Project Report

Feasibility Study for the Proposed Blue Concept at the Rushmore Plaza Civic Center

Prepared for

Rushmore Plaza Civic Center
Rapid City, South Dakota

Submitted by

AECOM Technical Services, Inc. (AECOM)

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Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of AECOM and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

I. Introduction and Executive Summary

Introduction

AECOM Economics was engaged by the Rushmore Plaza Civic Center to complete a business plan/feasibility study for the future operations of the RPCC, assuming that Barnett Arena is renovated and a new arena is built adjacent to Barnett Arena (the "Blue" concept). In 2012, AECOM Economics prepared an economic impact study for the complex under multiple assumptions centered on the plan for a new arena on-site. This document summarizes the results of our research and analysis.

AECOM Economics is a real estate and land-use planning and consulting group with extensive experience in the planning of sports, entertainment, convention, and other public-assembly facilities.

Executive Summary

The Local Market

Rapid City, known as the Gateway to the Black Hills, is a regional center for business, tourism, and other sectors. Its tourism industry is largely due to Rapid City's proximity to Mount Rushmore, the Crazy Horse Memorial, and Custer State Park, as well as its accessibility via road and air. Rapid City is South Dakota's second-largest city, with nearly 70,000 residents, and its metro area (which consists of Pennington, Custer, and Meade counties) has approximately 140,000 residents. However, due to the strong base of tourism and Rapid City's status as a regional draw, its actual market is often much larger than the population of the defined geographical market such as the metro area.

The city's population is relatively young, and income levels are relatively low compared to the state and country. However, unemployment has historically been significantly lower than national levels and remains so. The local economy also benefits from Rapid City's proximity to three major basins that are active in oil drilling; the city is attracting new businesses and residents to serve the oil industry.

The RPCC and its Competitive Environment

The Rushmore Plaza Civic Center

The Rushmore Plaza Civic Center is a major, multipurpose complex that includes Barnett Arena, the Ice Arena, the Theatre, and exhibit and meeting space. The complex hosts a wide range of events, including the annual Black Hills Stock Show and Rodeo and Lakota Nation Invitational, the Rapid City Rush of the ECHL, and many others. In recent years, the complex has hosted approximately 450 events and 950,000 attendees per year; in the last two years, its net operating income has ranged from approximately $430,000 to $860,000.

Barnett Arena has a number of physical deficiencies, including a lack of ADA and code compliance, a small and uneven event floor and low ceiling, a small concourse, an insufficient rigging grid, a lack of sufficient restrooms and concession points of sale, inadequate lighting, and others. In general, it is difficult to host modern arena events, including the Black Hills Rodeo, at the facility. As a result, potential improvements that include renovating Barnett Arena and building a new, modern arena at the west end of Barnett Arena have been recommended by the Civic Center Futures Committee (which was commissioned by the RPCC Board of Directors and the Rapid City Common Council).

The planned new arena would have a maximum seating capacity of approximately 10,000 for a basketball game and 14,000 for a concert but would also have the ability to combine with the renovated Barnett Arena to host full-size football and soccer games, track meets, and larger concerts and flat-floor shows. The additional and improved space is expected to allow many of the RPCC's major users to increase their usage of the complex and grow their events. This includes the potential for the Rodeo and LNI to bring their entire event on-site, for Rapid City to host additional high school state championships, and for many flat-floor shows to expand their footprint. It can also allow new events to be held on-site and in Rapid City.

Total costs of the project are currently estimated to be $180 million, including a new parking garage. This assumes the construction will begin in mid-2015; should construction be delayed, costs would presumably increase and the scope of the project would have to be reduced in order to maintain the $180-million budget, which would likely negatively impact the ability of the complex to generate the revenues forecasted in our report.

The Competitive Environment

In recent years, a number of new arenas have been built throughout the region, and these facilities have attracted touring and other events that their markets had not previously been able to host. Examples include the new Denny Sanford PREMIER Center in Sioux Falls, Pinnacle Bank Arena in Lincoln, and INSTRUST Bank Arena in Wichita. In addition, the Fargodome in Fargo and Alerus Center in Grand Forks can both accommodate more than 20,000 people for major events. In general, these facilities are located far enough away from Rapid City that they do not compete directly with the RPCC and a potential new arena; they are complementary in that they attract touring events to the region that can also stop in Rapid City.

A number of comparable facilities have shown that both new arenas that replace obsolete facilities as well as larger, multipurpose indoor venues can successfully attract levels of usage that support facility operations.

Projections of Future Operations

Based on our market analysis (summarized above) and the anticipated renovation/expansion project and its construction schedule, we have forecasted future usage and operations of the RPCC, beginning in 2017, when the new arena is scheduled to open. Our forecasts assume that the new arena would open in mid-2017, and that Barnett Arena would be under construction from mid-2017 through mid-2018; beginning in mid-2018, both facilities will be available.

The two following tables summarize our annual forecasts of RPCC events and attendance, from 2017 through 2026, compared to 2013's usage. (Past and future figures do not include RPCC usage such as practices, rehearsals, and other usage that has been included in past event and attendance totals but do not have a financial impact on the complex. Including these uses, total attendance has historically exceeded one million people.)

Table 1: RPCC Events

	2013	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Concerts - Arenas	7	10	12	14	14	14	14	14	14	14	14
Other Sports/Competitions	26	26	28	30	30	30	30	30	30	30	30
Family Shows	12	12	14	14	14	14	14	14	14	14	14
Consumer/Public Shows	30	30	30	30	30	30	30	30	30	30	30
Conferences/Meetings	172	172	172	172	172	172	172	172	172	172	172
Conventions/Tradeshows	13	13	14	16	16	16	16	16	16	16	16
Theater Events	48	48	48	48	48	48	48	48	48	48	48
SDHSAA Events	11	10	14	14	14	14	14	14	14	14	14
Social Events	72	72	78	80	80	80	80	80	80	80	80
Tenant #1 (Basketball)	--	8	24	24	24	24	24	24	24	24	24
Tenant #2 (Football/Soccer)	--	0	6	6	6	6	6	6	6	6	6
Track Events	--	0	0	4	4	5	5	6	6	6	6
Rush Games*	34	37	37	37	37	37	37	37	37	37	37
Bandshell	22	22	22	22	22	22	22	22	22	22	22
BHSS	1	1	1	1	1	1	1	1	1	1	1
LNI	1	1	1	1	1	1	1	1	1	1	1
Total	**449**	**462**	**501**	**513**	**513**	**514**	**514**	**515**	**515**	**515**	**515**

* Regular-season games only (four playoff games were held in 2013.)
Source: RPCC, AECOM

Table 2: RPCC Attendance

	2013	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Concerts - Arenas	18,200	80,000	60,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Other Sports/Competitions	39,000	39,000	42,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Family Shows	12,000	12,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Consumer/Public Shows	84,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000
Conferences/Meetings	25,800	25,800	25,800	25,800	25,800	25,800	25,800	25,800	25,800	25,800	25,800
Conventions/Tradeshows	53,300	55,900	60,200	68,800	68,800	68,800	68,800	68,800	68,800	68,800	68,800
Theater Events	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200
SDHSAA Events	22,000	32,500	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000
Social Events	50,400	54,000	58,500	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Tenant #1 (Basketball)	--	20,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Tenant #2 (Football/Soccer)	--	0	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Track Events	--	0	0	12,000	12,000	15,000	15,000	18,000	18,000	18,000	18,000
Rush Games*	146,200	159,100	159,100	159,100	159,100	159,100	159,100	159,100	159,100	159,100	159,100
Bandshell	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400
BHSS											
Ticketed	36,000	36,000	39,600	43,600	43,600	43,600	43,600	43,600	43,600	43,600	43,600
Other	274,000	274,000	274,000	301,400	301,400	301,400	301,400	301,400	301,400	301,400	301,400
LNI											
Ticketed	26,000	28,600	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Other	39,000	42,900	47,200	47,200	47,200	47,200	47,200	47,200	47,200	47,200	47,200
Total	928,500	**1,067,400**	**1,137,500**	**1,204,000**	**1,204,000**	**1,207,000**	**1,207,000**	**1,210,000**	**1,210,000**	**1,210,000**	**1,210,000**

* Regular-season games only (four playoff games were held in 2013.)
Source: RPCC, AECOM

As the tables show, as the new and renovated arenas become available, we assume that total event levels will increase from approximately 450 to more than 500, and that attendance will increase to approximately 1.2 million.

The RPCC's resulting operating revenues and expenses are shown below, compared to 2013 results.

Table 3: RPCC Operating Revenues and Expenses ($000s)

	2013	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Revenues (Net)											
Building Rentals	$1,100	$1,467	$1,598	$1,696	$1,731	$1,772	$1,809	$1,852	$1,890	$1,929	$1,969
Other Rentals	163	256	295	317	324	332	339	348	355	362	370
Reimbursements	557	790	930	1,018	1,078	1,101	1,126	1,150	1,177	1,200	1,224
Box Office Commissions	399	856	879	950	969	989	1,009	1,031	1,051	1,072	1,094
Sales Tax Collected	271	370	404	436	448	458	467	477	487	497	507
Total Concessions	2,616	3,839	4,118	4,437	4,526	4,622	4,715	4,815	4,911	5,010	5,110
Marketing	136	902	918	937	956	975	994	1,014	1,034	1,055	1,076
Sales Tax Collected by State (BBB Tax)	3,902	4,928	5,283	5,663	6,071	6,508	6,977	7,479	8,018	8,595	9,214
Premium Seating - New Arena	0	141	287	293	298	304	311	317	323	330	336
Parking	0	363	402	426	434	445	454	465	474	484	493
Interest	15	12	12	12	13	13	13	14	14	14	14
Total Operating Revenues	**$9,159**	**$13,924**	**$15,125**	**$16,185**	**$16,847**	**$17,520**	**$18,213**	**$18,962**	**$19,735**	**$20,547**	**$21,406**
Operating Expenses											
Salaries and Benefits	$3,623	$4,750	$5,250	$5,779	$5,894	$6,012	$6,132	$6,255	$6,380	$6,508	$6,638
Insurance	153	238	326	333	340	346	353	360	368	375	382
Professional Services	247	298	331	366	373	381	388	396	404	412	420
Repairs and Maintenance	231	271	304	338	345	351	359	366	373	380	388
Supplies and Materials	391	460	497	535	546	557	568	579	591	602	614
Utilities	849	1,250	1,400	1,577	1,608	1,640	1,673	1,707	1,741	1,776	1,811
Inter-Departmental Charges	247	275	288	300	306	312	318	325	331	338	345
Merchandise for Resale	657	1,152	1,235	1,331	1,358	1,387	1,414	1,445	1,473	1,503	1,533
Collection from Other Agencies	264	370	404	436	448	458	467	477	487	497	507
Debt Service	345	400	400	400	400	400	400	400	400	400	400
Other	237	271	304	338	345	351	359	366	373	380	388
Capital Outlay - Professional Services	89	90	92	94	96	97	99	101	103	105	108
Capital Outlay - Other & Bonding Expenditures	184	260	265	271	276	281	287	293	299	305	311
CVB Share of BBB Tax	829	1,232	1,321	1,416	1,518	1,627	1,744	1,870	2,004	2,149	2,303
Total Operating Expenses	**$8,346**	**$11,316**	**$12,416**	**$13,512**	**$13,851**	**$14,202**	**$14,563**	**$14,939**	**$15,327**	**$15,730**	**$16,148**
Net Operating Income	**$813**	**$2,608**	**$2,709**	**$2,673**	**$2,995**	**$3,318**	**$3,651**	**$4,023**	**$4,408**	**$4,817**	**$5,258**

Source: RPCC, AECOM

From 2017 through 2019, as the new arena and renovated Barnett Arena are completed, net operating income is estimated to increase to approximately $2.6 million to $2.7 million, compared to approximately $815,000 in 2013. Beginning in 2020, net operating income is forecasted to be approximately $3.0 million to $5.3 million per year.

All analyses, assumptions, and other research that supports these forecasts appear in our full report below.

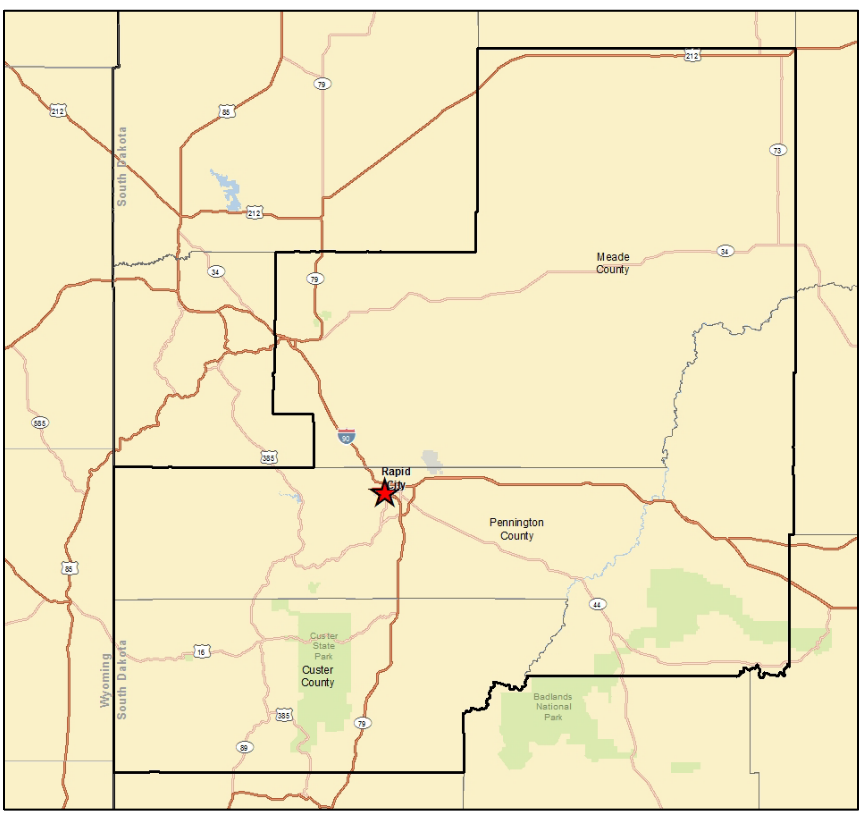
II. Economic and Demographic Analysis of the Local Market

This section presents an analysis of economic, socioeconomic, and demographic factors and trends relevant to the Rapid City market area. The analysis considers several geographic scales including the City of Rapid City, Pennington County, the larger metropolitan area, the State of South Dakota, and the United States as a whole, for comparison purposes. The purpose of the analysis is to identify characteristics of the market area that may influence its ability to support the planned new arena at the Rushmore Plaza Civic Center.

Local Economic and Demographic Analysis

The demographic and socioeconomic conditions of the Rapid City area will impact the overall success of a new and expanded arena. Therefore, it is important to understand past trends and current conditions. Information is provided for Rapid City and the larger Metropolitan Statistical Area (MSA) with trends compared to South Dakota and the U.S. The metro area is defined as Custer, Meade, and Pennington counties.

Figure 1: Map of Rapid City MSA

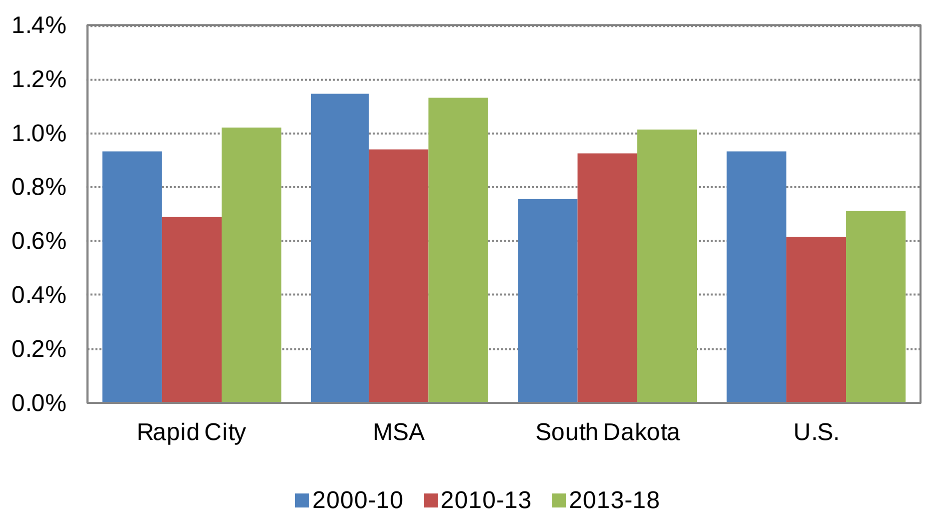


Rapid City is known as the Gateway to the Black Hills mountain range, which is home to the popular tourist destinations of Mount Rushmore, the Crazy Horse Memorial, Custer State Park, and Wind Cave National Park. The City sits at the intersection of the east/west thoroughfare of Interstate 90 and U.S. Highway 16 and serves as the regional center for business, medical services, and tourism. The Rapid City Regional Airport is served by four airlines – Allegiant, American Airlines, Delta, and United – with daily flights to Chicago, Dallas, Denver, Las Vegas, Minneapolis, Phoenix, and Salt Lake City. In 2010, there were 284,414 passenger boardings, up from 252,109 in 2005. Its current Master Plan projects 815,000 passengers by 2025. The airport also supports regional wildfire fighting activities, medical flight support, and Indian Health Service operations. The Ellsworth Air Force Base is located six miles northeast of Rapid City. It is home to 8,000 residents and services approximately 3,800 military retirees in western South Dakota.

Population

Rapid City is the second largest city in South Dakota, after Sioux Falls. In 2013, the population of Rapid City was nearly 69,400 and is expected to reach nearly 73,000 by 2018. The population has been growing at the same rate as national rates, but slightly slower than the MSA, as shown in the following chart.

Figure 2: Population Compound Annual Growth Rate Comparisons

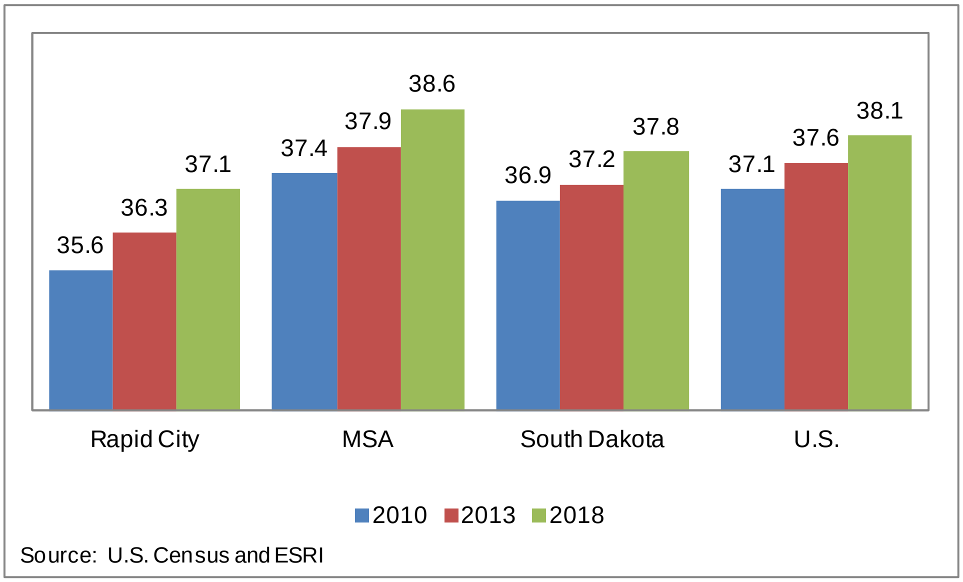


Source: U.S. Census and ESRI

Age

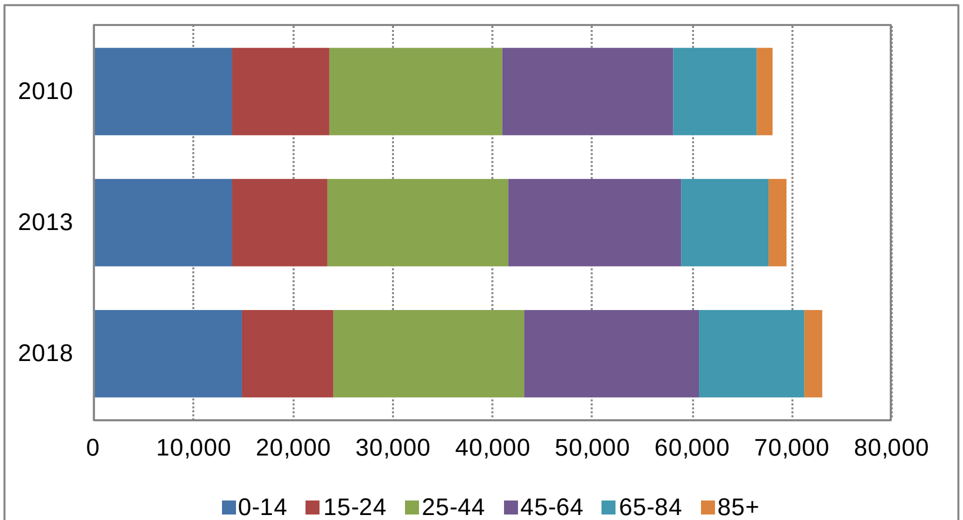
The median age of Rapid City residents is lower than the MSA, the state, and the U.S. and is expected to remain so despite slightly higher growth rates than the comparison regions. In 2013, the median age in Rapid City was 36.3 compared to 37.9 in the MSA and 37.2 in South Dakota. By 2018, the median age is expected to rise to 37.1, which is 1.5 years younger than the MSA (38.6).

Figure 3: Median Age



The following chart shows the distribution of the population by age group for Rapid City residents. Over time, the expected age distribution is projected to change only slightly, with fewer young adults (ages 15 to 24) and an increase in the share of residents between the ages of 65 and 84. This is similar to trends occurring throughout the country. As noted earlier, the city's population is projected to grow by 3,600 residents between 2013 and 2018. Of this, nearly half are expected to be between the ages of 65 and 84.

Figure 4: Population by Age, 2010 to 2018

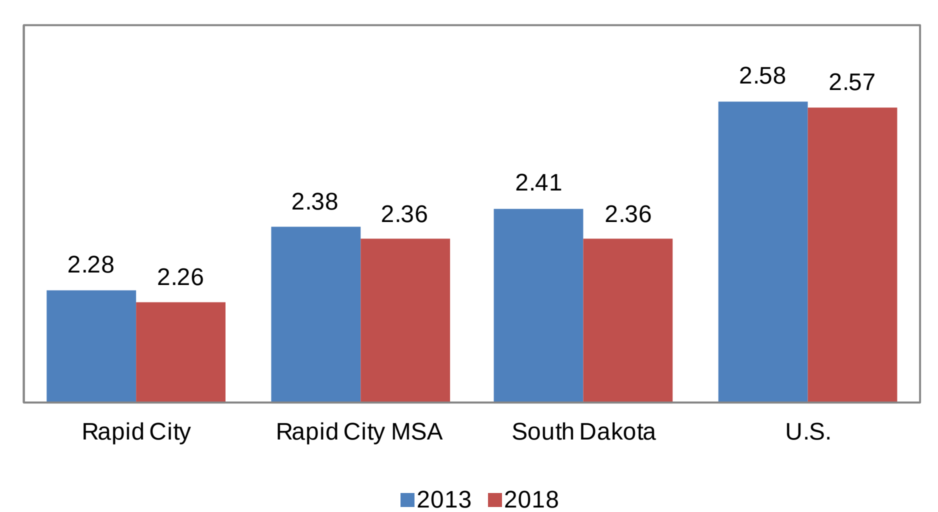


Source: U.S. Census and ESRI

Households

Average household size is declining, which reflects more young adults living alone, fewer households with children, and more empty nesters. In Rapid City, the average household size is lower than that of the rest of the region. Nationally, the average household size was 2.58 in 2013, compared to 2.28 in Rapid City.

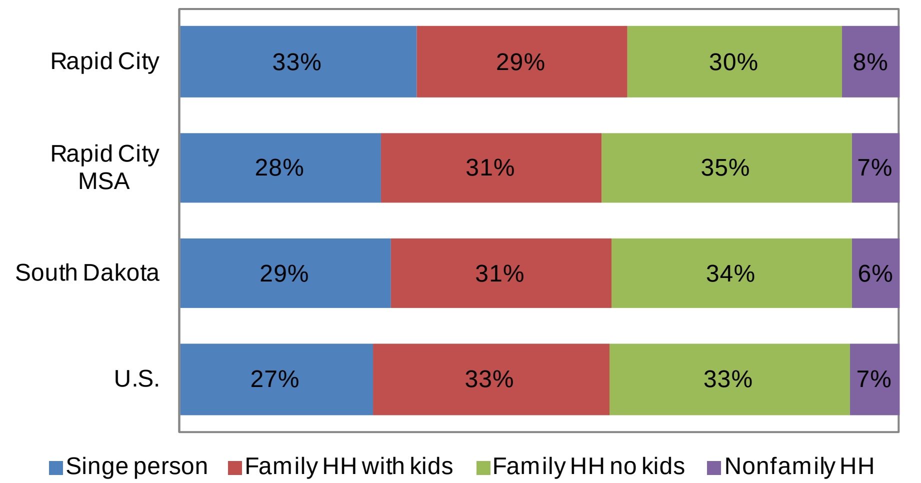
Figure 5: Average Household Size



Source: ESRI

The mix of households also reflects this with a higher share of single-person households in Rapid City (33 percent) than the rest of the region (28 percent) and the U.S. (27 percent). Nonfamily households include people living together that are not related, such as an unmarried partner or roommate.

Figure 6: Households by Type, 2010

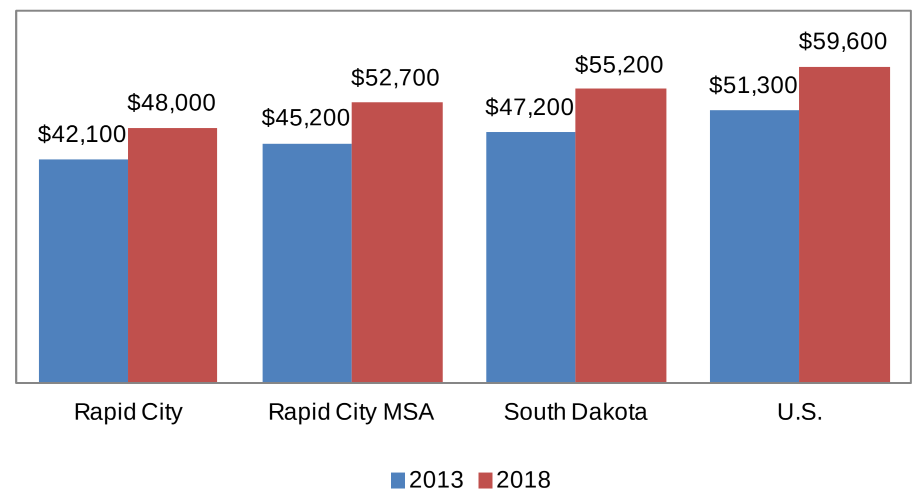


Source: U.S. Census

Income

Median household income in Rapid City was estimated at $42,100 in 2013, growing to a projected $48,000 by 2018. Median household income is slightly lower than the MSA and overall state levels, and is growing at slightly slower rates. According to Forbes, the cost of living in the MSA is 6.5 percent below national averages.

Figure 7: Median Household Income

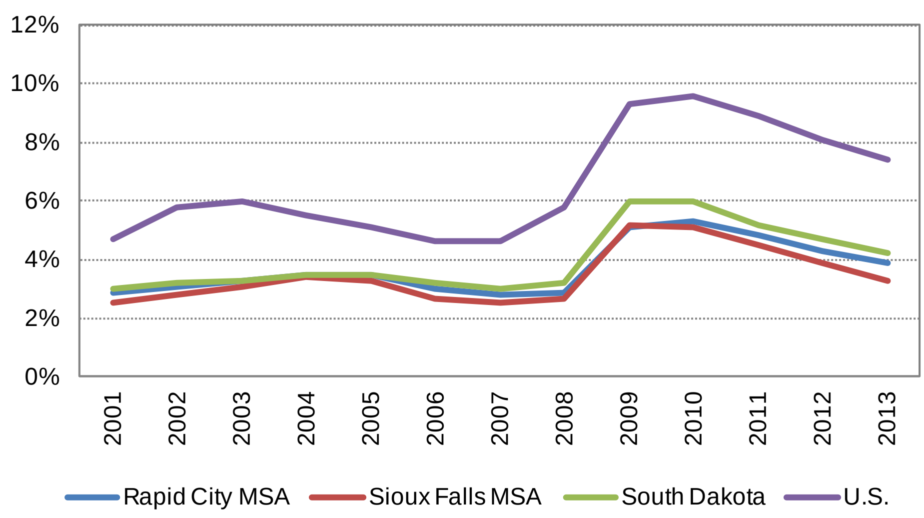


Source: ESRI

Employment

During the most recent economic downturn, unemployment rates in the Rapid City MSA followed national trends, with a sharp increase in 2009, but remained much lower than national averages. In 2013, unemployment in the MSA averaged 3.9 percent, compared to 7.4 percent nationally. Unemployment rates in Rapid City are slightly higher than in Sioux Falls but remain consistently below state and U.S. averages. In Rapid City, unemployment peaked at 5.3 percent, more than four points below the national average.

Figure 8: Annual Average Unemployment Rates, 2001-2012



Source: BLS

According to Dun & Bradstreet, there are 9,145 businesses in the Rapid City metropolitan area with 59,280 jobs. Employment is concentrated in retail, health services, government, construction, and restaurants. Nearly 7,520 people work in health care and social services and 5,700 in government.

Table 4: Rapid City MSA Employment by Sector, 2013

	Businesses		Employees	
	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing & Hunting	524	5.7%	1,102	1.8%
Mining	18	0.2%	200	0.3%
Utilities	21	0.2%	347	0.6%
Construction	863	9.4%	4,505	7.5%
Manufacturing	284	3.1%	2,314	3.9%
Wholesale Trade	387	4.2%	2,522	4.2%
Retail Trade	973	10.6%	7,860	13.1%
Motor Vehicle & Parts Dealers	126	1.4%	939	1.6%
Furniture & Home Furnishings Stores	56	0.6%	371	0.6%
Electronics & Appliance Stores	45	0.5%	424	0.7%
Bldg Material & Garden Equip. & Supplies Dealers	70	0.8%	527	0.9%
Food & Beverage Stores	107	1.2%	869	1.5%
Health & Personal Care Stores	72	0.8%	573	1.0%
Gasoline Stations	31	0.3%	321	0.5%
Clothing & Clothing Accessories Stores	107	1.2%	700	1.2%
Sport Goods, Hobby, Book, & Music Stores	82	0.9%	489	0.8%
General Merchandise Stores	22	0.2%	1,540	2.6%
Miscellaneous Store Retailers	204	2.2%	876	1.5%
Nonstore Retailers	51	0.6%	231	0.4%
Transportation & Warehousing	307	3.4%	1,328	2.2%
Information	135	1.5%	1,304	2.2%
Finance & Insurance	335	3.7%	2,244	3.8%
Real Estate, Rental & Leasing	407	4.5%	1,364	2.3%
Professional, Scientific & Tech Services	857	9.4%	3,533	5.9%
Legal Services	128	1.4%	502	0.8%
Management of Companies & Enterprises	28	0.3%	556	0.9%
Admin. & Support & Waste Mgmt & Remediation Svcs	1,300	14.2%	3,712	6.2%
Educational Services	191	2.1%	3,676	6.1%
Health Care & Social Assistance	691	7.6%	7,517	12.6%
Arts, Entertainment & Recreation	195	2.1%	1,008	1.7%
Accommodation & Food Services	556	6.1%	5,730	9.6%
Accommodation	244	2.7%	1,871	3.1%
Food Services & Drinking Places	312	3.4%	3,859	6.5%
Other Services (except Public Administration)	897	9.8%	3,330	5.6%
Automotive Repair & Maintenance	167	1.8%	674	1.1%
Public Administration	176	1.9%	5,668	9.5%
Total	9,145	100%	59,820	100%

Source: Dun and Bradstreet

As of 2012, the largest employer in the Rapid City area was the Ellsworth Air Force Base (AFB), with 4,500 employees. Ellsworth AFB, established in 1942, is located six miles northeast of Rapid City and is operated by the 28th Bomb Wing with a primary mission of operating two B-1B strategic bomber squadrons. There are four major units at the base – operations, maintenance, mission support, and medical groups. The base has a population of approximately 8,000. Since 2012, the second- and third-largest employers, the Rapid City Regional Hospital and Regional Health, have combined and their total employment exceeds Ellsworth's.

Table 5: Major Employers, 2012

Employer	Jobs
Ellsworth Air Force Base	4,500
Rapid City Regional Hospital	3,280
Regional Health	2.820
Federal Government	2,900
City of Rapid City	1,910
Rapid City Area Schools	1,680
State of South Dakota	1,120
SD National Guard Army	1,010
Wal-Mart / Sam's Club	890
Pennington County	640
Black Hills Corp/Black Hills Power	560
Financial Services Center	540
Riddles Group	500

Source: Rapid City Area Chamber of Commerce

The Extractive Energy Industry and Rapid City

In recent years, oil drilling has expanded throughout the region, and the Rapid City area has been a beneficiary of this activity. Rapid City is within range of three major basins (Williston, Powder River, and Denver) that are experiencing significant growth; although Rapid City, and the Black Hills area in general, is not directly involved in extraction, it is close enough to service this activity. The area is benefitting in multiple ways, including the following:

- **Business relocation/expansion** – companies that supply to the basins (such as pipe manufacturing) are moving to and/or expanding in Rapid City because of its proximity to the basins. This also includes professional service firms such as law and engineering.
- **Residential attraction** – people who work in drilling generally do not live in the immediate area of the basins because of their location and lack of nearby amenities. As a result, they will move their families to a city such as Rapid City and spend much of their time at the basin. However, their family will remain in the city.
- **Economic impacts** – the average wage at the oil fields are approximately 70 percent higher than they are locally; as a result, for those who relocate to the Rapid City area, some of this income is spent on recreation, entertainment, and other staples.

Anecdotally, according to local economic development representatives, the Rapid City area has been benefitting from this activity since approximately 2011, through increased sales at local businesses and sales tax collections, increasing school enrollment, and others.

Participation in Events and Clubs

AECOM also looked at the potential of households in the Rapid City MSA to participate in activities that could be held in an arena. We also examined participation in civic groups, as there is potential for these groups to need meeting space for meetings and events. The Market Potential Index (MPI) measures the relative likelihood of the adults or households in the specified trade area to exhibit certain consumer behavior or purchasing patterns compared to the U.S. An MPI of 100 represents the U.S. average. In Rapid City MSA, households were four percent more likely to attend an auto show than U.S. averages. There is also much higher propensity of households in the region to attend high school sports, with an MPI of 120. Participation in civic groups is also higher than national averages.

Table 6: Participation by Rapid City MSA Households

Product/Consumer Behavior	Share of HHs	MPI
Participation in the last 12 months		
Attended auto show	9%	104
Went to live theater	12%	98
Attended dance performance	4%	90
Attended classical music/opera performance	4%	91
Attended country music performance	6%	114
Attended rock music performance	10%	100
Went to art gallery	7%	98
Went to museum	12%	94
Attend sports events	24%	101
MLB regular season game	9%	91
NBA regular season game	3%	79
NFL game - Mon/Thurs	2%	87
NFL weekend game	4%	88
NHL regular season game	2%	85
College basketball game	3%	105
College football game	6%	103
High school sports	6%	120
Membership		
AARP	13%	111
Charitable organization	5%	103
Church board	3%	108
Fraternal order	3%	97
Religious club	4%	110
Union	4%	96
Veterans club	3%	112

Source: ESRI

Visitor Infrastructure

The region surrounding Rapid City is a major draw for tourists. According to the South Dakota Department of Tourism, Pennington County is the state's biggest tourist draw by a wide margin. The area is rich in history and natural beauty, with ample opportunities for outdoor recreation, sightseeing, shopping, arts, and culture. According to the Convention and Visitors Bureau, the top 10 attractions in the Black Hills area include: Mount Rushmore, Custer State Park, Badlands National Park, Crazy Horse Memorial, Reptile Gardens, Sylvan Lake, Spearfish Canyon Scenic Byway, Devils Tower National Monument, Wind Cave National Park, and Wall Drug.

According to Smith Travel Research (STR), an international organization that monitors hotel performance data across the United States, there are 54 hotels in Rapid City with 4,571 rooms. STR classifies hotels into chain scale segments based on their brand as well as average room rates. Independent hotels, regardless of their average room rates, are grouped in a separate category. The segments include:

- Luxury Chains
- Upper Upscale Chains
- Upscale Chains
- Upper Mid-Scale Chains
- Mid-Scale Chains
- Economy Chains
- Independents

There are four classes of hotels in Rapid City, which is dominated by economy hotels. Of the 54 properties in Rapid City, 29 are economy with 1,716 rooms. The most recent properties added include two midscale hotels in 2013 – the Baymont Inn & Suites and Main Stay Suites – and two upscale hotels. The Hilton Garden Inn opened in July 2011 with 120 rooms and in May 2012, the Cambria Suites opened with 111 rooms.

Table 7: Local Hotels

Class	Properties	Rooms
Economy	29	1,716
Midscale	12	1,336
Upper Midscale	9	968
Upscale	4	551
Total	54	4,571

Source: STR

In addition to the hotels, there are bed and breakfast establishments, and houses and cabins for rent as well as plentiful camping in the area.

III. The Rushmore Plaza Civic Center, New Arena, and its Competitive Environment

In this section, we analyze the past and ongoing operations of the existing Rushmore Plaza Civic Center facilities, plans for the new arena, the broader competitive environment in which the new facility would operate, and feedback from a wide range of local and industry stakeholders.

The Rushmore Plaza Civic Center

The Rushmore Plaza Civic Center (RPCC) is a multi-facility complex that is owned and operated by the City of Rapid City. The RPCC operates as an enterprise fund within the City. The complex hosts a wide range of events, including the Black Hills Stock Show and Rodeo, the Rapid City Rush of the ECHL, and many other recurring and one-time events. The complex was originally built in 1977 and has since expanded.

The RPCC currently consists of the following event facilities:

- **Barnett Arena** – the 9,432-seat multipurpose arena opened in 1977,
- **Ice Arena** – has 5,137 permanent seats and is the home ice of the Rush; the facility opened in 2008,
- **Theatre** – a 1,745-seat multipurpose theater, and
- **Exhibit and Meeting Space** – the majority of this space outside of the two arenas is within the 40,400-square foot Rushmore Hall and the 15,300-square foot LaCroix Hall (both of which can be divided into smaller rooms); however, the RPCC also has a number of other meeting rooms, as well as concourses that are often used as event space due to the demand for usable square footage. In total, the RPCC offers approximately 230,000 square feet of event space.

The complex also includes a food court, approximately 4,000 parking spaces (including spaces available at the RPCC and the adjacent Central High School and Journey Museum), and a 199-room Holiday Inn on-site. The Holiday Inn is independently owned and operated, but is located on city-owned land that is leased to hotel ownership.

The primary intent of this study is to analyze the future operations of the overall RPCC, with the addition of a new arena that would be built to the immediate west of Barnett Arena, and attached to Barnett. In addition, following completion of the new arena, Barnett Arena would be renovated. Plans for the new arena, and planned improvements to Barnett Arena, are described in more detail below.

Barnett Arena

In general, the impetus to improve and/or replace Barnett Arena is the physical condition of the facility. In addition, the use of the arena has also changed its original intent, which was to host high school basketball. More recently, events such as the Black Hills Rodeo have become primary users of the arena, and their needs are very different (this is described in more detail later in this section). However, in terms of Barnett's physical condition, the following issues have affected its ability to attract and host events:

- **Non-compliance with Americans with Disabilities Act (ADA) standards** – many aspects of the arena, including elevators, stairwells, seating, sound, restrooms, concession stands, locker rooms, and entrances are non-compliant. In recent years, based on recommendations from the Civic Center Futures Committee, the RPCC Board of Directors has commissioned two studies to estimate the costs associated with making Barnett compliant; both studies estimated costs of approximately $37 million. However, this estimate is now approximately two years old, and the current cost is presumably higher. More than 400 violations were identified. However, this does not include additional life safety and building code violations.
- **Other issues** – in addition to the potential safety and legal implications of non-compliance with ADA, a number of other deficiencies have been noted within the arena. These include the following:
    - The event floor is not big enough for many events,

- The ceiling height is too low for many events,
- Power capacities are not sufficient, and the RPCC often has to rent portable generators to service events,
- Building codes – many components of the arena do not meet various code requirements,
- The rigging system is insufficient for many modern entertainment events,
- The concrete on the event floor is uneven,
- In addition to not being ADA- and code-compliant, the number of restrooms and points of sale in the arena are not sufficient for its size,
- The concourse is also undersized, which is exacerbated due to long lines for restrooms and concession stands because of their lack of offerings,
- The sound and lighting systems are inadequate for many events,
- The locker rooms are inadequate and undersized,
- There are water seepage problems after heavy rain, and
- Others – other identified needs/shortcomings include the scoreboard, back-of-house facilities, premium seating, and general aesthetics.

Planned New Arena and Improvements to Barnett Arena

Particularly due to the deficiencies of Barnett Arena, improvements to the RPCC have been planned for multiple years. As previously described, studies have identified physical issues with Barnett Arena that both impede its ability to attract and host events, but also present potential legal problems to the City due to non-compliance with ADA.

In 2013, the Civic Center Futures Committee, an 18-member group comprised of local business and community leaders, commissioned by the RPCC Board of Directors and the Rapid City Common Council, considered the following options for the future of Barnett Arena:

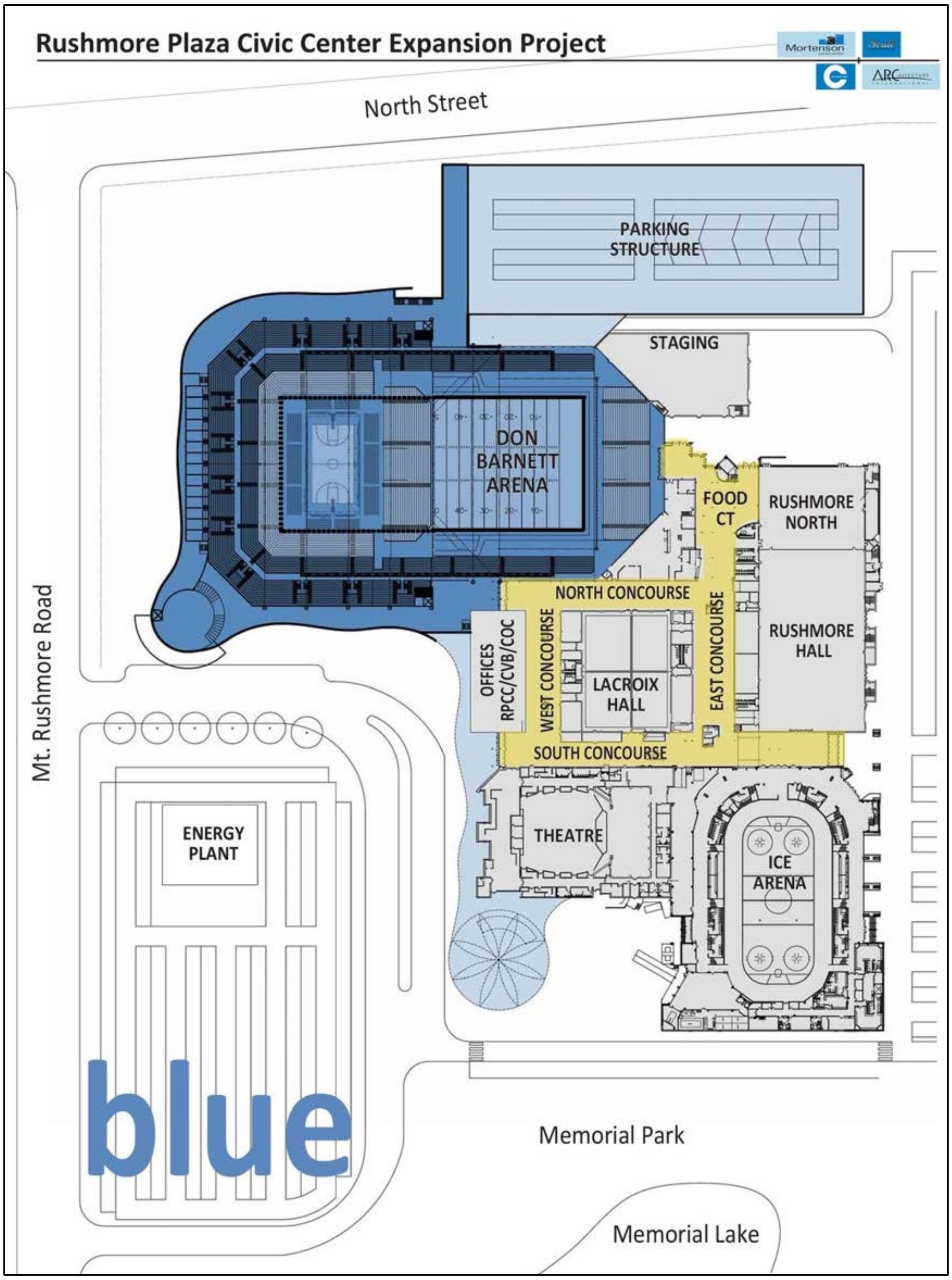
- Leave the arena as is,
- Improve the arena to address ADA, life safety, and building code requirements, and
- Explore the potential to build a new arena.

The Committee reviewed existing studies and demographic data, completed its own research, and formed a Youth Advisory Committee, among other tasks. Its findings included:

- Barnett Arena "must be updated to comply with current Life Safety, ADA, Infrastructure, and Building Code requirements," and "there are ongoing legal risks associated with not addressing these deficiencies."
- "Without renovation, the Barnett Arena will not be able to continue to support many types of existing major events that have been an attraction for citizens and visitors. The RPCC is already experiencing challenges in attracting events that affect its short term competitiveness."
- "The Barnett Arena would most likely not be able to host many of the current events during the construction/renovation period and would experience a loss of short term revenue. This would translate into lost tax revenues for Rapid City." Also, "lost revenue from events during any construction on the existing Barnett Arena is a certainty, and some events may be difficult to bring back post-construction."
- The Committee concluded that "doing nothing to upgrade Barnett Arena is not an option," and that further study should address construction of a new arena.

Since then, the City has hired an architecture/engineering design team and a construction manager at risk. The current concept plan, which is assumed in this study and is known as the "Blue" concept, focuses on Barnett Arena and a new arena that will be attached to the west side of Barnett Arena. A preliminary rendering of the concept is shown below.

Figure 9: Planned Expansion Concept



Major components of the plan include the following:

- A total budget of approximately $180 million, including approximately $155 million for the new arena, $5.5 million for the renovation of Barnett Arena, and $17.5 million for parking.

- The two arenas will be able to be completely separated for simultaneous use by different events and can also be combined for use as one large arena. While the two arenas can be divided into two full-sized arenas (as shown above), based on an event's needs, a curtaining system will also allow the facilities and/or their floor space to be used in other size combinations (such as more of less than half of the overall combined space).
- Anticipated capacities for the various configurations of the new arena and renovated Barnett Arena are estimated to be:
    - New Arena:
        - Maximum seating (basketball): 10,000
        - Concert: 7,000 to 14,000
    - Barnett Arena: approximately 6,000
    - Combined Arenas:
        - Approximately 100,000 square feet on event floor
        - Maximum capacity: 19,000 (concert)
        - Other concert: 14,000
        - Rodeo: 12,000
        - Football, soccer, and other full-floor events: 10,500
- A parking garage, to the north of Barnett Arena and the new arena, would add 600 parking spaces. Construction of the new arena will displace 330 surface spaces.

Construction Schedule, Phasing, and Impact of Delays

The construction schedule and estimated project costs assume that construction begins next summer for the new arena. According to facility representatives and members of the architecture and construction team, assumed major project milestones are as follows:

- Late Summer 2015: new arena construction begins (22 months)
- Mid-2017: new arena opens; renovation of Barnett Arena begins (12 months)
- Mid-2018: Barnett Arena reopens.

During the construction process, the RPCC will always have the use of one arena; while the new arena is being built, Barnett will be available, and Barnett Arena construction will not begin until the new arena is operational.

We believe that this schedule is crucially important to the success of the project. Should the construction schedule be delayed, it is expected that costs would increase in the future, based on recent inflation in the construction industry. The result of this would be that the planned improvements would cost more than currently budgeted, and/or the City would have to reduce the scope of the project in order to meet the current budget.

Economic and Fiscal Impacts

In 2012, AECOM completed an economic and fiscal impact analysis that compared two future scenarios of RPCC operations: “as-is” and “new arena” scenarios. The “as-is” scenario assumed no significant changes to the RPCC in the future, and the “new arena” scenario assumed that a new, 15,000-seat arena is built to replace Barnett Arena.

Under the “as-is” scenario, we assumed that overall RPCC usage would decrease from current levels, due to the further obsolescence of Barnett Arena. Under the “new arena” scenario, we estimated that complex usage would increase based on the ability of the new arena, and an improved complex, to host events that the current RPCC could not host.

In this analysis, we estimated that in 2020, the total net economic impacts (spending captured within Rapid City from RPCC attendees that live outside of the city) would be approximately $60 million in the “as-is” scenario and $113 million in the “new arena” scenario. In addition, future tax revenues to the city and state would increase from $4.4 million in the “as-is” scenario to $8.1 million in the “new arena” scenario. This includes the City’s two-percent share of sales taxes that is captured by the City’s general fund but is not reflected on the books of the RPCC. In 2012, we estimated that the City’s sales tax revenues from RPCC operations would be $1.9 million, compared to approximately $990,000 in the “as-is” scenario.

In this report, we focus on the economics of future complex operations, rather than economic and fiscal impacts to the community. And while the “Blue” concept currently assumed is similar to the “new arena” scenario studied in 2012, it is different in important ways: the “Blue” concept includes future use of a renovated Barnett Arena, and in 2012, we assumed that Barnett Arena would no longer function as an arena. In addition, the “Blue” concept includes a running track, improvements to other RPCC facilities, and allows for combined use of the two arenas for major events (which was not possible under the 2012 assumptions). As a result, we believe that the incremental economic and fiscal impacts calculated in 2012 under the “new arena” scenario would likely increase in the “Blue” concept scenario.

RPCC Usage

We have analyzed detailed usage information for the RPCC's last two calendar years, as well as partial 2014 data. The following table summarizes our analysis of the complex's use by event type, including number of events and attendance. This information does not include events that are categorized as practices (such as Rush practices and practices for other performances held on-site).

It is important to note that for ticketed events, attendance figures are estimates that include all tickets that have been sold or given out, as well as all event-related staff and participants in the building. For other large, non-ticketed events, attendance also includes event workers and participants. As a result, actual attendance is generally slightly lower than the figures shown below, for many event types.

Table 8: RPCC Usage, 2012 and 2013

	# of Events	Average Attendance*	Total Attendance*
2012			
Concerts - Arena	6	3,000	18,000
Other Sports/Competitions	21	1,500	32,000
Family Shows	11	1,900	21,000
Consumer/Public Shows	30	3,900	116,000
Conferences/Meetings	184	100	21,000
Conventions/Tradeshows	9	4,600	41,000
Concerts/Performances - Theater	42	700	28,000
SDHSAA Events (Championships)	10	3,200	32,000
Social Events	70	700	50,000
Rush Games	34	4,500	154,000
Bandshell	24	2,400	57,000
BHSS	1	336,000	336,000
LNI	1	51,000	51,000
Total	**443**		**957,000**
2013			
Concerts - Arena	7	2,600	18,000
Other Sports/Competitions	26	1,500	39,000
Family Shows	12	1,000	12,000
Consumer/Public Shows	30	2,800	85,000
Conferences/Meetings	172	100	26,000
Conventions/Tradeshows	13	4,100	53,000
Concerts/Performances - Theater	48	900	41,000
SDHSAA Events (championships)	11	2,000	22,000
Social Events	72	700	49,000
Rush Games	37	4,300	161,000
Bandshell	22	2,700	59,000
BHSS	1	310,000	310,000
LNI	1	66,000	66,000
Total	**452**		**941,000**

* Attendance is estimated; differences in total attendance are due to rounding.
Source: AECOM, RPCC

As shown above, the complex hosted approximately 440 to 450 events in each of the last two years, with estimated attendance of approximately 940,000 to 960,000. While the Black Hills Stock Show & Rodeo and Lakota Nation Invitational, in particular, are multi-day users with many different events that comprise the overall event, they are only considered as one event in this table.

RPCC Financial Operations

The following table summarizes the complex's revenues and expenses for the last two completed calendar years.

Table 9: RPCC Revenues and Expenses ($000s)

	2012	2013
Revenues		
Building Rentals	$1,011	$1,100
Other Rentals	117	163
Reimbursements	614	557
Box Office Commission	332	399
Sales Tax Collected	276	271
Total Concessions	2,725	2,616
Marketing	100	136
Sales Tax Collected by State (BBB Tax)	3,416	3,902
Interest	16	15
Total Revenues	**$8,609**	**$9,157**
Expenses		
Salaries and Benefits	$3,418	$3,623
Insurance	144	153
Professional Services	321	247
Repairs and Maintenance	172	231
Supplies and Materials	273	391
Utilities	860	849
Inter-Departmental Charges	253	247
Merchandise for Resale	754	657
Collection from Other Agencies	285	264
Debt Service	462	345
Other	173	237
Capital Outlay - Professional Services	39	89
Capital Outlay - Other & Bonding Expenditures	261	184
CVB Share of BBB Tax	763	781
Total Expensese	**$8,177**	**$8,297**
Net Income (Loss)	**$432**	**$861**

Source: RPCC

As shown above, after consideration of all line items that impact the RPCC's financial statements, the complex generated a net income of approximately $430,000 and $860,000 in 2012 and 2013.

More detailed analysis of the complex's financial statements, particularly as they relate to future projected operations, appears later in this report.

The Competitive Environment

A new arena in Rapid City would be influenced by the presence of similar arenas in the region. Regional facilities could potentially be competitive to Rapid City, in that a touring act would stop in one facility or another, but not both, for various reasons. However, another facility could be complementary to Rapid City's if it helps to bring an event through the region and would perform in both facilities as part of its tour. (This dynamic does not apply to non-touring events, such as state high school championships or a local consumer show that would select only one facility for a year.)

Despite the limited population in many regional markets, the region has seen the addition of many new mid-sized and large arenas in recent years. A result of this is that many higher-quality touring acts have been and will be stopping in the region, in markets such as Sioux Falls, Lincoln, and Wichita, that previously would not have played in those cities. With a new arena, these events will have the opportunity to also stop in Rapid City, but not the current Barnett Arena (this is described in more detail in other sections of this report). However, opportunities for these events to be held in new markets will be limited by a market's ability to support them.

While cities such as Sioux Falls and Lincoln now have new facilities that can attract a higher tier of events, other markets in the region still have facilities that, due to their size and/or quality, will not generally attract top-tier performers and are therefore less relevant to the performance of a new arena in Rapid City.

The following map shows the location and size of a number of mid-sized and large arenas in the broader region, as well as their distance from Rapid City.

Figure 10: Relevant Regional Arenas and Permanent Seating Capacities

In general, these facilities are not close enough to Rapid City to be truly competitive to a new arena at the RPCC in most cases. However, event promoters have said that because of the relatively sparse population base in many upper Midwestern states, some acts will consider only making one stop in a state or region, even if its facilities are in two truly separate markets and are separated by hundreds of miles (such as Rapid City and Sioux Falls).

In order to provide comparative information related to the general scale of usage of these facilities, as well as their markets, the following table summarizes the number of events and average attendance reported for touring entertainment shows (typically considered to be concerts, family shows, and other similar entertainment events) at the arenas in recent years. The number of events may not be fully comprehensive and does not include all family show performances (it only captures the number of events rather than individual performances), but provides preliminary data regarding the relative usage of these facilities. While some of the facilities, such as the arenas in Casper, Billings, and Bismarck are more similar to the current Barnett Arena and are more limited in the types of events it can attract, most others are relatively new, high-quality facilities that can attract major touring shows.

Table 10: Entertainment Events and Attendance at Regional Arenas

Arena	City	Metro Area Population (000s)	Arena Size and Usage		
			# of Seats	# of Events (2013)	Avg. Atten. (Last 3 Years)
Casper Events Center	Casper	75	7,600	10	2,219
RimRock Auto Arena	Billings	165	8,700	3	5,220
Bismarck Civic Center	Bismarck	124	10,000	21	2,821
Denny Sanford PREMIER Center	Sioux Falls	240	10,450	n/a	n/a
Pepsi Center	Denver	2,697	18,000	21	8,054
Tyson Events Center	Sioux City	169	6,731	10	4,081
Pinnacle Bank Arena*	Lincoln	314	12,700	21	9,370
Fargodome	Fargo	221	19,000	10	8,784
CenturyLink Center	Omaha	895	17,100	22	10,260
Target Center	Minneapolis	3,459	19,400	26	5,130
Xcel Energy Center	St. Paul	3,459	17,954	28	12,605
Alerus Center	Grand Forks	101	13,500	6	20,054
Ralph Engelstad Arena	Grand Forks	101	11,643	2	2,313
Wells Fargo Arena	Des Moines	600	15,181	16	7,491
INTRUST Bank Arena	Wichita	637	13,450	27	4,790
Sprint Center	Kansas City	2,039	17,544	41	6,728
Chesapeake Energy Arena	Oklahoma City	1,320	18,036	29	6,310

* For its first 12 months of operation, from 9-2012 through 8-2013.
Source: AECOM, Pollstar

Top-Tier Acts in the Region

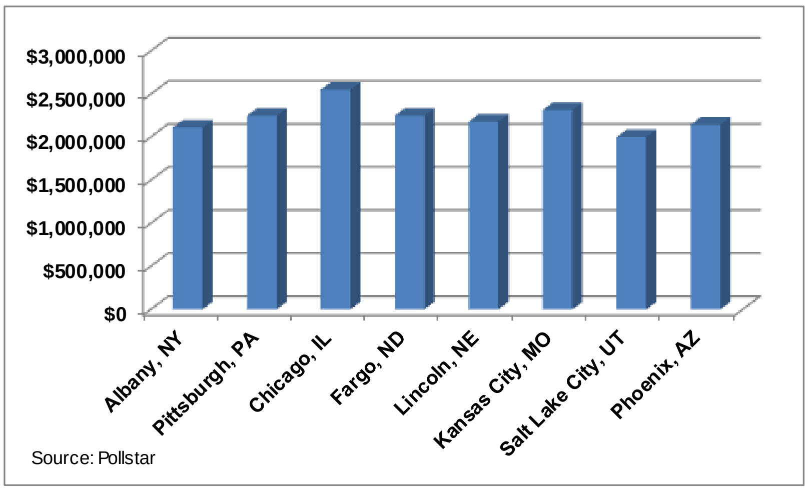
As previously described, in recent years many headlining acts that would not be candidates to perform in facilities such as Barnett Arena have stopped in the Fargodome, Pinnacle Bank Arena, INTRUST Bank Arena, and others. The Denny Sanford PREMIER Center in Sioux Falls is the most recent example of a facility that will attract events to a market that the previous local arena could not attract.

While many factors will determine the ability of a touring show to select a facility and market, perhaps most important is the ability to make money from ticket sales. Facilities such as Barnett Arena would not command the ticket prices and/or accommodate the number of tickets that would have to be sold to generate sufficient gross ticket sales for many events. The following information analyzes the ability of regional facilities that have attracted top-tier acts to generate revenues from ticket sales. The three performers below have all performed at the Fargodome in the last year; the facility's size provides the opportunity to sell more tickets than most other arenas. In addition, Fargo's market is larger than Rapid City's (with a metro area population of approximately 225,000, compared to approximately 145,000 in Rapid City).

Paul McCartney

McCartney performed in Fargo this July and sold nearly $2.5 million in tickets (18,220 tickets at an average of $123). While the average ticket price was lower than in other markets, the gross sales were similar to other U.S. arena shows this year (including Lincoln's Pinnacle Bank Arena), as shown below.

Figure 11: Paul McCartney Ticket Sales, 2014 Arena Shows

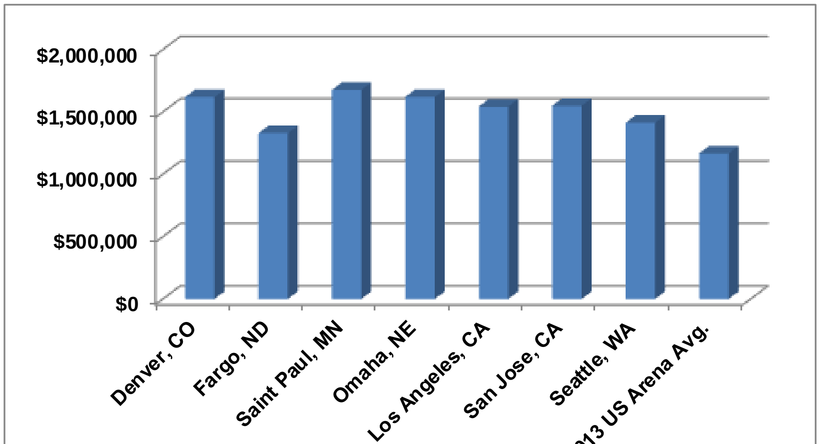


Based on interviews with event professionals, it is believed that ticket sales for the McCartney show in Fargo included sales from Rapid City.

Justin Timberlake

Similar to McCartney, Justin Timberlake was able to generate strong ticket sales from the Fargo market based on high attendance. The graph below compares gross ticket sales for a number of his western arena shows in 2014, and his average gross sales at U.S. arenas in 2013.

Figure 12: Justin Timberlake Ticket Sales, 2013-14 Arena Shows



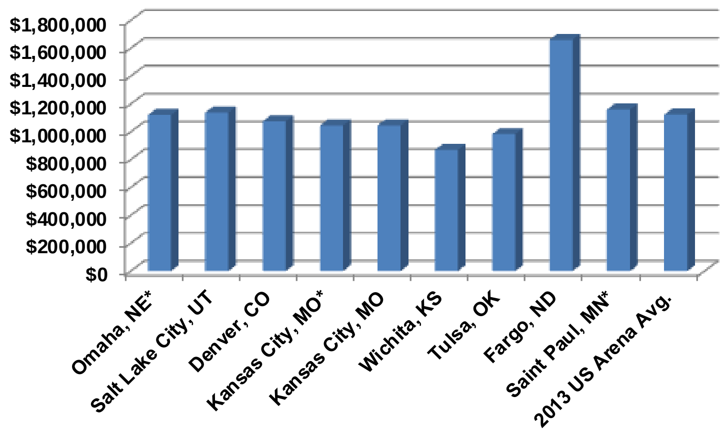
Source: Pollstar

Aside from Fargo, all other individual events shown above were sellouts. While the Fargodome show did not sell out (15,639 attendance), it had the highest attendance of the shows listed above, and generated approximately $200,000 more than Timberlake's 2013 average arena show.

Taylor Swift

In 2009, Taylor Swift performed in Barnett Arena; however, since then, she has since graduated to performing in outdoor stadiums (such as NFL stadiums). In 2013, in addition to her stadium tour, she also played in major arenas, and stopped in many of the regional arenas considered in this study (including two shows in some markets). The gross ticket sales for a number of shows are shown below.

Figure 13: Taylor Swift Ticket Sales, 2013 Arena Shows



*Average for two shows.
Source: Pollstar

Unlike many acts, Swift's ticket prices do not change from market to market, and because more than 21,000 tickets were sold in Fargo, its show far exceeded gross sales of the other shows. Her average arena show in 2013 generated $1.1 million in sales, and her shows in Omaha (two shows) and others met or exceeded this amount. Concerts in Wichita and Tulsa had lower-than-average sales.

Conclusions

There are a limited number of top-tier arena tours that are touring and available to arenas at any given time; however, this analysis shows that Fargo in particular has been successful in supporting these acts through strong ticket sales, and as a result, it continues to attract headliners more often than other arenas in the region. Other regional arenas have also shown that they can also support elite performers with relatively high ticket prices. However, because the Rapid City market is smaller than markets such as Fargo, Lincoln, Omaha, and others, its ability to support these types of shows, may be more limited.

Other Concert Tours

A new arena in Rapid City would certainly allow the city an opportunity to attract touring acts that it cannot currently host, particularly in the configuration that combines the new arena and Barnett Arena. However, the mere presence of a new facility will not guarantee new events, as most tours only make a limited number of stops. As a result, in order to perform at a new arena, a tour would have to either add an extra show or relocate a show that would have otherwise been held somewhere else. As examples of actual past routing, the following table shows the regional destinations of a number of recent concert tours, many of which included Rapid City.

Table 11: Regional Routing of Recent Tours

	Cher (2014-15)	The Band Perry (2014)	Elton John (2009)	Elton John (2012)	Miranda Lambert (2013)	Carrie Underwood (2010)	Carrie Underwood (2013)	Jake Owen (2014)	Dierks Bentley (2014)	Lady Antebellum (2014)
Barnett Arena/Ice Arena		✓	✓			✓		✓		✓
Fargodome	✓								✓	
Sanford PREMIER Center	✓									
CenturyLink Center	✓						✓			
INTRUST Bank Arena	✓									✓
Engelstad Arena		✓		✓						
RimRock Arena		✓								
Pinnacle Bank Arena					✓					
Xcel Energy Center					✓					
Tyson Events Center					✓		✓			
Casper Events Center						✓		✓		
Bismarck Civic Center						✓		✓	✓	
Other(s)			✓			✓		✓	✓	✓

Source: Pollstar, AECOM

As the graph shows, despite long distances between many of the facilities in the region, not all will host any one tour. Some tours, such as Elton John, only played one show in the region being considered in this study. This is not unique to the Rapid City region, as the number of facilities that can accommodate any touring show generally exceeds the number of performances that will be held. However, as shown above for the two Carrie Underwood tours, a tour will often stop in different facilities in a region in different years.

Other Feedback from Events and Promoters

The following information summarizes other feedback that has been received from various facility, event, and industry stakeholders that were interviewed by AECOM.

Black Hills Stock Show and Rodeo

- The show uses the RPCC for a total of 14 days, including four move-in and move-out days.
- The show currently uses the entire RPCC complex and has to host some of its events at the fairgrounds but wants to have everything at the RPCC.
- The Barnett Arena floor is too small for rodeos.
- The planned renovation/expansion concept would provide needed square footage for more vendor space and event space.
- The two arenas could be used in many different ways, such as having a different event in each, or using both combined for one large event.

- Certain events sell out, and the additional seating would be used. Selling more tickets could allow the show to increase prize money and attract better competition.
- A new arena could potentially provide opportunities to host entertainment events at night, but this hasn't been a focus of the show in the past.

Concerts

- The new arena should allow Rapid City to attract shows that Barnett Arena cannot current host, because of the quality of the facility and the ability for acts to sell more tickets.
- The arena could do well with contemporary country and classic rock acts that can sell 8,000 to 10,000 tickets and need to play secondary and tertiary markets because they perform 100 or more shows per year.
- Despite the distance between Rapid City and Sioux Falls, it is possible that some acts might play just one show in the state.
- For some shows, the local market has become more challenging, for unknown reasons. In recent years, one promoter's shows have started to sell better in markets like Billings, Bismarck, and Fargo than in Rapid City.
- The market could likely support top-tier arena headliner acts similar to those that have performed at other regional arenas, such as Paul McCartney, Katy Perry, Justin Timberlake, Taylor Swift, and Pink.

Sports

High School Championships (South Dakota High School Activities Association)

- **Football**: championships have been held in Vermillion's Dakota Dome (which is currently the only facility in the state that can host the games indoors) for the past 30+ years. The event consists of seven games over three days, and because most teams that play in the championships are historically from eastern South Dakota, it is likely that the event will stay in Vermillion. However, the rent charged to the SDHSAA recently increased by more than 100 percent, and while the association is within a 15-year contract to play in Vermillion, it has the opportunity to opt out with two years' notice.
- **Wrestling**: the 2015 Class B championships will be held at the RPCC and is expected to be held there every other year. (Class A will be in Sioux Falls.)
- **Basketball**: boys and girls AA championships will be in Rapid City in 2017. In 2015, the AA event will be in Sioux Falls, and Class A will be at the RPCC (Class B will be in Aberdeen).

- **Volleyball**: it is likely that the volleyball championships will be in Rapid City in 2018 or 2019. This fall, the three championships will be in Yankton, Watertown, and Mitchell.
- **Track and Field**: there currently is no indoor track and field at the high school level in South Dakota; however, championships for the outdoor version are held in Rapid City.
- **Soccer**: soccer is a newly-sanctioned sport by the SDHSAA. Boys' and girls' championships will be played at Dakota Wesleyan University's Pepsi-Cola Soccer Complex in Mitchell. The complex has 10 fields, including a championship field with seating for 620 people. A total of four championship games are held at the championship (two classes for both boys and girls) on one day. In the future, it is possible that soccer championships would be played indoors in Rapid City; the combined arenas are expected to be able to accommodate a full soccer field.

Lakota Nation Invitational

- The LNI is currently held at the RPCC (Barnett and the Ice Arena for competitions, and other areas for vendors).
- On the Friday and Saturday of the LNI, games have to be held at other sites because of a lack of facilities at the RPCC. With the new arena plan, games could be held at all three arenas simultaneously, which is highly preferable to the event. In addition, it would allow the event to grow by having more participating teams.
- The event would also be able to use any additional square footage for vendors.

Other Sports Events

- The South Dakota School of Mines and Technology could bring its basketball games and other events to the RPCC.
- With the School of Mines joining the Rocky Mountain Athletic Conference, there will be three conference schools within an hour of Rapid City. The RPCC could be a destination for its indoor sports tournaments. Current locations for indoor sports are:
  - Men's and Women's Basketball, Volleyball: semifinals and championships are held at the arena of the top remaining seed; earlier rounds are also held at campus sites.
  - Indoor Track and Field: Gunnison, Colorado (Western State Colorado University)
  - Wrestling: Pueblo, Colorado (Colorado State University-Pueblo)
- There are also opportunities to host other NCAA and NAIA events; the CVB is currently bidding on the NAIA wrestling championships.

- The new arena's track will provide Rapid City with the only 300-meter track in the region (there are a limited number in the U.S.). USD, Black Hills State, and Chadron State have smaller indoor tracks but they are not high-quality.

Conventions

- There is a need for more hotel rooms, particularly on the RPCC campus, to serve large events. The Holiday Inn has approximately 200 rooms, and according to interviews with local event marketers, the city has lost some large events because of the current size of the room inventory. Approximately 500 on-site rooms are desired.

  According to a review of convention leads that were lost to other markets, many large association events chose not to meet in Rapid City because of the inability to accommodate all attendees in one hotel. These events had expected attendance of 400 to 1,500 people.

- While the Holiday Inn has been improved and offers a better product than a typical Holiday Inn, there is also a perceived need for higher-quality rooms for conventions. The Holiday Inn is Rapid City's best flagged property.
- The city's air service is also a limiting factor in its ability to attract national conventions.
- The RPCC is also unable to host many trade shows because of its lack of technological offerings.
- In the last five years, analysis of events by industry indicates that the most common market segments for Rapid City (not just the RPCC) have been trade, business, and commercial; military; educational; government/legal; and medical/health.

State Dart Tournament

- The tournament rotates between Rapid City and Sioux Falls. The two cities also host the state pool tournament in alternating years.
- The tournament attracts approximately 4,000 people over five days.
- The dart tournament currently uses Rushmore Hall, LaCroix Hall, and the Alpine and Ponderosa rooms. However, the event prefers to use one room and would like to use more square footage than is currently available to it; this would also allow the tournament to have more competitors and generally spread out more. (Barnett Arena typically hosts high school basketball and wrestling during the dart tournament.)

- It is possible that the international championship, which has been held in Las Vegas for the last 30 years, could relocate to Rapid City because Las Vegas is becoming too expensive for the event and its visitors.

Other Events

The Black Hills Home Show

- The show uses the entire complex except the Theatre and Ice Arena. It has tried using the Ice Arena but it didn't work well for the event (for example, it was too cold).
- With more space, the event could expand. While the show shrank when the economy worsened, it is now growing again and could have more exhibitors if more square footage is available.

YFS Kids Fair

- The event currently uses Rushmore Hall, Barnett Arena, and the North concourse. Because it cannot rent more space, it has to turn some vendors away.
- Its preference is to be in an arena setting because of its high ceilings and sense of being in a large space.

Zonta Expo

- This event currently uses all of Rushmore Hall for a keynote speaker and approximately 100 booths, and needs additional space.

IV. Comparable Facilities

In this section, we analyze the planning, operations, use, and other characteristics of existing facilities and complexes in other markets across the country. These facilities will help to define what has been successfully implemented in other similar market areas. The facilities analyzed are:

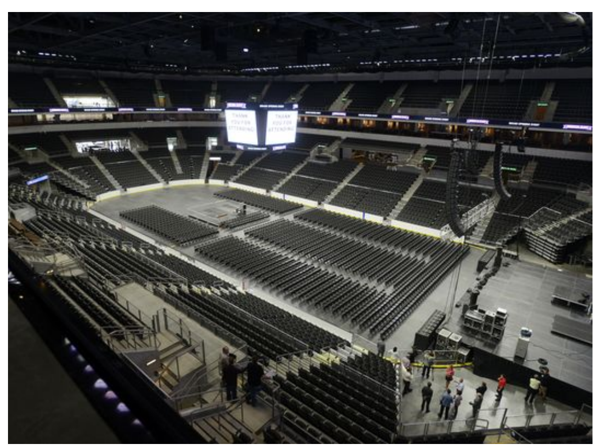
- The Denny Sanford PREMIER Center in Sioux Falls,
- The Alerus Center in Grand Forks, North Dakota,
- The Fargodome in Fargo, North Dakota, and
- The Ford Center in Evansville, Indiana.

These facilities and their markets all share similarities to Rapid City and the planned new arena at the RPCC. Three of the facilities are located in the Dakotas. Of these, the Sanford PREMIER Center is a new arena that is part of a larger complex of facilities in Sioux Falls, and the Alerus Center and Fargodome are large, multipurpose facilities that are similar to the combined new arena and renovated Barnett Arena, with the ability to be downsized for smaller events. Also, the Ford Center in Evansville is an example of a new, standalone arena that replaced a physically obsolete arena in a city that has a regional draw.

Denny Sanford PREMIER Center, Sioux Falls, South Dakota

DENNY SANFORD PREMIER CENTER

The $115-million Denny Sanford PREMIER Center opened in early October. The arena is attached to the existing Sioux Falls Convention Center, which is attached at its other end to the Sioux Falls Arena. The original Arena was built in 1961 and had become inadequate for many events and the community. In November 2011, local residents approved funding for the facility.



Market

Sioux Falls is the largest city in South Dakota and is located in the southeastern part of the state, approximately 350 miles east of Rapid City. The city's population is approximately 165,000, and the metro area (which includes Lincoln, McCook, Minnehaha, and Turner counties) has approximately 245,000 residents. The city has experienced significant growth in recent years; the population has increased by more than 20 percent since 2000.

Ownership and Management

The new arena is managed by SMG and food service is provided by Ovations. The City of Sioux Falls owns the facility as well as the two other on-site facilities.

Funding

The facility's construction costs will be repaid by half of an existing two-cent sales tax; the project was approved by local voters.

Facilities and Offerings

The facility includes the following:

- It is directly connected to the Sioux Falls Convention Center, which is connected on its other side to the Sioux Falls Arena,
- 22 suites (18 of which were available to the public, with four used by facility partners and management),
- 16 loge boxes (for four, six, or eight people each), and
- Approximately 500 club seats.

In addition, the Sheraton Sioux Falls & Convention Center is on-site, and the Ramada Sioux Falls Airport Hotel and Suites is across the street from the Sheraton.

Usage

The new arena is the home of the Sioux Falls Stampede of the USHL and the Sioux Falls Storm of the IFL. Both teams previously played at the Arena.

In the arena's first three months, its first scheduled concerts include Jason Aldean, Demi Lovato, Cher, and Eric Church. These acts are generally considered to be higher-caliber attractions than the shows that played the Arena in the last two years, such as Bob Dylan, Jake Owen, and Rascal Flatts. The Jason Aldean concert on October 3 sold approximately 10,500 tickets.

Financial

Premium Seating

- **Luxury Suites** – the arena's suites were sold for $35,000 to $45,000 per year. Prices and amenities include three parking passes, a private entrance, and 12 tickets to all arena events and the ability to purchase six more. Suites were sold for five-, seven-, and ten-year terms and are all occupied. The 18 suites that were sold to the public are expected to generate $750,000 this year. Virtually all of the suite purchasers are businesses, including Hy-Vee, MetaBank, First Dakota National Bank, Grand Falls Casino Resort, and other local and regional companies (in industries such as media, medicine, construction, financial services, and others).
- **Loge Boxes** – sixteen loge boxes accommodate four, six, or eight people, and were sold for $12,500, $18,500, and $24,500. The boxes include chairs on casters, a flat-screen TV, a high-top table and counter, one or two parking passes, and access to the premium lounge. All available loge boxes have been sold. Total loge box revenue is expected to be approximately $360,000 this year. The profile of loge box purchasers is similar to that of luxury suites – primarily local and regional businesses such as SDN Communications, Dakota King, Dakota Beverage, First Bank & Trust, Argus Leader Media, and T&R Contracting.
- **Club Seats** – approximately 500 club seats were sold for an average of $600 per year. The seats are located at the middle of the lower bowl and include wider seats, the first right to buy seats for all events, in-seat wait service, and access to the premium lounge.

Sponsorships

The arena has three tiers of sponsors – Title Sponsors, Signature Partners, and Marketing Sponsors:

- **Title Sponsors** – First PREMIER Bank, PREMIER Bankcard, and Sanford Health have arena naming rights, and pay a combined $750,000 per year for 25 years. Their payments will be set aside as an endowment, and the associated interest will help to pay the facility's expenses.
- **Signature Partners** – there are seven such partners that have exclusive category rights, including Pepsi, Budweiser/Bud Light, and Coors Light. One Signature Partner, Carsforsale.com, will pay approximately $72,000 per year for five years and receive arena signage. KELO-TV, another Signature Partner, will pay $80,000 annually over ten years and receives naming rights for the box office and southeastern entrance. Midcontinent Communications will pay $150,000 per year and will provide phone, Internet ,and TV service. Pepsi will pay $100,000 per year and receive pouring rights.

- **Marketing Partners** – there are 11 Marketing Partners. Three of them, Waterbury Heating & Cooling, Johnstone Supply, and Coleman, jointly sponsor the premium lounge and will pay approximately $200,000 over seven years.

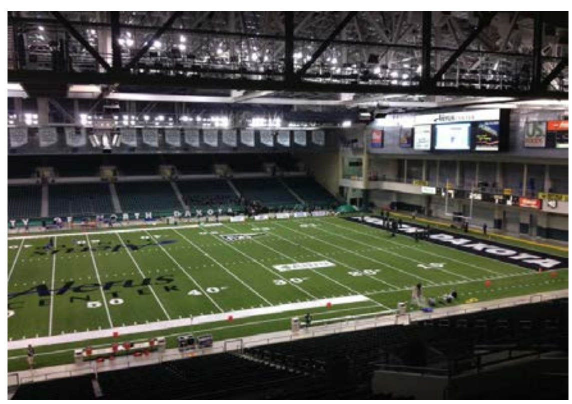
Operations

While the facility just recently opened, AECOM has reviewed internal forecasts of facility operations, including events, attendance, and revenues and expenses.

Alerus Center, Grand Forks, North Dakota

The Alerus Center opened in Grand Forks in 2001 after years of planning and setbacks. Efforts to build the facility date back to the 1980s, and include a failed public vote in 1992, which was followed by a special election in 1995 that approved a sales-tax increase to fund the facility (based in part on the success of the Fargodome and the worsening condition of Grand Forks' Civic Auditorium). Also, in 1997, a flood caused the evacuation of the city and delayed the project, and once construction began, the roof system collapsed in 1999. However, the Alerus Center's grand opening was held in February 2001.

In addition to the Alerus Center in Grand Forks is the Ralph Engelstad Arena, an approximately 12,000-seat facility that was built for $104 million in 2001. The arena is on the University of North Dakota campus and hosts UND men's and women's hockey, but also hosts a limited number of concerts and other entertainment events.



Market

Grand Forks is located in eastern North Dakota and is the state's third-largest city, with a population of approximately 55,000. The Grand Forks metro area, which includes parts of Minnesota, has approximately 100,000 residents.

Ownership and Management

The Alerus Center is owned and operated by the City of Grand Forks.

Funding

In November 1995, a special election was held to fund an arena that would be large enough to host football games and conventions, through an increase in the local sales tax. The election was approved by 60 percent of local voters. In 2006, following completion of the first schematic design, project costs had increased by $17 million; although a vote was not required to authorize the additional spending, a second special election was held and voters approved the new spending.

Facilities and Offerings

The arena's maximum capacity is 22,000, and there are no permanent seats at either end of the facility. However, a number of configurations are possible, and include the use of only one set of sideline seats, potentially with temporary seats placed on the event floor and opposite a stage or court.

Attached to the Alerus Center is the 200-room Canad Inn, which has a 40,000-square foot indoor waterpark.

The facility includes:

- A 100,000-square foot main event floor,
- A 20,000-square foot pre-function hallway,
- 14 suites,
- Approximately 4,200 parking spaces,
- Conference Center – the facility's Conference Center consists of a 25,000-square foot ballroom and 12 meeting rooms with a total of 11,00 square feet.

Usage

The facility is the home of the University of North Dakota's football team, but also functions as an arena and a convention/meetings facility. The following table summarizes the facility's overall usage for recent years.

Table 12: Alerus Center Events and Attendance

	# of Events	Total Attendance
2008	577	289,441
2009	518	248,565
2010	538	204,753
2011	637	224,687
2012	491	219,256

Source: City of Grand Forks

In 2013, the event calendar included six UND football games and approximately ten concerts, three family shows, 50 other sporting events, 40 community and religious events, and 500 other events.

In the last year, the facility's major events included:

- UND football games,
- Concerts by George Strait and Martina McBride, Jason Aldean, and Wiz Khalifa,
- The Harlem Globetrotters, and
- A wide range of other entertainment, social, community, and convention, meeting, and trade show events.

Financial

Premium Seating

Suites include 16 tickets, eight parking passes for all ticketed events, and the ability to purchase other seats for events. Suites are also rented on a per-event basis. Total suite lease revenue is approximately $225,000 per year.

Sponsorships

In 2000, Alerus Financial (which is headquartered in Grand Forks) purchased the facility's naming rights for $3 million over 20 years, or $150,000 per year. The original name of the facility was the Aurora Center.

Operations

The facility's 2011 revenues and expenses are shown below (this is the most recent year for which detailed data is available).

Table 13: Alerus Center Revenues and Expenses, 2011 ($000s)

Revenues	
Building Rental and Other Event Fees	$1,103
Concessions/Catering	2,051
Advertising/Sponsorships	549
Hospitality Tax	390
Other	5
Total Revenues	**$4,098**
Expenses	
Full-Time Staff	$1,176
Part-Time and Reimbursed Expenses	881
Products	507
Marketing	149
Repairs and Maintenance	534
Utilities	502
Management Fees	175
Other	308
Total Expenses	**$4,232**
Net Income	**($134)**

Source: AECOM research

In 2011, the facility generated a relatively small operating deficit, including its share of hospitality tax revenues. However, since then, the facility has been profitable, and is anticipating a profit of approximately $440,000 in 2014.

According to reports, the facility's cumulative net profits since 2001 exceed $1.2 million.

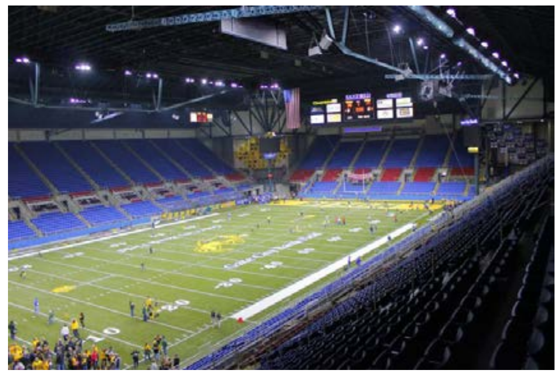
Other

- For events with a ticket price of $10 or more, on-site parking is $5.
- In recent years, ticketed entertainment events have had an average price of approximately $85.

Fargodome, Fargo, North Dakota

The Fargodome opened in 1992 at a cost of $48 million. The facility is located on a 50-acre site that borders the North Dakota State University campus. Similar to the Alerus Center (and in many ways the inspiration of the Alerus Center), the Fargodome is an indoor football stadium that also functions as a multipurpose arena and events facility. Its event capacities range from 3,400 to more than 25,000. Since its original construction, the most significant improvements have included the addition of a lobby and meeting rooms.

The facility recently studied expansion opportunities on-site and in downtown Fargo to add more meeting/convention space.



Market

Fargo is the largest city in North Dakota and has approximately 115,000 residents. The Fargo-Moorhead (MN) metro area has a population of approximately 225,000. The city is located in eastern North Dakota, approximately 80 miles south of Grand Forks.

Ownership and Management

The facility is owned by the City of Fargo and operated by Global Spectrum.

Funding

In December 1998, local voters approved a half-cent sales tax that would be dedicated to repaying the debt issued for the facility's construction. The sales tax expired in 2008 and all debt was paid in 2009.

The tax collected an additional $30 million beyond what was required to pay debt service; this could be used for future expansion.

Facilities and Offerings

The Fargodome includes the following:

- Seating configurations that range from 3,400 (theater setup, known as the Gate City Bank Theater) to 22,000 for an end-stage concert and 26,700 for a center-stage concert. Other configurations include the use of seats on all four sides of the event floor and multiple cut-down options (such as half-house and three-quarters house). Similar to the planned Rapid

City arena, a half-house event capacity using one set of end-zone seats, a portion of sideline seats, and temporary seating on the event floor is approximately 10,000.

- A total of 115,000 square feet of exhibit space, including the 80,000-square foot arena floor, 20,000 square feet on the concourse level, and a 15,000-square foot lobby,
- Nine meeting rooms,
- 12 concession stands (and a food prep room but no full kitchen), and
- 3,200 parking spaces.

Usage

The Fargodome is the home of North Dakota State University football and a wide range of other sports, entertainment, convention/meetings, and community events. Historically, the facility has averaged approximately seven concerts, 10 family shows, 17 trade shows, and 30 other sporting events per year. The facility also hosts weekly services of a local church.

Recently, the facility has become a popular destination for top-tier arena concerts. In the last year, this has included Taylor Swift, Justin Timberlake, Paul McCartney, and Katy Perry; in October, the facility will host Cher.

The following table shows the facility's total annual attendance for the last ten years, through 2012.

Table 14: Annual Fargodome Attendance

Year	Total Attendance
2003	441,280
2004	429,396
2005	381,507
2006	409,149
2007	445,270
2008	436,059
2009	486,059
2010	528,380
2011	499,805
2012	529,657

Source: City of Fargo

Financial

Premium Seating

Event-day suites are available for the following rates (for 16 people, not including tickets):

- $2,000 for NDSU football games,
- $1,250 for concerts,
- $500 for family shows, professional sporting events, and other entertainment events,
- $300 for trade shows and conventions,
- $400 for high school and other amateur sporting events,

Sponsorships

Gate City Bank pays $40,000 per year to sponsor the theater configuration within the facility, and is also paying $1 million over ten years to sponsor the playing turf.

Operations

The following table summarizes the facility's operating revenues and expenses from 2012.

Table 15: Fargodome Revenues and Expenses ($000s)

Operating Revenues	
Charges for Services	$5,162
Operating Expenses	
Personnel Services	$2,155
Other Services	2,534
Materials and Supplies	19
Total Expenses	**$4,708**
Net Operating Income (Loss)	**$454**

Source: City of Fargo

As shown, the facility generated an operating profit of approximately $450,000 in 2012. In 2014, the anticipated operating profit is approximately $320,000, based on mid-year results.

Other

- NDSU pays approximately $160,000 per year for use of the Fargodome, and receives a maximum of 50 days of use. The university's Development Foundation separately leases approximately 23,500 square feet in the mezzanine level and locker rooms for $57,500 per year, plus $3,000 in expenses. NDSU shares a percentage of concession sales from its events.
- Parking costs $5.

- In recent years, ticketed entertainment events (such as concerts and family shows) have averaged approximately 8,800 tickets sold at an average of approximately $67.
- The facility has a full-time staff of approximately 20 people.

Ford Center, Evansville, Indiana

The Ford Center in downtown Evansville opened in 2011 at a cost of $128 million. The arena replaced the city's 12,700-seat Roberts Municipal Stadium, which originally opened in 1956 and was demolished in 2013. The Ford Center has a maximum concert capacity of 11,000 and is the home of University of Evansville basketball team and the Evansville IceMen of the ECHL, which is the league that the Rush now play in.

Market

Evansville is the largest city in southern Indiana, with a population of approximately 120,000. Its metro area, which includes portions of Kentucky, has approximately 360,000 residents.

Ownership and Management

The facility is owned by the City of Evansville and operated by VenuWorks.

Funding

Approximately half of the arena's cost is funded through a tax-increment financing district in downtown Evansville, and the remaining amounts will be funded by riverboat gaming and food and beverage taxes.

Facilities and Offerings

The Ford Center includes the following:

- 290,000 square feet,

- A 360-degree lower bowl and horseshoe seating in the upper bowl,
- 17 suites (one for 40 people and 16 for 20 people) and four mini-suites (for eight or ten people),
- 95 loge seats,
- 516 club seats,
- Parking: more than 1,500 nearby city-owned spaces, in addition to privately-owned spaces, and
- The Corner Club, a bar/restaurant for 100 people that is open for most events.

Usage

In the last 12 months, the arena has hosted approximately 115 events. More than half of the events were UE basketball and IceMen hockey games; other events included 20 family show performances, 11 concerts, and 11 other sports/entertainment events. This included the NCAA Division II's men's basketball quarterfinals, semifinals, and championship game (which will return to the Ford Center in 2015). In the last two years, total annual attendance has been approximately 450,000 to 490,000.

Since its opening, the touring events held at the arena have included the Zac Brown Band, Lady Antebellum, Elton John, Brad Paisley, Kid Rock, Jason Aldean, Tom Petty & the Heartbreakers, and Florida Georgia Line.

Financial

Premium Seating

Suites generated approximately $1 million to the arena in 2012, or nearly $49,000 per suite.

Club seat season tickets for the IceMen cost $760 for the upcoming hockey season.

Naming Rights

The Tri-State Ford Dealers purchased the arena's naming rights for a total of $4.2 million over 10 years, or $420,000 per year. Of the $420,000, approximately $170,000 is allocated towards other revenue line items, such as premium seating and advertising that is part of the naming-rights agreement.

Operations

AECOM has reviewed detailed financial statements of the Ford Center as part of this analysis. The facility itself generates approximately $8.5 million in revenues against $7.5 million in expenses. However, this does not include approximately $1.5 million in operating expenses that are the responsibility of the Evansville-Vanderburgh County Building Authority, for items such as event conversions, repairs and maintenance, utilities, and associated staff.

Other

- The arena's suites and loge seats are currently sold out.
- Since its opening, the arena's average attendance for ticketed entertainment shows has been approximately 5,400, with an average ticket price of $44.
- In 2012, total ticket sales for arena events was approximately $8.9 million.
- According to the facility, nearly half of tickets sold are to people who live more than 20 miles from the arena.
- The arena has a full-time staff of 20 people.
- Event parking in city-owned lots is $5; however, free parking is also available in 1,100 spaces at the nearby Civic Center, which is the location of the city and county's offices.
- In addition to the Ford dealers, the arena recognized approximately 30 sponsors in 2012.

Demographic Comparisons

The following table summarizes a basic set of demographic characteristics for the comparable markets and Rapid City (at the city and MSA level).

Table 16: Demographic Characteristics of the Comparable Markets and Rapid City

	Sioux Falls, SD	Grand Forks, ND	Fargo, ND	Evansville, IN	Average of Comparable Markets	Rapid City
City						
Population	161,570	54,240	111,910	118,830	111,638	69,370
Households	66,190	23,430	51,220	51,550	48,098	29,350
Average Household Size	2.39	2.18	2.13	2.22	2.23	2.28
Median Household Income	$53,100	$43,800	$48,200	$98,000	$60,775	$42,100
Median Age	34.5	29.4	31.4	37.0	33.1	36.3
Number of Businesses	13,190	3,720	8,600	8,090	8,400	5,050
Total Employment	94,860	36,250	85,110	93,740	77,490	42,050
MSA						
Population	239,610	100,740	220,540	314,800	218,923	138,420
Households	95,860	41,960	93,830	128,210	89,965	56,650
Average Household Size	2.47	2.29	2.30	2.39	2.36	2.38
Median Household Income	$56,000	$49,500	$53,600	$46,800	$51,475	$45,200
Median Age	35.2	33.1	32.5	39.3	35.0	37.9
Number of Businesses	20,940	8,120	16,290	20,060	16,353	9,150
Total Employment	123,280	58,710	121,370	161,050	116,103	59,820

Source: U.S. Census Bureau, ESRI and Dun and Bradstreet

In general, at the city and metro area levels, Rapid City is relatively small compared to the other markets. Its population and number of households, businesses, and employment lag behind Sioux Falls, Fargo, and Evansville, but are greater than Grand Forks'. However, as previously mentioned in this report, the Rapid City area has a strong tourism component that adds significant population to the area (approximately three million people per year), particularly during the summer. In addition, as has been seen from past ticket sales for RPCC events, the actual market of Rapid City can extend well beyond the borders of the metro area. This is also seen in a market such as Fargo, which successfully supports major events at the largest indoor facility in the region despite a relatively small population.

V. Projections of Future Operations

In this section, we summarize our forecasts of future operations of the RPCC, including events, attendance, revenues, expenses, and various assumptions that drive these forecasts. In the process of developing these assumptions and estimates, we have completed the following:

- A complete review of past RPCC usage (as previously described in this report),
- A comprehensive review of detailed historical operating data from the RPCC, including figures such as per-capita attendee spending, event profitability and per-event revenues and expenses by type, ratios and relationships between various line items, and others,
- Review of year-to-date operations for 2014 (through June),
- Discussions with facility staff, in order to understand their thoughts on the impact of the renovation plan on overall complex operations, and
- Analysis of the operations of comparable facilities and other market research.

These factors are discussed below, as relevant, in our descriptions of assumed future operations for the RPCC.

It is important to note that in general, future usage of the RPCC by events that will not use either the new arena and/or the renovated Barnett Arena is assumed to remain similar to historical levels. Our market analysis was focused on future arena uses of the complex, and therefore we keep non-arena usage of the RPCC constant. Future use of the arenas will also potentially affect usage of halls and meeting rooms, but not the Theatre, Ice Arena, or Bandshell.

Assumed Construction Schedule

Based on discussions with facility staff and the architecture/design team, construction for the new arena is assumed to begin late next summer (2015) and will take 22 months. Following completion of the new arena, the renovation of Barnett Arena will begin and will last 12 months. As a result, the RPCC will have use of one arena during both construction projects.

We assume that construction of the new arena adjacent to Barnett Arena will be begin next summer and will be complete in mid-2017; in addition, we assume that the renovated Barnett Arena will be available in mid-2018. Calendar year 2019 will then be the first year that all new and renovated facilities are available to the RPCC.

As previously described, delays to the construction schedule could materially impact the project budget, which could then negatively impact the projections in this section. Our projections rely on the scope and schedule that is currently assumed by the project team.

Event and Attendance Demand

The following tables summarize our assumptions of future events and attendance at the RPCC, beginning in 2017 and compared to 2013, followed by a discussion of all major assumptions. (For non-ticketed events, paid attendance represents event attendance.)

Other major assumptions that guided these forecasts include:

- We assume that the new arena will be available in mid-2017, at which point Barnett Arena will become unavailable until mid-2018; beginning in July 2018, we assume that all new and renovated facilities will be available.
- As described above, future use of the Theatre, Ice Arena, and Bandshell is assumed to remain similar to historical levels, as is the number of conferences and meetings.
- In contrast to estimates of past attendance levels shown earlier in this report, our projections do not include non-event attendees who are inside the complex during an event, such as workers and staff (as these people will not impact facility revenues or expenses). References to past attendance levels in this section include these non-event attendees.

  In addition, past and future figures do not include RPCC usage such as practices, rehearsals, and other usage that has been included in past event and attendance totals but do not have a financial impact on the complex. Including these uses, total attendance has historically exceeded one million people.

AECOM

Table 17: Annual RPCC Events

	2013	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Concerts - Arenas	7	10	12	14	14	14	14	14	14	14	14
Other Sports/Competitions	26	26	28	30	30	30	30	30	30	30	30
Family Shows	12	12	14	14	14	14	14	14	14	14	14
Consumer/Public Shows	30	30	30	30	30	30	30	30	30	30	30
Conferences/Meetings	172	172	172	172	172	172	172	172	172	172	172
Conventions/Tradeshows	13	13	14	16	16	16	16	16	16	16	16
Theater Events	48	48	48	48	48	48	48	48	48	48	48
SDHSAA Events	11	10	14	14	14	14	14	14	14	14	14
Social Events	72	72	78	80	80	80	80	80	80	80	80
Tenant #1 (Basketball)	--	8	24	24	24	24	24	24	24	24	24
Tenant #2 (Football/Soccer)	--	0	6	6	6	6	6	6	6	6	6
Track Events	--	0	0	4	4	5	5	6	6	6	6
Rush Games*	34	37	37	37	37	37	37	37	37	37	37
Bandshell	22	22	22	22	22	22	22	22	22	22	22
BHSS	1	1	1	1	1	1	1	1	1	1	1
LNI	1	1	1	1	1	1	1	1	1	1	1
Total	**449**	**462**	**501**	**513**	**513**	**514**	**514**	**515**	**515**	**515**	**515**

* Regular-season games only (four playoff games were held in 2013.)
Source: RPCC, AECOM

Table 18: Estimated Average Paid Attendance

	2013	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Concerts - Arenas	2,600	8,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Other Sports/Competitions	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Family Shows	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Consumer/Public Shows	2,800	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Conferences/Meetings	150	150	150	150	150	150	150	150	150	150	150
Conventions/Tradeshows	4,100	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300
Theater Events	900	900	900	900	900	900	900	900	900	900	900
SDHSAA Events	2,000	3,250	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Social Events	700	750	750	750	750	750	750	750	750	750	750
Tenant #1 (Basketball)	--	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Tenant #2 (Football/Soccer)	--	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Track Events	--	0	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Rush Games	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300
Bandshell	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
BHSS											
Ticketed	36,000	36,000	39,600	43,600	43,600	43,600	43,600	43,600	43,600	43,600	43,600
Other	274,000	274,000	274,000	301,400	301,400	301,400	301,400	301,400	301,400	301,400	301,400
LNI											
Ticketed	26,000	28,600	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Other	39,000	42,900	47,200	47,200	47,200	47,200	47,200	47,200	47,200	47,200	47,200

Source: RPCC, AECOM

Table 19: Estimated Total Paid Attendance

	2013	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Concerts - Arenas	18,200	80,000	60,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Other Sports/Competitions	39,000	39,000	42,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Family Shows	12,000	12,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Consumer/Public Shows	84,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000
Conferences/Meetings	25,800	25,800	25,800	25,800	25,800	25,800	25,800	25,800	25,800	25,800	25,800
Conventions/Tradeshows	53,300	55,900	60,200	68,800	68,800	68,800	68,800	68,800	68,800	68,800	68,800
Theater Events	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200	43,200
SDHSAA Events	22,000	32,500	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000
Social Events	50,400	54,000	58,500	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Tenant #1 (Basketball)	--	20,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Tenant #2 (Football/Soccer)	--	0	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Track Events	--	0	0	12,000	12,000	15,000	15,000	18,000	18,000	18,000	18,000
Rush Games*	146,200	159,100	159,100	159,100	159,100	159,100	159,100	159,100	159,100	159,100	159,100
Bandshell	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400
BHSS											
Ticketed	36,000	36,000	39,600	43,600	43,600	43,600	43,600	43,600	43,600	43,600	43,600
Other	274,000	274,000	274,000	301,400	301,400	301,400	301,400	301,400	301,400	301,400	301,400
LNI											
Ticketed	26,000	28,600	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Other	39,000	42,900	47,200	47,200	47,200	47,200	47,200	47,200	47,200	47,200	47,200
Total	**928,500**	**1,067,400**	**1,137,500**	**1,204,000**	**1,204,000**	**1,207,000**	**1,207,000**	**1,210,000**	**1,210,000**	**1,210,000**	**1,210,000**

* Regular-season games only (four playoff games were held in 2013.)
Source: RPCC, AECOM

As the tables show, the total number of events is estimated to be 462 in 2017 and increase to approximately 515 per year beginning in 2019. Total attendance is forecasted to range from approximately 1.0 to 1.2 million per year.

In the tables above, the BHSS and LNI, which are two of the RPCC's largest annual events, are treated as one single event. However, in the following section and in our forecasts of future usage, we analyze the multi-day events in more detail. Also, while the Rush will play three more regular-season home games per year in the future (based on its move to the ECHL, which is described in more detail below), 2013's event usage included four home playoff games; our forecasts for future usage do not include Rush playoff games.

Paid vs. Turnstile Attendance

In addition, while the previous two tables show paid attendance (the number of people who purchase tickets to events), the number of people who actually attend events will differ, due to no-shows and people who receive free tickets from various sources. However, both sets of numbers are important to our forecasts, as paid attendees will generate ticket revenues to an event but only turnstile attendees will spend money at the complex for items such as concessions. (For all non-ticketed events, such as meetings, the number of actual, or turnstile, attendees, is the same as the "paid" attendance.) For the purposes of this analysis, we assume that turnstile attendance is 95 percent of paid attendance for all ticketed events except the BHSS and LNI, 98 percent for the BHSS and LNI, and 100 percent for non-ticketed events.

Event Categories

Concerts

In 2013, Barnett Arena hosted seven concerts; in recent years, this number has ranged from five to 13. (Concerts held in other RPCC facilities are considered separately.) Average paid attendance has consistently been approximately 2,400 per show but increased to 3,700 in the first half of 2014.

In the future, concerts would have the ability to use either the new arena, the renovated Barnett Arena, or a combination of both. We assume that most concerts would take place in the full new arena only; however, smaller concerts could be held in Barnett Arena only, and major concerts could use both facilities simultaneously.

In 2017, which would include a half year of use of the existing Barnett Arena and a half year of use of the new arena, including its grand opening and other major concerts surrounding the facility's opening), we assume a total of 10 concerts at the RPCC, with an average attendance of 8,000. (The Sanford PREMIER Center's recent grand opening Jason Aldean concert sold nearly 10,500 tickets.) In 2018, with a full year of the new arena and a half year of the renovated Barnett Arena, we assume 12 concerts with an average of 5,000 attendees. Beginning in 2019 and beyond, we assume 14 concerts and an average attendance of 5,000.

Other Sports/Competitions

In addition to sporting events that appear in other categories, the complex (primarily Barnett Arena) hosts a wide range of other sports events and competitions; these include mixed martial arts, boxing, high school and college sports, Monster Trucks, and others. In 2013, the arena hosted 26 such events, with an average attendance of approximately 1,500 (the average event was held over nearly two days).

We assume that the new arena will allow the RPCC to host sporting events that Barnett Arena cannot currently attract (these are discussed in more detail earlier in this report). And similar to concerts, these events could use the new arena only, Barnett Arena only, or both simultaneously. This could include full-field football and soccer events (particularly due to the Black Hills Rapids' affiliation with the Colorado Rapids of MLS). In 2017, with the addition of the new arena for the last six months of the year, we assume that the RPCC will host 26 of these events, with an average attendance of 1,500 (which includes attendees only, as compared to historical figures). We then assume that event demand will increase to 28 and then stabilize at 30 in the next two years, with average attendance of 1,500.

Family Shows

This category includes events such as the circus and other touring, family- and kids'-focused shows such as Disney and Sesame Street Live. In 2013, the complex hosted 12 performances of family show events per year, with an average attendance of approximately 1,000 per performance.

With a new arena and a renovated Barnett Arena, we assume that family show event demand will be slightly higher than historical levels (14 per year), with an average attendance of 1,000. Family shows are generally expected to use only one arena or the other (most are assumed to be held in the new arena).

Consumer/Public Shows

The complex hosts a wide range of public shows, including consumer shows, throughout its facilities. Examples of these events include a car show, a coin and stamp show, a motorcycle show, a job fair, a health fair, and many others. In the last two years, the complex has hosted 30 consumer/public shows per year, with a total average attendance over the course of the events of nearly 3,500.

Some of these events have used Barnett Arena as well as other facilities within the RPCC, and are limited by the current offerings of the RPCC. As a result, we assume that while the total number of events will remain constant to historical levels, but average attendance will increase to 3,500 per event (which is an increase over past levels because historical attendance includes other people who did not actually attend an event).

Conferences/Meetings

The complex's meeting rooms hosted 172 conferences and meetings in 2013, with an average attendance of approximately 150 people per event. These events have not used Barnett Arena and are not expected to be significantly impacted by the presence of a new arena and a renovated Barnett Arena, and as a result, we assume that future event and attendance demand will remain similar to historical levels.

Conventions/Tradeshows

In 2013, the RPCC has hosted 13 conventions and trade shows, with an average attendance of approximately 4,100 per event. Most of these events have not used Barnett Arena or the Ice Arena, but many do use multiple facilities within the RPCC. We believe that the additional and improved square footage within the complex will allow Rapid City to attract and host conventions and trade shows, and larger events, than it currently does.

As a result, we assume that the number of conventions and trade shows will gradually increase to 16 events per year, as the new/improved square footage becomes available, and that average attendance will be 4,300 per event.

Theatre Events

In 2013, the Theatre hosted 45 performances, which included small concerts, speakers, comedians, performing arts, recitals, and other similar events. These events had an average attendance of approximately 900 people. Because these events will not be directly affected by a new arena or the renovation of Barnett Arena, we assume that this event and attendance level remains constant in the future.

SDHSAA Events

As previously mentioned, Barnett Arena is often a host of state high school athletics championships (wrestling, basketball, and volleyball). In addition, the combined Barnett Arena and new arena will be able to host state soccer championships. For many years, the state football championships have been held in Vermillion (its Dakota Dome is currently the only indoor venue in the state that can host the event); however, the combined new arena and Barnett Arena will also have the ability to host football games.

The following table summarizes the use of Barnett Arena for SDHSAA championships since 2010.

Table 20: Past SDHSAA Events at Barnett Arena

	2010	2011	2012	2013	2014	Average
Wrestling						
# of Sessions	4		4		4	4
Avg. Attendance	2,588		3,365		2,308	2,754
Total Attendance	10,353		13,460		9,233	11,015
Boys Basketball						
# of Sessions	6	6	6	5	6	6
Avg. Attendance	3,542	4,225	3,089	3,146	3,736	3,547
Total Attendance	21,254	25,348	18,535	15,729	22,413	20,656
Girls Basketball						
# of Sessions				6		6
Avg. Attendance				1,110		1,110
Total Attendance				6,661		6,661
Total						
# of Sessions	**10**	**6**	**10**	**11**	**10**	**9**
Avg. Attendance	**3,161**	**4,225**	**3,200**	**2,035**	**3,165**	**3,157**
Total Attendance	**31,607**	**25,348**	**31,995**	**22,390**	**31,646**	**28,597**

Source: AECOM, RPCC

Event and attendance demand has been fairly consistent in the last five years, with an average of nine sessions and total attendance of approximately 28,500.

Generally, in the future, we assume that the RPCC will continue to host similar levels of state championships, in addition to the opportunity for soccer. While football championships could potentially be held in Rapid City, they are not included in our forecasts. In the future, we make the following assumptions regarding the SDHSAA's use of the RPCC:

- **2017**: in 2017, 2016-17 school year championships (wrestling) could be held in Barnett Arena before it is closed for renovations; championships for the 2017-18 year (volleyball and basketball) could be held in the new arena. Soccer would not yet have use of the two combined arenas. In 2017, we assume a total of 10 sessions with an average attendance of 3,250.
- **2018 and beyond**: beginning in 2018, wrestling could be held in the new arena in the first half of the year, and volleyball and basketball in the second half of the year; also, once

Barnett Arena reopens in the summer of 2018, soccer championships could potentially be held in the combined arenas in the fall. Starting in 2018, we assume 14 sessions per year with an average attendance of 3,500.

Social Events

Social events held at the RPCC include banquets, breakfasts and luncheons, weddings, proms, corporate and holiday parties, and other similar events. A small but relevant share of these events has been held in Barnett Arena and the Ice Arena; in many cases, these are the RPCC's larger social events.

As the new arena and renovated Barnett Arena come online, we assume that the number of social events will increase to 80 per year, with an average attendance of 750.

Minor-League Sports Tenants

It is possible that the new arena (or potentially a renovated Barnett Arena) hosts a minor-league sports franchise. We assume that a new hockey team would not come to Rapid City because the market already has the Rush, who play at the Ice Arena. However, according to our market research, there is interest in bringing additional minor-league sports to the city.

Aside from hockey, the primary opportunities for minor-league sports in a market such as Rapid City and in its geographic location are in basketball, football, and soccer. (There is also a professional indoor lacrosse league, the National Lacrosse League, but its teams are in major markets and play in NBA/NHL arenas.)

These sports' leagues and their characteristics are described below.

Basketball

- **The NBA Development League** – the NBA D-League is the US's primary minor league for basketball, and is directly affiliated with the NBA (some D-League teams are owned by NBA teams and are affiliates of the parent teams). The D-League's season coincides with the NBA's, with games from November through April. This fall, the league is expanding to 18 teams, and the league has a national footprint. In general, these teams are not located in major markets and most play in arenas that have approximately 7,000 seats or fewer. The Sioux Falls Skyforce, which is an affiliate of the Miami Heat, is the one existing team in the

Dakotas. The team played in the Sioux Falls Arena through 2013, but now plays in the new Sanford Pentagon.

Leaguewide, average attendance for the 24-game home schedule is approximately 2,700 per game. In the last five seasons, the Skyforce's average attendance has ranged from approximately 2,800 to 3,400 per game.

The league has been expanding, particularly as teams develop affiliations with NBA teams, and it is likely that the league will continue to expand in the future.

- **Other Leagues** – there are a number of other professional basketball minor leagues across the country, but are not realistic opportunities for Rapid City. In general, these leagues are limited to geographic areas that do not include South Dakota and/or play in facilities such as high school gyms and recreation centers.

Football

- **The American Indoor Football Association –** the AIFA has eight franchises that are primarily located on the East Coast (the westernmost team is in Cleveland). Teams play four regular-season home games per year, from March through May, and generally play in smaller venues such as armories and community facilities. However, the Baltimore Mariners play in the 14,000-seat Royal Farms Arena.
- **Continental Indoor Football League –** the CIFL has 10 teams that are generally located in the Midwest and South (Illinois, Michigan, Pennsylvania, Ohio, and Kentucky). The regular season consists of five home games per team from February through April, and most teams play in small- to mid-sized minor-league arenas.
- **Indoor Football League –** the IFL has 11 franchises that are located in the Midwest and West, including Billings, Casper, and Sioux Falls. The Sioux Falls Storm previously played in the Sioux Falls Arena and will now play in the Sanford PREMIER Center. The IFL regular season consists of seven home games per team (from February through June), and all teams currently play in typical minor-league arenas that are similar to the planned facility at the RPCC. Based on available attendance data, many teams' average attendance is in the 2,000-to-4,000 range per game.
- **Champions Indoor Football –** CIF will begin playing in 2015, as the result of a merger between the Champions Professional Indoor Football League and the Lone Star Football League. The league will have ten teams that will primarily be located in the central US, as seven of the ten franchises will be in Texas, Kansas, and Nebraska. A Sioux City, Iowa team

will also play at the Tyson Events Center. In general, the teams will play in small to mid-sized arenas.

- **Other Leagues –** the other current indoor football league is the Arena Football League, which has franchises in major markets that play in NBA/NHL arenas.

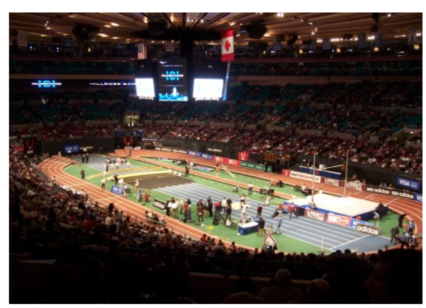
Soccer

- **The Major Arena Soccer League –** the MASL currently has 23 teams across the country (there are Eastern, Central, Southern, and Western divisions), and formed with teams from the former Professional Arena Soccer League and Major Indoor Soccer League. Central teams are located in Illinois, Wisconsin, Missouri, Oklahoma, and Texas; Western teams are in Nevada, California, and Washington. Teams play eight regular-season home games in small- to mid-sized arenas, from October through March. For the 2013-14 season, reported average attendance was approximately 1,300; in previous years, attendance was generally in the 700 to 1,000 range.
- **Other Leagues –** other existing professional soccer leagues are outdoor leagues.

For the purposes of this projection, we assume that the new arena hosts two new minor-league franchises. We assume that one team is an NBA D-League team and the other is either a football or soccer franchise. Because the D-League's season starts in the fall, we assume that it will begin playing in the new arena in 2017 (and will play eight home games in the 2017 calendar year, followed by 24 per year in later years). While indoor soccer leagues are also fall to spring leagues, indoor football is generally played in the first half of the year. As a result, in order to be more conservative, we assume that the second tenant will not play at the new arena until 2018, when it will first be available for spring events. Also, we assume that the basketball team has an average attendance of 2,500 per game (for 24 games) and the second franchise averages 1,500 per game, for six games.

Track Events

It is anticipated that the event floor of the combination of the new arena and Barnett Arena will have a 300-meter track for indoor track and field events. There are a limited number of 300+ meter indoor tracks in the US, and most are on college campuses. None are in the Rapid City area; however, examples include facilities at Iowa State, Northern Arizona, Kent State, and others. Other tracks, such as those at the University of Idaho and the University of Kentucky, are 290 meters.



Closer to Rapid City, there are no 300-meter tracks but a number of 200-meter tracks, including facilities at Black Hills State (the Donald Young Center), the University of South Dakota (Dakota Dome), and Chadron State's Nelson Physical Activity Center, and these tracks host collegiate and other meets. Non-university events hosted at these facilities include local and regional high school meets.

From a review of event calendars of leading 300-meter tracks across the US, they often host collegiate conference and national championships, high school meets, and other special events and invitationals, in addition to the home university's meets.

In 2019, when both arenas, and therefore the full track, are available, we assume that the RPCC will host four meets, and that this will increase to six in 2023. We assume that average per-meet attendance will be 13,000.

Rush Games

The Rapid City Rush plays its home games in the Ice Arena. The Rush had been a member of the Central Hockey League (CHL) since its 2008 inception but in early October, the league was absorbed into the ECHL, which is a higher level of minor-league hockey. In the CHL, the Rush had played 33 regular-season home games and one or two preseason games, plus any playoff games. The ECHL regular season consists of 36 home games, plus one or two preseason games, and as a result 37 games per year are assumed in the future. In the CHL, the Rush's average attendance has been approximately 4,300 per game, and while attendance is generally higher in the ECHL than the CHL (leaguewide average of 4,700 compared to 3,700 last season), we assume that the Rush's historical average will not increase.

Black Hills Stock Show

The Black Hills Stock Show & Rodeo is the RPCC's largest annual event, and is held in January and February. The ten-day event uses the complex for a total of 14 days, including setup and teardown. Throughout the course of the BHSS, a wide range of events, including rodeos and other competitions, horse shows, a trade show, a petting zoo, a banquet/ball, animal sales, and others are held. As previously described, the event uses the entire RPCC complex and also has to host other events off-site, but would prefer to have all events at the RPCC. In addition, a larger arena could accommodate more attendees for events that sell out.

More specifically, the BHSS rents all of the RPCC's facilities for parts or all of the 14-day period, for both events as well as move-in and move-out days. This also includes room rentals for show offices. In 2012, total BHSS attendance at the complex was estimated to be 336,000, including approximately 43,500 for ticketed events. In 2013, these figures were 310,000 and 36,000, respectively.

In the future, we make the following assumptions regarding the BHSS' use of the RPCC:

- **2017:** in 2017, the BHSS would use Barnett Arena, as it currently does, because the new arena is not scheduled to open until later in the year. The event will also continue to use the fairgrounds. As a result, we assume that in this year, the RPCC will host 36,000 ticketed attendees and 310,000 total attendees during the 10-day event.
- **2018:** this year, BHSS usage of the RPCC would include the new arena, and Barnett would be unavailable. The overall number and types of facilities available to the BHSS would not change; however, the improved and larger arena would allow the rodeo to sell additional tickets for its more popular events (some of which currently sell out Barnett Arena). As a result, in 2018, we assume a 10-percent increase in ticketed attendance for the same events that are currently held on-site, with no increase in non-ticketed event attendance.
- **2019 and Beyond:** beginning in 2019, we assume that the BHSS will have the ability to move more events to the RPCC, as both the new arena and Barnett Arena will be available. As a result, we assume a 10-percent increase for both ticketed and non-ticketed attendance compared to 2018 figures. After 2019, attendance levels are assumed to remain constant.

Lakota Nation Invitational

The LNI is also one of the RPCC's major annual events. The four-day event is held in December and uses the entire complex, for competitions, vendors/exhibitors, and other uses.

As previously described, according to LNI representatives, games have to be held at other venues in Rapid City because of the lack of available space at the RPCC. With the planned new arena, the event intends to bring these events on-site and will be able to use all three arenas simultaneously.

In the last two years, the LNI has attracted approximately 50,000 to 65,000 attendees per year to the RPCC; of this, approximately 27,000 have attended ticketed events.

In the future, we make the following assumptions regarding LNI's use of the RPCC:

- **2017:** because LNI is held in December, we assume it will have use of the new arena in 2017 (but not Barnett Arena, which would be under construction then). As a result, we assume that total attendance will increase by 10 percent based on the addition of events that were previously held off-site.
- **2018 and Beyond:** beginning in 2018, LNI is assumed to have full use of both the new arena and the renovated Barnett Arena. In 2018, we assume that attendance will increase by 10 percent over 2017's level, and then remain constant in future years.

Bandshell

The complex also includes a bandshell in Memorial Park, which is a 27.5-acre site at the RPCC. In addition to the bandshell, the park also includes tennis courts, picnic areas, various memorials, and other attractions. However, the only use of the park considered in the RPCC's calendar is bandshell events.

Events held at the bandshell include runs/walks, picnics, family events, and concerts. The bandshell's biggest event is Hills Alive, a free, three-day music festival. In the last two years, the bandshell hosted an average of 23 events and total attendance of 58,000, most of which is generated from Hills Alive. In the future, we assume historical usage levels will continue.

RPCC Revenues and Expenses

The following table summarizes the projected future annual revenues and expenses by line item, compared to actual results from 2013. Major assumptions regarding all line items are below.

Table 21: RPCC Revenues and Expenses ($000s)

	2013	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Revenues (Net)											
Building Rentals	$1,100	$1,467	$1,598	$1,696	$1,731	$1,772	$1,809	$1,852	$1,890	$1,929	$1,969
Other Rentals	163	256	295	317	324	332	339	348	355	362	370
Reimbursements	557	790	930	1,018	1,078	1,101	1,126	1,150	1,177	1,200	1,224
Box Office Commissions	399	856	879	950	969	989	1,009	1,031	1,051	1,072	1,094
Sales Tax Collected	271	370	404	436	448	458	467	477	487	497	507
Total Concessions	2,616	3,839	4,118	4,437	4,526	4,622	4,715	4,815	4,911	5,010	5,110
Marketing	136	902	918	937	956	975	994	1,014	1,034	1,055	1,076
Sales Tax Collected by State (BBB Tax)	3,902	4,928	5,283	5,663	6,071	6,508	6,977	7,479	8,018	8,595	9,214
Premium Seating - New Arena	0	141	287	293	298	304	311	317	323	330	336
Parking	0	363	402	426	434	445	454	465	474	484	493
Interest	15	12	12	12	13	13	13	14	14	14	14
Total Operating Revenues	**$9,159**	**$13,924**	**$15,125**	**$16,185**	**$16,847**	**$17,520**	**$18,213**	**$18,962**	**$19,735**	**$20,547**	**$21,406**
Operating Expenses											
Salaries and Benefits	$3,623	$4,750	$5,250	$5,779	$5,894	$6,012	$6,132	$6,255	$6,380	$6,508	$6,638
Insurance	153	238	326	333	340	346	353	360	368	375	382
Professional Services	247	298	331	366	373	381	388	396	404	412	420
Repairs and Maintenance	231	271	304	338	345	351	359	366	373	380	388
Supplies and Materials	391	460	497	535	546	557	568	579	591	602	614
Utilities	849	1,250	1,400	1,577	1,608	1,640	1,673	1,707	1,741	1,776	1,811
Inter-Departmental Charges	247	275	288	300	306	312	318	325	331	338	345
Merchandise for Resale	657	1,152	1,235	1,331	1,358	1,387	1,414	1,445	1,473	1,503	1,533
Collection from Other Agencies	264	370	404	436	448	458	467	477	487	497	507
Debt Service	345	400	400	400	400	400	400	400	400	400	400
Other	237	271	304	338	345	351	359	366	373	380	388
Capital Outlay - Professional Services	89	90	92	94	96	97	99	101	103	105	108
Capital Outlay - Other & Bonding Expenditures	184	260	265	271	276	281	287	293	299	305	311
CVB Share of BBB Tax	829	1,232	1,321	1,416	1,518	1,627	1,744	1,870	2,004	2,149	2,303
Total Operating Expenses	**$8,346**	**$11,316**	**$12,416**	**$13,512**	**$13,851**	**$14,202**	**$14,563**	**$14,939**	**$15,327**	**$15,730**	**$16,148**
Net Operating Income	**$813**	**$2,608**	**$2,709**	**$2,673**	**$2,995**	**$3,318**	**$3,651**	**$4,023**	**$4,408**	**$4,817**	**$5,258**

Source: RPCC, AECOM

As shown above, total revenues of the RPCC are estimated to range from $13.9 million to $16.2 million from 2017 through 2019, as the new arena and renovated Barnett Arena are being completed. Expenses in these three years are estimated to be $11.3 million to $13.5 million. As a result, net income is estimated to be approximately $2.6 million to $2.7 million. From 2020 through 2026, net income is estimated to increase to $3.0 million to $5.3 million.

The text below describes all major assumptions and calculations regarding the financial forecasts. References to increases in future rates (such as a per-event rent) apply to 2019, which is the first full year that both arenas will be available. These rates account for increased and improved facilities that will be available at the RPCC. As a result, for events such as the BHSS and LNI, which use the entire complex and are expected to grow between 2017 and 2019 as the new space comes online, per-event rates for 2017 and 2018 are less than the “full” future amount.

- **BHSS**: in 2017, the BHSS will continue to use Barnett Arena, as the new arena will not open until mid-year. As a result, its rates for facility rent, other rentals, and reimbursements are not increased from past amounts. In 2018, they are increased to the average of the past and future amounts; in 2019, the full future amounts are assumed.

- **LNI**: in 2017, the LNI would use the new arena but would not have access to Barnett Arena, and as a result, per-event rates for that year are the average of the past and future amounts. Beginning in 2018, we assume that the full future amounts are paid.

Operating Revenues

Building Rentals

Building rental revenue represents amounts collected from rental of the RPCC's facilities, as well as premium seat revenues from the Ice Arena. Many events simply pay rent to the RPCC for use of space. However, the complex co-promotes many of the ticketed events held on-site and doesn't technically collect rent but shares in the event's revenues. For these events, the RPCC still allocates rental revenues based on its standard rates for its individual facilities.

The following table shows actual rental revenues on a per-event basis compared to our assumptions for future rates. In the future, rates for events that will use the new or renovated Barnett Arena are increased slightly from current rates.

Table 22: Rental Rates

	Past	Future
Concerts - Arenas	$1,250	$1,500
Other Sports/Competitions	$1,750	$2,000
Family Shows	$2,250	$2,500
Consumer/Public Shows	$10,000	$11,000
Conferences/Meetings	$500	$500
Conventions/Tradeshows	$8,000	$9,000
Theater Events	$1,500	$1,500
SDHSAA Events	$2,500	$2,750
Social Events	$1,250	$1,500
Tenant #1 (Basketball)		$1,750
Tenant #2 (Football/Soccer)		$1,750
Track Events		$5,000
Rush Games	$2,000	$2,000
Bandshell	$200	$200
BHSS	$200,000	$220,000
LNI	$27,000	$30,000

Source: AECOM, RPCC

In addition to rental revenue from the RPCC's facilities, this line item also includes revenues generated by leases of the Ice Arena's luxury suites. In 2014, eight of the Ice Arena's 12 suites are leased for $21,000 to $39,000 each, and a total of $243,000. In our projections, we assume that the new arena will also have premium seating options, and the associated revenue is recognized in a separate line item (Premium Seating – New Arena). However, for consistency purposes, we keep the Ice Arena's suite revenue in this line item, and we inflate 2014's revenue in future years. We also assume that there will be some cannibalization of suite revenue from the Ice Arena when the new arena opens. As a result, we decrease the Ice Arena's suite revenue by $50,000 per year beginning in 2017.

Based on the assumptions of RPCC usage and the rental rates shown above, as well as the estimated suite revenue from the Ice Arena, total rent revenues are estimated to be $1.5 million in 2017 and $1.7 million in 2019.

Other Rentals

Other rental revenue is generated from non-space rentals by events (for items such as equipment). From a review of past event-level financial statements, many events generate little revenue from other rentals (total revenue was approximately $135,000 in 2013). Past and assumed future per-event revenues are shown below.

Table 23: Other Rental Revenue

	Past	Future
Concerts - Arenas	$200	$225
Other Sports/Competitions	$0	$0
Family Shows	$500	$550
Consumer/Public Shows	$1,250	$1,500
Conferences/Meetings	$200	$200
Conventions/Tradeshows	$1,750	$2,000
Theater Events	$0	$0
SDHSAA Events	$250	$275
Social Events	$500	$550
Tenant #1 (Basketball)	$0	$1,000
Tenant #2 (Football/Soccer)	$0	$1,000
Track Events	$0	$2,000
Rush Games	$1,500	$1,500
Bandshell	$200	$200
BHSS	$10,000	$11,500
LNI	$2,000	$2,250

Source: AECOM, RPCC

As a result, we estimate that Other Rental revenue will be approximately $250,000 in 2017.

Reimbursements

This line item represents reimbursements of facility expenses that are passed along to events, for items such as stagehands, security, and others. Reimbursement revenue is generally a function of facility usage, and historically, has ranged from approximately 50 percent to 70 percent of revenues from building and other rentals (not including Ice Arena suite leases). As a result, in the future, we assume that reimbursements revenue will be 60 percent of revenue from rentals, or $790,000 in 2017.

Box Office Commissions

This line item can consist of revenues from box office charges, ticket printing fees, and ticket convenience fees (for ticketed events). Historically, these revenues have generally been five percent of gross ticket sales, but can be as much as 15 percent or more for individual events. Based on discussions with facility management and their experience with promoter negotiations for shows, and anticipated terms of future deals with promoters, we assume that total box office commissions will be eight percent of ticket sales in the future. As a result, total box office commission revenue is estimated to be $856,000 in 2017.

Sales Tax Collected

The RPCC collects sales tax revenues, on behalf of the City, from sales of items that are taxable (such as food and drinks, merchandise, and services that are sold to events). These amounts are then transferred to the City and are also shown as an expense of the RPCC. Therefore, there is no net gain to the facility. In recent years, the sales tax collected, and the associated expense, has been approximately eight percent of total concessions and reimbursement revenues, and this amount is assumed in the future.

Total Concessions

Total concessions revenue is the gross revenue from food, beverage, and merchandise sales at RPCC events. Revenues are generated from concession stands, beer and liquor sales, in-house catering, and outside caterers that pay a commission to the RPCC. This line item captures the gross revenue from these sales (net of sales tax), and the associated costs are deducted as an expense. With the exception of commissions paid by outside caterers, for which there is no associated expense, other types of sales have an expense component to the complex. Sales taxes are deducted from gross sales because they are accounted for in a separate line item (above).

In the future, concessions revenue from food and beverage sales will also include sales from premium seating in the new arena. The following table shows the historical gross per-capita sales for concessions and novelties, and future assumptions, for both general admission attendees and premium seat attendees. All amounts include gross revenues from the RPCC's own sales as well as commissions paid by outside caterers, on a per-capita basis (net of sales taxes). Although the new arena and renovated Barnett Arena will provide additional points of sale and better quality compared to the current Barnett Arena, we do not increase general-admission sales from current amounts, aside from inflation.

Table 24: Gross Per-Capita Concessions, Catering, and Merchandise Sales (Net of Sales Tax)

	Past	Future		
		GA	Luxury Suites	Club Seats
Concerts - Arenas	$7.36	$7.36	$13.80	$7.36
Other Sports/Competitions	$10.58	$10.58	$16.56	$10.58
Family Shows	$2.99	$2.99	$9.20	$2.99
Consumer/Public Shows	$2.07	$2.07		
Conferences/Meetings	$4.60	$4.60		
Conventions/Tradeshows	$2.76	$2.76		
Theater Events	$0.69	$0.69		
SDHSAA Events	$1.61	$1.61	$5.52	$1.61
Social Events	$7.36	$7.36		
Tenant #1 (Basketball)		$3.68	$11.04	$3.68
Tenant #2 (Football/Soccer)		$3.68	$11.04	$3.68
Track Events		$1.84	$5.52	$1.84
Rush Games*	$5.98	$5.98		
Bandshell	$0.00	$0.00		
BHSS	$13.80	$13.80	$18.40	$0.00
LNI	$3.31	$3.31	$7.36	$13.80

*Premium sales for Rush games are included in concessions sales.
Source: AECOM, RPCC

In 2017, gross concessions revenue (net of sales taxes) is estimated to be approximately $3.8 million, and increase to $5.1 million in 2026.

Marketing

In the past, this line item has included revenues from a limited amount of sponsorships. Daktronics has historically sold many of the facility’s sponsorships and retained the associated revenues; however, its various agreements end by 2017. Therefore, in the future, the RPCC will have the ability to generate and retain revenues from its full inventory of sponsorship assets as well as new opportunities that are created by the construction of the new arena and the renovation of Barnett Arena. For the future, the various categories of Marketing revenues and their assumptions are described below.

Naming Rights

Many public events facilities and complexes sell naming rights, for an entire facility and/or portions of a facility. Examples include the facilities and complexes in the following table.

Table 25: Examples of Comparable Naming Rights Deals

	Annual Value	Location	# of Seats (Arena)	Sq. Feet (Convention)	Tenant(s)	Notes
Arenas						
Denny Sanford PREMIER Center	$750,000	Sioux Falls, SD	12,000	--	USHL, IFL	Complex includes convention center and second arena
INTRUST Bank Arena	$590,000	Wichita, KS	13,500	--	ECHL	
Wells Fargo Arena	$575,000	Des Moines, IA	15,200	--	D-League, IFL, AHL	Complex includes convention space
Pinnacle Bank	$450,000	Lincoln, NE	12,700	--	UN Basketball	
Bon Secours Wellness Arena	$450,000	Greenville, SC	13,700	--	ECHL	
Ford Center	$420,000	Evansville, IN	9,000	--	ECHL, UE Basketball	
AMSOIL Arena	$300,000	Duluth, MN	5,300	--	UMD Hockey	Complex includes convention center and second arena
BMO Harris Bank Center	$260,000	Rockford, IL	5,800	--	AHL	
Cross Insurance Arena	$250,000	Portland, ME	6,700	--	AHL	
Cross Insurance Center	$200,000	Bangor, ME	5,800	--	--	
Alerus Center	$150,000	Grand Forks, ND	22,000	--	UND Football	
U.S. Cellular Center	$150,000	Asheville, NC	5,200	--	--	Complex includes theater and exhibit hall
RimRock Auto Arena	$100,000	Billings, MT	8,700	--	--	Complex includes other indoor and outdoor facilities
Gateway Arena	$75,000	Sioux City, IA	6,300	--	USHL, CPIFL	Complex includes recreation center
Convention Centers and Complexes						
Tyson Events Center	$4M total	Sioux City, IA	6,300	--	USHL, CPIFL	Complex includes Gateway Arena (above) and rec center
DCU Center	$480,000	Worcester, MA	12,000	135,000	AHL	
US Cellular Center	$380,000	Cedar Rapids, IA	7,000	115,000	IFL	
MassMutual Center	$333,333	Springfield, MA	8,000	100,000	AHL	
Alliant Energy Center	$315,000	Madison, WI	10,000	255,000	--	
TD Convention Center	$300,000	Greenville, SC	--	60,000	--	
Cox Business Center	$220,000	Tulsa, OK	8,900	100,000	PASL, CPIFL	

Source: AECOM

It is possible that the RPCC signs a naming rights contract for the entire complex, and/or for individual facilities within the complex. However, for the purposes of this projection, we only assume that any naming rights revenue recognized by the complex is consistent with an amount that could be generated by a new arena only. As a result, we estimate that naming rights revenue to the complex will be $200,000 per year (in 2014 prices).

Other Advertising/Sponsorships

In 2013, the complex retained approximately $135,000 in revenues from various sponsorship agreements. As previously mentioned, additional sponsorship revenues are currently owned by Daktronics, but by 2017, these agreements will expire and the rights will revert to the RPCC.

Specifically, the RPCC's share of revenues are currently generated from major partnerships with High Country Coca-Cola and Regional Health, and smaller deals with various companies that sponsor ticket backs, shuttle buses, and other similar items. Daktronics currently retains approximately $230,000 per year from other contracts that will expire in the next three years. In addition, RPCC staff recently renewed previously-expired sponsorships that will generate $100,000 per year through 2019, and other opportunities have been identified and priced by RPCC staff.

Annual non-naming rights sponsorship revenues at other similar facilities include the following:

- **Denny Sanford PREMIER Center (Sioux Falls) –** the new arena has a total of 25 sponsors, including seven "Signature Sponsors" and 11 "Marketing Partners." Three of the Signature

Sponsors pay approximately $70,000 to $150,000 per year in return for rights such as signage, naming rights for portions of the facility, and the ability to provide services throughout the arena.

- **Alerus Center (Grand Forks, ND) –** receives approximately $400,000 per year from sponsorships, not including naming rights.
- **Ford Center (Evansville, IN)** – generates approximately $385,000 per year from sponsorships, not including naming rights.
- **INTRUST Bank Arena** – generates approximately $575,000 per year from sponsorships, not including naming rights.
- **ShoWare Center (Kent, WA)** – the 6,500-seat arena generates approximately $575,000 per year in sponsorships, not including naming rights.
- **Others** – we have also reviewed the proprietary sponsorship revenues generated by other similar arenas, and their revenues are generally consistent with those of the arenas described above.

Beginning in 2017, we assume that non-naming rights advertising and sponsorship revenues to the complex will be $750,000 (in 2014 prices), which includes $300,000 generated within the new arena and $450,000 from the rest of the complex.

Sales Tax Collected by State (BBB Tax)

In addition to the two-percent sales tax that is assessed by the City, there is also a one-percent tax (the "bed, board, and booze" tax) on the hospitality industry that is captured by the RPCC and the Rapid City Convention & Visitors Bureau. (There is a corresponding expense for the CVB's share of these revenues.) In 2013, this revenue source was approximately $3.7 million, and through September 2014, it was on pace to increase by nearly 13 percent. Over the last ten years, annual collections have increased by an average of more than seven percent per year, due to increasing prices as well as additional supply of hotel rooms and restaurants.

It is likely that the local economic activity related to the oil industry is at least partially the cause of stronger-than-average BBB tax collections in 2014, and this is expected to continue into the future. However, we assume that collections will increase by seven percent per year through 2017 and beyond. As a result, total BBB tax revenues are estimated to be $4.9 million in 2017 and increase to $9.2 million in 2026.

Premium Seating – New Arena

The new arena is expected to have an inventory of premium seating, although the final offerings and configuration are not yet known (and will depend on factors such as design, construction timing and the resulting impact on costs). As a result, our assumptions are based on factors such as the anticipated market for premium seating at a new arena in Rapid City, the general physical ability of the new arena to accommodate seating types within the current project budget, and the inventory and rates of premium seating at other similar arenas (including the Ice Arena). In addition, our estimates also assume that the new arena will have two minor-league sports tenants, which are important drivers of premium-seat sales, as they provide guaranteed event dates. (We assume that the renovated Barnett Arena will not have any premium seating.)

Relevant data from other facilities includes the following:

- **Ice Arena** – the arena has 12 suites, eight of which are currently leased (the others are available for individual-event rental). Annual rates range from $21,000 for an eight-person suite to $39,000 for a 16-person suite, not including tickets. According to facility management, approximately 60 percent of Ice Arena suite sales are driven by the presence of the Rush, and 40 percent by other events in the facility.
- **Denny Sanford PREMIER Center (Sioux Falls)** – as previously described, the new arena has 22 suites ($35,000 to $45,000 per year, including tickets), 16 loge boxes ($12,500 to $24,500, for four to eight people), and 500 club seats (at an average of $600). The original Sioux Falls Arena does not have any premium seating.
- **Alerus Center (Grand Forks, ND)** – the Alerus Center has 14 suites that generate an average of approximately $16,000 per year, which includes 16 tickets per event.
- **Ford Center (Evansville)** – the Ford Center has 17 suites that are sold out and generate an average of approximately $60,000 each, club seats that generate $160,000 per year, and 95 loge seats.
- **INTRUST Bank Arena (Wichita)** – has 22 suites that originally sold for $37,500 per year (not including tickets), 40 loge boxes that sold for $5,500 to $10,000 per year, and 220 club seats that sold for approximately $900 per year.
- **Others** – a review of premium seating inventory at other mid-sized arenas with minor-league tenants in smaller markets indicates that facilities often have approximately 15 to 25 suites (at $25,000 to $50,000 per year) and 150 to 750 club seats (up to $1,000 per year).

Luxury Suites

We assume that the new arena will have a total of 12 luxury suites, with a total of 10 available to the public (one would be earmarked for the facility itself and another for a naming-rights partner). Including the Ice Arena, this would provide a total of 22 suites available to the market, or approximately 2.4 per thousand companies in the metro area. This is a slightly higher ratio than that of Sioux Falls, Grand Forks, and Evansville, which have approximately one to two suites per thousand businesses.

Of these 10, we assume that eight are sold for an average annual value of $25,000, not including tickets. However, in 2017, because the new arena is expected to be available for only half of the year, we reduce the annual rate by 50 percent for the year. As a result, net of selling/maintenance costs (assumed to be ten percent per year), luxury suite revenue to the RPCC is estimated to be $90,000 in 2017. In 2018, the new arena's first full year of operations, this revenue would be $184,000.

Club Seats

We assume that the new arena will have 250 club seats, and that 90 percent are sold per year for $500 each. Similar to suites, this price does not include the cost of tickets, but is a premium that provides buyers with the right to buy tickets to all events in a higher-quality seat in a premium location; other typical benefits for club seats include VIP parking, in-seat wait service, access to a club/restaurant, and other special offers. For the half year of 2017, club seat revenue is estimated to be $51,000, and then increases to $103,000 in 2018, the new arena's first full year.

Parking

In the past, the RPCC has not charged attendees to park on-site. However, in the future, we assume that there will be charged parking for certain events and attendees. Our assumptions regarding future parking inventory, rates, and other variables that will impact parking-related revenues include the following:

- Of the approximately 4,200 spaces available to attendees, the RPCC currently controls approximately 2,800 in its own lots (the remaining spaces are Central High School's and the Journey Museum's). With the addition of 600 spaces in the new garage and the loss of 330 surface spaces in Lots A and B, the total number of spaces available will decrease to approximately 3,900. Of these, we assume that the RPCC will charge for approximately 2,000 spaces in the garage, Lots A through F, and a limited number of other spaces.
- For ticketed events, per-car parking will cost $5, for both surface spaces and in the new garage. However, the average parking rate for consumer/public shows is $3, and is $4 for bandshell events, which assumes that all bandshell events other than Hills Alive have free

parking. For the BHSS and LNI, we assume that all attendees (for both ticketed and non-ticketed events), must pay for parking.

For non-ticketed events such as conferences and meetings, conventions and trade shows, and social events, we assume that on-site parking will be free.

- The 2,000 paid spaces represent approximately half of the total spaces available to attendees. We assume that the paid spaces will be used by attendees in proportion to their availability (in other words, half of attendees will pay for parking and half will park in free spaces). The RPCC's ability to generate parking revenue will be limited to these 2,000 spaces.
- We assume that there will be one car per three attendees, and that 90 percent of attendees will drive to events. Also, parking expenses will be 20 percent of associated revenues.

Based on these assumptions, net parking revenue is assumed to be approximately $363,000 in 2017 and increase to approximately $493,000 in 2019.

Interest

Interest revenue is received from the City based on RPCC funds deposited through the City. In recent years, interest revenues have been approximately $1,000 per month, and this rate (to be inflated) is assumed for the purposes of our projections.

Total Operating Revenues

Based on the assumptions and calculations described above, total RPCC revenues are estimated to be $13.9 million in 2017, and increase to $21.4 million in 2026.

Operating Expenses

Salaries and Benefits

In 2013, total salaries expense was approximately $3.6 million for 38 full-time positions. An additional $640,000 was spent on benefits and $1.3 million on part-time wages (for approximately 750 workers).

Based on discussions with facility staff regarding anticipated staffing needs in the future, we assume that in 2019, the RPCC will require six additional full-time staff members (an assistant operations manager, staff electrician, two maintenance positions, a sales staff member, and a marketing coordinator) and approximately 100 additional part-timers. Based on current salary levels (to be inflated), and the assumed new positions, we estimate that total salaries and benefits expense will be approximately $5.8 million in 2019. In 2017 and 2018, this amount is ramped up to the 2019 level, as both arenas will not yet be available.

Insurance

The RPCC is self-insured; however, its insurance expenses have ranged from approximately $130,000 to $150,000 per year in the last three years; before 2011, it was temporarily $280,000 for two years. Based on discussions with the complex's insurance representative and an increase of $155 million over current insured values, we assume that annual insurance expenses will increase by $170,000 per year once the new arena opens (half of this increase is assumed for 2017, as the arena is assumed to open mid-year). This amount is then inflated in later years. As a result, insurance expense is assumed to be approximately $238,000 in 2017 and increase to $382,000 in 2026.

Professional Services

This represents expenditures related to contracted services for items such as garbage removal, IT, elevators and escalators, and others. In the last five years at the existing RPCC, this expense has averaged approximately $250,000 per year. In the future, we assume the annual amount increases from $275,000 to $325,000 between 2017 and 2019 (in 2014 prices), and then stabilizes but is inflated.

Repairs and Maintenance

Repairs and maintenance expense is for regular, ongoing improvements to the complex (which does not include capital expenditures, which are accounted for separately). At the current complex, repairs and maintenance expenses have averaged approximately $200,000 per year over the last five years.

In 2017, this expense is assumed to be $250,000, and increases to $300,000 in 2019 (in 2014 price levels). The annual expense is then assumed to increase by inflation.

Supplies and Materials

Expenses for RPCC supplies and materials were approximately $390,000 in 2013. In 2017, this expense is assumed to increase to $425,000, and to $475,000 in 2019 (in 2014 prices). The annual expense is then inflated in later years.

Utilities

Utilities expenses at the RPCC have been approximately $860,000 per year in the last five years. However, based on anticipated rate increases in the near future, facility staff expects this expense to reach $1 million by the end of 2015, and then stabilize (prior to accounting for the addition of the new arena). The current complex has approximately 485,000 square feet of space that generally has to be conditioned. This includes all event facilities, as well as back-of-house space, offices, and other support space.

The new arena will add approximately 150,000 square feet to the complex, which represents a 31-percent increase. However, because of the relatively heavy power needs of a new arena compared to many of the other RPCC facilities, it would likely use a disproportionate share of utilities. Therefore, in 2019, we assume that current utilities expense will increase by 40 percent from the $1 million annual expense expected for 2015, before accounting for inflation. In 2017 and 2018, the annual expense is ramped up from the assumed 2015 level to the estimated 2019 amount.

Inter-Departmental Charges

This represents the share of City-related expenses that are allocated to the RPCC, based on the City's internal calculations. In the last three completed years, this amount has been approximately $250,000. Between 2017 and 2019, we assume that this amount increases from $275,000 to $300,000; starting in 2020, the annual amount is then inflated for the rest of the projection period.

Merchandise for Resale

This item represents cost of goods sold for food and beverage and merchandise. As previously described, the RPCC's cost of sales (not including labor, which is considered separately) ranges from 27 percent to 40 percent for concession stands, beer and liquor, and catering. However, when events select to use an outside caterer for F&B service, the RPCC receives a commission on these sales, with no associated expense. As a result, considering these commissions, the RPCC's overall cost of sales decreases.

Historically, depending on the volume of commissions received, this line item has ranged from approximately 25 percent to 35 percent, with an average of approximately 30 percent. In the future, we assume that these costs will continue to be 30 percent of gross revenues from concessions.

Collection from Other Agencies

This line item accounts for sales tax collected by the facility that is paid to the City. Sales taxes are generated from the sale of various items (such as food and merchandise), as well as services that are sold to events, such as event labor. While this expense represents the tax revenue that is passed along to the City, the associated revenues appear as revenues of the RPCC. Historically, this expense has been approximately eight percent of total concessions and reimbursement revenues, and this rate is assumed in the future.

Debt Service

This expense is associated with a $5 million bond that was issued in 2008 for various facility improvements (such as improvements to systems, facility roofs, parking lots, ADA compliance, and others). The debt service expense is assumed to be $400,000 per year through 2028, based on estimates from facility representatives.

Other

"Other" expenses represent those that are not captured in the other line items. Aside from one year (2010) when other expenses were $366,000, this line item has averaged approximately $150,000 per year since 2006. From 2017 to 2019, we assume that "other" expenses will be $250,000 to $300,000 per year (in 2014 prices), and will then be inflated in later years.

Capital Outlay – Professional Services, Other & Bonding Expenditures

These two line items capture expenses associated with hiring professionals such as architects and other consultants ("professional services") and capital assets such as FFE ("other and bonding expenditures"). In the last two years, these two line items combined for approximately $275,000 to $300,000; in the four previous years, expenses were uncharacteristically high because of the need to include all FFE items for the Ice Arena.

For the new arena and renovation of Barnett Arena, all necessary FFE is currently accounted for in the $180-million project budget. As a result, in the future, the total annual capital outlay is assumed to be $325,000 per year (to be inflated), with the majority of the expenses considered as "other and bonding expenditures." However, should the timing of the project be delayed, budgeted amounts for FFE in the new arena and renovated Barnett Arena could be reduced or eliminated, and additional expenditures may become necessary from this account.

CVB Share of BBB Tax

As previously described, the RPCC collects BBB tax revenues that help to fund the operations of the complex as well as the CVB. Gross receipts are considered a facility revenue, and this line item accounts for amounts transferred to the CVB (25 percent of gross revenues). On an annual basis, the RPCC's expense is not necessarily 25 percent of its gross BBB receipts due to the timing of receipts and payments; however, we assume that the annual expense will be 25 percent of revenues, per the agreement.

Total Expenses

Based on the assumptions and calculations described above, total RPCC expenses are estimated to be $11.3 million in 2017, and increase to $16.1 million in 2026.

Net Operating Income

Based on the estimates of future revenues and expenses, the RPCC's net operating income is estimated to be approximately $2.6 million to $2.7 million from 2017 through 2019. From 2020 through 2026, net operating income is estimated to range from $3.0 million to $5.3 million.