



Project Report
Cumberland County Civic Center Analysis

Prepared for
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Portland, Maine

Submitted by
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June 28, 2011
Project No. 60218389

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I. Projected Operations of a Renovated Cumberland County Civic Center

This analysis addresses the future operations of the Cumberland County Civic Center (CCCC) based on the planned renovation of the facility. We review forecasts recently prepared for a renovated facility as well as the actual operations of comparable facilities regionally and nationally, and then provide our own forecasts of future facility operations.

Previous Study and Comparisons to Comparable Facilities and Past CCCC Operations

In October 2010, consulting firms Brailsford & Dunlavey and The Goldwater Group presented an Economic Analysis of Potential Renovation Options to the Cumberland County Civic Center Joint Task Force. The analysis addressed potential renovation options and their operational and financial implications. We focus on the analysis' "Scenario B" renovation option, as it is the one currently being pursued by the County.

In the following text and tables, we present the projections and assumptions compiled in the October 2010 report, as well as actual results of comparable facilities and past results of the CCCC's operations.

Annual Events and Attendance

The following table summarizes actual event demand by type for a set of arenas in the northeastern US and eastern Canada, and facilities located across the country. This demand is compared to the recent CCCC demand and the projected demand in the B&D/Goldwater study. It is important to note that these comparisons are made without further market analysis regarding the comparable facilities' competitive position, local market, quality, event spaces/offerings, and other factors that can influence facility usage.

In addition, not all facilities categorize their events in the same way; however, they have been organized as consistently as possible for the purposes of this analysis. (For example, in the table below, events categorized as "other events" at comparable facilities in some cases may be events such as conventions/trade shows or graduations.) As much as possible, we have also categorized the event types provided by both B&D/Goldwater and the CCCC to match the format used in this analysis.

Table 1: Event Demand

	CCCC 2010 Actual	B&D/ Goldwater Projection	Average of Regional Facilities	Average of National Facilities
# of Seats	6,700	6,700	8,017	9,800
# of Events				
Tenant Events	41	40	35	55
Concerts	10	24	13	12
Family Shows	33	33	11	21
Other Sporting Events	12	21	11	11
Conventions/Trade Shows/Graduations	31	32	2	--
Other Events	3	2	17	33
Total # of Events	130	152	93	132

Source: Individual facilities, Pollstar, AECOM

The following table summarizes actual attendance demand for the comparable arenas, as well as the recent actual attendance for CCCC events and the B&D/Goldwater projections. Similar to the discussion of event demand, attendance can vary based on multiple market-based factors that have not been studied for this analysis, in addition to the tenant's league in the case of hockey.

Table 2: Attendance Demand

	CCCC 2010 Actual	B&D/ Goldwater Projection	Average of All Comp. Arenas
Hockey Tenant	4,455	4,700	3,641
Concerts	4,235	5,625	5,152
Family Shows	1,422	3,818	3,127
<i>Combined Concerts/Family Shows</i>	<i>2,076</i>	<i>4,579</i>	<i>4,034</i>
Other Sporting Events	2,713	1,125	n/a
Conventions/Trade Shows/Gratuations	3,050	1,406	n/a
Other Events	2,407	2,250	3,165

Source: Individual facilities, Pollstar, AECOM

Projected Events and Attendance – Renovated CCCC

The table below summarizes AECOM's projected event and attendance demand for the renovated arena's first ten years, followed by a discussion of each event type and the basis for our assumptions.

These projections are based on past CCCC operations, review of the usage of comparable arenas, and discussions with the design team and arena management regarding variables that are specific to Portland and the CCCC.

Table 3: Projected Event and Attendance Demand of the Renovated CCCC

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
# of Events										
Pirates Games	40	40	40	40	40	40	40	40	40	40
Concerts	12	12	12	12	12	12	12	12	12	12
Family Shows	33	33	33	33	33	33	33	33	33	33
HS/College & Other Sporting Events	12	12	12	12	12	12	12	12	12	12
Tradeshows/Conventions/Graduations	35	35	35	35	35	35	35	35	35	35
Other Events	3	3	3	3	3	3	3	3	3	3
Total	135									
Average Attendance (Paid)										
Pirates Games	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Concerts	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Family Shows	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
HS/College & Other Sporting Events	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900
Tradeshows/Conventions/Graduations	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
Other Events	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Total Attendance (Paid)	465,000									
Average Attendance (Turnstile)										
Pirates Games	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750
Concerts	4,275	4,275	4,275	4,275	4,275	4,275	4,275	4,275	4,275	4,275
Family Shows	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520
HS/College & Other Sporting Events	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842
Tradeshows/Conventions/Graduations	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
Other Events	3,610	3,610	3,610	3,610	3,610	3,610	3,610	3,610	3,610	3,610
Total Attendance (Turnstile)	408,394									

Source: AECOM

- Pirates Games** – the number of regular-season home Pirates games is set by the AHL, which is reducing its schedule from 80 to 76 games starting next year. As a result, the Pirates will play 38 regular-season home games in the future and potentially additional playoff games. In the last five years, the team has averaged a total of 43 home games per year, including playoff games. As a result, the original projection of 41 home games is achievable (the team has played as many as 50 home games in recent years).

The Pirates' regular-season average paid attendance was nearly 4,700 in 2010-11, and has ranged from approximately 4,200 to 5,100 in the last five years. As a result, it appears as though an average of 5,000 is achievable in a renovated facility with new and improved seating and amenities. However, while the previous report assumed that turnstile attendance would be 85 percent of paid attendance, the actual ratio has historically been approximately 75 percent in recent years, and this amount is assumed in the future.

- Concerts** – the previous projection assumed 24 concerts per year. However, in the last five years, the CCCC's number of concerts has decreased every year, from 18 in 2006 to 10 in

2010. As shown above, the comparable facilities have recently averaged 12 to 13 concerts per year, which is more typical in the industry. Based on discussions with facility management, a renovation is not expected to add incremental concert demand to the CCCC. As a result, we project 12 concerts per year in the renovated CCCC.

The previous report projected an average paid attendance for concerts of 5,625. However, in 2010, actual paid attendance at CCCC concerts was approximately 4,300. As a result, we project average paid attendance of 4,500 in the future. We also assume that turnstile attendance will be 95 percent of paid attendance, which was the actual ratio in 2010 and the ratio assumed in the previous report.

- **Family Shows** – the previous projection assumed 33 family show performances per year. This matches the CCCC's actual 2010 demand. Similar to concerts, a renovation is not expected to increase event demand at the CCCC, and it already hosts most of the family shows that it can possibly host. As a result, we assume 33 family shows per year in the future.

The previous report projected average paid attendance of approximately 3,800 for family shows. In 2010 at the CCCC, average paid attendance at these events was approximately 1,425. In the future, we assume an average paid attendance of 1,600, with an allowance of five percent no-shows for turnstile attendance.

- **High School/College and Other Sporting Events** – this category includes high school sports as well as events such as motorcross, wrestling, and college hockey games, all of which were held at the CCCC in 2010. The arena hosted 12 such events last year, down from 21 in 2006. With the loss of some state high school basketball tournament games since 2006, the number of these events held at the CCCC is expected to remain at approximately 12 in the future, and this amount is assumed.

The average paid attendance at these events in 2010 was approximately 2,700, and 2,900 is assumed in the future; turnstile attendance is not counted for most of these events (high school sports in particular). However, we assume that turnstile attendance is 98 percent of paid attendance, assuming that most tickets are bought on-site rather than in advance.

- **Conventions/Trade Shows/Graduations** – the previous projection assumed 32 conventions, trade shows, and graduations per year, which is similar to the CCCC's recent average of 35 per year. It is believed that this number of events is currently near its practical maximum, due to the facility's inability to schedule additional events during the busy spring

trade show season that overlaps with hockey season. In the future, we assume 35 events per year.

In 2010, the facility's actual estimated average attendance was approximately 3,200 per event, and that amount is assumed in the future.

- **Other Events** – the CCCC hosts a limited number of “other” events that do not fit into the previous categories. In the last five years, there have been an average of five such events per year, and this amount is assumed in the future. Based on historical attendance, we assume an average of 3,800 attendees per event.

Revenues and Expenses – Renovated CCCC

The following table summarizes the projected operating revenues and expenses of the renovated CCCC for its first ten years of operation, compared to actual results for the last two fiscal years (although 2010-11 only includes 11 months of operations, through the end of May) and the recent B&D/Goldwater projections. For ease of comparison, amounts in some line items have been combined.

As previously mentioned, AECOM's projections are not based on market analyses; instead, we have reviewed the previous projections and have made any adjustments based only on industry norms, actual results of the CCCC and comparable facilities, and discussions with facility staff and the renovation design team. We have also incorporated various items that were not addressed in the previous projection, such as debt service expenses based on current renovation cost estimates and assumptions regarding revenue sharing and other operational variables.

Table 4: Projected CCCC Revenues and Expenses (\$000s)

	CCCC 2009-10 Actual	CCCC 2010-11 Actual*	B&D/ Goldwater - 2011	AECOM Projection									
				2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenues													
Event Income	\$325	\$255	\$543	\$537	\$553	\$569	\$586	\$604	\$622	\$641	\$660	\$680	\$700
Concess./Merchandise	665	586	1,168	895	922	950	978	1,008	1,038	1,069	1,101	1,134	1,168
Premium Seating F&B	0	0	106	192	198	203	210	216	222	229	236	243	250
Hospitality Income	0	0	196	106	109	113	116	119	123	127	130	134	138
Advertising (incl. Scoreboard)	155	134	258	205	211	217	224	230	237	244	252	259	267
Naming Rights	0	0	200	382	394	406	418	430	443	457	470	484	499
Loge Box Seats	0	0	239	173	178	184	189	195	201	207	213	219	226
Club Seats	0	0	607	347	357	368	379	390	402	414	426	439	452
Investment Income	2	1	0	5	5	5	5	6	6	6	6	6	7
Ice Rentals	56	58	0	60	62	64	66	68	70	72	74	76	78
Other	4	7	0	5	6	6	6	6	6	7	7	7	7
Total	\$1,207	\$1,041	\$3,317	\$2,907	\$2,994	\$3,084	\$3,176	\$3,272	\$3,370	\$3,471	\$3,575	\$3,682	\$3,793
Operating Expenses													
Salaries and Benefits	\$518	\$471	\$735	\$591	\$608	\$627	\$645	\$665	\$685	\$705	\$726	\$748	\$771
Contract Services	51	52	63	59	61	63	65	66	68	71	73	75	77
Repairs and Maintenance	77	71	114	87	90	93	96	98	101	104	108	111	114
Materials and Supplies	36	29	33	38	39	41	42	43	44	46	47	48	50
General & Administrative	57	52	61	69	71	73	76	78	80	83	85	88	90
Hockey/Ice Expenses	45	38	0	40	41	42	44	45	46	48	49	51	52
Utilities	292	271	534	328	338	348	358	369	380	391	403	415	428
Insurance	87	82	111	109	113	116	119	123	127	130	134	138	143
Advertising/Promotion	27	20	68	33	34	35	36	37	38	39	40	42	43
Other	0	0	41	0	0	0	0	0	0	0	0	0	0
Pirates Rebate	40	86	0	0	0	0	0	0	0	0	0	0	0
Total	\$1,230	\$1,172	\$1,760	\$1,354	\$1,395	\$1,437	\$1,480	\$1,524	\$1,570	\$1,617	\$1,666	\$1,716	\$1,767
Net Operating Income	(\$23)	(\$131)	\$1,557	\$1,553	\$1,599	\$1,647	\$1,697	\$1,747	\$1,800	\$1,854	\$1,910	\$1,967	\$2,026
Annual Debt Service Expense													
Total	--	--	--	\$2,526	\$2,526	\$2,526	\$2,526	\$2,526	\$2,526	\$2,526	\$2,526	\$2,526	\$2,526
County's Contribution	--	--	--	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
Remaining Debt Service	--	--	--	\$1,526	\$1,526	\$1,526	\$1,526	\$1,526	\$1,526	\$1,526	\$1,526	\$1,526	\$1,526
NOI After Debt Service	(\$23)	(\$131)	\$1,557	\$27	\$73	\$121	\$171	\$222	\$274	\$328	\$384	\$441	\$500

* For 11 months of the fiscal year.
Source: CCCC, B&D, AECOM

As the table shows, in 2014, total operating revenues are estimated to be \$2.9 million and operating expenses are estimated to be approximately \$1.6 million. Based on the estimated capital costs of the renovation, total annual debt service expense is estimated to be \$2.6 million, less a \$1-million contribution from Cumberland County. As a result, the renovated facility is forecasted to generate a small operating profit of \$27,000 in 2014, which would increase to \$500,000 in 2023.

The assumptions involved in the projection of each line item are described below. However, two major assumptions that impact multiple line items are first discussed separately.

Pirates' Lease

The Pirates currently have one more season remaining on their lease to play at the CCCC. We assume that a new lease will be signed with the team and that it will continue to play at the arena throughout the term of this projection. The major financial components of the current lease agreement are as follows:

- The Pirates pay \$2,500 per game as rent,
- For individual games and a full season, the Pirates receive a rebate against its rent paid based on ticket sales, as shown below.

Table 5: Pirates' Lease Rebates

	Individual Games		Full Season
	Sunday - Friday	Saturday	
Ticket Sales from 3,500 to 4,000	\$1/ticket	n/a	
Ticket Sales from 4,000 to 4,500	\$2/ticket	\$1/ticket	
Ticket Sales > 4,500	\$2/ticket	\$2/ticket	
Ticket Sales from 125,000 to 150,000			\$0.50/ticket
Ticket Sales > 150,000			\$1/ticket

Source: CCCC

- The team controls most of the arena's interior advertising signage and the arena controls all exterior signage.
- The team does not share in any food and beverage revenues, and retains all sales of its merchandise.

The following table compares these terms of the Pirates' lease with those of other minor-league hockey teams across the country.

Table 6: Examples of Hockey Teams' Lease Contracts

Facility	CCCC	Sovereign Center	American Bank Center	Laredo Ent. Center	Comcast Arena	Stockton Arena	Spokane Arena
Location	Portland, ME	Reading, PA	Corpus Christi, PA	Laredo, TX	Everett, WA	Stockton, CA	Spokane, WA
Team League	AHL	ECHL	CHL*	CHL	WHL	ECHL	WHL
Base Rent	\$2,500/Game	\$4,500/Game	\$3,500/Game for lower bowl only; \$4,000/Game for lower and upper bowls	\$3,500/Game, \$100/hr for practice	15% of ticket sales, \$1 per ticket	\$4,250/Game	8% of net ticket sales
Other Terms	Rebates: \$1/ attendee from 3,500 to 4,000 and \$2 >4,000; \$1/ attendee from 4,000 to 4,500 and \$2 >4,500 (Saturdays); \$0.50 from 125,000 to 15,000 and \$1 > 150,000 for a season	10% of ticket sales from \$1.7 - \$1.9M, 5% of sales > \$1.9M	--	--	--	12.5% of ticket sales > \$2M	--
Arena Revenue from Hockey Games							
Ticket Sales	see above	see above	0%	4%	15%	0%	see above
Concessions	100%	60%	86% - 90%	95%	85%	70%	54%
Catering	100%	60%	86% - 90%	95%	85%	70%	50%
Merchandise	0%	50%	0%	10%	0%	10%	0%
Premium Seating	n/a	100%	100%	100%	100%	65%	100%
Parking	n/a	60%	100%	100%	100%	100%	70%
Advertising	Team controls most inventory	100%	100%	100%	100%	65%	n/a

* Currently in the NAHL.

Clearly, the actual terms of a future lease are fully dependent upon negotiations between the facility/ County and the Pirates. For the purposes of this projection, we assume that the Pirates will pay a flat rate of \$4,500 per game with no rebates. However, the team is assumed to share in 25 percent of the arena's net food and beverage revenues. As is described below, we also assume that the Pirates will share in any additional advertising/sponsorship revenues of the arena (50 percent of incremental revenues). The table below summarizes the financial impacts to the Pirates of the assumed lease terms compared to the team's current lease (based on these assumptions and the calculations later in this section).

Table 7: Pirates' Net New Revenues with New Lease Assumptions (2014)

Line Item	Effect of New Lease Assumptions
Advertising/Sponsorships	Increased revenues of approx. \$68,000
Concessions, Hospitality, and Pr. Seating F&B	Increased revenues of approx. \$165,000
Rent Expense	Increased expenses of \$80,000
Rent Rebate	Loss of \$50,000 in rebates
Net Impact to Pirates	Approximately \$103,000 in new revenues

Source: AECOM

From the CCCC’s perspective, while it would share revenues with the Pirates under these assumptions, the facility would also have a net gain, as it would earn more in rent, and the shared revenues are generally new revenues that are not being generated by the current facility.

Food and Beverage Provider

The CCCC currently operates its own food and beverage services. As a result, it retains all associated revenues less its own costs. Should an outside concessionaire be hired to provide these services, it would typically pay the facility a commission from gross sales that can be approximately 30 to 40 percent of concession sales and 20 to 25 percent of catering/premium F&B sales (depending on other contract terms). In addition, a concessionaire can also provide upfront capital through a loan or equipment investment that can help to finance a facility’s construction or renovation.

For the purposes of this analysis, we assume that the facility continues to self-operate its food and beverage services.

Operating Revenues

Event Income

Event income is generated by the net revenues to the facility from event rentals, and is calculated as the per-event rate multiplied by the number of events. The line item also includes revenues generated by the facility’s box office. These assumptions are based on historical per-event revenues generated by the facility, and are shown in 2011 price levels.

Table 8: Event Income by Event Type

	Per-Event Income
Pirates Games	\$4,500
Concerts	\$5,500
Family Shows	\$3,500
HS/College & Other Sporting Events	\$2,750
Tradeshows/Conventions/Graduations	\$2,000
Other Events	\$500
 Annual Box Office Revenues	 \$25,000

Source: AECOM

Concessions, Premium Seating, and Hospitality F&B Income and Merchandise

As described above, we assume that the CCCC will continue to operate its own food and beverage services. The following table summarizes the assumed gross per-capita sales for general

concessions, catered premium seating and hospitality F&B, and merchandise sales, and the percent of gross sales that is retained by the facility. Per-capita sales for Pirates games are based on historical CCCC data, and sales for other events are based on the operations of comparable facilities.

Table 9: Food and Beverage and Merchandise Assumptions

	General Concessions		Premium Seating F&B		Hospitality		Merchandise	
	Per Cap	Net to Arena	Per Cap	Net to Arena	Per Cap	Net to Arena	Per Cap	Net to Arena
Pirates Games	\$6.00	35%	\$10.00	35%	\$10.00	35%	\$1.50	0%
Concerts	\$9.00	47%	\$20.00	47%	\$20.00	47%	\$6.00	15%
Family Shows	\$3.50	47%	\$8.00	47%	\$8.00	47%	\$4.00	15%
HS/College & Other Sporting Events	\$2.50	47%	\$6.00	47%	\$6.00	47%	\$3.00	15%
Tradeshows/Conventions/Graduations	\$1.25	47%	\$0.00	47%	\$15.00	47%	\$0.00	0%
Other Events	\$3.50	47%	\$5.00	47%	\$5.00	47%	\$0.50	15%

Source: AECOM, CCCC

Advertising

Advertising revenue is currently generated by the sale of signage within the facility (including the scoreboard and message center) that is controlled by the CCCC, as well as outside signage and pouring rights. However, the Pirates currently own the rights to most advertising revenues inside the arena, as well as any new signage that becomes available. In the current facility, approximately \$135,000 to \$180,000 in advertising revenues have been captured by the facility per year in recent years (not all of its available inventory is currently sold).

The renovation is expected to provide additional opportunities for signage and sponsorship sales. However, due to the current presence of unsold inventory and the fairly limited increase in facility usage/demand (and corresponding exposure for sponsors), we project a total of \$100,000 in incremental advertising revenues in 2014, and that this revenue is shared equally between the arena and the Pirates. Based on a review of annual advertising revenues of comparable facilities, amounts range from approximately \$180,000 to more than \$900,000, with an average of approximately \$520,000.

Therefore, we assume the arena’s future advertising revenues to consist of two components: \$150,000 from the inventory that it currently controls, and 50 percent of the \$100,000 in incremental revenues (all amounts are then inflated into 2014 and beyond).

Naming Rights

The County is expected to explore the opportunity of selling naming rights to the renovated facility. This could take many forms, such as single naming rights partner for the entire facility or multiple partners for various parts of the facility (such as entrances, concourses, and other areas). Based on

current design plans for the renovation, a number of interior and exterior areas could be available to a naming rights partner and/or other sponsors and advertisers. These areas include the four corner columns in the arena bowl, a potential product display area in the concourse, and signage that could cover the exterior of the seating bowl. We assume that the facility would retain all naming rights revenues.

The following summarizes information regarding completed naming rights contracts at other similar arenas across the country.

- In the AHL, many arenas have naming rights deals. Of those that do not also host an NBA team, the median annual value of the contracts is \$350,000, with a range of approximately \$110,000 to \$1 million. This includes the recently-extended contact at the 14,500-seat Dunkin' Donuts Center in Providence, which provides \$500,000 per year (including \$75,000 in event sponsorships) for ten years.
- Although it is much larger facility than the CCCC, the INTRUST Bank Arena in Wichita is similar to a potential naming rights strategy in Portland in that the facility sold a conventional naming rights deal (\$8.75 million) but also separately sold the rights to an exterior plaza (\$3 million), a concourse (\$3 million), a lounge and alcoholic beverage sales (\$1.3 million), and non-alcoholic beverage sales (\$1.1 million). These contracts have a term of up to 25 years.
- Other facilities around the country (particularly larger facilities in major professional sports) have successfully sold naming rights to specific areas of an arena, such as entrances, concourses, suite/club levels, box offices, parking garages, and others. One example in a minor-league setting is "Amway Section A" at Van Andel Arena in Grand Rapids, Michigan, which was sold after a concourse renovation.

Among other factors, naming rights revenues will be dependent on the eventual assets being sold, the exposure provided, and the market for buyers. We assume that naming rights sales (from a single partner or multiple partners) will generate a total of \$350,000 to the CCCC beginning in 2014. Long-term, contractually obligated income can be paid in equal or varying installments each year, and can also include upfront payments in order to assist with facility financing. For the purposes of this analysis, we assume that revenues are paid in equal amounts to the CCCC each year.

Loge Boxes

Most AHL arenas have both luxury suites and club seats. The current renovation plan assumes 30 four-seat loge boxes. While loge boxes are a smaller and more affordable version of luxury suites, for comparison purposes, non-NBA arenas in the AHL have an average of approximately 22 luxury suites with average prices in the \$40,000 to \$50,000 range. Without performing additional market

analyses, it appears that 30 boxes at \$2,500 per seat, per year, with a 90 percent occupancy rate, is achievable in the AHL.

We assume that all loge box revenue (net of selling expenses) will be retained by the CCCC, with the exception of the value of season tickets that would go to the Pirates. We assume a face value ticket price of \$18 per seat.

Club Seats

The previous report assumed 500 club seats, with 90 percent sold for \$1,500 per year. However, the current design plan calls for 510 club seats. At non-NBA arenas in the AHL, approximately half have club seats (an average of nearly 800 seats for an average of approximately \$1,500 per year). Without performing additional market analyses, it appears as though the previous projections and the current design plan are achievable.

Similar to loge boxes, we assume that all net club seat revenue will be retained by the CCCC, with the exception of the face value of season tickets that would be Pirates revenue.

Investment Income

In the last five years, the CCCC's investment income has decreased from nearly \$50,000 in 2006-07 to less than \$1,000 in 2010-11. Beginning in 2014, we assume that investment income is \$5,000, and this amount is inflated in later years.

Ice Rentals

In the last five years, the arena's ice rental revenues have averaged approximately \$58,000 per year and have been relatively stable. The facility's renovation is not expected to alter the availability of ice for public rentals, and we assume similar levels of demand in the future. Beginning in 2014, we assume that ice rental revenue will be \$60,000, and this amount is inflated in future years.

Other

In the last five years, the CCCC's "other" revenue has averaged approximately \$5,000 per year, and this amount (inflated) is assumed in the future.

Total Operating Revenues

Based on the assumptions listed above, total arena revenues would be approximately \$2.9 million in 2014 and increase to \$3.8 million in 2023.

Operating Expenses

Salaries and Benefits

In the last five years, the arena's expenses for salaries, wages, and benefits for staff has ranged from approximately \$470,000 to \$600,000, and has decreased in recent years due to a smaller staff. With the renovation, it is expected that the facility will add staff in the future, in order to market, manage, and maintain the facilities. We assume that this expense will increase by 15 percent from recent levels in 2014, and is then inflated in future years.

Contract Services

In 2010-11, the arena's expenses for contracted services (such as security and other professional services) were \$52,000 and have averaged \$51,000 over the last five years. Over time, this expense has consistently averaged approximately ten percent of salaries and benefits expense, and this relationship is assumed in the future.

Repairs and Maintenance

The arena's repairs and maintenance expense has averaged approximately \$85,000 per year in recent years, and was between \$70,000 and \$80,000 in the last two years. We assume that this expense will be \$80,000 (in 2011 costs) beginning in 2014, and is inflated thereafter.

Materials and Supplies

This expense was \$29,000 in 2010-11, and averaged \$38,000 in the last five years. We assume expenses of \$35,000 (in 2011 costs) beginning in 2014, and this is inflated thereafter.

General & Administrative

These expenses consist of the Free Street office lease, telephone usage, dues and subscriptions, and staff travel. G&A expenses totaled \$52,000 last year but averaged \$60,000 in the last five years, with a larger staff. With the assumed increase in staffing levels, we assume that general and administrative expenses will also increase by 15 percent from recent levels.

Hockey/Ice Expense

These expenses are associated with Zamboni operations and maintenance and repairs to the ice plant, video scoreboard, and locker rooms for hockey and other events. Aside from one year that had unusually high expenses due to legal costs, these expenses are typically in the \$35,000 to \$40,000 range. Beginning in 2014, we assume these expenses will be \$40,000, as we do not expect the renovation to significantly affect this line item.

Utilities

Utilities expenses (for electricity, gas, and water) can vary based on facility usage, locally-contracted rates, and other factors. In the last five years, these expenses ranged from approximately \$270,000

to \$360,000. A review of recent annual utilities expenses of comparable arenas shows amounts ranging from \$230,000 to \$760,000, although these amounts are highly dependent on variables that may be unique to each facility. Assuming that event levels remain roughly similar to current levels, we assume that utilities expense will be \$300,000 (in 2011 costs) beginning in 2014, and this amount is inflated in later years.

Insurance

The arena's insurance expense has ranged from \$82,000 to \$130,000 in recent years. Although a wide range of variables would affect a facility's insurance expenses, recent annual expenses by comparable facilities ranged from \$29,000 to \$270,000. Based on discussions with facility staff, insurance expense is expected to increase by an undetermined amount in the future. We assume that future insurance expense will be \$100,000 (in 2011 costs) in 2014 and this is inflated in later years of the projection.

Advertising/Promotion

The facility's advertising expenses are associated with maintaining its web site, paying commissions to its advertising agents, and trade advertising and promotions. In recent years, this expense has decreased from approximately \$70,000 to \$20,000. In the future, we assume that this expense will increase from current levels due to the need to market the renovated facility. We assume a total of \$30,000 (in 2011 costs) in 2014, which is then inflated.

Total Operating Expenses

Based on the assumptions described above, total operating expenses are estimated to be approximately \$1.4 million in 2014 and increase to \$1.8 million in 2023.

Net Operating Income

Based on the assumptions described above, the facility's net operating income is projected to be approximately \$1.6 million in 2014 and increase to \$2.0 million in 2023.

Debt Service Expense

Based on current estimates, the total renovation costs (including a design contingency) are \$38.8 million. Assuming a five-percent interest rate and a 30-year term, annual debt service expenses for \$38.8 million would be approximately \$2.5 million. However, assuming an annual \$1-million contribution towards debt service from Cumberland County, this expense would be reduced to \$1.5 million.

Net Income after Debt Service Expense

Based on the projected net operating income and the estimated annual debt service expense, the projected NOI after debt service is projected to be \$27,000 in 2014 and decrease to approximately \$500,000 in 2023.

Alternate Renovation and Funding Scenario

We also project the results of one alternate scenario, in which the annual \$1-million contribution from the County is not available for debt service repayment. In addition, without this funding source, we estimate the maximum capital investment that can be supported by facility revenues in all years.

Table 10: Projected CCCC Revenues and Expenses (\$000s) – Alternate Scenario

	CCCC 2009-10 Actual	CCCC 2010-11 Actual*	B&D/ Goldwater - 2011	AECOM Projection									
				2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenues													
Event Income	\$325	\$255	\$543	\$537	\$553	\$569	\$586	\$604	\$622	\$641	\$660	\$680	\$700
Concess./Merchandise	665	586	1,168	895	922	950	978	1,008	1,038	1,069	1,101	1,134	1,168
Premium Seating F&B	0	0	106	192	198	203	210	216	222	229	236	243	250
Hospitality Income	0	0	196	106	109	113	116	119	123	127	130	134	138
Advertising (incl. Scoreboard)	155	134	258	205	211	217	224	230	237	244	252	259	267
Naming Rights	0	0	200	382	394	406	418	430	443	457	470	484	499
Loge Box Seats	0	0	239	173	178	184	189	195	201	207	213	219	226
Club Seats	0	0	607	347	357	368	379	390	402	414	426	439	452
Investment Income	2	1	0	5	5	5	5	6	6	6	6	6	7
Ice Rentals	56	58	0	60	62	64	66	68	70	72	74	76	78
Other	4	7	0	5	6	6	6	6	6	7	7	7	7
Total	\$1,207	\$1,041	\$3,317	\$2,907	\$2,994	\$3,084	\$3,176	\$3,272	\$3,370	\$3,471	\$3,575	\$3,682	\$3,793
Operating Expenses													
Salaries and Benefits	\$518	\$471	\$735	\$591	\$608	\$627	\$645	\$665	\$685	\$705	\$726	\$748	\$771
Contract Services	51	52	63	59	61	63	65	66	68	71	73	75	77
Repairs and Maintenance	77	71	114	87	90	93	96	98	101	104	108	111	114
Materials and Supplies	36	29	33	38	39	41	42	43	44	46	47	48	50
General & Administrative	57	52	61	69	71	73	76	78	80	83	85	88	90
Hockey/Ice Expenses	45	38	0	40	41	42	44	45	46	48	49	51	52
Utilities	292	271	534	328	338	348	358	369	380	391	403	415	428
Insurance	87	82	111	109	113	116	119	123	127	130	134	138	143
Advertising/Promotion	27	20	68	33	34	35	36	37	38	39	40	42	43
Other	0	0	41	0	0	0	0	0	0	0	0	0	0
Pirates Rebate	40	86	0	0	0	0	0	0	0	0	0	0	0
Total	\$1,230	\$1,172	\$1,760	\$1,354	\$1,395	\$1,437	\$1,480	\$1,524	\$1,570	\$1,617	\$1,666	\$1,716	\$1,767
Net Operating Income	(\$23)	(\$131)	\$1,557	\$1,553	\$1,599	\$1,647	\$1,697	\$1,747	\$1,800	\$1,854	\$1,910	\$1,967	\$2,026
Annual Debt Service Expense													
Total	--	--	--	\$1,551	\$1,551	\$1,551	\$1,551	\$1,551	\$1,551	\$1,551	\$1,551	\$1,551	\$1,551
County's Contribution	--	--	--	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Remaining Debt Service	--	--	--	\$1,551	\$1,551	\$1,551	\$1,551	\$1,551	\$1,551	\$1,551	\$1,551	\$1,551	\$1,551
NOI After Debt Service	(\$23)	(\$131)	\$1,557	\$1	\$48	\$96	\$145	\$196	\$248	\$302	\$358	\$415	\$474

* For 11 months of the fiscal year.

Source: CCCC, B&D, AECOM

In order to achieve breakeven operations or better in 2014, based on all previous assumptions, annual debt service expenses cannot exceed approximately \$1.5 million, which reflects approximately \$23.85 million in capital costs.

Premium Seating Return on Investment Analysis

The following estimates the annual revenues and expenses, and the resulting return on investment, attributable to the premium seating areas of the renovation project. For this analysis, we consider the facility's share of revenues from loge and club seats, and the resulting premium net food and beverage revenues. For expenses, we consider the estimated annual debt service expense based on the capital costs associated with the addition of the premium seating and kitchen areas. We also attribute 7.5 percent of total annual arena expenses to the premium seating and kitchen areas.

These revenues and expenses are shown below.

Table 11: Annual Premium Seating-Related Revenues and Expenses (\$000s)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Loge Box Seats	173	178	184	189	195	201	207	213	219	226
Club Seats	347	357	368	379	390	402	414	426	439	452
Premium Seating F&B	192	198	203	210	216	222	229	236	243	250
Total	\$711	\$733	\$755	\$777	\$801	\$825	\$850	\$875	\$901	\$928
Expenses										
Share of Debt Service	73	73	73	73	73	73	73	73	73	73
Share of Operating Expenses	102	105	108	111	114	118	121	125	129	133
Total	\$174	\$177	\$181	\$184	\$187	\$191	\$194	\$198	\$202	\$205
Net Revenue	\$537	\$555	\$574	\$594	\$614	\$634	\$655	\$677	\$700	\$723

Source: AECOM