

Memorandum - DRAFT

To: Rob Hazard

From: Rob Hunden
C. H. Johnson Consulting, Inc.

CC: Charles Johnson

Date: August 7, 2003

Re: Lancaster Convention Center Projection Summary

This memorandum contains assumptions and estimates regarding the proposed Lancaster Convention Center (Center). This is a draft analysis that relies on secondary sources of information and may be revised. It does not include projections related to the hotel, such as total occupancy, rate, hotel-only functions, etc. nor does it reflect savings that could occur if some hotel/convention center functions (accounting, sales, etc.) are consolidated.

Table 1 shows the physical programming assumptions about the Center and attached hotel.

Table 1

Lancaster Convention and Hotel Complex Physical Program	
Hotel Rooms	294
Function Space	79,786
Exhibit Space	50,000
Ballroom	10,648
Junior Ballroom	7,260
Breakout Meeting	11,878
Parking Spaces	1,000

Source: LCCCA

Table 2 summarizes projected demand at the Center, based on assumptions regarding the market.

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Table 2

Projected Event Demand at the Lancaster Convention Center					
	2006	2007	2008	2009	2010
Exhibit Events					
Conventions & Tradeshows	21	23	26	27	28
Consumer Shows	15	18	21	23	25
Subtotal	36	41	47	50	53
Non-Exhibit Events					
Meeting and Seminars	52	60	68	74	78
Banquets	26	32	38	45	52
Other/Civic Events	15	20	25	30	30
Subtotal	93	112	131	149	160
Total Events	129	153	178	199	213
Total Event Days	210	240	280	310	330
Exhibit Hall Occupancy	41%	48%	55%	59%	62%

Source: Johnson Consulting

We estimate that the facility will stabilize at 28 conventions and trade shows, 25 consumer shows, 78 meetings, 52 banquets, and 30 other events. The total event days are expected to be 330 by 2010, resulting in 62 percent utilization of the exhibit hall. The facility will have capacity to host more events over time, as maximum practical occupancy is generally assumed to be 70 percent.

Table 3 shows the average and projected attendance at the Center.

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Table 3

Projected Attendance at the Lancaster Convention Center					
	2006	2007	2008	2009	2010
Average Attendance					
Exhibit Events					
Conventions & Tradeshows	650	670	680	710	710
Consumer Shows	4,330	4,440	4,460	4,530	4,540
Non-Exhibit Events					
Meeting and Seminars	200	200	200	200	210
Banquets	380	380	390	410	420
Other/Civic Events	310	310	320	320	320
Total Attendance					
Exhibit Events					
Conventions & Tradeshows	13,600	15,500	17,800	19,200	19,900
Consumer Shows	65,000	79,900	93,600	104,300	113,600
Non-Exhibit Events					
Meeting and Seminars	10,200	11,900	13,600	15,100	16,100
Banquets	9,800	12,300	15,000	18,400	21,600
Other/Civic Events	4,600	6,100	7,900	9,500	9,600
Total Attendance	103,200	125,700	147,900	166,500	180,800

Source: Johnson Consulting

Conventions and tradeshows are expected to have an average attendance of 710 by 2010. Consumer shows will exceed 4,500 attendees on average by 2010. Meetings, banquets and other events are expected to average between 200 and 400 attendees each. Total attendance is projected to begin at 103,000 and increase to 181,000 by the stabilized year, 2010.

Table 4 displays the rental revenue assumptions used in the analysis.

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Table 4

Rental Revenue Assumptions		
	Unit	Rate
Equipment Rental Rate	per thousand GSFD*	\$25.00
Event Services	per GSFD	\$0.025
Space Rental Rate		
Conventions & Tradeshows	per GSFD	\$0.05
Consumer Shows	per GSFD	\$0.05
Meeting and Seminars	per GSFD	\$0.03
Banquets	per GSFD	\$0.03
Other/Civic Events	per GSFD	\$0.05
*GSFD = Gross Square Foot Days of space rented		
Source: Johnson Consulting		

Rent may be charged on a per-room basis, a per-capita basis, per-square foot day basis, etc. We have used a common denominator rental rate daily cost per square foot day.

Table 5 displays the food and beverage revenue assumptions.

Table 5

Food and Beverage Revenue Assumptions		
	Unit	Rate
F&B Revenue (Gross)		
Conventions & Tradeshows	per attendee per day	\$10.00
Consumer Shows	per attendee per day	\$1.00
Meeting and Seminars	per attendee per day	\$15.00
Banquets	per attendee per day	\$25.00
Other/Civic Events	per attendee per day	\$1.50
Source: Johnson Consulting		

Table 6 shows the expense assumptions related to the Center.

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Table 6

Expense Assumptions		
Line Item	Units	Base
Contract Labor	per GSFD	\$0.02
Administrative and General	% of personnel	15%
Event Services Expense		
Cost of Goods	% of gross F&B revenue	22%
Services	per GSFD	\$0.020
Marketing	per GSFD	\$0.018
Utilities and Maintenance	per GSFD	\$0.04
Parking Expense	% of gross parking revenue	20%
<i>Source: Johnson Consulting</i>		

Table 7 shows the parking revenue assumptions.

Table 7

Parking Revenue Assumptions			
	% Utilized Parking	People per Car	Average Parking Rate
Conventions & Tradeshows	40%	1.5	\$2.00
Consumer Shows	90%	2.5	\$2.00
Meeting and Seminars	75%	2.0	\$1.00
Banquets	90%	2.0	\$1.00
Other/Civic Events	75%	2.0	\$2.00
<i>Source: Johnson Consulting</i>			

Parking utilization will increase with the local nature of an event. We expect between 40 and 90 percent utilization.

Table 8 shows the staffing and salary assumptions for the facility.

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Table 8

Base Salary Expenses for Lancaster Convention Center*			
	Number of Staff Members		Salary per Staff Member
	2006	2010	
Gen. Manager	1	1	\$75,000
Assistant Manager/Sales Manager	1	1	\$62,500
Sales Manager	1	1	\$37,000
Controller	1	1	\$60,000
Operations Manager/Engineer	1	1	\$55,000
Event Manager	2	2	\$40,000
Maintenance	2	2	\$30,000
Labor Pool	2	5	\$28,000
Clerical and Receptionist	4	4	\$28,000
Security	5	5	\$16,000
	20	23	

**Benefits calculated at additional 33% of salary
 Source: Johnson Consulting*

We project the facility will need 20 employees (four management team members and 16 staff) at opening, increasing to 23 employees by the stabilized year. Salaries are expected to range from \$16,000 for security to \$75,000 for the general manager. Benefits are figured at 33 percent of base salary. The actual level of staff will depend upon the level of business generated as well as the ability to share sales and other staff with the hotel. This analysis assumes the sales manager will have assistance from the hotel sales staff.

Table 9 shows the contract labor projection.

Table 9

Contract Labor Projection					
	2006	2007	2008	2009	2010
Contract Labor	\$ 151	\$ 180	\$ 210	\$ 232	\$ 246
Full-Time Equivalents (@ \$26,000/yr.)	6	7	8	9	9

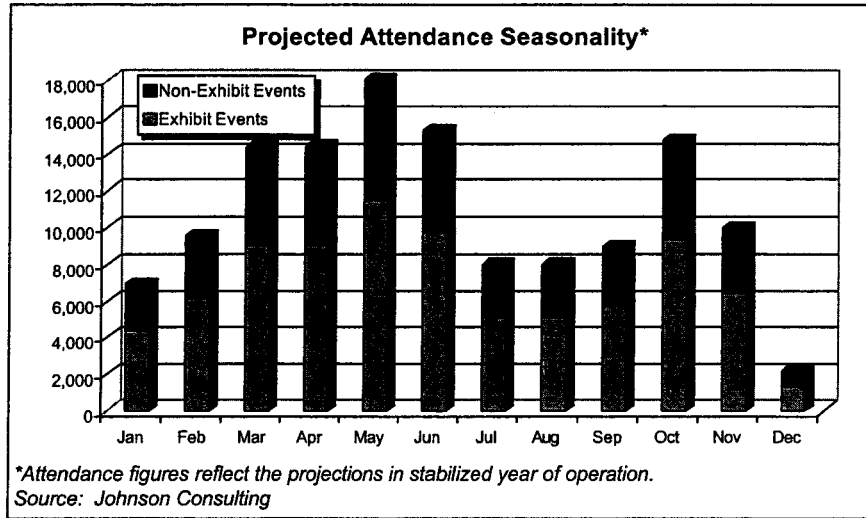
Source: Johnson Consulting

Contract labor is assumed based on the level of projected event activity at approximately \$0.02 per gross square foot day. In 2006, this is projected to be \$151,000 or approximately 6 full-time equivalent contract service workers. This is expected to increase to \$246,000 in 2010, or approximately 9 full-time equivalent contract service workers.

Figure 1 shows the projected seasonality of events at the Center.

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Figure 1



The meetings and events calendar follows the school year and high points occur during generally good weather (spring and fall).

Table 10 shows the resulting proforma for the first ten years of the Center.

Table 10

Projected Proforma - Lancaster Convention Center (In \$000's, Inflated)					
	2006	2007	2008	2009	2010
Operating Revenues					
Food and Beverage (Gross)	\$647	\$798	\$964	\$1,137	\$1,295
Event Services (Gross)	221	264	308	341	364
Rent	427	509	594	658	700
Parking (Gross)	68	84	100	114	124
Other	159	189	221	245	261
Total Revenues	\$1,522	\$1,844	\$2,187	\$2,495	\$2,743
Operating Expenses					
Personnel	\$901	\$962	\$1,025	\$1,091	\$1,118
Contract Labor	151	180	210	232	246
Administrative and General	135	144	154	164	168
Food & Beverage Expense	139	172	208	245	279
Event Services Expense	177	211	246	273	291
Marketing	159	190	222	246	262
Utilities and Maintenance	354	422	493	546	582
Parking Expense	14	17	20	23	25
Total Expenses	\$2,031	\$2,298	\$2,577	\$2,820	\$2,971
Net Operating Income (Deficit)	(\$509)	(\$454)	(\$390)	(\$325)	(\$228)

Source: Johnson Consulting

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Revenues are projected to begin at \$1.5 million and increase to \$2.7 million by the stabilized year (2010). Expenses are expected to outpace revenues by \$509,000 in 2006. The deficit is expected to decrease to \$228,000 by 2010.

Table 11 shows the proforma without parking or food and beverage revenues and expenses.

Table 11

Projected Proforma - Lancaster Convention Center (In \$000's, Inflated)					
	2006	2007	2008	2009	2010
Operating Revenues					
Event Services	221	264	308	341	364
Rent	427	509	594	658	700
Other	159	189	221	245	261
Total Revenues	\$807	\$962	\$1,123	\$1,244	\$1,325
Operating Expenses					
Personnel	\$901	\$962	\$1,025	\$1,091	\$1,118
Contract Labor	151	180	210	232	246
Administrative and General	135	144	154	164	168
Event Services Expense	177	211	246	273	291
Marketing	160	169	178	187	197
Utilities and Maintenance	354	422	493	546	582
Total Expenses	\$1,878	\$2,088	\$2,305	\$2,493	\$2,603
Net Operating Income (Deficit)	(\$1,072)	(\$1,126)	(\$1,182)	(\$1,249)	(\$1,278)

Source: Johnson Consulting

Without food and beverage and parking, revenues total \$807,000 in 2006 and increase to \$1.3 million in 2010. Expenses total \$1.9 million in 2006 and increase to \$2.6 million in 2010. The operating deficit is projected to be \$1.1 million in 2006 and is projected to increase to \$1.3 million by 2010.