

Wicomico County Youth & Civic Center's Citizen's Task Force Report

**For
Wicomico County Executive Richard Pollitt Jr.**



**Prepared by: Orville Penn, Chairman
April 15, 2009
Amended June 23, 2009**

Introduction

The Wicomico Youth and Civic Center (Y&CC) is at a crossroad. It is 30-years-old and requires restoration & modernization in order to attract and maintain events in a competitive marketplace. Citizens and businesses view the Civic Center as a social and economic asset.

A restoration plan was developed by the staff and implemented three years ago. It does not include modernization or expansion. This prompted Wicomico County Executive Richard M. Pollitt Jr. to appoint a Citizens' Task Force to:

- *Review* the mission of the Wicomico Youth & Civic Center (Y&CC).
- *Identify* assets and opportunities by which the mission may be fulfilled.
- *Identify* liabilities that prevent fulfillment of the mission.
- *Produce* a summary of findings leading to a recommendation for the Wicomico County Executive on how best to fulfill the mission.

Mr. Pollitt stipulated that the County's administration has no preconceived plan for the Y&CC. The Task Force is to work independently to form their recommendations.

The committee is comprised of 27 members and is chaired by Orville Penn. A membership list is attached in this report's appendix. Mr. Penn challenged the committee to answer the following questions:

- *What* should the Y&CC vision (and mission) be for the next 30 years?
- *Where* should the Y&CC be located?
- *How* do we fund our vision?
- *How* do we sustain our vision?

The committee commenced with its task on September 3, 2008 and concluded its work on March 4, 2009.

Background

Social

The Youth and Civic Center is dedicated as a living memorial to Wicomico citizens who sacrificed their lives defending our Country in world conflicts. It has a regional (60 mile radius) reputation for being the place to hold or attend concerts, family shows, trade shows, sporting events, meetings and receptions. Last year, 416 events were held boosting the annual total attendance to over 220,000 people. Of the 416 events, 135 events were catered by *Encore Catering* - our in house catering division.

The Department of Recreation and Parks held 620 activities when the facility wasn't commercially occupied. Attendance for these activities was 15,300. The Department reimburses the Y&CC \$92,500 annually for this use.

Eighty-two meetings were conducted by other County agencies at no charge. More than 4,300 people attended the meetings.

Tax Liability

The Y&CC's management and operation is driven by a set of best practices under the government model. Consider the following 5-year growth pattern:

- Event revenue increased by 23% from \$571,000 to \$699,000.
- Ancillary revenue grew by 40% from \$538,000 to \$752,000. Major drives were catering, concessions, and amusement tax revenue.
- Operating expenses grew by 6% annually to \$1,847,000. The increase was driven by the rising cost of utilities, benefits, and salaries.
- The actual tax appropriation required to balance the budget for FY 09 was \$312,000, which amounts to \$3.50 per resident.

Economic Impact

BEACON prepared an economic impact study in 2006. According to this study business generated by the Y&CC:

- infused \$11,560,000 into the local economy;
- created 198 jobs
- impacted tourism-related business by attracting vendors, entertainers, participants and attendees

Marketplace

There are 29 similar venues within the immediate marketplace (a 250 mile radius) competing with the Y&CC to attract concerts, family shows, trade shows, and sporting events. Furthermore, there are more than 80 similar venues located within a day's drive, not including arenas operated by colleges and universities.

Local meeting, reception, and trade show planners have an array of options from which to choose within our service area. Excellent accommodations can be found locally at the Roland E. Powell Convention Center in Ocean City, University of Maryland Eastern Shore in Princess Anne, Salisbury University, and the Hyatt in Cambridge. Each property was constructed or renovated within the last five years

Facility Condition

The building is nearly 30 years old and is in need of restoration. The Midway Room is six years older. A 20-year outlook for the building was prepared by the staff in 2006. Items needing attention were divided into two categories, those to be funded by local and state general obligation bonds; and those funded from an interest bearing “sinking fund.”

Items to be funded by bonds and grants are comprised of short-term projects (to be completed within 3 years) and mid-term projects (to be completed within the next 5 years). These projects are cited in the attached in the appendix. Their estimated cost is \$7,400,000. To date, the County has sold \$3,800,000 in bonds and received a \$1,000,000 state capital grant.

Revenue streams consisting of income realized by increasing the hotel room tax from 5% to 6%, a 5% Y&CC admission tax, and a 10% fee on non-admission rentals were established to fund the restoration plan. In addition, \$120,000 per year is allocated by Wicomico County to the Y&CC’s operating budget. All together, these funds generate \$350,000 annually to pay debt service on a 2.5 million dollar general obligation bond and fund the “sinking fund.”

A “sinking fund” (interest bearing escrow account is funded through the Civic Center’s annual operating budget. It was established in 2006 to pay for substantial repairs and equipment replacement for items where a useful life cannot be determined. Examples include escalators, HVAC systems, food preparation equipment, and carpet replacement, etc. The total required to establish this fund is \$4,300,000. A mechanism is in place to fully fund this amount.

Implementation of the plan is underway and has been successful to date.

The Process

The process undertaken by the committee to fulfill its mission included:

- Stakeholder Observations and Input
- Review of the Y&CC's Vision and Mission
- Strengths, Weakness, Opportunities, Tactics Assessment
- Study of industry trends
- Study of local market conditions
- Study of facility enhancement scenarios
- Final conclusion and recommendations

Stakeholder Observations

The process involved background discussions with key Departmental staff and face-to-face interview sessions with various stakeholders to assess the County's current direction/vision, and to document various perspectives on current efforts as well as future vision and expectations. Participants included a concert promoter; a group event organizer, a trade show organizer, the Civic Center's Event coordinator, the Tourism Manager, the Civic Center Manager, and the Recreation Superintendent.

The following is a summary of key input from the aforementioned meetings:

- Current location and size are appropriate for the market area
- Not enough floor space to support some trade shows
- Building needs upgrades. They include restrooms, seating/congregating areas, sky boxes on 2nd floor overlooking the arena; an additional banquet room, and an updated "non-institutional" appearance throughout the facility
- Parking for RV accommodations is a top priority to retain dog shows
- A Performing Arts Center with a 2000 to 2500 attendance capacity is the right size for Wicomico's market
- Audio systems serving the Midway Room and Normandy Arena need improvement
- Hoteliers would like more convention business and sports tournaments
- Amusement tax and building fees are on the high side:
- Concert promoters are very sensitive to ticket prices; cautioned to avoid a common mistake where communities build arenas with seating capacity exceeding the market demand only to become "white elephants"
- Lack of alcohol sales and sharing food concession revenue in concert agreements.
- Alcohol sales would dramatically impact meeting, reception trade and provide more leverage to attract cultural entertainment & a professional hockey franchise
- Not having a dedicated sales person to attract meetings conventions and receptions trade is a weakness for the Y&CC

- Availability to accommodate the public recreation programs is an ongoing challenge
- The elimination, for budgetary reasons, of a Program Director in 1991 has led to a steady deterioration of youth activities at the Civic Center
- The Civic center is subject to the inherent conflict of public sentiment demanding free or discounted use versus being designated an enterprise zone and expected to operate at a profit.

The Y&CC's Vision and Mission

The vision and mission were evaluated and modified. The vision statement was re-written as follows:

To be the state-of-the-art, multi-purpose, premier destination venue that enhances local and regional participation in cultural, civic, entertainment, educational, economic activities and youth related activities.

The mission statement, too, was revised and is as follows:

To enhance the quality of life for our citizens with specific emphasis on youth and families by providing a venue for entertainment, cultural, civic, convention, and recreational activities. This mission is dedicated to all veterans of Wicomico County.

The committee developed a list of areas needing to be considered to fulfill the vision and mission. They are as follows:

- 10,000 seat arena
- Ice floor
- Alcohol sales
- Adjacent lodging
- Adequate parking
- Performing arts facilities
- Sky boxes
- Restaurant and commercial area
- Meeting and breakout rooms
- Additional trade show space
- Additional square footage for conventions
- Clean and plentiful restrooms
- Onsite nursery for customers to use while attending events
- "Green" building - sustainable venue
- Fitness center
- State of the Art communication and audiovisual equipment
- Family entertainment center
- Best possible location
- Eastern Shore sense of place and design
- Aesthetically pleasing - warm and inviting
- Adequate office space & top notch sales staff
- Adequate infrastructure
- Provide amenities that appeal to youth and families and identify funding mechanisms to underwrite the cost.

Strengths, Weakness, Opportunities, Tactics Assessment

Based on these discussions and feedback received from background research, a traditional analysis was prepared identifying strengths, weaknesses, opportunities, and threats (SWOT). A summary of findings is illustrated in the following chart:

Note: items noted in red are of higher priority and/or concern

Strengths	Weaknesses	Opportunities	Threats
Value to community & Quality of Life	Not self-sustaining	Growing community	Federal state & local fiscal constraints & funding- revenue streams
Facility is paid for	Design elements outdated/building limitations	Proximity to large markets	Competitive ventures
Has a known brand	Alcohol restriction	Giving community	Lack of sufficient parking
Central location	Deferred operational functioning & economic obsolescence	Strategic partnerships	Marketplace demands
Management of the facility	Lack of sufficient parking	Opportunity to re-brand	Functional obsolescence
Multi-use facility - fills a need/entertainment	Community misunderstanding of mission - free vs. paid for	Opportunity for aggressive marketing campaign	Government owned
Brings revenue to the County/Economic impact	Lack of community tax payer support	Grow entertainment offerings	Low trust in government
Multiplier effect	Lack of dates to hold events	Opportunity to re-think the product	Window of opportunity
Family entertainment	Rental expense for local events	Residual business opportunities	
Tourism	Lack of a sales force	Business sponsorships	
Living War Memorial	No hotel in walking distance	Create a unique product	
Provides employment	Food service diversity	Creation of a new model for operation of facility	
Disaster Shelter	Lack of sense of place (Eastern Shore)	Land use opportunity/Salisbury Mall/cost	
	Population	Political position in Annapolis	
	Inability to generate revenue to pay debt service		
	Airport transportation		
	Destination development		

Industry Trends

A study was performed for Lincoln, Nebraska in January, 2008. It included 12 sites which opened within the last 10 years with seating bowls holding an average capacity of 10,200. These sites served a population within a 20 mile radius of 330,900. They include: Corpus Christi, TX; Manchester, NH; Trenton, NJ; Reading, PA; Beaumont, TX; Fayetteville, NC; Green Bay, WI; Prescott, AZ; Loveland, CO; and Charlottesville, VA.

The average number of events held at these facilities were compared with the Y&CC as is (status quo) and with expansion or at a new location. The expanded/new scenario included an 8,000 seat bowl, an ice floor to accommodate professional hockey and separate trade show & banquet facilities. Findings were as follows:

	# Sessions		
	12 venues Par	Y&CC status quo	new or expanded
Concerts	16	7	10
Family Shows	19	49	73
Convention (trade shows, sports marketing)	8	38	46
Sport Franchise	46	0	38
SMERF (Social, Military, Educational, Religious & Fraternal)	20	292	371
Total:	109	386	543

Other industry trends revealed in the study were:

Revenue generated from these facilities include:

- Event revenue (talent & production costs less admission charges) or rent when promoters elect to bear the entire risk
- Food and Beverage
- Parking Fees
- Amusement Tax
- Box Office and Convenience Fees
- Advertising including selling naming rights
- Sky Box Sales
- Interest on Investments

Touring concerts are broken down into 3 tiers. They are:

Mega Tours: 25% of touring concerts; attendance +18,000; box office gross \$1,700,00; average ticket price \$93; examples: Kenny Chesney, Madonna, Elton John, Dave Mathews.

Primary Level: attendance 9,000; box office gross \$486,000; average ticket price: \$61; examples: Steve Miller, Jonas Brothers, Carrie Underwood

Lower Level: attendance 3,500; box office gross \$122,000; average ticket price \$36; these acts constitute rising stars or those declining in popularity.

Note: source- Pollstar

The Y&CC with its current capacity can attract only lower level concerts making up approximately 33% of touring acts.

The last trend of facilities studied is whether sufficient revenue is generated to pay operational costs. None generated enough revenue to pay debt service on money borrowed for capital costs (land & construction).

Local Market Conditions

It's important to assess what the market will support. ***The Y&CC's market consists of an area within 60 miles or an hour's drive.*** It includes southern and central Delaware and Virginia's eastern shore. Having been in the business for almost 30 years, The Y&CC enjoys success and knows the market supports the events it offers.

A concert promoter warned the committee to be certain the market will support a larger facility. He has seen communities build an arena with a seating capacity that exceeds demand, only to have the venue become a "white elephant".

To understand the strength of the Y&CC's market, it was compared with the average of 12 sites featured in the Lincoln, Nebraska study. Items factored included population within 25 & 50 miles and the ratio of population to arena seating capacity.

Of the 12 sites, 7 markets were much larger than the Y&CC's and have +16,000 seat arenas. The population within a 50 mile radius ranged from 310,000 (Sioux Falls, SD) to 2,166,000 (Kansas City, MO) with an average of 878,500. ***The average ratio of seating capacity to population serving the market was 43.2/seat within 25 miles and 62.4/seat within 50 miles.***

The Y&CC's market within 60 miles consists of 686,670 residents. Approximately 340,000 reside within 25 miles. Applying the population to seating capacity ratios from the Lincoln study (43.2 /seat within 25 miles, 62.4/ seat within 50 miles), ***the Y&CC's market can support between an 8,000 and 10,000 seat arena .***

A detailed analysis should be undertaken if Wicomico wishes to expand the Y&CC's seating capacity.

Facility Enhancement Scenarios

Options

Tom Becker, an architect from Becker Morgan, volunteered to develop scenarios and estimates to fulfill the committee's mission. The committee opted to delete the following from the list of amenities: a fitness center, family entertainment center, and separate performing arts center. The first 4 involve the current site and the fifth is for a facility at a new location. Scenarios included:

Scenario 1 - "**Status Quo**" - stay at current location, restore & modernize facility

Scenario 2 - "**Northward Expansion**" - stay at current location, expand the seating bowl north toward Salisbury Mall property; would require relocating Glen Avenue

Scenario 3 - "**Westward Expansion**" - stay at current location, expand current seating bowl toward front parking lot

Scenario 4 - "**New Facility on Adjacent property**" - develop a separate, 8000 seat arena on 20 acres of Salisbury Mall land across Glen Avenue; convert the existing arena into 2 stories to include exhibit area on the lower level and a 2,500 seat auditorium/ exhibit area on the second floor

Scenario 5 - "**New Facility/New Location**" - 8000 seat arena with more floor space at a key location along a major interstate; it also includes an exhibit area and banquet room

Expanding the current building upward to increase capacity was discussed, but was found to be structurally unfeasible.

The value of the current facility is approximately \$57,000,000.

Profit & Loss Estimates for Each Option:

Performance was measured for each distinct scenario. The event carrying capacity varies as follows:

- Scenario 1 - "**Status Quo**": one 5,600 seating bowl to service cultural and entertainment events, no ice floor to accommodate professional hockey, no additional trade show space
- Scenario 2 - "**Northward Expansion**" & Scenario 3 - "**Westward Expansion**": existing seating bowl expanded to 8,000 seats; ice floor to accommodate a professional hockey team; additional trade show space

- **Scenario 4 - “New Facility on Adjacent property” & Scenario 5- “New Facility/New Location”** - a separate 8,000 seat arena with ice floor & trade show space; a ballroom providing flexibility to accommodate larger sport tournaments, trade shows, etc. or the ability to hold different events simultaneously. *These provide the most revenue generating capacity and impact to the local economy.*

Note: alcohol sales were not computed in scenarios 1,2 and 4 on property south of Glen Avenue.

The facility square footage for each option ranges from 250,000 to 540,000 square feet. The funding required for operating and paying debt service, after deducting revenue, ranges from \$1,245,000 to \$ 8,073,000 annually, affecting the cost to each citizen \$14 to \$90 per year. The cost per citizen, after retiring the debt in 20 years, ranges from needing a \$515,000 tax appropriation to making a \$1,239,000 profit. The following chart summarizes these findings:

Item	Same Location				New Location
	status quo	expansion north	expansion west	sep facility (new)	
Features:					
Size (SF)	250,000	290,000	284,000	540,000	332,000
Seating	5,200	8,000	7,642	8,000	8,000
Exhibit Space Separate	no	no	no	yes	yes
Meeting Rooms & Office	yes	yes	yes	yes	yes
Costs:					
Operating Costs	\$ 1,839,200	\$ 2,911,400	\$ 2,484,100	\$ 3,919,000	\$ 3,540,000
Capital Costs	\$ 9,000,000	\$ 56,000,000	\$ 43,225,000	\$ 86,000,000	\$ 110,000,000
Debt Service	\$ 731,000	\$ 5,294,300	\$ 4,288,258	\$ 8,156,220	\$ 8,980,400
Revenue	\$ 1,383,900	\$ 2,649,400	\$ 2,517,400	\$ 4,792,600	\$ 4,792,600
Tax Consequences					
net with debt service	\$ (1,245,000)	\$ (5,556,000)	\$ (4,254,958)	\$ (8,073,000)	\$ (7,742,000)
cost/citizen	\$ 14	\$ 62	\$ 47	\$ 90	\$ 86
net after debt paid	\$ (515,000)	\$ (262,000)	\$ 33,300	\$ 815,000	\$ 1,239,000
cost/citizen	\$ 6	\$ 3			

Note: a detailed report can be found in the appendix

Final Conclusion and Recommendations

The committee developed a *vision*, for the Civic Center. It is to be the state-of-the-art, multi-purpose, premier destination venue that enhances local and regional participation in cultural, civic, entertainment, educational, and economic activities

Its *mission* is to enhance the quality of life for our citizens by providing a venue for entertainment, cultural, civic, convention, and recreational activities. This mission is dedicated to all veterans of Wicomico County.

Long and short term goals are recommended as follows:

Long Term Goals

The committee supports the following long term goals:

- A seating bowl with 8,000 or more seats, sky boxes and an ice floor;
- An exhibit space separate to the seating bowl to accommodate trade shows and sports marketing events;
- A large banquet room;
- Meeting and breakout rooms;
- Adequate parking; and
- Upgrades and modernization to the existing facility's plain and institutional decor and finishes to remain viable in a competitive market.

The County's elected officials are urged to modernize and expand the Y&CC at its current location. This will ensure that the Y&CC remains competitive in the market place.

The following is a tally of the votes taken by the Commission regarding the future of the facility.

- **7** Scenario 4- to modernize the existing structure & develop a separate 8,000 seat arena on mall property
- **5** Scenario 5- develop a facility at a **new location**
- **4** Scenario 3- to modernize existing structure & expand the seating bowl westward
- **1** Scenario 1- to remain status quo & modernize
- **0** Scenario 2- to modernize the existing structure & expand northward, requiring the relocation of Glen Avenue

Facilities of this nature generate enough money to pay operation costs but do not generate enough to pay debt service. Significant tax funded support is always required to fund occupancy costs. Nevertheless, this is a wise investment because of the positive social and economic impact to the community at large. Therefore, the County is strongly urged to create revenue streams such as recruiting funding partners,

soliciting sponsorship, and taking advantage of other opportunities as they arise. It is important for the County to adopt a plan that is flexible enough to seize opportunities that support the long range goal within a volatile financial and consumer preferences environment.

Short Term Goals:

It is imperative that Wicomico County postures the Y&CC to remain competitive! The following short-term goals should be fulfilled:

Additional property should be acquired. An opportunity exists to purchase land from the Salisbury Mall developers. The County should target a minimum of 30 acres to accommodate overflow parking (15 acres) and a minimum of 15 acres to accommodate expansion of the existing facility.

Additional revenue streams commonly used in the industry should be adopted immediately! This includes: event parking fee; corporate sponsorships, conversion of the Midway Room into a performing arts center; sell V.I.P. seating sections; seek a professional hockey franchise, and sell alcoholic beverages at appropriate events.

The sale of alcoholic beverages is an issue of deep concern. The overwhelming majority of the committee urges that the County Executive and County Council remove the current restriction on the sale of alcoholic beverages at selected, appropriate events held in the Y&CC. It is estimated that an annual increase of \$300,000 will be realized by removing this restriction.

Establish a separate, hands-on citizens' advisory board whose task is the focused oversight of Y&CC operations, to develop business; and to create and seize opportunities to implement this committee's findings...similar to the Tourism Advisory Board

Hold a public hearing(s) to solicit broad-based citizen input before adopting the plan.

Respectfully Submitted,

Orville Penn
Chairman