

Questions / Answers

Answers for the following questions were prepared by Jeff King of Ballard*King.

QUESTION #1

Do the census figures include college students, prisoners, lake area residents and summer visitors?

Yes. The demographic numbers generated by ERSI are based on mailing addresses from the 2000 census. If area college students and prisoners had a mailing address when the census was taken they are included in the population numbers.

QUESTION #2

What were the number of days used to calculate the revenue and expenditure projections?

Expense calculations in the operations proforma were based on an 84 day season and the revenue projections were based on a 70 day season. The 14 day difference accounts for inclement weather.

QUESTION #3

On page 13, the analysis indicates that swimming participation in South Dakota is slightly lower than the percentage of the national population. Did this and other data (declining population trends in many of the age categories) get factored into the analysis?

The analysis indicates that the swimming population in South Dakota is slightly lower than the percent of national participation. This calculation is based on the state participation in swimming when correlated to the national population. The state participation rate is just one of the elements of the market analysis that was used. In addition to the state participation data, the National Sporting Goods Association Swimming Participation (Table F, page 12), the NSGA State Participation (Table J, page 16), the alternative service providers (Page 22) and market share estimates (Table M, page 24). It should be noted that the participation projections used to estimate annual pass sales in the operations proforma represents only 15% of the estimated market share.

QUESTION #4

How is the disposable income spent by employees (page 34 of the first draft report) calculated?

Disposable income represents the wages paid to employees minus the benefits (FICA) and current wages paid to outdoor pool staff. The balance is considered disposable income that is spent by employees purchasing local goods and services.

QUESTION #5

Are there any other comparable size cities in the Midwest that have aquatic centers and also have nearby well developed "natural" swimming areas such as our lake? If so, do we have any information from them relative to success of the operation, numbers participating, marketing, etc.?

A few communities that come to mind that we have some financial performance information on include:

| <u>City</u> | <u>Population</u> | <u>Revenue</u> | <u>Expenses</u> |
|---------------|-------------------|----------------|-----------------|
| Fairmont, MN | 11,000 | \$401,000* | \$323,000* |
| Red Wing, MN | 16,000 | \$102,000 | \$86,000 |
| Hastings, MN | 18,000 | \$283,000 | \$237,000 |
| Faribault, MN | 22,000 | \$271,000 | \$219,000 |

- Financial information combines beach and pool data together

The communities above have modern pool facilities as well as local access to lake and or river beaches. Financial information shown above is for the 2002 summer season.

Table of Comparable Facilities

QUESTION #6

How were the daily average projections determined?

The daily average projections on page 25 were developed to determine the bather capacity of the aquatic center. The estimated market share projections (Table M, page 24 and Table M1, page 24) for both the primary and secondary service area to help establish a bather load capacity and size of facility. This daily average suggests that the daily attendance will be 1.021 people when considering the entire swimming season.

Primary Service Area

| | Number of Participants | Number of Visits | Estimated Visits |
|------------|------------------------|------------------|------------------|
| Frequent | 65 | 30 | 1,950 |
| Occasional | 804 | 25 | 20,100 |
| Infrequent | 932 | 3 | 2,796 |
| Total | | | 24,846 |

Secondary Service Area

| | Number of Participants | Number of Visits | Estimated Visits |
|------------|------------------------|------------------|------------------|
| Frequent | 206 | 30 | 6,180 |
| Occasional | 3,601 | 8 | 28,808 |
| Infrequent | 5,870 | 2 | 11,740 |
| Total | | | 48,728 |

| | <i>Estimated Visits</i> | <i>Days per Season</i> | <i>Daily Average</i> |
|------------------------|-----------------------------|----------------------------|--------------------------|
| Primary Service Area | 24,846 | 70 days | 354 per day |
| Secondary Service Area | 46,728 | 70 days | 667 per day |
| Total Average | | | <hr/> 1,021 |

QUESTION #7

Can you include the cost of funds in the total analysis? That way we can compare any net loss or net return on investment (ROI) to that of other competing projects.

The total project cost (construction cost, development fees, A&E fees, contingency, and FF&E costs) need to be developed before calculating a net return on investment. Project costs are not known at this time.

QUESTION #8

On pages 33 and 34 of the first draft report, can you include a backup page with the detail calculations use to build these impacts?

Primary Impacts:

| | | |
|-------------|-----------|---------------------------|
| Personnel | \$125,936 | Budget line item, page 27 |
| Commodities | \$ 66,500 | Budget line item, page 27 |
| Contractual | \$ 49,000 | Budget line item, page 28 |
| Capital | \$ 5,000 | Budget line item, page 28 |

Tourism:

Yankton Cherokee Invitation (300 athletes)

| | |
|-------------------------|----------|
| Overnight Visitors | 200 |
| Daily spending estimate | \$140 |
| Number of days | 2 |
| Sub-Total (Overnight) | \$56,000 |

| | |
|-------------------------|---------|
| Day Visitors | 100 |
| Daily spending estimate | \$30 |
| Number of days | 2 |
| Sub-Total (Daily) | \$6,000 |

Summary of Cherokee Invitation Swim Meets

| | |
|--------------------|----------|
| Overnight Visitors | \$56,000 |
| Day Visitors | \$ 6,000 |
| Total Impact | \$62,000 |

Note: This is the number that appears on page 35.

South Dakota State Zone Championship (400 athletes)

| | |
|-------------------------|----------|
| Overnight Visitors | 300 |
| Daily spending estimate | \$140 |
| Number of days | 2 |
| Sub-Total (Overnight) | \$84,000 |

| | |
|-------------------------|---------|
| Day Visitors | 100 |
| Daily spending estimate | \$30 |
| Number of days | 2 |
| Sub-Total (Daily) | \$6,000 |

Summary of South Dakota Zone Championship

| | |
|--------------------|----------|
| Overnight Visitors | \$84,000 |
| Day Visitors | \$ 6,000 |
| Total Impact | \$90,000 |

Note: This is the number that appears on page 35.

Estimated Visitors (20% non resident admissions)

| | |
|---------------------------|-----------|
| Day Visitors (per season) | 7,550 |
| Daily spending estimate | \$30 |
| Sub-Total (Daily) | \$226,500 |

Note: This is the number that appears on page 35.

Tourism Summary

| | |
|---------------------|-----------|
| Cherokee Invitation | \$ 62,000 |
| South Dakota Zone | \$ 90,000 |
| Daily Visitors | \$226,500 |
| Total Tourism | \$378,500 |

Note: This is the number that appears on page 35.

Secondary Impacts:

| | |
|--|--|
| Disposable income | \$84,171 (based on salaries paid to employees) |
| State Sales Tax from Tourism | \$15,140 (based on primary tourism of \$378,500) |
| Local Sales Tax from Tourism | \$7,570 (based on primary tourism of \$378,500) |
| State Sales Tax from Disposable Income | \$3,366 (based on disposable income of \$84,171) |
| Local Sales Tax from Disposable Income | \$1,683 (based on disposable income of \$84,171) |
| Tourism Roll-Over | \$567,750 (based on a 1.5% roll-over factor) |
| Total Secondary Impacts | \$679,680 (This is the number that appears on pg 36) |

QUESTION #9

The analysis is similar to the presentation last November. One concern after reading through the draft is that Ballard•King is basing the revenue and expenditure projections on the aquatic facility being opened from nearly 9 am to 9 pm. This implies that families, adults and children would be able to use the facility during those hours for a variety of water related activities e.g. open swim, lap swim, zero depth wading pool activities, etc. Is this accurate information?

Yes, The operations proforma is built on the premise that the swim team practice sessions and learn to swim classes will be held in the morning (Mon-Fri.) and recreation and lap swimming will be conducted 1pm-9pm daily. Family use is restricted to the 1pm-9pm time schedule.

QUESTION #10

What recommendations have the Yankton Pool Task Force made to you and how have you responded to those recommendations?

1. Competitive pool, preferably a 50-meter length.
2. Leisure component should be included to increase participation and revenue.
3. Swim team is interested in hosting at least one swim meet per season.
4. The existing pool does not adequately meet the needs of the competitive swimmers and declining public swim suggests that the pool does not meet the public needs either.

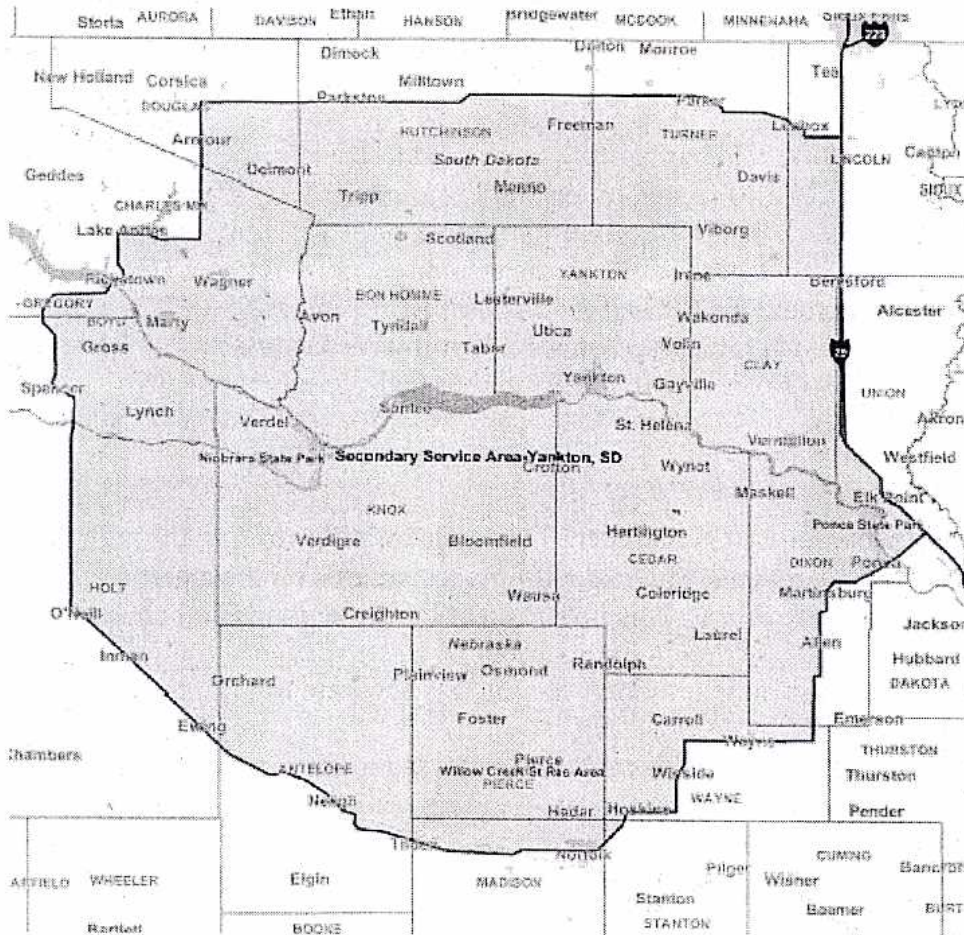
Both leisure and competitive components have been included in the program and operations.

QUESTION #11

Can you define the primary and secondary service areas with both narrative and graphic descriptions? (A map is recommended.)

The primary service area is defined by the corporate limits of Yankton. The secondary service area extends to a region that includes Freeman to the north, Wagner to the west, Norfolk to the south and Vermillion to the east. This is a large secondary market and it will be challenging to

draw regular users from the full area because some of these outlying communities have small municipal pools and the travel distance is significant. As a result, the operations proforma reflects a very conservative number of users from the secondary market. A map detailing the secondary service area is attached below.



QUESTION #12

If acronyms are to be used, can you write out the words the first time and the acronym to be used for it (ex.: ESRI)?

ESRI Business Information Solutions is the name of the company that provides the demographic data and ESRI is not an acronym.

QUESTION #13

Can you indicate if the page numbers in the questions being asked from a previous draft have changed with the latest draft?

The draft report has been reviewed by Bonestroo and BKA to assure page number reference are correct.

Questions / Answers

Answers for the following questions were prepared by staff and/or the task force.

- Q. Is the task force satisfied with the demographic comparisons on the primary and secondary participation estimates for swimming? i.e., the lake area creates significant competition for the teenage and young adult swimmer.
- A. Yes. According to the consultant, the participation estimates used are conservative and we may actually anticipate more. Throughout the information given, the task force feels it is important to trust the information the consultant provided, based on his experience in compiling this type of data.
- Q. To be successful, the aquatic center would have to be well marketed. There are many good possibilities, including those mentioned in the analysis. Who will handle this aspect?
- A. At present, current staff at the SAC handles recreation program marketing including that of the existing outdoor swimming pool. As with all new facilities and programs, procedures will be reviewed and, if changes are recommended, the annual budget process provides the appropriate opportunity to make changes.
- Q. Would the annual budget require salary increases for management of the aquatic center? Wouldn't there be at least additional hours?
- A. All management classified staff members will certainly have more responsibilities with the addition of an aquatic center. Any consideration of appropriate salary increases is a budget discussion and yet to be determined. The management staff are all salaried positions so additional numbers of hours on the job are not always factored into salaries.
- Q. Has anyone on the task force or Ballard*King visited nearby communities who have aquatic centers, or interview their community leaders regarding programs, success of programs, etc.?
- A. According to Ballard*King, our proposed aquatic center is on the "cutting edge" of design and technology. Locally, Sioux Falls and Sioux City have modern facilities; otherwise, most of the regional communities have aging pools similar to ours. However, Watertown recently broke ground for a new aquatic center and Mitchell is getting closer.
- When the task force organized last fall, there was discussion about visiting other sites. Several members felt they were familiar with facilities and it was determined visits were not necessary. Staff members have made visits and/or calls to aquatic centers in gathering background information on daily operations, programming, design, etc. The information found useful has been used throughout the process.
- Q. What are the anticipated up-front cost differences between option 1 and option 2? Construction cost of option 1 and option 2?
- A. Ballard*King's role in this process is to provide the market and operations analysis. Based on this information, the task force will make a recommendation on which option

they would like to proceed with. If confirmed by the City Commission, it is then the task of the architects from Bonestroo to begin the design and cost estimates for one facility. Basically, until an option is chosen, there has been no design work or estimates determined. For general purposes, the architects offered that option 1 will range from 4-6 million and option 2 from 3-4 million.