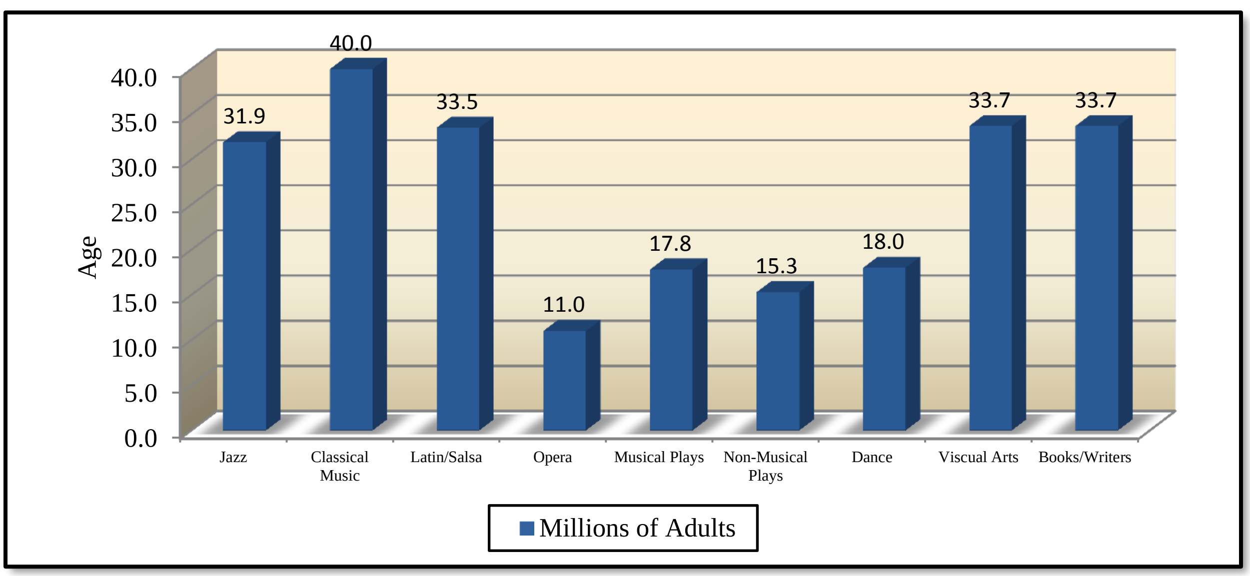
Table W – Percentage of U.S. Adult Population Viewing or Listening to Art Broadcasts or Recordings, 2008 (online media included)

	Percentage	Millions of Adults
Jazz	14.2%	31.9
Classical Music	17.8%	40.0
Latin or Salsa Music	14.9%	33.5
Opera	4.9%	11.0
Musical Plays	7.9%	17.8
Non-Musical Plays	6.8%	15.3
Dance	8.0%	18.0
Programs about the visual arts	15.0%	33.7
Programs about books/writers	15.0%	33.7

As in previous years, more Americans view or listen to broadcasts and recordings of arts events than attend them live.

- The sole exception is live theater, which still attracts more adults than broadcasts or recordings of plays or musicals (online media included).
- Classical music broadcasts or recordings attract the greatest number of adult listeners, followed by Latin or salsa music.
- 33.7 million Americans listened to or watched programs or recordings about books.

Chart M – Percentage of U.S. Adult Population Attending Arts Performances:



Recreation Activity and Facility Trends: There continues to be very strong growth in the number of people participating in recreation and leisure activities. The Physical Activity Council in its 2013 study indicated that 33% of Americans (age 6 and older) are active to a healthy level. However, the study also indicated that 28% of Americans were inactive. It is estimated that one in five Americans over the age of six participates in some form of fitness related activity at least once a week. American Sports Data, Inc. reported that membership in U.S. health clubs has increased by 10.8% from 2009 to 2010, and memberships in health clubs reached an all-time high of 50.2 million in 2010. Statistics also indicate that approximately 12 out of every 100 people of the U.S. population (or 12%) belong to a health club. On the other side most public recreation centers attract between 20% and 30% of a market area (more than once) during the course of a year. All of this indicates the relative strength of a market for a community recreation facility. However, despite these increases the American population as a whole continues to lead a rather sedentary life with an average of 25% of people across the country reporting that they engage in no physical activity (according to The Center for Disease Control).

One of the areas of greatest participant growth over the last 10 years is in fitness related activities such as exercise with equipment, aerobic exercise and group cycling. This is also the most volatile area of growth with specific interest areas soaring in popularity for a couple of years only to be replaced by a new activity for the coming years. Also showing particularly strong growth numbers are ice hockey and running/jogging while swimming participation remains consistently high despite recent drops in overall numbers. It is significant that many of the activities that can take place in an indoor recreation setting are ranked in the top fifteen in overall participation by the National Sporting Goods Association.

Due to the increasing recreational demands there has been a shortage in most communities of the following spaces:

- Gymnasiums
- Pools (especially leisure pools)
- Weight/cardiovascular equipment areas
- Indoor running/walking tracks
- Meeting/multipurpose (general program) space
- Senior's program space
- Pre-school and youth space
- Teen use areas
- Fieldhouses

As a result, many communities have attempted to include these amenities in public community recreation facilities. With the growth in youth sports and the high demand for school gyms, most communities are experiencing an acute lack of gymnasium space. Weight/cardiovascular space is also in high demand and provides a facility with the potential to generate significant revenues.

The success of most recreation departments is dependent on meeting the recreational needs of a variety of individuals. The fastest growing segment of society is the senior population and meeting the needs of this group is especially important now and will only grow more so in the coming years. Indoor walking tracks, exercise areas, pools and classroom spaces are important to this age group. Marketing to the younger more active senior (usually age 55-70) is paramount, as this age group has the free time available to participate in leisure activities, the desire to remain fit, and more importantly the disposable income to pay for such services.

Youth programming has always been a cornerstone for recreation services and will continue to be so with an increased emphasis on teen needs and providing a deterrent to juvenile crime. With a continuing increase in single parent households and two working parent families, the needs of school age children for before and after school child care continues to grow as does the need for preschool programming.

As more and more communities attempt to develop community recreation facilities the issues of competition with other providers in the market area have inevitably been raised. The loudest objections have come from the private health club market and their industry voice IHRSA. The private sector has vigorously contended that public facilities unfairly compete with them in the market and have spent considerable resources attempting to derail public projects. However, the reality is that in most markets where public community recreation centers have been built, the private sector has not been adversely affected and in fact in many cases has continued to grow. This is due in large part to the fact that public and private providers serve markedly different markets. One of the other issues of competition comes from the non-profit sector (primarily YMCA's but also JCC’s, and others), where the market is much closer to that of the public providers. While not as vociferous as the private providers, the non-profits have also often expressed concern over public community recreation centers. What has resulted from this is a strong growth in the number of partnerships that have occurred between the public and non-profit sector in an attempt to bring the best recreation amenities to a community.

Community Center Benchmarks: Based on market research conducted by Ballard*King & Associates at community centers across the United States, the following represents the basic benchmarks.

- The majority of community centers that are being built today are between 65,000 and 75,000 square feet. Most centers include three primary components A) A pool area usually with competitive and leisure amenities, B) Multipurpose gymnasium space, and C) Weight/cardiovascular equipment area. In addition, most centers also have group exercise rooms, drop-in childcare, and classroom and/or community spaces.

- For most centers to have an opportunity to cover all of their operating expenses with revenues, they must have a service population of at least 30,000 and an aggressive fee structure.

- Most centers that are between 65,000 and 75,000 square feet have an operating budget of between $1,500,000 and $1,800,000 annually. Nearly 65% of the operating costs are from personnel services, followed by approximately 25% for contractual services, 8% for commodities, and 2% for capital replacement.

- For centers that serve a more urban population and have a market driven fee structure, they should be able to recover 70% to 100% of operating expenses. For centers in more rural areas the recovery rate is generally 50% to 75%. Facilities that can consistently cover all of their operating expenses with revenues are rare. The first true benchmark year of operation does not occur until the third full year of operation.

- The majority of centers of the size noted (and in an urban environment) above average daily paid attendance of 800 to as much as 1,000 per day. These centers will also typically sell between 800 and 1,500 annual passes (depending on the fee structure and marketing program).

- It is common for most centers to have a three-tiered fee structure that offers daily, extended visit (usually punch cards) passes, and annual passes. In urban areas it is common to have resident and non-resident fees. Non-resident rates can cost 25% to 50% higher than the resident rate and are usually a topic of discussion amongst elected officials. Daily rates for resident's average between $3.00 and $6.00 for adults, $3.00 and $4.00 for youth and the same for seniors. Annual rates for resident's average between $200 and $300 for adults, and $100 and $200 for youth and seniors. Family annual passes tend to be heavily discounted and run between $350 and $800.

- Most centers are open an average of 105 hours a week, with weekday hours being 5:00 am to 10:00 pm, Saturdays 8:00 am to 8:00 pm and Sundays from noon to 8:00 pm. There is now a trend to open earlier on Sundays as well. Often hours are shorter during the summer months.

Note: These statistics vary by regions of the country.

Aquatic Participation Trends: Swimming is one of the most popular sports and leisure activities, meaning that there is a significant market for aquatic pursuits. Approximately 15.3% of the population in the West South Central region of the country participates in aquatic activities. This is a significant segment of the population.

Despite the recent emphasis on recreational swimming the more traditional aspects of aquatics (including swim teams, instruction and aqua fitness) remain as an important part of most aquatic centers. The life safety issues associated with teaching children how to swim is a critical concern in most communities and competitive swim team programs through USA Swimming, high schools, masters, and other community based organizations continue to be important. Aqua fitness, from aqua exercise to lap swimming, has enjoyed strong growth during the last ten years with the realization of the benefits of water-based exercise.

A competitive pool allows for a variety of aquatic activities to take place simultaneously and can handle aqua exercise classes, learn to swim programs as well competitive swim training and meets (short course and possibly long course). In communities where there are a number of competitive swim programs, utilizing a pool with 8 lanes or more is usually important. A competitive pool that is designed for hosting meets will allow a community to build a more regional or even national identity as a site for competitive swimming. However, it should be realized that regional and national swim meets are difficult to obtain on a regular basis, take a considerable amount of time, effort and money to run; can be disruptive to the regular user groups and can be financial losers for the facility itself. On the other side such events can provide a strong economic stimulus to the overall community.

Competitive diving is an activity that is often found in connection with competitive swimming. Most high school and regional diving competition centers on the 1-meter board with some 3 meter events (non-high school). The competitive diving market, unlike swimming, is usually very small (usually 10% to 20% the size of the competitive swim market) and has been decreasing steadily over the last ten years or more. As a result, many states have or are considering the elimination of diving as a part of high school swimming. Diving programs have been more viable in markets with larger populations and where there are coaches with strong diving reputations. Moving from springboard diving to platform (5 meter and 10 meter, and sometimes 3 and 7.5 meters), the market for divers drops even more while the cost of construction with deeper pool depths and higher dive towers becomes significantly larger. Platform diving is usually only a competitive event in regional and national diving competitions. As a result, the need for inclusion of diving platforms in a competitive aquatic facility needs to be carefully studied to determine the true economic feasibility of such an amenity.

There are a couple of other aquatic sports that are often competing for pool time at competitive aquatic centers. However, their competition base and number of participants is relatively small.

Water polo is a sport that continues to be reasonably popular on the west coast but is not nearly as strong in Washington and uses a space of 25 yards or meters by 45-66 feet wide (the basic size of an 8 lane, 25-yard pool). However, a minimum depth of 6 foot 6 inches is required which is often difficult to find in more community based facilities. Synchronized swimming also utilizes aquatic facilities for their sport and they also require deeper water of 7-8 feet. This also makes the use of some community pools difficult.

Without doubt the hottest trend in aquatics is the leisure pool concept. This idea of incorporating slides, lazy rivers (or current channels), fountains, zero depth entry and other water features into a pool's design has proved to be extremely popular for the recreational user. The age of the conventional pool in most recreational settings has greatly diminished. Leisure pools appeal to the younger kids (who are the largest segment of the population that swims) and to families. These types of facilities are able to attract and draw larger crowds and people tend to come from a further distance and stay longer to utilize such pools. This all translates into the potential to sell more admissions and increase revenues. It is estimated conservatively that a leisure pool can generate up to 30% more revenue than a comparable conventional pool and the cost of operation while being higher, has been offset through increased revenues. Of note is the fact that patrons seem willing to pay a higher user fee with this type of pool that is in a park like setting than a conventional aquatics facility.

Another trend that is growing more popular in the aquatic's field is the development of a raised temperature therapy pool for relaxation, socialization, and rehabilitation. This has been effective in bringing in swimmers who are looking for a different experience and non-swimmers who want the advantages of warm water in a different setting. The development of natural landscapes has enhanced this type of amenity and created a pleasant atmosphere for adult socialization.

The multi-function indoor aquatic center concept of delivering aquatics services continues to grow in acceptance with the idea of providing for a variety of aquatics activities and programs in an open design setting that features a lot of natural light, interactive play features and access to an outdoor sun deck. The placing of traditional instructional/competitive pools, with shallow depth/interactive leisure pools and therapy water, in the same facility has been well received in the market. This idea has proven to be financially successful by centralizing pool operations for recreation service providers and through increased generation of revenues from patrons willing to pay for an aquatics experience that is new and exciting. Indoor aquatic centers have been instrumental in developing a true family appeal for community-based facilities. The keys to success for this type of center revolve around the concept of intergenerational use in a quality facility that has an exciting and vibrant feel in an outdoor like atmosphere.

Also changing is the orientation of aquatic centers from stand-alone facilities that only have aquatic features to more of a full-service recreation center that has fitness, sports and community based amenities. This change has allowed for a better rate of cost recovery and stronger rates of use of the aquatic portion of the facility as well as the other "dry side" amenities.

Aquatic Facilities Market Orientation: Based on the market information, the existing pools, and typical aquatic needs within a community, there are specific market areas that need to be addressed with any aquatic facility. These include:

1. **Leisure/recreation aquatic activities** - This includes a variety of activities found at leisure pools with zero depth entry, warm water, play apparatus, slides, seating areas and deck space. These are often combined with other non-aquatic areas such as concessions and birthday party or other group event areas.

2. **Instructional programming** - The primary emphasis is on teaching swimming and lifesaving skills to many different age groups. These activities have traditionally taken place in more conventional pool configurations but should not be confined to just these spaces. Reasonably warm water, shallow depth with deeper water (4 ft. or more), and open expanses of water are necessary for instructional activities. Easy pool access, a viewing area for parents, and deck space for instructors is also crucial.

3. **Fitness programming** - These types of activities continue to grow in popularity among a large segment of the population. From aqua exercise classes, to lap swimming times, these programs take place in more traditional settings that have lap lanes and large open expanses of water available at a 3 1/2 to 5 ft. depth.

4. **Therapy** – A growing market segment for many aquatic centers is the use of warm, shallow water for therapy and rehabilitation purposes. Many of these services are offered by medically based organizations that partner with the center for this purpose.

5. **Competitive swimming/diving** - Swim team competition and training for youth, adults and seniors requires a traditional 6 to 10 lane pool with a 1 and/or 3 meter diving boards at a length of 25 yards or 50 meters. Ideally, the pool depth should be no less than 4 ft. deep at the turn end and 6 feet for starts (7 is preferred). Spectator seating and deck space for staging meets is necessary. This market usually has strong demands for competitive pool space and time during prime times of center use.

6. **Specialized uses** – Activities such as water polo and synchronized swimming can also take place in competitive pool areas as long as the pool is deep enough (7 ft. minimum) and the pool area is large enough. However, these are activities that have small participant numbers and require relatively large pool areas. As a result, it may be difficult to meet the needs of specialized uses on a regular basis.

7. **Social/relaxation** - The appeal of using an aquatics area for relaxation has become a primary focus of many aquatic facilities. This concept has been very effective in drawing non-swimmers to aquatic facilities and expanding the market beyond the traditional swimming boundaries. The use of natural landscapes and creative pool designs that integrate the social elements with swimming activities has been most effective in reaching this market segment.

8. **Special events/rentals** - There is a market for special events including kid's birthday parties, corporate events, community organization functions, and general rentals to outside groups. The development of this market will aid in the generation of additional revenues and these events/rentals can often be planned for after or before regular hours or during slow use times. It is important that special events or rentals not adversely affect daily operations or overall center use.

Specific market segments include:

1. **Families** - Within this market, an orientation towards family activities is essential. The ability to have family members of different ages participate in a fun and vibrant facility is essential.

2. **Pre-school children** - The needs of pre-school age children need to be met with very shallow or zero depth water which is warm and has play apparatus designed for their use. Interactive programming involving parents and toddlers can also be conducted in more traditional aquatic areas as well.

3. **School age youth** - A major focus of most pools is to meet the needs of this age group from recreational swimming to competitive aquatics. The leisure components such as slides, fountains, lazy rivers and zero depth will help to bring these individuals to the pool on a regular basis for drop-in recreational swimming. The lap lanes provide the opportunity and space necessary for instructional programs and aquatic team use.

4. **Teens** - Another aspect of many pools is meeting the needs of the teenage population. Serving the needs of this age group will require leisure pool amenities that will keep their interest (slides) as well as the designation of certain "teen" times of use.

5. **Adults** – This age group has a variety of needs from aquatic exercise classes to lap swimming, triathlon training and competitive swimming through the master's program.

6. **Seniors** - As the population of the United States and the service area continues to age, meeting the needs of an older senior population will be essential. A more active and physically oriented senior is now demanding services to ensure their continued health.

Aqua exercise, lap swimming, therapeutic conditioning and even learn to swim classes have proven to be popular with this age group.

7. **Special needs population** - This is a secondary market, but with the A.D.A. requirements and the existence of shallow warm water and other components, the amenities are present to develop programs for this population segment. Association with a hospital and other therapeutic and social service agencies will be necessary to reach this market.

8. **Special interest groups** - These include swim teams (and other aquatic teams), school district teams, day care centers and social service organizations. While the needs of these groups can be great, their demands on an aquatics center can often be incompatible with the overall mission of the facility. Care must be taken to ensure that special interest groups are not allowed to dictate use patterns for the center.

With the proper pools and strong utilization of the aquatics area, it is possible to meet most of the varied market orientations as outlined above.

Market Conclusion:

Below are listed some of the market opportunities and challenges that exist with this project.

Opportunities

- The demographic characteristics of Lonsdale indicate households with average income levels and an acceptable level of disposable income for recreation purposes. There are also a large number of households with children. These characteristics result in strong participation in recreation activities.

- The population will continue to grow at a steady pace in the market area.

- There is no public indoor swimming pool in Lonsdale.

- The community has a higher recreation expenditure levels than the State of Minnesota.

Challenges

- The community has a higher recreation expenditure levels than the State of Minnesota.

- There will be large growth in the senior population in the coming years and the rate of participation in active recreational pursuits is generally lower with this age group.

- The Lonsdale service area does not have a large enough population base to support the operation of a community center through fees and charges and consequently require some form of operations support.

- Funding not only the development but the operation of a new aquatic/recreation center will have to be clearly defined amongst the project partners.

Section III - Operations

The operations analysis represents a conservative approach to estimating expenses and revenues and was completed based on the best information available and a basic understanding of the project. Fees and charges utilized for this study reflect a philosophy designed to meet a reasonable cost recovery rate and future operations cost and are subject to review, change, and approval by the project committee. There is no guarantee that the expense and revenue projections outlined in the operations analysis will be met as there are many variables that affect such estimates that either cannot be accurately measured or are subject to change during the actual budgetary process. There has been no assignment of expense or revenues that reflect a partnership with the local school districts.

Expenditures

Expenditures have been formulated on the costs that were designated by Ballard*King and Associates to be included in the operating budget for the facility. The figures are based on the size of the center, the specific components of the facility, and the hours of operation. All expenses were calculated to the high side and the actual cost may be less based on the final design, operational philosophy, and programming considerations adopted by the City.

Lonsdale Community Center – A community center with a gymnasium, leisure pool with zero depth entry and water slide, 4-lane lap pool, senior lounge, teen lounge, birthday party room, multipurpose community room with a serving kitchen, arts and craft rooms, group fitness room, game room, child watch area, support offices, administration area and lobby. Approximately 33,100 square feet.

Category	Facility Budget
Personnel	
Full-time[12]	$ 201,500
Part-time[13]	$ 356,685
Total	$ 558,185

[12] Line item detail and listing of full-time positions can be found on page 50.
[13] Line item detail and listing of part-time positions can be found on page 51.

Operation Cost Model cont.

Category	Facility Budget
Utilities[14] (gas & elect)	$ 91,450
Water/sewer[15]	$ 0
Employee Services	$ 3,250
Communications	$ 6,000
Contract services[16]	$ 25,000
Training/Conference	$ 2,500
Rental equipment	$ 2,000
Advertising/promotions	$ 15,000
Bank charges[17]	$ 3,500
Trash	$ 0
Insurance[18]	$ 20,000
Others	$ 2,500
Total	$171,200

[14] Rate factored at $3.25/SF for balance of the building. It should be noted that the rate for natural gas and electricity have been volatile over the past year and could result in substantially higher costs for utilities over time.
[15] Water and sewer provided through the City operated Water and Sewer Department.
[16] Contract services includes HVAC, IT services, pool equipment, elevator, fire alarm system, music, office equipment, and copy machine services.
[17] Includes bank fees for processing credit card and electronic fund transfers (FTE)
[18] Insurance for property and general liability.

Operation Cost Model cont.

Category	Facility Budget
Office Supplies	$ 5,000
Food Supplies	$ 500
Pro-Shop	$ 3,000
Janitorial Supplies	$ 12,000
Rec. Program Supplies	$ 22,500
Chemicals	$ 15,500
Uniforms	$ 3,000
Printing	$ 3,000
Maint/Repair Materials	$ 8,000
Dues/Licenses/Subscriptions	$ 2,500
Misc.	$ 1,500
Total	$ 76,500
Grand Total	**$ 805,885**

Staffing levels:

Positions	Facility Budget
Full-Time	
Recreation Director	$ 45,000
Aquatic Supervisor	$ 40,000
Recreation Supervisor[19]	$ 0
Administrative Services	$ 35,000
Maintenance Worker	$ 35,000
Salaries	$155,000
Benefits (30% of salaries)	$ 46,500
Total Full-Time Personnel	$201,500

Note: Pay rates were determined based on the market conditions in Lonsdale. The positions listed are necessary to ensure adequate staffing and provide for a full-time staff member presence during all open hours of the facility. The wage scales for both the full-time and part-time staff positions reflect estimated wages for 2017.

[19] Position provided by the School District as part of the JPA partnership agreement

Positions	Hours/Wk	Facility Budget
Part-Time[20]		
Front Desk ($11.00/hr)	112 hrs/wk	$ 62,832
Gym Attendant (36 wks)[21] ($10.50/hr)	46 hrs/wk	$ 0
Gym Attendant (15 wks) ($10.50/hr)	52 hrs/wk	$ 8,252
Baby-sitter ($10.50/hr)	24 hrs/wk	$ 12,852
Birthday Party Host ($10.50/hr)	8 hrs/wk	$ 4,316
Lifeguards (36 wks) ($11.00/hr)	280/hrs/wk	$ 110,880
Lifeguards (15 wks) ($11.00/hr)	360/hrs/wk	$ 59,400
Head Lifeguard ($12.50/hr)	53 hrs/wk	$ 33,787
Program Instructors[22]		
Fitness		School District
General		$ 17,280
Sports		Contract
Aquatics		$ 21,738
Salaries		$ 331,338
Benefits (7.65% of part-time wages)		$ 25,347
Total Part-Time Salaries		$ 356,685

[20] A detailed schedule by position begins on page 57.
[21] The School District will provide support staff as part of the JPA during the school year.
[22] Some programs and classes will be on a contractual basis with the center, where the facility will take a percentage of the revenue collected for the program. These programs have not been calculated in this budget at this time.

Revenues

The following revenue projections were formulated from information on the specifics of the project and the demographics of the service area as well as comparing them to national statistics, other similar facilities and the competition for recreation services in the area. Actual figures will vary based on the size and make-up of the components selected during final design, market stratification, philosophy of operation, fees and charges policy, and priority of use. All revenues were calculated conservatively as a result.

Revenue Projection Model:

Category	Facility Budget
Fees[23]	
Daily Admissions	$ 26,520
Annual Passes[24]	$ 426,200
Rentals	$ 31,000
Programs[25]	
General	$ 53,040
Fitness	$ 0
Sports	$ 65,600
Aquatics	$ 67,530
Other	
Pro-shop	$ 6,000
Lock-in	$ 5,250
Special events	$ 3,500
Vending	$ 5,000
Baby sitting	$ 15,750
Birthday Parties	$ 14,400
Total	$719,790

[23] Detailed breakdown on fees can be found on page 61.
[24] Membership fees are only paid by people using the facility.
[25] Detailed breakdown on program fees can be found beginning on page 63.

Expenditure – Revenue Comparison

Category	Facility Budget
Expenditures	$805,885
Revenue	$719,790
Difference	($86,095)
Recovery percentage	89%

This operational pro-forma was completed based on the best information available and a basic understanding of the project. However, there is no guarantee that the expense and revenue projections outlined above will be met as there are many variables that affect such estimates that either cannot be accurately measured or are not consistent in their influence on the budgetary process. Annual membership numbers could be difficult to achieve without a weight and cardio function in the program design.

Future years: Expenditures – Revenue Comparison: Operation expenditures are expected to increase by approximately 3% a year through the first 3 to 5 years of operation. Revenue growth is expected to increase by 4% to 8% a year through the first three years and then level off with only a slight growth (3% or less) the next two years. Expenses for the first year of operation should be slightly lower than projected with the facility being under warranty and new. Revenue growth in the first three years is attributed to increased market penetration and in the remaining years to continued population growth. In most recreation facilities the first three years show tremendous growth from increasing the market share of patrons who use such facilities, but at the end of this time period revenue growth begins to flatten out. It is not uncommon to see the amount of tax support to balance the community center budget increase as the facility ages.

Five-Year Revenue-Expense Comparison

Years	Expense	Revenue	Difference	Recovery %
Base	$805,885	$719,790	($86,095)	89%
Year 2	$830,061	$755,779	($74,282)	91%
Year 3	$854,963	$786,010	($68,953)	92%
Year 4	$880,612	$813,521	($67,091)	92%
Year 5	$907,030	$837,926	($69,104)	92%

Hours of Operation: The projected hours of operation of the community center are as follows:

Monday – Friday	5:30am to 9:30pm.
Saturday	6:00am to 9:00pm.
Sunday	Noon-8:00pm

Hours per week: 103. Hours usually vary some with the season (longer hours in the winter, shorter during the summer), by programming needs, use patterns and special events.

Fees and Attendance

Projected Fee Schedule: Revenue projections will be calculated from this fee model. The monthly rate listed is the cost of an annual pass broken down into twelve equal payments and does not include any handling fees. It should be noted that monthly bank draft convenience for customers would encourage more annual pass sales. However, there are bank fees and a substantial amount of staff time spent managing the bank draft membership base and consideration should be given to pass on some form of a handling fee for bank draft customers.

Category	Daily	Annual	Monthly
Adult	$ 7.00	$360	$40.00
Youth	$ 5.00	$240	$30.00
Senior	$ 6.00	$300	$32.00
Family	NA	$720	$70.00

The fee schedule above was developed as the criteria for estimating revenues. Actual fees are subject to review and approval by Lonsdale.

Attendance projections: The following attendance projections are based on the revenue figures that were identified earlier in this report. The admission numbers are affected by the rates being charged, the facilities available for use, and the competition within the service area. The figures are also based on the performance of other similar facilities in other areas of the country. These are averages only and the yearly figures are based on 360 days of operation.

Yearly paid admissions	Facility Budget
Daily (80 daily admission)	28,800
Annuals (1,150 sold annually)	119,600
Monthly (4,260 sold annually)	38,340
Total Yearly	186,740
Total Daily	518

Admission for pass holders were figured based on 104 visits per year for the Community Center. Family admissions were counted as only one admission. Multiple admissions represent twenty admissions per unit sold.

Note: Attendance for other events, programs, and spectator functions is difficult to predict but a best guess estimate is approximately 2.5 times the number of paid admissions. Community centers are traditionally the busiest from November to March and Mid-June to Mid-August and are slow from April to early June and again from mid-August to the end of October. Weekdays between the hours of 4pm and 8pm are the busiest times of the week, and weekends are also very busy during the winter months. In contrast, mid-morning and early afternoons on weekdays are usually slow as well as weekends during the summer months (especially Sundays).

Part-Time Worksheets

Part-Time Staff Hours

Time	Hours	Staff	Days	Total Hours/Wk
Front Desk Attendant[26]				
Mon-Fri				
9:00am – 9:30pm	12.5	1	5	62.5
4pm – 8pm	4	1	5	20
Saturday				
8am – 9pm	13	1	1	13
Noon-4pm	4	1	1	4
Sunday				
Noon – 8pm	8	1	1	8
Noon-4pm	4	1	1	4
Total				112 hours
Gym Attendant (36 wks)				
Mon-Fri				
4pm-10pm	6	1	5	30
Sat/Sun.				
Noon-8pm	8	1	2	16
Total				46 hours

[26] Automated kiosk for members only will be used until 9am Mon-Fri.

Time	Hours	Staff	Days	Total Hours/Wk
Gym Attendant (15 wks)				
Mon-Fri				
1pm-9pm	8	1	5	40
Sat/Sun.				
Noon-6pm	6	1	2	12
Total				52 hours
Babysitter				
Mon – Fri				
8am –Noon	4	2	5	30
4pm – 6pm	2	2	5	20
Total				50 hours
Birthday Party Host				
Sat – Sun				
Noon – 4pm	4	1	2	8
Total				8 hours
Head Lifeguard				
Mon-Fri				
3pm-9pm	6	1	5	30
Saturday				
6am-9pm	15	1	1	15
Sunday				
Noon-8pm	8	1	1	8
Total				53 hours

Time	Hours	Staff	Days	Total Hours/Wk
Lifeguards (36 wks)				
Mon-Fri				
6:00am-1:00pm	7	2	5	70
4:00pm-9:00pm	5	5	5	125
Saturday				
7am-9pm	14	2	1	28
Noon-9pm	9	3	1	27
Sunday				
Noon-6pm	6	5	1	30
Total				280 hours
Lifeguards (15 wks)				
Mon-Fri				
5:30am-9:00pm	15.5	2	5	155
1:00pm-9:00pm	8	3	5	120
Saturday				
7am-9pm	14	2	1	28
Noon-9:00pm	9	3	1	27
Sunday				
Noon-6pm	6	5	1	30
Total				360 hours

Program Staff Cost

Fitness

Type	Games/hrs	Weeks	Rate	Cost
Aerobics	10	48	$30.00/hr	$ 14,400
Pilates/Yoga	4	48	$35.00/hr	$ 6,720
Youth Fitness	4	48	$30.00/hr	$ 5,760
Kick Boxing	2	48	$30.00/hr	$ 2,880
Spinning	2	48	$35.00/hr	$ 3,360
Total				$33,120

General

Type	Hrs/wk	Weeks	Rate	Cost
Youth in Motion	4	48	$15.00/hr	$ 2,880
Dance/Tumbling	4	48	$15.00/hr	$ 2,880
Martial Arts	4	48	$15.00/hr	$ 2,880
Arts/Crafts	8	48	$15.00/hr	$ 5,760
Senior Classes	4	48	$15.00/hr	$ 2880
Total				$17,280

Aquatics

Type	Classes	Sessions	Rate	Cost
Swim Instructors (37 wks)	96	4	$12.00/hr	$ 4,608
Swim Instructors (15 wks)	120	5	$12.00/hr	$ 7,200
Private Lessons	150	Annual	$15.00/lesson	$ 2,250
Water Fitness	32	12	$20.00/hr	$ 7,680
Total				$21,738

Program Fees and Revenue Worksheet

Daily Admissions

Category	Number	Fee	Daily Revenue
Adult	30	$ 7.00	$210.00
Youth	40	$ 6.00	$240.00
Senior	10	$ 6.00	$ 60.00
Total Weekly (per week average)	80		$510.00 x 52 weeks = $26,520

Annual Passes

Category	Number	Fee	Daily Revenue
Adult	205	$360.00	$ 73,800
Youth	30	$280.00	$ 8,400
Senior	110	$280.00	$ 30,800
Family	435	$720.00	$313,200
Total Annuals	780		$426,200

Rentals

Category	Number	Fee	Session	Revenue
Meeting Room	4	$ 30/mtg.	50 wks	$ 6,000
Graduation Parties	2	$1,800/event	annual	$ 3,600
Gymnasium	6	$ 50/hr	28 wks	$ 8,400
Social Receptions	20	$ 500/event	annually	$ 10,000
Gym Tournaments	4	$ 750/day	annual	$ 3,000
Total				$ 31,000

General

Category	Number	Fee	Session	Revenue
Dance/Tumbling	30	$ 45.00	8	$10,800
Arts/Crafts	40	$ 45.00	8	$14,400
Martial Arts	24	$ 45.00	8	$ 8,640
Youth in Motion	30	$ 45.00	8	$10,800
Senior Classes	30	$ 35.00	8	$ 8,400
Total				$53,040

Fitness

Type	Numbers	Fees	Session	Revenue
Aerobics Drop-in	60	$ 45.00	8	$21,600
Pilates/Yoga	24	$ 45.00	8	$ 8,640
Spinning Drop-in	20	$ 45.00	8	$ 7,200
Total				$37,440

Sports

Category	Number	Fee	Session	Revenue
Adult Basketball	8	$700	2	$11,200
Youth Basketball	16	$600	2	$19,200
Adult Volleyball	12	$300	2	$ 7,200
Youth Volleyball	16	$275	2	$ 8,800
Soccer	16	$600	2	$19,200
Total				$65,600

Aquatics

Category	Number	Fee	Sessions	Revenue
Swim Lessons (37 wks)	60	$48.00	4	$11,520
Swim Lessons (15 wks)	80	$48.00	5	$19,200
Private Lessons	150	$15.00	Annual	$ 2,250
Water Fitness	60	$48.00	12	$34,560
Total				$67,530

Babysitting

Category	Number	Fee	Session	Revenue
Members	20	2.00	300	$ 12,000
Non-Members	5	2.50	300	$ 3,750
Total				$15,750

Birthday Parties

Number	Fee	Revenue
96	$150.00	$14,400

Other Revenue

Category	Number	Fee	Sessions	Revenue
Pro-Shop				$ 6,000
New Year’s Lock-in	150	$35.00		$ 5,250