



**FINANCIAL AND ECONOMIC
IMPACT ASSESSMENT -
La CROSSE CENTER
EXPANSION**

March 7, 2019

Introduction and Summary of Findings

The fund supporting LaCrosse Center operations has consistently operated at a net positive level, while generating significant community-wide economic impact. To support the ability to maintain and enhance market capture, plans have been developed to add ballroom, meeting, lobby and atrium space, as well as various scenarios for replacing the North Hall.

CSL was retained to conduct an analysis of potential future financial operations and economic impacts associated with investment in planned expansion of the LaCrosse Center. Key findings of this analysis include the following.

- With increases in operating revenue and expenses associated with the expansion, the operating surplus for the Center could be reduced by approximately \$41,000 in a mature year of operations.
- Overall, the Center should continue to operate with a net positive financial position on an average annual basis.
- Increases in event activity associated with the expansion are estimated to generate incremental annual economic output for the Lacrosse economy of approximately \$6.3 million.

Assumptions

This financial and economic impact analysis assumes the addition of a 12,000 square foot ballroom, 5,400 square feet of meeting space, approximately 18,000 square feet of combined North Hall/Atrium space and various lobby and support spaces. Changes to this program of space may have an effect on financial and economic impact estimates.

The models developed for this project are based on historical LCC event and financial performance, estimates of potential added event activity and the added program of space. Other key assumptions are described below and on the following pages.

- The model incorporates financial performance for the LCC for the period 2013 to 2018, and uses the 2018 data as a basis for future projections.
- Each expense line item was reviewed in terms of variable versus fixed portions, identifying the share of expense that may be impacted by the expansion project. The variable portion of expenses were then considered in terms of variance based on added space and added event activity.

Assumptions (continued)

- Estimates of the percentage increase in sellable space and flat floor event attendance were then calculated in order to generate estimates of expense increase by line item for the expanded LCC.
- Historical data for LCC revenue per event by event type was developed and applied to estimates of added event activity associated with the project. Historical event data and input from staff was used to assist in quantifying the potential for added LCC event activity associated with the project.
- We note that the LCC expansion/renovation project should be considered as (1) an effort to maintain market capture in an increasingly competitive industry, and (2) modestly increase future event activity.
- Financial operating estimates were aggregated into primary revenue and expense categories. The model was adjusted to reflect a Year 1, Year 2 and Year 3 financial performance, reflective of a typical of an expanded center start-up period.

Assumptions (continued)

Event levels used in this analysis are presented below.

	Start Up Period		
	Year	Year	Year
	1	2	3
Conventions	2	5	8
Trade Shows	1	3	4
Conferences	4	5	6
Weddings	10	12	12
Banquets	10	11	12

Estimates of economic impact incorporate historical data for event day and attendance totals, making modest adjustments for potential larger events associated with the new space. Attendee spending per-day totals are taken from recent past LCC impact studies, which relied on State Tourism Board data.

Economic output multipliers were derived from past LCC impact studies, and appear consistent with other convention industry studies we have conducted. We have also estimated the level of lodging and restaurant industry profit generated by the LCC expansion, assuming a margin on room sales of 55 percent and a margin on restaurant sales of 10 percent.

A summary of historical and estimated future LCC financial operating performance is presented on the following page. We present both the net financial performance for the entire LCC complex, as well as the performance associated with flat floor events.

Financial Operating Results

	2013	2014	2015	2016	2017	2018	Incremental Impacts	Expanded Center Financials	Percentage Chang From 2018
RENTAL	\$424,322	\$393,000	\$370,065	\$385,261	\$424,168	\$427,729			
F&B	740,371	778,518	948,024	875,803	881,738	946,013			
CONVENTION SERVICES	364,012	329,373	375,268	359,993	454,971	476,021			
MISCELLANEOUS	<u>21,713</u>	<u>32,577</u>	<u>30,677</u>	<u>42,215</u>	<u>37,291</u>	<u>37,203</u>			
OPERATING REVENUES	1,550,418	1,533,468	1,724,034	1,663,272	1,798,168	1,886,965			
TRANSFER FROM ROOM TAX	374,055	400,784	447,613	510,000	510,000	535,500			
TOTAL REVENUES (1)	\$1,924,473	\$1,934,252	\$2,171,647	\$2,173,272	\$2,308,168	\$2,422,465	\$326,000	\$2,748,000	13%
SALARIES	\$706,772	\$735,031	\$705,896	\$771,474	\$801,733	\$854,963	\$146,000	\$1,001,000	17%
BENEFITS	428,034	405,254	417,495	445,142	445,208	420,005	71,700	491,700	17%
UTILITIES	335,672	348,489	362,688	381,535	393,131	426,878	96,300	523,200	23%
INSURANCE	84,911	74,848	87,815	92,955	94,293	92,372	16,200	108,600	18%
CONTRACTUAL SERVICES	114,259	123,278	125,554	98,582	100,660	106,294	10,200	116,500	10%
SUPPLIES	170,039	175,076	192,271	179,607	242,689	217,756	18,700	236,500	9%
MISCELLANEOUS	39,310	52,928	41,369	25,998	58,042	37,148	7,600	44,700	20%
TOTAL EXPENSES (1)	\$1,878,998	\$1,914,904	\$1,933,088	\$1,995,292	\$2,135,757	\$2,155,417	\$366,700	\$2,522,200	17%
NET FINANCIAL PERFORMANCE (1)	\$45,475	\$19,348	\$238,559	\$177,980	\$172,411	\$267,049	-\$40,700	\$225,800	
NET PERFORMANCE - FULL LCC COMPLEX	\$188,043	\$148,873	\$342,670	\$290,104	\$203,515	\$341,515			

(1) Includes revenues and expenses associated with flat floor events. Does not include Arena event revenues and expenses.

Financial Operating Results (continued)

As noted on the previous page, the net financial operating performance of the LCC in a mature year (assumed year 3) of operations is estimated to decline by approximately \$40,700, while still maintaining a surplus on an average annual basis. This reflects a 13 percent increase in revenue and a 17 percent increase in operating expenses.

The key drivers of the expense increase include staffing (likely 3 new positions), and utilities. Other expenses including insurance, contracted services, supplies and miscellaneous will also increase modestly.

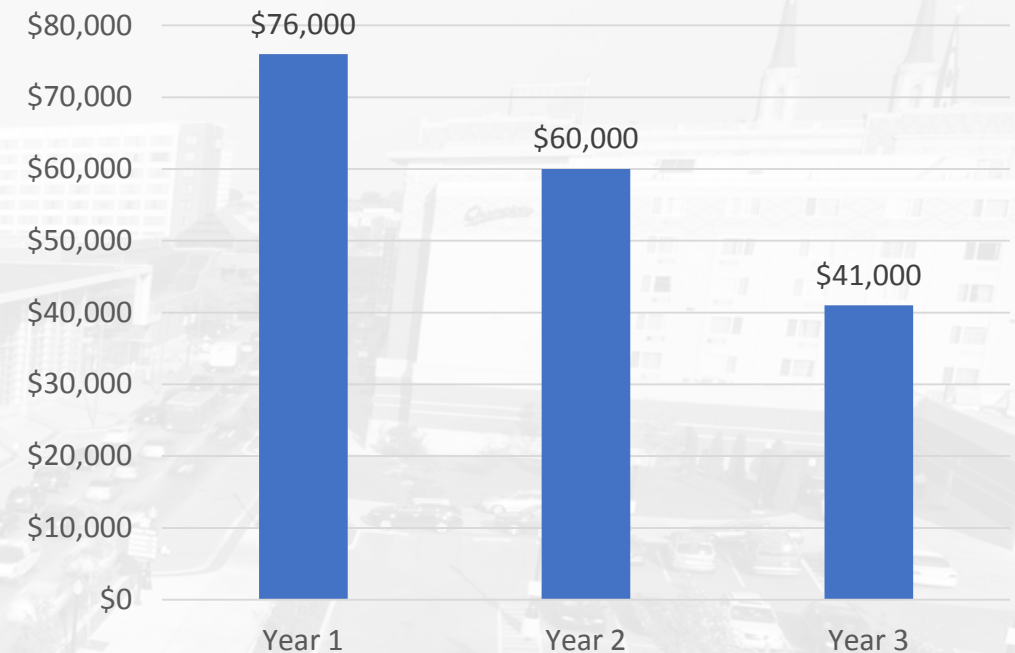
We also note that current staffing levels at the LCC are likely below levels that allow for maximum efficient and effective operations. We observe that management level staff are routinely absorbing line operation responsibilities in order to fill gaps in staffing. Management should consider these limitations in future budgeting processes, ideally funding one to two added positions beyond those needed for the expansion.

Financial Operating Results (continued)

We have also developed an assessment of the “start-up” period for the expanded/improved LCC, with net financial operating impacts summarized in the adjacent exhibit. Given the lead time for booking many conventions and meetings, it is unlikely the LCC will realize full event levels until year 3.

As noted, the need to operate a somewhat larger LCC in years 1 and 2 without the benefit of full event activity increases the impact to net financial operations. Specifically, we suggest planning for a negative financial impact of \$76,000 in year one of expanded/improved LCC operations, and \$60,000 in year 2, before reaching a sustained incremental loss of \$41,000.

Incremental LCC Operating Loss



Economic Impact Assessment

The impact of the LCC is maximized when out-of-town event attendees make purchases in a community while attending an event at the facility. In addition, new spending is generated by the exhibitor base and by the entity producing or hosting the event. It is common in economic impact analysis to aggregate three basic components of spending, as defined below.

- Direct effects consist principally of initial purchases made by delegates or attendees at an event who have arrived from out-of-town. This spending typically takes place in local hotels, restaurants, retail establishments and other such businesses.
- Indirect effects consist of the re-spending of the initial or direct expenditures in the community.
- Induced effects consist of the positive changes in employment, earnings and tax collections generated by changes in population associated with the direct and indirect expenditures.

As previously noted, calculation of direct effects or direct spending is based on estimates of event levels, attendees, spending metrics and related variables. This direct spending is applied to economic impact multipliers in order to measure the indirect and induced spending. Combined, the direct, indirect and induced spending is referred to as total output.

Economic Impact Assessment (continued)

The various measures of economic impact associated with the LCC expansion/improvement project are summarized in the exhibit below.

As presented, the increase in annual direct spending approximates \$4.0 million, with an increase in total output of \$6.3 million when combined with the indirect spending.

Net New Economic Impacts - LCC Expansion

Direct Spending	\$3,953,000
Indirect Spending	\$2,372,000
Total Output	\$6,325,000
Lodging Sector Profit	\$1,293,000
Restaurant Sector Profit	\$53,000

The lodging industry, through increases in room nights and associated revenue, is estimated to benefit by an increase of \$1.3 million in industry profit, assuming a 55% margin in room revenue.

Similarly, the restaurant industry is estimated to benefit by a \$53,000 increase in industry profit, assuming a 10% margin on sales.