



## AGENDA

### COMMITTEE OF THE WHOLE WORKSHOP BOARD OF COUNTY COMMISSIONERS

Board Chambers  
Suite 100  
Escambia County Governmental Complex  
221 Palafox Place

July 14, 2011  
9:00 a.m.

Notice: This meeting is televised live on Cox Cable 98 and recorded for rebroadcast on the same channel.

1. Call to Order  
  
(PLEASE TURN YOUR CELL PHONE TO THE SILENCE OR OFF SETTING.)
2. Was the meeting properly advertised?
3. US Dept of State Iraqi Young Leadership Exchange Program (For Discussion No Backup)  
(Jena Melancon - 5 min)
  - A. Board Discussion
  - B. Board Direction
4. Florida Department of Transportation's Five Year Work Program  
(Mary Beth Washnock - 10 min)
  - A. Board Discussion
  - B. Board Direction
5. Civic Center Presentation - C.H. Johnson Consulting, Inc. / Civic Center Advisory Committee  
(Amy Lovoy - 45 min)
  - A. Board Discussion
  - B. Board Direction
6. Report on Commissioner Valentino's Economic Development Trip (For Discussion No Backup)  
(Comr. Gene Valentino - 15 min)
  - A. Board Discussion
  - B. Board Direction

7. Fiscal Year 2011-2012 Budget - Outside Agency Funding/Fourth Cent Funding  
(Randy Oliver - 30 min)
  - A. Board Discussion
  - B. Board Direction
  
8. Wetland Mitigation Needs Associated with Forthcoming Road Improvement Projects  
(Keith Wilkins - 10 minutes)
  - A. Board Discussion
  - B. Board Direction
  
9. Adjourn

**Committee of the Whole**

**Item #: 3.**

**Meeting**  
**Date:** 07/14/2011

**Issue:** US Department of State Iraqi Young Leadership Exchange Program

**From:** Jena Melancon

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**Recommendation:**

US Dept of State Iraqi Young Leadership Exchange Program (For Discussion No Backup)

(Jena Melancon - 5 min)

A. Board Discussion

B. Board Direction

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**Committee of the Whole**

**Item #: 4.**

**Meeting**

**Date:** 07/14/2011

**Issue:** Florida Department of Transportation's Five Year Work Program

**From:** Mary Beth Washnock

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**Recommendation:**

Florida Department of Transportation's Five Year Work Program

(Mary Beth Washnock - 10 min)

A. Board Discussion

B. Board Direction

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**Attachments**

Rural Work Program

ESCRWP Request



2011 Florida Department of Transportation

# RURAL WORK PROGRAM

# ESCAMBIA COUNTY

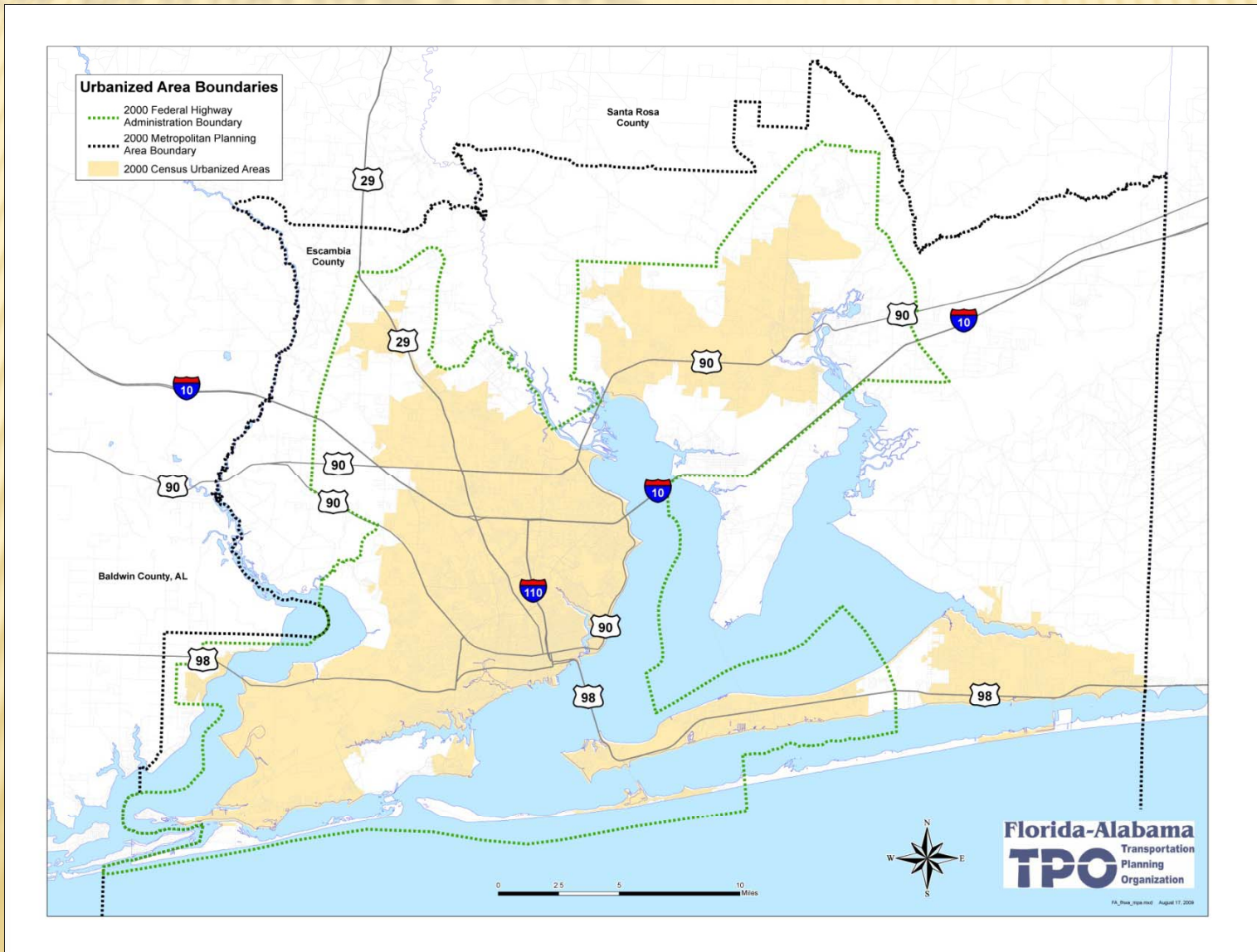


# MEETINGS/PUBLIC INVOLVEMENT

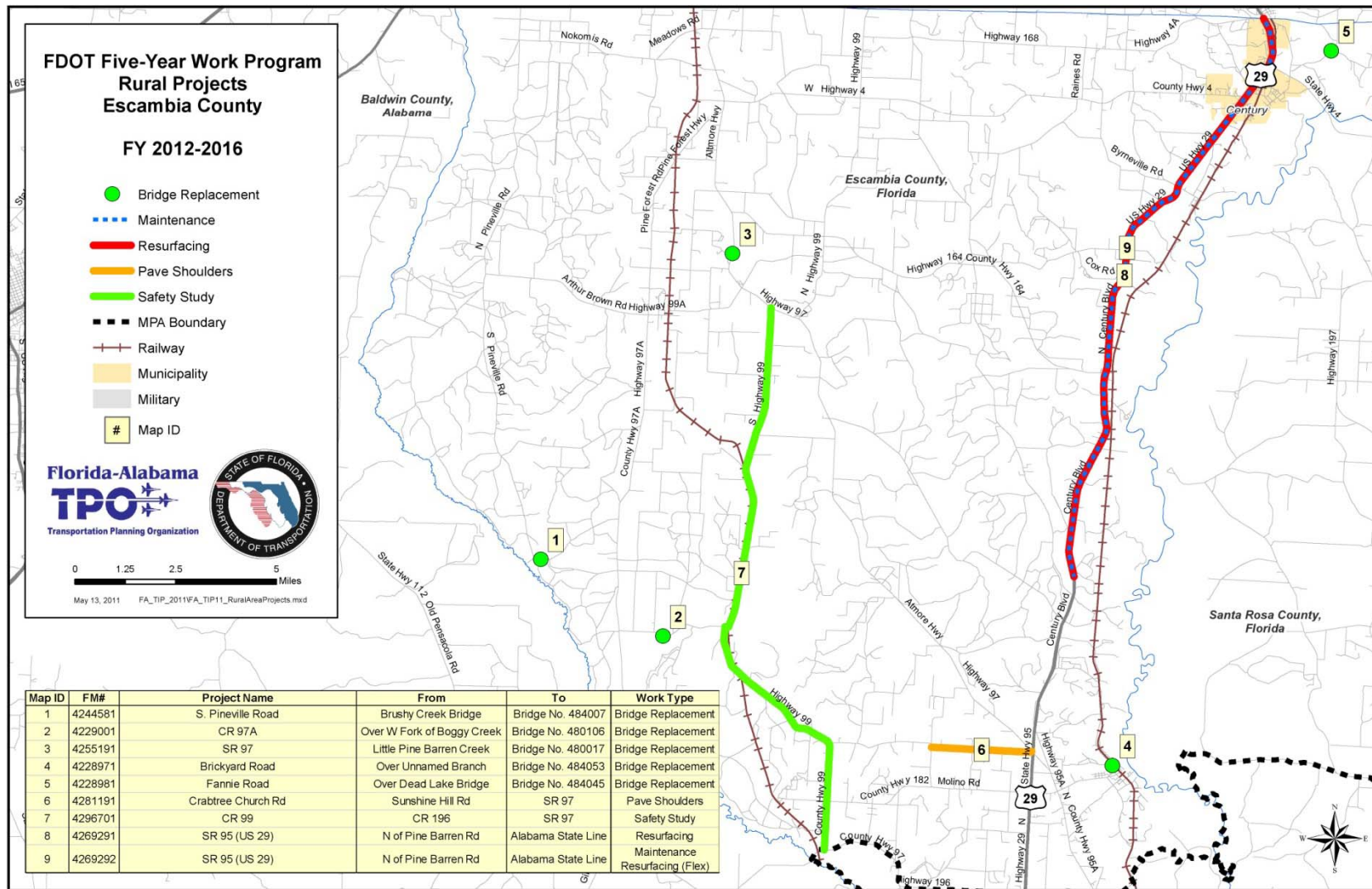
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- ✘ Meeting with Escambia County Staff 5/4/11
- ✘ Meeting with Commissioner White 6/2/11
- ✘ Meeting with Town of Century 7/11/11
- ✘ Presentation to Escambia County Commission  
7/14/11

# MPA BOUNDARY MAP

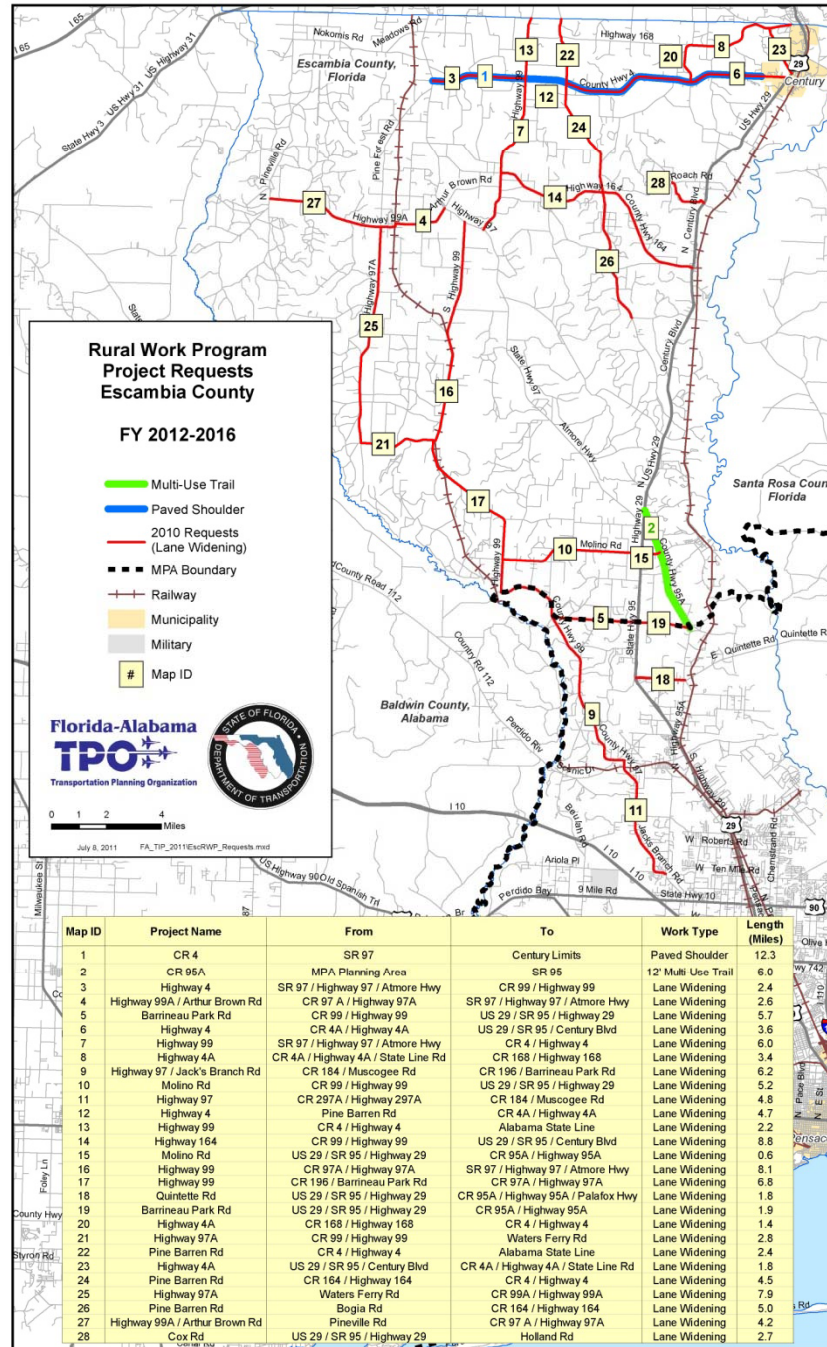


# ESCAMBIA COUNTY MAP





# Escambia County Requests

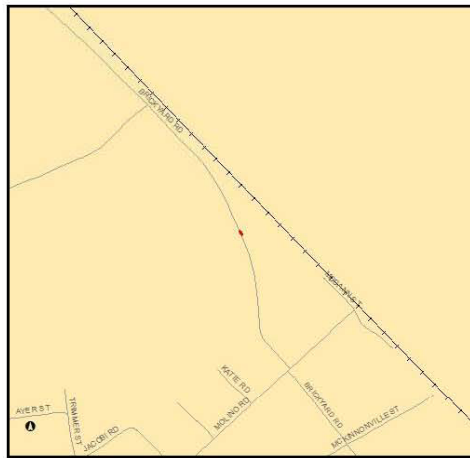


# BRICKYARD ROAD

Florida Alabama TPO Transportation Improvement Program - FY 2011/12 - 2015/16

4228971

## BRICKYARD ROAD



**Work Summary:** BRIDGE REPLACEMENT **From:** OVER UNNAMED BRANCH

**To:** BRIDGE NO. 484053

**Lead Agency:** FDOT

**Length:** .005

| Phase        | Fund Source | 2011/12        | 2012/13        | 2013/14          | 2014/15  | 2015/16  | Total            |
|--------------|-------------|----------------|----------------|------------------|----------|----------|------------------|
| PE (31)      | BRTZ        | 12,000         | 0              | 0                | 0        | 0        | 12,000           |
| PE (32)      | BRTZ        | 450,000        | 0              | 0                | 0        | 0        | 450,000          |
| ROW (41)     | BRTZ        | 0              | 42,849         | 0                | 0        | 0        | 42,849           |
| ROW (43)     | BRTZ        | 0              | 81,151         | 0                | 0        | 0        | 81,151           |
| ROW (4B)     | BRTZ        | 0              | 25,174         | 0                | 0        | 0        | 25,174           |
| CST (52)     | BRTZ        | 0              | 0              | 1,577,019        | 0        | 0        | 1,577,019        |
| CEI (61)     | BRTZ        | 0              | 0              | 17,899           | 0        | 0        | 17,899           |
| CEI (62)     | BRTZ        | 0              | 0              | 295,336          | 0        | 0        | 295,336          |
| <b>Total</b> |             | <b>462,000</b> | <b>149,174</b> | <b>1,890,254</b> | <b>0</b> | <b>0</b> | <b>2,501,428</b> |

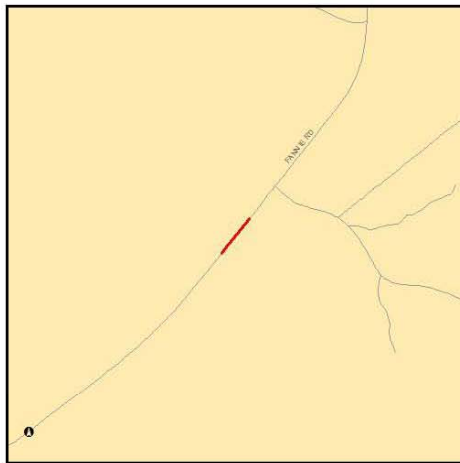
**Project Description:** This project is NOT within the TPO planning area. Replace low level bridge east of Molino.

# FANNIE ROAD

Florida Alabama TPO Transportation Improvement Program - FY 2011/12 - 2015/16

4228981

## FANNIE ROAD



**Work Summary:** BRIDGE REPLACEMENT From:

To: BRIDGE NO. 484045

**Lead Agency:** FDOT

**Length:** 0.023

| Phase        | Fund Source | 2011/12  | 2012/13       | 2013/14          | 2014/15  | 2015/16  | Total            |
|--------------|-------------|----------|---------------|------------------|----------|----------|------------------|
| ROW (4B)     | BRTZ        | 0        | 13,859        | 0                | 0        | 0        | 13,859           |
| ROW (43)     | BRTZ        | 0        | 23,827        | 0                | 0        | 0        | 23,827           |
| ROW (41)     | BRTZ        | 0        | 22,174        | 0                | 0        | 0        | 22,174           |
| CST (52)     | BRTZ        | 0        | 0             | 2,641,442        | 0        | 0        | 2,641,442        |
| CEI (61)     | BRTZ        | 0        | 0             | 29,980           | 0        | 0        | 29,980           |
| CEI (62)     | BRTZ        | 0        | 0             | 436,630          | 0        | 0        | 436,630          |
| <b>Total</b> |             | <b>0</b> | <b>59,860</b> | <b>3,108,052</b> | <b>0</b> | <b>0</b> | <b>3,167,912</b> |

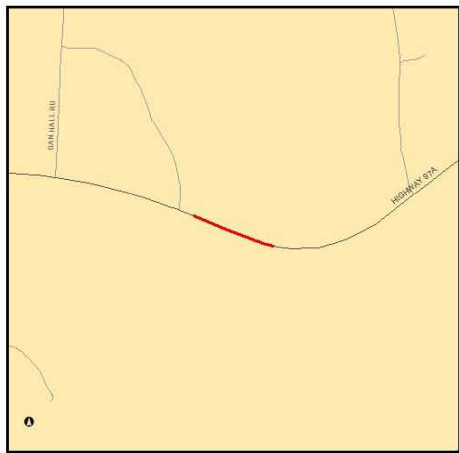
**Project Description:** This project is NOT within the TPO Planning Area.  
Replace low level bridge northeast of Century.

# CR 97A

Florida Alabama TPO Transportation Improvement Program - FY 2011/12 - 2015/16

**4229001**

**CR 97A**



**Work Summary:** BRIDGE REPLACEMENT **From:** OVER W FORK OF BOGGY CK

**To:** BRIDGE NO. 480106

**Lead Agency:** FDOT

**Length:** 0.123

| Phase        | Fund Source | 2011/12  | 2012/13          | 2013/14  | 2014/15  | 2015/16  | Total            |
|--------------|-------------|----------|------------------|----------|----------|----------|------------------|
| CST (52)     | BRTZ        | 0        | 3,607,297        | 0        | 0        | 0        | 3,607,297        |
| CEI (61)     | BRTZ        | 0        | 37,228           | 0        | 0        | 0        | 37,228           |
| CEI (62)     | BRTZ        | 0        | 573,203          | 0        | 0        | 0        | 573,203          |
| <b>Total</b> |             | <b>0</b> | <b>4,217,728</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>4,217,728</b> |

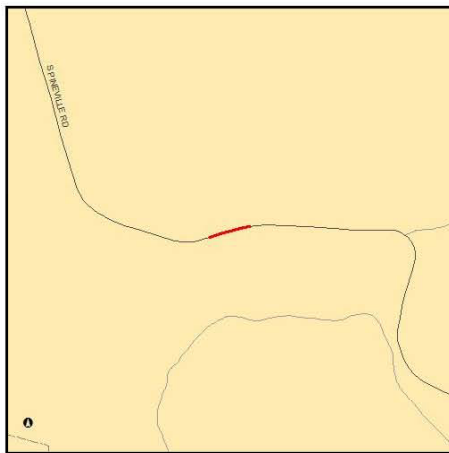
**Project Description:** Replace low level bridge west of Bay Springs  
This project is NOT within the TPO Planning Area

# S. PINEVILLE ROAD

Florida Alabama TPO Transportation Improvement Program - FY 2011/12 - 2015/16

4244581

## S. PINEVILLE ROAD



Work Summary: BRIDGE REPLACEMENT From: BRUSHY CREEK BRIDGE

To: BRIDGE NO. 484007

Lead Agency: FDOT

Length: 0.012

| Phase        | Fund Source | 2011/12  | 2012/13       | 2013/14          | 2014/15  | 2015/16  | Total            |
|--------------|-------------|----------|---------------|------------------|----------|----------|------------------|
| ROW (4B)     | BRTZ        | 0        | 5,544         | 0                | 0        | 0        | 5,544            |
| ROW (43)     | BRTZ        | 0        | 64,122        | 0                | 0        | 0        | 64,122           |
| ROW (41)     | BRTZ        | 0        | 8,315         | 0                | 0        | 0        | 8,315            |
| CST (52)     | BRTZ        | 0        | 0             | 2,338,285        | 0        | 0        | 2,338,285        |
| CEI (61)     | BRTZ        | 0        | 0             | 26,543           | 0        | 0        | 26,543           |
| CEI (62)     | BRTZ        | 0        | 0             | 523,450          | 0        | 0        | 523,450          |
| <b>Total</b> |             | <b>0</b> | <b>77,981</b> | <b>2,888,278</b> | <b>0</b> | <b>0</b> | <b>2,966,259</b> |

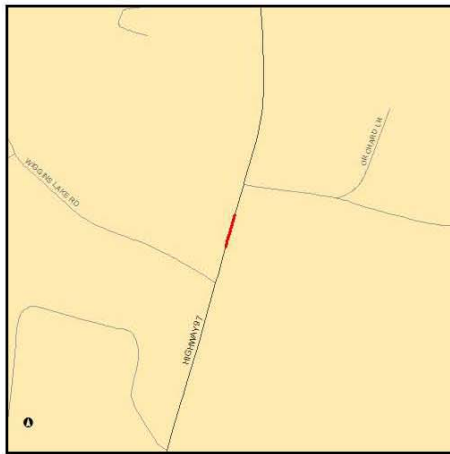
**Project Description:** This project is NOT within the TPO Planning Area.  
Replace low level bridge.

# SR 97

Florida Alabama TPO Transportation Improvement Program - FY 2011/12 - 2015/16

4255191

SR 97



**Work Summary:** BRIDGE REPLACEMENT **From:** LITTLE PINE BARREN CREEK

**To:** BRIDGE NO.480017

**Lead Agency:** FDOT

**Length:** 0.014

| Phase        | Fund Source | 2011/12  | 2012/13        | 2013/14  | 2014/15          | 2015/16  | Total            |
|--------------|-------------|----------|----------------|----------|------------------|----------|------------------|
| ROW (4B)     | ACBR        | 0        | 25,281         | 0        | 0                | 0        | 25,281           |
| ROW (43)     | ACBR        | 0        | 107,889        | 0        | 0                | 0        | 107,889          |
| ROW (41)     | ACBR        | 0        | 24,103         | 0        | 0                | 0        | 24,103           |
| CEI (61)     | ACBR        | 0        | 0              | 0        | 28,559           | 0        | 28,559           |
| CST (52)     | ACBR        | 0        | 0              | 0        | 2,516,239        | 0        | 2,516,239        |
| CEI (62)     | ACBR        | 0        | 0              | 0        | 500,212          | 0        | 500,212          |
| <b>Total</b> |             | <b>0</b> | <b>157,273</b> | <b>0</b> | <b>3,045,010</b> | <b>0</b> | <b>3,202,283</b> |

**Project Description:** This project is NOT within the TPO Planning Area.  
Replace low level bridge over Little Pina Barren Creek.

# CRABTREE CHURCH RD

Florida Alabama TPO Transportation Improvement Program - FY 2011/12 - 2015/16

4281191

## CRABTREE CHURCH RD



**Work Summary:** PAVE SHOULDERS      **From:** FROM SUNSHINE HILL ROAD

**To:** TO SR 97

**Lead Agency:** FDOT

**Length:** 2.594

| Phase        | Fund Source | 2011/12        | 2012/13  | 2013/14  | 2014/15          | 2015/16  | Total            |
|--------------|-------------|----------------|----------|----------|------------------|----------|------------------|
| PE (38)      | SE          | 138,824        | 0        | 0        | 0                | 0        | 138,824          |
| CST (58)     | SE          | 0              | 0        | 0        | 1,388,244        | 0        | 1,388,244        |
| <b>Total</b> |             | <b>138,824</b> | <b>0</b> | <b>0</b> | <b>1,388,244</b> | <b>0</b> | <b>1,527,068</b> |

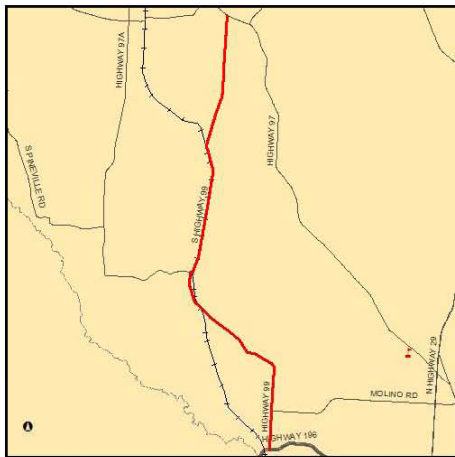
**Project Description:** This project is NOT within the TPO Planning Area

# CR 99 SOUTH HWY 99

Florida Alabama TPO Transportation Improvement Program - FY 2011/12 - 2015/16

4296701

CR 99 SOUTH HWY 99



Work Summary:

From: FROM CR 196

To: TO SR 97

Lead Agency: FDOT

Length: 15

| Phase        | Fund Source | 2011/12  | 2012/13  | 2013/14        | 2014/15  | 2015/16  | Total          |
|--------------|-------------|----------|----------|----------------|----------|----------|----------------|
| PE (32)      | HSP         | 0        | 0        | 275,000        | 0        | 0        | 275,000        |
| PE (31)      | HSP         | 0        | 0        | 27,500         | 0        | 0        | 27,500         |
| <b>Total</b> |             | <b>0</b> | <b>0</b> | <b>302,500</b> | <b>0</b> | <b>0</b> | <b>302,500</b> |

**Project Description:** This project is outside the TPO boundary  
This is a safety study

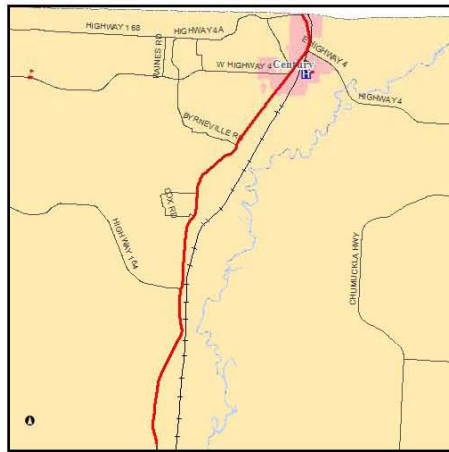


# SR 95 (US 29)

Florida Alabama TPO Transportation Improvement Program - FY 2011/12 - 2015/16

**4269291**

**SR 95 (US 29)**



**Work Summary:** RESURFACING      **From:** FROM N OF PINE BARREN RD  
**Lead Agency:** FDOT      **To:** TO ALABAMA STATE LINE  
**Length:** 15.585

| Phase        | Fund Source | 2011/12  | 2012/13  | 2013/14  | 2014/15  | 2015/16           | Total             |
|--------------|-------------|----------|----------|----------|----------|-------------------|-------------------|
| CEI (62)     | EB          | 0        | 0        | 0        | 0        | 2,716,819         | 2,716,819         |
| CEI (61)     | DIH         | 0        | 0        | 0        | 0        | 194,893           | 194,893           |
| CST (52)     | EB          | 0        | 0        | 0        | 0        | 22,146,885        | 22,146,885        |
| <b>Total</b> |             | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>25,058,597</b> | <b>25,058,597</b> |

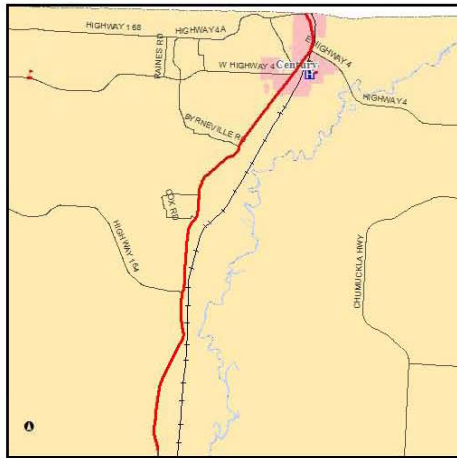
**Project Description:** This project is NOT within the TPO Planning Area

# SR 95 (US 29)

Florida Alabama TPO Transportation Improvement Program - FY 2011/12 - 2015/16

4269292

SR 95 (US 29)



**Work Summary:** MAINTENANCE RESURFACING (FLEX) **From:** North of Pine Barren Road  
**To:** Alabama State Line  
**Lead Agency:** FDOT **Length:** 15.585

| Phase        | Fund Source | 2011/12          | 2012/13  | 2013/14  | 2014/15  | 2015/16  | Total            |
|--------------|-------------|------------------|----------|----------|----------|----------|------------------|
| CEI (61)     | DIH         | 766,902          | 0        | 0        | 0        | 0        | 766,902          |
| CST (52)     | DDR         | 4,336,142        | 0        | 0        | 0        | 0        | 4,336,142        |
| CST (52)     | DS          | 3,373,137        | 0        | 0        | 0        | 0        | 3,373,137        |
| <b>Total</b> |             | <b>8,476,181</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>8,476,181</b> |

**Project Description:** Flex Pavement project due to pavement condition located North of Molino; any areas Urban section and 1.75" in Rural section. mill 2" in of corrosion.

## **NEXT STEP**









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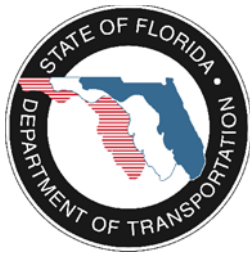
Comments are due June 30, 2011

Final Report to Florida Department of  
Transportation September 1, 2011

# Rural Work Program Project Requests Escambia County

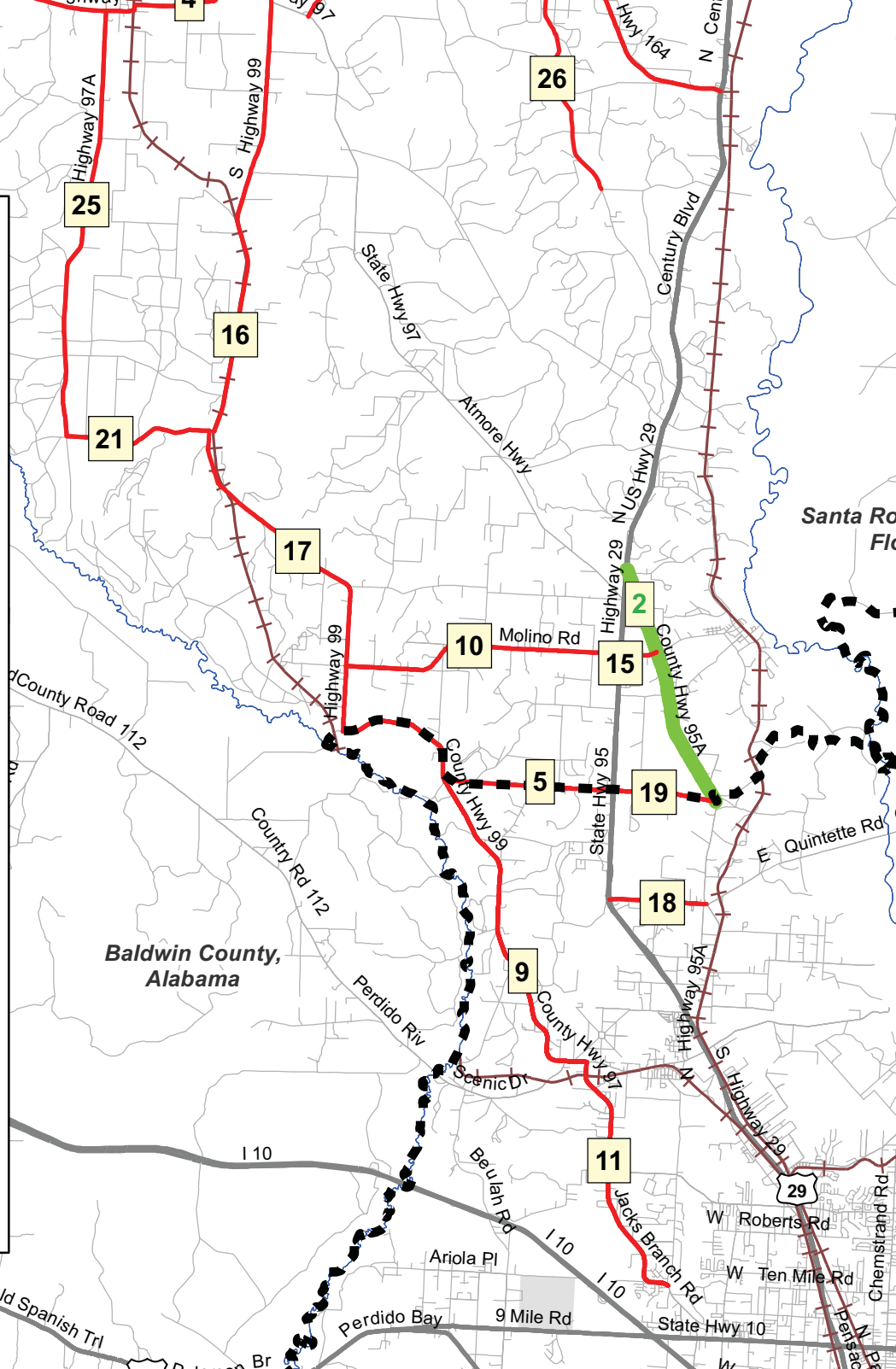
## FY 2012-2016

-  Multi-Use Trail
-  Paved Shoulder
-  2010 Requests  
(Lane Widening)
-  MPA Boundary
-  Railway
-  Municipality
-  Military
-  # Map ID



1 2 4  
Miles

July 8, 2011 FA\_TIP\_2011\EscRWP\_Requests.mxd



| Map ID | Project Name                  | From                               | To                              | Work Type           | Length (Miles) |
|--------|-------------------------------|------------------------------------|---------------------------------|---------------------|----------------|
| 1      | CR 4                          | SR 97                              | Century Limits                  | Paved Shoulder      | 12.3           |
| 2      | CR 95A                        | MPA Planning Area                  | SR 95                           | 12' Multi-Use Trail | 6.0            |
| 3      | Highway 4                     | SR 97 / Highway 97 / Atmore Hwy    | CR 99 / Highway 99              | Lane Widening       | 2.4            |
| 4      | Highway 99A / Arthur Brown Rd | CR 97 A / Highway 97A              | SR 97 / Highway 97 / Atmore Hwy | Lane Widening       | 2.6            |
| 5      | Barrineau Park Rd             | CR 99 / Highway 99                 | US 29 / SR 95 / Highway 29      | Lane Widening       | 5.7            |
| 6      | Highway 4                     | CR 4A / Highway 4A                 | US 29 / SR 95 / Century Blvd    | Lane Widening       | 3.6            |
| 7      | Highway 99                    | SR 97 / Highway 97 / Atmore Hwy    | CR 4 / Highway 4                | Lane Widening       | 6.0            |
| 8      | Highway 4A                    | CR 4A / Highway 4A / State Line Rd | CR 168 / Highway 168            | Lane Widening       | 3.4            |
| 9      | Highway 97 / Jack's Branch Rd | CR 184 / Muscogee Rd               | CR 196 / Barrineau Park Rd      | Lane Widening       | 6.2            |
| 10     | Molino Rd                     | CR 99 / Highway 99                 | US 29 / SR 95 / Highway 29      | Lane Widening       | 5.2            |
| 11     | Highway 97                    | CR 297A / Highway 297A             | CR 184 / Muscogee Rd            | Lane Widening       | 4.8            |
| 12     | Highway 4                     | Pine Barren Rd                     | CR 4A / Highway 4A              | Lane Widening       | 4.7            |
| 13     | Highway 99                    | CR 4 / Highway 4                   | Alabama State Line              | Lane Widening       | 2.2            |

**Committee of the Whole**

**Item #: 5.**

**Meeting**

**Date:** 07/14/2011

**Issue:** Civic Center Presentation - C.H. Johnson Consulting, Inc. / Civic Center Advisory Committee

**From:** Amy Lovoy

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**Recommendation:**

Civic Center Presentation - C.H. Johnson Consulting, Inc. / Civic Center Advisory Committee

(Amy Lovoy - 45 min)

A. Board Discussion

B. Board Direction

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**Attachments**

CHJC Escambia County Presentation

Pensacola Civic Center Report

CCAC's Recommendation

# **Pensacola Civic Center**

**Pensacola – Escambia County, Florida**



## **Economic Study**

**Presented by:**

**Charles H. Johnson IV  
Johnson Consulting**

**July 14th, 2011**

# Observations and Objectives

2

- Out of sight, out of mind.
- Under scrutiny.
- Compromised ability to attract flat floor events – bought into ice events instead.
- Compromised site attributes – competitive liability.

But Civic Center = strategic asset:

- Community is better off with Civic Center than without it.
- Potential to serve regional role.

**Key Question:** What is the best use of the Civic Center?

# Market Overview



# Demographic and Market Overview

4

- Significant revitalization downtown Pensacola.
- Port of Pensacola and NAS.
- Slow population growth.
- Well educated.
- High employment.
- Weak corporate presence.
- Strong university presence.
- Established tourism and service industry.
- No existing or planned convention or dedicated meeting facilities.
- Potential to serve as metropolitan hub for region.

# Historical Operations

# Existing Operating Profile

| Pensacola Civic Center, Pensacola, Florida<br>Historical Event Demand |      |      |      |      |       |
|---|------|------|------|------|-------|
| <i>FY Ending Sep 30,</i>  | 2007 | 2008 | 2009 | 2010 | 2011E |
| <b>Arena Oriented Events</b>  |      |      |      |      |       |
| Sporting Events - Hockey  | 36   | 36   | 0    | 35   | 41    |
| Sporting Events - Non-Hockey  | 2    | 4    | 4    | 5    | 4     |
| Assembly/ Graduations   | 13   | 10   | 22   | 10   | 9     |
| Entertainment Events  | 8    | 6    | 11   | 6    | 6     |
| Concerts/ Performing Arts   | 15   | 15   | 11   | 11   | 27    |
| Family Events   | 20   | 9    | 9    | 10   | 7     |
| Subtotal  | 94   | 80   | 57   | 77   | 94    |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                          |      |      |      |      |       |
| Consumer Shows/ Trade Shows   | 20   | 18   | 18   | 10   | 8     |
| Banquet/ Other  | 8    | 5    | 5    | 5    | 5     |
| Meetings  | 534  | 549  | 507  | 487  | 486   |
| Subtotal  | 562  | 572  | 530  | 502  | 499   |
| Total   | 656  | 652  | 587  | 579  | 593   |

*Source: Pensacola Civic Center, Johnson Consulting*

| Pensacola Civic Center, Pensacola, Florida<br>Historical Attendance |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| <i>FY Ending Sep 30,</i>  | 2007    | 2008    | 2009    | 2010    | 2011E   |
| <b>Arena Oriented Events</b>  |         |         |         |         |         |
| Sporting Events - Hockey  | 77,289  | 72,786  | 0       | 75,156  | 67,636  |
| Sporting Events - Non-Hockey  | 5,900   | 9,875   | 14,308  | 14,016  | 11,689  |
| Assembly/ Graduations   | 82,792  | 72,033  | 93,988  | 71,656  | 62,576  |
| Entertainment Events  | 34,753  | 23,173  | 40,099  | 17,125  | 16,043  |
| Concerts/ Performing Arts   | 65,909  | 56,398  | 37,578  | 45,747  | 45,138  |
| Family Events   | 42,161  | 29,855  | 25,292  | 13,224  | 18,975  |
| Subtotal  | 308,804 | 264,120 | 211,265 | 236,924 | 222,057 |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                        |         |         |         |         |         |
| Consumer Shows/ Trade Shows   | 26,489  | 23,402  | 15,346  | 8,917   | 7,588   |
| Banquet/ Other  | 5,997   | 4,800   | 4,650   | 4,500   | 4,620   |
| Meetings  | 34,444  | 30,814  | 28,942  | 27,231  | 24,954  |
| Subtotal  | 66,930  | 59,016  | 48,938  | 40,648  | 37,162  |
| Facility Total  | 375,734 | 323,136 | 260,203 | 277,572 | 259,219 |

*Source: Pensacola Civic Center, Johnson Consulting*

# Existing Operating Profile

| <b>Pensacola Civic Center, Pensacola, Florida</b>                                  |                    |                    |                    |                      |                    |
|--|--------------------|--------------------|--------------------|----------------------|--------------------|
| <b>Historical Revenues and Expenses Summary</b>                                    |                    |                    |                    |                      |                    |
| <i>FY Ending Sep 30,</i>   | <b>2007</b>        | <b>2008</b>        | <b>2009</b>        | <b>2010</b>          | <b>2011E</b>       |
| <b>Event Income</b>  |                    |                    |                    |                      |                    |
| Direct Event Income  | \$353,895          | \$298,238          | \$446,605          | \$552,663            | \$438,080          |
| Net Services Income  | 475,518            | 308,359            | 302,141            | (2,505)              | (32,709)           |
| Net Ancillary Income   | 871,784            | 655,839            | 545,668            | 708,559              | 777,522            |
| <b>Total Event Income</b>  | <b>\$1,701,197</b> | <b>\$1,262,436</b> | <b>\$1,294,414</b> | <b>\$1,258,717</b>   | <b>\$1,182,892</b> |
| <i>Adjustment*</i>   | \$0                | \$0                | (\$0)              | (\$3)                | na                 |
| <b>Other Income**</b>  | <b>\$382,892</b>   | <b>\$339,342</b>   | <b>\$250,176</b>   | <b>\$371,199</b>     | na                 |
| <b>Adjusted Gross Income</b>   | <b>\$2,084,089</b> | <b>\$1,601,778</b> | <b>\$1,544,590</b> | <b>\$1,629,913</b>   | na                 |
| <b>Indirect Expenses</b>   |                    |                    |                    |                      |                    |
| Employee Wages and Benefits  | \$2,637,101        | \$2,441,044        | \$1,922,619        | \$2,420,995          | na                 |
| Contracted Services  | 0                  | 0                  | 0                  | 0                    | na                 |
| Operations Expenses  | 86,714             | 77,958             | 63,509             | 86,816               | na                 |
| Repairs & Maintenance  | 93,753             | 22,087             | 65,026             | 74,748               | na                 |
| Supplies   | 183,080            | 117,026            | 106,194            | 134,638              | na                 |
| Insurance  | 70,220             | 77,972             | 70,743             | 53,273               | na                 |
| Utilities  | 624,696            | 606,949            | 471,142            | 770,834              | na                 |
| General & Administrative   | 163,290            | 138,721            | 119,265            | 289,535              | na                 |
| Depreciation   | 0                  | 0                  | 0                  | 0                    | na                 |
| Labor & Expense Allocation   | (1,232,093)        | (1,048,848)        | (786,041)          | (1,146,974)          | na                 |
| <b>Subtotal</b>  | <b>\$2,626,761</b> | <b>\$2,432,909</b> | <b>\$2,032,457</b> | <b>\$2,683,865</b>   | na                 |
| <i>Adjustment***</i>   | \$0                | \$0                | \$5                | \$2                  | na                 |
| <b>Net Operating Income (Loss)</b>   | <b>(\$542,672)</b> | <b>(\$831,131)</b> | <b>(\$487,872)</b> | <b>(\$1,053,954)</b> | na                 |
| TDC Transfer and Capital Contribution  | \$197,456          | \$773,615          | \$751,358          | \$1,083,601          | na                 |
| <b>NOI After TDC Transfer and Capital Contribution</b>                             | <b>(\$345,216)</b> | <b>(\$57,516)</b>  | <b>\$263,486</b>   | <b>\$29,647</b>      | na                 |
| <i>*Adjustment amounts reconcile summary budgets with detailed annual budgets.</i> |                    |                    |                    |                      |                    |
| <i>**Excluding TDC Transfer and Capital Contribution.</i>                          |                    |                    |                    |                      |                    |
| <i>***Adjustment amounts reconcile summary budgets with correct calculations.</i>  |                    |                    |                    |                      |                    |
| <i>Source: Pensacola Civic Center, Johnson Consulting</i>                          |                    |                    |                    |                      |                    |

# Historical Direct Event Income

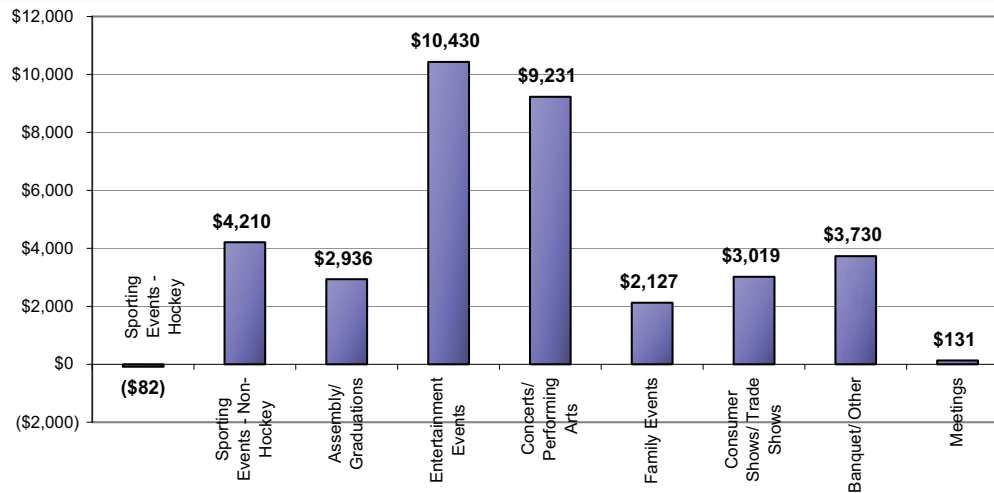
**Pensacola Civic Center, Pensacola, Florida  
Historical Direct Event Income (DEI) by Type of Events**

| <i>FY Ending Sep 30,</i>                     | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011E</b> | <b>Average<br/>DEI/ Event*</b> |
|--|-------------|-------------|-------------|-------------|--------------|--------------------------------|
| <b>Arena Oriented Events</b>                 |             |             |             |             |              |                                |
| Sporting Events - Hockey                     | (\$38,155)  | (\$32,181)  | \$0         | \$59,795    | \$59,335     | (\$82)                         |
| Sporting Events - Non-Hockey                 | 3,000       | 7,500       | 39,500      | 17,958      | 15,000       | 4,210                          |
| Assembly/ Graduations                        | 31,700      | 25,025      | 57,578      | 41,875      | 36,225       | 2,936                          |
| Entertainment Events                         | 87,000      | 59,725      | 84,803      | 79,100      | 64,542       | 10,430                         |
| Concerts/ Performing Arts                    | 94,813      | 114,000     | 93,192      | 159,825     | 116,825      | 9,231                          |
| Family Events                                | 22,544      | 6,000       | 25,290      | 39,041      | 51,614       | 2,127                          |
| Subtotal                                     | \$200,902   | \$180,068   | \$300,363   | \$397,595   | \$343,540    | -                              |
| <b>Exhibit Hall/ Meeting Oriented Events</b> |             |             |             |             |              |                                |
| Consumer Shows/ Trade Shows                  | \$60,025    | \$52,550    | \$43,308    | \$37,488    | \$26,238     | \$3,019                        |
| Banquet/ Other                               | 33,375      | 18,125      | 18,125      | 17,500      | 20,000       | 3,730                          |
| Meetings                                     | 59,593      | 47,495      | 61,200      | 100,081     | 46,802       | 131                            |
| Subtotal                                     | \$152,993   | \$118,170   | \$122,634   | \$155,068   | \$93,039     | -                              |
| Adjustment                                   | \$0         | \$0         | \$23,608    | \$0         | \$1,500      | -                              |
| Facility Total                               | \$353,895   | \$298,238   | \$446,605   | \$552,663   | \$438,080    | -                              |

- Three highest direct income event categories include:

1. Entertainment Events
2. Concerts
3. Non-Hockey Sports Events

**Comparison of Average Direct Event Income per Event over 4 Years\***



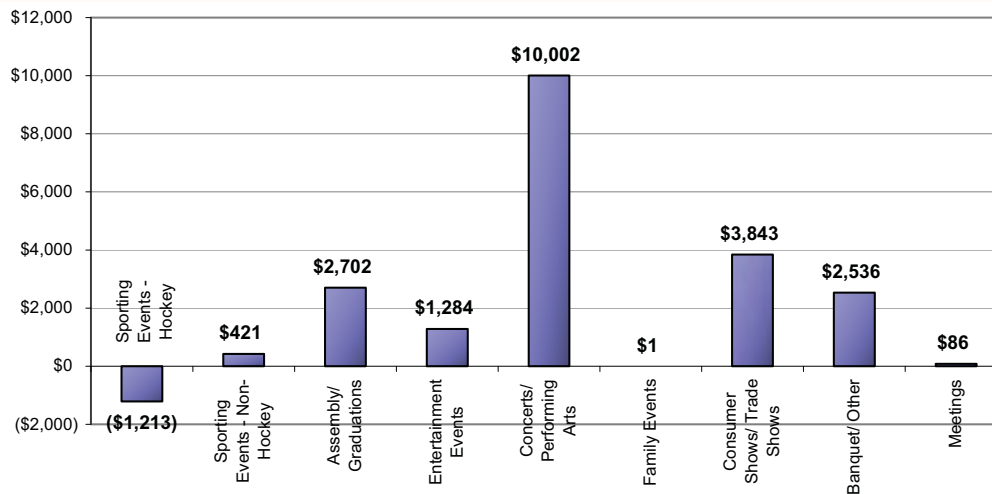
\*Including FY 2006-07 through FY 2009-10 only. FY 2010-11 is not included since it is estimated.  
Source: Pensacola Civic Center, Johnson Consulting

# Historical Net Services Income

**Pensacola Civic Center, Pensacola, Florida  
Historical Net Services Income (NSI) by Type of Events**

| <i>FY Ending Sep 30,</i>                     | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011E</b> | <b>Average NSI/ Event*</b> |
|--|-------------|-------------|-------------|-------------|--------------|----------------------------|
| <b>Arena Oriented Events</b>                 |             |             |             |             |              |                            |
| Sporting Events - Hockey                     | \$1,291     | (\$7,450)   | \$0         | (\$121,372) | (\$105,185)  | (\$1,213)                  |
| Sporting Events - Non-Hockey                 | 2,067       | (15,123)    | 14,489      | 4,054       | (2,532)      | 421                        |
| Assembly/ Graduations                        | 40,345      | 35,056      | 39,538      | 24,032      | 8,819        | 2,702                      |
| Entertainment Events                         | 16,691      | 8,791       | 79,187      | (33,686)    | (46,567)     | 1,284                      |
| Concerts/ Performing Arts                    | 232,204     | 163,872     | 77,358      | 72,273      | 99,703       | 10,002                     |
| Family Events                                | 21,243      | 10,242      | 13,907      | (37,397)    | (35,757)     | 1                          |
| Subtotal                                     | \$313,840   | \$195,388   | \$224,479   | (\$92,096)  | (\$81,520)   | -                          |
| <b>Exhibit Hall/ Meeting Oriented Events</b> |             |             |             |             |              |                            |
| Consumer Shows/ Trade Shows                  | \$86,830    | \$64,660    | \$66,945    | \$37,202    | \$16,306     | \$3,843                    |
| Banquet/ Other                               | 25,967      | 18,113      | 9,078       | 7,303       | 7,596        | 2,536                      |
| Meetings                                     | 43,940      | 43,878      | 38,988      | 51,237      | 14,227       | 86                         |
| Subtotal                                     | \$156,737   | \$126,651   | \$115,010   | \$95,742    | \$38,129     | -                          |
| Adjustment                                   | \$4,941     | (\$13,679)  | (\$37,348)  | (\$6,151)   | \$10,681     | -                          |
| Facility Total                               | \$475,518   | \$308,359   | \$302,141   | (\$2,505)   | (\$32,709)   | -                          |

**Comparison of Average Net Services Income per Event over 4 Years\***



\*Including FY 2006-07 through FY 2009-10 only. FY 2010-11 is not included since it is estimated.  
Source: Pensacola Civic Center, Johnson Consulting

- Three highest Net Service Income by event type include:
  1. Concerts
  2. Consumer & Trade Shows
  3. Assembly/Graduation
- Hockey games cost the venue \$1,213 per game, plus the lost opportunity of hosting more profitable events

# Historical Net Ancillary Income

**Pensacola Civic Center, Pensacola, Florida  
Historical Net Ancillary Income (NAI) by Type of Events**

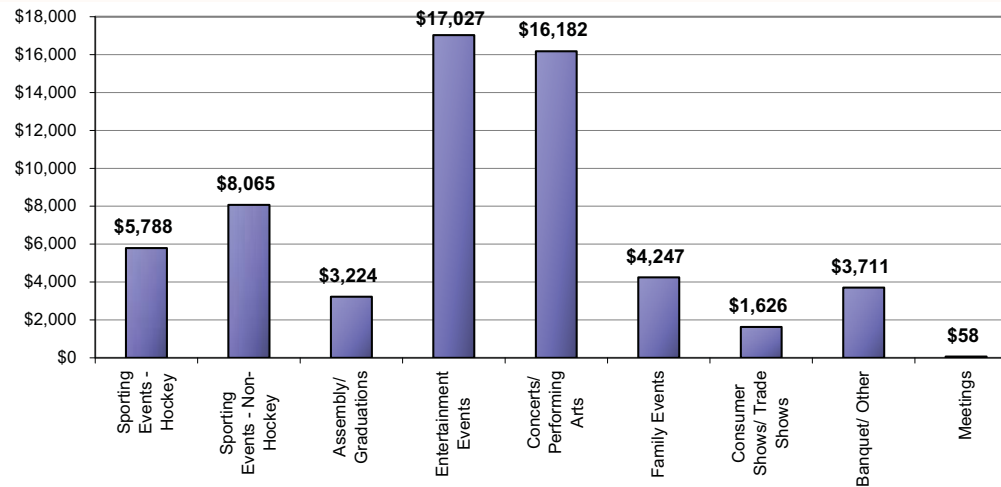
| FY Ending Sep 30,                            | 2007       | 2008      | 2009      | 2010      | 2011E     | Average<br>NAI/ Event* |
|--|------------|-----------|-----------|-----------|-----------|------------------------|
| <b>Arena Oriented Events</b>                 |            |           |           |           |           |                        |
| Sporting Events - Hockey                     | \$208,502  | \$170,881 | \$0       | \$238,864 | \$208,660 | \$5,788                |
| Sporting Events - Non-Hockey                 | 13,034     | 13,714    | 66,760    | 28,115    | 24,860    | 8,065                  |
| Assembly/ Graduations                        | 31,815     | 17,074    | 47,540    | 65,818    | 37,564    | 3,224                  |
| Entertainment Events                         | 173,263    | 110,217   | 185,410   | 67,362    | 66,357    | 17,027                 |
| Concerts/ Performing Arts                    | 317,150    | 209,446   | 122,146   | 203,691   | 286,465   | 16,182                 |
| Family Events                                | 62,731     | 44,913    | 54,636    | 27,904    | 53,023    | 4,247                  |
| Subtotal                                     | \$806,495  | \$566,245 | \$476,492 | \$631,754 | \$676,930 | -                      |
| <b>Exhibit Hall/ Meeting Oriented Events</b> |            |           |           |           |           |                        |
| Consumer Shows/ Trade Shows                  | \$35,846   | \$31,703  | \$29,955  | \$12,863  | \$18,952  | \$1,626                |
| Banquet/ Other                               | 30,027     | 16,832    | 13,739    | 24,888    | 17,363    | 3,711                  |
| Meetings                                     | 12,550     | 39,100    | 29,707    | 38,180    | 61,870    | 58                     |
| Subtotal                                     | \$78,423   | \$87,635  | \$73,401  | \$75,931  | \$98,185  | -                      |
| Adjustment                                   | (\$13,134) | \$1,958   | (\$4,225) | \$874     | \$2,407   | -                      |
| Facility Total                               | \$871,784  | \$655,839 | \$545,668 | \$708,559 | \$777,522 | -                      |

- Three highest Net Ancillary Income by event type include:

- Entertainment Events
- Concerts
- Non-Hockey Sports Events

- Non-Hockey sport events generate \$2,277 more ancillary income than hockey events

**Comparison of Average Net Ancillary Income per Event over 4 Years\***



\*Including FY 2006-07 through FY 2009-10 only. FY 2010-11 is not included since it is estimated.  
Source: Pensacola Civic Center, Johnson Consulting

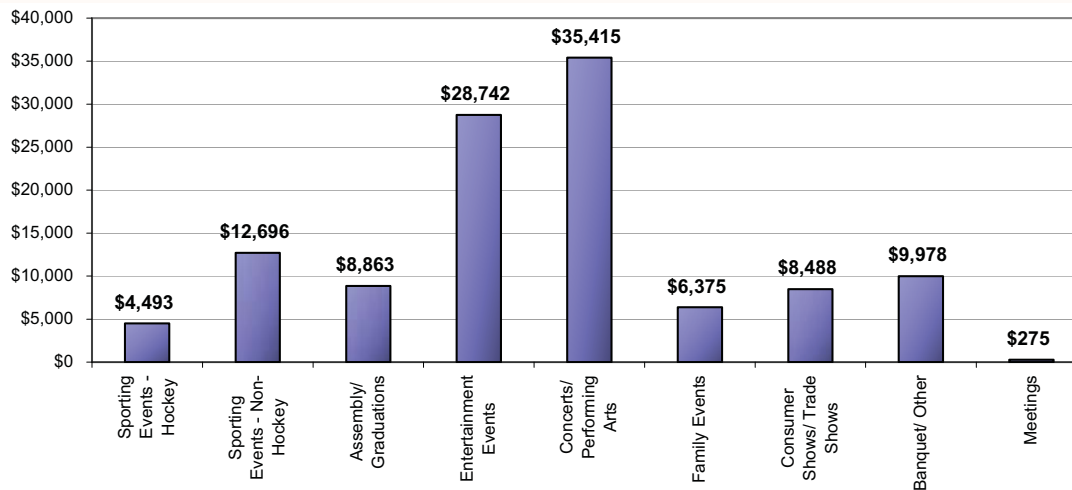
# Historical Total Event Income

## Pensacola Civic Center, Pensacola, Florida Historical Total Event Income (TEI) by Type of Events

| FY Ending Sep 30,                            | 2007        | 2008        | 2009        | 2010        | 2011E       | Average TEI/<br>Event* |
|--|-------------|-------------|-------------|-------------|-------------|------------------------|
| <b>Arena Oriented Events</b>                 |             |             |             |             |             |                        |
| Sporting Events - Hockey                     | \$171,638   | \$131,250   | \$0         | \$177,287   | \$162,810   | \$4,493                |
| Sporting Events - Non-Hockey                 | 18,101      | 6,090       | 120,749     | 50,127      | 37,328      | 12,696                 |
| Assembly/ Graduations                        | 103,860     | 77,155      | 144,657     | 131,726     | 82,608      | 8,863                  |
| Entertainment Events                         | 276,954     | 178,733     | 349,399     | 112,776     | 84,332      | 28,742                 |
| Concerts/ Performing Arts                    | 644,168     | 487,318     | 292,696     | 435,789     | 502,992     | 35,415                 |
| Family Events                                | 106,518     | 61,156      | 93,833      | 29,548      | 68,880      | 6,375                  |
| Subtotal                                     | \$1,321,238 | \$941,701   | \$1,001,334 | \$937,253   | \$938,950   | -                      |
| <b>Exhibit Hall/ Meeting Oriented Events</b> |             |             |             |             |             |                        |
| Consumer Shows/ Trade Shows                  | \$182,701   | \$148,913   | \$140,208   | \$87,553    | \$61,495    | \$8,488                |
| Banquet/ Other                               | 89,369      | 53,070      | 40,942      | 49,691      | 44,958      | 9,978                  |
| Meetings                                     | 116,082     | 130,473     | 129,895     | 189,498     | 122,900     | 275                    |
| Subtotal                                     | \$388,152   | \$332,456   | \$311,045   | \$326,741   | \$229,353   | -                      |
| Adjustment                                   | (\$8,194)   | (\$11,721)  | (\$17,965)  | (\$5,277)   | \$14,588    | -                      |
| Facility Total                               | \$1,701,197 | \$1,262,436 | \$1,294,414 | \$1,258,717 | \$1,182,892 | -                      |

- Three highest Total Event Income by event type include:
  1. Concerts
  2. Entertainment Events
  3. Non-Hockey Sports Events
  
- Non-Hockey sports events generate \$8,203 more total event income than hockey events

Comparison of Average Total Event Income per Event over 4 Years\*



\*Including FY 2006-07 through FY 2009-10 only. FY 2010-11 is not included since it is estimated.  
Source: Pensacola Civic Center, Johnson Consulting



# Escambia County Contributions

| Escambia County Civic Center Breakdown<br>Historical Contribution Summary |                    |                    |                    |                    |                     |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|
|   | 2007               | 2008               | 2009               | 2010               | 2011<br>(Allocated) |
| <b>Civic Center Subsidy</b>   |                    |                    |                    |                    |                     |
| Insurance   | \$232,313          | \$173,397          | \$130,652          | \$77,963           | \$218,073           |
| Administrative Cost   | 25,000             | 25,000             | 25,000             | 25,000             | 25,000              |
| Stormwater Assessment   | 7,382              | 7,382              | 7,382              | 6,626              | 7,500               |
| Welcome Back to School  | 0                  | 0                  | 0                  | 6,193              | 0                   |
| BRACE Expo  | 0                  | 0                  | 0                  | 6,129              | 0                   |
| Military Appreciation Tickets   | 0                  | 0                  | 11,662             | 3,621              | 50,000              |
| Miscellaneous   | 0                  | 347                | 0                  | 0                  | 0                   |
| Management Fee  | 311,458            | 317,827            | 326,185            | 330,426            | 338,520             |
| Maintenance   | 0                  | 202,207            | 0                  | 0                  | 0                   |
| Renewal & Replacement   | 200,000            | 285,000            | 416,800            | 200,000            | 200,000             |
| Operations  | 278,446            | 43,440             | 916,955            | 1,044,042          | 1,135,717           |
| <b>Total County Contribution</b>  | <b>\$1,054,600</b> | <b>\$1,054,600</b> | <b>\$1,834,636</b> | <b>\$1,700,000</b> | <b>\$1,974,810</b>  |

*Source: Escambia County*

- The primary contributor to the increasing County contribution is due to the operations line item and linked to the increased support the Pensacola Civic Center has required.
- The first major escalation appears in 2009 but is in reality a result of underfunding this line item in 2007 and 2008.
- The other line items have had some ups and downs but have stayed within a fairly consistent pattern.

# Regional and Competitive Facilities

## Mobile Civic Center – Mobile, Alabama



- Built in 1964 – 10,112 seats;
- SMG managed
- Net Operating Deficit \$810,364
- Adjacent Convention Center complements Arena;
- Convention Center host flat show events - creating opportunities for more concerts/entertainment and sporting events at Arena.
- No major sports tenant
- In 2010, hosted 83 arena events, which accounted for approximately 230,000 in total attendance

## Mississippi Coast Coliseum

- Built in 1977 – 11,500 seats;
- City owned and operated
- Net Operating Deficit \$1,028,618;
- Home of the Southern Professional Hockey League's Mississippi Surge;
- In 2010, hosted 81 arena events, which including adjacent exhibit space, 426,632 in total attendance



# Comparable/Analogue Facilities

| Pensacola Civic Center<br>Summary of Comparable Facilities and Markets |                        |                                    |                            |                        |                  |
|--|------------------------|------------------------------------|----------------------------|------------------------|------------------|
|  | Pensacola Civic Center | American Bank Center <sup>1)</sup> | Ocean Center <sup>1)</sup> | Verizon Wireless Arena | Sovereign Center |
| <b>Location</b>  | Pensacola, FL          | Corpus Christi, TX                 | Daytona Beach, FL          | Manchester, NH         | Reading, PA      |
| <b>Year Built</b>  | 1985                   | 2004                               | 1971                       | 2001                   | 1998             |
| <b>Market Characteristics</b>  |                        |                                    |                            |                        |                  |
| MSA Population (2010 Estimate)   | 457,481                | 418,376                            | 494,455                    | 407,494                | 409,444          |
| Median Household Income  | \$47,068               | \$43,187                           | \$45,272                   | \$67,517               | \$54,110         |
| Number of Businesses   | 17,040                 | 16,912                             | 20,401                     | 17,709                 | 13,965           |
| Median Age   | 37.3                   | 35.3                               | 44.1                       | 39                     | 39.2             |
| Building (SF)  |                        |                                    |                            |                        |                  |
| <b>Naming Rights</b>   |                        |                                    |                            |                        |                  |
| <b>Premium Seating Capability</b>                                      |                        |                                    |                            |                        |                  |
| Suites   | 0                      | 11                                 | -                          | 34                     | 20               |
| Club Seats   | 0                      | 302                                | -                          | 600                    | 701              |
| Total Arena Seats  | 10,000                 | 10,000                             | 9,400                      | 10,000                 | 9,000            |
| <b>Parking</b>   | 1,000                  | 4,200                              | 2,086                      | -                      | -                |
| <b>Arena Demand - # of Events*</b>                                     |                        |                                    |                            |                        |                  |
| Sporting Events  | 40                     | 67                                 | 6                          | 53                     | 61               |
| Assembly/Graduations   | 10                     | 11                                 | 14                         | 13                     | 24               |
| Entertainment Events   | 6                      | 6                                  | -                          | 6                      | 8                |
| Concerts/Performing Arts   | 11                     | 8                                  | 3                          | 17                     | 16               |
| Family Events  | 10                     | 4                                  | 4                          | 17                     | 13               |
| Other  | -                      | 7                                  | -                          | -                      | 11               |
| Subtotal Arena Events  | 77                     | 103                                | 27                         | 106                    | 133              |

1)Denotes the facility also has an additional exhibit space  
 \*Only arena oriented events are shown  
 Source: Respective facilities, DemographicsNow, Johnson Consulting

# Competitive Facilities

16

## Verizon Wireless Arena – Manchester, NH

- Built in 1995 – 10,000 seats;
- SMG managed
- Operated at a break-even in 2010
- Home of the American Hockey League's Manchester Monarchs
- In 2010, hosted 108 events, with a total attendance of 403,348;
- Very strong concert and family show events;



## Sovereign Center – Reading, PA



- Built in 2001 – 9,000 seats;
- SMG managed
- Operating profit of \$563 in 2010;
- Home of the Eastern Conference Hockey League's Reading Royals
- In 2010, hosted 134 events, with a total attendance of 477,246
- Very strong concerts and competitive arts event mix, they held 15 non-hockey sporting events in 2010

# Competitive Facilities

17

## American Bank Center – Corpus Christi, Texas

- Built in 2004 – 10,000 seats;
- SMG managed
- Arena Net Operating Profit of \$254 in 2010
- Luxury Suited/ Club Seat & Naming Rights accounted for approximately \$1 million in revenue for 2010
- Home of the Texas A&M Men's Basketball Team
- In 2010, the arena hosted 103 events, with a total attendance of 301,277



## Ocean Center – Daytona Beach, Florida



- Built in 1985 – 9,400 seats;
- City owned and operated
- No Major Sports Tenant
- In 2010, hosted 74 events, with a total attendance of 293,149
- Very strong in competitive arts event mix, they held 15 non-major sporting events in 2010

# Facility Recommendations and Agreements

- **Revenue Enhancements**
  - **Advertising Signage**
    - SMG recommends improved signage throughout the facility. Johnson Consulting strongly agrees.
    - Current Civic Center advertising income is \$220,000 per year.
    - Comps have advertising and naming rights revenue in the range of \$400,000 to \$500,000 per year
    - A previous naming rights deal was offered but turned down.
  - **Parking**
    - Has recently become an issue at the Pensacola Civic Center.
    - The Civic Center comes up well short of parking spots in comparison to its peer facilities.
    - Parking inventory was approximately cut in half and has approximately 1,000 spots.
    - The facility currently charges a flat parking fee ranging from \$750-\$1000 for Flat Show Users. The facility charges a \$3 facility fee on all concert tickets and \$5 per vehicle for hockey games.
    - If charged for all parking spaces at the market rate of approximately \$5 per vehicle, equals a potential increase in revenue of approximately \$50,000-\$150,000 per year.



- **Revenue Enhancements**
  - **Midsize Exhibit Hall**
    - Initial Masterplan called for a mid-sized exhibit hall to support the arena product.
    - The lack of the proposed exhibit hall has affected the overall attractiveness of the arena as a whole.
    - It has hindered the facility's ability to clear approximately 15 weekend dates that are taken up with flat show events.
    - Weekends are the most marketable dates for concerts and entertainment shows, which are the Civic Center's most profitable events.
  - **Premium Seating**
    - Loge boxes have become the most successful selling points for their ability to offer luxury at an affordable price in comparison to suites.
    - Club seats have become key revenue generators.

# Management Agreement Comparison

|                     | Pensacola Civic Center- Management Contracts                             |  |   |   |
|---------------------|--|--|---|---|
|                     | Pensacola Civic Center<br>Pensacola, FL                                  | Baton Rouge RiverCenter<br>Baton Rouge, LA   | Rockford MetroCentre<br>Rockford, IL              | Dow Events Center<br>Saginaw, MI  |
| Type                | Arena  | Arena, Exhibition Hall   | Arena, Parkland and AHL Hockey<br>Team management | Arena, Exhibition Hall, Theater   |
| Term:               | 10 years   | 5 years with 5 year renewal<br>option  | 5 years with 5 year renewal<br>option             | 10 years plus 2 year extension<br>option  |
| Base Fee:           | \$150,000; CPI adjusted  | \$220,000; CPI adjusted  | \$270,000 per year; CPI adjusted                  | \$150,000; CPI adjusted   |
| Incentive Fee:      | qualitative and quantitative<br>measures capped at amount of<br>base fee | % of revenues over a<br>benchmark, No incentive if<br>budgeted NOI/L is not achieved | % if improvement over a NOL<br>benchmark          | 40% of improvement over an<br>NOI benchmark 25% of event-<br>related parking revenues<br>capped at \$20,000 |
| Food & Beverage:    | N/A  | 4% of Gross Sales  | N/A   | 15% of operating revenues   |
| Capital Investment: | Yes; replacement of marquee  | Yes; marketing fund  | Yes   | Yes   |

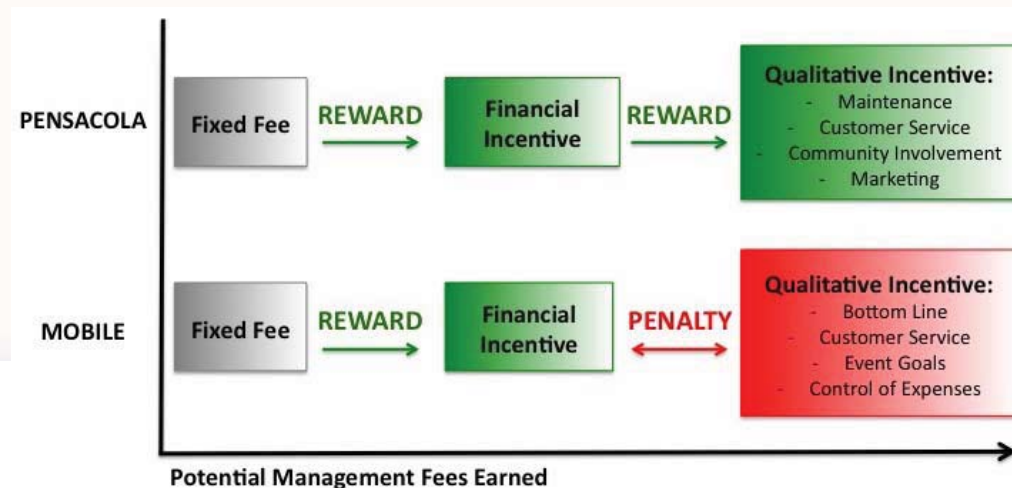
- Management fee agreement between SMG and Pensacola is not above average or abnormal to industry standards.
- Several conditions have been imposed upon SMG that are at the root cause of the growing deficit, namely the ice operation.
- Need to negotiate specific performance metrics that are more directly tied to deficit reduction and improved operations that would not be directly tied to the ice operations.
- SMG has conducted an internal venue assessment that identifies areas that can be improved towards this end. Discussions to workout the details and benchmarks are needed.

# Management Agreement Comparison

22

## ■ Comparison to Mobile SMG Agreement

- Essentially both management contracts make provision for fixed fees plus financial incentives. With regard to performance-based incentives (or qualitative incentives), the following differences are observed:
  - Pensacola Civic Center: SMG can receive additional performance-based incentives (or at the very least receive no additional fees), up to a maximum of \$150,000 less any financial performance incentives that have already accrued. Qualitative performance is measured on maintenance, customer service, community involvement, and marketing, with no reward for minimizing expenses.
  - Mobile Civic Center: SMG risks incurring penalties based on underperformance (or at the very least can incur no penalties, but does not have the potential to earn additional fees), up to a maximum of \$40,000. These penalties detract from their overall Incentive Fee. The qualitative measures at Mobile encourage SMG to meet bottom line targets and minimize operating expenses, as demonstrated in the graphic below.



# Hockey Lease Agreement

23

- In the past hockey season, the Civic Center incurred approximately \$167,000 loss from the Ice Flyers, in addition to lost revenue potential from higher grossing events.
  - Lost as many as 4 events per hockey season. When those 4 events are concerts, at approximately \$36,000 income per concert, the lost revenues total approximately \$144,000
- Johnson Consulting concludes that it may best for both the facility and the County if it were to eliminate the Ice Flyers.
- Alternatively, if the Flyers were to stay, and be financially solvent, not much can be done about the lease parameters.
- In FYE 2011, 41 Ice Hockey games were costing \$167,000 to the Civic Center. Average attendance was 1,650. In order to break-even under current contract, average attendance needs to be 4,896.

# Demand & Financial Performance Scenarios

# Three Financial Scenarios

25

- **Scenario 1: Keep Hockey**
  - In the subsequent projections for Scenario 1, With Hockey, the increasing facility deficit is reflected by the increasing “TDC Transfer and Capital Contributions”, which is projected to balance the facility’s Net Operating Income (NOI) at a break-even.
- **Scenario 2: Without Hockey**
  - In Scenario 2, No Hockey, the improving net operating income line is reflected by the decreasing support provided by the “TDC Transfer and Capital Contributions” needed for the Civic Center to break-even.
- **Scenario 3: Without Hockey + Sale of Naming Rights**
  - In Scenario 3, Demand & Attendance remain the same as in Scenario 2. Naming rights revenue is added to financial projection
- It is important to note, “TDC Transfer and Capital Contributions” does NOT account for the total amount of subsidy provided to the Civic Center, cost for the County such as: insurance, administration and management fee are NOT included.

# Demand Projection W/ Hockey - Events

| Pensacola Civic Center, Pensacola, Florida                           |      |       |      |      |      |      |      |      |      |      |      |      |
|--|------|-------|------|------|------|------|------|------|------|------|------|------|
| Historical and Projected Event Demand - Scenario 1 with Hockey Games |      |       |      |      |      |      |      |      |      |      |      |      |
| <i>FY Ending Sep 30,</i>   | 2007 | 2011E | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| <b>Arena Oriented Events</b>   |      |       |      |      |      |      |      |      |      |      |      |      |
| Sporting Events - Hockey   | 36   | 41    | 41   | 41   | 41   | 41   | 41   | 41   | 41   | 41   | 41   | 41   |
| Sporting Events - Non-Hockey   | 2    | 4     | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    |
| Assembly/ Graduations  | 13   | 9     | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    |
| Entertainment Events   | 8    | 6     | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    |
| Concerts/ Performing Arts  | 15   | 27    | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   |
| Family Events  | 20   | 7     | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   |
| Subtotal   | 94   | 94    | 84   | 84   | 84   | 84   | 84   | 84   | 84   | 84   | 84   | 84   |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                         |      |       |      |      |      |      |      |      |      |      |      |      |
| Consumer Shows/ Trade Shows  | 20   | 8     | 8    | 8    | 8    | 8    | 8    | 8    | 8    | 8    | 8    | 8    |
| Banquet/ Other   | 8    | 5     | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    |
| Meetings   | 534  | 486   | 486  | 486  | 486  | 486  | 486  | 486  | 486  | 486  | 486  | 486  |
| Subtotal   | 562  | 499   | 499  | 499  | 499  | 499  | 499  | 499  | 499  | 499  | 499  | 499  |
| Total  | 656  | 593   | 583  | 583  | 583  | 583  | 583  | 583  | 583  | 583  | 583  | 583  |

*Source: Pensacola Civic Center, Johnson Consulting*

- This projection assumes that the Ice Flyers continues to be a tenant under the same conditions.
- Projected event demand is based on the FYE 2011.

# Attendance Projection W/ Hockey - Events

| Pensacola Civic Center, Pensacola, Florida                         |         |         |         |         |         |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Historical and Projected Attendance - Scenario 1 with Hockey Games |         |         |         |         |         |         |         |         |         |         |         |         |
| FY Ending Sep 30,  | 2007    | 2011E   | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    | 2021    |
| <b>Arena Oriented Events</b>                                       |         |         |         |         |         |         |         |         |         |         |         |         |
| Sporting Events - Hockey   | 77,289  | 67,636  | 68,989  | 70,368  | 71,776  | 73,211  | 74,676  | 75,422  | 76,177  | 76,938  | 77,708  | 78,485  |
| Sporting Events - Non-Hockey                                       | 5,900   | 11,689  | 11,923  | 12,161  | 12,404  | 12,653  | 12,906  | 13,035  | 13,165  | 13,297  | 13,430  | 13,564  |
| Assembly/ Graduations  | 82,792  | 62,576  | 63,828  | 65,104  | 66,406  | 67,734  | 69,089  | 69,780  | 70,478  | 71,182  | 71,894  | 72,613  |
| Entertainment Events   | 34,753  | 16,043  | 16,364  | 16,691  | 17,025  | 17,365  | 17,713  | 17,890  | 18,069  | 18,249  | 18,432  | 18,616  |
| Concerts/ Performing Arts  | 65,909  | 45,138  | 20,463  | 20,872  | 21,289  | 21,715  | 22,149  | 22,371  | 22,595  | 22,820  | 23,049  | 23,279  |
| Family Events  | 42,161  | 18,975  | 33,179  | 33,843  | 34,520  | 35,210  | 35,914  | 36,273  | 36,636  | 37,002  | 37,372  | 37,746  |
| Subtotal   | 308,804 | 222,057 | 214,745 | 219,039 | 223,420 | 227,889 | 232,446 | 234,771 | 237,119 | 239,490 | 241,885 | 244,304 |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                       |         |         |         |         |         |         |         |         |         |         |         |         |
| Consumer Shows/ Trade Shows  | 26,489  | 7,588   | 7,740   | 7,895   | 8,052   | 8,213   | 8,378   | 8,462   | 8,546   | 8,632   | 8,718   | 8,805   |
| Banquet/ Other   | 5,997   | 4,620   | 4,712   | 4,807   | 4,903   | 5,001   | 5,101   | 5,152   | 5,203   | 5,255   | 5,308   | 5,361   |
| Meetings   | 34,444  | 24,954  | 25,453  | 25,962  | 26,481  | 27,011  | 27,551  | 27,827  | 28,105  | 28,386  | 28,670  | 28,957  |
| Subtotal   | 66,930  | 37,162  | 37,905  | 38,663  | 39,437  | 40,225  | 41,030  | 41,440  | 41,855  | 42,273  | 42,696  | 43,123  |
| Facility Total   | 375,734 | 259,219 | 252,650 | 257,703 | 262,857 | 268,114 | 273,476 | 276,211 | 278,973 | 281,763 | 284,581 | 287,426 |

Source: Pensacola Civic Center, Johnson Consulting

- Attendance is projected to grow by 2 percent annually, then by 1 percent annually starting in FYE 2017.



# Financial Projection W/ Hockey - Events

| Pensacola Civic Center, Pensacola, Florida   |                |                |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|--|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Historical and Projected Revenues and Expenses Summary (\$000) - Scenario 1 with Hockey Games with Naming Rights |                |                |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| FY Ending Sep 30,  | 2007           | 2008           | 2009           | 2010             | 2011E            | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             |
| <b>Event Income</b>  |                |                |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Direct Event Income  | \$354          | \$298          | \$447          | \$553            | \$438            | \$281            | \$294            | \$308            | \$322            | \$337            | \$350            | \$363            | \$377            | \$391            | \$406            |
| Net Services Income  | 476            | 308            | 302            | (3)              | (33)             | 134              | 140              | 146              | 152              | 159              | 165              | 171              | 177              | 184              | 191              |
| Net Ancillary Income   | 872            | 656            | 546            | 709              | 778              | 550              | 577              | 605              | 635              | 667              | 693              | 721              | 750              | 780              | 811              |
| Total Event Income   | <b>\$1,701</b> | <b>\$1,262</b> | <b>\$1,294</b> | <b>\$1,259</b>   | <b>\$1,183</b>   | <b>\$965</b>     | <b>\$1,011</b>   | <b>\$1,059</b>   | <b>\$1,110</b>   | <b>\$1,163</b>   | <b>\$1,208</b>   | <b>\$1,255</b>   | <b>\$1,304</b>   | <b>\$1,355</b>   | <b>\$1,407</b>   |
| <b>Other Income*</b>   | \$383          | \$339          | \$250          | \$371            | \$382            | \$394            | \$406            | \$418            | \$430            | \$443            | \$457            | \$470            | \$484            | \$499            | \$514            |
| <b>Naming Rights</b>   | \$0            | \$0            | \$0            | \$0              | \$0              | \$250            | \$250            | \$250            | \$250            | \$250            | \$250            | \$250            | \$250            | \$250            | \$250            |
| <b>Adjusted Gross Income</b>   | <b>\$2,084</b> | <b>\$1,602</b> | <b>\$1,545</b> | <b>\$1,630</b>   | <b>\$1,565</b>   | <b>\$1,609</b>   | <b>\$1,666</b>   | <b>\$1,727</b>   | <b>\$1,790</b>   | <b>\$1,856</b>   | <b>\$1,914</b>   | <b>\$1,975</b>   | <b>\$2,038</b>   | <b>\$2,104</b>   | <b>\$2,171</b>   |
| <b>Indirect Expenses</b>   |                |                |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Employee Wages and Benefits  | \$2,637        | \$2,441        | \$1,923        | \$2,421          | \$2,494          | \$2,568          | \$2,645          | \$2,725          | \$2,807          | \$2,891          | \$2,978          | \$3,067          | \$3,159          | \$3,254          | \$3,351          |
| Operations Expenses  | 87             | 78             | 64             | 87               | 89               | 92               | 95               | 98               | 101              | 104              | 107              | 110              | 113              | 117              | 120              |
| Repairs & Maintenance  | 94             | 22             | 65             | 75               | 77               | 79               | 82               | 84               | 87               | 89               | 92               | 95               | 98               | 100              | 103              |
| Supplies   | 183            | 117            | 106            | 135              | 139              | 143              | 147              | 152              | 156              | 161              | 166              | 171              | 176              | 181              | 186              |
| Insurance  | 70             | 78             | 71             | 53               | 55               | 57               | 58               | 60               | 62               | 64               | 66               | 67               | 70               | 72               | 74               |
| Utilities  | 625            | 607            | 471            | 771              | 794              | 818              | 842              | 868              | 894              | 920              | 948              | 976              | 1,006            | 1,036            | 1,067            |
| General & Administrative   | 163            | 139            | 119            | 290              | 298              | 307              | 316              | 326              | 336              | 346              | 356              | 367              | 378              | 389              | 401              |
| Labor & Expense Allocation   | (1,232)        | (1,049)        | (786)          | (1,147)          | (1,181)          | (1,217)          | (1,253)          | (1,291)          | (1,330)          | (1,370)          | (1,411)          | (1,453)          | (1,497)          | (1,541)          | (1,588)          |
| Subtotal   | <b>\$2,627</b> | <b>\$2,433</b> | <b>\$2,032</b> | <b>\$2,684</b>   | <b>\$2,764</b>   | <b>\$2,847</b>   | <b>\$2,933</b>   | <b>\$3,021</b>   | <b>\$3,111</b>   | <b>\$3,205</b>   | <b>\$3,301</b>   | <b>\$3,400</b>   | <b>\$3,502</b>   | <b>\$3,607</b>   | <b>\$3,715</b>   |
| <b>Net Operating Income (Loss)</b>   | <b>(\$543)</b> | <b>(\$831)</b> | <b>(\$488)</b> | <b>(\$1,054)</b> | <b>(\$1,199)</b> | <b>(\$1,239)</b> | <b>(\$1,266)</b> | <b>(\$1,294)</b> | <b>(\$1,321)</b> | <b>(\$1,349)</b> | <b>(\$1,386)</b> | <b>(\$1,425)</b> | <b>(\$1,464)</b> | <b>(\$1,503)</b> | <b>(\$1,544)</b> |
| <b>TDC Transfer and Capital Contribution**</b>   | <b>\$197</b>   | <b>\$774</b>   | <b>\$751</b>   | <b>\$1,084</b>   | <b>\$1,199</b>   | <b>\$1,239</b>   | <b>\$1,266</b>   | <b>\$1,294</b>   | <b>\$1,321</b>   | <b>\$1,349</b>   | <b>\$1,386</b>   | <b>\$1,425</b>   | <b>\$1,464</b>   | <b>\$1,503</b>   | <b>\$1,544</b>   |
| <b>NOI After TDC Transfer and Capital Contribution</b>   | <b>(\$345)</b> | <b>(\$58)</b>  | <b>\$263</b>   | <b>\$30</b>      | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       |

*\*Excluding TDC Transfer and Capital Contribution.  
 \*\*Reflects the amount of TDC Transfer and Capital Contribution that is needed to keep the Civic Center break-even.  
 Source: Pensacola Civic Center, Johnson Consulting*

- Projected event income is based on the average event income statistics described in Section 5 of the report and adjusted by an inflation rate of 3 percent.
- Indirect expenses are assumed to grow inline with the inflationary rate as well.
- Naming rights potential for Pensacola appears to be in the range from \$250,000 to \$300,000 for 10 years. To be more conservative, the projections use a \$250,000 naming rights revenue.

# Demand Projection W/O Hockey - Events 29

| Pensacola Civic Center, Pensacola, Florida                              |      |       |      |      |      |      |      |      |      |      |      |      |
|---|------|-------|------|------|------|------|------|------|------|------|------|------|
| Historical and Projected Event Demand - Scenario 2 without Hockey Games |      |       |      |      |      |      |      |      |      |      |      |      |
| FY Ending Sep 30,   | 2007 | 2011E | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| <b>Arena Oriented Events</b>  |      |       |      |      |      |      |      |      |      |      |      |      |
| Sporting Events - Hockey  | 36   | 41    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |
| Sporting Events - Non-Hockey  | 2    | 4     | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    |
| Assembly/ Graduations   | 13   | 9     | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    |
| Entertainment Events  | 8    | 6     | 12   | 12   | 15   | 15   | 18   | 18   | 18   | 18   | 18   | 18   |
| Concerts/ Performing Arts   | 15   | 27    | 15   | 15   | 22   | 22   | 22   | 22   | 22   | 22   | 22   | 22   |
| Family Events   | 20   | 7     | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   |
| Subtotal  | 94   | 94    | 52   | 52   | 62   | 62   | 65   | 65   | 65   | 65   | 65   | 65   |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                            |      |       |      |      |      |      |      |      |      |      |      |      |
| Consumer Shows/ Trade Shows   | 20   | 8     | 12   | 12   | 15   | 15   | 18   | 18   | 18   | 18   | 18   | 18   |
| Banquet/ Other  | 8    | 5     | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    |
| Meetings  | 534  | 486   | 486  | 486  | 486  | 486  | 486  | 486  | 486  | 486  | 486  | 486  |
| Subtotal  | 562  | 499   | 503  | 503  | 506  | 506  | 509  | 509  | 509  | 509  | 509  | 509  |
| Total   | 656  | 593   | 555  | 555  | 568  | 568  | 574  | 574  | 574  | 574  | 574  | 574  |

*Source: Pensacola Civic Center, Johnson Consulting*

- Scenario 2 assumes no Ice Hockey team as a tenant.
- Instead, the Civic Center will accommodate more entertainment events, concerts, and performing arts shows, as well as more consumer shows and trade shows.

# Attendance Projection W/O Hockey - Events

| Pensacola Civic Center, Pensacola, Florida                            |         |         |         |         |         |         |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Historical and Projected Attendance - Scenario 2 without Hockey Games |         |         |         |         |         |         |         |         |         |         |         |         |
| <i>FY Ending Sep 30,</i>  | 2007    | 2011E   | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    | 2021    |
| <b>Arena Oriented Events</b>  |         |         |         |         |         |         |         |         |         |         |         |         |
| Sporting Events - Hockey  | 77,289  | 67,636  | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       |
| Sporting Events - Non-Hockey  | 5,900   | 11,689  | 11,981  | 12,281  | 12,588  | 12,902  | 13,225  | 13,357  | 13,491  | 13,626  | 13,762  | 13,900  |
| Assembly/ Graduations   | 82,792  | 62,576  | 64,140  | 65,744  | 67,388  | 69,072  | 70,799  | 71,507  | 72,222  | 72,944  | 73,674  | 74,410  |
| Entertainment Events  | 34,753  | 16,043  | 32,888  | 33,710  | 43,191  | 44,271  | 54,454  | 54,998  | 55,548  | 56,104  | 56,665  | 57,231  |
| Concerts/ Performing Arts   | 65,909  | 45,138  | 25,704  | 26,346  | 39,607  | 40,597  | 41,612  | 42,028  | 42,449  | 42,873  | 43,302  | 43,735  |
| Family Events   | 42,161  | 18,975  | 33,342  | 34,175  | 35,030  | 35,905  | 36,803  | 37,171  | 37,543  | 37,918  | 38,297  | 38,680  |
| Subtotal  | 308,804 | 222,057 | 168,055 | 172,257 | 197,803 | 202,749 | 216,893 | 219,062 | 221,252 | 223,465 | 225,700 | 227,957 |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                          |         |         |         |         |         |         |         |         |         |         |         |         |
| Consumer Shows/ Trade Shows   | 26,489  | 7,588   | 11,667  | 11,958  | 15,321  | 15,704  | 19,317  | 19,510  | 19,705  | 19,902  | 20,101  | 20,302  |
| Banquet/ Other  | 5,997   | 4,620   | 4,736   | 4,854   | 4,975   | 5,100   | 5,227   | 5,279   | 5,332   | 5,385   | 5,439   | 5,494   |
| Meetings  | 34,444  | 24,954  | 25,578  | 26,217  | 26,873  | 27,545  | 28,233  | 28,515  | 28,801  | 29,089  | 29,380  | 29,673  |
| Subtotal  | 66,930  | 37,162  | 41,980  | 43,029  | 47,169  | 48,349  | 52,777  | 53,305  | 53,838  | 54,376  | 54,920  | 55,469  |
| Facility Total  | 375,734 | 259,219 | 210,035 | 215,286 | 244,973 | 251,097 | 269,670 | 272,366 | 275,090 | 277,841 | 280,619 | 283,426 |

*Source: Pensacola Civic Center, Johnson Consulting*

- Average attendance is assumed to grow by 2.5 percent annually, then by 1 percent annually starting in FYE 2017.

# Financial Projection W/O Hockey - Events

| Pensacola Civic Center, Pensacola, Florida   |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
|--|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Historical and Projected Revenues and Expenses Summary (\$000) - Scenario 2 without Hockey Games |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
| FY Ending Sep 30,  | 2007           | 2008           | 2009           | 2010             | 2011E          | 2012           | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           | 2021           |
| <b>Event Income</b>  |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
| Direct Event Income  | \$354          | \$298          | \$447          | \$553            | \$438          | \$357          | \$375          | \$463          | \$487          | \$552          | \$574          | \$596          | \$619          | \$643          | \$668          |
| Net Services Income  | 476            | 308            | 302            | (3)              | (33)           | 209            | 219            | 281            | 295            | 327            | 340            | 353            | 367            | 381            | 396            |
| Net Ancillary Income   | 872            | 656            | 546            | 709              | 778            | 462            | 487            | 619            | 653            | 742            | 772            | 803            | 835            | 868            | 903            |
| Total Event Income   | <b>\$1,701</b> | <b>\$1,262</b> | <b>\$1,294</b> | <b>\$1,259</b>   | <b>\$1,183</b> | <b>\$1,028</b> | <b>\$1,082</b> | <b>\$1,362</b> | <b>\$1,434</b> | <b>\$1,621</b> | <b>\$1,685</b> | <b>\$1,752</b> | <b>\$1,820</b> | <b>\$1,892</b> | <b>\$1,966</b> |
| <b>Other Income*</b>   | \$383          | \$339          | \$250          | \$371            | \$382          | \$258          | \$265          | \$273          | \$282          | \$290          | \$299          | \$308          | \$317          | \$326          | \$336          |
| <b>Adjusted Gross Income</b>   | <b>\$2,084</b> | <b>\$1,602</b> | <b>\$1,545</b> | <b>\$1,630</b>   | <b>\$1,565</b> | <b>\$1,285</b> | <b>\$1,347</b> | <b>\$1,635</b> | <b>\$1,716</b> | <b>\$1,912</b> | <b>\$1,984</b> | <b>\$2,059</b> | <b>\$2,137</b> | <b>\$2,218</b> | <b>\$2,303</b> |
| <b>Indirect Expenses</b>   |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
| Employee Wages and Benefits  | \$2,637        | \$2,441        | \$1,923        | \$2,421          | \$2,494        | \$1,980        | \$2,040        | \$2,101        | \$2,164        | \$2,229        | \$2,296        | \$2,365        | \$2,436        | \$2,509        | \$2,584        |
| Operations Expenses  | 87             | 78             | 64             | 87               | 89             | 65             | 67             | 69             | 71             | 74             | 76             | 78             | 80             | 83             | 85             |
| Repairs & Maintenance  | 94             | 22             | 65             | 75               | 77             | 67             | 69             | 71             | 73             | 75             | 78             | 80             | 82             | 85             | 87             |
| Supplies   | 183            | 117            | 106            | 135              | 139            | 109            | 113            | 116            | 120            | 123            | 127            | 131            | 135            | 139            | 143            |
| Insurance  | 70             | 78             | 71             | 53               | 55             | 73             | 75             | 77             | 80             | 82             | 84             | 87             | 90             | 92             | 95             |
| Utilities  | 625            | 607            | 471            | 771              | 794            | 485            | 500            | 515            | 530            | 546            | 563            | 579            | 597            | 615            | 633            |
| General & Administrative   | 163            | 139            | 119            | 290              | 298            | 123            | 127            | 130            | 134            | 138            | 142            | 147            | 151            | 156            | 160            |
| Labor & Expense Allocation   | (1,232)        | (1,049)        | (786)          | (1,147)          | (1,181)        | (810)          | (834)          | (859)          | (885)          | (911)          | (939)          | (967)          | (996)          | (1,026)        | (1,056)        |
| Subtotal   | <b>\$2,627</b> | <b>\$2,433</b> | <b>\$2,032</b> | <b>\$2,684</b>   | <b>2,764</b>   | <b>2,093</b>   | <b>2,156</b>   | <b>2,221</b>   | <b>2,288</b>   | <b>2,356</b>   | <b>2,427</b>   | <b>2,500</b>   | <b>2,575</b>   | <b>2,652</b>   | <b>2,731</b>   |
| <b>Net Operating Income (Loss)</b>   | <b>(\$543)</b> | <b>(\$831)</b> | <b>(\$488)</b> | <b>(\$1,054)</b> | <b>(1,199)</b> | <b>(808)</b>   | <b>(809)</b>   | <b>(586)</b>   | <b>(572)</b>   | <b>(445)</b>   | <b>(443)</b>   | <b>(440)</b>   | <b>(437)</b>   | <b>(433)</b>   | <b>(429)</b>   |
| <b>TDC Transfer and Capital Contribution**</b>   | <b>\$197</b>   | <b>\$774</b>   | <b>\$751</b>   | <b>\$1,084</b>   | <b>\$1,199</b> | <b>\$808</b>   | <b>\$809</b>   | <b>\$586</b>   | <b>\$572</b>   | <b>\$445</b>   | <b>\$443</b>   | <b>\$440</b>   | <b>\$437</b>   | <b>\$433</b>   | <b>\$429</b>   |
| <b>NOI After TDC Transfer and Capital Contribution</b>   | <b>(\$345)</b> | <b>(\$58)</b>  | <b>\$263</b>   | <b>\$30</b>      | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

*\*Excluding TDC Transfer and Capital Contribution.*  
*\*\*Reflects the amount of TDC Transfer and Capital Contribution that is needed to keep the Civic Center break-even.*  
 Source: Pensacola Civic Center, Johnson Consulting

- Projected event income is based on the average event income statistics described in Section 5 of the report and adjusted by an inflation rate of 3 percent.
- However, in Scenario 2, more events with higher income-generating potential are driving more revenues to Civic Center.
- To be conservative, indirect expenses are based off historic 2009 expenses, which was a non hockey tenant year; the projections grow with the inflationary rate.

# Financial Projection W/O Hockey + Naming Rights

| Pensacola Civic Center, Pensacola, Florida  |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
|---|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Historical and Projected Revenues and Expenses Summary (\$000) - Scenario 3 without Hockey Games but with Naming Rights |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
| FY Ending Sep 30,   | 2007           | 2008           | 2009           | 2010             | 2011E          | 2012           | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           | 2021           |
| <b>Event Income</b>   |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
| Direct Event Income   | \$354          | \$298          | \$447          | \$553            | \$438          | \$357          | \$375          | \$463          | \$487          | \$552          | \$574          | \$596          | \$619          | \$643          | \$668          |
| Net Services Income   | 476            | 308            | 302            | (3)              | (33)           | 209            | 219            | 281            | 295            | 327            | 340            | 353            | 367            | 381            | 396            |
| Net Ancillary Income  | 872            | 656            | 546            | 709              | 778            | 462            | 487            | 619            | 653            | 742            | 772            | 803            | 835            | 868            | 903            |
| Total Event Income  | <b>\$1,701</b> | <b>\$1,262</b> | <b>\$1,294</b> | <b>\$1,259</b>   | <b>\$1,183</b> | <b>\$1,028</b> | <b>\$1,082</b> | <b>\$1,362</b> | <b>\$1,434</b> | <b>\$1,621</b> | <b>\$1,685</b> | <b>\$1,752</b> | <b>\$1,820</b> | <b>\$1,892</b> | <b>\$1,966</b> |
| <b>Other Income*</b>  | \$383          | \$339          | \$250          | \$371            | \$382          | \$258          | \$265          | \$273          | \$282          | \$290          | \$299          | \$308          | \$317          | \$326          | \$336          |
| <b>Naming Rights</b>  | \$0            | \$0            | \$0            | \$0              | \$0            | \$250          | \$250          | \$250          | \$250          | \$250          | \$250          | \$250          | \$250          | \$250          | \$250          |
| <b>Adjusted Gross Income</b>  | <b>\$2,084</b> | <b>\$1,602</b> | <b>\$1,545</b> | <b>\$1,630</b>   | <b>\$1,565</b> | <b>\$1,535</b> | <b>\$1,597</b> | <b>\$1,885</b> | <b>\$1,966</b> | <b>\$2,162</b> | <b>\$2,234</b> | <b>\$2,309</b> | <b>\$2,387</b> | <b>\$2,468</b> | <b>\$2,553</b> |
| <b>Indirect Expenses</b>  |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
| Employee Wages and Benefits   | \$2,637        | \$2,441        | \$1,923        | \$2,421          | \$2,494        | \$1,980        | \$2,040        | \$2,101        | \$2,164        | \$2,229        | \$2,296        | \$2,365        | \$2,436        | \$2,509        | \$2,584        |
| Operations Expenses   | 87             | 78             | 64             | 87               | 89             | 65             | 67             | 69             | 71             | 74             | 76             | 78             | 80             | 83             | 85             |
| Repairs & Maintenance   | 94             | 22             | 65             | 75               | 77             | 67             | 69             | 71             | 73             | 75             | 78             | 80             | 82             | 85             | 87             |
| Supplies  | 183            | 117            | 106            | 135              | 139            | 109            | 113            | 116            | 120            | 123            | 127            | 131            | 135            | 139            | 143            |
| Insurance   | 70             | 78             | 71             | 53               | 55             | 73             | 75             | 77             | 80             | 82             | 84             | 87             | 90             | 92             | 95             |
| Utilities   | 625            | 607            | 471            | 771              | 794            | 485            | 500            | 515            | 530            | 546            | 563            | 579            | 597            | 615            | 633            |
| General & Administrative  | 163            | 139            | 119            | 290              | 298            | 123            | 127            | 130            | 134            | 138            | 142            | 147            | 151            | 156            | 160            |
| Labor & Expense Allocation  | (1,232)        | (1,049)        | (786)          | (1,147)          | (1,181)        | (810)          | (834)          | (859)          | (885)          | (911)          | (939)          | (967)          | (996)          | (1,026)        | (1,056)        |
| Subtotal  | <b>\$2,627</b> | <b>\$2,433</b> | <b>\$2,032</b> | <b>\$2,684</b>   | <b>2,764</b>   | <b>2,093</b>   | <b>2,156</b>   | <b>2,221</b>   | <b>2,288</b>   | <b>2,356</b>   | <b>2,427</b>   | <b>2,500</b>   | <b>2,575</b>   | <b>2,652</b>   | <b>2,731</b>   |
| <b>Net Operating Income (Loss)</b>  | <b>(\$543)</b> | <b>(\$831)</b> | <b>(\$488)</b> | <b>(\$1,054)</b> | <b>(1,199)</b> | <b>(558)</b>   | <b>(559)</b>   | <b>(336)</b>   | <b>(322)</b>   | <b>(195)</b>   | <b>(193)</b>   | <b>(190)</b>   | <b>(187)</b>   | <b>(183)</b>   | <b>(179)</b>   |
| <b>TDC Transfer and Capital Contribution**</b>  | <b>\$197</b>   | <b>\$774</b>   | <b>\$751</b>   | <b>\$1,084</b>   | <b>\$1,199</b> | <b>\$558</b>   | <b>\$559</b>   | <b>\$336</b>   | <b>\$322</b>   | <b>\$195</b>   | <b>\$193</b>   | <b>\$190</b>   | <b>\$187</b>   | <b>\$183</b>   | <b>\$179</b>   |
| <b>NOI After TDC Transfer and Capital Contribution</b>  | <b>(\$345)</b> | <b>(\$58)</b>  | <b>\$263</b>   | <b>\$30</b>      | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

\*Excluding TDC Transfer and Capital Contribution.

\*\*Reflects the amount of TDC Transfer and Capital Contribution that is needed to keep the Civic Center break-even.

Source: Pensacola Civic Center, Johnson Consulting

- Demand and Attendance are in this scenario are the same as in scenario 2
- Naming rights revenue in Scenario 3 is projected to further decrease the amount of TDC Transfer and Capital Contribution that is needed for operational support.

- Strong case for development;
- Next logical step – proceed with Phase 2 Physical Assessment;
- Advance project from idea to business plan that can be implemented.

# Questions

# Pensacola, FL

## Civic Center

Pensacola Civic Center -  
Economic Study

SUBMITTED TO:

Escambia County Board of Commissioners

SUBMITTED BY:

C.H. Johnson Consulting, Inc.

June 2011





## **TABLE OF CONTENTS**

- I. TRANSMITTAL LETTER**
- II. INTRODUCTION & EXECUTIVE SUMMARY**
- III. MARKET OVERVIEW**
- IV. INDUSTRY TRENDS**
- V. EXISTING OPERATIONS PROFILE – PENSACOLA CIVIC CENTER**
- VI. COMPARATIVE MARKET ANALYSIS AND COMPARABLE ARENA**
- VII. ANALYSIS AND OTHER CONSULTANT REPORT ABSTRACTS AND JOHNSON CONSULTING’S RECOMMENDATIONS**

## **I. TRANSMITTAL LETTER**

# C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

July 7, 2011

Escambia Board of County Commissioners  
2<sup>nd</sup> Floor, Matt Langley Bell, III Building  
213 Palafox Place, Room 11.101  
Pensacola, FL 32597-1591

Re: Pensacola Civic Center Economic Study

Board of County Commissioners:

C.H. Johnson Consulting, Inc. (Johnson Consulting) is pleased to submit this draft report to the Board of County Commissioners of Escambia County that provides analysis of different alternatives for the best use of the property and improvements associated with the Pensacola Civic Center in terms of facility offerings, operations, direct economic impact, quality of life and revenue generation to the County.

This report provides an analysis of the economic and demographic characteristics of Escambia County and the broader region; reviews trends in the arena and meeting industries; identifies and analyzes the key characteristics of competitive and regional venues; provides recommendations relating to current and future operations of the Pensacola Civic Center; and provides financial and economic and fiscal impact analysis of the proposed modifications to the facility and its operations.

Johnson Consulting has no responsibility to update this report for events and circumstances that occur after the date of this report. The findings presented herein, reflect analysis of primary and secondary sources of information. Johnson Consulting utilized sources deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this study are based on trends and assumptions, which usually result in differences between the projected results and actual results.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely yours,



C.H. JOHNSON CONSULTING, INC.

## **II. INTRODUCTION & EXECUTIVE SUMMARY**

## INTRODUCTION

The Board of Commissioners of Escambia County engaged C.H. Johnson Consulting, Inc. (Johnson Consulting) to perform an economic study to analyze different alternatives for the best use of the property and improvements associated with the Pensacola Civic Center in terms of facility offerings, operations, direct economic impact, quality of life and revenue generation to the County.

There can be a brighter future for the Pensacola Civic Center. In our view, the presence of the Civic Center results in a strategic asset for the region. The community is better off with it than without it. There have been a few strategic errors made in the past regarding the Civic Center:

- Its Masterplan called for a mid-sized exhibit hall to round out the arena product. The fact that this was never built has affected the attractiveness for flat show and convention events and requires the arena floor to be used for such activities, or they bypass the market.
- While the balance of downtown Pensacola has undergone, what we characterize as a wonderful and attractive redevelopment, the Civic Center itself, over time has become further and further disconnected from the downtown core. The evolution of the road network around the Civic Center has hemmed in the site. The recent deployment of its largest parking lots for the new Technological Park has affected patron convenience for parking and has hamstrung its accessibility somewhat further.

So, to date, the Civic Center has been:

- Out of Sight- Out of mind
- Is under scrutiny for a variety of reasons
- Has compromised its ability to attract flat floor events, but has bought into ice events instead, and
- Has compromised its site attributes over time but the accumulation of these choices has now become a competitive liability.

The balance of this report provides data justifying our recommendations for use by the County as it seeks to remedy these strategic short falls.

## Report Outline

This report presents the results of the evaluation and outlines recommendations in regard to expansion of the Pensacola Civic Center. This report should be read concurrently and used in its entirety as each element of the analysis builds on information presented in successive sections. The contents of this report are organized as follows:

- **Section 1** – Report Letter.
- **Section 2** – Introduction, Methodology Review, and Executive Summary.
- **Section 3** – Market Overview, which presents an economic and demographic overview of the local market, as defined by the Pensacola Metropolitan Statistical Area. The information in this section is an essential component in understanding the economic and market framework that supports the Civic Center.
- **Section 4** – Industry Trends, which presents an overview of trends and factors in the arena and meetings industry that may impact the future use of the Pensacola Civic Center.
- **Section 5** – Existing Facility Review, which contains profiles of the historic Pensacola Civic Center performance. This section includes demand profiles as well as financial.
- **Section 6** – Comparative market analysis and comparable arenas, which presents the detailed profiles of competitive regional facilities, including both demand and financials. In addition, this section presents a mix of national comparable facilities that share similar demographics and characteristics to the Civic Center.
- **Section 7** – Analysis and other Consultant report abstracts, as well as Johnson Consulting’s recommendations. This section presents Johnson Consulting’s recommendations based on conclusions of prior sections and research.

## About the Authors

**C.H. Johnson Consulting, Inc.** is a nationally recognized real estate and economic development consulting firm with extensive experience in the development of public assembly facilities such as civic centers, convention centers, arena, hotels, and other multi-purpose facilities. Johnson Consulting served as the engagement manager for this project and conducted an analysis of different alternatives for the

best use of the property and improvements associated with the Pensacola Civic Center. The market study, operations analysis, competitive positioning analysis, prepared the demand and operating projections, and provided general strategic advisory services. We have strong knowledge of the market having completed work on numerous facilities in Florida.

## **METHODOLOGY**

In order to complete its assessment and recommendations concerning the Pensacola Civic Center, Johnson Consulting performed the following tasks:

- Analyzed economic and demographic characteristics of the metropolitan area, such as population, employment, and corporate presence,
- Toured the facility and met with the personnel responsible for its operation,
- Reviewed the operations of the Civic Center and evaluated management practices,
- Analyzed current and expected future trends in the entertainment and meetings industries as well as competitive arts industry,
- Interviewed local and regional event promoters and others in the meetings, hospitality, and entertainment industries,
- Interviewed local business leaders and economic development officials,
- Developed case studies on comparable facilities and markets,
- Analyzed the market's ability to support a hockey program,
- Prepared a financial model and projections regarding the facility's future operations with hockey and without hockey.

## EXECUTIVE SUMMARY

The location of Pensacola creates an opportunity for it to serve as a metropolitan hub for a broader region extending to Mobile to the west, Panama City to the east, and Tallahassee to the northeast. The City of Pensacola and Escambia County region have done an outstanding job of becoming a tourist attraction with its amazing climate and fantastic beaches. Concurrently, there is an opportunity for the Civic Center to serve a regional role, coupled with the significant revitalization of Downtown Pensacola, making it a more vibrant and attractive site. This regional attraction is even more important with population within Escambia County projected to decrease in future years. The County's ability to draw people from a regional location will help boost the local economy.

The Pensacola Civic Center, over the last decade or so, has operated "out of sight – out of mind". It has entered into the cross hairs of attention recently for several key reasons.

- Its debt and operating subsidy has historically (and obligatorily) been paid from Tourist Development taxes as well as County support. Largely due to a poorly written hockey lease and downward operating performance due to the economy, the Civic Center's deficit has increased. The hospitality community feels the arena is not the highest and best use of the TDC funds, and has become articulate about this matter.
- The new County Manager has worked in markets where the arena/civic center in those markets did more volume of business and were less dark, and operated with slightly less deficit. His questions center on why the Pensacola Civic Center is not a greater contributor to the economic picture downtown and to the entertainment and convention picture in the West Panhandle area.

Johnson Consulting's primary assumption related to testing if the market warrants a minor league ice hockey team. We have found the market to be average at best, as we see higher demand in other northern or larger markets. Although the average attendance levels at the Ice Flyers games remain somewhat above average for the Southern Professional Hockey League (SPHL) as a whole, the lease agreement with the team has put both the facility and the County in a financial bind. With the hockey team costing the center approximately \$200,000 per year, exclusive of lost opportunity costs and dates, Johnson Consulting has concluded, and described in more detail throughout the report, that to keep the hockey tenant would not prove economically advantageous to the facility or the County.



## C.H. JOHNSON CONSULTING, INC.

*EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING*

If it is the County's policy is to eliminate hockey, Johnson Consulting feels that the building must change its event mix to be marketed differently and attract more concert and entertainment events, as well as develop a stronger marketing plan, perhaps in partnership with the County, to co-promote "competitive arts" events, such as gymnastics, and cheerleading. These "competitive arts" events will allow the facility to offset some of the demand lost from the hockey tenant, without any major renovations. In conclusion, Johnson Consulting feels there can and should be some cosmetic and operational improvements made to the Civic Center that will keep it competitive and attractive to regional users.

### **III. MARKET OVERVIEW**

## **MARKET OVERVIEW**

In order to provide a basis for performing an economic study to analyze the different alternatives for the best use of, and potential improvements to, the Pensacola Civic Center, Johnson Consulting undertook a review of market conditions in the City of Pensacola and Escambia County, relative to the broader metropolitan area, as well as State and national trends. The key objective of this analysis was to identify opportunities and weaknesses that may affect that market's ongoing competitive position.

While characteristics such as population, employment, and income are not strict predictors of performance for sports and entertainment facilities, they provide insight into the capacity of a market to provide ongoing support for facilities and activities. In addition, the size and role of a marketplace, its civic leadership, proximity to other metropolitan areas, transportation and hospitality infrastructure, and the location of competing or complementary attractions directly influence the scale and quality of facilities that can be supported within a particular market.

## **Demographic and Economic Analysis**

Situated in northwest Florida, immediately to the east of the Alabama state border, the City of Pensacola is the westernmost city in the Florida Panhandle and is the county seat of Escambia County. The City is located on Pensacola Bay, an inlet of the Gulf of Mexico, and is home to the Port of Pensacola, northwest Florida's leading deep-water port, dating back to the mid-1700s.

The Naval Air Station (NAS) Pensacola is located immediately to the southwest of the City. NAS Pensacola was the first aviation training and operations center for the U.S. Navy, and it continues to anchor aviation in the region. Its role is reinforced by the nearby Air Force installations of Hurlburt Field and Elgin Air Force Base, with the aerospace and defense sector enjoying strong support for public and private organizations, as well as educational institutions, committed to advancing the industry.

Downtown Pensacola serves as the City's main financial and government district, with the Bay area characterized by residential and light commercial development (as well as the Port). Pensacola Beach, to the south of downtown, has developed as a popular tourist destination, reflected in the prevalence of hotels and other tourism and hospitality offerings.

The following maps show the City of Pensacola and its location within the broader region. The City's strategic location, approximately 60 miles to the east of Mobile,

Alabama, 100 miles to the west of Panama City, Florida and 190 miles to the southwest of Tallahassee, Florida, creates a unique opportunity, if leveraged appropriately, for Pensacola to serve as a metropolitan hub for the region. This opportunity is further enhanced by the ongoing revitalization of Pensacola’s downtown core and the potential for improvements to the Pensacola Civic Center to enhance direct economic impact, quality of life and revenue generation for the County.

Figure 3-1



**Current Population**

The Pensacola Metropolitan Statistical Area (MSA) is defined to include the counties of Escambia and Santa Rosa. The following table shows the 2000 and 2010 estimated populations of the City of Pensacola, Escambia County and the Pensacola-Ferry Pass-Brent MSA, compared to the state of Florida and the U.S. as a whole.

Table 3-1

| Historical & Current Population ('000s) - Pensacola |            |          |                 |          |                     |
|---|------------|----------|-----------------|----------|---------------------|
|   | 2000       |          | 2010 (estimate) |          | Annual Growth Rate* |
|   | Population | % of MSA | Population      | % of MSA |                     |
| US  | 281,280    | -        | 308,183         | -        | 0.9%                |
| Florida   | 15,982     | -        | 18,560          | -        | 1.5%                |
| Pensacola-Ferry Pass-Brent MSA                      | 412        | 100%     | 454             | 100%     | 1.0%                |
| Escambia County                                     | 294        | 71%      | 300             | 66%      | 0.2%                |
| City of Pensacola                                   | 56         | 14%      | 53              | 12%      | -0.5%               |

\* Compounded Annual Growth Rate (2000-2010)  
 Source: US Census Bureau, DemographicsNow, Johnson Consulting

In 2010 the population of the City of Pensacola was estimated to be 53,000 people, representing 12 percent of the resident population of the MSA (454,000 people). Between 2000 and 2010 the population of the City fell at an average annual rate of -

0.5 percent. This contrasts with the positive population growth recorded across Escambia County (0.2 percent per annum), albeit subdued, the MSA (1.0 percent), the State of Florida (1.5 percent) and the U.S. (0.9 percent).

Florida has experienced healthy population growth over recent years, but Pensacola has not attracted its fair share of this growth, suggesting that other, perhaps more urban, areas in the State have been more competitive and successful in attracting new residents and growing families.

### Projected Population Growth

The latest population projections from the U.S. Census Bureau indicate that the population of the Pensacola-Ferry Pass-Brent MSA will reach 461,000 in 2015. This represents an average annual rate of population growth of 0.3 percent, reflecting forecast population growth throughout Florida (0.8 percent per annum) and the U.S. as a whole (0.9 percent per annum).

**Table 3-2**

| Projected Population ('000s) - Pensacola |            |             |                   |             |                     |
|--|------------|-------------|-------------------|-------------|---------------------|
|  | 2010       |             | 2015 (projection) |             | Annual Growth Rate* |
|  | Population | % of MSA    | Population        | % of MSA    |                     |
| US                                       | 308,183    | -           | 322,429           | -           | 0.9%                |
| Florida                                  | 18,560     | -           | 19,333            | -           | 0.8%                |
| <b>Pensacola-Ferry Pass-Brent MSA</b>    | <b>454</b> | <b>100%</b> | <b>461</b>        | <b>100%</b> | <b>0.3%</b>         |

\* Compounded Annual Growth Rate (2010-2015)  
 Source: US Census Bureau, DemographicsNow, Johnson Consulting

Longer-term projections indicate that the population of Florida will increase at an average annual rate of 2.2 percent during 2010-2030, as indicated in the following table. This rate of growth is substantially higher than the national average (0.8 percent per annum), reflecting the continuation of the strong population growth, and a return to long-term growth rates, in Florida.

Table 3-3

| Population Projections ('000s) - Florida & US |            |             |            |             |
|---|------------|-------------|------------|-------------|
|   | Florida    |             | US         |             |
|   | Population | CAGR*       | Population | CAGR*       |
| 2010 (est)                                    | 18,560     | 1.7%        | 308,183    | 1.0%        |
| 2015  | 19,333     | 1.1%        | 322,429    | 1.7%        |
| 2020  | 23,407     | 3.9%        | 335,805    | 0.8%        |
| 2025  | 25,912     | 2.1%        | 349,439    | 0.8%        |
| 2030  | 28,686     | 2.1%        | 363,584    | 0.8%        |
| <b>CAGR* (2010-2030)</b>                      | -          | <b>2.2%</b> | -          | <b>0.8%</b> |

\* Compounded Annual Growth Rate  
Source: US Census Bureau, Johnson Consulting

### Median Age

In 2010, the median age of residents of the City of Pensacola is estimated to be 43.8 years, which is higher than figures recorded for Escambia County (38.4 years), the MSA (38.7 years), Florida (40.5 years), and the U.S. (37.1 years).

Going forward, the median age of residents of the City of Pensacola is forecasted to remain stable (43.8 years in 2015). In contrast, the median age of residents is forecasted to increase across the County (0.5 percent per annum), the MSA (1.3 percent per annum), Florida (1.2 percent per annum), and the U.S. (2.2 percent per annum), reflecting a broader demographic shift towards an aging population, and an increased prevalence of smaller households without children.

Table 3-4

| Median Age (years) - Pensacola |             |                 |                   |                |                |
|--------------------------------|-------------|-----------------|-------------------|----------------|----------------|
|                                | 2000        | 2010 (estimate) | 2015 (projection) | % Change 00-10 | % Change 10-15 |
|                                | US          | 35.3            | 37.1              | 37.9           | 5.1%           |
| Florida                        | 38.7        | 40.5            | 41.0              | 4.7%           | 1.2%           |
| Pensacola-Ferry Pass-Brent MSA | 35.9        | 38.7            | 39.2              | 7.8%           | 1.3%           |
| Escambia County                | 35.4        | 38.4            | 38.6              | 8.5%           | 0.5%           |
| <b>City of Pensacola</b>       | <b>39.7</b> | <b>43.8</b>     | <b>43.8</b>       | <b>10.3%</b>   | <b>0.0%</b>    |

Source: US Census Bureau, DemographicsNow, Johnson Consulting

The following table provides a breakdown of the population of the Pensacola-Ferry Pass-Brent MSA by age group.

**Table 3-5**

| <b>Age Distribution (years) - MSA</b> |             |             |                            |
|---------------------------------------|-------------|-------------|----------------------------|
|                                       | <b>1990</b> | <b>2000</b> | <b>2010<br/>(estimate)</b> |
| 0-24                                  | 37.1%       | 35.2%       | 33.2%                      |
| 25-34                                 | 17.4%       | 13.5%       | 13.9%                      |
| 35-54                                 | 25.1%       | 29.3%       | 26.0%                      |
| 55+                                   | 20.3%       | 22.1%       | 26.8%                      |

*Source: US Census Bureau, DemographicsNow, Johnson Consulting*

As shown, the highest concentration of residents of the MSA were aged 24 years or under (33.2 percent) in 2010, although it is observed that the proportion of young residents has steadily declined since 1990. Concurrently, the proportion of older residents (aged 55+ years) has steadily increased, accounting for 26.8 percent of the resident population of the MSA in 2010.

The age characteristics of a local population are an important consideration when analyzing long-term demand for an expansion of a public assembly facility, such as the Civic Center, because these characteristics could impact demand for certain types of public events, and would likely influence the types of events that promoters would bring to the area.

### **Educational Attainment**

The City of Pensacola’s population is very well educated, with 34.9 percent of residents aged 25 years and over holding a Bachelor degree or higher. This figure is substantially higher than that recorded across Escambia County (24.0 percent), the MSA (24.0 percent), Florida (26.3 percent) and the U.S. as a whole (27.9 percent), and may be influenced, at least in part, by the location of the University of West Florida’s main campus in Pensacola, along with a number of other higher education institutions.

**Table 3-6**

| <b>Educational Attainment of Population Aged 25+ Years -Pensacola FL (2010)</b> |                                  |                    |                                    |                   |                  |                                    |
|---|----------------------------------|--------------------|------------------------------------|-------------------|------------------|------------------------------------|
|   | <b>Less than<br/>High School</b> | <b>High School</b> | <b>Some College,<br/>No Degree</b> | <b>Associates</b> | <b>Bachelors</b> | <b>Graduate /<br/>Professional</b> |
| US  | 14.8%                            | 29.7%              | 19.9%                              | 7.6%              | 17.6%            | 10.3%                              |
| Florida   | 14.4%                            | 31.1%              | 19.7%                              | 8.7%              | 17.2%            | 9.1%                               |
| Pensacola-Ferry Pass-Brent MSA  | 12.7%                            | 30.5%              | 23.4%                              | 9.5%              | 16.0%            | 8.0%                               |
| Escambia County   | 13.3%                            | 30.2%              | 23.2%                              | 9.4%              | 15.6%            | 8.4%                               |
| <b>City of Pensacola</b>  | <b>11.9%</b>                     | <b>24.1%</b>       | <b>20.3%</b>                       | <b>8.8%</b>       | <b>22.0%</b>     | <b>12.9%</b>                       |

*Source: US Census Bureau, DemographicsNow, Johnson Consulting*

## Employment

In 2009, the predominant industry of non-farm employment in the Pensacola-Ferry Pass-Brent MSA was Services (40.4 percent), followed by Government (19.5 percent), particularly the military, Retail Trade (11.3 percent) and Finance, Insurance, and Real Estate (FIRE) (9.4 percent). Employment in the MSA has steadily declined since 2007, in line with the broader economic downturn and mirroring trends at the state, national and global levels.

Between 2006 and 2009, the greatest growth in employment was observed in the FIRE sector (5.3 percent per annum), followed by the Transport and Utilities sector (2.0 percent per annum), and Government (0.9 percent per annum). All other sectors experienced a decline in employment levels, with the greatest losses recorded in the Construction (-10.5 percent per annum) and Manufacturing (-9.9 percent per annum) sectors, again reflecting broader state, national and global employment trends.

**Table 3-7**

| <b>Non-Farm Employment - MSA (2006-2009)</b> |                |                |                |                |              |
|--|----------------|----------------|----------------|----------------|--------------|
|  | <b>2006</b>    | <b>2007</b>    | <b>2008</b>    | <b>2009</b>    | <b>CAGR*</b> |
| Construction                                 | 21,641         | 20,692         | 17,865         | 15,525         | -10.5%       |
| % of total                                   | 9.4%           | 8.9%           | 7.9%           | 7.1%           | -            |
| FIRE**                                       | 17,554         | 20,708         | 20,300         | 20,497         | 5.3%         |
| % of total                                   | 7.6%           | 8.9%           | 8.9%           | 9.4%           | -            |
| Government                                   | 41,643         | 42,006         | 42,897         | 42,749         | 0.9%         |
| % of total                                   | 18.1%          | 18.1%          | 18.9%          | 19.5%          | -            |
| Manufacturing                                | 7,592          | 7,325          | 6,744          | 5,549          | -9.9%        |
| % of total                                   | 3.3%           | 3.2%           | 3.0%           | 2.5%           | -            |
| Other  | 9,398          | 9,194          | 9,332          | 9,372          | -0.1%        |
| % of total                                   | 4.1%           | 4.0%           | 4.1%           | 4.3%           | -            |
| Retail Trade                                 | 26,645         | 27,123         | 26,026         | 24,679         | -2.5%        |
| % of total                                   | 11.6%          | 11.7%          | 11.5%          | 11.3%          | -            |
| Services                                     | 92,387         | 92,126         | 90,732         | 88,608         | -1.4%        |
| % of total                                   | 40.2%          | 39.7%          | 39.9%          | 40.4%          | -            |
| Transport & Utilities                        | 5,654          | 5,568          | 6,286          | 6,000          | 2.0%         |
| % of total                                   | 2.5%           | 2.4%           | 2.8%           | 2.7%           | -            |
| Wholesale Trade                              | 7,049          | 7,561          | 6,944          | 6,224          | -4.1%        |
| % of total                                   | 3.1%           | 3.3%           | 3.1%           | 2.8%           | -            |
| <b>TOTAL</b>                                 | <b>229,563</b> | <b>232,303</b> | <b>227,126</b> | <b>219,203</b> | <b>-1.5%</b> |
| <b>% Growth Rate</b>                         | <b>0.7%</b>    | <b>1.2%</b>    | <b>-2.2%</b>   | <b>-3.5%</b>   | <b>-</b>     |

\* Compounded Annual Growth Rate (2005-2008)  
 \*\* Finance, Insurance & Real Estate  
 Source: Bureau of Economic Analysis, Johnson Consulting



## Unemployment

The following table shows the unemployment rates for the Pensacola-Ferry Pass-Brent MSA, Florida, and the U.S. Since 2006 the unemployment rate in the MSA has generally remained below that recorded throughout Florida and the U.S. The unemployment rate in the MSA peaked at 10.5 percent in 2010, representing a considerable increase over 2009 figures in line with broader economic trends, but nevertheless, remained well below the unemployment rate recorded across Florida (11.5 percent). During the same period, national unemployment peaked at a slightly lower rate of 9.6 percent.

**Table 3-8**

| <b>Unemployment Rate - MSA (2006-2010)</b> |            |                |           |
|--|------------|----------------|-----------|
|  | <b>MSA</b> | <b>Florida</b> | <b>US</b> |
| 2006                                       | 3.0%       | 3.3%           | 4.6%      |
| 2007                                       | 3.7%       | 4.0%           | 4.6%      |
| 2008                                       | 5.8%       | 6.2%           | 5.8%      |
| 2009                                       | 9.3%       | 10.2%          | 9.3%      |
| 2010                                       | 10.5%      | 11.5%          | 9.6%      |

*Source: Bureau of Labor Statistics, Johnson Consulting*

## Income

Income characteristics of the local market are a key indicator of the ability to support public facilities. In general, higher income levels lead to greater amounts of disposable income that can be spent on non-essential items, such as sports, recreation and entertainment.

The following table shows the non-farm earnings in the Pensacola-Ferry Pass-Brent MSA, and indicates steady growth between 2001 and 2009, averaging 4.0 percent per annum. This figure is significantly higher than that recorded throughout Florida (3.8 percent per annum), and across the U.S. (3.2 percent per annum).

**Table 3-9**

| <b>Non-Farm Earnings (\$'000s) - MSA &amp; Florida</b> |               |                |            |
|--|---------------|----------------|------------|
|  | <b>US</b>     | <b>Florida</b> | <b>MSA</b> |
| 2001   | \$6,789,672.0 | \$322,436.9    | \$6,962.4  |
| 2002   | 6,951,836.0   | 337,843.2      | 7,135.6    |
| 2003   | 7,228,400.0   | 358,924.9      | 7,525.7    |
| 2004   | 7,656,172.0   | 387,219.4      | 8,103.8    |
| 2005   | 8,048,405.0   | 420,630.6      | 8,651.2    |
| 2006   | 8,539,008.0   | 449,675.6      | 9,320.4    |
| 2007   | 8,879,019.0   | 458,278.3      | 9,515.0    |
| 2008   | 9,058,491.0   | 453,137.7      | 9,548.0    |
| 2009   | 8,742,671.0   | 435,621.6      | 9,508.8    |
| CAGR*  | 3.2%          | 3.8%           | 4.0%       |

\* Compounded Annual Growth Rate (2001-2009)  
 Source: Bureau of Economic Analysis, Johnson Consulting

The following table provides a breakdown of earnings in the MSA by industry of employment. Between 2006 and 2009, increases in earnings were recorded across the Transport and Utilities sector (11 percent per annum), Government (5.6 percent), Services (2.1 percent), and FIRE (1.0 percent) sectors. During the same period, the most substantial decreases in earning were recoded in the Construction (-13.8 percent per annum), 'Other' (-8.1 percent per annum), and Manufacturing (-4.8 percent per annum) sectors, effectively mirroring changes in employment.

In 2009, the key industries in the MSA, in terms of total earnings, were Government (35.5 percent of total earnings), primarily the military, and Services (33.1 percent), followed by Retail Trade (7.1 percent), and Construction, despite substantial job losses.

Table 3-10

| Non-Farm Earnings (\$'000s) - MSA (2006-2009) |                |                |                |                |             |
|---|----------------|----------------|----------------|----------------|-------------|
|   | 2006           | 2007           | 2008           | 2009           | CAGR*       |
| Construction                                  | \$762.0        | \$665.0        | \$661.9        | \$487.8        | -13.8%      |
| % of total                                    | 8.8%           | 7.5%           | 7.3%           | 5.4%           | -           |
| FIRE**  | 453.1          | 470.1          | 461.9          | 467.2          | 1.0%        |
| % of total                                    | 5.2%           | 5.3%           | 5.1%           | 5.2%           | -           |
| Government                                    | 2,701.4        | 2,851.0        | 3,030.9        | 3,176.9        | 5.6%        |
| % of total                                    | 31.2%          | 32.1%          | 33.4%          | 35.5%          | -           |
| Manufacturing                                 | 429.4          | 433.8          | 421.6          | 370.8          | -4.8%       |
| % of total                                    | 5.0%           | 4.9%           | 4.7%           | 4.1%           | -           |
| Other   | 292.8          | 262.3          | 252.9          | 226.9          | -8.1%       |
| % of total                                    | 3.4%           | 3.0%           | 2.8%           | 2.5%           | -           |
| Retail Trade                                  | 669.8          | 665.2          | 651.9          | 633.1          | -1.9%       |
| % of total                                    | 7.7%           | 7.5%           | 7.2%           | 7.1%           | -           |
| Services                                      | 2,785.2        | 2,924.9        | 2,924.6        | 2,961.3        | 2.1%        |
| % of total                                    | 32.2%          | 33.0%          | 32.3%          | 33.1%          | -           |
| Transport & Utilities                         | 224.6          | 227.2          | 305.0          | 307.2          | 11.0%       |
| % of total                                    | 2.6%           | 2.6%           | 3.4%           | 3.4%           | -           |
| Wholesale Trade                               | 338.1          | 373.5          | 351.2          | 321.1          | -1.7%       |
| % of total                                    | 3.9%           | 4.2%           | 3.9%           | 3.6%           | -           |
| <b>TOTAL</b>                                  | <b>8,656.4</b> | <b>8,873.0</b> | <b>9,061.9</b> | <b>8,952.3</b> | <b>1.1%</b> |
| <b>% Growth Rate</b>                          | <b>0.7%</b>    | <b>2.5%</b>    | <b>2.1%</b>    | <b>-1.2%</b>   | <b>-</b>    |

\* Compounded Annual Growth Rate (2006-2009)  
 \*\* Finance, Insurance & Real Estate  
 Source: Bureau of Economic Analysis, Johnson Consulting

## Household Income

In 2010, the median household income in the City of Pensacola was estimated to be \$41,626 per annum, which was lower than figures recorded for Escambia County (\$43,715 per annum), the MSA (\$46,416), Florida (\$48,310) and the U.S. (\$51,510). Between 2000 and 2010 the median household income in the City increased at an average annual rate of 2.0 percent, which was slightly lower than the rates of growth recorded throughout the County (2.4 percent per annum), the MSA (2.5 percent per annum), and the State (2.4 percent), as well as the national average (2.2 percent).

**Table 3-11**

| <b>Median Household Income - Pensacola</b> |               |                            |                              |                        |                        |
|--|---------------|----------------------------|------------------------------|------------------------|------------------------|
|  | <b>2000</b>   | <b>2010<br/>(estimate)</b> | <b>2015<br/>(projection)</b> | <b>CAGR*<br/>00-10</b> | <b>CAGR*<br/>10-15</b> |
| US   | \$42,253      | \$51,510                   | \$54,949                     | 2.2%                   | 1.3%                   |
| Florida                                    | 38,924        | 48,310                     | 51,789                       | 2.4%                   | 1.4%                   |
| Pensacola-Ferry Pass-Brent MSA             | 37,179        | 46,416                     | 50,222                       | 2.5%                   | 1.6%                   |
| Escambia County                            | 35,247        | 43,715                     | 46,501                       | 2.4%                   | 1.2%                   |
| <b>City of Pensacola</b>                   | <b>34,716</b> | <b>41,626</b>              | <b>45,015</b>                | <b>2.0%</b>            | <b>1.6%</b>            |

\* Compounded Annual Growth Rate  
Source: US Census Bureau, DemographicsNow, Johnson Consulting

Going forward, the rate of growth in median household incomes in City of Pensacola is expected to slow slightly (1.6 percent between 2010 and 2015) relative to 2000-2010. This reflects slowing growth rates forecast throughout Escambia County (1.2 percent per annum), the MSA (1.6 percent), Florida (1.4 percent) and the U.S. (1.3 percent). In 2015, the median household income in the City is projected to be \$45,015 per annum, which remains lower than those forecasted throughout the County (\$46,501 per annum), the MSA (\$50,222), Florida (\$51,789) and the U.S. (\$54,949).

### **Corporate Presence**

Corporate and business presence can be an important factor in the success of sporting, entertainment, and meeting facilities because local businesses can attract residents and visitors to an area, provide disposable income, and support facilities through donations, advertising, and their requirement for event space.

The following table shows the largest public and private employers throughout Pensacola (1,000+ employees). As shown, the largest employers are primarily concentrated within the Government, including military, and Healthcare sectors.

Table 3-12

| Major Employers - Pensacola, Florida (2011) |                              |           |
|---|------------------------------|-----------|
| Employer                                    | Industry                     | Employees |
| Local Government                            | Government                   | 15,790    |
| Federal Government                          | Government                   | 7,403     |
| State Government                            | Government                   | 5,970     |
| Sacred Heart Health System                  | Healthcare                   | 5,000     |
| Baptist Health Care                         | Healthcare                   | 3,163     |
| Lakeview                                    | Healthcare                   | 2,000     |
| Gulf Power Company                          | Electric Utility             | 1,400     |
| Ascend Performance Materials                | Industrial Organic Chemicals | 1,400     |
| West Florida Hospital                       | Healthcare                   | 1,300     |
| University of West Florida                  | Education                    | 1,231     |
| Navy Federal Credit Union                   | Financial                    | 1,200     |
| Pensacola Christian College                 | Education                    | 1,000     |

Source: Pensacola Chamber of Commerce, Johnson Consulting

Although Pensacola’s economy is relatively diverse, it is underserved with respect to the level of corporate presence typically observed in peer locations, reflected in the three (3) largest employers in Pensacola being the various tiers of Government. This limits opportunities for attracting corporate sponsors to the Pensacola Civic Center, and specifically to the arena.

### University and College Presence

The presence of colleges, universities, and educational institutions can serve as a significant source of event demand for a public assembly facility, such as the Civic Center. The number of college students in the area is important because it represents a target audience for education-related events, such as assemblies, graduations, and performances. Furthermore, if a building is capable of holding concerts, it can be expected that college students will be one of the largest attendee groups.

There are a number of universities, colleges, and trade institutes located within throughout Pensacola, including:

- **University of West Florida:** A full-service University offering Bachelor and Masters degrees. The University, which was founded in 1965, is a public mid-sized Doctoral/Research University specializing in engineering and humanities. Total enrollment is 11,000 students. The main campus of the University is located approximately 10 miles north of downtown Pensacola.

- **Pensacola State College** (formerly Pensacola Junior College): A public college offering Associate and Baccalaureate degrees, career-oriented certificates, college prep, adult education, GED prep, and standard high school diplomas. The College, which was founded in 1948, has four (4) campuses in Pensacola and the immediate area, including the Pensacola Campus (main campus), Downtown Center, Warrington Campus, and Milton Campus.
- **Troy University - Pensacola:** A public university based in Troy, Alabama, with campuses throughout the U.S. and abroad. The Pensacola Campus is located approximately 10 miles to the west of downtown. Originally founded in 1887, the University offers Associate, Bachelor and Masters Degrees in Business Administration, Public Administration, and Science.
- **Fortis Institute:** A private post-secondary vocational school. The Pensacola campus is located approximately 8 miles to the south of downtown and offers an Associate Degree in Nursing, and programs in electrical trades, HVACR, massage therapy, medical assisting, medical office specialization, dental assisting, and cosmetology.
- **Pensacola Christian College:** A private Christian college offering Bachelor and Associate degrees in Bible Studies, Fine Arts, Business, Engineering, Humanities, Education, Nursing, Communications, and Natural Sciences. The College was founded in 1974.
- **Embry-Riddle Aeronautical University:** A private university specializing in aviation and aerospace studies. The Pensacola Campus is located at the Naval Air Station Pensacola and offers Certificates, and Associate, Bachelor and Masters Degrees in aeronautical science.

The arena at the Pensacola Civic Center has historically accommodated university and college events, with significant opportunities for continued growth among this target market, particularly for graduations, tournaments and conferences.

### **Hospitality-Related Infrastructure**

In response to significant tourism and business demand, Pensacola has developed infrastructure to accommodate visitors, including numerous hotels and a small to medium sized inventory of sports and meeting facilities. Data from the Pensacola tourism officials indicates that Pensacola (including Pensacola Beach and Perdido Key) attracted 3.9 million overnight visitors in FY 2010. This figure represents steady growth since 2008, when the area attracted 3.5 million overnight visitors. It is noted that there is currently no independent Convention and Visitors Bureau

(CVB) that serves Pensacola. It is Johnson Consulting’s opinion that the formation of a dedicated CVB should be considered going forward.

The following table shows the number of hotel rooms in Pensacola since 2008. In 2010, which is the most current available data, there were 7,086 hotel rooms in Pensacola. As shown, the total inventory fell slightly (-4.4 percent) in 2009 before increasingly substantially in 2010 (9.0 percent or 586 additional hotel rooms).

**Table 3-13**

| Hotel Rooms (FY 2008-2010) - Pensacola* |             |          |               |          |                 |          |
|---|-------------|----------|---------------|----------|-----------------|----------|
|   | Hotel Rooms | % Change | Occupancy (%) | % Change | Daily Rate (\$) | % Change |
| 2008                                    | 6,800       | -        | 54.5%         | -        | \$92.87         | -        |
| 2009                                    | 6,500       | -4.4%    | 55.4%         | 0.9%     | \$89.28         | -3.9%    |
| 2010                                    | 7,086       | 9.0%     | 61.5%         | 6.1%     | \$86.56         | -3.0%    |

\* Including Pensacola Beach & Perdido Key  
 Source: Pensacola CVB, Johnson Consulting

Since 2008, the average daily rate at Pensacola’s hotels has steadily declined, from \$92.87 in 2008 to \$86.56 in 2010. During the same period, the average occupancy rate at Pensacola’s hotels has increased, reaching 61.5 percent in 2010. These trends reflect conditions within the broader tourism market, a consequence of the most recent economic downturn. No information is available regarding revenues per available room (RevPAR).

Other hospitality-related infrastructure in Pensacola, in addition to hotels and other lodging facilities, includes a range of sports, entertainment, cultural, and community facilities, as well as numerous retail stores and restaurants. For the purpose of this study, existing sports, entertainment and meeting facilities throughout the local area, and excluding the Pensacola Civic Center (which is described in detail in Section 5 of this report), are summarized as follows:

- **Pensacola Interstate Fairgrounds:** Home to the Pensacola Interstate Fair, which is the largest event held on the Gulf Coast. The Fairgrounds encompass 147 acres, including 150,000 square feet of indoor space utilized for agricultural, educational, scientific, livestock, cultural, commercial and industrial events. The largest building at the Fairgrounds (Building 1) comprises 22,500 square feet and is utilized year-round as an exhibit space, having capacity for 3,000 attendees.
- **Pensacola Cultural Center (Pensacola Little Theatre):** One of the oldest, and continually producing, community theaters in the southeastern U.S. The

Theatre has a 434-seat capacity, with five (5) additional meeting rooms ranging between 504 square feet and 2,030 square feet. Since opening in 1936, the Center has provided residents and visitors of Pensacola with theatrical productions, educational programs, and special events.

- **Saenger Theatre:** A Spanish Baroque-style theater that opened in 1925 and underwent a major renovation in 1995, doubling the size of the lobby and incorporating modern amenities. The Theatre has a 1,650-seat capacity, with an additional 3,000 square feet of meeting space. Located in downtown Pensacola, the Theatre serves as a historic attraction, music venue, performing arts center, and theater.
- **Historic Pensacola Village:** The museum operation of West Florida Historic Preservation, which is a direct support organization for the University of West Florida. The village is comprised of twenty properties in the Pensacola National Register Historic District. Ten of the properties are interpreted facilities that are open to the public and can accommodate events and meetings of varying size.
- **Ashton Brosnaham Park:** A 103-acre regional park incorporating a covered pavilion, picnic area, ten (10) soccer fields, and four (4) softball fields.
- **Escambia County Equestrian Center:** 4,000-seat arena on a 178-acre site located in Beulah, approximately 15 miles to the northwest of Pensacola. In addition to equestrian events, the Center is utilized for livestock shows, dog shows, and various other community events.
- **Other Facilities:** The City of Pensacola Parks and Recreation Department operates numerous parks and sporting facilities throughout the City. There are also numerous golf courses in and around the local area, some of which offer function space.

In addition to the existing facilities described above, the Community Maritime Park, which is a 30-acre, \$52 million waterfront development on Pensacola Bay, is currently under construction. The mixed-use development is planned to include a number of parks and plazas, a multi-purpose stadium with 3,200 fixed seats for baseball (Double-A Affiliate of Cincinnati Reds) and accommodating between 5,000 and 7,000 spectators for concerts, an amphitheater, and the Maritime Museum and Research Center, along with restaurants, retail, residential, and office uses.

Phase 1 of the Community Maritime Park project is currently scheduled for completion in December 2011, with the majority of the project expected to be completed by the end of 2012. It is however, understood that the project has received opposition from some members of the local community, which may affect



the ultimate composition and timing of the project. The City of Pensacola issued an RFP for a property and facilities manager for the project on May 31, 2011, indicating that the project is progressing. Nevertheless, the baseball-focus of the project means that it will not compete, to any significant extent, with the Civic Center.

Although the above list is not exhaustive, it is important to note that there is currently no existing or planned convention or dedicated meeting facility in Pensacola.

## Accessibility

The convenient location of Pensacola in northwestern Florida, close to the Alabama state border, means that it is easily accessible via numerous modes of transportation, and as such can draw visitors from a wide catchment area:

- **Road:** Pensacola is served by two major highway corridors, being Interstate 10, which runs east-west through the downtown area, and the Interstate 110 spur, which runs north-south and connects with the Interstate 10 in downtown Pensacola. The City also affords convenient access to Interstate 65 which travels northeast from Mobile;

Figure 3-2



- **Bus:** Local bus services are provided by the Escambia County Area Transit (ECAT), with Greyhound providing regional and interstate bus services;

- **Air:** Pensacola Gulf Coast Regional Airport is located approximately three miles to the northeast of Pensacola. The airport offers 41 daily flights to destinations throughout the U.S., operated by eight (8) airlines - Air Tran Airways, American Eagle, Continental Connection, Continental Express, Delta Air Lines, Delta Connection, United Express, and US Airways.
- **Sea:** The Port of Pensacola is northwest Florida's leading deep-water port. The Port handles approximately 850,000 tons of cargo annually.

## **Observations**

Downtown Pensacola has undergone significant revitalization over recent years, enhancing its vibrancy and attractiveness to visitors and residents alike. The Civic Center however, has not evolved in line with the local area, and as a consequence has become increasingly disconnected from the downtown core.

The strategic location of Pensacola creates an opportunity for it to serve as a metropolitan hub for a broader region extending to Mobile to the west, Panama City to the east, and Tallahassee to the northeast. Concurrently, there is an opportunity for the Civic Center to serve a regional role, with the best use of, and potential improvements to, the venue crucial to ensuring not only the success of the facility itself, but also the overall success of downtown Pensacola.

## **IV. INDUSTRY TRENDS**

## INDUSTRY TRENDS

In order to understand the economic best use for the Pensacola Civic Center, an analysis of entertainment, social event, meeting industry and the Southern Professional Hockey League (SPHL) hockey trends are important. The Pensacola Civic Center is in the midst of an interesting paradigm, involving its event mixture. The Center management and County have three options to choose from going forward, as Civic Centers need to focus in on strategies that enhance their operation:

- **Sports Driven:** Focus on making the facility primarily sports driven, supplemented by a solid mix of concerts and family shows. With this strategy, hockey is an important anchor tenant and pursuit of an additional major sporting tenant would be desirable. In this case, adding a community ice sheet would begin to grow interest in ice and provide an ongoing activity center for the region.
- **Entertainment Driven:** Focus on attracting more concerts and family shows, with the additional days created by the removal of ice and a more focused marketing approach towards non-ice sporting events.
- **Sports & Entertainment/ Meetings Driven:** Given the nature of the Pensacola market, probably the most ideal of the three models; however in order for this steady mixture to work properly, a commitment has to be made for the addition of exhibit space, allowing the facility to be attractive to consumer shows, smaller trade shows and more sporting tournaments. The mid-sized exhibit hall would round out the arena product. The fact that this was never built has affected the attractiveness of the facility for the flat show and convention events, because it requires the arena floor to be used for such activities, and in some cases, causes events to bypass the market.

The current venue struggles to confirm a niche in the marketplace. Its major sports tenant has a lease that favors the team, which is not extraordinarily out of line if the team is to be solvent. From the Civic Center's perspective, this has impacted net operating income, as operationally, ice is expensive to operate and hockey dates, practices and community skating consumes a lot of dates. Many communities would be ecstatic to have hockey, but the market in the Panhandle has not been as strong as other markets. The potential to partner with another major sports tenant is always an option and is seen in several other comparable facilities that host multiple sport teams.

From an entertainment/meeting/ tradeshow standpoint, the supplemental meeting space within the Civic Center is highly utilized. However, some buildings like the

Civic Center have added bigger exhibition and convention facilities. This allows the venues to host conventions, sporting tournaments and consumer shows. Pensacola actually has what many of these mixed venues lack - an attractive adjacent hotel.

So, what persona building-type should the Civic Center evolve to? The following paragraphs provide a synopsis of each demand category to provide a basis for our subsequent recommendations.

## **Arena Trends**

If one were building a new arena today, it would look more modern and be more functional than the Pensacola Civic Center. With that said, there are hundreds of venues nationally of the same vintage as the Civic Center. The newer modern arenas basically accomplish the same mission as the Civic Center, but typically offer more seating options, may be scalable for different event types, would have better technology and would likely have more multi-purpose capabilities via an adjacent ballroom or exhibit hall, a community ice sheet and perhaps an adjacent entertainment district. While deficient in the current venue, many of these enhancements can be added in over time, based on a prioritization of needs, which will be addressed in the recommendations section of this report.

So even with an enhanced facility, what are the industry demand trends?

There has been a tremendous consolidation in the pop and rock concert venue field in recent years. Live Nation, which was spun off from Clear Channel in December 2005, purchased House of Blues (HOB) entertainment in July 2006. Live Nation, as a publicly traded company, has had a huge impact on outdoor amphitheater and large indoor Arena venues (10,000-20,000 seats). The firm controls bookings for approximately 60 to 70 percent of the talent available and owns or controls over 150 venues around the country.

The other major controller of product is AEG, which is systematically gaining artists in their portfolio and is growing their reach by also developing and managing facilities. SMG and Global Spectrum also are active in this field and control some acts, but generally work with the major national and regional promoters.

This concentration of control has led to higher guarantees to the acts, impacting the cash flow available for operations for venues, and has made it more difficult for the smaller, more regional promoters to succeed in large venues. Combine these factors with the very few artists who are able to draw enough people to fill these size facilities, and the fact that recording sales of both pop and classical music are down, and one finds the large arena market in a critical and competitive state where modern amenities and large attendance turnouts are important to maintain and

grow events. Based on discussions for this assignment, promoters indicated that programming large arenas is becoming increasingly difficult due to lack of performers with the ability to sell out the larger arenas. As a result, the market is thinning for large arenas where some venues are seeing a decline in event books for venues in the 15,000 seating range.

### **Smaller Venues**

According to Pollstar, there are over 13,000 entertainment acts available in the market today. The majority of these acts focus on smaller and regional markets. As Live Nation and AEG have gained dominance in the thinner large venue market, the regional or smaller promoter has changed format. In order to adapt and survive, many of the local promoters are turning to smaller venues (1,000 to 5,000 seats) as, according to Amusement Business, baby boomers are finding these concerts and facilities more enjoyable. Many of these promoters, both for-profit and non-profit, are returning to subscription based pricing strategies such as, buy one get one free or one mega ticket, which may even include parking costs in the ticket price.

Many facilities are municipally operated and are provided as a service to residents. Their level of entrepreneurship is limited. In many other cases there are facilities that have been very successful, using only a single ticket sales basis. While many shows at the larger venues do well, the product is limited by the number of acts available. The number of small venues is on the rise and the product diversification and more intimate atmosphere in a smaller facility has helped this area of the live concert business grow. This is especially true in suburban areas surrounding major metropolitan areas, as exemplified in Orange Beach. Based on other studies Johnson Consulting has conducted, many of these smaller venues are performing better than larger venues.

### **Entertainment and Performance Facility Market**

The nationwide trend to build new arenas and theaters in the last decade has not been limited to large urban areas with major professional sports franchises. Over this period, suburban and mid-sized metropolitan areas, as well as colleges and universities, have also been developing modern facilities. In these markets, the facilities have been layered in to serve an expanding market segment populated by growing sports programs at universities, family shows, entertainment events emerging professional minor-league sports, and other entertainment products, or to upgrade or replace a university's older facilities.

These facilities, which are carefully positioned in terms of size and amenities, address the event demand in sub-markets and secondary population centers by

providing a more readily accessible and, often cost-effective, alternative for entertainment and sporting activity.

More recently, budgetary limitations and decreased public funding (and in many cases, private donations) have forced municipalities and institutions to be more creative and aggressive in developing new revenue streams to support programs and services, depending on a number of factors, such as capital costs.

Throughout the country, these new building models have also shown they can generate revenues that had previously only been found in major event and professional sports venues. Prior to recent years, it was uncommon for a minor-league or collegiate facility to feature luxury suites, club seats, or premium restaurants and clubs. These features are now ubiquitous in new or retrofitted facilities, regardless of market or venue size.

In addition, naming rights and sponsorship programs have also become common among minor league and collegiate facilities. Whereas in the past, facility development and ownership was primarily the responsibility of the public sector, the availability of these revenue streams has made the amount of subsidy allocated to such a facility lessen somewhat in recent years. The Pensacola Civic Center does not offer any premium seating, therefore it is missing out on additional revenues streams such as suite prices and potential advertising dollars. Given the right circumstances, these facilities can generate an acceptable return on investment to public or private owners. In other cases, and likely the case in Pensacola, public capital funding is needed to refit the venue to modern standards, setting the stage for more demand and attendance, which will reduce deficits and attract more fans.

To justify these investments, a facility would feature strong management, effective event programming, the presence of a professional sports team, and be dedicated, with a strategy aimed at boosting demand and weaning off operational support over time. These ingredients are present in Pensacola.

### **Naming Rights and Sponsorship**

Due to the staid nature of the Civic Center, naming rights have not been sold in Pensacola. There are numerous factors and considerations that must be contemplated in order to develop a naming rights or sponsorship partnership that communicates the value of the opportunity, and produces the maximum return to the facility, as well as the sponsor. Value is directly affected by the items included in the partnership (such as signage, event tickets, and luxury suites) and the nature of the venue (types of events, media coverage for those events, etc.). Different types of companies will be interested in different components of a partnership, such as more internet visibility, more radio advertisements, product displays, corporate

entertainment, or more in-stadium signage, depending on the demographics of the area and the type of company.

Common components of a naming rights partnership (outside of facility signage) include luxury suites, event tickets, preferred parking, and use of the venue for business purposes. The majority of arrangements also include an understanding that the name will be used in association with the facility at all times by management and tenants, and to the greatest degree possible, the media. Other components of naming rights partnerships can also include logos on all facility materials, such as tickets, employee uniforms, Web sites, and letterhead, road signage, exclusive service contracts, and product displays. The values of naming rights partnerships vary greatly, as the elements included and the exposure provided can vary significantly.

The quantity and location of facility signage also emerges as a significant component in valuing a naming rights partnership. Ideally, sponsors desire to see their name and logos located in highly visible locations throughout the interior and exterior of the venue. To the extent allowed by local zoning ordinances, exterior signage is valuable when clearly visible from major roadways and along flight paths. Another element commonly found within these agreements is the “extended” use of the rights holder’s name, which could include merchandise rights for the partner that would allow the company to produce and sell various retail items. In addition, the expected quantity and quality of events to be held at the venue will impact the value of the partnership.

## Naming Rights Strategies

Types of Naming Right/Sponsorship:

- Facility Name (XYZ Arena),
- Presenting Sponsor of entire facility (Arena presented by XYZ),
- Naming partner of sections of the facility (do this by gates or tunnels inside/outside facility),
- Sponsor a certain day or event,
- Generic sponsorship inventory (tickets, fascia, etc.).

Typical Naming Rights Package Includes:

- The Name:
  - Multiple exposures reinforced daily via event advertising, printed schedules, website hits, and news reports.



- Signage:
  - Interior,
  - Exterior,
  - Street/Directional,
  - Actually rename the street.
- Category exclusivity (includes logo placement):
  - Drinking cups,
  - Trash cans,
  - Employee uniforms,
  - Napkins,
  - Facility letterhead,
  - Programs/website,
  - Hotel,
  - Airline,
  - Other promo items.
- Facility Opportunities:
  - Luxury Suite(s),
  - Season tickets (at different level packages) and parking,
  - Ticket discounts (for employees, etc.),
  - Facility use (corporate events, meetings, etc.),
  - Concourse areas and lobbies.
- Media:
  - Radio/television spots.

Additional consideration can be given to the Naming Rights partner depending on the company and the amount of the deal. For example, if a bank buys the rights, kiosks with money machines can be included in the deal, or if an airline, buys the rights, a ticket kiosk can be included in the deal. On site marketing promotions and business centers can be created for any type of business.

Selling to Company:

- Exposure to company brand:
  - Number of events per year,
  - How many tenants (more tenants = more exposure),
  - Event attendance (per type of event and total),
  - Types of events (hit all aspects of the market including adults, teens, and children),
  - National/local television coverage for sporting events,
  - Signage viewed by the local community (street signs, directionals, etc.),
  - Comparison of the above to the marketing plan the company already has in place, the facility should be able to provide more exposures at a higher frequency than the typical corporate advertising strategy for an equal or better value,
  - Intangibles:
    - Community goodwill (benefiting the local quality of life),
    - Corporate goodwill.
- Joint promotions with tenants in facility.
- Market Size.

## Youth Participation in Sports

An examination of the market depth of a region is vital to any public assembly, particularly when the facility can be geared toward a particular age group. As both sports and entertainment uses at the Civic Center will appeal to younger people, an analysis of the size and demand of the youth market is warranted.

The following table shows youth participation (ages 7-17 years) rates across the U.S. in selected sports that could potentially be held at the Civic Center. As shown, participation rates are highest for basketball (26.4 percent) and soccer (17.2 percent), followed by skateboarding (11.0 percent), with hockey having a relatively low level of participation (2.5 percent).

Table 4-1

| <b>Sport</b>             | <b>Youth Participants ('000)</b> | <b>% Participation*</b> |
|--------------------------|----------------------------------|-------------------------|
| Basketball               | 11,957                           | 26.4%                   |
| Hockey                   | 1,120                            | 2.5%                    |
| Roller Skating (in-line) | 3,459                            | 7.6%                    |
| Skateboarding            | 4,989                            | 11.0%                   |
| Soccer                   | 7,801                            | 17.2%                   |
| Tennis                   | 3,333                            | 7.4%                    |

\* Based on % total population of US aged 7-17 years (\$45 million) who are participating in relevant sport  
Source: NSGA, Johnson Consulting

In addition to the distribution of participation across various youth sports, the large number of youth within Pensacola (as discussed in Section 3 of this report) is significant when assessing ongoing support for the Civic Center.

### Southern Professional Hockey League Arenas

Does Ice Hockey have a long term role in Pensacola?

The Pensacola Ice Flyers hockey program is a member of the Southern Professional Hockey League (SPHL). The following table shows the capacity and average attendance figures for the arenas of the SPHL programs.

Table 4-2

| <b>Team</b>                 | <b>Arena Name</b>             | <b>MSA Population</b> | <b>Year Facility Opened</b> | <b>Facility Capacity</b> | <b>Men's 2010 Hockey Avg. Atten.</b> | <b>Attendance % of Capacity</b> |
|-----------------------------|-------------------------------|-----------------------|-----------------------------|--------------------------|--------------------------------------|---------------------------------|
| Knoxville Ice Bears         | Knoxville Coliseum            | 707,775               | 1960                        | 4,973                    | 3,412                                | 68.6%                           |
| Huntsville Havoc            | Von Braun Center              | 415,599               | 1975                        | 6,200                    | 3,513                                | 56.7%                           |
| Columbus Cottonmouths       | Columbus Civic Center         | 1,823,063             | 1996                        | 7,500                    | 2,825                                | 37.7%                           |
| <b>Pensacola Ice Flyers</b> | <b>Pensacola Civic Center</b> | <b>457,481</b>        | <b>1985</b>                 | <b>8,150</b>             | <b>3,015</b>                         | <b>37.0%</b>                    |
| Fayetteville FireAntz       | Crown Coliseum                | 365,054               | 1997                        | 9,500                    | 3,323                                | 35.0%                           |
| Mississippi Surge           | Mississippi Coast Coliseum    | 242,387               | 1977                        | 8,858                    | 2,548                                | 28.8%                           |
| Augusta Riverhawks          | James Brown Arena             | 544,195               | 1974                        | 6,602                    | 1,637                                | 24.8%                           |
| Louisiana IceGators         | Cajundome                     | 266,338               | 1985                        | 11,433                   | 1,820                                | 15.9%                           |
| <b>Average</b>              |                               | <b>602,737</b>        | <b>1981</b>                 | <b>7,902</b>             |                                      |                                 |

Source: SPHL.com, DemographicsNow, Respective Facilities, Johnson Consulting

The average age of SPHL arenas is 30 years, which illustrates how obsolete the existing facilities in SPHL are slowly becoming. As the table shows, the Cajundome

is one of the biggest arenas in the SPHL, with a capacity of about 11,400 for hockey games, well above the conference average of approximately 7,900. Statistically, the Ice Flyers ranks fourth in average attendance, with approximately 3,000 attendees per game. This is not the strongest league, but it is solid and hockey is one of the more attractive sports tenants nationally. While hockey serves a thin market, generally, but it offers a lot of dates and a volume of events within the building.

### **Community Ice Use**

If the County elects to continue hockey, community use and a strong tournament program plan should be sought. Ultimately a second community ice sheet/ practice facility could be considered. A discussion about league sanctioning bodies is provided below.

### **USA Hockey**

USA Hockey Inc. is a nationwide organization that governs the sport of hockey in the United States. The organization's mission is to advance the development of hockey by providing a positive experience for all participants through encouraging, advancing, and administering the sport in the US. The expansion of USA Hockey over the last decade reflects the increased participation in hockey throughout the United States at every level.

First, it is essential to provide an outline of the programs offered by USA Hockey, as follows:

- Youth Hockey,
- Junior Hockey,
- Player Development & International Programs,
- Adult Hockey,
- Coaching Education Program,
- Officiating Education Program,
- USA Hockey Inline,
- Camps/Festivals.

The following table shows the historical individual registration for USA Hockey programs from 1999-2009.

**Table 4-3**

| USA Hockey Historical Participation - U.S. |         |         |           |         |                 |
|--|---------|---------|-----------|---------|-----------------|
| Year                                       | Players | Coaches | Officials | Total   | Annual % Change |
| 1999-00                                    | 434,678 | 55,378  | 23,724    | 513,780 | -               |
| 2000-01                                    | 439,140 | 56,170  | 24,223    | 519,533 | 1.12%           |
| 2001-02                                    | 442,725 | 57,321  | 25,327    | 525,373 | 1.12%           |
| 2002-03                                    | 446,328 | 57,595  | 26,445    | 530,368 | 0.95%           |
| 2003-04                                    | 449,610 | 59,508  | 26,321    | 535,439 | 0.96%           |
| 2004-05                                    | 445,245 | 59,957  | 26,648    | 531,850 | -0.67%          |
| 2005-06                                    | 442,077 | 58,593  | 26,599    | 527,269 | -0.86%          |
| 2006-07                                    | 457,038 | 56,383  | 25,978    | 539,399 | 2.30%           |
| 2007-08                                    | 468,202 | 54,302  | 26,047    | 548,551 | 1.70%           |
| 2008-09                                    | 465,975 | 55,448  | 26,866    | 548,289 | -0.05%          |

Source: USA Hockey, Johnson Consulting

As the table shows, USA Hockey experienced stable growth in the early 2000's by approximately one percent annually until 2004-05. The worst performing season was in 2005-06 when registration dropped by nearly one percent. However, it is important to recognize that the following year (2006-07) experienced the largest increase of 2.3 percent and witnessed the third highest participation rate in USA Hockey history. The 2008-09 seasons lost 2,227 participants from the year before, although it still had the second highest participation levels. The table above establishes an indication that hockey historically has experienced stable growth in America.

The following table provides a breakdown of registered participants in USA Hockey by age and gender.

**Table 4-4**

| Participation by Age & Gender (2008-09)- U.S. |                |               |                |
|---|----------------|---------------|----------------|
| Division                                      | Male           | Female        | Total          |
| 6 & Under                                     | 36,404         | 6,911         | 43,315         |
| 7 & 8   | 42,362         | 6,779         | 49,141         |
| 9 & 10  | 48,205         | 7,967         | 56,172         |
| 11 & 12                                       | 50,689         | 8,124         | 58,813         |
| 13 & 14                                       | 49,929         | 7,433         | 57,362         |
| 15 & 16                                       | 39,221         | 5,249         | 44,470         |
| 17 & 18                                       | 26,950         | 3,056         | 30,006         |
| 19 & Over                                     | 112,708        | 13,987        | 126,695        |
| Coaches                                       | 53,415         | 2,033         | 55,448         |
| Officials                                     | 25,536         | 1,330         | 26,866         |
| <b>TOTAL</b>                                  | <b>485,419</b> | <b>62,869</b> | <b>548,288</b> |

Source: USA Hockey, Johnson Consulting

As the table shows, the majority of participants are aged from approximately 7 to 17 years, with the 11 and 12 year olds participating the most. Interestingly, this age group shows the highest participation rates for both male and females aged between 7 and 17 years. This is significant in that it illustrates that younger children are characteristically staying involved in the USA Hockey programs throughout their youth. However, both male and female participation rates incur the largest loss of players during ages 17 and 18, largely due to the increase of the competitive level of play.

### US Figure Skating

The US Figure Skating Association is the national governing body for the sport of figure skating in America. The skating association was founded in 1921 and is a member of the International Skating Union as well as the US Olympic Committee. The organization’s mission is to provide instruction that teaches the correct technique of figure skating, while promoting physical fitness. The national headquarters is located in Colorado Springs, CO, and since the inception of the association, more than 1.5 million people have learned to skate.

The following table provides the historical membership for US Figure Skating.

**Table 4-5**

| <b>U.S. Figure Skating Historical Membership - U.S.</b> |                |                        |
|---|----------------|------------------------|
| <b>Year</b>   | <b>Members</b> | <b>Annual % Change</b> |
| 1999-00   | 144,000        | -                      |
| 2000-01   | 156,000        | 8.33%                  |
| 2001-02   | 167,000        | 7.05%                  |
| 2002-03   | 173,000        | 3.59%                  |
| 2003-04   | 172,000        | -0.58%                 |
| 2004-05   | 158,000        | -8.14%                 |
| 2005-06   | 196,000        | 24.05%                 |
| 2006-07   | 185,000        | -5.61%                 |
| 2007-08   | 178,500        | -3.51%                 |
| 2008-09   | 170,000        | -4.76%                 |

Source: USFSA, Johnson Consulting

There were approximately 170,000 members in 2008-09 across more than 700 member clubs, collegiate clubs and school-affiliated clubs. Approximately 110,000 of the registered skaters were a product of the 900 Basic Skills programs, which were offered by the association across the country. The US Figure Skating Association incurred the largest negative annual change (-8 percent) in 2004-05. The following year (2005-06), the association observed the largest positive annual change of 24

percent and a historic membership record of 196,000. However, in the three years following 2005-06 there was a total decline of 15 percent.

## **Summary**

Information we received from our interviews with promoters and flat show users aims towards the same conclusion about ice. Event promoters had expressed the ability to book more entertainment and concert events if date availability were to open up due to elimination of hockey. The interesting note we received from flat show users related to insufficient number of parking spaces, as well as poor date availability. Ice is not a natural fit in Pensacola and will continue to be a challenge. The addition of an attached exhibit hall, which would allow for both entertainment and flat shows to take place at one time, has played a vital role in usage gains in other facilities. Further, ice is the largest cause of the facility's above average deficit.

## Meetings Industry

The original masterplan for the Civic Center called for an exhibit hall. Its presence in the masterplan was probably a reason room tax was justified in the funding plan for the Civic Center. What would the prospects be for a meeting and exhibition hall in lieu of a community ice sheet?

## Types of Facilities

Each event type has unique facility needs. Certain events require large amounts of contiguous space, while others require many smaller meeting rooms. Often a single meeting will use many different types of spaces, such as large exhibit halls, banquet facilities, breakout meeting rooms, and theater seating. For purpose of this study we concentrate on Civic Centers as well as the typical meeting events they can support.

As societies mature and become more sophisticated, so too does the meetings market. The diverse nature of the meetings industry, and the characteristics of various event types, necessitates a variety of alternative facilities.

*Civic Centers* – Events centers, or arenas, are used as multi-purpose facilities to host a wide range of events, from small to mid size conventions, and trade shows, to sporting events, concerts, and banquets. These facilities typically host many more locally-oriented events than dedicated exhibit and ballroom space within convention centers. Events centers also incorporate breakout/meeting rooms, and often have a full commercial kitchen to cater banquet events.

Since 2000, the total amount of exhibit space in North America has increased by 42 percent. As of June 2010, there were 46 new buildings or expansions, totaling 4.4 million square feet of exhibit space, either under construction or in the development pipeline throughout North America.

## Types of Events

As outlined above, the events industry is comprised of various different types of events, including:

- *Temporary Expositions and Trade Shows* – These events are designed to bring buyers and sellers of industry-specific products together. Trade shows usually cater to a specific industry, however, multi-industry “trade fairs” also occur. Most trade show events are not open to the public.



Like conventions, trade shows offer a forum for exchanging industry ideas. They differ from conventions, however, because they are more product-and sales-oriented. Tradeshows are exhibit-intensive, and exhibitors prefer column-free, single-story, open-space facilities in which they construct temporary custom booths for product display. Tradeshows typically attract a large number of attendees, who originate from outside the host city but tend to have a shorter average stay than convention attendees.

The event programs run for a period of three to six days, with equal or slightly less time allocated to setting up and tearing down the event booths. Therefore, individual attendees may have less impact on the host city's economy than a convention attendee.

Temporary exposition events are increasing the number of meetings held during an exhibition in an attempt to educate buyers about products, and as a result, are becoming more like "conventions with exhibits" (see following point). However, in comparison to more formal conventions with exhibits, temporary expositions tend to maintain higher attendance figures, but a shorter average length of stay for attendees.

The following table displays the most frequent event categories for conventions with exhibits and trade shows.

**Table 4-6**

| <b>Top Event Categories - Conventions with Exhibits and Trade Shows</b> |                                      |
|---|--------------------------------------|
| Aerospace & Aviation  | Home & Garden Furnishings & Supplies |
| Agriculture & Farming   | Libraries                            |
| Apparel & Fashion   | Manufacturing & Industrial           |
| Art & Architecture  | Medical & Health Care                |
| Associations  | Military                             |
| Building & Construction   | Ocean Supplies & Equipment           |
| Business & Finance  | Police & Fire Fighters               |
| Chemicals   | Printing & Graphics                  |
| Communications  | Radio, TV & Cable                    |
| Computers & Computer Applications                                       | Religious                            |
| Education   | Safety & Security                    |
| Electrical & Electronics  | Sanitation & Waste Management        |
| Energy & Mining   | Science                              |
| Facilities, Engineering & Maintenance                                   | Stores & Store Fittings              |
| Food & Beverage   | Textiles                             |
| Forest Products   | Transportation                       |
| Funeral Industry  | Travel Industry                      |
| Government  | Veterinary                           |

*Source: Trade Show Week Data Book*

- **Assemblies** – These are largely association, fraternal, or religious events that require a large plenary hall, arena, or stadium. Similar to conventions, they are characterized by large numbers of attendees originating from outside the host city.
- **Conferences** – These are smaller convention-type events and are typically held in meeting rooms and ballrooms or in formal conference centers. Like conventions and congresses, they are often sponsored by associations and corporations and address current issues and information. Attendees and users typically demand high-quality facilities and most originate from out of town.
- **Incentive Meetings** - The corporate market uses incentive meetings as a way to reward employees, combine recreation and business meetings, or to mix employees and clients in a business and recreational setting. Product launches, key account conferences, and award events are all-important aspects of this type of event.
- **Consumer Shows** – These are public, ticketed events featuring exhibitions of merchandise, such as clothing, food, and antiques. These events are typically held in public assembly facilities such as hotels, convention centers, and exposition centers. They normally attract large numbers of attendees, and depending upon the size, location, and type of merchandise being displayed, these shows normally attract local residents.

The following table displays a summary of the most prevalent types of consumer shows.

**Table 4-7**

| <b>Top Event Categories - Consumer Shows</b> |                        |
|--|------------------------|
| Antique                                      | Jewelry & Gem          |
| Art  | Jobs, Career & College |
| Auto   | Motorcycle             |
| Boat   | Outdoor Sports         |
| Computer                                     | Pets                   |
| Ethnic                                       | RV & Camping           |
| Film   | Sewing & Needlework    |
| Flower                                       | Sporting Goods & Guns  |
| Gift & Craft                                 | Super Sale             |
| Golf   | Toys & Hobbies         |
| Health & Beauty                              | Travel                 |
| Holiday                                      | Weddings               |
| Home & Garden                                | Woodworking            |

*Source: Johnson Consulting*

- **Entertainment Events** - Including performing arts, concerts, sporting events, and circuses that can be accommodated by a variety of facilities. Although entertainment facilities will typically be dedicated to one or more specific uses, multipurpose venues, such as convention centers, can accommodate a large variety of events, especially if they are designed appropriately. Entertainment event promoters require unobstructed space to arrange the performance and to allow attendees to view the show.

## Market Conditions

### Current Trends

As a whole, the meeting industry has experienced sporadic growth in the past ten years, dipping slightly in the early 2000's then experiencing a significant period of growth followed by another wave of decline over recent years, reflecting broader economic conditions and the negative publicity associated with hosting meetings in upscale or resort destinations.

The impact on the global meetings industry was widespread - new hotel and meeting facility construction was delayed, and in many cases abandoned, corporations and associations dramatically reduced their meetings and events budgets, attendance levels fell sharply, and negative perceptions of the value of face-to-face meetings prevailed across governments, media and the general public.

As of June 2010, the National Convention Industry Council estimates that the value of the North American convention, trade show and meetings industry is \$130 billion. In 2009 the industry contracted by 15 percent in terms of the total amount of exhibit space, while attendance fell by 10 percent. Event budgets decreased by 20 percent in 2009 and have remained flat through 2010.

New sources of primary revenue include expanding or enhancing core exhibit space and meeting space rentals, adding technology services (wireless internet, high-tech meeting rooms, air conditioning, heating and lighting), enhancing food and beverage offerings, and providing more event services and rentals. Secondary revenue sources, which are far less common, include launching venue-owned events that are often entertainment-focused, enhancing signage and advertising, providing registration services, and offering more package service plans and event management services to clients.

The AIPC survey also revealed that construction in the global convention center market is continuing to boom, despite the broader economic downturn. Almost 60 percent of respondents had a new building or expansion project currently

underway or completed in the last three years. Although the global economic climate may have slowed development, client demand and competitive pressure, including increasing investment by hotels in properties with quality exhibition and meeting space, continues to drive development in the industry.

## Outlook

Conditions in North America's convention and meetings industry have generally remained flat through 2010, although as the broader economy continues to stabilize, there are signs of improvement in the convention and meetings industry. As identified by Red 7 Media (Research and Consulting), key indicators of improvement in the industry include:

- Consumer spending – 70 percent of business events serve markets in which the products and services are ultimately purchased by consumers;
- Attendance vs. Exhibitors – attendance has performed better than exhibitor participation in 2009-2010, which is a good sign;
- Exhibitor spending – this will likely remain soft until 2011;
- Hotel rates – 2010 rates for rooms blocks have been level with, or lower, than 2009 rates but are expected to increase in 2011;
- Corporate events market – there is potentially significant pent-up demand, as 50 percent of major global convention center managers consider meetings to be the second strongest sector, after associations, for near-term growth, and;
- New events – a sure sign of recovery will appear when new shows outside of the medical and IT sectors, and not just limited to conventions, are launched.

In 2011, PCMA survey respondents expect a 24 percent increase in the number of meetings and a 38 percent increase in attendance over 2009 figures. Almost 90 percent of respondents (89 percent) were not planning to cancel any events through 2010-2011, compared to only 54 percent in 2009.

The emergence of positive indicators within the market, along with continued improvement in the broader economy, is expected to drive a recovery in North America's convention and meetings market. Industry forecasts indicate that the market will return to pre-recession levels by 2015.

There are literally millions of conventions, tradeshow, and meetings happening annually throughout North America and around the world. The number of associations is changing, as is the number of corporations, but meetings will continue to occur. Although 2010 was a down year and there may have been a slight structural change in meeting formats, and hence volume, the convention market saw signs of stabilization over 2009 with the majority of meeting planners and event organizers maintaining current event levels and anticipating event attendance to remain consistent or improve going forward. Furthermore, the rationale for meetings and associations still exists and will continue to do so.

### **Indicated Strategy**

The purpose of this report is not to advocate for a community ice sheet or a convention/ expo hall to be added to the Civic Center. However, the Civic Center has been static since it has opened. There are a myriad of smaller investments that can be phased in over time that can increasingly make the arena more vital, current and fresh. These are enumerated in subsequent chapters of this report.

However, these improvements will not change the nature of the operation dramatically. With the smaller improvements, the nature of the operation will not change structurally. If it is the policy to retain hockey, its 28 dates and 85,000 attendees will serve as steady volume of demand that is attractive to the operation and use profile over all. The consequence is consumed prime dates that could, but not necessarily would, be used by other entertainment and consumer events. The operating cost structure is also higher with ice, and practice and community use also consume dates. If hockey is to be retained, then the mindset for the arena must advocate sports as its prime persona. This strategy accelerates the need to add premium seating options, enhance advertising and naming rights capabilities and add parking. A community ice sheet next to the building would provide a date relief valve for community and practice use, would position the building for attracting tournaments and would allow the University of West Florida and area high schools to add club and league hockey to their sports program. The County would communicate that it is a hockey town and reinforce that image.

The above strategy is a less natural fit in Pensacola than in other northern or larger markets. If it is the County's policy to eliminate hockey, the mindset for the building must change to drive more entertainment events, more consumer shows and more conventions, assembly events and "competitive arts" events, such as cheerleading and basketball tournaments. Given the fact that the County uses room tax to fund the capital and operating deficits at the venue, this strategy matches this funding source better. Even without major renovations, it is our expectation that all of the attendance lost due to hockey's elimination could be replaced with consumer

shows, more concerts and entertainment events and a “competitive arts” strategy. The operating picture would also improve by an estimated \$300,000 plus, annually.

As with a hockey strategy, an entertainment and convention/ consumer show/ competitive arts strategy can be amplified by collateral development along with Civic Center upgrades. An adjacent 50,000 square foot exhibit hall and small ballroom would provide a dedicated place for consumer shows and smaller trade and convention events. It would also allow for festivals, and locally oriented arts and craft show to evolve and provide a social and conference venue for area universities and businesses. Given the presence of the adjacent Crown Plaza Hotel and the aesthetic attractiveness that has evolved in downtown Pensacola, this strategy seems to be a better fit for the market.

If such an overall strategy were to be employed we estimate that the following results would occur:

- Civic Center Operating Revenues would increase by \$1.5 million.
- The deficit would improve by \$300,000 to \$500,000, because the exhibit hall should be operated by the same management and administrative team as the Civic Center, but its event profiles would be more profitable than hockey.
- Room night production would increase from an estimated 10,000 to 12,000 currently to 30,000 plus room nights annually.

For either the hockey/ sports or entertainment/ consumer show/ convention strategies, capital investment would be needed to fund the community ice or exhibition center investments. Going rates for these types of facilities range from:

- Romeoville, IL Ice Complex- 3 sheets in 2005 dollars- \$21 million= \$5 to \$8 million for a single sheet community ice/practice/tournament venue in today’s dollars.
- Exhibit hall and ballroom with 65,000 leasable square feet = 130,000 gross square feet (assuming space in Civic Center for meeting and kitchen and administration is associated with the venue) x \$280 per square foot = \$30 to \$40 million, in rounded numbers.

To recap, the Civic Center is stuck in an operating paradigm that cannot change too greatly unless an overall persona for the complex evolves. There can and should be cosmetic and operational improvements to the venue that will keep it attractive and generally operational, but the event volume and operating profile will not change materially unless the complex is rounded out with supplemental and collateral investment.

## **V. EXISTING OPERATIONS PROFILE – PENSACOLA CIVIC CENTER**

## EXISTING OPERATIONS PROFILE - PENSACOLA CIVIC CENTER

Situated on 17 acres in downtown Pensacola, FL, the Pensacola Civic Center is the City and region’s primary entertainment and event center. The Center, which is owned by the County of Escambia and managed by SMG Management, was first opened in 1985 to serve as a community asset and economic development generator by attracting concerts, sports, and other entertainment events. The Center offers 20,000 square feet of arena floor space, 10,000 seats, and over 13,000 square feet of meeting room space as shown in the following table.

**Table 5-1**

| Pensacola Civic Center<br>Summary of Exhibit and Meeting Space |                       |                    |                         |           |         |                        |
|--|-----------------------|--------------------|-------------------------|-----------|---------|------------------------|
|  | Size (SF)             |                    | Capacity (# of Persons) |           |         |                        |
|  | Individual (Smallest) | Combined (Largest) | Theater                 | Classroom | Banquet | Exhibits (# of Booths) |
| <b>Arena</b>   |                       |                    |                         |           |         |                        |
| Arena Floor  | -                     | 20,000             | -                       | -         | -       | -                      |
| Subtotal Exhibit Hall SF                                       |                       | 20,000             |                         |           |         |                        |
| <b>Meeting Rooms</b>   |                       |                    |                         |           |         |                        |
| Number of Rooms  | 12                    | 7                  |                         |           |         |                        |
| Smallest Room  | 975                   | -                  | 80                      | 56        | 54      | -                      |
| Largest Room   | -                     | 3,198              | 300                     | 168       | 252     | -                      |
| Subtotal Meeting Room SF                                       |                       | 13,636             |                         |           |         |                        |
| <b>Total</b>   |                       | <b>33,636</b>      |                         |           |         |                        |

*Source: Pensacola Civic Center, mpoint.com, Johnson Consulting*

## Demand Schedule

The Pensacola Civic Center plays an important role in the regional market as the primary civic center for concerts, sports, and entertainment events, having hosted over 2,400 events over the last four years, attracting 1.2 million attendees. The following tables show the total number of annual events and attendance at the Center since FY 2006-07.



Table 5-2

| <b>Pensacola Civic Center, Pensacola, Florida<br/>Historical Event Demand</b> |             |             |             |             |              |
|---|-------------|-------------|-------------|-------------|--------------|
| <i>FY Ending Sep 30,</i>  | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011E</b> |
| <b>Arena Oriented Events</b>  |             |             |             |             |              |
| Sporting Events - Hockey  | 36          | 36          | 0           | 35          | 41           |
| Sporting Events - Non-Hockey  | 2           | 4           | 4           | 5           | 4            |
| Assembly/ Graduations   | 13          | 10          | 22          | 10          | 9            |
| Entertainment Events  | 8           | 6           | 11          | 6           | 6            |
| Concerts/ Performing Arts   | 15          | 15          | 11          | 11          | 27           |
| Family Events   | 20          | 9           | 9           | 10          | 7            |
| Subtotal  | 94          | 80          | 57          | 77          | 94           |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                                  |             |             |             |             |              |
| Consumer Shows/ Trade Shows   | 20          | 18          | 18          | 10          | 8            |
| Banquet/ Other  | 8           | 5           | 5           | 5           | 5            |
| Meetings  | 534         | 549         | 507         | 487         | 486          |
| Subtotal  | 562         | 572         | 530         | 502         | 499          |
| Total   | 656         | 652         | 587         | 579         | 593          |

*Source: Pensacola Civic Center, Johnson Consulting*

Table 5-3

| <b>Pensacola Civic Center, Pensacola, Florida<br/>Historical Attendance</b> |             |             |             |             |              |
|---|-------------|-------------|-------------|-------------|--------------|
| <i>FY Ending Sep 30,</i>  | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011E</b> |
| <b>Arena Oriented Events</b>  |             |             |             |             |              |
| Sporting Events - Hockey  | 77,289      | 72,786      | 0           | 75,156      | 67,636       |
| Sporting Events - Non-Hockey  | 5,900       | 9,875       | 14,308      | 14,016      | 11,689       |
| Assembly/ Graduations   | 82,792      | 72,033      | 93,988      | 71,656      | 62,576       |
| Entertainment Events  | 34,753      | 23,173      | 40,099      | 17,125      | 16,043       |
| Concerts/ Performing Arts   | 65,909      | 56,398      | 37,578      | 45,747      | 45,138       |
| Family Events   | 42,161      | 29,855      | 25,292      | 13,224      | 18,975       |
| Subtotal  | 308,804     | 264,120     | 211,265     | 236,924     | 222,057      |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                                |             |             |             |             |              |
| Consumer Shows/ Trade Shows   | 26,489      | 23,402      | 15,346      | 8,917       | 7,588        |
| Banquet/ Other  | 5,997       | 4,800       | 4,650       | 4,500       | 4,620        |
| Meetings  | 34,444      | 30,814      | 28,942      | 27,231      | 24,954       |
| Subtotal  | 66,930      | 59,016      | 48,938      | 40,648      | 37,162       |
| Facility Total  | 375,734     | 323,136     | 260,203     | 277,572     | 259,219      |

*Source: Pensacola Civic Center, Johnson Consulting*

The table separates arena-oriented events from exhibit hall and meeting oriented events, some of which use the arena floor or ancillary meeting space throughout the facility. The meetings line item in the above table has a significant number of events, but a low average attendance, skewing the overall data. The following tables and charts show the historical event demand and attendance, excluding the meetings.

Table 5-4 shows the historical event demand, excluding meetings, from FYE 2007.

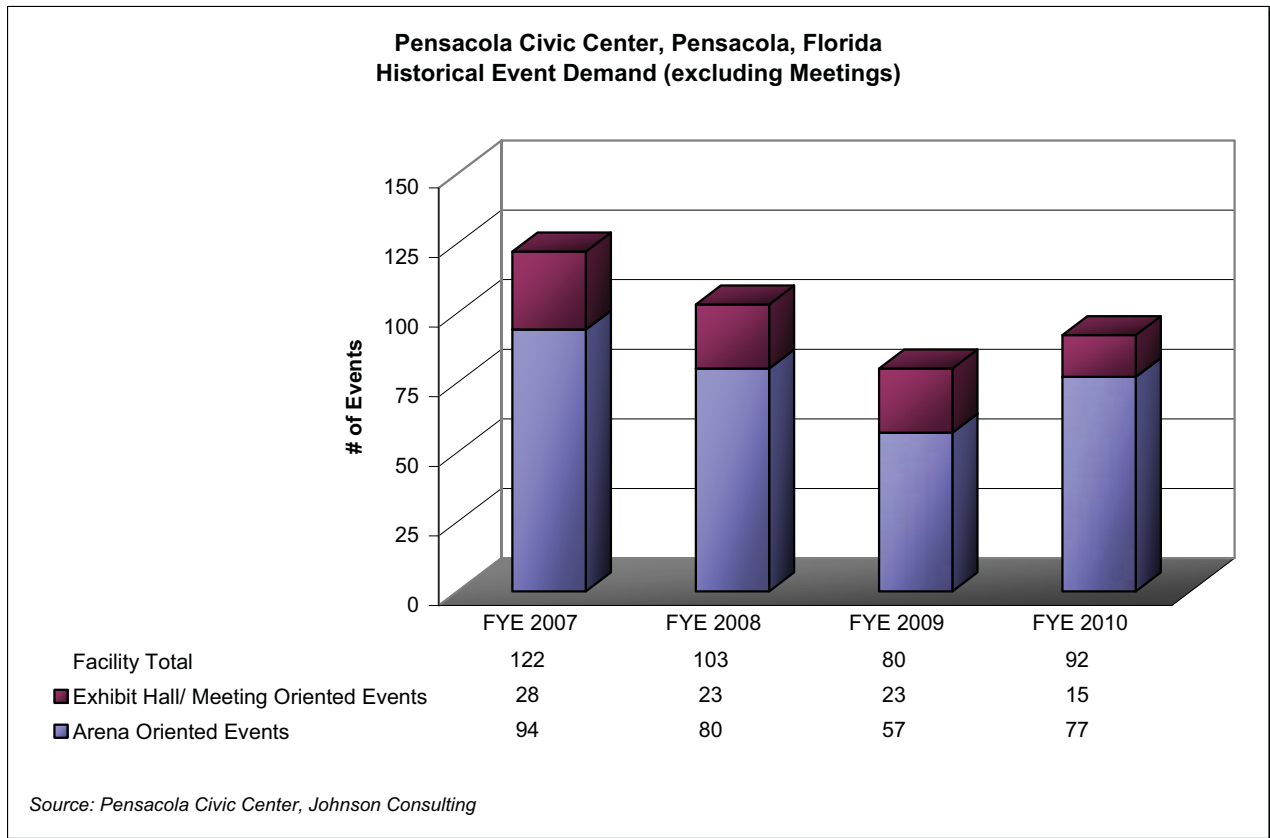
**Table 5-4**

| <b>Pensacola Civic Center, Pensacola, Florida<br/>Historical Event Demand (excluding Meetings)</b> |             |             |             |             |              |
|--|-------------|-------------|-------------|-------------|--------------|
| <i>FY Ending Sep 30,</i>   | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011E</b> |
| <b>Arena Oriented Events</b>   |             |             |             |             |              |
| Sporting Events - Hockey   | 36          | 36          | 0           | 35          | 41           |
| Sporting Events - Non-Hockey   | 2           | 4           | 4           | 5           | 4            |
| Assembly/ Graduations  | 13          | 10          | 22          | 10          | 9            |
| Entertainment Events   | 8           | 6           | 11          | 6           | 6            |
| Concerts/ Performing Arts  | 15          | 15          | 11          | 11          | 27           |
| Family Events  | 20          | 9           | 9           | 10          | 7            |
| Subtotal   | 94          | 80          | 57          | 77          | 94           |
| <b>Exhibit Hall/ Meeting Oriented Events</b>   |             |             |             |             |              |
| Consumer Shows/ Trade Shows  | 20          | 18          | 18          | 10          | 8            |
| Banquet/ Other   | 8           | 5           | 5           | 5           | 5            |
| Subtotal   | 28          | 23          | 23          | 15          | 13           |
| Total  | 122         | 103         | 80          | 92          | 107          |

*Source: Pensacola Civic Center, Johnson Consulting*

As shown in Table 5-4, in Arena-oriented events, 14 events were lost from FYE 2007 to FYE 2008, with the most notable decline in family show performances, a slight decline in assembly/graduations and entertainment events, and a slight increase in sporting events. Exhibit and banquet events had a slight decline over this period, primarily attributable to national economic conditions. When comparing FYE 2008 to FYE 2009, there was a further reduction of 23 events, with the decrease primarily due to hockey not being hosted in the facility that year, followed by a decrease in concerts. Family events held steady and there were 12 additional assembly/graduation events. Exhibit and banquet events were flat over the period. In FYE 2010, the facility experienced an increase in total events due to hockey resuming play and practice in the building. However, assembly/graduations and entertainment events declined with concerts and family events remaining significantly below FYE 2007 event levels. Figure 5-1 demonstrates this historical trend in event demand.

Figure 5-1



Attendance has also declined since FYE 2007 as shown in the following table and chart.

Table 5-5

| <b>Pensacola Civic Center, Pensacola, Florida<br/>Historical Attendance (excluding Meetings)</b> |             |             |             |             |              |
|--|-------------|-------------|-------------|-------------|--------------|
| <i>FY Ending Sep 30,</i>   | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011E</b> |
| <b>Arena Oriented Events</b>   |             |             |             |             |              |
| Sporting Events - Hockey   | 77,289      | 72,786      | 0           | 75,156      | 67,636       |
| Sporting Events - Non-Hockey   | 5,900       | 9,875       | 14,308      | 14,016      | 11,689       |
| Assembly/ Graduations  | 82,792      | 72,033      | 93,988      | 71,656      | 62,576       |
| Entertainment Events   | 34,753      | 23,173      | 40,099      | 17,125      | 16,043       |
| Concerts/ Performing Arts  | 65,909      | 56,398      | 37,578      | 45,747      | 45,138       |
| Family Events  | 42,161      | 29,855      | 25,292      | 13,224      | 18,975       |
| Subtotal   | 308,804     | 264,120     | 211,265     | 236,924     | 222,057      |
| <b>Exhibit Hall/ Meeting Oriented Events</b>   |             |             |             |             |              |
| Consumer Shows/ Trade Shows  | 26,489      | 23,402      | 15,346      | 8,917       | 7,588        |
| Banquet/ Other   | 5,997       | 4,800       | 4,650       | 4,500       | 4,620        |
| Subtotal   | 32,486      | 28,202      | 19,996      | 13,417      | 12,208       |
| Facility Total   | 341,290     | 292,322     | 231,261     | 250,341     | 234,265      |

*Source: Pensacola Civic Center, Johnson Consulting*

For arena-oriented events, entertainment event attendance in FYE 2010 is down significantly from FYE 2007 and FYE 2009 by 17,628 and 22,974 attendees, respectively. Family event attendance also declined from a peak of 42,000 attendees in FYE 2007 to 13,224 attendees in FYE 2010 as the number of these events decreased by half. Even with this reduction of events, attendance is still down on a per event basis. Concert attendance in FYE 2010 was up compared to FYE 2009, but still down compared to FYE 2007 and FYE 2008 levels. For consumer and trade show events there has been a reduction of about two-thirds in the number of attendees (26,500 in FYE 2007 vs. 8,900 in FYE 2010). Banquet events are also down slightly from FYE 2007 and have remained relatively flat from FYE 2008 through FYE 2010. While not included in the above figures, meetings are down from FYE 2007 levels by 47 events and 7,000 attendees. The exhibit, banquet, and meeting declines are consistent with peer markets and directly linked to the national economy and the quality and orientation of the Pensacola Civic Center compared to a dedicated exhibit and meeting facility. Figure 5-2 illustrates this historical trend in event attendance.

Figure 5-2

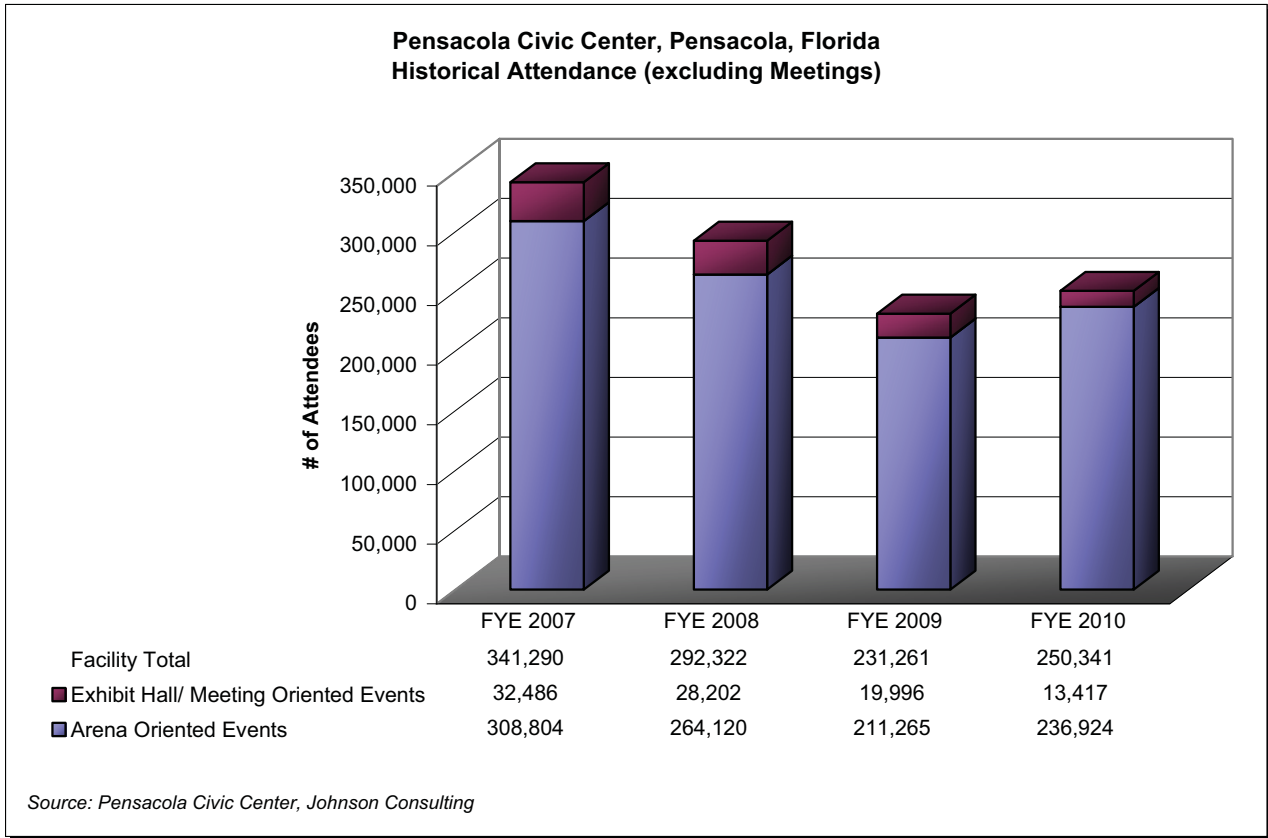
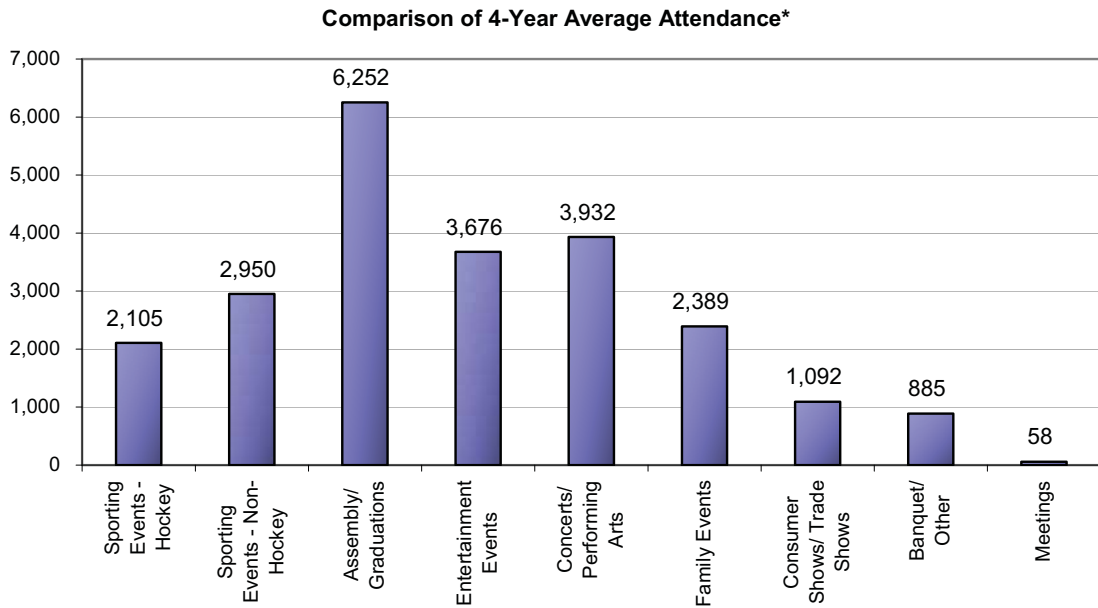


Table 5-6 shows the historical average attendance from FYE 2007 through FYE 2011.

Table 5-6

| Pensacola Civic Center, Pensacola, Florida<br>Historical Average Attendance |       |       |       |       |       |                    |
|---|-------|-------|-------|-------|-------|--------------------|
| <i>FY Ending Sep 30,</i>  | 2007  | 2008  | 2009  | 2010  | 2011E | 4-Year<br>Average* |
| <b>Arena Oriented Events</b>  |       |       |       |       |       |                    |
| Sporting Events - Hockey  | 2,147 | 2,022 | 0     | 2,147 | 1,650 | 2,105              |
| Sporting Events - Non-Hockey  | 2,950 | 2,469 | 3,577 | 2,803 | 2,922 | 2,950              |
| Assembly/ Graduations   | 6,369 | 7,203 | 4,272 | 7,166 | 6,953 | 6,252              |
| Entertainment Events  | 4,344 | 3,862 | 3,645 | 2,854 | 2,674 | 3,676              |
| Concerts/ Performing Arts   | 4,394 | 3,760 | 3,416 | 4,159 | 1,672 | 3,932              |
| Family Events   | 2,108 | 3,317 | 2,810 | 1,322 | 2,711 | 2,389              |
| Combined Average  | 3,285 | 3,302 | 3,706 | 3,077 | 2,362 | 3,342              |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                                |       |       |       |       |       |                    |
| Consumer Shows/ Trade Shows   | 1,324 | 1,300 | 853   | 892   | 949   | 1,092              |
| Banquet/ Other  | 750   | 960   | 930   | 900   | 924   | 885                |
| Meetings  | 65    | 56    | 57    | 56    | 51    | 58                 |
| Combined Average  | 119   | 103   | 92    | 81    | 74    | 99                 |
| Total Combined Average  | 573   | 496   | 443   | 479   | 437   | 498                |



\*Including FY 2006-07 through FY 2009-10 only. FY 2010-11 is not included since it is estimated.

Source: Pensacola Civic Center, Johnson Consulting

The table shows that assembly/ graduations historically have the highest average attendance, followed by concerts/ performing arts and entertainment events.

Hockey games historically have 2,100 average attendees, the sixth among nine categories of events. Meetings have the lowest average attendance.

## Revenue and Expenses

Pensacola Civic Center management provided detailed statements of revenues and expenses from FYE 2007 through FYE 2010 and a partial budget for FYE 2011. Table 5-7 summarizes the financial statements.

**Table 5-7**

| <b>Pensacola Civic Center, Pensacola, Florida</b>                           |                    |                    |                    |                      |                    |
|---|--------------------|--------------------|--------------------|----------------------|--------------------|
| <b>Historical Revenues and Expenses Summary</b>                             |                    |                    |                    |                      |                    |
| <i>FY Ending Sep 30,</i>  | <b>2007</b>        | <b>2008</b>        | <b>2009</b>        | <b>2010</b>          | <b>2011E</b>       |
| <b>Event Income</b>   |                    |                    |                    |                      |                    |
| Direct Event Income   | \$353,895          | \$298,238          | \$446,605          | \$552,663            | \$438,080          |
| Net Services Income   | 475,518            | 308,359            | 302,141            | (2,505)              | (32,709)           |
| Net Ancillary Income  | 871,784            | 655,839            | 545,668            | 708,559              | 777,522            |
| Total Event Income  | <b>\$1,701,197</b> | <b>\$1,262,436</b> | <b>\$1,294,414</b> | <b>\$1,258,717</b>   | <b>\$1,182,892</b> |
| Adjustment*   | \$0                | \$0                | (\$0)              | (\$3)                | na                 |
| <b>Other Income</b>   | <b>\$382,892</b>   | <b>\$339,352</b>   | <b>\$250,179</b>   | <b>\$371,199</b>     | na                 |
| <b>Adjusted Gross Income</b>  | <b>\$2,084,089</b> | <b>\$1,601,788</b> | <b>\$1,544,593</b> | <b>\$1,629,913</b>   | na                 |
| <b>Indirect Expenses</b>  |                    |                    |                    |                      |                    |
| Employee Wages and Benefits   | \$2,637,101        | \$2,441,044        | \$1,922,619        | \$2,420,995          | na                 |
| Contracted Services   | 0                  | 0                  | 0                  | 0                    | na                 |
| Operations Expenses   | 86,714             | 77,958             | 63,509             | 86,816               | na                 |
| Repairs & Maintenance   | 93,753             | 22,087             | 65,026             | 74,748               | na                 |
| Supplies  | 183,080            | 117,026            | 106,194            | 134,638              | na                 |
| Insurance   | 70,220             | 77,972             | 70,743             | 53,273               | na                 |
| Utilities   | 624,696            | 606,949            | 471,142            | 770,834              | na                 |
| General & Administrative  | 163,290            | 138,721            | 119,265            | 289,535              | na                 |
| Depreciation  | 0                  | 0                  | 0                  | 0                    | na                 |
| Labor & Expense Allocation  | (1,232,093)        | (1,048,848)        | (786,041)          | (1,146,974)          | na                 |
| Subtotal  | <b>\$2,626,761</b> | <b>\$2,432,909</b> | <b>\$2,032,457</b> | <b>\$2,683,865</b>   | na                 |
| Adjustment**  | \$0                | \$0                | \$5                | \$2                  | na                 |
| <b>Net Income (Loss)</b>  | <b>(\$542,672)</b> | <b>(\$831,121)</b> | <b>(\$487,869)</b> | <b>(\$1,053,954)</b> | na                 |
| <b>TDC Transfer/ Capital Contribution</b>                                   | <b>\$197,456</b>   | <b>\$773,615</b>   | <b>\$751,358</b>   | <b>\$1,083,601</b>   | na                 |
| <b>NOI after TDC Transfer/Capital Contribution</b>                          | <b>(\$345,216)</b> | <b>(\$57,506)</b>  | <b>\$263,489</b>   | <b>\$29,647</b>      | na                 |
| *Adjustment amounts reconcile summary budgets with detailed annual budgets. |                    |                    |                    |                      |                    |
| **Adjustment amounts reconcile summary budgets with correct calculations.   |                    |                    |                    |                      |                    |
| Source: Pensacola Civic Center, Johnson Consulting                          |                    |                    |                    |                      |                    |

Important to note about the above table, is that certain costs that Escambia County incurs are not accounted for in SMG's income statement above. These will be accounted for and described towards the end of this section. In the above table, TDC Transfer and Capital Contributions have been removed from the "Other Income" line item and placed after Net Operating Income. This revision will give the reader a clearer understanding of the operational budget for the Pensacola Civic Center

before and after contributions from the County. It is also important to note, that the sudden increase in TDC contributions was due in part to the underfunding of money in prior years. The other factors to note include that services and ancillary income are reported as net income and the numbers the County is familiar with are reported as gross (as in the Carr, Riggs, Ingram audit). The following analysis uses the numbers as reported in Table 5-7.

Other observations from the revenues and expenses shown in Table 5-7 include:

- Direct Event Revenue, which includes gross ticket revenues (less admission taxes, tenant receipts, and rental income (from arena and exhibit hall), averaged to \$1.39 per head, higher than what is typically yielded (between \$0.75 to \$1.00 per head).
- The “Employee Wages & Benefits” operating expense may seem higher than norm; however, it is important to take into account the labor and expense allocation, which nets labor expenses to a more industry standard level of approximately \$1.4 million in 2007 and \$1.2 million in 2010.
- An additional outlier is the management fee (accounted for directly by the County, not listed in Table 5-7, but in Table 5-12 instead). An analysis of Management contracts will be analyzed in detail in Section 7 of this report.

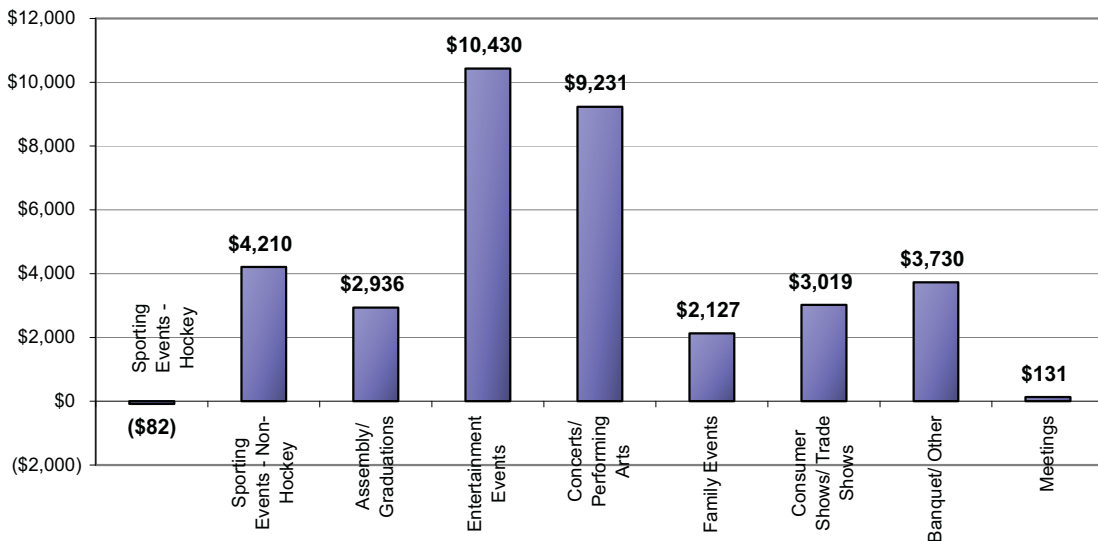
The first few line items in the budget – direct event income, net services income, and net ancillary income – are directly generated by the events. To understand the income-generating potential of events, those line items are broken down into categories of events. They are shown on the following charts.



Table 5-8

| Pensacola Civic Center, Pensacola, Florida<br>Historical Direct Event Income (DEI) by Type of Events |            |            |           |           |           |                     |
|--|------------|------------|-----------|-----------|-----------|---------------------|
| FY Ending Sep 30,  | 2007       | 2008       | 2009      | 2010      | 2011E     | Average DEI/ Event* |
| <b>Arena Oriented Events</b>   |            |            |           |           |           |                     |
| Sporting Events - Hockey   | (\$38,155) | (\$32,181) | \$0       | \$59,795  | \$59,335  | (\$82)              |
| Sporting Events - Non-Hockey   | 3,000      | 7,500      | 39,500    | 17,958    | 15,000    | 4,210               |
| Assembly/ Graduations  | 31,700     | 25,025     | 57,578    | 41,875    | 36,225    | 2,936               |
| Entertainment Events   | 87,000     | 59,725     | 84,803    | 79,100    | 64,542    | 10,430              |
| Concerts/ Performing Arts  | 94,813     | 114,000    | 93,192    | 159,825   | 116,825   | 9,231               |
| Family Events  | 22,544     | 6,000      | 25,290    | 39,041    | 51,614    | 2,127               |
| Subtotal   | \$200,902  | \$180,068  | \$300,363 | \$397,595 | \$343,540 | -                   |
| <b>Exhibit Hall/ Meeting Oriented Events</b>   |            |            |           |           |           |                     |
| Consumer Shows/ Trade Shows  | \$60,025   | \$52,550   | \$43,308  | \$37,488  | \$26,238  | \$3,019             |
| Banquet/ Other   | 33,375     | 18,125     | 18,125    | 17,500    | 20,000    | 3,730               |
| Meetings   | 59,593     | 47,495     | 61,200    | 100,081   | 46,802    | 131                 |
| Subtotal   | \$152,993  | \$118,170  | \$122,634 | \$155,068 | \$93,039  | -                   |
| Adjustment   | \$0        | \$0        | \$23,608  | \$0       | \$1,500   | -                   |
| Facility Total   | \$353,895  | \$298,238  | \$446,605 | \$552,663 | \$438,080 | -                   |

Comparison of Average Direct Event Income per Event over 4 Years\*



\*Including FY 2006-07 through FY 2009-10 only. FY 2010-11 is not included since it is estimated.

Source: Pensacola Civic Center, Johnson Consulting

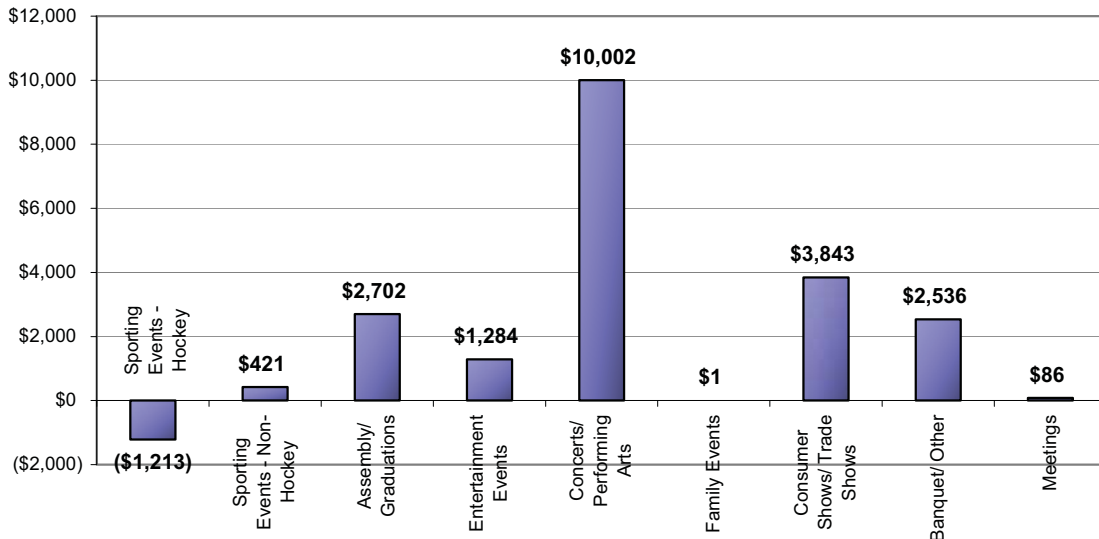
As shown on the table-chart, entertainment events have the highest direct event income-generating potential, followed by concerts and performing arts shows. In

this category of income, Ice Flyers Hockey Games are actually costing the Civic Center approximately \$82 per game in direct income.

Table 5-9

| Pensacola Civic Center, Pensacola, Florida<br>Historical Net Services Income (NSI) by Type of Events |           |            |            |             |             |                     |
|--|-----------|------------|------------|-------------|-------------|---------------------|
| FY Ending Sep 30,  | 2007      | 2008       | 2009       | 2010        | 2011E       | Average NSI/ Event* |
| <b>Arena Oriented Events</b>   |           |            |            |             |             |                     |
| Sporting Events - Hockey   | \$1,291   | (\$7,450)  | \$0        | (\$121,372) | (\$105,185) | (\$1,213)           |
| Sporting Events - Non-Hockey   | 2,067     | (15,123)   | 14,489     | 4,054       | (2,532)     | 421                 |
| Assembly/ Graduations  | 40,345    | 35,056     | 39,538     | 24,032      | 8,819       | 2,702               |
| Entertainment Events   | 16,691    | 8,791      | 79,187     | (33,686)    | (46,567)    | 1,284               |
| Concerts/ Performing Arts  | 232,204   | 163,872    | 77,358     | 72,273      | 99,703      | 10,002              |
| Family Events  | 21,243    | 10,242     | 13,907     | (37,397)    | (35,757)    | 1                   |
| Subtotal   | \$313,840 | \$195,388  | \$224,479  | (\$92,096)  | (\$81,520)  | -                   |
| <b>Exhibit Hall/ Meeting Oriented Events</b>   |           |            |            |             |             |                     |
| Consumer Shows/ Trade Shows  | \$86,830  | \$64,660   | \$66,945   | \$37,202    | \$16,306    | \$3,843             |
| Banquet/ Other   | 25,967    | 18,113     | 9,078      | 7,303       | 7,596       | 2,536               |
| Meetings   | 43,940    | 43,878     | 38,988     | 51,237      | 14,227      | 86                  |
| Subtotal   | \$156,737 | \$126,651  | \$115,010  | \$95,742    | \$38,129    | -                   |
| Adjustment   | \$4,941   | (\$13,679) | (\$37,348) | (\$6,151)   | \$10,681    | -                   |
| Facility Total   | \$475,518 | \$308,359  | \$302,141  | (\$2,505)   | (\$32,709)  | -                   |

Comparison of Average Net Services Income per Event over 4 Years\*



\*Including FY 2006-07 through FY 2009-10 only. FY 2010-11 is not included since it is estimated.

Source: Pensacola Civic Center, Johnson Consulting

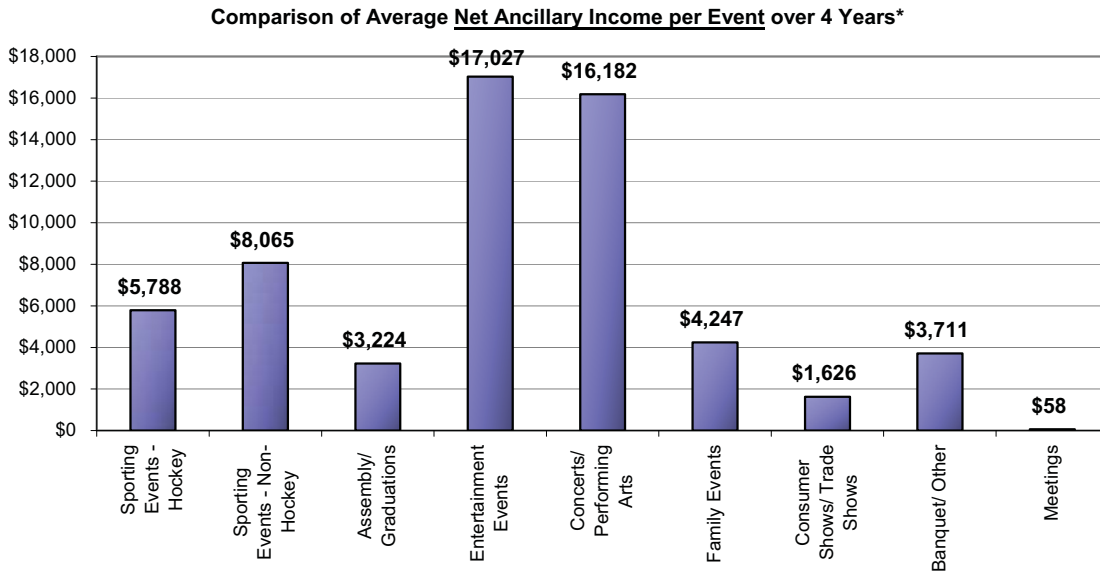
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*EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING*

As shown on the table-chart, concerts and performing arts shows also have the highest net services income-generating potential, followed by consumer shows and trade shows. In this category of income, Ice Flyers Hockey Games are actually costing the Civic Center approximately \$1,213 per game.

**Table 5-10**

| <b>Pensacola Civic Center, Pensacola, Florida<br/>Historical Net Ancillary Income (NAI) by Type of Events</b> |                  |                  |                  |                  |                  |                                |
|---|------------------|------------------|------------------|------------------|------------------|--------------------------------|
| <i>FY Ending Sep 30,</i>  | <b>2007</b>      | <b>2008</b>      | <b>2009</b>      | <b>2010</b>      | <b>2011E</b>     | <b>Average<br/>NAI/ Event*</b> |
| <b>Arena Oriented Events</b>  |                  |                  |                  |                  |                  |                                |
| Sporting Events - Hockey  | \$208,502        | \$170,881        | \$0              | \$238,864        | \$208,660        | \$5,788                        |
| Sporting Events - Non-Hockey  | 13,034           | 13,714           | 66,760           | 28,115           | 24,860           | 8,065                          |
| Assembly/ Graduations   | 31,815           | 17,074           | 47,540           | 65,818           | 37,564           | 3,224                          |
| Entertainment Events  | 173,263          | 110,217          | 185,410          | 67,362           | 66,357           | 17,027                         |
| Concerts/ Performing Arts   | 317,150          | 209,446          | 122,146          | 203,691          | 286,465          | 16,182                         |
| Family Events   | 62,731           | 44,913           | 54,636           | 27,904           | 53,023           | 4,247                          |
| Subtotal  | <b>\$806,495</b> | <b>\$566,245</b> | <b>\$476,492</b> | <b>\$631,754</b> | <b>\$676,930</b> | -                              |
| <b>Exhibit Hall/ Meeting Oriented Events</b>  |                  |                  |                  |                  |                  |                                |
| Consumer Shows/ Trade Shows   | \$35,846         | \$31,703         | \$29,955         | \$12,863         | \$18,952         | \$1,626                        |
| Banquet/ Other  | 30,027           | 16,832           | 13,739           | 24,888           | 17,363           | 3,711                          |
| Meetings  | 12,550           | 39,100           | 29,707           | 38,180           | 61,870           | 58                             |
| Subtotal  | <b>\$78,423</b>  | <b>\$87,635</b>  | <b>\$73,401</b>  | <b>\$75,931</b>  | <b>\$98,185</b>  | -                              |
| Adjustment  | (\$13,134)       | \$1,958          | (\$4,225)        | \$874            | \$2,407          | -                              |
| Facility Total  | <b>\$871,784</b> | <b>\$655,839</b> | <b>\$545,668</b> | <b>\$708,559</b> | <b>\$777,522</b> | -                              |



\*Including FY 2006-07 through FY 2009-10 only. FY 2010-11 is not included since it is estimated.

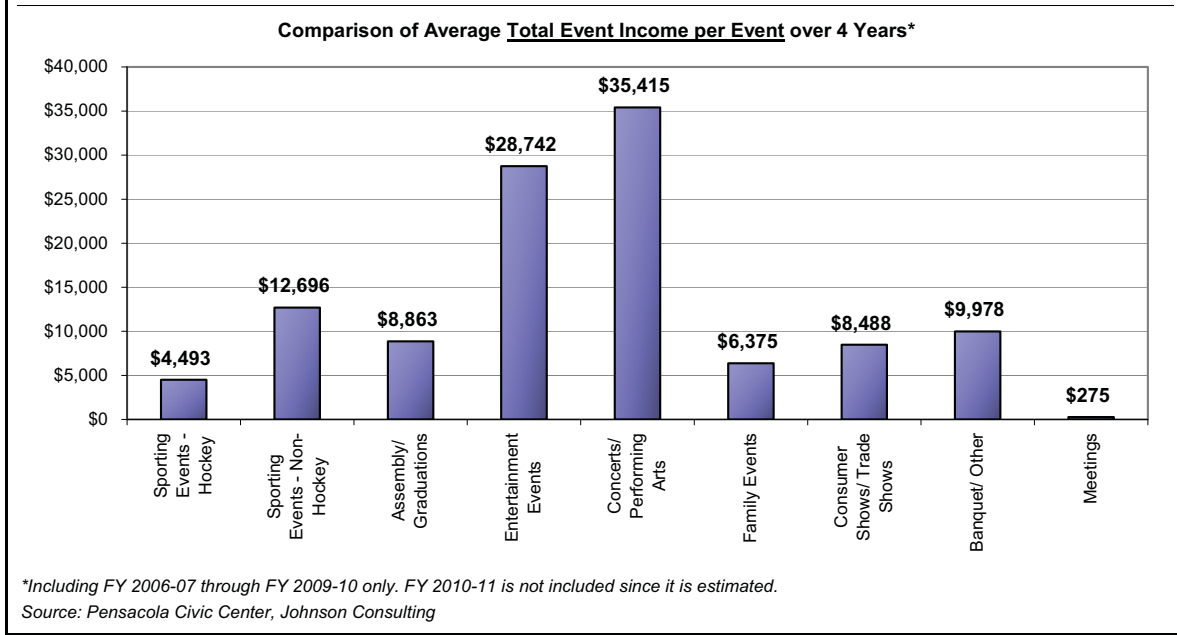
Source: Pensacola Civic Center, Johnson Consulting

As shown on the table-chart, entertainment events, concerts, and performing arts shows have the highest net ancillary income-generating potential. In this category of income, Ice Flyers Hockey Games generate approximately \$5,788 per game to the

Civic Center, much less than entertainment events and concerts that are potentially being turned away.

Table 5-11

| Pensacola Civic Center, Pensacola, Florida<br>Historical Total Event Income (TEI) by Type of Events |             |             |             |             |             |                        |
|---|-------------|-------------|-------------|-------------|-------------|------------------------|
| FY Ending Sep 30,   | 2007        | 2008        | 2009        | 2010        | 2011E       | Average TEI/<br>Event* |
| <b>Arena Oriented Events</b>  |             |             |             |             |             |                        |
| Sporting Events - Hockey  | \$171,638   | \$131,250   | \$0         | \$177,287   | \$162,810   | \$4,493                |
| Sporting Events - Non-Hockey  | 18,101      | 6,090       | 120,749     | 50,127      | 37,328      | 12,696                 |
| Assembly/ Graduations   | 103,860     | 77,155      | 144,657     | 131,726     | 82,608      | 8,863                  |
| Entertainment Events  | 276,954     | 178,733     | 349,399     | 112,776     | 84,332      | 28,742                 |
| Concerts/ Performing Arts   | 644,168     | 487,318     | 292,696     | 435,789     | 502,992     | 35,415                 |
| Family Events   | 106,518     | 61,156      | 93,833      | 29,548      | 68,880      | 6,375                  |
| Subtotal  | \$1,321,238 | \$941,701   | \$1,001,334 | \$937,253   | \$938,950   | -                      |
| <b>Exhibit Hall/ Meeting Oriented Events</b>  |             |             |             |             |             |                        |
| Consumer Shows/ Trade Shows   | \$182,701   | \$148,913   | \$140,208   | \$87,553    | \$61,495    | \$8,488                |
| Banquet/ Other  | 89,369      | 53,070      | 40,942      | 49,691      | 44,958      | 9,978                  |
| Meetings  | 116,082     | 130,473     | 129,895     | 189,498     | 122,900     | 275                    |
| Subtotal  | \$388,152   | \$332,456   | \$311,045   | \$326,741   | \$229,353   | -                      |
| Adjustment  | (\$8,194)   | (\$11,721)  | (\$17,965)  | (\$5,277)   | \$14,588    | -                      |
| Facility Total  | \$1,701,197 | \$1,262,436 | \$1,294,414 | \$1,258,717 | \$1,182,892 | -                      |



As shown on the table-chart, in terms of total events income (which is direct event income, net services income, and net ancillary income combined), concerts, performing arts shows, and entertainment events remain as events with the highest

income-generating potential. Ice Flyers Hockey Games actually generate only \$4,493 per game to the Civic Center, the second from lowest and about one-third of the income from non-Hockey sporting events.

**Review of Escambia County Contributions**

As previously mentioned, the analysis above factors in only the County contribution that is directly accounted for by SMG, with the rest of the County contribution being accounted for by the County directly. The table below provides detail on the sources of these other expenditures and their stability/instability over the past four years (the dollars that enter SMG's books are sourced from the operations line item below).

**Table 5-12**

| <b>Escambia County Civic Center Breakdown<br/>Historical Contribution Summary</b> |                    |                    |                    |                    |                             |
|---|--------------------|--------------------|--------------------|--------------------|-----------------------------|
|   | <b>2007</b>        | <b>2008</b>        | <b>2009</b>        | <b>2010</b>        | <b>2011<br/>(Allocated)</b> |
| <b>Civic Center Subsidy</b>   |                    |                    |                    |                    |                             |
| Insurance   | \$232,313          | \$173,397          | \$130,652          | \$77,963           | \$218,073                   |
| Administrative Cost   | 25,000             | 25,000             | 25,000             | 25,000             | 25,000                      |
| Stormwater Assessment   | 7,382              | 7,382              | 7,382              | 6,626              | 7,500                       |
| Welcome Back to School  | 0                  | 0                  | 0                  | 6,193              | 0                           |
| BRACE Expo  | 0                  | 0                  | 0                  | 6,129              | 0                           |
| Military Appreciation Tickets   | 0                  | 0                  | 11,662             | 3,621              | 50,000                      |
| Miscellaneous   | 0                  | 347                | 0                  | 0                  | 0                           |
| Management Fee  | 311,458            | 317,827            | 326,185            | 330,426            | 338,520                     |
| Maintenance   | 0                  | 202,207            | 0                  | 0                  | 0                           |
| Renewal & Replacement   | 200,000            | 285,000            | 416,800            | 200,000            | 200,000                     |
| Operations  | 278,446            | 43,440             | 916,955            | 1,044,042          | 1,135,717                   |
| <b>Total County Contribution</b>  | <b>\$1,054,600</b> | <b>\$1,054,600</b> | <b>\$1,834,636</b> | <b>\$1,700,000</b> | <b>\$1,974,810</b>          |

*Source: Escambia County*

As the table indicates, the primary contributor to the increasing County contribution is due to the operations line item and linked to the increased support the Pensacola Civic Center has required. The first major escalation appears in 2009 but is in reality a result of underfunding this line item in 2007 and 2008. The other line items have had some ups and downs but have stayed within a fairly consistent pattern.

**OBSERVATIONS**

Observations to the Civic Center operations reveal that the facility is constrained by several factors as outlined below. The remainder of this section highlights how

these dynamics have impacted demand and caused the operating deficit to increase on an annual basis.

- A Hockey Team as a tenant – Ice Flyers do not seem to be a viable or strategic tenant for the Pensacola Civic Center. Among the contributing factor is Ice Hockey-related ice sheet maintenance. A financial audit was conducted by Carr, Riggs, & Ingram, a CPA firm, and Ice Hockey was identified as the largest contributor to escalating annual operating deficits that Escambia County has been subsidizing. SMG, current management of the facility has stated that, “from a financial standpoint, hockey should go away. We lost \$166,916.00 this past season.” Factors that have been identified as helping reduce this loss include, amateur hockey, figure skating, and public ice-skating sessions, all of which are not deemed to be the highest and best use of the facility and have a very limited economic impact on Escambia County.

Johnson Consulting and facility management both agree that if minor league hockey is to remain a tenant of the facility, rent needs to be increased and the team should be responsible for associated labor costs. Imposing these costs on the team however could put the team in financial peril, unless there was greater attendance generated and more advertising, sponsorship and specialty seating revenue derived and shared with the team. This would significantly reduce the annual operating deficit from Escambia County’s perspective and bring annual losses more in line with what occurred prior to the current hockey contract. It is doubtful that ownership of the hockey team would be open to these contract modifications, as it would reduce their ability to operate a financially viable team. An hockey attendance breakeven analysis will be detailed later in this report.

Facility management states that team ownership handles all promotions for games and that this has improved under the current management and ownership, but that it is not likely to ever draw 3,500 paid tickets per game on a consistent basis. Management states that on annual basis four events per year are lost due to the hockey season and if these events are concerts it has a significant impact on overall revenue generation for the facility and corresponding economic and fiscal impacts for the County. As shown previously, entertainment events, concerts, and performance arts shows have the potential to generate income of \$32,700 to \$36,200 per event. If hockey is removed, these higher income events will have more opportunity to host their event at the facility.

The other revenue-generating event that uses the facility’s ice sheet is Disney on Ice, which is either held on an annual or biannual basis. This event has the ability to bring in its own ice sheet. Maintaining the ice sheet and the

systems and labor required to do so are expensive. If hockey, figure skating, and open skating are removed, it may make sense to remove the ice sheet completely from inventory or mothball it.

- Management Contract - SMG has worked hard to sell and operate the building in an efficient manner. Several conditions have been imposed upon them that are at the root cause of the growing deficit, namely the ice operation. We do believe that there is room for enhancement in the current contract to develop specific performance metrics that are more directly tied to deficit reduction and improved operations that would not be directly tied to the ice operations. SMG has conducted an internal venue assessment that identifies areas that can be improved towards this end. Discussions with SMG should be held to workout the details of getting these recommendations executed and what the benchmarks for the performance metrics are to be.
- The lack of a dedicated exhibit hall - Consumer and flat floor shows held at the Center consume dates that could be used for programming that is better suited for an arena facility and have a higher revenue contribution than the typical consumer show. Management has stated that 15 Friday and Saturday dates are consumed by these shows on an annual basis. If an exhibit hall or conference center was added to inventory in Pensacola or Escambia County, these events could shift to a more appropriate venue and free up dates for concerts, family shows, and sports events. Increased date availability will decrease the overall number of dark days at the facility that include move in and move out days for consumer shows. Later in the report, we discuss the potential benefit if the consumer shows and meeting rooms are shifted out into another separate facility.
- Box Suites/Luxury Seating - SMG has conducted a Venue Assessment analysis of the Pensacola Civic Center that sites the success of VIP parties held before concert events and seat blocks for these groups. Management believes that a limited number of suites should be developed (2 to 3) initially and then expended as warranted. SMG feels that these will be successful, based upon the reviews from VIP events and seat blocks, and even without hockey. We agree with this opinion and see this as a way to add additional food and beverage revenue, advertising dollars, and as a marketing vehicle to reengage the broader business community and remain relevant as the facility ages. This can also add new revenue line items such as luxury box contracts and premium seat contracts.
- Advertising Revenue and Naming Rights - These categories of revenue are not being utilized effectively or not utilized at all. Given the as yet undetermined future of the Pensacola Civic Center, it has been hard to get



investment into the addition of electronic signage into the facility. This has the potential to add \$50,000 or more on additional revenue to the bottom line as demonstrated in the analog facilities. Concerning naming rights, there is no policy against the sale of naming rights that SMG management is aware of and stated that there have been a couple of efforts to secure a contract for this, but have been unsuccessful to this point. The order of magnitude for naming rights could be in the realm of \$150,000 to \$300,000 per year over a five to ten year period. The higher end is only achievable if the arena is systematically upgraded and electronic banner and improved seating options are provided.

The above factors with specific emphasis on the ice hockey tenant and the lack of a dedicated exhibit hall puts Pensacola at risk of continued escalation of annual operating deficits. The factors listed above also put the facility and County at a disadvantage when competing against other venues in the region and nationally for concert and event dates. The appeal of Escambia County and Pensacola as a beach destination and the ease of access to the City are very attractive attributes. The facility is a useful asset to the community and removal of the ice operation may be the most direct way to lower the high contribution the County has been required to make.

## **VI. COMPARATIVE MARKET ANALYSIS AND COMPARABLE ARENA**

## COMPARATIVE MARKET ANALYSIS AND COMPARABLE ARENA

To evaluate the performance of the Pensacola Civic Center it is important to examine other facilities that have a similar facility program and similar market characteristics. By understanding how a similar sized venue in a similar market is performing, you can gauge the health of the Pensacola Civic Center and isolate factors that may be impeding higher revenue generation and increasing operating expenses. The data in this section provides metrics for this comparison and will reveal any operating challenges present in Pensacola Civic Center's operations.

### REGIONAL COMPETITIVE FACILITIES

Johnson Consulting has analyzed a set of regional competitive facilities in order to help demonstrate the highest and best use and potential next steps for the Pensacola Civic Center. Non-university facilities that serve a community and/or professional sports teams are stand-alone business operations and can be readily analyzed and compared to other projects.

In the case of the regional competitive set, these facilities are located in a close enough proximity that demand can be induced to go to one market over another based on several factors that include the profile of the local market, accessibility, management and rental agreements with each respective facility and other factors that can affect demand for the Pensacola Civic Center. However, they offer slightly different missions and orientations, each display characteristics that are relevant to the Pensacola Civic Center. For this analysis, the following facilities are analyzed in detail for the region:

Regional Facilities:

- Mississippi Coast Coliseum, Biloxi, Mississippi,
- Mobile Civic Center, Mobile, Alabama.

Table 6-1 supplies the summary of comparable regional facilities and their respective market details. The table features the Pensacola Civic Center, The Mississippi Coast Coliseum, and the Mobile Civic Center.

**Table 6-1**

| <b>Pensacola Regional Facilities Analysis<br/>Summary of Comparable Facilities and Markets</b>   |                               |                                   |                            |
|--|-------------------------------|-----------------------------------|----------------------------|
|  | <b>Pensacola Civic Center</b> | <b>Mississippi Coast Coliseum</b> | <b>Mobile Civic Center</b> |
| <b>Location</b>  | Pensacola, FL                 | Biloxi, MS                        | Mobile, AL                 |
| <b>Market Characteristics</b>  |                               |                                   |                            |
| MSA Population (2010 Estimate)   | 457,481                       | 242,387                           | 414,958                    |
| Median Household Income  | \$47,068                      | \$44,482                          | \$41,022                   |
| Number of Businesses   | 17,040                        | 9,458                             | 15,386                     |
| Median Age   | 37.3                          | 35.9                              | 35.8                       |
| <b>Facility Characteristics</b>  |                               |                                   |                            |
| Year Built   | 1985                          | 1977                              | 1964                       |
| Anchor Tenant  | Pensacola Ice Flyers          | Mississippi Surge                 | No Anchor                  |
| Naming Rights  | No                            | No                                | No                         |
| Premium Seating Capability   | No                            | No                                | No                         |
| Total Arena Seats  | 10,000                        | 11,500                            | 10,112                     |
| <b>Exhibit Hall &amp; Meeting Supply</b>   |                               |                                   |                            |
| Arena Floor  | 20,000                        | 24,780                            | 47,000                     |
| Exhibit Hall   | -                             | 243,714                           | 28,000                     |
| Ballroom   | -                             | -                                 | -                          |
| Meeting Space  | 13,636                        | 9,841                             | 17,250                     |
| Total Meeting Space  | 33,636                        | 278,335                           | 92,250                     |
| <b>Arena Demand - # of Events</b>  | Year 2010                     | Year 2010                         | Year 2010                  |
| Sporting Events  | 40                            | 42                                | 10                         |
| Assembly/Graduations   | 10                            | 6                                 | 5                          |
| Entertainment Events   | 6                             | 6                                 | 41                         |
| Concerts/Performing Arts   | 11                            | 8                                 | 7                          |
| Family Events  | 10                            | -                                 | 9                          |
| Subtotal Arena Events  | 77                            | 62                                | 72                         |
| <b>Exhibit/Meeting Demand - # of Events</b>  |                               |                                   |                            |
| Conventions  | -                             | 3                                 | 4                          |
| Consumer Shows/ Trade Shows  | 10                            | 16                                | 7                          |
| Banquets/Other   | 5                             | -                                 | -                          |
| Subtotal Exhibit Events*   | 15                            | 19                                | 11                         |
| <b>Total Facility Events</b>   | 92                            | 81                                | 83                         |
| <b>Arena Demand - Attendance</b>   |                               |                                   |                            |
| Total Attendance   | 236,924                       | -                                 | 182,290                    |
| <b>Convention Demand - Attendance</b>  |                               |                                   |                            |
| Total Attendance**   | 40,648                        | -                                 | 49,210                     |
| <b>Total Facility Attendance</b>   | 277,572                       | 426,632                           | 231,500                    |
| <p><i>*Does not include meeting events as these are not reported on an consistent basis (Pensacola reports 487 meetings and over 27,000 attendees, while Mississippi Coast and Mobile report 106 events and 121 events respectively and a similar level of attendance</i></p> <p><i>**Does not include meeting attendance</i></p> <p><i>Source: Respective facilities, DemographicsNow, Johnson Consulting</i></p> |                               |                                   |                            |

The Pensacola Civic Center offered the most events with a demand of 92 events for the year of 2010 (excludes meeting events at all facilities). Event demand among the three facilities is fairly consistent with each other, with not having an anchor sports tenant and being able to attract more entertainment events as a result. The Mississippi Coast facility has the largest attendance due to its exhibit hall and arena combination.

Mississippi Coast Coliseum, Biloxi, Mississippi

The Mississippi Coast Coliseum is a multi-purpose arena and convention center located in Biloxi, Mississippi and it was built in 1977. The Coliseum is the largest beachfront facility of its kind in the south, drawing attendees from New Orleans, Louisiana; Mobile, Alabama; and Jackson, Mississippi. The facility is owned and operated by the City of Biloxi and has an 11,500 seat capacity. The arena floor of the facility is approximately 24,780 square feet and can accommodate a crowd of 3,000-4,000 in theater configuration or up to 15,000 with full arena festival seating. It is home to the Southern Professional Hockey League Mississippi Surge Hockey team and hosts musical performances, additional professional sporting events, festivals, and other events. The table below provides a profile of facility spaces.



Table 6-2

| Mississippi Coast Coliseum<br>Summary of Exhibit and Meeting Space |                       |                    |                         |           |         |                        |
|--|-----------------------|--------------------|-------------------------|-----------|---------|------------------------|
|  | Size (SF)             |                    | Capacity (# of Persons) |           |         |                        |
|  | Individual (Smallest) | Combined (Largest) | Theater                 | Classroom | Banquet | Exhibits (# of Booths) |
| <b>Arena</b>   |                       |                    |                         |           |         |                        |
| Arena Floor  | -                     | 24,780             | -                       | -         | -       | -                      |
| Subtotal Arena Floor SF  |                       | 24,780             |                         |           |         |                        |
| <b>Exhibit Hall</b>  |                       |                    |                         |           |         |                        |
| Exhibit Hall   | -                     | 133,086            | -                       | -         | -       | 650                    |
| Hall A   | -                     | 36,354             | 4,000                   | 2,300     | 2,200   | 170                    |
| Hall B   | -                     | 24,363             | 3,000                   | 1,700     | 1,500   | 138                    |
| Hall C   | -                     | 22,023             | 2,400                   | 1,200     | 1,300   | 84                     |
| Hall D   | -                     | 27,888             | 3,100                   | 1,700     | 1,600   | 156                    |
| Subtotal Exhibit Hall SF   |                       | 243,714            |                         |           |         |                        |
| <b>Meeting Rooms</b>   |                       |                    |                         |           |         |                        |
| Number of Rooms  | 7                     | 7                  |                         |           |         |                        |
| Smallest Room  | 1,131                 | -                  | 100                     | 40        | 60      | -                      |
| Largest Room   | -                     | 2,138              | 200                     | 96        | -       | -                      |
| Subtotal Meeting Room SF   |                       | 9,841              |                         |           |         |                        |
| <b>Total</b>   |                       | <b>278,335</b>     |                         |           |         |                        |

Source: Mississippi Coast Coliseum, mpoint.com, Johnson Consulting

In addition to the arena, there is Class A exhibit hall that offers 133,086 square feet of exhibit space and four supplemental halls that range in size from 22,000 square feet to 36,000 square feet. In total the Mississippi Coast Coliseum offers 244,000 square feet of exhibit space and an additional 10,000 square feet of meeting room

space. The amount of demand that this facility accommodates on annual basis is profiled below.

Event Demand

Table 6-3

| <b>Mississippi Coast Coliseum<br/>Facility Demand Summary</b> |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
|   | <b>2007</b>    | <b>2008</b>    | <b>2009</b>    | <b>2010</b>    |
|   | <b>Events</b>  | <b>Events</b>  | <b>Events</b>  | <b>Events</b>  |
| <b>Arena Events:</b>  |                |                |                |                |
| Professional Sports   | 2              | 41             | 36             | 36             |
| Other Sports  | 8              | 5              | 10             | 2              |
| Concerts  | 10             | 16             | 10             | 8              |
| Arts  | 5              | 9              | 4              | 3              |
| Festival  | 3              | 3              | 3              | 3              |
| Other Arena   | 3              | 2              | 2              | 6              |
| Other Ice   | 0              | 2              | 4              | 4              |
| Subtotal Arena  | 31             | 78             | 69             | 62             |
| <b>Exhibit Events</b>   |                |                |                |                |
| Conventions/Tradeshows  | 3              | 4              | 6              | 3              |
| Consumer Shows  | 21             | 12             | 11             | 16             |
| Meetings  | 46             | 45             | 88             | 106            |
| Subtotal Exhibit Events                                       | 70             | 61             | 105            | 125            |
| <b>Total Events</b>   | <b>101</b>     | <b>139</b>     | <b>174</b>     | <b>187</b>     |
| <b>Total Attendance</b>                                       | <b>417,564</b> | <b>472,269</b> | <b>462,600</b> | <b>426,632</b> |

*Source: Mississippi Coast Coliseum/Johnson Consulting*

The Mississippi Coast Coliseum event demand has been improving since it was severely impacted by Hurricane Katrina in 2005, with 101 total events, 31 arena oriented events, 70 exhibit oriented events, and attendance of 417,564. This has increased to 187 events in 2010 with 62 arena oriented events, 125 exhibit oriented events, and attendance of 426,632. Even though event demand has increased steadily over this four-year period, attendance in 2010 is close to 2007 levels. This may be an anomaly or attributable to the national economy. Management has stated that 2011 figures are up over 2010. Attendance in 2008 was the peak year for this study period with 472,269 visitors.

Revenues & Expenses

**Table 6-4**

| <b>Mississippi Coast Coliseum<br/>Operating Proforma</b> |                      |
|--|----------------------|
|  | <b>2009-10</b>       |
| <b>Operating Revenues</b>                                |                      |
| Box Office Commissions                                   | \$267,118            |
| Aramark Commissions                                      | 552,311              |
| Parking  | 252,703              |
| Coliseum Rental  | 275,338              |
| Civic Center Rental                                      | 475,810              |
| Scoreboard Sponsors                                      | 80,000               |
| Marquee  | 76,225               |
| Equipment Rental   | 113,634              |
| Support Service  | (177,612)            |
| Co-Promotion Sharing                                     | (91,952)             |
| Other  | 224,650              |
| Total Operations Income                                  | <b>\$2,048,224</b>   |
| <b>Operating Expenses</b>                                |                      |
| <i>Personnel Services</i>                                |                      |
| Salaries   | 1,056,183            |
| Payroll Taxes  | 83,451               |
| Retirement   | 140,235              |
| Employee Insurance                                       | 96,822               |
| Workers Comp   | 57,666               |
| Parttime Employees                                       | 40,122               |
| Other  | 19,846               |
| Total Personnel Expenses                                 | <b>\$1,494,325</b>   |
| <i>Contractual Services</i>                              |                      |
| Electrical   | 726,590              |
| ENTEX  | 128,232              |
| Other 1  | 52,354               |
| Other 2  | 306,182              |
| Total Personnel Expenses                                 | <b>\$1,213,358</b>   |
| <i>Other Expenses</i>                                    |                      |
| Total Expenses   | <b>\$3,076,842</b>   |
| <b>Net Operations Profit/ (Deficit)</b>                  | <b>(\$1,028,618)</b> |

Source: Mississippi Coast Coliseum Johnson Consulting

As shown, the Mississippi Coast Coliseum had approximately \$2.0 million in operating revenues and approximately \$3.1 in expenses for year 2010. The top three revenue items include Aramark commissions from food service, \$550,000; Civic Center rental, \$476,000; and Coliseum rental, \$275,000. Major expense categories include \$1.1 million in salaries; \$727,000 in electrical; and \$370,000 in other expenses. In 2010, the Coast Coliseum had an operating deficit of \$1.0 million. The Coast Coliseum was deeply impacted after Hurricane Katrina hit the coast of Mississippi, which caused major damage. Ultimately, a key revenue line was lost such as basketball. However, since completing the restoration of the building, they are projecting an operational profit for the 2011 fiscal year. As the facility is

operated by the City, there is no management fee. Below is a comparison of key expense line items between Pensacola Civic Center and the Mississippi Coast Coliseum

**Table 6-5**

| <b>Pensacola Regional Facilities Analysis<br/>Comparison of Key Expense Line items - 2010</b> |                                   |                                       |                    |
|---|-----------------------------------|---------------------------------------|--------------------|
|   | <b>Pensacola Civic<br/>Center</b> | <b>Mississippi<br/>Coast Coliseum</b> | <b>Difference</b>  |
| <b>Line Item</b>  |                                   |                                       |                    |
| Employee Wages & Benefits   | \$1,274,021                       | \$1,494,325                           | <b>(\$220,304)</b> |
| Utilities   | 770,834                           | 726,590                               | <b>44,244</b>      |
| Management Fee  | 330,426                           | 0                                     | <b>330,426</b>     |
| Total of Key Expenses   | \$2,375,281                       | \$2,220,915                           | <b>\$154,366</b>   |

*Source: Respective facilities, DemographicsNow, Johnson Consulting*

As the above table indicates there is approximately a \$154,000 difference in expense levels between the two facilities with the primary difference being the management fee of approximate \$330,000 in Pensacola, which is largely offset by the \$220,000 difference in employee wages and benefits. Utilities are slightly higher but inline with national averages. While the Mississippi Coast facility is managed by the City and there is no management fee listed, it is generally more expensive for a facility to be operated by a municipality through use of city labor and purchasing.

**Mobile Civic Center, Mobile, Alabama**

The Mobile Civic Center is a multi-purpose arena located in Mobile, Alabama, which was opened in 1964. The facility is owned by the City of Mobile and operated by SMG, a private management provider. The Mobile Civic Center features three elements including a theater that offers 1,940 seats used for concerts and other theatrical events, the expo hall and the Arena that. The arena and expo hall are summarized below.





**Table 6-6**

| <b>Mobile Civic Center</b>   |                          |                       |
|--|--------------------------|-----------------------|
| <b>Summary of Exhibit and Meeting Space</b>                        |                          |                       |
|  | Size (SF)                |                       |
|  | Individual<br>(Smallest) | Combined<br>(Largest) |
| <b>Arena</b>   |                          |                       |
| Arena Floor*   | -                        | 47,000                |
| Subtotal Arena Floor SF  |                          | 47,000                |
| <b>Expo Hall</b>   |                          |                       |
| Expo Hall  | -                        | 28,000                |
| Subtotal Exhibit Hall SF   |                          | 28,000                |
| <b>Meeting Rooms</b>   |                          |                       |
| Number of Rooms  | 15                       | 15                    |
| Smallest Room  | 550                      | -                     |
| Largest Room   | -                        | 3,750                 |
| Subtotal Meeting Room SF   |                          | 17,250                |
| <b>Total</b>   |                          | <b>92,250</b>         |
| <i>*Includes Concourse Floor Area</i>                              |                          |                       |
| <i>Source: Mobile Civic Center, mpoint.com, Johnson Consulting</i> |                          |                       |

Due to its round construction the 10,000 seat arena has a floor space of 35,000 square feet with an additional 12,000 square feet of concourse area that can be used for flat floor shows. The adjacent expo hall has 28,000 square feet and the complex is supported by an additional 17,250 square feet of meeting room space, with a total facility space profile of 92,250 square feet.

### Event Demand

The Mobile Civic Center hosted a diversified range of events during the year of 2010 including a verity of sporting events ranging from wrestling to a monster truck show. The facility also hosted concerts, family shows, conventions, and meetings/banquets.

Table 6-7, below provides the event demand and attendance for the Mobile Civic Center for 2008 to 2010.

**Table 6-7**

| Mobile Civic Center<br>Facility Demand Summary |            |            |                  |            |            |                  |            |            |                  |
|--|------------|------------|------------------|------------|------------|------------------|------------|------------|------------------|
|  | 2008       |            |                  | 2009       |            |                  | 2010       |            |                  |
|  | Events     | Event Days | Total Attendance | Events     | Event Days | Total Attendance | Events     | Event Days | Total Attendance |
| <b>Arena Events:</b>                           |            |            |                  |            |            |                  |            |            |                  |
| Sports   | 13         | 30         | 24,280           | 8          | 40         | 14,278           | 10         | 18         | 23,993           |
| Assembly/Graduation                            | 6          | 8          | 11,737           | 4          | 11         | 11,275           | 5          | 8          | 13,700           |
| Entertainment                                  | 36         | 40         | 84,672           | 36         | 40         | 82,062           | 41         | 44         | 96,670           |
| Concert/Performing Arts                        | 16         | 29         | 46,677           | 10         | 25         | 27,331           | 12         | 35         | 33,938           |
| Family Events                                  | 18         | 47         | 73,415           | 7          | 14         | 29,537           | 9          | 16         | 13,989           |
| Subtotal                                       | 89         | 154        | 240,781          | 65         | 130        | 164,483          | 77         | 121        | 182,290          |
| <b>Convention Center Events</b>                |            |            |                  |            |            |                  |            |            |                  |
| Conventions                                    | 4          | 12         | 15,300           | 5          | 15         | 39,800           | 4          | 8          | 33,448           |
| Consumer Shows                                 | 7          | 14         | 22,100           | 5          | 12         | 22,500           | 7          | 14         | 15,762           |
| Meetings/Court                                 | 37         | 131        | 34,980           | 33         | 111        | 20,590           | 32         | 121        | 31,590           |
| Subtotal                                       | 48         | 157        | 72,380           | 43         | 138        | 82,890           | 43         | 143        | 80,800           |
| <b>Total</b>                                   | <b>137</b> | <b>311</b> | <b>313,161</b>   | <b>108</b> | <b>268</b> | <b>247,373</b>   | <b>120</b> | <b>264</b> | <b>263,090</b>   |

*Source: Mobile Civic, Johnson Consulting*

Total events and attendance were at a peak for the study period in 2008 with 137 events (89 arena events and 48 exhibit and meeting events) and 313,161 attendees. There was a decline in arena events in 2009 due to fewer sports and family events at the facility leading to a decline in arena attendance of 76,000 people. Both event demand and attendance increased in 2010 but was still below 2008 levels. Exhibit and meeting event demand has remained consistent throughout the study period.

### Revenues & Expenses

Table 6-8, below provides the historical revenues and expenses for the Mobile Civic Center for FY2008-FY 2010.

**Table 6-8**

| <b>Mobile Civic Center</b>                             |                    |                    |                    |
|--|--------------------|--------------------|--------------------|
| <b>Revenues and Expenses (FY 2008- FY 2010)</b>        |                    |                    |                    |
|  | <b>2008</b>        | <b>2009</b>        | <b>2010</b>        |
| <b>Revenues</b>  |                    |                    |                    |
| Rental Income  | 697,768            | 601,720            | 540,107            |
| Services Revenues                                      | 1,009,974          | 712,068            | 900,354            |
| Services Expenses                                      | (932,143)          | (600,833)          | (774,383)          |
| F&B Concessions  | 59,331             | 36,263             | 44,826             |
| F&B Catering   | 30,128             | 120,889            | 158,564            |
| Novelty Sales  | 13,797             | 1,716              | 17,002             |
| Parking  | 358,466            | 357,837            | 333,395            |
| Luxury Box Ticket Sales                                | -                  | -                  | -                  |
| Facility Fees  | -                  | -                  | -                  |
| Luxury Box Agreements                                  | -                  | -                  | -                  |
| Club Seat Agreements                                   | -                  | -                  | -                  |
| Advertising  | 51,118             | 51,344             | 43,178             |
| Ticket Rebates   | 34,638             | 21,340             | 59,106             |
| Other Income   | 74,206             | 48,541             | 88,677             |
| <b>Total Revenues</b>                                  | <b>1,397,283</b>   | <b>1,350,885</b>   | <b>1,410,826</b>   |
| <b>Expenses</b>  |                    |                    |                    |
| Net Salaries and Benefits                              | \$1,070,364        | \$1,191,906        | \$1,191,741        |
| Contracted Services                                    | 11,684             | 6,893              | 9,441              |
| General and Administrative                             | 80,021             | 81,592             | 90,764             |
| Operating  | 28,538             | 49,112             | 36,166             |
| Repairs & Maintenance                                  | 19,973             | 7,285              | 7,949              |
| Operational Supplies                                   | 54,715             | 60,227             | 62,203             |
| Insurance  | 60,000             | 60,073             | 54,830             |
| Utilities  | 695,417            | 746,492            | 655,596            |
| Management Fee   | 233,895            | 112,500            | 112,500            |
| <b>Total Expenses</b>                                  | <b>\$2,254,607</b> | <b>\$2,316,080</b> | <b>\$2,221,190</b> |
| <b>Net Operating Income</b>                            | <b>(\$857,324)</b> | <b>(\$965,195)</b> | <b>(\$810,364)</b> |
| <i>Source: Respective Facility, Johnson Consulting</i> |                    |                    |                    |

As shown, the Mobile Civic Center had approximately \$1.4 million in operating revenues and approximately \$2.2 million in expenses for a deficit of approximately \$800,000. It is important to note, the management fee reflected in the table above is only 50 percent of the total base fee earned per year under SMG's agreement. This is simply an issue of financial reporting as the City requires SMG to allocate half of the fee towards the Civic Center and half to the convention center.

**Table 6-9**

| <b>Pensacola Regional Facilities Analysis<br/>Comparison of Key Expense Line items - 2010</b> |                                   |                                |                   |
|---|-----------------------------------|--------------------------------|-------------------|
|   | <b>Pensacola Civic<br/>Center</b> | <b>Mobile Civic<br/>Center</b> | <b>Difference</b> |
| <b>Line Item</b>  |                                   |                                |                   |
| Employee Wages & Benefits   | \$1,274,021                       | \$1,191,741                    | <b>\$82,280</b>   |
| Utilities   | 770,832                           | 655,596                        | <b>115,236</b>    |
| Management Fee  | 330,426                           | 112,500 *                      | <b>217,926</b>    |
| Total of Key Expenses   | \$2,375,279                       | \$1,959,837                    | <b>\$415,442</b>  |

*\*Accounts for only half of base fee*

*Source: Respective facilities, DemographicsNow, Johnson Consulting*

As shown above, there is a difference in employee wages and benefits of approximately \$82,000 between Pensacola and Mobile. The Mobile Civic Center staffing is representative of approximately \$430,000 in allocations to the convention center. This particular economy of scale is a benefit to the City of Mobile and if the Mobile Civic Center were operated as a stand-alone facility, the wages and benefits would be that much higher, thus reflecting the wages and benefits to be actually higher than that of Pensacola. It is important to recall that this facility does not have a hockey tenant or other anchor tenant. Utilities are \$115,236 less at the Mobile facility. For the study period of the Mobile facility the highest management fee was in 2008 at a level of \$234,000, which included half of both the base and incentive fee and corresponding to the highest performing year measured. The management fee in the two subsequent years was \$112,500 per year or half of the total management fee.

### Other Notable Regional Facilities

*Donald L. Tucker Center, Tallahassee, Florida* - is a multipurpose arena in Tallahassee, Florida, located within the Tallahassee-Leon County Civic Center. The arena is one of the largest in the Florida Panhandle. The arena opened in 1981, with a cost of approximately \$33 million, financed by the city. The facility plays host to several minor leagues teams in years past; however, its largest and most prominent tenant is the Florida State University Men's and Women's Basketball Teams. The facility offers a maximum capacity of approximately 12,000 seats, as well as 34 luxury suites and 468 club seats. In addition to the arena, the facility offers an adjoining 35,000 square foot exhibit hall and approximately 16,000 square feet of meeting rooms.

*Emerald Coastal Convention Center, Okaloosa, Florida* - This facility only really competes with the Pensacola Civic Center as far as consumer/ tradeshows;

however, it is important to note all regional meeting and sporting facilities for the purpose of this report. The Emerald Coastal Convention Center offers an approximately 21,000 square foot ballroom which can be separated into several breakout areas. In addition to the ballroom, the facility offers a theater with a maximum seating capacity of approximately 2,350 seats. The facility does have the ability to host small sporting events such as dance, cheerleading, gymnastics, and wrestling competitions.

*The Wharf Amphitheater, Orange Beach, Alabama* - is a 10,000-seat outdoor amphitheater built as part of 'The Wharf-Orange Beach' development in Orange Beach, Alabama. 'The Wharf-Orange Beach' is a luxury resort and marina development, incorporating luxury waterfront condominiums, an 18-hole championship golf course, swimming pools, and other resort amenities, along with a variety of retail stores and restaurants. The year-round concert facility, which opened on May 27, 2006, is currently in receivership.

## **NATIONAL COMPARABLE FACILITIES**

On a national level, we believe that the Pensacola market is attractive due to its proximity to the Gulf of Mexico and the resort amenities that the beach offers. However, downtown Pensacola and the site that accommodates the Pensacola Civic Center is hamstrung by a number of factors that include a shortage of parking, control over land surrounding the facility, and the age of the facility. We have identified several facilities that have some of these similar characteristics or offer a mix of spaces that may be most appropriate for the Pensacola Civic Center going in to the future. Our assignment does not include feasibility assessment for the possible addition of an expo hall, but we feel that may be a future addition that could help the current facility operates at a more efficient level and increase the economic impact profile of the current facility. National Facilities we have selected for analysis include:

- Verizon Wireless Arena, Manchester, New Hampshire,
- Sovereign Center, Reading, Pennsylvania,
- American Bank Center, Corpus Christi, Texas,
- Ocean Center, Daytona Beach, Florida.

### National Comparable Facilities

Table 6-10 supplies the summary of comparable regional facilities and their respective market details. The table features the Pensacola Civic Center, American Bank Center, Ocean Center, Verizon Wireless Center and the Sovereign Center.

**Table 6-10**

| <b>Pensacola Civic Center<br/>Summary of Comparable Facilities and Markets</b> |                               |   |                                   |                               |                         |
|--|-------------------------------|---|-----------------------------------|-------------------------------|-------------------------|
|  | <b>Pensacola Civic Center</b> | <b>American Bank Center <sup>1)</sup></b> | <b>Ocean Center <sup>1)</sup></b> | <b>Verizon Wireless Arena</b> | <b>Sovereign Center</b> |
| <b>Location</b>  | Pensacola, FL                 | Corpus Christi, TX                        | Daytona Beach, FL                 | Manchester, NH                | Reading, PA             |
| <b>Year Built</b>  | 1985                          | 2004                                      | 1971                              | 2001                          | 1998                    |
| <b>Market Characteristics</b>  |                               |   |                                   |                               |                         |
| MSA Population (2010 Estimate)   | 457,481                       | 418,376                                   | 494,455                           | 407,494                       | 409,444                 |
| Median Household Income  | \$47,068                      | \$43,187                                  | \$45,272                          | \$67,517                      | \$54,110                |
| Number of Businesses   | 17,040                        | 16,912                                    | 20,401                            | 17,709                        | 13,965                  |
| Median Age   | 37.3                          | 35.3                                      | 44.1                              | 39                            | 39.2                    |
| Building (SF)  |                               |   |                                   |                               |                         |
| <b>Naming Rights</b>   |                               |   |                                   |                               |                         |
| <b>Premium Seating Capability</b>  |                               |   |                                   |                               |                         |
| Suites   | 0                             | 11  | -                                 | 34                            | 20                      |
| Club Seats   | 0                             | 302                                       | -                                 | 600                           | 701                     |
| Total Arena Seats  | 10,000                        | 10,000                                    | 9,400                             | 10,000                        | 9,000                   |
| <b>Parking</b>   | 1,000                         | 4,200                                     | 2,086                             | -                             | -                       |
| <b>Arena Demand - # of Events*</b>   |                               |   |                                   |                               |                         |
| Sporting Events  | 40                            | 67  | 6                                 | 53                            | 61                      |
| Assembly/Graduations   | 10                            | 11  | 14                                | 13                            | 24                      |
| Entertainment Events   | 6                             | 6   | -                                 | 6                             | 8                       |
| Concerts/Performing Arts   | 11                            | 8   | 3                                 | 17                            | 16                      |
| Family Events  | 10                            | 4   | 4                                 | 17                            | 13                      |
| Other  | -                             | 7   | -                                 | -                             | 11                      |
| Subtotal Arena Events  | 77                            | 103                                       | 27                                | 106                           | 133                     |

1)Denotes the facility also has an additional exhibit space  
\*Only arena oriented events are shown  
Source: Respective facilities, DemographicsNow, Johnson Consulting

As shown above, Johnson Consulting has analyzed a set of facilities that share similar demographics and size of the Pensacola Civic Center in order to help demonstrate various competitive benchmarks. Some of the key characterizes above show some of the areas in which the Pensacola Civic Center may be lacking. A more detailed and in depth analysis of each venue is described below.

Verizon Wireless Arena- Manchester, New Hampshire

The Verizon Wireless Arena is a multi-purpose arena in Manchester, New Hampshire built in 1995. The facility is owned by the City of Manchester and operated by SMG and has a 10,000 seat capacity. It is home to the Manchester Monarchs of the American Hockey League. The arena’s naming sponsor is Verizon Wireless, one of America’s major wireless phone companies.



Event Demand

Table 6-11 provides a breakdown of the demand summary in 2010 for the Verizon Wireless Arena.

Table 6-11

| Verizon Wireless Arena<br>2010 Events and Attendance |                     |                        |
|--|---------------------|------------------------|
| Type   | Number of<br>Events | Number of<br>attendees |
| Assembly   | 13                  | 28,200                 |
| Consumer   | 2                   | 2,035                  |
| Concert  | 17                  | 101,731                |
| Entertainment  | 6                   | 23,839                 |
| Family   | 17                  | 53,419                 |
| Sporting   | 5                   | 24,001                 |
| AHL  | 48                  | 170,123                |
| <b>Total</b>   | <b>108</b>          | <b>403,348</b>         |

*Source: Respective Facility, Johnson Consulting*

The Verizon Wireless Arena hosts approximately 108 major events in a typical year, including 48 tenant hockey games, 17 concerts, 17 family shows with a total of approximately 13 assembly events, 5 non-tenant sports events and a variety of trade/ consumer shows, community events and other miscellaneous events. The total attendance for all events in 2010 was approximately 403,000 attendees, which approximately a little less than half came for hockey games.

Revenue and Expenses

The following table provides a breakdown of the operational revenues and expenses at the Verizon Wireless Arena in 2009 and 2010.

**Table 6-12**

| <b>Verizon Wireless Arena</b>                     |                    |                    |
|---|--------------------|--------------------|
| <b>Revenues &amp; Expenses (FY 2009 - FY2010)</b> |                    |                    |
| <b>Revenues</b>                                   | <b>2009</b>        | <b>2010</b>        |
| Rental Income                                     | \$857,333          | \$587,782          |
| Services Revenues                                 | 2,416,674          | 1,788,098          |
| Services Expenses                                 | (2,473,925)        | (1,897,136)        |
| F&B Concessions                                   | 672,116            | 549,290            |
| F&B Catering                                      | 111,683            | 88,195             |
| Novelty Sales                                     | 132,795            | 81,745             |
| Parking   | 321,998            | (30,098)           |
| Luxury Box Ticket Sales                           | 27,672             | 15,250             |
| Ticket Rebates                                    | 323,366            | 235,684            |
| Facility Fees                                     | 256,811            | 160,112            |
| Luxury Box Agreements                             | 1,041,280          | 954,203            |
| Club Seat Agreements                              | 439,446            | 331,471            |
| Advertising                                       | 886,983            | 760,564            |
| Ticket Rebates                                    | 52,983             | 35,888             |
| Other Income                                      | 47,681             | 174,606            |
| <b>Total Revenues</b>                             | <b>\$5,114,896</b> | <b>\$3,835,654</b> |
| <b>Expenses</b>                                   |                    |                    |
| Net Salaries and Benefits                         | \$1,724,585        | \$1,791,143        |
| Contracted Services                               | 17,481             | 17,348             |
| General and Administrative                        | 220,198            | 217,904            |
| Operating   | 44,775             | 44,007             |
| Repairs & Maintenance                             | 193,452            | 193,970            |
| Operational Supplies                              | 166,329            | 169,779            |
| Insurance   | 135,425            | 103,938            |
| Utilities   | 703,306            | 691,741            |
| Contributions                                     | 24,223             | 23,975             |
| Other   | 1,105,207          | 148,679            |
| Management Fee                                    | 861,515            | 433,170            |
| <b>Total Expenses</b>                             | <b>\$5,196,496</b> | <b>\$3,835,654</b> |
| <b>Net Operating Income</b>                       | <b>-\$81,600</b>   | <b>\$0</b>         |

*Source: Respective Facility, Johnson Consulting*

As shown, the Verizon Wireless Arena had an operating loss of approximately \$81,000 in FY 2009. It is also important to note that the arena had an unusually high "other" operating expense in that year - over \$1 million - which significantly lowered profits. In FY 2010, management was able to have the facility operate at a



breakeven, even with the reduction in the number of event and attendance from the prior year.

### Sovereign Center – Reading, Pennsylvania

The Sullivan Arena was opened in 2001 and, since that time, has been a mainstay in the entertainment scene in Reading. It is home to the Reading Royals the ECHL ice hockey team. The Sovereign Center offers a maximum seating capacity of approximately 7,000 for ice events and approximately 9,000 for concerts. In addition, the facility offers 20 private suites, which vary in capacity from 10-14 people, as well as approximately 700 club seats to its premium seating mix.

### Event Demand

Table 6-13 provides a breakdown of the demand summary in 2010 for the Sovereign Center.

**Table 6-13**

| <b>Sovereign Center<br/>2010 Events and Attendance</b> |                             |                                |
|--|-----------------------------|--------------------------------|
| <b>Type</b>  | <b>Number of<br/>Events</b> | <b>Number of<br/>Attendees</b> |
| Assembly   | 24                          | 162,000                        |
| Banquet  | 1                           | 1,200                          |
| Concert  | 16                          | 76,359                         |
| Entertainment  | 8                           | 40,267                         |
| Family Show  | 13                          | 16,371                         |
| Sporting   | 15                          | 30,008                         |
| Other  | 11                          | 16,000                         |
| Royals Hockey  | 46                          | 135,041                        |
| <b>Total</b>   | <b>134</b>                  | <b>477,246</b>                 |

*Source: Respective Facility, Johnson Consulting*

The facility hosts a variety of sporting events, concerts, family shows and banquets. The facility hosted approximately 134 total events in 2010. The majority of the events or approximately 46 events were Royals Hockey related, with assemblies and concerts coming in second and third, with 24 and 16 events respectively.

### Revenues and Expenses

Table 6-14, below provides a breakdown of operating revenues and expenses for the Sullivan Arena in 2010.

**Table 6-14**

| <b>Sovereign Center</b>                           |                    |                    |
|---|--------------------|--------------------|
| <b>Revenues &amp; Expenses (FY 2009 - FY2010)</b> |                    |                    |
|   | <b>2009</b>        | <b>2010</b>        |
| <b>Revenues</b>                                   |                    |                    |
| Rental Income                                     | \$567,905          | \$670,353          |
| Services Revenues                                 | 809,146            | 895,305            |
| Services Expenses                                 | (1,373,397)        | (1,473,043)        |
| F&B Concessions                                   | 395,384            | 407,591            |
| F&B Catering                                      | 80,289             | 73,977             |
| Novelty Sales                                     | 109,080            | 141,466            |
| Parking   | 41,279             | 49,608             |
| Luxury Box Ticket Sales                           | 54,017             | 66,065             |
| Facility Fees                                     | 335,584            | 381,300            |
| Luxury Box Agreements                             | 388,488            | 343,351            |
| Club Seat Agreements                              | 99,775             | 24,111             |
| Advertising                                       | 537,558            | 435,821            |
| Ticket Rebates                                    | 200,935            | 342,304            |
| Other Income                                      | 41,900             | 48,600             |
| <b>Total Revenues</b>                             | <b>\$2,287,943</b> | <b>\$2,406,809</b> |
| <b>Expenses</b>                                   |                    |                    |
| Net Salaries and Benefits                         | \$982,634          | \$881,228          |
| Contracted Services                               | 0                  | 0                  |
| General and Administrative                        | 194,469            | 213,824            |
| Operating   | 25,507             | 18,435             |
| Repairs & Maintenance                             | 145,104            | 109,667            |
| Operational Supplies                              | 87,402             | 107,125            |
| Insurance   | 254,176            | 264,972            |
| Utilities   | 569,715            | 646,394            |
| Other   | 0                  | 0                  |
| Management Fee                                    | 159,035            | 164,601            |
| <b>Total Expenses</b>                             | <b>\$2,418,042</b> | <b>\$2,406,246</b> |
| <b>Net Operating Income</b>                       | <b>(\$130,099)</b> | <b>\$563</b>       |

*Source: Respective Facility, Johnson Consulting*

As shown, Sullivan Arena had approximately \$2.2 million in operating revenues and approximately \$2.4 million in expenses in 2009. In 2010, the Sovereign Center had an operating profit of \$563,000.

## American Bank Center Corpus Christi, Texas

Situated on the Bay in downtown Corpus Christi, the American Bank Center is the City's premier events center. The Center, which is owned by the City of Corpus Christi and managed by SMG Management, is comprised of three venues - the relatively new 10,000-seat multi-purpose American Bank Arena (floor area: 24,000 square feet), the convention center, and the Selena Auditorium. The Center offers more than 136,500 square feet of dedicated meeting, ballroom, and exhibit space.



As a package, the complex conceptually offers a mix of attractive elements that can host state associations, assembly and religious events, sports competitions and a full spectrum of events perfect for Corpus Christi. In execution, however, the complex is constrained by:

- The exhibit hall area is older and constrained by low ceilings. It is also too small. In appearance and quality, it is inconsistent with the aesthetics of the newly renovated spaces.
- Some of the meeting rooms, ballrooms, and the Selena Auditorium suffer from the same liabilities.
- The interconnectivity between the arena and the convention center is constrained.
- The overall campus is tired and needs to be revitalized to be appropriately supportive of the opportunity the destination provides.
- The connectivity and volume of the hotel supply is a hindrance to attracting a fair share of overnight group business.

The above factors, and specifically the size and quality of the exhibit hall and the proximity and supply of hotel rooms, puts Corpus Christi at a disadvantage when competing against other venues in Texas and nationally. The appeal of Corpus Christi as a beach destination and the ease of access to the City are very attractive attributes. The event facilities and hotel supply are out of line with the demand potential of Corpus Christi.

## Demand Schedule

The American Bank Center plays a vital role in encouraging the growth of the local tourism market, having hosted more than 1,700 events over the last five years, attracting 3.2 million attendees. In 2010, the Center hosted 236 events, of which 150 were held in the convention center/auditorium and the remaining 86 at the arena. Since 2007, the total number of events at the Center has generally trended downwards (although it is noted that 2010 data does not include the entire calendar year). The following table and graph show the total number of annual events at the Center since 2005.

**Table 6-15**

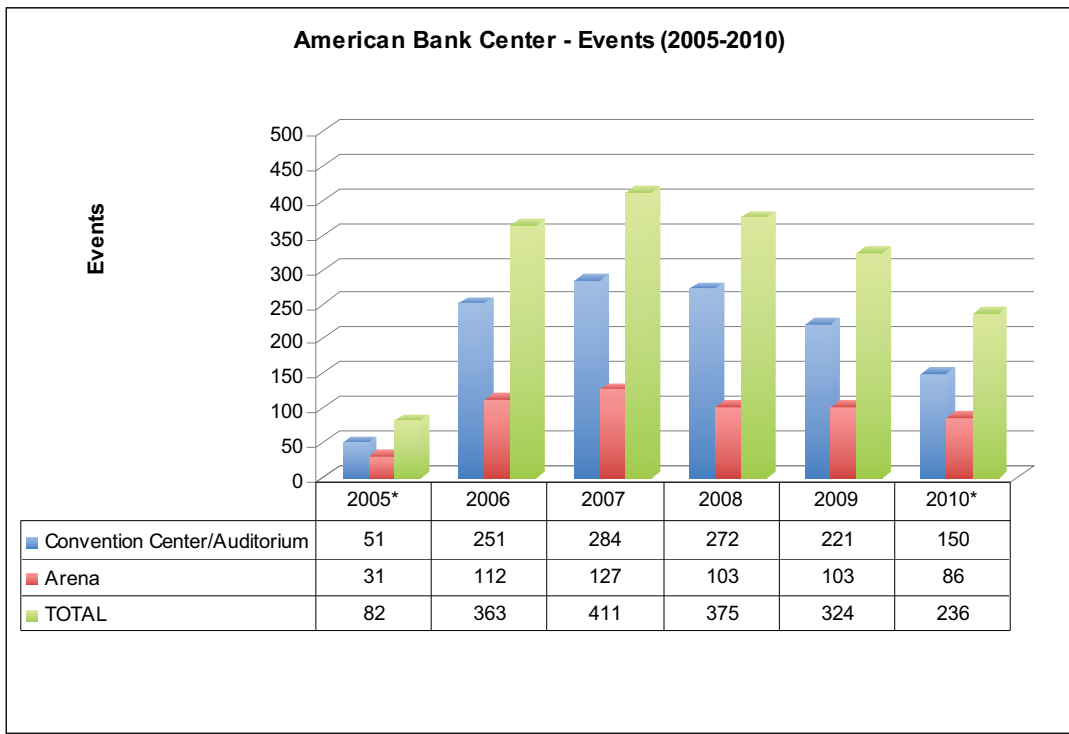
| <b>American Bank Center - Corpus Christi, TX<br/>Events (2005-2010)</b> |              |               |              |              |               |               |
|---|--------------|---------------|--------------|--------------|---------------|---------------|
|   | <b>2005*</b> | <b>2006</b>   | <b>2007</b>  | <b>2008</b>  | <b>2009</b>   | <b>2010*</b>  |
| <b>Convention Center/Auditorium</b>                                     |              |               |              |              |               |               |
| Assembly  | 4            | 21            | 21           | 24           | 15            | 11            |
| Banquet   | 24           | 116           | 156          | 160          | 104           | 48            |
| Consumer/Public Shows   | 1            | 12            | 18           | 14           | 18            | 13            |
| Concert   | 1            | 10            | 9            | 4            | 3             | 3             |
| Convention  | 4            | 15            | 20           | 21           | 15            | 24            |
| Entertainment   | 3            | 7             | 9            | 8            | 13            | 7             |
| Family Show   | 0            | 3             | 3            | 3            | 3             | 3             |
| Meeting   | 8            | 33            | 17           | 13           | 24            | 17            |
| Tradeshaw   | 2            | 6             | 7            | 9            | 1             | 0             |
| Performing Arts   | 4            | 11            | 14           | 12           | 16            | 11            |
| Other   | 0            | 17            | 10           | 4            | 9             | 13            |
| <b>Total</b>  | <b>51</b>    | <b>251</b>    | <b>284</b>   | <b>272</b>   | <b>221</b>    | <b>150</b>    |
| % Change  | -            | 392.2%        | 13.1%        | -4.2%        | -18.8%        | -32.1%        |
| <b>Arena</b>  |              |               |              |              |               |               |
| Assembly  | 0            | 14            | 12           | 13           | 11            | 10            |
| Banquet   | 1            | 2             | 9            | 3            | 0             | 0             |
| Consumer/Public Shows   | 0            | 0             | 0            | 1            | 1             | 0             |
| Concert   | 5            | 9             | 9            | 8            | 8             | 9             |
| Convention  | 0            | 3             | 1            | 1            | 4             | 1             |
| Entertainment   | 0            | 6             | 8            | 10           | 6             | 6             |
| Family Show   | 1            | 4             | 4            | 3            | 4             | 3             |
| Sporting Event  | 24           | 72            | 80           | 63           | 67            | 54            |
| Other   | 0            | 2             | 4            | 1            | 2             | 3             |
| <b>Total</b>  | <b>31</b>    | <b>112</b>    | <b>127</b>   | <b>103</b>   | <b>103</b>    | <b>86</b>     |
| % Change  | -            | 261.3%        | 13.4%        | -18.9%       | 0.0%          | -16.5%        |
| <b>TOTAL EVENTS</b>   | <b>82</b>    | <b>363</b>    | <b>411</b>   | <b>375</b>   | <b>324</b>    | <b>236</b>    |
| <b>% Change</b>   | <b>-</b>     | <b>342.7%</b> | <b>13.2%</b> | <b>-8.8%</b> | <b>-13.6%</b> | <b>-27.2%</b> |

\* Incomplete year  
Source: SMG, Johnson Consulting

As shown, over the last five years banquets have consistently represented the predominant type of event hosted at the convention center/auditorium, while sporting events have accounted for the greatest number of events held at the arena.

This is followed by the meeting, convention, consumer show, and assembly categories. While banquet events have a significant positive impact on food and beverage revenue generation, they tend to attract attendees from the local area, resulting in a lower economic and fiscal impact than convention and tradeshow events. Higher impact events require large amounts of exhibit hall space and a strong hotel supply within walking distance to the Center, both of which need to be bolstered to attract more and larger of these event types when compared to competitive destinations in Texas and nationally.

Figure 6-1



Convention Center and Auditorium events contribute the largest number of events, by volume, to the complex as a whole.

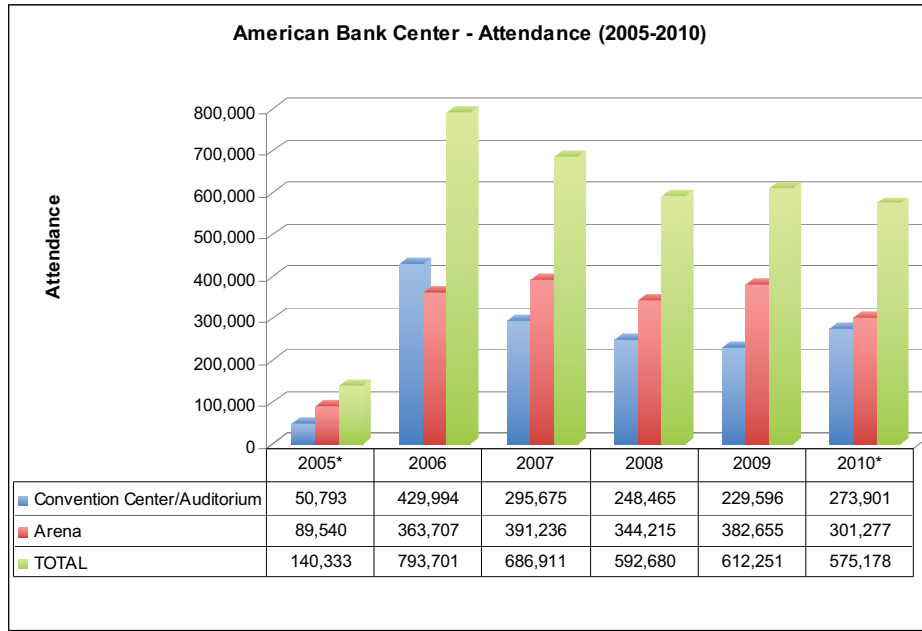
The following table and graph show total attendance at the Center since 2005. Similarly, to the total number of events held at the Center, attendance has generally trended downwards since 2007 (again, it is noted that the 2010 data does not include the entire calendar year).

**Table 6-16**

| <b>American Bank Center - Corpus Christi, TX<br/>Attendance (2005-2010)</b> |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
|   | <b>2005*</b>   | <b>2006</b>    | <b>2007</b>    | <b>2008</b>    | <b>2009</b>    | <b>2010*</b>   |
| <b>Convention Center/Auditorium</b>   |                |                |                |                |                |                |
| Assembly  | 2,640          | 25,907         | 45,352         | 22,522         | 15,250         | 16,583         |
| Banquet   | 17,313         | 37,027         | 49,424         | 51,802         | 37,889         | 20,936         |
| Consumer/Public Shows   | 9,027          | 42,786         | 45,603         | 21,791         | 40,402         | 22,811         |
| Concert   | 798            | 9,972          | 10,498         | 4,518          | 3,810          | 3,793          |
| Convention  | 6,037          | 201,365        | 77,587         | 73,562         | 56,704         | 168,340        |
| Entertainment   | 6,987          | 9,727          | 11,463         | 9,975          | 12,797         | 3,383          |
| Family Show   | 0              | 18,434         | 7,060          | 13,053         | 8,354          | 11,472         |
| Meeting   | 562            | 18,439         | 10,270         | 8,366          | 8,821          | 3,487          |
| Tradeshow   | 1,666          | 5,392          | 4,785          | 9,466          | 428            | 0              |
| Performing Arts   | 5,763          | 23,079         | 23,983         | 22,468         | 20,590         | 13,382         |
| Other   | 0              | 37,866         | 9,650          | 10,942         | 24,551         | 9,714          |
| <b>Total</b>  | <b>50,793</b>  | <b>429,994</b> | <b>295,675</b> | <b>248,465</b> | <b>229,596</b> | <b>273,901</b> |
| % Change  | -              | 746.6%         | -31.2%         | -16.0%         | -7.6%          | 19.3%          |
| <b>Arena</b>  |                |                |                |                |                |                |
| Assembly  | 0              | 100,749        | 71,128         | 75,086         | 70,862         | 67,918         |
| Banquet   | 250            | 241            | 1,083          | 275            | 0              | 0              |
| Consumer/Public Shows   | 0              | 0              | 0              | 4,222          | 2,876          | 0              |
| Concert   | 28,156         | 40,972         | 42,916         | 35,640         | 37,978         | 43,790         |
| Convention  | 0              | 10,452         | 32,748         | 37,559         | 53,450         | 15,706         |
| Entertainment   | 0              | 37,218         | 55,646         | 71,872         | 45,788         | 35,960         |
| Family Show   | 26,526         | 60,510         | 63,646         | 31,261         | 65,314         | 50,371         |
| Sporting Event  | 34,608         | 109,257        | 117,840        | 87,133         | 102,563        | 84,557         |
| Other   | 0              | 4,308          | 6,229          | 1,167          | 3,824          | 2,975          |
| <b>Total</b>  | <b>89,540</b>  | <b>363,707</b> | <b>391,236</b> | <b>344,215</b> | <b>382,655</b> | <b>301,277</b> |
| % Change  | -              | 306.2%         | 7.6%           | -12.0%         | 11.2%          | -21.3%         |
| <b>TOTAL EVENTS</b>   | <b>140,333</b> | <b>793,701</b> | <b>686,911</b> | <b>592,680</b> | <b>612,251</b> | <b>575,178</b> |
| % Change  | -              | 465.6%         | -13.5%         | -13.7%         | 3.3%           | -6.1%          |
| * Incomplete year   |                |                |                |                |                |                |
| Source: SMG, Johnson Consulting   |                |                |                |                |                |                |

As shown, conventions, banquets and consumer/public shows have generally attracted the highest number of attendees across all events held at the convention center/auditorium, while the distribution of attendees at the arena was more dispersed across the various event categories. This reflects the fixed seating capacity of the arena, as well as the nature of events held at the venue. It is important to note that even though the number of events for 2010 was down, the total attendance was up for convention center and auditorium events with a significant gain in high impact convention attendance.

Figure 6-2



The following table shows average attendance by event at the convention center/auditorium and the arena since 2005.

Table 6-17

**American Bank Center - Corpus Christi, TX  
Average Attendance by Event (2005-2010)**

|                                     | 2005*  | 2006   | 2007   | 2008   | 2009   | 2010*  |
|-------------------------------------|--------|--------|--------|--------|--------|--------|
| <b>Convention Center/Auditorium</b> |        |        |        |        |        |        |
| Assembly                            | 660    | 1,234  | 2,160  | 938    | 1,017  | 1,508  |
| Banquet                             | 721    | 319    | 317    | 324    | 364    | 436    |
| Consumer/Public Shows               | 9,027  | 3,566  | 2,534  | 1,557  | 2,245  | 1,755  |
| Concert                             | 798    | 997    | 1,166  | 1,130  | 1,270  | 1,264  |
| Convention                          | 1,509  | 13,424 | 3,879  | 3,503  | 3,780  | 7,014  |
| Entertainment                       | 2,329  | 1,390  | 1,274  | 1,247  | 984    | 483    |
| Family Show                         | -      | 6,145  | 2,353  | 4,351  | 2,785  | 3,824  |
| Meeting                             | 70     | 559    | 604    | 644    | 368    | 205    |
| Tradeshaw                           | 833    | 899    | 684    | 1,052  | 428    | -      |
| Performing Arts                     | 1,441  | 2,098  | 1,713  | 1,872  | 1,287  | 1,217  |
| Other                               | -      | 2,227  | 965    | 2,736  | 2,728  | 747    |
| <b>Arena</b>                        |        |        |        |        |        |        |
| Assembly                            | -      | 7,196  | 5,927  | 5,776  | 6,442  | 6,792  |
| Banquet                             | 250    | 121    | 120    | 92     | -      | -      |
| Consumer/Public Shows               | -      | -      | -      | 4,222  | 2,876  | -      |
| Concert                             | 5,631  | 4,552  | 4,768  | 4,455  | 4,747  | 4,866  |
| Convention                          | -      | 3,484  | 32,748 | 37,559 | 13,363 | 15,706 |
| Entertainment                       | -      | 6,203  | 6,956  | 7,187  | 7,631  | 5,993  |
| Family Show                         | 26,526 | 15,128 | 15,912 | 10,420 | 16,329 | 16,790 |
| Sporting Event                      | 1,442  | 1,517  | 1,473  | 1,383  | 1,531  | 1,566  |
| Other                               | -      | 2,154  | 1,557  | 1,167  | 1,912  | 992    |

\* Incomplete year  
Source: SMG, Johnson Consulting

As shown, conventions, family shows and consumer/public shows have consistently attracted the highest attendance by event at the convention center/auditorium since 2005. At the arena, highest attendance by event has consistently been recorded at family shows and conventions.

### Revenue and Expenses

The following table shows the revenue and expense statement for the convention center/auditorium for FY 2007 through FY 2011.

**Table 6-18**

| <b>American Bank Center - Corpus Christi, TX<br/>Convention Complex &amp; Selena Auditorium<br/>Revenue and Expense Statement (FY2007 - FY 2011 Budget)</b> |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | FY 2007              | FY 2008              | FY 2009              | FY 2010              | FY 2011              |
| <b>Event Revenue</b>  |                      |                      |                      |                      |                      |
| Direct Event Revenue  | \$660,215            | \$670,229            | \$572,652            | \$733,838            | \$694,637            |
| Food & Beverage   | 535,940              | 452,389              | 695,408              | 547,872              | 866,034              |
| Novelty   | 9,920                | 67,472               | 78,712               | 11,121               | 8,000                |
| Electrical  | 106,600              | 38,050               | 23,080               | -                    | -                    |
| Equipment/Other   | 119,001              | 69,015               | 87,175               | -                    | -                    |
| Parking/Facility Fee/Other  | 200,939              | 189,189              | 203,762              | 280,883              | 277,635              |
| <b>Total Event Revenue</b>  | <b>\$1,632,615</b>   | <b>\$1,486,344</b>   | <b>\$1,660,789</b>   | <b>\$1,573,714</b>   | <b>\$1,846,306</b>   |
| <b>Other Revenues</b>   |                      |                      |                      |                      |                      |
| Ticket Rebate/Box Office  | \$17,938             | \$19,848             | \$14,742             | \$23,000             | \$25,000             |
| Advertising & Sponsorship   | 90,000               | 90,000               | 115,000              | 87,500               | 87,500               |
| Other Revenue   | 25,000               | 25,000               | 25,000               | 379,300              | 360,000              |
| <b>Total Other Revenue</b>  | <b>\$132,938</b>     | <b>\$134,848</b>     | <b>\$154,742</b>     | <b>\$489,800</b>     | <b>\$472,500</b>     |
| <b>Total Gross Revenues</b>   | <b>\$1,765,553</b>   | <b>\$1,621,192</b>   | <b>\$1,815,531</b>   | <b>\$2,063,514</b>   | <b>\$2,318,806</b>   |
| <b>Indirect Expenses</b>  |                      |                      |                      |                      |                      |
| Personnel, Taxes & Benefits   | \$920,434            | \$881,202            | \$741,067            | \$881,996            | \$1,005,653          |
| Building Operations   | 519,500              | 469,150              | 484,000              | 428,766              | 419,000              |
| Insurance   | 91,200               | 110,000              | 90,000               | 56,000               | 66,500               |
| Utilities   | 700,000              | 1,057,000            | 1,537,194            | 1,265,066            | 1,265,066            |
| Administrative  | 290,850              | 295,450              | 275,900              | 109,369              | 177,850              |
| Professional Fees   | 15,000               | 15,000               | 15,000               | 25,000               | 25,000               |
| F&B Indirect Expense  | 350,328              | 353,935              | 536,922              | 485,263              | 465,647              |
| <b>Total Indirect Expenses</b>  | <b>\$2,887,312</b>   | <b>\$3,181,737</b>   | <b>\$3,680,083</b>   | <b>\$3,251,460</b>   | <b>\$3,424,716</b>   |
| <b>Operating Income</b>   | <b>(\$1,121,759)</b> | <b>(\$1,560,545)</b> | <b>(\$1,864,552)</b> | <b>(\$1,187,946)</b> | <b>(\$1,105,910)</b> |
| City Events   | (\$75,000)           | (\$105,000)          | \$85,000             | \$40,000             | \$60,000             |
| City Utilities  | (191,000)            | (249,844)            | 341,664              | (292,800)            | (348,000)            |
| <b>Net Operating Income (Deficit)</b>   | <b>(\$1,237,759)</b> | <b>(\$1,705,389)</b> | <b>(\$1,607,888)</b> | <b>(\$1,520,746)</b> | <b>(\$1,513,910)</b> |

Source: SMG, Johnson Consulting

Since FY 2007, total annual revenues have averaged \$1.6 million at the convention center/ auditorium, with the largest revenue generators consistently being Direct Event Revenue and Food and Beverage. The budget for the most recent year (FY

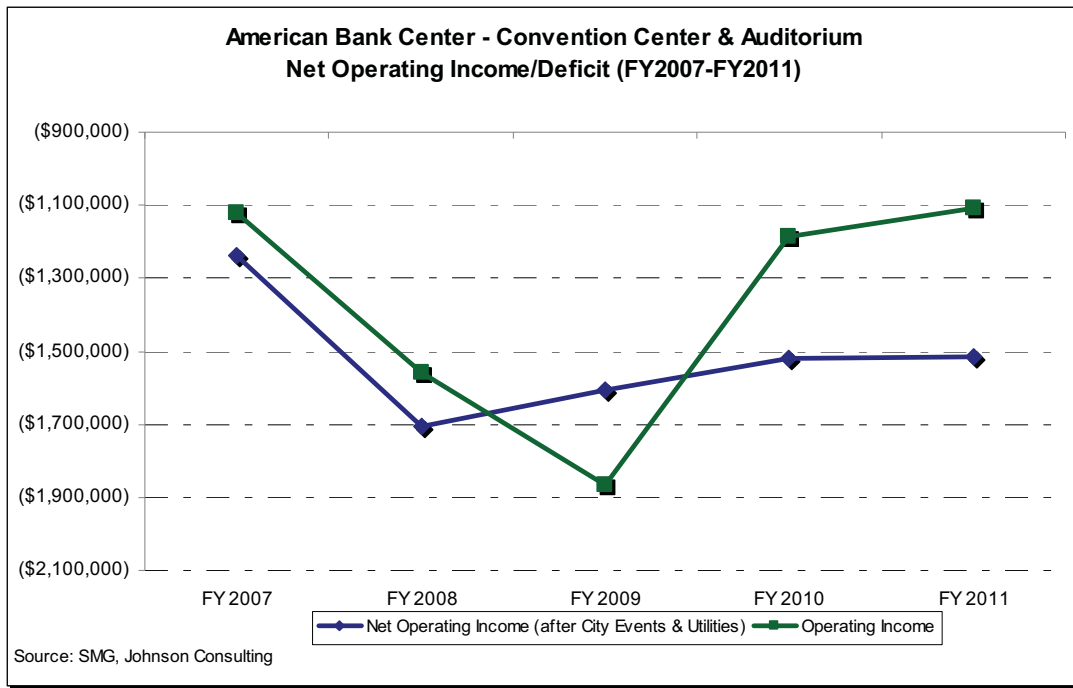


2011) shows total revenues of \$2.3 million, of which \$1.8 million (80 percent) is attributable to 'Event Revenue' (with the remainder relating to 'Other Revenues').

The budget for indirect expenses is \$3.4 million, with the greatest expenses being Utilities (\$1.3 million or 37 percent) and Personnel, Taxes and Benefits (\$1.0 million or 29 percent). In FY 2011 the convention center/ auditorium was budgeted to incur an operating deficit of \$1.1 million, or \$1.5 million after City events and utilities are accounted for.

The following graph shows the convention center/ auditorium's operating income/deficit and the net operating income/deficit after accounting for City events and utilities.

Figure 6-3



Even though the total number of events and attendance have generally trended downwards since 2007, the operating income has increased since FY 2009, with the net operating income after accounting for City events and utilities has steadily increased since FY 2008.

The following table shows the revenue and expense statement for the arena for FY 2007 through FY 2011.

**Table 6-19**

| American Bank Center - Corpus Christi, TX<br>American Bank Center - Arena<br>Revenue and Expense Statement (FY2007 - FY 2011 Budget) |                    |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | FY 2007            | FY 2008            | FY 2009            | FY 2010            | FY 2011            |
| <b>Event Revenue</b>   |                    |                    |                    |                    |                    |
| Direct Event Revenue   | \$844,325          | \$741,523          | \$755,700          | \$283,299          | \$331,100          |
| Food & Beverage  | 965,441            | 1,076,783          | 892,624            | 713,228            | 906,898            |
| Novelty  | 121,190            | 98,410             | 126,558            | 97,258             | 95,670             |
| Parking/Facility Fee/Other   | 736,802            | 653,862            | 484,224            | 389,697            | 415,943            |
| <b>Total Event Revenue</b>   | <b>\$2,667,758</b> | <b>\$2,570,578</b> | <b>\$2,259,106</b> | <b>\$1,483,482</b> | <b>\$1,749,610</b> |
| <b>Other Revenues</b>  |                    |                    |                    |                    |                    |
| Luxury Suite/Club Seats  | \$965,900          | \$540,559          | \$461,832          | \$300,316          | \$364,302          |
| Ticket Rebate/Box Office   | 67,777             | 86,972             | 92,715             | 19,215             | 69,215             |
| Advertising & Sponsorship (Naming Rights)  | 224,680            | 343,630            | 522,913            | 728,385            | 413,180            |
| Other Revenue  | 20,000             | 2,500              | 1,200              | 1,036,327          | 495,000            |
| <b>Total Other Revenue</b>   | <b>\$1,278,357</b> | <b>\$973,661</b>   | <b>\$1,078,660</b> | <b>\$2,084,243</b> | <b>\$1,341,697</b> |
| <b>Total Gross Revenues</b>  | <b>\$3,946,115</b> | <b>\$3,544,239</b> | <b>\$3,337,766</b> | <b>\$3,567,724</b> | <b>\$3,091,307</b> |
| <b>Indirect Expenses</b>   |                    |                    |                    |                    |                    |
| Personnel, Taxes & Benefits  | \$1,364,256        | \$1,420,385        | \$1,110,349        | \$715,079          | \$1,024,088        |
| Building Operations  | 464,500            | 462,350            | 527,550            | 500,900            | 437,000            |
| Insurance  | 87,000             | 137,000            | 86,500             | 66,500             | 56,750             |
| Utilities  | 740,000            | 663,000            | 1,690,664          | 520,000            | 365,000            |
| Administrative   | 219,750            | 213,250            | 180,900            | 168,000            | 155,250            |
| Professional Fees  | 35,000             | 25,000             | 25,000             | 25,000             | 25,000             |
| F&B Indirect Expense   | 437,031            | 580,319            | 590,249            | 548,143            | 545,758            |
| <b>Total Indirect Expenses</b>   | <b>\$3,347,537</b> | <b>\$3,501,304</b> | <b>\$4,211,212</b> | <b>\$2,543,622</b> | <b>\$2,608,846</b> |
| <b>Operating Income</b>  | <b>\$598,578</b>   | <b>\$42,935</b>    | <b>(\$873,446)</b> | <b>\$1,024,102</b> | <b>\$482,461</b>   |
| City Utilities   | 590,000            | 575,184            | (880,664)          | 1,023,848          | 480,000            |
| <b>Net Operating Income (Deficit)</b>  | <b>\$8,578</b>     | <b>(\$532,249)</b> | <b>\$7,218</b>     | <b>\$254</b>       | <b>\$2,461</b>     |

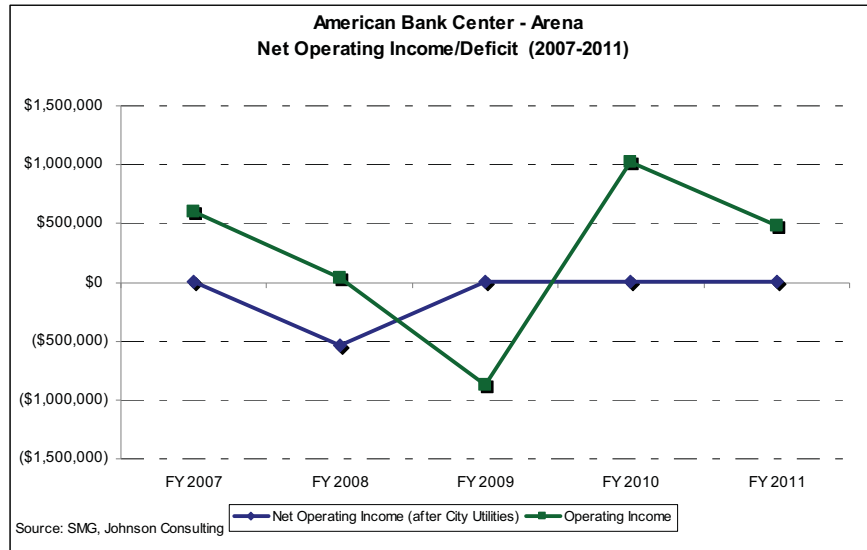
Source: SMG, Johnson Consulting

Since FY 2007, total annual revenues have averaged \$3.5 million at the arena. The budget for the most recent year (FY 2011) shows total revenues of \$3.0 million, of which \$1.7 million (57 percent) is attributable to 'Event Revenue' (with the remainder relating to 'Other Revenues'). Food and Beverage, 'Other' revenue, and Advertising and Sponsorship including naming rights are the largest sources of revenue at the convention arena. Luxury Suite/Club Suites revenue has declined substantially since 2007, from \$965,900 in 2007 to \$364,302 in 2011.

The budget for indirect expenses is \$2.6 million, with the greatest expenses being Personnel, Taxes and Benefits (\$1.0 million or 39 percent), Food and Beverage Indirect Expense (21 percent) and Building Operations (17 percent). In FY 2011 the arena was budgeted to have an operating income of \$482,461, or \$2,461 after City events and utilities are accounted for.

The following graph shows the arena's operating income/deficit and the net operating income/deficit after accounting for City events and utilities.

Figure 6-4



Similar to the convention center/ auditorium, there has generally been growth in income levels at the arena, despite a general downward trend in the total number of events and attendance since 2007. The operating income increased substantially between FY 2009 and FY 2010 before declining slightly in FY 2011, while the net operating income after accounting for City events and utilities has remained stable since FY 2009.

The following table provides a breakdown of income by event type for the year ending July 31, 2010.

Table 6-20

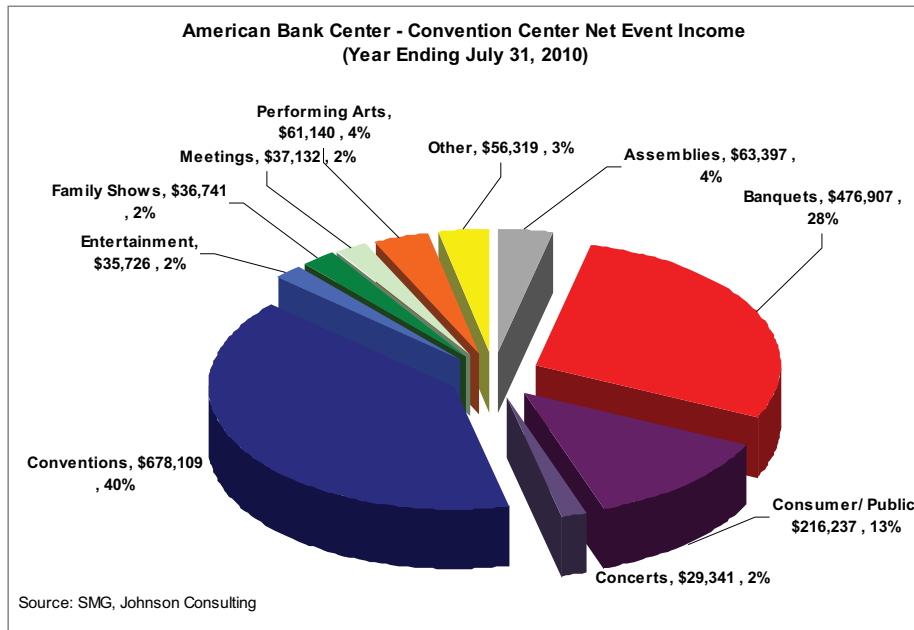
|                               | Assemblies      | Banquets         | Consumer/<br>Public | Concerts        | Conventions      | Entertainment   | Family<br>Shows | Meetings        | Tradeshows | Performing<br>Arts | Other           | All Events         |
|-------------------------------|-----------------|------------------|---------------------|-----------------|------------------|-----------------|-----------------|-----------------|------------|--------------------|-----------------|--------------------|
| <b>Direct Event Income</b>    |                 |                  |                     |                 |                  |                 |                 |                 |            |                    |                 |                    |
| Rental Income                 | \$36,868        | \$143,933        | \$118,306           | \$13,931        | \$234,836        | \$33,374        | \$13,296        | \$21,619        | \$0        | \$30,998           | \$31,230        | \$678,409          |
| Services Income               | 2,250           | (2,084)          | (17,080)            | (5,513)         | (26,862)         | (21,830)        | (4,146)         | (497)           | 0          | (1,527)            | (603)           | (77,892)           |
| <b>Total Direct Income</b>    | <b>\$39,118</b> | <b>\$141,849</b> | <b>\$101,226</b>    | <b>\$8,418</b>  | <b>\$207,974</b> | <b>\$11,544</b> | <b>\$9,150</b>  | <b>\$21,122</b> | <b>\$0</b> | <b>\$29,471</b>    | <b>\$30,627</b> | <b>\$600,517</b>   |
| <b>Ancillary Income</b>       |                 |                  |                     |                 |                  |                 |                 |                 |            |                    |                 |                    |
| Food & Beverage               | \$5,241         | \$295,208        | \$35,094            | \$2,116         | \$313,676        | \$1,702         | \$2,365         | \$13,706        | \$0        | \$1,043            | \$10,221        | \$680,372          |
| Catering                      | 2,674           | 13,974           | 0                   | 68              | 25,393           | 0               | 0               | 275             | 0          | 0                  | 0               | 42,384             |
| Novelties                     | 0               | 0                | 0                   | 3,332           | 0                | 5,734           | 6,189           | 0               | 0          | 1,104              | 510             | 16,869             |
| Parking                       | 14,739          | 25,112           | 38,998              | 7,700           | 66,345           | 10,091          | 8,335           | 2,029           | 0          | 15,792             | 9,010           | 198,151            |
| Other Ancillary               | 1,625           | 764              | 40,919              | 7,707           | 64,721           | 6,655           | 10,702          | 0               | 0          | 13,730             | 5,951           | 152,774            |
| <b>Total Ancillary Income</b> | <b>\$24,279</b> | <b>\$335,058</b> | <b>\$115,011</b>    | <b>\$20,923</b> | <b>\$470,135</b> | <b>\$24,182</b> | <b>\$27,591</b> | <b>\$16,010</b> | <b>\$0</b> | <b>\$31,669</b>    | <b>\$25,692</b> | <b>\$1,090,550</b> |
| <b>Net Event Income</b>       | <b>\$63,397</b> | <b>\$476,907</b> | <b>\$216,237</b>    | <b>\$29,341</b> | <b>\$678,109</b> | <b>\$35,726</b> | <b>\$36,741</b> | <b>\$37,132</b> | <b>\$0</b> | <b>\$61,140</b>    | <b>\$56,319</b> | <b>\$1,691,067</b> |
| <b>% Total Income</b>         | 3.7%            | 28.2%            | 12.8%               | 1.7%            | 40.1%            | 2.1%            | 2.2%            | 2.2%            | 0.0%       | 3.6%               | 3.3%            | 100.0%             |

Source: SMG, Johnson Consulting

Across all event types, Rental Income was the only 'Direct Event Income' generator in FY 2010, with Services Income incurring a deficit of \$77,892. During the same period, Food and Beverage accounted for the greatest proportion of 'Ancillary Income' (\$680,372 or 62 percent).

The following figure shows the proportion of income generation accounted for by each event type.

Figure 6-5



### Ocean Center Operational Profile

The Ocean Center is Volusia County's largest venue for exhibition events. Originally opened in 1985, it has become a popular destination for conventions and trade shows, sporting events, community events, consumer shows, and meetings and banquets. Its recent expansion, completed in 2009, has more than doubled its size adding a 95,000 square foot exhibit hall to an existing arena and meeting space.



Figure 6-6 and Table 6-21 provides a map and program of the Ocean Center.

Figure 6-6

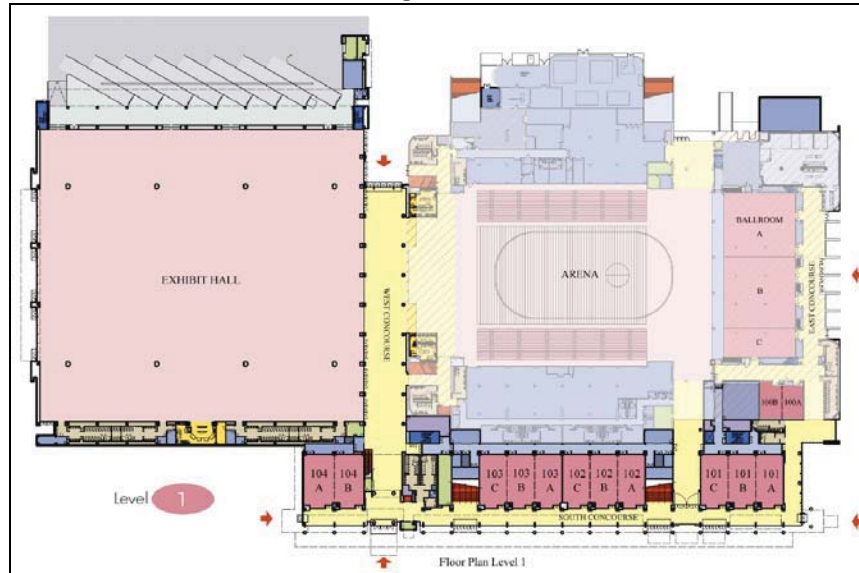


Table 6-21

| Ocean Center<br>Summary of Size and Capacity |                       |                    |                         |           |         |             |
|--|-----------------------|--------------------|-------------------------|-----------|---------|-------------|
|  | Size (SF)             |                    | Capacity (# of Persons) |           |         |             |
|  | Individual (Smallest) | Combined (Largest) | Theater                 | Classroom | Banquet | # of Booths |
| <b>Exhibit Hall</b>                          | -                     | 94,695             | 10,545                  | 4,000     | 7,900   | 504         |
| Subtotal                                     |                       | 94,695             |                         |           |         |             |
| <b>Arena</b>                                 | -                     | 42,000             | 4,662                   | 1,750     | 3,500   | 240         |
| Subtotal                                     |                       | 42,000             |                         |           |         |             |
| <b>Ballroom</b>                              | -                     | 11,715             | 1,332                   | 720       | 840     | 60          |
| Section A                                    | 4,615                 | -                  | 540                     | 288       | 336     | na          |
| Section B                                    | 2,485                 | -                  | 252                     | 144       | 168     | na          |
| Section C                                    | 4,615                 | -                  | 540                     | 288       | 336     | na          |
| Subtotal                                     |                       | 11,715             |                         |           |         |             |
| <b>Meeting Rooms</b>                         |                       |                    |                         |           |         |             |
| # of Rooms                                   | 34                    | 12                 |                         |           |         |             |
| Smallest                                     | 651                   | -                  | 75                      | 46        | 54      | na          |
| Largest                                      | -                     | 3,920              | 451                     | 280       | 325     | na          |
| Subtotal                                     |                       | 31,769             |                         |           |         |             |
| <b>Total</b>                                 |                       | 180,179            |                         |           |         |             |

Source: Ocean Center

In the years immediately prior to its expansion, the Ocean Center averaged approximately 95 events each year constituting around 250 facility usage days.

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During construction, the venue was able to remain in operation and experienced a minimal decline in both events and usage days. As demonstrated in Table 6-22, since completion of the expansion, Ocean Center has experienced noted declines in virtually all categories of events. Given the consistent average attendance levels, this decline in event number has attributed to a substantial decline in the facility's total annual attendance as shown in Table 6-23.

**Table 6-22**

**Ocean Center - Historical Events by Type**

| Type of Event             | 2003-04 | 2004-05 | 2005-06 | 2006-07 * | 2007-08 * | 2008-09 | 2009-10 projected |
|---------------------------|---------|---------|---------|-----------|-----------|---------|-------------------|
| Convention/ Trade Shows   | 28      | 33      | 28      | 31        | 24        | 10      | 18                |
| Concerts                  | 4       | 2       | 0       | 2         | 0         | 1       | 3                 |
| Community                 | 15      | 18      | 12      | 13        | 13        | 12      | 14                |
| Family                    | 3       | 4       | 4       | 3         | 1         | 2       | 4                 |
| Consumer                  | 11      | 19      | 14      | 11        | 7         | 11      | 6                 |
| Meals                     | 18      | 24      | 16      | 13        | 9         | 10      | 8                 |
| Competitive Arts          | 0       | 0       | 0       | 0         | 0         | 11      | 15                |
| Sports                    | 3       | 11      | 12      | 12        | 12        | 5       | 6                 |
| Total                     | 82      | 111     | 86      | 85        | 66        | 62      | 74                |
| Total Facility Usage Days | 235     | 287     | 247     | 236       | 224       | 212     | 224               |

\* Note: During 2005-06 and 2006-07 fiscal years, facility was under construction  
Source: Ocean Center, Johnson Consulting

**Table 6-23**

**Ocean Center - Historical Average Attendance by Event Type**

| Type of Event           | 2003-04 | 2004-05 | 2005-06 | 2006-07 * | 2007-08 * | 2008-09 | 2009-10 projected |
|-------------------------|---------|---------|---------|-----------|-----------|---------|-------------------|
| Convention/ Trade Shows | 3,280   | 2,441   | 2,478   | 1,951     | 2,524     | 2,645   | 3,292             |
| Concerts                | 5,620   | 3,168   | na      | 4,525     | na        | 3,500   | 6,000             |
| Community               | 5,639   | 4,671   | 6,679   | 5,658     | 6,005     | 6,637   | 5,699             |
| Family                  | 3,052   | 3,586   | 6,980   | 5,160     | 2,247     | 3,344   | 3,209             |
| Consumer                | 22,434  | 13,476  | 17,634  | 16,046    | 16,445    | 9,045   | 10,000            |
| Meals                   | 441     | 451     | 427     | 422       | 363       | 330     | 457               |
| Competitive Arts        | na      | na      | na      | na        | na        | 3,780   | 3,260             |
| Sports                  | 1,553   | 1,743   | 1,812   | 2,094     | 1,645     | 2,719   | 1,788             |
| Total Number of Events  | 82      | 111     | 86      | 85        | 66        | 62      | 74                |
| Total Annual Attendance | 467,427 | 471,331 | 452,900 | 365,687   | 279,035   | 274,252 | 293,149           |

\* Note: During 2005-06 and 2006-07 fiscal years, facility was under construction  
Source: Ocean Center, Johnson Consulting

Projected figures for 2009-10 do show that both events and attendance are on the rise with a significant improvement in all categories over the 2008-09 results. However, total attendance figures are still over 30 percent below those prior to the expansion. Of note is the fact that the Ocean Center's ability to book high impact events, convention and trade shows, which provide the greatest economic benefit to

the area is lagging well behind pre-expansion levels. This is directly attributable to the lack of a large enough committable hotel room block, a declining level of quality hotel rooms, and a poor support environment around the Ocean Center.

### **National Facility Conclusion**

The data collected from each of the national comparable venues justifies and sets benchmarks for industry standards. The facilities identified in this section all share similar characteristic to the Pensacola Civic Center. The most important characteristics from these facilities include the impact luxury suites and premium seating contracts can have on the bottom line as well as the impact and exhibit hall component can have on the over all volume of demand for an arena facility. The Verizon Wireless and Sovereign Center provide excellent example of well performing stand-alone arena, which have capitalized on the additional naming right revenue that the Pensacola Civic Center has yet to acquire. These key revenue streams provided in the financial breakdowns the national comparables should provide industry benchmarks, which the Pensacola Civic Center must accomplished to remain competitive and financially stable.

**VII. ANALYSIS AND OTHER CONSULTANT REPORT  
ABSTRACTS AND JOHNSON CONSULTING'S  
RECOMMENDATIONS**



## REPORT ABSTRACTS, RECOMMENDATIONS, AND PROJECTIONS

As noted in Section 5 of this report, certain costs that Escambia County incurs are not accounted for in SMG's income statement. The other factors to note include that services and ancillary income are reported as net income and the numbers the County is familiar with are reported as gross (as in the Carr, Riggs, Ingram audit below).

### Internal Audit Report

At the request of the Board of County Commissioners, Carr, Riggs, & Ingram, LLC conducted an internal audit of the Pensacola Civic Center, the primary objective of which was to review the operations and management (contracted to SMG) of the Center, and identify any potential areas for financial and operational improvements.

In January 2011, Carr, Riggs, & Ingram, LLC conducted various onsite interviews, reviewed contracts, financial results, budgets and marketing plans prepared by SMG, observed operations at the facility, and reviewed comparable financial data for neighboring facilities. Based on this research and analysis, Carr, Riggs, & Ingram, LLC presented the following key findings in their internal audit report:

- **The Center's revenues have remained flat, while operating costs have increased.** Over the last three (3) fiscal years ending September 30, 2010, gross revenues at the Center have increased by approximately 10.6 percent to \$4.0 million. However, the cash loss of the Center reached \$1.6 million in FY 2010, the highest since the Center opened. Concurrently, cash contributions by the County to finance operations at the Center increased to \$1.9 million, also an all-time high. The Center has never operated at a profit and that is probably an unreasonable expectation. Limiting losses is the reality.
- **The current management contract with SMG is not written with incentive to control losses.** The existing contract with the County provides SMG with a base fee and incentive fees based on a percentage of revenues. As such, SMG is motivated by revenue growth with little or no incentive based on profitability or positive cash flows. It appears that SMG has made efforts to control costs; however, the primary metric utilized in the current contract is still revenue growth. The poor economy and competitive pressures from neighboring facilities have resulted in increasing losses at the Center.
- **The Center's increased financial losses are partly due to the current hockey contract.** On July 9, 2009 the County and Pensacola Ice, LLC entered

into a lease agreement that allowed Pensacola Ice, LLC to use the Center for its home hockey games, training camp, team practices, and promotional events, and utilize the office space, meeting rooms, and Club Room, free of charge, for the benefit of the Pensacola Ice Flyers hockey team. The lease term is valid through the 2012-2013 season, with an optional one-year extension upon mutual agreement of both parties. The Ice Flyers' lease has had the effect of generating more revenue for the Center, but has also increased certain costs and has added to the overall loss incurred by the Center. In addition, the lease has limited SMG's available dates for utilizing the Center for other purposes that may be more profitable.

### SMG Venue Assessment

As part of SMG's ongoing management of the Pensacola Civic Center, a venue Assessment was conducted in March 2011 to highlight and review operations from both a facility operations and physical plant perspective as well as revenue generation and marketing/advertising. The overall objective of the assessment is to identify ways to make the facility operate more efficiently and generate increased revenues to help offset the increasing budget deficits. Below are key points of the assessment conducted by SMG and corresponding comments from Johnson Consulting.

- **Advertising Signage** – SMG found that the current advertising signage is ineffective and outdated. SMG recommends that a signage evaluation be conducted to understand the revenue potential of enhanced signage. Johnson Consulting agrees with this assessment and based on the national trends, a facility the size and age of the Pensacola Civic Center could reasonably increase revenue by \$ 100,000. New signage will also improve the overall cosmetics of the facility and facilitate increased demand in advertising placement.
- **Premium Seating and Club Seating** – Of the facilities that the Pensacola Civic Center competes with on a regional and national basis, it is one of the only facilities that do not have any type of premium or club seating. This is largely due to development trends in the mid 1980s when premium and club seating was not as prevalent in the arena industry. SMG believes that there is demand for premium seating that is not being met as is evidenced by the use of meeting rooms for pre-event parties and dinners and initial inquiries in the market. SMG's proposed plan would call for Section 101 being transformed into a club seating section, with other sections being converted as demand materializes. Other components could include preferred parking, preferred entry to venue for events, upscale food and beverage options, advance purchase options for tickets, etc. Johnson Consulting is of the

opinion that premium seating is warranted for the facility and could increase revenues through higher margins on food and beverage sales, ticket premiums, increased advertising and sponsorships, and increased interest in the facility. There is demand for premium seating beyond sports events that includes entertainment events and concerts making it justifiable regardless of hockey being present in the facility.

- **Bowl Treatment to Enhance Meetings and Banquets** - Currently the Pensacola Civic Center offers the flat floor for large banquets and meetings and the complement of meeting rooms for smaller events. SMG recommends investment in canopy, pipe, and drape with an estimated cost of \$50,000. This is a short-term solution to a long-term problem. The cost of this recommendation is minimal and may have a slight positive impact on the number of banquet events booked, but that is at the expense of having arena-oriented events that are more appropriate for the facility. The utilization of the arena floor for banquet events is a larger indication of the need for a purpose-built exhibit or conference facility. Such a facility is a more appropriate environment for such events and would ultimately provide more dates at the Pensacola Civic Center by shifting these events and flat floor events out of the building or reducing their impact on date availability for lucrative concert and entertainment events.
- **Utility Management** - During the facility assessment SMG indicated that there are concerns over utility management during both the hockey and off-season. During the off-season, introducing real time purchasing for electrical usage would allow the facility to pre-cool in the early morning hours and letting the temperature coast up during the day to avoid excessive energy use during the afternoon peak time. During the hockey season utility management is significantly harder to control and more expensive due to the temperature requirements for maintaining the ice sheet, the overhead lights are used from 5 am to midnight daily for ice skating, and natural gas is consumed at a high level to run the dehumidification system for the correct building environment for the ice. These three factors are a major cause of the increased utility profile of the Pensacola Civic Center in comparison to peer facilities without ice. Not having to carry the extra utility cost of maintaining the ice sheet would help reduce the overall operating deficit of the facility, thereby lowering the financial exposure of the County.
- **Personnel** - SMG found that due to local economic conditions, management staff has had a pay freeze for the past two years; maintenance has eliminated an ice engineer position and not filled three other staff positions; management has not filled an administrative assistant position; and staffing is required on a daily basis, seven days a week, during the hockey season to

support the ice rink operations. Paying for labor during public ice rentals is not cost effective compared to the revenues generated. This may be partially offset by the public participation and benefit for use of the facility as a community amenity.

## FACILITY RECOMMENDATIONS

In recent years, the County contribution required by the Pensacola Civic Center has increasingly grown, with the most recent figure being approximately \$1.9 million. The funding for this deficit relies heavily on Tourist Development taxes as well as County support. This escalating funding requirement is largely due to a poorly structured hockey lease and to a lesser degree a downward operating performance due to the economy.

This section outlines the vision of needed remedies for financial and operational improvement to the Pensacola Civic Center. These recommendations will address three different strategies for the County to take into consideration for the economic well being of the facility and community. The three scenarios in need of attention are as follows:

- Additional Revenues Streams at the Civic Center
- SMG Management Agreements & Hockey Lease
- Operational Analysis:
  - With Hockey,
  - Without Hockey.

### Additional Revenue Streams at the Civic Center

In the time since the Pensacola Civic Center was constructed, elements of design for these types of facilities have evolved considerably. From an arena perspective, newer facilities are more versatile, efficient, and incorporate revenue producing features that enhance the quality of event programming that a facility can attract. This section outlines the vision of specific remedies that if were to occur, would enhance the facilities opportunity in minimizing its current operating deficit.

Table 7-1 below provide a breakdown of additional revenue streams to be consider for Pensacola Civic Center, as well as, which comparable facilities already offer such services.

Table 7-1

| <b>Pensacola Civic Center<br/>Potential Revenue Adjustments</b> |                        |             |   |
|---|------------------------|-------------|---|
| <b>Additional Revenues</b>                                      | <b>Recommendations</b> |             | <b>Offered at Comparable<br/>Facilities</b> |
|   | <b>SMG</b>             | <b>CHJC</b> |   |
| Advertising Signage   | •                      | •           | ALL   |
| Luxury Suites   | •                      |             | ABC, VWA, SC                                |
| Club Seats  | •                      | •           | ABC, VWA, SC                                |
| Loge Box Seats  | •                      | •           |   |
| Club Lounge   | •                      | •           | ABC, VWA, SC                                |
| Additional Seating  | •                      |             |   |
| Parking   | •                      | •           | ALL   |
| Mid- Size Exhibit Hall  |                        | •           | ABC, OC                                     |
| Community Ice Sheet   |                        | •           |   |
| Multiple Sports Teams   |                        | •           | VWA, SC                                     |

ABC - American Bank Center  
 OC - Ocean Center  
 VWA - Verizon Wireless Arena  
 SC - Sovereign Center

Source: SMG, Johnson Consulting

As shown above, there are several additional revenues streams at which the Civic Center should implement in order to maximize revenues as well as better position itself competitive in the regional market place.

**Advertising Signage** - SMG recommends that improved signage throughout the facility should be considered. Johnson Consulting strongly agrees with this recommendation. The outdated technology and banners in the Civic Center make it less appealing compared to the competitive market, as well as missed additional revenue. The Civic Center currently has an advertising income of approximately \$220,000 per year, whereas comparable facilities like the Verizon Wireless Arena account for approximately \$480,000 in total advertising income. It must be noted that the difference in advertising income is directly attributed to its naming right deal. Through discussions with SMG management, it has come to our attention that a previous naming rights deal was offered to the county but was subsequently turned down. Johnson Consulting believes it is pertinent that a naming rights deal should be eagerly pursued once again.

**Premium Seating** - Due to the era of when the facility was built, an offering of premium seating was never implemented in the Civic Center design. Premium

seating, such as luxury suites, loge boxes, club seats and luxury terrace seating have all evolved in recent years through the development of arenas and entertainment facilities. In many recently built arenas, loge boxes have become the most successful selling points for their ability to offer luxury at an affordable price in comparison to suites. In addition, club seats have become key revenue generators. Club seating offers attendees several benefits for a premium price on the ticket, with pricing and amenities differing by facility and market economics. Three of the four comparable facilities analyzed in this report have premium seating offerings.

**Additional Seating** – SMG management had suggested in its venue assessment report that additional seating (to replace seats lost through the conversion of general admission seats to Loge Boxes) should be considered as a potential revenue generator, as well as building enhancement. Johnson Consulting feels the current seating capacity at the Center is in line with current market and competitive facilities alike.

**Fee Waiver & Booking Policy** – By having a booking policy that is very consistent in how rental fees can be reduced or waived, the Civic Center will be able to recapture fees that have been lost in prior years. The Civic Center is a community asset and there should be the ability for local non-profit or civic groups to use the facility at a cost they can afford. In other communities, such as Peoria, Illinois, reduced rates are directly linked to the volume of food and beverage that the particular event orders. The following text is included in the Peoria Civic Center’s booking agreement with non-profit events and could serve as a model for the Pensacola Civic Center.

*“With the use of our in-house catering service, rental fees can be reduced or even waived with minimum food and beverage purchase.*

*Rental fee for (\_\_\_amount of space) is \$(\_\_\_rental fee). No rental fee shall be charged based upon customer ordering at least \$\_\_\_ in food and beverage, including bars, before tax and gratuity. If the total does not reach \$(\_\_\_the F& B total), then a portion of the standard fee \$(\_\_\_rent) will be applied. (The Peoria Civic Center uses a prorated scale and calculates the rental reduction, the amount of F & B based on what we make from our caterer”*

**Parking** – Parking has recently become an issue at the Pensacola Civic Center. The Civic Center comes up well short of the allotted parking spots in comparison to its peer facilities. Pensacola management had mentioned that the parking inventory was approximately cut in half, due to the current development of the Technological Park. Parking can be significant revenue stream for venues. The current inventory of the allotted parking spaces is approximately 1,000 spots. Additional revenue could also be generated by structuring a more up to date parking concession for the facility, as with the limited number of seats, access to the should be at a premium. The Pensacola Civic Center currently charges a flat fee ranging from \$750-\$1000

depending on the lot for Flat Show Users. They charge a \$3 facility fee on all concert tickets and \$5 per vehicle for hockey games. The reality is the parking inventory at the Center has significantly diminished throughout the years, which has afforded non-profit groups to gain control of adjacent lots, therefore limiting the price the Center can charge. If the Center were to charge for every allotted parking spot in inventory at the market rate of approximately \$5 per vehicle, it could have potential increase in revenue of approximately \$50,000-\$150,000 per year.

**Mid-Size Exhibit Hall** – The initial Masterplan for the Pensacola Civic Center called for a mid-sized exhibit hall to support the arena product. The lack of the proposed exhibit hall has affected the overall attractiveness of the arena as a whole. It has hindered the facility's ability to clear approximately 15 weekend dates that are taken up with flat show user events that would be able to be held in a exhibit hall. Weekends are the most marketable dates for concerts and entertainment shows, which detailed in this report, are the Civic Center's most profitable events.

**Community Ice Sheet** – A community ice sheet could help attract more amateur hockey events, and figure skating competitions. In 2010, the community ice usage resulted in approximately \$125,000, which in turn was able to help offset the \$160,000 loss from the Ice Flyers. With the elimination of the Ice Flyers, the Civic Center will be able to garnish 100 percent revenues in public skating rentals to help reduce the net deficit. As it currently states in the Ice Flyers contract, the County gets all public skating revenues in excess of \$80,000.



## SMG Management Agreement and Hockey Lease Agreement

Although the two following agreements detailed below vary in term and scope of services it is key to understand some of the incentives and disincentives SMG receives at each facility, in addition to the economies of scale received in the Mobile Contract, through its management of the convention center as well. Johnson Consulting does not feel the management fee agreement between SMG and Pensacola is above or ab normal to industry standards. Johnson Consulting does believe it may be time to review certain operational benchmarks that were set in the now out dated contract with SMG, to a more current and fair market levels. The table below provides a summary of “Best” management agreements in comparison to Pensacola.

**Table 7-2**

|                     | Pensacola Civic Center- Management Contracts                             |  |   |   |
|---------------------|--|--|---|---|
|                     | Pensacola Civic Center<br>Pensacola, FL                                  | Baton Rouge RiverCenter<br>Baton Rouge, LA   | Rockford MetroCentre<br>Rockford, IL              | Dow Events Center<br>Saginaw, MI  |
| Type                | Arena  | Arena, Exhibition Hall   | Arena, Parkland and AHL Hockey<br>Team management | Arena, Exhibition Hall, Theater   |
| Term:               | 10 years   | 5 years with 5 year renewal<br>option  | 5 years with 5 year renewal<br>option             | 10 years plus 2 year extension<br>option  |
| Base Fee:           | \$150,000; CPI adjusted  | \$220,000; CPI adjusted  | \$270,000 per year; CPI adjusted                  | \$150,000; CPI adjusted   |
| Incentive Fee:      | qualitative and quantitative<br>measures capped at amount of<br>base fee | % of revenues over a<br>benchmark, No incentive if<br>budgeted NOI/L is not achieved | % if improvement over a NOL<br>benchmark          | 40% of improvement over an<br>NOI benchmark 25% of event-<br>related parking revenues<br>capped at \$20,000 |
| Food & Beverage:    | N/A  | 4% of Gross Sales  | N/A   | 15% of operating revenues   |
| Capital Investment: | Yes; replacement of marquee  | Yes; marketing fund  | Yes   | Yes   |

### SMG Management Agreement

Article 16 of the Pensacola Civic Center Management Services Agreement between Escambia County and SMG describes the management fees as follows:

- Fixed Fee of \$150,000;
- Incentive Fee consisting of two (2) components:
  - (i) Financial Performance Component: 67 percent of Incentive Fee based on financial performance. SMG receives 25 percent of gross operating revenues for a FY exceeding \$2.8 million (Revenue Benchmark). The financial component of the Incentive Fee shall no exceed \$100,000;

- (ii) Qualitative Performance Component: 33 percent of Incentive Fee based on qualitative performance. SMG receives an amount equal to fixed fee (\$150,000) less amount received for financial performance (max. \$100,000). Amount payable determined based on points (maximum 25 points per category) allocated for Facility Maintenance, Customer Service, Community Involvement, and Marketing.

Article 4 and Exhibit D of the Management Agreement between SMG and the City of Mobile describes the management fees as follows:

- Fixed Fee of \$225,000;
- Concession Fee equal to 5 percent of gross F&B revenues;
- Incentive Fee equal to 12.5 percent of gross operating revenues for a FY exceeding \$1 million (Revenue Benchmark). Total of Incentive Fee plus Concession Fee must not exceed Fixed Fee (\$225,000);
- Performance Review whereby the City can deduct \$10,000 (per item) from SMG's incentive fee for each of the following (max. penalty of \$40,000):
  - (i) Failure to achieve bottom line results reflected in annual approved budget for facilities;
  - (ii) Failure to meet or exceed a score of 4 (out of 5) on customer satisfaction surveys;
  - (iii) Failure to achieve event goals as outlined in annual plan;
  - (iv) Failure to control operating expenses.

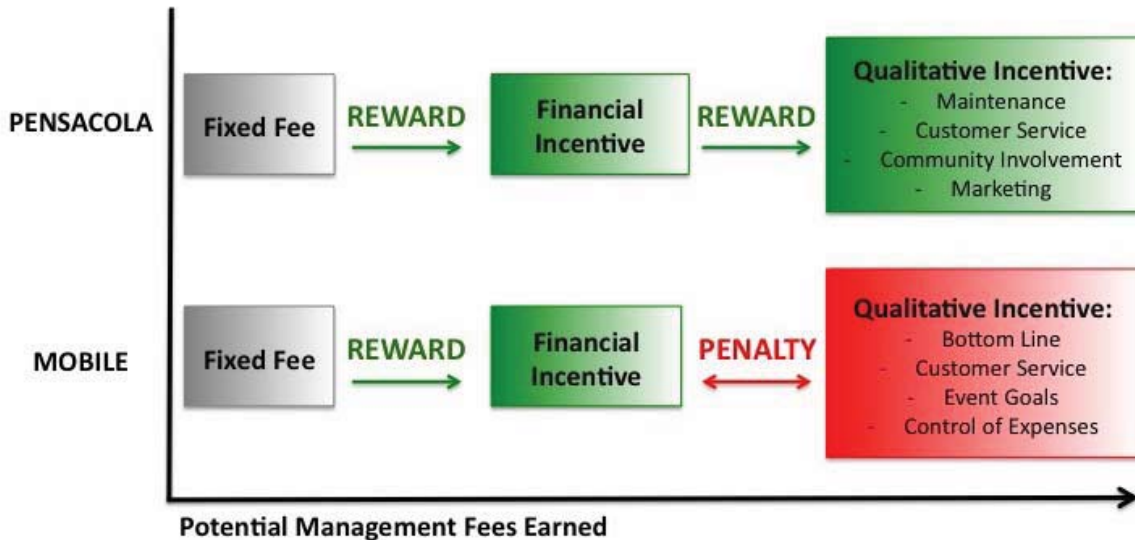
Essentially both management contracts make provision for fixed fees plus financial incentives. With regard to performance-based incentives (or qualitative incentives), the following differences are observed:

- Pensacola Civic Center: SMG can potentially receive additional performance-based incentives (or at the very least receive no additional fees), up to a maximum of \$150,000 less any financial performance incentives that have already accrued. Qualitative performance is measured on maintenance, customer service, community involvement, and marketing, with no reward for minimizing expenses;
- Mobile Civic Center: SMG risks incurring penalties based on underperformance (or at the very least can incur no penalties, but does not

have the potential to earn additional fees), up to a maximum of \$40,000. These penalties detract from their overall Incentive Fee. The qualitative measures at Mobile encourage SMG to meet bottom line targets and minimize operating expenses.

This notion is summarized in the following figure.

Figure 7-1



### Hockey Lease Agreement

The Pensacola Ice Flyers of the Southern Professional Hockey League (SPHL) were founded in 2009 and took the place of Pensacola Ice Pilots of the East Coast Hockey League (ECHL) who folded in 2008. In the past hockey season, the Civic Center incurred approximately \$160,000 loss from the Ice Flyers, in addition to lost revenue potential from higher grossing events.

SMG management stated in years past they have lost as many as 4 events per hockey season. When those 4 events are concerts, at approximately \$36,000 income per concert, the lost revenues total approximately \$144,000.

Johnson Consulting concludes that it may best for both the facility and the County if it were to eliminate the Ice Flyers. Alternatively, if the Flyers were to stay, and be financially solvent, not much can be done about the lease parameters. Johnson Consulting had discussion with Management at the Columbus Civic Center, which is home to SPHL's Columbus Cottonmouths. It was stated that in its agreement with the Cottonmouths, the Civic Center takes precedent to the team as far as

priority dates. If this same concept were to be implemented with the Ice Flyers, the facility and County would not be so hamstrung, relating to date availability.

There are a number of ways to construct the lease, but bottom line is this: the team cannot afford a lease costs that exceeds \$5,000 per game. There are obviously a number of variables in the lease, and at this point it is probably over-reaching to suggest them, use of that a ceiling price-point unless and until you pass an attendance threshold well past 3,500.

Additionally, there is no incentive – other than direct ticket revenue, to attract larger crowds. At some level, this lease could reflect some sharing in the concessions, even if it is only an overage contribution on sales volumes that exceed a set hurdle.

### Hockey Games Attendance for Break-Even Hockey Events

This subsection presents an analysis showing what the average sustained attendance would need to be at hockey games for the County to break-even under the current contract. Currently, Hockey games are costing the Civic Center \$180,270 in FYE 2010 and \$166,916 in FYE 2011. On the revenue side, Hockey games generate ticket sales, rents, net services income, and net ancillary income that are fairly dependant on the attendance level. Any direct expenses that are related to those revenues are already accounted for in these Net Income calculations. Aside from those expenses, there are fixed expenses, which remain at relatively the same level.

For a hypothetical year that has 41 games and hockey camps, what should the attendance be for the Hockey games and camps to break-even for the County under the current contract? Table 7-3 below shows the estimates. One season of games will cause a total of \$329,481 of expenses (just like in FYE 2011). Assuming revenue per caps will be similar to those in FYE 2011, the Hockey games will need to generate a minimum of 137,082 attendees to break-even.

**Table 7-3**

| <b>Pensacola Civic Center, Pensacola, Florida<br/>Hockey Games Statistics and Financials</b> |              |              |                            |
|--|--------------|--------------|----------------------------|
|  | FYE 2010     | FYE 2011     | Hypothetical<br>Break-Even |
| Number of Events   | 35           | 41           | 28                         |
| # of Attendees   | 75,156       | 67,636       | 137,082                    |
| <i>Average Attendance</i>  | <i>2,147</i> | <i>1,650</i> | <b>4,896</b>               |
| Gross Ticket Sales   | \$831,289    | \$796,381    | \$1,614,077                |
| <b>Revenues and Expenses</b>   |              |              |                            |
| Event Income   |              |              |                            |
| Direct Event Income  | \$59,795     | \$59,435     | \$120,461                  |
| Net Services Income  | (124,227)    | (104,847)    | (212,500)                  |
| Net Ancillary Income   | 239,072      | 207,977      | 421,520                    |
| Total Event Income   | \$174,640    | \$162,565    | \$329,481                  |
| Total Operating Expenses   | \$354,910    | \$329,481    | \$329,481*                 |
| Net Income (Loss)  | (\$180,270)  | (\$166,916)  | \$0                        |

*\*These expenses are assumed to remain the same for the same number of events.  
Expenses that are directly related to gross revenues are already accounted for in Net Income calculation.*

*Source: Pensacola Civic Center, Johnson Consulting*

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The hypothetical break-even year assumes 28 games, which is the contractual minimum of games the Ice Flyers are allowed to play at the Civic Center. A minimum of 137,082 attendees in 28 games results in 4,896 average attendance per game. Maximum capacity of the Pensacola Civic Center for Hockey games is 8,150, so this average sustained attendance of 4,896 needed for the County to break-even under the current contract may not be achievable. Although, this number is well above the 2,700 per game average of the Southern Professional Hockey League, Johnson Consulting believes there are some key variances between the numbers recorded with the Facility Management and those provided on the leagues (SPHL.com) website for attendance. According to the league website, the Ice Flyers average 3,015 attendees per game. Team and League officials were unresponsive prior to report release date.

## **OPERATING ANALYSIS, CONSIDERING IMPROVEMENTS**

Observations on the operating statistics suggest that an Ice Hockey team is not the most strategic tenant to have at the Civic Center. As a result, Johnson Consulting developed two scenarios – with and without the Hockey as an anchor tenant and the addition of a Naming Rights Sponsor. The following analysis uses the numbers as reported by SMG. In the subsequent projections for Scenario 1, With Hockey, the increasing facility deficit is reflected by the increasing “TDC Transfer and Capital Contributions”, which is projected to balance the facility’s Net Operating Income (NOI) at a break-even. It is important to note, “TDC Transfer and Capital Contributions” does NOT account for the total amount of subsidy provided to the Civic Center, cost for the County such as: insurance, administration and management fee are NOT included. In Scenario 2, No Hockey, the improving net operating income line is reflected by the decreasing support provided by the “TDC Transfer and Capital Contributions” needed for the Civic Center to break-even.

### **Scenario 1 – With Ice Hockey Games; With Naming Rights**

This projection assumes that the Ice Flyers continues to be a tenant under the same conditions. Projected event demand is based on the FYE 2011. Attendance is projected to grow by 2 percent annually, then by 1 percent annually starting in FYE 2017. Projected event income is based on the average event income statistics described in Section 5 (direct event income, net services income, and net ancillary income), adjusted by an inflation rate of 3 percent. Indirect expenses are assumed to grow inline with the inflationary rate as well.

Naming rights potential for Pensacola appears to be in the range from \$250,000 to \$300,000 for 10 years. To be more conservative, the projections use a \$250,000 naming rights revenue.

Table 7-4 through Table 7-6 show the projected event demand, attendance, and revenues and expenses summary.

Table 7-4

| Pensacola Civic Center, Pensacola, Florida                           |      |       |      |      |      |      |      |      |      |      |      |      |
|--|------|-------|------|------|------|------|------|------|------|------|------|------|
| Historical and Projected Event Demand - Scenario 1 with Hockey Games |      |       |      |      |      |      |      |      |      |      |      |      |
| <i>FY Ending Sep 30,</i>   | 2007 | 2011E | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| <b>Arena Oriented Events</b>   |      |       |      |      |      |      |      |      |      |      |      |      |
| Sporting Events - Hockey   | 36   | 41    | 41   | 41   | 41   | 41   | 41   | 41   | 41   | 41   | 41   | 41   |
| Sporting Events - Non-Hockey   | 2    | 4     | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    |
| Assembly/ Graduations  | 13   | 9     | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    |
| Entertainment Events   | 8    | 6     | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    |
| Concerts/ Performing Arts  | 15   | 27    | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   |
| Family Events  | 20   | 7     | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   |
| Subtotal   | 94   | 94    | 84   | 84   | 84   | 84   | 84   | 84   | 84   | 84   | 84   | 84   |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                         |      |       |      |      |      |      |      |      |      |      |      |      |
| Consumer Shows/ Trade Shows  | 20   | 8     | 8    | 8    | 8    | 8    | 8    | 8    | 8    | 8    | 8    | 8    |
| Banquet/ Other   | 8    | 5     | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    |
| Meetings   | 534  | 486   | 486  | 486  | 486  | 486  | 486  | 486  | 486  | 486  | 486  | 486  |
| Subtotal   | 562  | 499   | 499  | 499  | 499  | 499  | 499  | 499  | 499  | 499  | 499  | 499  |
| Total  | 656  | 593   | 583  | 583  | 583  | 583  | 583  | 583  | 583  | 583  | 583  | 583  |

Source: Pensacola Civic Center, Johnson Consulting



Table 7-5

| Pensacola Civic Center, Pensacola, Florida                         |         |         |         |         |         |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Historical and Projected Attendance - Scenario 1 with Hockey Games |         |         |         |         |         |         |         |         |         |         |         |         |
| <i>FY Ending Sep 30,</i>   | 2007    | 2011E   | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    | 2021    |
| <b>Arena Oriented Events</b>                                       |         |         |         |         |         |         |         |         |         |         |         |         |
| Sporting Events - Hockey   | 77,289  | 67,636  | 68,989  | 70,368  | 71,776  | 73,211  | 74,676  | 75,422  | 76,177  | 76,938  | 77,708  | 78,485  |
| Sporting Events - Non-Hockey                                       | 5,900   | 11,689  | 11,923  | 12,161  | 12,404  | 12,653  | 12,906  | 13,035  | 13,165  | 13,297  | 13,430  | 13,564  |
| Assembly/ Graduations  | 82,792  | 62,576  | 63,828  | 65,104  | 66,406  | 67,734  | 69,089  | 69,780  | 70,478  | 71,182  | 71,894  | 72,613  |
| Entertainment Events   | 34,753  | 16,043  | 16,364  | 16,691  | 17,025  | 17,365  | 17,713  | 17,890  | 18,069  | 18,249  | 18,432  | 18,616  |
| Concerts/ Performing Arts  | 65,909  | 45,138  | 20,463  | 20,872  | 21,289  | 21,715  | 22,149  | 22,371  | 22,595  | 22,820  | 23,049  | 23,279  |
| Family Events  | 42,161  | 18,975  | 33,179  | 33,843  | 34,520  | 35,210  | 35,914  | 36,273  | 36,636  | 37,002  | 37,372  | 37,746  |
| Subtotal   | 308,804 | 222,057 | 214,745 | 219,039 | 223,420 | 227,889 | 232,446 | 234,771 | 237,119 | 239,490 | 241,885 | 244,304 |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                       |         |         |         |         |         |         |         |         |         |         |         |         |
| Consumer Shows/ Trade Shows  | 26,489  | 7,588   | 7,740   | 7,895   | 8,052   | 8,213   | 8,378   | 8,462   | 8,546   | 8,632   | 8,718   | 8,805   |
| Banquet/ Other   | 5,997   | 4,620   | 4,712   | 4,807   | 4,903   | 5,001   | 5,101   | 5,152   | 5,203   | 5,255   | 5,308   | 5,361   |
| Meetings   | 34,444  | 24,954  | 25,453  | 25,962  | 26,481  | 27,011  | 27,551  | 27,827  | 28,105  | 28,386  | 28,670  | 28,957  |
| Subtotal   | 66,930  | 37,162  | 37,905  | 38,663  | 39,437  | 40,225  | 41,030  | 41,440  | 41,855  | 42,273  | 42,696  | 43,123  |
| Facility Total   | 375,734 | 259,219 | 252,650 | 257,703 | 262,857 | 268,114 | 273,476 | 276,211 | 278,973 | 281,763 | 284,581 | 287,426 |

Source: Pensacola Civic Center, Johnson Consulting

Table 7-6

| Pensacola Civic Center, Pensacola, Florida   |                |                |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|--|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Historical and Projected Revenues and Expenses Summary (\$000) - Scenario 1 with Hockey Games with Naming Rights |                |                |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| FY Ending Sep 30,  | 2007           | 2008           | 2009           | 2010             | 2011E            | 2012             | 2013             | 2014             | 2015             | 2016             | 2017             | 2018             | 2019             | 2020             | 2021             |
| <b>Event Income</b>  |                |                |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Direct Event Income  | \$354          | \$298          | \$447          | \$553            | \$438            | \$281            | \$294            | \$308            | \$322            | \$337            | \$350            | \$363            | \$377            | \$391            | \$406            |
| Net Services Income  | 476            | 308            | 302            | (3)              | (33)             | 134              | 140              | 146              | 152              | 159              | 165              | 171              | 177              | 184              | 191              |
| Net Ancillary Income   | 872            | 656            | 546            | 709              | 778              | 550              | 577              | 605              | 635              | 667              | 693              | 721              | 750              | 780              | 811              |
| Total Event Income   | <b>\$1,701</b> | <b>\$1,262</b> | <b>\$1,294</b> | <b>\$1,259</b>   | <b>\$1,183</b>   | <b>\$965</b>     | <b>\$1,011</b>   | <b>\$1,059</b>   | <b>\$1,110</b>   | <b>\$1,163</b>   | <b>\$1,208</b>   | <b>\$1,255</b>   | <b>\$1,304</b>   | <b>\$1,355</b>   | <b>\$1,407</b>   |
| <b>Other Income*</b>   | \$383          | \$339          | \$250          | \$371            | \$382            | \$394            | \$406            | \$418            | \$430            | \$443            | \$457            | \$470            | \$484            | \$499            | \$514            |
| <b>Naming Rights</b>   | \$0            | \$0            | \$0            | \$0              | \$0              | \$250            | \$250            | \$250            | \$250            | \$250            | \$250            | \$250            | \$250            | \$250            | \$250            |
| <b>Adjusted Gross Income</b>   | <b>\$2,084</b> | <b>\$1,602</b> | <b>\$1,545</b> | <b>\$1,630</b>   | <b>\$1,565</b>   | <b>\$1,609</b>   | <b>\$1,666</b>   | <b>\$1,727</b>   | <b>\$1,790</b>   | <b>\$1,856</b>   | <b>\$1,914</b>   | <b>\$1,975</b>   | <b>\$2,038</b>   | <b>\$2,104</b>   | <b>\$2,171</b>   |
| <b>Indirect Expenses</b>   |                |                |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Employee Wages and Benefits  | \$2,637        | \$2,441        | \$1,923        | \$2,421          | \$2,494          | \$2,568          | \$2,645          | \$2,725          | \$2,807          | \$2,891          | \$2,978          | \$3,067          | \$3,159          | \$3,254          | \$3,351          |
| Operations Expenses  | 87             | 78             | 64             | 87               | 89               | 92               | 95               | 98               | 101              | 104              | 107              | 110              | 113              | 117              | 120              |
| Repairs & Maintenance  | 94             | 22             | 65             | 75               | 77               | 79               | 82               | 84               | 87               | 89               | 92               | 95               | 98               | 100              | 103              |
| Supplies   | 183            | 117            | 106            | 135              | 139              | 143              | 147              | 152              | 156              | 161              | 166              | 171              | 176              | 181              | 186              |
| Insurance  | 70             | 78             | 71             | 53               | 55               | 57               | 58               | 60               | 62               | 64               | 66               | 67               | 70               | 72               | 74               |
| Utilities  | 625            | 607            | 471            | 771              | 794              | 818              | 842              | 868              | 894              | 920              | 948              | 976              | 1,006            | 1,036            | 1,067            |
| General & Administrative   | 163            | 139            | 119            | 290              | 298              | 307              | 316              | 326              | 336              | 346              | 356              | 367              | 378              | 389              | 401              |
| Labor & Expense Allocation   | (1,232)        | (1,049)        | (786)          | (1,147)          | (1,181)          | (1,217)          | (1,253)          | (1,291)          | (1,330)          | (1,370)          | (1,411)          | (1,453)          | (1,497)          | (1,541)          | (1,588)          |
| Subtotal   | <b>\$2,627</b> | <b>\$2,433</b> | <b>\$2,032</b> | <b>\$2,684</b>   | <b>\$2,764</b>   | <b>\$2,847</b>   | <b>\$2,933</b>   | <b>\$3,021</b>   | <b>\$3,111</b>   | <b>\$3,205</b>   | <b>\$3,301</b>   | <b>\$3,400</b>   | <b>\$3,502</b>   | <b>\$3,607</b>   | <b>\$3,715</b>   |
| <b>Net Operating Income (Loss)</b>   | <b>(\$543)</b> | <b>(\$831)</b> | <b>(\$488)</b> | <b>(\$1,054)</b> | <b>(\$1,199)</b> | <b>(\$1,239)</b> | <b>(\$1,266)</b> | <b>(\$1,294)</b> | <b>(\$1,321)</b> | <b>(\$1,349)</b> | <b>(\$1,386)</b> | <b>(\$1,425)</b> | <b>(\$1,464)</b> | <b>(\$1,503)</b> | <b>(\$1,544)</b> |
| <b>TDC Transfer and Capital Contribution**</b>   | <b>\$197</b>   | <b>\$774</b>   | <b>\$751</b>   | <b>\$1,084</b>   | <b>\$1,199</b>   | <b>\$1,239</b>   | <b>\$1,266</b>   | <b>\$1,294</b>   | <b>\$1,321</b>   | <b>\$1,349</b>   | <b>\$1,386</b>   | <b>\$1,425</b>   | <b>\$1,464</b>   | <b>\$1,503</b>   | <b>\$1,544</b>   |
| <b>NOI After TDC Transfer and Capital Contribution</b>   | <b>(\$345)</b> | <b>(\$58)</b>  | <b>\$263</b>   | <b>\$30</b>      | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       | <b>\$0</b>       |

\*Excluding TDC Transfer and Capital Contribution.  
 \*\*Reflects the amount of TDC Transfer and Capital Contribution that is needed to keep the Civic Center break-even.  
 Source: Pensacola Civic Center, Johnson Consulting

As shown on the table, in FYE 2016, Scenario 1 is projected to generate 273,476 attendees and result in a significant operating loss that would require approximately \$1.3 million of TDC Transfer and Capital Contribution to make the Civic Center break-even.

### Scenario 2 – Without Ice Hockey Games

Scenario 2 assumes no Ice Hockey team as a tenant. Instead, the Civic Center will accommodate more entertainment events, concerts, and performing arts shows, as well as more consumer shows and trade shows. Average attendance is assumed to grow by 2.5 percent annually, then by 1 percent annually starting in FYE 2017. Similar to the methods in Scenario 1, the projected event income is based on the average event income statistics described in Section 5 (direct event income, net services income, and net ancillary income), adjusted by inflation rate of 3 percent. However, in Scenario 2, more events with higher income-generating potential are driving more revenues to Civic Center. To be conservative, indirect expenses are based off historic 2009 expenses, which was a non hockey tenant year; the projections grow with the inflationary rate.

Table 7-7 through Table 7-9 show the projected event demand, attendance, and revenues and expenses summary.

Table 7-7

| Pensacola Civic Center, Pensacola, Florida                              |      |       |      |      |      |      |      |      |      |      |      |      |
|---|------|-------|------|------|------|------|------|------|------|------|------|------|
| Historical and Projected Event Demand - Scenario 2 without Hockey Games |      |       |      |      |      |      |      |      |      |      |      |      |
| FY Ending Sep 30,   | 2007 | 2011E | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| <b>Arena Oriented Events</b>  |      |       |      |      |      |      |      |      |      |      |      |      |
| Sporting Events - Hockey  | 36   | 41    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |
| Sporting Events - Non-Hockey  | 2    | 4     | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    |
| Assembly/ Graduations   | 13   | 9     | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    |
| Entertainment Events  | 8    | 6     | 12   | 12   | 15   | 15   | 18   | 18   | 18   | 18   | 18   | 18   |
| Concerts/ Performing Arts   | 15   | 27    | 15   | 15   | 22   | 22   | 22   | 22   | 22   | 22   | 22   | 22   |
| Family Events   | 20   | 7     | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   | 12   |
| Subtotal  | 94   | 94    | 52   | 52   | 62   | 62   | 65   | 65   | 65   | 65   | 65   | 65   |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                            |      |       |      |      |      |      |      |      |      |      |      |      |
| Consumer Shows/ Trade Shows   | 20   | 8     | 12   | 12   | 15   | 15   | 18   | 18   | 18   | 18   | 18   | 18   |
| Banquet/ Other  | 8    | 5     | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    |
| Meetings  | 534  | 486   | 486  | 486  | 486  | 486  | 486  | 486  | 486  | 486  | 486  | 486  |
| Subtotal  | 562  | 499   | 503  | 503  | 506  | 506  | 509  | 509  | 509  | 509  | 509  | 509  |
| Total   | 656  | 593   | 555  | 555  | 568  | 568  | 574  | 574  | 574  | 574  | 574  | 574  |

Source: Pensacola Civic Center, Johnson Consulting

Table 7-8

| Pensacola Civic Center, Pensacola, Florida                            |         |         |         |         |         |         |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Historical and Projected Attendance - Scenario 2 without Hockey Games |         |         |         |         |         |         |         |         |         |         |         |         |
| FY Ending Sep 30,   | 2007    | 2011E   | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    | 2021    |
| <b>Arena Oriented Events</b>  |         |         |         |         |         |         |         |         |         |         |         |         |
| Sporting Events - Hockey  | 77,289  | 67,636  | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       |
| Sporting Events - Non-Hockey  | 5,900   | 11,689  | 11,981  | 12,281  | 12,588  | 12,902  | 13,225  | 13,357  | 13,491  | 13,626  | 13,762  | 13,900  |
| Assembly/ Graduations   | 82,792  | 62,576  | 64,140  | 65,744  | 67,388  | 69,072  | 70,799  | 71,507  | 72,222  | 72,944  | 73,674  | 74,410  |
| Entertainment Events  | 34,753  | 16,043  | 32,888  | 33,710  | 43,191  | 44,271  | 54,454  | 54,998  | 55,548  | 56,104  | 56,665  | 57,231  |
| Concerts/ Performing Arts   | 65,909  | 45,138  | 25,704  | 26,346  | 39,607  | 40,597  | 41,612  | 42,028  | 42,449  | 42,873  | 43,302  | 43,735  |
| Family Events   | 42,161  | 18,975  | 33,342  | 34,175  | 35,030  | 35,905  | 36,803  | 37,171  | 37,543  | 37,918  | 38,297  | 38,680  |
| Subtotal  | 308,804 | 222,057 | 168,055 | 172,257 | 197,803 | 202,749 | 216,893 | 219,062 | 221,252 | 223,465 | 225,700 | 227,957 |
| <b>Exhibit Hall/ Meeting Oriented Events</b>                          |         |         |         |         |         |         |         |         |         |         |         |         |
| Consumer Shows/ Trade Shows   | 26,489  | 7,588   | 11,667  | 11,958  | 15,321  | 15,704  | 19,317  | 19,510  | 19,705  | 19,902  | 20,101  | 20,302  |
| Banquet/ Other  | 5,997   | 4,620   | 4,736   | 4,854   | 4,975   | 5,100   | 5,227   | 5,279   | 5,332   | 5,385   | 5,439   | 5,494   |
| Meetings  | 34,444  | 24,954  | 25,578  | 26,217  | 26,873  | 27,545  | 28,233  | 28,515  | 28,801  | 29,089  | 29,380  | 29,673  |
| Subtotal  | 66,930  | 37,162  | 41,980  | 43,029  | 47,169  | 48,349  | 52,777  | 53,305  | 53,838  | 54,376  | 54,920  | 55,469  |
| Facility Total  | 375,734 | 259,219 | 210,035 | 215,286 | 244,973 | 251,097 | 269,670 | 272,366 | 275,090 | 277,841 | 280,619 | 283,426 |

Source: Pensacola Civic Center, Johnson Consulting

Table 7-9

| Pensacola Civic Center, Pensacola, Florida   |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
|--|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Historical and Projected Revenues and Expenses Summary (\$000) - Scenario 2 without Hockey Games |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
| FY Ending Sep 30,  | 2007           | 2008           | 2009           | 2010             | 2011E          | 2012           | 2013           | 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020           | 2021           |
| <b>Event Income</b>  |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
| Direct Event Income  | \$354          | \$298          | \$447          | \$553            | \$438          | \$357          | \$375          | \$463          | \$487          | \$552          | \$574          | \$596          | \$619          | \$643          | \$668          |
| Net Services Income  | 476            | 308            | 302            | (3)              | (33)           | 209            | 219            | 281            | 295            | 327            | 340            | 353            | 367            | 381            | 396            |
| Net Ancillary Income   | 872            | 656            | 546            | 709              | 778            | 462            | 487            | 619            | 653            | 742            | 772            | 803            | 835            | 868            | 903            |
| Total Event Income   | <b>\$1,701</b> | <b>\$1,262</b> | <b>\$1,294</b> | <b>\$1,259</b>   | <b>\$1,183</b> | <b>\$1,028</b> | <b>\$1,082</b> | <b>\$1,362</b> | <b>\$1,434</b> | <b>\$1,621</b> | <b>\$1,685</b> | <b>\$1,752</b> | <b>\$1,820</b> | <b>\$1,892</b> | <b>\$1,966</b> |
| <b>Other Income*</b>   | \$383          | \$339          | \$250          | \$371            | \$382          | \$258          | \$265          | \$273          | \$282          | \$290          | \$299          | \$308          | \$317          | \$326          | \$336          |
| <b>Adjusted Gross Income</b>   | <b>\$2,084</b> | <b>\$1,602</b> | <b>\$1,545</b> | <b>\$1,630</b>   | <b>\$1,565</b> | <b>\$1,285</b> | <b>\$1,347</b> | <b>\$1,635</b> | <b>\$1,716</b> | <b>\$1,912</b> | <b>\$1,984</b> | <b>\$2,059</b> | <b>\$2,137</b> | <b>\$2,218</b> | <b>\$2,303</b> |
| <b>Indirect Expenses</b>   |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
| Employee Wages and Benefits  | \$2,637        | \$2,441        | \$1,923        | \$2,421          | \$2,494        | \$1,980        | \$2,040        | \$2,101        | \$2,164        | \$2,229        | \$2,296        | \$2,365        | \$2,436        | \$2,509        | \$2,584        |
| Operations Expenses  | 87             | 78             | 64             | 87               | 89             | 65             | 67             | 69             | 71             | 74             | 76             | 78             | 80             | 83             | 85             |
| Repairs & Maintenance  | 94             | 22             | 65             | 75               | 77             | 67             | 69             | 71             | 73             | 75             | 78             | 80             | 82             | 85             | 87             |
| Supplies   | 183            | 117            | 106            | 135              | 139            | 109            | 113            | 116            | 120            | 123            | 127            | 131            | 135            | 139            | 143            |
| Insurance  | 70             | 78             | 71             | 53               | 55             | 73             | 75             | 77             | 80             | 82             | 84             | 87             | 90             | 92             | 95             |
| Utilities  | 625            | 607            | 471            | 771              | 794            | 485            | 500            | 515            | 530            | 546            | 563            | 579            | 597            | 615            | 633            |
| General & Administrative   | 163            | 139            | 119            | 290              | 298            | 123            | 127            | 130            | 134            | 138            | 142            | 147            | 151            | 156            | 160            |
| Labor & Expense Allocation   | (1,232)        | (1,049)        | (786)          | (1,147)          | (1,181)        | (810)          | (834)          | (859)          | (885)          | (911)          | (939)          | (967)          | (996)          | (1,026)        | (1,056)        |
| Subtotal   | <b>\$2,627</b> | <b>\$2,433</b> | <b>\$2,032</b> | <b>\$2,684</b>   | <b>2,764</b>   | <b>2,093</b>   | <b>2,156</b>   | <b>2,221</b>   | <b>2,288</b>   | <b>2,356</b>   | <b>2,427</b>   | <b>2,500</b>   | <b>2,575</b>   | <b>2,652</b>   | <b>2,731</b>   |
| <b>Net Operating Income (Loss)</b>   | <b>(\$543)</b> | <b>(\$831)</b> | <b>(\$488)</b> | <b>(\$1,054)</b> | <b>(1,199)</b> | <b>(808)</b>   | <b>(809)</b>   | <b>(586)</b>   | <b>(572)</b>   | <b>(445)</b>   | <b>(443)</b>   | <b>(440)</b>   | <b>(437)</b>   | <b>(433)</b>   | <b>(429)</b>   |
| <b>TDC Transfer and Capital Contribution**</b>   | <b>\$197</b>   | <b>\$774</b>   | <b>\$751</b>   | <b>\$1,084</b>   | <b>\$1,199</b> | <b>\$808</b>   | <b>\$809</b>   | <b>\$586</b>   | <b>\$572</b>   | <b>\$445</b>   | <b>\$443</b>   | <b>\$440</b>   | <b>\$437</b>   | <b>\$433</b>   | <b>\$429</b>   |
| <b>NOI After TDC Transfer and Capital Contribution</b>   | <b>(\$345)</b> | <b>(\$58)</b>  | <b>\$263</b>   | <b>\$30</b>      | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

\*Excluding TDC Transfer and Capital Contribution.

\*\*Reflects the amount of TDC Transfer and Capital Contribution that is needed to keep the Civic Center break-even.

Source: Pensacola Civic Center, Johnson Consulting

As shown on the table, in FYE 2016, Scenario 2 is projected to generate 269,670 attendees (about the same level of attendance as Scenario 1), but result in smaller – and ever decreasing – operating loss. Even without any naming rights revenues, in FYE 2016, the Civic Center is projected to require approximately \$445,000 of TDC Transfer and Capital Contribution to make it break-even. This is significantly less than the \$1.3 million required in Scenario 1 (with Hockey and with naming rights).

### Scenario 3 – Without Hockey; With Naming Rights

Table 7-10 on the following page shows the projected proforma in a third scenario without hockey but including a naming rights package. Naming rights potential for Pensacola appears to be in the range from \$250,000 to \$300,000 for 10 years. To be more conservative, the projections use a \$250,000 naming rights revenue. (The event demand and attendance projections in this Scenario 3 are the same as those in Scenario 2.)

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EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

**Table 7-10**

| <b>Pensacola Civic Center, Pensacola, Florida</b>  |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
|--|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Historical and Projected Revenues and Expenses Summary (\$000) - Scenario 3 without Hockey Games but with Naming Rights</b> |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
| <i>FY Ending Sep 30,</i>   | <b>2007</b>    | <b>2008</b>    | <b>2009</b>    | <b>2010</b>      | <b>2011E</b>   | <b>2012</b>    | <b>2013</b>    | <b>2014</b>    | <b>2015</b>    | <b>2016</b>    | <b>2017</b>    | <b>2018</b>    | <b>2019</b>    | <b>2020</b>    | <b>2021</b>    |
| <b>Event Income</b>  |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
| Direct Event Income  | \$354          | \$298          | \$447          | \$553            | \$438          | \$357          | \$375          | \$463          | \$487          | \$552          | \$574          | \$596          | \$619          | \$643          | \$668          |
| Net Services Income  | 476            | 308            | 302            | (3)              | (33)           | 209            | 219            | 281            | 295            | 327            | 340            | 353            | 367            | 381            | 396            |
| Net Ancillary Income   | 872            | 656            | 546            | 709              | 778            | 462            | 487            | 619            | 653            | 742            | 772            | 803            | 835            | 868            | 903            |
| Total Event Income   | <b>\$1,701</b> | <b>\$1,262</b> | <b>\$1,294</b> | <b>\$1,259</b>   | <b>\$1,183</b> | <b>\$1,028</b> | <b>\$1,082</b> | <b>\$1,362</b> | <b>\$1,434</b> | <b>\$1,621</b> | <b>\$1,685</b> | <b>\$1,752</b> | <b>\$1,820</b> | <b>\$1,892</b> | <b>\$1,966</b> |
| <b>Other Income*</b>   | \$383          | \$339          | \$250          | \$371            | \$382          | \$258          | \$265          | \$273          | \$282          | \$290          | \$299          | \$308          | \$317          | \$326          | \$336          |
| <b>Naming Rights</b>   | \$0            | \$0            | \$0            | \$0              | \$0            | \$250          | \$250          | \$250          | \$250          | \$250          | \$250          | \$250          | \$250          | \$250          | \$250          |
| <b>Adjusted Gross Income</b>   | <b>\$2,084</b> | <b>\$1,602</b> | <b>\$1,545</b> | <b>\$1,630</b>   | <b>\$1,565</b> | <b>\$1,535</b> | <b>\$1,597</b> | <b>\$1,885</b> | <b>\$1,966</b> | <b>\$2,162</b> | <b>\$2,234</b> | <b>\$2,309</b> | <b>\$2,387</b> | <b>\$2,468</b> | <b>\$2,553</b> |
| <b>Indirect Expenses</b>   |                |                |                |                  |                |                |                |                |                |                |                |                |                |                |                |
| Employee Wages and Benefits  | \$2,637        | \$2,441        | \$1,923        | \$2,421          | \$2,494        | \$1,980        | \$2,040        | \$2,101        | \$2,164        | \$2,229        | \$2,296        | \$2,365        | \$2,436        | \$2,509        | \$2,584        |
| Operations Expenses  | 87             | 78             | 64             | 87               | 89             | 65             | 67             | 69             | 71             | 74             | 76             | 78             | 80             | 83             | 85             |
| Repairs & Maintenance  | 94             | 22             | 65             | 75               | 77             | 67             | 69             | 71             | 73             | 75             | 78             | 80             | 82             | 85             | 87             |
| Supplies   | 183            | 117            | 106            | 135              | 139            | 109            | 113            | 116            | 120            | 123            | 127            | 131            | 135            | 139            | 143            |
| Insurance  | 70             | 78             | 71             | 53               | 55             | 73             | 75             | 77             | 80             | 82             | 84             | 87             | 90             | 92             | 95             |
| Utilities  | 625            | 607            | 471            | 771              | 794            | 485            | 500            | 515            | 530            | 546            | 563            | 579            | 597            | 615            | 633            |
| General & Administrative   | 163            | 139            | 119            | 290              | 298            | 123            | 127            | 130            | 134            | 138            | 142            | 147            | 151            | 156            | 160            |
| Labor & Expense Allocation   | (1,232)        | (1,049)        | (786)          | (1,147)          | (1,181)        | (810)          | (834)          | (859)          | (885)          | (911)          | (939)          | (967)          | (996)          | (1,026)        | (1,056)        |
| Subtotal   | <b>\$2,627</b> | <b>\$2,433</b> | <b>\$2,032</b> | <b>\$2,684</b>   | <b>2,764</b>   | <b>2,093</b>   | <b>2,156</b>   | <b>2,221</b>   | <b>2,288</b>   | <b>2,356</b>   | <b>2,427</b>   | <b>2,500</b>   | <b>2,575</b>   | <b>2,652</b>   | <b>2,731</b>   |
| <b>Net Operating Income (Loss)</b>   | <b>(\$543)</b> | <b>(\$831)</b> | <b>(\$488)</b> | <b>(\$1,054)</b> | <b>(1,199)</b> | <b>(558)</b>   | <b>(559)</b>   | <b>(336)</b>   | <b>(322)</b>   | <b>(195)</b>   | <b>(193)</b>   | <b>(190)</b>   | <b>(187)</b>   | <b>(183)</b>   | <b>(179)</b>   |
| <b>TDC Transfer and Capital Contribution**</b>   | <b>\$197</b>   | <b>\$774</b>   | <b>\$751</b>   | <b>\$1,084</b>   | <b>\$1,199</b> | <b>\$558</b>   | <b>\$559</b>   | <b>\$336</b>   | <b>\$322</b>   | <b>\$195</b>   | <b>\$193</b>   | <b>\$190</b>   | <b>\$187</b>   | <b>\$183</b>   | <b>\$179</b>   |
| <b>NOI After TDC Transfer and Capital Contribution</b>   | <b>(\$345)</b> | <b>(\$58)</b>  | <b>\$263</b>   | <b>\$30</b>      | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

*\*Excluding TDC Transfer and Capital Contribution.*  
*\*\*Reflects the amount of TDC Transfer and Capital Contribution that is needed to keep the Civic Center break-even.*  
 Source: Pensacola Civic Center, Johnson Consulting



As shown on the table, naming rights revenue in Scenario 3 is projected to further decrease the amount of TDC Transfer and Capital Contribution that is needed for operational support. However, as indicated in the above text, the "TDC Transfer and Capital Contribution" line item does NOT include all County subsidies such as Management Fee and Insurance

### **Long Term Fourth Option: A New Separate Exhibit Center**

As discussed previously, one of the constraining factors in the Pensacola Civic Center is the lack of a dedicated exhibit hall. Consumer and flat floor shows held at the Center consume dates that could be used for programming that is better suited for an arena facility and have a higher revenue contribution than the typical consumer show. Management has stated that 15 Friday and Saturday dates are consumed by these shows on an annual basis. If an exhibit hall or conference center was added to inventory in Pensacola or Escambia County, these events could shift to a more appropriate venue and free up dates for concerts, family shows, and sports events. Increased date availability will decrease the overall number of dark days at the facility that include move in and move out days for consumer shows. When discussed with advisory board, the idea of additional capital dollars being allocated to the Civic Center was not perceived to be a favorable agenda for the County at this time. Although, additional spending may not fit well with the current economic plan of the county, it should be a consideration for the long term Master Plan of the Pensacola Civic Center.

## Summary of Scenarios

Table 7-11 below provides a summary of the historical and projected operations in both with and without hockey scenarios.

**Table 7-11**

| Pensacola Civic Center- Scenario Summary     |                 |              |                |                         |                |                |                            |              |              |
|--|-----------------|--------------|----------------|-------------------------|----------------|----------------|----------------------------|--------------|--------------|
|  | Historical Data |              |                | Scenario 1- With Hockey |                |                | Scenario 2- Without Hockey |              |              |
|  | 2008            | 2009         | 2010           | Year 1                  | Year 5         | Year 10        | Year 1                     | Year 5       | Year 10      |
| <b>Arena Oriented Events</b>                 |                 |              |                |                         |                |                |                            |              |              |
| Sporting Events - Hockey                     | 36              | 0            | 35             | 41                      | 41             | 41             | 0                          | 0            | 0            |
| Sporting Events - Non-Hockey                 | 4               | 4            | 5              | 4                       | 4              | 4              | 4                          | 4            | 4            |
| Assembly/ Graduations                        | 10              | 22           | 10             | 9                       | 9              | 9              | 9                          | 9            | 9            |
| Entertainment Events                         | 6               | 11           | 6              | 6                       | 6              | 6              | 12                         | 18           | 18           |
| Concerts/ Performing Arts                    | 15              | 11           | 11             | 12                      | 12             | 12             | 15                         | 22           | 22           |
| Family Events                                | 9               | 9            | 10             | 12                      | 12             | 12             | 12                         | 12           | 12           |
| Subtotal                                     | 80              | 57           | 77             | 84                      | 84             | 84             | 52                         | 65           | 65           |
| <b>Exhibit Hall/ Meeting Oriented Events</b> |                 |              |                |                         |                |                |                            |              | 0            |
| Consumer Shows/ Trade Shows                  | 18              | 18           | 10             | 8                       | 8              | 8              | 12                         | 18           | 18           |
| Banquet/ Other                               | 5               | 5            | 5              | 5                       | 5              | 5              | 5                          | 5            | 5            |
| Meetings                                     | 549             | 507          | 487            | 486                     | 486            | 486            | 486                        | 486          | 486          |
| Subtotal                                     | 572             | 530          | 502            | 499                     | 499            | 499            | 503                        | 509          | 509          |
| <b>Total Events</b>                          | 652             | 587          | 579            | 583                     | 583            | 583            | 555                        | 574          | 574          |
| <b>Total Attendance</b>                      | 323,136         | 260,203      | 277,572        | 252,650                 | 273,476        | 287,426        | 210,035                    | 269,670      | 283,426      |
| <b>Total Revenues*</b>                       | \$1,602         | \$1,545      | \$1,630        | \$1,609                 | \$1,856        | \$2,171        | \$1,535                    | \$2,162      | \$2,553      |
| <b>Total Expenses</b>                        | \$2,433         | \$2,032      | \$2,684        | \$2,847                 | \$3,205        | \$3,715        | \$2,093                    | \$2,356      | \$2,731      |
| <b>NOI</b>                                   | (\$831)         | (\$488)      | (\$1,054)      | (\$1,239)               | (\$1,349)      | (\$1,544)      | (\$558)                    | (\$195)      | (\$179)      |
| <b>TDC Transfer/County Contribution**</b>    | <b>\$774</b>    | <b>\$751</b> | <b>\$1,084</b> | <b>\$1,239</b>          | <b>\$1,349</b> | <b>\$1,544</b> | <b>\$558</b>               | <b>\$195</b> | <b>\$179</b> |

\* Reflects Revenues with Naming Rights

\*\*Reflects the amount of TDC Transfer and Capital Contribution that is needed to keep the Civic Center break-even, does NOT include all County subsidies such as Management Fee, Insurance, Administrative etc...

Source: SMG, Johnson Consulting

The table above shows the projected NOI and “TDC Transfer and County Contribution” for both scenarios, while including a naming rights deal, estimated at approximately \$250,000 per year. In Scenario 1 with Hockey, the Net Operating Income (NOI) shows a steady increase in deficit from Year 1 of \$1.2 million to Year 5 (Stabilization year) of \$1.3 million deficit. In order to justify the projected increase or decrease of the TDC transfer, it was calculated by the amount needed to make the facility operate at a break-even. In Scenario 2 without Hockey, the NOI shows a decrease in deficit from Year 1 of \$558,000 to Year 5 of \$195,000 deficit. Thus, meaning, with the elimination of the hockey and the sale of naming rights for the Civic Center, the TDC Transfer support could be as low as approximately \$195,000 in 2016. As noted numerous times throughout the report this TDC transfer does NOT include Management Fee (\$300,000), Reserve (\$200,000), and Insurance

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(\$200,000), as shown the remainder of the County contribution is on average an additional \$700,000 plus the “TDC Transfer/Capital Contribution.”

If we were to take into consideration the additional \$700,000 on average the county contributes on top of the TDC Transfer, Best Case Scenario or Scenario 2, the County contribution would total \$1.2 million in Year 1, \$890,000 in Year 5, and \$879,000 in Year 10. This amount of subsidy is right in line with the market and other stand alone facility throughout the region.



# Civic Center Advisory Committee

Final Recommendations

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# Recommendation #1 – Ice Hockey

- Whereas the Pensacola Ice Flyers have been in violation of Section 17a of their contract for two years, which requires a minimum number of season tickets to be sold, without the required automatic termination being enforced, and because the County has realized a loss of approximately \$200,000 annually directly attributable to hockey, the Committee recommends the following:
  - Renegotiate a one-year lease with the Pensacola Ice Flyers to include the following provisions:
    - A guarantee that the Civic Center will have no direct operating loss as a result of ice hockey. The loss will be determined by Escambia County.
    - Require the Ice Flyers to provide a surety bond or other financial assurance to cover any potential direct losses incurred by the County.
    - Require additional flexibility on dates for both games and practices to maximize use of the facility.
- If a satisfactory contract is not in place by September 1, 2011, terminate the current contract with no future contract.



# Recommendation #2 – Management Services

- Whereas the operating shortfalls are above the industry norms and the contract does not provide incentives to manage the bottom line, the Committee recommends the following:
  - Request an immediate mutual renegotiation of the current management contract for the purpose of having a new contract finalized and adopted by the Board by December 31, 2011.
  - If a successful contract cannot be adopted by December 31, 2011, direct staff to issue a Request for Proposal (RFP) for management services and direct the County Administrator to issue a notice of termination to the current management company by March 31, 2012 with an effective termination date of September 30, 2012.
  - Include an incentive portion of the new management contract that rewards or penalizes the management firm based on bottom line performance rather than on gross revenues.



## Recommendation #3 – Fees and Fee Waivers

- Whereas the Advisory Committee believes that there is a need to minimize loss of revenue and maintain consistency in leasing the facility, the committee recommends the following:
  - Establish a fee structure for both profit and non-profit entities. Once established, adopt an Ordinance that requires a super-majority vote of the Board of County Commissioners to waive or modify any portion of the fee.



# Recommendation #4 – Oversight

- Whereas the Advisory Committee believes there has not been consistent oversight for the Pensacola Civic Center, the committee recommends the following:
  - Establish a single point of contact on County staff responsible for overall contract management and financial reporting.
  - Establish an on-going advisory committee for general oversight and recommendations for capital improvements.





# Recommendation #5 – Long Term Planning

- Whereas the Advisory Committee believes long-term planning is in the Civic Center's best interests, the Committee recommends the following:
  - The City and County enter into discussions regarding a joint management contract for downtown Pensacola's three venues; the Pensacola Civic Center, the Saenger Theater and the Randall K. and Martha A. Hunter Amphitheatre at the Maritime Park.
  - The City and County work together to develop a master plan for the long-term redevelopment of the downtown urban core in relationship to the Pensacola Civic Center.

**Committee of the Whole**

**Item #: 6.**

**Meeting Date:** 07/14/2011

**Issue:** Report on Commissioner Valentino's Economic Development Trip

**From:** Gene Valentino

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**Recommendation:**

Report on Commissioner Valentino's Economic Development Trip (For Discussion No Backup)  
(Comr. Gene Valentino - 15 min)

- A. Board Discussion
  - B. Board Direction
-

**Committee of the Whole**

**Item #: 7.**

**Meeting**

**Date:** 07/14/2011

**Issue:** Fiscal Year 2011-2012 Budget - Outside Agency Funding/Fourth Cent Funding

**From:** Charles R. (Randy) Oliver

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**Recommendation:**

Fiscal Year 2011-2012 Budget - Outside Agency Funding/Fourth Cent Funding

(Randy Oliver - 30 min)

A. Board Discussion

B. Board Direction

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**Attachments**

Outside Agencies Allocations

**ESCAMBIA COUNTY BOARD OF COUNTY COMMISSIONERS  
ALLOCATIONS TO OUTSIDE AGENCIES  
FISCAL YEAR 2011-2012**

| Description                                      | FY '012<br>Amount<br>Proposed | FY '012<br>Amount<br>Requested | FY '011<br>Amount<br>Adopted | FY '010<br>Amount<br>Adopted |
|--|-------------------------------|--------------------------------|------------------------------|------------------------------|
| <b>General Fund</b>                              |                               |                                |                              |                              |
| Council on Aging                                 | \$34,000                      | \$0                            | \$40,000                     | \$40,000                     |
| Escambia Community Clinics <sup>1</sup>          | 431,880                       | 525,000                        | 431,880                      | 231,880                      |
| Escambia County School Readiness Coalition       | 195,500                       | 0                              | 230,000                      | 230,000                      |
| First Call for Help/United Way                   | 29,750                        | 0                              | 35,000                       | 35,000                       |
| Foundations for the Future                       | 400,000                       | 450,000                        | 400,000                      | 402,000                      |
| Gulf Coast African American COC                  | 0                             | 0                              | 0                            | 40,000                       |
| Human Relations Commission                       | 75,395                        | 0                              | 88,700                       | 88,700                       |
| Lakeview   | 26,382                        | 0                              | 31,038                       | 31,038                       |
| NWFL Comprehensive Services for Children         | 70,000                        | 70,000                         | 70,000                       | 70,000                       |
| PEDC   | 150,000                       | 150,000                        | 150,000                      | 150,000                      |
| Pensacola's Promise/Chain Reaction               | 17,000                        | 0                              | 20,000                       | 20,000                       |
| United Way                                       | 81,175                        | 0                              | 95,500                       | 95,500                       |
| Veteran's Services                               | 15,000                        | 0                              | 15,000                       | 15,000                       |
| WFL Regional Planning Council                    | 14,676                        | 19,033                         | 14,676                       | 14,762                       |
| Wildlife Sanctuary <sup>2</sup>                  | 27,693                        | 0                              | 32,580                       | 0                            |
| <b>Total Economic Development Fund</b>           | <b>\$1,568,451</b>            | <b>\$1,214,033</b>             | <b>\$1,654,374</b>           | <b>\$1,463,880</b>           |
| <b>Three Cents Tourist Development Tax</b>       |                               |                                |                              |                              |
| Banks Enterprises                                | 0                             | 385,685                        | 0                            | 0                            |
| Deluna Fest                                      | 0                             | 0                              | 0                            | 0                            |
| Minority Marketing Plan                          | 250,000                       | 0                              | 0                            | 0                            |
| Pensacola Sports Association                     | 230,134                       | 318,480                        | 204,201                      | 225,000                      |
| Perdido Key Chamber of Commerce                  | 172,600                       | 314,600                        | 153,151                      | 175,000                      |
| Pensacola Beach Chamber                          | 0                             | 0                              | 0                            | 50,000                       |
| Pensacola Civic Center                           | 0                             | 500,000                        | 0                            | 0                            |
| Skills USA/Pensacola State College               | 77,500                        | 77,500                         | 0                            | 0                            |
| Visitor's Information Center                     | 1,154,191                     | 1,475,691                      | 1,310,294                    | 1,541,250                    |
| <b>Total Three Cents Tourist Development Tax</b> | <b>\$1,884,425</b>            | <b>\$3,071,956</b>             | <b>\$1,667,646</b>           | <b>\$1,991,250</b>           |
| <b>Fourth Cent Tourist Development Tax</b>       |                               |                                |                              |                              |
| African-American Heritage Society                | \$25,000                      | \$25,000                       | \$25,000                     | \$25,000                     |
| Arts Council                                     | 0                             | 0                              | 0                            | 150,000                      |
| Arts, Culture & Entertainment                    | 165,750                       | 250,000                        | 150,000                      | 0                            |
| Historic Preservation Board                      | 70,000                        | 70,000                         | 70,000                       | 70,000                       |
| Maintenance & Utilities of Artel Facility        | 0                             | 0                              | 50,000                       | 0                            |
| Marine Resources                                 | 152,709                       | 152,709                        | 150,219                      | 149,531                      |
| Naval Aviation Museum                            | 200,000                       | 200,000                        | 200,000                      | 200,000                      |
| Pensacola Chamber/VIC                            | 600,000                       | 600,000                        | 600,000                      | 600,000                      |
| Pensacola Museum of Art                          | 0                             | 15,750                         | 15,000                       | 15,000                       |
| Uncle Sandys' Macaw Park                         | 0                             | 10,000                         | 0                            | 0                            |
| Sertoma 4th of July                              | 0                             | 0                              | 74,219                       | 74,219                       |
| St. Michael's Cemetery                           | 25,000                        | 25,000                         | 25,000                       | 25,000                       |
| <b>Total Fourth Cent Tourist Development Tax</b> | <b>\$1,238,459</b>            | <b>\$1,348,459</b>             | <b>\$1,359,438</b>           | <b>\$1,308,750</b>           |
| <b>Solid Waste Management Fund</b>               |                               |                                |                              |                              |
| Clean & Green                                    | 35,000                        | 40,000                         | 40,000                       | 35,000                       |
| <b>Total Solid Waste Management Fund</b>         | <b>\$35,000</b>               | <b>\$40,000</b>                | <b>\$40,000</b>              | <b>\$35,000</b>              |
| <b>Tree Fund Ordinance Fees</b>                  |                               |                                |                              |                              |
| Wildlife Sanctuary                               | 0                             | 0                              | 0                            | 32,580                       |
| <b>Total Tree Ordinance Fees</b>                 | <b>\$0</b>                    | <b>\$0</b>                     | <b>\$0</b>                   | <b>\$32,580</b>              |

<sup>1</sup> In FY 2011 \$200,000 was supposed to come from the Health Facilities Authority and was later denied, the Sheriff contributed \$150,000 from his fuel budget and \$50,000 came from the General Fund reserves for operating.

<sup>2</sup> The allocation to the Wildlife Sanctuary was funded from the General Fund rather than Tree Fund Ordinance Fees in FY10/11.

ESCAMBIA COUNTY OFFICE OF MANAGEMENT AND BUDGET  
REVENUE CYCLES-TOURIST PROMOTION TAX

| MONTH            | 3 Cents                                    |                                | 3 Cents                                    |  | 3 Cents<br>% Over<br>Budget | 4th Cent                                   |                                 | 4th Cent                     |   | 4th Cent<br>% Over<br>Budget | TOTAL                             |
|------------------|--|--------------------------------|--|--|-----------------------------|--|---------------------------------|------------------------------|---|------------------------------|-----------------------------------|
|                  | BUDGET<br>CUMULATIVE<br>TOTAL<br>9/30/2011 | 3 Cents<br>ACTUAL<br>9/30/2011 | CUMULATIVE<br>ACTUAL<br>TOTAL<br>9/30/2011 | 3 Cents<br>ACTUAL<br>CUMULATIVE<br>VARIANCE<br>9/30/2011 |                             | BUDGET<br>CUMULATIVE<br>TOTAL<br>9/30/2011 | 4th Cent<br>ACTUAL<br>9/30/2011 | ACTUAL<br>Total<br>9/30/2011 | 4th Cent<br>ACTUAL<br>CUMULATIVE<br>VARIANCE<br>9/30/2011 |                              | CUMULATIVE<br>ACTUAL<br>9/30/2011 |
| OCTOBER          | \$278,626                                  | \$321,850                      | \$321,850                                  | \$43,224   | 15.51%                      | \$92,875                                   | \$107,283                       | \$107,283                    | \$14,408  | 15.51%                       | \$429,133                         |
| NOVEMBER         | 515,038                                    | 276,214                        | 598,064                                    | 83,026   | 16.12%                      | 171,679                                    | 92,071                          | 199,354                      | 27,675  | 16.12%                       | 797,418                           |
| <b>DECEMBER</b>  | 724,218                                    | 226,460                        | 824,524                                    | 100,306  | 13.85%                      | 241,406                                    | 75,487                          | 274,841                      | 33,435  | 13.85%                       | 1,099,365                         |
| JANUARY          | 899,134                                    | 195,363                        | 1,019,887                                  | 120,753  | 13.43%                      | 299,711                                    | 65,121                          | 339,962                      | 40,251  | 13.43%                       | 1,359,849                         |
| FEBRUARY         | 1,081,261                                  | 192,262                        | 1,212,149                                  | 130,888  | 12.11%                      | 360,420                                    | 64,087                          | 404,049                      | 43,629  | 12.10%                       | 1,616,198                         |
| <b>MARCH</b>     | 1,296,583                                  | 241,571                        | 1,453,720                                  | 157,137  | 12.12%                      | 432,194                                    | 80,524                          | 484,573                      | 52,379  | 12.12%                       | 1,938,293                         |
| APRIL            | 1,617,327                                  | 397,690                        | 1,851,410                                  | 234,083  | 14.47%                      | 539,109                                    | 132,563                         | 617,136                      | 78,027  | 14.47%                       | 2,468,546                         |
| MAY              | 1,936,683                                  | 417,733                        | 2,269,143                                  | 332,460  | 17.17%                      | 645,561                                    | 139,244                         | 756,380                      | 110,819   | 17.17%                       | 3,025,523                         |
| <b>JUNE</b>      | 2,335,863                                  | 510,038                        | 2,779,181                                  | 443,318  | 18.98%                      | 778,621                                    | 170,013                         | 926,393                      | 147,772   | 18.98%                       | 3,705,574                         |
| JULY             | 2,877,053                                  |                                | 2,779,181                                  | (97,872)   |                             | 959,018                                    |                                 | 926,393                      | (32,625)  |                              | 3,705,574                         |
| AUGUST           | 3,498,761                                  |                                | 2,779,181                                  | (719,580)  |                             | 1,166,254                                  |                                 | 926,393                      | (239,861)   |                              | 3,705,574                         |
| <b>SEPTEMBER</b> | 3,881,250                                  |                                | 2,779,181                                  | (1,102,069)  |                             | 1,293,750                                  |                                 | 926,393                      | (367,357)   |                              | 3,705,574                         |

**Committee of the Whole**

**Item #: 8.**

**Meeting Date:** 07/14/2011

**Issue:** Wetland Mitigation Needs Associated with Forthcoming Road Improvement Projects

**From:** Keith Wilkins, REP

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**Recommendation:**

Wetland Mitigation Needs Associated with Forthcoming Road Improvement Projects

(Keith Wilkins - 10 minutes)

- A. Board Discussion
  - B. Board Direction
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**Attachments**

Wetland Mitigation

# Wetland Mitigation Needs Associated with Forthcoming Road Improvement Projects July 10, 2011

Community & Environment Department  
Water Quality & Land Management Division



# Determining the “Value” of a Wetland

- Method Defined in Chapter 62-345
- Uniform Mitigation Assessment Method (UMAM)
  - Places a numeric value on wetland areas
  - Evaluates “wetland functional loss” at an impact site and “wetland functional gain” at the mitigation site.



# Determining the “Value” of a Wetland

- Calculated by placing values on
  - Location and Landscape Support
  - + Water Environment
  - + Community Structure
  - \* Wetland Acreage
  - = Functional Wetland Units (FWU)
- Mitigation FWU  $\geq$  Impact FWU

# Current Roadway Projects with Wetland Impacts Greater than Three Acres

- Each segment will impact wetlands requiring mitigation from the Florida Department of Environmental Protection / US Army Corps of Engineers

|                      | <u>Wetland Impact / Functional Loss</u> |              |
|----------------------|---|--------------|
| - Sorrento Road      | 29 acres /                              | 17.72        |
| - Blue Angel Parkway | 31 acres /                              | <u>20.85</u> |
| Total                | 60 acres /                              | 38.57        |

# Mitigation Options

## Impact Fee to NFWWMD

- Pursuant to F.S. 373.4137
- \$104,814 per wetland acre of impact
- Approximately \$6.3 million
- NFWWMD responsible for land acquisition, restoration activities, and long-term maintenance costs
- County can help identify and suggest mitigation lands to be acquired

## County Acquisition

- County can request from FDOT and NFWWMD to conduct mitigation activities
- County responsible for land acquisition, restoration activities, and long-term maintenance costs
- May require additional staff to manage mitigation lands and maintain permit compliance

# Mitigation Options

## Development of a ROMA

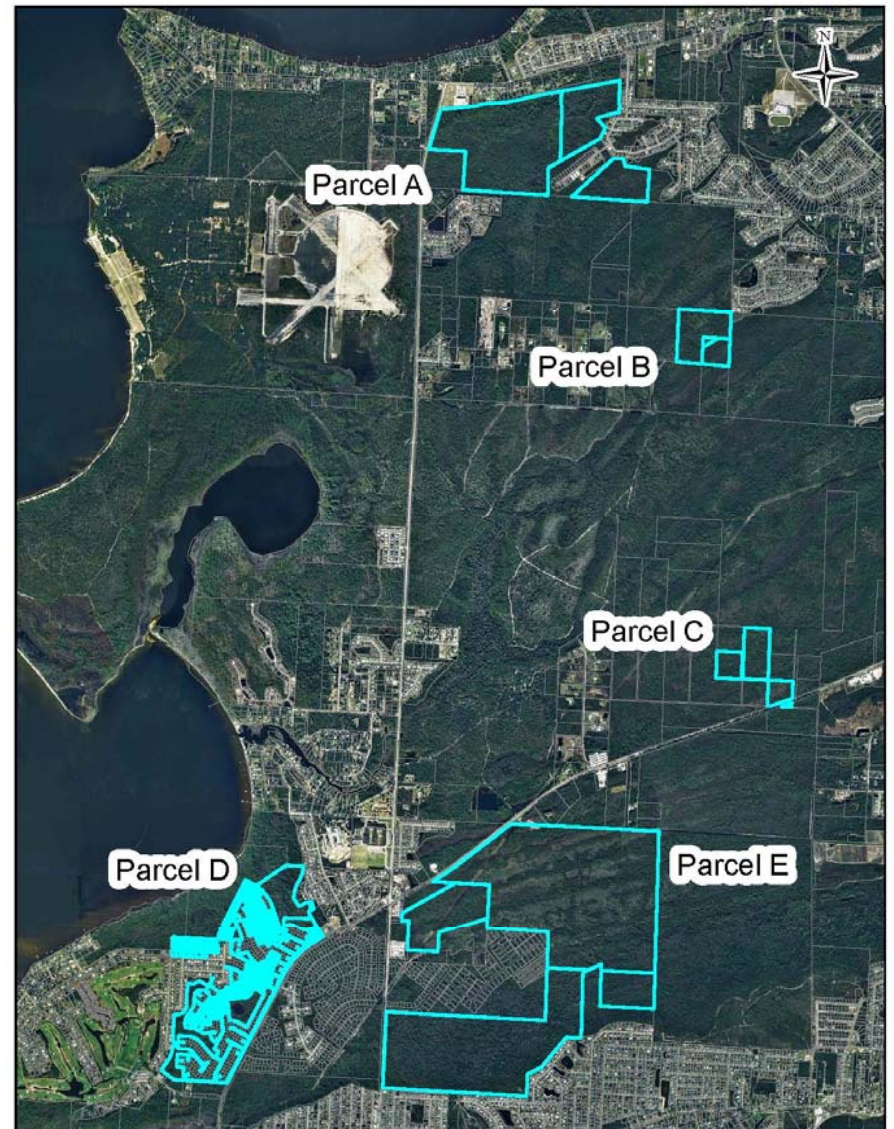
- Regional Off-Site Mitigation Area
- County develops “credits” through management of wetland parcels
- Credits may be utilized by the County or “sold” to private interests to offset wetland impacts (potential revenue)
- Credits will satisfy both FDEP and ACOE permit requirements

## Pilot Project – Jones Swamp

- Utilize lands already owned by the County in Jones Swamp
- Once developed, the County will have a “bank” of credits to utilize for public works projects and could choose to make available to the public
- If successful, the Board could use this option on a larger scale to offset the impacts from Sorrento and Blue Angel

# Potential Mitigation Lands Evaluated Since December 2008

- Parcel A
  - 257 Acres, 27.73 Credits
- Parcel B
  - 60 Acres, 10.16 Credits
- Parcel C
  - 37 Acres, 2.60 Credits
- Parcel D
  - 200 Acres, 30.97 Credits
- Parcel E
  - 350 Acres, 74.60 Credits
- Total Evaluated
  - 904 Acres, 146.06 Credits



# Mitigation Options

## ● Impacts:

- 60 acres
- 38.57 credits functional loss

## ● Mitigation need

- 39 credits
- 136 credits available

## ● Impact Fee to NWFWMMD

## ● County Acquisition

## ● Development of a ROMA

## ● Pilot Project – Jones Swamp

# Conclusions

- There is sufficient acreage of wetlands available to offset impacts due to the roadway improvement projects based on landowner response from a 2008 request from the Board for willing sellers (need ~39 credits, over 136 credits available)
- Additional wetland acreage is available beyond these responses
- If shown effective through the Jones Swamp initiative, further land acquisition and development of a regional ROMA may be the overall option.

# Direction

- Direct staff to develop a ROMA for Jones Swamp as a pilot project
- Direct staff to define costs/revenue to acquire sufficient environmentally sensitive lands to develop a regional ROMA for comparison against paying approximately \$6.3 million to the Water Management District