Section 5

Business Plan

Section I - Demographic Summary and Market Analysis

In an attempt to determine the feasibility of building a proposed community recreation center in Cottonwood, Arizona, a market analysis that looks at the demographic realities of the area and reviews the existing indoor recreation facilities, has been undertaken.

The following is a summary of the basic demographic characteristics of the greater Cottonwood area, a comparison with basic recreation and leisure participation standards as produced by the National Sporting Goods Association and the National Endowment for the Arts.

Service Area: While the focus of the planned center will be to serve the residents of Cottonwood, it is normal for most recreation facilities to have a primary service area that is different than just the jurisdictional boundaries. As a result, a primary service area for the center has been defined as an area that covers Cottonwood, Jerome, Clarkdale, Camp Verde and Cornville. A primary service area is usually defined by the distance people will travel on a regular basis (a minimum of once a week) to utilize a recreation facility or its programs. Use by individuals outside of the primary service area will be limited to special events (tournaments, swim meets, etc.) or visitors to the area. A larger secondary service area has been determined as an area that will draw some possible users to as center on at least an occasional basis. This secondary service area includes Sedona and Rimrock as well as the primary service area.

Primary service areas can vary in size with the types of components that are included in a facility. A center with an indoor pool and other active elements (weight cardiovascular equipment area, gym, track, etc.) will generally have a larger primary service area than a more passively oriented facility. Specialized facilities such as an indoor ice rink or a sports fieldhouse will have even larger service areas that make them more of a regional destination.

A 20 to 30 minute service area is not uncommon for recreation facilities in a more rural environment. The travel distance to the proposed site for the center for all of the designated primary service area generally supports these numbers. There are currently a only a small number of indoor recreation and sports facilities in the greater Cottonwood area.

Service Area Population: The population of the service area is as follows:

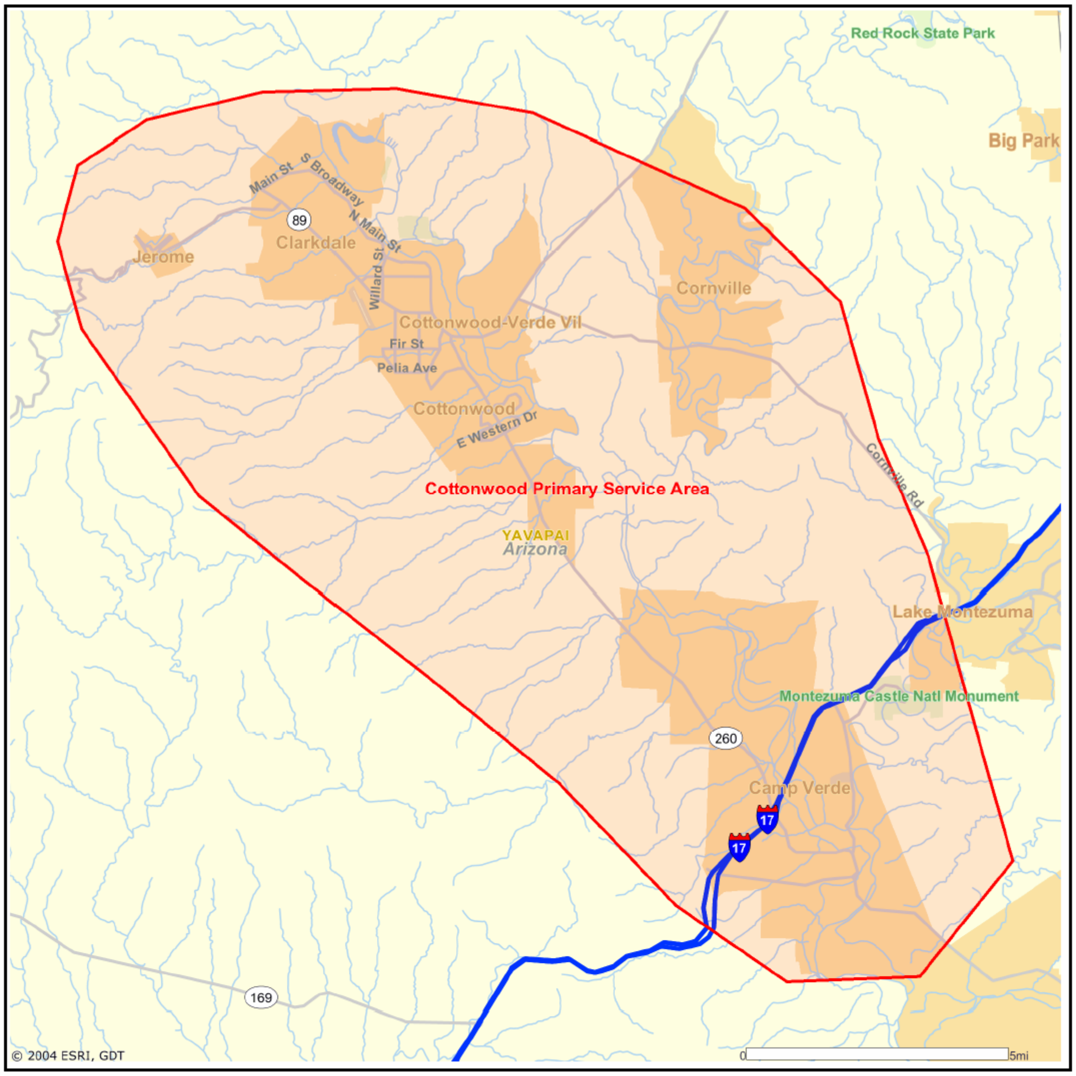
	2000 Census	2004 Est.	2009 Proj.
City of Cottonwood	9,179	10,480	12,106
Primary Service Area	34,446	38,334	43,620
Secondary Service Area	57,524	64,505	73,560

Source - U.S. Census Bureau and ESRI. The demographic statistics for the primary service area will be utilized for this report with references to the secondary service area.

Site Map

Cottonwood Primary Service Area

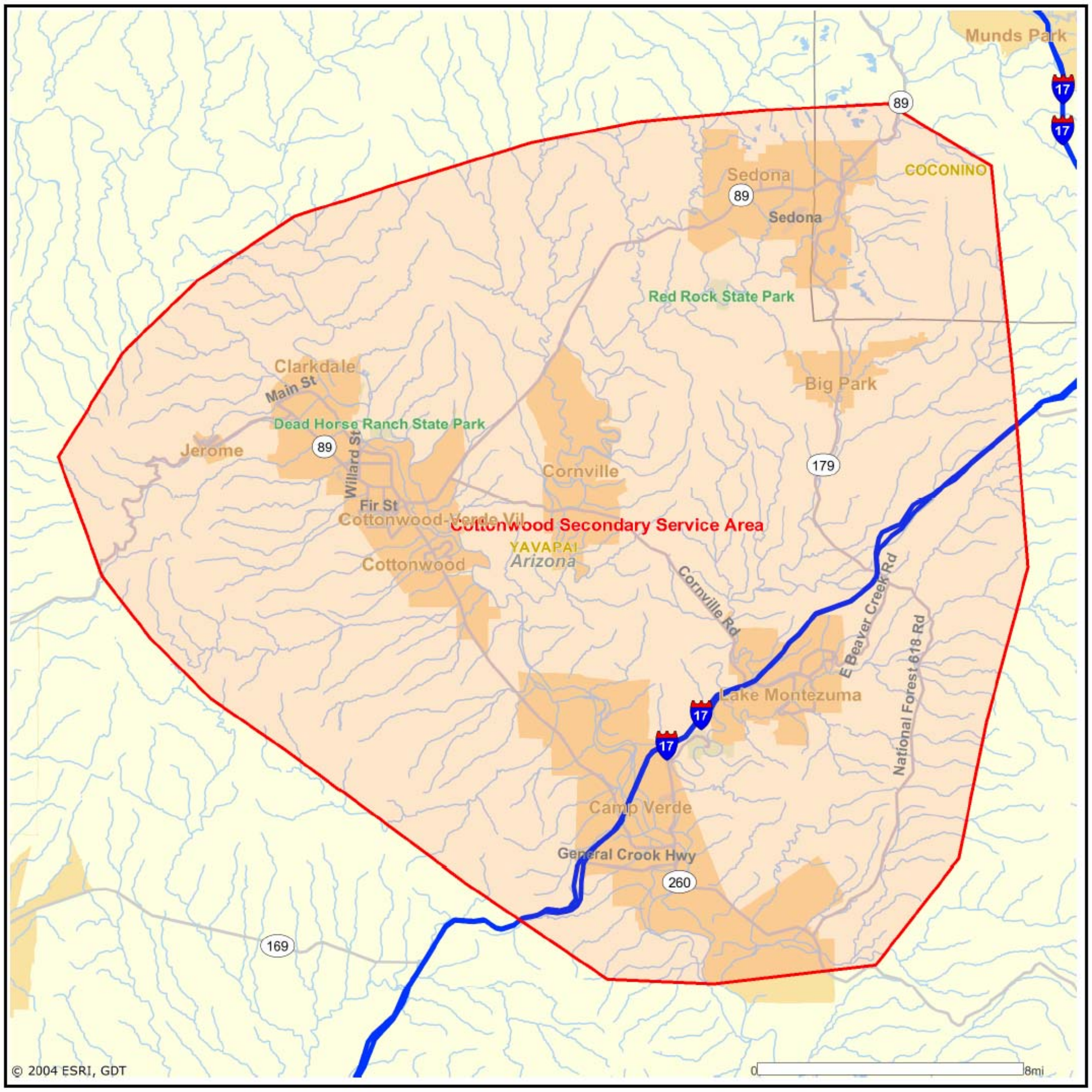
December 3, 2004



Site Map

Cottonwood Secondary Service Area

December 3, 2004



Population Distribution by Age: Utilizing census information from the Cottonwood Primary Service Area the following comparisons are possible.

Primary Service Area - from 2004 ESRI census estimate

Table- A

Ages	Pop.	% of Tot.	Nat. Pop.	Diff.
-5	2,297	6.0%	6.8%	-.8%
5-17	6,282	16.4%	18.0%	-1.6%
18-24	3,000	7.8%	10.2%	-2.4%
25-44	8,211	21.4%	28.5%	-7.1%
45-54	5,552	14.5%	14.0%	+.5%
55-64	4,725	12.3%	9.8%	+2.5%
65+	8,266	21.5%	12.5%	+9.0%

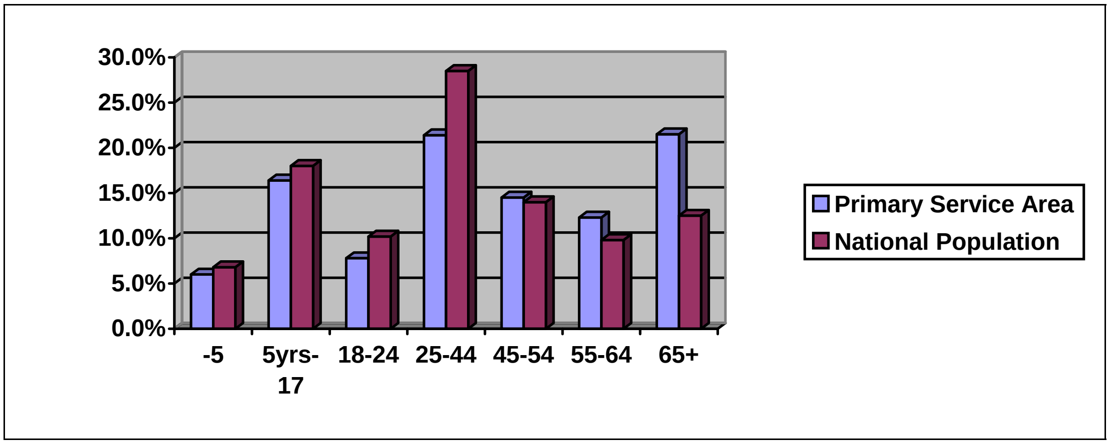
Population- 2004 census estimate in the different age groups in the service area.

% of Total- Percentage of the service area population in the age group.

National Population- Percentage of the national population in the age group.

Difference- Percentage difference between the service area population and the national population.

Chart- A



The demographic makeup of the Cottonwood primary service area, when compared to the characteristics of the national population, indicates that they are considerably different, with a much larger middle aged and senior population and a smaller youth and young adult population than the national numbers. Overall, the population is considerably older than the national population and indicates a significant number of retired people in the market.

When the demographics for the primary service area are compared with those from the secondary service area there are a number of differences. The younger age groups have an even lower percentage and the middle aged adult and senior age categories have a higher percentage. Overall the population is considerably older than the primary service area.

Population Distribution Comparison by Age: Utilizing census information from the primary service area, the following comparisons are possible.

Cottonwood Primary Service Area - from census information and ESRI.

Table- B

Ages	2000 Pop.	2004 Pop.	2009 Pop.	% Change
-5	2,051	2,297	2,568	+25.2%
5-17	6,037	6,282	6,774	+12.2%
18-24	2,314	3,000	3,476	+50.2%
25-44	7,977	8,211	8,749	+9.7%
45-54	4,779	5,552	6,223	+30.2%
55-64	3,803	4,725	6,436	+69.2%
65+	7,488	8,266	9,393	+25.4%

Chart- B

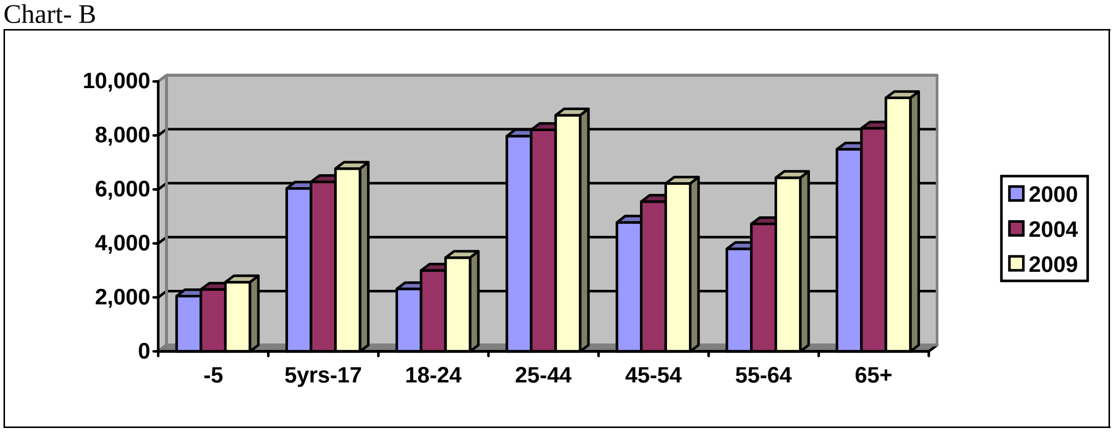


Table-B looks at the growth or decline in age group numbers from the 2000 census until the year 2009. It is projected that every age category will see significant growth with the greatest occurring in the 55-64 and 18-24 age groups. It must be remembered that the population of the United States as a whole is aging and it is not unusual to find negative growth numbers in the younger age groups and net gains nearing 30% in the 45 plus age groupings in communities, which are more stable in their population numbers. The big increases in the youth population are relatively unusual and indicate the growth of families in the area. With the projected increase in population numbers this will provide a basis for increases in facility usage.

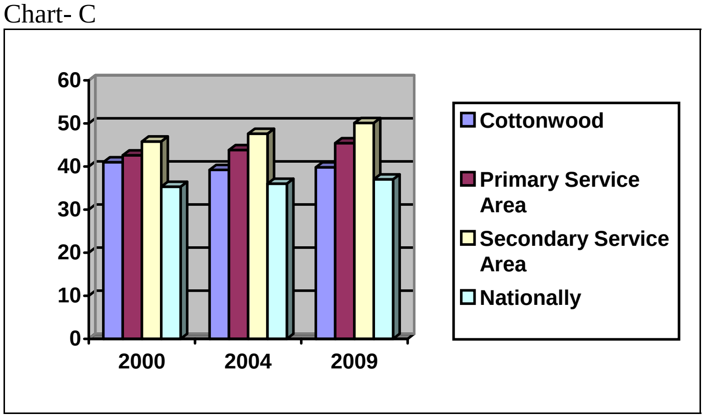
Once again when the statistics for the primary service are compared to secondary service area there are very few differences. The secondary service area population is expected to grow in all age groups but the rate of growth in all but the senior age groups is slower than the primary service area. However, the growth in the 55-64 and 65+ age categories is expected to be considerably higher.

Next, the median age and household income levels are compared with the national numbers. Both of these factors are primary determiners of participation in sports and recreation activities (see Table-C). The lower the median age the higher the participation rates are for most activities. The level of participation also increases as the income level goes up.

Median Age:

	2000 Census	2004 Est.	2009 Proj.
City of Cottonwood	41.0	39.2	39.8
Primary Service Area	42.6	43.8	45.4
Secondary Service Area	45.8	47.6	50.1
Nationally	35.3	36.0	37.0

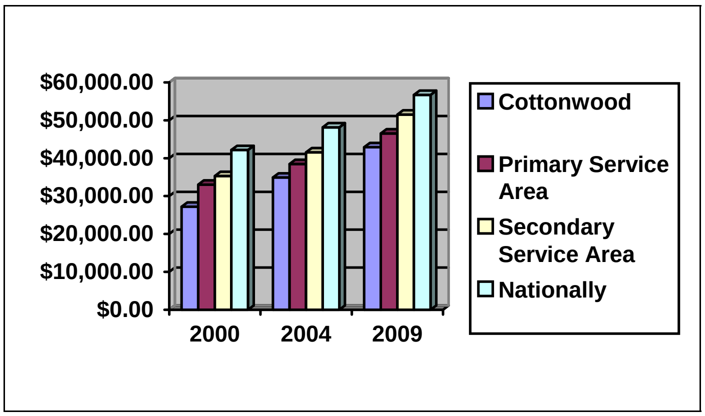
Chart- C



Median Household Income:

	2000 Census	2004 Est.	2009 Proj.
City of Cottonwood	$27,200	$34,900	$42,914
Primary Service Area	$33,012	$38,461	$46,535
Secondary Service Area	$35,299	$41,554	$51,538
Nationally	$42,164	$48,124	$56,710

Chart- D



Note: The median household income level must be balanced against the cost of living for the area to determine possible discretionary income available for recreation purposes. While the income levels for the Cottonwood primary service area are considerably lower than the national average, the relative cost of living for the Cottonwood area is generally lower than most areas. The lower median household income level is reflective of an area with a high retired senior population which skews the income levels downward but does not necessarily translate into less discretionary income for recreation purposes.

Demographic Summary:

- The population is expected to grow at a very strong rate during the next five to ten years.
- The population density is generally low.
- The median age is well above the national level and is expected to remain there.
- Household size is right at the national average.
- Median household income is substantially below the national levels.

- The secondary service area has similar characteristics as the primary service area but it is older and has a higher median household income level.

- There are also a significant number of visitors to the area.

Comparison With National Statistics: Utilizing information from the National Sporting Goods Association and comparing them with the demographics from the Cottonwood primary service area the following participation projections can be made (statistics were compared based on age, household income, regional population and national population).

Participation Estimates - Primary service area from the National Sporting Goods Association (based on 2004 population estimates).

Table- C

	Income	Age (avg.)	Region	Nation	Average
Aerobics	10.1%	9.8%	9.5%	10.9%	10.1%
Basketball	8.8%	9.3%	12.9%	10.9%	10.5%
Exer/equip	16.3%	17.6%	18.5%	19.0%	17.9%
Exer. Walk	28.1%	31.0%	29.8%	31.0%	30.0%
Martial Arts	1.9%	1.6%	1.8%	1.9%	1.8%
Running/jog	7.6%	7.5 %	9.2%	9.0%	8.3%
Racquetball	1.0%	.8%	1.9%	1.0%	1.2%
Rock Climbing	1.2%	1.1%	3.1%	1.2%	1.7%
Swimming	15.1%	16.7%	18.5%	18.4%	17.2%
Volleyball	2.4%	3.4%	3.8%	4.1%	3.4%
Workout Club	10.0%	10.5%	13.4%	11.5%	11.4%

Income- Participation based on the 2004 estimated median household income in the primary service area.

Age (avg.)- Participation based on averaging participation by different age groups in the primary service area.

Region- Participation based on regional statistics (Mountain, U.S.).

Nation- Participation based on national statistics.

Average- Participation based on the average of the other four categories.

When looking at participation rates in various recreation activities, the National Sporting Goods Association uses four different determiners for their percentages. Utilizing the average of these four categories takes into consideration each of the factors that can influence participation rates.

Anticipated Participation Numbers by Activity: Utilizing the average percentage from Table- C above plus the 2000 census information and census estimates for 2004 and 2009 (over age 5).

Table- D

	Average	2000 Part.	2004 Part.	2009 Part.	Difference
Aerobics	10.1%	3,231	3,598	4,102	+871
Basketball	10.5%	3,359	3,740	4,265	+906
Exer/equip	17.9%	5,727	6,376	7,271	+1,544
Exer. Walk	30.0%	9,598	10,686	12,185	+2,587
Martial Arts	1.8%	576	641	731	+155
Running/jog	8.3%	2,656	2,956	3,371	+716
Racquetball	1.2%	384	427	487	+103
Rock Climbing	1.7%	544	606	691	+147
Swimming	17.2%	5,503	6,126	6,986	+1,483
Volleyball	3.4%	1,088	1,211	1,381	+293
Workout Club	11.4%	3,647	4,061	4,630	+983
Total		**36,313**	**40,428**	**46,101**	**+9,788**

Note: The estimated participation numbers indicated above are for each of the sports listed and do not necessarily translate into expected attendance figures at a Cottonwood Community Recreation Center since many participants utilize other facilities for these activities and may participate in more than one activity at a time. However, these figures do indicate the total number of people participating in various activities within the primary service area.

Participation Correlation: One of the primary orientations of many community recreation centers is often a significant indoor aquatics area. With this in mind, and utilizing information provided by the National Sporting Goods Association's 2003 survey, the following correlation between people who participate in swimming and other recreational activities is possible.

Table- E

	% of Swimmers	% of Activity Part.
Aerobics	19.6%	32.9%
Basketball	25.1%	42.3%
Martial Arts	5.0%	48.7%
Exer. Walking	46.3%	27.4%
Exer/equip	30.7%	29.6%
Running/Jogging	21.3%	43.7%
Volleyball	12.4%	55.7%

Percent of Swimmers- The percentage of swimmers who would participate in the given activity.

Percent of Activity Participants- The percentage of the listed activity participants who would also participate in swimming.

These correlation statistics indicate the strong relationship between those people who participate in aquatics and other activities. These statistics also indicate the importance of having an aquatics amenity in a recreation facility to increase overall usage of the center.

Below are listed a variety of indoor recreation activities and the relative market strength and rate of participation.

Summary of Sports Participation: The following chart summarizes participation in various sports and leisure activities utilizing information from the 2003 National Sporting Goods Association survey.

Table- F

Sport	Rank	% Part.	Age Group
Exer. Walk	1	30.0%	25 - 34
Exer/equip	3	17.9%	25 - 34
Swimming	4	17.2%	7 - 11
Workout Club*	N/A	11.4%	25 - 34
Aerobics	9	10.1%	25 - 34
Basketball	10	10.5%	12 - 17
Running/jog	15	8.3%	25 - 34
Volleyball	24	3.4%	12 - 17
Martial Arts	37	1.8%	7 - 11
Climbing*	N/A	1.7%	25 - 34
Racquetball*	N/A	1.2%	25 - 34

Rank - Popularity of sport based on national survey.

% Part. - Percent of population that would participate in this sport based on the average in Table-C.

Age Group - The age group with the highest level of participation based on national survey.

* If Workout at Club were ranked it would be in the 8th spot.

Note: Age group participation is on a bell curve, with the age group noted having the highest rate and then declining from there.

Comparison of State Statistics with National Statistics: Utilizing information from the National Sporting Goods Association, the following charts illustrate the participation numbers in selected sports in the state of Arizona.

Arizona participation numbers in selected indoor sports - As reported by the National Sporting Goods Association in 2003.

Table- G

Sport Participation		Age Group	Largest #
(in thousands)			
Exer. Walking	1,269	25-34	35-44
Swimming	907	7-11	12-17
Workout at Club	846	25-34	25-34
Exer. w/Equipment	748	25-34	35-44
Running/Jogging	441	25-34	25-34
Aerobics	385	25-34	25-34
Basketball	271	12-17	12-17
Volleyball	40	12-17	12-17

Participation - The number of people (in thousands) in Arizona who participated more than once in the activity in 2003 and were at least 7 years of age.

Age Group - The age group in which the sport is most popular. The age group where the highest percentage of the age span participates in the activity. Example: The highest percent of an age group that participates in exercise walking is 25-34. **This is a national statistic.**

Largest # - The age group with the highest number of participants. Example: The greatest number of exercise walkers is in the 35-44 age group. Note: This statistic is driven more by the sheer number of people in the age group than by the popularity of the sport in the age span. **This is a national statistic.**

When comparing these statistics to the national numbers in Table-F, there are a several differences notably that swimming, workout at club and running/jogging are more popular in Arizona than the national ranking while exercise with equipment, basketball and volleyball are less popular. There are only state statistics for a limited number of activities, so statistics are not available for martial arts, climbing, or racquetball.

Another method to measure sports participation statistics compares the percentage of the national population from the state with the percentage of national participation in a variety of sports.

Arizona sports percentage of participation compared with the population percentage of the United States -

Arizona's population represents 1.8% of the population of the United States (based on 2000 census statistics).

Table- H

Sport Participation Percentages	
Workout at Club	2.9
Running/Jogging	1.9
Swimming	1.9
Exer. Walking	1.6
Exer. w/Equipment	1.5
Aerobics	1.4
Basketball	1.0
Volleyball	.4

Note: Sport participant percentages refer to the total percent of the national population that participates in a sport that comes from the state of Arizona. It is significant that in three sports (workout at club, running/jogging and swimming) the percentage of participation is at or above the percentage of the national population. This is a relatively strong rate of participation compared to many states and indicates an active population base from which to draw facility users.

Non-Sports Participation Statistics: It is recognized that most community centers are more than just sports oriented facilities. Participation in a wide variety of passive activities and cultural pursuits is common and essential to a well-rounded center.

While there is not the breadth of information available for participation in these types of activities as compared to sports endeavors, there are statistics that can be utilized to help determine the market for cultural arts activities and events. Beginning in 1982 and at selected intervals there after the National Endowment for the Arts has sponsored the "Survey of Public Participation in the Arts" to determine the extent to which Americans participate in the arts. Information extracted from the 2002 survey indicates the following.

Personal Participation in the Arts

U.S. adults (over age 18) who have personally performed or created works in cultural arts activities in 2002 (at least once).

Table- I

Activity	% of Adults	# of Adults
Music		
Jazz	1.3%	2.7
Classical Music	1.8%	3.7
Opera	.7%	1.4
Choir/Chorale	4.8%	9.8
Composing Music	2.3%	4.7
Plays		
Musical Plays	2.4%	4.9
Non-musical Plays	1.4%	2.9
Dance		
Ballet	.3%	.6
Other Dance	4.2%	8.6
Visual Arts		
Drawing/Painting	8.6%	17.6
Photography	11.5%	23.5
Pottery/Jewelry	6.9%	14.1
Weaving/Sewing	16.0%	14.1
Literature		
Writing	7.0%	14.4

% of Adults – the percentage of adults (18 years and older) in the U.S. who participated in the activity at least once during 2002.

# of Adults – the number of adults (in millions) in the U.S. who participated in the activity at least once during 2002.

These statistics indicate a strong number of individuals who personally participate in certain cultural arts activities. The different activity classifications are very broad and include a variety of specific events.

General Attendance for Arts Activities

U.S. Adults (over age 18) who attended a cultural arts activity in 2002 (at least once).

Table- J

Activity	% of Adults	# of Adults
Music		
Jazz	10.8%	22.2
Classical Music	11.6%	23.8
Opera	3.2%	6.6
Plays		
Musical Plays	17.1%	35.1
Non-musical Plays	12.3%	25.2
Dance		
Ballet	3.9%	8.0
Other Dance	6.3%	12.1
Visual Arts		
Art Museums/galleries	26.5%	54.3
Art/craft Fairs & Festivals	33.4%	68.4
Historic Sites		
Parks/historic buildings	31.6%	64.7
Literature		
Plays/poetry/etc.	46.7%	95.3

% of Adults – the percentage of adults (18 years and older) in the U.S. who attended an activity at least once during 2002.

# of Adults – the number of adults (in millions) in the U.S. who attended an activity at least once during 2002.

This table indicates an even stronger number of individuals who attend certain cultural arts activities.

Much like sports participation, attendance and participation in cultural arts activities is higher among the more educated and higher income adult individuals. However, participation is generally higher in the middle age (35-64) groups while sports participation is higher in the youth and younger adult age groups.

Participation in Arts Classes or Lessons

Individuals who participated in arts classes and lessons.

Table- K

Activity	% Anytime in Life	% in 2002
Music	33.9%	1.4%
Visual Arts	16.5%	1.7%
Acting	7.0%	.5%
Ballet	6.4%	.1%
Other Dance	11.4%	.7%
Creative Writing	13.1%	1.0%
Art Appreciation	18.3%	1.0%
Music Appreciation	16.1%	.6%

% Anytime in Life – the percentage of adults in the U.S. who took lessons in the activity at least once during their lifetime.

% in 2002 – the percentage of adults who took lessons in the activity at least once during 2002.

This table indicates the percentage of people who took lessons in a variety of activities either in their lifetime or in 2002.

General Attendance for Arts Activities by Region

U.S. Adults (over age 18) who attended a cultural arts activity in 2002 (at least once) in the Mountain Region of the country.

Table- L

Activity	% of Adults	% Mountain
Music		
Jazz	10.8%	13.2%
Classical Music	11.6%	16.0%
Opera	3.2%	4.1%
Plays		
Musical Plays	17.1%	19.5%
Non-musical Plays	12.3%	13.9%
Dance		
Ballet	3.9%	4.9%
Other Dance	6.3%	9.4%
Visual Arts		
Art Museums/galleries	26.5%	33.7%
Art/craft Fairs & Festivals	33.4%	36.4%
Historic Sites		
Parks/historic buildings	31.6%	36.5%
Literature		
Plays/poetry/etc.	46.7%	53.4%

% of Adults – the percentage of adults (18 years and older) in the U.S. who attended an activity at least once during 2002.

# of Adults – the percentage of adults (18 years and older) in the Mountain region of the U.S. who attended an activity at least once during 2002.

This table indicates a much stronger rate of attendance of cultural arts activities in the Mountain region than the general U.S. population.

In an attempt to develop a more direct comparison between the rates of participation in various leisure activities, the NEA survey ranked the following activities.

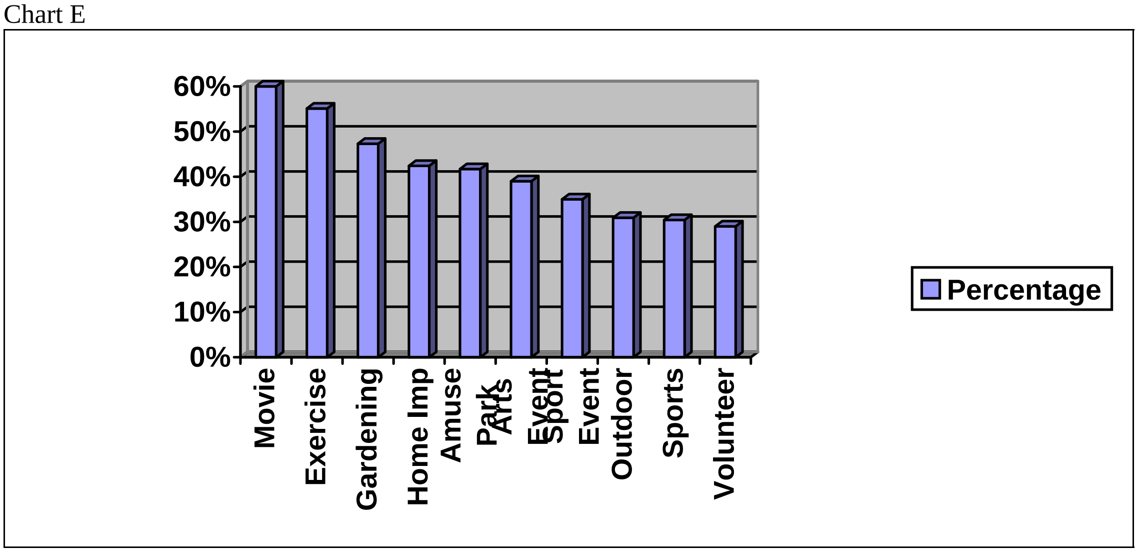
Rates of Participation in Leisure Activities in 2002:

Table- M

Activity	Percentages
Went to Movies	60.0%
Exercised	55.1%
Gardening	47.3%
Home Improvements	42.4%
Amusement Parks	41.7%
Attend Arts Event	39.0%
Attend Sport Event	35.0%
Outdoor Activities	30.9%
Played a Sport	30.4%
Volunteer/charity	29.0%

Percentages – refers to the percentage of the adult U.S. population that participated in the activity (at least once) in 2002.

Chart E



In relationship to sports participation and other leisure activities, participation in cultural arts is not as high but is still significant in the number of participants that are involved in these activities.

Recreation Activity and Facility Trends: There continues to be very strong growth in the number of people participating in recreation and leisure activities. It is estimated that one in five Americans over the age of six participates in some form of fitness related activity at least once a week. American Sports Data, Inc. reported that membership in U.S. health clubs has increased by 76.1% between 1987 and 1999, and memberships in health clubs reached an all time high of 32.8 million in 2000. The greatest increase in membership has occurred in the over 55 age group, followed by the under 18 and 35-54 age categories. Overall membership in the 35-54 age group increased while it actually decreased in the 18-34 age group. Statistics also indicate that approximately 12 out of every 100 people of the U.S. population (or 12%) belong to a health club. On the other side most public recreation centers attract between 20% and 30% of a market area (more than once) during the course of a year. All of this indicates the relative strength of a market for a community recreation facility. However despite these increases the American population as a whole continues to lead a rather sedentary life with an average of 25% of people across the country reporting that they engage in no physical activity (according to The Centers for Disease Control).

One of the areas of greatest participant growth over the last 10 years is in fitness related activities such as exercise with equipment, aerobic exercise and group cycling. This is also the most volatile area of growth with specific interest areas soaring in popularity for a couple of years only to be replaced by a new activity for the coming years. Also showing particularly strong growth numbers are basketball and running/jogging while swimming participation remains consistently high despite recent drops in overall numbers. It is significant that many of the activities that can take place in an indoor recreation setting are ranked in the top fifteen in overall participation by the National Sporting Goods Association.

The multi-component concept of delivering recreation services continues to grow in acceptance with the idea of providing for a variety of activities and programs in a single location. This idea has proven to be financially successful by centralizing operations for recreation departments and through increased generation of revenues from patrons able to participate in multiple and varied leisure needs under the same roof. These facilities have become identifiable centers for communities, and have promoted "family" recreation values. The keys to success revolve around the concept of intergenerational use in a quality facility that has multi-use capabilities and the versatility and flexibility to meet ever-changing leisure needs.

Below are listed those sports activities that would be often take place indoors in a community recreation center and the percentage of growth or decline that each has experienced nationally over the last 10 years (1993-2003).

Table- N

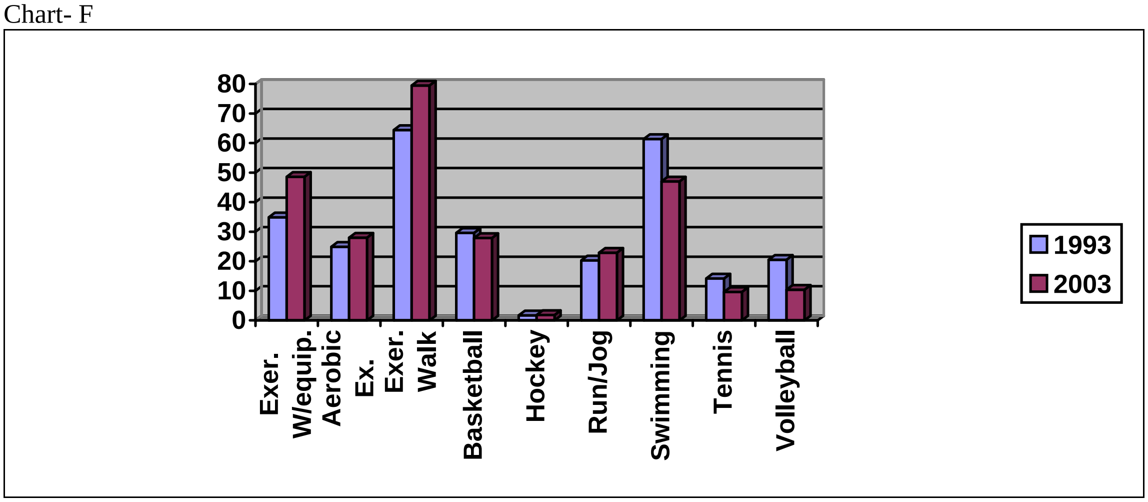
Sport/Activity	1993 Part.	2003 Part.	% Change
Exercising w/Equip.	34.9	48.6	+39%
Exercise Walking	64.4	79.5	+23%
Running/Jogging	20.3	22.9	+13%
Aerobic Exercising	24.9	28.0	+12%
Ice Hockey	1.7	1.8	+6%
Basketball	29.6	27.9	-6%
Swimming	61.4	47.0	-23%
Tennis	14.2	9.6	-32%
Volleyball	20.5	10.4	-49%

1993 Participation - The number of participants per year in the activity (in millions) in the United States**.**

2003 Participation - The number of participants per year in the activity (in millions) in the United States.

Percent Change - The percent change in the level of participation from 1993 to 2003.

Chart- F



In addition to sports participation trends the following chart shows how cultural arts participation has changed from 1992 to 2002.

Personal Participation in the Arts 1992-2002

Table- O

Activity	1992 Part.	2002 Part.	% Change
Music			
Jazz	3.2	2.7	-16%
Classical Music	7.8	3.7	-53%
Opera	2.0	1.4	-30%
Choir/Chorale	11.7	9.8	-16%
Composing Music	3.9	4.7	+21%
Plays			
Musical Plays	7.1	4.9	-31%
Non-musical Plays	3.0	2.9	-3%
Dance			
Ballet	.4	.6	+50%
Other Dance	15.0	8.6	-43%
Visual Arts			
Drawing/Painting	17.8	17.6	-1%
Photography	21.6	23.5	+9%
Pottery/Jewelry	15.6	14.1	-10%
Weaving/Sewing	46.1	32.7	-29%
Literature			
Writing	13.7	14.4	+5%

1992 Participation - The number of participants per year in the activity (in millions) in the United States**.**

2002 Participation - The number of participants per year in the activity (in millions) in the United States.

Percent Change - The percent change in the level of participation from 1992 to 2002.

Due to the increasing recreational demands there has been a shortage in most communities of the following spaces.

Gymnasiums
Pools (especially leisure pools)
Ice arenas
Weight/cardiovascular equipment areas
Indoor running/walking tracks
Meeting/multipurpose (general program) space
Senior's program space
Pre-school and youth space
Teen use areas

As a result, many communities have attempted to include these amenities in public recreation centers. Leisure pools (with slides and interactive water features) that appeal to younger swimmers and non-swimmers as well as families and seniors have become extremely popular and are being built in conjunction with or instead of conventional pools. Weight/cardiovascular space is also in high demand and provides a facility with the potential to generate significant revenues (along with the leisure pool). Gyms, due to their flexibility and versatility are needed for both youth and adult activities. Ice arenas, although expensive to build and operate, have the potential to have a very positive cash flow and growth in hockey has been phenomenal over the last 10 years.

The success of most public recreation centers is dependent on meeting the recreational needs of a variety of individuals. The fastest growing segment of society is the senior population and meeting the needs of this group is especially important now and will only grow more so in the coming years. Indoor walking tracks, exercise areas, pools and classroom spaces are important to this age group. Marketing to the younger more active senior is paramount, as this age group has the free time available to participate in leisure activities, the desire to remain fit, and more importantly the disposable income to pay for such services.

Youth programming has always been a cornerstone for recreation services and will continue to be so with an increased emphasis on teen needs and providing a deterrent to juvenile crime. With a continuing increase in single parent households and two working parent families, the needs of school age children for before and after school child care continues to grow as does the need for preschool programming.

The ever increasing demand for programming has put a real squeeze on the number of indoor recreation facilities that are available. Recreation has historically utilized school facilities during non-school hours for its programs and services. However, the limits of using school facilities, the growth in school sports, and the lack of daytime program space has pushed communities to build separate recreation centers or partner with schools to enlarge facilities. Even with these new centers, use of school buildings has continued to be strong and has allowed for the growth in programs and services.

As more and more communities attempt to develop public recreation centers the issues of competition with other providers in the market area have inevitably been raised. The loudest objections have come from the private health club market and their industry voice

IHRSA. The private sector has vigorously contended that public facilities unfairly compete with them in the market and have spent considerable resources attempting to derail public projects. However, the reality is that in most markets were public community centers have been built, the private sector has not been adversely affected and in fact in many cases has continued to grow. This is due in large part to the fact that public and private providers serve markedly different markets. One of the other issues of competition comes from the non-profit sector (primarily YMCA's but also JCC's, and others), where the market is much closer to that of the public providers. While not as vociferous as the private providers, the non-profits have also often expressed concern over public community recreation centers. What has resulted from this is a strong growth in the number of partnerships that have occurred between the public and non-profit sector in an attempt to bring the best recreation amenities to a community.

Community Recreation Center Benchmarks: Based on market research conducted by Ballard*King and Associates at community recreation centers across the United States, the following represents the basic benchmarks.

- The majority of community recreation centers that are being built today are between 65,000 and 75,000 square feet. Most centers include three primary components A) A pool area usually with competitive and leisure amenities, B) Multipurpose gymnasium space, and C) Weight/cardiovascular equipment area. In addition, most centers also have group exercise rooms, drop-in childcare, and classroom and/or community spaces.

- For most centers to have an opportunity to cover operating expenses with revenues, they must have a service population of at least 50,000 and an aggressive fee structure.

- Most centers that are between 65,000 and 75,000 square feet have an operating budget of between $1,200,000 and $1,500,000 annually. Nearly 60% of the operating costs are from personnel services, followed by approximately 28% for contractual services, 10% for commodities, and 2% for capital replacement.

- For centers that serve a more urban population and have a market driven fee structure, they should be able to recover 70% to 100% of operating expenses. For centers in more rural areas the recovery rate is generally 50% to 75%. Facilities that can consistently cover all of their operating expenses with revenues are rare. The first true benchmark year of operation does not occur until the third full year of operation.

- The majority of centers of the size noted (and in an urban environment) above average daily paid attendance of 800 to as much as 1,000 per day. These centers will also typically sell between 800 and 1,500 annual passes (depending on the fee structure and marketing program).

- It is common for most centers to have a three-tiered fee structure that offers daily, extended visit (usually punch cards) passes, and annual passes. In urban areas it is common to have resident and non-resident fees. Non-resident rates can run anywhere between 25% to 50% higher than the resident rate. Daily rates for residents average between $3.00 and $6.00 for adults, $3.00 and $4.00 for youth and the same for seniors. Annual rates for residents average between $200 and $300 for adults, and $100 and $200 for youth and seniors. Family annual passes tend to be heavily discounted and run between $350 and $800.

- Most centers are open an average of 100 hours a week, with weekday hours being 6:00am to 10:00pm, Saturdays 8:00am to 8:00pm and Sundays from noon to 8:00pm. Often hours are shorter during the summer months.

Note: These statistics vary by regions of the country.

Market Orientation: Based on the demographic makeup of the primary service area and the trends in indoor recreation amenities, there are specific market areas that need to be addressed with such community facilities. These include:

<u>General</u>

1. Drop-in recreation activities - Critical to the basic operation of any public recreation center is the availability of the facility for drop-in use by the general public. This requires components that support drop-in use and the careful scheduling of programs and activities to ensure that they do not dominate the center and exclude the drop-in user. The sale of annual passes and daily admissions, potential strong revenue sources for a center, requires a priority for drop-in use.

2. Instructional programming - The other major component of a recreation center's operation is a full slate of programs in a variety of disciplines. The center should provide instruction for a broad based group of users in a number of program areas. The primary emphasis should be on teaching basic skills with a secondary concern for specialized or advanced instruction.

3. Special events - There should be a market for special events including kids birthday parties, community organization functions, sports tournaments and other special activities. The development of this market will aid significantly in the generation of additional revenues and these events can often be planned for before or after regular operating hours or during slow use times of the year. Care should be taken to ensure that special events do not adversely impact the everyday operations of the center.

4. Community rentals - Another aspect of a center's operation is providing space for rentals by civic groups or organizations as well as the general public. Gyms and multi-purpose rooms can be used as a large community gathering space and can host a variety of events from seminars, parties, receptions, arts and crafts sales and other events. It is important that a well-defined rental fee package is developed and the fee schedule followed closely. Rentals should not be done at the expense of drop-in use or programming in the center.

5. Social welfare programs – An emerging area for many centers is the use of space for social service activities and programs. Special population activities, teen assistance programs, childcare and other similar uses are now common in many facilities.

Specific market segments include:

1. Families - Within most markets an orientation towards family activities is essential. The ability to have family members of different ages participate in a variety of activities together or individually is the challenge.

2. Pre-school children - The needs of pre-school age children need to be met with a variety of activities and programs designed for their use. From drop-in childcare to specialized pre-school classes, a number of such programs can be developed. Interactive programming involving parents and toddlers can also be beneficial. It is significant that this market usually is active during the mid morning time frame, providing an important clientele to the facility during an otherwise slow period of the day. For parents with small children who wish to participate in their own activities, babysitting services are often necessary during the morning and early evening time slots.

3. School age youth - Recreation programming has tended to concentrate on this market segment and this age group should be emphasized at a center as well. This group requires a wide variety of programs and activities that are available after school or during weekend hours. Instructional programs and competitive sports programs are especially popular, as well as drop-in use of the facility.

4. Teens - A major focus of many public recreation center projects is on meeting the needs of teenagers in the community. There is a great debate among recreation providers throughout the country on how to best provide recreation programming for this age group. Some believe that dedicated teen space is required to meet their needs while others find that it is the activities and approach that is more important. Serving the needs of this age group will often require the use of many areas of the center at certain “teen” times of use.

5. Seniors - As the population of the United States and the primary service area continues to age, continuing to meet the needs of an older senior population will be essential. As has been noted, a more active and physically oriented senior is now demanding services to ensure their continued health. Aqua exercise, lap swimming, weight training and cardiovascular conditioning have proven to be popular with this age group. Again, the fact that this market segment will usually utilize a facility during the slower use times of early to mid-day also is appealing. Providing services for this age group should be more of a function of time than space.

6. Business/corporate - This market has a variety of needs from fitness/wellness and instruction, to recreation and social. The more amenities and services that can be offered at one location the more appeal there is to this market segment. The business community should be surveyed to determine their specific needs and expectations.

7. Special needs population - This is a secondary market, but with the A.D.A. requirements and the existence of a number of recreation components, the amenities will be present to develop programs for this population segment. Association with health care providers and/or other social service agencies will be necessary to fully reach this market.

8. Special interest groups - This is a market that needs to be explored to determine the use potential from a variety of groups. These could include school functions, social service organizations and adult and youth sports teams. While the needs of these groups can be great, their demands on a center can often be incompatible with the overall mission of the facility. Care must be taken to ensure that special interest groups are not allowed to dictate use patterns for the center.

9. Visitor/Second Home - This potential market can be developed through working with local hotels/motels, condos and developments in the area. Generally the aquatic elements and fitness aspects of the facility have the most appeal for this group. This involves the development of a specific marketing plan more than anything else.

Service Area Providers: There are currently a limited number of indoor facilities in the Cottonwood primary service area that are supplying recreation, fitness and sports activities and facilities.

The City of Cottonwood has a couple of indoor recreation facilities. The primary facility is the Civic Center which is one of the prime locations for a variety of recreation programs. This building is well suited for performing arts and other community functions but not for many of the activities that currently take place there. The other building is right next door and it contains the parks and recreation offices, an old weight room (Main Street Gym) on the bottom floor, while the upstairs used to house a fitness floor (Recreation Studio) that is no longer useable and now sits empty. Neither of these buildings is adequate for today's recreation needs. Any new recreation center that would be built in Cottonwood would be first and foremost a facility to replace the existing facilities and provide a more appropriate building for existing programs and services. Besides these buildings the city also has an outdoor 6 lane/25 yard pool (Cottonwood Municipal Pool). The city is also highly reliant on the use of school gyms for youth sports programs and other activities.

Cottonwood Civic Center

Cottonwood Municipal Pool

Other neighboring communities also have some indoor amenities as well. Jerome has a small community building and Camp Verde has an old gym that is used for sports activities. Clarkdale has a significant recreation center and a small outdoor pool but the facility is oriented toward more passive recreation needs. In addition Yavapai Community College has two racquetball courts and the county is just completing a new senior center in Cottonwood.

There are a limited number of non-profits in the area with a Boy’s & Girl’s Club in Sedona and Cottonwood, but the Cottonwood facility lacks the facilities to be a top notch center. Sedona recently opened a center to exclusively serve the needs of youth and teens. There is also a small community center in Sedona as well as the Sedona Arts Center. The YMCA explored the idea of trying to build a center in the area but never followed through with a building program.

The other major providers in the area are the private sector. Cottonwood has several private health clubs, Everybody’s Workout, Valley Athletic Club and Curves; and there are several clubs in Sedona as well. It should be expected that these existing private providers will have a concern over the possibility that a new recreation center (if it includes fitness related amenities and activities) would adversely impact their market and they will oppose the project as a result. However, private fitness and community recreation centers typically serve very different clientele and usually do not compete head to head for the same users. It is conservatively estimated that well over 50% of the users of a public center will have never been to a private facility and would have no interest in joining such a center.

Valley Athletic Club

Everybody’s Workout

In addition to the private health clubs many of the hotels and resorts in Sedona have extensive indoor recreation and fitness amenities but these primarily serve the tourist market. Within the Cottonwood area there are also several housing developments that have small indoor community facilities and outdoor pools. Once again use is restricted to residents and the facilities are limited in size and are mostly large multipurpose rooms. Several of the churches and service groups (Elks, etc.) have large meeting and event spaces as well.

After analyzing the market for a public community recreation center in Cottonwood and considering the number of other providers in the area, there is still a remaining market for a center. This is due the fact that despite the seemingly large number of existing facilities most of these are not serving the active recreation market, are specialized in nature or are not providing services to all age groups.

Alternative Recreation Service Providers: Below is a list of the alternate recreation service providers (facilities) that are located in the Cottonwood market area.

Private

Sedona Racquet Club & Spa	The Ridge Spa & Racquet Club
Los Abrigados Resort & Spa	Hilton Spa
Enchantment Resort	Everbody's Workout
West End One on One	Valley Athletic Club
Curves	The Club at Cottonwood Ranch
Verde Village Pool	

Non-Profit

Sedona Arts Center	Sedona Boy's & Girl's Club
Adult Community Center of Sedona	Sedona Teen Center
Cottonwood Boy's & Girl's Club	

Public

Cottonwood Civic Center	Cottonwood Main Street Gym
Cottonwood Municipal Pool	Camp Verde Gym
Clarkdale Recreation Center & Pool	Sedona Outdoor Pool
American Heritage (charter school)	Cottonwood Senior Center
Clarkdale/Jerome School	Jerome Community Center
Yavapai Community College	
Cottonwood School District Facilities	

There have been indications that other resorts might be considering the construction of other recreation amenities at some point in the future as well.

This is a representative listing of alternative recreation facilities in the area and is not meant to be a total accounting of all service providers. A number of churches and service clubs also provide a limited number of recreation facilities and programs. There may be other facilities located in the area that have an impact on the Cottonwood market as well.

Market for a Public Recreation Center: With any proposed public community recreation center the issue of the size and qualification of the market for such a facility comes to the forefront.

Reviewing the characteristics of the various markets indicates:

- The Cottonwood primary service area with a population of just under 40,000 is rather small to support a comprehensive public community recreation center and every effort will need to be made to draw from the larger secondary service area on at least an occasional basis.

- The population of the area is expected to continue to grow at a rapid pace for the next five years which will add a significant number of potential additional users for the facility.

- The population of the primary service area is considerably older than the national median level and the median household income is much lower.

- The private sector hopes to capture between 10% and 15% of a market area (generally in a 3 to 5 mile radius of the club) while the public sector facilities target a market of 20% to 30% of an area within a 15 to 20 minute driving distance. Non-profits will have a market draw that is somewhere between the two. These differences are directly related to the business practices of the three types of entities. Private facilities are generally a membership based operation where revenues are almost exclusively derived from membership revenues and from program and service expenditures generated from these same individuals. As such it is relatively easy to project market dynamics (distance, eligible households, etc.) for this type of facility. The non-profit sector (YMCA's) takes the market a bit further, while still being largely membership based, they often have some limited daily admissions and actively pursue program only members. Program and service options also extend well beyond the sports and fitness area to include everything from child care, to cultural arts and social programs. This expands the market for recreation services to the 15% to 20% range. Public facilities on the other hand generally have readily accessible daily admissions, some form of extended passes as well as annual passes. In addition there are usually a large number of programs (again in areas beyond sports and fitness) that can be accessed without a membership and also a number of community functions and activities where no fee may be collected at all. Most community recreation centers operate on an ala carte system which greatly expands the market to a broader spectrum of users based on age, income and travel time. As a result the 20% to 30% market penetration rate is obtainable and the geographic area served is generally much larger. It is not inconceivable that over the course of a year's time over 50% of a community's population will have come to a community recreation center for some use, function or activity. However, due to the variety of program and service options offered by the public sector, fewer annual passes are generally sold than private or non-profit facilities. On the other side it is relatively common to have individuals and families who have memberships at private or non-profit facilities to access public facilities for certain services that are either not offered by the others or are not providing them in a manner that meets their needs.

- The market realities put public and private facilities at the opposite end of the market spectrum with the non-profits in the middle but closer to the public market.

- The ability of a fitness, sports or recreation facility to capture a market share is based in large part on the amenities that are included in a center, the variety of amenities available, the size of the facility and the fees that are going to be charged.

Based on the information noted above the following estimates are possible.

- There are estimated to be approximately 38,500 individuals in the primary service area. If 15% are captured by the private sector this would result in to approximately 5,775 memberships.

- Figuring that the full 15% of the market is being satisfied with the private providers that still leaves the difference between the public and private market rate at 15%. Some of this market is being taken from the other facilities but even at 5% of this market that still leaves a market of 10% for a Cottonwood Community Recreation Center. 10% of the primary service area market would convert to approximately 3,850 users that could be potential annual pass holders.

- Another method to analyze possible participation numbers is to look at the pre-qualified population that is likely to participate in sports activities and look at realistic percentage of that market that can be captured by a facility. Weekly participation in active recreation activities from individuals within the primary service area can be expected to be somewhere in the range of 15% to 20% of the population which equals approximately 5,775 to 7,700 individuals, (based on 2004 population estimates for the primary service area). Even if a new center were able to capture as little as 20% of this pre-qualified market this would convert to 1,150 to as many as 1,500 potential annual pass holders. Participation rates for more passive oriented facilities are more difficult to project due to the lack of reliable utilization rates for such activities, but the level of use is below that of a more active facility and the potential service area is also considerably smaller as well.

Demographic Summary and Assessment of Need Conclusion: If a Cottonwood Community Recreation Center is developed, the emphasis of the project should be placed on providing quality of life benefits with corresponding facilities that attract the age groups that have the highest level of participants and a facility that serves unmet recreation needs. The fact that the demographic statistics show an older (as compared to the national population) age group distribution should be kept in mind since the principal age range for active recreational activities is 18 to 34 years. During the next five years the fastest growing segment of the population nationally will be in the 45 to 65 age category. The population in this age group is becoming increasingly more active and in tune with fitness and leisure activities and their recreation needs should be recognized.

Population growth in the service area is projected by the U.S. Census Bureau to be approximately 2.6% per year for the next five years, which will add a considerable number of additional possible participants for the center. Household income is one of the prime determiners in recreation activity participation and the Cottonwood primary service with its high number of retired individuals, has a median household income level that is much lower than the national population, which could hold down the participation rate.

Overall, after reviewing the demographic information and the gaps in service from the other recreation facilities in the immediate area, there is a reasonable market for a Cottonwood Community Recreation Center if it is focused on filling the unmet recreation needs of the primary service area.

Section II - Operations Analysis

The operations pro-forma is based on the following assumptions:

The Community Recreation Center will contain all of the program elements recommended by the feasibility team (noted below).

The outdoor competitive pool will be closed from November 1 until March 1 each year.

The Community Recreation Center will be a partnership between the City of Cottonwood and the Verde Valley Medical Center. The hospital will pay for operations of their portion of the building as well as contribute to the operations of the general facility.

The center will be built at the Civic Center site.

Most all programs and services will be offered by staff at the center.

The first year of operation for the center will be 2008.

Division I - Expenditures

Expenditures have been formulated based on the costs that are typically included in the operating budget for this type of facility. The figures are based on the size of the center, the specific components of the facility and the projected hours of operation. Actual costs were utilized wherever possible and estimates for other expenses were based on similar facilities in other areas. All expenses were calculated as accurately as possible but the actual costs may vary based on the final design, operational philosophy, and programming considerations adopted by staff.

> **Facility Description –** Leisure pool, therapy pool and an outdoor 8 lane lap pool, party room, gymnasium, track, game/activity center, child watch, indoor playground, community room/kitchen, weight/CV area, aerobics/dance room, climbing wall, hospital wellness center, locker rooms and administration area – **Approximately 66,500 sq.ft.**

Operation Cost Model:

Category	Facility Budget
Personnel	
Full-time	496,600
Part-time	511,553
Total	$1,008,153
Commodities	
Office supplies (forms, paper, etc.)	8,000
Chemicals (pool/mech.)	18,000
Maint./repair/mat.	20,000
Janitor supplies	20,000
Rec. supplies	15,000
Uniforms	4,000
Printing/postage	20,000
Pro Shop	6,000
Other	3,000
Total	$114,000

Category	Facility Budget
Contractual	
Utilities* (gas & elec.)	281,000
Water/sewer	25,000
Insurance (prop.& liab.)	28,000
Communications (phone)	6,000
Contract services**	35,000
Rent equip.	4,000
Advertising	5,000
Training (staff time)	4,000
Conference	3,000
Trash pickup	3,000
Dues and subscriptions	500
Bank charges (charge cards, EFT)	12,000
Other	3,000
Total	$409,500
Capital	
Replace. fund	$20,000
Grand Total	**$1,551,653**

Note: Line items not included in this budget are exterior site maintenance and vehicle costs. These items are being paid from other central sources.

* Rates are $4.00 sq.ft. plus $15,000 for the outdoor pool. It should be noted that rates for gas and electricity have been very volatile and could result in a substantially higher cost for utilities over time.

** Contract services cover maintenance contracts, control systems work, and contract labor.

Staffing Levels:

Positions	Facility Budget
NEW FULL-TIME	
Center Manager ($45,000)	1
Aquatics Supervisor ($42,000)	1
Fitness Supervisor ($38,000)	1
General Program Coordinator ($35,000)	1
Maintenance Supervisor ($35,000)	1
Maintenance Worker ($25,000)	3
Front Desk Supervisor ($28,000)	2
Head Lifeguard ($28,000)	2
New Salaries	$382,000
Benefits (30%)	$114,600
Total	$496,600
New F.T.E. (full-time equiv.)	12

Note: Pay rates were determined based on City of Cottonwood job classifications and wage scales. The positions listed are necessary to ensure adequate staffing for the center's operation. **The wage scales for both the full-time and part-time staff positions reflect an anticipated wage for 2008.**

Positions	**Facility Budget**
PART-TIME	
Front desk supervisor ($8.50hr.)	20hrs/wk
Front desk cashier ($7.00hr.)	130hrs/wk
Lifeguard ($8.00hr.)	439hrs/wk
Weight room supervisor ($7.00hr.)	93hrs/wk
Climbing wall supervisor ($7.00hr.)	44hrs/wk
Gym attendant* ($7.00hr.)	37hrs/wk
Game/playground attendant ($7.00hr.)	43hrs/wk
Custodian/Building attendant ($8.50hr.)	90hrs/wk
Baby-sitter ($7.00hr.)	102hrs/wk
Program instructors**	
Aquatics ($10.00hr.)	$30,582
General (rates vary)	$46,520
Salaries	$465,048
Benefits (10%)	$46,505
Total	$511,553

* Position (and hours) is six months (26 weeks) only, due to heavier use of the facility during the winter months. This position will monitor gym and weight room usage.

** Program instructors are paid at several different pay rates and some are also paid per class or in other ways. This makes an hourly breakdown difficult. General programs consist of sports leagues, fitness, instructional classes and other such programs. Aquatics includes learn to swim, aqua fitness, and special classes.

Division II - Revenues

The following revenue projections were formulated from information on the specifics of the project and the demographics of the service area as well as comparing them to state and national statistics, other similar facilities and the competition for recreation services in the area. Actual figures will vary based on the size and make up of the components selected during final design, market stratification, philosophy of operation, fees and charges policy, and priorities of use.

Revenue Projection Model:

Category	Facility Budget
Fees	
Admissions	185,400
Multi. Admiss.	37,750
6 Month	210,850
Annuals*	385,800
Corporate/Group	10,000
Rentals**	68,000
Total	$897,800
Programs***	
Aquatics	46,000
General	70,000
Contract programs	3,000
Total	$119,000

Category	Facility Budget
Other	
Pro-shop	8,000
Hospital Operations Payment****	200,000
Spec. events	3,000
Vending	8,000
Baby-sitting	20,000
Total	$214,000
Grand Total	**$1,255,800**

* Figures are based on an active program to promote the sale of annual passes.

** Rentals are based on the following:
Gameroom/party $30 x 4/wk x 50 wks = $6,000
Multipurpose/aerobics $40 x 6/wk x 50 wks = $12,000
Multipurpose (primetime) $400 x 1/wk x 50 wks = $20,000
Gymnasium $25 x 4/wk x 36 wks = $3,600
Playground/climbing wall $50 x 2wk x 36 wks = $3,600
Leisure Pool $150 x 1wk x 50 wks = $7,500
Compt. Pool $60 x 5wk x 30 wks = $9,000
Therapy Pool $50 x 25 = $1,250
Misc. $5,000

*** Figures are based on assessing fees that are at least 50% higher than the total cost of operating the program. General programs consist of sports leagues, fitness, instructional classes and contractual programs. Aquatics includes learn to swim, aqua fitness, and other programs.

**** Hospital Operations Payment is $200,000 a year for 5 years only.

Division III - Expenditure - Revenue Comparison

Category	Facility Budget
Expenditures	$1,551,653
Revenues	$1,255,800
Difference	-$295,853
Recovery %	81%

Future Years: Expenditure - Revenue Comparison: Expenses for the first year of operation of the center should be slightly lower than projected with the facility being under warranty and new. Revenue growth in the first three years is attributed to increased market penetration and in the remaining years to continued population growth. In most recreation facilities the first three years show tremendous growth from increasing the market share of patrons who use such facilities, but at the end of this time period revenue growth begins to flatten out. Additional revenue growth is then spurred through increases in the population within the market area, a specific marketing plan to develop alternative markets, the addition of new amenities or by increasing user fees.

This operations pro-forma was completed based on the best information available and a basic understanding of the project. However, there is no guarantee that the expense and revenue projections outlined above will be met as there are many variables that affect such estimates that either cannot be accurately measured or are not consistent in their influence on the budgetary process.

Division IV - Fees and Attendance

Projected Fee Schedule: The fee schedule has not been figured utilizing a fee differential for non-residents. Revenue projections and attendance numbers were calculated from this fee model.

Category	Daily	20 Visit	6-Month	Annual
Adults	$5.00	$80.00	$175	$300
Child (5-12)	$3.00	$48.00	$90	$140
Youth (13-17)	$3.50	$55.00	$110	$180
Senior (55+)	$3.50	$55.00	$110	$180
Household*	$12.00	N/A	$275	$475

* Includes 2 adults and up to three child/youth, each additional adult would be $125/$200 and each additional child $35/$50 and $45/$75.

Corporate
10% discount 5 or more mult./annuals
15% discount 10 or more mult./annuals
20% discount 15 or more mult./annuals

Rentals
$30/hr /party/gameroom
$40/hr multi-purpose (per section) non-prime time
$400/hr multi-purpose (both sections, 4 hour minimum, prime time)
$25/hr per court
$75/hr full gym
$50/hr indoor playground/climbing wall
$800/hr full facility

Pool

Leisure	Lap Pool
$150/hr (0-50 persons)	$60/hr or $7.50 per lane
$200/hr (51-100 persons)	
$250/hr (101-150 persons)	Therapy Pool
	$50/hr

Baby-sitting $2.00/per hour

Note: Multiple admissions are 20 admissions at a 20% discount. Annual passes require a monthly automatic withdrawal option from the holder’s bank account to encourage sales.

Admission Rate Comparisons: The above rates were determined based on the competition in the area (public and private) and the rates paid at similar facilities in Arizona.

Everybody's Workout (2004 Rates)

	Initiation	Monthly	6 Month	12 Month
Single	$30	$40	$198	$325
Couple	$40	$60	$315	$525
Family	$50	$75	$400	$670

Note: 6 month or 12 month paid in full, no initiation fee.

Valley Athletic Club (2005 Rates)

	Enrollment	Monthly	3 Month	12 Month
Single	$75	$47	$125	$369
Couple	$100	$70	$195	$584
Family	$125	$89	$234	$780

Note: Must be 16 years old to be a member.

Walk in Rates

	Single	Couple
Day	$10.00	$15.00
Week	$30.00	$50.00
12 Visit Pass	$72.00	

Prescott YMCA (2004 Rates)

	Joining Fee	Monthly	Annual
Youth (13 and Under)	$0	$23	$264
Teen (14-17)	$0	$23	$264
Young Adult (18-22)	$25	$27	$312
Adult (23 and Up)	$25	$34	$383
Adult HH (2 adults)	$45	$45	$515
Adult HH (3 adults)	$65	$79	$901
Adult HH (4 adults)	$85	$112	$1,277
Adult HH (1 adult/child)	$45	$45	$515
Adult HH (2 adults/ch.)	$45	$56	$639
Adult HH (3 adults/ch.)	$65	$90	$1,026
Adult HH (4 adults/ch.)	$85	$124	$1,414

Attendance Projections: The following attendance projections are the basis for the revenue figures that were identified earlier in this report. The admission numbers are affected by the rates being charged for residents and non-residents, the facilities available for use and the competition within the service area. The figures are also based on the performance of other similar facilities in other areas of the country. These are averages only and the yearly figures are based on 360 days of operation.

Yearly **Paid admissions**	**Facility**
Daily	34,200
(# daily admiss.)	95
Multiple	11,400
(# sold annually)	570
6 Month	49,400
(# sold annually)	950
Annual*	104,000
(# sold annually)	1,000
Total Yearly	199,000
Total Daily	553

* Admissions for pass holders were figured based on 52 visits for 6 month passes and 104 visits for annual passes. Family admissions are counted as one admission.

The 1,950 annual passes are based on selling passes to approximately 8% of the households (17,500 projected by 2008) in the primary service area and 4% of the households (13,500 projected by 2008) in the secondary service area.

Note: Attendance for other events, programs, and spectator functions is more difficult to predict but a best guess estimate is approximately 2.5 times the number of paid admissions. Recreation centers are traditionally the busiest from November to March and mid-June to mid-August and are slow from April to early June and again from mid-August to the end of October. Weekdays between the hours of 5pm and 8pm are the busiest times of the week and weekends are also very busy during the winter months. In contrast mid-morning and early afternoon on weekdays are usually slow as well as weekends during the summer months (especially Sundays).

Hours of Operation: The projected hours of operation of the community recreation center are as follows:

Monday - Friday	6:00am to10:00pm
Saturday	8:00am to 8:00pm
Sunday	Noon to 8:00pm

Hours per week: 100

Hours usually vary some with the season (longer hours in the winter, shorter during the summer), by programming needs, use patterns and special event considerations.

Section III - Project Recommendations

The following section details specific recommendations for the Cottonwood Community Recreation Center project. Remarks are grouped by areas of interest.

Programs and Facilities: The design, image and quality of a recreation center has a direct impact on its ability to attract and keep customers. Thought should be given to the building layout as it pertains to crowd control and access, during the final design phase of the project. A visible open design which highlights the different activity areas and encourages participation from the user as well as the non-user, is essential to generating community excitement and revenue. As much natural light as possible needs to be incorporated into the design while not compromising safety and promoting and maintaining energy efficiency in every way possible. The intent is to build a "smart building" that gives Cottonwood the most for its money and the user a sense of quality and value.

<u>Weight/cardiovascular fitness area</u>- The presence of this space in the building is essential to developing a strong revenue stream for the center (estimated to be at least one-third of the total center revenue). More revenue per square foot can be generated from this recreation component than any other indoor amenity. It also allows the center to have a higher rate structure due to the value such an amenity has in the market place.

<u>Pool</u>**-** The hottest trend in aquatics is the leisure pool concept. This idea of incorporating slides, current channels, fountains, zero depth entry and other water features into a pools design has proved to be extremely popular for the drop-in user. The age of the conventional pool in most recreational settings is nearly dead. Leisure pools appeal to the younger kids (who are the largest segment of the population that swims) and to families. These types of facilities are able to attract and draw larger crowds and people tend to come from a further distance and stay longer to utilize such pools. This all translates into more use and revenue. Of note is the fact that patrons seem willing to pay a higher admission fee for the use of a leisure amenity when it includes a pool (even if they are not a swimmer). The simple fact that there is a pool in a community center will drive the use and ultimately the revenue in the other areas of the center. It is estimated that a pool will increase revenues in non-aquatic areas by as much as 10%. Consistent use of the facility by families and young children is dependent in large part on this amenity. The sale of annual passes and especially family annual passes is also tied to the appeal of the leisure pool.

<u>Programs</u>- Special events are an important aspect of any facility but they are difficult to base consistent revenue on. They can be very disruptive to users and care must be taken to evaluate the benefits and problems caused by such activities. The revenues generated from these programs are not always worth the time and effort to put them together. The center should not be designed specifically to handle the once a year event or activity but should have the versatility to adapt to these needs within reason. Long term programming and facility needs of the community, hospital, business, visitors to the area

and special interest groups should be identified and integrated into the operations plan for this facility.

The success of indoor recreation centers is dependent on developing a broad based appeal to the general public. The needs of youth, seniors, and families must be considered and their individual concerns and issues addressed. Programs that are intergenerational in nature and those that are specifically oriented towards certain population segments will both need to be developed. The needs of the business community must also be considered if this market is to be developed.

Consideration should be given to contracting for certain programs or services, especially those that are very specialized in nature. Any contracted programs or services should require a payment of a percentage (30%) of the fees collected back to the center and the district.

It is important to realize that the center must have a balance between program and drop-in use of the various components of the facility. The pool, gym and weight/fitness areas are of particular concern. If these areas do not have substantial times set aside on a daily basis for drop-in use then revenues generated from daily use to annual passes will be in jeopardy.

Budget and Fees: The success of this project depends on a number of budget factors, which need special consideration. An operational philosophy must be developed and priorities for use must be clearly identified. The revenue figures contained in this document are based on the principal that the facility will have a balance between drop in use and programmed activities. A goal of consistently covering 75% to 80% of operational expenses with revenues (with operational dollars from the hospital) should be attainable but there is virtually no possibility of recovering all operating expenses through facility revenues. However, it must be realized that most of the recreation centers that have been built in the last ten years are not covering their operating expenses with revenues. Maximizing revenue production should be a primary goal. Care must be taken to make sure that a fees and charges policy is consistently followed. No form of revenue production should be given away. A policy should be developed that requires programs and activities which take place in the facility to cost back a percentage of their use in revenue to the building's operation.

<u>Capital replacement fund</u>- A plan for funding a capital replacement program should be developed before the center opens. The American Public Works Association recommends between 2% and 4% of replacement cost be budgeted annually for capital items. Costs for maintenance and contract services should be lower than the amount budgeted for the first year since most equipment will still be under warranty.

<u>Fees</u>- The revenue projections were based on the concept of not having a resident/non-resident fee differential. With the City of Cottonwood's relatively small population base it will be important that the entire Verde Valley is encouraged to utilize the center. It is estimated that 50% of all users could be non-residents of the Cottonwood.

Fees paid for individual programs do not allow the user to utilize the center on a drop-in basis. A method of combining program fees and drop in use allows an annual pass holder to purchase a "fitness rider" for $75.00, which gives them unlimited access to any fitness class during the time their pass is valid. Some centers actually include “free” fitness classes as part of the benefits of having an annual pass. A similar rider may need to be developed for drop-in baby-sitting and/or a baby-sitting punch card introduced. The payment of the drop-in fee should allow the user access to all areas of the center that are open to drop-in use. There should not be separate fees for different portions of the building (such as the pool, gym or weight room).

A senior discount fee schedule was developed for the center, but it should be considered as a marketing tool rather than a discount based on need. Another option is to offer a limited morning or daytime discount rate that would be available to anyone using the center during this slower period of the day. This would work much like a senior discount without having to label it as one. With the fee structure that has been proposed, it will be necessary to develop a scholarship program for those individuals that cannot afford the basic rates. Established criteria such as eligibility for the school lunch program should be utilized to determine need rather than spending the time and aggravation of developing and administering a new system. The corporate rate program should also be promoted and sold to local businesses in the area.

To promote the sale of annual passes it is absolutely essential that a system be set up that allows for the automatic withdrawal from the pass holder’s checking account of a monthly portion of the annual pass payment. Without this option it will be difficult to meet the projected sales of annual passes. In addition, charge cards need to be accepted for all programs and services offered by the city. A computerized registration process must also be introduced to speed registration transactions and improve annual pass management.

<u>Pre-selling annual passes</u> – Approximately 3 to 6 months before the center opens there must be a program in place to begin the pre-sale of “charter passes” with a savings incentive to promote sales. A goal should be to pre-sell between 25% and 50% of all budgeted passes prior to opening the center.

<u>Marketing plan</u>- A marketing plan for the facility and its programs is essential. This document should target specific markets, programs, facilities and user groups. It needs to be an active document that is utilized by the facility coordinator to guide all marketing efforts. This plan should be updated yearly. Special emphasis must be placed on promoting the sale of annual passes to establish a strong revenue base. The business and visitor market should also be a major focus of the marketing effort as well.

<u>Staffing</u>- Staffing costs are the biggest single operating expense and alternative options need to be investigated if costs are to be significantly reduced. The use of volunteers, trading facility use for labor and other similar ideas, deserve consideration as methods to reduce staffing budgets. The pay rates for both part-time and full-time personnel were determined based on the need to attract well-qualified employees and minimize staff

turnover rates. It is important to budget for an adequate level of staffing in all areas. One of the biggest mistakes in operations comes from understaffing a center and then having to come back and ask for more help later. Maintenance staffing is of particular concern and is most often where cuts are made. Detailed job descriptions should be written for all staff and areas of responsibility need to be clearly defined. An adequate training fund is essential to a well-run center. An emphasis needs to be placed on the importance of image and customer service in all training programs.

The key to opening a recreation center and have it operate smoothly is hiring the necessary staff well in advance and having them well organized, properly trained and comfortable with the buildings features. They need to be ready to hit the ground running with policies and procedures in place, and a marketing and maintenance program under way.

<u>Verde Valley Medical Center</u>- A formal agreement will need to be developed between the City of Cottonwood and the hospital regarding not only the capital cost of building the community recreation center and their dedicated space but also the operational requirements, priorities of use and fees for use of the center itself. This agreement should be in place prior to beginning construction of the center.

Section IV - Appendix

Part-Time Staff Hours

Revenue Projections

Part-Time Staff Hours:

Front Desk - 2 scheduled to work any hours that the center is open plus 3 staff from 4 to 8 pm on weekdays and 1 to 6 pm on weekends. The two full-time front desk supervisors would handle 80 hours of the front desk schedule (split between evenings and weekends).

Time	Hours	Employees	Days	Total Hours Per Week
Gym Attendant				
Mon.-Fri.				
4pm - 9pm	5	1	5	25
Sat.-Sun.				
12pm - 6pm	6	1	2	12
Total				37 hours

Note: This position is 26 weeks only during the winter months.

Time	Hours	Employees	Days	Total Hours Per Week
Weight Room Supervisor				
Mon.-Fri.				
6am – 1pm	7	1	5	35
1pm – 4pm	3	1	5	15
4pm - 9pm	5	1	5	25
Sat.				
8am – noon	4	1	1	4
12pm - 7pm	7	1	1	7
Sun.				
12pm - 7pm	7	1	1	7
Total				93 hours
Game/Playground Attendant				
Mon.-Fri.				
3pm - 8pm	5	1	5	25
Sat.-Sun.				
10am - 7pm	9	1	2	18
Total				43 hours

Climbing Wall Supervisor

Mon.-Fri.				
3pm - 9pm	6	1	5	30
Sat.-Sun.				
12pm - 7pm	7	1	2	14
Total				44 hours

Custodian/Bldg. Attendant

Mon.-Fri.				
8am – 4pm	8	1	5	40
4pm - 8pm	4	1	5	20
Sat. & Sun.				
7am – 11am	4	1	2	8
11am – 3pm	4	1	2	8
3pm- 10pm	7	1	2	14
Total				90 hours

Baby-sitter

Mon.-Fri.				
8am - 1pm	5	2	5	50
4pm - 8pm	4	2	5	40
Sat.				
10am - 4pm	6	2	1	12
Total				102 hours

Pool Guards-Indoor

Hours: 6am-10pm, Monday-Friday
8am-8pm, Saturday
Noon-8pm, Sunday

Summer Season (June, July, August and holidays-15 wks)

Time	Hours	Guards	Days	Total Hours Per Week
Mon.-Fri.				
5:30am - 9am	3.5	1	5	17.5
9am - 1pm	4	2	5	40
1pm - 6pm	5	5	5	125
6pm - 10pm	4	4	5	80
Sat.				
7:30am - 9am	1.5	1	1	1.5
9am - 1pm	4	2	1	8
1pm - 6pm	5	5	1	25
6pm - 8pm	2	4	1	8
Sun.				
11:30am - 1pm	1.5	2	1	3
1pm - 6pm	5	5	1	25
6pm - 8pm	2	4	1	8
Total				341 hours

Fall, Winter & Spring Seasons (September through May-37wks)

Time	Hours	Guards	Days	Total Hours Per Week
Mon.-Fri.				
5:30am - 8am	2.5	1	5	12.5
8am - 11:30am	3.5	2	5	35
11:30am - 1pm	1.5	2	5	15
1pm - 3pm	2	2	5	20
3pm - 6pm	3	5	5	75
6pm - 8pm	2	5	5	50
8pm - 10pm	2	4	5	40
Sat.				
7:30am - 9am	1.5	1	1	1.5
9am - 1pm	4	2	1	8
1pm - 6pm	5	5	1	25
6pm - 8pm	2	4	1	8
Sun.				
11:30am - 1pm	1.5	2	1	3
1pm - 6pm	5	5	1	25
6pm - 8pm	2	5	1	8
Total				326 hours

Pool Guards-Outdoor

Hours: 6am-10pm, Monday-Friday
8am-8pm, Saturday
Noon-8pm, Sunday

Summer Season (June, July, August and holidays-15 wks)

Time	Hours	Guards	Days	Total Hours Per Week
Mon.-Fri.				
5:30am - 9am	3.5	1	5	17.5
9am - 1pm	4	2	5	40
1pm - 6pm	5	3	5	75
6pm - 10pm	4	2	5	40
Sat.				
7:30am - 9am	1.5	1	1	1.5
9am - 1pm	4	2	1	8
1pm - 6pm	5	3	1	15
6pm - 8pm	2	2	1	4
Sun.				
11:30am - 1pm	1.5	2	1	3
1pm - 6pm	5	3	1	15
6pm - 8pm	2	2	1	4
Total				223 hours

Fall & Spring Seasons (September, October and March, April, May-19 wks)

Time	Hours	Guards	Days	Total Hours Per Week
Mon.-Fri.				
5:30am - 8am	2.5	1	5	12.5
8am - 11:30am	3.5	1	5	17.5
11:30am - 1pm	1.5	1	5	1.5
1pm - 3pm	2	1	5	10
3pm - 6pm	3	2	5	30
6pm - 8pm	2	1	5	10
8pm - 10pm	2	1	5	10
Sat.				
7:30am - 9am	1.5	1	1	1.5
9am - 1pm	4	1	1	4
1pm - 6pm	5	2	1	10
6pm - 8pm	2	1	1	2
Sun.				
11:30am - 1pm	1.5	1	1	1.5
1pm - 6pm	5	2	1	10
6pm - 8pm	2	1	1	2
Total				122.5 hours

Note: This schedule is based on a guard rotation concept and on utilizing the Head Guards in the rotation schedule (approximately 80 hrs. a week additional). Based on the pool's basic configuration, schedule and estimated use patterns, this level of lifeguard staffing will be necessary to ensure adequate protection for swimmers. This is an estimate of anticipated guard hours only and actual needs could vary depending on the final pool design, actual use patterns, and hours of operation.

Program Staffing

Aquatics Programs

Swim Lessons (instructors are paid $9.00 an hour classes are 30 minutes in length)

Summer- staff ($4.50/cl.)	18 classes/day 5 days	10 wks	$4,050
Spring/Fall- staff ($4.50/cl.)	12 classes/day 2 days	16 wks	$1,728
Winter- staff ($4.50/cl.)	12 classes/day 2 days	8 wks	$864
Total			$6,642
Water Aerobics/Walking			
Summer- staff ($15.00/cl.)	18 classes/wk	14 wks	$3,780
Spring/Fall- staff ($15.00/cl.)	15 classes/wk	26 wks	$5,850
Winter- staff ($15.00/cl.)	15 classes/wk	12 wks	$2,700
Total			$12,330
Private Swim Lessons			
5 lessons/wk ($15.00/less.)		45 wks	$3,375
Other			
Lifeguard Training			
1 staff ($15.00/cl.)	33 hours/sess.	3 sessions	$1,485
Misc.			
1 staff ($15.00/cl.)	9 classes/wk	50 wks	$6,750
Total			$8,235
Total Aquatics Programs			**$30,582**

General Programs

Leagues (adult basketball & volleyball)

Basketball				
Tues.	2 staff ($20.00/game)	3 games/wk	20 wks	$2,400
	1 staff ($7.00/game)	3 games/wk	20 wks	$420
Volleyball				
Thurs.	1 staff ($20.00/cl.)	3 games/wk	24 wks	$1,440
Total				$4,260

Fitness (dry land)

MWF	1 staff ($15.00/cl.)	12 classes/wk	52 wks	$9,360
T Th	1 staff ($15.00/cl.)	9 classes/wk	52 wks	$7,020
Wknd	1 staff ($15.00/cl.)	4 classes/wk	52 wks	$3,120
Total				$19,500

Weight Training

1 staff ($15.00/cl.)	3 classes/wk	52 wks	$2,340

Personal Trainer

1 staff ($25.00/sess.)	5 per week	52 wks	$6,500

Youth/Teen Activities

1 staff ($10.00/cl.)	6 classes/wk	36 wks	$2,160

Senior Activities

1 staff ($10.00/cl.)	6 classes/wk	36 wks	$2,160

Arts & Crafts

1 staff ($10.00/cl.)	6 classes/wk	36 wks	$2,160

Birthday Parties

1 staff ($15.00/party)	4/wk	52 wks	$3,120

Climbing Wall

1 staff ($15.00/cl.)	4 classes/wk	36 wks	$2,160

Misc. (dance, martial arts, etc.)

1 staff ($10.00/cl.)	6 classes/wk	36 wks	$2,160
Total General Programs			**$46,520**

Note: Many programs and classes will be on a contractual basis with the center, where the facility will take a percentage of the revenues charged and collected. These programs have not been shown in this budget as a result.

Revenue Worksheet:

Daily

	Fee	# per day	Revenue	
Adult	$5.00	40	$200	
Youth	$3.50	10	$35	
Child	$3.00	10	$30	
Senior	$3.50	20	$70	
Family	$12.00	15	$180	
Total		95	$515 x 360 days =	$185,400
Grand Total				$185,400

Multiple Admission Cards

	Fee	# sold	Revenue	
Adult	$80.00	270	$21,600	
Youth	$55.00	100	$2,400	
Child	$48.00	50	$5,500	
Senior	$55.00	150	$8,250	
Total		570	$37,750	
Grand Total				$37,750

6 Month Pass

	Fee	# sold	Revenue	
Adult	$175	240	$42,000	
Youth	$110	10	$1,100	
Child	$90	0	$7,500	
Senior	$110	150	$16,500	
Family	$275	550	$151,250	
Total		950	$210,850	
Grand Total				$210,850

Yearly Pass

	Fee	# sold	Revenue	
Adult	$300	240	$72,000	
Youth	$180	10	$1,800	
Child	$140	0	$0	
Senior	$180	150	$27,000	
Family	$475	600	$285,000	
Total		1000	$385,800	
Grand Total				$385,800

Revenue Summary

Daily	$185,400
Multi Admissions	$37,750
6 Month Passes	$210,850
Annual Passes	$385,800
Total	$819,800

Note: This work sheet was used to project possible revenue sources and amounts. These figures are estimates only, based on basic market information and should not be considered as guaranteed absolutes. This information should be utilized as a representative revenue scenario only and to provide possible revenue target ranges.