



Final Report:  
Yellowstone County Sports Facility Market Needs Assessment

March 19, 2018

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# EXECUTIVE SUMMARY

*Please Note: This Executive Summary (pages ES-3 through ES-16) contains a high-level overview of some of Victus Advisors' key research, analysis, and recommendations, however our full report document should be read for a detailed understanding of our underlying methodologies, findings, assumptions, and estimates.*

**Project Background:** Regional stakeholders (including Montana Department of Commerce, Visit Billings, Laurel Aquatic Recreation Complex, Laurel Urban Renewal Agency, South Billings Urban Renewal Association, Billings Aquatics Club, and Montana Swimming) engaged Victus Advisors to conduct an independent analysis of Yellowstone County’s (the “County”) sports tourism venues and sports marketing opportunities. The project was facilitated by Big Sky Economic Development and Beartooth RC&D.

**Project Goals:** Victus Advisors’ primary study goals included:

- Reviewing existing plans and documents
- Engaging local sports community stakeholders and sports facility user groups to assess the strengths and weaknesses of the local Yellowstone County sports market
- Assessing the strengths and weaknesses of Yellowstone County as a regional sports tourism destination
- Identifying and recommending potential improvements to Yellowstone County’s current facility and venue inventory
- Recommending the type and location for sports venue development in Yellowstone County
- Estimating the economic/fiscal impacts of new sports venues

**Project Methodology:** Victus Advisors’ market demand estimates, sports facility recommendations, and financial/economic analysis are informed by extensive market research and community engagement, including but not limited: local market/facility analysis, comparable market/facility benchmarking, interviews with key stakeholders and sports community leaders, sports community surveys, and regional/national sporting event interviews.

**Demographics & Socioeconomics:** Yellowstone County is the largest county (by population) in Montana with 163,372 people. Billings is the County’s largest city (by population) with 115,030 people, representing 70% of the total County population. Laurel has a population of 7,171, representing 6% of the County’s population. Yellowstone County had a higher annual population growth rate since 2000 than the national average, and higher-than-average growth rates are expected to continue over the next five years. A high population growth rate correlates well with youth and amateur sports demand. The median household income in Yellowstone County is also significantly higher than the U.S. average. High household income levels can indicate an ability for households to spend disposable income on youth and adult sports.

**Comparative Markets:** Based on local interviews, focus groups, and online surveys, Victus Advisors identified the markets and facilities that Yellowstone County most often competes against for amateur sports events, both within Montana and in nearby states. We then compared key demographic and socioeconomic characteristics for Yellowstone County’s metropolitan statistical area (MSA) to the following competitive set of market areas:

<u>Montana</u>	<u>Out of State</u>
Bozeman	Sioux Falls, SD
Missoula	Rapid City, SD
Kalispell	Casper, WY
Great Falls	Gillette, WY
Helena	Sheridan, WY
Butte	Jackson Hole, WY



# LOCAL FACILITY INVENTORY & SPORTS PARTICIPATION TRENDS

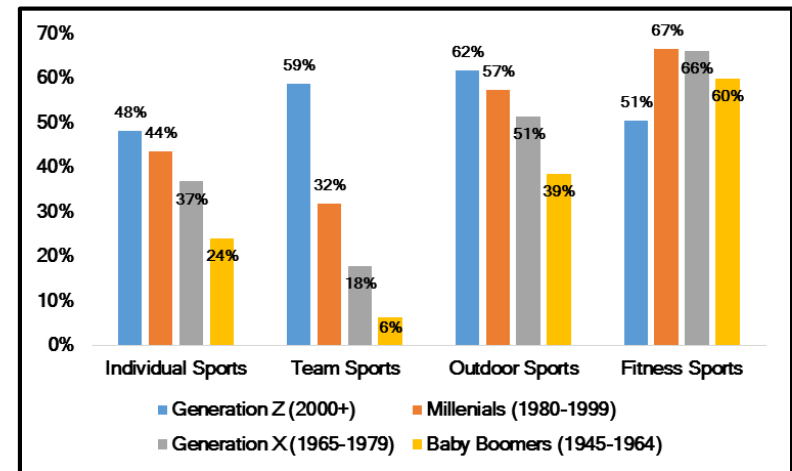
**Local Facility Inventory:** As part of our community survey process, Victus Advisors gathered feedback from local sports participants regarding their satisfaction with the primary sports venues that are utilized within the county. Survey respondents were asked to rate their satisfaction with each sports facility in Yellowstone County. Dehler Park had the highest satisfaction rating at 79%, the only facility in the County to receive an “above average” rating. Conversely, MSUB Pool, Centennial Ice Arena, and Shrine Auditorium were among the lowest rated facilities in the County. It is also worth noting that, from an indoor sports facility standpoint, there is only one notable indoor facility for hosting major basketball and volleyball tournaments, which is the Expo Building at MetraPark, but only when configured with temporary sports courts.

**Amateur Sports Needs:** Based on numerous market research inputs, Victus Advisors has identified the following Yellowstone County amateur sports facility needs:

- There is demand for a true multi-court indoor facility.
- Hockey and figure skating groups cite the need for an additional ice sheet and more locker rooms.
- There is a need for lighting at Amend Park and potentially some turf fields.
- There is demand for a competitive swimming facility in Billings or Yellowstone County capable of hosting large, regional, swim meets.
- Baseball/softball groups indicated that Stewart Park, with enhanced and renovated fields and dugouts, would be sufficient in size to host several large tournaments per year.

**Sports Participation Trends:** Football had the highest number of high school boy participants in Montana last year, while Volleyball had the highest number of high school girl participants. Basketball (for both boys and girls) had the highest combined number of participants. Swimming and Diving has seen the most participation growth in the past 10 years for both boys/girls in Montana high schools.

Sports Participation By Generation



*Note: Ages 6+*

*Source: 2016 Participation Report by the Physical Activity Council*

In terms of participation by generation, as shown above, Generation Z (youth currently under 18 years old) lead all other generations in terms of both individual and team sports participation, which bodes well for the future of amateur sports.

# COMPARATIVE FACILITIES

**Comparable Venues:** Victus Advisors analyzed existing sports facilities located in the comparative markets that were identified by local stakeholders and survey respondents as their most frequent outgoing sports tourism travel destinations:

- Glacier Ice Rink - Missoula, MT
- Fort Missoula Regional Park - Missoula, MT
- Haynes Pavilion & Ressler Motors Ice Rink - Bozeman, MT
- Campbell County Ice Facilities - Gillette, WY
- Paul Stock Aquatic & Recreation Center - Cody, WY
- Riley Arena and Community Events Center - Cody, WY
- Casper Ice Arena - Casper, WY
- Casper Family Aquatic Center - Casper, WY
- Sanford Pentagon - Sioux Falls, SD
- Powell Aquatic Center - Powell, WY
- Campbell County School District Aquatic Center - Gillette, WY

The comparative facilities provide the following sports amenities:

Facility	City, State	Pool	Ice Rink	Multi-Use Fields	Multi-Use Indoor
Campbell County Ice Arena	Gillette, WY		✓		
Campbell County School District Aquatic Center	Gillette, WY	✓			
Casper Aquatic Family Center	Casper, WY	✓			
Casper Ice Arena	Casper, WY		✓		
Fort Missoula Regional Park	Missoula, MT			✓	
Glacier Ice Rink	Missoula, MT		✓		
Haynes Pavilion & Ressler Motors Ice Rink	Bozeman, MT		✓		
Paul Stock Aquatics & Rec Center	Cody, WY	✓			✓
Powell Aquatic Center	Powell, WY	✓			
Riley Arena	Cody, WY		✓		✓
Sanford Pentagon	Sioux Falls, SD				✓
Wyoming Center (Spirit Hall Ice Arena)	Gillette, WY		✓		

Sources: Facility operators; Victus Advisors research  
 Note: Sorted by Facility in alphabetical order

## Facility Construction Cost Summary:

Facility	City, State	Year Open	Actual Construction Cost	Est. 2017 Construction Cost*	Construction Funding Source
Wyoming Center (Spirit Hall Ice Arena)	Gillette, WY	2008	\$ 42,000,000	\$48,938,326	Public
Fort Missoula Regional Park	Missoula, MT	2017	\$ 38,000,000	\$38,000,000	Public
Sanford Pentagon	Sioux Falls, SD	2013	\$ 19,000,000	\$23,266,204	Private**
Paul Stock Aquatic & Rec Center	Cody, WY	2001	\$ 9,900,000	\$17,086,786	Private***
Powell Aquatic Center	Powell, WY	2010	\$ 10,400,000	\$13,771,214	Public
Casper Aquatic Family Center	Casper, WY	2006	\$ 5,200,000	\$6,937,705	Public
Ressler Motors Ice Rink	Bozeman, MT	2017	\$ 4,500,000	\$4,500,000	Private
Riley Arena	Cody, WY	2001	\$ 2,500,000	\$4,314,845	Private
<b>AVERAGE:</b>		<b>2009</b>	<b>\$ 16,437,500</b>	<b>\$19,601,885</b>	
<b>MEDIAN:</b>		<b>2009</b>	<b>\$ 10,150,000</b>	<b>\$15,429,000</b>	

Sources: Facility operators; Victus Advisors research

Note: Sorted by Estimated 2017 Construction Cost

\*Estimated according to the Q4 2017 Turner Building Cost Index

\*\* The Sanford Pentagon was privately developed by the Sanford Health System and includes Sanford Health offices, clinic, and physical therapy center

\*\*\* The \$7.1 million cost of the aquatic center was entirely funded by the Paul Stock Foundation, in addition to another \$2 million to maintain aquatic center operations. An additional \$2.8 million to construct the recreation component was raised via a broader capital campaign.

The construction costs for facilities Victus analyzed were between \$4.3 million and nearly \$49 million. It should be noted however that Spirit Hall Ice Arena was built as part of the Wyoming Center. Also worth noting is that the Paul Stock Aquatic & Recreation Center, Riley Arena, and Ressler Motors Ice Rink were all entirely funded by private contributions.

**Overview:** In November 2017, Big Sky Economic Development and Beartooth RC&D identified participants and scheduled a series of one-on-one interviews and group interviews for Victus Advisors. The goals of these interviews were to gather feedback from key stakeholders and other sports community leaders regarding the amateur sports market and facilities in Yellowstone County. In all, Victus Advisors engaged with more than 48 local interview participants, with key findings by sport including:

**Baseball/Softball:** Most agree that the facilities are covering demand, but maintaining the fields is a challenge.

**Swimming:** The City of Billings needs a facility that can host large swim meets.

**Soccer:** Most soccer groups feel that there is demand for more outdoor field access in the County.

**Tennis:** There are sufficient courts within Yellowstone County to meet current demand.

**Basketball/Volleyball:** Basketball and volleyball groups are scrambling to find space at school and church gyms.

**Football/Lacrosse/Rugby:** The current field inventory is not meeting demand for non-soccer groups and is limiting their growth.

**Ice Hockey/Figure Skating:** All hockey and figure skating groups feel that there needs to be a second sheet of ice in the County.

## Other Sports Destinations:

- “Why do smaller cities in Montana do such a better job of supporting development projects than Billings?”
- “Towns half our size have nicer facilities and stronger sports programs, because the community is willing to pay for them and support them.”
- “Gillette has a different tax funding situation, so they have built really nice schools and nice sports facilities. They have a nice multi-use facility with aquatic center/basketball courts/workout rooms. They have a lot of fields as well. But their whole tax structure in Wyoming and Campbell County lends itself to spending money on those things.”

## Local Support:

- “At [the] County level, we are in a tough position tax-wise. We don’t have a lot of tax revenue, so anything we want to do expansion-wise requires a mill levy. The general population of Billings is tired of mill levies, so if we wanted to do this type of indoor facility, we’d have to hire a marketing/PR firm to go convince the public to vote to provide the money.”
- “When it comes to actually hosting events, Billings is a great host, because we have a lot of hotel rooms that are affordable year-round. You can get decent rates for teams that want to come in. You have access to historical sites, Yellowstone Park, fishing, mountains, etc. We’re just missing the facilities to attract events.”

**Overview:** In November-December 2017, Victus Advisors held fifteen (15) telephone and email interviews with sports event organizers and operators locally, regionally and nationally. The overall goal of these interviews was to understand event organizers past experience in hosting sports tourism events in Yellowstone County (if any) and to identify which factors are most important in deciding whether or not to host events in Yellowstone County in future years, including: perceptions of Yellowstone County’s current amateur sports facilities, demand for new facilities in Yellowstone County to accommodate their needs, potential interest and usage of new facilities for respective groups and event organizers.

## Demand for New Facilities:

- Many baseball/softball users felt that Stewart Park can meet the local demand and tournament demand if the facility received the “facelift” it needs. The facility is already in a good location, and a new facility would not be necessary.
- Two users cited the demand for a multi-court indoor facility in Billings. Ideally the facility would have between four and six full-sized basketball courts that could be converted to at least as many volleyball courts.
- According to a State swimming representative, Billings could benefit greatly from building a 50 meter competitive pool. They felt the facility could be a major draw for State, regional, and even national swim meets.

## Tournament Demand:

Organization	Facility Type	Number of Fields/Courts	Tournaments	Average Teams Per Tournament
ASA Softball	Baseball/Softball	4+	1	30
Big Ballin	Basketball/Volleyball	6+	3+	100
Billings Aquatic Club	Swimming	N/A	6	400*
Great Northwest Athletic Conference	Basketball/Volleyball	2+	1	12
Legion Baseball	Baseball/Softball	4+	3	16
Montana AAU Volleyball	Basketball/Volleyball	6+	8+	30
Montana Swimming	Swimming	N/A	12	600*
National Association of Intercollegiate Athletics	Basketball/Volleyball	2-4+	1	31
Rimrock Volleyball (Basketball Tournaments)	Basketball/Volleyball	6+	3+	40
Scorpion Lacrosse	Lacrosse/Multi-Use	8+	2	30
Triple Play Academy	Baseball/Softball	4+	9	8
USA Ultimate	Soccer/Multi-Use	12+	2	20

*Note: Sorted by Organization in alphabetical order*

*\*Asterisk denotes figures that represent individual participants rather than teams*

In speaking with local, regional, and national clubs and event organizers, Victus found that Basketball, Figure Skating, Hockey, Swimming, and Volleyball groups feel that the current facilities in Yellowstone County are not meeting demand. With new facilities, local sports groups would have access for more practices and games. In addition, local clubs and regional/national event organizers could expand existing tournaments or create new ones.

Baseball/softball groups feel that the current field inventory appears to meet demand, but significant improvements (dugouts, field quality, etc.) are needed to make facilities such as Stewart Park more appealing for larger tournaments.

Victus estimates that improvements to Stewart Park could generate 12 or more tournaments per year. Furthermore, the development of an indoor court facility could generate 20 or more new tournaments on an annual basis. Lastly, the development of a competitive swim center could generate over 15 annual swim meets and competitions.

**Overview:** In addition to meetings and interviews, in November 2017, Victus Advisors also conducted online surveys with 843 local parents, participants, coaches, and other such members of the amateur sports community in the Yellowstone County area. The survey margin of error based upon 843 respondents and the County's population of 163,372 is +/- 3.0% (with a 95% confidence interval). Survey topics included: general demographic information, sports and recreation facilities frequented in the Yellowstone County area, general attitudes toward amateur sports in Yellowstone County, and ideal features of amateur sports host cities and facilities.

## Survey Respondent Profile:

- 50% Male, 50% Female
- 92% between the ages of 25 and 64; 57% age 25 to 44, 35% age 45 to 64
- 92% White, 2% Hispanic, 3% Multiracial, 2% Other, 1% Asian
- Median Household Income: \$75,000 - \$100,000
- 67% live in a household with children under 18; median # of children in household: 3
- 93% live in a household where at least one member has participated in Yellowstone County amateur sports

## Survey Results:

- 65% of the respondents were parents of youth sports participants, and more than 35% were either coaches or adult sports participants.
- Baseball, Soccer, Basketball were by far the sports that survey respondents were most involved with in Yellowstone County. It should also be noted that Ice Hockey and Swimming are also popular in the County.
- Amend Park, Daylis Stadium, and Dehler Park were cited as the venues most visited in the County.
- Dehler Park had the highest satisfaction rating at 79%, the only facility in the County to receive an "above average" rating. It is also worth noting that MSUB Pool, Centennial Ice Arena, and Shrine Auditorium were among the lowest rated.
- Soccer and Baseball were identified as the most developed sports in Yellowstone County.
- Ice Hockey, Swimming, and Lacrosse were identified as the sports with the most upcoming potential in Yellowstone County. As participation and interest increases for these sports over time, more facilities will need to be available to meet demand.
- 88% of respondents have traveled outside of Yellowstone County for amateur sports. Hockey, Soccer, and Swimming tournaments were the most mentioned amateur sports tourism events, and Bozeman and Missoula the communities most visited.
- 15% of respondents chose Bozeman as the city that does the best overall job as an amateur sports host.



# LAUREL AQUATIC RECREATION COMPLEX RECOMMENDATIONS

**Background:** A group of Laurel residents started LARC in 2015 with the goal build a recreation complex. Their preferred facility would include a swimming pool, community event center, and community gym with up to three courts. Led by Ken Gomer and Faye Wood, LARC has raised just over \$50,000 towards project development. Additionally, just over \$100,000 has been earmarked for a swimming pool in Laurel by a donor from the community. The potential complex would primarily benefit the residents of Laurel and the surrounding areas, including West Billings, with the pool intended to host swim meets for local and regional swim teams.

**Comparable Facility:** Victus Advisors identified Paul Stock Aquatic & Recreation Center in Cody, Wyoming, as a comparable facility for LARC, based upon LARC's stated facility needs. The 71,237 sq. ft. combined aquatics and recreation facility is estimated to cost approximately \$17.1 million in 2017 construction dollars.

**Potential Location #1:** There are 10 acres available for sale next to the Walmart in Laurel. This location is optimal because of its proximity to the highway, retail, and dining. The lot would still need a new sewage system. The assessed value of this lot of land is over \$1.6 million.

**Potential Location #2:** The Woods donated land is also 10 acres. While the assessed value is nearly \$62,000, the land would be donated to LARC. As with Potential Location #1, this lot would still need a new sewage system, however Potential Location #2 does not currently have the traffic congestion of the other site.

**Lack of Support By City of Laurel:** In November 2017, Victus Advisors met with local government officials from the City of Laurel and the Laurel Urban Renewal Agency (LURA) to gauge potential interest and support for the Laurel Aquatic Recreation Complex. The group agrees with LARC that a multi-purpose community center, gym space, and indoor pool are needed in Laurel, however they also indicated that the potential annual operating costs of such a facility were not currently available in the City's budget, and that even the current costs of operating the Laurel Public Swimming Pool in the summer may not be sustainable for the City.

**LARC Financial Projections:** In a stabilized year of operations, it is estimated that the operations of an aquatic center and multi-purpose community center in Laurel would generate a cost recovery of 71%, meaning that the complex could require annual operating subsidies of nearly \$310,000.

**Recommendation:** Victus Advisors recommends that LARC representatives should continue their fundraising efforts in an effort to raise enough funds to build at least one of their desired facilities (community event center, indoor pool, indoor gym). If LARC is unable to raise enough funds for a new facility, Victus recommends that the funds they do raise could be used by LARC (not the City) to help maintain the existing pool, support its annual operations, and potentially complete some capital improvements/enhancements, rather than risk the pool closing due to a lack of public budget support.

# SPORTS MARKET OPPORTUNITIES & FACILITY CONCEPT RECOMMENDATIONS

## Strengths of the Yellowstone County Sports Tourism Market:

Feedback from interviews, focus groups, and survey respondents indicate that organizations like Visit Billings are doing a great job at facilitating events in spite of the lack of quality facilities. Yellowstone County's relatively affordable lodging rates also make the County a more desirable sports tourism destination as opposed to other destinations such as Jackson Hole. In addition the County has nearly 5,000 available hotel rooms. The Billings MSA is the most populous market within an approximately 8-hour drive. As a result, it is a regional and commercial hub for residents of Montana, Idaho, Wyoming, North Dakota, and South Dakota. New and/or expanded facilities could be a catalyst for Yellowstone County and make it the primary sports tourism destination in the region.

## Potential Weaknesses of the Yellowstone County Sports Tourism Market:

Yellowstone County has a significant lack of large, indoor, dedicated sports facilities for competitive sports activity. Any new or expanded facilities would likely require some sort of public financial support via taxes or another mechanism. Based upon Victus' conversations with stakeholder groups and local government officials, public funding may not be feasible if it requires voter approval of a tax increase. There is no sales tax in Montana, and there seems to be minimal tolerance for potential property tax increases in the County. This could be a considerable stumbling block for any sports facility development project in the County, as most sports tourism-caliber facilities throughout the country are developed and/or operated with significant financial support from local government sources.

**Facility Concept Recommendations:** Based on customized research and our extensive industry experience, we have identified that significant community demand exists for the following facility development concepts (in no particular order):

- A. Upgrades To Stewart Park & Amend Park
- B. Indoor Sports Center
- C. 2-Sheet Ice Arena
- D. Competitive Swim Center

## Rationale:

- Many users felt that Stewart Park can meet the local demand and tournament demand if the facility received the "facelift" it needs.
- Lights and artificial turf fields at Amend Park would extend usage annually, which could potentially provide more access for non-soccer groups.
- Victus found that indoor, multi-court facilities are significantly lacking in the County.
- An indoor sports facility would balance the seasonality of the County's current sports tourism calendar and provide incremental economic impact in the winter and early spring.
- A new 2-sheet ice arena in the County would benefit not only local users, but also draw significant tournament and event activity from around Montana and nearby states.
- A competitive indoor swim facility could meet the existing needs of Yellowstone County swim teams/clubs while also driving incremental economic impact to the County via larger meets.

## Indoor Sports Center Financial Projections:

	Stabilized Year
<b>Operating Revenues:</b>	
Rental Income	\$991,815
Programming (Leagues, Camps, Clinics)	\$264,000
Concessions & Merchandise (Net)	\$241,100
Advertising & Sponsorship	\$55,200
Other (1)	\$15,000
<b>Total Revenues:</b>	<b>\$1,567,115</b>
<b>Operating Expenses:</b>	
Salaries, Wages, & Benefits	\$559,500
Program Expenses	\$184,800
Utilities	\$184,395
General & Administrative	\$180,000
Management Fee (2)	\$100,000
Maintenance/Repair	\$35,891
Materials/Supplies	\$16,863
<b>Total Expenses:</b>	<b>\$1,261,450</b>
<b>Net Income (Loss):</b>	<b>\$305,665</b>
<b>Estimated Operating Margin:</b>	<b>19.5%</b>

Note: Presented in 2018 dollars

## Swim Center Financial Projections:

	Stabilized Year
<b>Operating Revenues:</b>	
Swim Programs (Clubs, Lessons, etc.)	\$351,000
Rental Income	\$204,880
Concessions & Merchandise (Net)	\$92,120
Advertising & Sponsorship	\$39,600
Other (1)	\$10,000
<b>Total Revenues:</b>	<b>\$697,600</b>
<b>Operating Expenses:</b>	
Salaries, Wages, & Benefits	\$622,500
Program Expenses	\$187,200
Utilities & Chemicals	\$143,100
General & Administrative	\$85,950
Materials/Supplies	\$48,047
Maintenance/Repair	\$24,000
<b>Total Expenses:</b>	<b>\$1,110,797</b>
<b>Net Income (Loss):</b>	<b>(\$413,197)</b>
<b>Estimated Cost Recovery:</b>	<b>63%</b>

Note: Presented in 2018 dollars

In a stabilized year of operations, it is estimated that the operations of the proposed indoor sports center in Yellowstone County could generate an estimated annual operating margin of nearly 20%.

- 1) Please see page 183
- 2) We have assumed a private operator with estimated \$100,000 annual fee.

In a stabilized year of operations, it is estimated that the operations of a competitive swim center would generate a cost recovery of 63% meaning that the facility could need annual subsidies of over \$410,000.

- (1) Please see page 202

## 2-Sheet Ice Arena Financial Projections:

	Stabilized Year
<b>Operating Revenues:</b>	
Rental Income	\$872,800
Leagues, Camps, Clinics, & Classes	\$752,845
Public Skate & Drop-In Programs	\$172,000
Concessions & Merchandise (Net)	\$162,564
Advertising & Sponsorship (1)	\$40,000
Other (2)	\$27,500
<b>Total Revenues:</b>	<b>\$2,027,709</b>
<b>Operating Expenses:</b>	
Salary, Wages, & Benefits	\$752,500
Program Expenses	\$647,392
General & Administrative	\$191,000
Utilities	\$154,693
Maintenance/Repair	\$44,864
Materials/Supplies	\$21,079
<b>Total Expenses:</b>	<b>\$1,811,528</b>
<b>Net Income (Loss):</b>	<b>\$216,181</b>
<b>Estimated Operating Margin:</b>	<b>10.7%</b>

Note: Presented in 2018 dollars

In a stabilized year of operations, it is estimated that the operations of the proposed 2-sheet ice arena in Yellowstone County generate an estimated annual operating margin of nearly 11%.

- (1) Represents a limited sponsorship/advertising program, as we have assumed that major facility naming opportunities could be utilized by the non-profit as a key component of the fundraising to build the facility.
- (2) Please see page 193

# ECONOMIC & FISCAL IMPACT ANALYSIS

NET PRESENT VALUE (NPV) OF INCREMENTAL IMPACTS OVER 30 YEARS*					
Project	ECONOMIC IMPACTS			FISCAL IMPACTS	
	Total Output	Employment**	Labor Income	State Lodging Tax (7.00%)	City Lodging Surcharge (\$2.00)
Indoor Sports Center	\$385,924,000	174	\$139,299,000	\$7,096,000	\$2,063,000
2-Sheet Ice Arena	\$121,314,000	50	\$44,069,000	\$2,038,000	\$604,000
Competitive Swim Center	\$114,597,000	46	\$42,570,000	\$1,560,000	\$453,000
<b>TOTAL</b>	<b>\$621,835,000</b>	<b>269</b>	<b>\$225,938,000</b>	<b>\$10,694,000</b>	<b>\$3,120,000</b>

\*Assumptions include 3.0% annual inflation and 4.0% discount rate. \*\*Represents new full- and part-time jobs sustained on an annual basis.

Over a 30 year period, if all three sports facilities are developed in Yellowstone County, it is estimated to have the potential to produce total impacts with a net present value (NPV) of nearly \$622 million in cumulative net economic output, 269 sustainable annual jobs, and over \$13.8 million in state and local hotel tax/surcharge revenues.

## KEY CONCLUSIONS BY FACILITY

- It is estimated that an indoor sports center would produce the largest economic/fiscal impacts of the three facility development options, while also being the most cost-effective to build (est. \$10 million) as well as potentially operable by a private third-party with no public operating contributions.
- It is estimated that a 2-sheet ice arena would generate about the same economic impact as a competitive swim center. However, the ice arena is expected to be more cost-effective to build than the swim center. Additionally, it is estimated that the ice arena could generate positive operating income under private, non-profit operations.
- It is estimated that a competitive swim center would generate similar economic impacts as a 2-sheet ice arena, however it is also projected that a swim center would not only be the most expensive facility to build, but also is likely to require public operations and significant annual operating subsidies.

# FACILITY MANAGEMENT ANALYSIS

**Public:** Public management of youth and amateur sports facilities is commonplace within the industry. Facility operational control within a government is typically accomplished either by creating a separate department that is responsible for facility management or by designating responsibility to a department that already exists within the government (often Parks & Recreation).

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> <li>• Owner control</li> <li>• Financial support</li> <li>• Coordinating/sharing of staff/support functions</li> <li>• Bulk-price purchasing</li> <li>• No management fees</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of outside/private sector financial support</li> <li>• Civic service constraints</li> <li>• Contract approval requirements</li> <li>• Changing political policies</li> <li>• Lack of incentives</li> <li>• Limited flexibility</li> <li>• Lack of expertise and access in sports and industry</li> </ul>

**Private:** In some cases, the management of a publicly-owned sports facility could be outsourced to a third-party operator. This may be the most viable option for new Yellowstone County sports facilities that are expected to operate without a need for subsidies.

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> <li>• Greatest operating autonomy</li> <li>• Efficiency incentives</li> <li>• Network of relationships to leverage event bookings</li> <li>• Internal network of knowledge/experience</li> <li>• More independence in negotiations</li> <li>• Greater staffing resources</li> <li>• More objective criteria for accountability</li> <li>• More efficient procurement process</li> <li>• Design and pre-opening services</li> <li>• Less financial risk for owner</li> </ul>	<ul style="list-style-type: none"> <li>• Potential loss of direct control by owner</li> <li>• Profit motive versus economic impact motive</li> <li>• Facility management fees</li> <li>• Management personnel turnover</li> <li>• Corporate resources spread among several facilities</li> <li>• Misaligned purpose and goals between owner and management firm</li> <li>• Less access to public use</li> </ul>

**Non-Profit (Private):** Under this form of private management, the organization is typically run under the guidance and supervision of a Board of Directors. Members of the board tend to be local community leaders and stakeholders. Victus Advisors believes the non-profit operating model could be successful for operating a new 2-sheet ice arena, given the success of the current non-profit operating model at Centennial Ice Arena.

This non-profit structure requires active and continued support both in labor and funding from the community. The organization would need to depend on donations and grants (in most cases donations would be tax deductible) from individuals, companies, and government entities in addition to volunteer labor hours to be sustainable in the short and long-term.

## Management Recommendations:

- It is recommended that a new indoor sports center be operated by a third-party, private, contract management firm.
- It is recommended that a 2-sheet ice arena be operated by a non-profit organization such as the Billings Amateur Hockey League (BAHL).
- It is recommended that a competitive swim center be operated by a public entity such as Yellowstone County or the City of Billings, with dedicated public revenue sources to subsidize the operations, unless a private, non-profit, operator group in Yellowstone County is capable of fundraising significant annual funds to subsidize their operating losses.



# PROJECT FUNDING ANALYSIS

**Overview:** The vast majority of comparable sports facilities are owned by the public sector and developed via municipal capital project funding (general obligation bonds, revenue bonds, tax increment financing, general funds, etc.).

**General Obligation Bond:** A G.O. bond issue for a new sports facility project could be difficult for the County or City to pass if it is perceived as taking away funds that could be allocated to other uses that the public favors, such as other capital projects, improvements to services or infrastructure, etc.

**Revenue Bonds:** The proposed sports facilities in Yellowstone County are not expected to generate sufficient net operating income to cover debt service payments. Therefore, it is likely that any revenue bonds issued to pay for the project would need to be backed by tax-related revenue streams.

**Urban Renewal District:** Victus Advisors believes that building one or more indoor sports facilities in the South Billings Urban Renewal District could be a financially feasible and time-saving option for constructing new indoor sports facilities in Yellowstone County without relying on a mill levy vote.

**Naming Rights:** Project stakeholders could engage with local corporations, charitable foundations, and/or wealthy individuals to seek significant up-front financial commitments to fund sports facility construction costs in exchange for naming rights to the facility.

**General Funds:** The City of Billings reported a significant general fund balance last year, however the City's Comprehensive Annual Financial Report indicates that a portion of the unassigned general fund balance will likely need to be used for expansion of existing City facilities over the next five years, in order to keep pace with continued population growth.

**Ad Valorem Taxes:** A mill levy ballot measure could be considered to increase the local property tax rate to pay the debt service for construction of a new sports facility.

**Hotel Taxes:** The City could potentially consider pursuing an increase of the local hotel occupancy fee in order to develop a dedicated revenue stream to pay the debt service for construction of a new sports tourism facility.

**Public Private Development (P3):** The net operating income available from the proposed facilities are not likely to attract a P3 partner, as projected annual operating margins are not likely to generate a sufficient return on capital for a P3 project partner.

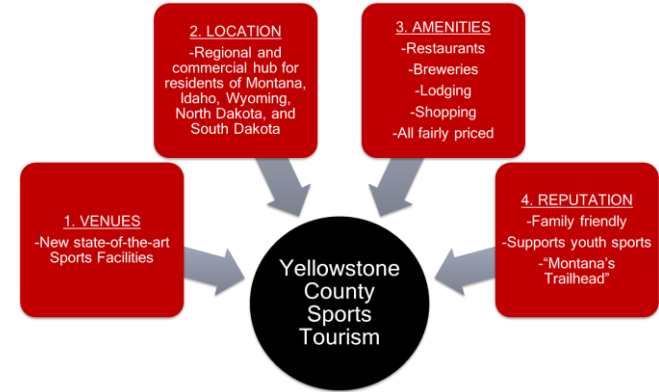
**Private Fundraising:** Based upon feedback from SBURA, even if SBURA was able to fund the majority of new sports facility construction costs, they could require up to 30% of the total construction costs to be funded via community fundraising. In addition, for any new sports facilities that could not be built with public funds, local stakeholder groups for those facilities might consider private-only fundraising opportunities that focus on scaled back venues (such as a 1-sheet ice facility or a short course pool).

**Sports Tourism Specialist:** If plans proceed for new sports facilities in the County, it is recommended that Visit Billings hire a full-time Sports Tourism Specialist to focus on marketing efforts in advance of the opening of any new facilities.

**Major Site Selection Factors:** Yellowstone County does not currently meet the venue requirements (site selection criteria #1) for the majority of indoor sports events, and it should be noted that most tournament operators will not even consider a location that does not have the proper venues. Proximity/access (criteria #2) and hotels/amenities (criteria #3) are already in place in Yellowstone County, and locating a new sports facility on a site with convenient access to the interstates would also be attractive for sports events. Reputation and brand (criteria #4) within the sports industry is already relatively strong, despite the lack of high-quality facilities, due to the past efforts of Visit Billings. This reputation could continue to be developed over time, once a new sports facility is in place, by building a significant track record of attracting and servicing more successful events.

**Efficient Marketing Mix:** In order to be as efficient as possible with sports marketing budgets, Visit Billings should deliver the right message to a focused audience at the most critical points along the decision-making timeline. This typically means developing relationships and meeting with national governing bodies, tournament organizers, and other such groups that are involved in the early stages of tournament planning and site selection. Typically, by the time site information flows to coaches, parents, and athletes, the tournament sites were selected well in advance.

## What Makes Yellowstone County a Unique Sports Destination?:



**Initial Marketing Approach:** To capitalize on new facilities, Visit Billings should develop a targeted marketing plan designed to reach event organizers in the relevant sports for the new facilities that will be coming on line (basketball, volleyball, hockey, figure skating, swimming). Messaging should be integrated with the established Visit Billings brand and focus on speaking specifically to facilities, access, amenities, and reputation (in that order).

**Sample Marketing Strategies:** Two approaches that could help achieve success include: a) reaching key decision makers with creative, high-impact, direct mail pieces that attract attention in a unique and interactive way, and b) creating social media accounts that are specific to “Yellowstone County Sports” and crafting a singular strategy for social media that creates a sense of “being there” for every sporting event in the County by sharing photos and videos of participants, encouraging tournament participants to check-in at locations around town, and encouraging them to add their own user generated content to the conversation.

# I. INTRODUCTION

# PROJECT BACKGROUND

**Victus Advisors** was engaged by a **Yellowstone County** stakeholder group\* facilitated by Big Sky Economic Development and Beartooth RC&D in October 2017 to conduct an independent analysis of Yellowstone County's (the "County") sports tourism venues and sports marketing opportunities. We assessed both the local sports community in the County and the relevant regional sports tourism markets to identify opportunities and recommend potential new facilities for increasing Yellowstone County's market potential for youth and amateur sports tourism.

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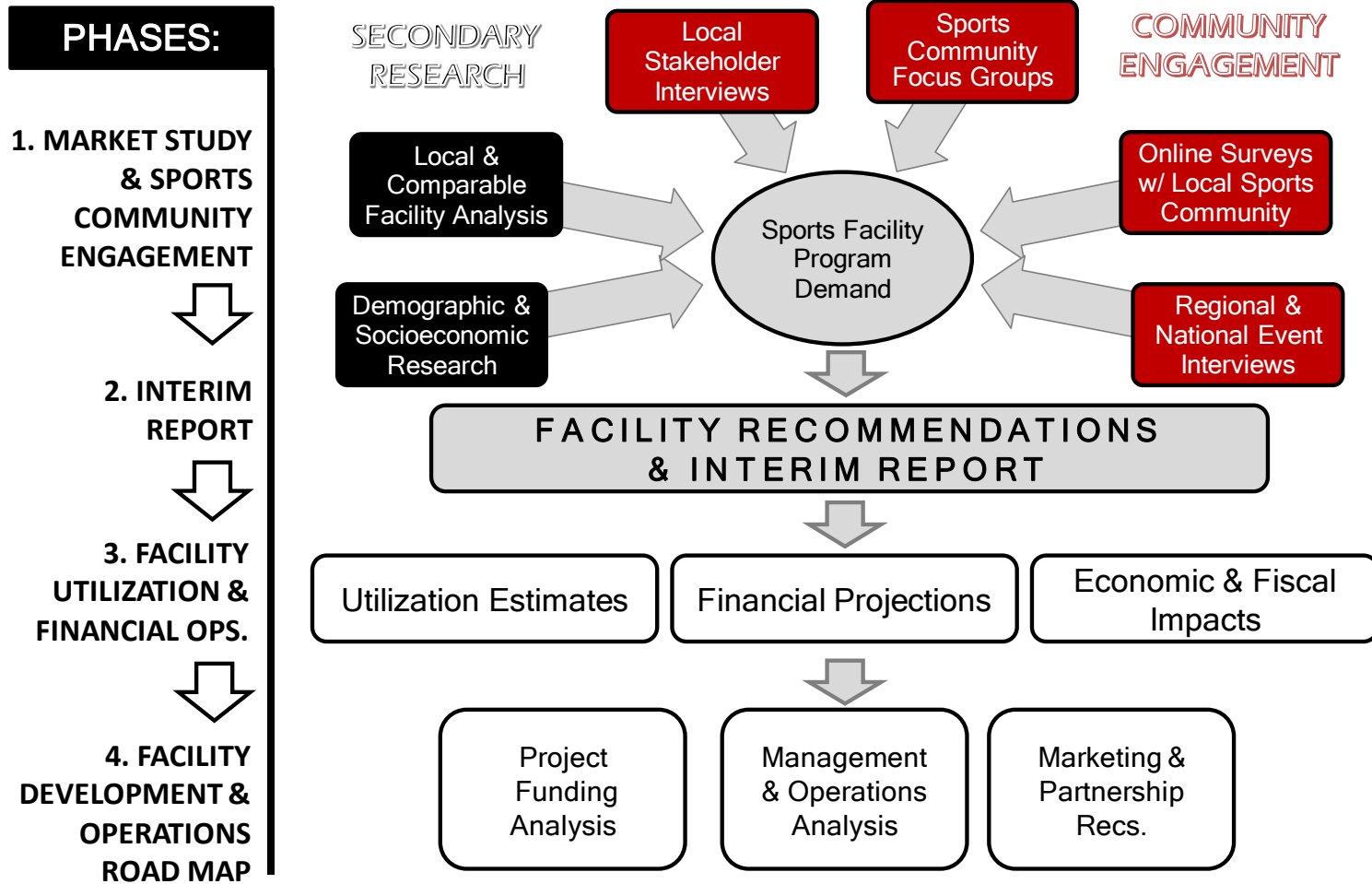
Our primary project tasks and goals for this study included:

- Reviewing existing plans and documents, such as the Visit Billings 2017-2018 Marketing Plan, 2016-17 Community Health Needs Assessment Report, Billings Parks & Recreation Master Plan, USA Swimming Enterprise Plan for a New Aquatic Center in Billings, and LARC Enterprise Plan.
- Engaging local sports community stakeholders and sports facility user groups to assess the strengths and weaknesses of the local Yellowstone County sports market
- Assessing the strengths and weaknesses of Yellowstone County as a regional sports tourism destination
- Identifying and recommending potential improvements to Yellowstone County's current facility and venue inventory
- Recommending the type and location for sports venue development in Yellowstone County
- Estimating the potential economic and fiscal impacts of sports venue development

*\* Stakeholders who funded this sports market/facility study include: Montana Department of Commerce, Visit Billings, Laurel Aquatic Recreation Complex, Laurel Urban Renewal Agency, South Billings Urban Renewal Association, Billings Aquatics Club, and Montana Swimming. The study process was facilitated by Big Sky Economic Development and Beartooth RC&D.*

# PROJECT METHODOLOGY

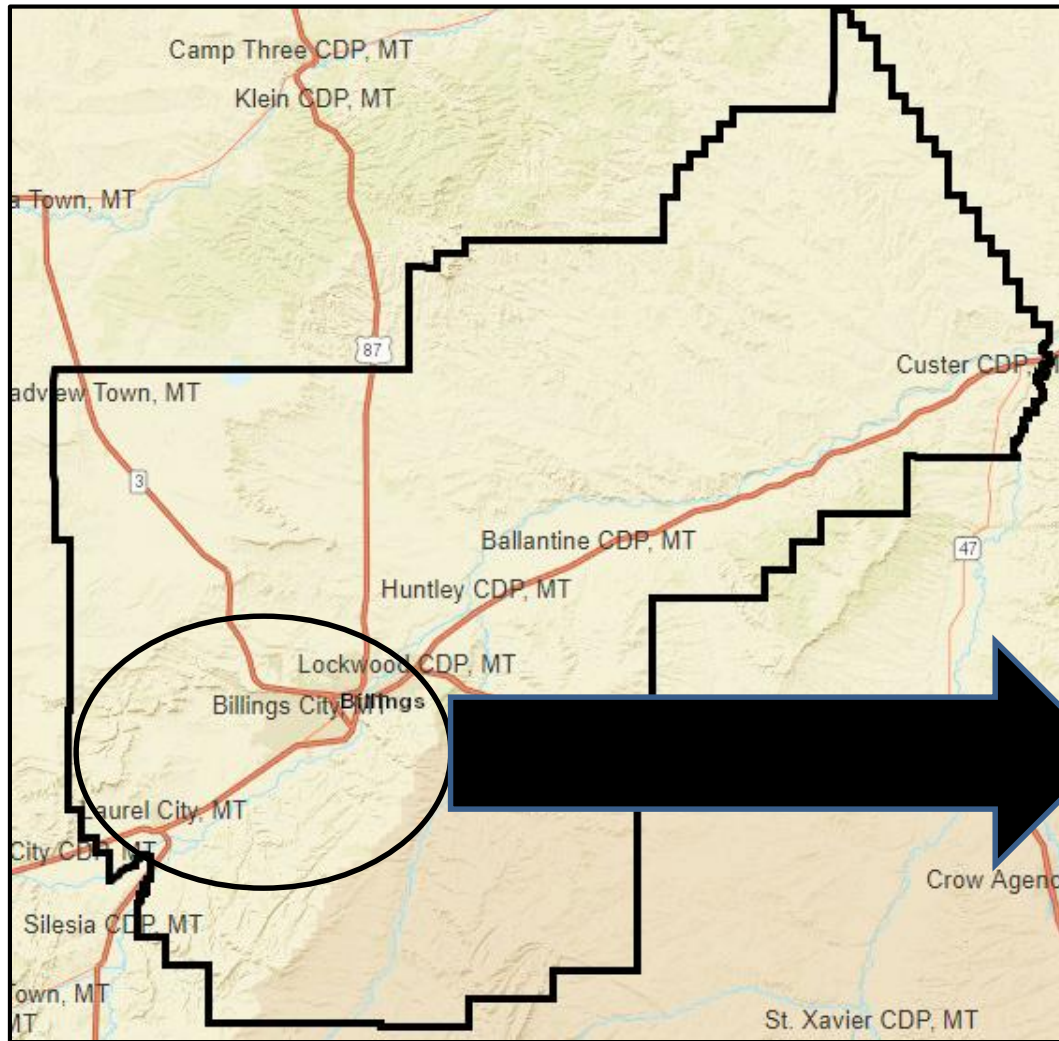
As shown below, Victus Advisors' proven methodology for sports market and facility analysis is based upon extensive market research and community engagement. Our demand estimates and facility recommendations are informed by local market/facility analysis, comparable market/facility benchmarking, interviews with key stakeholders and sports community leaders, local sports community surveys, and regional/national sports event interviews. The information we gather through our research/engagement process is then utilized to develop facility-specific operating and financial projections, market-specific economic/fiscal impact estimates and project funding recommendations, and management and marketing recommendations.





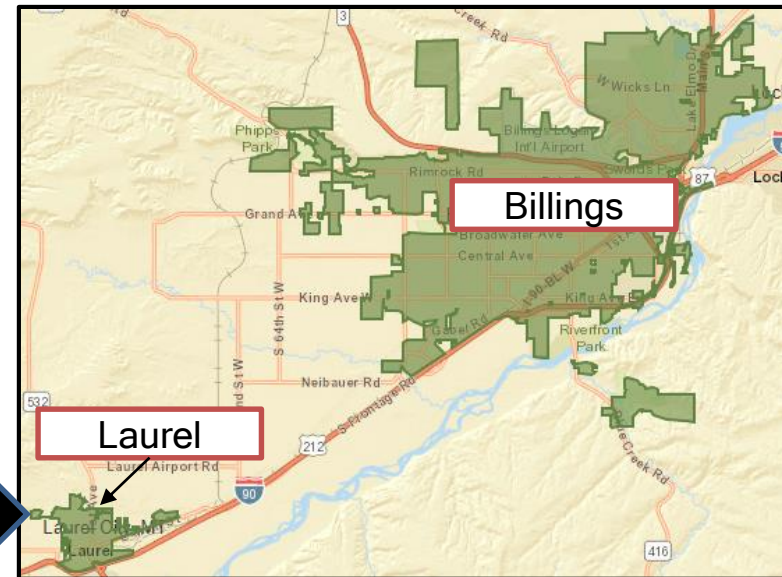
## II. ECONOMIC & DEMOGRAPHIC OVERVIEW

# YELLOWSTONE COUNTY



Source: Esri

Yellowstone County is the largest county (in terms of population) in Montana with a current population of 163,372 people.



Billings is the County's largest city (in terms of population) with 115,030 people, representing 70% of the County's total population. The City of Laurel has a population of 7,171, representing 6% of the County's total population.

# POPULATION DATA

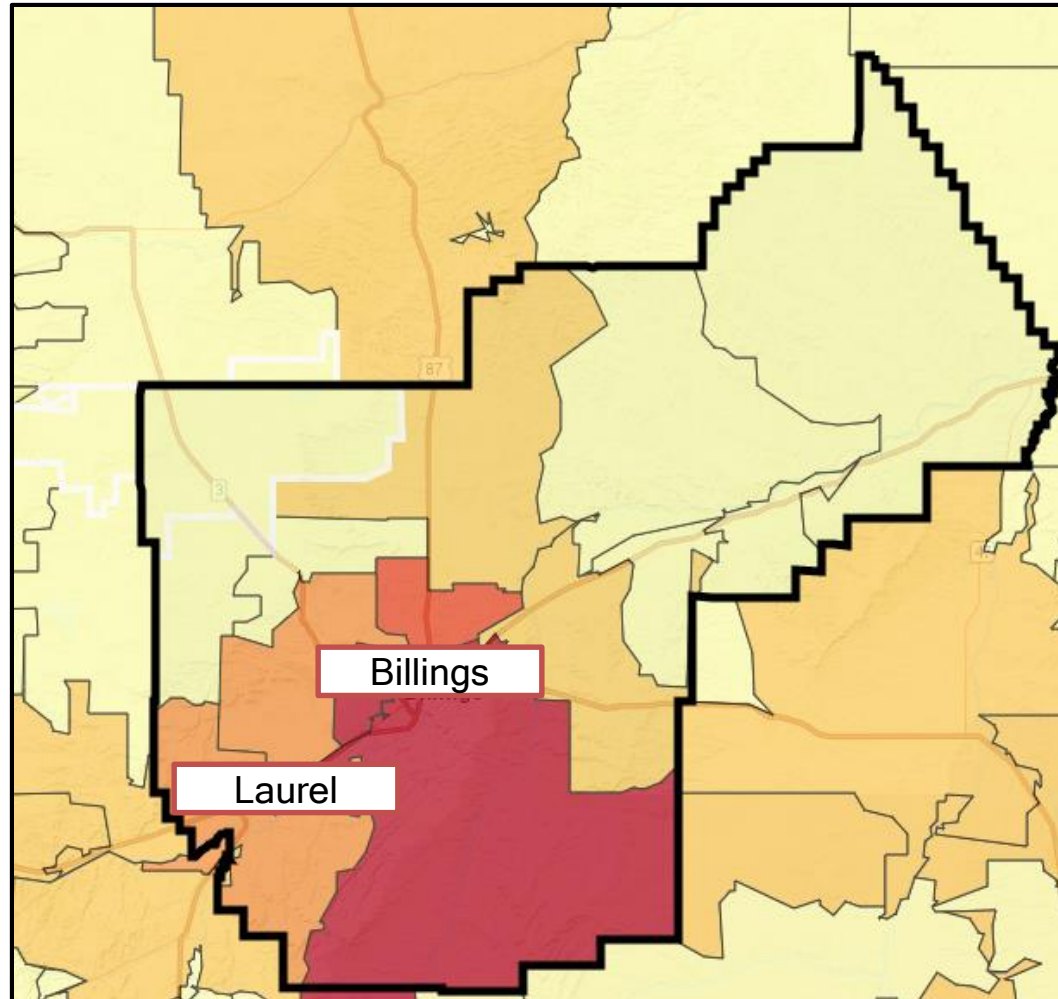
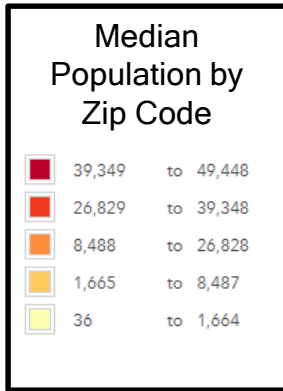
	Yellowstone County	United States
Population	163,372	327,514,334
Population Under 18	36,564	73,155,846
Percentage of Population Under 18	22.4%	22.3%
Population Growth:		
Annual Pop. Growth (2000 to 2017)	1.4%	1.0%
Annual Pop. Growth (5-year Projection)	1.3%	0.8%
Projected Population (2022)	174,395	341,323,594
Median Age	39.3	38.2

Source: Esri

Yellowstone County had a higher annual population growth rate over the last 17 years than the national average, and is projected to have an even higher growth rate when compared to the national average over the next five years. A high population growth rate correlates well for youth and amateur sports demand.

Also, compared to the national average, Yellowstone County has an older median age. County age statistics reflect a smaller share of working age population and young families, which may not be favorable for youth and amateur sports. However, this factor could be offset by continued population growth, which should drive more employment-aged workers and young families to the County.

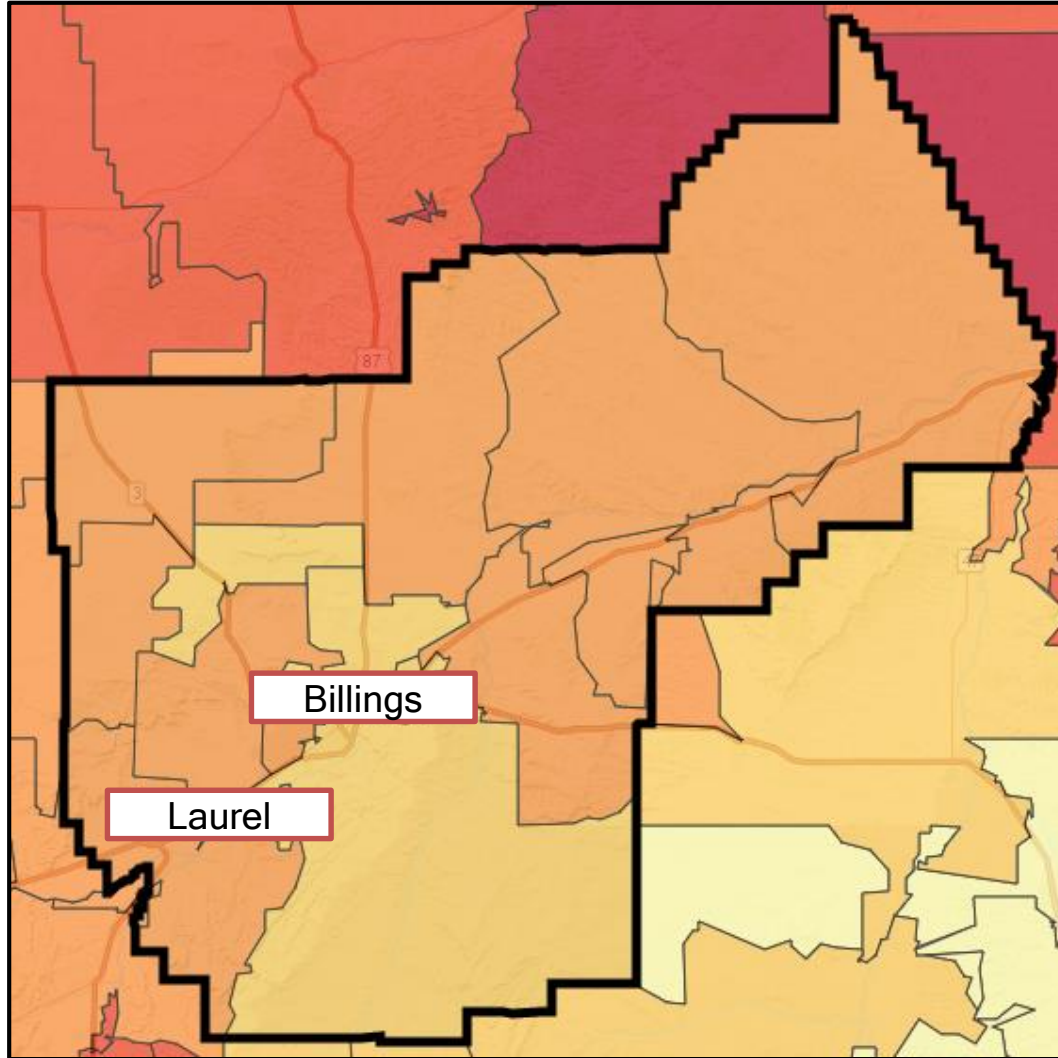
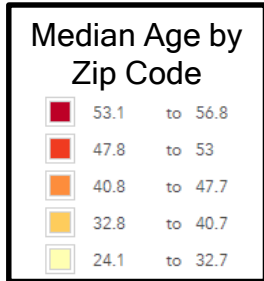
# POPULATION DISTRIBUTION



Source: Esri

Yellowstone County's population is clustered around the Billings and Laurel areas. There are relatively few residents in the northwest and northeast parts of the County.

# AGE DISTRIBUTION



A lower median age tends to be a positive indicator for amateur sports venues due to the presence of a large working age population and young families. In Yellowstone County, younger age groups tend to be clustered around central Billings, with older median ages to the west in Laurel, and to the East in Lockwood.

Source: Esri



# HOUSEHOLD DATA

	Yellowstone County	United States
Total Households	66,316	123,158,887
Households With Children Under 18	41,020	81,106,685
Percentage of Households With Children	61.9%	65.9%

Source: Esri

	Yellowstone County	United States
Median Household Income	\$53,732	\$56,124
Adjusted Median Household Income (1)	\$60,170	\$56,124

Sources: Esri, city-data.com

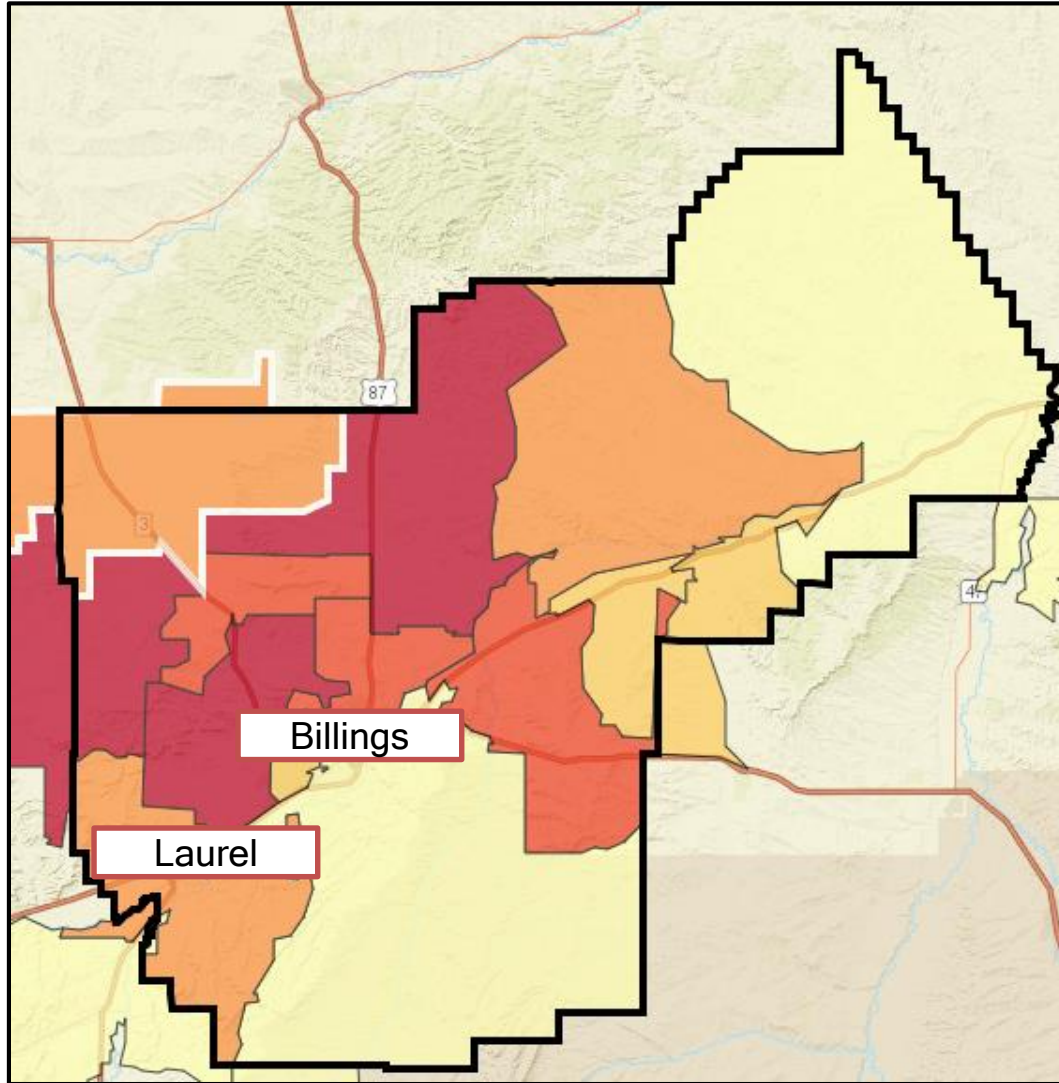
Note: (1) Adjusted for cost of living according to city-data.com

Yellowstone County is lower than the U.S. average in terms of the percentage of households with children, which could be a negative indicator for youth sports demand in the County.

However, the median household income in Yellowstone County is significantly higher than the U.S. average. Higher household income levels can often indicate an ability for a household to spend disposable income on both adult recreation and youth sports.

# INCOME DISTRIBUTION

## Median Income by Zip Code



Median Household Income levels within the County tend to be highest around Billings. Income levels are significantly lower in the south and northwest areas of the County.

Source: Esri

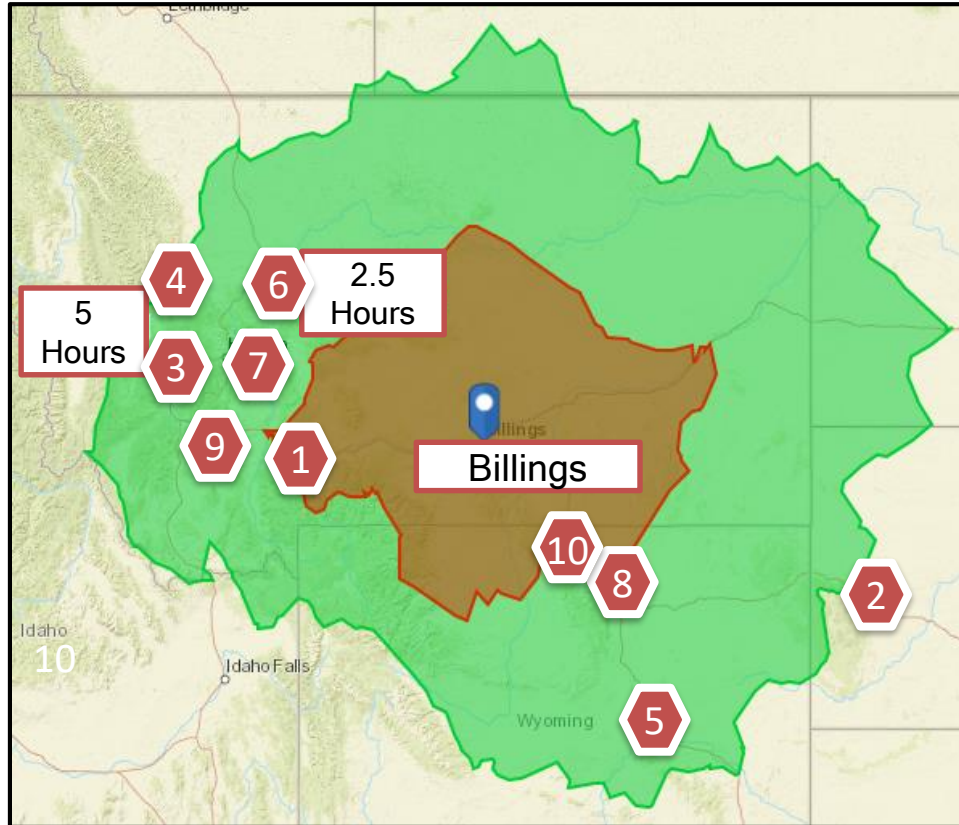
# TOURNAMENT DRIVE TIME ZONES

## METROPOLITAN STATISTICAL AREA (MSA)

MSA's are defined by U.S. Office of Management & Budget as adjacent counties with high degree of social/economic integration with urban core of 50,000 people or more.

## MICROPOLITAN STATISTICAL AREA (μSA)

μSA's are defined by U.S. Office of Management & Budget as one or more adjacent counties or county equivalents that have at least one urban core area of at least 10,000 population but less than 50,000, plus adjacent territory that has a high degree of social and economic integration.



Source: Esri

The Rapid City MSA is the largest other market within a five hour drive of Billings. As a result, the majority of tournament activity is likely to be drawn from Wyoming, North and South Dakota, and Idaho, and would typically require multi-night stays by tournament participants. It is worth noting that Cody, Wyoming (mentioned often by stakeholders as a sports tourism community) is only one hour and 45 minutes away. The City's population (just over 10,000) is so small that it is not designated as a statistical area by the U.S. Office of Management & Budget.

## MSA's & μSA's within a 2.5-hour Drive

1 Bozeman μSA  
pop. 106,815

## Other MSA's & μSA's within a 5-hour Drive

2 Rapid City MSA  
pop. 148,402

3 Missoula MSA  
117,299

4 Kalispell μSA  
99,637

5 Casper MSA  
84,646

6 Great Falls MSA  
83,524

7 Helena μSA  
79,637

8 Gillette μSA  
50,762

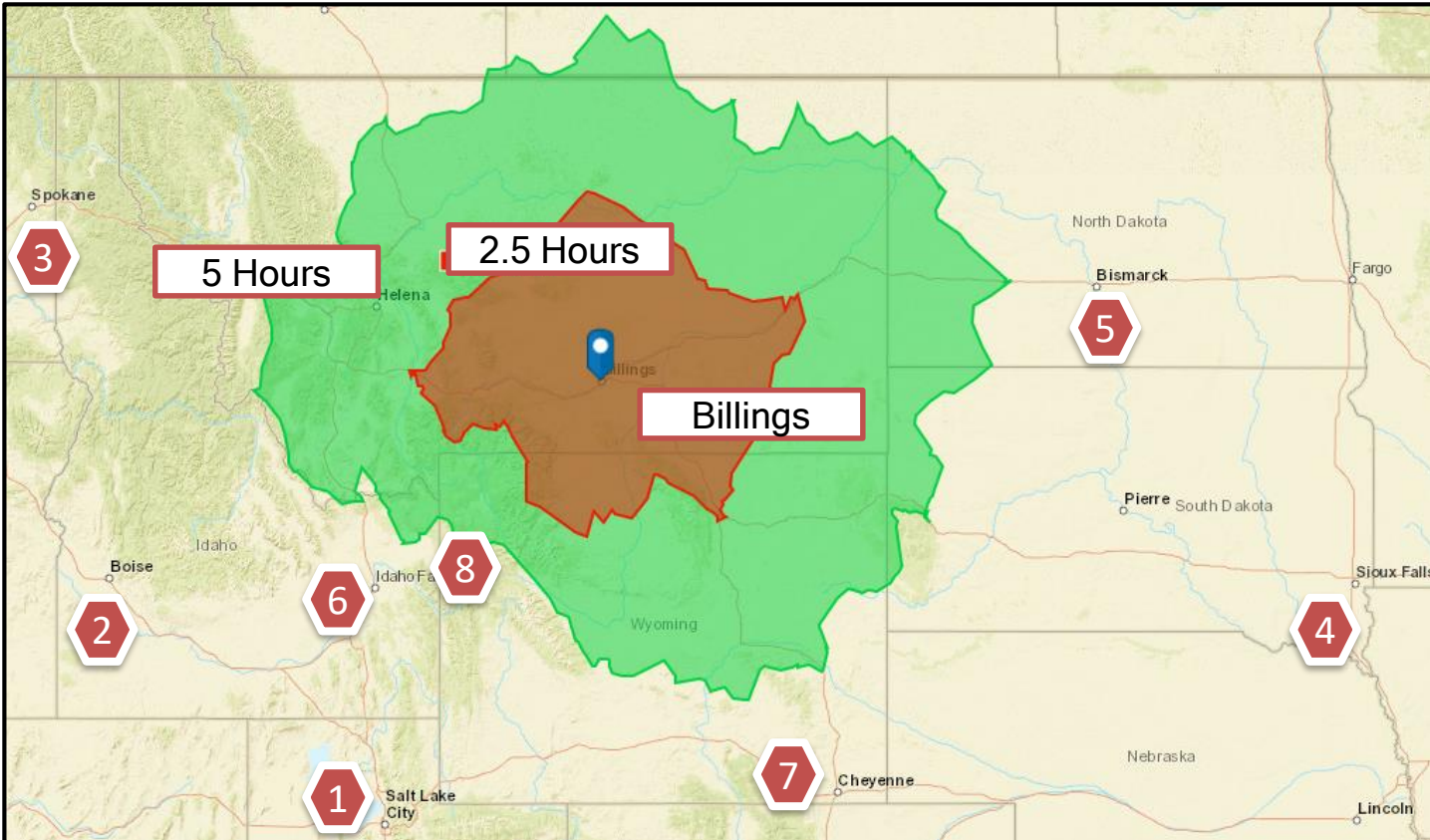
9 Butte μSA  
35,471

10 Sheridan μSA  
30,650

# OTHER MARKETS BEYOND 5 HOURS

## Other MSA's & $\mu$ SA's in the Northwest Region

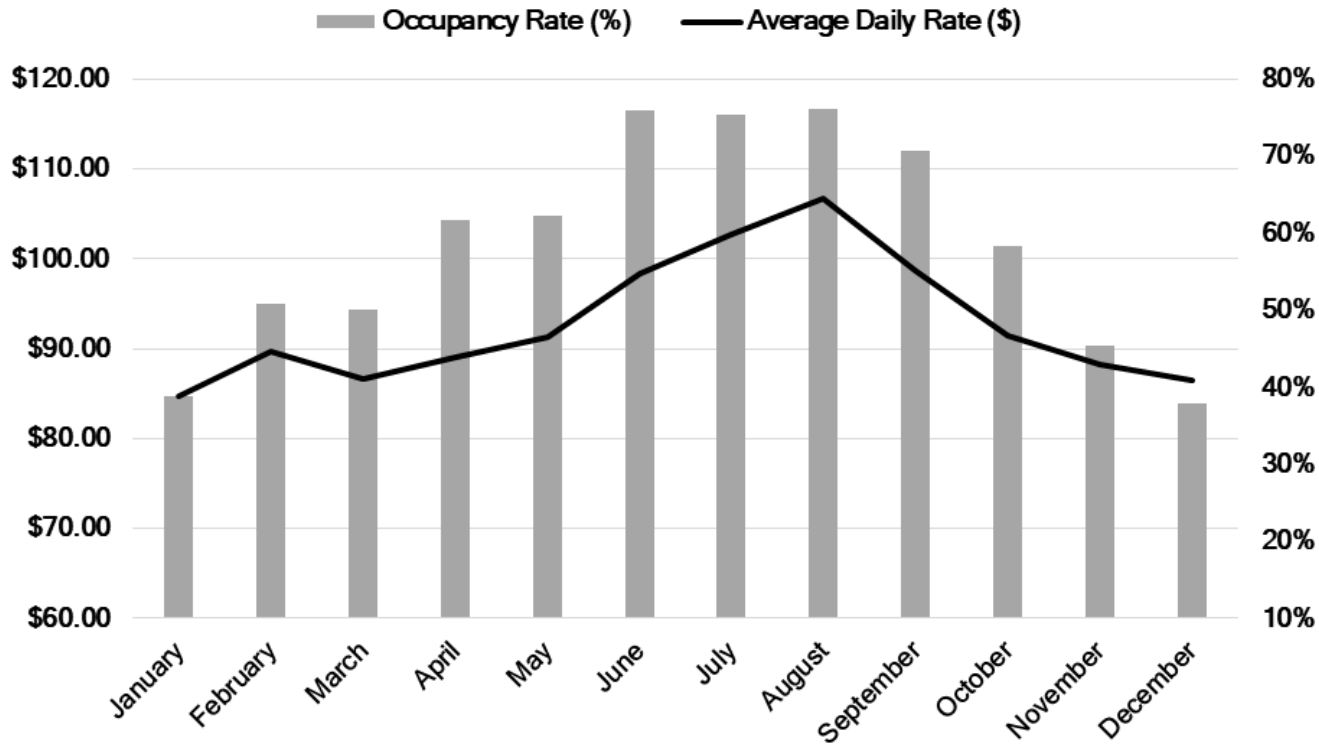
- 1** Salt Lake City MSA  
pop. 1,207,227  
(8.5 hour drive time)
- 2** Boise MSA  
705,380  
(9.5 drive time)
- 3** Spokane MSA  
561,384  
(8 hour drive time)
- 4** Sioux Falls MSA  
262,280  
(10 hour drive time)
- 5** Bismarck MSA  
137,274  
(6 hour drive time)
- 6** Idaho Falls MSA  
117,299  
(5.5 hour drive time)
- 7** Cheyenne MSA  
99,790  
(6 hour drive time)
- 8** Jackson Hole  $\mu$ SA  
33,957  
(6 hour drive time)



Sources: Esri, Google Maps

Outside of the five hour drive time region, sports markets that were frequently mentioned by survey respondents and other stakeholders include Spokane, Boise, and Idaho Falls to the west; Salt Lake City, Jackson Hole, and Cheyenne to the south; and Bismarck and Sioux Falls to the east. As stated on the previous page, the majority of tournament activity is likely to be drawn from Wyoming, North and South Dakota, and Idaho and would require multi-night stays.

# YELLOWSTONE COUNTY HOTEL DATA - 2016



Source: Visit Billings

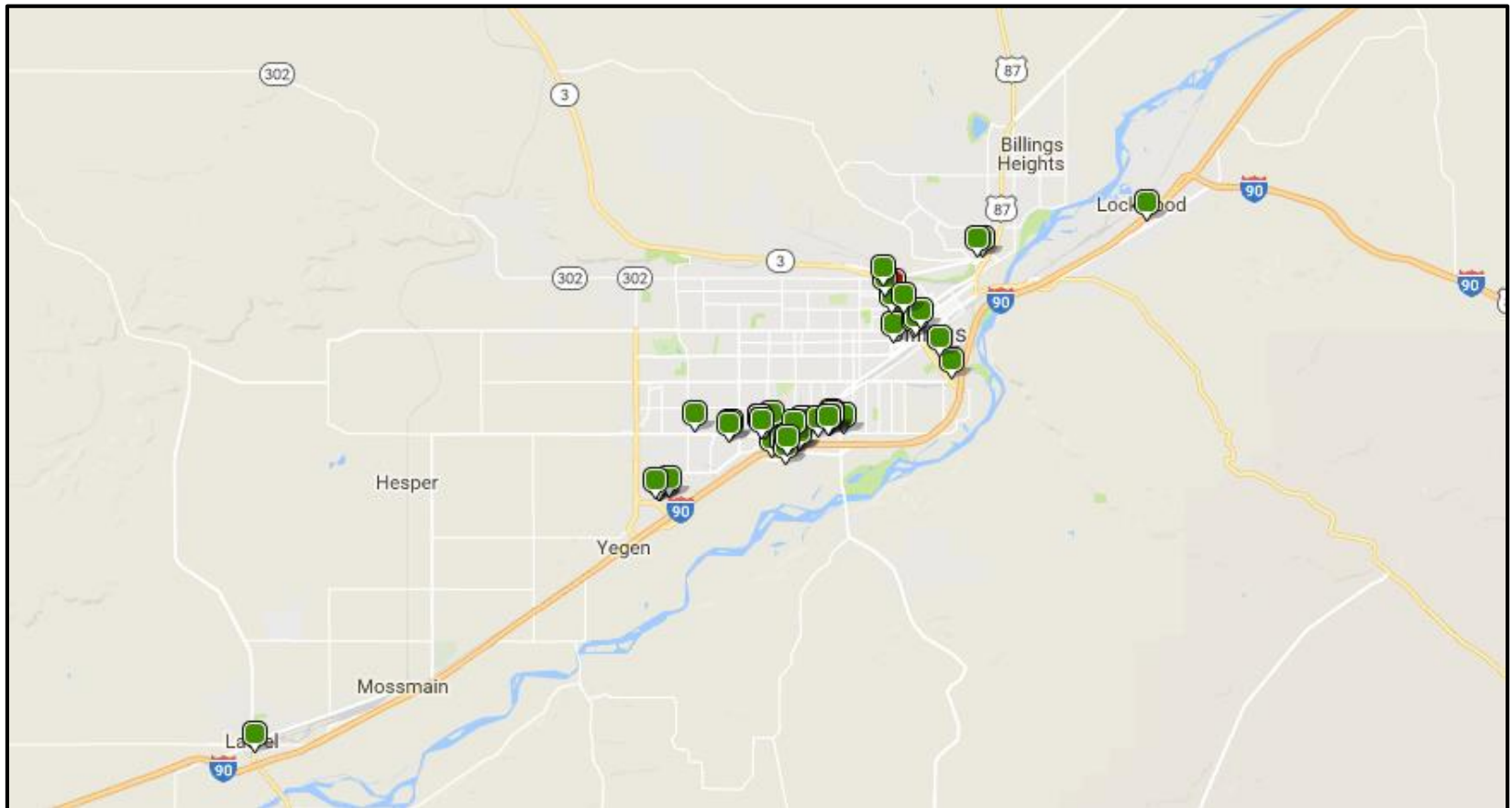
Nationwide, the Average Daily Rate (ADR) of hotels in 2016 was more than \$120 per night. However, Yellowstone County hotel ADRs range from \$85 to \$107 per night throughout the calendar year. County hotel occupancy dips significantly in the winter months (November to March has an average monthly occupancy rate of 45%), indicating significant seasonality in visitation to the County, and thus a potential opportunity for indoor sporting events in the winter to fill underutilized hotel rooms at family-friendly rates.



# HOTEL INVENTORY

Convenient, affordable, family-friendly lodging (preferably no more than a 10-minute drive from a sports facility) is an important component of attracting and hosting multi-day tournament activity.

Victus found that lodging (minimum 2-star hotel class) in Yellowstone County is primarily concentrated in two locations: 1) Billings near downtown, and 2) near King Avenue and Mullaney Lane in southwest Billings.

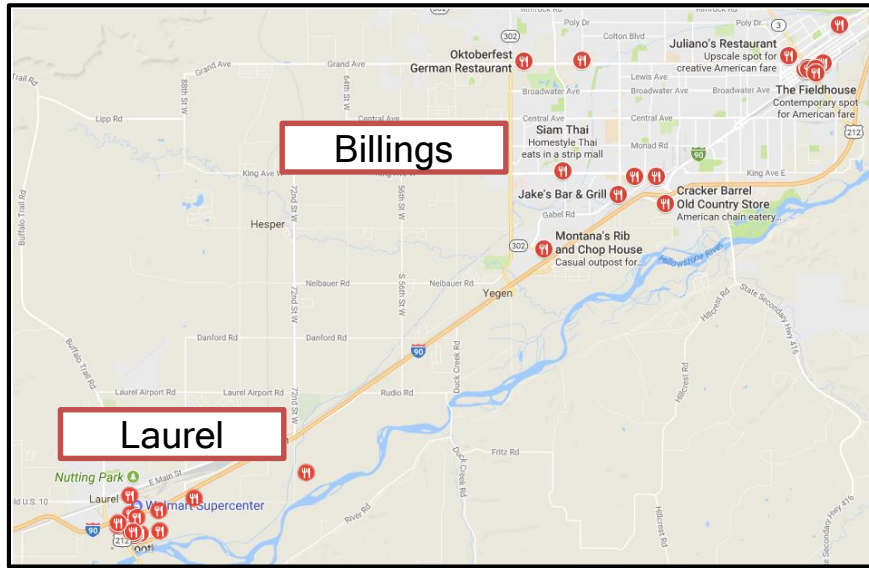


Source: Hotels.com, Google Maps

Note: Minimum 2-star hotel class

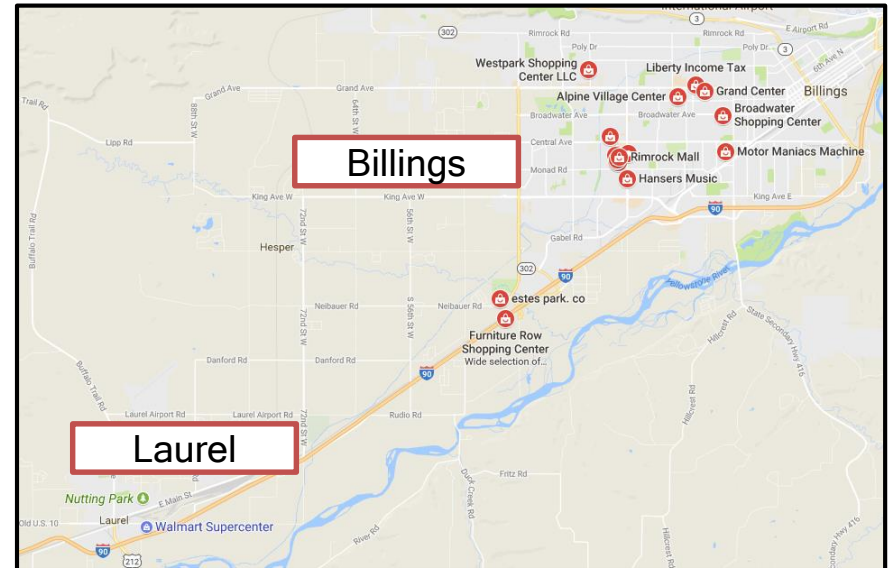


## RESTAURANT MAP



Source: Google Maps

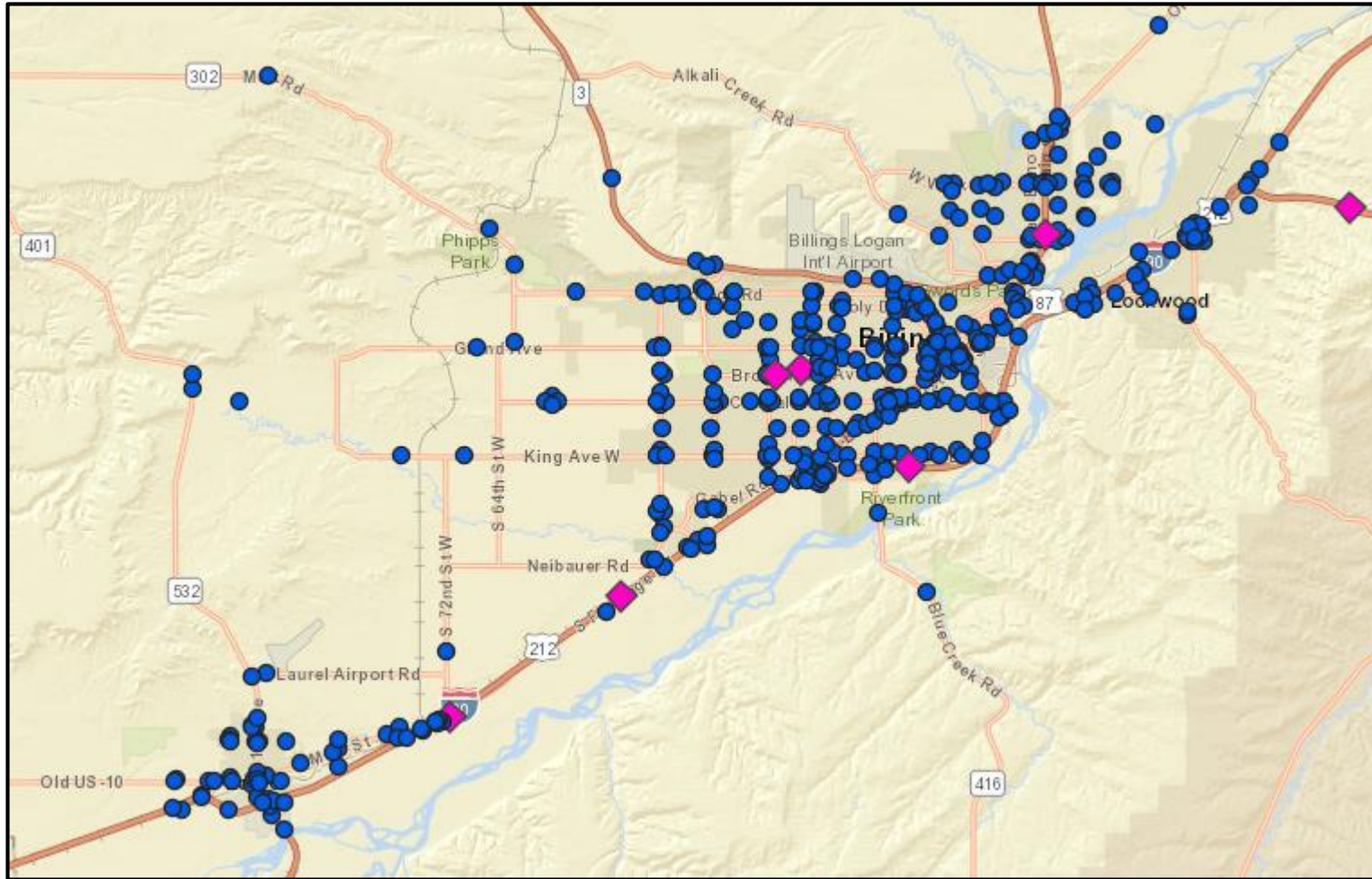
## RETAIL SHOPPING MAP



Source: Google Maps

Convenient access to food and retail outlets is also an important component of hosting sports tournament activity. Numerous food/shopping options are clustered near Billings. Aside from a Wal-Mart and a few restaurants, there are limited retail and dining options in the Laurel area compared to Billings.

# TRAFFIC & HIGHWAY ACCESS - YELLOWSTONE COUNTY



Daily traffic in the County is mainly clustered around Billings, with smaller counts heading towards and within Laurel.

Convenient access to major interstates is often a key factor in attracting regional/national tournament activity by ensuring that families can reach the sports facility easily via automobile.

Sources: Montana Department of Transportation (MDT), Esri

Note: Markers above represent MDT traffic counters, which are typically installed on roadways with 3,500+ cars per day.

Based upon feedback from focus groups, in-person interviews, telephone interviews, and online surveys with youth sports organizations and stakeholders within the County regarding the markets that they most often compete against for amateur sports events, Victus Advisors compared the Billings MSA's (defined as Golden Valley County, Yellowstone County, and Carbon County) demographic and socioeconomic characteristics to the following competitive set of MSA's and  $\mu$ SA's:

## Montana

- Bozeman
- Missoula
- Kalispell
- Great Falls
- Helena
- Butte

## Out of State

- Sioux Falls, SD
- Rapid City, SD
- Casper, WY
- Gillette, WY
- Sheridan, WY
- Jackson Hole, WY

# COMPARATIVE MARKETS - POPULATION

<u>City, State</u>	<u>MSA/μSA</u>	<u>MSA/μSA Population</u>
Sioux Falls, SD	Sioux Falls	262,280
Billings, MT	Billings	174,681
Rapid City, SD	Rapid City	148,402
Missoula, MT	Missoula	117,299
Bozeman, MT	Bozeman	106,815
Kalispell, MT	Kalispell	99,637
Casper, WY	Casper	84,646
Great Falls, MT	Great Falls	83,524
Helena, MT	Helena	79,637
Gillette, WY	Gillette	50,762
Butte, MT	Butte-Silver Bow	35,471
Jackson Hole, WY	Jackson	33,957
Sheridan, WY	Sheridan	30,650
<b>Average</b>		<b>100,597</b>
<b>Median</b>		<b>84,646</b>

*Source: Esri*

*Note: Sorted by MSA/μSA Population in descending order*

The Billings MSA's population of 174,681 represents the second most populated out of the 13 competitive markets selected for comparative analysis.

# COMPARATIVE MARKETS - POPULATION GROWTH

MSA/μSA	Annualized Pop. Growth (2000-2017)	Proj. Annual Pop. Growth (2017-2022)
Bozeman	2.7%	2.5%
Sioux Falls	2.0%	1.9%
Casper	1.4%	1.4%
Kalispell	1.7%	1.4%
Gillette	2.4%	1.4%
Jackson	2.0%	1.4%
Rapid City	1.3%	1.3%
<b>Billings</b>	<b>1.3%</b>	<b>1.3%</b>
Missoula	1.2%	1.1%
Helena	1.1%	0.8%
Sheridan	0.8%	0.6%
Butte-Silver Bow	0.1%	0.4%
Great Falls	0.2%	0.3%
<b>Average</b>		<b>1.2%</b>
<b>Median</b>		<b>1.3%</b>

**U.S. Average:**  
 2000-2017: 1.0%  
 2017-2022: 0.8%

Source: Esri

Note: Sorted by Projected Annual Population Growth in descending order

The projected growth rate of the Billings MSA is above the average amongst the 13 comparative markets, as well as the U.S. average.

# COMPARATIVE MARKETS - MEDIAN AGE

MSA/ $\mu$ SA	Median Age
Gillette	33.3
Bozeman	33.8
Sioux Falls	35.9
Missoula	35.9
Jackson	37.4
Casper	37.9
Rapid City	38.6
Great Falls	39.4
Billings	40.0
Butte-Silver Bow	42.6
Kalispell	42.8
Helena	43.2
Sheridan	43.2
<b>Average</b>	<b>38.8</b>
<b>Median</b>	<b>38.6</b>

U.S. Median:  
38.2

Source: Esri Note: Sorted by Median Age in ascending order

The Billings MSA's median age of 40 is above both the average and median among comparative markets. Younger median age indicates that a market could be more likely to support and participate in amateur sports events due to the presence of a working-age population and young families.



# COMPARATIVE MARKETS - YOUTH

<u>MSA/μSA</u>	<u>Total Households</u>	<u>Households w/ Children Under 18</u>	<u>% of Households w/ Children</u>
Gillette	18,823	12,835	68.2%
Kalispell	40,953	26,556	64.8%
Rapid City	60,980	39,458	64.7%
Sioux Falls	102,358	66,192	64.7%
Casper	34,248	21,578	63.0%
Helena	33,247	20,845	62.7%
Great Falls	34,801	21,553	61.9%
<b>Billings</b>	<b>71,442</b>	<b>44,194</b>	<b>61.9%</b>
Sheridan	13,038	7,939	60.9%
Jackson	13,600	7,839	57.6%
Bozeman	43,658	24,772	56.7%
Butte-Silver Bow	15,498	8,756	56.5%
Missoula	49,478	27,219	55.0%
<b>Average</b>	<b>40,933</b>	<b>25,364</b>	<b>61.4%</b>
<b>Median</b>	<b>34,801</b>	<b>21,578</b>	<b>61.9%</b>

<p><b>United States:</b></p> <p><b>65.9%</b></p>
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Source: Esri

Note: Sorted by % of Households w/ Children in descending order

Nearly 62% of households in the Billings MSA have children, which is just above the average amongst comparative markets (61%). As previously mentioned, this metric tends to improve over time in areas such as Yellowstone County that are experiencing rapid population and economic growth.

# COMPARATIVE MARKETS - HOUSEHOLD INCOME

<u>MSA/μSA</u>	<u>Median Household Income</u>	<u>Adj. Median Household Income</u>
Gillette	\$77,162	\$90,248
Sioux Falls	\$58,527	\$71,724
Casper	\$57,219	\$70,728
Jackson	\$68,977	\$64,646
Helena	\$55,798	\$64,581
Sheridan	\$53,993	\$62,783
Rapid City	\$52,156	\$61,943
<b>Billings</b>	<b>\$53,456</b>	<b>\$60,130</b>
Bozeman	\$54,249	\$59,224
Kalispell	\$48,794	\$55,637
Great Falls	\$46,699	\$54,050
Missoula	\$47,909	\$51,626
Butte-Silver Bow	\$41,469	\$44,590
<b>Average</b>		<b>\$62,455</b>
<b>Median</b>		<b>\$61,943</b>

<p>United States:</p> <p><b>\$56,124</b></p>
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Sources: Esri and city-data.com

Note: Sorted by Adjusted Median Household Income in descending order (adjusted for cost of living)

The Billings MSA ranks slightly lower than both the average and median of comparative markets in terms of cost-of-living-adjusted median household income, which can be a potential indicator of household income available for spending on sports, recreation, and leisure. However, the adjusted median household income in Billings is higher than the national average.

# COMPARATIVE MARKETS - BUSINESS INVENTORY

MSA/ $\mu$ SA	Total Businesses
Sioux Falls	10,296
Billings	8,749
Rapid City	6,541
Missoula	6,067
Bozeman	5,675
Kalispell	5,494
Casper	4,174
Helena	3,838
Great Falls	3,620
Jackson	2,566
Gillette	2,036
Sheridan	1,830
Butte-Silver Bow	1,730
<b>Average</b>	<b>4,817</b>
<b>Median</b>	<b>4,174</b>

Source: Esri

Note: Sorted by Total Businesses in descending order; Defined as NAICS recognized businesses.

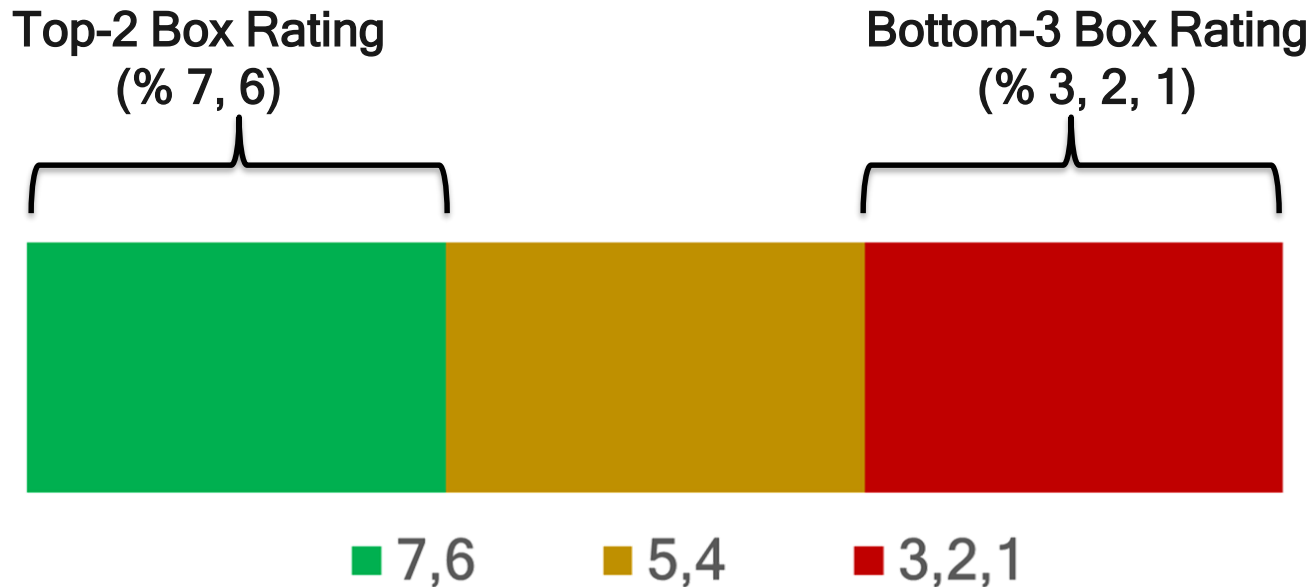
Amongst comparative markets, the Billings MSA ranks second in terms of business inventory, which can be a sign of overall economic health, as well as an indicator for potential corporate sponsorship/advertising support of sports tourism facilities and tournaments/events.

## III. LOCAL FACILITY INVENTORY & SPORTS PARTICIPATION TRENDS

# FACILITY SATISFACTION METHODOLOGY

As part of our community survey process, Victus Advisors gathered feedback from local sports participants regarding their satisfaction with the primary sports venues that are utilized within the county. Survey respondents were asked to rate their satisfaction with each facility on a 7-point scale, in which “7” represents “Very Satisfied” and “1” represents “Very Dissatisfied”.

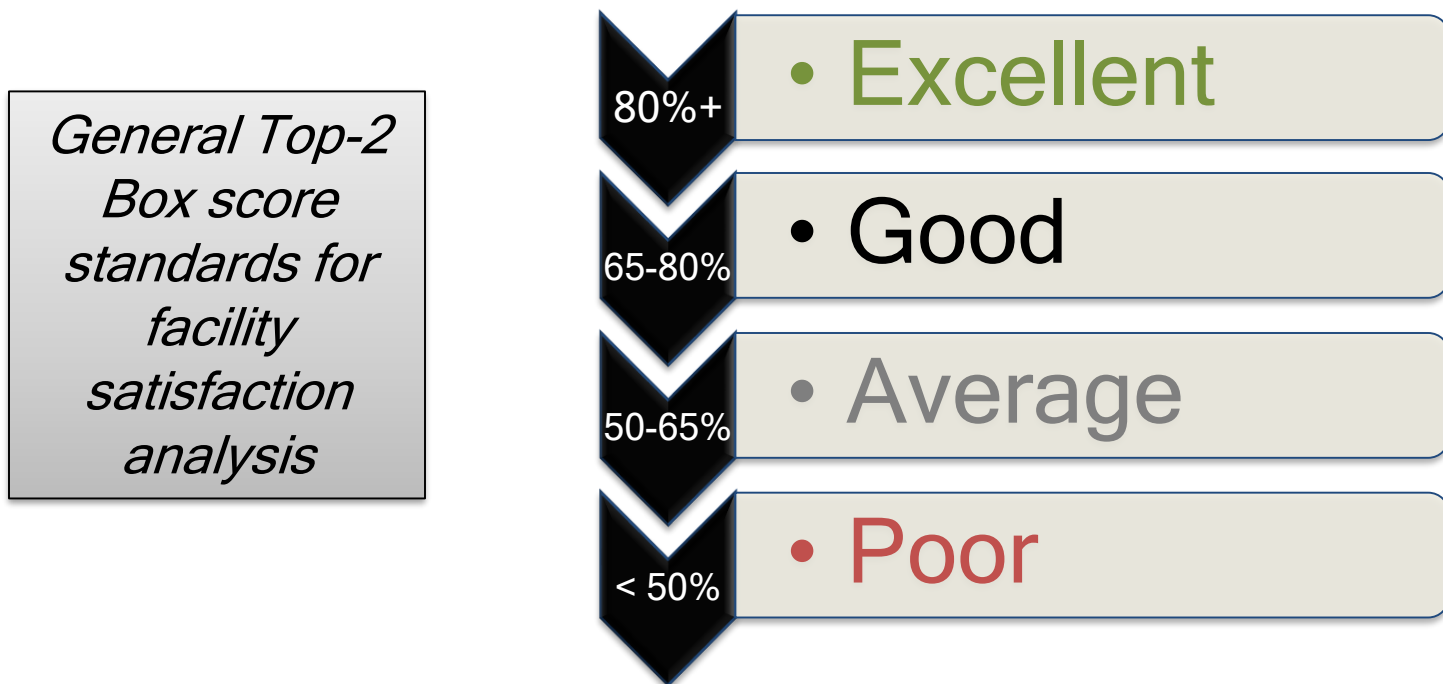
Results were evaluated using “**Top-2 Box**” combined scores (“7” + “6”, representing the highest levels of satisfaction) and “**Bottom-3 Box**” (“3” + “2” + “1”, representing the lowest satisfaction levels).



# FACILITY SATISFACTION METHODOLOGY (CONT.)

Our Top-2 Box methodology is a best-in-class approach to facility satisfaction measurement. This methodology is being used by Victus Advisors in this section to indicate the current condition, based on facility user input, of Yellowstone County competitive sports facilities. It should be noted that a similar satisfaction methodology is utilized by many customer service-oriented businesses (such as department stores, hotels, banks, etc.).

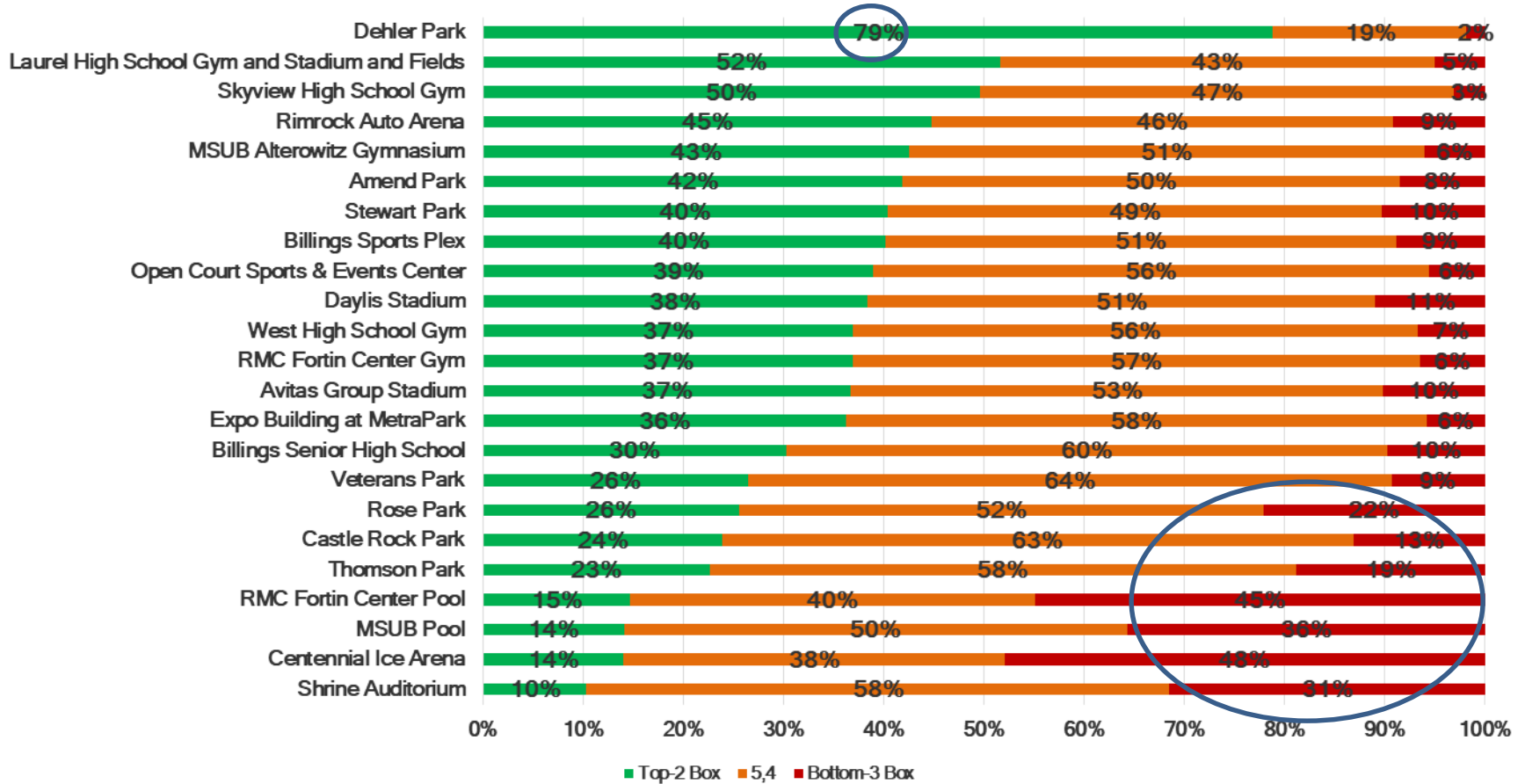
The focus on Top-2 Box scores places a higher emphasis on the priority of achieving maximum satisfaction (scores of 6 or 7) from every visitor.





# SATISFACTION WITH YELLOWSTONE COUNTY SPORTS FACILITIES

Dehler Park had the highest facility satisfaction rating at 79%, the only facility in the County to receive an “above average” rating. It is also worth noting that MSUB Pool, Centennial Ice Arena, and Shrine Auditorium were among the lowest rated facilities in the County.



Note: Sorted by Top-2 Box score in descending order

# DEHLER PARK

2611 9th Ave. N, Billings, MT 59101

- Top-2 Box Rating: 79% (Good)
- Opened: 2007
- Cost: \$13.7M (estimated \$16.0M in 2017 dollars\*)
- Owner: City of Billings
- Operator: Main Street Baseball (private)
- Seating Capacity: 3,071
- Features:
  - 1 baseball field
- Sample Events:
  - Billings Mustangs home games
  - American Legion Baseball games
  - MSU Baseball games
- Anonymous Survey & Focus Group Comments:
  - “They have done a great job with Dehler Park.”
  - “Unless seated in the sections immediately behind home plate, it is difficult to view the batter.”



## RENTAL RATES:

- Baseball Field: MSU Billings pays \$900 per doubleheader, or \$600 for a single game. There is an additional charge of \$250 if they use the lights. American Legion Baseball paid \$12,000 to use the stadium for games in June and July of 2017.

# LAUREL HIGH SCHOOL GYM, STADIUM, & FIELDS

203 E 8th St., Laurel, MT 59044



- Top-2 Box Rating: 52% (Average)
- Owner/Operator: Laurel Public Schools
- Features:
  - 1 football/multi-use field
  - 1 track and field
  - 1 full-sized basketball court
- Sample Events:
  - Laurel High School teams
  - Big Sky State Games
  - High School State Championships



## RENTAL RATES:

- N/A

# SKYVIEW HIGH SCHOOL GYM

1775 High Sierra Blvd., Billings, MT 59105

- Top-2 Box Rating: 50% (Average)
- Owner/Operator: Billings Public Schools District
- Features:
  - 2 basketball courts
    - Main gym
    - Auxiliary gym
- Sample Events:
  - Skyview High School teams
  - Holiday Classic Basketball Tournament



## RENTAL RATES:

- Main Gym: \$50/hour
- Auxiliary Gym: \$25/hour

# RIMROCK AUTO ARENA AT METRAPARK

308 6th Ave. N, Billings, MT 59101

- Top-2 Box Rating: 45% (Poor)
- Opened: 1975 (Renovated in 2011)
- Renovation Cost: \$27M (estimated \$35.2M in 2017 dollars\*)
- Owner: Yellowstone County; Operator: MetraPark
- Seating Capacity: 12,000
- Features:
  - 1 multi-use floor for basketball and other sports
- Sample Sports Events:
  - 2017 & 2018 NAIA Women’s Basketball Championships
  - MHSA Class B Boys and Girls Championships
  - Southern Classic Basketball Tournament
  - MHSA All Class State Wrestling Tournament
- Anonymous Survey & Focus Group Comments:
  - “Poor sound system at Rimrock Auto Arena.”
  - “No Hockey, under used, ...concession prices way too high.”
  - “Rimrock Auto Arena needs updating.”



## RENTAL RATES:

- Multi-Sport Surface: \$3,150/day

*\* Note: Rate could be higher or lower depending on additional facility fees or ticket surcharges which are negotiated on a per-event basis.*

# MSUB ALTEROWITZ GYMNASIUM

1500 University Dr., Billings, MT 59101

- Top-2 Box Rating: 43% (Poor)
- Owner/Operator: MSU Billings
- Seating Capacity: 3,500
- Features:
  - 1 full-sized basketball court
- Sample Events:
  - MSU Billings Men's and Women's Basketball and Volleyball teams
  - AAU Grand Nationals Wrestling Tournament
  - GNAC Men's and Women's Basketball Championships
- Anonymous Survey & Focus Group Comments:
  - "Parking at Alterowitz gym is awful if there is a lot of people."



## RENTAL RATES:

- Gymnasium: \$250/day



# AMEND PARK

5101 King Ave. E, Billings, MT 59101

- Top-2 Box Rating: 42% (Poor)
- Footprint: 60 acres
- Owner: City of Billings
- Operator: Amend Park Development Council
- Features:
  - Largest soccer complex in Billings
  - Depending on sizes/configuration, Amend Park can hold up to 32 soccer fields (or upwards of 9 full-sized soccer fields for 11 vs. 11 play). All fields are currently natural grass with no lights.
- Sample Events:
  - Home to Yellowstone Soccer Association, Magic City Soccer Club, and Edge Soccer Academy
  - 2017 Montana State Youth Soccer Association State Cup
  - 2016 NCAA DII West Region Cross Country Championship (will host again in 2018 and 2020)
  - Big Sky State Games
  - Adult soccer leagues, Summer football camps, Lacrosse and rugby events
- Anonymous Survey & Focus Group Comments:
  - “Amend Park is a city park, but to play there, you have to pay. Also, there are no lights and the bathrooms are frequently not serviced.”
  - “Field quality at Amend lags behind several other communities soccer fields in MT and far behind the best in the country. “
  - “Amend Park, as a lacrosse parent, we need to be able to use this facility. Could it be expanded to accommodate more field sports? Our season and spring soccer compete for field space.”



# AMEND PARK (CONT.)

## 2017 Fees

### **Match Field Size (Match / Contest or 1.5 hours)**

11 v 11	\$100
9 v 9	\$ 80
7 v 7	\$ 64
5 v 5	\$ 50
4 v 4	\$ 50
3 v 3	\$ 20

### **Training Fields (1.5 hours)**

½ 11 v 11	\$ 50
½ 9 v 9	\$ 40
½ 7 v 7	\$ 32
½ 5 v 5	\$ 25
½ 4 v 4	\$ 25
3 v 3	\$ 20

(There is no cap or refund to fees)

**Seminar Room rental - \$100 per event**

**Pavilion rental - \$100 per event**

(Application fee of \$50 and a use fee for the space required.  
Board approval will be required for deviations of other users)

*Source: Amend Park Development Council*

# STEWART PARK

2620 Stewart Park Rd., Billings, Montana 59101

- Top-2 Box Rating: 40% (Poor)
- Footprint: 54 acres
- Owner: Billings Parks & Recreation
- Operator: Billings Softball Association
- Features:
  - 9 softball fields
  - 7 soccer/multi-purpose fields (on softball fields)
- Sample Events:
  - American Legion Baseball games
  - ASA Softball tournaments
  - Native American Softball Tournament
  - Youth football (under Billings Softball Association agreement)
- Anonymous Survey & Focus Group Comments:
  - “Stewart Park not well kept up.”
  - “Stewart Park is a slow pitch complex and needs lots of updating.”



## RENTAL RATES:

- Softball Fields: \$600/day for the complex (5 fields operated by Billings Softball Association)

# BILLINGS SPORTS PLEX

5000 Southgate Dr., Billings, MT 59101

- Top-2 Box Rating: 40% (Poor)
- Owner/Operator: Private
- Features:
  - 1 multi-use turf field
  - Weight room
- Sample Events:
  - Camps and clinics
  - Birthday parties
  - Adult and youth soccer leagues
  - Youth football leagues
- Anonymous Survey & Focus Group Comments:
  - “Sports Plex [is a] run down facility.”
  - “I called the Sports Plex the other day to get space for a two day clinic, and they only had two days in January with two hours each day available. So clearly there is very little availability of indoor space.”



## RENTAL RATES:

- Turf Field: \$100/hour

# OPEN COURT SPORTS & EVENTS CENTER

7342 Eggebrecht Ln., Billings, MT 59106

- Top-2 Box Rating: 39% (Poor)
- Owner/Operator: Private
- Features:
  - 1 multi-use floor for basketball and futsal
- Sample Events:
  - Adult leagues
  - Futsal leagues
  - Basketball camps and clinics
- Anonymous Survey & Focus Group Comments:
  - “Open Court [is] too small.”



## RENTAL RATES:

- Full Court: \$35/hour
- Half Court: \$25/hour

# DAYLIS STADIUM

425 Grand Ave., Billings, Montana 59101

- Top-2 Box Rating: 38% (Poor)
- Owner/Operator: Billings Public Schools District
- Features:
  - 1 football/multi-use field
  - 1 track and field
- Sample Events:
  - High school football and soccer home games
  - GNAC Women’s Soccer Championships in 2018
  - Big Sky State Games
- Anonymous Survey & Focus Group Comments:
  - “Bleachers are falling apart at Daylis Stadium.”
  - “Daylis needs new locker rooms!”



## RENTAL RATES:

*Billings Public Schools used to charge \$900.00 as a base fee for Daylis. However, they are no longer renting it for general public use. They do, however allow major community events like the Big Sky State Games to use the facility without paying a fee.*



# WEST HIGH SCHOOL GYM

2201 St. Johns Ave., Billings, MT 59102



- Top-2 Box Rating: 37% (Poor)
- Owner/Operator: Billings Public Schools District
- Features:
  - 2 basketball courts
    - Main gym
    - Auxiliary gym
- Sample Events:
  - West High School teams
  - Holiday Classic Basketball Tournament



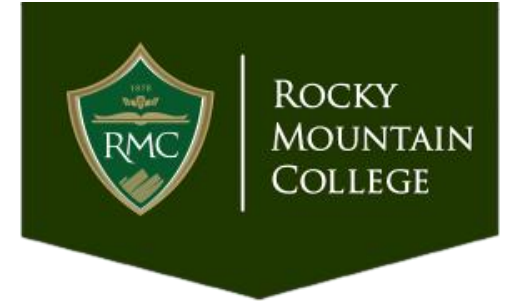
## RENTAL RATES:

- Main Gym: \$50/hour
- Auxiliary Gym: \$25/hour

# RMC FORTIN CENTER GYM

1511 Poly Dr., Billings, MT 59102

- Top-2 Box Rating: 37% (Poor)
- Owner/Operator: Rocky Mountain College
- Features:
  - ❑ 1 full-sized basketball court
- Sample Events:
  - ❑ RMC Men's and Women's Basketball and Volleyball teams



## RENTAL RATES:

- Gymnasium: \$1,000/day

# AVITAS GROUP STADIUM

1500 University Dr., Billings, MT 59101



- Top-2 Box Rating: 37% (Poor)
- Opened: 2002
- Owner/Operator: MSU Billings
- Features:
  - 1 softball field
- Sample Events:
  - MSU Billings Softball Team
  - Intramural leagues
  - 2018 and 2019 Great Northwest Athletic Conference Softball Championship
- Anonymous Survey & Focus Group Comments:
  - “Avitas Group Stadium needs restrooms (currently uses portable toilets) and expanded/updated dugouts, bullpens and batting cages.”

## RENTAL RATES:

- Softball Field: \$250/day

# EXPO BUILDING AT METRAPARK

308 6th Ave. North, Billings, MT 59101



- Top-2 Box Rating: 36% (Poor)
- Footprint: 77,400 sq. ft.
- Owner: Yellowstone County
- Operator: MetraPark
- Features:
  - Up to 11 volleyball courts
- Sample Events:
  - Big Sky Volleyfest
  - Rodeos
  - Car shows and other expos
- Anonymous Survey & Focus Group Comments:
  - “Parking is difficult. Parts of the facility are in bad condition. Much of the surrounding grounds in disrepair.”

## RENTAL RATES:

- Multi-Sport Surface: \$4,095/day

*\*Note: Rate could be higher or lower depending on additional facility fees or ticket surcharges which are negotiated on a per-event basis.*

# BILLINGS SENIOR HIGH SCHOOL GYM

425 Grand Ave., Billings, MT 59101

- Top-2 Box Rating: 30% (Poor)
- Owner/Operator: Billings Public Schools District
- Features:
  - 2 basketball courts
    - Main gym
    - Auxiliary gym
- Sample Events:
  - Billings High School teams
  - Holiday Classic Basketball Tournament
- Anonymous Survey & Focus Group Comments:
  - “Senior is very old and in need of an upgrade.”



## RENTAL RATES:

- Main Gym: \$50/hour
- Auxiliary Gym: \$25/hour

- Top-2 Box Rating: 26% (Poor)
- Footprint: 10 acres
- Owner/Operator: Billings Parks & Recreation
- Features:
  - 2 softball fields
  - 3 soccer/multi-purpose field



## RENTAL RATES:

*Note: There is no rental fee, but groups must submit a park use permit. "Park use permit requests for athletic field use are \$50.00/field/continuous season for primary users and \$25.00/field/continuous season for secondary users. A secondary user is a group scheduled by Parks and Recreation Staff to an athletic field less than four days per week to maximize field usage." - Billings Parks & Recreation*

*In addition, Parks & Recreation staff indicated that the rental structure, "could potentially look different at some point in the near future" based upon the recently approved Parks & Rec Master Plan.*



# ROSE PARK

21st St. W, Billings, MT 59102

- Top-2 Box Rating: 26% (Poor)
- Footprint: 20 acres
- Owner/Operator: Billings Parks & Recreation
- Features:
  - 3 soccer/multi-use fields
  - 2 tennis courts
  - 1 softball/baseball field
  - 1 outdoor swimming pool (50 meters)
- Sample Events:
  - MHS A State A Tennis Tournament
- Anonymous Survey & Focus Group Comments:
  - “Rose park does not have minimum depth for racing starts at both ends of the pool.”
  - “Rose Park feels very old and run down. Also, there is a safety concern with the types of people that hang out at the park. Doesn’t feel safe for kids.”
  - “Rose park fields are lumpy, uneven, lots of holes.”



## RENTAL RATES:

*Note: There is no rental fee, but groups must submit a park use permit. Park use permit requests for athletic field use are \$50.00/field/continuous season for primary users and \$25.00/field/continuous season for secondary users. A secondary user is a group scheduled by Parks and Recreation Staff to an athletic field less than four days per week to maximize field usage.*

*In addition, Parks & Recreation staff indicated that the rental structure, “could potentially look different at some point in the near future” based upon the recently approved Parks & Recreation Master Plan.*

# CASTLE ROCK PARK

21st St. W, Billings, MT 59102

- Top-2 Box Rating: 24% (Poor)
- Footprint: 25 acres
- Owner/Operator: Billings Parks & Recreation
- Features:
  - 3 soccer/multi-use fields
  - 4 tennis courts
- Anonymous Survey & Focus Group Comments:
  - “Castle rock isn't maintained and doesn't even have a scoreboard.”



## RENTAL RATES:

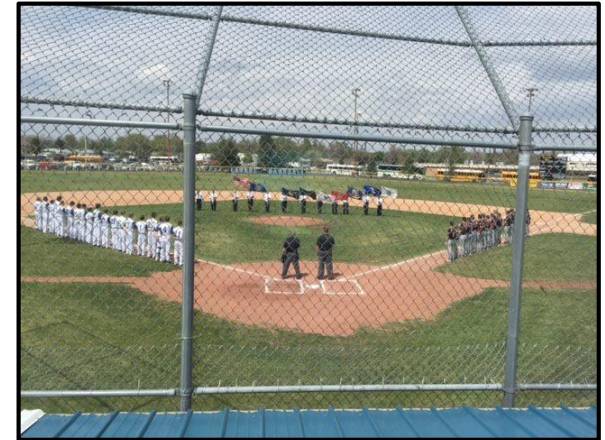
*Note: There is no rental fee, but groups must submit a park use permit. “Park use permit requests for athletic field use are \$50.00/field/continuous season for primary users and \$25.00/field/continuous season for secondary users. A secondary user is a group scheduled by Parks and Recreation Staff to an athletic field less than four days per week to maximize field usage.” - Billings Parks & Recreation*

*In addition, Parks & Recreation staff indicated that the rental structure, “could potentially look different at some point in the near future” based upon the recently approved Parks & Rec Master Plan.*

# THOMSON PARK

E 6th St. & 1st Ave., Laurel, MT 59044

- Top-2 Box Rating: 23% (Poor)
- Owner/Operator: City of Laurel
- Features:
  - 1 baseball field
  - 2 softball fields
- Sample Events:
  - Laurel Little League games
- Anonymous Survey & Focus Group Comments:
  - “Thomson Park [is] in disrepair.”



## RENTAL RATES:

- N/A

# RMC FORTIN CENTER

1511 Poly Dr., Billings, MT 59102

- Top-2 Box Rating: 15% (Poor)
- Owner/Operator: Rocky Mountain College

- Features:

- 25-yard swimming pool

- Sample Events:

- Billings Aquatic Club
  - High school swim team practices
  - Short course swim meets



- Anonymous Survey Comments:

- “RMC pool has been updated but still is lacking in swimming needs for community - also isn't open to the public for lap swimming.”
  - “RMC pool not adequate to meet needs of Billings swimmers.”
  - “Rocky pool and locker room desperately needs an update.”
  - “RMC Pool and locker/building facilities has seen some improvements in the past year, but it is... too small for significant competitive events.”

## RENTAL RATES:

- Billings Aquatic Club pays a monthly fee for use of RMC’s pool
  - Public Use Fee: \$5/person per visit

# MSUB POOL

1500 University Dr., Billings, MT 59101

- Top-2 Box Rating: 14% (Poor)
- Owner/Operator: MSU Billings
- Features:
  - 25-yard swimming pool
- Sample Events:
  - Swim camps and clinics
- Anonymous Survey Comments:
  - “You cannot host a meet at MSUB because there are no blocks.”
  - “MSUB's pool is too small for the number of swimmers who need a facility. MSUB only rents out three of their six lanes due to Open Swim. This results in 40-50 kids trying to share three lanes for almost two hours. The quality of practice is greatly affected by the shear congestion in the pool.”
  - “Access to the MSUB pool is very confusing. Not enough room for spectating. Not enough parking.”



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## RENTAL RATES:

- Pool: \$250/day



# CENTENNIAL ICE ARENA

427 Bench Blvd., Billings, MT 59105



- Top-2 Box Rating: 14% (Poor)
- Opened: 1982
- Owner/Operator: Billings Amateur Hockey League (BAHL)

- Seating Capacity: 550

- Features:

- 1 full-sized ice sheet

- Sample Events:

- Adult hockey league
- Montana Amateur Hockey Association
- Big Sky State Games
- Figure skating
- Camps and clinics

- Anonymous Survey & Focus Group Comments:

- "Single sheet of ice at Centennial and aged facilities are a major detriment."
- "The ice at Centennial Arena suffers from overuse. The facility is also aging and sometimes cancellations are made for repairs."
- "Centennial Ice Arena, facility needs a major upgrade, lack of parking."



## RENTAL RATES:

- Ice Sheet: Averages \$200/hour



# CENTENNIAL ICE ARENA (CONT.)

## 2016-2017 (August - Mid-April) Ice Usage

Estimated Hours Available <sup>(1)</sup>	4,408
Reported Usage Hours	2,047
Usage Rate	46%

Source: Centennial Ice Arena

Note: (1) Based upon Monday-Saturday (6 AM - 11:30 PM) and Sunday (7:30 AM - 10:30 PM) hourly schedules from August to mid-April.

Centennial Ice Arena operates 8 and a half months out of the year. During the 2016-2017 fiscal year, the arena operated at about 46% capacity. It should be noted however that the facility is most utilized in the early mornings and late afternoons into the evenings.

## Facility Usage

Type	Total Hours	%
Youth Hockey	728	36%
Adult Hockey	373	18%
Other <sup>(1)</sup>	284	14%
Public Skate	254	12%
Bulls	250	12%
Figure Skating	159	8%
<b>Total</b>	<b>2,047</b>	<b>100%</b>

Source: Centennial Ice Arena

Note: (1) Other includes private rentals, clinics, and birthday parties.

Hockey (both youth and adult) accounted for over 54% of facility usage at Centennial Ice Arena during the 2016-17 fiscal year.

# CENTENNIAL ICE ARENA (CONT.)

A recent facility review conducted by a third-party consultant indicated that Centennial Ice Arena is now beyond its original estimated useful life, and identified significant improvements needed to maintain the current operations of Centennial Ice Arena. The following are facility needs highlighted in the consultant's report:

## Immediate

- Logs for ice cuts, measurements, and refrigeration system readings and maintenance
- Training for IR operators

## Near Future

- General maintenance supplies such as magnetic blade covers, squeegees, and fire extinguishers
- Formal training classes for staff
- Mechanical ventilation in IR garage

## Long-Term

- Seal and insulate the building
- Ice plant

Annual Operations				
	FY 2015	FY 2016	FY 2017	Average Operations
<b>Revenues:</b>	\$376,487	\$413,238	\$418,723	\$402,816
<b>Expenses:</b>	\$343,442	\$378,244	\$375,461	\$365,716
<b>Net Operating Income:</b>	\$33,044	\$34,994	\$43,262	\$37,100

Source: Centennial Ice Arena

Note: Unaudited

Despite the facility's operational inefficiencies and repair needs, Centennial Ice Arena has still been able to operate at a profit.

- Top-2 Box Rating: 10% (Poor)
- Owner/Operator: Private
- Features:
  - 1 multi-use floor for basketball and other sports
- Sample Events:
  - All American NDN Invitational
  - AAU Volleyball
  - Big Sky Ballin' events
- Anonymous Survey & Focus Group Comments:
  - "The facilities and gym are old at the Shrine."
  - "The Shrine is just old and run down, (and the) only way to access bleachers is to cross the court!"
  - "The Shrine is dated and needs to be updated"



## RENTAL RATES:

- Auditorium: \$700/day for tournaments

# PIONEER PARK

Parkhill Dr. & 3rd St. W, Billings, MT 59101

- Top-2 Box Rating: n/a
- Footprint: 32 acres
- Owner/Operator: Billings Parks & Recreation
- Features:
  - 9 tennis courts
  - 1 softball/baseball field
  - 1 soccer/multi-purpose field
  - Other park uses are recreational, including wading pool, disc golf, jogging trails, barbecue area
- Sample Sports Events:
  - 2014 MHS A State A Tennis Tournament



## RENTAL RATES:

*Note: There is no rental fee, but groups must submit a park use permit. Park use permit requests for athletic field use are \$50.00/field/continuous season for primary users and \$25.00/field/continuous season for secondary users. A secondary user is a group scheduled by Parks and Recreation Staff to an athletic field less than four days per week to maximize field usage.*

*According to a Parks & Recreation representative: "The Pioneer tennis courts, and all tennis courts in our parks, can only be reserved for use by outside organizations through our parks use application and permit process that requires insurance of \$1.5 million per occurrence and lists the City of Billings as an additional insured. Otherwise, all tennis courts are available on a first come, first served basis."*

*In addition, Parks & Recreation staff indicated that the rental structure, "could potentially look different at some point in the near future" based upon the recently approved Parks & Recreation Master Plan.*

# YELLOWSTONE COUNTY FACILITY SUMMARY

Facility	Location	Owner	Baseball Fields	Soccer/Multi-Purpose Fields	Indoor Field	Outdoor Track Field	Softball Fields	Ice Hockey	Tennis Courts	Indoor Basketball/Volleyball Courts
Amend Park	Billings	City of Billings Parks & Recreation		9+						
Avitas Group Stadium	Billings	MSU Billings					1			
Billings Senior High School	Billings	Billings Public Schools								2 to 3
Billings Sports Plex	Billings	Private			1					
Castle Rock Park	Billings	City of Billings Parks & Recreation		3					4	
Centennial Ice Arena	Billings	Private						1		
Daylis Stadium	Billings	Billings Public Schools		1		1				
Dehler Park	Billings	City of Billings Parks & Recreation	1			1				
Expo Building at MetraPark	Billings	Yellowstone County								6 to 11*
Laurel High School Gym, Stadium, & Fields	Laurel	Laurel Public Schools		1						1 to 2
MSUB Alterowitz Gym	Billings	MSU Billings								1
MSUB Pool	Billings	MSU Billings								
Open Court Sports & Events Center	Billings	Private								1
Pioneer Park	Billings	City of Billings Parks & Recreation	1	1			1		9	
Rimrock Auto Arena at MetraPark	Billings	Yellowstone County								1 to 2
RMC Fortin Center Gym	Billings	Rocky Mountain College								1 to 2
RMC Fortin Center Pool	Billings	Rocky Mountain College								
Rose Park	Billings	City of Billings Parks & Recreation		3			1		2	
Shrine Auditorium	Billings	Private								1 to 3
Skyview High School Gym	Billings	Billings Public Schools								2 to 3
Stewart Park	Billings	City of Billings Parks & Recreation		7			9			
Thomson Park	Laurel	City of Laurel	1				2			
Veterans Park	Billings	City of Billings Parks & Recreation		3			2			
West High School Gym	Billings	Billings Public Schools								1 to 2

Sources: Facility operators; Victus Advisors research

Note: Sorted by Facility in alphabetical order

\* Not a dedicated sports facility and dedicated courts must be installed

The above chart summarizes the Yellowstone County facilities that Victus Advisors reviewed in this section. It is worth noting that indoor court and field space is extremely limited. There is only one notable indoor facility capable of hosting major basketball and volleyball events that require 4 or more courts, which is the Expo Building at MetraPark when temporary sports courts are installed. It is also worth noting is that there is only one indoor turf field in the County, located at the Billings Sports Plex, and Victus Advisors received feedback from several study participants that this field is frequently booked months in advance.

# YELLOWSTONE COUNTY YOUTH & AMATEUR SPORTS NEEDS

Many youth sports organizations in Yellowstone County expressed strong demand to Victus Advisors for immediate utilization of new sports facilities, such as:

**Basketball/Volleyball** - Basketball and volleyball groups in the County have very fragmented facility usage across schools, churches, and other locations wherever they can find a court. There is demand for a true multi-court indoor facility.

**Swimming** - There is significant demand for a new competitive-caliber pool for swim club practice/training and regional meets. The ideal new facility would be at least 50 meters by 25 yards, in order to attract major sports tourism events.

**Ice Hockey/Figure Skating** - Hockey and figure skating groups cite the need for an additional ice sheet and more locker rooms. Additionally the Centennial Ice Arena is not able to hold larger tournaments that bring groups from out of town. A new, two-sheet facility could bid for significantly more sports tourism events.

**Soccer** - There is a need for lighting at Amend Park and potentially some artificially turf fields. Lights would allow soccer groups to maximize usage, and artificial turf fields would allow practices and matches to continue even during inclement weather.

**Lacrosse** - Lacrosse groups in the County are desperate for field space, citing the only fields that have worked for them (Amend Park) are almost exclusively dedicated for soccer organization use.

**Baseball/Softball** - Groups indicated that Stewart Park, with enhanced and renovated fields and dugouts, would be sufficient in size to host several large tournaments per year.

**Tennis** - There are sufficient tennis courts within Yellowstone County to meet current demand.



# YELLOWSTONE COUNTY AMATEUR SPORTS NEEDS - BY PROGRAM/ORGANIZATION

Organization	Sport	Facility(s)	Needs
Billings Softball Association	Baseball/Softball	Stewart Park	Better quality fields and dugouts
ASA Softball	Baseball/Softball	Stewart Park	Better quality fields and dugouts
Native American Softball Tournament	Baseball/Softball	Stewart Park	Better quality fields and dugouts
Billings American Legion Baseball	Baseball/Softball	Stewart Park, Dehler Park	Better quality fields and dugouts
Big Sky Ballin'	Basketball	Open Court, Shrine Auditorium	3-6 indoor courts (hardwood preferable)
Montana High School Association	Basketball	Rimrock Auto Arena	2 indoor courts with seating up to 7,000 or more
AAU Basketball	Basketball	RMD Fortin Center Gym	4 indoor courts (hardwood preferable)
Holiday Classic Basketball	Basketball	MSU Billings Gym	5 indoor courts (hardwood preferable)
Yellowstone Youth Football	Football	Amend Park	More access to fields
Yellowstone Valley Figure Skating Club	Figure Skating	Centennial Ice Arena	2 sheets of ice
Figure Skating Club of Billings	Figure Skating	Centennial Ice Arena	2 sheets of ice
Magic City Adult Hockey	Hockey	Centennial Ice Arena	2 sheets of ice
Billings Amateur Hockey League	Hockey	Centennial Ice Arena	2 sheets of ice
Billings Central Catholic High School	Multi	RMC Fortin Center, Rimrock Auto Arena	4-5 indoor courts (hardwood preferable)
Yellowstone Valley Lacrosse	Lacrosse	Amend Park	Lights, more access to fields
Billings Scorpions Lacrosse	Lacrosse	Amend Park	Lights, more access to fields
Yellowstone Youth Rugby	Rugby	City of Billings Parks, Amend Park	More access to fields
Yellowstone Soccer Association	Soccer	Amend Park	Lights, better quality fields
Montana High School Association	Swimming	N/A	50 meter x 25 yard competitive pool
Billings Aquatic Club	Swimming	RMC Fortin Pool	50 meter x 25 yard competitive pool
AAU Volleyball	Volleyball	Expo Building at MetraPark	4 indoor courts (hardwood preferable)

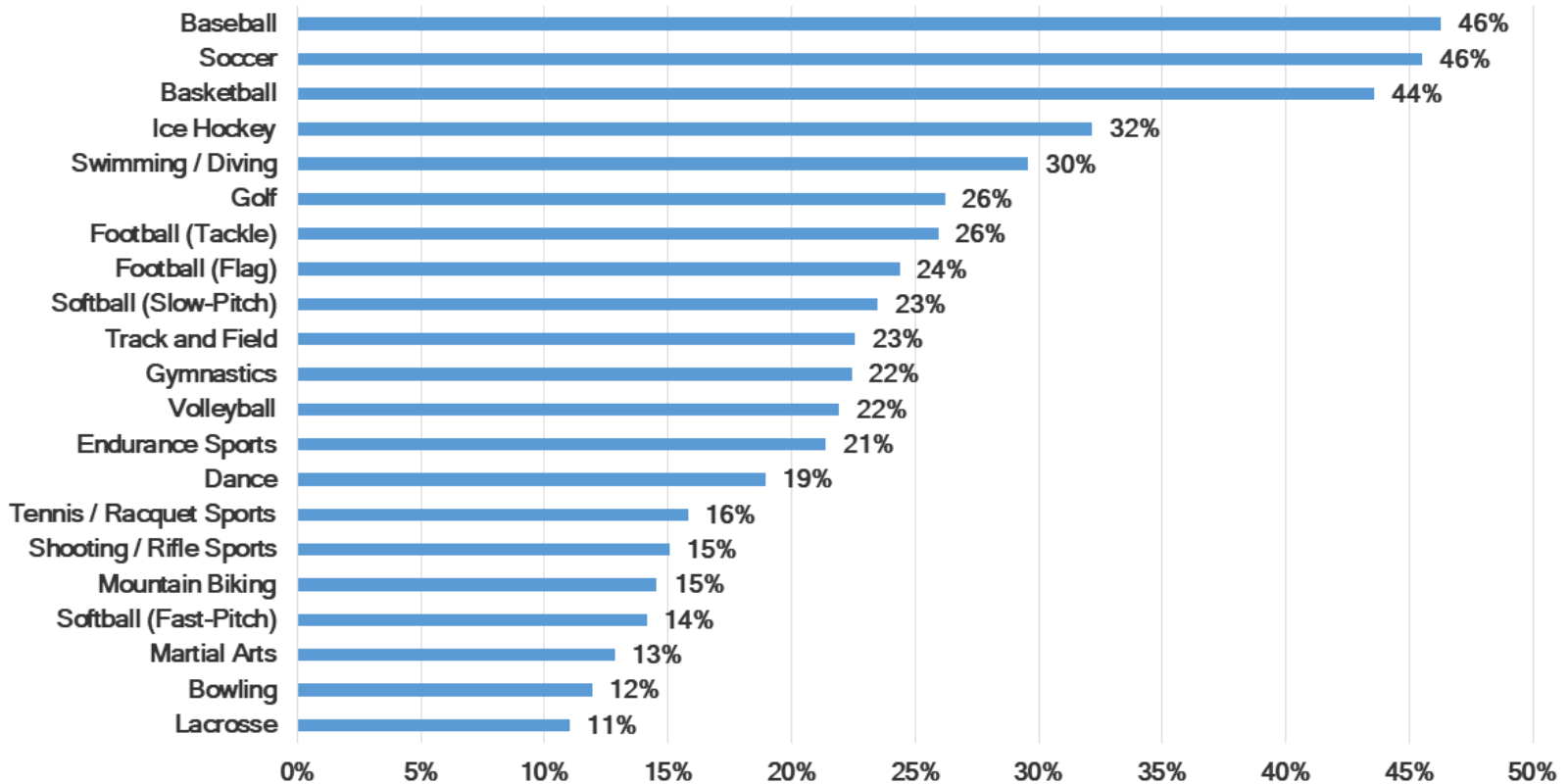
Based on feedback from Yellowstone County youth and amateur sports organizations, demand exists for:

- Upgrades to the quality of fields and dugouts at Stewart Park
  - An indoor court facility with up to 6 hardwood courts
- Expanded field access at Amend Park via installation of lights and better quality fields
- 2 sheets of ice to replace the existing, aging 1-sheet facility at Centennial Ice Arena
  - 50-meter x 25-yard competitive swimming pool

# YELLOWSTONE COUNTY AMATEUR SPORTS PARTICIPATION TRENDS

Later in this report (see Section VII - Survey Results) we present comprehensive survey response data from more than 800 members of the Yellowstone County sports community. As part of this survey, we gathered feedback regarding sports participation trends within the County, including the information presented below and on the following page.

## Amateur Sports Involvement By Sport

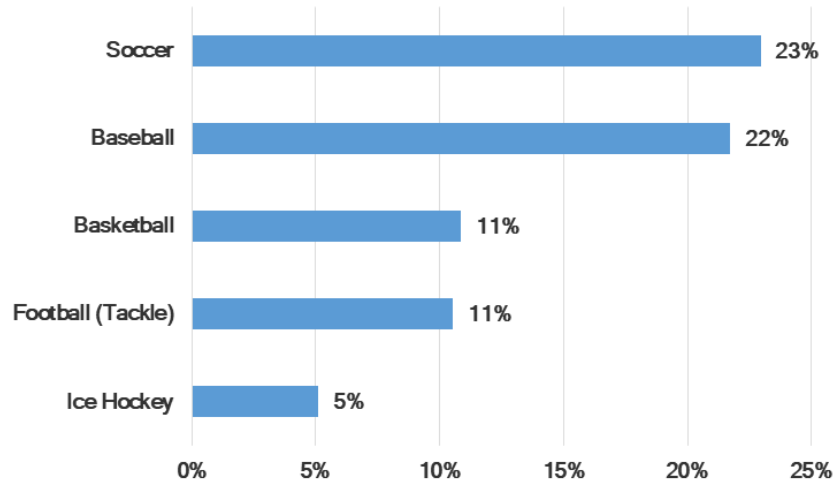


*Note: Sorted by Sport score in descending order; Sports shown above were selected by a minimum of 10% of respondents*

**Baseball, Soccer, and Basketball** were by far the sports that survey respondents were most involved with in Yellowstone County. It should also be noted that **Ice Hockey** and **Swimming / Diving** are also popular in the County.

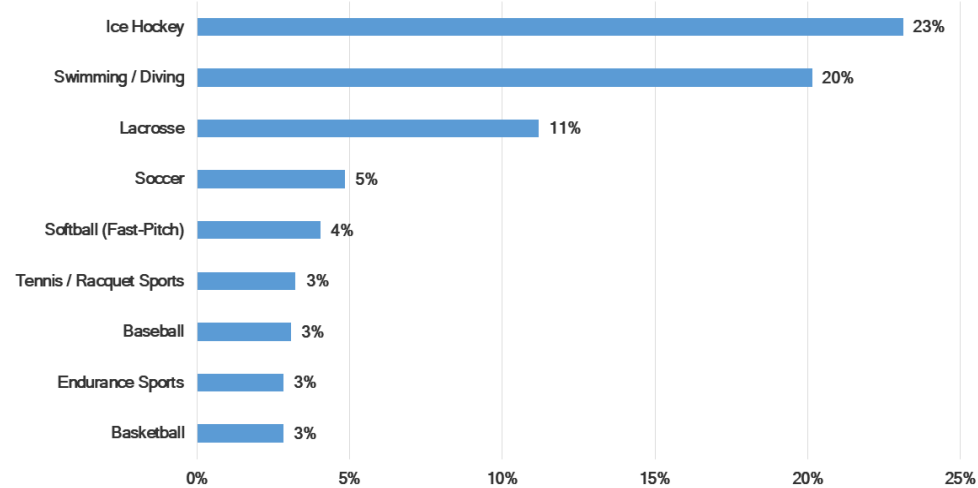
# YELLOWSTONE COUNTY AMATEUR SPORTS PARTICIPATION TRENDS (CONT.)

## What are the most Established Sports in Yellowstone County?



**Soccer and Baseball** were identified by sports community survey respondents as the most developed sports in Yellowstone County.

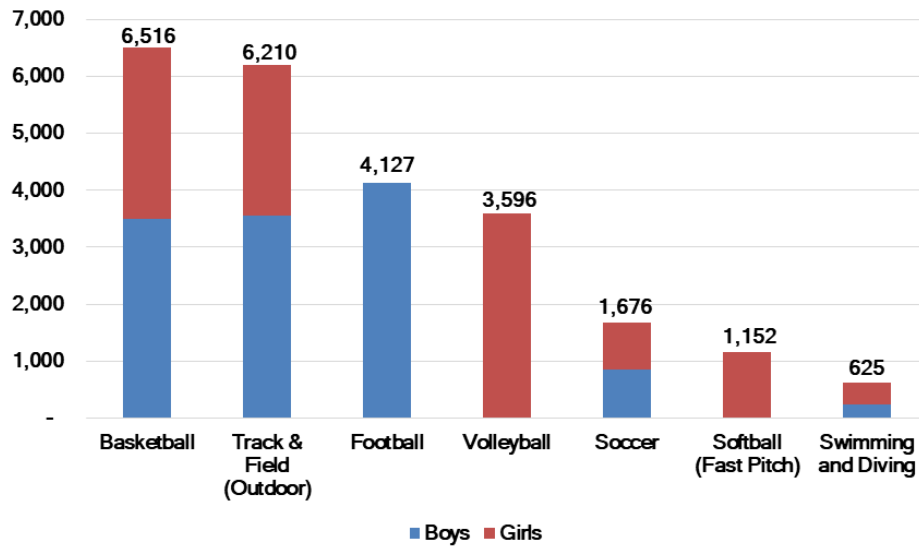
## What are the Emerging Sports in Yellowstone County with the most long-term potential?



**Ice Hockey, Swimming, and Lacrosse** were identified as the sports with the most long-term growth potential in Yellowstone County. As participation and interest increases over time, more facilities will need to be available to meet demand.

# MONTANA HIGH SCHOOL SPORTS PARTICIPATION TRENDS

## 2016-2017 Montana High School Sports Participation



Source: National Federation of High School Associations  
 Note: Sorted by total participants in descending order

**Football** has the highest number of high school boy participants in Montana, while **Volleyball** has the highest number of high school girl participants. **Basketball** (for both boys and girls) had the highest combined number of participants.

## Montana High School Sports Participation Growth (2007 to 2017)

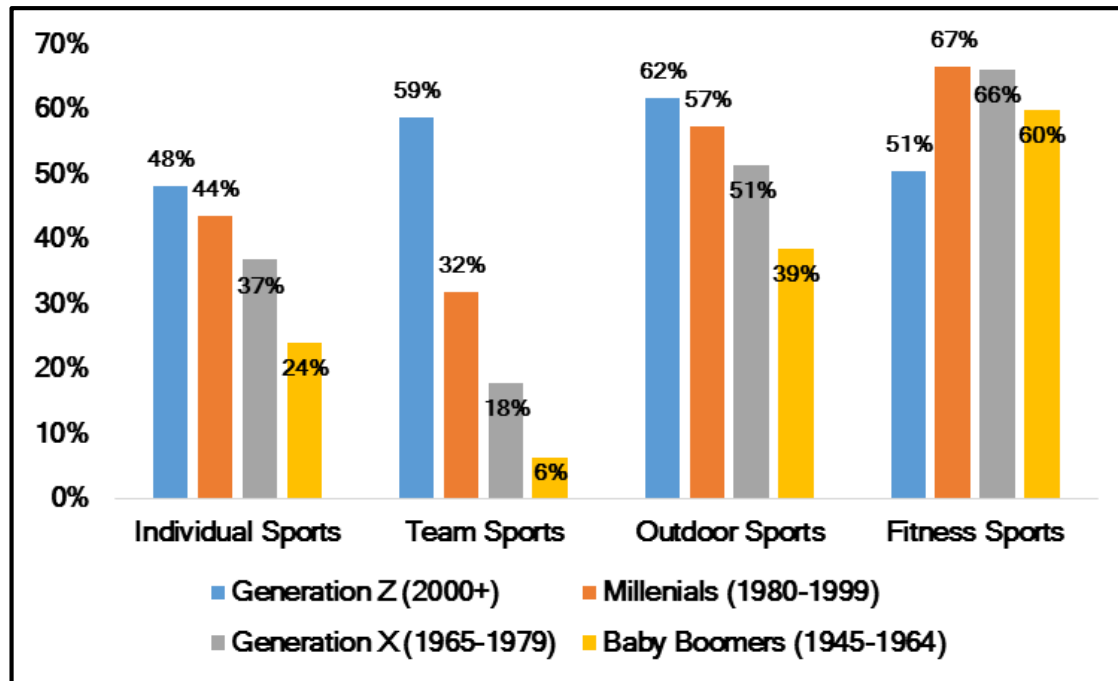
Sport	Boys	Girls	Total
Swimming and Diving	27%	21%	23%
Track & Field (Outdoor)	4%	6%	5%
Soccer	0%	5%	2%
Softball (Fast Pitch)		-4%	-4%
Volleyball		-4%	-4%
Basketball	-10%	-13%	-11%
Football	-14%		-14%

Source: National Federation of High School Associations  
 Note: Sorted by Total in descending order

**Swimming and Diving** has seen the largest increase in participation growth over the past 10 years for both boys and girls in Montana high schools. Notably, **Basketball** (both boys and girls) and **Football** have seen a significant drop in participation, however they remain two of the most popular sports by total participation (as shown at left).

# NATIONAL AMATEUR SPORTS PARTICIPATION TRENDS

## Sports Participation By Generation



*Note: Ages 6+*

*Source: 2016 Participation Report by the Physical Activity Council*

In terms of generational sports participation, Generation Z (youth currently under 18 years of age) leads all other generations in terms of both individual and team sports participation, which bodes well for the long-term future of youth and amateur sports participation.

# NATIONAL AMATEUR SPORTS PARTICIPATION TRENDS (CONT.)

## Youth Team Sports Participation In The U.S.\*

<u>Sport</u>	<u>Participants</u>
Soccer (Outdoor + Indoor)	9,828,000
Basketball	9,694,000
Baseball + Fast-Pitch Softball	8,333,000
Football (Tackle)	3,254,000
Gymnastics	2,809,000
Volleyball	2,680,000
Football (Touch)	2,032,000
Slow-Pitch Softball	1,004,000
Wrestling	805,000
Lacrosse	804,000
Rugby	301,000

*Source: 2015 SFIA U.S. Trends in Team Sports Report*

*Note 1: Sorted by Participants / Note 2: Ages 6-18*

Soccer, Basketball, and Baseball/Softball are the three most popular youth sports nationwide. Soccer has been one of the fastest growing youth sports in the U.S. over the past 35 years, with just 800,000 competitive soccer players registered with the U.S. Youth Soccer Association in 1980, and more than three million registered competitive USYSA players today.

*\*It should also be noted that Swimming was not included in the Team Sports Report referenced above. According to USA Swimming's most recent annual reports, USA Swimming membership reached more than 400,000 athletes from 2013 to 2015.*



## IV. COMPARATIVE FACILITIES

# COMPARABLE VENUES

Victus Advisors analyzed existing sports facilities located in the comparative markets that were identified by local stakeholders and survey respondents as their most frequent outgoing sports tourism travel destinations. Unless otherwise noted, the sources of information on the following pages were facility management:

- Glacier Ice Rink - Missoula, MT
- Fort Missoula Regional Park - Missoula, MT
- Haynes Pavilion & Ressler Motors Ice Rink - Bozeman, MT
- Campbell County Ice Facilities - Gillette, WY
- Paul Stock Aquatic & Recreation Center - Cody, WY
- Riley Arena and Community Events Center - Cody, WY
- Casper Ice Arena - Casper, WY
- Casper Family Aquatic Center - Casper, WY
- Sanford Pentagon - Sioux Falls, SD
- Powell Aquatic Center - Powell, WY
- Campbell County School District Aquatic Center - Gillette, WY



## Missoula, MT

- Opened: 1997
- Owner/Operator: Missoula Area Youth Hockey Association
- Features:
  - 1 Indoor NHL-sized rink open late August through June
  - 1 Covered outdoor NHL-sized rink open November through March
  - Concession stand with warm seating area
  - Skate shop
  - 8 locker rooms - four heated and four non-heated
- Sample Events:
  - Tournaments, camps, clinics, and leagues
- User Comments:
  - “Look at the hockey community in ... Missoula copy and repeat!.”
- Operations:
  - In 2016, Missoula County commissioners commissioned a feasibility study to determine if a third sheet of ice was needed in the County. Ultimately the recommendation was to build a new ice rink facility.
  - In 2017, Missoula County commissioners engaged a firm to develop conceptual designs for a new and expanded facility. This project was a result of concerns that the current ice rink will not be sustainable in the long-term.



# FORT MISSOULA REGIONAL PARK

3499 South Ave. W, Missoula, MT 59804

## Missoula, MT

- Opened: 2017; Cost: \$38 Million
- Funding: 100% public via General Obligation Bond
- Owner: City of Missoula/ Missoula County
- Operator: Missoula Parks & Recreation
- Features:
  - Phase 1
    - 9 multi-sport turf fields
    - 1 artificial turf
  - Phase 2 (to be completed in 2018)
    - 7 softball fields
    - 8 tennis courts
    - 4 pickleball courts
- Sample Events:
  - The Park anticipates hosting several tournaments per year and project an annual economic impact of \$3 million to the county.
- User Comments:
  - “Fort Missoula is a great example of what Billings should do (has a Phase 1 and Phase 2), tied in with park structure and walking trails and dog areas, includes field turf, renovated their old baseball/softball fields...”



# HAYNES PAVILION & RESSLER MOTORS ICE RINK

901 N Black Ave., Bozeman, MT 59715

## Bozeman, MT

- Opened: 2000 (Haynes Pavilion); 2017 (Ressler Motors Ice Rink)
- Cost: \$4.5M (Ressler Motors Ice Rink) Funding: 100% private
- Owner/Operator: Gallatin Ice Foundation
- Naming Rights: 10 years by Ressler Motors (undisclosed amount)
- Features:
  - 2 full-sized ice sheets
- Sample Events:
  - Big Sky State Games
  - Bozeman Amateur Hockey Association league games and practices
  - Youth and adult hockey camps and clinics
- User Comments:
  - “From a hockey standpoint ... Bozeman [has a] much nicer and newer [facility] compared to Billings. It makes one wonder where the support is lacking in Billings.”



# CAMPBELL COUNTY ICE FACILITIES

4101 Maverick Rd., Gillette, WY 82718 (Spirit Hall) & 121 S 4-J Rd., Gillette, WY 82716 (Campbell County Ice)

## Spirit Hall Ice Arena at Wyoming Center - Gillette, WY

- Owner: Campbell County Operator: Campbell County Parks & Rec
- Opened: 2008
- Cost: \$42M for Wyoming Center (estimated \$48.9M in 2017 dollars\*)
- Funding: \$22 million from a voter-approved sales tax increase, \$20 million from County government
- Features:
  - 1 NHL-sized rink
  - Full-service concession stand and a heated lobby
  - Open only 9 months out of the year
- Events:
  - Home to the Gillette Wild of the North American 3 Hockey League
  - Open skate, camps, clinics, and local leagues
- Facility Financials:
  - According to the Campbell County 2016 Financial Report, the Public Land Board (joint powers authority between the County and City of Gillette) established the Multi-Events Center Special Revenue Fund. It was established to account for a capital facilities tax for the repairs and maintenance of the Wyoming Center (including Spirit Hall Ice Arena). This fund now accounts for excess monies generated by a capital facilities tax. This tax has expired and is no longer being levied.







## Campbell County Ice Arena - Gillette, WY

- Owner/Operator: Campbell County
- Features:
  - ❑ 1 NHL-sized rink
- Events:
  - ❑ Open skate, camps, clinics, and local leagues

- Additional Note Regarding Campbell County Sports Facilities:
  - ❑ Campbell County generates significant annual revenues from taxes levied on oil and gas production. As a result, the County generally funds capital projects from cash on hand. As of June 30, 2016, the County's general fund balance was more than \$112 million, and the County had no bonded debt. It is assumed that the County was able to fund its portion of the \$42 million Wyoming Center in cash.



## Cody, WY

- Opened: 2001; Owner: City of Cody; Operator: Cody Parks & Recreation
- Cost: \$9.9M (estimated \$17.1M in 2017 dollars\*); Funding: 100% private
- Footprint: 71,237 sq. ft. (43,500 sq. ft. aquatic center; 27,757 sq. ft. recreation)
- Features:
  - 3 full-sized basketball courts
  - 8-lane, 25-yard lap pool and a diving board
  - Leisure pool
  - Weight room
- Sample Events:
  - 15-20 high school swim meets per year with spring being the busiest.
  - Facility staff estimate that the whole facility generates up to \$300,000 in annual rental fees from tournaments, practices, and leagues.
- Facility Operator Comments:
  - According to facility staff, the heat exchange system that allowed the aquatic center and Riley Ice Arena to use the same equipment was abandoned almost 10 years ago. They found that it was difficult to regulate heat and cold between the two facilities. Facility staff's recommendation to Yellowstone County stakeholders is to "look at real energy savings" rather than replicate the model that Cody attempted. Facility staff are of the opinion that the costs to have a heat exchange system may outweigh any benefits.
  - Facility staff mentioned that the Powell Swim Club often prefers to use the Paul Stock Aquatic Center as opposed to the Powell Aquatic Center for swim meets.



# RILEY ICE ARENA & COMMUNITY EVENT CENTER

1400 Heart Mountain St., Cody, WY 82414

## Cody, WY

- Opened: 2001
- Owner/Operator: Park County Arena Board (Non-profit)
- Cost: \$2.5M (estimated \$4.3M in 2017 dollars\*)
- Funding: 100% private
- Footprint: 33,000 sq. ft.
- Features:
  - 1 full-sized ice rink
    - Open only August-March
  - 1 multi-use surface for sports and other events
    - Open April-July
- Events:
  - Park County Youth Hockey Association
  - Yellowstone Quake Tier III Junior Hockey Team
  - Absaroka Figure Skating Club
  - Other sports and community events during the warmer months of the year
- Facility Operator Comments:
  - Riley Arena staff stated that the facility recently installed new refrigeration equipment, thus eliminating future potential to share a heat exchange system with Paul Stock Center next door.



# CASPER ICE ARENA

1801 E 4th St., Casper, WY 82601

## Casper, WY

- Opened: 1982
- Owner: City of Casper; Operator: Casper Recreation
- Features:
  - Full-sized ice sheet
  - Concession stand
  - Skate shop
- Events:
  - Casper Figure Skating Club events and practices
  - Casper Amateur Hockey Club games and practices
  - Adult leagues
  - Open skate and private rentals
- Facility Operator Comments:
  - Facility staff mentioned that there is no shared heat exchange system with the Family Aquatics Center since the facilities were built at different times.
  - The ice sheet was operable for nine months out of the year, but facility staff realized it was cost-prohibitive to put ice back in every year. As a result, the facility is now open year-round.
  - The facility currently has a cost recovery of 54% and is subsidized by the City of Casper.



# CASPER FAMILY AQUATIC CENTER

1801 E 4th St., Casper, WY 82601

## Casper, WY

- Opened: 2006
- Cost: \$5.2M (estimated \$6.9M in 2017 dollars\*)
- Footprint: 23,500 sq. ft.
- Owner: City of Casper; Operator: Casper Recreation
- Features:
  - 4-lane, 25-yard lap pool
  - Family leisure pool
  - Adjacent to Casper Ice Arena
- Events:
  - Swim lessons
  - Open swim
- Casper Swimming Community Needs:
  - The Casper Swim Club commissioned a market demand study in 2012, citing the need for a larger, competitive pool to host regional swim meets. Casper Family Aquatic Center was described as too small for hosting any type of swim meet.



# POWELL AQUATIC CENTER

1065 E Coulter Ave., Powell, WY 82435

## Powell, WY

- Opened: 2010
- Cost: \$10.4M (estimated \$13.7M in 2017 dollars\*)
- Funding: 100% public
- Footprint: 28,000 sq. ft.
- Owner/Operator: City of Powell
- Features:
  - 8-lane, 25-yard lap pool and a diving board
  - 1 recreation pool and lazy river
- Events:
  - Have hosted events for other communities
  - Powell High School Swim Team (8 meets per year)
  - Swim lessons
  - Open swim
- Additional Notes:
  - As shown on the next page, swim programs and club/meet rentals generated over \$160,000 in revenue in the 2016-2017 fiscal year. In addition, the facility generated an additional \$142,000 via admissions and memberships for recreational users (primarily individuals and families).
  - In November 2006, Park County residents voted for a \$1 sales tax increase for a collection of \$9 million for the project, including \$7 million for construction and \$2 million for a maintenance and operations endowment.





# POWELL AQUATIC CENTER (CONT.)

	Actual FY 15-16	Actual FY 16-17
<b>Operating Revenues:</b>		
Rental/Swim Groups/Programs	\$179,109	\$160,734
Admission/Memberships	\$122,078	\$142,527
Concessions/Merchandise	\$27,538	\$23,780
Other Revenues	\$650	\$850
<b>Total Revenues:</b>	<b>\$329,374</b>	<b>\$327,891</b>
<b>Operating Expenses:</b>		
Salaries, Wages, & Benefits	\$395,506	\$385,311
Utilities	\$30,691	\$33,353
Maintenance/Repair	\$74,845	\$37,809
Materials/Supplies	\$32,153	\$35,698
Marketing/Other G&A	\$19,302	\$17,807
<b>Total Expenses:</b>	<b>\$552,497</b>	<b>\$509,977</b>
<b>Net Operating Loss:</b>	<b>(\$223,122)</b>	<b>(\$182,086)</b>
<b>Estimated Cost Recovery from Operations:</b>	<b>60%</b>	<b>64%</b>
<b>Endowment Revenue:*</b>	<b>\$58,327</b>	<b>\$42,316</b>
<b>Remaining Operating Loss:</b>	<b>(\$164,795)</b>	<b>(\$139,770)</b>

Source: City of Powell Final Budget for Fiscal Year 2017-2018 Report

\* Represents funds drawn from an operating endowment and applied toward the annual operating budget, prior to general funds

In each of the past two fiscal years, the Powell Aquatic Center has generated a cost recovery between 60% and 64%.

In addition it should be noted that an endowment has been established to support the operations of the Aquatic Center. However, in the past two fiscal years that endowment has covered less than 25% of the annual operating losses.

# CAMPBELL COUNTY SCHOOL DISTRICT AQUATIC CENTER

800 E Warlow Dr., Gillette, WY 82716

## Gillette, WY

- Opened: 1982
- Owner/Operator: Campbell County School District
- Features:
  - 10-lane, 50 meter pool
- Events:
  - Gillette Gators Swim Team meets and practices
  - Campbell County High School Swim Team meets and practices
  - State High School Swim meets
  - Swim lessons for students of Campbell County School District



# SANFORD PENTAGON

2210 W Pentagon Pl., Sioux Falls, SD 57107

## Sioux Falls, SD

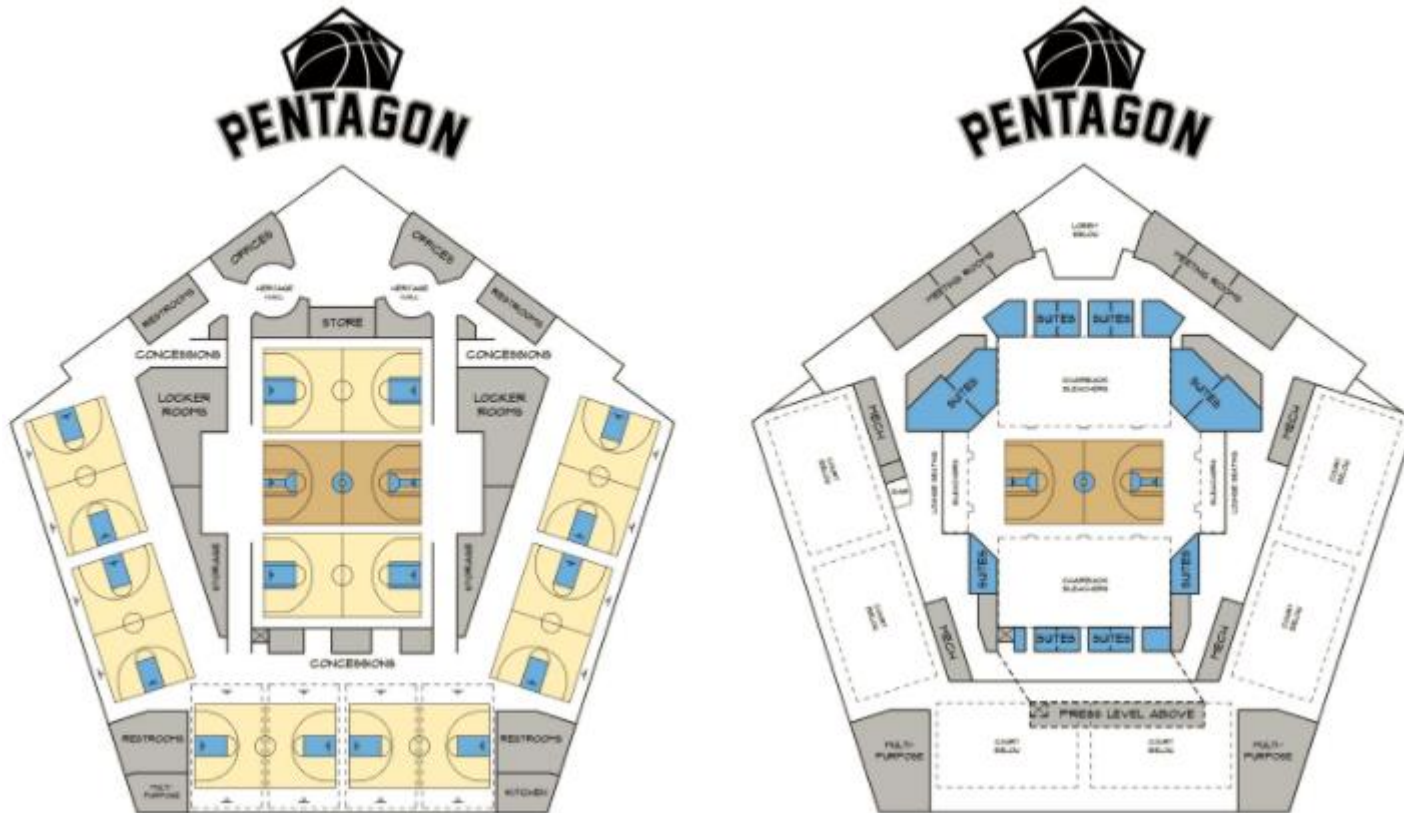
- Opened: 2013; Cost: \$19M (estimated \$23.2M in 2017 dollars\*)
- Funding: 100% private
- Footprint: 160,000 sq. ft.
- Owner/Operator: Sanford Health
- Features:
  - Up to 9 full-sized basketball courts
  - Up to 9 volleyball courts
  - Locker rooms
  - Retractable seating, with maximum capacity of 3,250
- Events:
  - Sioux Falls Skyforce basketball games (NBA G League)
  - Multiple High school tournaments
  - Boy's & girl's basketball, wrestling, volleyball events
  - NCAA Division II basketball tournaments
  - Additional uses include: daily youth sports and clinics, daily physical therapy and training, and occasional MMA bouts
- Event Organizer Comments:
  - With a Sanford Pentagon-like facility, the Great Northwest Athletic Conference would be more interested in hosting basketball tournaments in Billings, and they would potentially adjust their bid/rotation cycle.



# SANFORD PENTAGON (CONT.)

- Facility Configurations:

- The Sanford Pentagon's flexible design allows for a 9-court configuration for multi-court tournaments, or a championship court configuration for individual games requiring a larger seating capacity (up to 3,250 seats).



# FACILITY USES

<u>Facility</u>	<u>City, State</u>	<u>Pool</u>	<u>Ice Rink</u>	<u>Multi-Use Fields</u>	<u>Multi-Use Indoor</u>
Campbell County Ice Arena	Gillette, WY		✓		
Campbell County School District Aquatic Center	Gillette, WY	✓			
Casper Aquatic Family Center	Casper, WY	✓			
Casper Ice Arena	Casper, WY		✓		
Fort Missoula Regional Park	Missoula, MT			✓	
Glacier Ice Rink	Missoula, MT		✓		
Haynes Pavilion & Ressler Motors Ice Rink	Bozeman, MT		✓		
Paul Stock Aquatics & Rec Center	Cody, WY	✓			✓
Powell Aquatic Center	Powell, WY	✓			
Riley Arena	Cody, WY		✓		✓
Sanford Pentagon	Sioux Falls, SD				✓
Wyoming Center (Spirit Hall Ice Arena)	Gillette, WY		✓		

*Sources: Facility operators; Victus Advisors research*

*Note: Sorted by Facility in alphabetical order*

## COMPARATIVE FACILITY NOTES

Six facilities with ice rinks were analyzed, including two built adjacent to an aquatics facility. Neither ice facility (in Casper and Cody) currently shares heating exchange systems with the aquatics facilities. Facility operators suggested that the perceived energy savings did not materialize, and that heat exchange systems made it too difficult to simultaneously keep pools warm and ice cold.

It is also worth noting that most of the aquatic centers analyzed (with the exception of the Campbell County School District Aquatic Center in Gillette) are still not considered adequate enough for larger-scale meets. Although local Billings swimming clubs have traveled to these facilities for swim meets, Victus Advisors is of the opinion that a larger competitive-caliber aquatic facility in Billings could be a regional draw throughout Montana and the surrounding states.

# FACILITY CONSTRUCTION COST SUMMARY

Facility	City, State	Year Open	Actual Construction Cost	Est. 2017 Construction Cost*	Construction Funding Source
Wyoming Center (Spirit Hall Ice Arena)	Gillette, WY	2008	\$ 42,000,000	\$48,938,326	Public
Fort Missoula Regional Park	Missoula, MT	2017	\$ 38,000,000	\$38,000,000	Public
Sanford Pentagon	Sioux Falls, SD	2013	\$ 19,000,000	\$23,266,204	Private**
Paul Stock Aquatic & Rec Center	Cody, WY	2001	\$ 9,900,000	\$17,086,786	Private***
Powell Aquatic Center	Powell, WY	2010	\$ 10,400,000	\$13,771,214	Public
Casper Aquatic Family Center	Casper, WY	2006	\$ 5,200,000	\$6,937,705	Public
Ressler Motors Ice Rink	Bozeman, MT	2017	\$ 4,500,000	\$4,500,000	Private
Riley Arena	Cody, WY	2001	\$ 2,500,000	\$4,314,845	Private
<b>AVERAGE:</b>		<b>2009</b>	<b>\$ 16,437,500</b>	<b>\$19,601,885</b>	
<b>MEDIAN:</b>		<b>2009</b>	<b>\$ 10,150,000</b>	<b>\$15,429,000</b>	

Sources: Facility operators; Victus Advisors research

Note: Sorted by Estimated 2017 Construction Cost

\*Estimated according to the Turner Building Cost Index

\*\* The Sanford Pentagon was privately developed by the Sanford Health System and includes Sanford Health offices, clinic, and physical therapy center

\*\*\* The \$7.1 million cost of the aquatic center was entirely funded by the Paul Stock Foundation, in addition to another \$2 million to maintain aquatic center operations. An additional \$2.8 million to construct the recreation component was raised via a broader capital campaign.

## COMPARATIVE FACILITY CONSTRUCTION COSTS

The construction costs for facilities Victus analyzed were between \$4.3 million and nearly \$49 million. It should be noted however that Spirit Hall Ice Arena was built as part of the Wyoming Center. Also worth noting is that the Paul Stock Aquatic & Recreation Center, Riley Arena, and Ressler Motors Ice Rink were all entirely funded by private contributions.



## V. LOCAL INTERVIEW & FOCUS GROUP SUMMARY

# LOCAL INTERVIEWS & FOCUS GROUPS

In November 2017, Big Sky Economic Development and Beartooth RC&D identified participants and scheduled a series of one-on-one interviews and group interviews for Victus Advisors. The goals of these interviews were to gather feedback from key stakeholders and other sports community leaders regarding the amateur sports market and facilities in Yellowstone County. One-on-one interviews were scheduled with key project stakeholders and other high-priority groups, whereas focus group interviews were intended to accommodate a wider variety of community sports organizers. The set of topics and questions were the same for one-on-one and group interviewees, therefore no participants were asked to partake in both types of interview. In all, Victus Advisors engaged with more than 48 local interview participants.

**ONE-ON-ONE INTERVIEWS** - Victus Advisors interviewed twenty-eight (28) key project stakeholders and community leaders from the following twenty-one (21) organizations:

- AAU Montana Volleyball
- Rocky Mountain College
- MSU Billings
- Billings Public Schools
- Billings Central Catholic High School
- Big Sky State Games
- Billings Aquatic Club
- Billings Parks & Recreation
- Billings Tourism BID
- Billings YMCA
- City of Billings
- MetraPark
- Yellowstone County
- Billings Ice Arena Development Group
- Laurel Aquatic Recreation Complex
- City of Laurel
- Laurel Urban Renewal Agency
- Yellowstone Rim Runners
- 406 Race Series
- South Billings Urban Renewal Assoc.
- Visit Billings

**FOCUS GROUPS** - In November 2017, Big Sky Economic Development and Beartooth RC&D invited over fifty (50) key local sports community leaders to participate in focus group sessions, with twenty-one (21) people ultimately attending:

## Session I: 8 Participants

- Brynn Schwarz - Amend Park Council
- Jason Foster - Billings Scorpions Lacrosse
- Dave Nedrow - Billings United
- Becky King - Elks Tennis Center
- Preston Roberts - Yellowstone Youth Football
- Alex McCready & Sarah Johnson - Figure Skating Club of Billings
- Brad Federenko - Billings Amateur Hockey League/Centennial Ice Arena

## Session II: 13 Participants

- Jeff Ballard - American Legion Baseball
- Luke Baker - Men's Rugby Club
- Leslie McCormick - Yellowstone Valley Figure Skating Club
- Tom Potter - Yellowstone Valley Lacrosse
- Fran Reiman - Montana District 1 Softball
- Heather Fink - Riverstone Health
- Melissa Henderson - Healthy By Design
- Bryan Stafford - Big Sky Fencing Association
- Steve Smith - Yellowstone Soccer Association
- John Dahl - Yellowstone Youth Rugby
- Josh Culbertson - Magic City Adult Hockey
- Paige Darden - Billings Tennis Association
- William Henry - Big Sky Ballin' & Open Court

One-on-one and focus group interview topics included:

- Perceptions of Yellowstone County's current amateur sports facilities
- Perceptions of other cities and facilities that host amateur sports events
- Opinions regarding specific amateur sports in Yellowstone County:
  - Most established/successful sports
  - Emerging or underserved sports with growth potential
- Opinions regarding the local support for amateur sports in Yellowstone County (government, hoteliers, restaurants, local business community, etc.)

# YELLOWSTONE COUNTY FACILITIES

- “(The County) is underfunded in terms of sports facilities at all levels. Travel basketball is huge here, but they have to scramble around and beg churches for court time. Ultimately, the feasibility comes down to funding. It is especially challenging in this state and community to move projects forward at a lot of levels.”
- “There is only one sheet of ice in this community, and it’s not open year-round. Our big competitions come up in the fall, and we have no ice to prepare. And if we wanted to host regional or sectional figure skating championships, we’d need at least two sheets of ice.”
- “Everybody focuses on their own sport, so its hard for individual interest groups to get something built. Everyone needs to get together behind a multi-use facility that meets the needs of multiple groups.”
- “From an indoor standpoint, there’s nothing that the community has public access to. It’s all privately owned. If there was a public facility that was large enough to host multiple large activities at the same time, it would bring visibility to all sports. One of the benefits of having a multi-use public/community facility is that you can see all the different sports that are available, and you can see things that haven’t even been on your radar before.”

# YELLOWSTONE COUNTY FACILITIES (CONT.)

- “I called the Sports Plex the other day to get space for a two day clinic, and they only had two days in January with two hours each day available. So clearly there is very little availability of indoor space.”
- “The Parks department isn’t doing a great job maintaining a lot of the facilities we do have. They need to be kept up better.”
- “The little indoor space we do have is privately run, and they do a good job running it profitably, but that means that they charge rates that generate a profit and that can crowd out some of the smaller sports. In order to give those sports more affordable access, you’d need more indoor space available, but that space shouldn’t be City run. Private groups do it better.”
- “The hardest thing about defining a multi-use facility, is what are those uses? How many uses can you really accommodate?”
- “The only ‘competitive’ [swim] facility is Rocky [RMC Fortin Center]. Access is limited because of their college sports needs.”



# BASEBALL/SOFTBALL & SWIMMING

- *Baseball/Softball* - Most agree that the facilities are covering demand, but maintaining the fields is a challenge.
  - ❑ “Legion Baseball has a field at Stewart Park that we paid for ourselves, we manage it, we upkeep it, we mow it, we fix the fences. Parks/Rec doesn’t do anything, and honestly we wouldn’t them to because we want it done right. If Parks/Rec manages any type of new facility, they won’t keep it up to the level we need for competitive sports. We have to be able to find other revenue sources to maintain it and mow it correctly. We had to find private sources to fund lights.”
  - ❑ “From a baseball standpoint we can always use more fields, and I’m sure that’s the same for everyone here.”
- *Swimming* - There is no competitive swimming facility in Billings or Yellowstone County capable of hosting large, regional, swim meets.
  - ❑ “Billings is the biggest city in Montana, so [it] should be able to do a much better job of hosting large, state-wide [swim] events.”
  - ❑ “Location isn’t a huge deal here [in reference to potential facility location] as long as it’s in Billings.”

- *Soccer* - Most soccer groups feel that there is demand for more outdoor field access in the County.
  - ❑ “Soccer/lacrosse/rugby/others share Amend Park, but there aren’t enough fields to accommodate demand. And for tournaments there’s not enough parking and it’s not set up great for revenue generation. It’s predominantly used by soccer. It was originally developed as a soccer park for soccer use, but demand for lacrosse and other sports (and lack of other field space) has grown and it’s used by a lot of sports groups now. It’s also used for festivals and other events, because there’s such a shortage of open grass space. 90% of the field use is still soccer, though. 10% for other sports.”
  - ❑ “Amend was developed and built on the backs of soccer organizations and private funding via soccer supporters. Its use is now being expanded as they’ve learned what they can do for not just soccer, but lacrosse and other events. They’re considering fencing a field area and charging for access, like they do in Missoula. They also think they need to control the parking area and amount of people (100,000 people use the park each year)... managing the parking and the other public areas (bathrooms) is tough, so they need to add access control. They need to expand bathrooms, too.”

- *Basketball/Volleyball* - Basketball and volleyball groups are scrambling to find space at school and church gyms.
  - ❑ “Above the Rim basketball tournament brings in 250 teams every year. It puts heads in beds.” Additional and larger basketball events could be hosted in Billings with the right facility.
  - ❑ “In the winter, there are limited opportunities for sports/recreation, and volleyball/basketball fight to find court time.”
  - ❑ “The demand for that gym space is unbelievable. I help with my son’s travel team, and they have 100 3rd/4th grade girls practicing at once beforehand for 90 minutes. It’s like that every day of the week. There’s a massive lack of gym space.”
  - ❑ “If we had an indoor dedicated multi-court facility, it would help kids who want to specialize in volleyball or basketball so much to have gym access year-round.”
  - ❑ “Travel basketball and club volleyball have grown so much in 20 years, and gym access is going to continue to get more difficult.”

- *Football*- Need more access to fields.
  - ❑ “Sioux Falls blows everything in the northwest out of the water. They have six full-size football fields with digital scoreboards and their own stands on each field. Whereas here in Billings, we don’t even play on football fields, we play in the outfield of baseball/softball fields. We need more multi-use fields that can host not just soccer, but also lacrosse, football, etc.”
- *Lacrosse/Rugby* - The current field inventory is not meeting demand and limiting growth.
  - ❑ “You’re seeing lacrosse/rugby grow because football players want a contact sport in the spring. The western parts of Montana are embracing lacrosse/rugby and the cross-training will help the quality of their football programs.”
  - ❑ “Right now Lacrosse and Rugby are fighting over the little field space that is left for them. It would help both grow if they had enough field access for both of them.”
- *Tennis* - There are sufficient courts within Yellowstone County to meet current demand.
  - ❑ “Tournament activity is limited not by lack of facilities, but by lack of participation in the sport in general in this state.”

# ICE HOCKEY & FIGURE SKATING

- *Ice Hockey* - All hockey groups feel that there needs to be a second sheet of ice in the County.
  - ❑ “For hockey, we need two sheets of ice, and we don’t have ice anymore at the Metra.”
  - ❑ “If we had bigger ice facilities, people would come for big events for hockey, skating, etc. We just can’t accommodate big events that need two sheets in a modern facility.”
  - ❑ “We only host about four tournaments per year because of our facility, so our players have to drive to Bozeman and Missoula (or even to Canada) to compete, because Centennial can’t host them.”
  - ❑ “The refrigeration system at Centennial is at it’s end. It can’t run the whole year, and it is on the verge of permanent failure.”
  
- *Figure Skating* - An additional ice sheet would grow the sport and bring more events.
  - ❑ “If we wanted to host regional or sectional figure skating championships, we’d need at least two sheets of ice.”

## OTHER SPORTS DESTINATIONS

- “For figure skating, you have to go to Denver or Seattle to get a top-notch facility. Cody has a pretty nice, or decent, facility that we use. But the top notch is in the major cities, Denver/Colorado Springs.”
- “During the soccer league season, it’s hard to get teams to come here from the Western side of the state. We go to Helena or Butte a lot more, even though we have the large soccer facility, just because so many of the teams we compete against are clustered in the Western side.”
- “Youth state tournament for lacrosse was held in Missoula last year, and heard it was first rate. The best place as a host is Jackson Hole. It’s the longest trip for us, but parents love it because it’s a destination. Its pricey but it’s a family vacation, and it’s a well-run tournament. ”
- “Why do smaller cities in Montana do such a better job of supporting development projects than Billings?”
- “Towns half our size have nicer facilities and stronger sports programs, because the community is willing to pay for them and support them.”



## OTHER SPORTS DESTINATIONS (CONT.)

- “Spokane does a great job. They have ice (competition and available practice ice), it’s a pleasant town, their events are really well organized. It’s nice because they’re attentive to what the incoming visitors need.”
- “Gillette has a different tax funding situation, so they have built really nice schools and nice sports facilities. They have a nice multi-use facility with aquatic center/basketball courts/workout rooms. They have a lot of fields as well. But their whole tax structure in Wyoming and Campbell County lends itself to spending money on those things.”

- *Most successful -*
  - “Little League Baseball and Legion baseball are historically successful here, and that has all been privately funded.”
  - “Baseball is the most established. They have great coaching, a great facility, and they have the area to play any time they want to.”
  - “If it’s not baseball, basketball, or soccer... everything else takes a back seat.”
  - “Soccer has come on very strong in past 20 years.”
  
- *Most potential-*
  - “Hockey used to be a lot bigger, but it has gone downhill because of expense and ice access.”
  - “Soccer has blown up here, and it can easily get bigger.”
  - “Lacrosse is still up and coming in Billings, and is still growing.”

## LOCAL SUPPORT

- “We don’t have a strong leadership organization that helps coordinate local sports teams and organizations. Can that be a role that Visit Billings could play? It can’t be about just promoting the biggest events that come from the outside, it should also be about helping to organize and promote local groups and help them grow to have a larger community impact.”
- “I was overly impressed that Bozeman actually sent someone from the Chamber to their presentation in Butte for the high school state lacrosse tournament to say that they’re 100% behind the sports bid and would be happy to make adjustments if it made their bid more attractive.”
- “The Big Sky State Games gets a huge amount of support in terms of local sponsorship, not just hotels/restaurants, but banks too. The community support is there.”
- Hockey - “The Chamber and hotels definitely support us when we’re hosting the state tournaments.”

## LOCAL SUPPORT (CONT.)

- “I don’t think we have a strong parks/rec presence for competitive amateur sports. The rise of club teams might be a factor in that.”
- “When we’ve hosted state level club soccer tournaments, we worked with the Chamber and the hotel association and they’re certainly helpful with providing the data and applications you need to get it done. Hotels are helpful with providing the rooms for our bid packages. The bid process is very competitive, so we’re not going to win every year, but we put together good packages.”
- “At [the] County level, we are in a tough position tax-wise. We don’t have a lot of tax revenue, so anything we want to do expansion-wise requires a mill levy. The general population of Billings is tired of mill levies, so if we wanted to do this type of indoor facility, we’d have to hire a marketing/PR firm to go convince the public to vote to provide the money. There is just not any money (in the County).”

## LOCAL SUPPORT (CONT.)

- “When it comes to actually hosting events, Billings is a great host, because we have a lot of hotel rooms that are affordable year-round. You can get decent rates for teams that want to come in. You have access to historical sites, Yellowstone park, fishing, mountains, etc. We’re just missing the facilities to attract events.”
- “The public attitude here is “if you want to do it, finance it, and maintain it, go ahead but we’re not doing anything for you.”
- “For the smaller/niche sports, there are a lot of opportunities to bring in tournaments/events, but as smaller organizations we don’t have the resources to pull that together. It would be great if Visit Billings/Chamber had a dedicated sports staff, or even if there was a dedicated Sports Commission, that could help organize that kind of efforts.”

## LOCAL SUPPORT (CONT.)

- “I think it could be a successful sell IF we get all the sports partners united, it meets all their needs, its centrally located, and we convince the public it’s going to benefit them. But it will take time to sell it... if we throw it together in a year, it will fail.”
- “The reason most of us are here in the room is because we don’t have the space to host the events we want to host. Visit Billings provides us support to attract/host events, but we can only host what we have the space for.”



# SPORTS PARTICIPATION AS IT RELATES TO THE OVERALL HEALTH OF A COMMUNITY

- Focus groups also included a representative from Healthy by Design, a coalition of healthcare providers in Yellowstone County that works to create a community that embraces a culture of health and well-being.
- Victus Advisors reviewed Healthy by Design’s 2016-17 Community Health Needs Assessment Report, and the report identified the following issues that potentially could be addressed by expanding access to sports facilities and sports participation in Yellowstone County:
  - ❑ “Nutrition, physical activity, and weight” was identified as the number one priority in terms of community health needs in Yellowstone County.
  - ❑ “Lifestyle/behavior” (e.g. physical activity levels, drug use, etc.) is the leading factor contributing to premature deaths in the United States.
  - ❑ Factors that are positively associated with adult physical activity include, but are not limited to: social support from friends and family, higher income, post-secondary education, and safe neighborhoods.
  - ❑ Nearly half of Yellowstone County adults have either been asked about, or given advice about, their physical activity by their physician within the last year.

## VI. EVENT INTERVIEW SUMMARY

In November-December 2017, Victus Advisors conducted fifteen (15) telephone and email interviews with sports event organizers and operators locally, regionally and nationally including:

- Coleman Rockwell, ASA Softball
- Chuck Barthuly, Better Billings Foundation
- Brad Zimmer, Billings Softball Association
- Dave Haglund, Great Northwest Athletic Conference (GNAC)
- Greg Matthews, Billings Force Fastpitch
- Doug Baker, Bases Loaded
- Mark Beckman, Montana High School Association (MHSA)
- Albert Gros-Ventre, Native American Softball Tournament
- Blake Wahrlich, Billings Scorpions Lacrosse
- Adam Hust, Triple Play Academy
- William Henry, Big Sky Ballin'
- Tony Popp, Montana Swimming
- Corinne Shigemoto, USA Judo
- Byron Hicks, USA Ultimate
- Jamie Adams, National Association of Intercollegiate Athletics (NAIA)

## INTERVIEW GOALS

The overall goal of these interviews was to understand event organizers' past experiences hosting sports tourism events in Yellowstone County (if any) and to identify which factors are most important in deciding whether or not to host events in Yellowstone County in future years, including:

- Perceptions of Yellowstone County's current amateur sports facilities
- Demand for new facilities in Yellowstone County to accommodate their needs
- Potential interest and usage of new facilities for respective groups and event organizers

# YELLOWSTONE COUNTY AMATEUR SPORTS FACILITIES

## YELLOWSTONE COUNTY'S CURRENT AMATEUR SPORTS FACILITIES:

- *Stewart Park* - Many softball groups expressed that the facility is run down, and that it is in major need of repairs and upgrades. One user suggested the whole complex needs a “face lift”.
  - ❑ Recommended upgrades include: improved lights, updated dugouts, better quality fields and field maintenance, among other needs.
  - ❑ Another user stated that their organization recently invested \$60,000 into in-field improvements, but more is still needed.
- *Amend Park* - Access to fields is a major challenge for non-soccer groups
  - ❑ One user group recommends at minimum lighted fields. Doing so would allow more usage, which could potentially provide more access for non-soccer groups.
  - ❑ Rugby and lacrosse groups can't get any field space and as a result, have used school fields when they are available.
  - ❑ Quality of fields has also been an issue over the last few years. According to one user group, two years ago the general consensus was that the fields at Amend Park were not adequate. A lot of investment has been made to improve field quality.

# YELLOWSTONE COUNTY AMATEUR SPORTS FACILITIES (CONT.)

## YELLOWSTONE COUNTY'S CURRENT AMATEUR SPORTS FACILITIES:

- *Swimming Facilities -*
  - ❑ One potential user stated that there really is no quality aquatic facility in the state of Montana to host state, regional, or national events. In terms of current pools in Billings, they are inadequate for both competitions and recreational use.
  
- *Indoor Facilities -*
  - ❑ Shrine auditorium has been used by a few groups we spoke with, but all agreed it was too small and outdated.
  - ❑ One user that has used Rimrock Auto Arena for events refuses to pay the facility improvement fee that is charged to attendees.
  - ❑ Ultimately all user groups that have used facilities for basketball and volleyball events cited the need for a larger indoor facility with space for multiple courts.

## DEMAND FOR NEW FACILITIES:

- *Baseball/Softball-*
  - ❑ Many users felt that Stewart Park can meet the local demand and tournament demand if the facility received the “facelift” it needs. The facility is already in a good location, and a new facility would not be necessary.
  - ❑ One user feels that Stewart Park could be a premier location for regional softball events. The only thing that is needed is major upgrades and improvements.
- *Basketball/Volleyball-*
  - ❑ Two users cited the demand for a multi-court indoor facility in Billings. Ideally the facility would have between four and six full-sized basketball courts that could be converted to at least four to six volleyball courts.
  - ❑ One user suggested the Sanford Pentagon in Sioux Falls, South Dakota as a possible facility that Billings could replicate.
- *Swimming -*
  - ❑ According to a state swimming representative, Billings could benefit greatly from building a 50 meter competitive pool. They felt the facility could be a major draw for state, regional, and even national swim meets.



## DEMAND FOR NEW FACILITIES:

- *Multi-Use Fields* - Many user groups including soccer felt that Billings could benefit from more fields. An additional consideration brought up by several groups is the need for indoor turf so that groups could still practice during the winter months. The Billings Sports Plex is the only facility in the County with an indoor turf component and it is difficult to get rental time. Lastly, some groups feel that at least one or two artificial turf fields at Amend Park would be very beneficial.
- *Track & Field* - One event organizer cited the Laurel High School Track as the only feasible option for hosting track and field events in Yellowstone County. They would prefer to see the track and field facility located in the City of Billings, however the Laurel facility currently meets their needs. They did not foresee adding additional event activity to the Yellowstone County market if a second track and field venue were to be built.

## POTENTIAL INTEREST:

- ***Great Northwest Athletic Conference (GNAC)*** - With a Sanford Pentagon-like facility the GNAC would be more interested in hosting basketball tournaments in Billings and they would adjust the bid/rotation cycle to have events in Billings more often.
- ***Big Sky Ballin'*** - This event organizer hosts three tournaments in Billings (Above the Rim, Night Under the Light, and Summer Sectional). With a larger multi-court venue, they could expand the scale of their tournaments, and also seek to operate basketball leagues year-round.
- ***Triple Play Academy*** - With a major “face lift” at Stewart Park, this tournament operator would like to host up to nine tournaments per year.
- ***Montana Swimming*** - The Montana Swimming representative feels that a 50M competition pool would be the best in the entire state and region. As a result, Billings could host multiple state and regional swim meets.
- ***USA Ultimate*** - This national Ultimate Frisbee organization is familiar with the Billings region and would consider sectional and regional events being held at Amend Park. Improvements to the facility such as lighting and an artificial turf would make it more appealing.
- ***Scorpions Lacrosse*** - One of the club members also helps operate the annual Lacrosse Jamboree which hosts up to 30 teams in Billings. With more access to fields, they estimate hosting up to two Lacrosse Jamborees per year with more teams coming in from out of town.

## POTENTIAL INTEREST:

- *Montana High School Association* - If a new track were built in the City of Billings, MHSA would be interested in adding the facility to its rotation of venues in Montana for track and field championships, but MHSA would not intend to increase the number or frequency of events they hold in Yellowstone County. Additionally, if a multi-court facility were built, the organization would be interested in hosting district championships for other indoor sports to feed into state championships.
- *USA Judo* - Although a multi-use facility with multiple court space for the organization is necessary, the organization feels there is a very small judo community and that it wouldn't have the participants/volunteers necessary to support an event.
- *National Association of Intercollegiate Athletics (NAIA)* - The organization is still planning on holding the Women's Basketball National Championship at Rimrock Auto Arena in 2018 and 2019.

# SUMMARY OF FACILITY NEEDS

<u>Sport</u>	<u>New Facility</u>	<u>Expanded/Improved Facilities</u>
Baseball/Softball		✓
Basketball	✓	
Figure Skating	✓	
Hockey	✓	
Lacrosse		✓
Rugby		✓
Soccer		✓
Swimming	✓	
Volleyball	✓	

*Note: Sorted by Sport in alphabetical order*

## FACILITY NEEDS

In speaking with local, regional, and national clubs and event organizers, Victus found that Basketball, Figure Skating, Hockey, Swimming, and Volleyball groups feel that the current facilities in Yellowstone County are not meeting demand. With new facilities, local sports groups would have access to more practices and games. In addition local clubs and regional/national event organizers can either expand existing tournaments or create new ones because of the new facilities. Baseball/softball groups feel that the current inventory appears to meet demand, but significant improvements (dugouts, field quality, etc.) are needed to make facilities such as Stewart Park more appealing for larger tournaments.

# SUMMARY OF TOURNAMENT DEMAND

<u>Organization</u>	<u>Facility Type</u>	<u>Number of Fields/Courts</u>	<u>Tournaments</u>	<u>Average Teams Per Tournament</u>
ASA Softball	Baseball/Softball	4+	1	30
Big Ballin	Basketball/Volleyball	6+	3+	100
Billings Aquatic Club	Swimming	N/A	6	400*
Great Northwest Athletic Conference	Basketball/Volleyball	2+	1	12
Legion Baseball	Baseball/Softball	4+	3	16
Montana AAU Volleyball	Basketball/Volleyball	6+	8+	30
Montana Swimming	Swimming	N/A	12	600*
National Association of Intercollegiate Athletics	Basketball/Volleyball	2-4+	1	31
Rimrock Volleyball (Basketball Tournaments)	Basketball/Volleyball	6+	3+	40
Scorpion Lacrosse	Lacrosse/Multi-Use	8+	2	30
Triple Play Academy	Baseball/Softball	4+	9	8
USA Ultimate	Soccer/Multi-Use	12+	2	20

*Note: Sorted by Organization in alphabetical order*

*\*Individual participants*

## TOURNAMENT DEMAND

Victus found that improvements to Stewart Park would generate 12 or more tournaments per year. Furthermore, the development of an indoor court facility could generate up to 20 or more tournaments on an annual basis. Lastly, the development of a competitive swim center could generate over 15 annual swim meets and competitions.

## VII. SPORTS COMMUNITY SURVEY RESULTS

In addition to meetings and interviews, in November 2017, Victus Advisors also conducted online surveys with 843 local parents, participants, coaches, and other such members of the amateur sports community in the Yellowstone County area. The survey margin of error based upon 843 respondents and the County's population of 163,372 is +/- 3.0% (with a 95% confidence interval).

Survey topics included:

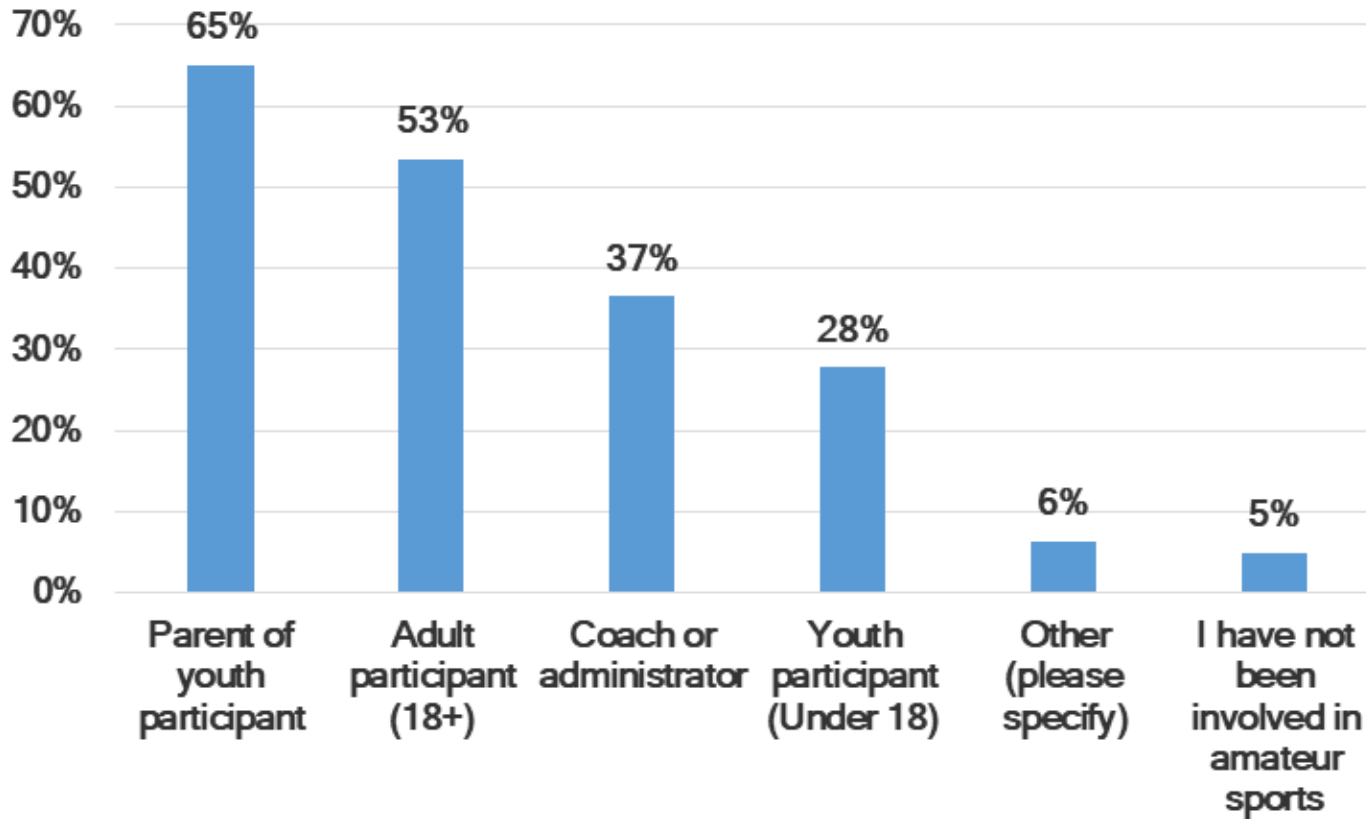
- General demographic information
- Sports and recreation facilities frequented in the Yellowstone County area
- General attitudes toward amateur sports in Yellowstone County
- Ideal features of amateur sports host cities and facilities



# DEMOGRAPHICS & SOCIOECONOMICS

- 50% Male, 50% Female
- 92% between the ages of 25 and 64
  - ❑ 57% age 25 to 44, 35% age 45 to 64
- 92% White, 2% Hispanic, 3% Multiracial, 2% Other, 1% Asian
- Median Household Income: \$75,000 - \$100,000
- 67% live in a household with children under 18
  - ❑ Median # of children in household: 3
- 93% live in a household where at least one member has participated in Yellowstone County amateur sports

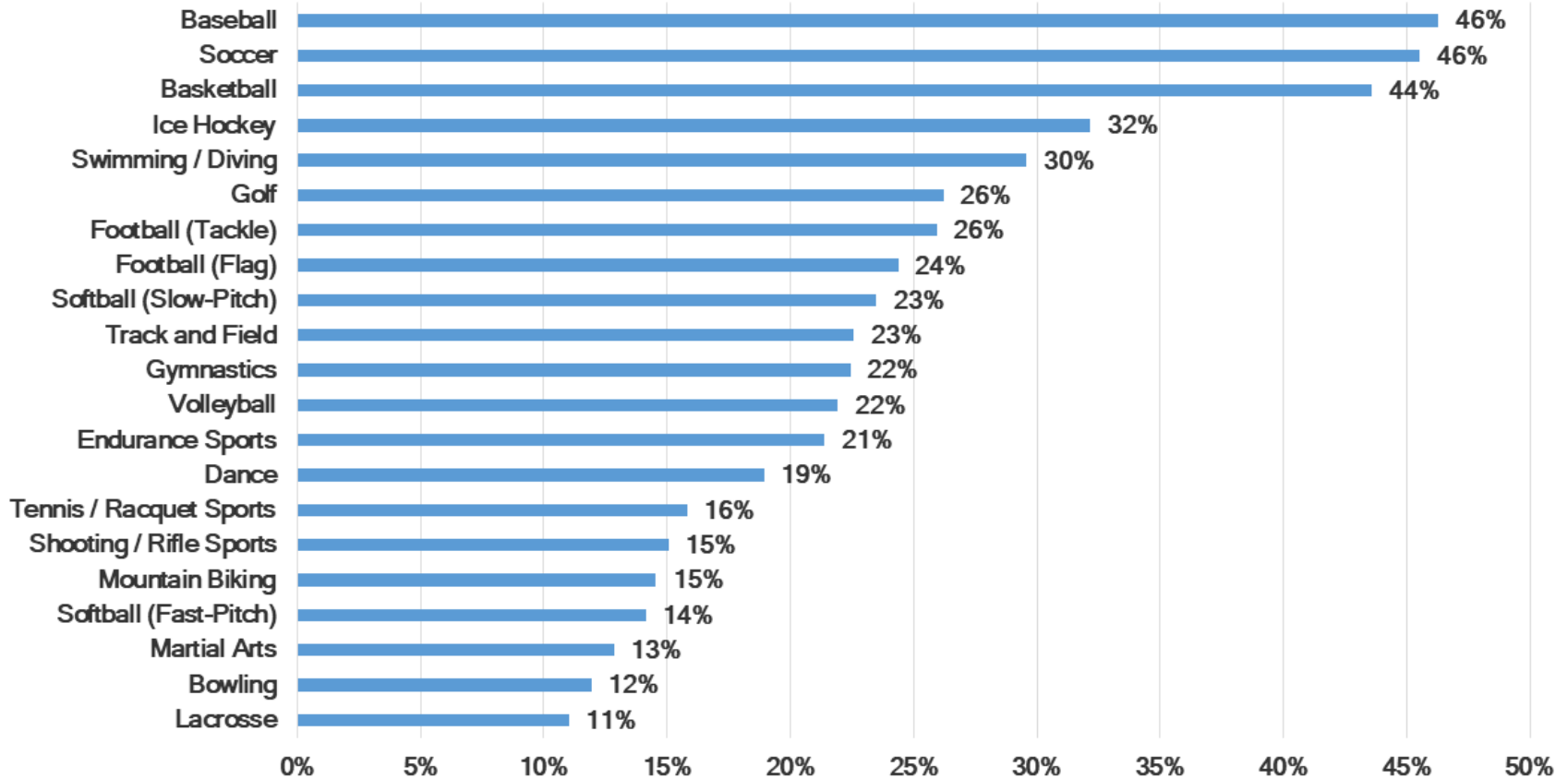
# AMATEUR SPORTS INVOLVEMENT BY ROLE



*Note: Sorted by Role score in descending order; Respondents were allowed to select more than one response*

65% of the respondents were parents of youth sports participants, and more than 35% were either coaches or adult sports participants.

# AMATEUR SPORTS INVOLVEMENT BY SPORT

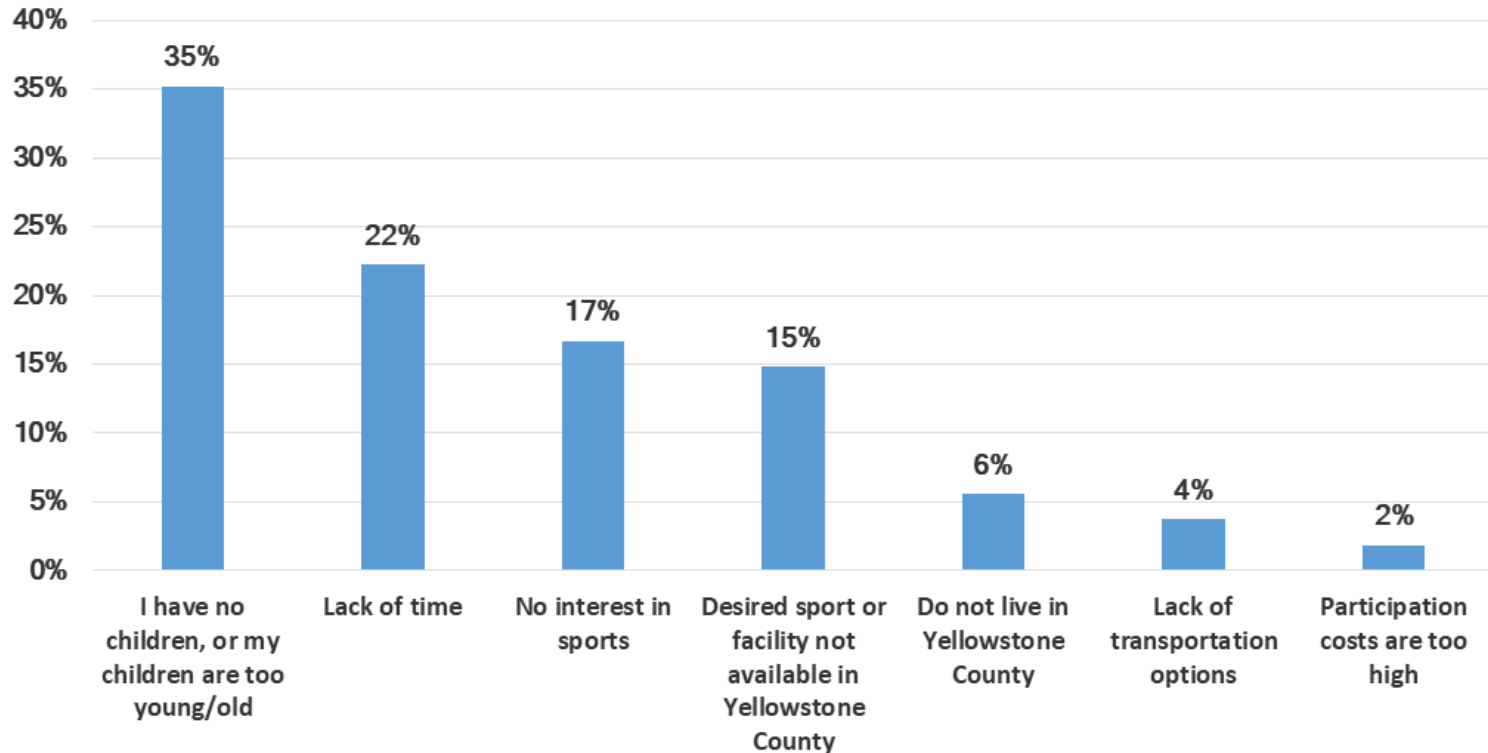


*Note: Sorted by Sport score in descending order; Sports shown above were selected by a minimum of 10% of respondents*

**Baseball, Soccer, Basketball** were by far the sports that survey respondents were most involved with in Yellowstone County. It should also be noted that **Ice Hockey** and **Swimming** are also popular in the County.

# LACK OF PARTICIPATION

*Primary reason for lack of participation in sports community (approx. 6% of respondents):*

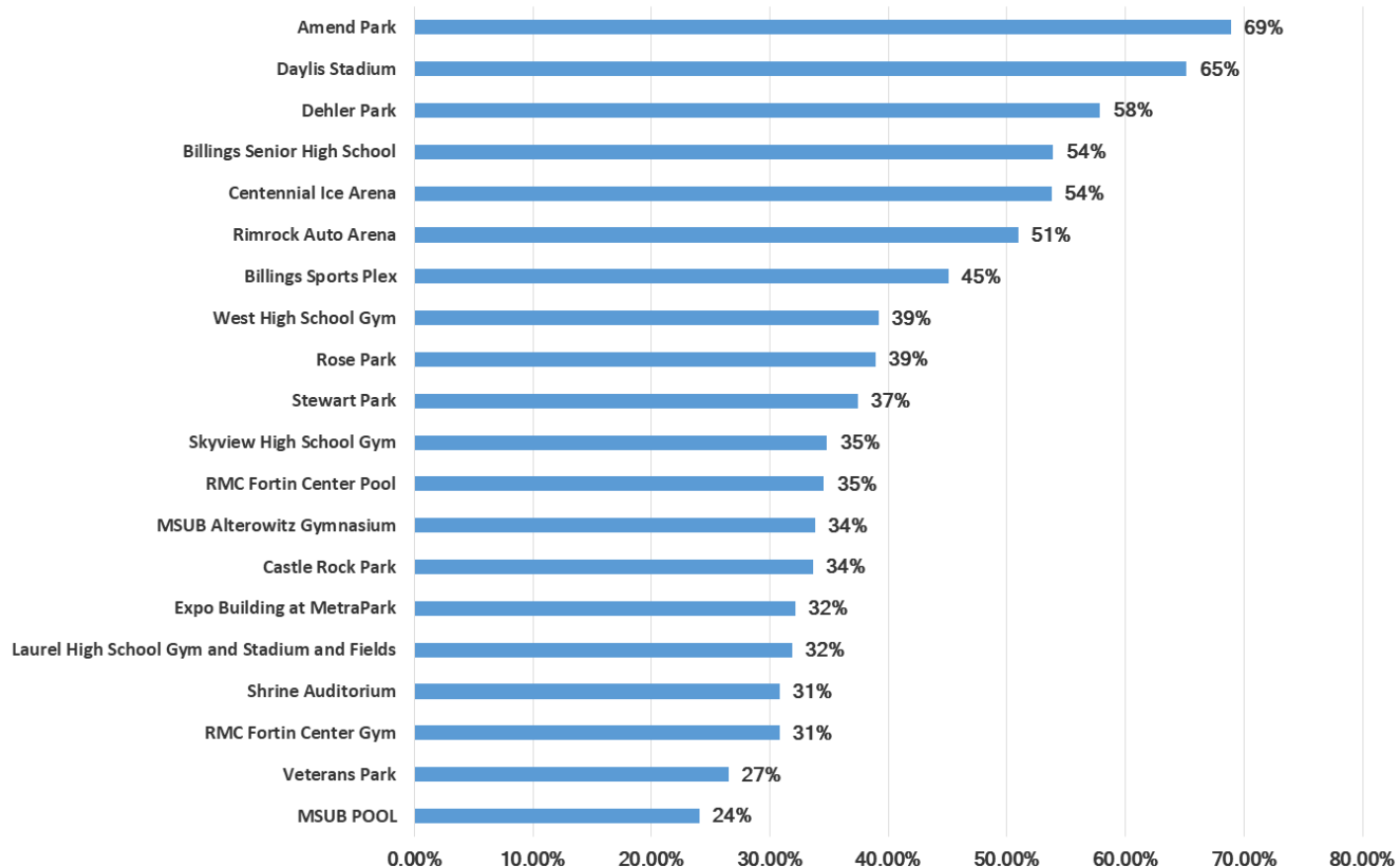


*Note: Sorted by reason in descending order      Sample Size: 54 respondents*

Out of the respondents that have not participated in sports in Yellowstone County, **I have no children, or my children are too young/old** and **Lack of time** were the primary reasons. **Boxing, weightlifting, swimming/diving** were the sports listed for **Desired sport or facility not available in Yellowstone County**.

# YELLOWSTONE COUNTY SPORTS FACILITIES

*Have you ever attended/participated at an event at the following Yellowstone County amateur sports facilities?*

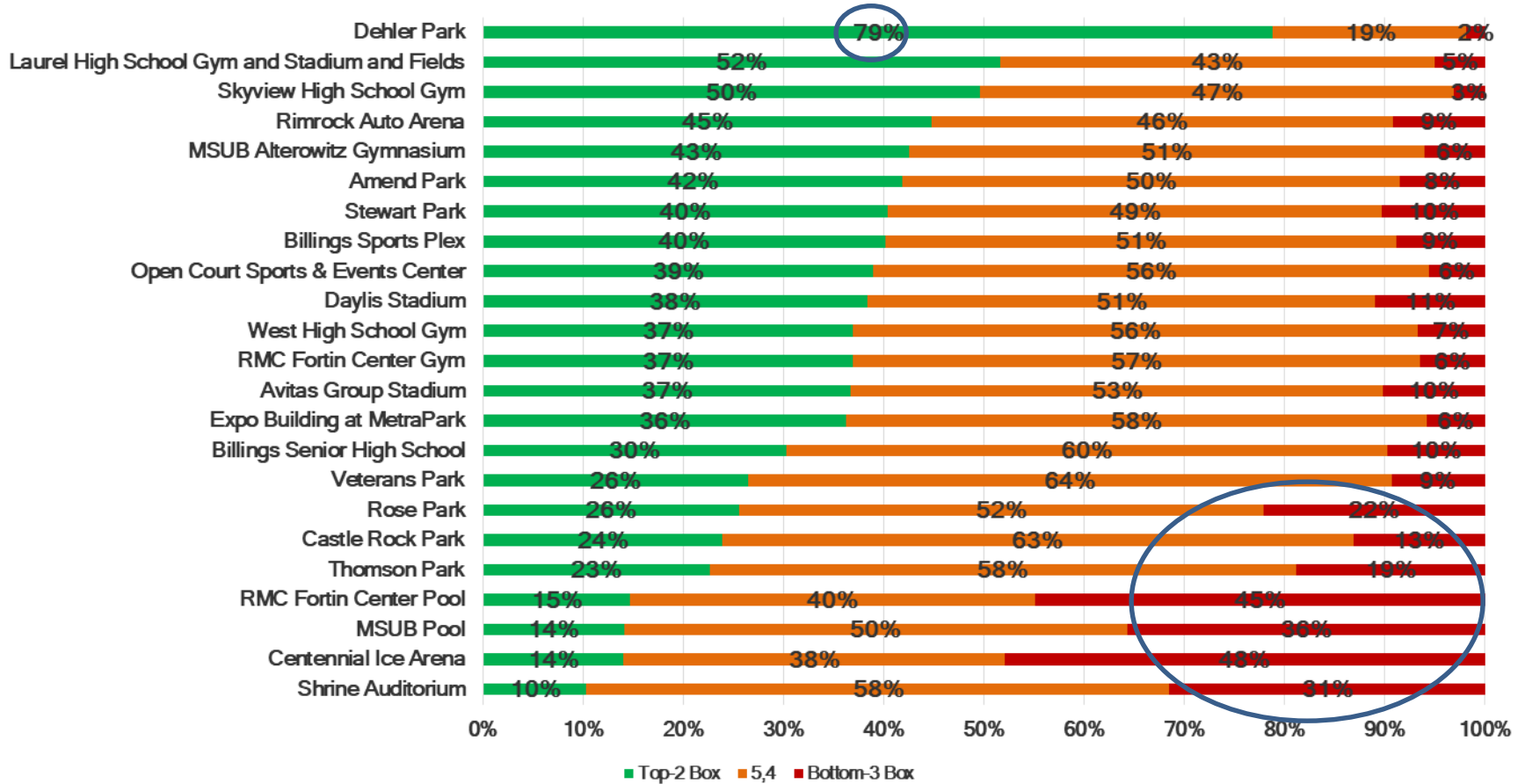


*Note: (1) Sorted by Sports Facility score in descending order  
 (2) Only facilities that were visited by more than 20% of respondents were listed*

**Amend Park, Daylis Stadium, and Dehler Park were cited as the venues most visited in the County.**

# SATISFACTION WITH YELLOWSTONE COUNTY SPORTS FACILITIES

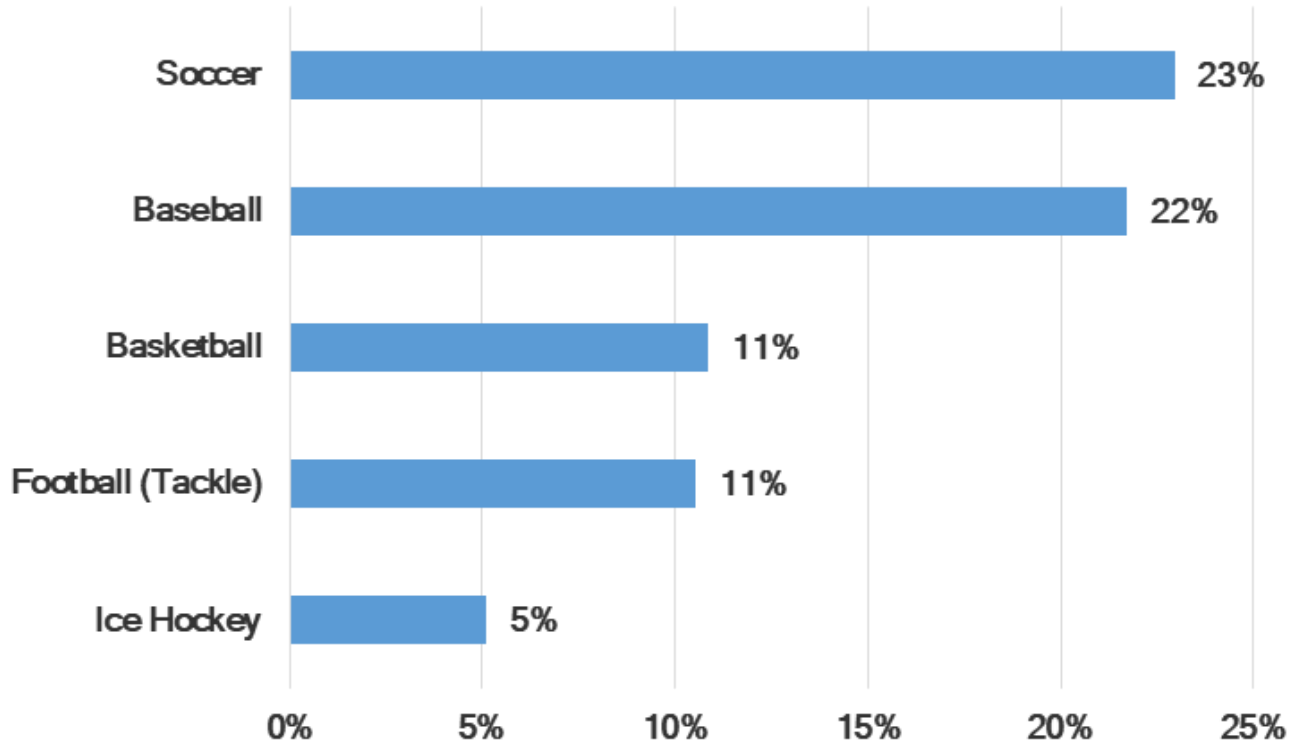
Dehler Park had the highest satisfaction rating at 79%, the only facility in the County to receive an “above average” rating. It is also worth noting that MSUB Pool, Centennial Ice Arena, and Shrine Auditorium were among the lowest rated.



Note: Sorted by Top-2 Box score in descending order

# ESTABLISHED SPORTS

*Which established sports have been developed most successfully in Yellowstone County?*



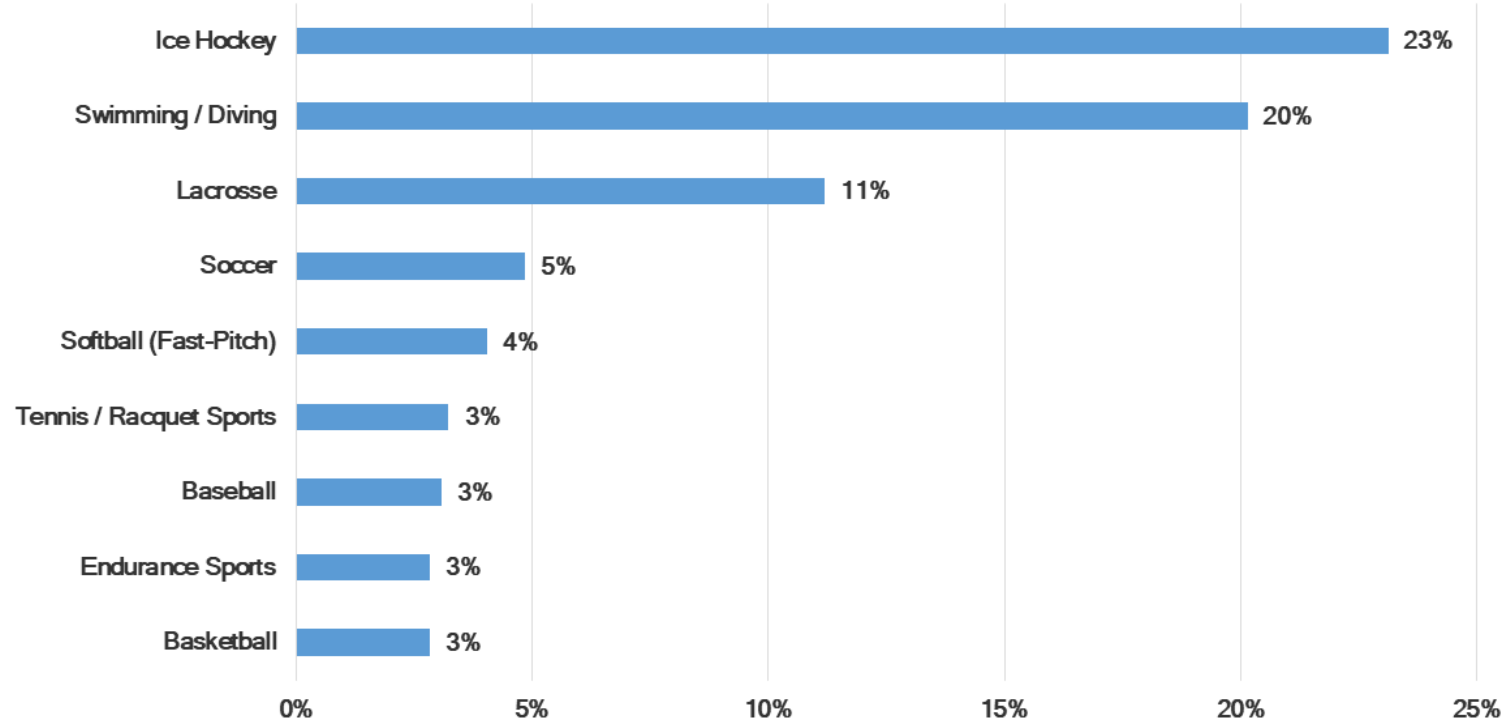
*Note: Sorted by Sports score in descending order*

**Soccer and Baseball** were identified as the most developed sports in Yellowstone County.



# EMERGING SPORTS

*Which emerging or underserved sports have the most potential in Yellowstone County?*

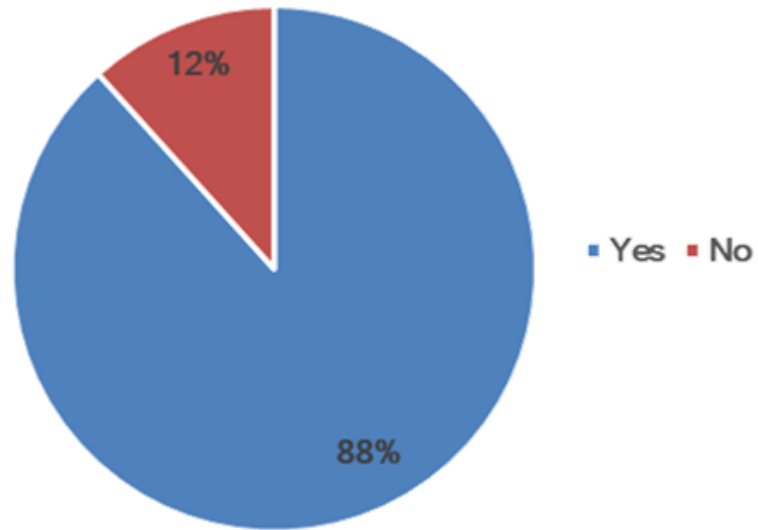


*Note: Sorted by Sports score in descending order*

**Ice Hockey, Swimming / Diving, and Lacrosse** were identified as the sports with the most potential in Yellowstone County outside of soccer and baseball. As participation and interest increases over time, more facilities will need to be available to meet demand.

# AMATEUR SPORTS TRAVEL

Have you ever traveled outside of Yellowstone County for an amateur sports event?



88% of respondents have traveled outside of Yellowstone County for amateur sports. Hockey, Soccer, and Swimming tournaments were the most mentioned amateur sports tourism events, and Bozeman and Missoula the communities most visited.

# OTHER AMATEUR SPORTS DESTINATIONS

City	% Chosen as Best
Bozeman	15%
Missoula	11%
Gillette	9%
Denver	8%
Rapid City	7%



Reason for Choosing Best Community	Percent Chosen
Quality of sports facilities	78%
Community interest/support for amateur sports events	14%
Accessibility (ease of travel/transportation access)	3%
Nearby family entertainment options	2%
Nearby restaurant/dining options	2%
Nearby hotel/lodging options	1%

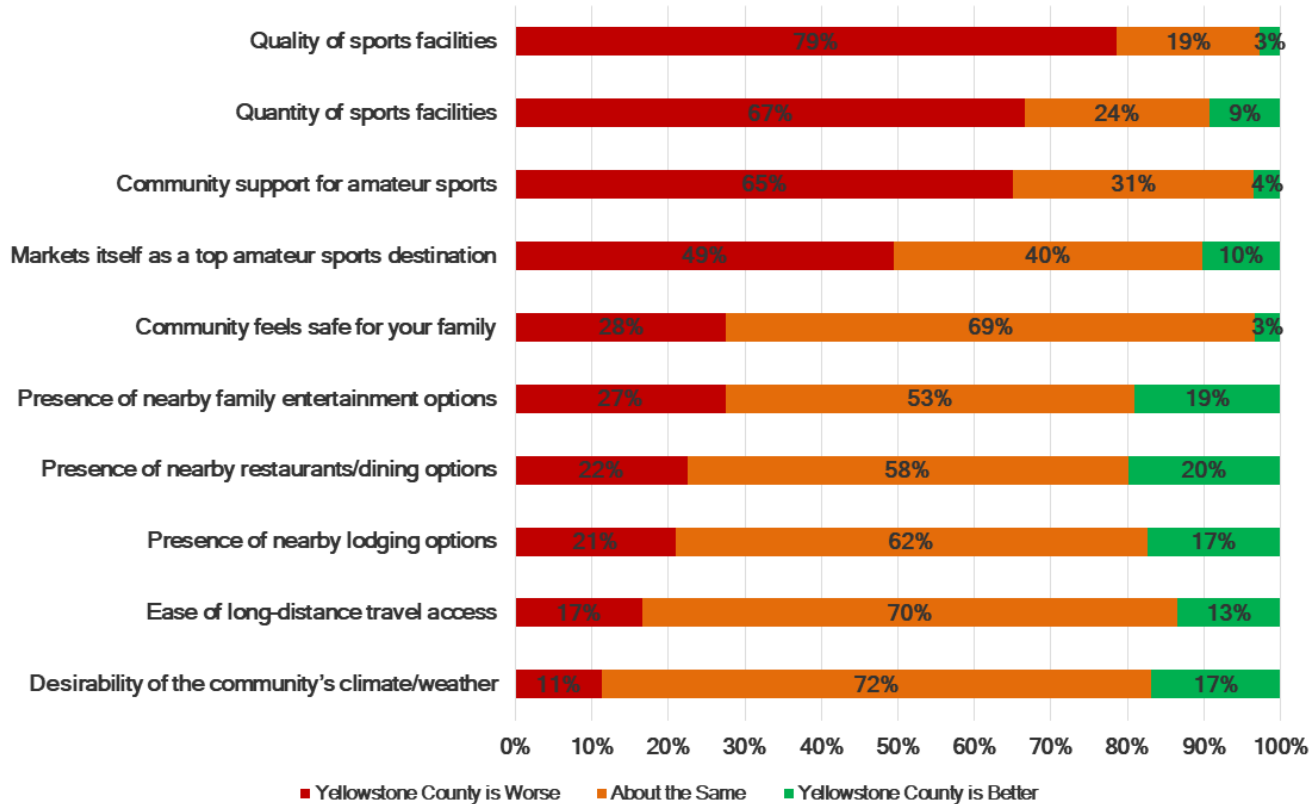
15% of respondents chose **Bozeman** as the city that does the best overall job as an amateur sports host.

78% of respondents cited **Quality of sports facilities** as the primary reason in determining the best overall job as an amateur host.

This finding that the #1 factor is providing a high-quality sports facility is consistent with Victus Advisors' findings on similar projects across the country.

# OTHER SPORTS DESTINATIONS VS. YELLOWSTONE COUNTY

*How does your most frequent sports travel destination compare to Yellowstone County?*

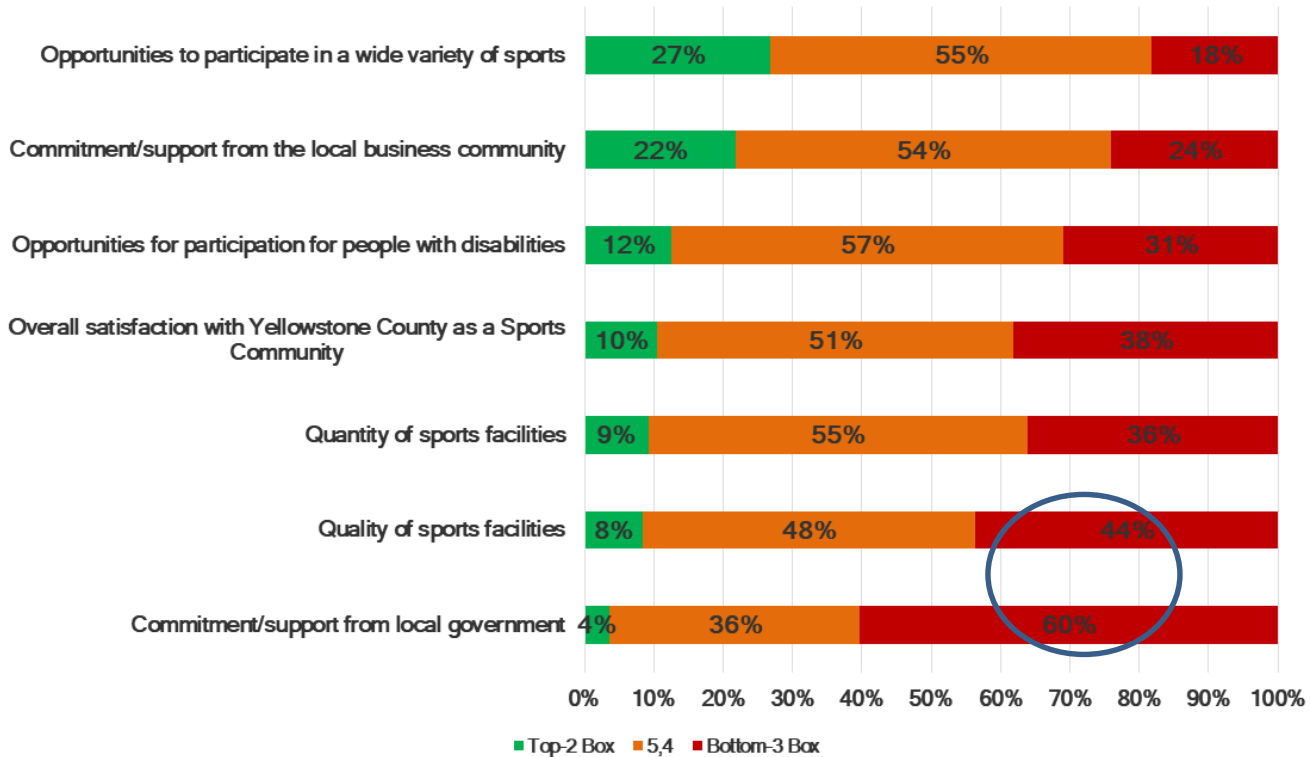


*Note: Sorted by 'Yellowstone County is Worse' score in descending order*

Survey respondents felt that Yellowstone County rated most highly as a sports destination for presence of nearby restaurants/dining options, and family entertainment options. However, respondents rated Yellowstone County poorly for quality and quantity of sports facilities, and a lack of community support for amateur sports.

# OVERALL IMPRESSION OF YELLOWSTONE COUNTY AMATEUR SPORTS COMMUNITY

*Please rate your overall impressions of the Yellowstone County amateur sports community:*



*Note: Sorted by Top-2 Box score in descending order*

The two largest negative impressions of the County sports community is a perceived lack of **Quality facilities** and **Commitment/support from the local government**.

## Potential Positives:

- “Alex Tyson has done a superb job of promoting and supporting events in the Billings area.”
- “Billings has the hotels, restaurants and shopping to accommodate many sports events.”
- “I think the sporting community has done remarkably well given the fact that tax support is nonexistent.”
- “I love sports. I think that this is something the community of Billings should look into. They have done a great job with Dehler Park.”
- “I hope this study provides positive results and enables local government to assist the local sporting groups in building a new facility.”
- “A multi-use sports complex would be a big benefit and draw for Yellowstone County. It would ideally include court and turf space in an easy access location. I would avoid a pool as it is much more expensive than alternative space use and does not have nearly the athlete pool as basketball, soccer, etc.”

## Potential Positives:

- “Billings has great people who will support a variety of activities if we can develop the facilities needed.”
- “Hopefully an indoor baseball/softball/multi sport facility can come of this for outdoor athletes to train to become competitive during the long winter!”
- “I think Yellowstone County does the best with what we’re given.”
- “I would love to see better quality softball complexes.”

## Potential Negatives

- “Billings needs a new ice rink. I cannot believe that a town the size of Billings has only one ice rink, and it’s in very poor condition. More and better ice rinks would become a draw to Billings. If Bozeman and Missoula can support better facilities twice the size of Centennial, then Billings should be able to do so. Even tiny towns like Glasgow, Sidney, Havre, and Cody have better ice rink facilities .”
- “In addition to sports tourism, we need to address deficiencies in both quantity and quality of facilities available for regular local use by existing groups and individuals.”
- “If you think you have to build this sports thing, get the money from donations NOT the TAXPAYERS.”
- “I don't believe the taxpayers should support extra curricular activities.”
- “I feel that any sport that isn't soccer, baseball, or football is considered insignificant in the eyes of the community.”



## Potential Negatives:

- “Billings is the biggest city in Montana and has the absolute worst sporting events and opportunities available. It is very sad.”
- “City of Billings/Yellowstone County has never done a good job with the sports community.”
- “Field quality at Amend lags behind several other communities soccer fields in Montana and far behind the best in the country.”
- “Gotta spend money to make money and this community doesn’t do it. Parks... not enough of them. Have all this land in subdivisions set aside for park and it sits idle. Develop the parkland like you’re supposed to. If you have parks, property values go up and people want to live here.”
- “I’m astonished based on the size of Billings and having lived in many places that we do not have an indoor public pool. I think the community would benefit from a multi use sports facility that includes an indoor pool that could be used for competitions as well as have a indoor splash pad.”

## Other Sports Opportunities:

- “Let’s promote lacrosse!”
- “Outdoor volleyball courts. Roller hockey rink.”
- “Any other sports that require a facility (capital investment) to develop are ignored. There are far more regional and national caliber athletes in these sports than in football and basketball. We need to start developing these programs. I would strongly support a city sales tax. Every state with good facilities is funded by this.”
- “Please bring an (professional) ice hockey arena back to Billings! It was once a great source of revenue. With a decent arena, it could be again!”
- “We definitely need more field space here. Lacrosse is growing and cannot compete with soccer for space. We need places for our kids to run, grow and develop into team members. Our community seems to be behind others in this aspect.”

## VIII. LAUREL AQUATIC RECREATION COMPLEX RECOMMENDATIONS

## Laurel Aquatic Recreation Complex (LARC):

- A group of Laurel residents started LARC in 2015 with the goal to build a recreation complex. Their preferred facility would include a swimming pool, community event center, and community gym with up to three courts.
- Led by Ken Gomer and Faye Wood, LARC has raised just over \$50,000 towards project development. Additionally, just over \$100,000 has been earmarked for a swimming pool in Laurel by a donor from the community.
- The potential complex would primarily benefit the residents of Laurel and the surrounding areas, including West Billings, with the pool intended to host swim meets for local and regional swim teams.
- LARC representatives acknowledge that the potential complex would not target large tournament activity, but rather for nearby high school events and swim meets.



## Laurel Public Swimming Pool:

- Built over 60 years ago, the pool is currently operated by the Billings YMCA.
- Annually, the City of Laurel generates approximately \$15,000 in pool operating revenue against \$70,000 in operating expenses.
- In addition, the City has spent more than \$75,000 in capital expenditures over the past five years to keep the pool operational.



## Jaycee Hall:

- “It is functional but lacks a commercial kitchen and some of the items needed for weddings and other functions.”
- Additionally, the facility cannot host a large number of attendees (Max capacity of about 50), forcing larger parties to move to venues in Billings.



## Old Laurel Middle School Gym:

- Currently condemned, the facility was the only indoor gym space available to the public in Laurel.



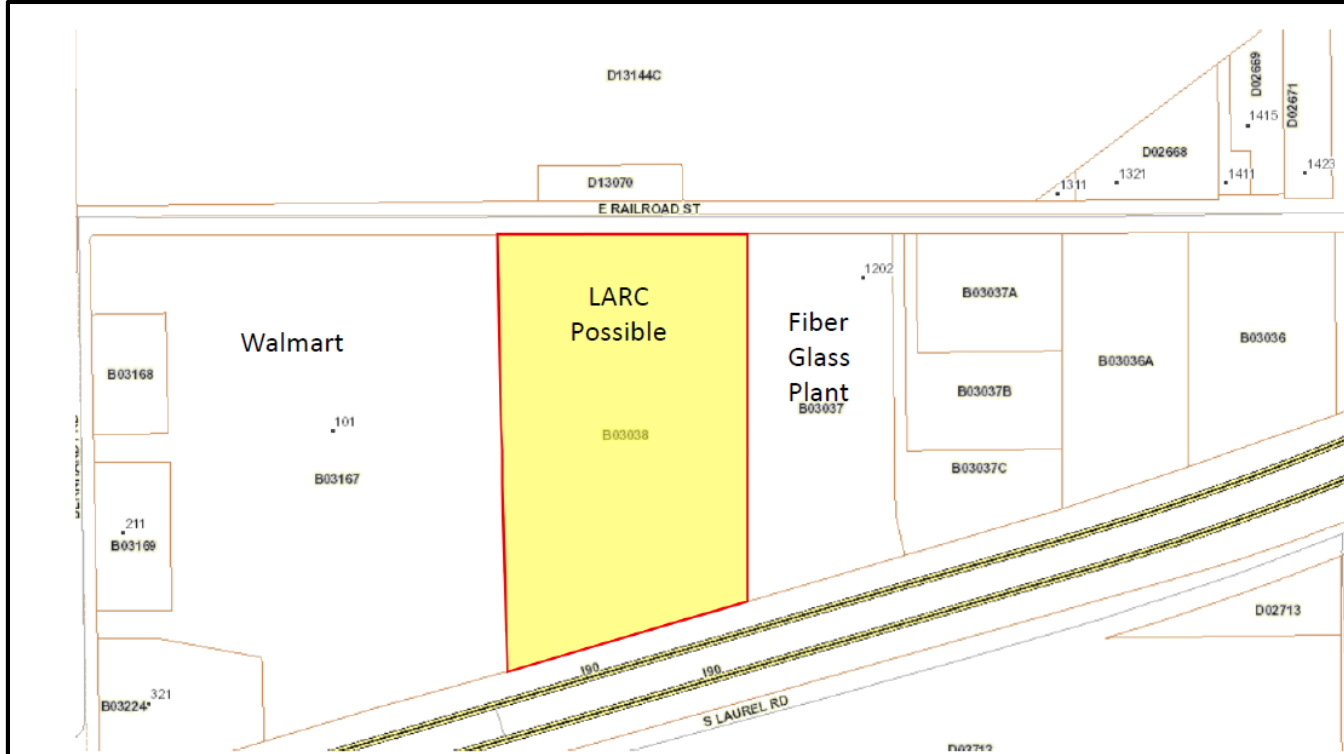
# POTENTIAL COMPARABLE FACILITY

After an extensive research of comparable facilities throughout the region, and based upon our understanding of LARC needs, Victus found that the Paul Stock Aquatic and Recreation Center in Cody, Wyoming is a model facility that the City of Laurel could benefit from:

- Opened: 2001; Owner: City of Cody; Operator: Cody Parks & Recreation (privately supported)
- Cost: \$9.9M (estimated \$17.1M in 2017 dollars\*); Funding: 100% private (Stock Foundation)
- Footprint: 71,237 sq. ft. (43,500 sq. ft. aquatic center; 27,757 sq. ft. recreation)
- Features:
  - 3 full-sized basketball courts (also used for multi-purpose event rental space)
  - 8-lane x 25-yard lap pool and a diving board
  - Leisure pool
  - Weight room



# POTENTIAL LARC LOCATION #1

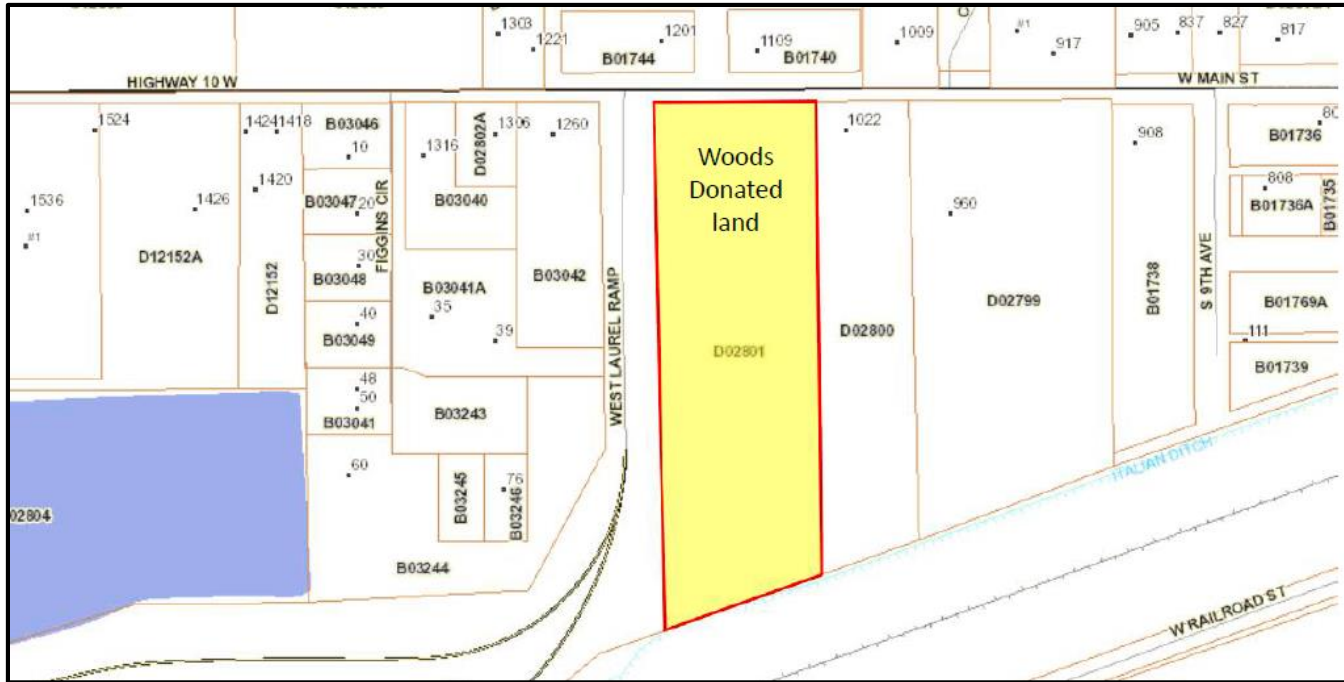


Source: Laurel Aquatic Recreation Complex

There are 10 acres available next to the Walmart in Laurel. This location is optimal because of its proximity to the highway, retail, and dining. The lot would still need a new sewage system. The assessed value of this lot of land is over \$1.6 million.



# POTENTIAL LARC LOCATION #2



Source: Laurel Aquatic Recreation Complex

The Woods donated land is also 10 acres. While the assessed value is nearly \$62,000, the land would be donated to LARC. As with Potential Location #1, this lot still need a new sewage system, however Potential Location #2 does not currently have the traffic congestion of the other site.

That said, according to LARC, this Location #2 could potentially leverage the new interstate interchange that is being built approximately two miles to the west of the site, which could drive more vehicle and pedestrian activity via subdivisions, retail, and hospitality development within the area.



# LACK OF SUPPORT BY CITY OF LAUREL

In November 2017, Victus Advisors met with local government officials from the City of Laurel and the Laurel Urban Renewal Agency (LURA) to gauge potential interest and support for the Laurel Aquatic Recreation Complex. Key takeaways from this group included:

- There was a consensus among the group that there is a lack of quality indoor space for recreation and community events in Laurel. Additionally the Laurel Public Swimming Pool (outdoors) is “falling apart.” According to City officials the pool costs the City more than \$55,000 annually to operate. Furthermore, the City’s capital expenditures to maintain the pool over the last five years have exceeded \$75,000.
- The group agrees with LARC that a multi-purpose community center, gym space, and indoor pool are needed in Laurel, however they also indicated that the potential annual operating costs of such a facility were not currently available in the City’s budget, and that even the current costs of operating the Laurel Public Swimming Pool in the summer may not be sustainable for the City.
- City and LURA officials declared that there are no local government or renewal agency funds available for this project, as other infrastructure needs (intersections, railroads, etc.) have taken priority. Additionally they expressed that there is very little tolerance for new taxes or new spending among Laurel voters. They cited a recent \$58 million school bond that was recently voted down. Furthermore in 2005 an outdoor pool master plan (\$3.2 million, or \$4.7 million in estimated 2017 dollars\*) never even went to vote because the project was deemed too expensive by City leaders.

# ADDITIONAL CHALLENGES FOR LARC

- The City of Laurel has a population of 7,171, representing 6% of the County's total population. As a result, with a small tax base and a facility that would focus primarily to serve the needs of Laurel residents and the surrounding communities, public funding from the County or outside of the community appears unlikely.
- The Paul Stock Aquatic and Recreation Center in Cody, Wyoming cost \$9.9 million to build in 2001 (approximately \$17.1 million in 2017 dollars) and was funded 100% privately by the Paul Stock Foundation (\$7.1 million) and a capital campaign (\$2.8 million). In addition, the Stock Foundation also committed an additional \$2 million to help support the annual operations of the facility. LARC representatives believe that they could raise up to \$1 million within the Laurel Community and are optimistic that a \$20 million bond issue could be feasible. Ultimately, they acknowledge that outside help would be needed.
- While there are several suitable lots of land available within Laurel, all would still require significant infrastructure improvements such as a sewage system, etc.

The following key assumptions were utilized by Victus Advisors in order to develop operating and financial projections for the proposed Laurel Aquatic Recreation Complex (LARC) in Laurel:

- The complex would be approximately 55,000 sq. ft. in size and have the following features:
  - ❑ 30,000 sq. ft. aquatic center
    - 8-lane x 25-yard lap pool
    - Leisure pool
    - Concession and merchandise stand
  - ❑ 25,000 sq. ft. recreation and community center
    - 3 full-sized basketball courts (would also be used for multi-purpose event rental space such as banquets, community events, etc.)
    - Meeting/event room for private rentals
    - Concession stand
- Financial projections have been developed for both the aquatic center and multi-purpose community center and are based on estimated programming, practice, league, and tournament usage.
- The complex will be operated by LARC, or another such non-profit organization.
- No assumptions have been made yet for debt service or capital improvement funds.
- The complex will offer competitive rental rates and will primarily be used by the local community.
- It has been assumed that LARC would develop or enhance public sports leagues such as adult and youth basketball, etc., as well as camps, clinics, and other such revenue generating events. In this model, we have assumed that these programs would be operated by the facility operator.
- These projections are based on current market circumstances, and thus assume that there will be no other major changes to the available sports/recreation facility inventory within Laurel.
- The financial projections displayed on the following page utilize a variety of additional assumptions, including data gathered from third-party sources, information provided by LARC representatives and various local municipalities, and Victus Advisors' industry experience. There will be differences between these projections and actual events, and these differences may be material.

# FINANCIAL MODEL (CONT.)

<b>Operating Revenues:</b>	<b>Aquatic Center</b>	<b>Gymnasium &amp; Community Center</b>	<b>Combined Operations</b>
Programming (Camps, Lessons, Leagues, etc.)	\$234,000	\$102,400	\$336,400
Membership & Admission Fees	\$217,425	\$22,000	\$239,425
Rental Income	\$61,440	\$69,300	\$130,740
Concessions & Merchandise (Net)	\$42,000	\$21,000	\$63,000
<b>Total Revenues:</b>	<b>\$554,865</b>	<b>\$214,700</b>	<b>\$769,565</b>
<b>Operating Expenses:</b>			
Salaries, Wages, & Benefits	\$488,000	\$238,500	\$726,500
Utilities & Chemicals	\$117,005	\$57,623	\$174,628
General & Administrative	\$57,300	\$47,750	\$105,050
Materials/Supplies	\$32,031	\$5,270	\$37,301
Maintenance/Repair	\$24,000	\$11,216	\$35,216
<b>Total Expenses:</b>	<b>\$718,336</b>	<b>\$360,359</b>	<b>\$1,078,695</b>
<b>Net Income (Loss):</b>	<b>(\$163,471)</b>	<b>(\$145,659)</b>	<b>(\$309,130)</b>
<b>Estimated Cost Recovery:</b>	<b>77%</b>	<b>60%</b>	<b>71%</b>

*Note: Presented in 2018 dollars*

In a stabilized year of operations, it is estimated that the operations of an aquatic center and multi-purpose community center in Laurel would generate a cost recovery of 71%, meaning that the complex could require annual operating subsidies of nearly \$310,000.

A description of each revenue/expense estimate is provided on the following pages.

*Revenue generated by the proposed Laurel Aquatic Recreation Complex is expected to consist primarily of programming, membership/admission fees, concessions/merchandise, and rental income. A brief description of each potential revenue source is provided below.*

## **Programming Revenue**

Programming for both facilities consists of recreational swim programs, leagues, camps, and clinics organized by the facility operator, with revenue primarily consisting of registration fees. It is expected that the majority of the revenue for the community center would be associated with adult sports/recreation leagues on weekday evening.

## **Membership & Admission Fees**

Membership/admission fees consist of daily, monthly, and annual passes available for purchase by individuals and families. We have assumed, that daily, monthly, and annual passes could be sold for the aquatic center, while daily admission fees would be charged for use of the multi-purpose community center.

## **Concessions/Merchandise**

Concessions and merchandise revenue consists of sales of various food and beverage items as well as sports equipment and apparel at various points-of-sale at the complex. Revenue assumptions are based on estimated usage and attendance, and comparable per capita spending from community and aquatic facilities across the country (approximately \$1-\$3 per visitor per day).

## **Rental**

Rentals typically occur for swim clubs, swim meets, practices, league play, and tournaments. We have conservatively assumed, based on competitive rental rates within the market, that average rental rates would be approximately \$50 to \$60 per hour for a court at the community center. We have conservatively assumed for the aquatic center, based on smaller aquatic facilities nationwide that average rental rates would be approximately \$175 per hour for peak times (Friday-Sunday) and \$100 per hour for non-peak times.

# EXPENSES

*Operating expenses expected to be generated by the Laurel Aquatic Recreation Complex include salaries, wages, and benefits, utilities/chemicals, and other expenses. A brief description of each potential major source of expense is provided below.*

## **Salaries, Wages & Benefits**

Based upon comparable venues, we have assumed that the aquatic center would have approximately five (5) full-time equivalent employees, which includes a General Manager (\$80,000 salary), Aquatics Supervisor (\$65,000 salary), Aquatics Coordinator (\$45,000 salary), and two Maintenance and Custodial staff (\$35,000 salary). In addition, we have assumed benefits for each full-time employee would equal 30% of salary. Furthermore, we have assumed more than \$150,000 per year in part-time and seasonal labor.

We have also assumed the multi-purpose recreation and community center would have approximately three (3) full-time equivalent employees, which includes an Operations Manager (\$55,000 salary), Program Manager (\$55,000 salary), and one Maintenance/Custodial staff (\$35,000). In addition, we have assumed benefits for each would equal 30% of salary. Lastly, we have also assumed \$50,000 in part-time/season hours.

## **Utilities & Chemicals**

Utilities often represent one of the largest expenses incurred by facility operators. Cost estimates for utilities include use of electricity, gas, water, and steam, and are based upon comparable utility costs per square foot at similar facilities. In addition, pool water maintenance requires regular application of disinfectant chemicals, typically including chlorine and bromine.

# EXPENSES (CONT.)

## Other Expenses

Other expenses expected to be incurred by the proposed LARC facilities include general and administrative expenses, repairs and maintenance, materials and supplies, marketing/advertising costs, insurance, and other such expenses, as described below:

- Maintenance and repairs for structures, equipment, grounds, etc.
- Materials and supplies for administration and operations of the facility
- General liability insurance to cover the grounds, restrooms, and other such areas. It is assumed that any third-party events held at the facility would also be required to carry their own minimum levels of liability insurance. (Note: Private insurance carried by a privately owned/operated recreation facility is typically significantly higher than a public facility, which can typically roll the additional insurance costs into their overall Parks & Recreation insurance budget.)
- Office and administrative expenses, including but not limited to marketing and advertising, telecommunications, travel costs, permits, service fees, and other such operating expenses

These expenses have been estimated based upon expenses at comparable venues

## Conclusion:

- As shown on the previous pages, it is estimated that there could be an operating deficit of more than \$300,000 per year for the Laurel Aquatic Recreation Complex at full build-out.
- It is also recommended (as was done with Paul Stock Recreation & Aquatic Center in Cody, Wyoming) that an operations/maintenance fund be established. Methods to raise funds could include the establishment of a community recreation district and/or continual fundraising efforts by LARC.

- Capital Needs:**

	<u>Aquatic Center</u>	<u>Community Center</u>	<u>Combined Operations</u>
Estimated Annual Operating Losses:	\$163,471	\$145,659	\$309,130
Typical Useful Life of a Sports Facility:	25	25	25
Total Long-Term Operating Losses:*	\$5,960,032	\$5,310,620	\$11,270,652
Net Present Value of Operating Losses:**	\$3,119,857	\$2,779,913	\$5,899,770

\* Assumes 3% annual inflation

\*\* Assumes 5% discount rate

At full build-out, the combined operations of the aquatic center and the community recreation center is estimated to generate an annual operating loss, requiring as much as \$11.3 million in operating subsidies over 25 years. As a result, a long-term capital reserve fund with a net present value greater than \$5.8 million should be established to subsidize the operations of the facility.

This capital reserve fund can also be drawn upon by facility owners/operators to pay for necessary capital maintenance and improvements as the facilities age.



# CONCLUSION & RECOMMENDATION

## Conclusion:

- A group of Laurel residents started LARC in 2015 with the goal to build a community recreation facility, ideally including a multi-purpose community center, gym space, and indoor pool, all of which are needed in Laurel, but the costs to both build and operate the facility with City funds does not appear feasible. Therefore, it is likely that LARC would have to privately raise the funds to construct and operate the facility.
- While LARC has been able to raise some initial funds and engage the community, there is a considerable gap between the amount they have raised and the potential costs of building and operating a facility such as the Paul Stock Aquatic & Recreation Center . It is likely that closing a project funding gap upwards of \$15 million would be difficult to achieve, however LARC intends to commence a capital campaign soon, and a potential new facility could be phased/scaled based upon the amounts they are ultimately able to raise.

## Recommendation:

- Victus Advisors recommends that LARC representatives should continue their fundraising efforts in an effort to raise enough funds to build at least one of their desired facilities (community event center, indoor pool, indoor gym).
- If LARC is unable to raise enough funds for a new facility, Victus recommends that the funds they do raise could be used by LARC (not the City) to help maintain the existing pool, support its annual operations, and potentially complete some capital improvements/enhancements, rather than risk the pool closing due to a lack of public budget support.

## Recommendation (Cont.):

- If LARC is able to raise the funds to construct a community facility in Laurel, they should consider proposing the establishment of a community recreation district to support the ongoing operations of the facility. The following examples are recreation districts found in Montana:
  - ❑ The Beartooth Park and Recreation District (BPRD) in Stillwater County, Montana was created in 2003. The BPRD is funded through levy pursuant to MCA 15-10-420 with a maximum of 4 mills. With an annual budget of approximately \$62,700 the BPRD maintains Hawkins Park, Absarokee Swimming Pool and the Absarokee baseball/soccer complex. Some funding for these facilities are raised through Associations that benefit from these facilities.
  - ❑ The Colstrip Parks & Recreation District (CPRD) was formed in 1987 after voters approved a three mill maximum levy. In 1989 voters approved raising the mill levy from three to six mills with the additional three mills earmarked for the development of a park, youth baseball stadium, and a golf course. The District has been able to provide support for youth sports groups such as baseball, softball, soccer, basketball, fitness programs and open gym. Additionally adult activities provided by the CPRD are golf, softball, basketball, racquetball, volleyball, and many fitness programs. The CPRD maintains the community center, the pool, the park system, bike paths, Castle Rock Lake area and trail, the ice skating/hockey rink area, the clubhouse and golf course. The CPRD has an annual budget of just over \$2.6 million. It is worth noting that about 96% of collections are from the property values of the existing power plants.

## IX. SPORTS MARKET OPPORTUNITIES & FACILITY CONCEPT RECOMMENDATIONS

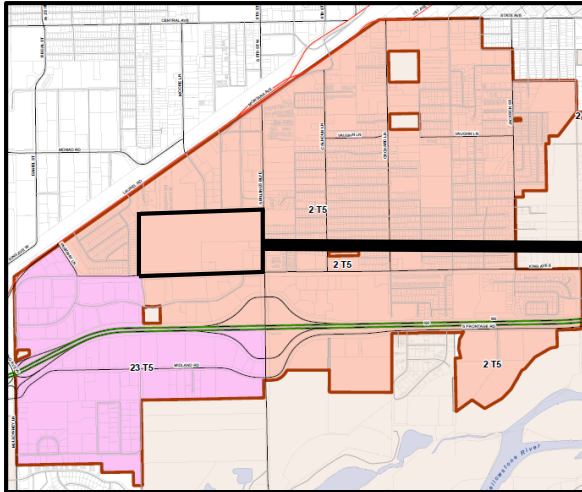
## Key Strengths of the Yellowstone County Sports Tourism Market:

- Feedback from interviews, focus groups, and survey respondents indicate that organizations like Visit Billings are doing a great job at facilitating events in spite of the lack of quality facilities.
- Visit Billings and the Chamber of Commerce in particular have done a great job of engaging sports event visitors and participants. One focus group member recalled businesses arriving at the airport to greet travelers as they arrived which was perceived as a “personal touch”.
- Yellowstone County’s relatively affordable lodging rates also make the County a more desirable sports tourism destination as opposed to other destinations such as Jackson Hole. In addition the County has nearly 5,000 available hotel rooms.
- There are many affordable family dining, retail, and lodging options available in the Billings area, as Billings is a regional hub for such activity.
- The Billings MSA is the most populous market within an approximately 8-hour drive. As a result, it is a regional and commercial hub for residents of Montana, Idaho, Wyoming, North Dakota, and South Dakota. New and/or expanded facilities could be a catalyst for Yellowstone County and make it the primary sports tourism destination in the region.

## Potential Weaknesses of the Yellowstone County Sports Tourism Market:

- Yellowstone County has a significant lack of large, indoor, dedicated sports facilities for competitive sports activity.
- There is significant seasonality in the County's amateur sports tourism schedule, with November through March showing the lowest activity levels. Key factors in terms of missed sports tourism opportunities outside the summer months include:
  - ❑ Winter - the County lacks indoor, tournament-caliber facilities for basketball/volleyball, swimming, and ice sports.
  - ❑ Fall/Spring - Amend Park lacks lights and artificial turf fields that could extend both the daily usage and shoulder season usage for outdoor sports.
- Many local groups have expressed frustration with Billings Parks & Recreation's management of many of the City-owned sports facilities. As a result many groups privately maintain the fields (e.g. Amend Park and Stewart Park) under operating agreements that also provide priority access.
- Any new or expanded facilities would likely require some sort of public financial support via taxes or another mechanism. Based upon Victus' conversations with stakeholder groups and local government officials, public funding may not be feasible if it requires voter approval of a tax increase. There is no sales tax in Montana, and there seems to be minimal tolerance for potential property tax increases in the County. This could be a considerable stumbling block for any sports facility development project in the County, as most sports tourism-caliber facilities throughout the country are developed and/or operated with significant financial support from local government sources.

# MARKET OPPORTUNITY: SOUTH BILLINGS URBAN RENEWAL ASSOCIATION



Sources: South Billings Urban Renewal Association, Google Maps

Various stakeholders and local users recommended that sports facility development should be centrally located within the County. More specifically the western and southern areas of Billings were identified as ideal locations due to population and commercial growth, in addition to available land.

After meeting with South Billings Urban Renewal Association (SBURA), Victus Advisors learned that there are up to 10.1 acres of land potentially available next to Amend Park. Additionally SBURA is willing to invest in a facility (or multiple facilities) with available cash on hand to be leveraged with other potential sources of funding. The primary caveat is that the facilities would have to be publicly owned if SBURA were to pay for construction costs, however the facilities could still be privately operated (via contract or non-profit management) so as not to impact City operating budgets. Lastly, SBURA believes that indoor sports tourism facilities could be the number one priority for the Association, and that a decision to invest in such a project could be made within a matter of months.

As a result, Victus Advisors believes that locating one or more indoor sports facilities within SBURA's district may be a financially feasible option for constructing new sports venues in the County without the need for a mill levy vote. From SBURA's perspective, in addition to their contributions, a private fundraising goal of roughly 24% to 30% per project scenario is their target.

# FACILITY CONCEPT RECOMMENDATIONS

Our facility recommendations are based primarily upon the following primary and secondary research conducted by Victus Advisors over the course of this study:

- Analysis of Yellowstone County's unique market characteristics.
- Review of comparative markets.
- Community feedback via interviews, focus groups, and online surveys.
- Interviews conducted with event organizers and tournament operators

A primary goal of our study has been to identify the best opportunities for Yellowstone County to invest in competitive infrastructure that can both support the growing local demand for the most popular sports and also generate economic benefit for the community by attracting competitive regional/national events.

Based on customized research and our extensive industry experience, we have identified that significant community demand exists for the following facility development concepts (presented in no particular order):

- A. Upgrades To Stewart Park & Amend Park**
- B. Indoor Multi-Court Sports Center**
- C. 2-Sheet Ice Arena**
- D. Competitive Swim Center**

# FACILITY CONCEPT A: UPGRADES TO STEWART PARK & AMEND PARK

## Recommendation:

- Soccer, baseball, and softball were identified by stakeholders and survey respondents as the most established sports in Yellowstone County. Stewart Park and Amend Park were cited as the facilities used most by the aforementioned sports. Collectively the facilities were described as under-maintained with the potential to be premier venues for hosting large scale tournaments and events.
- Key opportunities include adding lights to existing Amend Park, and converting at least two (2) fields to artificial turf. Additionally Stewart Park would benefit from new or improved dugouts, new or improved fields including potential installation of artificial turf for at least one field.
- Due to public funding challenges, as well as the fact that Amend Park and Stewart Park are currently operated by private groups, it is recommended that a private fundraising approach be used to raise funds for these upgrades.
- Based upon Victus' experience, field lights can typically be installed for \$200,000 to \$250,000 per field, and new artificial turf fields can be installed for \$500,000 to \$1 million per field.

## Rationale:

- Many users felt that Stewart Park can meet the local demand and tournament demand if the facility received the “facelift” it needs. The facility is already in a good location, and a new facility would not be necessary. Another user felt that Stewart Park could be a premier location for regional softball events. The only thing that is needed is field upgrades and improvements.
- Lights and artificial turf fields at Amend Park would extend usage annually, as shown on the next page, which could potentially provide more access for non-soccer groups. Availability of at least one or two artificial turf fields also reduces the risk of weather-related cancellations for tournaments.



# AMEND PARK - ESTIMATED OPERATING HOURS WITH FIELD LIGHTS

If field lights were added to Amend Park, Victus Advisors estimates that the total annual operating hours of the facility could increase by approximately 41%, which could significantly increase access for non-soccer groups.

**TIME:**

10:00 PM	<b>ADDITIONAL HOURS WITH LIGHTS</b>	180	168	186	180	62	60	62	62	180	186	174	180	<b>1680</b>
9:00 PM														
8:00 PM														
7:00 PM														
6:00 PM														
5:00 PM														
4:00 PM														
3:00 PM														
2:00 PM														
1:00 PM	<b>HOURS WITHOUT LIGHTS</b>	300	280	310	300	434	420	434	434	300	310	290	300	<b>4112</b>
12:00 PM														
11:00 AM														
10:00 AM														
9:00 AM														
8:00 AM														
7:00 AM														
<b>MONTH:</b>	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	<b>Total</b>	

**TOTAL PERCENTAGE INCREASE OF HOURS: 41%**

*Note: Assumes 362 annual operating days accounting for Thanksgiving, Christmas, and New Year's Day*

# FACILITY CONCEPT B: INDOOR SPORTS CENTER

## Recommendation:

- Yellowstone County should consider the development of an indoor, multi-court, tournament-caliber sports facility. Based upon the results of our market and facility analysis, Victus Advisors recommends that a new indoor sports center in Yellowstone County should have:
  - ❑ At least four (4) to six (6) basketball courts, which should be convertible to eight (8) or more volleyball courts.
  - ❑ If construction costs could be limited to approximately \$125 per square foot, up to an 80,000 square foot indoor multi-court facility could be built for approximately \$10 million.\*
  - ❑ Depending on budget, at least one (1) indoor artificial turf area should also be considered, which could be utilized as one (1) full-length soccer or lacrosse field, or two (2) shorter fields for youth soccer, flag football, lacrosse practice, football practice, and/or batting cages. Support areas and amenities, including lobby, concessions, team rooms, offices, mechanical/electrical rooms, storage, circulation, etc.

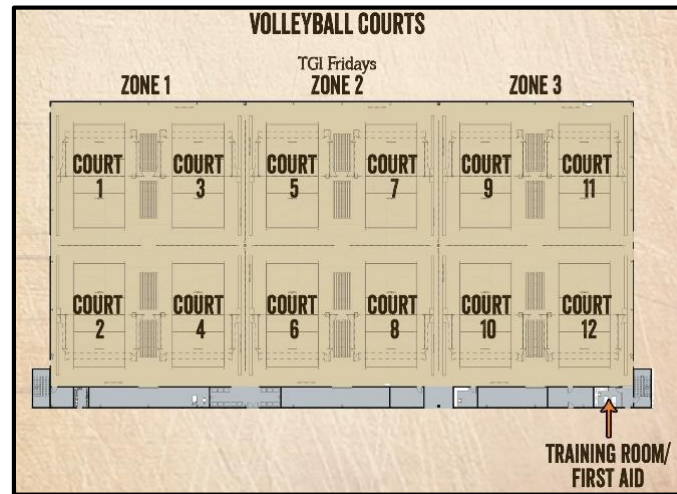
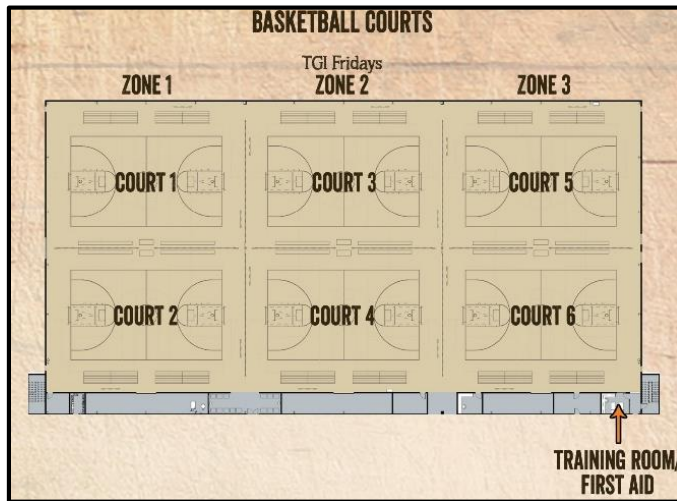
## Rationale:

- Victus found that indoor, multi-court facilities are significantly lacking in the County.
- An indoor sports facility would balance the seasonality of the County's current sports tourism calendar and provide incremental economic impact in the winter and early spring.
- Access to indoor field space would benefit outdoor field groups that could train and practice during the winter months.

*\* As shown in the Appendix, comparable facilities have been built in recent years for \$117 to \$207 per sq. ft, in 2017 dollars. Detailed square footages and construction cost estimates should be developed by project architects and engineers.*

# FACILITY CONCEPT B: INDOOR SPORTS CENTER (CONT.)

Court Layouts from a Sample Indoor Sports Center:



The Rocky Top Sports World in Gatlinburg, Tennessee has multiple court configurations. The facility can accommodate up to three (3) NCAA-sized basketball courts, six (6) high school basketball courts, or 12 volleyball courts, as shown above.

It should be noted that indoor sports facilities typically do not have permanent grandstands and will often accommodate spectators via small, portable bleachers that they place between the courts (depending on basketball/volleyball configurations).

# FACILITY CONCEPT C: 2-SHEET ICE ARENA

## Recommendation:

- Demand exists for a new 2-sheet indoor ice facility with a seating capacity of at least 500 seats capable of hosting regional/national hockey and figure-skating events year-round. However, based on analysis of construction costs of comparable 2-sheet ice facilities nationwide, it is preliminarily estimated that construction costs could exceed \$15 million (100,000 sq. ft. at \$150/sq. ft.)\*. That said, as previously noted in the report, Victus Advisors believes that a new ice arena could potentially be privately operated without requiring ongoing subsidies.
- Victus found that the majority of ice facilities that we profiled in the region were privately funded and operated. If a 2-sheet facility is not feasible with public funding assistance, local ice users might consider private fundraising opportunities for building a new 1-sheet facility that is operable year-round and has modern support amenities (ice-making equipment, locker rooms, storage, etc.). Bozeman recently built a small but functional 1-sheet facility via \$4.5 million of private funding.

## Rationale:

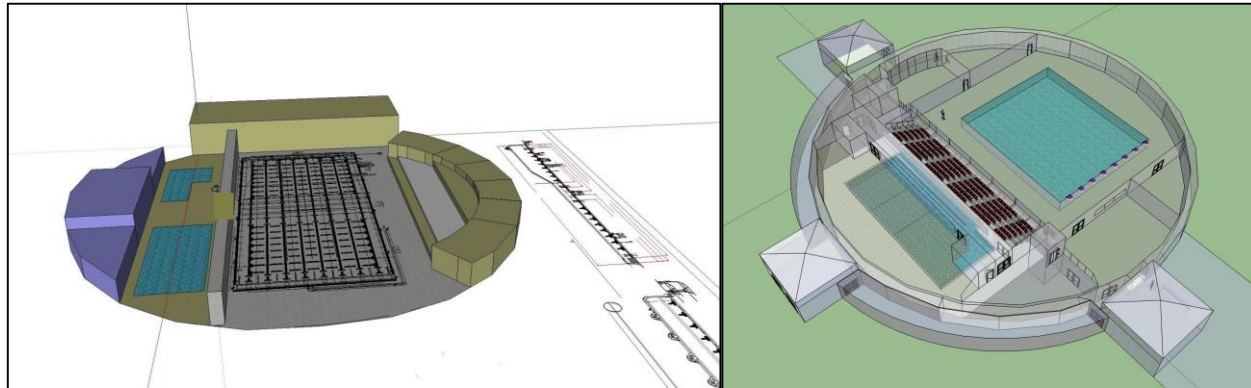
- Despite best efforts by Centennial Ice Arena staff, the facility is near the end of its useful life. A new 2-sheet ice arena in the County would benefit not only local users, but also draw significant tournament and event activity from around Montana and nearby states. Two sheets of ice would accommodate existing ice activities in the County, while increasing the County's ability to attract significant regional tournament activity for which Centennial Ice Arena does not currently meet requirements.
- It should also be noted that Victus Advisors has assumed that if a new 2-sheet ice arena were built, Centennial Ice Arena would be demolished so that the County could repurpose the land for its highest and best use.

*\* Estimate based upon comparable ice arena construction costs, in 2017 dollars, as shown in Appendix. Detailed square footages and construction cost estimates should be developed by project architects and engineers.*

# FACILITY CONCEPT D: COMPETITIVE SWIM CENTER

## Recommendation:

- There is significant demand for a competitive-caliber indoor aquatic facility in Yellowstone County. Demand exists for a swim center capable of hosting regional/national swim meets year-round (50M competitive pool, at least eight (8) lanes, etc.).
- Based on a review of the enterprise plan completed for Billings Aquatic Club by USA Swimming, it is estimated that a 45,000 square foot competitive swim center (as shown below) could be built for approximately \$20.4 million (more than \$450 per sq. ft., prior to land costs and exterior infrastructure)\*. Furthermore, the recent Parks and Recreation Master Plan for the City of Billings estimated that a new aquatic facility could cost between \$400 and \$500 per sq. ft.



## Rationale:

*Source: USA Swimming, Enterprise Plan for a New Aquatic Center in Billings*

- Although there are a few indoor and outdoor aquatic facilities in the County, the ability to host competitive swim meets is limited. A competitive indoor swim facility in Billings could drive significant economic impact to the County for regional competitive events both in the state and in the region.

*\* Note: Additional aquatic facility construction costs from regional venues are shown in the Appendix. It is recommended that detailed square footages and construction cost estimates should be developed by project architects and engineers.*

# FACILITY CONCEPT D: COMPETITIVE SWIM CENTER (CONT.)

## Additional Comments:

- It is important to note the difference between a competitive swim center (as recommended herein) and an indoor recreation aquatic center:
  - ❑ A recreation/leisure pool will often times have slides and other family-friendly features and would not be able to host any type of competitive swim meet.
  - ❑ Based upon our one-on-one interview with Billings Aquatic Club, their ideal competitive swim center should feature:
    - Eight (8) to 10 long course lanes (convertible to up to 26 short course lanes)
    - 50 meter by 25 yard pool dimensions
    - Spectator seating capacity (500+ seats)
    - Small, shallow lesson pool (for warm water therapy, etc.)
  - ❑ If an aquatic center were built to accommodate both competitive and recreational use, a significantly larger and more expensive aquatic center would have to be built to provide both competitive and recreational pool areas.
  - ❑ In addition, it should be noted that a public swim facility could have limited local/recreational access during large, competitive, weekend meets that utilize the entire facility.
- Lastly, if the proposed long course swim center is deemed too cost prohibitive, a smaller facility comparable to Powell Aquatic Center in Powell, Wyoming (constructed for an estimated \$13.7 million in 2017 construction dollars) could be considered as an alternative. It should be noted that a smaller facility would not be capable of hosting long course meets, however it could meet the year-round practice needs of Billings Aquatic Club, as well as provide a superior option relative to the existing pool inventory in Yellowstone County for competitive short course meets. However, if hosting long course meets remains a priority, another more affordable option could be to consider expansion of Rose Park as a usable outdoor pool for long course season.

## X. FACILITY UTILIZATION & FINANCIAL PROJECTIONS

The purpose of this section is to present utilization and financial projections for three potential new sports facilities in Yellowstone County as follows:

- A. Indoor Sports Center
- B. 2-Sheet Ice Arena
- C. Competitive Swim Center

*Disclaimer:* When reviewing this section of the report, please note that the following projections are based on specific sets of assumptions for each facility type that were derived from various sources, including but not limited to stakeholder and sports community input, comparable facility data, Yellowstone County market factors, and Victus Advisors' sports facility industry experience. This utilization and financial operations analysis has been completed during the pre-planning stages of potential future facility development, and as such, all facility assumptions in this section should be considered as preliminary estimates only. The facility features and square footages, which will significantly affect both the construction costs and operational outcomes of each facility, will ultimately be based upon future site-specific designs developed by project architects and engineers in conjunction with community stakeholders. In future planning phases, project stakeholders will need to determine the scale and purpose of the proposed facilities, such as: site viability, competitive vs. recreational programming, ancillary amenities, capacity to raise funds publicly versus privately, etc.

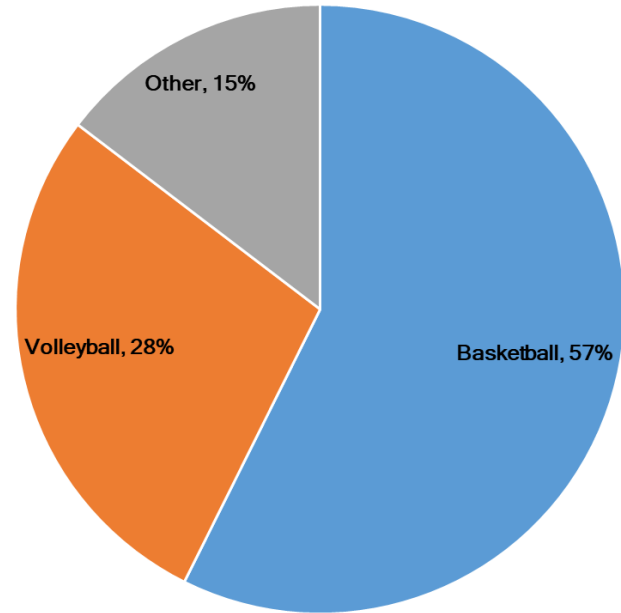


# X. UTILIZATION & FINANCIAL PROJECTIONS: A. INDOOR SPORTS CENTER

# INDOOR SPORTS CENTER ESTIMATED ANNUAL UTILIZATION - BY SPORT

It is estimated that basketball would account for the majority of indoor sports center utilization at approximately 57% of the usage hours.

Sport	Facility Hours
Basketball	10,343
Volleyball	5,050
Other	2,640
<b>TOTAL</b>	<b>18,033</b>



**Total Estimated Annual Visits: 252,462\***

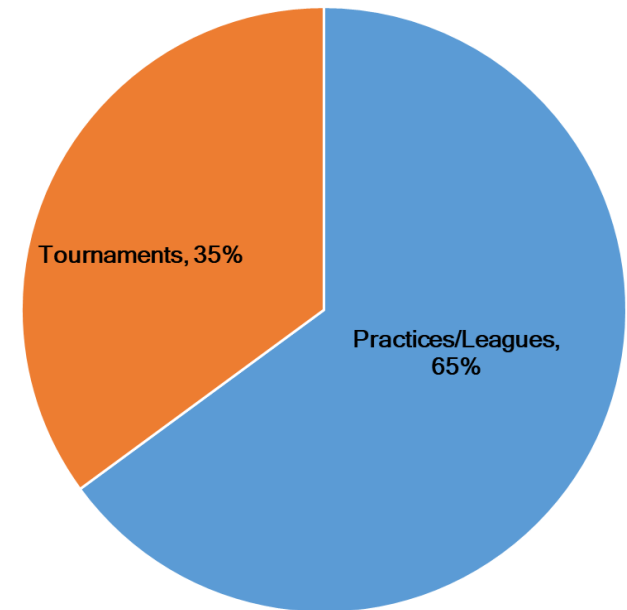
*\*Notes:*

- (1) Includes estimated athletes, officials, coaches, parents/family, spectators, etc.
- (2) Represents unique daily visits. For example, if an athlete participated in practices on a Tuesday and a Thursday one week, that would count as two (2) unique visits that week.

# INDOOR SPORTS CENTER ESTIMATED ANNUAL UTILIZATION - BY TYPE

It is estimated that the indoor sports center could host approximately 40 annual tournaments of varying sizes, primarily weekend events, accounting for over 35% of the facility's usage. It should be noted that practices/leagues would primarily be local residents (Monday-Thursday), while tournaments would draw athletes and spectators from outside Yellowstone County (Friday-Sunday).

<u>Event</u>	<u>Facility Hours</u>
Practices/Leagues	11,709
Tournaments	6,324
<b>TOTAL</b>	<b>18,033</b>



Estimated Annual Tournaments/Competitions: 40

# INDOOR SPORTS CENTER OPERATING PROJECTIONS - KEY ASSUMPTIONS

The following key assumptions were utilized by Victus Advisors in order to develop operating and financial projections for a new youth and amateur indoor sports center in Yellowstone County:

- The indoor sports center would be approximately 80,000 sq. ft. and have the following features:
  - ❑ At least four (4) to six (6) basketball courts, which should be convertible to eight (8) or more volleyball courts.
- Financial projections have been developed for the indoor sports center and are based on estimated programming, practice, league, and tournament usage.
- The indoor sports center will be publicly owned and thus exempt from property taxes.
- It has been assumed that the indoor sports center will be operated by a professional, third-party, sports facility operator. For the time being we have assumed a fixed annual management fee of \$100,000, based upon industry comparables, however this amount would ultimately be subject to negotiation with the operating firm.
- No assumptions have been made yet for debt service or capital improvement funds.
- The indoor facility will offer competitive rental rates and aggressively market to club teams, leagues, and regional/national tournaments. The state-of-the-art facility will be designed to compete against other regional indoor sports facilities in attracting tournaments and sports tourism.
- It has been assumed that the facility operator would develop or enhance public sports leagues such as adult basketball, youth basketball, and volleyball etc., as well as camps, clinics, and other such revenue generating events. In this model, we have assumed that these programs would be operated by the facility operator. Alternatively, the space could be rented out to Billings Parks & Recreation for programming. Either way, program revenue is often crucial to the operating profitability of a sports facility.
- These projections are based on current market circumstances, and thus assume that there will be no other major changes to the available indoor sports facility inventory within Yellowstone County.
- The financial projections displayed on the following page utilize a variety of additional assumptions, including data gathered from third-party sources, information provided by Visit Billings and various local municipalities, and Victus Advisors' industry experience. There will be differences between these projections and actual events, and these differences may be material.

# INDOOR SPORTS CENTER FINANCIALS - STABILIZED YEAR OF OPERATIONS

In a stabilized year of operations, it is estimated that the operations of the proposed indoor sports center in Yellowstone County could generate an estimated annual operating margin of nearly 20%.

A description of each revenue/expense estimate is provided on the following pages.

	Stabilized Year
<b>Operating Revenues:</b>	
Rental Income	\$991,815
Programming (Leagues, Camps, Clinics)	\$264,000
Concessions & Merchandise (Net)	\$241,100
Advertising & Sponsorship	\$55,200
Other (1)	\$15,000
<b>Total Revenues:</b>	<b>\$1,567,115</b>
<b>Operating Expenses:</b>	
Salaries, Wages, & Benefits	\$559,500
Program Expenses	\$184,800
Utilities	\$184,395
General & Administrative	\$180,000
Management Fee (2)	\$100,000
Maintenance/Repair	\$35,891
Materials/Supplies	\$16,863
<b>Total Expenses:</b>	<b>\$1,261,450</b>
<b>Net Income (Loss):</b>	<b>\$305,665</b>
<b>Estimated Operating Margin:</b>	<b>19.5%</b>

*Notes: Presented in 2018 dollars. Stabilized year of operations typically occurs by Year 3.*

*1) Please see page 183*

*2) We have assumed a private operator with estimated \$100,000 annual fee.*

# INDOOR SPORTS CENTER LONG-TERM CAPITAL NEEDS

Capital Reserve Funding: 0.50%										
Operating Year:	1	2	3	4	5	10	15	20	25	30
Cumulative Capital Reserve Contributions	\$50,000	\$101,500	\$154,545	\$209,181	\$265,457	\$573,194	\$929,946	\$1,343,519	\$1,822,963	\$2,378,771

*Notes:*

*(1) 0.50% reserve funding scenario represents 0.50% of estimated facility construction costs, plus 3% annual inflation, contributed annually to a capital reserve fund.*

*(2) Cumulative Capital Reserve is a conservative calculation of potential available funds, as no assumptions have been made for potential returns from holding Reserve Funds in an investment account or interest-bearing account.*

Current industry best practices for long-term capital needs is to annually contribute an amount equal to at least 0.50% of facility construction costs (est. \$10 million for an indoor sports center), or approximately \$50,000 in Year 1, increased annually for inflation to a reserve fund. This capital reserve fund can be drawn upon by facility owners to pay for necessary capital maintenance and improvements as the facility ages.

# INDOOR SPORTS CENTER REVENUES

*Revenue generated by the proposed indoor sports center is expected to consist primarily of rental income, concessions/merchandise, programming, and advertising/sponsorship. A brief description of each potential revenue source is provided below.*

## **Rental Income**

Facility rent typically accounts for the largest revenue source for a multi-sports facility. Rentals typically occur for practices and league play (primarily local-use within Yellowstone County) and tournaments (regional/national usage). We have conservatively assumed, based on competitive rental rates within the County, that average rental rates basketball/volleyball courts would be approximately \$55 per hour. It is expected that “rack” rates could be higher, however average rental rates are often lower than rack rates due to discounts associated with long-term usage agreements.

## **Concessions & Merchandise**

Concessions and merchandise revenue consists of sales of various food and beverage items as well as sports equipment and apparel at various points-of-sale throughout the facility. Revenue assumptions are based on estimated usage and attendance, and comparable per capita spending from facilities across the country (approximately \$1-\$3 per visitor per day).

# INDOOR SPORTS CENTER REVENUES (CONT.)

## Facility Programming (Leagues, Camps, Clinics, etc.)

Net revenues from facility programming often make the difference of whether a sports facility is profitable or requires subsidy. It is expected that for the indoor sports center, a private operator would create in-house programming and/or rent programming space to the local Parks & Recreation department. If the facility does not generate program-based revenues, either through in-house programming or rental fees from outsourced programming, it is likely that the facility could require annual operating subsidies.

Programming typically consists of camps, clinics, and leagues organized by the facility operator, with revenue primarily consisting of registration fees. We have assumed that the majority of these events would be related to basketball and volleyball, however other sports like pickleball could also be opportunities.

## Advertising & Sponsorship

Advertising and sponsorship revenues are assumed to be derived from the sale of wall banners (\$400 per banner), permanent signage (\$800 per sign), scoreboard signage (\$2,000 per scoreboard), and presenting/founding level partnerships (\$10,000 per founding partner). Typically, there are only a handful (four to six) of founding partners, whereas there could be as many as 40 or more signage/banner opportunities available. Overall, we have conservatively assumed that approximately 75% of the available inventory would be sold.

## Other Revenue

Other revenue opportunities would primarily consist of any equipment rental fees or other special services charges, as well as any potential parking fees charged for major events. We have conservatively projected up to \$15,000 in other annual revenues.



# INDOOR SPORTS CENTER EXPENSES

*Operating expenses expected to be generated by the proposed indoor sports center include salaries, wages, and benefits, operations/programming costs, utilities, and other expenses. A brief description of each potential major source of expense is provided below.*

## **Salaries, Wages & Benefits**

We have assumed that the indoor sports center would have six (6) full-time employees for the indoor facility, including a General Manager (\$80,000 salary), Event Manager (\$55,000 salary), Marketing/Communications Manager (\$55,000 salary), Operations Manager (\$55,000 salary) and two Maintenance and Custodial staff (\$35,000 salary). In addition we have assumed benefits for each would equal 30% of salary. Lastly, we have assumed more than \$150,000 per year in part-time and seasonal labor.

## **Program Expenses**

Expenses related to operating programs at the indoor sports center, including leagues, camps, clinics, etc. have been assumed to be approximately 70% of sports programming revenues, a 30% operating margin based on costs at comparable facilities.

## **Utilities**

Utilities often represent one of the largest expenses incurred by facility operators. Cost estimates for utilities include use of electricity, gas, water, and steam, and are based upon comparable utility costs per square foot at similar facilities.

# INDOOR SPORTS CENTER EXPENSES (CONT.)

## Management Fee

Based upon our experience the minimum annual third-party operating fee for a sports tourism-caliber, multi-court, indoor sports facility is typically in the range of \$100,000 per annum, but can go upwards from there depending on the size, scale, and profitability of the venue.

## Other Expenses

Other expenses expected to be incurred by the proposed indoor sports center include general and administrative expenses, repairs and maintenance, materials and supplies, marketing/advertising costs, insurance, and other such expenses, as described below:

- Maintenance and repairs for structures, equipment, grounds, etc.
- Materials and supplies for administration and operations of the facility
- General liability insurance to cover the sports courts, grounds, restrooms, and other such areas (Note: With a private, for-profit operator, we have assumed higher private insurance levels relative to public facility management, however we have also assumed that events and user groups would be required to carry additional insurance)
- Office and administrative expenses, including but not limited to marketing and advertising, telecommunications, travel costs, permits, service fees, and other such operating expenses

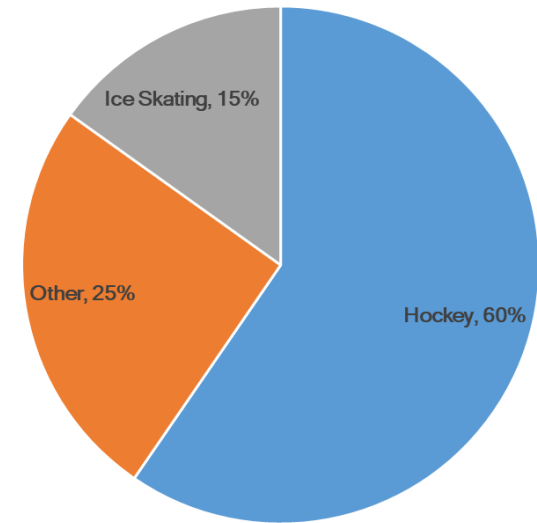
These expenses have been estimated based upon expenses at comparable venues.

# X. UTILIZATION & FINANCIAL PROJECTIONS: B. 2-SHEET ICE ARENA

# 2-SHEET ICE ARENA EST. ANNUAL UTILIZATION - BY SPORT

It is estimated that organized hockey would account for the majority of ice hockey facility utilization at approximately 69% of the usage hours. “Other” programming would include events and programs offered by the operator to generate additional revenue.

Sport	Facility Hours
Hockey	2,600
Other	1,104
Ice Skating	660
<b>TOTAL</b>	<b>4,364</b>



*Note 1: Sorted by Facility Hours in descending order*  
*Note 2: Other includes programs such as public skate sessions, classes, camps, clinics, etc..*

**Total Estimated Annual Visits: 109,100\***

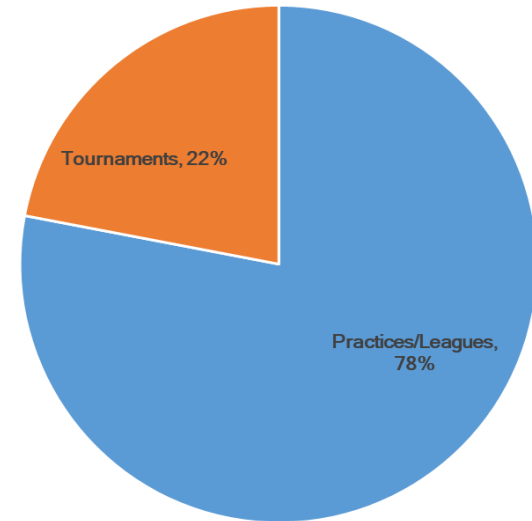
*\*Notes: (1) Includes estimated athletes, officials, coaches, parents/family, spectators, etc.  
 (2) Represents unique daily visits. For example, if an athlete participated in practices on a Tuesday and a Thursday one week, that would count as two (2) unique visits that week.*

# 2-SHEET ICE ARENA EST. ANNUAL UTILIZATION - BY TYPE

It is estimated that the ice hockey facility could host approximately 25 annual tournaments, primarily weekend events, accounting for approximately 22% of the facility's usage hours. It should be noted that practices/leagues would primarily be local residents (Monday-Thursday), while tournaments would draw athletes and spectators from outside Yellowstone County (Friday-Sunday).

<u>Event</u>	<u>Facility Hours</u>
Practices/Leagues	3,404
Tournaments	960
<b>TOTAL</b>	<b>4,364</b>

*Note: Sorted by Facility Hours in descending order*



Estimated Annual Tournaments/Competitions: 25

# 2-SHEET ICE ARENA OPERATING PROJECTIONS - KEY ASSUMPTIONS

The following key assumptions were utilized by Victus Advisors in order to develop operating and financial projections for a new 2-sheet ice arena in Yellowstone County:

- The ice arena would be approximately 100,000 sq. ft. and have the following features:
  - ❑ Two (2) ice sheets
  - ❑ Locker rooms, multi-purpose/team rooms, family viewing/concessions space, and other such amenities necessary for hosting major regional hockey tournaments
- The facility will be owned by a non-profit and thus exempt from property taxes.
- The facility will be operated by a non-profit organization such as Billings Amateur Hockey League (BAHL).
- Centennial Ice Arena would no longer be in operation.
- No assumptions have been made yet for debt service or capital improvement funds.
- Revenues and expenses are based upon the recommended building program and estimated usage presented earlier in this report.
- The facility will offer competitive rental rates and aggressively market to club teams, leagues, local tournaments, and regional/national tournaments.
- It is has been assumed that the facility would market and operate public sports leagues, camps, and clinics in order to enhance the revenues of the facility.
- These projections are based on current market circumstances, and therefore assume that there will be no other major changes to the available hockey facility inventory within Yellowstone County.
- The financial projections displayed on the following pages utilize a variety of additional assumptions, including data gathered from third-party sources and Victus Advisors' industry experience. There will be differences between these projections and actual events, and these differences may be material.

# 2-SHEET ICE ARENA FINANCIALS - STABILIZED YEAR OF OPERATIONS

In a stabilized year of operations, it is estimated that the operations of the proposed 2-sheet ice arena in Yellowstone County generate an estimated annual operating margin of nearly 11%.

A description of each revenue/expense estimate is provided on the following pages.

	Stabilized Year
<b>Operating Revenues:</b>	
Rental Income	\$872,800
Leagues, Camps, Clinics, & Classes	\$752,845
Public Skate & Drop-In Programs	\$172,000
Concessions & Merchandise (Net)	\$162,564
Advertising & Sponsorship (1)	\$40,000
Other (2)	\$27,500
<b>Total Revenues:</b>	<b>\$2,027,709</b>
<b>Operating Expenses:</b>	
Salary, Wages, & Benefits	\$752,500
Program Expenses	\$647,392
General & Administrative	\$191,000
Utilities	\$154,693
Maintenance/Repair	\$44,864
Materials/Supplies	\$21,079
<b>Total Expenses:</b>	<b>\$1,811,528</b>
<b>Net Income (Loss):</b>	<b>\$216,181</b>
<b>Estimated Operating Margin:</b>	<b>10.7%</b>

*Notes: Presented in 2018 dollars. Stabilized year typically occurs by Year 3.*

*(1) Represents a limited sponsorship/advertising program, as we have assumed that major facility naming opportunities could be utilized by the non-profit as a key component of the fundraising to build the facility.*

*(2) Please see page 193*

# 2-SHEET ICE ARENA LONG-TERM CAPITAL NEEDS

Capital Reserve Funding: 0.50%										
Operating Year:	1	2	3	4	5	10	15	20	25	30
Cumulative Capital Reserve Contributions	\$75,000	\$152,250	\$231,818	\$313,772	\$398,185	\$859,791	\$1,394,919	\$2,015,278	\$2,734,445	\$3,568,156

*Notes:*

*(1) 0.50% reserve funding scenario represents 0.50% of estimated facility construction costs, plus 3% annual inflation, contributed annually to a capital reserve fund.*

*(2) Cumulative Capital Reserve is a conservative calculation of potential available funds, as no assumptions have been made for potential returns from holding Reserve Funds in an investment account or interest-bearing account.*

Current industry best practices for long-term capital needs is to annually contribute an amount equal to at least 0.50% of facility construction costs (\$15 million), or approximately \$75,000 in Year 1, increased annually for inflation to a reserve fund. This capital reserve fund can be drawn upon by facility owners/operators to pay for necessary capital maintenance and improvements as the facility ages.



# 2-SHEET ICE ARENA REVENUES

*Revenue generated by the proposed 2-sheet ice arena is expected to consist primarily of rental income, program revenue, concessions/merchandise, and advertising/sponsorship. A brief description of each potential revenue source is provided below.*

## **Rental Income**

Ice sheet rent typically accounts for the largest revenue source for an ice facility. Rentals typically occur for practices, league play, and tournaments. We have conservatively assumed, based on comparative facilities nationwide that average rental rates would be approximately \$200 per hour for a sheet of ice. The rate would vary based on volume rented by groups and clubs.

## **Facility Programming (Leagues, camps, public skate, etc.)**

Programming consist of leagues, camps, and clinics organized by the facility operator, with revenue primarily consisting of registration fees and admission for drop-in, public skate, etc.

## **Concessions & Merchandise**

Concessions and merchandise revenue consists of sales of various food and beverage items as well as sports equipment and apparel at various points-of-sale throughout the facility. Revenue assumptions are based on estimated usage and attendance, and comparable per capita spending from ice facilities across the country (approximately \$1-\$3 per visitor per day).

## 2-SHEET ICE ARENA REVENUES (CONT.)

### Advertising & Sponsorship

Sponsorship and advertising revenues are assumed to be derived from the sale of wall banners (\$400 per banner), permanent signage (\$800 per sign), and scoreboard signage (\$2,000 per scoreboard), however we have reduced the available inventory of presenting/founding level partnerships, under the assumption that naming opportunities would be a key component of non-profit fundraising efforts. Overall, we have conservatively assumed that approximately 75% of the available inventory would be sold.

### Other Revenue

Other revenue opportunities would primarily consist of any equipment rental fees or other special services charges, as well as any potential parking fees charged for major events. Services would also include skate rentals, repairs, etc. We have conservatively projected up to \$27,500 in other annual revenues.

# 2-SHEET ICE ARENA EXPENSES

*Operating expenses expected to be generated by the proposed 2-sheet ice arena include salaries, wages, and benefits, operations/programming costs, utilities, and other expenses. A brief description of each potential major source of expense is provided below.*

## **Salaries, Wages & Benefits**

Based upon comparable venues, we have assumed that the ice hockey facility would have approximately eight (8) full-time equivalent employees, which includes a General Manager (\$80,000 salary), Hockey Director (\$65,000), Skating Director (\$65,000), Business Operations Manager (\$55,000), Operations Coordinator (\$45,000), Program Coordinator (\$45,000), and two Maintenance and Custodial staff (\$35,000 salary). In addition we have assumed benefits for each would equal 30% of salary. Lastly, we have assumed approximately \$200,000 a year in part-time/seasonal hours.

## **Program Expenses**

Expenses related to operating programs at the ice facility, including leagues, camps, clinics, etc. have been assumed to be approximately 70% of sports programming revenues, a 30% operating margin based on costs at comparable ice facilities.

## **Utilities**

Utilities often represent one of the largest expenses incurred by facility operators. Cost estimates for utilities include use of electricity, gas, water, and steam, and are based upon comparable utility costs per square foot at similar ice facilities.

## 2-SHEET ICE ARENA EXPENSES (CONT.)

### Other Expenses

Other expenses expected to be incurred by the proposed ice hockey facility include general and administrative expenses, repairs and maintenance, materials and supplies, marketing/advertising costs, insurance, and other such expenses, as described below:

- Maintenance and repairs for structures, equipment, grounds, etc.
- Materials and supplies for administration and operations of the facility
- General liability insurance to cover the grounds, restrooms, and other such areas  
(Note: With a private operator, we have assumed higher private insurance levels relative to public facility management, however we have also assumed that events and user groups would be required to carry additional insurance)
- Office and administrative expenses, including but not limited to marketing and advertising, telecommunications, travel costs, permits, service fees, and other such operating expenses

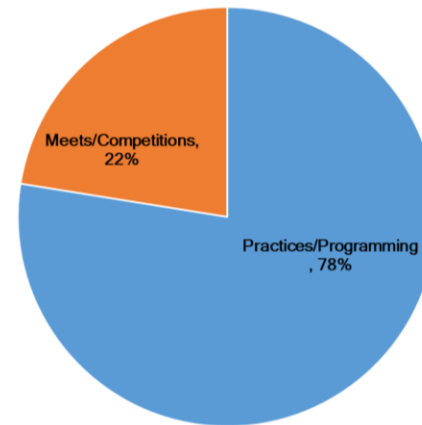
These expenses have been estimated based upon expenses at comparable ice venues.

# X. UTILIZATION & FINANCIAL PROJECTIONS: C. COMPETITIVE SWIM CENTER

# COMPETITIVE SWIM CENTER EST. ANNUAL UTILIZATION - BY TYPE

It is estimated that the competitive swim center could host approximately 25 annual meets/competitions, primarily weekend events, accounting for approximately 22% of the facility’s usage hours. It should be noted that practices/leagues would primarily be local residents (Monday-Thursday), while meets/competitions would draw athletes and spectators from outside Yellowstone County (Friday-Sunday).

Event	Facility Hours
Practices/Programming	3,900
Meets/Competitions	1,130
<b>TOTAL</b>	<b>5,030</b>



*Note: Sorted by Facility Hours in descending order*

Estimated Annual Meets/Competitions: 25

Total Estimated Annual Visits: 110,660\*

*\*Notes: (1) Includes estimated athletes, officials, coaches, parents/family, spectators, etc.  
(2) Represents unique daily visits. For example, if an athlete participated in practices on a Tuesday and a Thursday one week, that would count as two (2) unique visits that week.*

# COMPETITIVE SWIM CENTER OPERATING PROJECTIONS - KEY ASSUMPTIONS

The following key assumptions were utilized by Victus Advisors in order to develop operating and financial projections for the proposed competitive swim center in Yellowstone County:

- The aquatic center would be approximately 45,000 sq. ft. (based upon the total estimated building footprint provided by USA Swimming in their Enterprise Plan for a New Aquatic Center in Billings) and have the following features as outlined by Billings Aquatic Club during their one-on-one interview with Victus Advisors:
  - ❑ Eight (8) to 10 long course lanes (convertible to up to 26 short course lanes)
  - ❑ 50 meter by 25 yard pool dimensions
  - ❑ Spectator seating capacity (500+ seats)
  - ❑ Small, shallow lesson pool (for warm water therapy, etc.)
- Please note: The competitive swim center would not have a recreation component (e.g. slides and other family-friendly features).
- Financial projections have been developed for the aquatic center and are based on estimated programming, practice, and swim meet usage.
- The aquatic center is likely to be operated by a public entity, with public revenue sources (and/or private endowment funds) dedicated to cover annual operating losses.
- No assumptions have been made yet for debt service or capital improvement funds.
- The facility will offer competitive rental rates and will aggressively market to club teams, local and regional/national swim meets.
- These projections are based on current market circumstances, and thus assume that there will be no other major changes to the available aquatic facility inventory within Yellowstone County.
- The financial projections displayed on the following page utilize a variety of additional assumptions, including data gathered from third-party sources, information provided by stakeholders and various local municipalities, and Victus Advisors' industry experience. There will be differences between these projections and actual events, and these differences may be material.

# COMPETITIVE SWIM CENTER FINANCIALS - STABILIZED YEAR OF OPERATIONS

In a stabilized year of operations, it is estimated that the operations of a competitive swim center would generate a cost recovery of 63% meaning that the facility could need annual subsidies of over \$410,000.

A description of each revenue/expense estimate is provided on the following pages.

	Stabilized Year
<b>Operating Revenues:</b>	
Swim Programs (Clubs, Lessons, etc.)	\$351,000
Rental Income	\$204,880
Concessions & Merchandise (Net)	\$92,120
Advertising & Sponsorship	\$39,600
Other (1)	\$10,000
<b>Total Revenues:</b>	<b>\$697,600</b>
<b>Operating Expenses:</b>	
Salaries, Wages, & Benefits	\$622,500
Program Expenses	\$187,200
Utilities & Chemicals	\$143,100
General & Administrative	\$85,950
Materials/Supplies	\$48,047
Maintenance/Repair	\$24,000
<b>Total Expenses:</b>	<b>\$1,110,797</b>
<b>Net Income (Loss):</b>	<b>(\$413,197)</b>
<b>Estimated Cost Recovery:</b>	<b>63%</b>

*Notes: Presented in 2018 dollars. Stabilized year is typically achieved by third year. Operating revenue categories are based upon a competitive swimming facility model, where revenue is primarily generated via swimming programs and facility rentals, rather than a recreational admissions/memberships model.*

*(1) Please see page 202*



# COMPETITIVE SWIM CENTER LONG-TERM CAPITAL NEEDS

## Capital Reserve Funding:

Capital Reserve Funding: 0.50%										
Operating Year:	1	2	3	4	5	10	15	20	25	30
Cumulative Capital Reserve Contributions	\$100,000	\$203,000	\$309,090	\$418,363	\$530,914	\$1,146,388	\$1,859,891	\$2,687,037	\$3,645,926	\$4,757,542

**Notes:**

(1) 0.50% reserve funding scenario represents 0.50% of estimated facility construction costs, plus 3% annual inflation, contributed annually to a capital reserve fund.

(2) Cumulative Capital Reserve is a conservative calculation of potential available funds, as no assumptions have been made for potential returns from holding Reserve Funds in an investment account or interest-bearing account.

Current industry best practices for long-term capital needs is to annually contribute an amount equal to at least 0.5% of facility construction costs (\$20 million), or approximately \$100,000 in Year 1, increased annually for inflation to a reserve fund. This capital reserve fund can be drawn upon by facility owners/operators to pay for necessary capital maintenance and improvements as the facility ages.

## Operating Subsidy:

Estimated Annual Operating Losses:	\$413,197
Typical Useful Life of a Sports Facility:	25
Total Long-Term Operating Losses:*	\$15,064,859
Net Present Value of Operating Losses:**	\$7,885,897

\* Assumes 3% annual inflation

\*\* Assumes 5% discount rate

At full build-out, the proposed competitive swim center is estimated to generate an annual operating loss, requiring as much as \$15 million in operating subsidies over 25 years. As a result, a long-term capital reserve fund with a net present value of as much as \$7.9 million should be established to subsidize the operations of the facility.

# COMPETITIVE SWIM CENTER REVENUES

*Revenue generated by the proposed competitive swim center could consist primarily of program revenue, rental income, concessions/merchandise, and advertising. A brief description of each potential revenue source is provided below.*

## **Facility Programming (Clubs, lessons, etc.)**

Programming consists of swim clubs, learn to swim programs, aerobics, etc., organized by the facility operator, with revenue primarily consisting of registration fees and admission for drop-in swim, aerobics, etc. We have assumed that individual registration fees for learn to swim, aerobic classes, and other swim programs could range between \$30 and \$60 per month on average.

## **Rental Income**

Rentals typically occur when outside groups rent lane space/time for practices and swim meets. We have conservatively assumed, based on comparative facilities nationwide that average rental rates would be approximately \$200 per hour for peak times (Friday-Sunday) and \$125 per hour for non-peak times. The actual rates would ultimately vary on particular dates/times based on volume rented by groups and clubs.

## **Concessions/Merchandise**

Concessions and merchandise revenue consists of sales of various food and beverage items as well as sports equipment and apparel at various points-of-sale at the facility. Revenue assumptions are based on estimated usage and attendance, and comparable per capita spending from swim facilities across the country (approximately \$1-\$3 per visitor per day).

# COMPETITIVE SWIM CENTER REVENUES (CONT.)

## Advertising & Sponsorship

Advertising and sponsorship revenues are assumed to be derived from the sale of wall banners (\$400 per banner), permanent signage (\$800 per sign), scoreboard signage (\$2,000 per scoreboard), and presenting/founding level partnerships (\$10,000 per founding partner). Overall, we have conservatively assumed that approximately 75% of the available inventory would be sold.

## Other Revenue

Other revenue opportunities would primarily consist of any equipment rental fees or other special services charges, as well as any potential parking fees charged for major swim meets and events. We have conservatively projected up to \$10,000 in other annual revenues.

# COMPETITIVE SWIM CENTER EXPENSES

*Operating expenses for the proposed competitive swim center could include salaries, wages, benefits, operations and programming costs, utilities/chemicals, and other expenses. A brief description of each potential major source of expense is provided below.*

## **Salaries, Wages & Benefits**

Based upon comparable venues, we have assumed that the swim center would have approximately six (6) full-time equivalent employees, which includes a General Manager (\$80,000 salary), Aquatics Director (\$65,000 salary), Business Operations Director (\$65,000 salary), Aquatics Coordinator (\$45,000), and two Maintenance and Custodial staff (\$35,000 salary). In addition we have assumed benefits for each would equal 30% of salary. Lastly, we have assumed approximately \$200,000 a year in part-time/seasonal hours.

## **Program Expenses**

Victus Advisors typically assumes that expenses related to operating programs at an indoor sports venue represent a variable cost that equals approximately 70% of sports programming revenues, based upon the level of programming opportunities provided. However, in this case, we have assumed that the swim center would have a full-time Aquatic Programs Coordinator, and we have reduced the estimated programming expenses accordingly.

## **Utilities & Chemicals**

Utilities often represent one of the largest expenses incurred by facility operators. Cost estimates for utilities include use of electricity, gas, water, and steam, and are based upon comparable utility costs per square foot at similar facilities. In addition, pool water maintenance requires regular application of disinfectant chemicals, typically including chlorine and bromine.

# COMPETITIVE SWIM CENTER EXPENSES (CONT.)

## Other Expenses

Other expenses expected to be incurred by the proposed swim facility include general and administrative expenses, repairs and maintenance, materials and supplies, marketing/advertising costs, insurance, and other such expenses, as described below:

- Maintenance and repairs for structures, equipment, grounds, etc.
- Materials and supplies for administration and operations of the facility
- General liability insurance to cover the grounds, restrooms, and other such areas  
(Note: we have assumed that events and user groups would also be required to carry their own liability insurance specific to their activities at the facility, in addition to the insurance carried by the facility)
- Office and administrative expenses, including but not limited to marketing and advertising, telecommunications, travel costs, permits, service fees, and other such operating expenses

These expenses have been estimated based upon expenses at comparable swim venues.

## XI. ECONOMIC & FISCAL IMPACT ANALYSIS

# 1. ESTIMATE GROSS DIRECT SPENDING

The first step in projecting the potential economic and fiscal impacts of a new sports facility is estimating the Gross Direct Spending activity that could occur due to both the one-time construction and ongoing operations of the facility.

Gross Direct Spending represents all of the direct spending that could be associated with the project, regardless of income source or spending location.

## Primary Sources of Direct Spending from Yellowstone County Sports Facility Development

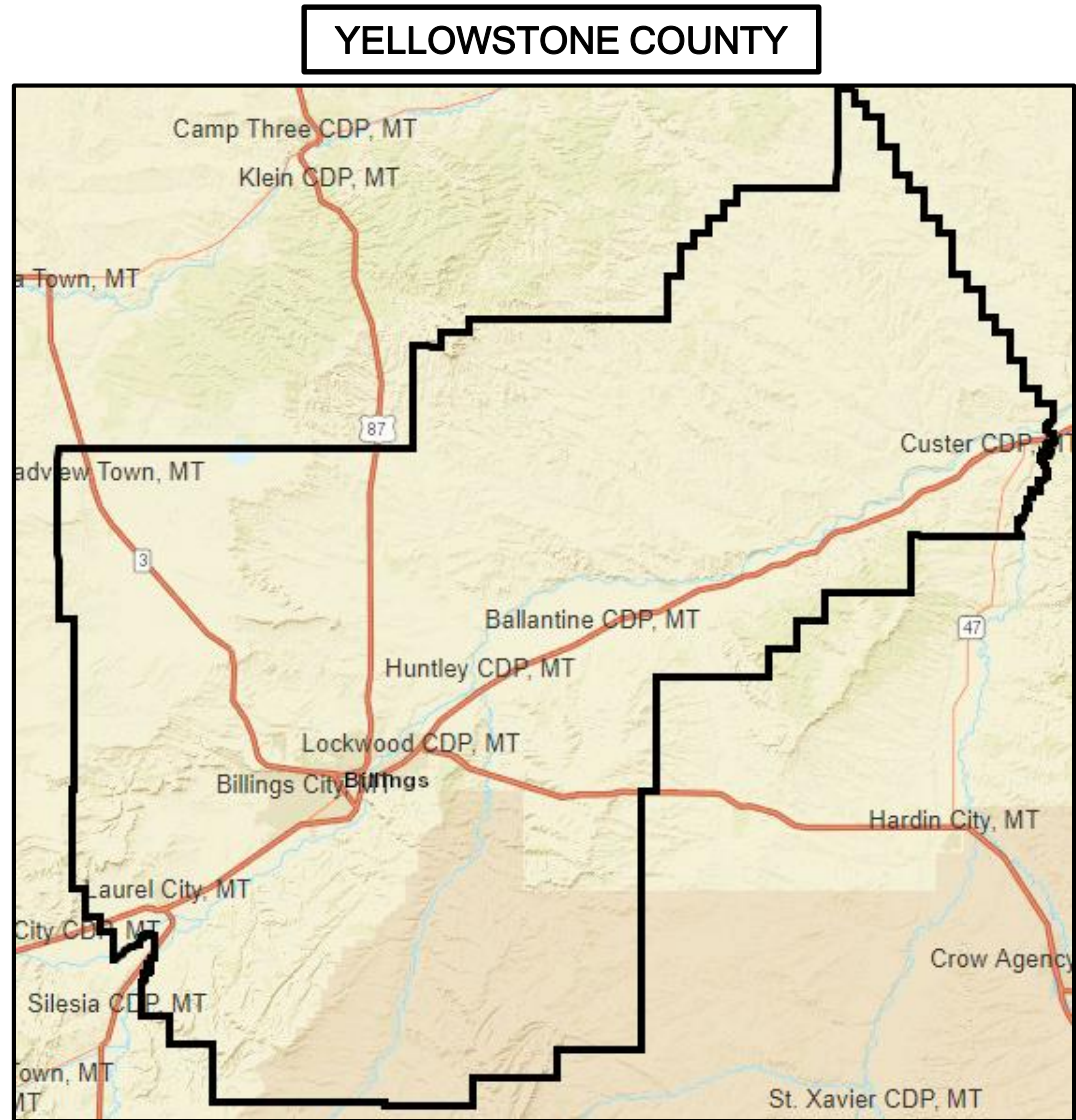
One-Time Construction Expenditures	Ongoing Facility Operations	
Supplies & Materials Labor Costs Service Fees	<i>In-Facility Revenues:</i> Rent and/or Gate Fees Event Revenues (Tournaments, etc.) Concessions/Merchandise Sponsorships/Advertising	<i>Visitor Spending:</i> Lodging Restaurants/Bars Entertainment Retail Transportation

## 2. IDENTIFY “LOCAL” ECONOMY

For purposes of this study, Victus Advisors has been tasked with identifying the potential economic and fiscal impacts on Yellowstone County. Therefore, the local economy studied in this analysis is the physical area solely within the County limits of Yellowstone (as highlighted at right).

As described on the next page, “Net” Direct Spending only occurs when the spending source originates outside of County limits and occurs within the County’s limits, which most often occurs during tournaments, as well as during some league games. Local practices typically do not drive economic impacts.

Victus Advisors has assumed that any facility would be located in Billings in order to minimize economic leakage and ensure Yellowstone County fully captures the economic impacts from sports facility visitors.



Source: Esri



### 3. IDENTIFY GROSS VS. NET IMPACTS

After estimating the “Gross” economic activity associated with sports facility development, Victus Advisors estimated the portion of Gross Direct Spending that could represent incremental (or “Net”) spending within the County’s economy. Net Direct Spending accounts for the phenomenon of “displacement”, as described below.

**DISPLACEMENT** is the economic principle that assumes a household (or business) entertainment and recreation budget would be spent within the local economy with or without development of a new sports venue.



For purposes of this study, we have assumed that local sports spending would be displaced (i.e. spent elsewhere within the Yellowstone County economy) without the presence of a new sports facility. Therefore...

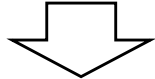


**NET IMPACTS** will only include the estimated dollars spent within County limits by non-resident visitors & businesses who come for regional tournament activity.

# 4. THE MULTIPLIER EFFECT

Net Direct Spending that is captured in Yellowstone County is subsequently re-spent, both inside and outside the local economy. The cumulative impact of the re-spending cycles that occur within Yellowstone County limits is called the “Multiplier Effect”.

<b>Initial Direct Spending</b>	<b>Construction</b>	<b>Facility Revenues &amp; Visitor Spending</b>
	Labor, Materials, Services, etc.	Fees, Concessions, Sponsorships, Lodging, Restaurants, Entertainment, Retail, etc.



<b>Indirect Spending</b>	Manufacturing, Wholesalers (Food & Beverage, Merchandise), Shipping/Freight, Utilities, etc.
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<b>Induced Spending</b>	Additional spending by businesses, households, government entities, and other economic sectors.
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## 4. THE MULTIPLIER EFFECT (CONT.)

Victus Advisors utilized IMPLAN Multipliers specific to Yellowstone County (shown below) to estimate the following Net Economic Impacts:

- **TOTAL OUTPUT** (direct, indirect & induced spending in Yellowstone County)
- **EMPLOYMENT** (full-time & part-time jobs in Yellowstone County)
- **LABOR INCOME** (salaries & wages associated with Yellowstone County jobs)

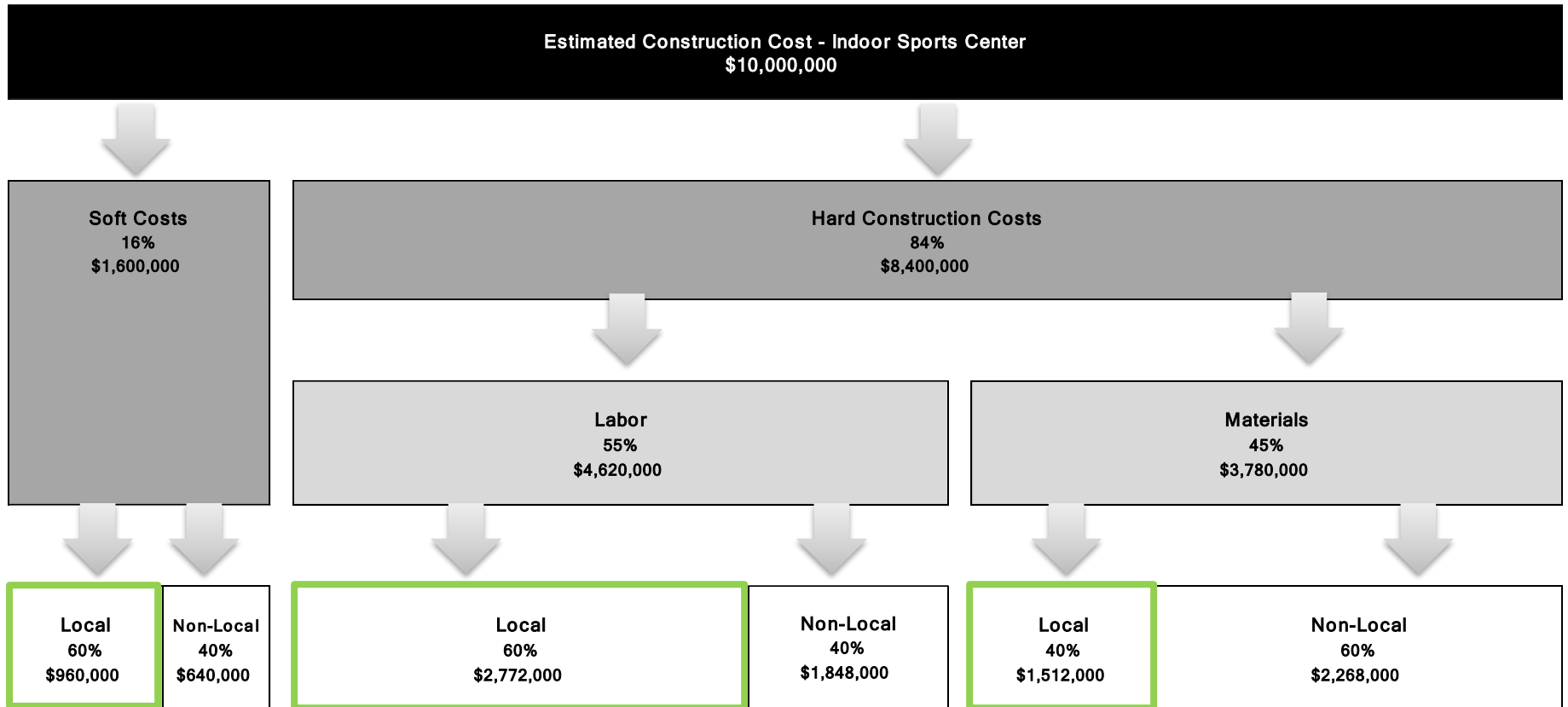
### IMPLAN MULTIPLIERS - YELLOWSTONE COUNTY, MT

Industry	Total Output Multiplier	Employment Multiplier	Labor Income Multiplier
Construction - Non Residential	1.65790	$1.2220 \times 10^{-5}$	0.64318
Retail Stores	1.92951	$3.0777 \times 10^{-5}$	0.95778
Transit & Ground Passenger Transportation	1.83588	$2.0561 \times 10^{-5}$	0.69355
Fitness & Recreational Sports Centers	1.92223	$3.5545 \times 10^{-5}$	0.62528
Amusement & Recreation Industries	1.82871	$2.5916 \times 10^{-5}$	0.63693
Hotels & Motels, Including Casino Hotels	1.68183	$1.6705 \times 10^{-5}$	0.49849
Food Service & Drinking Places	1.76885	$2.0957 \times 10^{-5}$	0.72782

# XI. ECONOMIC & FISCAL IMPACT ANALYSIS: A. ONE-TIME CONSTRUCTION IMPACTS

# CONSTRUCTION IMPACT ASSUMPTIONS: INDOOR SPORTS CENTER

Based upon a preliminary construction cost estimate for an indoor sports center of approximately \$10.0 million\*, Victus Advisors estimates that approximately \$5.2 million of direct construction expenditures could occur within Yellowstone County.

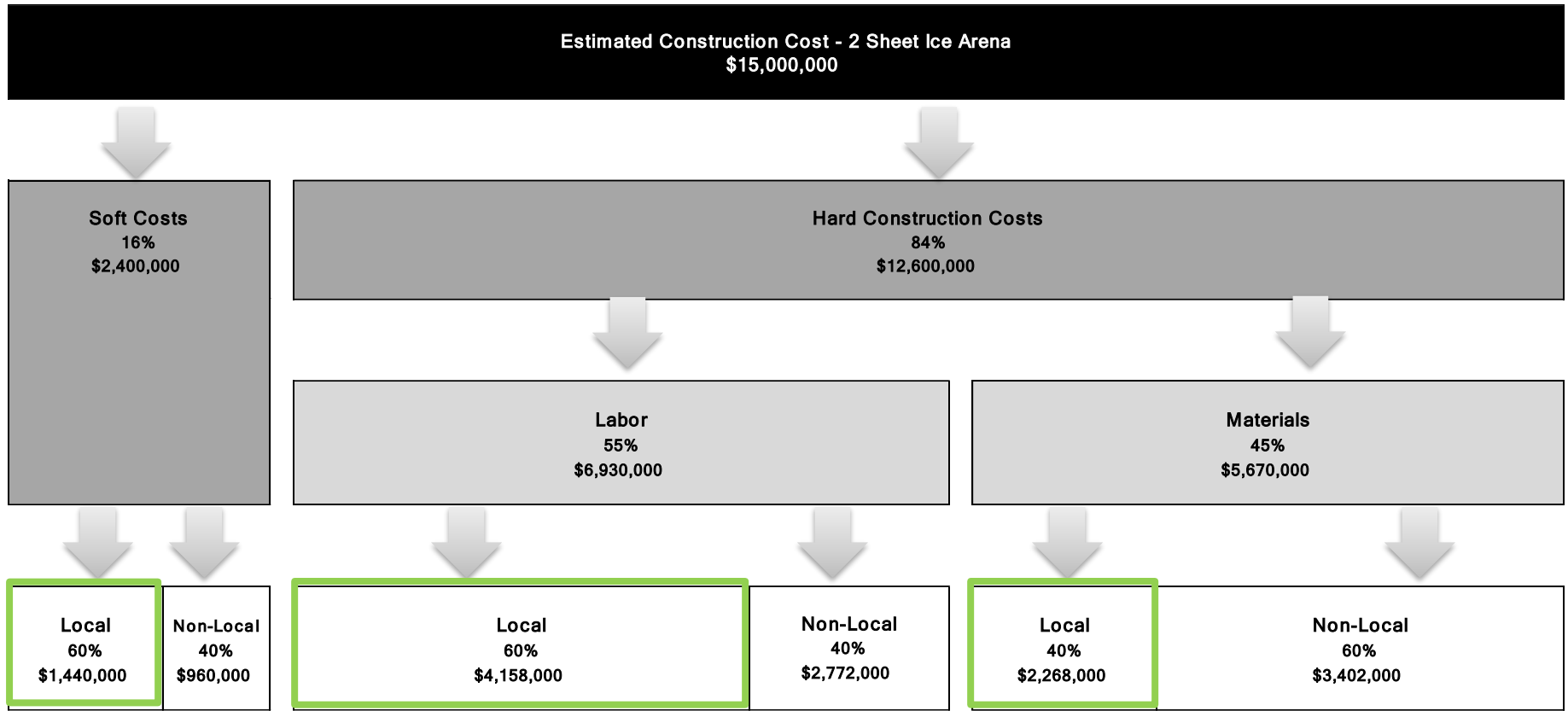


Note: "Local" refers to Yellowstone County

\* This preliminary construction cost estimate is based solely upon total construction costs per sq. ft. for comparable facilities. Detailed, site-specific, square footages and construction cost estimates should be developed by project architects and cost engineers in future facility planning phases.

# CONSTRUCTION IMPACT ASSUMPTIONS: 2-SHEET ICE ARENA

Based upon a preliminary construction cost estimate for a 2-sheet ice arena of approximately \$15.0 million\*, Victus Advisors estimates that approximately \$7.9 million of direct construction expenditures could occur within Yellowstone County.

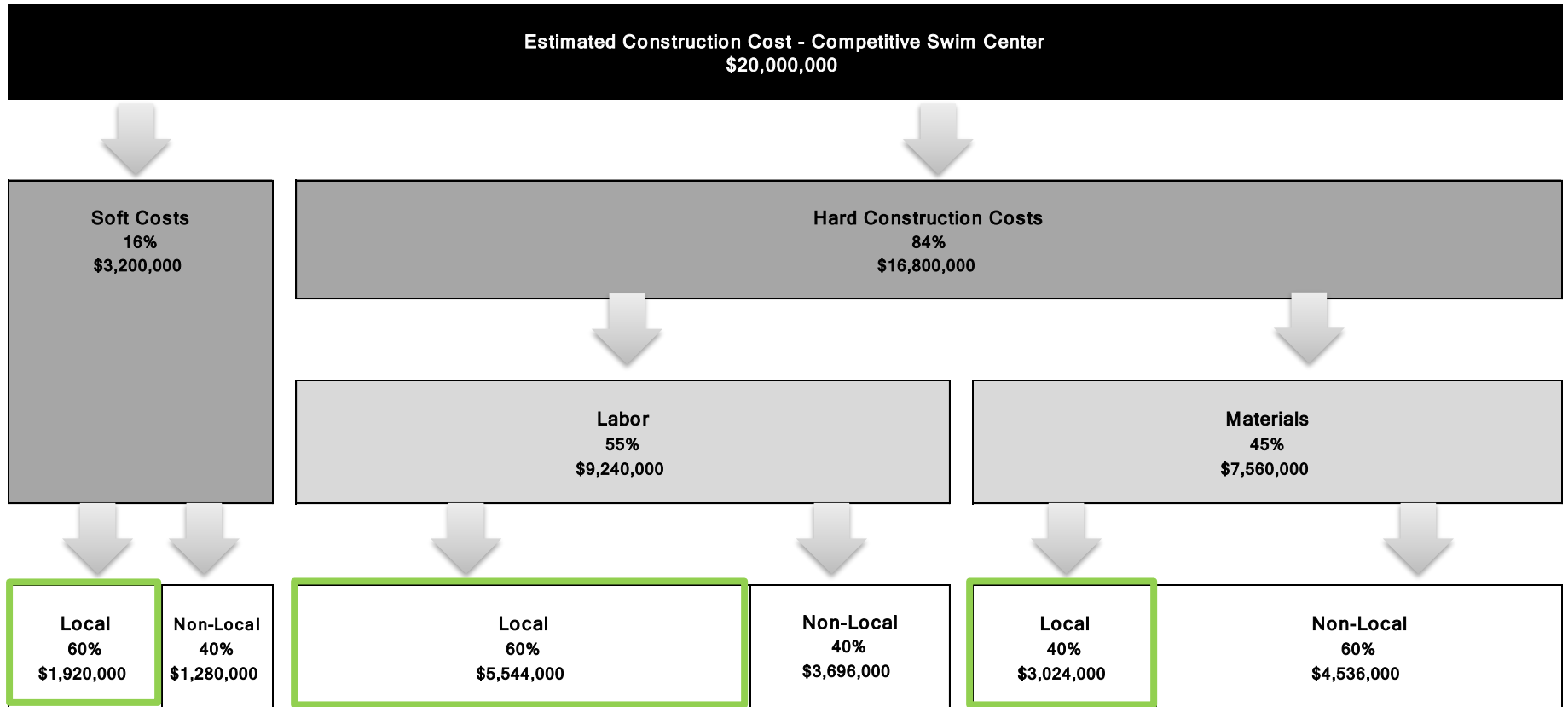


Note: "Local" refers to Yellowstone County

\* This preliminary construction cost estimate is based solely upon total construction costs per sq. ft. for comparable facilities. Detailed, site-specific, square footages and construction cost estimates should be developed by project architects and cost engineers in future facility planning phases.

# CONSTRUCTION IMPACT ASSUMPTIONS: COMPETITIVE SWIM CENTER

Based upon a preliminary estimated construction cost for a competitive swim center of approximately \$20.0 million\*, Victus Advisors estimates that approximately \$10.5 million of direct construction expenditures will occur within Yellowstone County.



Note: "Local" refers to Yellowstone County

\* This preliminary construction cost estimate is based solely upon total construction costs per sq. ft. for comparable facilities. Detailed, site-specific, square footages and construction cost estimates should be developed by project architects and cost engineers in future facility planning phases.

# ESTIMATED ONE-TIME CONSTRUCTION IMPACT

Project	CONSTRUCTION SPENDING		ECONOMIC IMPACTS		
	Construction Spending - Preliminary Estimate	Estimated Local Direct Spending	Total Output	Employment	Labor Income
Indoor Sports Center	\$10,000,000	\$5,244,000	\$8,694,000	64	\$3,373,000
2-Sheet Ice Arena	\$15,000,000	\$7,866,000	\$13,041,000	96	\$5,059,000
Competitive Swim Center	\$20,000,000	\$10,488,000	\$17,388,000	128	\$6,746,000
<b>TOTAL</b>	<b>\$45,000,000</b>	<b>\$23,598,000</b>	<b>\$39,123,000</b>	<b>288</b>	<b>\$15,178,000</b>

*Note: (1) Sorted by Construction Spending - Preliminary estimate in ascending order*

*(2) Represents one-time impacts of construction expenditures within Yellowstone County. Presented in 2018 dollars.*

Victus Advisors estimates that direct one-time construction expenditures within Yellowstone County for all three sports facility projects could generate over \$39 million in total economic output, 288 short-term jobs, and approximately \$15.2 million in wages.



# XI. ECONOMIC & FISCAL IMPACT ANALYSIS: B. ANNUAL IMPACTS OF FACILITY OPERATIONS

# ESTIMATED ANNUAL OPERATIONS IMPACT

Project	VISITATION & SPENDING		ANNUAL ECONOMIC IMPACTS			HOTEL IMPACTS	ANNUAL FISCAL IMPACTS	
	Estimated Annual Out-of-Town Visitors	Estimated Net New Direct Spending*	Total Output	Employment	Labor Income	Estimated Annual Hotel Nights	State Lodging Taxes (7.00%)**	Billings Lodging Surcharge (\$2.00)
Indoor Sports Center	76,000	\$8,572,000	\$15,004,000	174	\$5,407,000	41,000	\$282,000	\$82,000
2-Sheet Ice Arena	22,000	\$2,470,000	\$4,323,000	50	\$1,558,000	12,000	\$81,000	\$24,000
Competitive Swim Center	22,000	\$2,211,000	\$3,890,000	46	\$1,434,000	9,000	\$62,000	\$18,000
<b>TOTAL</b>	<b>120,000</b>	<b>\$13,253,000</b>	<b>\$23,217,000</b>	<b>269</b>	<b>\$8,399,000</b>	<b>62,000</b>	<b>\$425,000</b>	<b>\$124,000</b>

Note: (\*) Only includes direct spending by visitors from outside of Yellowstone County.

(\*\*) Assumes 2 nights per out-of-town visitor, and average daily room rate of \$98.

It is estimated that Net Direct Spending resulting from new sports facilities in Yellowstone County could generate over \$23.2 million in annual economic output and create 269 new full- and part-time jobs throughout the economy with annual wages of nearly \$8.4 million. Additionally, it is estimated that over 62,000 annual hotel nights could be generated, with almost \$550,000 in related lodging tax collections (State and local).

# SUMMARY OF NET IMPACTS OVER TIME

Project	NET PRESENT VALUE (NPV) OF INCREMENTAL IMPACTS OVER 30 YEARS*				
	ECONOMIC IMPACTS			FISCAL IMPACTS	
	Total Output	Employment**	Labor Income	State Lodging Tax (7.00%)	City Lodging Surcharge (\$2.00)
Indoor Sports Center	\$385,924,000	174	\$139,299,000	\$7,096,000	\$2,063,000
2-Sheet Ice Arena	\$121,314,000	50	\$44,069,000	\$2,038,000	\$604,000
Competitive Swim Center	\$114,597,000	46	\$42,570,000	\$1,560,000	\$453,000
<b>TOTAL</b>	<b>\$621,835,000</b>	<b>269</b>	<b>\$225,938,000</b>	<b>\$10,694,000</b>	<b>\$3,120,000</b>

Note: (\*) Assumptions include 3.0% annual inflation and 4.0% discount rate.

(\*\*) Represents new full- and part-time jobs sustained on an annual basis.

Over a 30 year period, if all three sports facilities are developed in Yellowstone County, they are estimated to produce impacts with a net present value (NPV) of nearly \$622 million in cumulative net economic output, 269 sustainable annual jobs, and over \$13.8 million in state and local hotel tax/surcharge revenues.

## KEY CONCLUSIONS

- It is estimated that an indoor sports center would produce the largest economic/fiscal impacts of the three facility development options, while also being the most cost-effective to build (est. \$10 million) as well as potentially operable by a private third-party with no public operating contributions.
- It is estimated that a 2-sheet ice arena would generate about the same economic impact as a competitive swim center. However, the ice arena is expected to be more cost-effective to build than the swim center. Additionally, it is estimated that the ice arena could generate positive operating income under private, non-profit operations.
- It is estimated that a competitive swim center would generate similar economic impacts as a 2-sheet ice arena, however it is also projected that a swim center would not only be the most expensive facility to build, but also is likely to require public operations and significant annual operating subsidies.

## XII. PROJECT FUNDING ANALYSIS

The purpose of this analysis is to provide an overview of the various debt vehicles and revenue sources that could potentially be utilized to fund construction of a new sports facility in Yellowstone County. This analysis is based upon a review of comparable venues across the country, as well as unique financing vehicles that may be available within the State of Montana. The vast majority of comparable sports facilities are owned by the public sector and developed via municipal capital project funding (general obligation bonds, revenue bonds, tax increment financing, general funds, etc.).

The analysis in this section is organized into two primary sections, with debt-related financing vehicles presented at the beginning, followed by a summary of various revenues streams that are often used to pay sports facility debt service:

### **Financing Tools:**

- General Obligation Bonds
- Revenue Bonds
- Tax Increment Financing (TIF)

### **Potential Revenue Streams to Pay Debt Service:**

- Naming Rights
- General Funds
- Ad Valorem Taxes
- Public Private Development
- Private Fundraising

*Note: Based on a review of the County's 2017 Comprehensive Annual Financial Report (CAFR), the County's most recent GO bonds issued (in 2011) carried interest rates ranging from 1.40% to 2.85%. Based on the City of Billings' 2017 CAFR, the City's most recent GO bonds issued (in 2015) carried interest rates ranging from 2.00% to 3.50%. In order to be conservative with our funding capacity estimates, we have assumed a 3.50% interest rate, and we have also applied a debt service coverage ratio of 1.25x. The funding capacity analyses contained within this section of the report are intended as a preliminary estimate of potential funding capabilities, and it is recommended that the County and/or City consult their financial advisors and public finance experts for more detailed projections and analysis.*

## Description

Yellowstone County and/or the City of Billings could use the full faith and credit of the County/City to issue **General Obligation (GO) Bonds** for all or part of a sports facility. GO bonds are secured by the issuing government entity's pledge to use all legally available resources, including tax revenues, to pay debt service.

## Pros and Cons

The primary advantage of GO bonds is that they typically carry a lower interest rate than revenue bonds, assuming the issuing government entity carries a strong credit rating. Generally speaking, the better the issuer's credit rating, the lower the interest rate.

The primary disadvantage associated with GO bond financing is that the GO indebtedness could reduce the available bonding capacity for other capital projects the County/City may be planning.

## Recommendation

According to Yellowstone County's 2017 CAFR, the County currently has two outstanding GO bond issues (in 2008 and 2011 respectively) for a total of \$3 million. Both bonds are related to MetraPark improvements and are expected to be retired by 2023. As of June 30, 2017, the City of Billings' 2017 CAFR showed six outstanding GO bond issues totaling \$30,109,235, which is well below the legal debt limit of \$291,981,354, based on a legal limitation of 2.50% of assessed market value.

A GO bond issue for a new sports facility project could be difficult for the County/City to pass if it is perceived as taking away funds that could be allocated to other uses that the public favors, such as other capital projects, improvements to services or infrastructure, etc.

# TOOLS - REVENUE BONDS

## Description

**Revenue Bonds** are payable solely from the revenues of the project that is being financed. Since debt service is tied to the success of the project, revenue bonds are considered to have a much higher risk of default than GO bonds and thus carry a higher interest rate.

Revenue bonds are typically a funding option for public facility development projects where the net operating income (NOI) from the project is conservatively estimated to exceed annual debt service requirements. However, since most public sports facilities do not generate enough NOI to cover debt service, public entities will often dedicate other tax revenues to pay sports facility debt service.

As shown below, depending on the interest rate and debt coverage ratio, it is generally estimated that for every \$1 million of project income (or tax revenue) that is applicable to debt service, 30-year revenue bonds could fund anywhere from \$7 to \$14 million in project costs:

Interest Rate	Bond Term (Yr)	Funding Capacity per \$1M of Available Project Income			
		Debt Coverage Ratio:			
		1.25x	1.5x	1.75x	2.0x
4%	30	\$13,833,627	\$11,528,022	\$9,881,162	\$8,646,017
5%	30	\$12,297,961	\$10,248,301	\$8,784,258	\$7,686,226
6%	30	\$11,011,865	\$9,176,554	\$7,865,618	\$6,882,416

## **Pros and Cons**

One advantage to revenue bonds is that they are project specific, and thus do not diminish the County and/or City's bonding capacity for General Obligation bonds.

One disadvantage to revenue bonds is that they often carry a higher interest rate than GO bonds, and due to debt service reserve requirements and other credit enhancements, the bonds are usually larger with higher payment terms.

## **Recommendation**

The proposed sports facilities in Yellowstone County are not expected to generate sufficient net operating income (NOI) to cover debt service payments. Therefore, it is likely that any revenue bonds issued to pay for the project would need to be backed by tax-related revenue streams.



## Description

Tax increment financing (TIF) involves capturing assessed valuation growth within a specified area (e.g. an “Urban Renewal” or “Redevelopment” District). Tax increment financing in Montana is State-authorized via Urban Renewal Law that first began in 1974, however it is a locally-driven funding source, as the Law assigns urban renewal powers to municipal departments or locally-created Urban Renewal Agencies (URA). In an Urban Renewal District, a URA typically delineates a project area and declares a base year. The additional assessed valuation added to the tax rolls over the base year valuation is then taxed at the same rate as the base valuation. However, the tax revenues attributed to the new incremental assessed valuation are remitted to the URA and used to pay debt service on debt issued by the URA.

## Pros & Cons

TIF districts can be a powerful tool for financing sports facilities using incremental tax revenues resulting from sports-anchored redevelopment, rather than raising tax rates. However, in order for TIF to be viable, the proposed sports facilities must be a component of a larger redevelopment area, and approvals typically must be obtained from the relevant taxing authorities within the defined district.

In the case of the South Billings Urban Renewal Association (SBURA), approvals for expenditure of funds must be obtained from the City of Billings, whereas project identification and selection is performed by SBURA.

## Recommendation

After meeting with SBURA, Victus Advisors learned that there are up to 10.1 acres of land potentially available next to Amend Park. Additionally SBURA is willing to invest in a facility or facilities with available cash on hand to be leveraged with other potential sources of funding. The primary caveat is that the facilities would have to be publicly owned if SBURA were to pay for construction costs, however the facilities could be privately operated (via contract management) so as not to impact City operating budgets. Lastly, SBURA believes that indoor sports tourism facilities could be the number one priority for the Association, and that a decision to invest in such a project could be made within a matter of months.

The primary caveat is that any facility built with SBURA funds would have to be publicly-owned, however the facility could be privately operated (via contract with the public owner) so as not to impact government operating budgets. Based upon Victus Advisors' financial operating projections for each of the three facility development options (as shown in Section IX), it is estimated that a new indoor sports center and/or a new ice arena could be viably operated by a private operator without ongoing operating subsidies from the public sector. Whereas, a competitive swim center is likely to require public operations and annual operating subsidies.

As a result, Victus Advisors believes that locating one or more indoor sports facilities within SBURA's district may be a financially feasible option for constructing new sports venues in the County without the need for a mill levy vote. From SBURA's perspective, in addition to their contributions, a private fundraising goal of roughly 24% to 30% per project scenario is their target.

## Description

Private sector corporations, charitable foundations, or wealthy individuals often make significant up-front financial commitments that can be used to fund sports facility construction costs, in exchange for **naming rights** to the facility. Frequently, these financial commitments are contractually obligated to be paid over a multi-year term.

## Pros and Cons

Capitalizing contractually obligated naming rights revenues for the purpose of funding project construction costs can be very risky if the facility is not projected to produce a significant annual operating margin. However, it should be noted that Victus Advisors' financial operating projections shown in Section X of this report only show typical annual indoor signage and advertising revenue, and therefore it is estimated that facility-wide naming rights could potentially be utilized by private fundraising efforts in Yellowstone County to help contribute towards facility development.

## Recommendation

Project stakeholders could engage with local corporations, charitable foundations, and/or wealthy individuals to consider making significant up-front financial commitments to fund sports facility construction costs in exchange for naming rights to the facility. This has been done at comparable facilities, such as Ressler Motors Ice Rink in Bozeman, which was either partially or wholly funded by Ressler Motors up-front financial contributions.

## Description

The County and/or City could choose to support the proposed sports facilities with an allocation of **general funds** from the County and/or City’s coffers. Allocation of general funds typically requires available funds (or an unexpected revenue windfall) that is free and clear of any other government obligation. In many cases where general funds have been used to develop comparable sports facilities, general funds have not been used to pay for the entire capital project, but rather used to pay a portion of development costs and thus reduce the amount of debt that needs to be issued.

## Recommendation

As of 6/30/2017, Yellowstone County reported a general fund balance of approximately \$6.5 million, which is not likely to be used as a significant funding source for sports facility development.

The City of Billings’ general fund balance as of 6/30/2017 was significantly larger than the County’s, at approximately \$28.3 million, as a result of “years of modest spending combined with improved property tax revenues” (according to the City’s 2017 CAFR). However, the 2017 CAFR also indicates that a portion of the unassigned general fund balance will likely need to be used for expansion of existing City facilities over the next five years, in order to keep pace with continued population growth.

# REVENUE - AD VALOREM TAXES

## Description

**Ad valorem taxes** are taxes collected on the value of a transaction or property, typically in the form of property taxes or sales taxes. There is no sales tax in the State of Montana, either at the local or state level, therefore property taxes are typically the largest source of tax revenues for City and County governments in Montana. For example, in the 2016-17 fiscal year, Yellowstone County levied a County-wide property tax at a millage rate of 112.4. According to the County’s 2017 CAFR, this property tax represented approximately 75% of the County’s revenues.

## Recommendation

A mill levy ballot measure could be considered to increase the local property tax rate to pay the debt service for construction of a new sports facility. A mill levy would be subject to voter approval, and therefore the decision to pursue such a measure would be dependent on the County’s assessment of voter interest in increasing the millage rate for a sports facility project. As shown below, Victus Advisors preliminarily estimates that for each 1-mill increase in Yellowstone County, funds could be generated for nearly \$1.5 million in facility construction costs.

	2016-17 Yellowstone County Property Tax Collection	Scenario 1 +1 Mill	Scenario 2 +5 Mills	Scenario 3 +10 Mills
Property Tax Collections <sup>1</sup>	\$11,393,611	\$11,494,978	\$11,900,444	\$12,407,277
County-Wide Property Tax Rate	0.1124%	0.1134%	0.1174%	0.1224%
Estimated Taxable Property Value <sup>1</sup>	\$10,136,664,591	\$10,136,664,591	\$10,136,664,591	\$10,136,664,591
Annual Incremental Property Tax Revenues	-	\$101,367	\$506,833	\$1,013,666
<b>Estimated Funding Potential</b>		<b>\$1,491,000</b>	<b>\$7,457,000</b>	<b>\$14,915,000</b>

<sup>1</sup>Source: Yellowstone County 2017 Comprehensive Annual Financial Report

\* Assumes 30-year bonds, 1.25x coverage ratio, 3.5% interest

## Description

The funding of sports tourism facilities via **lodging and visitor taxes** is a growing trend across the country. Sports tourism through attendance at regional/national tournaments can drive multi-day stays at nearby hotels, as well as incremental retail and restaurant spending within the local market. Therefore, local hoteliers are often supportive of using hotel occupancy tax dollars to build sports tourism facilities that will generate incremental room nights. Currently, the State of Montana assesses a 7.0% lodging tax statewide. 3.0% of that goes to the State’s general fund, with the other 4.0% allocated to support tourism sales and marketing efforts (via the Montana Office of Tourism, local/regional convention and visitors bureaus, etc.). According to Visit Billings, they receive approximately \$350,000 a year from the State via these sales/marketing funds.

In addition to the State’s hotel tax, the Billings Tourism Business Improvement District assesses an additional \$2.00 per occupied room night within the City of Billings. In the 2016-17 fiscal year, this \$2.00 occupancy fee generated approximately \$1.67 million in revenue.

## Recommendation

The City could potentially consider pursuing an increase of the local hotel occupancy fee in order to develop a dedicated revenue stream to pay the debt service for construction of a new sports tourism facility. As shown below, for every \$0.25 increase to the City’s hotel occupancy fee, Victus Advisors estimates that nearly \$3.1 million in project funding could be raised, based upon 2017 visitation levels.

	<u>2016-17 City of Billings Hotel Tax Collection</u>	<u>Scenario 1 \$0.25 Increase</u>	<u>Scenario 2 \$0.50 Increase</u>
Estimated Taxable Hotel Stays	835,152	835,152	835,152
Hotel Tax Rate	\$2.00	\$2.25	\$2.50
Hotel Tax Collections <sup>1</sup>	\$1,670,303	\$1,879,091	\$2,087,879
Annual Incremental Hotel Tax Revenues		\$208,788	\$417,576
<b>Estimated Funding Potential</b>		<b>\$3,072,000</b>	<b>\$6,144,000</b>

<sup>1</sup>Source: City of Billings 2017 Comprehensive Annual Financial Report

Note: Assumes 30-year bonds, 1.25x coverage ratio, 3.5% interest

## Description

Although public funding sources are important components for most of the sports facilities we reviewed, some public assembly venue projects across the country recently have been funded with a combination of public and private funds. These public-private partnerships, commonly referred to as “**P3**” **development**, usually involve a contract between a public sector agency and a private party, and the contract is typically structured so the private party assumes substantial project development and/or financial operations risk (in exchange for profit opportunity). There are a variety of ways to structure a P3 development, depending upon the profit opportunity and parties involved. The most important part of establishing a P3 project is finding private sector investors that are interested in working with the public agency on the particular proposed project. Local government funders would need to identify potential partners early in the project, likely via issuance of an RFI or RFQ, in order to construct an effective partnership. However, sports facility operations alone are not likely to attract a P3 partner, but rather a P3 partner would likely require mixed-use revenue streams (such as retail, residential, etc.) in order to generate a sufficient return on capital.

Typical incentives for a governing body to utilize a P3 model for development include:

- Preservation of government body debt capacity for other projects,
- Reduction of the government body’s risk associated with the project by transferring operational risk and debt service risk to the private sector, and/or
- Expedited project delivery by moving responsibility for purchasing and procurement from governmental processes to the private sector.

## Recommendation

As mentioned on the previous page, in order for a P3 funding approach to be viable, the profit opportunity must be attractive to a private sector development partner. In the case of potential Yellowstone County sports facility developments, the net operating income available from the proposed facilities are not likely to attract a P3 partner, as projected annual operating margins are not likely to generate a sufficient return on capital for a P3 project partner.

Based on Victus Advisors' experience in the sports facility industry, the P3 model for funding construction of a youth and amateur sports facility development is usually only viable when the private developer is developing a larger, mixed-use project, with the sports facility serving as a component of the overall master plan, and the P3 developer generating their return on capital from the development of retail, restaurants, hotel, residential units, etc.

It should be noted, however, that if sports facility development were to occur in the South Billings Urban Renewal District, the Tax Increment District would already be set up to capture future private development tax revenue.



## Description

Some communities prefer to market the naming rights of public-use amenities to private foundations or individual donors. Unlike corporate naming, which frequently have annual payments tied to a multi-year term, **private naming gifts** are often given as a lump sum that can be applied towards upfront capital costs. These types of large, private donations are most often associated with a facility that is either operated by a non-profit entity, or whose operations are supported by a specific non-profit foundation. That said, it should also be noted that “charitable contributions to governmental units are tax-deductible under section 170(c)(1) of the Internal Revenue Code if made for a public purpose” (source: irs.gov). Private donation campaigns are often conducted in conjunction with community-led plans (rather than government-led) to construct a new or renovated/expanded ice arena. Often the naming rights are granted to the largest donation, which is typically announced as the lead gift to the campaign. In some cases, the lead/naming gift will be structured as a “matching gift” that is paid once the campaign reaches a pre-determined fundraising goal via other community sources.

As a recent example, the Paul Stock Aquatic and Recreation Center in Cody, Wyoming, cost \$9.9 million to build in 2001 (approximately \$17.1 million in 2017 dollars) and was funded 100% privately by the Paul Stock Foundation (\$7.1 million) and a capital campaign (\$2.8 million). In addition, the Stock Foundation also committed an additional \$2 million endowment to help support the annual operations of the facility, which is publicly operated by Cody Parks & Recreation.

## Recommendation

Based upon feedback from SBURA, even if SBURA was able to fund the majority of new sports facility construction costs, they could require up to 30% of the total construction costs to be funded via community fundraising. In addition, for any new sports facilities that could not be built with public funds, local stakeholder groups for those facilities might consider private-only fundraising opportunities that focus on scaled back venues (such as a 1-sheet ice facility or a short course pool). Lastly, a competitive swim center could require additional private fundraising support to help subsidize the annual operations of the facility, unless public revenue sources are dedicated.

## XIII. FACILITY MANAGEMENT ANALYSIS

# INTRODUCTION

The purpose of this section is to present an overview of various options regarding the management and operations of potential new sports facilities in Yellowstone County.

Each potential management structure for the proposed facilities has its own unique advantages and disadvantages, which should be considered when making decisions regarding the management of the venue(s).

The following section provides an overview of each potential facility management structure.

1. Facility Management Options:
  - a) Public
  - b) Private
  - c) Other (Sports Commission, Non-Profit, Agency/Bureau)
  
2. Facility Management Recommendations for Yellowstone County

# MANAGEMENT OPTIONS: PUBLIC

**PUBLIC:** Public management of youth and amateur sports facilities is commonplace within the industry. Facility operational control within a government is typically accomplished either by creating a separate department that is responsible for facility management or by designating responsibility to a department that already exists within the government (often Parks & Recreation).

- **ADVANTAGES:** The advantages of public management include owner control, financial support via public funding sources, potential sharing of public sector staff and support functions (security, waste management, grounds keeping, maintenance, etc.), and governmental purchase power can help reduce the costs of goods and services.
- **DISADVANTAGES:** Some disadvantages of public management could include significant increases in public sector operating/maintenance budgets, a lack of private sector financial support, decision-making and contracting constraints due to public sector processes, or a lack of expertise and relationships in the sports industry among public staff.

# MANAGEMENT OPTIONS: PUBLIC (CONT.)

A summary of key advantages and disadvantages to the public sector associated with public management is shown below:

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> <li>• Owner control</li> <li>• Financial support</li> <li>• Coordinating/sharing of staff/support functions</li> <li>• Bulk-price purchasing</li> <li>• No management fees</li> </ul>	<ul style="list-style-type: none"> <li>• Increased public sector budgets</li> <li>• Lack of outside/private sector financial support</li> <li>• Civic service constraints</li> <li>• Contract approval requirements</li> <li>• Changing political policies</li> <li>• Lack of incentives</li> <li>• Limited flexibility</li> <li>• Lack of expertise and access in sports and industry</li> </ul>

# MANAGEMENT OPTIONS: PRIVATE

**PRIVATE:** In some cases, the management of a publicly-owned sports facility could be outsourced to a third-party operator. This may be the most viable management option for Yellowstone County, given the budget limitations of Billings Parks & Recreation.

- **ADVANTAGES:** The public owner retains rights and privileges of ownership while the management firm performs assigned functions. The private firm is motivated by profit incentives to maximize tournament usage and other profitable uses of the facility. They usually bring a network of relationships to leverage for event booking, and they often have greater staffing resources and flexibility in negotiations with events.
- **DISADVANTAGES:** Some disadvantages of private management could include lack of owner control over events held or rates set at the facility, less access to general public use, and costs of paying facility management fees.

# MANAGEMENT OPTIONS: PRIVATE (CONT.)

A summary of key advantages and disadvantages associated with contract management is shown below:

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> <li>• Greatest operating autonomy</li> <li>• Efficiency incentives</li> <li>• Network of relationships to leverage event bookings</li> <li>• Internal network of knowledge/experience</li> <li>• More independence in negotiations</li> <li>• Greater staffing resources</li> <li>• More objective criteria for accountability</li> <li>• More efficient procurement process</li> <li>• Design and pre-opening services</li> <li>• Less financial risk for owner</li> </ul>	<ul style="list-style-type: none"> <li>• Potential loss of direct control by owner</li> <li>• Profit motive versus economic impact motive</li> <li>• Facility management fees</li> <li>• Management personnel turnover</li> <li>• Corporate resources often spread among several facilities</li> <li>• Misaligned purpose and goals between owner and management firm</li> <li>• Less access to public use</li> </ul>

# MANAGEMENT OPTIONS: OTHER

**OTHER:** In some cases, a public owner will outsource the management of a facility to a third-party via a sports commission, a non-profit organization, or an agency or bureau. It should be noted that non-profit operations are currently utilized successfully in Yellowstone County at Centennial Ice Arena and Amend Park, among others.

**SPORTS COMMISSION (PUBLIC, PRIVATE OR HYBRID):** Sports commissions are created to attract local, regional, and international sports events to capture tourism revenue. The commission's priorities typically include, but are not limited to (in order): visitor spending, marketing the region, representing the sports industry in the community, supporting the local sports franchises and venues, and sports advocacy.

Sports commissions can be public, private or a hybrid. Public sports commissions usually housed within a convention and visitors bureau (CVB) and receive funding through CVB and city budgets, dedicated hotel tax and/or car rental taxes. Private sports commissions are driven through the private sector and are typically sustained through fundraising events, private donations, membership fees, and sponsorships. Hybrid sports commissions have a mix of public and private funding and representation. Each type of sports commission typically has a board of directors.



# MANAGEMENT OPTIONS OTHER (CONT.)

**NON-PROFIT (PRIVATE)**: Under this form of management, the organization is typically run under the guidance and supervision of a Board of Directors. Members of the board tend to be local community leaders and stakeholders. Victus Advisors believes the non-profit model could be successful for operating a new 2-sheet ice arena, given the success of the current non-profit operating model at Centennial Ice Arena.

This structure requires active and continued support both in labor and funding from the community. The organization would need to depend on donations and grants (in most cases donations would be tax deductible) from individuals, companies, and government entities in addition to volunteer labor hours to be sustainable in the short and long-term.

**AGENCY OR BUREAU (PUBLIC)**: Agencies, bureaus, and authorities are political subdivisions formed by local or state government entities. Relevant examples include special services districts (such as a parks district or an arena district) or a convention and visitors bureau (CVB). Much like a non-profit, agencies or bureaus are typically governed by a Board of Directors with Board members consisting of elected officials and local stakeholders. Although it is independent, an agency or bureau would need a dedicated revenue source. CVBs often rely on tourism taxes, for example.

# MANAGEMENT OPTIONS OTHER (CONT.)

A summary of key advantages and disadvantages associated with sports commission, a non-profit organization, or an agency or bureau management is shown below:

## ADVANTAGES

- Community's best interest at heart (All)
- Aligned vision with City (public sports commission/agency/bureau)
- Limited use of public funds to maintain operations (non-profit)

## DISADVANTAGES

- Risks alienating groups in community (non-profit)
- Lack of diverse interest groups (non-profit)
- Would need dedicated revenue source to sustain operations (sports commission/agency/bureau)

Numerous publicly-owned venues across the country have contracted day-to-day operations to a private management company. Under contract management, the facility owner retains all of the rights and privileges of ownership while the contract management firm performs assigned management functions. The owner sets policies while the contract management firm establishes procedures in order to implement the policies. The contract management company is typically responsible for the day-to-day operations of the facility, including all revenues and expenses. Any operating income generated by the contract management firm are typically used to pay their management fees first, with distribution of the remaining operating income subject to the terms of the operating agreement. It should also be noted that most private management companies are not responsible for long-term maintenance of the facility or capital improvements, which typically are the responsibility of the facility owner.

The following operating scenarios have been identified by Victus Advisors as contract management scenarios that are typically considered by public sector owners of sports facilities:

### **Fixed Annual Fee:**

At a minimum, the operator is typically compensated with a flat annual fee. Based upon our experience the minimum annual third-party operating fee for a sports facility is typically \$100,000, but can go upwards from there depending on the size, scale, and profitability of the venue.

## Incentive Bonuses (in addition to Fixed Annual Fee):

Fixed fee management agreements are often accompanied by incentive payments designed to reward the operator for producing desired results. Incentives could be based on achieving specific revenue (or profit) goals, attendance, events, room night generation, or other targets.

In a fixed annual fee operating scenario, the facility owner (public sector) is typically entitled to any remaining profits after facility costs and management fees. However, facility owners often provide additional incentive compensation via a revenue (or profit) share once the operator achieves pre-set annual goals. For example, the hypothetical below shows potential additional incentive pay to an operator based upon a 40% profit share after \$200,000 in annual profits has been achieved:

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<b>Monthly Operating Margin:</b>	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	<b>\$300,000</b>
<b>Annual Cumulative:</b>	\$25,000	\$50,000	\$75,000	\$100,000	\$125,000	\$150,000	\$175,000	\$200,000	\$225,000	\$250,000	\$275,000	\$300,000	<b>\$300,000</b>
<b>Incentive Pay to Operator:</b>	-	-	-	-	-	-	-	-	\$10,000	\$10,000	\$10,000	\$10,000	<b>\$40,000</b>

## Alternative Scenario - Full Operating Rights (No Fixed Fee):

One common alternative operating scenario, instead of management fee and incentive structures, is for the facility owner to simply grant (or license) the operating rights to an operator, frequently at no cost to the operator, or occasionally with a small annual percentage fee or fixed fee paid to the owner based upon profits. In this scenario, the operator would then be solely responsible for profit and loss, however any long-term capital needs would typically still be the responsible of the facility owner.

# MANAGEMENT RECOMMENDATION: INDOOR SPORTS CENTER

## Recommendation:

- It is recommended that a new indoor sports center be operated by a third-party, private management firm.

## Rationale:

- Victus Advisors has estimated that a private operator could operate a new indoor sports center in Billings at a positive annual income.
- Local user feedback suggests government entities like Billings Parks & Recreation should not operate a new indoor sports center.
- The public owner would retain the rights and privileges of ownership while the management firm would perform assigned functions.
- The private firm would be motivated by profit incentives to maximize tournament usage (and other profitable uses) of the facility.
- Private firms typically have a network of relationships to leverage for event booking, and they often have greater staffing resources and flexibility in negotiations with events.

# MANAGEMENT RECOMMENDATION: 2-SHEET ICE ARENA

## Recommendation:

- It is recommended that a 2-sheet ice arena be operated by a non-profit organization such as the Billings Amateur Hockey League (BAHL).

## Rationale:

- Despite the facility's age, inefficiency, and significant deferred maintenance, Centennial Ice Arena has still been able to operate at a positive annual income. Victus Advisors is of the opinion that if a new ice facility were built, it likely would not need to be subsidized. BAHL could potentially operate the facility at least at break-even, if not a modest income.
- If public funding of constructing such an ice facility is not feasible, the same non-profit entity could also be responsible for private fundraising to build the facility. Non-profit operators also have the ability to fundraise additional funds annually to support operations and/or maintenance.
- Victus Advisors found that the majority of ice facilities that we profiled in the region were privately funded and operated by non-profit groups.

# MANAGEMENT RECOMMENDATION: COMPETITIVE SWIM CENTER

## Recommendation

- It is recommended that a competitive swim center be operated by a public entity such as Yellowstone County or the City of Billings, with dedicated public revenue sources to subsidize the operations, unless a private, non-profit, operator group in Yellowstone County is capable of fundraising significant annual funds to subsidize their operating losses.

## Rationale:

- Based upon a review of comparable indoor sports facilities throughout the region, indoor swim centers can be among the most expensive amateur sports facilities to build and to operate. As a result, these facilities tend to be publicly owned and operated, with operating subsidies for aquatic facilities typically funded by a government entity's general fund or another dedicated tax source.
- That said, the Paul Stock Aquatic and Recreation Center in Cody, Wyoming, which is operated publicly by the City's Parks & Recreation department, utilizes operating subsidy funds provided by the private non-profit Stock Foundation, which committed an additional \$2 million to an endowment to help support the public operations of the facility.
- Any funding plan for a new swim center in Yellowstone County should include not only initial construction costs, but also the establishment of long-term funds for on-going operations and maintenance.

## XIV. SPORTS MARKETING ANALYSIS



# INTRODUCTION

In past years, sports tourism marketing in Yellowstone County has been relatively minimal. Visit Billings has recruited sports events in the past, however there is not a dedicated staff member to focus solely on sports tourism. Recent sports organizers in the County have included liaisons of Amateur Athletic Union (AAU), Amateur Softball Association (ASA), various runs and races, and more.

Visit Billings has generally focused on traditional tourism markets where existing infrastructure and relationships already exist within the County, unlike the sports tourism market. They have found success attracting annual meetings, conferences and other events. That said, Visit Billings' most recent destination marketing plan included significantly increased goals for generating and sustaining new sports tourism activity.

The recommendations that follow are primarily intended to guide efforts by Visit Billings after hiring (or assigning) a dedicated sports tourism staff member. The following recommendations are based on Victus Advisors' experience and best practices within the sports tourism industry. Additionally, please note that recommendations are based on the assumption that Visit Billings would spearhead the sports tourism marketing efforts in the County, since Visit Billings has historically been the primary destination marketing organization within the County.

# MAJOR SITE SELECTION FACTORS

According to the NASC\*, tournament organizers focus on four (4) key factors when making their site selections:

- **#1... Quality of Sports Venues**
- **#2... Proximity and Access**
- **#3... Hotels and Amenities**
- **#4... Reputation and Brand**

Yellowstone County does not currently meet the venue requirements (criteria #1) for the majority of indoor sports events, and it should be noted that most tournament operators will not even consider a location that does not have the proper venues.

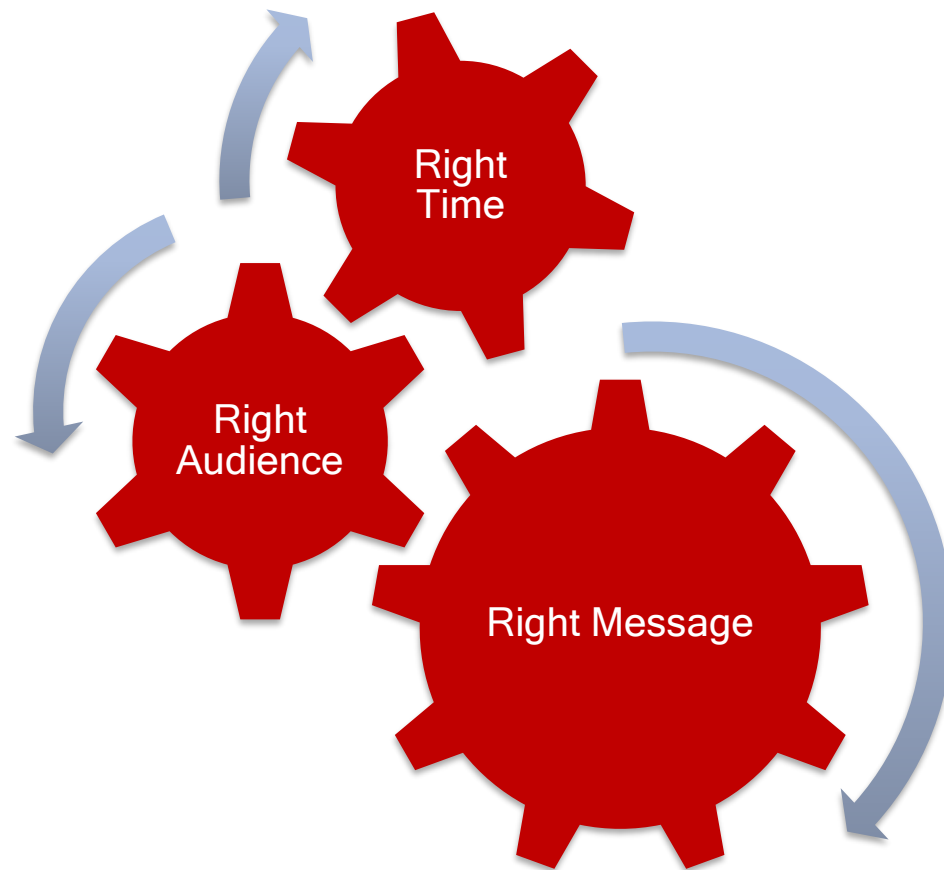
Proximity/access (#2) and hotels/amenities (#3) are already in place in Yellowstone County, and locating a new sports facility on a site with convenient access to the interstates would also be attractive for sports events.

Reputation and brand (#4) within the sports industry is already relatively strong, despite the lack of high-quality facilities, due to the past efforts of Visit Billings. This reputation could continue to be developed over time, once a new sports facility is in place, by developing a significant track record of attracting and servicing more successful events.

\* NASC: National Association of Sports Commissions

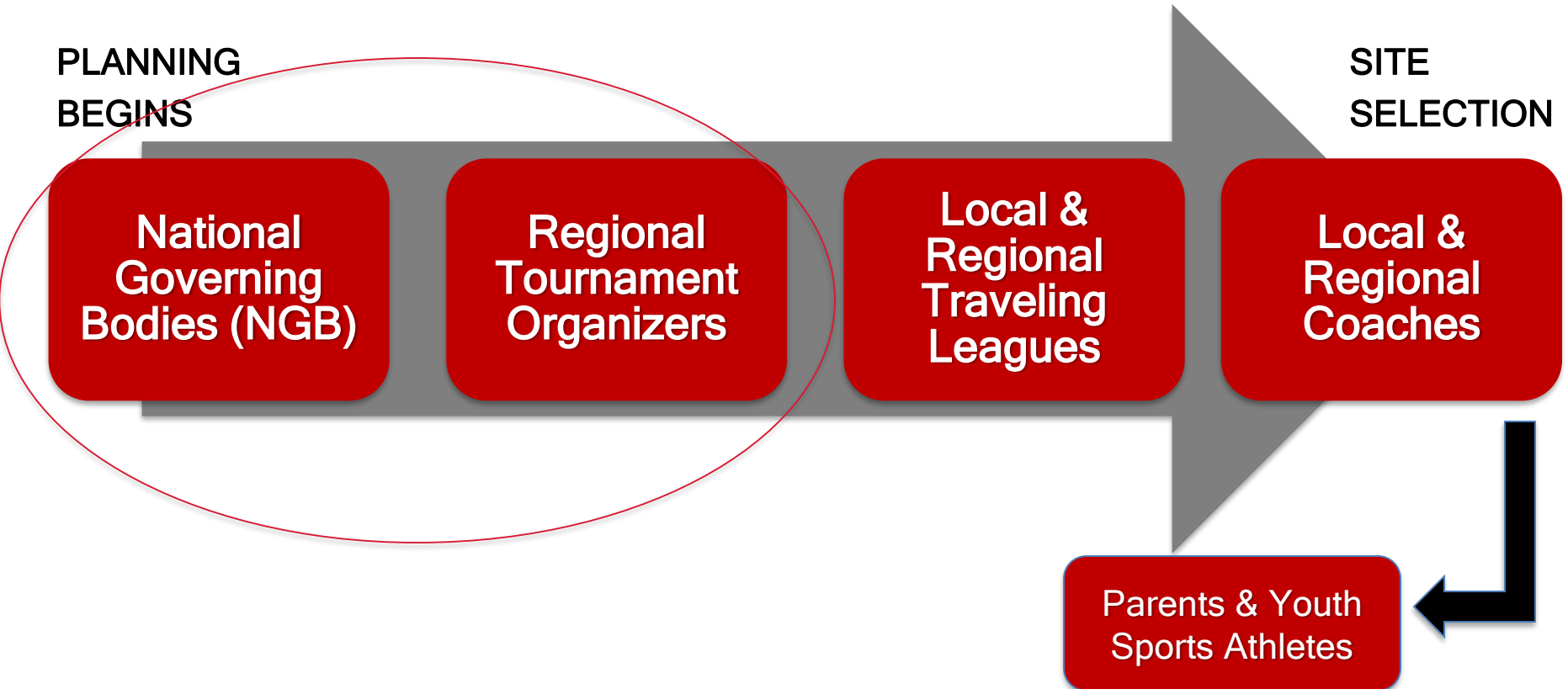
## EFFICIENT MARKETING MIX

- In order to be as efficient as possible while managing sports marketing, Visit Billings needs to deliver the right message to a focused audience at the most critical points along the decision-making timeline.



# NATIONAL ASSOCIATION OF SPORTS COMMISSIONS TARGET AUDIENCES

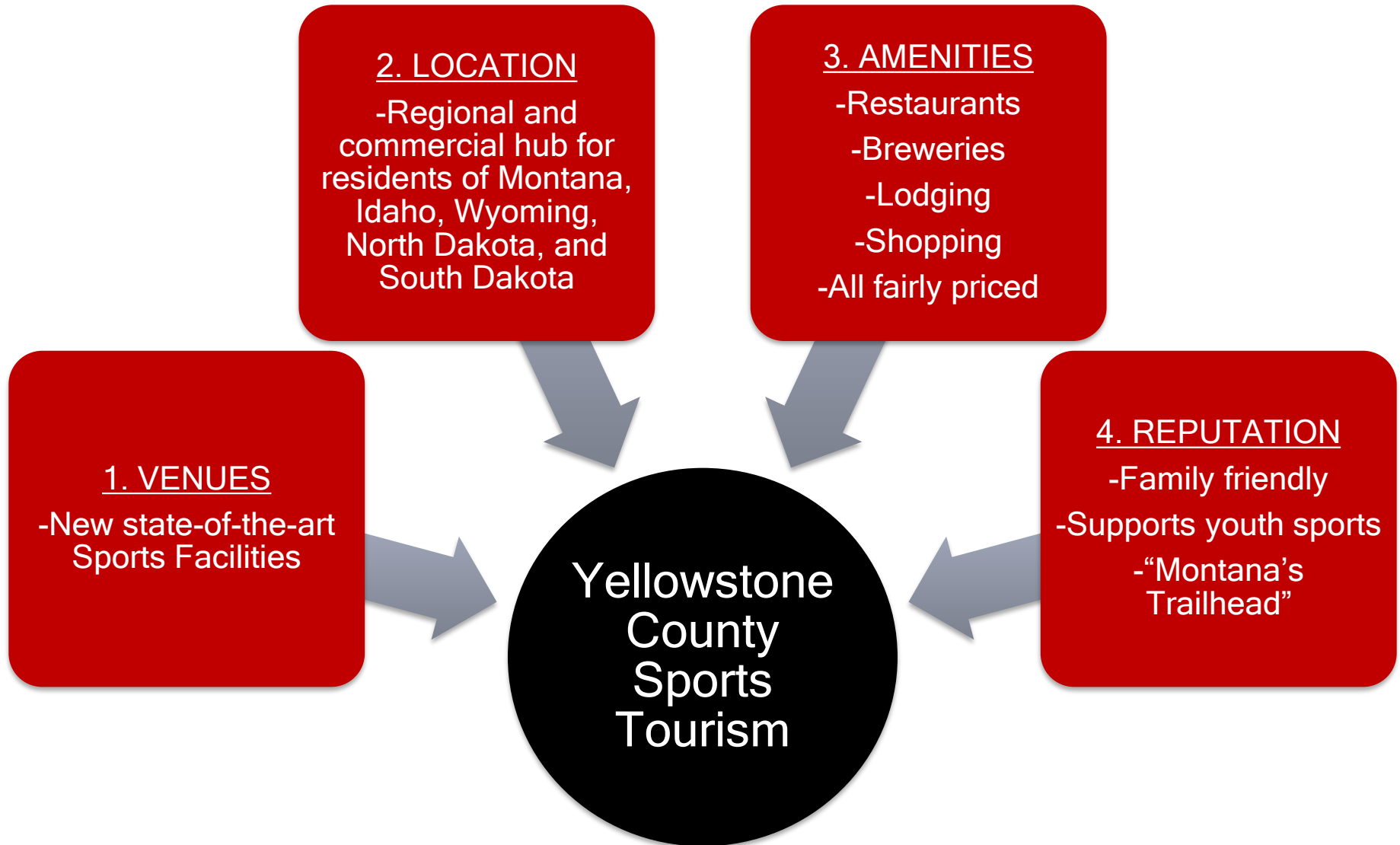
- When marketing sports tourism opportunities, Visit Billings should focus on reaching key decision makers during their tournament planning process:
  - ❑ By focusing on a small core audience early in the planning process, targeted marketing efforts can be implemented on a cost-effective basis. Local and regional coaches, parents, and athletes do not typically have a direct say in site selection, rather they are informed by their local coaches after a site has been selected.



## FOCUSED MESSAGING

- In order to maximize the return on investment for sports tourism advertising, Visit Billings should consistently deliver these messages:
  - ❑ Speak directly about new tournament-ready facilities (when built):
    - Basketball, volleyball, hockey, figure skating, swimming, etc.
  - ❑ Emphasize central, easily-accessible location with affordable hotel inventory when marketing in-state and in neighboring states.
  - ❑ Emphasize “things to do” in Yellowstone County, such as outdoor activities (hiking, biking, skiing, etc.) before and after the game.
  - ❑ Find ways to speak directly to sports tourism within the existing Visit Billings moniker of “Montana’s Trailhead”.

# WHAT CAN MAKE YELLOWSTONE COUNTY SPORTS DISTINCT?



- To capitalize on new sports facilities, Visit Billings should:
  - ❑ Develop a targeted marketing plan designed to reach event organizers in the relevant sports for the new facilities (basketball, volleyball, hockey, figure skating, swimming), well in advance of the facilities' opening dates. This plan should include:
    - Objectives, goals, strategies and corresponding marketing budgets.
    - Be realistic about marketing goals... When promoting a new facility, your initial goal should be to set meetings, and eventually you will book events.
  - ❑ Adjust marketing to reflect best practices discussed earlier in this section:
    - Focus on speaking specifically to sports tourism facilities, access, amenities, and reputation.
    - Integrate sports tourism messaging within the existing Visit Billings brand.
  - ❑ Develop a social media strategy that targets sports tourism via newly created, sports-specific Facebook and Twitter channels.

- **High Impact Direct Mail - Reach Key Decision Makers:**
  - ❑ Creative, three-dimensional packaging that markets directly to decision-makers (NGB representatives, regional tournament organizers).
  - ❑ Potential ideas should be unique and interactive, such as a mail pieces that feature audio chips with testimonials, sporting goods (e.g. a basketball shoe or swim goggles), an item that is unique to the Yellowstone County area, etc.
  
- **Social Media - Influence Event Participants & Organizers:**
  - ❑ Consider creating social media accounts that are specific to “Yellowstone County Sports”
  - ❑ Create a singular strategy for social media that creates a sense of “being there” for every sporting event in Yellowstone County by sharing photos and videos of participants, encouraging tournament participants to check-in at locations around town, and encouraging participants to add their own user generated content to the conversation.
  - ❑ Let social media be a place where attendees can turn to “relive the event”. Distribute social media notices that let attendees know where they can go to find content from their events. Create contests and feature great moments the week following an event in order to increase followers and create engagement.
  - ❑ “Prime the pump” by announcing events on social media well in advance for both out-of-town attendees and local sports fans alike.



- It is recommended that Visit Billings hire a full-time Sports Tourism Specialist that should have the following responsibilities, among others:
  - ❑ Develop goals and objectives (both short and long term) and implement a strategic plan to achieve them, along with the participation of Visit Billings, a Sports Tourism Advisory Board (see next page), and local sports stakeholders (organizations, municipal Parks & Rec. departments, leagues, venues, universities, etc.).
  - ❑ Proactively identify, seek and attract new sports tourism opportunities.
  - ❑ Cultivate and maintain close working relationships with local, regional and national sports organizations.
  - ❑ Represent Visit Billings at locally-hosted events; national tradeshow and meetings; Advisory Board-supported events; in the community; at events currently under research for hosting by Visit Billings/Yellowstone County.
  - ❑ Facilitate the bid process for sporting events - from inception to booking, event planning and coordination, event management, and engagement of key partners.
  - ❑ Develop strategies and implement revenue plans to support sports efforts, potentially including:
    - Private donations and/or individual/business memberships.
    - Creatively develop revenue opportunities (golf tournament, speaker series, annual banquet, etc.).
    - Define the value proposition and generate ROI for corporate partners.
  - ❑ Assist with Visit Billings' marketing and promotional efforts.
  - ❑ Work with local facilities to identify schedules and available dates for events.
  - ❑ Work with existing events to grow, retain or sustain current sports events.
  - ❑ Provide local organizations with assistance hosting larger events.

- It is also recommended that Yellowstone County maintain a formal Sports Tourism Advisory Board. The Board should be a balanced, volunteer advisory board committed to playing an active role in the vision, growth, and success of sports tourism in Yellowstone County:
  - ❑ 12 to 15 members recommended.
  - ❑ Include local leaders from: sports community, businesses that would benefit from sports tourism, and public sector (Visit Billings, County, Chamber of Commerce, etc.).
  - ❑ Emphasis should be placed on appointing Board members that have immediate community influence, as well as long-term willingness to support Visit Billings with both their personal time/effort and financial means.
  - ❑ Visit Billings, County, and City staff could potentially be Board members, but not the chairperson and not in majority numbers, to limit community perception that sports tourism is “County-controlled” or “City-controlled”. As Victus Advisors heard in interviews with local stakeholders, honest communication between the community and local sports leaders is essential for everyone’s success.
- Basic required parameters for each Board member might include:
  - ❑ Annual financial donation to a Sports Tourism Marketing fund by private sector members.
  - ❑ Provide their time, talent and energy to support sports tourism efforts.
  - ❑ Commit to attending minimum amount of meetings/Visit Billings sports events.
- The Advisory Board would not carry any fiduciary or legal responsibilities.

# APPENDIX: CONSTRUCTION COST ANALYSIS

# CONSTRUCTION COSTS PER SQUARE FOOT FOR SELECT INDOOR SPORTS FACILITIES

<u>Indoor Sports Facility</u>	<u>City, State</u>	<u>Year Open</u>	<u>Project Cost (\$M)</u>	<u>Est. Project Cost in 2017 (\$M)</u>	<u>Square Footage</u>	<u>Est. Cost per S.F. in 2017 (\$M)</u>
Round Rock Sports Center	Round Rock, TX	2014	\$14.5	\$17.0	82,000	\$207
Upward Star Center	Spartanburg, SC	2014	\$19.0	\$22.3	120,000	\$186
Myrtle Beach Sports Center	Myrtle Beach, SC	2015	\$12.4	\$13.7	100,000	\$137
Boo Williams Sportsplex	Hampton, VA	2008	\$13.5	\$15.7	135,000	\$117
<b>Average</b>		<b>2013</b>	<b>\$14.9</b>	<b>\$17.2</b>	<b>109,250</b>	<b>\$162</b>
<b>Median</b>		<b>2014</b>	<b>\$14.0</b>	<b>\$16.4</b>	<b>110,000</b>	<b>\$161</b>

*Source: Comparable facility data compiled by Victus Advisors*

*Notes:*

- *Facilities listed are relevant indoor sports court facilities for which Victus Advisors had data on file*
- *Estimated Project Cost in 2017 is calculated according to the Turner Building Cost Index (1996 to Q4 2017)*
- *Table sorted by Estimated Cost per Square foot in 2017 construction dollars*

# CONSTRUCTION COSTS PER SQUARE FOOT FOR SELECT ICE FACILITIES

Arena/Ice Center	City, State	Year Open	Project Cost (\$M)	Est. Project Cost in 2017 (\$M)	Square Footage	Est. Cost per S.F. in 2017 (\$M)
Salt Lake County Ice Center	Murray, UT	1999	\$6.8	\$12.6	52,000	\$243
Peaks Ice Arena (2 sheets)	Provo, UT	1998	\$12.4	\$23.9	110,000	\$217
Riley Arena	Cody, WY	2001	\$2.5	\$4.3	33,000	\$131
Ressler Motors Ice Rink	Bozeman, MT	2017	\$4.5	\$4.5	36,000	\$125
Sun Prairie Ice Arena (2 sheets)	Sun Prairie, WI	2014	\$7.0	\$8.2	91,000	\$90
<b>Average</b>		<b>2006</b>	<b>\$6.6</b>	<b>\$10.7</b>	<b>64,400</b>	<b>\$161</b>
<b>Median</b>		<b>2001</b>	<b>\$6.8</b>	<b>\$8.2</b>	<b>52,000</b>	<b>\$146</b>

*Source: Comparable facility data compiled by Victus Advisors*

*Notes:*

- *Facilities listed include comparable venues from Section IV, as well as additional relevant facilities for which Victus Advisors had data on file*
- *Estimated Project Cost in 2017 is calculated according to the Turner Building Cost Index (1996 to Q4 2017)*
- *Table sorted by Estimated Cost per Square Foot in 2017 construction dollars*

# CONSTRUCTION COSTS PER SQUARE FOOT FOR SELECT AQUATIC FACILITIES

Arena/Ice Center	City, State	Year Open	Project Cost (\$M)	Est. Project Cost in 2017 (\$M)	Square Footage	Est. Cost per S.F. in 2017 (\$M)
Powell Aquatic Center	Powell, WY	2010	\$10.4	\$13.77	28,000	\$492
Casper Aquatic Family Center (1)	Casper, WY	2006	\$5.2	\$6.9	23,500	\$295
Paul Stock Aquatic Center (2)	Cody, WY	2001	\$7.1	\$12.3	43,500	\$282
<b>Average</b>		<b>2006</b>	<b>\$7.6</b>	<b>\$11.0</b>	<b>31,667</b>	<b>\$356</b>
<b>Median</b>		<b>2006</b>	<b>\$7.1</b>	<b>\$12.3</b>	<b>28,000</b>	<b>\$295</b>

*Source: Comparable facility data compiled by Victus Advisors*

*Notes:*

*(1) Casper Aquatic Family Center is primarily a recreational aquatic facility*

*(2) Construction cost does not include the attached Paul Stock Recreation Center component*

*- Facilities listed include comparable venues from Section IV*

*- Estimated Project Cost in 2017 is calculated according to the Turner Building Cost Index (1996 to Q4 2017)*

*- Table sorted by Estimated Cost per Square Foot in 2017 construction dollars*



## **VICTUS ADVISORS LLC**

2720 Homestead Rd. #130  
Park City, Utah 84098

(435) 604-0874

[www.victusadvisors.com](http://www.victusadvisors.com)