



Post Office Box 9010      Addison, Texas 75001-9010      5300 Belt Line Road      (972) 450-7000

FAX (972) 450-7043

**AGENDA**

**MAY 23, 2006**

**WORK SESSION OF THE CITY COUNCIL  
6:00 P.M.**

**AND**

**REGULAR MEETING OF THE CITY COUNCIL  
7:30 P.M.**

**COUNCIL CHAMBERS**

**5300 BELT LINE ROAD**

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**WORK SESSION**

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Item #WS1 -      Presentation of the Cavanaugh Feasibility Study.

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**REGULAR SESSION**

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Item #R1 -      Consideration of Old Business.

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Item #R2 -      Consent Agenda.

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## CONSENT AGENDA

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- #2a - Approval of the Minutes for the May 8, 2006 and May 9, 2006, Council Meetings.
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- #2b - Consideration and approval to award bid and a resolution authorizing the City Manager to enter into a contract with American Mechanical Services, Inc., in the amount of \$69,852.00 for Heating, Ventilating, Air-Conditioning (HVAC) Annual Maintenance Services for all Town owned facilities.
- 
- #2c - Consideration and approval to purchase (1) 2006 Fork Lift under the Town's Interlocal Agreement with the Texas Local Government Purchasing Cooperative – known as BuyBoard.
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Item #R3 - Presentation to Wipe Out Kid's Cancer from proceeds generated through the 2006 Town of Addison Bowl-A-Thon.

Attachment:

1. Council Agenda Item Overview
- 

Item #R4 - Consideration and approval of an ordinance canvassing the results of the municipal election held on May 13, 2006.

Attachment:

1. Ordinance

Administrative Recommendation:

Administration recommends approval.

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Item #R5 - Appointment of one member to the Addison Board of Zoning Adjustment (BZA).

Attachment:

1. Citizens Academy List

Administrative Comment:

This item was tabled from the May 9, 2006 meeting. Boardmember Beverly Roberts has moved from the city. BZA appointments do not belong to individual Councilmembers.

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Item #R6 - Update and discussion on an already received homeland security grant for the purchase and installation of a Video Monitoring System at the Art and Events District and a change in the maintenance section.

Attachments:

1. Council Agenda Item Overview
  2. Memorandum from Chief Davis
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Item #R7 - Consideration and approval of a resolution appointing one member to the DART Board of Directors.

Attachments:

1. Letter from Mark Enoch, Board Chair
  2. Bio of Ray Noah
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Item #R8 - Discussion and consideration of HUD's Community Development Block Grant program.

Attachments:

1. Council Agenda Item Overview
2. Agreement

Administration Recommendation:

Administration recommends denial.

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Item #R9 - Presentation of Financial and Strategic Services Quarterly Review.

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Item #10 - Presentation and discussion of Phase I of the Strategic Reviews process.

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Item #R11 - Presentation of Introduction to the Budget Process.

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Item #R12 - Presentation and discussion of the first phase of the hotel tax audit conducted by MBIA MuniServices.

Attachment:

1. Council Agenda Item Overview

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## EXECUTIVE SESSION

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Item #ES1 - Closed (executive) session of the City Council pursuant to Section 551.071, Texas Government Code, to conduct a private consultation with its attorney(s), to seek the advice of its attorney(s) about contemplated litigation, and/or on a matter or matters in which the duty of the attorney(s) to the Town Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551, Tex. Gov. Code, regarding and relating to the Addison Airport fuel farm.

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Item #ES2 - Closed (executive) session of the City Council pursuant to Section 551.071, Texas Government Code, to conduct a private consultation with its attorney to seek the advice of its attorney about pending litigation, to wit: *Transcontinental Realty Investors, Inc., et al, v. The City of Addison, Texas*, Case No. 03-03457, 160<sup>th</sup> Judicial District Court, Dallas County, Texas, and on a matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 552, Tex. Gov. Code.

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Adjourn Meeting

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Posted 5:00 p.m.  
May 18, 2006  
Carmen Moran  
City Secretary

**THE TOWN OF ADDISON IS ACCESSIBLE TO PERSONS  
WITH DISABILITIES. PLEASE CALL (972) 450-2819 AT LEAST  
48 HOURS IN ADVANCE IF YOU NEED ASSISTANCE.**

## Memorandum

**To:** Mayor and City Council  
**From:** Lea Dunn, Deputy City Manager  
**Date:** May 17, 2006  
**Subject:** Presentation of the Cavanaugh Feasibility Study

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For your information and review, attached is the Cavanaugh Feasibility study prepared by Bob Brais of Consult Econ as well as a memorandum discussing the recommended next steps. Mr. Brais will be prepared to review the study with Council and respond to your questions.

## ConsultEcon, Inc.

Economic Research and Management Consultants  
*Tourism and Public Attractions, Urban Development, Real Estate*

24 Thorndike Street  
Cambridge, Massachusetts 02141

Telephone: (617) 547-0100  
FAX: (617) 547-0102  
email: otjm@consultecon.com  
website: www.consultecon.com

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### Memorandum

**To:** Town of Addison  
**From:** ConsultEcon, Inc.  
**Date:** April 3, 2006  
**RE:** Recommended Next Steps for Cavanaugh Flight Museum

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- ◆ Gain consensus with Town of Addison leadership, Cavanaugh Flight Museum and Airport Authority that the planning for the new museum conducted to date supports continued interest in the museum project. Essential here is to secure Cavanaugh Flight Museum's preliminary commitment to investment in and operations of a new museum at Addison Airport contingent on securing an advantageous site at the airport, as well as successful fundraising.
- ◆ Negotiate commitment (possibly a Memorandum of Understanding (MOU)) between Town, Airport Authority, and Cavanaugh Flight Museum to pursue the project and to target the airport parcel in the southeastern end of the site.
- ◆ Enter contracts between Town of Addison and Cavanaugh Flight Museum to undertake pre-development activities. This would detail responsibilities for funding and participation. Also to be stated are subsequent go / no-go milestones. This would be non-binding with regard to ultimate capital funding and operation, and would focus on pre-development planning, fundraising for planning and design activities and continued feasibility testing.
- ◆ Create committee to lead and oversee museum development activities. This should have representation from all interested parties.
- ◆ Consider designating a project manager (possibly a new hire). Consider creating a workspace and office for museum development activities.
- ◆ Establish preliminary project timeline to guide subsequent activities.
- ◆ Secure funding to begin next phase planning activities including:
  - Engage design / engineering professionals for conceptual design and planning.
  - Site plan for targeted airport parcel.
  - Preliminary exhibit plan for museum.
  - Refine building program of spaces.

- Preliminary development costs including:
    - site acquisition, infrastructure and site prep costs,
    - preliminary construction hard costs,
    - architectural and exhibit design costs,
    - other soft costs relating to engineering, security plan, refined business planning, legal etc.,
    - Building construction,
    - Any additions to aircraft collection and other artifacts, and
    - Exhibit construction costs.
  - Pre-opening expense plan including but not limited to:
    - training period for new hires,
    - moving costs for artifacts,
    - retail stock,
    - pre-opening marketing,
    - opening events and gala
    - opening financial reserves,
    - in-place endowment, and
    - contingency reserves.
  - Investigate the net land costs of the new larger site in a trade, sale or swap compared to the current museum site which is in the heart of the working airport.
  - Initiate Project Fund raising Plan and consider retaining fundraising counsel to evaluate funding needs and potential funding sources.
  - Based on development planning timeline and fundraising plan, refine and detail project timeline with milestone target dates.
  - Refine business plan.
- ◆ A project manager should be in place at a minimum at this stage.
  - ◆ Commence project fundraising campaign.
  - ◆ Hire architects, engineers and exhibit planners for refined and detailed designs leading to construction phase.

# **Market and Operating Potential for the new Cavanaugh Flight Museum**

**Prepared by:  
ConsultEcon, Inc.**

**Prepared for:  
Town of Addison, TX**

**May 2006**

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**TABLE OF CONTENTS**

| <b>Section</b> |  | <b>Page</b> |
|----------------|--|-------------|
|                | EXECUTIVE SUMMARY .....  | 1           |
| I              | INTRODUCTION AND ASSUMPTIONS.....  | I-1         |
| II             | PROJECT DESCRIPTION AND EVALUATION OF THE<br>LOCAL CONTEXT.....                            | II-1        |
| III            | RESIDENT MARKET AREA DEFINITION AND ANALYSIS.....  | III-1       |
| IV             | VISITOR MARKET PROFILE.....  | IV-1        |
| V              | AVIATION MUSEUM INDUSTRY EXPERIENCE.....   | V-1         |
| VI             | LARGE FORMAT FILM THEATER INDUSTRY OVERVIEW ...  | VI-1        |
| VII            | VISITATION POTENTIAL AND ATTENDANCE PATTERNS ...   | VII-1       |
| VIII           | OPERATING PROFILE OF THE CAVANAUGH FLIGHT<br>MUSEUM.....                                   | VIII-1      |
| IX             | ECONOMIC IMPACTS POTENTIAL.....  | IX-1        |
| Appendix A     | OPERATING PROFILE OF THE CAVANAUGH FLIGHT<br>MUSEUM WITHOUT A LARGE FORMAT FILM THEATER... | A-1         |

**LIST OF TABLES**

| <b>Number</b> |  | <b>Page</b> |
|---------------|--|-------------|
| III-1         | Resident Market Areas 2005 and 2010 Projected Populations<br>Cavanaugh Flight Museum.....                  | III-3       |
| III-2         | Estimated 2005 Households for the Resident Market Areas<br>Cavanaugh Flight Museum.....                    | III-4       |
| III-3         | Estimated 2005 Age Distribution for the Resident Market Areas<br>Cavanaugh Flight Museum.....              | III-5       |
| III-4         | Estimated 2005 School Age Children Cavanaugh Flight Museum ...   | III-5       |
| III-5         | Estimated 2005 Median Household Income Cavanaugh Flight<br>Museum.....                                     | III-6       |
| III-6         | Estimated 2005 Median Household Income Distribution Cavanaugh<br>Flight Museum.....                        | III-7       |
| IV-1          | Selected Visitor Attractions in the Addison, Texas Area (includes<br>Dallas, Ft. Worth and Arlington)..... | IV-7        |
| V-1           | Aviation Museum Admission Price, Attendance, and Market Size<br>Summary.....                               | V-5         |
| V-2           | Aviation Museum Size Summary.....  | V-6         |
| V-3           | Aviation Museum Budget Summary.....  | V-6         |
| V-4           | Aviation Museum Memberships.....   | V-7         |
| V-5           | Cradle of Aviation Museum.....   | V-8         |
| V-6           | Lone Star Flight Museum / Texas Aviation Hall of Fame.....   | V-10        |
| V-7           | Southern Museum of Flight.....   | V-13        |
| V-8           | Virginia Air and Space Center.....   | V-16        |
| V-9           | New England Air Museum.....  | V-19        |
| V-10          | Evergreen Aviation Museum.....   | V-22        |

**LIST OF TABLES (Cont.)**

| <b>Number</b> |  | <b>Page</b> |
|---------------|--|-------------|
| V-11          | Frontiers of Flight Museum .....   | V-24        |
| V-12          | Attendance at Selected Airshows.....   | V-34        |
| V-13          | Admission Price to Selected Airshows, 2004.....  | V-38        |
| VI-1          | Market Profile of Selected LFFTs with Reported Attendance<br>Patterns Ranked by Metro Population ..... | VI-4        |
| VI-2          | Characteristics of Regional Large Format Film Theaters.....  | VI-6        |
| VI-3          | Ticket Prices for Regional LFFT's .....  | VI-8        |
| VII-1         | Preliminary Attendance Potential Estimate Cavanaugh Flight<br>Museum with LFFT .....                   | VII-5       |
| VII-2         | Estimated Usage Split and Attendance Factors Cavanaugh Flight<br>Museum with LFFT .....                | VII-7       |
| VII-3         | Early Year Attendance Factors and Attendance Growth Pattern<br>Cavanaugh Flight Museum with LFFT.....  | VII-9       |
| VII-4         | Monthly Attendance Distribution Cavanaugh Flight Museum with<br>LFFT .....                             | VII-10      |
| VII-5         | Peak On-Site Population and Parking Requirements Cavanaugh<br>Flight Museum with LFFT.....             | VII-11      |
| VIII-1        | Admissions Analysis and Memberships Estimate Cavanaugh Flight<br>Museum with LFFT .....                | VIII-3      |
| VIII-2        | Ticket Price Assumptions Cavanaugh Flight Museum with LFFT ...   | VIII-4      |
| VIII-3        | Operating Assumptions in Current Dollars Cavanaugh Flight<br>Museum with LFFT .....                    | VIII-7      |
| VIII-4        | Revenue Analysis Cavanaugh Flight Museum with LFFT.....  | VIII-11     |
| VIII-5        | Revenue Potential Cavanaugh Flight Museum with LFFT .....  | VIII-12     |

**LIST OF TABLES (Cont.)**

| <b>Number</b> |  | <b>Page</b> |
|---------------|--|-------------|
| VIII-6        | Illustrative Personnel Positions and Salaries Cavanaugh Flight Museum with LFFT .....  | VIII-14     |
| VIII-7        | Illustrative Operating Expenses By Type in Current Dollars Cavanaugh Flight Museum with LFFT.....  | VIII-16     |
| VIII-8        | Projected Operating Expenses Cavanaugh Flight Museum with LFFT .....   | VIII-18     |
| VIII-9        | Operations Summary at Break-Even Cavanaugh Flight Museum with LFFT .....   | VIII-18     |
| IX-1          | Estimated Construction Period Impacts to the State of Texas Cavanaugh Flight Museum.....   | IX-5        |
| IX-2          | Calculations of Estimated Visitor Spending Potential In a Stabilized Year Under a Mid-Range Attendance Scenario Cavanaugh Flight Museum.....                       | IX-8        |
| IX-3          | Estimated Direct Visitor Spending Potential in Addison, Dallas County and in Texas Expanded Cavanaugh Flight Museum Under a Mid-Range Attendance Scenario .....    | IX-9        |
| IX-4          | Estimated Economic Impacts of Cavanaugh Flight Museum on Dallas County, TX In a Stabilized Year Under a Mid-Range Attendance Scenario .....                        | IX-11       |
| IX-5          | Estimated Economic Impacts of Cavanaugh Flight Museum on the State of Texas In a Stabilized Year Under a Mid-Range Attendance Scenario .....                       | IX-12       |
| IX-6          | Summary of Estimated Economic Impacts of Cavanaugh Flight Museum On the Local and State Economies in a Stabilized Year Under a Mid-Range Attendance Scenario ..... | IX-15       |
| IX-7          | Estimated Tax Revenue Generation Potential of Cavanaugh Flight Museum in Selected Categories In a Stabilized Year Under a Mid-Range Attendance Scenario .....      | IX-17       |

**LIST OF FIGURES**

| <b>Number</b> |   | <b>Page</b> |
|---------------|---|-------------|
| II-1          | Regional Context Cavanaugh Flight Museum .....                              | II-2        |
| II-2          | Addison Area Transportation Context Cavanaugh Flight Museum ..              | II-3        |
| II-3          | Proposed Location in Addison Cavanaugh Flight Museum .....                  | II-4        |
| II-4          | Aerial View of Addison Airport and Proposed Museum Site .....               | II-7        |
| II-5          | Aerial View of Area Being Considered for Proposed Museum Site               | II-9        |
| III-1         | Primary and Secondary Resident Market Areas Cavanaugh Flight<br>Museum..... | III-2       |
| V-1           | Aviation Museums in the Region .....  | V-3         |
| V-2           | Cradle of Aviation Museum.....  | V-10        |
| V-3           | Lone Star Flight Museum .....   | V-13        |
| V-4           | Southern Museum of Flight .....   | V-16        |
| V-5           | Virginia Air and Space Center.....  | V-18        |
| V-6           | New England Air Museum .....  | V-21        |
| V-7           | Evergreen Aviation Museum .....   | V-23        |
| V-8           | “Flying Boat” (Spruce Goose).....   | V-24        |
| V-9           | View from Mezzanine at Frontiers of Flight .....                            | V-26        |
| VI-1          | Large Format Film Theaters in the Region.....                               | VI-7        |

## **Executive Summary**

### **NEW CAVANAUGH FLIGHT MUSEUM**

This report evaluates the market and operating potential of the proposed new Cavanaugh Flight Museum with an optional Large Format Film Theater (LFFT) to be located in Addison, Texas. This report reflects the project as currently conceived. Refinement to the siting of the museum, facility size and program of spaces and exhibit content as well as capital costs will occur subsequently. This analysis provides a basis for evaluating requirements for project development and operating success, the magnitude of the market opportunity and the economic impacts that the project could create.

#### **Project and Site Description**

A new Cavanaugh Flight Museum is proposed for development at the Addison Airport. The proposed site for the new Cavanaugh Flight Museum is at the south end of Addison Airport along Addison Road. Site access would be directly across from Addison Circle Park. The site would be highly visible to travelers to the Park, the airport, and other destinations along Addison Road. Should another site at the airport be chosen for the new Cavanaugh Flight Museum, there would probably be differences in the attendance potential and operating plan from those estimated in this study.

Addison is under-developed for visitor attractions and informal education resources, providing a market opportunity for this project. Cavanaugh Flight Museum's aircraft are its primary attraction. There are currently at least 36 aircraft at the museum, with opportunities for enhancing the collection. While no formal planning has yet occurred for the Cavanaugh Flight Museum's design, size, exhibits or capital costs, a preliminary outline of the project's scale has been reviewed within this report as a basis for this initial project evaluation. The Museum's proposal is for a 100,000 square foot museum with a 30,000 square foot hangar for airplane restoration and maintenance, and a 2,500 square foot LFFT. The estimated development budget for the project is \$20.75 million, which does not include endowment or any site acquisition related costs.

#### **Resident and Visitor Markets**

The Resident Market Area<sup>1</sup> for the Cavanaugh Flight Museum is defined as: the Primary Market Area of Collin, Dallas and Denton Counties; and the Secondary Market Area of Cooke, Delta, Ellis, Fannin, Grayson, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties. All residents within the counties in the Resident Market Area are within a reasonable day-trip distance to visit the Cavanaugh Flight Museum. In 2005, there were an estimated 5,976,500 residents, with projected growth of 11.2 percent, to 6,648,116 residents in 2010. There are an estimated 1,202,300 school-age children in the total Resident Market Area. Household income distribution for the Resident Market Area is somewhat higher than comparative state and national averages, indicating that many households in the Resident Market Area are able to support the Cavanaugh Flight Museum through visitation and programming participation. Overall, the Resident Market

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<sup>1</sup> Primary Resident Market: Collin, Dallas and Denton Counties; Secondary Resident Market: Cooke, Delta, Ellis, Fannin, Grayson, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties.

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Area population and demographic characteristics can provide a strong base of potential visitation to the Cavanaugh Flight Museum.

In the 2003-2004 period, there were approximately 20 million annual leisure person-trips to the Dallas-Plano-Irving metropolitan division (MD), and an additional 7 million annual leisure person-trips to the Ft. Worth-Arlington MD. There were also 12.5 million annual business person-trips spent in the Dallas-Plano-Irving MD and another 3.5 million to the Ft. Worth-Arlington MD. In the Dallas-Plano-Irving MD, 55 percent of travelers were from out-of-state, and in the Ft. Worth-Arlington MD, 47 percent came from out-of-state, with visitor origin markets from many states.

Leisure travel accounted for 61 percent of all person-days in the Dallas-Plano-Irving MD in the 2003-2004 period. Of these leisure visitors, 26 percent were visiting friends and/or relatives (VFRs). In the Ft. Worth-Arlington MD, 67 percent were leisure visitors, with 29 percent VFRs. Attractions, touring (sightseeing), and culture activities were the top three general leisure traveler activities. In addition to leisure travelers, business travelers and pass-through visitors are also potential markets for the Cavanaugh Flight Museum, particularly those attending conventions and meetings, which accounted for 19 percent of travelers in the Dallas-Plano-Irving MD and 9 percent in the Ft. Worth-Arlington MD. Most travelers arrived by auto, although air travel was also popular. The average age of travelers was 43 to 44 years, with household incomes above \$70,000 among travelers to both Metropolitan Divisions. Travelers to the Dallas-Plano Irving MD averaged \$14.00 per-person per-day in expenditures on entertainment (10% of the total average expenditure of \$134.00), and travelers to the Ft. Worth-Arlington MD spent \$12.00 (11% of the total average expenditure of \$110.00).

The Cavanaugh Flight Museum can be expected to draw visitors from a strong tourist market that is benefiting from the revitalization of a number of districts in the Dallas-Ft. Worth region. The Town of Addison itself is also a tourist destination in its own right. While the Cavanaugh Flight Museum site has good visibility and accessibility, its geographic reach and market penetration will depend on the size and quality of the attraction. Marketing and promotional strategies to maximize attendance from tourist markets will also be important to project success.

### **Experience of Comparable Aviation Museums and Airshows**

The experiences of seven aviation museums were profiled for this feasibility analysis to understand the trends affecting attendance and operations of such facilities. The museums profiled differ in size, location, admission price and exhibits but are similar in their focus on aviation and vintage aircraft. The experiences of the museums highlight the importance of such success factors as: a highly visible, accessible and functional site; adequate marketing and fiscal management; and significant membership/volunteer development, among others.

Airshows are enormously popular leisure events throughout the U.S. drawing millions annually to hundreds of events. For some aviation museums, the annual or periodic airshow is a central part of the mission and programs, and an important source of revenue. Their airshow can be vital in creating name recognition, media coverage, and adding credibility to the museum as an important local institution. There are many aviation museums, however, that do not participate in airshows due to inability (lack of space or of a suitable airport), lack of organizational capacity, or lack of interest. In the right circumstances, airshows can contribute substantially to the air museum's mission and operating profile.

### **Large Format Film Theater for the Museum**

There are hundreds of Large Format Film Theaters (LFFTs) operating nationally. Although most LFFTs that exist today are IMAX<sup>®</sup> systems, the number of smaller format film theaters such as 8/70 are increasing in smaller market areas due to their lower capital costs and operating costs.

The proposed Cavanaugh Flight Museum LFFT would be the first in Addison. The inclusion of a LFFT as part of the new Cavanaugh Flight Museum will help to distinguish the Museum in the area and to enhance the visitor experience. Generally, LFFTs have a market area of up to a one-hour drive. The Cavanaugh Flight Museum LFFT has a substantial market opportunity based on its service area and its integration with an educational attraction in a highly accessible location.

While there are substantial capital and operating costs for an LFFT, the inclusion of an LFFT should be strongly considered for the enhanced visitor experience and higher attendance potential, as well as positive revenue flows. The choice of LFFT format is crucial to success, and the continued evolution of the large format film industry must be monitored as planning proceeds and must guide the final decision on inclusion of an LFFT with the museum.

### **Attendance and Operating Potential**

The attendance analysis includes attendance to the new Cavanaugh Flight Museum and to the LFFT. The stabilized<sup>3</sup> attendance potential range at the Cavanaugh Flight Museum is 128,000 to 174,000, with a mid-range of 151,000. In total, the aviation museum component of the overall project is projected to have a mid-range "Gate"<sup>4</sup> of 125,330 visitors, and the LFFT is projected to have a mid-range "Gate" of 83,050. The overlap between the two portions of the project is the estimated 57,380 combination tickets. The attendance analysis assumes that the project will be aggressively marketed, competently operated, and will receive full community support in the public and private sectors. Based on the attendance potential of the facility, and peak attendance periods, a LFFT accommodating up to 100 patrons is recommended. During peak periods, 170 to 230 parking spaces are estimated to be required during peak periods, with additional parking required for personnel and volunteers.

The new Cavanaugh Flight Museum is assumed to operate as a private, not-for-profit enterprise. A large format film theater is included in the museum program. While adding to the capital costs of the new museum, it will add content to a visitor's experience and help differentiate the new Cavanaugh Flight Museum from other regional aviation museums. Thus, it would boost museum attendance. Operating revenues of the new Cavanaugh Flight Museum will be derived from ticket sales, memberships, and auxiliary museum revenues such as gift shop, facility rentals, vending, and airplane rides. Aviation operations by museum staff are proposed as a substantial additional earned revenue source. Stable year earned revenue potential at the new Cavanaugh Flight Museum is estimated at \$2,129,000. The stable year operating expense is estimated at \$2,578,000. This creates

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<sup>3</sup> Stabilized attendance levels are typically achieved in the third or fourth year after opening.

<sup>4</sup> "Gate" refers to the total number of attendances in each component of a project. Thus, a combination ticket adds to the gate attendance of both the Aviation museum and the LFFT, while a single ticket would add only a single gate attendance.

a need for contributed revenues and endowment of \$449,000, or approximately 17 percent of total revenues. This is a profile that is typical among aviation museums of this scale. Over a ten-year period there will be some variability in net operating income based on the years' individual circumstances. Therefore an operating endowment is strongly recommended as well as the establishment of operating reserves that are available to address the typical changes in attendance, fundraising and operating costs that occur at museums. Based on the analysis in this report, the new Cavanaugh Flight Museum has the potential to cover its operating costs with strong operations and fundraising targets typical in the museum industry, and to provide substantial community benefits.

### **Cavanaugh Flight Museum Operating Scenario Without LFFT**

As an alternate to the baseline scenario presented herein, an attendance and operations analysis without an LFFT has been prepared for the Cavanaugh Flight Museum. It is estimated that this would reduce project capital costs to an extent, and that the scale of the Museum's staff and operating budget would be decreased. However, the revenue streams would be reduced to a greater extent. Museum attendance would be lower; estimated at 108,000 (versus a museum "gate" of about 125,000 estimated with LFFT.) In a mid-range stable year and current dollars, the earned revenue potential at the new Cavanaugh Flight Museum without LFFT is estimated at \$1,657,000. The stable year operating expense is estimated at \$2,213,000. This creates a need for contributed revenues of \$556,000, or approximately 25 percent of total revenues.

Thus, while the capital costs may be expected to be lower, the inclusion of an LFFT should be strongly considered for the enhanced visitor experience and higher attendance potential, as well as an improved operating profile. The choice of the LFFT format is crucial to its success, and the continued evolution of the large format film industry must be monitored as planning proceeds and must guide the final decision on inclusion of a LFFT with the Museum.

### **Economic Impact Potential**

The Cavanaugh Flight Museum has the potential to create substantial economic impacts to Addison, Dallas County and to the State of Texas as a whole. These include:

**Construction Period Impacts** – The one-time total economic impact (which includes direct, indirect and induced effects) of construction is estimated at the State level. The impacts would include approximately \$55.7 million in expenditures (economic activity) in the State economy, of which approximately \$17.3 million would be wages and salaries. An estimated 479 total person-years<sup>5</sup> of employment (including the above direct employment and indirect and induced employment) are estimated to be supported due to project development.

**Economic Impacts of Ongoing Operations** – The project is estimated to create approximately \$5.9 million in expenditures in Addison and approximately \$2.3 million in expenditures elsewhere in Dallas County. These direct spending estimates are then analyzed for their indirect and induced "multiplier" effects to estimate the total economic impacts of museum operations. This includes total economic activity (expenditures); total employment (full-time and part-time); and total earnings.

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<sup>5</sup> A person-year of employment is the equivalent of full-time employment for one person for one year.

- ◆ **Local Dallas County Impacts** – As the multiplier effect works its way through the local economy, the net direct economic activity due to the Cavanaugh Flight Museum will generate a total annual impact estimated at nearly \$16.0 million in expenditures, of which \$3.8 million in wages will be generated, and 147 total jobs<sup>6</sup> will be supported in the Dallas County.
- ◆ **Regional Statewide Impacts** – As the multiplier effect works its way through the regional (State of Texas) economy, the direct economic activity due to the Cavanaugh Flight Museum will generate a total annual impact estimated at \$17.3 million in expenditures, of which \$5.5 million in wages will be generated, and 204 total jobs will be supported in the State. At the Statewide level, these effects include the support of jobs and economic activity in Addison, Dallas County, and outside these areas. However, Dallas County economic activity estimated above will not be fully a subset of the statewide economic activity, as there is assumed to be some substitution of spending from other areas of the State to Dallas County. However, in all, the project offers substantial benefits to other areas of the State as well as the local area.
- ◆ **Fiscal Impacts of Ongoing Operations** – In total, this analysis has identified the potential to generate approximately \$213,000 in taxes annually to the Town of Addison; \$14,000 to the Dallas Transit Authority (DART); \$114,000 to Dallas County; and \$286,000 to the State of Texas.

**Expansion of the Regional Tourism Economy and Infrastructure** – Beyond its potential to create direct and multiplier effects on the local and State economies, the Cavanaugh Flight Museum will contribute to the expanded profile of Addison as a visitor destination, thus benefiting the area overall. It will provide an additional destination for inducing “pass-through” travelers to stop in Addison; and extending the stay of visitors to the area. The Cavanaugh Flight Museum has the potential to be a stimulus to tourism revenues in Addison, making a significant contribution to the area’s and the State’s tourism goals and economy while educating, inspiring and entertaining both its residents and visitors.

**Quality of Life Benefits** – The community development and educational benefits of the Cavanaugh Flight Museum, however, may have the most profound and long lasting impacts on the community. This project will enhance the knowledge of and interest in Texas’s aviation history. It will improve community self-esteem and citizenship. It will be a source of community pride and identity. The Cavanaugh Flight Museum will enhance Addison as a place to live, work and play, thus improving all aspects of the local economy and community.

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<sup>6</sup> Total jobs include full time and part time employment, assumed to be in ratio with the distribution of jobs between actual full time and part time for Dallas Metro Area as a whole.

**Section I**  
**INTRODUCTION AND ASSUMPTIONS**

This report evaluates the market and operating potential of the proposed new Cavanaugh Flight Museum with an optional Large Format Film Theater (LFFT) to be located in Addison, Texas. This report reflects the project as currently proposed by Cavanaugh Flight Museum. Refinement to the siting of the museum, facility size and program of spaces and exhibit content as well as capital costs will occur subsequently. This analysis provides a basis for evaluating requirements for project development and operating success, the magnitude of the market opportunity and the economic impacts that the project could create.

**ASSUMPTIONS**

In preparing this report, the following assumptions were made. This study is qualified in its entirety by these assumptions.

1. The size and design of the Cavanaugh Flight Museum will serve to create a high quality, stimulating attraction with broad-based audience appeal and a distinctive image. The Cavanaugh Flight Museum will be a unique attraction in its marketplace. This distinction will give it further visibility as a “must-see” attraction. The entrances to the site will be highly visible and well signed. Additional land on the site will be used in a manner advantageous to the success of the project.
2. In the future, a larger organization will be needed to operate the new facility. Future competent and effective management is assumed in this study. An aggressive promotional campaign will be developed and implemented. This program will be targeted to prime visitor markets. The admission price for the elements of the facility will be consistent with the entertainment and educational value offered, and with current attraction admissions prices for other comparable visitor attractions.
3. There will be no physical constraints to impede visitors to the Cavanaugh Flight Museum such as major construction activity. Changes in economic conditions such as a major recession or major environmental problems that would negatively affect operations and visitation will not occur in the near future.
4. Every reasonable effort has been made in order that the data contained in this study reflect the most accurate and timely information possible and it is believed to be reliable. This study is based on estimates, assumptions and other information developed by ConsultEcon, Inc. from its independent research efforts, general knowledge of the industry, and consultations with the client. No responsibility is assumed for inaccuracies in reporting by the client, its agents and representatives, or any other data source used in the preparation of

this study. No warranty or representation is made that any of the projected values or results contained in this study will actually be achieved. There will usually be differences between forecasted or projected results and actual results because events and circumstances usually do not occur as expected. Other factors not considered in the study may influence actual results.

5. Possession of this report does not carry with it the right of publication. This report will be presented to third parties in its entirety and no abstracting of the report will be made without first obtaining permission of ConsultEcon, Inc., which consent will not be unreasonably withheld.
6. This report may not be used for any purpose other than that for which it was prepared. Neither all nor any part of the contents of this study shall be disseminated to the public through advertising media, news media or any other public means of communication without the prior consent of ConsultEcon, Inc..
7. Outputs of computer models used in this report are rounded. These outputs may therefore slightly affect totals and summaries.
8. This report was prepared during the period October through December 2005. It represents data available at that time.

## Section II

### PROJECT DESCRIPTION AND EVALUATION OF THE LOCAL CONTEXT

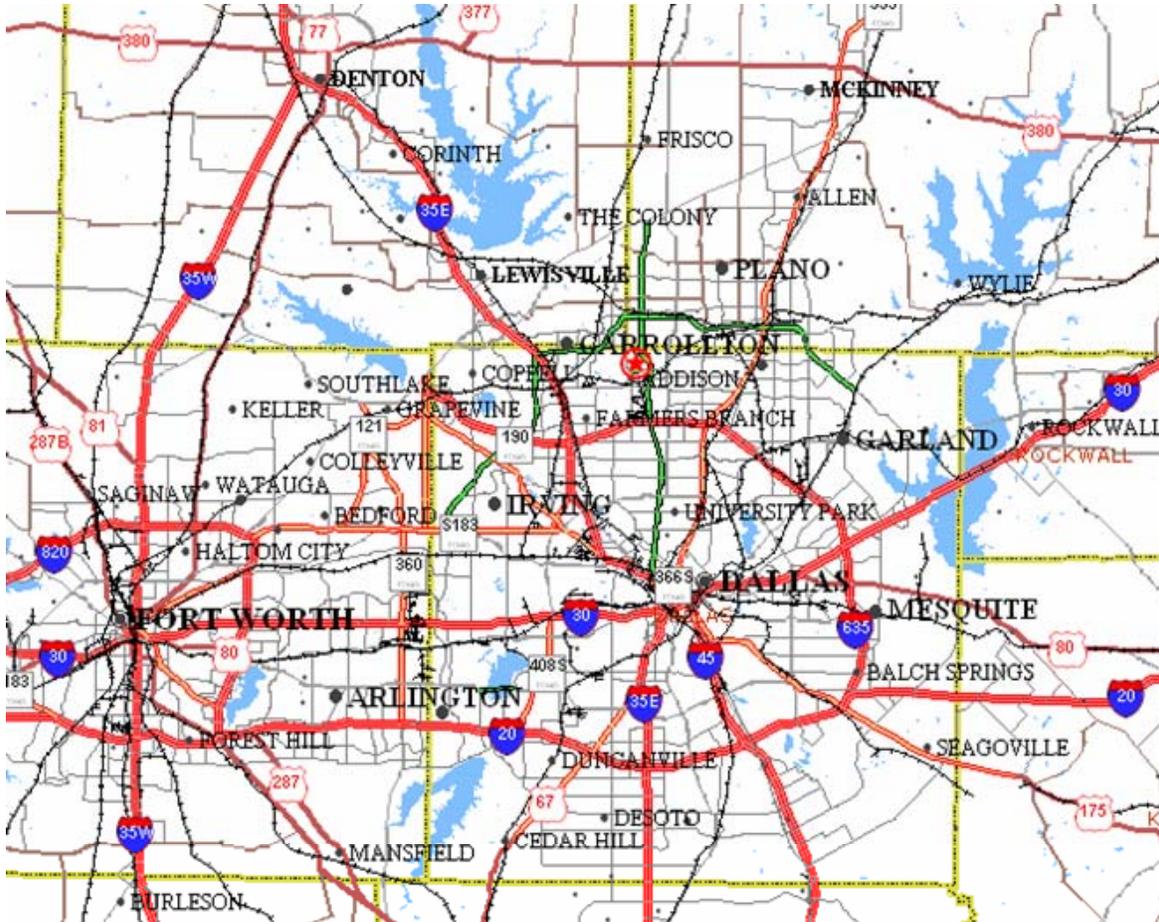
Following is an evaluation of the market context for the proposed new Cavanaugh Flight Museum as proposed by Cavanaugh Flight Museum in the Town of Addison, Texas, and its site and project characteristics. The proposed site for the New Cavanaugh Flight Museum (CFM) is at the southeast corner of Addison Airport.

#### Regional Context

The Town of Addison is located on the north border of the City of Dallas. Addison is located about 13 miles north of downtown Dallas, 16 miles northeast of the DFW airport, 11 miles north of Love Field Airport, and about a mile from The Dallas Galleria. **Figure II-1** shows the regional location of Addison. It is readily accessible from all parts of the Dallas-Ft. Worth Metroplex.

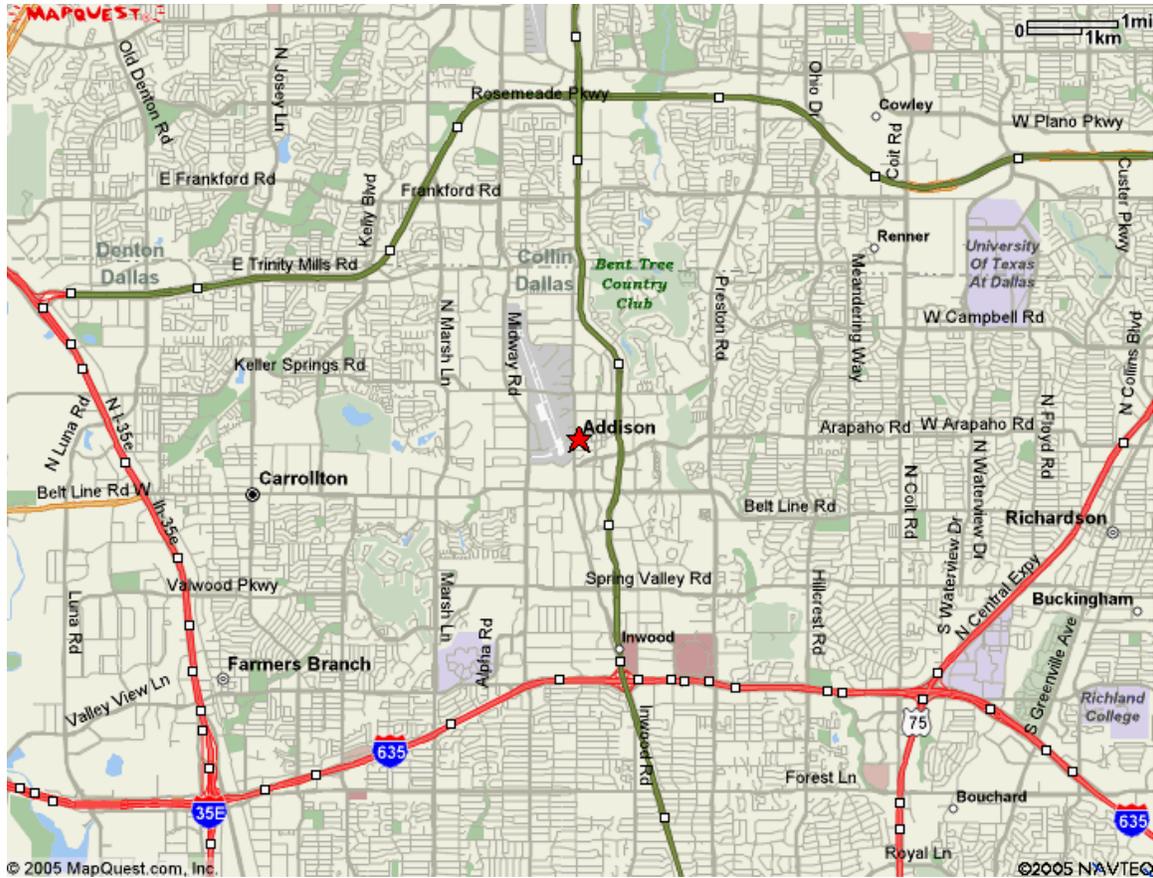
Addison has excellent local and regional accessibility. The major routes to Addison are Dallas North Tollway and Belt Line Road. I-635 Beltway is just a mile south of Addison, while State Route 190, the President George Bush Turnpike, is just north of Addison. Addison is readily accessible from major routes I-35, I-75, and I-30. In addition, Ft. Worth and areas to the west have easy access to Addison. **Figure II-2** shows highway access to Addison from surrounding areas. Addison also has a DART (Dallas Area Rapid Transit) station located within walking distance of the proposed Cavanaugh Flight Museum site.

**Figure II-1  
Regional Context  
Cavanaugh Flight Museum**



Source: ConsultEcon, Inc.

**Figure II-2**  
**Addison Area Transportation Context**  
**Cavanaugh Flight Museum**

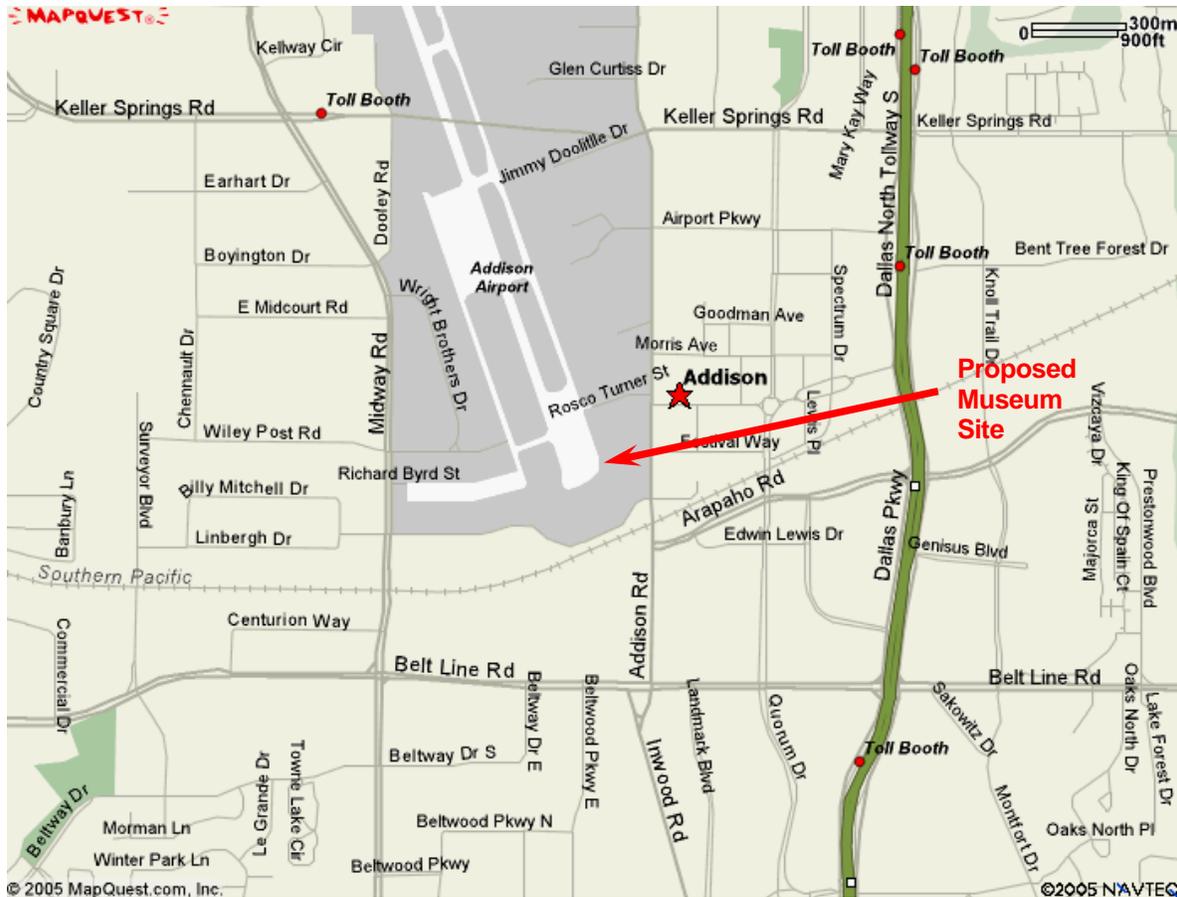


Source: MapQuest, and ConsultEcon, Inc.

### **Museum Location within Addison**

The Cavanaugh Flight Museum proposes to move from its current Chennault Drive location to a site at the south end of the airport as shown in **Figure II-3**. This site would be easily accessible from major roads such as Belt Line Road and Dallas North Tollway. Within the airport, this is the most accessible and visible site. This site is across Addison Road from Addison Circle Park and the town’s “cultural center.” This location is a key positive factor in the Museum’s future market potential.

**Figure II-3**  
**Proposed Location in Addison**  
**Cavanaugh Flight Museum**



Source: MapQuest, and ConsultEcon, Inc.

### Addison Profile

Addison is a pro-active, business-oriented community that has grown rapidly in recent decades. In 1970 Addison had a population of 595 and eighty businesses. The town took a number of measures to promote industrial development and change its small-town image. Residents voted to legalize alcoholic beverages in 1976, unlike the majority of the communities in Dallas County, to attract restaurants and hotels. In addition, Addison attracted businesses by a property-tax rate that was only one-sixth that of Dallas. The major industries in Addison are the airport and manufacturers and suppliers of aviation equipment. Current population is over 15,000. The text table below shows the population growth pattern in the Town.

|      | <b><u>Addison<br/>Population</u></b> |
|------|--------------------------------------|
| 1970 | 595                                  |
| 1980 | 5,553                                |
| 1990 | 8,783                                |
| 2000 | 14,166                               |
| 2025 | 21,400                               |

Source: \* Census 2000; NCTCOG 2025 Projections

Addison is geographically small at 4.3 square miles, but is densely developed. Addison now has hundreds of businesses, and the business and daytime population typically reaches up to 100,000 a day.

There is about 10 million square feet of office space with major corporations headquartered in Addison including Pizza Hut, Mary Kay Cosmetics, CompUSA, and Palm Harbor Homes. Of particular importance to the Cavanaugh Flight Museum are Addison's restaurant, hospitality, and retail offerings. Addison is a regional restaurant destination with over 170 restaurants with seating capacity of over 20,000. Addison has become a destination for regional diners. There are also destination retail offerings including furniture shopping which tends to have a large catchment area. Addison has 22 hotels with 4,000 rooms. The hotel market focuses on business travel, but meetings and personal travel round out their occupancy. Occupancy rates in recent years have been in the 55 percent to 60 percent range indicating plenty of availability for room nights generated due to the museum. Addison's hotels have had lower occupancy rates and lower room rates than the Dallas Ft. Worth Metro area as a whole. The new museum could, therefore, enhance the town's hotel market.

To improve quality of life, and to reinforce the success of its restaurant and commercial offerings, Addison hosts a substantial number of events and has invested in its parks and recreational offerings. Addison has 118 acres of high quality parks.

Addison Circle Park is located directly across Addison Road from the proposed site (this was a major factor in site selection). Addison Circle Park is a major outdoor event venue, with over

372,000 square feet of outdoor and indoor space. It is the core of Addison's Arts & Events District. It has water and electrical hookups throughout the site, three distinct performance venues, including a covered pergola for exhibits. There is parking for 750 cars (and 5,000 within walking distance), ticket booths, public restrooms, a covered pavilion with seating capacity for 200 guests, a concession kitchen, a water garden with interactive fountains, fields for active recreation, and walking trails. Addison Circle Park is actively programmed and promoted. In the past year (2004-05), there were 22 events with total attendance of 341,000. A number of these were major events including Kaboom Town (4th of July) 150,000 attendees; Oktoberfest with 48,000 attendees; and Taste Addison with 58,000 attendees. There is substantial opportunity for "spillover" from events to the Cavanaugh Flight Museum as well as excellent public exposure.

WaterTower Theatre is the resident company of the Addison Theatre Centre, a flexible theatre space that can be reconfigured to accommodate new productions. WTT, the only professional theatre in the North Dallas area, presents an annual season that includes classic and contemporary plays, musicals, and new works.

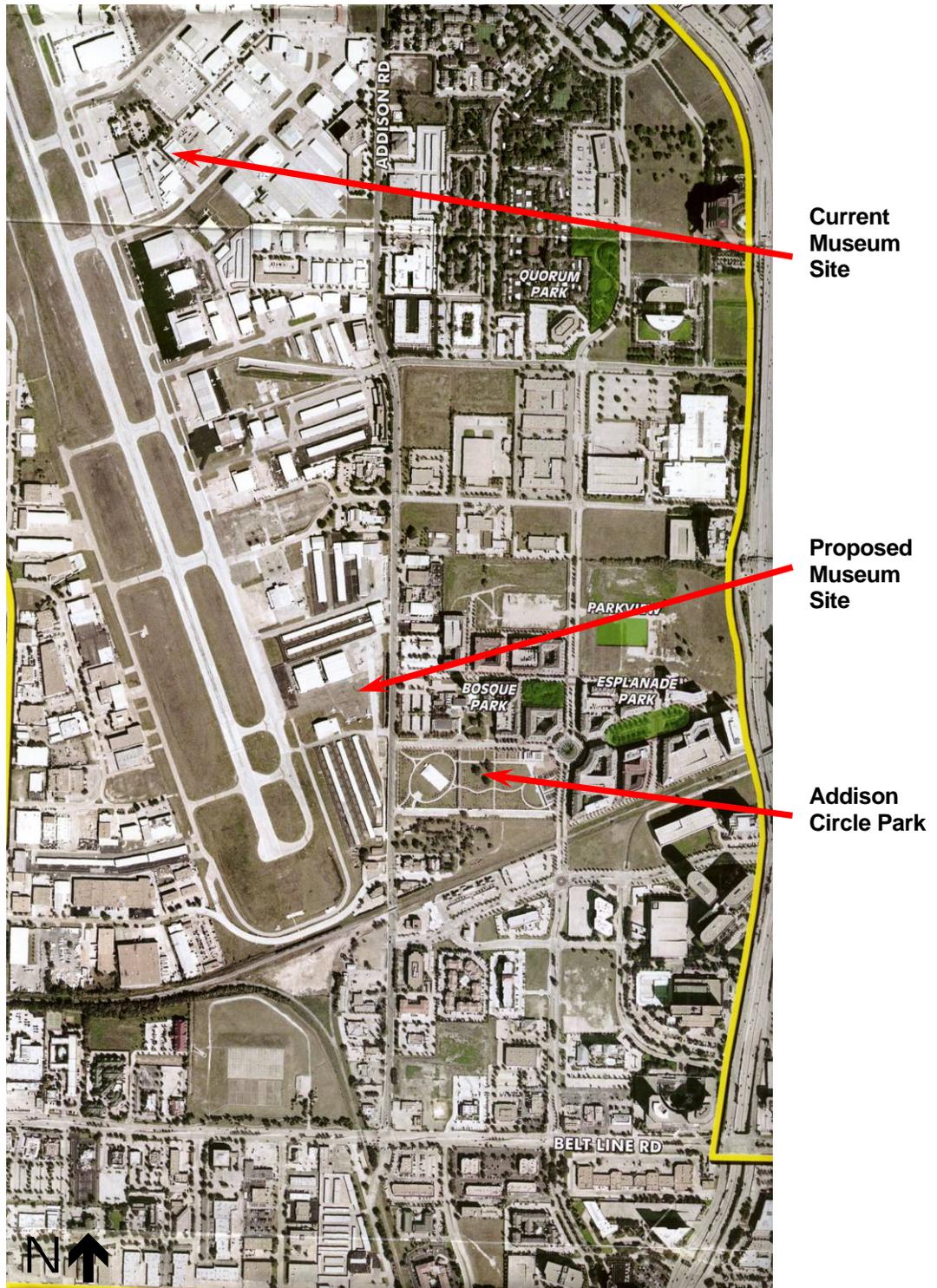
Parking at or near Addison Circle Park can be tight depending on events and performances. However, there are 750 parking spaces adjacent to the Park and 5,000 within walking distance. The Park has been able to accommodate large crowds for its events and performances.

Addison Airport itself is a key element of the town's success. It is the busiest general aviation airport in Texas averaging over 500 operations per day. This activity and the 700 aircraft based at the field will supplement the visitor experience at the Cavanaugh Flight Museum. Within the Addison Airport, continued aviation related development and expansion is proposed which could well use the current Cavanaugh Flight Museum site. Addison Airport is well known and has good signage.

### **Site Analysis**

**Figure II-4** provides an aerial view of the proposed site to the Addison road network and relevant land use and zones.

**Figure II-4**  
**Aerial View of Addison Airport and Proposed Museum Site**



Source: Addison Airport, Cavanaugh Flight Museum, Town of Addison and ConsultEcon, Inc.

### Site Evaluation and Planning

The proposed site for the new Cavanaugh Flight Museum is at the south end of Addison Airport along Addison Road. Site access would be directly across from Addison Circle Park. The site would be highly visible to travelers to the Park, the airport, and other destinations along Addison Road.

Future planning should include creating safe and easy traffic movements and pedestrian crossings. Signalization should be considered. A pedestrian overpass would be ideal for this site. It could also be used to enhance signage to both the museum and Addison Circle Park. An iconic aircraft on a pedestal at the entrance is typically used as a signature and identity piece for the museum.

The site entrance is over 500 yards from the intersection of Addison Road and Belt Line Road. Therefore, signage at that key intersection should be developed if possible.

An aerial view of the airport parcel being considered is presented in **Figure II-5**. The proposed aviation museum building(s) would be located in the indicated zone in an undetermined configuration that would occupy a portion of the area being considered and highlighted in Figure II-4. The airport will offer many important benefits to the project. This is a genuine aviation location, with visitors able to see the working airport and aircraft coming and going. Developing observation areas for airport operations if possible will greatly enhance the visitor experience and the long-term viability of the museum. An active taxiway to the site for fly-in aircraft is essential to the museum and its programs and events.

There are currently two Collins hangars and T-hangars located in the area under consideration. There may be opportunities to relocate some of this activity elsewhere on the airport, particularly with the Cavanaugh Flight Museum moving from a very desirable location with four hangars.

Should another site at the airport be chosen for the new Cavanaugh Flight Museum, there would probably be differences in the attendance potential and operating plan from those estimated in this study.

**Figure II-5**  
**Aerial View of Area Being Considered for Proposed Museum Site**  
**A portion of this Area would be Museum Site and Associated Parking**



Source: Addison Airport, Cavanaugh Flight Museum, Town of Addison and ConsultEcon, Inc.

## **Current Museum Description and Operations**

The new Cavanaugh Flight Museum will build off the established collections, organization, and public good will established by the Cavanaugh Flight Museum since it opened in 1993. The museum is based on the collections and ongoing support of its founder, entrepreneur Jim Cavanaugh. Mr. Cavanaugh placed his growing collection of historic aircraft in the new museum. An important strength of the Cavanaugh Flight Museum is the quality of the aircraft collection and the airworthy condition of nearly all of the aircraft on display.

The Mission of the Museum is:

The Cavanaugh Flight Museum is a non-profit 501(c) (3) educational organization devoted to promoting aviation studies and to perpetuating America's aviation heritage; the museum fulfills its mission by restoring, operating, maintaining and displaying historically significant, vintage aircraft, and by collecting materials related to the history of aviation.

Currently, the museum is housed in four buildings on Claire Chennault Street within Addison Airport. In this location, the museum has no street presence, and limited signage. Visitors must seek out the museum. The total museum is about 48,000 square feet, with about 40,000 used for exhibits. In addition to the aircraft and artifact exhibits, there is an aviation art gallery. About 35 aircraft are currently displayed along with artifacts and information on the planes. New aircraft have been added on a continuing basis, with current acquisitions focusing on helicopters. Amenities include a small lobby, gift shop, and small vending area. Outdoor areas include picnic areas and apron areas for outdoor displays.

Annual attendance is currently estimated by CFM at 25,000 to 30,000 annually. This is described as mostly families on weekends. While CFM does not keep detailed visitor origin data, it is estimated that attendance is relatively dispersed at 40 percent Dallas area, 15 percent Ft. Worth area, 20 percent "other Texas," and 25 percent outside of Texas. This probably reflects its focus on aviation enthusiasts. Ticket prices at CFM are currently \$8.00 for adults and \$4.00 for children (6-12). Ticket price history was:

- ◆ 1995, Adults \$5.50, Children \$2.75
- ◆ 2003, Adults \$6.00, Children \$3.00
- ◆ 2004, Adults \$8.00, Children \$4.00

The CFM's Membership program was only initiated in 2004. There are currently about 30 members, with a membership fee of \$50. This program does not have much to offer, and is largely supportive in nature.

### **New Museum Proposal**

The Cavanaugh Flight Museum's proposal is for a 100,000 square foot museum with a 30,000 square foot hangar for airplane restoration and maintenance. In addition, this study has included a LFFT theater as an option to support the visitor experience and for revenue potential. This might add 2,500 square feet to the museum's size.<sup>7</sup> The museum would include the following project elements:

- ◆ **Lobby and ticketing area.** This area should include small iconic exhibits and orientation. Because most events and facility rentals could occur in the hangar areas, a moderately sized lobby is recommended.
- ◆ **Museum store.** To include selling area of 800 to 1,200 square feet and storage and back of house space.
- ◆ **Classroom and board room.** Classroom of  $\pm$  350 square feet and board room to be available for rental, staff use, and for school groups as needed.
- ◆ **Vending area.** With seating and tables suitable for use for school group lunch breaks. Should accommodate 40 seats plus vending area.
- ◆ **Public restrooms and ancillary amenities.**
- ◆ **Indoor hangar and exhibit areas.** These are targeted at 100,000 square feet, with about 80 percent aircraft displays and the remainder artifacts, dioramas and exhibits.
- ◆ **Observation deck.** With exhibits and explanations of aviation operations. This might tie into control tower communications.
- ◆ **Museum offices.** Staff offices, visitor reception area, lunchroom, staff workroom, exhibit work area and administrative storage, volunteers lounge, staff bathrooms.
- ◆ **Storage areas.** For building supplies, banquet chairs and tables, special event items, exhibit materials, artifact storage etc.
- ◆ **Building circulation.** This building program can be created with an efficient layout, particularly given the larger hangar-type areas envisioned for the exhibits and Aircraft restoration area.

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<sup>7</sup> It should be noted that the facility size and capital cost estimates are conceptual in nature and are presented to inform this report. Subsequent planning and design would create capital cost estimates specific to the project and site considerations.

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- ◆ **HVAC & mechanical systems.** Size will depend on technical requirements and systems used.
- ◆ **Large Format Film Theater (LFFT)** (Optional) 100 to 120 seats and a theater of perhaps 2,500 square feet. Projection format to be determined based on further technical study, available technologies and film availability at the time of technology choice. IMAX theaters provide an outstanding product, and are a leader in film availability. However, they are typically installed in larger configurations and at higher attendance venues than the proposed project. The business terms for IMAX theaters tend to make these challenging to develop in circumstances such as this. An alternative technology may therefore be warranted. See Section VII for a detailed discussion of Large Format Film Theaters.

In addition, an aircraft restoration and maintenance facility is proposed. This could be a separate building or attached to the main museum building depending on design and capital cost considerations.

- ◆ **Aircraft restoration area.** Approximately 30,000 square feet would fit museum needs.

This space break-out is for illustrative purposes only, but it is used as an initial basis for project evaluation. Substantial refinement in the types and sizes of spaces to be included in the facility will follow in the development process.

### **Entrance Identity**

It is assumed that an iconic aircraft might be located at the entrance – perhaps on a pedestal to mark the entrance along with high quality and visible signage.

### **Interpretive Concepts**

Currently, the visitor experience at Cavanaugh Flight Museum very much focuses on the historic aircraft. In addition, there are memorabilia and interpretive panels as well as an aviation art gallery. While the aircraft should remain the focus of the new museum, a broadening and deepening of the visitor experience will be important to attract new audiences and to build a repeat visitation pattern and strong membership. The process for evaluating a new Cavanaugh Flight Museum has not, to date, included exhibit planning or design. However, the *Aviation Museum Strategic Assessment* prepared by Museums+more LLC dated April 2005 provides a good starting point to base the exhibit assumptions for this study. In that study, Museums+more LLC noted that Cavanaugh Flight

Museum to date has focused on serving “... aviation enthusiasts interested in historic ‘war birds’.”<sup>8</sup> The Museums+more report suggests that it (the Museum) must expand its scope beyond military aviation and differentiate itself from other museums, at least in the region.

“...CFM will need to develop creative strategies for engaging visitors and providing rich learning environments. The goal of the exhibit program should be to create memorable informal learning experiences.”<sup>9</sup>

“CFM can leverage its relationship with Addison Airport to pursue another direction: *to engage visitors in the experience of flight.*”<sup>10</sup> The Museums+more report goes on to make the following recommendations:

- ◆ Visually open onto the airport, allowing visitors to watch aviation operations. Other local aviation museums do not offer this experience. The possibility of adding the old Control Tower as an exhibit is a possibility here, particularly if it can become a realistic simulation of a control tower along with a role as an observation platform.
- ◆ Observe flights and the preparation of the historic aircraft as they provide flights for museum visitors at an additional fee.
- ◆ Seek other partnerships to provide other flight and aviation experiences.
- ◆ Add general aviation to its scope so that CFM is a “working” rather than static aircraft museum.
- ◆ Add a thematic focus on flight training including flight preparation, taking off, flying and landing. This could offer extensive hands-on exhibits and interactives.
- ◆ Focused expansion and enhancement of the aviation collection would enhance this essential aspect of the museum. Already, CFM has an outstanding collection that is the best in the region. This collection is being enhanced in specific areas such as helicopters. Such reinforcement would focus on specific areas of enhanced interpretation as discussed above.

An example of one possible organization and theming of the museum is: “as a Flight Training Academy with immersive environments devoted to pre-flight preparation, flying, and landing as well as aircraft maintenance and other key aspects” ... “Suggested techniques for consideration include flight trainers; cockpits to climb into; interactive Virtual Reality (VR) simulations; and hands-on exhibits based on the science and technology underlying flight and aviation.” ... “Another application might be views of the U.S. by day or night from different altitudes that enable the

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<sup>8</sup> The *Aviation Museum Strategic Assessment* prepared by Museums+more LLC; April 2005, Page 11

<sup>9</sup> Ibid Page 17

visitors to see the Earth the way that a pilot does and let them try to identify the natural and man-made features.”<sup>11</sup>

In addition to the above exhibit possibilities, a changing exhibit gallery should be included within the museum. This gallery might have traveling exhibits from other museums, new aircraft acquisitions, or internally generated changing exhibits. Creating new reasons to visit the museum is essential to sustaining visitation. Changing exhibits help sustain membership. Changing and traveling exhibits offer a basis for changing marketing messages. A strong traveling and changing exhibit program also creates a dynamic workplace for staff. In addition, changing exhibits are often a powerful tool in ongoing fundraising and development efforts.

Cavanaugh Flight Museum’s aircraft are its primary attraction. There are currently at least 36 aircraft at the museum, with opportunities for enhancing the collection. Many of these are in flight-worthy condition, and overall this is an outstanding collection.

### **Parking Demand**

Depending on attendance and activities and events, peak period demand for on-site or nearby parking may range for peak days from 160 to 210 spaces when parking for staff and volunteers is included. Satisfying as much of this peak period demand as possible adjacent to the museum should be a design goal, so that on most days of the year (when parking demand is lower), visitors will be able to park adjacent to the museum. On peak days, it may be possible to direct staff to park in more remote locations to help address parking issues. Overflow parking for the largest events and /or busiest days may well be necessary; and these may well coincide with events at Addison Circle Park.

### **Conceptual Project Capital Costs**

Architectural, engineering, exhibit design or other physical planning studies have not been conducted to date for the new Cavanaugh Flight Museum. A conceptual estimate of capital costs will be useful at this point in the planning process to inform this study, the economic impacts analysis and for initial internal discussions in Addison. Following is a preliminary conceptual cost

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<sup>10</sup> Ibid. Page 12

<sup>11</sup> Ibid. Page 17 and Page 18

estimate for these purposes. The conceptual estimate is based on typical construction costs for the type of “simple” structures being considered; and the amount of exhibitry and internal finish contemplated. A reasonable development budget is based on \$175 per square foot for the proposed 100,000 square foot museum; \$400 per square foot for an additional 2,500 square feet of LFFT; plus \$75 per square foot for a 30,000 square foot maintenance hangar. These unit costs would create a total project cost of \$20.75 million in current dollars. This estimate does not include endowment or any site acquisition costs. It also does not count for any “extraordinary” or non-typical costs that might be encountered in developing the proposed site. It may be possible to achieve lower capital costs if the existing hangar buildings are available, and can be refitted as museum spaces at a lower cost. Further, this estimate assumes that all current museum collections, objects, movable equipment and materials would be transferred, as needed to the new museum at moving costs only. These figures are for discussion purposes only but provide a framework for this report, and the order-of-magnitude of funding needed to create an outstanding aviation museum.

### **Aviation Events**

Aviation events would be a regular component of the activity at the Airport if the museum project moves forward. Aviation events offer substantial opportunity to attract visitors, gain media attention and serve the mission of the museum. Currently CFM sponsors two events annually, a major event around Memorial Day and a minor event around Veterans Day. These together typically attract 5,000 attendees. At the new museum, a major fly-in event and aviation show could reasonably attract 10,000 visitors annually, with two additional minor events attracting several thousand attendees.

### **Museum Programs**

As a larger museum with more staff and increased budget, the new Cavanaugh Flight Museum will be able to expand its current programmatic offerings. A current popular offering is fee based 30-minute rides in historic aircraft. There is some opportunity to expand this program based on pilot and aircraft availability. Since this is a relatively costly offering, only modest growth based on higher public exposure should be anticipated. A second offering is educational curricula tailored to the needs of area schools. These could include pre and post-visit classroom activities and teacher workshops.

The museum should offer regularly scheduled events such as talks by aviation notables, classes on aviation topics, social events for members and donors. Coordinating educational, cultural and social offerings with the Addison Arts & Events District would be a mutually advantageous programming approach.

### **Governance Structure**

A not-for-profit operating format has been established at the Cavanaugh Flight Museum. This format should be continued at the new museum. The Board of Directors and the organization must grow in size and capacity as the museums grows from its current size to that envisioned in this plan.

Programmatic partnerships with north Texas aviation organizations and museums should be established and strengthened. These relationships may include the sponsoring of fly-ins and special events and workshops as marketing conduits and for access to the aviation sector.

### Section III

## RESIDENT MARKET AREA DEFINITION AND ANALYSIS

The resident market for an attraction such as the Cavanaugh Flight Museum is defined as the area whose residents would visit the attraction as part of a day-trip. Visiting the Museum would be a primary purpose or an important part of the day-trip. Resident markets are analyzed within a “gravity model” context; that is, the closer residents live to the attraction, the more likely they are to visit. On its periphery, the resident market changes over to the visitor (or tourist) market.

Depending on the individual market circumstances, resident markets can extend up to 100 miles, or be as narrow as 25 miles. The definition can take into account such factors as physical barriers (bodies of water, mountains, etc.), traffic networks, local orientation, travel patterns, and regional competition, among others. Most people in resident market areas would expect to have relatively short travel times, extending up to one or two hours at most. These travel times are thought of as door-to-door travel times.

### Resident Market Definition

The resident market population and demographic characteristics of the Addison area are reviewed in this section, along with an expanded trade area that encompasses a region where residents could readily take a day-trip to Addison that includes a visit to the Cavanaugh Flight Museum. Based on the location of Addison within the Dallas-Ft. Worth Metropolitan Statistical Area (MSA), the defined Resident Market population for the Flight Museum includes a number of other counties within that MSA. The Resident Market Area for this project is divided into Primary and Secondary Market Areas, which are indicative of differing travel patterns and differing market potential. The Resident Market Area for the Cavanaugh Flight Museum is defined as:

- ◆ **Primary Resident Market.** Collin, Dallas and Denton Counties (includes part of the Dallas-Ft. Worth and Arlington Metro Areas).
- ◆ **Secondary Resident Market.** Cooke, Delta, Ellis, Fannin, Grayson, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties (includes remainder of DFW-Arlington Metro Areas, the Gainesville and Sherman-Denison Micro Areas and one non-metro area county).



Each county in the Resident Market Area is located within a reasonable distance to visit the Cavanaugh Flight Museum as part of a day-trip. Those residents in closer proximity to the site would likely have the greatest awareness of the Museum's offerings and could more easily make a trip.

### Population

The Total Resident Market Area had approximately 5,976,500 residents in 2005, with projected growth of 11.2 percent, to 6,648,116 in 2010. Data in **Table III-1** provide a detailed breakdown of 2005 and projected 2010 populations in the Resident Market Areas.

**Table III-1  
Resident Market Areas 2005 and 2010 Projected Populations  
Cavanaugh Flight Museum**

| Resident Market Area                         | 2005             | Projected 2010   | Percent Change |
|--|------------------|------------------|----------------|
| <b>Primary Market Area</b>                   |                  |                  |                |
| Collin County                                | 638,800          | 793,500          | 24.2%          |
| Dallas County                                | 2,323,200        | 2,432,800        | 4.7%           |
| Denton County                                | 547,000          | 667,000          | 21.9%          |
| <b>Total Primary Market Area</b>             | <b>3,509,000</b> | <b>3,893,300</b> | <b>11.0%</b>   |
| <b>Secondary Market Area</b>                 |                  |                  |                |
| Cooke County                                 | 38,700           | 41,100           | 6.2%           |
| Delta County                                 | 5,500            | 5,600            | 1.8%           |
| Ellis County                                 | 130,200          | 150,000          | 15.2%          |
| Fannin County*                               | 32,900           | 36,716           | 11.6%          |
| Grayson County                               | 118,000          | 125,900          | 6.7%           |
| Hunt County                                  | 83,000           | 89,700           | 8.1%           |
| Johnson County                               | 145,400          | 164,900          | 13.4%          |
| Kaufman County                               | 86,300           | 102,100          | 18.3%          |
| Parker County                                | 103,500          | 119,300          | 15.3%          |
| Rockwall County                              | 59,300           | 76,500           | 29.0%          |
| Tarrant County                               | 1,609,000        | 1,780,100        | 10.6%          |
| Wise County                                  | 55,700           | 62,900           | 12.9%          |
| <b>Total Secondary Market Area</b>           | <b>2,467,500</b> | <b>2,754,816</b> | <b>11.6%</b>   |
| <b>Total Resident Market Area Population</b> | <b>5,976,500</b> | <b>6,648,116</b> | <b>11.2%</b>   |

\* 2010 projections not available for counties outside of Metro areas; the average rate of increase in the overall Secondary Market Area was applied.

Source: Sales and Marketing Management, 2005 Survey of Buying Power.

### Households

In 2005, there were an estimated 2,170,600 households in the overall Resident Market Area. Average household size in the Resident Market Area is 2.75, slightly lower than average household sizes in the State of Texas but a bit larger than the U.S. average. Data in **Table III-2** detail household characteristics for the Resident Market Area.

**Table III-2**  
**Estimated 2005 Households for the Resident Market Areas**  
**Cavanaugh Flight Museum**

|                              | <b>Estimated<br/>Number of<br/>Households</b> | <b>Average<br/>Household<br/>Size</b> |
|------------------------------|---|---------------------------------------|
| <b>Primary Market Area</b>   | 1,274,400                                     | 2.75                                  |
| <b>Secondary Market Area</b> | 896,200                                       | 2.75                                  |
| <b>Total Resident Market</b> | 2,170,600                                     | 2.75                                  |
| <i>Texas</i>                 |   | 2.82                                  |
| <i>United States</i>         |   | 2.66                                  |

Source: Sales and Marketing Management, 2005 Survey of Buying Power, and ConsultEcon, Inc.

### Age Profile

The Cavanaugh Flight Museum will attract audiences of all ages. The audience mix and profile will be influenced by the exhibits, interpretive techniques, and marketing approaches used. Family attendance and children audiences in school groups are anticipated as well as adults in private parties and groups.

Data in **Table III-3** provide an analysis of resident age profile for the Resident Market Area. This table also compares the age distribution of the Resident Market Area to the State of Texas and to the United States as a whole. The Resident Market Area age profile is similar to that of the State of Texas and U.S. averages, although both the State of Texas and the total Resident Market Area indicate a slightly higher population of children 0-17 than in the U.S. as a whole.

**Table III-3**  
**Estimated 2005 Age Distribution for the Resident Market Areas**  
**Cavanaugh Flight Museum**

|                                    | Years of Age |          |          |          |       | Total  |
|------------------------------------|--------------|----------|----------|----------|-------|--------|
|                                    | 0 to 17      | 18 to 24 | 25 to 34 | 35 to 49 | 50 +  |        |
| <b>Primary Market Area</b>         | 28.3%        | 9.8%     | 16.3%    | 23.4%    | 22.1% | 100.0% |
| <b>Secondary Market Area</b>       | 27.7%        | 10.0%    | 14.3%    | 22.9%    | 25.2% | 100.0% |
| <b>Total Resident Market Areas</b> | 28.1%        | 9.9%     | 15.5%    | 23.2%    | 23.4% | 100.0% |
| <i>Texas</i>                       | 28.0%        | 10.5%    | 14.6%    | 21.9%    | 25.0% | 100.0% |
| <i>United States</i>               | 25.1%        | 9.9%     | 13.6%    | 22.7%    | 28.7% | 100.0% |

Source: Sales and Marketing Management, 2005 Survey of Buying Power, and ConsultEcon, Inc.

### School Age Children

Students can be an important component of the market for the Museum for several reasons. First, families with school-age children might be frequent visitors to this type of facility as parents seek educational as well as entertaining family outings. Second, school groups are an important component of visitation, particularly during off-peak periods and on weekdays when general visitation numbers are lower. In addition, visits to an attraction such as the Cavanaugh Flight Museum by children in school groups can result in word-of-mouth advertising to friends and family. This in turn leads to both repeat visitation and new visitation. Data in **Table III-4** provide an estimate of the number of school-age children in the Resident Market Area for 2005.

**Table III-4**  
**Estimated 2005 School Age Children**  
**Cavanaugh Flight Museum**

|                                    | School Age Children |
|------------------------------------|---------------------|
| <b>Primary Market Area</b>         | 711,900             |
| <b>Secondary Market Area</b>       | 490,400             |
| <b>Total Resident Market Areas</b> | 1,202,300           |

Source: Sales and Marketing Management, 2005 Survey of Buying Power, and ConsultEcon, Inc.

School group visitation from the Resident Market Areas can be substantial, particularly with the educational outreach to local schools proposed for the museum and the inclusion of a lead educator on staff. Coordination of the museum’s offerings with school curriculums and creation of curriculum based visit programs will be essential to success in serving the education audience. There are an estimated 1,202,300 school-age children in the total Resident Market Area. In 2005, the Primary Market Area was estimated to have 711,900 school-age children, while the Secondary Market Area population had an estimated 490,400 school-age children.

### Household Income Profile

An evaluation of the household income profile of resident populations is useful in establishing appropriate ticket pricing for an attraction such as the Cavanaugh Flight Museum. An indication of income levels in this Primary Market Area is the Median Household Income or “Effective Buying Income” (EBI)<sup>12</sup>. Data in **Table III-5** provide 2005 estimated Median Household Income levels for the Resident Market Areas, with a comparison to the State of Texas and to the U.S. as a whole.

**Table III-5**  
**Estimated 2005 Median Household Income**  
**Cavanaugh Flight Museum**

|                                    | <b>Median Household Income</b> |
|------------------------------------|--------------------------------|
| <b>Primary Market Area</b>         | \$47,246                       |
| <b>Secondary Market Area</b>       | \$43,243                       |
| <b>Total Resident Market Areas</b> | \$45,614                       |
| <i>Texas</i>                       | \$38,804                       |
| <i>United States</i>               | \$34,289                       |

Note: Resident market area summary data are expressed as the weighted averages of the median incomes of individual Counties by number of households.

Source: Sales and Marketing Management, 2005 Survey of Buying Power, and ConsultEcon, Inc.

<sup>12</sup> Measured as “Effective Buying Income” (EBI), personal income less personal tax and non-tax payments (disposable income). EBI is a proprietary measure of income developed by Sales and Marketing Management.

The entire Resident Market Area, and the Primary Market Area in particular, have income levels that are higher than those of both the State of Texas and the U.S. as a whole. Therefore, many households in the Resident Market Area do have the disposable income necessary to support the facility and its program offerings. Data in **Table III-6** show household income distributions for the Resident Market Area and comparisons.

**Table III-6**  
**Estimated 2005 Median Household Income Distribution**  
**Cavanaugh Flight Museum**

|                                    | <b>Median Household Income</b> |                               |                               |                  |
|------------------------------------|--------------------------------|-------------------------------|-------------------------------|------------------|
|                                    | <b>Less than<br/>\$20,000</b>  | <b>\$20,000-<br/>\$34,999</b> | <b>\$35,000-<br/>\$49,999</b> | <b>\$50,000+</b> |
| <b>Primary Market Area</b>         | 18.4%                          | 19.9%                         | 19.1%                         | 42.6%            |
| <b>Secondary Market Area</b>       | 17.4%                          | 20.6%                         | 19.5%                         | 40.3%            |
| <b>Total Resident Market Areas</b> | 18.2%                          | 20.4%                         | 19.5%                         | 42.0%            |
| <i>Texas</i>                       | 22.6%                          | 22.4%                         | 18.6%                         | 36.4%            |
| <i>United States</i>               | 22.3%                          | 23.3%                         | 19.0%                         | 35.4%            |

Note: Resident market area summary data are expressed as the weighted averages of the median incomes of individual Counties by number of households.

Source: Sales and Marketing Management, *2005 Survey of Buying Power*, and ConsultEcon, Inc.

## Section IV

### VISITOR MARKET PROFILE

Tourists are expected to be an important market segment for Cavanaugh Flight Museum. This section reviews the tourist, or visitor<sup>14</sup> markets available to the Cavanaugh Flight Museum. This includes a review of tourism in Texas as a whole, as well as the more relevant subset of the Texas market in Dallas and Addison.

For this study, tourist market segments will include:

- ◆ Visitors to Dallas and Ft.-Worth/Arlington Areas:
  - Destination leisure visitors;
  - Business travelers, including meetings and convention visitors;
  - Individuals visiting friends and relatives (VFRs) in the area.
  
- ◆ Pass-through visitors:
  - Travelers on I-35E, I-75E, and I-635 are within a few miles of the site.

#### Travel in Texas

Texas is a popular visitor destination, offering a wide variety of cultural, natural, historic and entertainment opportunities. Total direct travel spending in Texas was \$44.4 billion in 2004. This represents a 7.5 percent increase over the preceding year. International visitors accounted for 10 percent of all travel spending in Texas in 2004. Residents from other states accounted for 40 percent. Local and state tax revenues directly generated by travel spending were \$3.1 billion in 2004. Travel spending generated an additional \$3.2 billion in Federal tax receipts. (The estimates of local tax revenues do not include property taxes.) Visitors who stayed overnight in commercial lodging (hotels, motels, resorts, bed & breakfasts) spent \$19.0 billion in 2004. This represents more than one-half of all visitor spending at destinations in the state. During 2004, travel spending in Texas directly supported 491,300 jobs with earnings of \$13.8 billion. Travel spending generated the greatest number of jobs in food services (129,800 jobs), arts, entertainment, and recreation (105,500), and accommodations (92,500). Additionally, travel

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<sup>14</sup> The terms “visitor,” “tourist” and “traveler” are used interchangeably.

spending supported jobs in other industries through the re-spending of travel-related revenues by businesses and individuals. These secondary impacts amount to an additional 432,000 jobs and \$13.8 billion in earnings.<sup>15</sup>

Dallas is one of the most popular destinations in the State of Texas, and tourism in the Dallas-Ft. Worth region is a major source of income. According to the Dallas Convention & Visitors Bureau, the Dallas area annually receives \$7.4 billion in visitor spending, or 25.4 percent of the total, for the entire State of Texas.

### **Travel to the Region**

The State of Texas has recently released a study of tourism to Texas cities<sup>16</sup>. For this study, the market area is further broken down into metropolitan divisions (MD). Dallas-Fort Worth MSA is divided into the Dallas-Plano-Irving MD and the Fort Worth-Arlington MD. For the purposes of this report, both of these MD's are profiled, with the Dallas-Plano-Irving MD being of primary interest as the location of Addison. The Dallas-Plano-Irving Metropolitan Division (MD) (as defined for the above cited tourism study) consists of the following counties: Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman, and Rockwall. For the two-year period 2003-2004, the number of person-trips to the Dallas Plano-Irving MD was estimated at 28 million; and the volume of person-days to Dallas was estimated at 65 million<sup>17</sup>. Of these travelers, it is estimated that over 55 percent came from out-of-state. The region is a popular destination, receiving 16 percent of the State's travel share of person trips, and ranking second among Texas regions. The Dallas-Plano-Irving MD is a well-known and popular visitor destination with a well-developed tourism infrastructure including hotels, visitor attractions, and retail opportunities.

The Ft. Worth-Arlington Metropolitan Division (MD) consists of the following counties: Johnson, Parker, Tarrant and Wise. For the two-year period 2003-2004, the number of person-trips to the Ft. Worth-Arlington MD was estimated at 10 million; and the volume of person-days to Dallas was

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<sup>15</sup> *Texas Travel Impacts, 1990-2004*, Dean Runyan Associates.

<sup>16</sup> *Texas Destinations 2003-2004, Dallas-Plano-Irving MD*, prepared for Texas Economic Development & Tourism by D.K. Shifflet & Associates, Ltd.

<sup>17</sup> A "trip" is defined as an overnight stay or a day-trip that is 50 miles or more one-way. A "person-day" is defined as a travel volume measure that accounts for the fuller impact of a travel party by taking into account the number of trips, party size, and stay length.

estimated at 21 million. Of these travelers, it is estimated that approximately 47 percent came from out-of-state. The region received approximately 5 percent of the State's travel share of person trips, ranking fifth among Texas regions. The Ft. Worth-Arlington MD is also a well-known and popular visitor destination with tourism infrastructure similar to that of the Dallas-Plano-Irving MD, although drawing somewhat fewer visitors.

Leisure visitors made up 27 million, or approximately 63 percent, of the estimated combined 43 million total average annual person-day visitation to the region in the years 2003 and 2004. Business related visitation constituted an estimated 16 million, or approximately 37 percent, of the combined total.

### **Trip Purpose**

Of the estimated 32.5 million annual person-days spent in the Dallas-Plano-Irving MD in 2003 and 2004, approximately 61.5 percent, or 20 million person-days, were for leisure purposes. In the Ft. Worth Arlington MD, approximately 66.7 percent of the estimated 10 million person-days, or 7 million person-days, were for leisure purposes. The most common purpose of stay for leisure visitors in both Metro Divisions was to visit friends and/or relatives (VFRs). These VFRs account for 26 percent and 29 percent of all person-days in the Dallas-Plano-Irving and the Ft. Worth Arlington MDs, respectively. People who are visiting friends and/or relatives in the area are strong candidates to attend local attractions and points of interest such as the Cavanaugh Flight Museum.

This region of Texas is also a strong business travel destination. Business visits account for 39 percent of all person-days to the Dallas-Plano Irving MD, and approximately 33 percent to the Ft. Worth-Arlington MD. Business visitors are not typically considered to be good candidates to visit local attractions, as leisure time is often scarce. However, convention, group meeting and seminar visitors which make up half of business travelers in the Dallas-Plano-Irving MD may have time available to visit attractions.

The Dallas Convention and Visitors Bureau reports that in 2002, over 3.8 million people attended more than 3,600 conventions in Dallas. Between the years 2000 and 2023, there are more than 250 definite and an additional 250+ tentative citywide conventions booked in Dallas. Combined, they

represent more than seven million room nights over the next quarter century. With 12 million person-days in Dallas allocated to conventions and seminars, the average stay per conventioneer is 3.16 days. Convention attendance is projected to increase as a result of the recent expansion of the Dallas Convention Center; it is now over 1 million square feet in size.<sup>19</sup>

### **Length of Stay**

Length of stay can be an indicator of both the number of activities that are available to visitors and the interest level that the destination holds for travelers. Approximately 42 percent of all person-trips to the region are day-trips. Persons staying between one and three nights represent about 43 percent of all person-trips to the area, and the remaining 15 percent of person-trips are for longer stays of four nights or more. Overall, the average length of stay in the combined region for all person-trips (including day trips) is 2.3 days; and, the average length of stay for overnight trips is 3.5 days.

### **Origins of Visitors**

Out-of-State travelers generated approximately 55 percent of total travel person-days to Dallas-Plano-Irving and approximately 47 percent to Ft.-Worth Arlington during the 2003-2004 period profiled. The market area draws visitors from a wide range of the country.

Official data for international visitors to Dallas are not available. The Dallas-Fort Worth Airport (DFW) received over 2.23 million persons on international flights in 2002. This number includes flights from Canada, Mexico, and overseas.

### **Transportation Mode**

The primary mode of transportation for visitors was by automobile, although a significant number traveled by air, as well. In the Dallas-Plano-Irving MD 62 percent arrived by auto, while 33 percent arrived by air.

### **Demographic Profile of Travelers**

The average age of travelers is 43 to 44, and the average income levels of travelers are relatively high, at over \$73,000 in the Dallas-Plano-Irving traveler group and over \$70,000 in the group of

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<sup>19</sup> Dallas Convention & Visitors Bureau, latest data available on website.

travelers to Ft.-Worth Arlington. More than 80 percent of travelers are currently employed or retired; and the majority are married (72% of the Dallas-Plano-Irving MD visitors and 80% of the Ft. Worth-Arlington MD visitors). Households with children comprise 41 percent of the Dallas-Plano-Irving MD visitors, and 59 percent of those visiting Ft. Worth-Arlington MD.

### **Activities and Accommodations**

The most popular general categories were visiting attractions, touring, and cultural activities. Visiting a museum or festival were also popular activities. As a large city surrounded by rural areas, Dallas is a popular regional destination for people visiting to see the “big city” sights.

The majority of visitors to the region (53% of travelers to Dallas-Plano-Irving and 43% of travelers to Ft. Worth-Arlington) stay in paid accommodations, particularly in hotels/motels, although non-paid accommodations are used by 31 and 36 percent of visitors, respectively. This is likely to represent those visitors staying with friends or relatives. 14 percent and 20 percent, respectively, of visitors were on day trips.

### **Visitor Spending**

Visitors to the Dallas-Plano-Irving MD spent an average of \$134 per person-day during the 2003-2004 period, slightly more than the average \$110 spent by visitors to the Ft. Worth-Arlington MD. These expenditures are spread among a number of categories including transportation (32% from Dallas MD/ 37% from Ft. Worth MD), food (20% / 20%), accommodations (17% / 11%), shopping (17% / 17%), entertainment(10% / 11%), and miscellaneous (4% / 4%).

### **Pass-Through Visitors**

Pass through visitors – persons traveling through the region that have the potential to make an opportunistic visit to a visitor attraction – comprise a small potential market segment for the Cavanaugh Flight Museum. The Museum is in easily accessible site, located at the Addison Airport just off of the Dallas North Tollway, which runs North-South from Dallas. Several other major highways also cross just north and south of Addison, including the north loop of Interstate 635 to the south and the President George Bush Turnpike to the north. Strategically placed signage along these and other pass-through routes would increase market penetration in this segment of the travel market, as well as inform destination visitors and residents about the project.

## LOCAL ATTRACTIONS AND CONTEXT

With more than 170 restaurants and 22 hotels with 4,000 rooms, Addison offers abundant opportunities for lodging, dining and shopping. The city also hosts number of festivals and events, such as Oktoberfest, which regularly draws upwards of 50,000 visitors. Addison is easily accessible from all parts of the surrounding Dallas metropolitan area, and has its own airport.

Data in **Table IV-1** list some selected attractions that are within a day-trip of Addison.

As shown by data in the table, prices and attendance levels vary widely at these attractions. At the high end of admission prices, the Dallas Museum of Art, the JFK Museum in Dealey Plaza, and the Legends of the Game Baseball Museum each charge \$10.00 for adult admission, while a number of the attractions in the area have free admission, including the Kimbell Art Museum in Fort Worth, the Dallas Historical Society Museum, the African-American Museum in Dallas, the Amon Carter Museum in Fort Worth, the Arlington Museum of Art, the Dallas Center for Contemporary Art, and the Mary Kay Museum in Addison. The highest annual attendance was at the Fort Worth Zoo, with one million annual visitors; while the lowest was reported at the Dallas Center for Contemporary Art, with 15,000 visitors.

Table IV-1  
Selected Visitor Attractions in the Addison, Texas Area  
(includes Dallas, Ft. Worth and Arlington)

| Attraction   | Attendance | Adult Admission       | Senior Admission | Child Admission | Family Membership Cost | Description/Comments   |
|--|------------|-----------------------|------------------|-----------------|------------------------|--|
| Fort Worth Zoological Park                             | 1,000,000  | \$9.75                | \$6.25           | \$7.50          | \$122.50               | Ft. Worth Zoo features aviary, herpetarium, African diorama, zoo geographic exhibits, Asian Falls, World of Primates, Raptor Canyon, Texas exhibit, wildlife art gallery, African savannah, carousel, petting zoo, train, restaurant, 500-vol. Library of natural history & zoology, gift shop.  |
| Fort Worth Museum of Science and History               | 957,052    | \$8.00 <sup>2/</sup>  | \$7.00           | \$7.00          | \$75.00                | Museum features botany, entomology, ethnology, herpetology, zoology, anthropology, mineralogy, paleontology, firearms, local history, western history. Omni theater, Noble Planetarium; Museum School, research lab, gift shop.  |
| Fort Worth Botanic Garden                              | 700,000    | \$3.00 <sup>3/</sup>  | \$2.50           | \$2.00          | \$60.00                | Botanical garden featuring tours, annual spring and fall festivals, 5,000-vol. library of botany books, garden center, 241-seat lecture hall, rental facility, Japanese Garden, conservatory, restaurant and gift shop.  |
| Dallas Zoo; Dallas                                     | 576,300    | \$8.75                | \$5.00           | \$5.75          | \$59.00                | Zoo with collections of mammals; birds; reptiles; amphibians. Research fields include reproductive physiology; animal behavior. Facilities: 2,000-vol. library of zoology & natural history available for reference & research on premises; 100 seat auditorium. Activities include guided & self-guided tours; lectures; formally organized education programs for children; docent program or council; zoouniversity classes; permanent exhibitions. |
| Southwest Museum of Science and Technology; Dallas     | 518,000    | \$7.50 <sup>5/</sup>  | \$6.50           | \$4.00          | \$70.00                | Museum of science and technology with hands-on physics, robot dinosaurs, medical & health, KidsPlace, Forces of Nature, da Vinci-Engineering, 21st century technology lab, Raceways, astronomy, IMAX Theater.  |
| Dallas Museum of Art and Nasher Sculpture Park; Dallas | 421,700    | \$10.00 <sup>6/</sup> | \$7.00           | \$5.00          | \$75.00                | Art Museum with collections in European & American painting, decorative arts & sculpture, ancient and Mediterranean, pre-Columbian, African, Oceanic art; textiles; photographs, contemporary art; Asian art; also Nasher Sculpture Park. Facilities include a 50,000-vol. library of art books & reference material available on premises; reading room; 350-seat auditorium; 2 restaurants; Museum-related items for sale.                           |

Table IV-1 (Cont.)  
Selected Visitor Attractions in the Addison, Texas Area  
(includes Dallas, Ft. Worth and Arlington)

| Attraction   | Attendance | Adult Admission    | Senior Admission | Child Admission | Family Membership Cost | Description/Comments  |
|--|------------|--------------------|------------------|-----------------|------------------------|---|
| The Sixth Floor (JFK) Museum at Dealey Plaza; Dallas | 400,000    | \$10.00            | \$9.00           | \$9.00          | NA                     | An educational exhibit and memorial to the life, death and legacy of President John F. Kennedy. The display is on the sixth floor of the former Texas School Book Depository, the site from which the shots that killed President Kennedy were allegedly fired. Portable audio cassettes, available in seven languages, explain the more than 400 photographs, displays, artifacts and films.   |
| Kimbell Art Museum; Ft. Worth                        | 370,000    | Free <sup>7/</sup> | Free             | Free            | \$100.00               | Art Museum featuring western European paintings, sculpture from antiquity to 20th-century, pre-Columbian objects, Asian sculpture, screens, scrolls & ceramics, African sculpture, Palace and Mosque: Islamic Art from the Victoria and Albert Museum, 37,000-vol. library of basic art reference, 180-seat auditorium, conservation center, restaurant, gift shop.   |
| Modern Art Museum of Fort Worth                      | 350,000    | \$8.00             | \$4.00           | \$4.00          | \$125.00               | Art museum featuring post-WW II international art in all media, special exhibitions, lectures, film, guided tours, education programs, art camp.  |
| Texas Discovery Gardens; Dallas                      | 319,000    | \$3.00             | \$2.00           | \$1.50          | \$65.00                | Arboretum and botanical garden, conservatory & horticultural resource center with display gardens featuring native plants, water features & outdoor sculpture, live butterfly exhibit. Conservatory features plans of Africa, Asia & south America, 7 1/2-acre landscaped grounds, visitor center.  |
| Dallas Arboretum and Botanical Garden; Dallas        | 300,000    | \$5.00             | \$4.00           | \$2.50          | \$95.00                | Botanical garden, reading room, gift shop. Features guided tours; lectures; concerts; festivals; study clubs; workshops; TV & radio programs; formally organized educational programs for children, adults, undergraduate & graduate students; docent program, council; permanent & temporary exhibitions; volunteer groups.  |
| Dallas Historical Society; Dallas                    | 209,165    | Free               | Free             | Free            | \$50.00 <sup>8/</sup>  | History museum housed in the Hall of State at Fair Park, with collections of artifacts, books, archive materials relating to southwestern & U.S. history; manuscript collections; costume collections. Research fields focus on American, Texas & Dallas history. Facilities include 14,000-Vol. library & 3,000,000 pages of archives on Southwestern U.S. available for use on premises; reading room; 400-seat auditorium; G.B..Dealey Research Library; Hall of State Reception Room. |

Table IV-1 (Cont.)  
Selected Visitor Attractions in the Addison, Texas Area  
(includes Dallas, Ft. Worth and Arlington)

| Attraction  | Attendance | Adult Admission | Senior Admission | Child Admission | Family Membership Cost | Description/Comments   |
|---|------------|-----------------|------------------|-----------------|------------------------|--|
| African-American Museum; Dallas                         | 201,000    | Free            | Free             | Free            | \$50.00                | African American Culture Museum with collections including African American fine art & folk art; Texas Black History; Texas Black Women's Archives. Facilities include 1,500-vol. library of books; 100-seat auditorium; classrooms; courtyard; cafeteria. Activities include lectures; educational program; docent program; loan of temporary & traveling exhibitions. Museum Sponsors: history conference; literary conference; history fair. Admission is free except for groups of over 10, which are charged \$2 for adults and \$1 for children. |
| Dallas Aquarium at Fair Park; Dallas                    | 180,000    | \$4.00          | \$4.00           | \$3.00          | \$59.00                | The Aquarium is home to a varied collection of approximately 6,000 aquatic animals, including marine and freshwater fish, reptiles, amphibians and invertebrates. The Aquarium also participates in a number of national and international conservation and research projects. It is a leader in the breeding of critically endangered Texas species, such as the Texas blind salamander and several desert fishes that are already extinct in nature.   |
| The Women's Museum: an Institute for the Future; Dallas | 150,000    | \$5.00          | \$4.00           | \$3.00          | \$70.00                | Women's history museum, with historical artifacts including books, buttons, posters, garments, personal artifacts relating to women's history. 172-seat auditorium, 17,000 sq. ft. exhibit space, 50-seat cafeteria, 32-station computer lab, gift shop.   |
| Amon Carter Museum; Ft. Worth                           | 140,032    | Free            | Free             | Free            | \$100.00               | American art & history museum, 40,000-vol. library of N.Amer. History, art & photography; Regional Reference Center for Archives of American Art, Smithsonian Inst., 160-seat theater, reading room, books, art reproductions, cards & slides for sale.  |
| Frontiers of Flight Museum; Dallas                      | 130,000    | \$8.00          | \$6.00           | \$5.00          | \$75.00                | Aeronautical history museum with collections from pre-Wright Brothers through modern space age; photos, models, WWI and WWII artifacts and exhibits; historic aircraft; 90-seat auditorium & theater; gift shop.   |

Table IV-1 (Cont.)  
Selected Visitor Attractions in the Addison, Texas Area  
(includes Dallas, Ft. Worth and Arlington)

| Attraction   | Attendance | Adult Admission     | Senior Admission | Child Admission | Family Membership Cost | Description/Comments  |
|--|------------|---------------------|------------------|-----------------|------------------------|---|
| Dallas Museum of Natural History                                   | 104,464    | \$7.00              | \$6.00           | \$5.00          | \$75.00                | Natural History Museum with collections on paleontology; mammalogy; ornithology; herpetology; geology; entomology; invertebrates; archaeology. Facilities include 4,000-vol. natural science library available for use by appointment; 4,000-vol. rare book collection on ornithology; permanent & temporary exhibit space; classrooms; 100-seat auditorium; Museum-related items for sale. |
| Old City Park, the Historical Village of Dallas                    | 80,000     | \$7.00 <sup>9</sup> | \$5.00           | \$4.00          | \$75.00                | Village Museum with 38 structures from the period c. 1840-1910, 19th century material culture & decorative arts with emphasis on North Central Texas.   |
| Legends of the Game Baseball Museum and Learning Center; Arlington | 75,000     | \$10.00             | \$8.00           | \$6.00          | NA                     | Sports/baseball museum at Ameriquet Field, featuring national baseball history, hall of fame members, Texas League, Texas Rangers, Negro Leagues, All American Girls Professional Baseball League. Research library, 225-seat auditorium, 21,000 sq. ft. exhibit space, educational facilities, gift shop.  |
| River Legacy Living Science Center; Arlington                      | 75,000     | \$2.00              | \$2.00           | \$1.00          | NA                     | Science museum featuring live and preserved animals, botany, archaeology and geology exhibits, library of material on nature education and natural science, 1,300 acres of botanical gardens, classrooms, gift shop.  |
| National Cowgirl Museum and Hall of Fame; Ft. Worth                | 67,394     | \$6.00              | \$5.00           | \$4.00          | \$100.00               | Museum with emphasis on all aspects of western American women, featuring costumes, western attire, cowgirl & western photos, saddles, ropes, trophies, western art, pop culture, interactive exhibits, gift shop.   |
| Dallas Holocaust Museum; Dallas                                    | 60,000     | \$6.00              | \$4.00           | \$4.00          | \$36.00 <sup>10</sup>  | Collections at the Dallas Holocaust Museum include photographs & artifacts from the Holocaust & Jewish life in Europe before the Holocaust. Facilities include a 3,500-vol. library on the Holocaust & anti-Semitism; 75-seat auditorium; 4,000 sq. ft. exhibit space.  |
| Meadows Museum; Dallas   | 50,000     | \$8.00              | \$8.00           | Free-under 12   | \$60.00 <sup>11</sup>  | Art Museum featuring 10th-20th Century Spanish art; Renaissance pieces, Baroque, sculptures, modern paintings; library, research rooms, auditorium, special events halls, studio, gift shop.  |
| Age of Steam Railroad Museum; Dallas                               | 40,000     | \$5.00              | \$5.00           | \$2.50          | \$45.00                | Railroad Museum with collections including passenger, freight car, steam, diesel-electric locomotives; small rail vehicles; equipment typical of the 1920-1950 era -- the Golden Age of railroading. Historic Railroad Depot: 1903 building erected by H & TC Railroad; Pennsylvania Railroad Electric locomotive.  |

Table IV-1 (Cont.)  
Selected Visitor Attractions in the Addison, Texas Area  
(includes Dallas, Ft. Worth and Arlington)

| Attraction                                       | Attendance | Adult Admission    | Senior Admission | Child Admission | Family Membership Cost | Description/Comments   |
|--|------------|--------------------|------------------|-----------------|------------------------|--|
| Log Cabin Village;<br>Fort Worth                 | 24,004     | \$3.50             | \$3.00           | \$3.00          | \$45.00                | Village museum consists of a number of 19th-century cabins, grist mill and a reproduction blacksmith shop. 1870's Marine School, furniture, quilts, pictures & other artifacts & reproductions relating to pioneer families, live demonstrations.  |
| Cattle Raisers<br>Museum; Ft. Worth              | 20,000     | \$3.00             | \$2.00           | \$2.00          | NA                     | History museum featuring exhibits on the cattle industry in Texas; cowboy & ranching artifacts, photographs, murals, life-sized longhorns, audio-visual hands-on exhibits, 1,000-vol. library, gift shop.  |
| Arlington Museum<br>of Art                       | 18,000     | Free <sup>12</sup> | Free             | Free            | \$60.00                | Art Museum and Gallery located in former 1950's storefront building on Main Street in downtown Arlington. This is a presenting, non-collecting museum showcasing contemporary art by emerging and established Texas artists. Browsing library; 20,000 sq.ft. exhibit space.  |
| Dallas Center for<br>Contemporary Art;<br>Dallas | 15,000     | Free               | Free             | Free            | \$50.00                | Contemporary Art Museum featuring collections of contemporary art, with research fields including contemporary Texas art; Texas artists; opportunities artists. Facilities include library & information center. 4 exhibition galleries; 2 works spaces, sculpture garden. Activities include art talks; studio art classes; business of art seminars; workshops on collecting art, resource & information center for artists. |
| Mary Kay Museum;<br>Addison                      | NA         | Free               | Free             | Free            | NA                     | Museum of Mary Kay Cosmetics at their world headquarters features collections that explore the history of this 30-year-old international company including displays of the lavish rewards Mary Kay is known to award — diamond bar pins, diamond rings, cars and the ultimate prize: the pink Cadillac. Admission is free but tours are by reservation only.   |

NOTE: Does not include Cavanaugh Flight Museum.

1/ Membership prices is for two adults and two children living in same household.

2/ Also have upcharge for Omni theater and Planetarium, and offer combo tickets.

3/ Prices slightly higher on weekends; \$3.50 adult, \$3.00 seniors.

4/ Dallas Aquarium at Fair Park is included with the Dallas Zoological Society Membership.

5/ Also have upcharge for IMAX; \$7 adult, \$6 senior, \$6 child; or \$13.50 adult combo, \$11.50 senior combo, \$9 child combo.

6/ Joint admissions are offered with Nasher Sculpture Park; \$16.00 Adult; \$12.00 Senior; \$8.00 student.

7/ Admission to the permanent collection is free; special exhibitions may charge \$12/adult; \$10/senior; \$8/child (example: Gaugin).

8/ Memberships range from \$50 to \$5,000, with various benefit levels.

9/ An additional \$3.00 for "audio tour."

10/ Memberships range from \$36 to \$250 for individuals.

11/ Membership levels run from \$60 to \$2,500

12/ Admission is free, but there is a suggested donation of \$2.00 for adults; \$1.00 for children.

13/ Memberships range from \$50 to \$2,500, with various benefit levels; \$50 includes individual and guest/family invitation to all openings, news journal updates, participation in membership show.

Source: Official Museum Guide, 2005; facilities listed; and ConsultEcon, Inc.

## Section V

### AVIATION MUSEUM INDUSTRY EXPERIENCE

The market characteristics and operations of aviation museums that share comparable characteristics with the proposed new Cavanaugh Flight Museum are important to evaluating its market and operating potential. Areas of comparability include location, facilities, exhibits and programs, pricing structure and other factors. The offerings of these types of facilities vary widely in terms of physical size, special attractions (such as large format film theaters), and the extent to which special events, such as airshows and fly-ins, are incorporated. The facilities also vary in terms of the interpretive focus and style. While the areas of comparability and the extent of comparability of the new Cavanaugh Flight Museum will vary, as a whole, the experience of other aviation museums informs the planning process for the new Cavanaugh Flight Museum and provides a basis for estimating market and operating potential.

#### Overview of Aviation Museums

Aviation museums preserve and interpret the history of aviation and its impact on our world, particularly on the development of passenger travel and wartime aviation. In 2003, the museum world celebrated the 100<sup>th</sup> anniversary of the Wright Brothers' first powered flight on December 17<sup>th</sup>. Aviation museums are common in the United States, reflecting the broad-based appeal of the subject matter. The American Association of Museums *Official Museum Directory 2005* lists 97 aviation, aeronautics and space museums in the United States. Aviation museums quite often feature a large open space, typically a hangar type building, filled with parked or hanging airplanes which are seen by visitors. Many of these museums were founded as a place for plane collectors to store their aircraft, while receiving the financial and tax benefits of operating as a non-profit museum. In addition, most aviation museums provide interpretation of the history, mechanics and science of aviation. The proliferation of aviation museums, as well as the proliferation of diverse leisure activities in America, has led to competition for the leisure time of visitors, which has led to more elaborate exhibits and interactive or dynamic attractions such as wind tunnels, computerized flight simulators, large format film theaters such as IMAX, and other special exhibits which can make the attraction more competitive in the local or regional marketplace. Aviation

museums face a growing challenge to reach out to visitor markets that are not typically associated with aviation museum visitation, such as female youth, and especially young mothers - who are often the decision makers for their family's leisure activities. Another challenge has been to provide relevance and create interest for historic aircraft as younger generations are often less informed and interested in America's military and aviation legacy.

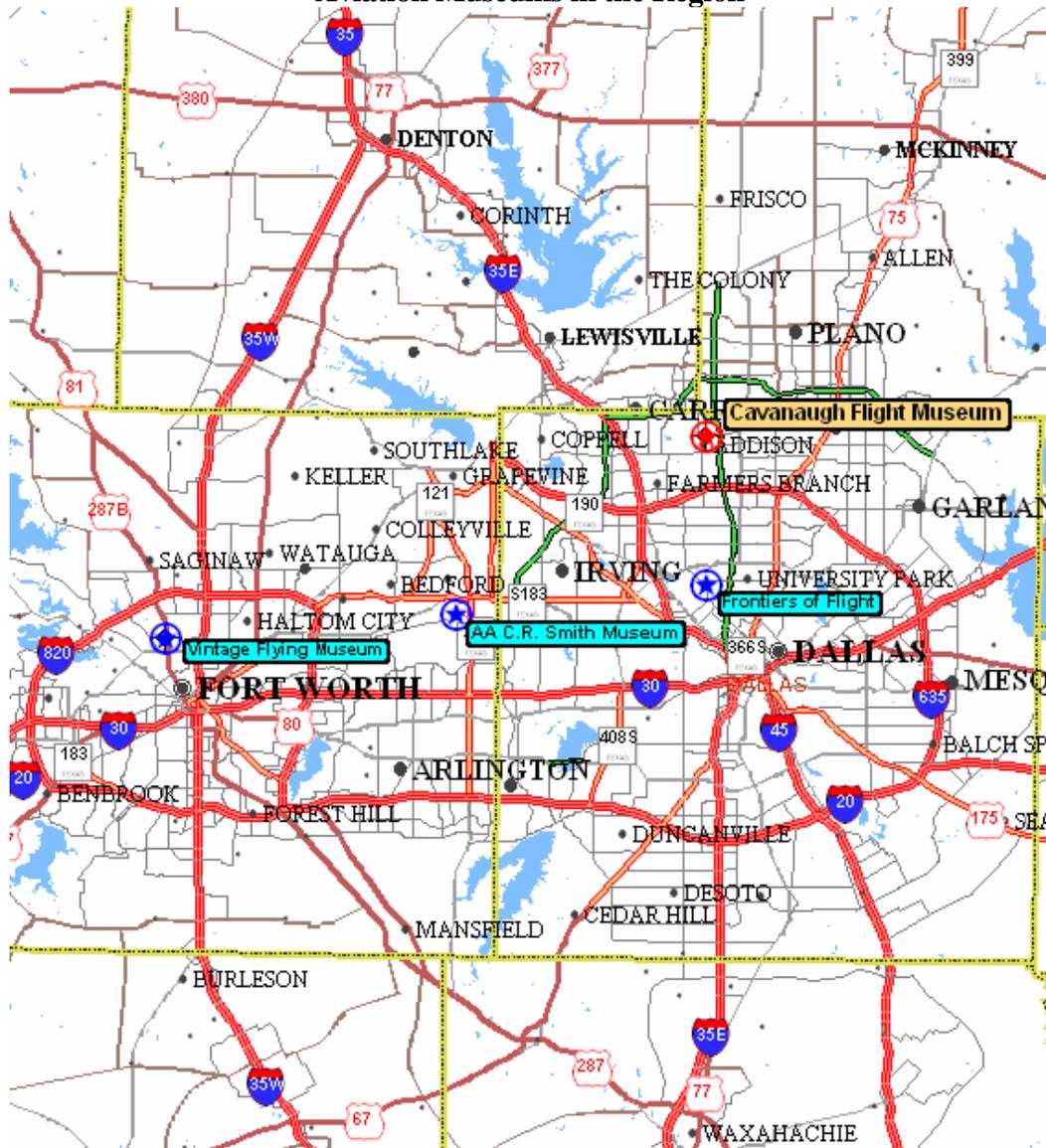
Like many museums, securing funding for operations and capital projects can be a challenge. Many aviation museums, especially those which feature "hands on, interpretive or scientific" exhibits require capital to keep exhibits up-to-date and properly maintained. This frequently requires large capital campaigns and major investments in exhibits. Airplane maintenance and restoration can also be very expensive, requiring consistent funding. As with museums of all types, securing funding has become increasingly competitive in recent years due to economic conditions and increasing demands on philanthropy and government institutions.

Despite these challenges, aviation museums have brought positive economic impacts including job growth and stimulation of the tourism economies of a number of cities and towns. They offer much needed educational programming to local schools, and contribute to the cultural capital of their cities and towns. The level of success of these projects is dependent on the projects' physical size, program elements, market characteristics, management, visitation patterns and the specific market and operating characteristics.

### **Aviation Museums in the Dallas – Ft. Worth Region**

The Cavanaugh Flight Museum is one of several museums in the region that are aviation-oriented. **Figure V-1** shows the location of selected aviation museums in the region. There are three other aviation museums within the Dallas-Ft. Worth region: The American Airlines C.R. Smith Museum at DFW Airport; Frontiers of Flight in Dallas; and the Vintage Flying Museum in Ft. Worth. In addition to these existing air museums, the Aviation Heritage Association is planning for an Aviation Heritage Museum in Ft. Worth; their goal is also to host "international airshows." The interpretive focus and the quality of visitor experience offered among these attractions vary widely.

**Figure V-1  
Aviation Museums in the Region**



Source: ConsultEcon, Inc.

Although there are several aviation-themed attractions in the area, the proposal for the new Cavanaugh Flight Museum would distinguish it both in its location and in its museum program and offerings. (The C.R. Smith Museum has a large format film theater, but it shows a single film on the history of American Airlines). If the recommendation to include a large format film theater at the Cavanaugh Flight Museum is adopted, it will provide a more interesting and desirable experience and can attract visitors for the film only.

None of the current Dallas Ft. Worth area aviation museums have to date achieved the market potential which a full scale aviation museum in a good location could achieve. The Frontiers of Flight Museum has been hampered in achieving its potential because it was not able to fill its exhibit spaces, and it is in a location that does not have an existing strong visitor flow. The C.R. Smith Museum is in a difficult location to access; it focuses on a single airlines history, and perhaps most importantly has only one full scale aircraft displayed. The Vintage Flying Museum has a smaller collection in a modest museum setting.

### **Profiled Aviation Related Museums**

A review of several aviation museum facilities that share comparable characteristics provides important insights into the market trends and operations that would take place at the Cavanaugh Flight Museum in its new location. Their experiences are summarized at the conclusion of the section. The comparable project evidence will be examined and applied to the Cavanaugh Flight Museum. No two attractions are directly comparable, as the museums themselves are different sizes, in variable locations, and reflect different areas of interpretive focus. Nonetheless, the profiled attractions will have a number of comparable features, including the size of the surrounding market, the type of program and exhibits offered, and the type of organization behind their development and operations. The seven aviation-related museums profiled are:

- ◆ Cradle of Aviation Museum with IMAX theater
- ◆ Lone Star Museum of Flight / Texas Aviation Hall of Fame
- ◆ Southern Museum of Flight
- ◆ Virginia Air and Space Museum with IMAX theater
- ◆ New England Air Museum
- ◆ Evergreen Aviation Museum
- ◆ Frontiers of Flight Museum

The profiled aviation museums share two or more of the following characteristics with the proposal for the new Cavanaugh Flight Museum:

- ◆ Similarity in facility size and operation;
- ◆ Emphasis on program and educational elements;

- ◆ Similarly sized resident or tourist markets;
- ◆ Innovative programs or operation; and
- ◆ High quality visitor experience.

Data in **Tables V-1** through **V-4** summarize selected attributes of the profiled aviation museums.

**Table V-1**  
**Aviation Museum Admission Price<sup>20</sup>, Attendance, and Market Size Summary**

| Museum                                      | Location          | Adult Admission Price | Estimated Attendance | Metro Statistical Area (MSA) / County Population | Ratio of attendance to MSA/County Population |
|---|-------------------|-----------------------|----------------------|--|--|
| <sup>1/</sup> Virginia Air and Space Center | Hampton, VA       | \$8.75                | 456,000              | 1,645,200  | 27.7%  |
| <sup>2/</sup> Cradle of Aviation Museum     | Garden City, NY   | \$9.00                | 204,000              | 2,828,900  | 7.2%   |
| <sup>3/</sup> Evergreen Aviation Museum     | McMinnville, OR   | \$11.00               | 167,500              | 1,081,400  | 15.5%  |
| <sup>4/</sup> Frontiers of Flight Museum    | Dallas, TX        | \$8.00                | 130,000              | 2,323,200  | 5.6%   |
| <sup>5/</sup> Lone Star Flight Museum       | Galveston, TX     | \$8.00                | 85,000               | 5,239,500  | 1.6%   |
| <sup>6/</sup> Southern Museum of Flight     | Birmingham, AL    | \$3.00                | 85,000               | 1,082,900  | 7.8%   |
| <sup>7/</sup> New England Air Museum        | Windsor Locks, CT | \$8.50                | 64,400               | 1,192,100  | 5.4%   |

<sup>1/</sup> Market is Virginia Beach-Norfolk-Newport News MSA

<sup>2/</sup> Market is Nassau & Suffolk County

<sup>3/</sup> Market is Yamhill, Multnomah, and Marion Counties, OR

<sup>4/</sup> Market is Dallas County

<sup>5/</sup> Market is Houston-Baytown-Sugarland Metro, which includes Galveston County & City

<sup>6/</sup> Market is Birmingham-Hoover MSA

<sup>7/</sup> Market is Hartford, CT MSA

Source: Profiled facilities, Sales and Marketing Management's *2005 Survey of Buying Power*, and ConsultEcon, Inc.

As shown in Table V-1, there is diversity in admission price, annual attendance, and market size among the profiled museums. Admission prices range between \$3.00 and \$11.00, with most between \$8 and \$9. Attendance ranges from 64,400 to over 450,000. Local market sizes, and/or Metropolitan Statistical Areas (MSA), range from about 1.1 million to 5.2 million, though it should be noted that often a museum of this type is located in a position within the MSA that is somewhat remotely located from other parts of the MSA, due to its large size. The ratios of attendance to MSA size vary considerably and are often more reflective of the local market size than the museums' actual attendance.

<sup>20</sup> The benchmark adult ticket price is shown, but all the museums offered reduced prices for children etc.

Data in **Table V-2** show the total space at each museum. Sizes range from 68,000 to 130,000 square feet. In addition to indoor space, several of the museums feature aircraft and other collections outdoors, as well as auxiliary space for storage and aircraft repair.

**Table V-2**  
**Aviation Museum Size Summary**

| Museum                        | Facility Size | Visitors per Square Foot |
|-------------------------------|---------------|--------------------------|
| Cradle of Aviation Museum     | 130,000       | 1.6                      |
| Evergreen Aviation Museum     | 121,000       | 1.4                      |
| Virginia Air and Space Center | 108,000       | 4.2                      |
| Lone Star Flight Museum       | 105,000       | 0.8                      |
| New England Air Museum        | 100,000       | 0.6                      |
| Frontiers of Flight Museum    | 100,000       | 1.3                      |
| Southern Museum of Flight     | 68,000        | 1.3                      |

Source: Profiled facilities and ConsultEcon, Inc.

Data in **Table V-3** show the operating budgets of the profiled aviation museums, which range from approximately \$0.6 million to \$4.3 million. This range represents differences in funding sources and revenue potential, staff sizes, regional operating costs, and many other factors. The ‘budget dollars per square foot’ and ‘budget per visitor’ help to shed light on the difference in operating efficiencies that may occur as a result of differences in size and attendance. The table also shows the number of full-time equivalent employees per facility, which ranges from 7 to 61.

**Table V-3**  
**Aviation Museum Budget Summary**

|                               | Operating Budget | Budget Dollars per Exh. SF | Budget Per Visitor | Full-Time Equivalent Employees |
|-------------------------------|------------------|----------------------------|--------------------|--------------------------------|
| Virginia Air and Space Center | \$4,300,000      | \$40                       | \$9                | 61.0                           |
| Cradle of Aviation Museum     | \$3,400,000      | \$26                       | \$17               | 50.5                           |
| Evergreen Aviation Museum     | \$3,000,000      | \$25                       | \$18               | 20.0                           |
| Lone Star Flight Museum       | \$1,200,000      | \$11                       | \$14               | 13.0                           |
| New England Air Museum        | \$1,000,000      | \$10                       | \$16               | 12.0                           |
| Frontiers of Flight Museum    | \$1,000,000      | \$10                       | \$8                | 11.0                           |
| Southern Museum of Flight     | \$600,000        | \$9                        | \$7                | 7.0                            |

Note: Operating budgets rounded to nearest hundred thousand.

Source: profiled facilities and ConsultEcon, Inc.

Data in **Table V-4** show the cost of family memberships and the estimated number per museum. Family membership prices typically cost approximately \$75, with the \$35 and \$85 memberships representing the lower and higher range of the selected comparables, respectively. The number of members per museum ranges from approximately 150 to 5,200, and is quite often reflective of the effort placed on promoting membership sales.

**Table V-4**  
**Aviation Museum Memberships**

| <b>Museum</b>                            | <b>Family Membership Price</b> | <b>Estimated Memberships</b> |
|--|--------------------------------|------------------------------|
| Evergreen Aviation Museum                | \$75                           | 5,200                        |
| Virginia Air and Space Center            | \$75                           | 5,000                        |
| New England Air Museum                   | \$60                           | 1,300                        |
| Frontiers of Flight Museum <sup>1/</sup> | \$75                           | 1,000                        |
| Southern Museum of Flight <sup>2/</sup>  | \$35                           | 950                          |
| Lone Star Flight Museum <sup>3/</sup>    | \$75                           | 900                          |
| Cradle of Aviation Museum <sup>4/</sup>  | \$85                           | 150                          |

1/ Represents paid memberships; free membership is offered to volunteers.

2/ Memberships are estimated between 900 to 1,000.

3/ Memberships are estimated between 800 to 1,000.

4/ Membership program just started at Cradle of Aviation in 2005.

Source: Facilities Profiled and ConsultEcon, Inc.

Data in **Tables V-5** through **V-11** provide detailed descriptions of the profiled aviation museum facilities, as well as their attendance and operating trends.

**Table V-5  
Cradle of Aviation Museum**

|  |  |   |   |
|--|--|---|---|
| <b>Facility Name and Location</b>              | Cradle of Aviation Museum (with IMAX) Garden City, NY. (Long Island)   |   |   |
| <b>Development</b>                             | Opened in 2002, the Museum's development took more than 30 years, its opening continually delayed by political and fundraising challenges. Eventually more than \$40 million was contributed by Nassau County. When the Museum finally opened its doors, it was still very much a work in progress. The total development cost was estimated at \$53 million.  |   |   |
| <b>Site</b>                                    | The Museum is located at the former airport, Mitchell Field in Garden City. The larger site is intended to be developed as 'Museum Row' with additional attractions. The Long Island Children's Museum is adjacent, and draws more than 250,000 visitors.  |   |   |
| <b>Description of Facility and Collections</b> | <p>The Museum occupies two hangars remaining from the old airfield and an aircraft-filled atrium lobby called the Reckson Center Atrium. The 130,000 sq. ft. facility includes 60,000 sq. ft. of exhibit space, as well as the Red Planet Cafe, Hall of Honors, Sky Walk and the 300-seat Leroy R. &amp; Rose W. Grumman IMAX® Dome Theater. It features more than 70 aircraft, which range from hot-air balloons to lunar modules. The exhibits are set up in chronological order, beginning with Dream of Wings. Visitors then proceed to Hempstead Plains, the Great War, the Golden Age, World War II, the Jet Age and Contemporary Aviation, finishing up at Exploring Space.</p> <p>The Museum does not have airshows as the area is urban and the shows are considered costly; however, they do co-sponsor an annual Memorial Day airshow at Jones Beach that features the Thunderbirds and Blue Angels in alternate years.</p> |   |   |
| <b>Admission</b>                               | <u>Museum</u><br>\$9.00 adults<br>\$8.00 children (2-12)<br>\$8.00 seniors   | <u>IMAX</u><br>\$8.50 adults<br>\$6.50 children<br>\$7.50 seniors | <u>Combo</u><br>\$16.50 adults<br>\$13.00 children<br>\$14.00 seniors |
| <b>IMAX</b>                                    | The Museum's 300-seat Leroy R. & Rose W. Grumman IMAX® Dome Theater is a key draw for the Museum. Approximately 75% of visitors go to the IMAX as well as the Museum exhibits (combo tickets). IMAX films are typically at 25-30 percent capacity.   |   |   |
| <b>Hours of Operation</b>                      | Monday – Closed<br>Tuesday – Sunday – 9:30 a.m. to 5:00 p.m.   |   |   |
| <b>Local Market Size</b>                       | Nassau County population - 1,341,300. Suffolk County population -1,487,600; Combined - 2,828,900.  |   |   |
| <b>Attendance and Attendance Trends</b>        | During the first full year of existence, the Museum drew 260,000 visitors, well below the 400,000 visitors projected. The second full year, 2004, drew 204,000 visitors. Several potential causes for lower attendance in early years include September 11 <sup>th</sup> , the recession, national security alerts and the Iraq War. The museum performs very well during poor weather, and has slower attendance during pleasant weather.   |   |   |
| <b>Visitor Characteristics</b>                 | About 35,000 of the 205,000 visitors that attended the museum in 2004 are students (approximately 17%). Weekdays have strong student visitation, while weekends have strong family visitation. Approximately 90% of visitors are from Nassau and Suffolk county due to the travel patterns. The local area is a high income region.  |   |   |

**Table V-5 (cont.)**  
**Cradle of Aviation Museum**

|  |   |
|--|---|
| <b>Membership Price/Number</b>                   | The Cradle of Aviation has just recently instituted a membership program, which was marketed by email. They currently have about 150 family members, and charge \$85 for a family, which includes 2 adults and up to 4 children.  |
| <b>Governance and Operations</b>                 | The operating group, Museums at Mitchell, is a non-profit 501(c) 3 organization. The operating agreement with Museums at Mitchell originally had the County paying for the Museum's utilities and receiving no revenues from admissions fees or concessions. But County legislators negotiated with Museum officials and finally settled on a 15-year lease where the County pays for some utilities and will receive a half percent of profits from 2005 to 2011, with the take rising to 3 percent after that.  |
| <b>Sources of Funding/Budgets</b>                | Annual expenses total approximately \$3.4 million. Personnel expenses comprise approximately 33% of the budget. About 75% of revenue comes from earned income sources, a fairly high percentage for such museums. The Museum is currently running at a deficit due to a lack of budgeting for ongoing improvements, so they have hired a fundraiser to help bring in more funds.  |
| <b>Number of Employees</b>                       | 27 full-time, 47 part-time, or approximately 51 full-time equivalents (FTE).  |
| <b>Gift Shop / Food Service</b>                  | The gift shop is approximately 1,500 sq. ft. in size and operations were recently taken over by the Museum from the previous franchise operator (when that operator went bankrupt). Gross profits at the gift shop are approximately \$20,000 per month and cost of goods sold (COGS) is 60%. Food is served at Red Planet Café. It accommodates 220 people, and is used for special events including bar/bat mitzvahs, sweet sixteen parties, and unique corporate celebrations.   |
| <b>Educational Programming</b>                   | A major and ongoing focus has been on building the education program. The Museum hosts up to 350 schoolchildren a day during the school year. In the past they have had as many as 1,000 students on-site in a single day, but recently limited that to 500 per day to improve the visitor experience and better manage the traffic flow through the exhibits. Programs last between 10:00 a.m. and 1:00 p.m. – this is dictated by bus schedules.  |
| <b>Special Events</b>                            | There are approximately 40 to 60 annual caterer's rentals, which net about \$300,000 for the Museum. The Museum also hosts a lecture series for families three or four times a year, which is attended by 200 to 300. The Museum hopes to increase attendance at these lectures.  |
| <b>Marketing</b>                                 | The marketing budget is approximately \$260,000. They attempt to budget \$1.00 of marketing per visitor. There are about 20 signs in the region which direct drivers to the site and advertise the Museum. The Museum has had good success with local radio advertising, and with targeted marketing to local families.   |
| <b>Visitation Factors and Operating Strategy</b> | <ul style="list-style-type: none"> <li>-IMAX visitation is strong</li> <li>-Strong school group attendance</li> <li>-Recently developed membership program</li> <li>-Low tourist visitation</li> <li>-Recovering from slower than expected visitation.</li> </ul> <p>The Cradle of Aviation is a relatively “young” museum. The IMAX is a strong draw which brings a steady stream of visitors. Cradle of Aviation has done well with “large museum” amenities and strong earned revenue. The Museum is well received and growing into its operations, recently emerging from what was termed a “sophomore slump” into steadily increasing visitation, with hopes of continuing that trend.</p> |

Source: Cradle of Aviation Museum, Guidestar Analyst Report for FY ending June 2003, Official Museum Directory 2005; and ConsultEcon, Inc.

**Figure V-2  
Cradle of Aviation Museum**



Source: Long Island CVB.

**Table V-6  
Lone Star Flight Museum / Texas Aviation Hall of Fame**

|                                   |  |
|-----------------------------------|--|
| <b>Facility Name and Location</b> | Lone Star Flight Museum/ Texas Aviation Hall of Fame, Galveston, TX.   |
| <b>Site</b>                       | The Museum is located on the grounds of Galveston's Scholes Field, a working airport. It is located next to Moody Gardens, a major visitor attraction which has a hotel and conference center. Galveston, a popular weekend destination is a one hour drive from Houston. The site has plenty of parking spaces.   |
| <b>Development</b>                | The Museum began its home at Galveston's Scholes Field in 1990 with construction of a 48,000 sq. ft. Phase I facility. Continued rapid growth necessitated construction of a 30,000 sq. ft. Phase II hangar addition which was completed in 1991. Along with the aircraft, the Museum began to acquire and display aviation memorabilia, develop educational programs and recruit volunteers through a membership program in 1991. In 1997 the Texas Legislature designated the Museum as The Texas Aviation Hall of Fame. The Museum changed its name and organized a capital campaign to fund construction of the 27,000 sq. ft. education center to house the memorabilia and exhibits of the Texas Aviation Hall of Fame inductees. This addition was completed in November 1999 and now houses the exhibits of thirty-four inductees. The Museum signed a 40-year lease at the airport. |

**Table V-6 (cont.)**  
**Lone Star Flight Museum / Texas Aviation Hall of Fame**

|  |   |
|--|---|
| <b>Description of Facility and Collections</b> | The 105,000 sq. ft. museum features over 40 restored aircraft, primarily from the 1930's to the 1960's are displayed and most are in working condition. The collection includes WWII fighters, bombers, liaison trainers, and executive planes. Collection highlights include a 1940 DC-3, a B-17, an F-7-F Tigercat, and a P-47-G Thunderbolt among many others. Small interpretive plaques provide information about the aircraft on display. Permanent or fixed exhibits and interpretive signage are not possible because the aircraft are flown at airshows, and thus are constantly being moved in and out of the hangers. There is an absence of 'interactive' exhibits. As well, professional lighting is not possible due to moving exhibits. The Texas Aviation Hall of Fame room provides interesting and informative displays about the lives and accomplishments of many interesting pilots including Tom Landry, George Bush, and Gordon Bethune. This area also features a large model of the USS Hornet aircraft carrier and a room used for education and films. Museum directors express regret at not having interactive exhibits such as simulators or wind tunnels that are a draw for children. |
| <b>Admission</b>                               | \$8.00 adults (18+)<br>\$5.00 seniors (65+)<br>\$5.00 youth/students (5-17)<br>Free - children under 5<br><br>Admission has increased from \$6.00 between 1992-2002, to \$7.00 in 2003, to \$8.00 in 2004. Price change has not negatively affected attendance.   |
| <b>Hours of Operation</b>                      | The Museum is open every day (except Christmas and for special events) from 9:00 a.m. to 5:00 p.m.  |
| <b>Local Market Size</b>                       | Galveston County – 274,300; Houston-Baytown Sugarland Metro Area population (includes Galveston County & City) 5,239,500.   |
| <b>Attendance and Attendance Trends</b>        | After opening in the early 1990's, attendance was in the 40,000 to 50,000 range. It has increased to approximately 85,000 visitors in 2004; of these 15,000 visited for the annual Airshow. Attendance has remained very steady over the last few years.  |
| <b>Visitor Characteristics</b>                 | Approximately 5% of visitors are from Galveston; 70% are from the Houston metro area and 25% are from the beyond the local area. Tourist visitation is stronger in the summer months, with the breakdown between locals and tourists being about 50-50. The Museum draws very well from the outer Houston suburbs, despite the long drive. School groups comprise up to a third of visitation during the school year. Adults who are aged 50+ are a strong visitor segment as well as families with children. A challenge is to keep the WWII era collections interesting and relevant for the generations born long after WWII.  |
| <b>Membership Price/Number</b>                 | Family memberships cost \$75. There approximately 800 to 1,000 members.   |
| <b>Governance and Operations</b>               | The Lone Star Flight Museum is a not-for-profit, tax exempt 501 (c) 3, educational museum, dedicated to the men and women who developed aviation to the science it is today; and, "to the memory and spirit of those who flew in the defense of our country and freedom throughout the world". This self-supporting membership organization derives funds from admissions, donations and fund raising activities. No State or Federal funding is received.  |

**Table V-6 (cont.)**  
**Lone Star Flight Museum / Texas Aviation Hall of Fame**

|  |  |
|--|--|
| <b>Sources of Funding/Budgets</b>                | The total budget is approximately \$1.2 million. An estimated 60% of expenses are for personnel costs. Approximately 45% of revenues are earned, 55% are from contributions.   |
| <b>Number of Employees</b>                       | 12 full-time and 2 part-time, or 13 FTEs. They also have about 100 volunteers, who contribute skilled work such as aircraft repair and maintenance.  |
| <b>Gift Shop / Food Service</b>                  | There is a 1,500 sq. ft. gift shop. Total annual sales are approximately \$200,000, or \$2.35 per capita. There is no food service on-site.  |
| <b>Educational Programming</b>                   | Students comprise 15-20% of visitors. Groups are charged \$3.00-\$4.00 per student. Tours are generally self-guided or led by a docent.  |
| <b>Airshow</b>                                   | The annual Airshow draws approximately 15,000 visitors. It is produced 'in-house.' Performers are not paid, they volunteer. Vending space for food and souvenirs is sold.  |
| <b>Marketing</b>                                 | The marketing budget is approximately \$1.00 per visitor. A range of publications, print, and radio ads are used but the limited available funds for marketing is seen as a constraint to higher attendance. There are frequent press releases and also T.V. when they have an opportunity for a free appearance such as an interview.   |
| <b>Special Events</b>                            | There are approximately 40-50 special events or birthday parties (an average of 3 or 4 per month) held at the Museum annually, drawing from 25 to 2,000 visitors.  |
| <b>Visitation Factors and Operating Strategy</b> | <ul style="list-style-type: none"> <li>- Nice collection, and Hall of Fame exhibits</li> <li>- Needs more interactive exhibits, professional interpretation</li> <li>- More marketing and name recognition needed</li> <li>- Annual Airshow drawing 15,000</li> <li>- Huge volunteer manpower, providing up to 40,000 hours annually</li> </ul> <p>Attendance has leveled off due to not enough marketing and name recognition. Additionally, displays are quite static, and lack the interactive/flashy characteristic of newer museums. Nevertheless, the Museum runs an annual Airshow and gains income from use of its aircraft at other airshows.</p> |

Source: Lone Star Flight Museum, Official Museum Directory 2005; and ConsultEcon, Inc.

**Figure V-3  
Lone Star Flight Museum**



Source: ConsultEcon, Inc.

**Table V-7  
Southern Museum of Flight**

|                                   |   |
|-----------------------------------|---|
| <b>Facility Name and Location</b> | Southern Museum of Flight, Birmingham, AL   |
| <b>Development</b>                | In 1965, the Board of Governors of the Birmingham Aero Club established the Birmingham Air and Space Museum. The first public aviation exhibits were in the library of Stamford University. In 1967, the collection was moved to the original Birmingham Airport terminal, where it remained until 1974. In 1969, the Museum got a new name: the Southern Museum of Flight. In 1976, land was purchased two blocks east of the airport and construction on a permanent home for the Museum began two years later. Two wings of the building were opened in 1983 and the final two wings will open soon. The four wings of the Museum will make up an “X”-shaped structure with an atrium in the center. |
| <b>Site</b>                       | The Southern Museum of Flight is located two blocks east of Birmingham International Airport. It is accessible from the Interstate. The Museum site has been considered a long standing detriment to attendance as it is difficult to find from major roadways, lacks visibility from roadways, and is located in a neighborhood perceived to have safety issues.   |

**Table V-7 (cont.)  
Southern Museum of Flight**

|  |   |
|--|---|
| <b>Description of Facility and Collections</b> | <p>The Museum has a total area of 68,000 sq. ft., but currently only 44,000 sq. ft. are open to the public; the remainder will be finished out when City funds are available. The Museum features military, civilian, and home-built aircraft on display. Highlights include of Delta Air Line's first planes – the Huff Daland crop duster, a full-size Wright Flyer replica, a 1912 Curtiss Pusher replica, a Fokker VII, a VariEze experimental home-built, and two US Air Force fighter jet cockpit simulators. The Museum has aviation memorabilia from the earliest days of flight – a night landing light used by the Wright brothers at their Montgomery flying school, knee-high aviator's boots from WW I, "trigger-finger" German-issue flying gloves from the WW I era of the Red Baron, an "Early Bird" cap and flying goggles, the trapeze and dental strap used in a local "flying circus," and more than 20 aircraft engines - with several "cut-a-ways" to show the internal workings of the engine. An eleven-foot model of the WW II aircraft carrier USS Enterprise is the centerpiece of the Model Gallery. Exquisitely crafted airplane models are displayed in the surrounding cases and remote-controlled planes "fly" suspended from above. Photo exhibits include historic images of Birmingham's first flying fields, the Alabama Air National Guard, women in aviation and the famed Tuskegee Airmen. The Museum is also home to Alabama Aviation's Hall of Fame.</p> <p>The outdoor display features 16 planes - many from the Vietnam era –it includes an A-12 Blackbird, a Huey UH-1 helicopter, and an F-4 Phantom jet fighter. The Aircraft Theater shows video presentations on the history of flight, early aircraft design, aircraft restoration and the pioneers of flight are shown in the theater. The Sky Gallery Meeting Room overlooking one of the aircraft exhibit halls, seats 100 plus and is available for use by aviation-related organizations. Often, the Sky Gallery is used for Aviation Art Exhibits. A research library contains more than 2,500 aviation references.</p> |
| <b>Admission</b>                               | <p>\$3.00 adults<br/>\$2.00 seniors and students</p> <p>These prices are determined by the City and are very low among comparable aviation museums. These rates inhibit earned revenues.</p>  |
| <b>Hours of Operation</b>                      | <p>Tuesday - Saturday 9:30 a.m. - 4:30 p.m.<br/>Sunday 1:00 p.m. - 4:30 p.m.</p>  |
| <b>Local Market Size</b>                       | <p>Birmingham-Hoover Metro population - 1,082,900</p>   |
| <b>Attendance and Attendance Trends</b>        | <p>After opening in 1983, annual attendance started at 17,000 gradually rose to 40,000 and passed 50,000 over the next 10-15 years. Annual attendance has currently stabilized around 85,000 to 90,000.</p>   |
| <b>Visitor Characteristics</b>                 | <p>An estimated 70 to 80% of visitors are from the local market area, though there are numerous visitors from around the country and international visitors. Approximately 25% of visitors are school groups; there is a strong educational emphasis. Families and grandparents with children are also important visitor segments. The annual Hall of Fame event brings visitors from around the nation, and the most recent one brought in approximately 500 attendees.</p>  |
| <b>Membership Price/Number</b>                 | <p>The family membership price cost \$35.00 per year, quite low. There are an estimated 900 to 1,000 memberships.</p>   |

**Table V-7 (cont.)  
Southern Museum of Flight**

|                                   |   |
|-----------------------------------|---|
| <b>Governance and Operations</b>  | The Museum is owned and operated by the City of Birmingham, which took over the facility after private owners fell into financial difficulties. A subsidiary non-profit organization has been formed that pays for many of the Museum programs and expenses, augmenting the Museum operations.  |
| <b>Sources of Funding/Budgets</b> | The City of Birmingham contributes approximately \$500,000 for the budget and the non-profit Foundation contributes an estimated \$100,000 in funding, for a total of \$600,000. The City and the non-profit divide up certain expenses, with the City paying for personnel and the Museum paying for many of the Museum program services, exhibits, and other items. The City involvement in the budget is somewhat limiting as purchases and decision making are subject to the bureaucratic process; however the Foundation is not subject to those limitations.   |
| <b>Number of Employees</b>        | The Museum employs 6 full-time and 2 part-time staff, or 7 FTEs. There are approximately 35 volunteers who make valuable contributions.   |
| <b>Gift Shop / Food Service</b>   | There is a very small gift shop (estimated 400 sq. ft.). Annually it nets a profit of under \$5,000. Total sales are estimated at around \$10,000. They are, however, planning to expand the gift shop in the next few months.  |
| <b>Airshow</b>                    | The Birmingham Aero Club, a group differentiated from the Museum (but with close affiliation) holds an annual Airshow at another local airport each year. It typically draws 10,000-15,000 visitors. It is considered by management to be a non-money maker and financially risky.  |
| <b>Marketing</b>                  | The Museum previously received a very small (\$1,000) marketing contribution from the City, but currently has no budget for marketing. They make use of free advertising (TV, radio, print, posters, CVB etc) wherever possible.  |
| <b>Educational Programming</b>    | Museum hosts an estimated 10,000 to 15,000 schoolchildren annually and makes educational programming a major priority. Programs include summer camps and after school programs, and they are currently expanding their educational programming. There is a science and computing room with 16 computers. Curriculum is designed around State of Alabama standards.  |
| <b>Operating Factors</b>          | <p>According to the Museum, it has a well appreciated visitor experience, however, it is challenged with the following:</p> <ul style="list-style-type: none"> <li>- Poor location</li> <li>- Limited funding from City</li> <li>- Bureaucratic management from City</li> <li>- No marketing budget</li> <li>- Some (but very little) competition from Huntsville Space Center</li> </ul> <p>The Southern Museum of Flight has a strong collection of aircraft, and visitor and educational programs. A poor location also limits attendance. Nevertheless, attendance has grown slowly but steadily over the years. The new space will be a positive factor.</p> |

Source: Southern Museum of Flight; Official Museum Directory 2005; and ConsultEcon, Inc.

**Figure V-4**  
**Southern Museum of Flight**



Source: Southern Museum of Flight.

**Table V-8**  
**Virginia Air and Space Center**

|  |  |
|--|--|
| <b>Facility Name and Location</b>              | Virginia Air and Space Center and IMAX, Hampton, VA.   |
| <b>Development</b>                             | The Museum opened in 1992 as a collaboration between the City of Hampton (which was seeking an attraction), NASA, the Commonwealth of Virginia, and private funders. It was developed to create a more public visitor center for the <i>NASA Langley Research Center and Langley Air Force Base</i> . In 2003, as the result of a major capital campaign, aviation exhibits were completely replaced and updated, the IMAX theater was converted to play 3D films, and other facility improvements were made at a cost of \$9.8 million.   |
| <b>Site</b>                                    | The Virginia Air & Space Center is located on the historic Downtown Hampton Waterfront.  |
| <b>Description of Facility and Collections</b> | The facility encompasses 108,000 square feet, of which 50,000 is dedicated to exhibits. At the NASA Langley Research Center and Langley Air Force Base, over 100 interactive exhibits detail NASA's historic achievements. Visitors can view Apollo 12 Command Module, and a DC-9 passenger jet and experience a rocket launch and space shuttle flight simulation. The new <i>Adventures in Flight</i> gallery takes visitors on an aviation adventure when they "wing walk" on a Jenny bi-plane, a replica 1903 Wright Flyer, explore a DC-9 passenger jet, ride in a WWII bomber, sit in the cockpit of an F/A-22 fighter jet and participate in simulations from an air traffic controller to a fighter jet. <i>Wild, Wild, Weather</i> is an interactive exhibit about the wonders of the earth's weather and atmosphere. <i>Ham Radio Exhibit</i> educates the visitor about cutting edge technology at the world-class, fully automatic, digital Amateur Radio satellite station. <i>The Space Gallery</i> allows a close encounter with a meteorite from Mars, Marvel at a three-billion-year-old moon rock, launch a rocket, and space shuttle simulator. |

**Table V-8 (cont.)  
Virginia Air and Space Center**

| <b>Admission</b>                        | <u>Exhibits Only</u><br>\$8.75 adult<br>\$6.75 children (3-11)<br>\$7.75 seniors (65+)/<br>Military/NASA   | <u>Regular Feature<br/>IMAX Only (45<br/>min)</u><br>\$ 7.75 adult<br>\$ 6.50 children<br>(3-11)<br>\$ 6.75 seniors<br>(65+)/<br>Military/NASA | <u>Exhibits &amp; 1<br/>Regular IMAX<br/>Feature (45 min)</u><br>\$13.75 adult<br>\$10.75 children<br>(3-11)<br>\$12.75 seniors<br>(65+)/<br>Military/NASA | <u>Exhibits &amp; 2<br/>Regular IMAX<br/>Features (45 min)</u><br>\$17.75 adult<br>\$14.75 children<br>(3-11)<br>\$16.75 seniors<br>(65+)/<br>Military/NASA |
|---|--|--|--|---|
| <b>IMAX</b>                             | The Museum features a 300-seat, 3D Riverside IMAX theater. Approximately 80% of visitors view an IMAX in addition to exhibits. The IMAX theater has been very successful, and been a major reason for repeat visitation.   |  |  |   |
| <b>Hours of Operation</b>               | Summer Season<br>(May 26, 2006 - September 4, 2006)<br><br>Monday - Wednesday<br>10:00 a.m. to 5:00 p.m.<br><br>Thursday - Sunday<br>10:00 a.m. to 7:00 p.m.   |  | Winter Season<br>(September 5, 2005 - May 24, 2006)<br><br>Monday - Saturday:<br>10:00 a.m. to 5:00 p.m.<br><br>Sunday:<br>Noon to 5:00 p.m.               |   |
| <b>Local Market Size</b>                | Hampton/Norfolk MSA population – 1,645,200   |  |  |   |
| <b>Attendance and Attendance Trends</b> | Attendance was very strong in the Museum’s opening year, but declined subsequently. Attendance has increased each year since 1996 except for 2001. In 2004, on-site Museum attendance was 456,000 and approximately 80% (or 364,800) saw an IMAX film.   |  |  |   |
| <b>Visitor Characteristics</b>          | 228,000 visitors (approximately 50%) were students. Approximately 52% of visitors are local residents, while 48% are tourists. There has been a trend toward more local visitation (and fewer tourists) since the events of Sept. 11 <sup>th</sup> , 2001.   |  |  |   |
| <b>Membership Price/Number</b>          | Family memberships cost \$75. There are approximately 5,000 household members. Membership has increased dramatically with increased and aggressive marketing. In addition, the Museum has 15 corporation sponsors.   |  |  |   |
| <b>Governance and Operations</b>        | The Museum is a 501 (c) 3 organization funded by the City of Hampton, the State of Virginia, NASA, and private donations, and earned revenues.   |  |  |   |
| <b>Sources of Funding/Budgets</b>       | The annual operating budget for the Museum is approximately \$4.3 million. Approximately 56% of revenue is earned. Personnel expenses utilize about 39% of the total budget. More than \$1 million in free advertising was donated.  |  |  |   |
| <b>Number of Employees</b>              | There are 31 full-time and 60 part-time employees, or approximately 61 FTEs.   |  |  |   |
| <b>Gift Shop / Food Service</b>         | The Virginia Air & Space Center's food service consists of a café next to the IMAX Theater. It has total annual sales of approximately \$300,000. There is a 1,500 square foot gift shop. Total annual sales are approximately \$300,000 at the gift shop. The Museum also generates about \$105,000 in rental income from parties and special events. |  |  |   |
| <b>Marketing</b>                        | The Museum has a marketing budget of approximately \$250,000, but also receives approximately \$1 million in donated advertising and in-kind support. All types of marketing are used; including print ads, magazines, TV, radio, brochures, email, etc.   |  |  |   |

**Table V-8 (cont.)**  
**Virginia Air and Space Center**

|   |   |
|---|---|
| <p><b>Educational Programming</b></p>                   | <p>An estimated 228,000 students visited the Museum in 2004 (50% of total). The Museum has numerous different education programs and tours, camp-ins (overnight), and day camps. The do extensive outreach to schools and in-home. Educational programs make up a much larger share of attendance than at other profiled museums. There are a range of educational programs with varying admission fees.</p>  |
| <p><b>Visitation Factors and Operating Strategy</b></p> | <ul style="list-style-type: none"> <li>-IMAX is a strong draw</li> <li>-Good location</li> <li>-Strong student visitation</li> <li>-Strong programming</li> <li>-Traveling, changing exhibits</li> <li>-NASA name recognition</li> <li>-Aggressive marketing</li> <li>-Retail, food, and rental income are strong</li> </ul> <p>The Virginia Air and Space Museum has been well operated with strong attendance and a well-liked visitor experience. The emphasis on interactive exhibits, changing / traveling exhibits, and programs has created a strong repeat visitation pattern. Re-investment in exhibits has helped. The IMAX is a major draw, and the NASA name is important. They also serve as the Visitor Center for Langley Air Force base and maintain a strong partnership that enhances their credibility and allows for major joint marketing opportunities.</p> |

Source: Virginia Air and Space Center; Official Museum Directory 2005; and ConsultEcon, Inc.

**Figure V-5**  
**Virginia Air and Space Center**



Source: Virginia Air and Space Center web site ([www.vasc.org](http://www.vasc.org))

**Table V-9  
New England Air Museum**

|  |  |
|--|--|
| <b>Facility Name and Location</b>              | New England Air Museum of the Connecticut Aeronautical Historical Association, Windsor Locks, CT. (near Hartford)  |
| <b>Site</b>                                    | Located on the grounds of the Bradley Airport, the second largest in New England. The site is considered somewhat of a detriment to Museum attendance; it is not visible from major roadways or from the airport. The site does not allow them to hold airshows.   |
| <b>Development</b>                             | The Museum was originally developed in 1959 and has evolved over the years. An expansion of 18,000 sq. ft. occurred in 2003.   |
| <b>Description of Facility and Collections</b> | The Museum is situated in three large display buildings consisting of more than 100,000 square feet. The Museum is the largest aviation museum in the Northeast. More than 70 aircraft at the New England Air Museum include flying machines that date from 1870, among them gliders and helicopters. A World War II-era P-47 Thunderbolt and B-29 Superfortress are on display, along with other vintage fighters and bombers. Within this collection is the last remaining four-engine American flying boat, the Sikorsky VS-44A, restored to original condition, a Connecticut-built balloon basket from 1870, which is the oldest surviving aircraft in the United States; the 1912 Bunce-Curtis Pusher, which is the oldest surviving Connecticut-built airplane; the Sikorsky S-39, which is the oldest surviving Sikorsky aircraft and a Kaman K-225 helicopter, which is the oldest surviving Kaman-built aircraft. There is also a jet fighter simulator. The museum is now placing an emphasis on developing 'exhibits' which capture the visitors' attention and round out the educational experience. A challenge is to increase length of stay without increasing overhead, as well as to relate the relevance of pre-WWII era aircraft to a younger generation. Newer additions include some interactive/computer display exhibits, flight simulators, and touch screen film exhibits. Efforts have been made to fund new programs, partner with local organizations to meet their educational needs, increase marketing, provide a truly unique events venue, and broaden the support for the Museum. |
| <b>Admission</b>                               | \$8.50 adults (age 12 & up)<br>\$7.50 seniors (age 60 & up)<br>\$4.50 children Ages 6 – 11<br>Free - children Age 5 & under  |
| <b>Hours of Operation</b>                      | Open 7 days a week, year round, 10:00 a.m. – 5:00 p.m.   |
| <b>Local Market Size</b>                       | Hartford, CT MSA population – 1,192,100.   |
| <b>Attendance and Attendance Trends</b>        | Attendance of 64,384 was one of the highest ever. Attendance has typically been in the 50,000 and 60,000 range but the museum management is concerned that there seems little chance of substantial growth. While "regular" museum attendance has been fairly static, the major growth areas of visitation have been in school groups participating in structured educational programming and from special events, such as the annual "Women Take Flight" which hosted over 1,500.   |

**Table V-9 (cont.)  
New England Air Museum**

|                                   |   |
|-----------------------------------|---|
| <b>Visitor Characteristics</b>    | The visitor demographics of the Museum mirror similar facilities; school groups, families with children, and retired adults. The Museum stressed certain challenges with the visitor market; school group attendance with all museums has declined due to transportation costs and issues, as well as standardized testing and the time constraints that it causes to schools. Also, the Museum emphasized the importance in making the Museum appeal to a broad demographic, especially girls and women. The fact that many recreational decisions are made by the mother underscores this point. Programs have been designed and added to be inclusive of girls and other groups not typically associated with visitation to aviation museums. Local residents make up the majority of visitors as the Museum does not draw well from the tourist market, due to the location and regional competition from numerous New England museums. |
| <b>Membership Price/Number</b>    | Family memberships cost \$60. There are approximately 1,300 household members. A strong effort has been made to increase membership, and it is steadily increasing since the program was instituted just under two years ago. There are also 57 corporate members, and they have found corporate sponsorship to be an important source of support.  |
| <b>Governance and Operations</b>  | The New England Air Museum is owned and operated by the Connecticut Aeronautical Historical Association, a private, non-profit educational institution organized in 1959.   |
| <b>Sources of Funding/Budgets</b> | The total budget is approximately \$1.04 million. Contributed income represents about 35 percent of the total budget, with the remainder coming from admissions, memberships, gift shop sales, and special events income. There is no endowment. Approximately one-third of the budget goes to personnel expenses.  |
| <b>Number of Employees</b>        | There are 6 full-time and 12 part-time employees, or 12 FTEs, and approximately 90 volunteers.  |
| <b>Gift Shop / Food Service</b>   | The gift shop is approximately 3,500 square feet. Total sales were approximately \$193,000; or about \$3.00 per capita. This has remained fairly stable over the last several years.  |
| <b>Educational Programming</b>    | The Education Department was established in November 1999, and arranges group tours and a variety of special events such as: on site student and adult workshops, scout events, guest speakers, storybook programs for children, modeling workshops, and an outreach program for 4th through 8th grade students. The Museum provides academic support for science and social studies programs in the local schools and has a hands-on science curriculum. They are in the process of building an "education center." They also host numerous summer workshops and classrooms, and support Girl and Boy Scout programs with sleepover programming geared to earning merit badges.  |
| <b>Marketing</b>                  | The marketing/advertising budget has actually been decreasing, going from \$70,000 to \$50,000 this year. However, they are finding more effective ways to utilize the budget, focusing less on expensive print advertising in regional "glossy" publications, and doing more local radio.  |

**Table V-9 (cont.)**  
**New England Air Museum**

|  |  |
|--|--|
| <b>Keys to Visitation and Operating Strategy</b> | <ul style="list-style-type: none"><li>-Have done outreach to women and girls, particularly with the very successful “Women Take Flight” event</li><li>-Expanded facility boosted attendance</li><li>-Have increased interpretive and interactive exhibits</li><li>-Very solid collection</li></ul> <p>The New England Air Museum is a long standing institution whose attendance has peaked in recent years without much expectation for major increases. The Museum is challenged by its location. The Museum is competing not only with other local attractions, but with a growing number of local special events and “festivals,” and computer/technology availability in the home, all of which combine with what is perceived as a waning interest in the more static aspects of typical museums. A strong effort has been made to reach out to more diverse visitor markets, and to add interactive exhibits in an attempt to widen appeal. Expansion and investment in new exhibits has helped improve the visitor experience.</p> |
|--|--|

Source: New England Air Museum; Official Museum Directory 2005; and ConsultEcon, Inc.

**Figure V-6**  
**New England Air Museum**



Source: New England Air Museum.

**Table V-10**  
**Evergreen Aviation Museum**

|  |  |
|--|--|
| <b>Facility Name and Location</b>              | Evergreen Aviation Museum, McMinnville, OR   |
| <b>Site</b>                                    | Located across Hwy. 18 from McMinnville Municipal Airport.   |
| <b>Development</b>                             | The Museum was founded in 1992, and is currently in the process of expanding.  |
| <b>Description of Facility and Collections</b> | The Evergreen Aviation Museum is 121,000 sq. ft. in size and has a 150-seat auditorium, and a café and a children's area. Evergreen is planning to add an IMAX theater this coming spring (2006), and is in the process of constructing an expanded gift shop. Collections include period commercial, military and general aviation exhibits with emphasis on warbirds (fighters, bombers, trainers, recon), which are restored and flown regularly. The collection also includes history HK-1 Hughes Flying Boat, the largest aircraft ever to fly, an SR71 and sixty other Vintage aircraft. |
| <b>Admission</b>                               | \$11.00 adults (age 19 & up)<br>\$10.00 seniors (age 65 & up)<br>\$ 7.00 children Ages 6 – 18<br>Free - children Age 5 & under   |
| <b>Hours of Operation</b>                      | The Museum is open every day, including weekends, from 9 to 5  |
| <b>Local Market Size</b>                       | The local market for the Museum has a population of approximately 1.1 million, and includes Yamhill, Multnomah, and Marion Counties in Oregon.   |
| <b>Attendance and Attendance Trends</b>        | This past year's attendance was 167,500. This represents a significant increase over the previous year. The Museum is constantly expanding its collection and facilities, which has contributed to the increased attendance (along with an increased marketing budget), of approximately 40% higher than last year.  |
| <b>Visitor Characteristics</b>                 | The age breakdown of visitation to the Museum is:<br><br>7% under 18<br>16% 18 to 34<br>23% 35-50<br>29% 51-65<br>26% over 65  |
| <b>Membership price/number</b>                 | Family memberships cost \$75. There are approximately 5,200 household members. A strong effort has been made to increase membership.   |
| <b>Governance and Operations</b>               | Evergreen Aviation Museum is a private, nonprofit 501(c) 3, with a Board of Trustees.  |
| <b>Sources of Funding/Budgets</b>              | The total budget is approximately \$3 million. Personnel expenses comprise 29.2% of the budget. Unearned revenue sources comprise nearly 17% of all revenue, with the remainder being earned income. The Museum has a major donor who provides a number of staff positions, and also provides their space, so that they pay no lease expense for their building. Because of these provisions, the Museum is currently running "in the black" by approximately \$500,000, despite some construction expenses.   |
| <b>Number of Employees</b>                     | There are 18 full-time and 6 part-time employees, or 20 FTEs, and approximately 215 volunteers.  |
| <b>Gift Shop / Food Service</b>                | Evergreen is currently building an expanded gift shop of 9,000 sq. ft. (which is much larger than their original of approximately 2,000 sq. ft.). There is also an on-site café.   |

**Table V-10 (cont.)  
Evergreen Aviation Museum**

|  |   |
|--|---|
| <b>Educational Programming</b>                   | The Education Department provides outreach to school children.  |
| <b>Marketing</b>                                 | The advertising budget is approximately \$141,000, which is an increase from previous years. The marketing department credits the increase in budget for a major increase (almost 40%) in visitation over last year's numbers. Much of their marketing is through press releases, although they also have two billboards and do a great deal of radio advertising. They do a limited amount of print ads, and very little television due to the high cost.  |
| <b>Visitation Factors and Operating Strategy</b> | <ul style="list-style-type: none"> <li>-Expanded facility and increased marketing boosted attendance</li> <li>-Much larger gift shop being built</li> <li>-Adding IMAX theater this spring (2006)</li> <li>-Also planning to add "space museum"</li> <li>-Major donations of staff and building (no lease expenses)</li> </ul> <p>The Evergreen Aviation Museum is a relatively "young" facility, which has experienced very fast growth, and has also benefited from major donations of staffing and their building lease. They are currently planning expansions and additions to both the Museum itself and their gift shop, as well as the addition of an IMAX theater.</p> |

Source: Evergreen Aviation Museum and ConsultEcon, Inc.

**Figure V-7  
Evergreen Aviation Museum**



Source: Evergreen Aviation Museum.

**Figure V-8**  
**“Flying Boat” (Spruce Goose)**



Source: Evergreen Aviation Museum.

**Table V-11**  
**Frontiers of Flight Museum**

|  |  |
|--|--|
| <b>Facility Name and Location</b>              | Frontiers of Flight Museum, Dallas, TX   |
| <b>Site</b>                                    | Located on the grounds of Love Field in Dallas; however, the Museum does not have an observation deck to view airport operations. Site is 6.2 acres, and is leased for 40 years at \$1,000 annually.   |
| <b>Development</b>                             | Founded in November, 1988, by Kay Bailey Hutchison, Jan Collmer, and William E. Cooper. The initial intent was to exhibit at Dallas Love Field the artifacts, documents and photographs of the History of Aviation Collection donated to the University of Texas at Dallas by the legendary aviation historian George E. Haddaway. Opened to the public in June 2004, in a reduced mode both physically and organizationally. The facility is only partially completed with about 50% of exhibits in place.  |
| <b>Description of Facility and Collections</b> | The facility is 100,000 sq. ft., which includes 60,000 sq. ft. for the main exhibit areas, with 25 aircraft displayed. 20,000 sq. ft. comprise the “education wing” and 20,000 sq. ft. are “back of house.” Collections include aviation history from pre-Wright brothers through modern space age; photos, models; Admiral Charles E. Rosendahl’s lighter than air collection, WW I & II artifacts & exhibits; Admiral Richard E. Byrd’s Antarctic expedition collection; business & commercial aviation exhibits. Historic aircraft include Sopwith Pup, Temple Monoplane, Glasflugel Sailplane, F16B No. 2, Gossamer Penguin, F-105F, T-33A, F4 WST. Facilities include a 200-seat auditorium & theater, 1,300 sq. ft. classroom, an outdoor patio, and gift shop. There are plans for a café to open on a limited basis at the beginning of 2006. Facility rentals/events are a focus – can seat up to 800 for dinner. |

**Table V-11 (cont.)**  
**Frontiers of Flight Museum**

|   |  |
|---|--|
| <b>Admission</b>                        | \$8.00 adults (age 18 & up)<br>\$6.00 seniors (age 65 & up)<br>\$5.00 children Ages 3 – 17<br>Free - children Age 2 & under  |
| <b>Hours of Operation</b>               | Open Monday thru Saturday, 10 a.m. to 5 p.m.; Sunday 1 p.m. to 5 p.m.  |
| <b>Local Market Size</b>                | Located in Dallas County, which has a population of approximately 2,323,000.   |
| <b>Attendance and Attendance Trends</b> | Total attendance was recently approximately 130,000. This includes annual paid attendance of 65,000, member attendance of 8,000, school group attendance of 8,000, and miscellaneous attendance of 2,000. Event rentals drew 50,000, with 300 rentals averaging 167 attendance. Event attendance varies widely, with anywhere from a dozen to 1,000 attendees per event. Frontiers of Flight has done several fly-ins. These are typically three-day events.   |
| <b>Visitor Characteristics</b>          | Attendance has been very local in origin. Seventy percent of attendance comes from within 10 miles of site. This is true of memberships as well. Their location provides very little public exposure, and is not a leisure time destination. The incomplete exhibitry (only about half done) and small staff have also contributed to lower than planned attendance. So far, the Museum has not had a regular “traveling exhibit” program.   |
| <b>Membership Price/Number</b>          | Family memberships cost \$75. There are approximately 1,000 paid members; volunteers receive free membership.  |
| <b>Governance and Operations</b>        | The Frontiers of Flight Museum is a non-profit organization (501c3), affiliated with the History of Aviation Collection/University of Texas at Dallas.   |
| <b>Sources of Funding/Budgets</b>       | Grants received included \$7.2 million from a State Grant and \$1.8 million in local private contributions. \$6 million was targeted for additional exhibits and endowment. The Museum is a Smithsonian affiliate, which has been used to borrow artifacts rather than to rent completed exhibits. Operations were initially targeted at \$1.5 million annually with staff of 12. Actual budget is \$1 million with a staff of 9 full time and 4 P.T. staff. There are also about 150 regularly scheduled volunteers. Personnel accounts for about 60% of the budget, or \$600,000; utilities are \$180,000 annually; and janitorial \$54,000 annually. As a new facility, there has been little spent on maintenance to date. The marketing budget is \$80,000. Other administrative, operating & miscellaneous expenses are about \$86,000 annually.<br><br>Facility rentals have been a major benefit to the Museum. The Museum in the first calendar year did a total of 300 events. The facility can accommodate up to 800 seated or 1,000 for receptions, but most events are much smaller. The museum is rented on an hourly basis per the area being rented. Tables and chairs are also rented. In addition, the museum receives 5% of the catering costs (less alcoholic beverages) from its 10 “preferred” caterers, or 10% from other caterers. |
| <b>Number of Employees</b>              | There are 9 full-time and 4 part-time employees, or 11 FTEs, as well as about 150 regularly scheduled volunteers.  |
| <b>Gift Shop / Food Service</b>         | The Museum includes a gift shop. The Museum is planning to open a café with limited service at the beginning of 2006.  |
| <b>Educational Programming</b>          | The Museum focuses on history, not just airplanes, and has a strong emphasis on education.   |

**Table V-11 (cont.)**  
**Frontiers of Flight Museum**

|  |   |
|--|---|
| <b>Marketing</b>                       | The Museum has had limited marketing dollars, which has not allowed them to gain public awareness. The marketing budget of \$80,000 annually has not been sufficient to draw visitors to the site; it has been for exposure only. The Museum believes that 80% of visitation is through “word-of-mouth.”  |
| <b>Operating Strategy / Challenges</b> | <p>This Museum used available capital funds to open as a partially completed museum. The building is not fully utilized, and exhibits have not been completed from the original museum plan. Exhibits therefore are not especially strong – there are few interactives, with the focus on static history exhibits. A film or theater presentation is not a regular part of the visitor experience. The museum believes that creating a “reason” to visit is imperative. Therefore, they are focusing on events, and now have 10 events planned per year. Some events such as special lectures have a higher fee at \$15 for non-members and \$10 for members.</p> <p>Street identity is not strong, and there is no “iconic aircraft” aircraft at the entrance. This is especially important in that this is not a high-profile site that has strong pass-by or destination traffic. This museum has been only partially developed to date, and is trying to ramp-up its operation to fully utilize its building.</p> |

Source: Frontiers of Flight Museum; Official Museum Directory 2005; and ConsultEcon, Inc.

**Figure V-9**  
**View from Mezzanine at Frontiers of Flight**



Source: Frontiers of Flight website (www.flightmuseum.com)

## Findings from the Experience of Profiled Facilities

The following findings, lessons and trends in aviation museum planning and operation are derived from the diverse experiences of the profiled aviation museums and investigations into such facilities generally.

### Attendance and Market Characteristics

- ◆ **Attendance Volume** – Attendance at aviation museums ranges widely from several thousand at the smallest museums to over a million visitors at the National Air and Space Museum. The museums profiled in this report range in attendance from 64,000 to 456,000. Attendance is affected by numerous factors including resident and visitor market sizes, location, visitor experience offered, marketing, and price. In most cases attendance has grown moderately in the long term and reached a stabilized level. The attendance of many museums fell immediately following September 11<sup>th</sup>, but then began to increase as many museums benefited from renewed interest in local attractions as well as military enthusiasm. Despite this there is a widely held apprehension that the market for aviation museums is stagnant due to the large number of them, competition from other leisure options, and the dying off of military veterans who are such an important market. This is an issue that must be explored in the long term. Several of the museums profiled indicated that expansions and investments in new exhibits resulted in short term surges in attendance, and long term increases in the base attendance level.
- ◆ **Target Audiences** – Among most aviation museums, target audiences include families with children, school groups, and tourists. While capturing the primary audiences for aviation museums is key, it is also advisable to reach out to demographic groups that are not typically associated with museum visitation. An emerging targeted audience is female family members, both young girls and mothers who are often the leisure decision makers. Retired adults, especially military veterans, take an interest in aviation museums, and often serve as docents for museums. Some of these museums have built local specific audiences based on their local circumstances. Museums face the challenge of proving their relevance to younger generations who have many more leisure options and are less informed about aviation history or science. Additionally, school regulation and testing has hurt the field trip market for museums of all types. Efforts must be made to involve local schools, businesses, and organizations in the museum's success.
- ◆ **Market Size** – Resident and tourist market size is a key indicator of attendance potential of museums. Market size is determined by traffic patterns, geography, competition, and political boundaries among other factors. Among the profiled museums, MSA sizes range from approximately 1.1 million in Birmingham (Southern Museum of Flight) and McMinnville, OR (Evergreen Aviation Museum) to over 5.2 million in Houston (Lone Star Flight Museum). The ratio of attendance to resident market sizes range among the profiled museums from 1.6 percent to 27.7 percent. These ratios often have as much to do with the market sizes as the museum's drawing power. Large resident markets help to provide a large base of potential school group visitors, who are most often from the local region.

- ◆ **Resident/Visitor Ratio** – The breakdown of local residents to visitors at an aviation museum is dependent on a number of factors including size of the resident market, level of regional tourism, and museum location. While visitor studies do not exist for all the profiled facilities, evidence shows that visitation patterns differed considerably among profiled museums. The majority of the museums profiled have stronger attendance by the resident market, but in some cases there is as much as a 50/50 split. There are several reasons for this. Most of the museums profiled are not located in major visitor destinations or in locations easily visible by tourists. In addition, because of the relative abundance of aviation museums nationally, there is not a major motivation for tourists to visit such facilities while on vacation. The tourist market for aviation museums is considered to be rather weak, aside for exceptional museums such as the National Air and Space Museum, or those located in highly visible tourist destinations.
  
- ◆ **Seasonality of Operations** – The museums profiled experienced strongest visitation during the summer months, especially July and August. The late fall and late spring were strong periods for visitation by school groups. Slowest overall visitation periods were during the winter and in September (vacation is over). Family/adult visitation is highest on the weekends, and virtually all school visits occur on weekdays, especially during the fall and spring. Summer weekdays are popular days for day camps and other youth activities.

### Admission and Membership

- ◆ **Admission Price** – While most aviation museums charge admission, the most popular facilities such as the National Air and Space Museum in D.C. and the National Museum of Naval Aviation in Pensacola are free. Among the facilities profiled adult admission prices ranged from \$3.00 at the Southern Museum of Flight to \$11.00 at the Evergreen Aviation Museum. The price of admission is dependent on several factors including local competition, cost of development and operations, and the quality of visitor experience offered. Prices should be set to maximize revenue while allowing strong visitation levels from all income levels. Museums with strong tourist markets and income levels tend to have higher ticket prices.
  
- ◆ **Memberships** – Providing the opportunities to purchase memberships is a good strategy among aviation museums, and public attractions in general. Family membership prices among profiled museums range from \$35 to \$85 per family, with most around \$75. The number of memberships held ranges between 150 to 5,200 among profiled facilities. The number of memberships held can be reflective of local area population, how established an aviation museum is in the community, as well as marketing effectiveness. Museums with large resident markets tend to have more members than tourist oriented areas. Volunteers are exceptionally important in aviation museums and membership programs can be an effective way to recruit volunteers.

## Facility, Exhibits, and Programming

- ◆ **Exhibits Focus and Visitor Product** – While similar in their focus on aviation, there is considerable diversity in the size and type of museum facilities among the profiled museums, as well as in their style of exhibits. Aviation museums can focus on the local history and aviation industry, as well as feature aircraft used or manufactured elsewhere. They can focus on modern or historic aircraft, and can feature actively flown planes or retired planes or both. Exhibits can be interactive or static, though the more popular museums feature interactive exhibits and often include attractions such as flight simulators or IMAX theaters. There can be much diversity and uniqueness in the visitor experience, however, it is important that the ‘story’ told by the museum be clearly focused, and designed to create an identity for the museum which sets it apart. Several museums profiled indicated that traveling/changing exhibits are a fundamental part of their program, and crucial to repeat visitation. The level of spending and emphasis on temporary exhibits does vary considerably, however.
- ◆ **Facility Size** – The size of the museum facility can be an important indicator of the museum’s potential attendance, operating cost, exhibitry, and experience offered. Among the profiled museums, total size ranged between 68,000 square feet at the Southern Museum of Flight to 130,000 square feet at the Cradle of Aviation. Most of the facilities profiled had over 100,000 square feet, and several are planning expansions to exhibit area and to ancillary facilities such as gift shops and food service areas. It is very important that a facility be appropriately sized to the needs of its occupant so that inefficiencies do not hamper operations, and the visitor length of stay is appropriate. Many facilities expressed regret that certain facilities were not built or were not large enough, such as gift shop space, caterers’ kitchens, or meeting areas, so planning appropriately for future needs is necessary.
- ◆ **Impact of Expansion** – A number of the profiled museums have undergone major expansions since their inception which have helped move them from being a minor attraction to a medium sized or major attraction. The expansions have also helped to increase long term visitation by allowing more exhibit space and visitor amenities. It should be noted, however, that often with a size expansion also comes an increase in overhead expenses. Significant investment in exhibits is seen as similar to the impact of expansion.
- ◆ **Capital Investment** – Aviation museums have historically focused on displaying aircraft in hangar-style buildings. They have tended to be low-cost museums that have not focused on presenting the aviation topic with the latest interpretive approaches nor with highly interactive experiences; and low level visitor amenities. As noted above, many are expanding and reinvesting to become more complete experiences. Launching the museum with adequate capital investment is necessary to become a visitor destination. Proper capital investment includes not only construction and exhibit costs, but also funds for pre-opening organization development, marketing and operating funds for a strong opening; operating reserve funds; and hopefully an endowment as well.

The importance of developing a complete museum is exemplified by the experience of the Frontiers of Flight Museum which opened in 2004 near Love Field. It is still under development. Grants and gifts of \$7.2 million from a State Grant and \$1.8 million from local private contributions were received and spent for the 100,000 square foot museum. The \$9 million spent on rehabbing the building and building new spaces has created a strong architectural presence. The museum is still under development however with \$6 million targeted for additional exhibits and endowment. In addition, the Museum has not yet developed a strong visitor entry sequence from the road through the front door. Historic aircraft are displayed but much of the Museum has had only minimal exhibits. The Museum was not able to fund a strong initial operation in addition to its incomplete development. This has affected its ability to achieve its attendance targets. Initial year attendance was targeted at 250,000 with growth thereafter. These factors led to much lower attendance. Frontiers of Flight is now working towards completing the Museum. This underscores the importance of opening as a fully realized visitor experience.

- ◆ **Educational Programming** – Among the profiled facilities, education is a central component of the exhibitry, programming, and operations. Attendance by schoolchildren often represented 20 percent to 50 percent (or more) of visitation. Admission fees differ among facilities for school groups, but quite often they are subsidized through grants or free. While programs can be more cost intensive than typical visitation, sometimes they pay for themselves by helping to build more interest in the museum, memberships, and increasing market potential. A potential issue surrounding the school market is the reported decline in field trips due to school budget cuts, security issues, and standardized testing. It is an issue that should be monitored, and local school visitation should be assessed.
- ◆ **Gift Shop** – Gift shops perform very well at aviation and military museums as they carry merchandise that appeals to children such as toys and paraphernalia. Low priced items sell very well among schoolchildren. Gift shop sizes ranges from less than 500 square feet to about 9,000 square feet. Several facility managers expressed regret that the gift shop was too small. Total sales range from \$10,000 to several hundred thousand dollars. Retail sales per capita are typically \$2 to \$3.
- ◆ **Airshows** – Several of the profiled facilities reported hosting or sponsoring airshows, including the Lone Star Museum of Flight, the Southern Museum of Flight, and the Cradle of Aviation. The other facilities chose not to hold airshows due to site related issues or other preferences and challenges. The Southern Museum of Flight representatives felt that airshows can be financially risky and not worth the effort unless produced professionally by an experienced organization. The other facilities profiled had positive experiences with their airshows. Airshows are discussed in the following section.

## Location

- ◆ **Location** – The location of the facility can strongly affect the visitation levels. Poor location has been a primary obstacle to higher visitation at several of the museums profiled

including the Southern Museum of Flight and the New England Air Museum. Five of the seven museums profiled are situated at airport locations. This has the advantage of allowing planes to fly in and out of the facility (if they are flyable), as well as to allow, in some cases, airshows. However, in many cases these museums are not situated in locations at the airport that are easy to find and visible from major roadways. For example, the Southern Museum of Flight is in a neighborhood that reportedly is perceived by the public to be “dangerous.” Before museum development occurs, planning to ensure that the site will be visible, properly signed, and have all the necessary site requirements for successful operation is essential to success. Location is also an important factor if airshows are to be held on-site.

### **Governance, Funding, and Operations Issues**

- ◆ **Governance** – The vast majority of aviation museums are non-profit 501 (c) 3 organizations, however; due to the military/airport affiliation of many aviation museums, a number are controlled by government organizations. Six of the seven profiled facilities are operated by non-profit organizations. The Southern Museum of Flight is owned by the City of Birmingham but partly supported by a non-profit subsidiary. While government controlled facilities benefit from steady funding, the sometimes bureaucratic processes used for hiring and firing, as well as purchases and expenses, can be an operating challenge.
- ◆ **Sources of Funding** – It is very difficult, and very rare, for aviation museums to be self-sustaining through earned revenue. While detailed budgets are not available for all profiled facilities, evidence shows that nonearned and contributed revenues often comprise up to 65 percent of total revenue. Other aviation museums have had better success in earning revenues or they have reduced operations to very modest levels to reflect their income. While funding for municipality-sponsored facilities is typically adequate, they are subject to the budget nuances faced by municipalities, rather than being affected directly by their own operating performance. Non-profit museums profiled obtain their funding through a number of key sources, including earned revenues such as admission, gift shop sales, and memberships. Unearned revenue sources include contributions from individuals, institutions, and companies.
- ◆ **Budget** – Total budget expenses ranged between \$600,000 and \$4.3 million, with most of the comparable facilities around \$1 million to \$3 million. Budget expenditures can be a function of the size of the facility, number of employees, exhibits and programs offered, and level of funding. Typically, personnel costs are the highest expense category, often comprising more than 60 percent of costs.
- ◆ **Employment** – Employment, measured in full-time equivalent employees (FTEs) differs considerably among the profiled museums, ranging from 7 to 61, with most having fewer than 20 FTEs. Employment is a function of museum size, programs, exhibits, marketing efforts, and auxiliary activities. Museums with static exhibits usually have fewer employees. Those with a large educational and interpretive focus employ more. In addition, activities such as airplane restoration are very labor intensive and therefore require more employees. With most museums, personnel salaries and benefits are usually the most

expensive budget item. Museums have had much success minimizing personnel costs by relying on volunteers, where appropriate. Aviation museums are particularly dependent on a strong core of volunteers for the help they provide with aircraft restoration, cleaning, education, and operations. The money saved through the help of volunteers can be a determining factor in the financial health of a museum.

- ◆ **Marketing** – Marketing is a powerful determinant of museum attendance, funding, and membership sales. As non-profit (or government operated) organizations however, marketing funds are often scarce. Among the museums profiled, one museum had no marketing budget at all; and the others ranged from \$50,000 to \$260,000 annually. In addition, one of the museums received up to \$1 million in free and donated advertising. In many cases, the marketing budgets have decreased in recent years, due to the aforementioned lack of funding. Most make use of numerous modes of marketing including print media, radio, television, and other advertising channels. In several cases, radio in particular was mentioned as a reasonably-priced and successful form of advertising media. Free advertising and publicity through media outlets is also often a key factor to success.

## **IMPACT OF AIRSHOWS ON MUSEUMS**

Airshows and aviation events are planned to be important aspects of the offerings of the Cavanaugh Flight Museum. The following provides an overview of airshow attendance and operations, based on research into the industry in general. There are dozens of airshows held nationally ranging from small fly-ins in the smallest airports to enormous regional events drawing hundreds of thousands – even millions - of visitors. In 2004, the U.S. Army approved “aerial support request” for close to 150 airshows, in addition to hundreds of other community events, football games, and celebrations involving aerial flight maneuvers for entertainment of the public. These encompass the majority, but certainly not the entirety of yearly events.

### **Governance**

Many air-shows operate in conjunction with an aviation museum; however, there are numerous events that are sponsored instead by local governments, other non-profit organizations, the Air Force, or local airports. Airshows can be very complex and financially risky to operate for organizations without prior experience, but they also can provide great benefits for the organization and the community if operated successfully. Feasibility analysis is recommended specifically per event, due to their complexity.

While some museums operate airshows directly as part of their operations, others form distinct non-profit organizations separate from the museum to both simplify finances and keep the airshow

finances separate from the museums. Several of the aviation museums profiled in this report host airshows or are primary sponsors, including the Lone Star Museum of Flight, the Southern Museum of Flight, and the Cradle of Aviation.

### **Airshow Attendance**

Visitation to airshows varies considerably among the numerous events held annually and the size and promotion of the event. The largest can draw hundreds of thousands of visitors during the course of an event, while the smaller events may draw 5,000 or less. Data in **Table V-12** show the attendance at selected airshows in the U.S.

Attendance is influenced by a number of factors. The market size, marketing effectiveness, ticket prices, show schedule, and popularity of aircraft performers can all influence visitation patterns. A major factor in attendance is weather. Poor weather can decrease an events attendance by as much as 50 percent or more and cause financial losses. This is a major reason for keeping airshow expenses low, to minimize risk, should bad weather occur.

**Table V-12**  
**Attendance at Selected Airshows**

| <b>Event Name</b>   | <b>Location</b>                  | <b>Estimated Attendance</b> |
|---|----------------------------------|-----------------------------|
| Fort Lauderdale Air & Sea Show                            | Fort Lauderdale, FL              | 4,000,000                   |
| EAA Airventure 2004                                       | Wittman Regional Airport, WI     | 750,000                     |
| Nas Jrb Forth Worth Air Show 2004                         | Nas Jrb Fort Worth, TX           | 500,000                     |
| Mcguire Air Force Base Open House                         | Wrightstown, NJ                  | 400,000                     |
| Mcchord Air Force Base 2004 Open House                    | Mcchord Afb, WA                  | 300,000                     |
| Seafair Airshow   | Seattle, WA                      | 300,000                     |
| The Great New England Airshow                             | Chicopee, MA                     | 300,000                     |
| Naval Base Ventura County Annual Air Show/Open House      | Point Mugu, CA                   | 300,000                     |
| Little Rock Air Force Base Air Show                       | Jacksonville , AR                | 250,000                     |
| Wings Over Pittsburgh 2004                                | Coraopolis, PA                   | 250,000                     |
| Saint Louis County Fair & Air Show                        | Chesterfield, MO                 | 250,000                     |
| Ft. Myers Beach Air Show                                  | Ft Myers Beach, FL               | 220,000                     |
| Muskegeon Air Fair  | Muskegeon, MI                    | 200,000                     |
| Ionia Fair And Ionia County Airport Air Event             | Ionia, MI                        | 200,000                     |
| Cleveland National Air Show                               | Burke International Air Show, OH | 200,000                     |
| Airpower Over Hampton Roads                               | Hampton, VA                      | 165,000                     |
| Barksdale AFB Air Show                                    | Barksdale AFB, LA                | 150,000                     |
| 2004 Wheels & Wings Airshow And Car Show                  | Millville Airport, NJ            | 150,000                     |
| Wings Over Whiteman- Whiteman Afb Open House And Air Show | Whiteman Afb, MO                 | 150,000                     |
| Indianapolis Air Show                                     | Greenfield, IN                   | 150,000                     |
| Greater Milwaukee Airshow                                 | Milwaukee, WI                    | 150,000                     |
| International Air Show 04                                 | Alliance Airport, TX             | 150,000                     |
| Barksdale Air Show  | Barksdale AFB, LA                | 140,000                     |
| Arctic Thunder 2004                                       | Anchorage, AK                    | 140,000                     |
| 2004 Air Expo At Moffett Field                            | Moffett Federal Airfield, CC     | 125,000                     |
| Rhode Island National Guard Open House And Air Show       | North Kingstown, RI              | 120,000                     |
| Jackson County Hot Air Jubilee And Air Show               | Jackson, MI                      | 120,000                     |
| 2004 Central Valley Lemoore Airshow                       | Lemoore, CI                      | 120,000                     |
| 2004 Wings Over Houston Airshow                           | Houston, TX                      | 120,000                     |
| Veterans Dayton Airshow -- Presented By Kroger            | Dayton, OH                       | 100,000                     |
| Sheppard Afb 2004 Airshow/Open House                      | Wichita Falls, TX                | 100,000                     |
| 2004 N'awlins Air Show                                    | Belle Chasse, LA                 | 100,000                     |
| Celebrate Freedom 2004                                    | Woodward Field Camden, SC        | 100,000                     |
| Lake City Air Show  | Lake City, FL                    | 100,000                     |

Source: U.S. Army, Office of Public Affairs.

**Table V-12 (Continued)**  
**Attendance at Selected Airshows**

| <b>Event Name</b>                                       | <b>Location</b>           | <b>Estimated Attendance</b> |
|---|---------------------------|-----------------------------|
| Central Carolina Air Show                               | Sanford, NC               | 90,000                      |
| California International Airshow                        | Salinas, CA               | 90,000                      |
| Amigo Airshow, Inc                                      | El Paso, TX               | 90,000                      |
| Aerospace America International Airshow                 | Oklahoma City, OK         | 80,000                      |
| Terre Haute Air Fair                                    | Terre Haute, IN           | 80,000                      |
| Sounds Of Freedom, Mcas New River Air Show & Open House | Jacksonville, NC          | 80,000                      |
| Schenectady Nye - Airshow                               | Schenectady, NY           | 70,000                      |
| Sertoma Cajun Air Festival                              | Lafayette, LA             | 70,000                      |
| Airshow 2004  | Riverside, CA             | 65,000                      |
| 2004 Kessler Air Show                                   | Biloxi, MS                | 65,000                      |
| Oregon International Airshow -- Hillsboro               | Portland/Hillsboro, OR    | 65,000                      |
| 2004 World War II Weekend                               | Reading, PA,              | 60,000                      |
| Deke Slayton Airfest                                    | La Crosse, WI             | 60,000                      |
| 2004 Binghamton Airshow                                 | Johnson City, NY          | 60,000                      |
| Inland Northwest Skyfest 2004                           | Fairchild AFB, WA         | 60,000                      |
| Wings Of Freedom Airshow                                | Martinsburg, WV           | 60,000                      |
| Naf El Centro Annual Air Show                           | El Centro, CA             | 55,000                      |
| Vidalia Onion Festival Air Show                         | Vidalia, GA               | 50,000                      |
| Manitowoc County Airshow 2004                           | Manitowoc, WI             | 50,000                      |
| Aero Expo 2004: Defenders Of Freedom Air Show           | Akron, OH                 | 50,000                      |
| Southern Wisconsin Airfest                              | Janesville, WI            | 50,000                      |
| Wings Over Topeka                                       | Topeka, KS                | 50,000                      |
| Caf Airsho 2004   | Midland Int'l Airport, TX | 45,000                      |
| Wings Over The Valley Air Fiesta 2004                   | Brownsville, TX           | 40,000                      |
| Wings Over Williston                                    | Williston, FL             | 40,000                      |
| Elkhart Airshow, Inc                                    | Elkhart, IN               | 40,000                      |
| Skyhaven Air Show 04                                    | Rochester, NH             | 40,000                      |
| 2004 Lancaster Airport Community Days Airshows          | Lititz, PA                | 40,000                      |
| 2004 Airfest Tennessee                                  | Jackson, TN               | 40,000                      |
| Wins Over Wayne County                                  | Goldsboro, NC             | 40,000                      |
| Csg Airport   | Columbus, GA              | 35,000                      |
| Central Texas Airshow                                   | Temple, TX                | 35,000                      |
| Goshen Freedom Festival                                 | Goshen, IN                | 35,000                      |
| History Of Flight Airshow                               | Genesee, NY               | 35,000                      |
| Redding Air Show  | Redding, CA               | 35,000                      |

Source: US Army, Office of Public Affairs.

**Table V-12 (Continued)**  
**Attendance at Selected Airshows**

| <b>Event Name</b>                            | <b>Location</b>                            | <b>Estimated Attendance</b> |
|--|--|-----------------------------|
| Wings Over Meridian 2004                     | Naval Air Space Meridian, MS               | 30,000                      |
| Blue Ash Airport Days                        | Cincinnati, OH                             | 30,000                      |
| 2nd Annual Grosse Ile Michigan Air Show      | Grosse Ile, MI                             | 30,000                      |
| 2004 Erie Airshow                            | Erie, PA                                   | 30,000                      |
| Sussex Airshow 2004                          | Sussex Airport, NJ                         | 30,000                      |
| 2004 Winston-Salem Airshow                   | Winston-Salem, NC                          | 26,000                      |
| Tico Warbird Airshow 2004                    | Titusville, FL                             | 25,000                      |
| 2004 Cape Girardeau Regional Air Festival    | Cape Girardeau, MO                         | 25,000                      |
| Military Appreciation Weekend                | Syracuse Hancock International Airport, NY | 25,000                      |
| Summerheat Air Festival                      | Muncie, IN                                 | 25,000                      |
| The Great Georgia Airshow                    | Falcon Field Airport, GA                   | 25,000                      |
| Port St. Lucie Air And Vehicle Military Show | Port St. Lucie, FL                         | 20,000                      |
| Southeast Wisconsin Airfest                  | West Bend, WI                              | 20,000                      |
| Wings Over Wine Country Air Show             | Santa Rosa, CA                             | 20,000                      |
| Cincinnati Lunken Air Show                   | Luken Field, OH                            | 20,000                      |
| 2004 Nantucket Airshow                       | Nantucket, MA                              | 20,000                      |
| Oneida County Air Show 2004                  | Oriskany, NY                               | 20,000                      |
| 2004 Sebago Lake Winterfest Air Show         | Raymond, ME                                | 15,000                      |
| Airfest                                      | Bellingham, WA                             | 15,000                      |
| 6th Annual Gathering Of Warbirds             | Olympia WA                                 | 15,000                      |
| Bay City Airshow                             | Bay City, MI                               | 15,000                      |
| Mid Ohio Valley Airshow                      | Parkersburg, WY                            | 15,000                      |
| Air Fair 2004                                | Prescott Municipal Airport, AZ             | 15,000                      |
| Boshears Skyfest 20004/ Wings And Wheels     | Augusta , GA                               | 15,000                      |
| Wings Of Eagles Airshow                      | Horseheads, NY                             | 12,000                      |
| Tahoe Air Fest 2004                          | Lake Tahoe Airport, CA                     | 12,000                      |
| Kingman Air And Auto Show                    | Kingman, AZ                                | 12,000                      |
| Wings, Wheels & Rotors Expo                  | Los Alamitos Army Airfield, CA             | 12,000                      |
| Airshow 2004                                 | Poplar Bluff, MO                           | 10,500                      |
| Vertical Challenge                           | San Carlos Airport, CA                     | 10,500                      |
| Airshow 2004 Military Appreciation Days      | Nacogdoches, TX                            | 10,000                      |
| Thunder Of Nampa                             | Nampa Airport, ID                          | 10,000                      |
| Airfest 2004                                 | Fayetteville, AR                           | 10,000                      |
| Oregon Air & Space Museum 2004 Air Fair      | Eugene Airport, OR                         | 10,000                      |
| 2004 Southern Illinois Airshow               | Williamson County, IL                      | 10,000                      |
| Wings & Wheels 2004                          | Shelby Co Airport , AL                     | 10,000                      |
| Santa Fe Airshow                             | Santa Fe Municipal Airport, Santa Fe, NM   | 10,000                      |

Source: US Army, Office of Public Affairs.

**Table V-12 (Continued)**  
**Attendance at Selected Airshows**

| <b>Event Name</b>                                      | <b>Location</b>                  | <b>Attendance</b> |
|--|----------------------------------|-------------------|
| Gathering Of Eagles Ix Airshow                         | Ashtabula Co. Airport, OH        | 9,000             |
| Fly Iowa 2004  | Washington Iowa Airport, IA      | 8,500             |
| American Heroes Airshow -- Los Angeles                 | Lake View, CA                    | 8,000             |
| Planes, Trains & Automobiles                           | Anderson County, SC              | 8,000             |
| Plane Fun  | Eagle County Airport, CO         | 8,000             |
| Aviation Open House                                    | Waukegan, IL                     | 7,000             |
| Wings Over Angel Fire                                  | Angel Fire , NM                  | 6,500             |
| Moses Lake Aviation Festival 2004                      | Grant County Int'l Airport, WA   | 6,000             |
| Thunder Over The Valley                                | Santa Maria Airport, CA          | 6,000             |
| Historic Wendover Airfield Airshow                     | Wendover, UT                     | 6,000             |
| Houston Intercontinental Airport Appreciation Festival | Kiah, TX                         | 6,000             |
| Wings& Wheels Expo 2004                                | Teterboro, NJ                    | 5,500             |
| 2004 Slidell Open House /Air Show                      | Slidell Municipal Airport, LA    | 5,000             |
| Natchez Air Fair                                       | Natchez-Adams County Airport, MS | 5,000             |
| Denton Airfair 2004                                    | Denton Municipal Airport, TX     | 5,000             |
| Sawyer Aviation Expo Show 2004                         | Sawyer Int'l Airport, MI         | 5,000             |
| 2004 Ada Air Expo                                      | Ada Municipal Airport, OK        | 5,000             |
| Airshow 04   | Coles County Airport, IL         | 5,000             |
| Tazewell County Airport's 6th Annual Airshow           | Tazewell County Airport, VA      | 5,000             |
| Rice Lake Regional Airport Annual Fly-In Airshow       | Rice Lake Regional Airport, WI   | 5,000             |
| Festival Of Flight-- Airshow                           | Vanwert, OH                      | 5,000             |
| Tucumcari Rotary Club Airshow 2004                     | Tucumcari, NM                    | 5,000             |
| 6th Yearington Airshow & Fly-In                        | Yerington, NV                    | 5,000             |
| 4th Annual Family Airfest                              | Groton, CT                       | 3,500             |
| Merrill Airport Day                                    | Merrill, WI                      | 3,500             |
| Aviation In Winnemucca 2004 Fly In                     | Winnemucca Municipal Airport, NV | 3,000             |
| Western Museum Of Flight Air Faire                     | Hawthorne, CA                    | 3,000             |
| Aviation Appreciation Day                              | Albany, GA                       | 3,000             |
| Thirteenth Annual Air Show                             | Tomahawk, WI                     | 2,500             |
| Susanville Airfair                                     | Susanville Municipal Airport, CA | 1,500             |

Source: U.S. Army, Office of Public Affairs.

### **Admission Prices**

Entrance fees for airshows vary significantly depending on the event. Events which draw hundreds of thousands of visitors, or over a million visitors are often free, earning revenue through sponsorship. Generally, however, if an admission priced is charged, it ranges between \$5.00 and

\$16.00 with the preponderance being around \$12.00 for adults and \$5.00 for children. Admission prices are generally set to allow visitation from the vast majority of the local populous spending levels. Airshows are primarily family events, so they must be affordable for families with children. Family tickets (4 tickets) are often available at a discount price. Data in **Table V-13** show admission prices at selected airshows.

**Table V-13**  
**Admission Price to Selected Airshows, 2004**

| Event                            | Location           | Attendance | Adult Admission | Child Admission |
|----------------------------------|--------------------|------------|-----------------|-----------------|
| Greater Milwaukee Airshow        | Milwaukee, WI      | 150,000    | \$8.00          | \$4.00          |
| 2004 Wings Over Houston Airshow  | Houston, TX        | 120,000    | \$15.00         | \$4.00          |
| California International Airshow | Salinas, CA        | 90,000     | \$16.00         | \$13.00         |
| Terre Haute Air Fair             | Terre Haute, IN    | 80,000     | \$15.00         | \$5.00          |
| Sertoma Cajun Air Festival       | Lafayette, LA      | 70,000     | \$12.00         | \$8.00          |
| 2004 World War II Weekend        | Reading, PA        | 60,000     | \$13.00         | \$5.00          |
| Manitowoc County Airshow 2004    | Manitowoc, WI      | 50,000     | \$5.00          | \$0.00          |
| Skyhaven Airshow 04              | Rochester, NH      | 40,000     | \$10.00         | \$0.00          |
| Sussex Airshow 2004              | Sussex Airport, NJ | 30,000     | \$15.00         | \$8.00          |
| 2004 Winston-Salem Airshow       | Winston-Salem, NC  | 26,000     | \$12.00         | \$1.00          |
| Tico Warbird Airshow 2004        | Titusville, FL     | 25,000     | \$12.00         | \$7.00          |
| Oneida County Airshow 2004       | Oriskany, NY       | 20,000     | \$7.00          | \$7.00          |
| Airfest 2004                     | Fayetteville, AR   | 10,000     | \$10.00         | \$5.00          |
| 4th Annual Family Airfest        | Groton, CT         | 3,500      | \$5.00          | \$3.00          |

Source: Airshows profiled and ConsultEcon, Inc.

Generally these tickets buy one day's entrance to the airshow, which in many cases may last two days of the weekend. Multi-day tickets are also sold.

### **Airshow Finances**

Airshows can be complex to organize, and, if not planned correctly, financially risky. However, given the numerous events held in the U.S. each year, airshows generate enough revenue to warrant their production. Airshows are often time consuming and expensive to produce, and rely heavily on strong volunteer participation and contributions from public and private donors. Quite a few

airshows donate their profit (if any) to fund local charities and educational programs. Informants in the industry report that it is not wise to enter the airshow business for the purpose of profit.

Operating budgets for airshows drawing between 10,000 and 50,000 attendees are typically in the range of \$100,000 to \$200,000; though budgets can be much larger depending on the event. In many cases there are substantial fixed costs with airshows, so larger events tend to be more profitable. Typical sources of revenue from airshows include the following:

- ◆ Sponsorships and advertising revenue
- ◆ Income from rental of booths or spaces to vendors
- ◆ Parking fees
- ◆ Admission fees
- ◆ Donations, grants
- ◆ Food and souvenir sales
- ◆ Membership sales
- ◆ Vendors space rentals

Expenses for airshow productions often include the following:

- ◆ Personnel for administration
- ◆ Advertising
- ◆ Grounds preparation and maintenance
- ◆ Insurance
- ◆ Parking Expenses
- ◆ Performers fee
- ◆ Fuel and maintenance
- ◆ Lodging
- ◆ Rental cars
- ◆ ICAS fees and convention
- ◆ “Chalet” expense<sup>21</sup>
- ◆ Grants and sponsorships

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<sup>21</sup> “Chalets” are tents provided to sponsors - corporations and other organizations for food service, entertainments, etc. at the airshow.

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### **Airshow Impact on Aviation Museums**

Airshows are enormously popular leisure events throughout the U.S. drawing millions annually to hundreds of events. While there are numerous aviation museums throughout the U.S., they are not necessarily sponsors or organizers of such events. For some museums, the annual or periodic airshow is a central part of the mission and programs, and an important source of revenue. Their airshow can be vital in creating name recognition, media coverage, and adding credibility to the museum as an important local institution. Airshow attendance can drive membership sales and inspire visitation to the indoor museum exhibits at a later date. Museums such as the Old Rhinebeck Aerodrome, EAA AirVenture Museum, and the Pacific Coast Air Museum are closely linked with their airshows. There are many aviation museums, however, that do not participate in airshows due to inability (lack of space), lack of organizational capacity, or lack of interest. Some museum managers see airshows as financially risky and time consuming, and potentially distracting to the primary missions or programs at their facilities. They may choose to participate in such events but not be primary planners of the event. In the right circumstances, airshows can contribute substantially to the air museum's mission and operating profile.

## Section VI

### LARGE FORMAT FILM THEATER INDUSTRY OVERVIEW

A Large Format Film Theater (LFFT) is proposed as part of the Cavanaugh Flight Museum. This section of the report provides information about the Large Format (LF) film industry in the U.S. including the following:

- ◆ Large Format Film Definitions
- ◆ Large Format Film Theaters, Films, and Trends Nationally
- ◆ Addison/Dallas-Ft. Worth Regional LFFT Characteristics

There are several existing large format film theaters in the Resident Market Area, as well as one planned. The proposed Cavanaugh Flight Museum LFFT would be the first in Addison. A discussion of the regional LFFT context is included later in this section.

#### **Large Format Film Definitions**<sup>23</sup>

The standard film format seen in most conventional movie theaters is 35 mm. Large film formats allow higher film resolution on a larger screen, thus enhancing the viewing experience. In 1970, the IMAX<sup>®</sup> Corporation developed a large format film called 15/70 that uses 70 mm film run through the projector horizontally, so that the width of the film is the height of the frame. Each frame is 15 perforations wide, hence the name “15/70.” A 15/70 film can only be shown on a 15/70 projector. The 15/70 frame is almost nine times larger than the conventional 35 mm frame used in standard movie theaters. It is slightly less than twice as large as 8/70 film, another addition to the large format film family. This is coupled with enhanced sound fidelity. However, filming in 8/70 is less expensive and prints are about half the cost of 15/70 prints. As a result, in the past decade more 8/70 projectors are being manufactured and installed in theaters. Although IMAX<sup>®</sup> Corporation had been the exclusive producer of 15/70 projectors and cameras, other manufacturers have recently begun making 15/70 systems as well.

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<sup>23</sup> From *LF Examiner* (an independent newsletter of the large-format film industry) website.

Most films tend to be about 40 minutes in length, which allows a theater to run films every hour as this film length allows for enough time for the theater to usher in the audience, give an introduction, show the film, then begin rewinding the film while the audience is ushered out and the theater is prepared for the next audience. If 3D films are shown, this also allows time for staff to collect and clean 3D glasses.

### **LFFT National Context**

There are hundreds of Large Format Film Theaters (LFFTs) nationally. These include the IMAX<sup>®</sup> 15/70 film format as well as the alternative 8/70 film format and in addition, there are new emerging digital technologies that promise to expand the possibilities of “high definition” theaters. The Large Format (LF) industry has been in place long enough in North American markets to be considered mature, and innovative approaches are viewed as required to keep the theater experience fresh and competitive. This includes releasing major Hollywood films in IMAX<sup>®</sup> format and offering 3D shows. 3D has proved successful, and there is movement in the industry toward developing 4D<sup>24</sup> experiences. Many LFFT theaters are also equipped to show traditional 35mm film formats as well, thereby expanding their potential film product offering.

The LF market continues to grow, with most recent growth reportedly in overseas markets. New LF theaters in the U.S. market are also under development at this time. The market performance of individual LFFTs has varied widely in the U.S. Generally, there has been strong market response to the LFFT experience, and to the films that have been shown. Previously, almost 80 percent of large format film theaters were sold to museums, with the balance being sold to commercial operators. In the past few years, the trend has been shifting to accommodate more commercial venues. For instance, IMAX’s museum or institutional venues now comprise approximately 50 percent of its worldwide portfolio of 235 IMAX<sup>®</sup> affiliated theaters.<sup>25</sup> This has supported the screen base and the proliferation of new film releases.

As the LF industry has grown, the number of LF film producers and distributors has also increased. Currently there are approximately 160 LF production companies worldwide, with 93 of these in the

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<sup>24</sup> A 4D experience combines a 3D film with special in-theater effects such as wind and mist, or seat movements.

<sup>25</sup> The IMAX Corporation website.

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U.S. and 24 in Canada. There are approximately 52 LF film distributors worldwide, with 28 of these in the U.S. and 9 in Canada. Many companies both produce and distribute LF films.

An important determinant of success is the films available for screening. Most of the LF films available are educational and address science, natural history, or other historical topics. Film topics currently in release in 8/70 format include nature, travel, oceans, aviation, space, race cars, history, and other special interest films. However, IMAX<sup>®</sup> films are generally the most popular. There are nearly 80 known LF films currently in production or development phases for release in 2005 through 2008 and beyond. Specific topics include science themes, dinosaurs, cowboys, transportation, living history, sea animals, and many others. Based on industry trends to date, many of the new 15/70 films are expected to be available in 8/70 format also.

As the new Cavanaugh Flight Museum project moves forward, the latest advances and trends in the LFFT industry should be continually monitored to inform the choice of technology for its LFFT. This includes the capital and operating costs of the technologies as well as film availability by projection format.

Large Format Film Theaters have been developed in a variety of market areas of large and smaller population levels. A sampling of the performance of LFFTs in differing circumstances is presented through data in **Table VI-1**. While the profiled LFFTs are associated with educational attractions (given the nature of this study), an important national trend has been the development of IMAX<sup>®</sup> theaters in multiplex cinemas and other commercial settings.

There is considerable variability in the attendance levels of LFFTs based on their particular circumstances. The national experience of LFFTs has generally been that there is an inverse relationship between the population of a metro area and the ratio of attendance to population – that is, smaller metro areas tend to have a higher ratio of LFFT attendance to population, but the total attendance is generally higher in a large metro area. In addition, at many LFFTs the attendance is influenced by the attendance levels at the parent institution and the extent to which the LFFT is central to the parent institution's "visitor experience." A more highly attended museum will generally have higher LFFT attendance.

**Table VI-1**  
**Market Profile of Selected LFFTs with Reported Attendance Patterns**  
**Ranked by Metro Population**

| Attraction                      | Location         | 2004 Metro Area Population | 2004 Metro Median EBI Income <sup>1/</sup> | Attendance LFFT Only | LFFT Attendance to Pop. Ratio | Anchor Attraction Attendance | Anchor Attendance to Pop. Ratio | LFFT Att. Ratio to Anchor Attendance |
|---------------------------------|------------------|----------------------------|--|----------------------|-------------------------------|------------------------------|---------------------------------|--------------------------------------|
| Gulf Coast Exploreum            | Mobile, AB       | 552,900                    | \$32,967                                   | 100,000              | 18%                           | 130,000                      | 24%                             | NA                                   |
| Tennessee Aquarium              | Chattanooga, TN  | 487,300                    | \$34,489                                   | 500,000              | 103%                          | 890,000                      | 183%                            | 56%                                  |
| Putnam Museum                   | Davenport, IA    | 347,700                    | \$36,002                                   | 198,061              | 57%                           | 80,000                       | 23%                             | 248%                                 |
| Duluth OMNIMAX Theater          | Duluth, MN       | 275,100                    | \$32,532                                   | 160,000              | 58%                           | NA                           | NA                              | NA                                   |
| Science Station                 | Cedar Rapids, IA | 244,700                    | \$39,133                                   | 100,000              | 41%                           | 160,000                      | 65%                             | 63%                                  |
| FlintRiverQuarium <sup>2/</sup> | Albany, GA       | 160,600                    | \$29,825                                   | 34,420               | 21%                           | 148,100                      | 92%                             | 23%                                  |
| <b>Total</b>                    |                  | 2,068,300                  |  | 1,092,481            |                               | 1,408,100                    |                                 |                                      |
| <b>Average</b>                  |                  | 344,717                    | \$34,158                                   | 182,080              | 50%                           | 281,620                      | 77%                             | 97%                                  |
| <b>Weighted Average</b>         |                  |                            |  |                      | 53%                           |                              | 82%                             | 65%                                  |

<sup>1/</sup> Measured as "Effective Buying Income" personal income less personal tax and non-tax payments (disposable income). A proprietary analysis by *Sales & Marketing Management*.

<sup>2/</sup> Data from FlintRiverQuarium which opened on September 3, 2004. Attendance represents opening year attendance. The Iwerks Theater at the FlintRiverQuarium opened one month later (on October 9, 2004) due to construction delays, and therefore the theater's attendance only represents under 11 months of operation.

Data sources: LFFT Attendance data as reported by individual institutions. Anchor Attraction data from the *Official Museum Directory* unless otherwise noted, demographic data from *Sales & Marketing Management*.

### Large Format Film Theater Audience

Many people in the U.S. attend large format film theaters. According to a recent survey<sup>31</sup> by Opinion Dynamics Corporation, more than one in three American adults (or 36%) saw a giant screen film in 2004, either locally or while on vacation. Survey findings show that of those Americans that did see a giant screen film in 2004, approximately 53 percent saw one or two giant screen films, 47 percent saw three or more films, and 35 percent saw four or more films.

Consistent with past studies, Opinion Dynamics Corporation research "continues to show that many filmgoers can be converted into higher frequency visitors with the right combination of films, marketing and relationship-building strategies with filmgoers."<sup>32</sup>

Like the audience for educational visitor attractions, the audience for LFFTs tends to have higher

<sup>31</sup> National household survey of 1000 adults conducted on January 11-12, 2005 by Opinion Dynamics Corporation.

<sup>32</sup> "U.S. Giant Screen Survey Results," Opinion Dynamics Corporation.

levels of education and income. Results from the 2004 Opinion Dynamics Corporation survey further indicate that:

- ◆ Adults making \$75,000 or more were the most likely to see a giant screen film.
- ◆ Adults with a college education were the most likely to see a giant screen film.
- ◆ Adults under 30 years old were the most likely to see a giant screen film, followed by 30-45 year olds, 46-55 year olds, 56-64 year olds, and adults 65 or older.
- ◆ Adults in the Western part of the country were the most likely to see a giant screen film, followed by the Northeast, Midwest, and South.
- ◆ Married and single adults were similarly likely to have seen a giant screen film.
- ◆ Men and women were equally likely to have seen a giant screen film.

According to the IMAX<sup>®</sup> Corporation, the IMAX<sup>®</sup> audience can be characterized as follows:

- ◆ 70% between 19 and 65 years
- ◆ Majority are college or university educated
- ◆ Average household income is over \$70,000
- ◆ Majority own computers
- ◆ Love to travel
- ◆ 20% of audience is school groups.

These audience characteristics are consistent with and complementary to visitors to educational and/or science/aviation museum attractions.

### **Regional LFFT Context for Cavanaugh Flight Museum**

The proposed Cavanaugh Flight Museum LFFT would be the first in the Town of Addison.

Generally, LFFTs have a market area of up to a one-hour drive. Therefore, the competitive context for the Cavanaugh Flight Museum LFFT is largely related to the Dallas-Ft. Worth Area. Data in **Table VI-2** describe characteristics of selected regional LFFTs.

**Table VI-2**  
**Characteristics of Regional Large Format Film Theaters**

| Location    | Organization                                | Mfr. | Format | 2D/3D | Flat/<br>Dome | Seats | Opened    |
|-------------|---|------|--------|-------|---------------|-------|-----------|
| Colleyville | Metro Cinema Colleyville                    | IMAX | 1570   | 3D    | F             |       | 05/2006   |
| Corsicana   | Cook Center, Navarro College                | MEGA | 870    | 2D    | D             | 200   | 06/1997   |
| Dallas      | Cinemark IMAX Theater Dallas                | IMAX | 1570   | 3D    | F             | 257   | 9/9/1999  |
| Dallas      | Science Place                               | IMAX | 1570   | 2D    | D             | 329   | 6/15/1996 |
| DFW Airport | American Airlines C.R. Smith<br>Museum      | IWRK | 870    | 2D    | F             | 108   | 1993      |
| Fort Worth  | Fort Worth Museum of Science and<br>History | IMAX | 1570   | 2D    | D             | 356   | 4/17/1983 |

Source: LF Examiner and ConsultEcon, Inc.

There are at least sixteen LFFT's in the State of Texas, with five existing and one planned within an approximately 75-mile distance of Addison. One of the existing LFFT's is at the American Airlines C.R. Smith Museum at DFW Airport, but this theater features only AA films, rather than commercial releases. The planned LFFT is in Colleyville, approximately 27 miles from Addison, and this will be a commercial theater (Metro Cinema), not related to any museum or attraction. The Planetarium at the Cook Center in Corsicana features large format films as well as regular Planetarium shows; however, it is approximately 70 miles from Addison, which is at the outer edge of what would be considered a "day-trip" venue. Of the remaining three LFFT's in the area, two are incorporated with museums (Science Place in Dallas, and the Fort Worth Museum of Science and History), and one is a commercial theater (the Cinemark IMAX Theater in Dallas). **Figure VI-1** shows the locations of LFFT's in the area surrounding Addison, and in relation to the Cavanaugh Flight Museum.

**Figure VI-1**  
**Large Format Film Theaters in the Region**



Source: ConsultEcon, Inc.

Data in **Table VI-3** detail ticket prices for these regional LFFTs. Adult ticket prices for a film range from \$3.00 at the Cook Center Planetarium to \$9.00 at the Cinemark IMAX in Dallas, while child ticket prices range from \$2.00 to \$8.00. Prices at the Museums with LFFT's are \$7.00 for adults, and \$6.00 for children & seniors. Combination tickets are offered at the majority of visitor attractions, allowing general admission and LFFT tickets to be purchased at reduced rates. Adult combo-tickets range from \$8.00 at the Cook Center Planetarium to \$14.00 at the Fort Worth Museum of Science and History, while child combo-tickets range from \$6.00 to \$12.00. Member discounts are also sometimes offered. These discounts tend to be approximately \$2.00 off the regular price.

**Table VI-3**  
**Ticket Prices for Regional LFFT's**

| LFFT   | Adult  | Senior | Child  | Combo Adult | Combo Senior | Combo Child |
|--|--------|--------|--------|-------------|--------------|-------------|
| Metro Cinema Colleyville <sup>1/</sup>                 | NA     | NA     | NA     | NA          | NA           | NA          |
| Cook Center, Navarro College (Planetarium)             | \$3.00 | \$2.00 | \$2.00 | \$8.00      | \$6.00       | \$4.00      |
| Cinemark IMAX Theater Dallas <sup>2/</sup>             | \$9.00 | \$8.00 | \$7.00 | \$14.00     | \$14.00      | \$14.00     |
| Science Place  | \$7.00 | \$6.00 | \$6.00 | \$13.50     | \$11.50      | \$9.00      |
| American Airlines C.R. Smith Museum <sup>3/</sup>      | Free   | Free   | Free   | NA          | NA           | NA          |
| Fort Worth Museum of Science and History <sup>4/</sup> | \$7.00 | \$6.00 | \$6.00 | \$14.00     | \$12.00      | \$12.00     |

1/ Slated to open in May 2006 – no pricing info available at this time.

2/ “Combo” in this case refers to two movies on the same day.

3/ AA film only; no charge.

4/ Also have a planetarium show for \$3.50; combo includes the Museum, 1 OMNI show, and 1 Planetarium show.

Source: Facilities listed and ConsultEcon, Inc.

### Summary

As there are a number of aviation museums in the Dallas-Fort Worth region, the inclusion of a LFFT as part of the new Cavanaugh Flight Museum will help to distinguish the Museum in the area. Generally, LFFTs have a market area of up to a one-hour drive. Therefore, the Cavanaugh Flight Museum LFFT has a substantial market opportunity based on its service area and its integration with an educational attraction in a highly accessible location. As the new Cavanaugh Flight Museum project moves forward, the latest advances and trends in the LFFT industry should be continually monitored to inform the choice of technology for its LFFT. This includes the capital and operating costs of the technologies as well as film availability by projection format.

## Section VII

### VISITATION POTENTIAL AND ATTENDANCE PATTERNS

Following is an assessment of the attendance potential of the new Cavanaugh Flight Museum. It is based on the preliminary development and interpretive program articulated in this report. This attendance potential analysis is based on an aviation museum that includes a large format film theater (LFFT) as previously described and high quality marketing and operating program.

#### **Attraction Success Factors**

Planning, creating and operating an area serving attraction, such as the new Cavanaugh Flight Museum, is a substantial challenge. Audiences today are exposed on a daily basis to extremely high-tech, high-quality media at work or school and on television. Due to high audience standards, those in the entertainment and educational attraction industry have adopted the same high quality techniques to attract visitors. As the expectations by audiences of leisure time products and educational experiences are very high, a successful attraction must meet audience expectations of value, provided both in terms of money and time spent. To achieve its goals for interpretive and economic success, an attraction such as the proposed Cavanaugh Flight Museum should fulfill the following criteria.

- ◆ **Exhibit Quality and Audience Appeal** - The interpretive elements should have a high degree of interest and/or relevance to the audience. Audience expectations of content and presentation have risen dramatically.
- ◆ **Good Location** - The accessibility and visibility of the location is critical to its market success. Facilities in outstanding locations, from an accessibility and visibility perspective, naturally have the greatest market opportunity.
- ◆ **Critical Mass of Attraction Elements** - There must be sufficient attraction content to appeal to a diverse audience with a degree of subject interests, ages and educational levels. There must be a variety and quantity of experiences for the visitor to feel they have visited a special place.
- ◆ **Length of Stay/Attraction Content** - The attraction must have sufficient quality and quantity of content to warrant a special trip, and to possibly forego alternative activities. Typically, this implies that more than one hour is spent experiencing the attraction, with a target length of stay of perhaps one and a half to two hours. When combined with a meal or snack, shopping for souvenirs, taking a walk and/or relaxing in a greenspace, the experience must be the focal point of a half-day or full day recreational experience. Most importantly, it must be an entertaining experience.

- ◆ **Repeatability** - For most aviation museums of the scale being analyzed, the resident market is the focus audience, and a repeat visitation pattern is necessary for success. To bring an audience back, the attraction must have exhibits, program and site qualities that justify repeatable experiences. Changing and interactive exhibitry, consistently new and innovative programming and special/annual events are successful ways for projects of this type to encourage repeat visitation. Large format film theaters have constantly rotating and changing films that are very attractive to audiences, and create repeat visitation patterns.
- ◆ **Serves Visitor as well as Residents** – Educational attractions of the scale proposed can and should focus on visitor as well as resident markets. Planning for and marketing to both groups ensures both maximum and year-round visitation. Further, successful local marketing is an essential approach to attracting the visitor market, as many tourists are visiting friends and relatives, and many locals advise out-of-towners on the best local attractions.
- ◆ **Serves as an Event Venue** – Museums and visitor attractions are increasingly being used as “unique” event venues. Aviation museums have been very successful in this regard, because of their large facilities, the interesting event spaces that can be created near the iconic aircraft, and because the flooring is often well suited to this use. In Addison, the proximity of corporate and hospitality resources makes this a good business opportunity. In order to serve this market segment, the building program must support catering, and the museum staff and operation must successfully market and administer the events.
- ◆ **Marketing and Programs** - Successful projects allocate resources to creatively reach their resident and tourist markets. The marketing must not only describe the quality of the attraction, but also create excitement among potential visitors to travel to the attraction. Marketing in channels that reach enthusiasts is an important success strategy. Ongoing programming is important in attracting first time visitors and repeat visitors.
- ◆ **Sound Financial Base** - An appropriate project scale for the potential audience is important so that revenues can support both operations and the physical infrastructure of the facility. Entrance fees must be set to maximize revenues while maintaining optimum visitation levels given the markets to be served. Operations and marketing must sustain the audience size and the physical infrastructure and provide a quality visitor experience. Operations must be scaled to the particular attributes of the facility, including staffing, seasonality and other factors. Meeting these requirements will help to create a sound financial base.

The new Cavanaugh Flight Museum has the potential to become a successful project. Following is a discussion of factors underlying the estimate of visitation to the project.

- ◆ **Exhibit Quality and Audience Appeal** – The new Cavanaugh Flight Museum as proposed at 100,000± square feet and including a large format film theater and a 30,000 square foot Aircraft restoration building would be of sufficient size and scope to become a regional serving educational and historical attraction.
- ◆ **Location, Site and Accessibility** - A successful aviation museum must be highly accessible both locally and regionally. Addison and the subject site have good regional accessibility. Within Addison, the new Cavanaugh Flight Museum location is readily accessible and can have an effective signage and wayfinding program.

- ◆ **Available Markets** - The Cavanaugh Flight Museum will draw largely from resident markets. The estimated 2010 population of the Primary Resident Market Area<sup>34</sup> is 3,893,300. The twelve counties in the Secondary Market Area are estimated to have a 2010 population of 2,754,800. The total Resident Market Area 2010 population is projected at 6,648,100.

Dallas is an urban tourism destination. Addison and the surrounding area at the north end of the City have an active tourism economy that is largely related to day-trip visitors; but also includes overnight travelers. Addison attracts large numbers of visitors because it is a restaurant destination, and because of the many events and cultural offerings programmed in the Town, most at Addison Circle and the cultural attractions around it. In addition, the new Cavanaugh Flight Museum can become a destination for Dallas travelers with an interest in aviation.

- ◆ **Facility Pricing** - The attraction's ticket prices are assumed to be in keeping with the breadth and quality of the visitor experience, and the time a visitor would spend at the Cavanaugh Flight Museum. The ticket price should be competitive with other comparable attractions in the region, and should take into account income levels of the resident population. An admission fee of \$8.50 for adults, \$7.25 for seniors, and \$6.25 for children is assumed, with the LFFT assumed at \$5.50 for adults, \$5.00 for seniors, and \$4.00 for children; and "Combo Tickets" at a total savings of about 18 percent with adults at \$11.50 with reduced admission fees for children, seniors and groups also. An allowance for coupons and discounts has also been included in this plan at 5 percent of ticket prices.
- ◆ **Competitive Context** – There are several aviation museums in the greater Dallas Ft. Worth Metroplex and therefore competition for visitors. The Cavanaugh Flight Museum as proposed would be in perhaps the strongest competitive position in this market. None of the other aviation museums will offer the combination of visitor experience and location that the new Cavanaugh Flight Museum will offer. This will include a first rate aircraft collection, fully built out exhibits, on-site viewing of aviation operations, airplane rides, potential for fly-ins and aviation events; all in a highly accessible visitor destination location. Thus there is a competitive context that must be taken into consideration in project planning and in future operations, but the new Cavanaugh Flight Museum will be positioned to have good market success.
- ◆ **Marketing and Programs** - The design and operating plan for the Cavanaugh Flight Museum assumes an ongoing marketing effort aimed at prime audiences, which include the defined resident market area, as well as Dallas area tourists. With the tourism audiences, there are marketing channels that can be used to build awareness of the new Cavanaugh Flight Museum. These include hotel and information center "pamphlet racks"; cooperative marketing with the Town of Addison; co-operative marketing with the other aviation museums in the Dallas Fort Worth area; booths and street presence at Addison festivals and events; local newspapers and radio spots and other marketing channels. Because the marketing budget will be limited, skillful use of the marketing budget and an emphasis on non-cash expense marketing efforts will be necessary for success in the marketing effort.

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<sup>34</sup> Defined as: Dallas, Denton and Collin Counties.

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- ◆ **Operating Hours** – summer, and festival periods should have extended hours, perhaps opening at 9:00 or 10:00 a.m. and closing at 6:00 p.m. Non-peak periods should have shorter hours, perhaps 10:00 a.m. to 5:00 p.m. Sundays should have somewhat shorter hours, especially during the off-season. For festivals and special events, it may be advantageous to have extended hours into the early evening. In addition, special events and facility rentals could occur on selected evenings. The LFFT would have evening shows three to five or more days per week depending on demand.
- ◆ **Days Open** - It is recommended that new Cavanaugh Flight Museum operate year-round. Closing days for major holidays would depend on the local market and operating experience.

### **Attendance Potential**

The new Cavanaugh Flight Museum has substantial attendance potential from resident and visitor markets. Attendance to the LFFT for films adds an additional attendance segment. A repeat attendance pattern locally can be developed, and the “critical mass” of attraction elements can be created to attract visitors and tourists from the greater metro area with an interest in aviation, along with attendance from visitors to Addison for its restaurants, festivals and events. The estimate of attendance potential at the Cavanaugh Flight Museum has been prepared through a “gravity model” analytical approach. That is, the propensity to visit the aviation museum is strongest among people who reside the closest, or who are visiting areas closest to the facility. In addition, attendance prospects who are staying overnight in the area are more likely to visit than those people who are visiting less proximate areas of the Metroplex.

Data in **Table VII-1** provide a summary of the derivation of the attendance estimate for the new Cavanaugh Flight Museum, based on the data and analyses contained in this report, and the proposed program. These visitors include those people attending the aviation museum exhibits only, the LFFT only, or those purchasing “combination” tickets.

**Table VII-1  
Preliminary Attendance Potential Estimate  
Cavanaugh Flight Museum with LFFT**

|  | <u>Market Penetration Rates</u>                 |            |             | <u>Visitation Range</u>         |                                 |                                  | <u>Percent of<br/>Mid-Range<br/>Attendance</u> |
|--|---|------------|-------------|---------------------------------|---------------------------------|----------------------------------|--|
|  | <u>Estimated<br/>2010 Market<br/>Population</u> | <u>Low</u> | <u>High</u> | <u>Low Range<br/>Attendance</u> | <u>Mid Range<br/>Attendance</u> | <u>High Range<br/>Attendance</u> |  |
| <b>Resident Market</b>   |   |            |             |                                 |                                 |                                  |  |
| Primary Market Area  | 3,893,300                                       | 2.2%       | 3.0%        | 85,653                          | 101,226                         | 116,799                          | 67.2%  |
| Secondary Market Area  | 2,754,800                                       | 0.6%       | 0.8%        | 16,529                          | 19,284                          | 22,038                           | 12.8%  |
| <b>Total Resident Market Area</b>                                  | 6,648,100                                       | 1.54%      | 1.81%       | 102,181                         | 120,509                         | 138,837                          | 80.0%  |
| <b>Visitor Market as Percent of<br/>Resident Market Attendance</b> | 25.0%   |            |             | 25,545                          | 30,127                          | 34,709                           | 20.0%  |
| <b>Total Stabilized Attendance Range</b>                           |   |            |             | 127,727                         | 150,637                         | 173,547                          |  |
| <b>Attendance Potential <sup>1/</sup></b>                          |   |            |             | 128,000                         | 151,000                         | 174,000                          |  |

<sup>1/</sup> Rounded to nearest 1,000

Source: ConsultEcon, Inc.

The combined market capture rate for the Primary and Secondary Resident Market Areas is estimated at 1.5 percent to 1.8 percent of area residents. This reflects a large region with several existing aviation museums. The attendance analysis suggests a repeat visitation pattern among those interested in aviation and strong school group use. In addition to people on day trips from the resident market area, there will be museum visitors who are staying overnight in the area in commercial accommodations or with friends and relatives. The meeting and convention segment of the market also holds promise for the new Cavanaugh Flight Museum. Some of the “tourist” market will also be people who are taking long day-trips from beyond the resident market area.

An attendance potential range has been established for total stabilized attendance. Stabilized attendance levels are typically achieved in the third or fourth year after opening. Attendance potential at the Cavanaugh Flight Museum in a stable year (Year 3) is estimated at 128,000 to 174,000, with a mid-range “best estimate” of 151,000. This includes aviation museum visitors and theater attendees at the LFFT. If a LFFT is not included in the Museum, attendance would be lower (this scenario is discussed in Section VIII of this report and in Appendix A).

While the majority of the visitation will come from the resident market area, as noted the new Cavanaugh Flight Museum will be able to attract additional visitors from travelers to the area who may be visiting friends or relatives, convention and meeting attendees, attending Addison events or festivals, or visiting the Dallas area.

The range in the estimate of attendance is based on several factors:

- ◆ How well the concepts proposed for the project are translated into the visitor experience. As no conceptual or schematic exhibit planning has occurred, there can be substantial variability in the type, quantity, impact and focus of exhibitry.
- ◆ Ticket pricing policies.
- ◆ The extent of special events and exhibits, and changing LFFT shows. This evaluation has included moderate volumes of such special events.
- ◆ The extent of events and festivals in Addison and specifically across Addison Road at Addison Parks and venues.
- ◆ Quality of operation and attention to visitors will affect attendance levels.
- ◆ Success of membership development efforts.
- ◆ The amount and quality of marketing employed (including pre-opening marketing).
- ◆ The changes in the economic environment in Addison and the U.S. generally.
- ◆ The variation in market acceptance of the project that may occur.

### **Components of Visitation - Aviation Museum and Large Format Film Theater**

Two primary attraction components are proposed – aviation museum and LFFT. Many visitors will attend both the aviation museum and the LFFT. Nationally, the experience of most moderately sized aviation museums and other types of museums (such as science museums) that offer an LFFT in combination with other interpretive facilities is that many visitors purchase “combination” tickets that include the interpretive exhibits and the theater. The price of such “combo” tickets is favorable compared to separate purchase. An LFFT experience typically is 45 minutes up to one hour in length. However, some visitors will only visit one attraction, based on limitations in time, interest or budget. The constant new shows at the LFFT are also a source of single rather than combination tickets to area residents who would attend the LFFT much as they would a conventional cinema.

Data in **Table VII-2** provide the estimated split in total attendance between the aviation museum and the LFFT. About 38 percent of attendees are expected to purchase combination tickets, while

the remainder would visit single components of the new Cavanaugh Flight Museum. Some visitors would not include an LFFT show in their visit; other attendance would come from LFFT only mainly from local area residents on a “show-by-show” basis. In total, the aviation museum component of the overall project has the potential for a mid-range “Gate<sup>35</sup>” of 125,330 visitors, and the LFFT has the potential for a mid-range “Gate” of 83,050. The overlap between the two portions of the project is the projected 57,380 combination tickets.

**Table VII-2**  
**Estimated Usage Split and Attendance Factors**  
**Cavanaugh Flight Museum with LFFT**

| Facility Components                | Percent To Total Use | Facility Component Admissions |           |         |
|------------------------------------|----------------------|-------------------------------|-----------|---------|
|                                    |                      | Low                           | Mid-Range | High    |
| Museum Only                        | 45%                  | 57,600                        | 67,950    | 78,300  |
| LFF Theater Only -- Evening        | 5%                   | 6,400                         | 7,550     | 8,700   |
| LFF Theater Only -- Daytime        | 12%                  | 15,360                        | 18,120    | 20,880  |
| Combo Museum / Upcharge LFFT       | 38%                  | 48,640                        | 57,380    | 66,120  |
| <b>Total Attendance</b>            | 100%                 | 128,000                       | 151,000   | 174,000 |
| <b>Facility Gate <sup>1/</sup></b> |                      |                               |           |         |
| Museum                             |                      | 106,240                       | 125,330   | 144,420 |
| LFF Theater                        |                      | 70,400                        | 83,050    | 95,700  |
| <b>Total Gate</b>                  |                      | 176,640                       | 208,380   | 240,120 |

1/ Gate refers to attendances at either the Museum and/or the LFFT.

Source: ConsultEcon, Inc.

The potential “Gate” at the museum is 125,330. This is comparable to a number of moderately scaled aviation museums in comparable markets (see Table V-1). The Frontiers of Flight Museum has attendance of about this number, despite the several challenges it faces with regards to

<sup>35</sup> “Gate” refers to the total number of attendances in each component of a project. Thus, a combination ticket adds to the gate attendance of both the aviation museum and the LFFT, while a single ticket would add only a single gate attendance.

incomplete exhibits, lack of marketing, a difficult entry sequence, a non-visitor oriented location, and lack of viewing of airport operations.

The potential “Gate” at the new Cavanaugh Flight Museum LFFT of about 83,050 is comparable to or lower than many LFFTs (See Section VI). This LFFT attendance profile has been estimated based on an 8/70 film format and current industry film distribution patterns. An IMAX film theater would likely have higher attendance, but much higher capital and operating costs that would create a challenging business model for the theater.

### **Ten Year Attendance Patterns**

During the first few years after opening, the project would be expected to achieve higher attendance based on local excitement about the facility. This would be balanced by the need to grow awareness in the Secondary Market Area of the project, and to get the project included on more school field trip itineraries. Awareness in the visitor (or tourist) markets would also grow. Based on these factors, an attendance of 10 percent above stabilized attendance for the Cavanaugh Flight Museum and LFFT would be anticipated during the first year of full operation. Attendance would then be expected to decline to a stabilized attendance level in the third year. Data in **Table VII-3** provide estimated ten-year attendance potential.

**Table VII-3  
Early Year Attendance Factors and Attendance Growth Pattern  
Cavanaugh Flight Museum with LFFT**

| Project Component                                       | Stable                     |         |         |         |         |         |         |         |         |         |         |
|---|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   | YEAR 1                     | YEAR 2  | YEAR 3  | YEAR 4  | YEAR 5  | YEAR 6  | YEAR 7  | YEAR 8  | YEAR 9  | YEAR 10 |         |
| <b>Percentage Difference From Stabilized Attendance</b> |                            |         |         |         |         |         |         |         |         |         |         |
| Museum Only   | 110%                       | 105%    | 100%    | 101%    | 102%    | 103%    | 104%    | 105%    | 106%    | 107%    |         |
| LFF Theater Only --<br>Evening                          | 110%                       | 105%    | 100%    | 101%    | 102%    | 103%    | 104%    | 105%    | 106%    | 107%    |         |
| LFF Theater Only --<br>Daytime                          | 110%                       | 105%    | 100%    | 101%    | 102%    | 103%    | 104%    | 105%    | 106%    | 107%    |         |
| Combo Museum /<br>LFFT                                  | 110%                       | 105%    | 100%    | 101%    | 102%    | 103%    | 104%    | 105%    | 106%    | 107%    |         |
| <b>Projected Stabilized Annual Attendance</b>           |                            |         |         |         |         |         |         |         |         |         |         |
|   | <i>Stabilized<br/>Year</i> |         |         |         |         |         |         |         |         |         |         |
| Museum Only   | 67,950                     | 74,745  | 71,348  | 67,950  | 68,630  | 69,316  | 70,009  | 70,709  | 71,416  | 72,130  | 72,852  |
| LFF Theater Only --<br>Evening                          | 7,550                      | 8,305   | 7,928   | 7,550   | 7,626   | 7,702   | 7,779   | 7,857   | 7,935   | 8,014   | 8,095   |
| LFF Theater Only --<br>Daytime                          | 18,120                     | 19,932  | 19,026  | 18,120  | 18,301  | 18,484  | 18,669  | 18,856  | 19,044  | 19,235  | 19,427  |
| Combo Museum /<br>LFFT                                  | 57,380                     | 63,118  | 60,249  | 57,380  | 57,954  | 58,533  | 59,119  | 59,710  | 60,307  | 60,910  | 61,519  |
| <b>Total</b>  | <i>151,000</i>             | 166,100 | 158,550 | 151,000 | 152,510 | 154,035 | 155,575 | 157,131 | 158,703 | 160,290 | 161,892 |

Source: ConsultEcon, Inc.

### Attendance Seasonality

An important factor in facility planning is seasonality of visitation. Data in **Table VII-4** provides a summary of stabilized year attendance by month. This estimated attendance pattern reflects the composition of the audience, school year attendance patterns, the experience of the current Cavanaugh Flight Museum, major events in Addison, and the experience of other aviation museums. A peak month is estimated to have about 21,140 attendees.

**Table VII-4**  
**Monthly Attendance Distribution**  
**Cavanaugh Flight Museum with LFFT**

|              | <u>Low Attendance Scenario</u> |                         | <u>Mid-Range Attendance</u>  |                         | <u>High Attendance Scenario</u> |                         |
|--------------|--------------------------------|-------------------------|------------------------------|-------------------------|---------------------------------|-------------------------|
|              | <u>Projected Seasonality</u>   | <u>Total Attendance</u> | <u>Projected Seasonality</u> | <u>Total Attendance</u> | <u>Projected Seasonality</u>    | <u>Total Attendance</u> |
| January      | 5%                             | 6,400                   | 5%                           | 7,550                   | 5%                              | 8,700                   |
| February     | 5%                             | 6,400                   | 5%                           | 7,550                   | 5%                              | 8,700                   |
| March        | 6%                             | 7,680                   | 6%                           | 9,060                   | 6%                              | 10,440                  |
| April        | 9%                             | 11,520                  | 9%                           | 13,590                  | 9%                              | 15,660                  |
| May          | 10%                            | 12,800                  | 10%                          | 15,100                  | 10%                             | 17,400                  |
| June         | 10%                            | 12,800                  | 10%                          | 15,100                  | 10%                             | 17,400                  |
| July         | 14%                            | 17,920                  | 14%                          | 21,140                  | 14%                             | 24,360                  |
| August       | 12%                            | 15,360                  | 12%                          | 18,120                  | 12%                             | 20,880                  |
| September    | 8%                             | 10,240                  | 8%                           | 12,080                  | 8%                              | 13,920                  |
| October      | 10%                            | 12,800                  | 10%                          | 15,100                  | 10%                             | 17,400                  |
| November     | 6%                             | 7,680                   | 6%                           | 9,060                   | 6%                              | 10,440                  |
| December     | 5%                             | 6,400                   | 5%                           | 7,550                   | 5%                              | 8,700                   |
| <b>Total</b> | <b>100%</b>                    | <b>128,000</b>          | <b>100%</b>                  | <b>151,000</b>          | <b>100%</b>                     | <b>174,000</b>          |

Source: ConsultEcon, Inc.

### Peak Attendance and Parking Analysis

The information provided by data in **Table VII-5** uses the estimated stabilized attendance to prepare estimates of peak aviation museum attendance days (aviation museum and LFFT only visitors) during the peak season and parking requirements for the facility. Given this context, a facility attendance and parking analysis has been prepared.

**Table VII-5  
Peak On-Site Population and Parking Requirements  
Cavanaugh Flight Museum with LFFT**

|   | <u>Mid- Range Attendance</u> |                             |
|---|------------------------------|-----------------------------|
| <b>Annual Daytime Visitation</b>                        | 143,450                      |                             |
| Museum Peak Month est. at 14% of Annual Attendance      | 18,120                       |                             |
| High Week (30%) of peak period                          | 5,436                        |                             |
| Peak day (25%) in high week                             | 1,359                        |                             |
| <b>Length of Stay / Percent In-house</b>                | <b>(1.5 hr. stay - 30%)</b>  | <b>(2.0 hr. stay - 40%)</b> |
| Peak in-house population (rounded)                      | 410                          | 540                         |
| <b>Visitor Peak Period Parking Demand <sup>1/</sup></b> | 149                          | 196                         |
| <b>Parking for Personnel and Volunteers</b>             | <u>25</u>                    | <u>30</u>                   |
|   | <u>174</u>                   | <u>226</u>                  |
| Rounded:  | 170                          | 230                         |

<sup>1/</sup> Based on 95 percent auto usage during peak periods (bus usage is higher during the shoulder seasons from school groups and tour groups). 2.75 persons per vehicle. Plus 5% turnover requirement.

Source: ConsultEcon, Inc.

This analysis uses the estimate of the attendance during a peak month (the peak month would be estimated to occur during the summer); a strong week during that period; and a peak day in that week (25 percent of weekly attendance, probably a Saturday); to arrive at an appropriate “design day” attendance level for the proposed aviation museum and theater. A factor of peak in-facility population, assuming a 1.5 hour length of stay, of 30 percent for most high attendance days is used. In addition a longer length of stay scenario of 2.0 hours and 40 percent of that day’s total attendance is also tested to reflect the effect on parking demand of longer stays perhaps due to special events. These factors provide an estimate of the “on-site” population that is useful in further project planning. At peak periods, the facility could have 480 to 630 visitors on-site including the LFFT.

A substantial portion of these visitors will be attending the LFFT. Based on the attendance potential of the facility, and peak attendance periods, a theater accommodating up to 100 viewers is recommended.

Based on the estimated peak-period attendance, an assumption of 2.75 passengers per car during the peak period, and 95 percent auto usage, 170 to 230 parking spaces are estimated to be required during peak periods, with additional parking required for personnel and volunteers. Most days of the year parking demand will be much lower. During peak periods, it may be possible for staff and volunteers to park more remotely. In addition, on peak days such as festivals, many attendees will be parking elsewhere and walking to the museum from Addison Circle Park.

## Section VIII

### OPERATING PROFILE OF THE CAVANAUGH FLIGHT MUSEUM

This section describes the operating parameters and analyzes the economic potential for the proposed new Cavanaugh Flight Museum. The assumptions made are based on the market potential identified for the project; the planned project size, including a Large Format Film Theater (LFFT); and additional research on operating factors that would be associated with a facility of the profile being considered. The aviation museum benchmarking analyses presented in Section V provide important factors for preparing the operating plan. An alternative development and operating scenario for the new Cavanaugh Museum without an LFFT is also presented.

The purpose of this report is to assess feasibility and provide information for the development and planning process. As project planning moves forward (including physical and interpretive programs) the project timing, operations and financial projections will be refined.

#### **Operating and Revenue Assumptions**

The new Cavanaugh Flight Museum would operate under the norms for aviation museums nationally, adjusted for local conditions. Important operating assumptions include:

- ◆ **LFFT Technologies** – The typical IMAX<sup>®</sup> (15/70) installation has about 330 seats, and a 70' screen; the smallest theaters have about 170 seats. The capital and operating costs of an IMAX Theater are probably too high for the Cavanaugh Flight Museum given existing competition for IMAX films in the region, site constraints and locational considerations. Based on the scale of new Cavanaugh Flight Museum and the capital and operating costs of alternative LFFT technologies, an appropriate approach may be an 8/70 mm film technology theater that can also accommodate 5/70 and 35-mm films. This format can show many films shown in "IMAX<sup>®</sup>" type theaters. The screen size would be approximately 30' by 40' with about 100 seats being appropriate for this facility.

While from a technological and operating cost perspective an 8/70 format may well be a good fit for new Cavanaugh Flight Museum, care must be taken in final selection of film format. A concern of the 8/70 format is the limited release of films in recent years in this format. Film release should be monitored moving forward. If an adequate supply of films is not evident, then an alternative LFFT format should be considered. These might include considering a 15/70 format such as IMAX; or digital projection may be ready for installation in locations such as the

new Cavanaugh Flight Museum. Ultimately, if an IMAX theater were to be developed, instead of the 8/70 format theater assumed herein, attendance would likely be higher than estimated for the LFFT in this report; but capital costs and operating costs would be higher as well.

If 3D capability were included in the theater, there would be some additional capital cost for 3D capability and a small increase in operating costs. To date, there has been only limited release of 3D films, particularly in 8/70 format. Therefore while the choice to include 3D technology to the theater can be made at a later date, no special market benefit from the additional appeal of 3D films has been included in this analysis.

While this analysis is based on an 8/70 format, video systems are being developed that provide nearly the same clarity and visual quality as film at lower operating costs. Their operating costs might be significantly less than the operating costs of film-based theaters. These might include DVD or digital systems in 2D and 3D formats. However, these are unproven, emerging technologies that may not have the visual impact of large format films. These technologies have other major benefits. They are much more flexible. Through this technology, live feeds from satellites, conference calls, meetings, concerts, and town meetings are possible. Placing a small stage to the front of the theater creates additional flexibility. As the new Cavanaugh Flight Museum project moves forward, the latest advances and trends in the LFFT industry should be continually monitored to inform the choice of technology for its LFFT. This includes the capital and operating costs of the technologies as well as film availability by projection format.

- ◆ **LFFT Operations** –Ticket prices for 8/70 mm LFFT tend to be lower than at IMAX<sup>®</sup> theaters. Large format films typically last 37 to 42 minutes. A 3 to 10 minute short film can be added. On the hour shows are typical. The LFFT would be ticketed as an individual attendance or in combination with the new Cavanaugh Flight Museum. The aviation museum could be attended alone or in combination with the LFFT. Combination tickets would provide a discount for both experiences. Depending on demand and the seasonal attendance patterns, the range of showings per week might be 24 in the slowest periods, with stronger periods increasing up to 46 showings. Films would ideally run for about two months each; with the museum having a small library of aviation focused films in addition to supplement offerings. A LFFT is included in the museum program. While adding to the capital costs of the new museum, it will add content to a visitor’s experience and help differentiate the new Cavanaugh Flight Museum from other regional aviation museums. Thus, it would boost museum attendance. The LFFT will also add an income stream and boost the economic impacts of the project.
  
- ◆ **Attendance Mix** – Attendance is based on the analysis in Section VII. The attendance under the Mid-Range Attendance Scenario is used in the analysis at 151,000 attendees, with early year “surge” in attendance, followed by slow growth after stabilized attendance is reached. Data in **Table VIII-1** provide assumptions on audience makeup and ticket type including the mix of group, members, general admissions, school groups and so forth for stable year attendance.

**Table VIII-1**  
**Admissions Analysis and Memberships Estimate**  
**Cavanaugh Flight Museum with LFFT**

| <b>Audience Segment</b>                    | <b>% to Total Attendance</b> | <b>Audience Mix</b> |
|--|------------------------------|---------------------|
| <b>Museum Only</b>                         |                              |                     |
| Members & Free/Complimentary <sup>1/</sup> | 8.1%                         | 12,231              |
| Adult                                      | 19.8%                        | 29,898              |
| Seniors                                    | 6.3%                         | 9,513               |
| Children                                   | 8.1%                         | 12,231              |
| School Group                               | 2.7%                         | 4,077               |
| <b>Combo Tickets:</b>                      |                              |                     |
| Members & Free/Complimentary <sup>1/</sup> | 3.0%                         | 4,590               |
| Adult                                      | 16.7%                        | 25,247              |
| Seniors                                    | 5.3%                         | 8,033               |
| Children                                   | 7.6%                         | 11,476              |
| School Group                               | 5.3%                         | 8,033               |
| <b>LFFT Only Tickets:</b>                  |                              |                     |
| LFFT From Members All Ages                 | 1.0%                         | 1,465               |
| LFFT Adult                                 | 10.2%                        | 15,387              |
| LFFT Senior                                | 2.0%                         | 3,080               |
| LFFT Child                                 | 3.8%                         | 5,738               |
| <b>Total</b>                               | <b>55.0%</b>                 | <b>151,000</b>      |
| <b>Gate Analysis</b>                       |                              |                     |
| Museum                                     |                              | 125,330             |
| LFFT                                       |                              | 83,050              |
| <b>Memberships Estimate</b>                |                              |                     |
| # Member Attendances <sup>2/</sup>         | 6,511                        |                     |
| Number of attendances Per Membership       | 8                            |                     |
| Est. Number of Memberships                 | 810                          |                     |

1/ Includes members, complimentary, Facility Rentals, VIP and visitors under 5 years old.

2/ Assumes member attendances comprise 30% of the total Members & Free / Complimentary audience segment.

Source: ConsultEcon, Inc.

- ◆ **Ticket Prices** – Based on the market research conducted for this report, the location of the project, and the planned program, the benchmark adult admission price is \$8.50 for the aviation museum and \$5.50 for LFFT films in 2005 dollars. A combination adult ticket would be \$11.50. Children, seniors and school groups would have reduced ticket prices. A 5 percent discount factor against ticket prices has been included to reflect couponing and other incentives

that might occur during certain times of the year. The overall average per capita admission revenue is estimated at \$6.54 in current dollars. Data in **Table VIII-2** provide assumptions on ticket prices.

**Table VIII-2**  
**Ticket Price Assumptions**  
**Cavanaugh Flight Museum with LFFT**

| Pricing Schedule <sup>1/</sup>        | Distribution by Ticket Type | Stable Year Attendance Distribution | Stable  |         |         |         |         |         |         |         |         |         |         |
|---------------------------------------|-----------------------------|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                       |                             |                                     | YEAR 1  | YEAR 2  | YEAR 3  | YEAR 4  | YEAR 5  | YEAR 6  | YEAR 7  | YEAR 8  | YEAR 9  | YEAR 10 |         |
| <b>Museum Only</b>                    |                             |                                     |         |         |         |         |         |         |         |         |         |         |         |
| Members & Complimentary <sup>2/</sup> | 18%                         | 12,231                              | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  |
| Adult                                 | 44%                         | 29,898                              | \$8.50  | \$8.50  | \$8.90  | \$8.90  | \$9.40  | \$9.40  | \$9.90  | \$9.90  | \$10.40 | \$10.40 | \$10.40 |
| Seniors                               | 14%                         | 9,513                               | \$7.25  | \$7.25  | \$7.60  | \$7.60  | \$8.00  | \$8.00  | \$8.40  | \$8.40  | \$8.80  | \$8.80  | \$8.80  |
| Children                              | 18%                         | 12,231                              | \$6.25  | \$6.25  | \$6.60  | \$6.60  | \$6.90  | \$6.90  | \$7.20  | \$7.20  | \$7.60  | \$7.60  | \$7.60  |
| School Group                          | 6%                          | 4,077                               | \$3.00  | \$3.00  | \$3.20  | \$3.20  | \$3.40  | \$3.40  | \$3.60  | \$3.60  | \$3.80  | \$3.80  | \$3.80  |
| Weighted Average Ticket Price         | 100%                        | 67,950                              | \$6.06  | \$6.06  | \$6.36  | \$6.36  | \$6.70  | \$6.70  | \$7.04  | \$7.04  | \$7.40  | \$7.40  | \$7.40  |
| Less Coupon & Discount @5%            |                             |                                     | \$5.76  | \$5.76  | \$6.04  | \$6.04  | \$6.37  | \$6.37  | \$6.69  | \$6.69  | \$7.03  | \$7.03  | \$7.03  |
| <b>LFFT Only Evening</b>              |                             |                                     |         |         |         |         |         |         |         |         |         |         |         |
| Member's Discount (25%)               | 5%                          | 378                                 | \$4.13  | \$4.13  | \$4.35  | \$4.35  | \$4.58  | \$4.58  | \$4.80  | \$4.80  | \$5.03  | \$5.03  | \$5.03  |
| Adult                                 | 55%                         | 4,153                               | \$5.50  | \$5.50  | \$5.80  | \$5.80  | \$6.10  | \$6.10  | \$6.40  | \$6.40  | \$6.70  | \$6.70  | \$6.70  |
| Seniors                               | 12%                         | 906                                 | \$5.00  | \$5.00  | \$5.30  | \$5.30  | \$5.60  | \$5.60  | \$5.90  | \$5.90  | \$6.20  | \$6.20  | \$6.20  |
| Children                              | 28%                         | 2,114                               | \$4.00  | \$4.00  | \$4.20  | \$4.20  | \$4.40  | \$4.40  | \$4.60  | \$4.60  | \$4.80  | \$4.80  | \$4.80  |
| Weighted Average Ticket Price         | 100%                        | 7,550                               | \$4.95  | \$4.95  | \$5.22  | \$5.22  | \$5.49  | \$5.49  | \$5.76  | \$5.76  | \$6.02  | \$6.02  | \$6.02  |
| Less Coupon & Discount @5%            |                             |                                     | \$4.70  | \$4.70  | \$4.96  | \$4.96  | \$5.21  | \$5.21  | \$5.47  | \$5.47  | \$5.72  | \$5.72  | \$5.72  |
| <b>LFFT Only Daytime</b>              |                             |                                     |         |         |         |         |         |         |         |         |         |         |         |
| Member's Discount (25%)               | 6%                          | 1,087                               | \$4.13  | \$4.13  | \$4.35  | \$4.35  | \$4.58  | \$4.58  | \$4.80  | \$4.80  | \$5.03  | \$5.03  | \$5.03  |
| Adult                                 | 62%                         | 11,234                              | \$5.50  | \$5.50  | \$5.80  | \$5.80  | \$6.10  | \$6.10  | \$6.40  | \$6.40  | \$6.70  | \$6.70  | \$6.70  |
| Seniors                               | 12%                         | 2,174                               | \$5.00  | \$5.00  | \$5.30  | \$5.30  | \$5.60  | \$5.60  | \$5.90  | \$5.90  | \$6.20  | \$6.20  | \$6.20  |
| Children                              | 20%                         | 3,624                               | \$4.00  | \$4.00  | \$4.20  | \$4.20  | \$4.40  | \$4.40  | \$4.60  | \$4.60  | \$4.80  | \$4.80  | \$4.80  |
| Weighted Average Ticket Price         | 100%                        | 18,120                              | \$5.06  | \$5.06  | \$6.40  | \$5.33  | \$6.70  | \$5.61  | \$7.00  | \$5.88  | \$7.40  | \$6.16  | \$6.16  |
| Less Coupon & Discount @5%            |                             |                                     | \$4.80  | \$4.80  | \$6.08  | \$5.07  | \$6.37  | \$5.33  | \$6.65  | \$5.59  | \$7.03  | \$5.85  | \$5.85  |
| <b>Combo Museum / LFFT</b>            |                             |                                     |         |         |         |         |         |         |         |         |         |         |         |
| Members & Complimentary <sup>2/</sup> | 8%                          | 4,590                               | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  |
| Adult                                 | 44%                         | 25,247                              | \$11.50 | \$11.50 | \$12.20 | \$12.20 | \$12.90 | \$12.90 | \$13.70 | \$13.70 | \$14.50 | \$14.50 | \$14.50 |
| Seniors                               | 14%                         | 8,033                               | \$9.75  | \$9.75  | \$10.30 | \$10.30 | \$10.90 | \$10.90 | \$11.60 | \$11.60 | \$12.30 | \$12.30 | \$12.30 |
| Children                              | 20%                         | 11,476                              | \$8.00  | \$8.00  | \$8.50  | \$8.50  | \$9.00  | \$9.00  | \$9.50  | \$9.50  | \$10.10 | \$10.10 | \$10.10 |
| School Group                          | 14%                         | 8,033                               | \$4.75  | \$4.75  | \$5.00  | \$5.00  | \$5.30  | \$5.30  | \$5.60  | \$5.60  | \$5.90  | \$5.90  | \$5.90  |
| Weighted Average Ticket Price         | 100%                        | 57,380                              | \$8.69  | \$8.69  | \$9.21  | \$9.21  | \$9.74  | \$9.74  | \$10.34 | \$10.34 | \$10.95 | \$10.95 | \$10.95 |
| Less Coupon & Discount @5%            |                             |                                     | \$8.26  | \$8.26  | \$8.75  | \$8.75  | \$9.26  | \$9.26  | \$9.82  | \$9.82  | \$10.40 | \$10.40 | \$10.40 |
| <b>Total Attendance</b>               |                             | 151,000                             |         |         |         |         |         |         |         |         |         |         |         |
| Overall Weighted Average Ticket Price |                             |                                     | \$6.54  | \$6.54  | \$6.93  | \$6.93  | \$7.35  | \$7.35  | \$7.79  | \$7.79  | \$8.26  | \$8.26  | \$8.26  |

1/ Ticket prices are assumed to increase every other year at a rate of 6 percent. Year 1 represents 2005 value of the dollar.

2/ Includes members, complimentary, Facility Rentals, VIP and visitors under 5 years old.

Source: ConsultEcon, Inc.

- ◆ **Memberships** – Membership is typically made up of individuals and families who wish to contribute to the institution, but who also appreciate the financial benefits that they can accrue. These most importantly include free admission as well as special events, price reductions on merchandise, etc. The number of members is based on membership price, the population of the area, and the attendance at the aviation museum. Based on these factors, membership in the

stabilized year is estimated to be 810. The average membership rate is estimated at \$75 in that year. This is assumed to include one pair of free tickets to the LFFT with additional LFFT shows at reduced prices. Data in Table VIII-1 also provides assumptions on memberships.

- ◆ **Retail** – A gift shop with appropriate and varied merchandise can be an important part of the visitor experience, as well as an important revenue source. This element is assumed to perform at or above industry norms for moderately scaled aviation museums and museums, and to generate \$3.00 per aviation museum visitor in retail sales, with LFFT only visitors at \$1.00 per capita. The cost of goods sold is estimated to be 52 percent of retail sales.
  
- ◆ **Food Vending Revenues** – The new Cavanaugh Flight Museum program may include a small vending and seating area. There are currently no adjacent food service offerings, so there will be a need for basic refreshments. However, the attendance potential would not support a stand-alone restaurant or café. Therefore vending should be available as a convenience to Aviation museum and LFFT attendees, volunteers and staff. Vending in this area could offer cold drinks and perhaps coffee vending, and an assortment of snacks and sweets. Limited seating should be available, with the possibility of covered outdoor seating to supplement indoor areas. This area may also serve as an area for school groups to eat their lunches. Based on these factors, in-house vending sales are estimated at \$1.00 per attendee. This could be operated by the aviation museum or through a subcontractor. For analytical purposes, and given the modest scale of the food service, this analysis estimates the proceeds to the aviation museum by assuming that an 18 percent of gross sales fee from a sub-contracted operator would go to the aviation museum. This vending operating profile is typical in the industry.
  
- ◆ **Facility Rentals** – Many aviation museums make their facilities available for special events and facility rentals. There is a strong corporate market in Dallas as well as a strong meetings and conventions industry here. These might include receptions, meetings and events. The lobby and exhibits area could be used for tables and informal receptions. The new Cavanaugh Flight Museum will have an opportunity to gain revenues from this source. The terms for rental and the extent of rentals vary considerably among institutions. This analysis has assumed that the facility can attract 52 events annually with average net revenues of \$1,000 per event.
  
- ◆ **Airplane Rides** – The Cavanaugh Flight Museum already has a strong program of offering rides in historic aircraft. This program is planned to continue and grow at the new location with its higher visibility and attendance base. One hundred seventy-five flights averaging a \$200 fee per flight are assumed annually in this analysis, a rate which has room for growth depending on future conditions.
  
- ◆ **Airshows & Fly-Overs** – The Cavanaugh Flight Museum already has a program of using its aircraft to attend airshows and provide fly-over services. The museum is compensated for much or all of its direct costs. This program is planned to continue and grow moderately. While not a major source of cash flow, these activities provide exposure for the museum, and provide a basis for reciprocation by other museums for Cavanaugh Flight Museum sponsored events.
  
- ◆ **Aviation Operations** – The Cavanaugh Flight Museum currently has a skilled aviation team that provides maintenance and rehabilitation services for the Cavanaugh aircraft collection; and

the aircraft used for related corporate aircraft and for Cavanaugh charters. The in-house expertise allows first-rate maintenance of the museum's aviation collections while creating a major income stream for the museum that helps to amortize many of the flight operations that the museum includes in their activities. This is proposed for continuation in this plan, with revenues assumed at \$700,000 annually. It should be noted that there are substantial operating expenses associated with the income that is included in the operating plan. Overall however, this is an outstanding opportunity to use in-place facilities and staff to earn substantial revenues in support of museum operations.

- ◆ **Inflation Assumption** – The financial pro forma analysis uses the current 2005 value of the dollar for the first year of the projection, with following years at an assumed 2.5 percent inflation rate. The actual year of opening is uncertain, but will have experienced some level of inflation from current price levels. Thus, the actual revenues and the expenses would reflect the inflation to that time compared to this analysis. This approach is used for several reasons. As noted, projecting inflation adds another level of uncertainty. A current dollar estimate for the first year allows the reader to compare the projections to the information regarding comparable projects, and the reader's own experience.

Data in **Table VIII-3** summarize the operating assumptions underlying the financial analysis for the new Cavanaugh Flight Museum.

**Table VIII-3**  
**Operating Assumptions in Current Dollars**  
**Cavanaugh Flight Museum with LFFT**

|  | <u>Value</u>                |
|--|-----------------------------|
| <b><i>Project Area and Exhibit Volume</i></b>                        |                             |
| Project Indoor Square Footage  | 102,500                     |
| Maintenance Hangar Indoor Square Footage                             | 30,000                      |
| Number of Seats in LFFT  | 100                         |
| <b><i>Attendance and Adult Ticket Pricing</i></b>                    |                             |
| Mid-Range Museum Gate  | 125,330                     |
| Mid-Range LFFT Gate  | 83,050                      |
| Total Mid-Range Stabilized Annual Attendance                         | 151,000                     |
| Museum Only Adult Ticket Price                                       | \$8.50                      |
| LFFT Evening & Day Only Adult Ticket Price                           | \$5.50                      |
| Museum & LFFT Combination Adult Ticket Price                         | \$11.50                     |
| Average Discounts & Coupons to Ticket Price                          | 5%                          |
| Ticket Price Increase Every Other Year                               | 6%                          |
| <b><i>General</i></b>  |                             |
| Inflation  | 2.5%                        |
| Annual Attendance Growth After Stabilized Year                       | 1.0%                        |
| <b><i>Memberships</i></b>  |                             |
| Number of Family & Individual Memberships                            | 810                         |
| Average Membership Fee   | \$75                        |
| Annual Attendances Per Family Membership                             | 8                           |
| LFFT Discount With Membership  | 25%                         |
| Number of Corporate Memberships                                      | 12                          |
| Avg. Corporate Membership Rate                                       | \$1,000                     |
| <b><i>Retail</i></b>   |                             |
| Per Capita Retail Sales Museum Visitors                              | \$3.00                      |
| Per Capita Retail Sales LFFT Only Visitors                           | \$1.00                      |
| Cost of Goods Sold as a % of Retail Sales                            | 52%                         |
| <b><i>Food Service Sales</i></b>                                     |                             |
| Per Capita Vending Service Sales                                     | \$1.00                      |
| Museum Share of Gross Sales  | 18%                         |
| <b><i>Facility Rentals and Receptions</i></b>                        |                             |
| Major & Minor Facility Rentals / Receptions Per Year                 | 52                          |
| Average Facility Rental Attendees                                    | 125                         |
| Average Net Revenue to Museum  | \$1,000                     |
| <b><i>Airplane Rides</i></b>   |                             |
| Number per Year  | 175                         |
| Average Fee Per Flight (based on \$175 to \$250 range)               | \$200                       |
| <b><i>Air Shows &amp; Fly-Over Income</i></b>                        | \$60,000                    |
| <b><i>Aircraft Maintenance Contract Cavanaugh Collection</i></b>     | \$200,000                   |
| <b><i>Aircraft Maintenance Contracts JKI, Cavanaugh Charters</i></b> | \$500,000                   |
| <b><i>Miscellaneous Revenue</i></b> As a % of Earned Revenue         | 1%                          |
| <b><i>Initial Financial Reserves &amp; Endowment</i></b>             | \$2,000,000                 |
| Avg. Annual Drawdown   | 4.5%                        |
| Reinvestment to cover inflation                                      | 2.5%                        |
| Annual Growth in Endowment from Contributions                        | \$20,000 In current dollars |

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

### Contributed Revenue

As with almost all not-for-profit museums and educational attractions nationwide, the new Cavanaugh Flight Museum will supplement “earned” revenues with non-earned or contributed revenues. Nationwide, virtually all not-for-profit visitor attractions receive a substantial share of revenues from non-earned sources. These revenues include endowment earnings, gifts, grants, fundraising events, corporate support and in-kind donations. Aviation museums typically receive 20 to 50 percent or more of revenues from non-earned sources. In this analysis a percentage of contributed revenues of about 19 percent of total revenues are targeted to support the baseline operations profiled in this report. The aviation operations included in the operating plan will allow the museum to have higher earned revenues than most comparable aviation museums. This preliminary operating plan establishes a baseline amount or requirement of non-earned revenues to maintain basic operations. Higher levels of non-earned revenue would enhance operations and mission fulfillment.

The sources and amounts of non-earned revenues vary between institutions based on their individual circumstances. Following is a discussion of possible sources of contributed revenues at the new Cavanaugh Flight Museum. In this plan, endowment plus annual contributions are included in the analysis. The best strategy is to tap a wide variety of sources of contributed revenues so that the revenue goals can be met or exceeded. Contributed revenue sources to support ongoing operations funding should be secured at the same time as capital funding prior to construction.

- ◆ **Endowment** – A targeted campaign to create an endowment for the new Cavanaugh Flight Museum should begin in the project’s early planning stages. Support from an endowment can substantially assist successful operations. Endowment contributions can be either general in nature, or specifically allocated to an exhibit, task or position. For instance, the amount to endow a particular exhibit would be formulaically derived, and would carry with it formal signed recognition in the facility, as well as recognition in facility publications and visitor guides. Other endowment could be raised on a more traditional philanthropic basis. This analysis assumes an initial endowment corpus of \$2,000,000 with annual increases from contributions of \$20,000. An average year 7.0 percent return on investment is assumed with 4.5 percent drawn for operating purposes and the remainder used to reinvest in the endowment corpus to cover inflation and/or to increase its value.
  
- ◆ **Corporate Sponsorships** – Corporations are increasingly viewing sponsorship of first rate cultural and educational institutions as a way to meet their charitable obligations, while gaining

positive publicity and public recognition. In the case of the new Cavanaugh Flight Museum, there are a number of corporations that have a strong local presence which would be good prospects to become ongoing and major donors and /or sponsors to the museum. The tying of specific exhibits or programs to their sponsors allows the sponsor to have on-site recognition. This approach has yielded significant results for many museums and educational attractions.

In addition, this analysis assumes that there would be corporate memberships that would provide corporate members with benefits such as free passes, opportunities for receptions and so forth. This analysis assumes 12 corporate memberships at \$1,000 each annually.

- ◆ **Gifts In-Kind** – Some of the inputs to the operation of the new Cavanaugh Flight Museum lend themselves to support through gifts in-kind. For instance, utilities might make up 4 percent of operating costs at the facility. A 10 percent reduction in the unit cost of electricity could yield \$10,000 in cost savings annually, with higher ratios yielding more savings. Advertising spending is often provided to museums at lower than market rates. Other basic supplies and inputs might also be purchased under special arrangements such as reduced profit margins or even as pure donations. These might range from paper products and printing to professional services. While these are only examples, they reflect a successful operating approach many museums have employed.
- ◆ **Grants** – There are a wide-variety of grants available from government bodies and from foundations. Many museums receive substantial portions of their annual budgets from such sources. These will be especially useful in funding special educational programs, exhibit reinvestment and for other focused activities. Many museums have certain educational or curatorial positions staffed by school systems. Some government entities provide grants for student attendance. The extent to which such sources of funds are tapped will be based on the ability for the institution to prepare and submit grant applications, and the persuasiveness and targeting of the individual funding requests.
- ◆ **Public Subsidies and Contributions** – Local, county and state governments are often inclined to contribute public dollars to the capital and/or operating budgets of aviation museums, museums and other educational attractions. Such facilities are generally considered community assets that contribute to the quality of life for area residents while supporting the local economic base in terms of jobs and the importation of dollars into the local economy. On an ongoing basis, many educational and cultural attractions rely on an annual budget appropriation from state and/or local governmental sources. Sharing proceeds from local taxation districts is also a common source of annual funding. As well, local governments can assist operations through the provision of public works services such as trash hauling and site maintenance.
- ◆ **Annual Events** – An annual event is often a way to meet multiple organizational objectives. These include membership development, community recognition, corporate support development, and fund development.
- ◆ **Annual Gifts** – A targeted development campaign should focus on regional individuals and foundations. This effort may take the form of higher-level sustaining memberships, (above and

beyond the family-type memberships that are largely attendance driven). One of the museum's Board of Directors chief responsibilities is to fundraise on an annual basis to support operations.

In summary, virtually all museums and educational attractions rely on non-earned sources of funds to supplement earned revenues. The amounts that can be gained from these sources will vary based on the individual circumstances of the institution, the support it receives in the community, and the personnel and resources that can be focused on attracting these sources of funds. In this analysis, roughly \$449,000 in contributed revenues and endowment proceeds are required for break-even operations in a stabilized year in current dollars, and this need could be funded in a variety of ways as discussed.

### **Revenue Summary**

Data in **Table VIII-4** show the estimated revenue potential of the new Cavanaugh Flight Museum with a LFFT including a summary of the potential operating revenue for the stable year of operations in current dollars. Earned revenues equal about 83 percent of total revenues in this scenario. Stable year revenue in current dollars is projected at \$2,578,000 including earned and contributed revenues. Data in **Table VIII-5** shows a ten year revenue potential analysis with year one in current dollars.

### **OPERATING EXPENSES**

Aviation museums are largely fixed cost operations. These fixed costs include insurance, utilities and exterior maintenance, most personnel, exhibit maintenance, basic marketing, interior maintenance, etc. There is some variability in some expense categories based on attendance levels such as visitor services, education programs, marketing and so forth. In the case of a LFFT, film "royalties" are typically based on sales volume. The analysis of operating expenses for the new Cavanaugh Flight Museum with a LFFT is based on the size of the facility and the stated mission and organizational goals, attendance potential as well as the operating experience of other museums of this scale. The museum's existing operations provide useful insights into future operating potential.

**Table VIII-4  
Revenue Analysis  
Cavanaugh Flight Museum with LFFT**

|  | <b>Year in<br/>Current</b> | <b>Percent to<br/>Total</b> |
|--|----------------------------|-----------------------------|
| <b>TOTAL ATTENDANCE</b>                                    | 151,000                    |                             |
| <i>Earned Revenues</i>                                     |                            |                             |
| Museum Only Admissions                                     | \$391,127                  | 15.2%                       |
| LFFT Only Evening  | 35,513                     | 1.4%                        |
| LFFT Only Daytime  | 87,060                     | 3.4%                        |
| Combo Museum / LFFT  | <u>473,759</u>             | <u>18.4%</u>                |
| Total Admissions Revenue                                   | \$987,459                  | 38.3%                       |
| Membership Revenue   | \$60,750                   | 2.4%                        |
| Retail Net of COGS   | 192,797                    | 7.5%                        |
| Food & Vending   | 27,180                     | 1.1%                        |
| Facility Rental and Receptions                             | 52,000                     | 2.0%                        |
| Aviation Rides   | 35,000                     | 1.4%                        |
| Air Shows Income   | 60,000                     | 2.3%                        |
| Aircraft Maintenance Contract Cavanaugh<br>Collection      | 200,000                    | 7.8%                        |
| Aircraft Maintenance Contracts JKI,<br>Cavanaugh Charters  | 500,000                    | 19.4%                       |
| Miscellaneous Revenue                                      | <u>13,322</u>              | <u>0.5%</u>                 |
| <b>Total Earned Revenue</b>                                | \$2,128,508                | 82.6%                       |
| <i>Contributed Revenue</i>                                 |                            |                             |
| Corporate Membership Rev.                                  | \$12,000                   | 0.5%                        |
| Endowment  | 90,000                     | 3.5%                        |
| Grants, Gov. Support & Private Contributions <sup>2/</sup> | <u>347,051</u>             | <u>13.5%</u>                |
| <b>Total Contributed Revenue</b>                           | \$449,051                  | 17.4%                       |
| <b>TOTAL REVENUE</b>                                       | <b>\$2,577,559</b>         | <b>100.0%</b>               |

1/ Year 1 represents 2005 value of the dollar.

2/ This amount is assumed based on Grants, Gov. Support & Private Contributions required to achieve break-even facility operations.

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

**Table VIII-5  
Revenue Potential  
Cavanaugh Flight Museum with LFFT**

|   | Stabilized Year in<br>Current Dollars | Stable               |                    |                    |                    |                    |                    |                    |                    |                    |                    |
|---|---------------------------------------|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   |                                       | YEAR 1 <sup>1/</sup> | YEAR 2             | YEAR 3             | YEAR 4             | YEAR 5             | YEAR 6             | YEAR 7             | YEAR 8             | YEAR 9             | YEAR 10            |
| <b>TOTAL ATTENDANCE</b>                                       | 151,000                               | 166,100              | 158,550            | 151,000            | 152,510            | 154,035            | 155,575            | 157,131            | 158,703            | 160,290            | 161,892            |
| <b>Earned Revenues</b>  |                                       |                      |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Museum Only   | \$391,127                             | \$430,240            | \$410,684          | \$410,554          | \$414,659          | \$441,327          | \$445,740          | \$473,171          | \$477,902          | \$507,350          | \$512,424          |
| LFFT Only Evening   | 35,513                                | 39,064               | 37,288             | 37,437             | 37,811             | 40,152             | 40,554             | 42,961             | 43,391             | 45,867             | 46,326             |
| LFFT Only Daytime   | 87,060                                | 95,766               | 91,413             | 110,170            | 92,720             | 117,652            | 99,470             | 125,391            | 106,454            | 135,220            | 113,678            |
| Combo Museum / LFFT   | 473,759                               | \$21,135             | 497,447            | 502,046            | 507,067            | 541,831            | 547,250            | 586,303            | 592,166            | 633,501            | 639,836            |
| <b>Admissions Revenue</b>                                     | \$987,459                             | \$1,086,205          | \$1,036,832        | \$1,060,207        | \$1,052,258        | \$1,140,962        | \$1,133,013        | \$1,227,826        | \$1,219,913        | \$1,321,938        | \$1,312,263        |
| Membership Attendance   | 3,760                                 | 4,136                | 3,948              | 3,760              | 3,797              | 3,835              | 3,874              | 3,913              | 3,952              | 3,991              | 4,031              |
| Family & Individual Memberships                               | 810                                   | 810                  | 810                | 810                | 810                | 810                | 810                | 810                | 810                | 810                | 810                |
| Average Membership Fee  | \$75.00                               | \$75.00              | \$75.00            | \$79.00            | \$79.00            | \$83.00            | \$83.00            | \$87.00            | \$87.00            | \$91.00            | \$91.00            |
| <b>Membership Revenue</b>                                     | \$60,750                              | \$60,750             | \$60,750           | \$63,990           | \$63,990           | \$67,230           | \$67,230           | \$70,470           | \$70,470           | \$73,710           | \$73,710           |
| Retail Net of COGS  | \$192,797                             | \$212,076            | \$207,498          | \$202,557          | \$209,697          | \$217,089          | \$224,741          | \$232,664          | \$240,865          | \$249,356          | \$258,145          |
| Food & Vending  | 27,180                                | 29,898               | 29,252             | 28,556             | 29,563             | 30,605             | 31,683             | 32,800             | 33,957             | 35,154             | 36,393             |
| Facility Rental and Receptions                                | 52,000                                | 52,000               | 53,300             | 54,633             | 55,998             | 57,398             | 58,833             | 60,304             | 61,812             | 63,357             | 64,941             |
| Aviation Rides  | 35,000                                | 35,000               | 35,875             | 36,772             | 37,691             | 38,633             | 39,599             | 40,589             | 41,604             | 42,644             | 43,710             |
| Air Shows Income  | 60,000                                | 60,000               | 61,500             | 63,038             | 64,613             | 66,229             | 67,884             | 69,582             | 71,321             | 73,104             | 74,932             |
| Aircraft Maintenance Contract<br>Cavanaugh Collection         | 200,000                               | 200,000              | 205,000            | 210,125            | 215,378            | 220,763            | 226,282            | 231,939            | 237,737            | 243,681            | 249,773            |
| Aircraft Maintenance Contracts JKI,<br>Cavanaugh Charters     | 500,000                               | 500,000              | 512,500            | 525,313            | 538,445            | 551,906            | 565,704            | 579,847            | 594,343            | 609,201            | 624,431            |
| Miscellaneous Revenue   | 13,322                                | 14,529               | 13,996             | 14,225             | 14,241             | 15,265             | 15,287             | 16,380             | 16,409             | 17,582             | 17,601             |
| <b>Total Earned Revenue</b>                                   | \$2,128,508                           | \$2,250,459          | \$2,216,504        | \$2,259,415        | \$2,281,875        | \$2,406,080        | \$2,430,258        | \$2,562,400        | \$2,588,431        | \$2,729,726        | \$2,755,899        |
| <b>Contributed Revenue</b>                                    |                                       |                      |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Number Corporate Memberships                                  | 12                                    | 12                   | 12                 | 12                 | 12                 | 12                 | 12                 | 12                 | 12                 | 12                 | 12                 |
| Avg. Corporate Membership Rate                                | \$1,000                               | \$1,000              | \$1,000            | \$1,050            | \$1,050            | \$1,100            | \$1,100            | \$1,160            | \$1,160            | \$1,220            | \$1,220            |
| Corporate Membership Revenue                                  | \$12,000                              | \$12,000             | \$12,000           | \$12,600           | \$12,600           | \$13,200           | \$13,200           | \$13,920           | \$13,920           | \$14,640           | \$14,640           |
| Endowment   | 90,000                                | 90,000               | 93,173             | 96,447             | 99,828             | 103,317            | 106,918            | 110,635            | 114,470            | 118,429            | 122,513            |
| Grants, Gov. Support & Private<br>Contributions <sup>2/</sup> | 347,051                               | 225,100              | 320,322            | 339,586            | 381,446            | 322,545            | 365,895            | 302,223            | 347,086            | 277,710            | 325,965            |
| <b>Total Contributed Revenue</b>                              | \$449,051                             | \$327,100            | \$425,494          | \$448,633          | \$493,874          | \$439,062          | \$486,013          | \$426,778          | \$475,476          | \$410,779          | \$463,118          |
| <b>TOTAL REVENUE</b>  | <b>\$2,577,559</b>                    | <b>\$2,577,559</b>   | <b>\$2,641,998</b> | <b>\$2,708,048</b> | <b>\$2,775,749</b> | <b>\$2,845,142</b> | <b>\$2,916,271</b> | <b>\$2,989,178</b> | <b>\$3,063,907</b> | <b>\$3,140,505</b> | <b>\$3,219,018</b> |
| <b>Endowment Principal</b>                                    | \$2,000,000                           | \$2,000,000          | \$2,070,500        | \$2,143,275        | \$2,218,395        | \$2,295,931        | \$2,375,957        | \$2,458,550        | \$2,543,788        | \$2,631,750        | \$2,722,521        |

1/ Year 1 represents 2005 value of the dollar.

2/ This amount is assumed based on Grants, Gov. Support & Private Contributions required to achieve break-even facility operations.

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

The aviation operations aspect of this business plan is modeled closely on the existing operation. This operating profile assumes an efficiently run organization with a “bottom line” mentality.

## Personnel

Data in **Table VIII-6** presents an illustrative staffing profile for the new Cavanaugh Flight Museum based on facility size and projected attendance patterns, the current staffing profile and the experience of comparable aviation museums. The staffing profile includes a staff of 21 full-time, 9 part-time year-round and 4 seasonal employees, for a total of 26.5 full-time equivalent positions. These include personnel to cover administration, operations, retail and ticket sales, marketing, membership, special events, education, volunteer coordination, exhibits, LFFT and maintenance as

well as aviation operations. In addition, an allowance of \$25,000 is included in the plan for pilot services and temporary labor that may be needed to cover vacations or for special events. A strong cadre of volunteers, who would have educational and interpretive duties as well as assisting with special projects, aircraft restoration and other important functions, will be vital to the successful operation of the facility. The wage and salary figures are for illustrative purposes only and in no way are meant to represent actual or recommended salaries by position or position type. However, as a whole, these estimates are representative of salary levels in the industry, and are illustrative of salary requirements for the facility as conceived.

In total, a payroll of \$1,013,000 is estimated. As noted an additional \$25,000 is budgeted for temporary labor. Compensation levels for the project were developed by reviewing information on wage rates and fringe benefits for other aviation museums and museums. A 28 percent fringe rate was utilized based on a mix of full-time and part-time personnel. The total payroll for the aviation museum, based on this staffing profile, is estimated at \$1,296,000 plus \$25,000 in temporary labor. Personnel salaries and wages as projected are approximately 51 percent of total expenses at the facility, which is typical in the industry.

### **Other Operating Expenses**

In addition to salaries and fringe benefits, expenditures are assigned for a number of categories, including marketing, operations insurance, utilities, staff overhead costs etc. A capital reserve budget equivalent to 2 percent of total operating costs is assumed as part of the total operating budget for the project. Data in **Table VIII-7** provide a prototypical operating expense profile for the facility based on typical operating factors for moderately scaled aviation museums, and the facility size in this analysis. Following is a discussion of individual items.

- ◆ **LFFT Operating Costs** – The operating costs associated with an LFFT vary depending on the system and the vendor. This analysis provides typical operating costs and terms. The analysis includes royalty payments of 20 percent of gross sales, 6 film prints annually at \$12,000 each, and a \$30,000 maintenance contract. These estimates are based on input from LFFT system suppliers. While this analysis uses two month film “runs”, some distributors seek longer runs. This analysis assumes that more popular films that were able to command longer runs would be commensurately more popular in the marketplace, creating minimal net attendance impacts.

**Table VIII-6  
Illustrative Personnel Positions and Salaries  
Cavanaugh Flight Museum with LFFT**

| Position   | Annual Salaries (FTE) | Number of Full Time Positions | Number of Part Time Positions | Number of Summer Positions | Number of Full-Time Positions Filled by Volunteers | Total Salary Budget |
|--|-----------------------|-------------------------------|-------------------------------|----------------------------|--|---------------------|
| <b>Administration, Marketing, Development and Membership</b> |                       |                               |                               |                            |  |                     |
| Executive Director   | \$90,000              | 1                             |                               |                            |  | \$90,000            |
| Office Administrator/ Human Resources Coordinator            | \$38,000              | 1                             |                               |                            |  | \$38,000            |
| Financial and Development Manager                            | \$70,000              | 1                             |                               |                            |  | \$70,000            |
| Marketing and Events Manager                                 | \$65,000              | 1                             |                               |                            |  | \$65,000            |
| Membership Coordinator/Administrative Assistant              | \$30,000              | 1                             |                               |                            |  | \$30,000            |
| <b>Curatorial &amp; Educational Programs</b>                 |                       |                               |                               |                            |  |                     |
| Manager of Education & Curation                              | \$55,000              | 1                             |                               |                            |  | \$55,000            |
| Head Curator   | \$46,000              | 1                             |                               |                            |  | \$46,000            |
| Exhibit / MIS Technician                                     | \$45,000              | 1                             |                               |                            |  | \$45,000            |
| Educator / Volunteer Manager                                 | \$40,000              | 1                             |                               |                            |  | \$40,000            |
| <b>Aircraft Operations &amp; Maintenance</b>                 |                       |                               |                               |                            |  |                     |
| Head of Aviation Services                                    | \$65,000              | 1                             |                               |                            |  | \$65,000            |
| Aviation Mechanics   | \$43,000              | 3                             |                               |                            |  | \$129,000           |
| Helper   | \$22,000              | 1                             |                               |                            |  | \$22,000            |
| Visitor Assistants (Trained Volunteers)                      | \$0                   |                               |                               |                            | 5  | \$0                 |
| Airplane Restoration & Maintenance                           |                       |                               |                               |                            | 5  | \$0                 |
| <b>Retail &amp; Admissions</b>                               |                       |                               |                               |                            |  |                     |
| Museum Store Manager   | \$40,000              | 1                             |                               |                            |  | \$40,000            |
| Cashiers - Admissions/Retail                                 | \$19,000              | 2                             | 3                             |                            |  | \$66,500            |
| Cashiers - Admissions/Retail (Summer)                        | \$5,000               |                               |                               | 2                          |  | \$10,000            |
| <b>Large Format Film Theater (LFFT)</b>                      |                       |                               |                               |                            |  |                     |
| LFFT Supervisor & Projectionist                              | \$38,000              | 1                             |                               |                            |  | \$38,000            |
| Projectionists   | \$28,000              |                               | 2                             |                            |  | \$28,000            |
| LFFT Ushers  | \$16,000              | 1                             | 2                             |                            | 2  | \$32,000            |
| LFFT Ushers (Summer)   | \$4,000               |                               |                               | 2                          | 1  | \$8,000             |
| <b>Facility Operations</b>                                   |                       |                               |                               |                            |  |                     |
| Facility Operations Manager                                  | \$55,000              | 1                             |                               |                            |  | \$55,000            |
| Facility Maintenance & Grounds                               | \$20,000              | 1                             | 2                             |                            |  | \$40,000            |
| <b>Total Museum &amp; LFFT</b>                               |                       | 21                            | 9                             | 4                          | 13   | \$1,012,500         |
| Fringe & Benefits (@ 28% of Salary)                          |                       |                               |                               |                            |  | \$283,500           |
| <b>Total Salaries &amp; Benefits Budget</b>                  |                       |                               |                               |                            |  | \$1,296,000         |
| <b>Total Full Time Equivalent Positions (FTE'S)</b>          |                       |                               |                               |                            |  | 26.50               |
| <b>Total Positions Supplemented by Volunteers</b>            |                       |                               |                               |                            |  | 13.00               |

NOTES:

-- Part Time Employees Calculated at 50% FTE, Summer workers at 25% FTE.

-- Salaries are provided for illustrative and planning purposes. These are not necessarily meant to reflect any current or future individual salary. In total, these represent a reasonable summary of personnel costs. Year 1 represents 2005 value of the d

-- Visitor Assistants, Cashiers and LFFT Ushers paid positions can be supplemented by Museum Volunteers. Additional of temporary labor has been included to cover peak periods, vacations of hourly staff, overtime etc.

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

- ◆ **Administrative and Overhead** – Including postage & shipping, telephone, travel and development, Equipment Rental / Lease, dues & subscriptions, office supplies, outside services such as accounting, legal and consulting, general business expenses.
- ◆ **Advertising/Promotion** – includes advertising, printing and publications include the design, production and distribution expenses for advertising, and other printed matter including in-house produced promotional materials. The Cavanaugh Flight Museum is expected to receive much free publicity by local media stations due to the high profile it will have locally. It should participate in co-op marketing to the extent possible. \$226,500 is budgeted for marketing, publicity and advertising based on a per capita budget.
- ◆ **Printing, Publications** – Includes printing costs for brochures, visitor guides, office stationary and letterhead, educational kits, and a quarterly member newsletter.
- ◆ **Changing Exhibits / Programs / Events** – The new Cavanaugh Flight Museum will sponsor events and special exhibits. Over time, there will be a need to update exhibits and to feature new topics. A moderate budget for such activities has been included in the operating budget. Major investments in new exhibits and major events would likely require special funding or capital drives dedicated to the project.
- ◆ **Janitorial** – Includes maintenance, janitorial and operating supplies, and miscellaneous.
- ◆ **Utilities** – Utility costs are estimated at \$1.00 per square foot for utilities. This estimate is based on current Cavanaugh Flight Museum experience. In the future, this may vary depending on the systems installed in the building, and future energy costs.
- ◆ **Facility Insurance** – These costs are based on an estimate of \$0.50 per square foot, based on assumed project size and the current Cavanaugh Flight Museum experience.
- ◆ **Repairs and Maintenance Expenses** – Expenses related to maintaining building systems, and general building functions. In addition, many exhibits will require on-going maintenance and repair. The specific exhibits will have differing maintenance requirements. Exterior areas will also require expenditures for upkeep and maintenance. These costs are based on an estimate of \$.75 per square foot.
- ◆ **Aviation Operations** – Expenses related to Aircraft Insurance Aircraft Maintenance & Restoration Aircraft Fuel Hangar Maintenance & Utilities. These are based on the museum's current operations in these areas.
- ◆ **Miscellaneous and Contingency** – Other small expenditure items not covered in prior categories.

**Table VIII-7  
Illustrative Operating Expenses By Type in Current Dollars  
Cavanaugh Flight Museum with LFFT**

| <b>Project Parameters</b>                   |                    | <b>Factors</b>          |                                  |
|---|--------------------|-------------------------|----------------------------------|
| Project Indoor Square Footage               | 102,500            |                         |                                  |
| Number of Seats in LFFT                     | 100                |                         |                                  |
| Maintenance Hangar Indoor Square Footage    | 30,000             |                         |                                  |
| Mid-Range Museum Gate                       | 125,330            |                         |                                  |
| Mid-Range LFFT Gate                         | 83,050             |                         |                                  |
| Total Museum and LFFT Stabilized Attendance | 151,000            | Mid Range               |                                  |
| Employees (FTE's)                           | 26.5               | See Personnel Schedule  |                                  |
| <b>Detailed Budgetary Analysis</b>          | <b>Amount</b>      | <b>Percent to Total</b> | <b>Expense Factor</b>            |
| Salaries (FTE, PTE)                         | \$1,012,500        | 39.3%                   | See Personnel Schedule           |
| Fringe / Benefits (@ 28% of Sal.)           | 283,500            | 11.0%                   | See Personnel Schedule           |
| Pilot Services / Temporary Labor            | 25,000             | 1.0%                    | Budgeted                         |
| LFFT Film prints                            | 72,000             | 2.8%                    | 6 prints @ \$12,000 8/70 Film    |
| Ticket Royalties <sup>1/</sup>              | 61,738             | 2.4%                    | 20% of Gross LFFT Ticket Revenue |
| LFFT Maintenance                            | 30,000             | 1.2%                    | For audio visual and other       |
| Administrative & Overhead <sup>2/</sup>     | 106,000            | 4.1%                    | @ \$4,000 Per FTE                |
| Advertising                                 | 226,500            | 8.8%                    | @ \$1.50 Per Attendee            |
| Printing & Publications                     | 37,750             | 1.5%                    | @ \$.25 Per Attendee             |
| Changing Exhibits / Programs / Events       | 50,000             | 1.9%                    | Budgeted                         |
| Janitorial                                  | 61,500             | 2.4%                    | @ \$0.60 Per SF                  |
| Utilities                                   | 102,500            | 4.0%                    | @ \$1.00 Per SF                  |
| Facility Insurance                          | 51,250             | 2.0%                    | @ \$.50 Per SF                   |
| Repairs & Maintenance, Grounds              | 76,875             | 3.0%                    | @ \$.75 Per SF                   |
| Aircraft Insurance                          | 80,000             | 3.1%                    | Budgeted                         |
| Aircraft Maintenance & Restoration          | 125,000            | 4.8%                    | Budgeted                         |
| Aircraft Fuel                               | 45,000             | 1.7%                    | Budgeted                         |
| Hangar Maintenance & Utilities              | 37,500             | 1.5%                    | @ \$1.25 Per SF                  |
| Other Miscellaneous / Contingency           | 42,405             | 1.6%                    | 2% of Total Operating Costs      |
| <b>Subtotal Operating Expenses</b>          | <b>\$2,527,018</b> | <b>98.0%</b>            |                                  |
| <b>Capital Reserves</b>                     | <b>\$50,540</b>    | <b>2.0%</b>             | 2% of Total Op. Expenses         |
| <b>Total Operating Expenses</b>             | <b>\$2,577,559</b> | <b>100.0%</b>           |                                  |
| <b>Operating Analysis</b>                   |                    |                         |                                  |
| Operating Expense Per Square Foot           | \$25.15            |                         |                                  |
| Operating Expense Per Visitor               | \$17.07            |                         |                                  |
| Attendees Per FTE                           | 5,698              |                         |                                  |
| Op. Exp Per FTE                             | \$97,266           |                         |                                  |
| Average Salary Per FTE                      | \$38,208           |                         |                                  |
| Square Feet Per FTE                         | 3,868              |                         |                                  |

<sup>1/</sup> Royalties can range from 15 to 25 percent of gross LFFT ticket revenues.

<sup>2/</sup> Includes Telephone & Website, Professional & Outside Services, Postage & Shipping, Equipment Rental / Lease, Subscriptions, Travel & Development, staff uniforms expenses

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

A moderate capital repairs fund is included for small-scale capital repairs and improvements at 2 percent of operating expenses. It should be noted that this budget does not include funds for major capital repairs (which would not be anticipated for some time), nor does it include funds for exhibit renewal. These major capital items would be paid for through outside gift and grant funds, and / or through retained earnings.

### **Operating Expense Performance**

Data in **Table VIII-8** translates the operating expense analyses to a ten-year operating expense profile. The stable year operating expense is estimated at \$2,578,000 in current dollars. An estimated break-out of the expenses allocated to Aviation Operations is included in this analysis. This includes personnel as well as direct expenditures. These equal about \$403,000 in current dollars. Based on the analysis in this report, this profile translates into an operating expense of approximately \$25 per square foot for the proposed program. However, without Aviation Operations, the per square foot cost is about \$21 per square foot. This includes the LFFT expenses that are relatively high on a square foot basis. Operating costs of aviation museums vary based on their size, the efficiency of their systems, seasonal operation, and the relative “cost of living” in the area. The expense profile of the new Cavanaugh Flight Museum is within the experience of other aviation museums adjusted to its individual circumstances.

### **Operating Scenario**

This analysis is of a moderately scaled aviation museum operating in the market study’s mid-range attendance scenario. A preliminary financial pro forma summary for the new Cavanaugh Flight Museum is presented in **Table VIII-9**. Stable year earned revenue potential at the new Cavanaugh Flight Museum is estimated at \$2,129,000. The stable year operating expense is estimated at \$2,578,000. This creates a need for contributed revenues and endowment of \$449,000, or approximately 17 percent of total revenues. This is a profile that is typical among aviation museums of this scale. Over a ten-year period there will be some variability in net operating income based on the years’ individual circumstances. Securing on-going contributed revenue streams is critical to future success. Establishing an operating endowment is strongly recommended as well as the establishment of operating reserves that are available to address the typical changes in attendance, fundraising and operating costs that occur at museums.

**Table VIII-8**  
**Projected Operating Expenses**  
**Cavanaugh Flight Museum with LFFT**

| EXPENSE CATEGORY                              | YEAR 1             | YEAR 2             | Stable             |                    |                    |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   |                    |                    | YEAR 3             | YEAR 4             | YEAR 5             | YEAR 6             | YEAR 7             | YEAR 8             | YEAR 9             | YEAR 10            |
| Personnel                                     | \$1,321,000        | \$1,354,025        | \$1,387,876        | \$1,422,573        | \$1,458,137        | \$1,494,590        | \$1,531,955        | \$1,570,254        | \$1,609,510        | \$1,649,748        |
| LFFT Costs                                    | 163,738            | 167,832            | 172,028            | 176,328            | 180,737            | 185,255            | 189,886            | 194,634            | 199,499            | 204,487            |
| Changing Exhibits / Programs / Events         | 50,000             | 51,250             | 52,531             | 53,845             | 55,191             | 56,570             | 57,985             | 59,434             | 60,920             | 62,443             |
| Administrative & Overhead                     | 106,000            | 108,650            | 111,366            | 114,150            | 117,004            | 119,929            | 122,928            | 126,001            | 129,151            | 132,379            |
| Advertising and Marketing                     | 264,250            | 270,856            | 277,628            | 284,568            | 291,683            | 298,975            | 306,449            | 314,110            | 321,963            | 330,012            |
| Utilities, Insurance                          | 153,750            | 157,594            | 161,534            | 165,572            | 169,711            | 173,954            | 178,303            | 182,760            | 187,329            | 192,013            |
| Maintenance/Janitorial                        | 138,375            | 141,834            | 145,380            | 149,015            | 152,740            | 156,559            | 160,473            | 164,484            | 168,597            | 172,811            |
| Aircraft Operations                           | 287,500            | 294,688            | 302,055            | 309,606            | 317,346            | 325,280            | 333,412            | 341,747            | 350,291            | 359,048            |
| Other   | 42,405             | 43,465             | 44,552             | 45,665             | 46,807             | 47,977             | 49,177             | 50,406             | 51,666             | 52,958             |
| Capital Reserves <sup>1/</sup>                | 50,540             | 51,804             | 53,099             | 54,426             | 55,787             | 57,182             | 58,611             | 60,077             | 61,579             | 63,118             |
| <b>TOTAL EXPENSES</b>                         | <b>\$2,577,559</b> | <b>\$2,641,998</b> | <b>\$2,708,048</b> | <b>\$2,775,749</b> | <b>\$2,845,142</b> | <b>\$2,916,271</b> | <b>\$2,989,178</b> | <b>\$3,063,907</b> | <b>\$3,140,505</b> | <b>\$3,219,018</b> |
| <i>Expense Analysis</i>                       |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Estimated Aircraft Operations Expenses</b> | \$403,355          | \$413,439          | \$423,775          | \$434,369          | \$445,228          | \$456,359          | \$467,768          | \$479,462          | \$491,449          | \$503,735          |
| <b>Estimated Museum Operations Expenses</b>   | 2,174,204          | 2,228,559          | 2,284,273          | 2,341,379          | 2,399,914          | 2,459,912          | 2,521,410          | 2,584,445          | 2,649,056          | 2,715,282          |
| <b>Total</b>                                  | <b>\$2,577,559</b> | <b>\$2,641,998</b> | <b>\$2,708,048</b> | <b>\$2,775,749</b> | <b>\$2,845,142</b> | <b>\$2,916,271</b> | <b>\$2,989,178</b> | <b>\$3,063,907</b> | <b>\$3,140,505</b> | <b>\$3,219,018</b> |

Note: Year one calculated at the 2005 value of the dollar, with subsequent years reflecting the assumed inflation rate.

1/ Provides funds for minor capital replacement, new exhibits and changing exhibits, as necessary. Major capital funds for future facility and exhibits renewal assumed to come from future capital campaigns.

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

**Table VIII-9**  
**Operations Summary at Break-Even**  
**Cavanaugh Flight Museum with LFFT**

|                             | Stabilized Year in Current Dollars | Stable               |                    |                    |                    |                    |                    |                    |                    |                    |                    |
|-----------------------------|------------------------------------|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                             |                                    | YEAR 1 <sup>1/</sup> | YEAR 2             | YEAR 3             | YEAR 4             | YEAR 5             | YEAR 6             | YEAR 7             | YEAR 8             | YEAR 9             | YEAR 10            |
| <b>Revenue</b>              |                                    |                      |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Earned Revenue              | \$2,128,508                        | \$2,250,459          | \$2,216,504        | \$2,259,415        | \$2,281,875        | \$2,406,080        | \$2,430,258        | \$2,562,400        | \$2,588,431        | \$2,729,726        | \$2,755,899        |
| Endowment Proceeds          | \$90,000                           | \$90,000             | \$93,173           | \$96,447           | \$99,828           | \$103,317          | \$106,918          | \$110,635          | \$114,470          | \$118,429          | \$122,513          |
| Contributed Revenues        | \$359,051                          | \$237,100            | \$332,322          | \$352,186          | \$394,046          | \$335,745          | \$379,095          | \$316,143          | \$361,006          | \$292,350          | \$340,605          |
| <b>Total Revenues</b>       | <b>\$2,577,559</b>                 | <b>\$2,577,559</b>   | <b>\$2,641,998</b> | <b>\$2,708,048</b> | <b>\$2,775,749</b> | <b>\$2,845,142</b> | <b>\$2,916,271</b> | <b>\$2,989,178</b> | <b>\$3,063,907</b> | <b>\$3,140,505</b> | <b>\$3,219,018</b> |
| <b>Operating Expenses</b>   | <b>\$2,577,559</b>                 | <b>\$2,577,559</b>   | <b>\$2,641,998</b> | <b>\$2,708,048</b> | <b>\$2,775,749</b> | <b>\$2,845,142</b> | <b>\$2,916,271</b> | <b>\$2,989,178</b> | <b>\$3,063,907</b> | <b>\$3,140,505</b> | <b>\$3,219,018</b> |
| <b>Net Operating Income</b> | <b>\$0</b>                         | <b>\$0</b>           | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         | <b>\$0</b>         |

1/ Revenue and expense represent 2005 value of the dollar.

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

Based on the analysis in this report, the new Cavanaugh Flight Museum has the potential to cover its operating costs with strong operations and fundraising targets typical in the museum industry, and to provide substantial community benefits.

### **Museum Operating Scenario Without LFFT**

As an alternate to the baseline scenario presented herein, an attendance and operations analysis without an LFFT has been prepared. It is estimated that this would reduce project capital costs to an extent, and that the scale of the museum's staff and operating budget would be decreased.

However, the revenue streams would be reduced to a greater extent. Museum attendance would be lower; estimated at 108,000 (versus a museum "gate" of about 125,000 estimated with LFFT.) In a mid-range stable year and current dollars, the earned revenue potential at the new Cavanaugh Flight Museum without LFFT is estimated at \$1,657,000. The stable year operating expense is estimated at \$2,213,000. This creates a need for contributed revenues and endowment of \$556,000, or approximately 25 percent of total revenues. **Appendix A** includes a series of fourteen tables that provide the attendance and operating analysis for this alternative development scenario.

While there are substantial capital and operating costs for an LFFT, the inclusion of an LFFT should be strongly considered for the enhanced visitor experience and higher attendance potential, as well as positive revenue flows. The choice of LFFT format is crucial to success, and the continued evolution of the large format film industry must be monitored as planning proceeds and must guide the final decision on inclusion of an LFFT with the museum.

## Section IX

### ECONOMIC IMPACTS POTENTIAL

The Cavanaugh Flight Museum has the potential to create substantial economic impacts to Addison, Dallas County and to the State of Texas as a whole. The analysis includes the following data and analyses:

- ◆ **Construction Period Impacts** – An evaluation of the one-time economic impacts of project construction. These direct spending estimates are then analyzed for their indirect and induced “multiplier” effects to estimate the total economic impacts of the construction period. This includes the one-time total economic activity (expenditures); total employment (full-time and part-time person-years of employment); and total earnings.
- ◆ **Economic Impacts of Ongoing Operations** – An evaluation of the annual direct spending by the Cavanaugh Flight Museum and the spending by visitors outside the Museum but in conjunction with their visit. These direct spending estimates are then analyzed for their indirect and induced “multiplier” effects to estimate the total economic impacts of facility operations. This includes total economic activity (expenditures); total employment (full-time and part-time); and total earnings.
- ◆ **Fiscal Impacts of Ongoing Operations** – An evaluation of the annual taxes generated in selected categories due to the project.
- ◆ **Qualitative Assessment of Economic Impacts** – An assessment of the quality of life and general economic development benefits that the Cavanaugh Flight Museum will create for Addison and the State as a whole.

The economic benefits resulting from the construction and operations of the Cavanaugh Flight Museum will be based on the following direct economic activity:

- ◆ **Direct Construction Employment and Construction Expenditures.** Construction and fit-out of the new architectural and exhibit elements at the Cavanaugh Flight Museum will result in a positive impact on the regional economy during its construction period. The impacts will include direct employment during the construction period for construction and workers engaged in pre-opening activities; and expenditures in the State economy due to construction and project ramp-up. In turn, these direct expenditures in the State economy will “multiply” to create indirect and induced employment, wages and output. This is a one-time impact of the project.

- ◆ **Direct Spending by the Cavanaugh Flight Museum.** As a major expanded “business” in Addison, the Cavanaugh Flight Museum will play an active role in the local economy and help create jobs for local residents. Expenditures of the Cavanaugh Flight Museum will include salaries and wages as well as operating costs such as utilities, marketing, supplies and materials, professional services and printed materials among many others. This analysis evaluates total Cavanaugh Flight Museum operating budgets rather than simply the growth from current museum to measure the future impact the project will have when in operation.
- ◆ **Visitor Spending in the Local Economy.** The on-going operations of the Cavanaugh Flight Museum as it attracts visitors from resident and visitor markets will form a stream of economic benefits to the local area economy (Addison and the remainder of Dallas County) and the State of Texas defined as the “regional economy”. Spending at the Cavanaugh Flight Museum itself will be largely net new to the local area and the State. The Cavanaugh Flight Museum will help to attract new visitors to Addison who would otherwise not visit, contribute to longer stays in the area, and help to retain leisure expenditures of residents that would otherwise be made elsewhere.

In addition to the on-site spending at the Cavanaugh Flight Museum (for tickets and gifts, for example), visitors will also spend for goods and services off-site in conjunction with their visit. Off-site spending by visitors to the Cavanaugh Flight Museum in conjunction with their visit would include overnight accommodations on the day of the Cavanaugh Flight Museum visit for some, food, transportation and retail purchases, as well as other recreational and cultural attractions. In this regard, the Cavanaugh Flight Museum acts as a facilitator of local economic development by providing a gathering place for residents and visitors that supports business activity proximate to the facility. A large portion of the visitor spending associated with a visit to the facility will be net new to the local area.

**Indirect and Induced Economic Activity.** As the direct spending due to the Cavanaugh Flight Museum flows to local businesses, the money is, in turn, re-spent by the businesses for personnel, business expenses and the costs of any goods sold in the local economy. The portion of spending that supports wages and salaries (employment) is also in-turn respent by the employees for housing, retail, services and other categories in the local economy. Subsequent rounds of spending occur, with the total effect on an area’s economy of the initial round of new direct spending estimated through a “multiplier” effect. The Department of Commerce’s Bureau of Economic Analysis provides mathematical factors for discrete geographies for an array of spending types that result in an estimate of total economic impacts from new spending due to an economic unit such as the Cavanaugh Flight Museum. This includes direct, indirect and induced economic activity. Categories of measurement include expenditures, earnings and employment.

### **Fiscal Revenue Generation**

The Cavanaugh Flight Museum will generate taxes for the State and local government. Fiscal revenue impacts in selected tax categories generated include the following:

- ◆ Town and State sales taxes from visitor spending at the Cavanaugh Flight Museum in conjunction with a visit.
- ◆ Town, County and State sales, mixed beverage, transit, restaurant sales and hotel taxes from net new spending by attendees in conjunction with their visit to the Cavanaugh Flight Museum.
- ◆ Town and State sales and transit taxes from the personal spending of facility employees.
- ◆ State sales taxes from the personal spending of employees indirectly supported by the net new spending due to the project.

This analysis presents all dollar amounts in the current 2005 value of the dollar unless otherwise noted. This analysis assumes full build-out and stabilized operations for the Cavanaugh Flight Museum.

### **Construction Period Impacts**

Construction of the Cavanaugh Flight Museum will result in a one-time positive impact to the region's economy. The impacts will include direct employment for construction workers during the construction period, and indirect and induced employment, wages and output. Construction project costs are estimated at \$20.75 million for the Cavanaugh Flight Museum. Of this amount an estimated 75 percent of construction expenditures are estimated to be made in-State. As planning proceeds, this amount would be refined; with any changes affecting the estimate of construction period economic impacts.

Data in **Table IX-1** present the results of the construction period impact analysis for the State of Texas as a whole. The direct impact data are presented as direct expenditures for Construction and the number of direct full-time equivalent person-years<sup>37</sup> of employment it would create. In addition to the direct expenditures and employment in the Regional (State) economy, there will be "multiplier" effects creating indirect and induced expenditures earnings (wages and income), and employment in the regional economy. The total economic effect includes direct, indirect and induced expenditures in the regional economy, earnings (wages and income), and employment due

to the construction of the Cavanaugh Flight Museum. Construction is a one-time event, and not an ongoing project impact. The following discusses the results of the construction impact analyses.

### **Direct Construction Period Expenditures and Employment**

In order to estimate the direct jobs supported by the development of the Cavanaugh Flight Museum, an estimate of 75 percent of all development costs are assumed to occur in-State. The development costs are also allocated to wages and overhead and purchases of materials, equipment and services. Wages and overhead are estimated at 40 percent of construction costs in Texas.

Construction wage data from the Texas Employment Commission were used as the basis for estimated average annual wages. Based on these factors, direct construction and development activity from the Cavanaugh Flight Museum is projected to directly support 131 full-time equivalent construction and development-related person-years of employment during the development period. Total direct in-State wages and salaries from construction are estimated at \$4.0 million. These include construction workers, and workers engaged in project planning. It should be noted that the estimated direct effects are a subset of the estimated total economic impacts.

### **Total Construction Period Economic Impacts**

Additional indirect and induced employment is expected to be created during, and subsequent to, the development phase as well, due to the multiplier effects from expenditures for the construction of the project. These are also one-time effects. The economic multipliers used in this analysis to estimate secondary and induced economic impacts were supplied by the Department of Commerce, Bureau of Economic Analysis (BEA) from a customized computer run of their RIMS II Input-Output Model for the State of Texas.

Indirect and induced project development effects would occur in a single one- to two-year period following an initial direct expenditure. The one-time total economic impact (which includes the above direct impacts and indirect and induced effects) of construction is estimated at the State level. The impacts would include approximately \$55.7 million in expenditures (economic activity) in the State economy, of which approximately \$17.3 million would be wages and salaries.

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<sup>37</sup> A person-year of employment is the equivalent of full-time employment for one person for one year.

**Table IX-1  
Estimated Construction Period Impacts to the State of Texas  
Cavanaugh Flight Museum**

|   |                     |   |                                 |
|---|---------------------|---|---------------------------------|
| <i>Estimated Development Expenditures</i> <sup>1/</sup>   | \$20,750,000        |   |                                 |
| <i>Estimated Development Expenditures For Cavanaugh Flight Museum within the State of Texas</i> | \$15,562,500        |   |                                 |
| <i>Direct Person-Years of Development Related Employment</i> <sup>2/</sup>                      | 131                 |   |                                 |
| <i>Estimated Avg. Annual Construction Wages &amp; OH</i> <sup>2/</sup>                          | \$38,100            |   |                                 |
|   |                     | <i>Multipliers</i> <sup>3/</sup>                          |                                 |
|   | <u>Expenditures</u> | <u>Earnings</u>   | <u>Employment</u> <sup>4/</sup> |
| <b>Applicable Multipliers, State of Texas</b>   | 2.5776              | 0.8553  | 24.1837                         |
|   |                     | <i>Total Direct, Indirect &amp; Induced</i> <sup>5/</sup> |                                 |
|   | <u>Expenditures</u> | <u>Earnings</u>   | <u>Employment</u> <sup>6/</sup> |
| <b>Total Indirect and Induced Impacts in the State of Texas</b>                                 | \$40,113,900        | \$13,310,606  | 348                             |
| <b>Total Direct Impacts</b>   | \$15,562,500        | \$3,992,880   | 131                             |
| <b>Estimated Total Economic Impacts to the State of Texas</b>                                   | <b>\$55,676,400</b> | <b>\$17,303,486</b>                                       | <b>479</b>                      |

1/ Preliminary and conceptual estimate of development budget at \$175 per square foot for 100,000 SF museum; \$400 per square foot for additional 2,500 SF LFFT; plus \$75 per square foot for a 30,000 SF maintenance hangar. Does not include endowment or any

2/ Construction wages and overhead are estimated to equal 40% of total development costs. All workers are assumed to have 25% overhead costs in addition to annualized salary. Average annual 2004 mean construction wages of \$29,764 for Dallas County infl

3/ See text for discussion of multipliers. Multipliers from a custom run of the Bureau of Economic Analysis' RIMS II Input-Output Model.

4/ In jobs per million dollars of expenditures, multipliers are based on the 2005 value of the dollar, with jobs per million factored to 2005 from 2003 value.

5/ The total effects shown include the direct spending in Texas for the new Cavanaugh Flight Museum.

6/ Includes full time and part time jobs at a ratio similar to the mix of the economy as a whole.

Note: All estimates are in current dollars. The economic model includes rounding that is reflected in individual results, factors and totals.

Source: ConsultEcon, Inc.

An estimated 479 total person-years of employment (including the above direct employment and indirect and induced employment) are estimated to be supported due to project development. Much of this Statewide direct spending would occur in Addison which is the locus of the initial expenditure.

## **ECONOMIC IMPACTS DUE TO ONGOING OPERATIONS**

The ongoing operations of the Cavanaugh Flight Museum, as it attracts visitors from resident and visitor markets, will form a stream of economic benefits to Dallas County (the local area is defined as Addison) and to the State of Texas. Much of the spending due to the Cavanaugh Flight Museum operations will be net new to Dallas County as well as to the State of Texas as a whole. That is, it will include new economic activity for the economic units being evaluated. For residents and visitors to the area, it will be an enhanced spending opportunity well beyond current offerings. It will be an attraction that draws visitors to Addison. This study evaluates new visitor spending and its total impacts (the “multiplier” effect) at the county level, because the Cavanaugh Flight Museum will be located in Addison in Dallas County. In addition, Statewide impacts are evaluated.

The market study for the Cavanaugh Flight Museum indicates that there is an opportunity to attract new visitors to Addison and the region as a whole to visit the project who would not otherwise visit. For others, a stay in the Addison area would be extended to visit the Cavanaugh Flight Museum. In addition, the project would retain spending of residents who would otherwise go elsewhere for an educational and entertainment experience comparable to the Cavanaugh Flight Museum.

This evaluation is of the on-going economic impacts of the Cavanaugh Flight Museum as a new “business” in Addison. The economic impact analysis includes the operating budget of the Cavanaugh Flight Museum as generating direct economic activity. Then an estimate of the spending by facility visitors in conjunction with their visit is made. These spending streams are then evaluated to estimate the percentage of visitor spending that is net new to the local economy (in Dallas County) and the regional economy (State of Texas), which are the geographic areas or (or economic units) under evaluation. This “net new spending” is the first round of spending which then “multiplies” through the area under consideration, to form the total economic impact of the project. In addition this analysis provides an estimate of selected categories of direct fiscal revenues that would accrue to various government jurisdictions due to the project, as well from associated multiplier effects.

### **Estimates of Visitor Spending**

The estimate of visitor spending that will occur at the Cavanaugh Flight Museum, or as part of a visit, is based on the projections of the market and operations analysis, secondary data on visitor

spending in the Addison area provided in the report, and an evaluation of the local pricing structure. This data is used in profiling the likely characteristics and spending patterns of visitors to the Cavanaugh Flight Museum. Estimated spending patterns were prepared for three types of visitors: tourists on overnight trips using commercial accommodations, people on overnight trips staying with friends and relatives; and local and longer range day trips. These data were analyzed by spending category according to typical spending patterns for leisure travelers. Data in **Table IX-2** present these data and analyses. Only amounts spent off-site are estimated. The effects of on-site spending are factored through the operating budget of the Cavanaugh Flight Museum. The planned operating budget of the Cavanaugh Flight Museum is included within this “baseline direct spending” analysis. The operating budget of the Cavanaugh Flight Museum is detailed in Section VIII of this report. All of the Cavanaugh Flight Museum operations spending is considered “net new” to the economies of Dallas County and the State of Texas.

### **Location of Spending**

Due to the direct economic activity discussed above, additional indirect and induced economic activity occurs in the area. The location in which the spending occurs effects the distribution of total economic activity by geographic area. In this analysis, Addison and the remainder of Dallas County are considered the “local economy” and the State of Texas as a whole is the “regional economy”. Data in **Table IX-3** provide estimated distribution of visitor spending between Addison, Dallas County and other locations in the State of Texas. That is, visitors on day-trips may have lunch in Addison, or outside of the local area; some overnight visitors may stay in accommodations in or outside of the local area. Of course, given Addison’s location, the vast majority of day-of-visit spending will occur within Addison and the remainder of Dallas County.

The economic development purpose of the project is to stimulate new spending by visitors in the local economy, both within the Cavanaugh Flight Museum facility and at other businesses in Addison and surrounding areas. The sources of the direct impacts of the Cavanaugh Flight Museum and the subsequent rounds of spending (“multiplier effects”) in the local and regional economy are:

**Table IX-2**  
**Calculations of Estimated Visitor Spending Potential**  
**In a Stabilized Year Under a Mid-Range Attendance Scenario**  
**Cavanaugh Flight Museum**

| <i>Source of Visitation</i> <sup>1/</sup>  | <b>Day Trips</b> | <b>Hotel/Motel</b> | <b>Stay with Friends &amp; Relatives</b> | <b>Total</b>                          |
|--|------------------|--------------------|--|---------------------------------------|
| Primary Market Area  | 100%             | 0%                 | 0%                                       | 100%                                  |
| Secondary Market Area  | 93%              | 2%                 | 5%                                       | 100%                                  |
| Tourists   | 0%               | 70%                | 30%                                      | 100%                                  |
| <i>Estimated Distribution Of Visitors By Origin</i> <sup>1/</sup>  | <b>Day Trips</b> | <b>Hotel/Motel</b> | <b>Stay with Friends &amp; Relatives</b> | <b>Stable Year Total</b>              |
| Primary Market Area  | 101,000          | -                  | -  | 101,000                               |
| Secondary Market Area  | 17,670           | 380                | 950                                      | 19,000                                |
| Tourists   | -                | 21,000             | 9,000                                    | 30,000                                |
| <b>Total Attendance</b>  | 118,670          | 21,380             | 9,950                                    | 150,000                               |
| <i>Potential Current Year Per Person Spending (in addition to on-site spending at Cavanaugh Flight Museum)</i> <sup>2/3/</sup> | <b>Day Trips</b> | <b>Hotel/Motel</b> | <b>Stay with Friends &amp; Relatives</b> | <b>Average Per Capita</b>             |
| Accommodations   | \$0.00           | \$40.00            | \$0.00                                   | \$5.70                                |
| Food & Beverage  | 12.50            | 25.00              | 18.75                                    | \$14.70                               |
| Retail   | 10.00            | 20.00              | 15.00                                    | \$11.76                               |
| Ground Transportation (Largely Gas)  | 5.00             | 5.00               | 5.00                                     | \$5.00                                |
| Entertainment/Recreation   | 2.00             | 4.00               | 3.00                                     | \$2.35                                |
| Other  | 3.00             | 6.00               | 6.00                                     | \$3.63                                |
| <b>Total</b>   | \$32.50          | \$100.00           | \$47.75                                  | \$43.13                               |
| <i>Spending Matrix (In addition to on-site spending at Cavanaugh Flight Museum)</i>  | <b>Day Trips</b> | <b>Hotel/Motel</b> | <b>Stay with Friends &amp; Relatives</b> | <b>Total</b>                          |
| Accommodations   | \$0              | \$855,200          | \$0                                      | \$855,200                             |
| Food & Beverage  | \$1,483,375      | \$534,500          | \$186,563                                | 2,204,438                             |
| Retail (In addition to Cavanaugh Flight Museum)  | \$1,186,700      | \$427,600          | \$149,250                                | 1,763,550                             |
| Ground Transportation (Largely Gas)  | \$593,350        | \$106,900          | \$49,750                                 | 750,000                               |
| Recreation (In addition to Cavanaugh Flight Museum)  | \$237,340        | \$85,520           | \$29,850                                 | 352,710                               |
| Other  | \$356,010        | \$128,280          | \$59,700                                 | 543,990                               |
| <b>Total</b>   | \$3,856,775      | \$2,138,000        | \$475,113                                | <b>\$6,469,888</b>                    |
| <b>Estimate of Current Dollar Stable Gross Operating Expenses For Cavanaugh Flight Museum</b> <sup>4/</sup>                    |                  |                    |  | <b>Future Stable Year, Current \$</b> |
| <b>Gross Expenditures</b>  |                  |                    |  |                                       |
| Total Salaries   |                  |                    |  | \$1,012,500                           |
| Fringe/ Benefits Costs   |                  |                    |  | \$283,500                             |
| Store Cost of Goods Sold   |                  |                    |  | \$208,863                             |
| Other Operating Expenses   |                  |                    |  | 1,281,559                             |
| <b>Total</b>   |                  |                    |  | <b>\$2,786,422</b>                    |

1/ See Section VIII Visitation Potential and Attendance Patterns. Geographic area attendance is rounded to the nearest 1000.

2/ Spending data from Texas Destinations: 2003-2004 prepared for Texas Econ. Dev. & Tourism by D.K. Shifflet & Assocs., copyright 2005. See Section IV. Additional Hotel data from Smith Travel Research, Standard Historical TRENDS, Addison Texas, January

3/ Visitors on day trips or staying with Friends & Relatives would have lower spending patterns. Day trip visitors estimated to spend half as much as Hotel / Motel in Food & Beverage, Retail, Entertainment/Recreation and Other. Visitors staying with Fri

4/ See operations analysis, Section VIII.

Note: All estimates are in current dollars. The economic model includes rounding that is reflected in individual results, factors and totals.

Source: ConsultEcon, Inc.

**Table IX-3**  
**Estimated Direct Visitor Spending Potential in Addison, Dallas County and in Texas**  
**Expanded Cavanaugh Flight Museum Under a Mid-Range Attendance Scenario**

| <u>Distribution of Cavanaugh Flight Museum Operations Spendin</u>                    |     | <u>Percent to Total</u>                  |                    |  |
|--|-----|--|--------------------|--|
| Addison (Personnel, Utilities etc.)  |     | 70%                                      |                    | \$1,950,495                              |
| Dallas County, TX  |     | 15%                                      |                    | \$417,963                                |
| Other Texas Counties   |     | 10%                                      |                    | \$278,642                                |
| Outside of Texas   |     | 5%                                       |                    | \$139,321                                |
| <b>Total Museum Spending</b>   |     | <b>100%</b>                              |                    | <b>\$2,786,422</b>                       |
| <i>Cavanaugh Flight Museum Visitor Spending</i>                                      |     | <i>Off-Site Spending</i>                 |                    |  |
|  |     | <b>Day Trips</b>                         | <b>Hotel/Motel</b> | <b>Stay with Friends &amp; Relatives</b> |
|  |     |  |                    | <b>Total</b>                             |
| Accommodations   |     | \$0                                      | \$855,200          | \$0                                      |
| Food & Beverage  |     | 1,483,375                                | 534,500            | 186,563                                  |
| Retail   |     | 1,186,700                                | 427,600            | 149,250                                  |
| Transportation   |     | 593,350                                  | 106,900            | 49,750                                   |
| Recreation (In addition to Cavanaugh Flight Museum)                                  |     | 237,340                                  | 85,520             | 29,850                                   |
| Other  |     | 356,010                                  | 128,280            | 59,700                                   |
| <b>Total Off-Site Spending</b>   |     | <b>\$3,856,775</b>                       | <b>\$2,138,000</b> | <b>\$475,113</b>                         |
|  |     |  |                    | <b>\$6,469,888</b>                       |
| <u>Estimated Distribution of Off-Site Visitor Spending</u>                           |     | <u>Stay with Friends &amp; Relatives</u> |                    |  |
|  |     | <b>Day Trips</b>                         | <b>Hotel/Motel</b> | <b>&amp; Relatives</b>                   |
| <b>Accommodations</b>  |     |  |                    |  |
| Addison  |     |  | 55%                |  |
| Dallas County, TX  |     |  | 40%                |  |
| Other Locations in TX  |     |  | 5%                 |  |
| <b>Food &amp; Beverage</b>   |     |  |                    |  |
| Addison  | 80% | 70%                                      | 80%                |  |
| Dallas County, TX  | 15% | 25%                                      | 15%                |  |
| Other Locations in TX  | 5%  | 5%                                       | 5%                 |  |
| <b>Retail</b>  |     |  |                    |  |
| Addison  | 65% | 65%                                      | 65%                |  |
| Dallas County, TX  | 30% | 30%                                      | 30%                |  |
| Other Locations in TX  | 5%  | 5%                                       | 5%                 |  |
| <b>Transportation</b>  |     |  |                    |  |
| Addison  | 35% | 50%                                      | 40%                |  |
| Dallas County, TX  | 35% | 35%                                      | 35%                |  |
| Other Locations in TX  | 30% | 15%                                      | 25%                |  |
| <b>Entertainment/Recreation</b>  |     |  |                    |  |
| Addison  | 25% | 25%                                      | 25%                |  |
| Dallas County, TX  | 60% | 60%                                      | 60%                |  |
| Other Locations in TX  | 15% | 15%                                      | 15%                |  |
| <b>Other</b>   |     |  |                    |  |
| Addison  | 65% | 65%                                      | 65%                |  |
| Dallas County, TX  | 30% | 30%                                      | 30%                |  |
| Other Locations in TX  | 5%  | 5%                                       | 5%                 |  |
| <u>Estimated Direct Spending</u>   |     | <u>Stay with Friends &amp; Relatives</u> |                    |  |
|  |     | <b>Day Trips</b>                         | <b>Hotel/Motel</b> | <b>&amp; Relatives</b>                   |
|  |     |  |                    | <b>Total</b>                             |
| <i>Off-Site Spending In Addison</i>  |     |  |                    |  |
| Accommodations   |     | \$0                                      | \$470,360          | \$0                                      |
| Food & Beverage  |     | 1,186,700                                | 374,150            | 149,250                                  |
| Retail (In addition to Cavanaugh Flight Museum)                                      |     | 771,355                                  | 277,940            | 97,013                                   |
| Transportation   |     | 207,673                                  | 53,450             | 19,900                                   |
| Recreation (In addition to Cavanaugh Flight Museum)                                  |     | 59,335                                   | 21,380             | 7,463                                    |
| Other  |     | 231,407                                  | 83,382             | 38,805                                   |
| <b>Total Off-Site Spending In Addison</b>  |     | <b>\$2,456,469</b>                       | <b>\$1,280,662</b> | <b>\$312,430</b>                         |
|  |     |  |                    | <b>\$4,049,561</b>                       |
| <i>Operations Spending By Cavanaugh Flight Museum in Addison</i>                     |     |  |                    | <b>\$1,950,495</b>                       |
| <b>Total Addison Spending</b>  |     |  |                    | <b>\$6,000,056</b>                       |
| <i>Off-Site Spending in Remainder of Dallas County, TX</i>                           |     | <b>Total</b>                             |                    |  |
| Accommodations   |     | \$0                                      | \$342,080          | \$0                                      |
| Food & Beverage  |     | 222,506                                  | 133,625            | 27,984                                   |
| Retail (In addition to Cavanaugh Flight Museum)                                      |     | 356,010                                  | 128,280            | 44,775                                   |
| Transportation   |     | 207,673                                  | 37,415             | 17,413                                   |
| Recreation (In addition to Cavanaugh Flight Museum)                                  |     | 142,404                                  | 51,312             | 17,910                                   |
| Other  |     | 106,803                                  | 38,484             | 17,910                                   |
| <b>Total Off-Site Spending Dallas County, TX</b>                                     |     | <b>\$1,035,396</b>                       | <b>\$731,196</b>   | <b>\$125,992</b>                         |
|  |     |  |                    | <b>\$1,892,584</b>                       |
| <i>Operations Spending By Cavanaugh Flight Museum in Remainder Dallas County, TX</i> |     |  |                    | <b>\$417,963</b>                         |
| <b>Total Remainder Dallas County, TX Spending</b>                                    |     |  |                    | <b>\$2,310,547</b>                       |
| <i>Off-Site Spending in Texas but Outside of Addison - Dallas County</i>             |     | <b>Total</b>                             |                    |  |
| Accommodations   |     | \$0                                      | \$42,760           | \$0                                      |
| Food & Beverage  |     | 74,169                                   | 26,725             | 9,328                                    |
| Retail (In addition to Cavanaugh Flight Museum)                                      |     | 59,335                                   | 21,380             | 7,463                                    |
| Transportation   |     | 178,005                                  | 16,035             | 12,438                                   |
| Recreation (In addition to Cavanaugh Flight Museum)                                  |     | 35,601                                   | 12,828             | 4,478                                    |
| Other  |     | 17,801                                   | 6,414              | 2,985                                    |
| <b>Total Off-Site Spending Outside of Addison - Dallas County</b>                    |     | <b>\$364,910</b>                         | <b>\$126,142</b>   | <b>\$36,691</b>                          |
|  |     |  |                    | <b>\$527,743</b>                         |
| <i>Operations Spending By Cavanaugh Flight Museum in Other Texas Counties</i>        |     |  |                    | <b>\$278,642</b>                         |
| <b>Total Texas Spending Outside Addison and Dallas County</b>                        |     |  |                    | <b>\$806,385</b>                         |

Note: All estimates are in current dollars. The economic model includes rounding that is reflected in individual results, factors and totals.  
Source: ConsultEcon, Inc.

- ◆ The direct spending by the Cavanaugh Flight Museum through its operating budget. This would occur in Addison, Dallas County, other areas of Texas, and out-of-State.
- ◆ The spending of residents and visitors at the Cavanaugh Flight Museum for goods and services in conjunction with their visit. This includes overnight visitors and day-trip visitors. It should be noted that these expenditures are for the day of the visit to the Cavanaugh Flight Museum facility only. To maintain a conservative analysis, visitor expenditures that occur on other days of the trip are not included in this evaluation.

In total, \$8.8 million in current dollar off-site direct visitor spending is projected to occur annually due to the project, much of which would be spent in Texas. The Cavanaugh Flight Museum is proposed to have a budget of approximately \$2.6 million plus cost of goods sold of about \$0.2 million. This museum spending will be “net new” to the area’s economy.

### **Net New Direct Spending in the Local and Regional Economies by Visitors to the Cavanaugh Flight Museum**

The analyses in **Table IX-4** and **Table IX-5** estimate the percentage of visitor spending that would be net new to the Local (Dallas County) and Regional (State of Texas) economies. This analysis distinguishes net new spending that occurs in the area’s economy due to the project, from spending which might otherwise occur. This distinction accounts for “substitution” of spending at the Cavanaugh Flight Museum for other spending opportunities in Dallas County or the State. The Cavanaugh Flight Museum will draw on existing tourism markets; but will help to grow these markets and expand spending by area visitors because of its unique offerings. As a new high-profile educational and cultural attraction, the Cavanaugh Flight Museum will help to grow the area’s economy and will attract net new spending and subsequent multiplier effects.

Overall, of the visitor spending associated with a visit, a major portion is attributed to net new spending at both the local and regional levels. “On-site” spending by the Cavanaugh Flight Museum for its operations is assumed to be net new to the geographic areas under consideration.

A larger percentage of the spending will be net new in the Dallas County than in the State as a whole. That is, a smaller percentage of the visitor spending that occurs due to the Cavanaugh Flight Museum is estimated to replace other spending that would otherwise occur at the local level, than at

**Table IX-4**  
**Estimated Economic Impacts of Cavanaugh Flight Museum on Dallas County, TX**  
**In a Stabilized Year Under a Mid-Range Attendance Scenario**

|  | Estimated Total Spending         | Total Spending Adjusted to Retail Margin | Estimated Percent Net New to Dallas County | Estimated Net New Spending in Dallas County | Estimated Net New Spending in Dallas County Adjusted to Retail Margin |
|--|----------------------------------|--|--|---|---|
| <i>On-Site Spending</i>  |                                  |  |  |   |   |
| <i>Estimated Cavanaugh Flight Museum Operating Expenditures in Dallas County</i> |                                  |  |  |   |   |
|  | \$2,368,459                      | \$2,368,459                              | 100%                                       | \$2,368,459                                 | \$2,368,459   |
| <i>Estimated Direct Off-Site Spending in Dallas County</i>                       |                                  |  |  |   |   |
| Accommodations   | \$812,440                        | \$812,440                                | 66%  | \$536,210                                   | \$536,210   |
| Food & Beverage (Retail Margin 75%)  | 2,094,216                        | 1,570,662                                | 66%  | 1,382,182                                   | 1,036,637   |
| Retail (Retail margin 50%)   | 1,675,373                        | 837,686                                  | 66%  | 1,105,746                                   | 552,873   |
| Transportation (Retail Margin 25% on gasoline which is 75% of total)             | 543,523                          | 237,791                                  | 66%  | 358,725                                     | 156,942   |
| Entertainment/Recreation   | 299,804                          | 299,804                                  | 66%  | 197,870                                     | 197,870   |
| Other  | 516,791                          | 516,791                                  | 66%  | 341,082                                     | 341,082   |
| <b>Total Off-Site</b>  | <b>\$5,942,145</b>               | <b>\$4,275,173</b>                       |  | <b>\$3,921,815</b>                          | <b>\$2,821,614</b>  |
| <b>Total Direct On-Site and Off-Site Spending</b>                                | <b>\$8,310,603</b>               | <b>\$6,643,632</b>                       |  | <b>\$6,290,274</b>                          | <b>\$5,190,073</b>  |
| <b>Economic Impacts Dallas County</b>  |                                  |  |  |   |   |
|  | <i>Multipliers <sup>1/</sup></i> |  |  |   |   |
|  | <b>Expenditures</b>              | <b>Earnings</b>                          | <b>Employment</b>                          |   |   |
| Accommodations   | 1.7607                           | 0.3861                                   | 14.9819                                    |   |   |
| Food & Beverage  | 1.9119                           | 0.3640                                   | 20.0568                                    |   |   |
| Retail   | 1.7296                           | 0.3542                                   | 13.5524                                    |   |   |
| Transportation (Largely Gas)   | 1.9749                           | 0.5000                                   | 22.0513                                    |   |   |
| Entertainment/Recreation   | 1.9000                           | 0.3902                                   | 18.8403                                    |   |   |
| Museums, Historical Sites, Zoos & Parks  | 1.8410                           | 0.4086                                   | 17.8037                                    |   |   |
|  | <b>Expenditures</b>              | <b>Earnings</b>                          | <b>Employment</b>                          |   |   |
| Accommodations   | \$944,106                        | \$207,031                                | 7  |   |   |
| Food & Beverage  | 1,981,946                        | 377,336                                  | 19   |   |   |
| Retail   | 956,249                          | 195,828                                  | 7  |   |   |
| Transportation   | 309,945                          | 78,471                                   | 3  |   |   |
| Entertainment/Recreation   | 375,954                          | 77,209                                   | 3  |   |   |
| Other  | 627,931                          | 139,366                                  | 6  |   |   |
| Cavanaugh Flight Museum Operations   | 4,500,071                        | 924,173                                  | 39   |   |   |
| <b>Total</b>   | <b>\$9,696,202</b>               | <b>\$1,999,413</b>                       | <b>84</b>                                  |   |   |
| <b>Plus Net New Direct Effects</b>   |                                  |  |  |   |   |
| <b>Total In-County Spending Cavanaugh Flight Museum Operating Spending</b>       |                                  |  |  |   |   |
| <i>Net new direct Dallas County Spending</i>                                     |                                  |  |  |   |   |
| Accommodations   | \$536,210                        | \$117,584                                | 4  |   |   |
| Food & Beverage  | 1,382,182                        | 263,149                                  | 13   |   |   |
| Retail   | 1,105,746                        | 226,443                                  | 8  |   |   |
| Transportation   | 358,725                          | 90,821                                   | 3  |   |   |
| Entertainment/Recreation   | 197,870                          | 40,636                                   | 2  |   |   |
| Other  | 341,082                          | 75,701                                   | 3  |   |   |
| Cavanaugh Flight Museum Operations <sup>2/</sup>                                 | 2,368,459                        | 1,012,500                                | 30   |   |   |
| <b>Total Direct</b>  | <b>\$6,290,274</b>               | <b>\$1,826,834</b>                       | <b>63</b>                                  |   |   |
| <b>Total Direct, Indirect &amp; Induced</b>                                      | <b>\$15,986,476</b>              | <b>\$3,826,247</b>                       | <b>147</b>                                 |   |   |

1/ See text for discussion of multipliers, which are from a custom run of the Bureau of Economic Analysis' RIMS II Input-Output Model.

2/ Employment figure based on personnel schedule in Table IX-5. Employment includes full time and part time positions (at least half-time).

Note: All estimates are in current dollars. The economic model includes rounding that is reflected in individual results, factors and totals.

Source: ConsultEcon, Inc.

**Table IX-5**  
**Estimated Economic Impacts of Cavanaugh Flight Museum on the State of Texas**  
**In a Stabilized Year Under a Mid-Range Attendance Scenario**

|   | Estimated Total Spending         | Total Spending Adjusted to Retail Margin | Estimated Percent Net New to State | Estimated Net New Spending in Texas | Estimated Net New Spending in Texas Adjusted to Retail Margin |
|---|----------------------------------|--|------------------------------------|-------------------------------------|---|
| <b>On-Site Spending</b>   |                                  |  |                                    |                                     |   |
| <i>Estimated Cavanaugh Flight Museum Operating Expenditures in the State of Texas</i> |                                  |  |                                    |                                     |   |
|   | \$2,647,101                      | \$2,647,101                              | 100%                               | \$2,647,101                         | \$2,647,101   |
| <b>Estimated Direct Off-Site Spending</b>   |                                  |  |                                    |                                     |   |
| Accommodations  | \$855,200                        | \$855,200                                | 50%                                | \$427,600                           | \$427,600   |
| Food & Beverage (Retail Margin 75%)   | 2,204,438                        | 1,653,328                                | 50%                                | 1,102,219                           | 826,664   |
| Retail (Retail Margin 50%)  | 1,763,550                        | 881,775                                  | 50%                                | 881,775                             | 440,888   |
| Transportation (Retail Margin 25% on gasoline which is 75% of total)                  | 750,000                          | 328,125                                  | 50%                                | 375,000                             | 164,063   |
| Entertainment/Recreation  | 352,710                          | 352,710                                  | 50%                                | 176,355                             | 176,355   |
| Other   | 543,990                          | 543,990                                  | 50%                                | 271,995                             | 271,995   |
| <b>Total Off-Site Spending</b>  | <b>\$6,469,888</b>               | <b>\$4,615,128</b>                       |                                    | <b>\$3,234,944</b>                  | <b>\$2,307,564</b>  |
| <b>Total Direct On-Site and Off-Site Spending</b>                                     | <b>\$9,116,988</b>               | <b>\$7,262,229</b>                       |                                    | <b>\$5,882,044</b>                  | <b>\$4,954,665</b>  |
| <b>Economic Impacts in the State of Texas</b>   |                                  |  |                                    |                                     |   |
|   | <i>Multipliers <sup>1/</sup></i> |  |                                    |                                     |   |
| <b>Total Direct, Indirect &amp; Induced</b>   | <b>Expenditures</b>              | <b>Earnings</b>                          | <b>Employment</b>                  |                                     |   |
| Accommodations  | 2.1574                           | 0.6739                                   | 24.9486                            |                                     |   |
| Food & Beverage   | 2.4152                           | 0.6663                                   | 32.6953                            |                                     |   |
| Retail  | 2.1499                           | 0.6936                                   | 25.6784                            |                                     |   |
| Transportation (Largely Gas)  | 2.6008                           | 0.8523                                   | 33.9826                            |                                     |   |
| Entertainment/Recreation  | 2.2956                           | 0.6890                                   | 30.8036                            |                                     |   |
| Museums, Historical Sites, Zoos & Parks   | 2.3940                           | 0.8384                                   | 24.7167                            |                                     |   |
|   | <b>Expenditures</b>              | <b>Earnings</b>                          | <b>Employment</b>                  |                                     |   |
| Accommodations  | \$922,504                        | \$288,160                                | 10                                 |                                     |   |
| Food & Beverage   | 1,996,559                        | 550,806                                  | 25                                 |                                     |   |
| Retail  | 947,864                          | 305,800                                  | 10                                 |                                     |   |
| Transportation  | 426,694                          | 139,830                                  | 5                                  |                                     |   |
| Entertainment/Recreation  | 404,841                          | 121,509                                  | 5                                  |                                     |   |
| Other   | 651,156                          | 228,041                                  | 6                                  |                                     |   |
| Cavanaugh Flight Museum Operations  | 6,076,684                        | 1,823,852                                | 76                                 |                                     |   |
| <b>Total</b>  | <b>\$11,426,302</b>              | <b>\$3,457,998</b>                       | <b>137</b>                         |                                     |   |
| <b>Plus Net New Direct Effects</b>  |                                  |  |                                    |                                     |   |
| <b>Total In-State Cavanaugh Flight Museum Operations Spending</b>                     |                                  |  |                                    |                                     |   |
| <i>Net new direct in-State Spending</i>   |                                  |  |                                    |                                     |   |
| Accommodations  | \$427,600                        | \$133,568                                | 5                                  |                                     |   |
| Food & Beverage   | 1,102,219                        | 304,078                                  | 14                                 |                                     |   |
| Retail  | 881,775                          | 284,478                                  | 9                                  |                                     |   |
| Transportation  | 375,000                          | 122,890                                  | 4                                  |                                     |   |
| Entertainment/Recreation  | 176,355                          | 52,931                                   | 2                                  |                                     |   |
| Other   | 271,995                          | 95,255                                   | 3                                  |                                     |   |
| Cavanaugh Flight Museum Operations <sup>2/</sup>                                      | 2,647,101                        | 1,012,500                                | 30                                 |                                     |   |
| <b>Total Direct</b>   | <b>\$5,882,044</b>               | <b>\$2,005,700</b>                       | <b>67</b>                          |                                     |   |
| <b>Total Direct, Indirect &amp; Induced</b>   | <b>\$17,308,347</b>              | <b>\$5,463,697</b>                       | <b>204</b>                         |                                     |   |

1/ See text for discussion of multipliers, which are from a custom run of the Bureau of Economic Analysis' RIMS II Input-Output Model.

2/ Employment figure based on personnel schedule in Table VIII-5. Employment includes full time and part time positions (at least half-time).

Note: All estimates are in current dollars. The economic model includes rounding that is reflected in individual results, factors and totals.

Source: ConsultEcon, Inc.

the Statewide level. There may be some diversion of visitation from other locations in Texas to the Cavanaugh Flight Museum.<sup>38</sup>

Given these analyses and assumptions, the project is estimated to create approximately \$6.3 million in net new direct expenditures in Dallas County, and approximately \$5.9 million in net new expenditures to the State as a whole. (There will be some shifting of spending elsewhere in the state to the local area.) It is important to note that these analytical estimates are derived in order to estimate economic impacts of the operation of the project on these distinct geographic areas, but that they are based on the same stream of total visitor spending. These separate impact estimates are not additive in nature. Spending in Dallas County is a subset of State of Texas spending. The overall effect on the Texas economy is positive – particularly given the higher economic multipliers that occur for the State.

Input-Output modeling theory also indicates that only the retail margin component of a producer's price (the portion captured by the local retail or restaurant establishments) will have a significant impact to the local economy. The remaining components of the producer's price go to manufacturing (cost of goods sold), transportation and warehousing costs outside of the economic unit being analyzed. Therefore, margins were estimated based on the Bureau of Economic Analysis' input-output commodity composition tables of personal consumption expenditures in producers' and purchasers' prices, along with the consultant's judgment. The application of retail margins to consumer expenditures in certain expenditure categories has the effect of lowering the amount of new dollars that are recirculated in the economic unit under evaluation for a given consumer expenditure.

### **Total Economic Impact of the Cavanaugh Flight Museum**

The annual impacts to the local (Addison and remainder of Dallas County) and regional (State of Texas) economies, as noted above, are from direct (first round) net new spending to a given area, as corrected for retail margins, and subsequent rounds of spending within the economies. The total

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<sup>38</sup> It should be noted that while there will be some diversion of visitation from other Texas attractions, Cavanaugh Flight Museum will enhance Addison, Dallas County and Texas tourism economies and retain some resident trips, thus creating more opportunities for visiting multiple attractions, and using Addison and Dallas County's retail, restaurant and other visitor infrastructure.

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economic effect includes direct, indirect and induced expenditures; wages and income; and employment in the regional and local economies.

Data in Table IX-4 and Table IX-5 also presents the estimates of total on-going annual economic impacts of the Cavanaugh Flight Museum on Dallas County and the State of Texas. These are presented in current-dollar value.

- ◆ **Local Dallas County Impacts** – As the multiplier effect works its way through the local economy, the net direct economic activity due to the Cavanaugh Flight Museum will generate a total annual impact estimated at nearly \$16.0 million in expenditures, of which \$3.8 million in wages will be generated, and 147 total jobs<sup>39</sup> will be supported in Dallas County.
- ◆ **Regional Statewide Impacts** – As the multiplier effect works its way through the regional (State of Texas) economy, the direct economic activity due to the Cavanaugh Flight Museum will generate a total annual impact estimated at \$17.3 million in expenditures, of which \$5.5 million in wages will be generated, and 204 total jobs will be supported in the State. At the Statewide level, these effects include the support of jobs and economic activity in Addison, Dallas County, and outside these areas. However, Dallas County economic activity estimated above will not be fully a subset of the Statewide economic activity, as there is assumed to be some substitution of spending from other areas of the State to Dallas County. However, in all, the project offers substantial benefits to other areas of the State as well as the local area.

The economic multipliers used in this analysis are from a customized computer run of the RIMS II Input-Output Model to the specific impact areas analyzed in this analysis. The RIMS II regional Multiplier model was created by, and is maintained by, the United States Department of Commerce, Bureau of Economic Analysis. The total economic impacts are summarized by data in **Table IX-6**. Data in Table IX-6 is derived and summarized from calculations in Tables IX-3, IX-4, and IX-5.

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<sup>39</sup> Total jobs include full time and part time employment, assumed to be in ratio with the distribution of jobs between actual full time and part time for the Dallas Area as a whole.

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**Table IX-6**  
**Summary of Estimated Economic Impacts of Cavanaugh Flight Museum**  
**On the Local and State Economies**  
**in a Stabilized Year Under a Mid-Range Attendance Scenario**

|  |  |  |                                     |
|--|--|--|-------------------------------------|
| <i>Estimated Cavanaugh Flight Museum Attendance Potential</i>  |  |  |                                     |
|  | 151,000                                    |  |                                     |
| <i>Direct Spending by Cavanaugh Flight Museum and Off-Site Visitor Spending</i>  |  |  |                                     |
|  | <b>Total Spending In<br/>Dallas County</b> | <b>Off-Site Spending in<br/>Texas but Outside of<br/>Dallas County</b> | <b>Total State of<br/>Texas</b>     |
| <b>Cavanaugh Flight Museum Operating Expenditures</b>  | \$2,368,459                                | \$278,642  | \$2,647,101                         |
| <i>Estimated Direct New Off-Site Spending</i> <sup>2/</sup>  |  |  | \$0                                 |
| Accommodations   | \$812,440                                  | \$42,760   | \$855,200                           |
| Food & Beverage  | \$2,094,216                                | \$110,222  | \$2,204,438                         |
| Retail   | \$1,675,373                                | \$88,178   | \$1,763,550                         |
| Transportation   | \$543,523                                  | \$206,478  | \$750,000                           |
| Recreation (In addition to Cavanaugh Flight Museum)  | \$299,804                                  | \$52,907   | \$352,710                           |
| Other  | \$516,791                                  | \$27,200   | \$543,990                           |
| <b>Total Off-Site</b>  | \$5,942,145                                | \$527,743  | \$6,469,888                         |
| <b>Total Direct On-Site and Off-Site Expenditures</b> <sup>2/</sup>  | \$8,310,603                                | \$806,385  | \$9,116,988                         |
| <i>Total Direct, Indirect and Induced Effects of Visitor Spending on Expenditures, Earnings and Employment on the Geographic Areas Evaluated</i> |  |  |                                     |
|  | <b>Dallas County</b> <sup>3/</sup>         |  | <b>State of Texas</b> <sup>3/</sup> |
| Expenditures   | \$15,986,476                               |  | \$17,308,347                        |
| Earnings   | \$3,826,247                                |  | \$5,463,697                         |
| Employment (permanent) <sup>4/</sup>   | 147  |  | 204                                 |

1/ All estimates in current dollars for a stable year.

2/ Not all off-site spending is net new. Some spending would occur in other locations without the influence of the Cavanaugh Flight Museum.

3/ There is substantial overlap between the impacts for Dallas County and the State of Texas as a whole.

4/ Employment includes full-time and part-time jobs.

Source: ConsultEcon, Inc.

### **Fiscal Revenue Impacts**

Data in **Table IX-7** present a projection of applicable taxes generated to local and State government. These estimates are in the following categories:

- ◆ Town and State sales taxes from visitor spending at the Cavanaugh Flight Museum in conjunction with a visit.
- ◆ Town, County and State sales, mixed beverage, transit, restaurant sales and hotel taxes from net new spending by attendees in conjunction with their visit to the Cavanaugh Flight Museum.
- ◆ Town and State sales and transit taxes from the personal spending of facility employees.
- ◆ State sales taxes from the personal spending of employees indirectly supported by the net new spending due to the project.

These categories are not exhaustive of all possible tax types that would increase due to the project; and they represent a mix of direct and indirect economic activity. Nonetheless, this analysis shows that substantial increases in fiscal revenues are associated with the project.

The direct sales from the Cavanaugh Flight Museum store are estimated at approximately \$402,000 in current dollars in a stable year. This represents approximately \$26,000 in sales taxes to the Town, \$22,200 in sales taxes to the State, and \$3,700 in taxes to the Dallas Transit Authority (DART).

Net new hotel spending by visitors to the Cavanaugh Flight Museum has the potential to generate \$21,700 annually to the Town of Addison and \$25,700 to the State.

Net new off-site spending retail and restaurants by visitors to the Cavanaugh Flight Museum has the potential to generate fiscal revenue of \$144,900 for retail and \$12,100 in mixed beverage taxes annually to the Town of Addison; and \$142,000 for retail and \$3,600 in mixed beverage taxes annually for the State; and \$114,000 restaurant sales taxes to Dallas County.

The Cavanaugh Flight Museum employees will also generate tax revenues from spending of their wages and salaries. These have the potential to generate \$5,300 to the Town of Addison in retail taxes, \$760 to DART in transit taxes, and \$17,300 for State sales taxes.

**Table IX-7**  
**Estimated Tax Revenue Generation Potential of Cavanaugh Flight Museum**  
**in Selected Categories In a Stabilized Year Under a Mid-Range Attendance Scenario**

| Tax Categories  | Town of Addison <sup>1/</sup> |                          |           | City of Dallas -<br>Dallas Transit<br>Authority<br>(DART) <sup>2/</sup> | Dallas County,<br>TX <sup>3/</sup> | State of Texas <sup>4/</sup> |                          |                      |
|---|-------------------------------|--------------------------|-----------|---|------------------------------------|------------------------------|--------------------------|----------------------|
|   | Sales Tax                     | Mixed<br>Beverage<br>Tax | Hotel Tax | Dallas Transit<br>Tax   | Restaurant<br>Sales Tax            | State Sales<br>Taxes         | Mixed<br>Beverage<br>Tax | State Hotel<br>Taxes |
| <b>Sales Taxes Generated By Visitor Net New Direct On-Site Retail Expenditures</b>            |                               |                          |           |   |                                    |                              |                          |                      |
| Sales Taxes from CFM Retail Receipts  | \$25,953                      |                          |           | \$3,708   |                                    | \$22,246                     |                          |                      |
| Sub Total   | <b>\$25,953</b>               |                          |           | <b>\$3,708</b>  |                                    | <b>\$22,246</b>              |                          |                      |
| <b>Sales Taxes Generated By Visitor Net New Direct Off-Site Expenditures</b>                  |                               |                          |           |   |                                    |                              |                          |                      |
| Net New Taxes From Total Visitor Direct Off-Site Hotel Expenditures <sup>5/</sup>             |                               |                          | \$21,731  |   |                                    |                              |                          | \$25,656             |
| Net New Taxes From Total Visitor Direct Off-Site Retail Expenditures <sup>5/</sup>            | \$144,949                     |                          |           | \$9,420   |                                    | \$141,540                    |                          |                      |
| Net New Taxes From Total Visitor Direct Off-Site Restaurant Expenditures <sup>5/6/</sup>      |                               | \$12,093                 |           |   | \$114,030                          |                              | \$3,622                  |                      |
| Sub Total   | <b>\$178,773</b>              |                          |           | <b>\$9,420</b>  | <b>\$114,030</b>                   |                              | <b>\$170,817</b>         |                      |
| <b>Taxes Generated by CFM Employee Wages and Salaries</b>                                     |                               |                          |           |   |                                    |                              |                          |                      |
| Sales Taxes <sup>7/</sup>   | \$5,316                       |                          |           | \$759   |                                    | \$17,314                     |                          |                      |
| Sub Total   | <b>\$5,316</b>                |                          |           | <b>\$759</b>  |                                    | <b>\$17,314</b>              |                          |                      |
| <b>Taxes Generated By Net New Employee Wages and Salaries Due to CFM (Multiplier Effects)</b> |                               |                          |           |   |                                    |                              |                          |                      |
| Sales Taxes <sup>8/</sup>   | \$2,954                       |                          |           | \$422   |                                    | \$76,115                     |                          |                      |
| Sub Total   | <b>\$2,954</b>                |                          |           | <b>\$422</b>  |                                    | <b>\$76,115</b>              |                          |                      |
| <b>Total By Jurisdiction (Rounded to nearest \$1,000)</b>                                     |                               |                          |           |   |                                    |                              |                          |                      |
| Addison, TX   | <b>\$213,000</b>              |                          |           |   |                                    |                              |                          |                      |
| DART - City of Dallas, TX   |                               |                          |           | <b>\$14,000</b>   |                                    |                              |                          |                      |
| Dallas County, TX   |                               |                          |           |   | <b>\$114,000</b>                   |                              |                          |                      |
| State of Texas  |                               |                          |           |   |                                    | <b>\$286,000</b>             |                          |                      |

1/ Addison, TX Sales Tax rate is 6%, Mixed Beverage Tax is 10.7143% (State collects 14% and keeps balance of 3.29%), and Hotel Tax of 6%. Source: Town of Addison

2/ The Dallas Transit Authority (DART) imposes a 1% transit tax.

3/ Dallas County, TX Restaurant Sales Tax rate is 8.25%. Source: Dallas County, TX Dept. of Revenue.

4/ State of Texas Sales Tax is 6%, Mixed Beverage Tax of 3.29% (State collects 14% but gives majority to back to Addison), and a Hotel Tax of 6%. Source: Town of Addison, TX and State.

5/ Hotel Retail, food and other taxable spending only partially net new, with the percent net new estimated per Table IX-4. Transportation is assumed to be largely gasoline sales and, for analytical purposes, these are assumed as retail sales.

6/ Assumes that 10% of Restaurant expenditures are for mixed beverages.

7/ Based on 40% of income spent on goods and services, of which 75% is in taxable categories. Direct employee taxable expenditures estimated at 25% in Addison, 50% in Dallas County and 20% elsewhere in Texas.

8/ Based on 40% of income spent on goods and services, of which 75% is in taxable categories. Direct employee taxable expenditures estimated at 95% in Texas.

Note: All estimates are in current dollars. The economic model includes rounding that is reflected in individual results, factors and totals.  
Source: ConsultEcon, Inc. and referenced taxing districts

In addition to these readily identifiable tax revenue sources, the project will help to grow the local and Texas economies. In turn, the additional economic activity will generate new tax revenues. Based on the direct and indirect estimated new wages and salaries, there is the potential to generate approximately \$2,950 to the Town of Addison in retail taxes. DART could gain \$420 in transit taxes. The State could gain \$76,100 for State sales taxes.

In total, this analysis has identified the potential to generate approximately \$213,000 in taxes annually to the Town of Addison; \$14,000 to the Dallas Transit Authority (DART); \$114,000 to Dallas County; and \$286,000 to the State of Texas.

### **Expansion of the Regional Tourism Economy and Infrastructure**

Beyond its potential to create direct and multiplier effects on the local and State economies, the Cavanaugh Flight Museum will contribute to the expanded profile of Addison as a visitor destination, thus benefiting the area overall. It will provide an additional destination for inducing “pass-through” travelers to stop in Addison; and extending the stay of visitors to the area. The Cavanaugh Flight Museum has the potential to be a stimulus to tourism revenues in Addison, making a significant contribution to the area’s and the State’s tourism goals and economy while educating, inspiring and entertaining both its residents and visitors.

### **Quality of Life Benefits**

The community development and educational benefits of the Cavanaugh Flight Museum, however, may have the most profound and long-lasting impacts on the community. This project will enhance the knowledge of and interest in Texas’s aviation history. It will improve community self-esteem and citizenship. It will be a source of community pride and identity. The Cavanaugh Flight Museum will enhance Addison as a place to live, work and play, thus improving all aspects of the local economy and community.

**Appendix A**  
**OPERATING PROFILE OF THE**  
**CAVANAUGH FLIGHT MUSEUM**  
**WITHOUT**  
**A LARGE FORMAT FILM THEATER**

Appendix Table 1  
Preliminary Attendance Potential Estimate  
Cavanaugh Flight Museum without LFFT

|  | Market Penetration Rates               |      |      | Visitation Range        |                         |                          | Percent of<br>Mid-Range<br>Attendance |
|--|--|------|------|-------------------------|-------------------------|--------------------------|---------------------------------------|
|  | Estimated<br>2010 Market<br>Population | Low  | High | Low Range<br>Attendance | Mid Range<br>Attendance | High Range<br>Attendance |                                       |
| <b>Resident Market</b>   |  |      |      |                         |                         |                          |                                       |
| Primary Market Area  | 3,893,300                              | 1.5% | 2.1% | 58,400                  | 70,079                  | 81,759                   | 64.7%                                 |
| Secondary Market Area  | 2,754,816                              | 0.5% | 0.7% | 13,774                  | 16,529                  | 19,284                   | 15.3%                                 |
| <b>Total Resident Market Area</b>                                  | 6,648,116                              | 1.1% | 1.3% | 72,174                  | 86,608                  | 101,043                  | 80.0%                                 |
| <b>Visitor Market as Percent of<br/>Resident Market Attendance</b> | 25.0%                                  |      |      | 18,043                  | 21,652                  | 25,261                   | 20.0%                                 |
| <b>Total Stabilized Attendance Range</b>                           |  |      |      | 90,217                  | 108,260                 | 126,304                  |                                       |
| <b>Attendance Potential <sup>1/</sup></b>                          |  |      |      | 90,000                  | <b>108,000</b>          | 126,000                  |                                       |

1/ Rounded to nearest 1,000

Source: ConsultEcon, Inc.

**Appendix Table 2**  
**Estimated Usage Split and Attendance Factors**  
**Cavanaugh Flight Museum without LFFT**

| Facility Components                | Percent To Total Use | Facility Component Admissions |           |         |
|------------------------------------|----------------------|-------------------------------|-----------|---------|
|                                    |                      | Low                           | Mid-Range | High    |
| Museum Only                        | 100%                 | 90,000                        | 108,000   | 126,000 |
| LFFT Theater Only -- Evening       | 0%                   | 0                             | 0         | 0       |
| LFFT Theater Only -- Daytime       | 0%                   | 0                             | 0         | 0       |
| Combo Museum / Upcharge LFFT       | 0%                   | 0                             | 0         | 0       |
| <b>Total Attendance</b>            | 100%                 | 90,000                        | 108,000   | 126,000 |
| <b>Facility Gate</b> <sup>1/</sup> |                      |                               |           |         |
| Museum                             |                      | 90,000                        | 108,000   | 126,000 |
| LFF Theater                        |                      | 0                             | 0         | 0       |
| <b>Total Gate</b>                  |                      | 90,000                        | 108,000   | 126,000 |

1/ Gate refers to attendances at either the Museum, the LFFT and/or the Air Show.

Source: ConsultEcon, Inc.

Appendix Table 3  
Early Year Attendance Factors and Attendance Growth Pattern  
Cavanaugh Flight Museum without LFFT

| Project Component                                       | Stable                     |         |         |         |         |         |         |         |         |         |         |
|---|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   | YEAR 1                     | YEAR 2  | YEAR 3  | YEAR 4  | YEAR 5  | YEAR 6  | YEAR 7  | YEAR 8  | YEAR 9  | YEAR 10 |         |
| <b>Percentage Difference From Stabilized Attendance</b> |                            |         |         |         |         |         |         |         |         |         |         |
| Museum Only   | 110%                       | 105%    | 100%    | 101%    | 102%    | 103%    | 104%    | 105%    | 106%    | 107%    |         |
| LFFT Theater Only --<br>Evening                         | 0%                         | 0%      | 0%      | 0%      | 0%      | 0%      | 0%      | 0%      | 0%      | 0%      |         |
| LFFT Theater Only --<br>Daytime                         | 0%                         | 0%      | 0%      | 0%      | 0%      | 0%      | 0%      | 0%      | 0%      | 0%      |         |
| Combo Museum /<br>LFFT                                  | 0%                         | 0%      | 0%      | 0%      | 0%      | 0%      | 0%      | 0%      | 0%      | 0%      |         |
| <b>Projected Stabilized Annual Attendance</b>           |                            |         |         |         |         |         |         |         |         |         |         |
|   | <i>Stabilized<br/>Year</i> |         |         |         |         |         |         |         |         |         |         |
| Museum Only   | 108,000                    | 118,800 | 113,400 | 108,000 | 109,080 | 110,171 | 111,273 | 112,385 | 113,509 | 114,644 | 115,791 |
| LFFT Theater Only --<br>Evening                         | -                          | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| LFFT Theater Only --<br>Daytime                         | -                          | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| Combo Museum /<br>LFFT                                  | -                          | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| <b>Total</b>  | 108,000                    | 118,800 | 113,400 | 108,000 | 109,080 | 110,171 | 111,273 | 112,385 | 113,509 | 114,644 | 115,791 |

Source: ConsultEcon, Inc.

**Appendix Table 4**  
**Attendance Seasonality**  
**Cavanaugh Flight Museum without LFFT**

|              | <u>Low Attendance Scenario</u> |                         | <u>Mid-Range Attendance</u>  |                         | <u>High Attendance Scenario</u> |                         |
|--------------|--------------------------------|-------------------------|------------------------------|-------------------------|---------------------------------|-------------------------|
|              | <u>Projected Seasonality</u>   | <u>Total Attendance</u> | <u>Projected Seasonality</u> | <u>Total Attendance</u> | <u>Projected Seasonality</u>    | <u>Total Attendance</u> |
| January      | 5%                             | 4,500                   | 5%                           | 5,400                   | 5%                              | 6,300                   |
| February     | 5%                             | 4,500                   | 5%                           | 5,400                   | 5%                              | 6,300                   |
| March        | 6%                             | 5,400                   | 6%                           | 6,480                   | 6%                              | 7,560                   |
| April        | 9%                             | 8,100                   | 9%                           | 9,720                   | 9%                              | 11,340                  |
| May          | 10%                            | 9,000                   | 10%                          | 10,800                  | 10%                             | 12,600                  |
| June         | 10%                            | 9,000                   | 10%                          | 10,800                  | 10%                             | 12,600                  |
| July         | 14%                            | 12,600                  | 14%                          | 15,120                  | 14%                             | 17,640                  |
| August       | 12%                            | 10,800                  | 12%                          | 12,960                  | 12%                             | 15,120                  |
| September    | 8%                             | 7,200                   | 8%                           | 8,640                   | 8%                              | 10,080                  |
| October      | 10%                            | 9,000                   | 10%                          | 10,800                  | 10%                             | 12,600                  |
| November     | 6%                             | 5,400                   | 6%                           | 6,480                   | 6%                              | 7,560                   |
| December     | 5%                             | 4,500                   | 5%                           | 5,400                   | 5%                              | 6,300                   |
| <b>Total</b> | <b>100%</b>                    | <b>90,000</b>           | <b>100%</b>                  | <b>108,000</b>          | <b>100%</b>                     | <b>126,000</b>          |

Source: ConsultEcon, Inc.

**Appendix Table 5  
Facility Sizing Parameters  
Cavanaugh Flight Museum without LFFT**

|   | <u>Mid- Range<br/>Attendance</u> |                             |
|---|----------------------------------|-----------------------------|
| <b>Annual Daytime Visitation</b>                        | 108,000                          |                             |
| Museum Peak Month est. at 14% of Annual Attendance      | 15,120                           |                             |
| High Week (30%) of peak period                          | 4,536                            |                             |
| Peak day (25%) in high week                             | 907                              | Due to Air Show             |
| <b>Length of Stay / Percent In-house</b>                | <b>(1.5 hr. stay - 35%)</b>      | <b>(2.0 hr. stay - 40%)</b> |
| Peak in-house population                                | 318                              | 363                         |
| <b>Visitor Peak Period Parking Demand <sup>1/</sup></b> | 115                              | 132                         |
| <b>Parking for Personnel and Volunteers</b>             | 22                               | 27                          |
|   | <u>137</u>                       | <u>159</u>                  |
| Rounded:  | 140                              | 160                         |

1/ Based on 95 percent auto usage during peak periods (bus usage is higher during the shoulder seasons from school groups and tour groups). 2.75 persons per vehicle. Plus 5% turnover requirement. Does not include employee parking.

Source: ConsultEcon, Inc.

**Appendix Table 6  
Admissions Analysis and Memberships Estimate  
Cavanaugh Flight Museum without LFFT**

| <b>Audience Segment</b>                    | <b>% to Total Attendance</b> | <b>Audience Mix</b> |
|--|------------------------------|---------------------|
| <b>Museum Only Tickets:</b>                |                              |                     |
| Members & Free/Complimentary <sup>1/</sup> | 15.0%                        | 19,440              |
| Adult                                      | 42.0%                        | 45,360              |
| Seniors                                    | 14.0%                        | 15,120              |
| Children                                   | 17.0%                        | 18,360              |
| School Group                               | 9.0%                         | 9,720               |
| <b>LFFT Only Evening Tickets:</b>          |                              |                     |
| LFFT From Members All Ages                 | 0.0%                         | -                   |
| LFFT Adult                                 | 0.0%                         | -                   |
| LFFT Senior                                | 0.0%                         | -                   |
| LFFT Child                                 | 0.0%                         | -                   |
| <b>Total</b>                               | <b>97.0%</b>                 | <b>108,000</b>      |
| <b>Gate Analysis</b>                       |                              |                     |
| Museum                                     |                              | 108,000             |
| LFFT                                       |                              | -                   |
| <b>Memberships Estimate</b>                |                              |                     |
| # Member Attendances <sup>2/</sup>         | 4,860                        |                     |
| Number of attendances Per Membership       | 7                            |                     |
| Est. Number of Memberships                 | 690                          |                     |

1/ Includes members, complimentary, Facility Rentals, VIP and visitors under 5 years old.

2/ Assumes member attendances comprise 25% of the total Members & Free / Complimentary audience segment.

Source: ConsultEcon, Inc.

Appendix Table 7  
Ticket Price Assumptions  
Cavanaugh Flight Museum without LFFT

| Pricing Schedule <sup>1/</sup>        | Distribution by Ticket Type | Stable Year Attendance Distribution | Stable |        |        |        |        |        |        |        |         |         |         |
|---------------------------------------|-----------------------------|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|
|                                       |                             |                                     | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 6 | YEAR 7 | YEAR 8 | YEAR 9  | YEAR 10 |         |
| <b>Museum Only</b>                    |                             |                                     |        |        |        |        |        |        |        |        |         |         |         |
| Members & Complimentary <sup>2/</sup> | 18%                         | 19,440                              | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| Adult                                 | 42%                         | 45,360                              | \$8.25 | \$8.25 | \$8.70 | \$8.70 | \$9.10 | \$9.10 | \$9.60 | \$9.60 | \$10.10 | \$10.10 | \$10.10 |
| Seniors                               | 14%                         | 15,120                              | \$7.00 | \$7.00 | \$7.40 | \$7.40 | \$7.80 | \$7.80 | \$8.20 | \$8.20 | \$8.60  | \$8.60  | \$8.60  |
| Children                              | 17%                         | 18,360                              | \$6.00 | \$6.00 | \$6.30 | \$6.30 | \$6.60 | \$6.60 | \$6.90 | \$6.90 | \$7.20  | \$7.20  | \$7.20  |
| School Group                          | 9%                          | 9,720                               | \$2.75 | \$2.75 | \$2.90 | \$2.90 | \$3.00 | \$3.00 | \$3.20 | \$3.20 | \$3.40  | \$3.40  | \$3.40  |
| Weighted Average Ticket Price         | 100%                        | 108,000                             | \$5.71 | \$5.71 | \$6.02 | \$6.02 | \$6.31 | \$6.31 | \$6.64 | \$6.64 | \$6.98  | \$6.98  | \$6.98  |
| Less Coupon & Discount @ 5%           |                             |                                     | \$5.43 | \$5.43 | \$5.72 | \$5.72 | \$5.99 | \$5.99 | \$6.31 | \$6.31 | \$6.63  | \$6.63  | \$6.63  |
| <b>LFFT Only Evening</b>              |                             |                                     |        |        |        |        |        |        |        |        |         |         |         |
| Member's Discount (20%)               | 0%                          | -                                   | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| Adult                                 | 0%                          | -                                   | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| Seniors                               | 0%                          | -                                   | \$5.50 | \$5.50 | \$5.80 | \$5.80 | \$6.10 | \$6.10 | \$6.40 | \$6.40 | \$6.70  | \$6.70  | \$6.70  |
| Children                              | 0%                          | -                                   | \$5.00 | \$5.00 | \$5.30 | \$5.30 | \$5.60 | \$5.60 | \$5.90 | \$5.90 | \$6.20  | \$6.20  | \$6.20  |
| Weighted Average Ticket Price         | 0%                          | -                                   | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| Less Coupon & Discount @ 5%           |                             |                                     | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| <b>LFFT Only Daytime</b>              |                             |                                     |        |        |        |        |        |        |        |        |         |         |         |
| Member's Discount (20%)               | 0%                          | -                                   | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| Adult                                 | 0%                          | -                                   | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| Seniors                               | 0%                          | -                                   | \$5.50 | \$5.50 | \$5.80 | \$5.80 | \$6.10 | \$6.10 | \$6.40 | \$6.40 | \$6.70  | \$6.70  | \$6.70  |
| Children                              | 0%                          | -                                   | \$5.00 | \$5.00 | \$5.30 | \$5.30 | \$5.60 | \$5.60 | \$5.90 | \$5.90 | \$6.20  | \$6.20  | \$6.20  |
| Weighted Average Ticket Price         | 0%                          | -                                   | \$0.00 | \$0.00 | \$6.40 | \$0.00 | \$6.70 | \$0.00 | \$7.00 | \$0.00 | \$7.40  | \$0.00  | \$0.00  |
| Less Coupon & Discount @ 5%           |                             |                                     | \$0.00 | \$0.00 | \$6.08 | \$0.00 | \$6.37 | \$0.00 | \$6.65 | \$0.00 | \$7.03  | \$0.00  | \$0.00  |
| <b>Combo Museum / LFFT</b>            |                             |                                     |        |        |        |        |        |        |        |        |         |         |         |
| Members & Complimentary <sup>2/</sup> | 0%                          | -                                   | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| Adult                                 | 0%                          | -                                   | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| Seniors                               | 0%                          | -                                   | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| Children                              | 0%                          | -                                   | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| School Group                          | 0%                          | -                                   | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| Weighted Average Ticket Price         | 0%                          | -                                   | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| Less Coupon & Discount @ 5%           |                             |                                     | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00  | \$0.00  | \$0.00  |
| <b>Total Attendance</b>               |                             | <u>108,000</u>                      |        |        |        |        |        |        |        |        |         |         |         |

1/ Ticket prices are assumed to increase every other year at a rate of 6 percent. Year 1 represents 2005 value of the dollar.

2/ Includes members, complimentary, Facility Rentals, VIP and visitors under 5 years old.

Source: ConsultEcon, Inc.

**Appendix Table 8**  
**Operating Assumptions in Current Dollars**  
**Cavanaugh Flight Museum without LFFT**

|  | <u>Value</u>                |
|--|-----------------------------|
| <b><i>Project Area and Exhibit Volume</i></b>                      |                             |
| Project Indoor Square Footage                                      | 100,000                     |
| Maintenance Hangar Indoor Square Footage                           | 30,000                      |
| Number of Seats in LFFT  | 0                           |
| <b><i>Attendance and Adult Ticket Pricing</i></b>                  |                             |
| Mid-Range Museum Gate  | 108,000                     |
| Mid-Range LFFT Gate  | 0                           |
| Total Mid-Range Stabilized Annual Attendance                       | 108,000                     |
| Museum Only Adult Ticket Price                                     | \$8.25                      |
| LFFT Evening & Day Only Adult Ticket Price                         | \$0.00                      |
| Museum & LFFT Combination Adult Ticket Price                       | \$0.00                      |
| Average Discounts & Coupons to Ticket Price                        | 5%                          |
| Ticket Price Increase Every Other Year                             | 6%                          |
| <b><i>General</i></b>  |                             |
| Inflation  | 2.5%                        |
| Annual Attendance Growth After Stabilized Year                     | 1.0%                        |
| <b><i>Memberships</i></b>  |                             |
| Number of Family & Individual Memberships                          | 690                         |
| Average Membership Fee   | \$70.00                     |
| Annual Attendances Per Family Membership                           | 7                           |
| LFFT Discount With Membership                                      | 0%                          |
| Number of Corporate Memberships                                    | 12                          |
| Avg. Corporate Membership Rate                                     | \$900                       |
| <b><i>Retail</i></b>   |                             |
| Per Capita Retail Sales Museum Visitors                            | \$3.00                      |
| Per Capita Retail Sales LFFT Only Visitors                         | \$0.00                      |
| Cost of Goods Sold as a % of Retail Sales                          | 52%                         |
| <b><i>Food Service Sales</i></b>                                   |                             |
| Per Capita Vending Service Sales                                   | \$1.00                      |
| Museum Share of Gross Sales  | 18%                         |
| <b><i>Facility Rentals and Receptions</i></b>                      |                             |
| Major & Minor Facility Rentals / Receptions Per Year               | 45                          |
| Average facility rental attendees                                  | 125                         |
| Average Net Revenue to Museum                                      | \$1,000                     |
| <b><i>Airplane Rides</i></b>                                       |                             |
| Number per Year  | 170                         |
| Average Fee Per Flight (based on \$175 to \$250 range)             | \$200                       |
| <b><i>Air Shows &amp; Fly-Over Income</i></b>                      | \$60,000                    |
| <b><i>Aircraft Maintenance Contract Cavanaugh Collection</i></b>   | \$200,000                   |
| <b><i>Aircraft Maintenance Contracts JKI, Cavanaugh Charte</i></b> | \$500,000                   |
| <b><i>Miscellaneous Revenue</i></b> As a % of Earned Revenue       | 1%                          |
| <b><i>Initial Financial Reserves &amp; Endowment</i></b>           | \$2,000,000                 |
| Avg. Annual Drawdown   | 4.5%                        |
| Reinvestment to cover inflation                                    | 2.5%                        |
| Annual Growth in Endowment from Contributions                      | \$20,000 In current dollars |

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

**Appendix Table 9**  
**Revenue Analysis**  
**Cavanaugh Flight Museum without LFFT**

|  | Stabilized Year in<br>Current Dollars | Percent to<br>Total |
|--|---------------------------------------|---------------------|
| <b>TOTAL ATTENDANCE</b>                                    | 108,000                               |                     |
| <i>Earned Revenues</i>                                     |                                       |                     |
| Museum Only Admissions                                     | \$585,980                             | 26.5%               |
| LFFT Only Evening  | 0                                     | 0.0%                |
| LFFT Only Daytime  | 0                                     | 0.0%                |
| Combo Museum / LFFT  | 0                                     | 0.0%                |
| Total Admissions Revenue                                   | \$585,980                             | 26.5%               |
| Membership Revenue   | \$48,300                              | 2.2%                |
| Retail Net of COGS   | 155,520                               | 7.0%                |
| Food & Vending   | 19,440                                | 0.9%                |
| Facility Rental and Receptions                             | 45,000                                | 2.0%                |
| Aviation Rides   | 34,000                                | 1.5%                |
| Air Shows Income   | 60,000                                | 2.7%                |
| Aircraft Maintenance Contract Cavanaugh Collection         | 200,000                               | 9.0%                |
| Aircraft Maintenance Contracts JKI, Cavanaugh Charters     | 500,000                               | 22.6%               |
| Miscellaneous Revenue                                      | 8,650                                 | 0.4%                |
| <b>Total Earned Revenue</b>                                | <b>\$1,656,891</b>                    | <b>74.9%</b>        |
| <i>Contributed Revenue</i>                                 |                                       |                     |
| Corporate Membership Rev.                                  | \$10,800                              | 0.5%                |
| Endowment  | 90,000                                | 4.1%                |
| Grants, Gov. Support & Private Contributions <sup>2/</sup> | 455,357                               | 20.6%               |
| <b>Total Contributed Revenue</b>                           | <b>\$556,157</b>                      | <b>25.1%</b>        |
| <b>TOTAL REVENUE</b>                                       | <b>\$2,213,048</b>                    | <b>100.0%</b>       |

1/ Year 1 represents 2005 dollars.

2/ This amount is assumed based on Grants, Gov. Support & Private Contributions required to achieve break-even facility operations.

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

Appendix Table 10  
Revenue Potential  
Cavanaugh Flight Museum without LFFT

|  | Stabilized Year in Current Dollars | Stable               |                    |                    |                    |                    |                    |                    |                    |                    |                    |
|--|------------------------------------|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  |                                    | YEAR 1 <sup>1/</sup> | YEAR 2             | YEAR 3             | YEAR 4             | YEAR 5             | YEAR 6             | YEAR 7             | YEAR 8             | YEAR 9             | YEAR 10            |
| <b>TOTAL ATTENDANCE</b>                                    | 108,000                            | 118,800              | 113,400            | 108,000            | 109,080            | 110,171            | 111,273            | 112,385            | 113,509            | 114,644            | 115,791            |
| <b>Earned Revenues</b>                                     |                                    |                      |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Museum Only  | \$585,980                          | \$644,578            | \$615,279          | \$617,857          | \$624,036          | \$660,000          | \$666,600          | \$709,033          | \$716,123          | \$759,770          | \$767,368          |
| LFFT Only Evening  | 0                                  | 0                    | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| LFFT Only Daytime  | 0                                  | 0                    | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| Combo Museum / LFFT  | 0                                  | 0                    | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| <b>Admissions Revenue</b>                                  | \$585,980                          | \$644,578            | \$615,279          | \$617,857          | \$624,036          | \$660,000          | \$666,600          | \$709,033          | \$716,123          | \$759,770          | \$767,368          |
| Membership Attendance                                      | 8,100                              | 8,910                | 8,505              | 8,100              | 8,181              | 8,263              | 8,345              | 8,429              | 8,513              | 8,598              | 8,684              |
| Family & Individual Memberships                            | 690                                | 690                  | 690                | 690                | 690                | 690                | 690                | 690                | 690                | 690                | 690                |
| Average Membership Fee                                     | \$70.00                            | \$70.00              | \$70.00            | \$74.00            | \$74.00            | \$78.00            | \$78.00            | \$82.00            | \$82.00            | \$86.00            | \$86.00            |
| <b>Membership Revenue</b>                                  | \$48,300                           | \$48,300             | \$48,300           | \$51,060           | \$51,060           | \$53,820           | \$53,820           | \$56,580           | \$56,580           | \$59,340           | \$59,340           |
| Retail Net of COGS   | \$155,520                          | \$171,072            | \$167,378          | \$163,393          | \$169,153          | \$175,115          | \$181,288          | \$187,679          | \$194,294          | \$201,143          | \$208,234          |
| Food & Vending   | 19,440                             | 21,384               | 20,922             | 20,424             | 21,144             | 21,889             | 22,661             | 23,460             | 24,287             | 25,143             | 26,029             |
| Facility Rental and Receptions                             | 45,000                             | 45,000               | 46,125             | 47,278             | 48,460             | 49,672             | 50,913             | 52,186             | 53,491             | 54,828             | 56,199             |
| Aviation Rides   | 34,000                             | 34,000               | 34,850             | 35,721             | 36,614             | 37,530             | 38,468             | 39,430             | 40,415             | 41,426             | 42,461             |
| Air Shows Income   | 60,000                             | 60,000               | 61,500             | 63,038             | 64,613             | 66,229             | 67,884             | 69,582             | 71,321             | 73,104             | 74,932             |
| Aircraft Maintenance Contract                              |                                    |                      |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Cavanaugh Collection                                       | 200,000                            | 200,000              | 205,000            | 210,125            | 215,378            | 220,763            | 226,282            | 231,939            | 237,737            | 243,681            | 249,773            |
| Aircraft Maintenance Contracts JKI, Cavanaugh Charters     | 500,000                            | 500,000              | 512,500            | 525,313            | 538,445            | 551,906            | 565,704            | 579,847            | 594,343            | 609,201            | 624,431            |
| Miscellaneous Revenue                                      | 8,650                              | 9,411                | 9,088              | 9,114              | 9,253              | 9,725              | 9,873              | 10,415             | 10,574             | 11,134             | 11,304             |
| <b>Total Earned Revenue</b>                                | \$1,656,891                        | \$1,733,746          | \$1,720,943        | \$1,743,323        | \$1,778,156        | \$1,846,649        | \$1,883,494        | \$1,960,149        | \$1,999,165        | \$2,078,770        | \$2,120,070        |
| <b>Contributed Revenue</b>                                 |                                    |                      |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Number Corporate Memberships                               | 12                                 | 12                   | 12                 | 12                 | 12                 | 12                 | 12                 | 12                 | 12                 | 12                 | 12                 |
| Avg. Corporate Membership Rate                             | \$900                              | \$900                | \$900              | \$950              | \$950              | \$1,000            | \$1,000            | \$1,050            | \$1,050            | \$1,100            | \$1,100            |
| Corporate Membership Revenue                               | \$10,800                           | \$10,800             | \$10,800           | \$11,400           | \$11,400           | \$12,000           | \$12,000           | \$12,600           | \$12,600           | \$13,200           | \$13,200           |
| Endowment  | 90,000                             | 90,000               | 93,173             | 96,447             | 99,828             | 103,317            | 106,918            | 110,635            | 114,470            | 118,429            | 122,513            |
| Grants, Gov. Support & Private Contributions <sup>2/</sup> | 455,357                            | 378,502              | 443,459            | 473,913            | 493,827            | 480,825            | 501,449            | 483,073            | 504,383            | 485,985            | 508,011            |
| <b>Total Contributed Revenue</b>                           | \$556,157                          | \$479,302            | \$547,431          | \$581,761          | \$605,055          | \$596,142          | \$620,367          | \$606,308          | \$631,454          | \$617,614          | \$643,724          |
| <b>TOTAL REVENUE</b>                                       | <b>\$2,213,048</b>                 | <b>\$2,213,048</b>   | <b>\$2,268,374</b> | <b>\$2,325,084</b> | <b>\$2,383,211</b> | <b>\$2,442,791</b> | <b>\$2,503,861</b> | <b>\$2,566,458</b> | <b>\$2,630,619</b> | <b>\$2,696,384</b> | <b>\$2,763,794</b> |
| <b>Endowment Principal</b>                                 | \$2,000,000                        | \$2,000,000          | \$2,070,500        | \$2,143,275        | \$2,218,395        | \$2,295,931        | \$2,375,957        | \$2,458,550        | \$2,543,788        | \$2,631,750        | \$2,722,521        |

1/ Year 1 represents 2005 value of the dollar.

2/ This amount is assumed based on Grants, Gov. Support & Private Contributions required to achieve break-even facility operations.

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

Appendix Table 11  
Illustrative Personnel Positions and Salaries  
Cavanaugh Flight Museum without LFFT

| Position   | Annual Salaries (FTE) | Number of Full Time Positions | Number of Part Time Positions | Number of Summer Positions | Number of Full-Time Positions Filled by Volunteers | Total Salary Budget |
|--|-----------------------|-------------------------------|-------------------------------|----------------------------|--|---------------------|
| <b>Administration, Marketing, Development and Membership</b> |                       |                               |                               |                            |  |                     |
| Executive Director   | \$90,000              | 1                             |                               |                            |  | \$90,000            |
| Office Administrator/Human Resources Coordinator             | \$38,000              | 1                             |                               |                            |  | \$38,000            |
| Financial and Development Manager                            | \$70,000              | 1                             |                               |                            |  | \$70,000            |
| Marketing and Events Manager                                 | \$65,000              | 1                             |                               |                            |  | \$65,000            |
| Membership Coordinator/Administrative Assistant              | \$30,000              | 1                             |                               |                            |  | \$30,000            |
| <b>Curatorial &amp; Educational Programs</b>                 |                       |                               |                               |                            |  |                     |
| Manager of Education & Curation                              | \$55,000              | 1                             |                               |                            |  | \$55,000            |
| Head Curator   | \$46,000              | 1                             |                               |                            |  | \$46,000            |
| Exhibit / MIS Technician                                     | \$45,000              | 1                             |                               |                            |  | \$45,000            |
| Educator / Volunteer Manager                                 | \$40,000              | 1                             |                               |                            |  | \$40,000            |
| <b>Aircraft Operations &amp; Maintenance</b>                 |                       |                               |                               |                            |  |                     |
| Head of Aviation Services                                    | \$65,000              | 1                             |                               |                            |  | \$65,000            |
| Aviation Mechanics   | \$43,000              | 3                             |                               |                            |  | \$129,000           |
| Helper   | \$22,000              | 1                             |                               |                            |  | \$22,000            |
| Visitor Assistants (Trained Volunteers)                      | \$0                   |                               |                               |                            | 5  | \$0                 |
| Airplane Restoration & Maintenance                           |                       |                               |                               |                            | 5  | \$0                 |
| <b>Retail &amp; Admissions</b>                               |                       |                               |                               |                            |  |                     |
| Museum Store Manager   | \$40,000              | 1                             |                               |                            |  | \$40,000            |
| Cashiers - Admissions/Retail                                 | \$19,000              | 2                             | 3                             |                            |  | \$66,500            |
| Cashiers - Admissions/Retail (Summer)                        | \$5,000               |                               |                               | 2                          |  | \$10,000            |
| <b>Large Format Film Theater (LFFT)</b>                      |                       |                               |                               |                            |  |                     |
| LFFT Supervisor & Projectionist                              |                       |                               |                               |                            |  | \$0                 |
| Projectionists   |                       |                               |                               |                            |  | \$0                 |
| LFFT Ushers  |                       |                               |                               |                            |  | \$0                 |
| LFFT Ushers (Summer)   |                       |                               |                               |                            |  | \$0                 |
| <b>Facility Operations</b>                                   |                       |                               |                               |                            |  |                     |
| Facility Operations Manager                                  | \$55,000              | 1                             |                               |                            |  | \$55,000            |
| Facility Maintenance & Grounds                               | \$20,000              | 1                             | 2                             |                            |  | \$40,000            |
| <b>Total Museum &amp; LFFT</b>                               |                       | 19                            | 5                             | 2                          | 10   | \$906,500           |
| Fringe & Benefits (@ 28% of Salary)                          |                       |                               |                               |                            |  | \$253,820           |
| <b>Total Salaries &amp; Benefits Budget</b>                  |                       |                               |                               |                            |  | \$1,160,320         |
| <b>Total Full Time Equivalent Positions (FTE'S)</b>          |                       |                               |                               |                            |  | 22.00               |
| <b>Total Positions Supplemented by Volunteers</b>            |                       |                               |                               |                            |  | 10.00               |

NOTES:

-- Part Time Employees Calculated at 50% FTE, Summer workers at 25% FTE.

-- Salaries are provided for illustrative and planning purposes. These are not necessarily meant to reflect any current or future individual salary. In total, these represent a reasonable summary of personnel costs. Year 1 represents 2005 value of the do

-- Visitor Assistants and Cashiers paid positions can be supplemented by Museum Volunteers. Additional of temporary labor has been included to cover peak periods, vacations of hourly staff, overtime etc.

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

**Appendix Table 12**  
**Illustrative Operating Expenses By Type in Current Dollars**  
**Cavanaugh Flight Museum without LFFT**

| <b>Project Parameters</b>                   |                    | <b>Factors</b>          |                               |
|---|--------------------|-------------------------|-------------------------------|
| Project Indoor Square Footage               | 100,000            |                         |                               |
| Maintenance Hangar Indoor Square Footage    | 30,000             |                         |                               |
| Number of Seats in LFFT                     | 0                  |                         |                               |
| Mid-Range Museum Gate                       | 108,000            |                         |                               |
| Mid-Range LFFT Gate                         | 0                  |                         |                               |
| Total Museum and LFFT Stabilized Attendance | 108,000            |                         | Mid Range                     |
| Employees (FTE's)                           | 22.0               |                         | See Personnel Schedule        |
| <b>Detailed Budgetary Analysis</b>          | <b>Amount</b>      | <b>Percent to Total</b> | <b>Expense Factor</b>         |
| Salaries (FTE, PTE)                         | \$906,500          | 41.0%                   | See Personnel Schedule        |
| Fringe / Benefits (@ 28% of Sal.)           | 253,820            | 11.5%                   | See Personnel Schedule        |
| Pilot Services / Temporary Labor            | 20,000             | 0.9%                    | Budgeted                      |
| LFFT Film prints                            | 0                  | 0.0%                    |                               |
| Ticket Royalties                            | 0                  | 0.0%                    |                               |
| LFFT Maintenance                            | 0                  | 0.0%                    |                               |
| Administrative & Overhead <sup>1/</sup>     | 99,000             | 4.5%                    | @ \$4,500 Per FTE             |
| Advertising                                 | 199,800            | 9.0%                    | @ \$1.85 Per Attendee         |
| Printing & Publications                     | 32,400             | 1.5%                    | @ \$.30 Per Attendee          |
| Changing Exhibits / Programs / Events       | 45,000             | 2.0%                    | Budgeted                      |
| Janitorial                                  | 60,000             | 2.7%                    | @ \$0.60 Per SF               |
| Utilities                                   | 100,000            | 4.5%                    | @ \$1.00 Per SF               |
| Facility Insurance                          | 50,000             | 2.3%                    | @ \$.50 Per SF                |
| Repairs & Maintenance, Grounds              | 75,000             | 3.4%                    | @ \$.75 Per SF                |
| Aircraft Insurance                          | 80,000             | 3.6%                    | Budgeted                      |
| Aircraft Maintenance & Restoration          | 125,000            | 5.6%                    | Budgeted                      |
| Aircraft Fuel                               | 45,000             | 2.0%                    | Budgeted                      |
| Hangar Maintenance & Utilities              | 37,500             | 1.7%                    | @ \$1.25 Per SF               |
| Other Miscellaneous / Contingency           | 35,330             | 1.6%                    | 2.2% of Total Operating Costs |
| <b>Subtotal Operating Expenses</b>          | <b>\$2,164,350</b> | <b>97.8%</b>            |                               |
| <b>Capital Reserves</b>                     | <b>\$48,698</b>    | <b>2.2%</b>             | 2.25% of Total Op. Expenses   |
| <b>Total Operating Expenses</b>             | <b>\$2,213,048</b> | <b>100.0%</b>           |                               |
| <b>Operating Analysis</b>                   |                    |                         |                               |
| Operating Expense Per Square Foot           | \$22.13            |                         |                               |
| Operating Expense Per Visitor               | \$20.49            |                         |                               |
| Attendees Per FTE                           | 4,909              |                         |                               |
| Op. Exp Per FTE                             | \$100,593          |                         |                               |
| Average Salary Per FTE                      | \$41,205           |                         |                               |
| Square Feet Per FTE                         | 4,545              |                         |                               |

1/ Includes Telephone & Website, Professional & Outside Services, Postage & Shipping, Equipment Rental / Lease, Subscriptions, Travel & Development expenses

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

Appendix Table 13  
Projected Operating Expenses  
Cavanaugh Flight Museum without LFFT

| EXPENSE CATEGORY                                  | Stable             |                    |                    |                    |                    |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | YEAR 1             | YEAR 2             | YEAR 3             | YEAR 4             | YEAR 5             | YEAR 6             | YEAR 7             | YEAR 8             | YEAR 9             | YEAR 10            |
| Personnel   | \$1,160,320        | \$1,189,328        | \$1,219,061        | \$1,249,538        | \$1,280,776        | \$1,312,796        | \$1,345,615        | \$1,379,256        | \$1,413,737        | \$1,449,081        |
| LFFT Costs  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                  |
| Changing Exhibits /<br>Programs / Events          | 45,000             | 46,125             | 47,278             | 48,460             | 49,672             | 50,913             | 52,186             | 53,491             | 54,828             | 56,199             |
| Administrative & Overhead                         | 99,000             | 101,475            | 104,012            | 106,612            | 109,277            | 112,009            | 114,810            | 117,680            | 120,622            | 123,637            |
| Advertising and Marketing                         | 232,200            | 238,005            | 243,955            | 250,054            | 256,305            | 262,713            | 269,281            | 276,013            | 282,913            | 289,986            |
| Utilities, Insurance                              | 150,000            | 153,750            | 157,594            | 161,534            | 165,572            | 169,711            | 173,954            | 178,303            | 182,760            | 187,329            |
| Maintenance/Janitorial                            | 135,000            | 138,375            | 141,834            | 145,380            | 149,015            | 152,740            | 156,559            | 160,473            | 164,484            | 168,597            |
| Aircraft Operations                               | 287,500            | 294,688            | 302,055            | 309,606            | 317,346            | 325,280            | 333,412            | 341,747            | 350,291            | 359,048            |
| Other   | 55,330             | 56,714             | 58,132             | 59,585             | 61,074             | 62,601             | 64,166             | 65,770             | 67,415             | 69,100             |
| Capital Reserves <sup>1/</sup>                    | 48,698             | 49,915             | 51,163             | 52,442             | 53,753             | 55,097             | 56,475             | 57,886             | 59,334             | 60,817             |
| <b>TOTAL EXPENSES</b>                             | <b>\$2,213,048</b> | <b>\$2,268,374</b> | <b>\$2,325,084</b> | <b>\$2,383,211</b> | <b>\$2,442,791</b> | <b>\$2,503,861</b> | <b>\$2,566,458</b> | <b>\$2,630,619</b> | <b>\$2,696,384</b> | <b>\$2,763,794</b> |
| <i>Expense Analysis</i>                           |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Estimated Aircraft<br/>Operations Expenses</b> | \$403,355          | 413,439            | 423,775            | 434,369            | 445,228            | 456,359            | 467,768            | 479,462            | 491,449            | 503,735            |
| <b>Estimated Museum<br/>Operations Expenses</b>   | \$1,809,693        | \$1,854,936        | \$1,901,309        | \$1,948,842        | \$1,997,563        | \$2,047,502        | \$2,098,689        | \$2,151,157        | \$2,204,936        | \$2,260,059        |
| <b>Total</b>                                      | <b>\$2,213,048</b> | <b>\$2,268,374</b> | <b>\$2,325,084</b> | <b>\$2,383,211</b> | <b>\$2,442,791</b> | <b>\$2,503,861</b> | <b>\$2,566,458</b> | <b>\$2,630,619</b> | <b>\$2,696,384</b> | <b>\$2,763,794</b> |

Note: Year one calculated at the 2005 value of the dollar, with subsequent years reflecting the assumed inflation rate.

1/ Provides funds for minor capital replacement, new exhibits and changing exhibits, as necessary. Major capital funds for future facility and exhibits renewal assumed to come from future capital campaigns.

Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

**Appendix Table 14**  
**Net Income Potential Summary**  
**Cavanaugh Flight Museum without LFFT**

| Stabilized Year in<br>Current Dollars |             | Stable               |             |             |             |             |             |             |             |             |             |
|---------------------------------------|-------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                       |             | YEAR 1 <sup>1/</sup> | YEAR 2      | YEAR 3      | YEAR 4      | YEAR 5      | YEAR 6      | YEAR 7      | YEAR 8      | YEAR 9      | YEAR 10     |
| <b>Revenue</b>                        |             |                      |             |             |             |             |             |             |             |             |             |
| Earned Revenue                        | \$1,656,891 | \$1,733,746          | \$1,720,943 | \$1,743,323 | \$1,778,156 | \$1,846,649 | \$1,883,494 | \$1,960,149 | \$1,999,165 | \$2,078,770 | \$2,120,070 |
| Endowment Proceeds                    | \$90,000    | \$90,000             | \$93,173    | \$96,447    | \$99,828    | \$103,317   | \$106,918   | \$110,635   | \$114,470   | \$118,429   | \$122,513   |
| Contributed Revenues                  | \$466,157   | \$389,302            | \$454,259   | \$485,313   | \$505,227   | \$492,825   | \$513,449   | \$495,673   | \$516,983   | \$499,185   | \$521,211   |
| <b>Total Revenues</b>                 | \$2,213,048 | \$2,213,048          | \$2,268,374 | \$2,325,084 | \$2,383,211 | \$2,442,791 | \$2,503,861 | \$2,566,458 | \$2,630,619 | \$2,696,384 | \$2,763,794 |
| <b>Operating Expenses</b>             | \$2,213,048 | \$2,213,048          | \$2,268,374 | \$2,325,084 | \$2,383,211 | \$2,442,791 | \$2,503,861 | \$2,566,458 | \$2,630,619 | \$2,696,384 | \$2,763,794 |
| <b>Net Operating Income</b>           | \$0         | \$0                  | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         | \$0         |

1/Year 1 represents 2005 value of the dollar.  
Source: ConsultEcon, Inc. and Cavanaugh Flight Museum

**OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL**

May 8, 2006

7:00 p.m. – Joint Work Session of the City Council and the Planning & Zoning

Commissioners

15650 Addison Road

Present: Mayor Chow, Councilmembers Braun, Hirsch, Kraft, Mallory,  
Mellow, Niemann

Commissioners Bernstein, Chafin, Daseke, Doepfner, Meier, Wood

Absent: Commissioner Jandura

Item #WS1 – Presentation and discussion of the form based code for the Belt  
Line Corridor zoning district.

No action taken.

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Secretary

OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL

May 9, 2006  
7:30 p.m. - Council Chambers  
5300 Belt Line Road

Present: Mayor Chow, Councilmembers Braun, Hirsch, Kraft, Mallory, Mellow,  
Niemann  
Absent: None

The Work Session was postponed until after the Regular Session.

Item #R1 - Consideration of Old Business.

The following employees were introduced to the Council: John Godley (General Services), Jackie Langford (Fire), and Candy Stewart (Human Resources).

Item #R2 - Consent Agenda.

Item #2b and Item #2c were considered separately.

#2a – Approval of the Minutes for the April 25, 2006, Council Meeting.  
(Approved as written)

Councilmember Niemann moved to duly approve the above listed items.  
Councilmember Braun seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann  
Voting Nay: None  
Absent: None

#2b – Consideration and approval to reject all bids for Miscellaneous Pavement Repairs, Bid #06-21, for repairs to various streets.

Councilmember Braun moved to reject all bids for Miscellaneous Pavement Repairs, Bid #06-21, for repairs to various streets. Councilmember Mallory seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann  
Voting Nay: None  
Absent: None

#2c – Consideration and approval of an amendment to the Town of Addison Code of Ordinances, Section 78-140, changing the maximum speed limit on Arapaho Road between Addison Road and Surveyor Boulevard from 35 miles per hour to 40 miles per hour.

Councilmember Kraft moved to duly approve Ordinance No. 006-022 amending the Town of Addison Code of Ordinances, Section 78-140, changing the maximum speed limit on Arapaho Road between Addison Road and Surveyor Boulevard from 35 miles per hour to 40 miles per hour. Councilmember Mellow seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann  
Voting Nay: None  
Absent: None

Item #R3 – Presentation of proclamation for Irene Chu for her 30 years of service in the restaurant industry.

No action taken.

Item #R4 – Presentation of proclamation for Asian American Heritage Month.

No action taken.

Item #R5 – Appointment of one member to the Addison Board of Zoning Adjustment (BZA).

Councilmember Hirsch moved to table this item. Councilmember Mellow seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann  
Voting Nay: None  
Absent: None

Item #R6 – Consideration and approval of a resolution authorizing the Town staff to submit an application for a competitive grant to the State of Texas, Governor's Division of Emergency Managements State Homeland Security Program for FY 2006.

Councilmember Mallory moved to duly approve Resolution No. R06-047 authorizing the Town staff to submit an application for a competitive grant to the State of Texas, Governor's Division of Emergency Managements State Homeland Security Program for FY 2006. Councilmember Niemann seconded. Motion carried.

Item #R7 – Presentation and discussion of new Police squad car.

No action taken.

Item #WS1 – Presentation of Department’s Quarterly Operation Reports.

- Visitor Services
- Parks and Recreation

No action taken.

Item #WS2 – Presentation of proposed water conservation campaign.

No action taken.

Item #WS3 – Discussion regarding construction and implementation of the fuel farm at Addison Airport.

No action taken.

There being no further business before the Council, the meeting was adjourned.

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Secretary

**Council Agenda Item: #2b**

**SUMMARY:**

Consideration and approval of award of bid and a resolution authorizing the City Manager to enter into a contract with American Mechanical Services, Inc., for Heating, Ventilating, Air-Conditioning (HVAC) Annual Maintenance Services for all Town owned facilities.

**FINANCIAL IMPACT:**

Cost: \$69,852.00

Funds are budgeted and available in each department's operating budget.

**BACKGROUND:**

The Town contracts the annual maintenance of all Heating, Ventilating and Air-Conditioning systems (HVAC) for all Town owned facilities. This annual service provides all labor necessary to inspect, install replacement parts, repair and service all HVAC equipment, to maintain it in good operating condition for the full term of the contract. Regularly scheduled maintenance is performed every 60 days.

This contract shall be in effect for a period of one year. Upon mutual agreement of both parties, the annual contract from this bid may be extended for two (2) additional twelve (12) month periods, compensation for such extension shall be the same as for the original period of the contract.

American Mechanical Services, Inc. was the low responsible bidder for this contract. Brothers Air Conditioning, Inc. did not submit a bid bond as required.

**RECOMMENDATION:**

Staff recommends awarding the contract in the amount of \$69,852 to American Mechanical Service, Inc., for HVAC services.

Attachments: Bid Tab

MA

**HVAC Maintenance - Annual Contract  
Bid No. 06-17**

**DUE: April 18, 2006  
2:00 PM**

| BIDDER                       | Bid Bond | Signed | Total Bid   |
|------------------------------|----------|--------|-------------|
| Brothers Air Conditioning    | n        | y      | \$68,352.00 |
| American Mechanical Services | y        | y      | \$69,852.00 |
|                              |          |        |             |
|                              |          |        |             |
|                              |          |        |             |
|                              |          |        |             |

*Shanna N. Sims*

\_\_\_\_\_  
Shanna N. Sims, Strategic Services Manager

*Katie H. Roller*

\_\_\_\_\_  
Witness

**Council Agenda Item: #2c**

**SUMMARY:**

Council approval is requested for the purchase of (1) 2006 Fork Lift, under the Town's Inter-local Agreement with the Texas Local Government Purchasing Cooperative - known as BuyBoard.

**FINANCIAL IMPACT:**

|                |                  |                     |
|----------------|------------------|---------------------|
| Airport Fund - | Budgeted Amount: | <u>\$ 35,000.00</u> |
|                | Cost:            | <u>\$ 27,820.00</u> |

**BACKGROUND:**

The Town belongs to the Texas Local Government Purchasing Cooperative - better known as BuyBoard. BuyBoard issues request for bids for vehicles and equipment every year and receives extremely competitive prices because of the large volume of purchases they generate. This is a comparable purchasing method to those purchases done through the Houston Galveston Area Council. By participating in a cooperative, we are able to receive better prices on items we need and in some cases without the effort of seeking formal quotes or bids.

State statute exempts the Town from formal bid requirements when purchasing through the Inter-local Agreement with BuyBoard.

The fork lift is an additional vehicle to the Airport fleet, and will be used by airport maintenance staff to perform their duties.

**RECOMMENDATION:**

Staff recommends the Council approve the purchase from BuyBoard.

MA

**Council Agenda Item: #R3****SUMMARY:**

A presentation to Wipe Out Kid's Cancer as a result of the efforts of the 2<sup>nd</sup> Annual Town of Addison Bowl-A-Thon.

**FINANCIAL IMPACT:**

Revenue Budgeted Amount: \$N/A

Cost: \$N/A

**BACKGROUND:**

On April 20, the 2<sup>nd</sup> Annual Bowl-A-Thon was held as a fundraiser for Wipe Out Kid's Cancer. This event was coordinated through the Town's Employees Action Committee. In 2005, along with sponsors, employee groups, and non-employee participants we were able to raise \$5,800 for WOKC.

This year the EAC's goal was to raise the funding goal to \$6,000. The end results of this year's efforts were outstanding. In fact, this event raised over \$11,300 and once expenses were paid the actual contribution to WOKC is 10,085. A representative from WOKC will be in attendance at the May 23<sup>rd</sup> Council meeting to receive a check from the Town of Addison.

**2006 Bowl-A-Thon Figures:**

|                             |                    |
|-----------------------------|--------------------|
| -Money Raised:              | \$11,387.28        |
| -Expenses:                  | <u>\$ 1,302.28</u> |
| <b>-Total Contribution:</b> | <b>\$10,085.00</b> |

**Total Bowlers:**

|                        |            |
|------------------------|------------|
| Addison employees:     | 105        |
| Non-Addison employees: | <u>61</u>  |
| <b>Total</b>           | <b>166</b> |

ORDINANCE NO. 006-\_\_\_\_\_

AN ORDINANCE BY THE CITY COUNCIL TO THE TOWN OF ADDISON, TEXAS CANVASSING THE RESULTS OF THE MAY 13, 2006 MUNICIPAL ELECTION WHICH WAS HELD FOR THE PURPOSE OF ELECTING THREE COUNCILMEMBERS FOR A FULL TERM.

WHEREAS, there came to be considered the returns of an election held on the 13th day of May 2006, for the purpose of electing three councilmembers for a full term; and

SECTION 1. Whereas, it appears from said returns, duly and legally made, that 698 ballots were cast at said election; and

SECTION 2. That each of the candidates in said election received the following votes:

COUNCILMEMBER, FULL TERM

| <u>Name of Candidate</u> | <u>Total Votes</u> |
|--------------------------|--------------------|
| Dennis O. Kraft          | 426                |
| Tom Braun                | 501                |
| Roger S. Mellow          | 442                |
| Bill Signs               | 280                |

Number of ballots cast: 698

SECTION 3. That said election was duly called, that notice of said election was given in accordance with the law, and that Dennis O. Kraft, Tom Braun, and Roger S. Mellow were duly elected to the office of Councilmember for a full term.

DULY PASSED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS, on this the 23rd day of May, 2006.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY SECRETARY

PUBLISHED ON: \_\_\_\_\_

**Citizen Acadē...y Graduates  
All Classes**

| FirstName | LastName    | Street                 | Suite     | City    | State | Zip        | HomePhone  | OfficePhone | Email Address              | Class |
|-----------|-------------|------------------------|-----------|---------|-------|------------|------------|-------------|----------------------------|-------|
| Anne      | Adams       | 14893 Oaks North Dr.   |           | Dallas  | TX    | 75254      | 9723863954 | 9723869656  | anne.adams@worldspan.com   | CA00  |
| Judy      | Barrett     | 14637 Lexus Ave.       |           | Addison | TX    | 75001-3132 | 9723867944 | 9723867944  | jrburlb@msn.com            | CA00  |
| Brad      | Bradbury    | 3918 Bobbin Ln.        |           | Addison | TX    | 75001-3101 | 9729808106 | 9729808106  | HCBt@aol.com               | CA00  |
| Gilbert   | Bruneman    | 14848 Winnwood Rd.     |           | Dallas  | TX    | 75254      | 9722333304 | 9724897678  | gbruneman@aol.com          | CA00  |
| Merle     | Bruneman    | 14848 Winnwood Rd.     |           | Dallas  | TX    | 75254      | 9722333304 |             |                            | CA00  |
| Virgil    | Burkhardt   | 4007 Winter Park Ln.   |           | Addison | TX    | 75001-4904 | 9724908517 |             | vgburk@attbi.com           | CA00  |
| Wendy     | Burkle      | 4815 Westgrove Dr.     | Apt. 102  | Addison | TX    | 75001-6101 | 9723804912 | 9725962732  | hallf0367@aol.com          | CA00  |
| Karen     | Gassett     | 16301 Ledgement Ln.    | Apt. 262  | Addison | TX    | 75001-6213 | 9722489513 | 2142372015  | kkgasset@worldnet.att.net  | CA00  |
| Linda     | Groce       | 4102 Pokolodi Cir.     |           | Addison | TX    | 75001-3152 | 9724904326 |             |                            | CA00  |
| Neil      | Hewitt      | 4014 Morman Ln.        |           | Addison | TX    | 75001-4901 | 9729341260 | 9722806716  | nhewitt@us.ibm.com         | CA00  |
| Gregory   | Hirsch      | 14713 Sherlock Dr.     |           | Addison | TX    | 75001-3116 | 4693740717 | 4693846531  | ghirsch@ci.addison.tx.us   | CA00  |
| Andrew    | Hoelle      | 3914 Azure Ln.         |           | Addison | TX    | 75001-3105 | 9722478106 |             | ahoelle@hotmail.com        | CA00  |
| Richard   | Jeffcoat    | 4910 Goodman Ave.      | Apt. 1921 | Addison | TX    | 75001-6677 | 9723851835 |             |                            | CA00  |
| Robert    | Karl        | 15658 Witt Pl.         | Apt. 4236 | Addison | TX    | 75001-3379 | 9727611292 |             | Bob_Karl@msn.com           | CA00  |
| Elizabeth | Knott       | 14925 Oaks North Dr.   |           | Dallas  | TX    | 75254      | 9729606408 |             | Elizabeth@knott.org        | CA00  |
| Mark      | MacMullen   | 16300 Ledgement Ln.    | Apt. 1101 | Addison | TX    | 75001-5943 | 9727358507 | 9727016308  | mark_macmullen@hotmail.com | CA00  |
| Jimmy     | Niemann     | 14921 Bellbrook Dr.    |           | Dallas  | TX    | 75254-7673 | 9723873135 | 2147822850  | jniemann@e-rewards.com     | CA00  |
| Beverly   | Roberts     | 4040 Morman Ln.        |           | Addison | TX    | 75001-7945 | 9723929460 | 9728512181  | bevrob2@aol.com            | CA00  |
| Kathleen  | Schaffer    | 17037 Knots Landing    |           | Addison | TX    | 75001-5033 | 9722480243 | 9724232225  | shomble@aol.com            | CA00  |
| Virginia  | Wallace     | 14820 Le Grande Dr.    |           | Addison | TX    | 75001-4911 | 9724507038 | 9729802665  | vbwallace@comcast.net      | CA00  |
| Rainey    | Ashley      | 17091 Upper Bay Road   |           | Addison | TX    | 75001      | 9728183712 | 9727321989  | lashley@pnbfinancial.com   | CA02  |
| Bob       | Baumann     | 4004 Sherry Lane       |           | Addison | TX    | 75001      | 9728660070 | 9728669199  | Bob-baumann@attbi.com      | CA02  |
| Ted       | Bernstein   | 3875 Weller Run Ct.    |           | Addison | TX    | 75001      | 9724069677 | N/A         | t.bernstein@sbcglobal.net  | CA02  |
| Stephen   | Blum        | 17030 Planters Row     |           | Addison | TX    | 75001      | 2143947827 | 9727206645  | Steve@frontlineimaging.com | CA02  |
| Griffon   | Bourgeois   | 3796 Lakeway Ct.       |           | Addison | TX    | 75001      | 8724889444 | 9727596492  | griffon@dallas.net         | CA02  |
| B.L.      | Brady       | 3876 Weller Run Ct.    |           | Addison | TX    | 75001      | 9724886791 |             | blbrady@aol.com            | CA02  |
| Anita     | Braun       | 14616 Lexus Avenue     |           | Addison | TX    | 75001      | 9723850706 |             | TKBrauns@attbi.com         | CA02  |
| Tom       | Braun       | 14616 Lexus Dr.        |           | Addison | TX    | 75001      | 9723850706 | 9725292444  | TKBrauns@attbi.com         | CA02  |
| Barbara   | Colegrove   | 15022 Bellbrook Drive  |           | Dallas  | TX    | 75254      | 9723871557 |             | baracole@aol.com           | CA02  |
| Patricia  | French      | 3876 Weller Run Ct.    |           | Addison | TX    | 75001      | 9724886791 | 9724886791  |                            | CA02  |
| Roberta   | Hendrickson | 4090 Oberlin Way       |           | Addison | TX    | 75001      | 9724903389 | 4692551817  | Rhenedri@AII.C.Cisco.com   | CA02  |
| Bob       | Jacoby      | 4016 Rive Lane         |           | Addison | TX    | 75001      | 9722334536 | 2146511447  | bjacoby@yahoo.com          | CA02  |
| Sheridan  | Jones       | 3911 Bobbin Lane       |           | Addison | TX    | 75001      | 9722392239 | 9722392239  | thinkskj@worldnet.att.net  | CA02  |
| Ursula    | Kelley      | 14616 Heritage         |           | Addison | TX    | 75001      | 9723850171 | 9725712801  | ursula31a@aol.com          | CA02  |
| Dennis    | Kraft       | 14726 Celestial Pl.    |           | Dallas  | TX    | 75254      | 9727261812 | 9729915800  | Krafthouse@aol.com         | CA02  |
| Irina     | Marchenko   | 4130 Proton 50-B       |           | Addison | TX    | 75001      | 9723874244 |             | crockie@swbell.net         | CA02  |
| Barbara   | Mathews     | 14625 Lexus Avenue     |           | Addison | TX    | 75001      | 9726615485 | 9722326023  |                            | CA02  |
| Roger     | Mellow      | 14840 Lochinvar Drive  |           | Dallas  | TX    | 75254      | 9723875785 | 9723875785  | Roger@mellownet.com        | CA02  |
| Margaret  | Miles       | 14664 Bentwater Ct.    |           | Addison | TX    | 75001      | 9722436068 |             | fancitoo@attbi.com         | CA02  |
| John      | Parker      | 14677 Wayside Ct.      |           | Addison | TX    | 75001      | 9722441833 | 9724041034  | jbpth20@aol.com            | CA02  |
| Skip      | Robbins     | 14770 Maiden Ct.       |           | Dallas  | TX    | 75254      | 9727884083 | 9726057526  | skip1019@aol.com           | CA02  |
| Phyllis   | Silver      | 15720 Artist Way #4912 |           | Addison | TX    | 75001      | 9726224340 | 9726224340  |                            | CA02  |
| Donald    | Walden      | 3785 Waterford Drive   |           | Addison | TX    | 75001-7955 | 9722412857 |             |                            | CA02  |
| John      | Bailey      | 4093 Oberlin Way       |           | Addison | TX    | 75001      | 2147271347 | 9726618472  | jabailey@mitamerica.com    | CA04  |

**Citizen Acad...y Graduates  
All Classes**

|            |              |                          |            |               |            |            |                                  |      |
|------------|--------------|--------------------------|------------|---------------|------------|------------|----------------------------------|------|
| Cathy K.   | Bernstein    | 3875 Weller Run Ct.      | Addison TX | 75001 TX      | 9724069677 | n/a        | t.bernstein@sbcglobal.net        | CA04 |
| Robert D.  | Brewster     | 3781 Waterside Ct.       | Addison TX | 75001 TX      | 9722475968 | 9724208314 | Frog4900@aol.com                 | CA04 |
| James R.   | Christensen  | 3880 Emerald Ct.         | Addison TX | 75001 TX      | 9726201270 | 9726503434 | jim-christensen@webtv.net        | CA04 |
| Alessandra | Day          | 14593 Blueberry Ct.      | Addison TX | 75001 TX      | 97240-0959 |            | m.day7@comcast.net               | CA04 |
| Michael    | Day          | 14593 Blueberry Ct.      | Addison TX | 75001 TX      | 9724060959 |            | m.day7@comcast.net               | CA04 |
| Chris      | DeFrancisco  | 3917 Bobbin Ln.          | Addison TX | 75001 TX      | 9723923572 | 2145154964 | Christidefrancisco@frostbank.com | CA04 |
| Kathryn    | Farrer       | 4815 Westgrove Dr.       | Addison TX | 75001 TX      | 9727139293 | n/a        | KLFARRER@EV1.net                 | CA04 |
| Gena Lou   | Fulmer       | 17031 Knots Landing      | Addison TX | 75001 TX      | 9722500127 | 9727536841 | genaf@comcast.net                | CA04 |
| Carlena    | Gilbreth     | 3728 Brookhaven Club Dr. | Addison TX | 75001 TX      | 9722432861 | n/a        | n/a                              | CA04 |
| Glenda     | Hoelle       | 3914 Azure Ln.           | Addison TX | 75001 TX      | 9722478106 | n/a        | ghoelle@yahoo.com                | CA04 |
| Albert     | Jandura      | 14936 Oaks North Dr.     | Dallas TX  | 75254 TX      | 9727020202 | 9727020202 | AJANDURA@swbell.net              | CA04 |
| Richard E. | Jeffcoat     | 4910 Goodman Ave.        | Addison TX | 75001 TX      | 9723851835 | n/a        | n/a                              | CA04 |
| Todd C.    | Meier        | 14857 Towne Lake Cir.    | Addison TX | 75001 TX      | 9722395882 | 2145618731 | TCM51@msn.com                    | CA04 |
| Daniel     | Moulton      | 3901 Azure Ln.           | Addison TX | 75001 TX      | 9726207523 | 9726207523 | dan.moulton@comcast.net          | CA04 |
| Bianca     | Noble        | 4008 Bobbin Ln.          | Addison TX | 75001 TX      | 9723858573 | 9724533186 | bianca.noble@verizon.com         | CA04 |
| Scott      | Noble        | 4008 Bobbin Ln.          | Addison TX | 75001 TX      | 9723858573 | 9723851880 | snoble_99@yahoo.com              | CA04 |
| Cathy A.   | Norton       | 14640 Waterview Cr.      | Addison TX | 75001 TX      | 9722474047 | 2143609951 | callicatnortone@yahoo.com        | CA04 |
| Teresa     | Perry        | 3837 Azure Ln.           | Addison TX | 75001 TX      | 9724881862 | 4692313353 | bperrybap@comcast.net            | CA04 |
| Sandra     | Silver       | 3822 Canot Ln.           | Addison TX | 75001 TX      | 9722430023 | 9724580400 | SJSILVER@swbell.net              | CA04 |
| Sheldon    | Srulevitch   | 3832 Park Pl.            | Addison TX | 75001 TX      | 9722479667 | n/a        | RBS99@aol.com                    | CA04 |
| Sara Lynn  | Stokes       | 3901 Azure Ln.           | Addison TX | 75001 TX      | 9726207523 | 2147682270 | lynnstokes@comcast.net           | CA04 |
| Alden D.   | Tinnin       | 4130 Proton Dr.          | Addison TX | 75001 TX      | 9723874244 | 9727649386 | atinnin@swbell.net               | CA04 |
| Lori       | Ward         | 14801 Lake Forest Dr.    | Dallas TX  | 75254 TX      | 9723929295 | 2148407188 | Loriward@Deloitte.com            | CA04 |
| Kathryn    | Wheeler      | 14925 Havenshire Pl.     | Dallas TX  | 75254 TX      | 9725036777 | n/a        | wheelerskw@comcast.net           | CA04 |
| Teresa J.  | Wilkin       | 4133 Towne Green Cir.    | Addison TX | 75001 TX      | 2146931503 | n/a        | teresawilkin@yahoo.com           | CA04 |
| Alan       | Wood         | 14609 Lexus Ave.         | Addison TX | 75001 TX      | 9729912911 | 2145593900 | alan.b.wood@sbcglobal.net        | CA04 |
| Katherine  | Wood         | 14609 Lexus Ave.         | Addison TX | 75001 TX      | 9729912911 | n/a        | Wood_family@sbcglobal.net        | CA04 |
| Stanley    | Attuguayefio | 17200 Westgrove Dr.      | Addison TX | 75001 TX      | 9722503178 | N/A        |                                  | CA98 |
| Bob        | Barrett      | 14637 Lexus Ave.         | Addison TX | 75001-3132 TX | 9723867944 | 9723867944 | jrbrlb@msn.com                   | CA98 |
| Laurel     | Brewster     | 3822 Azure Ln.           | Addison TX | 75001-7901 TX |            |            | laurel.brewster@dal.frb.org      | CA98 |
| Robert     | Brewster     | 3822 Azure Lane          | Addison TX | 75001 TX      |            |            |                                  | CA98 |
| Lary       | Brown        | 383 Lakeview Court       | Addison TX | 752001 TX     | 9726207098 | 9729970700 |                                  | CA98 |
| John       | Caris        | 3883 Weller Run Ct.      | Addison TX | 75001 TX      | 9722472988 |            |                                  | CA98 |
| Doreen     | Cluck        | 3734 Brookhaven Club Dr. | Addison TX | 75001 TX      | 9722413905 |            |                                  | CA98 |
| John       | Cummings     | 3817 Azure Ln.           | Addison TX | 75001-7902 TX | 9722471384 |            |                                  | CA98 |
| Don        | Daseke       | 5656 Celestial Rd.       | Dallas TX  | 75254 TX      | 9729609015 |            |                                  | CA98 |
| Carol      | Doepfner     | 4006 Bobbin Ln.          | Addison TX | 75001-3103 TX | 9722339722 | 9723073229 |                                  | CA98 |
| Mary       | Edrich       | 4015 Bobbin Ln.          | Addison TX | 75001-3104 TX | 9723927561 | 9723927561 | blbrady1@aol.com                 | CA98 |
| Bonnie     | Hill         | 14700 Marsh Ln.          | Addison TX | 75001 TX      | 9724889991 | 9724889990 |                                  | CA98 |
| David      | Holmes       | 3880 Lakeview Ct.        | Addison TX | 75001 TX      | 9726209755 | 9728889382 |                                  | CA98 |
| Charles    | Hughes       | 14639 Waterview Circle   | Addison TX | 75001 TX      |            |            |                                  | CA98 |
| Paula      | Jandura      | 14936 Oaks North Dr.     | Dallas TX  | 75254 TX      | 9727020202 |            | jandura@swbell.net               | CA98 |
| John       | Jeffers      | 4015 Bobbin Ln.          | Addison TX | 75001-3104 TX |            |            |                                  | CA98 |
| Robert     | Mason        | 3834 Azure Lane          | Addison TX | 75001 TX      | 9722410964 |            |                                  | CA98 |
| John       | Meleky       | 17030 Vinland Dr.        | Addison TX | 75001 TX      | 9722484799 | 9727132895 |                                  | CA98 |

**Citizen Acade...y Graduates  
All Classes**

|       |          |                    |            |            |            |            |      |
|-------|----------|--------------------|------------|------------|------------|------------|------|
| Karen | O'Neill  | 14723 Sherlock Dr. | Addison TX | 75001-3116 | 9727749534 | 9726630500 | CA98 |
| Peggy | Petty    | 3768 Waterford Dr. | Addison Tx | 75001      | 9724843628 | 2148558205 | CA98 |
| Dee   | Saunders | 3796 Waterford Dr. | Addison TX | 75001-7952 | 9724881914 |            | CA98 |
| Joan  | Tuma     | 4021 Azure Lane    | Addison TX | 75001      | 9723850421 |            | CA98 |
| Dale  | Wilcox   | 3868 Lakeview Ct.  | Addison TX | 75001      |            |            | CA98 |



1998 Graduates



2002 Graduates



2000 Graduates



2004 Graduates

**Council Agenda Item: #R6**

**SUMMARY:**

In March of 2006 we received confirmation that the State Homeland Security Office (SHS) has reallocated funding for the Town of Addison under the fiscal year 2006 in the amount of \$99,316 for the purchase and installation of a Video Camera Monitoring System at the Art and Events District. Ron Davis' memorandum is attached.

**FINANCIAL IMPACT:**

|                             |           |
|-----------------------------|-----------|
| Budgeted Amount:            | \$0       |
| Total grant money received: | \$ 99,316 |

**BACKGROUND:**

At the beginning of the fiscal year 2005 the Town of Addison applied for a grant in the amount of \$99,316 for the purchase, installation, and 5 year maintenance support of a Video Camera Monitoring System at the Art and Events District. On April 29, 2005, we received confirmation that the SHS Office had allocated funding for the Town of Addison under the fiscal year 2005 in the amount of \$99,316. Consequently, based on staff recommendation, on July 12, 2005 Council authorized the City Manager to enter into a five (5) year agreement with Wagner Security & Electronics, Inc. in the amount of \$99,316 for the purchase, installation, and maintenance of recommended System at the Art and Events District. However, 2 weeks later the SHS office unexpectedly moved the project completion deadline from April of 2006 back to September of 2005. This sudden shortening of system implementation timeline created a great concern for the vendor and eventually caused the vendor to withdraw.

Staff reapplied for this grant, and in March of 2006 we received confirmation that the SHS Office has reallocated funding for the Town of Addison under the fiscal year 2006 in the amount of \$99,316. However, this time, SHS has placed a restriction on the grant money and it can now only be used to cover the cost of the purchase and installation of the system. It can not be used to pay 5 year maintenance support for the system as was the case with 2005 grant.

**RECOMMENDATION:**

Staff is seeking directions form the Council as to whether or not we should release a RFP to purchase a system knowing that the Town will be responsible for on-going system maintenance cost. Maintenance cost of such a system can vary.

**Addison Police  
Department**

# Memo

**To:** Hamid Khaleghipour  
**From:** Ron Davis  
**Date:** May 17, 2006  
**Re:** Special Event Site Cameras

---

You had asked how the police department envisions using surveillance equipment to be installed at the Special Event site. We have two deployment plans, the first is as an active surveillance tool at special events and the second is as a reconstructive or incident follow up tool. As we gain experience with the equipment we anticipate the opportunity to find new uses for this equipment.

As an active surveillance tool we have suggested camera placements that will allow us to monitor critical areas such as entrance and exit points at the event site. Our plan is that during major special events a person will monitor the cameras from within the Addison Circle police office. This person does not necessarily have to be a police officer. The "monitor" will be watching for not only possible criminal activity but also event related issues such as: visitor over-stacking at entrance points, traffic congestion or other event related problems. When the monitor identifies a problem they can then contact the appropriate management personnel; be it police, EMS or special event managers to send resources to deal with the problem.

To a lesser degree internal monitoring of the site will also take place. We see that this could possibly reduce the number of elevated observation posts within the event site that are used to keep an eye on the crowds. Particularly during less crowded hours there might be an opportunity to reduce police manpower costs by not needing as many "boots on the ground". However, we will need to learn the capabilities and limitations of the camera system before we can start reducing manpower by substituting monitoring by camera.

Initially, we envision the largest opportunity for manpower savings will occur at smaller third party events. Instead of hiring enough officers to completely oversee an event an organizer would hire a "monitor" who would observe the event from the Addison Circle police office. The organizer would then only have to hire sufficient officers to respond to problems the monitor observes.

From an incident reconstruction perspective we would like to devise a plan that would allow the cameras to continuously record what takes place in the park. The cameras would not be monitored; however, we would retain the recordings of what took place for a period of time, probably 72 hours. If we get a report of a crime we could then review the recordings to gain information and evidence about the crime or incident. However, for continuous surveillance of the park to occur we would need to secure Council support for this type of program.

While it is not possible at this time to come up with a definite dollar amount of future savings through reduced manpower costs, we do think it has the potential to significantly make an impact in the long run. What is certain is that the impact will be felt immediately by improving the quality of special events by providing another means to identify problems and resolve them more quickly than might otherwise be possible.



Dallas Area Rapid Transit  
P.O. Box 660163  
Dallas, Texas 75266-0163  
214/749-3278

May 3, 2006

Ms. Carmen Moran  
Town Secretary  
Town of Addison  
P.O.Box 9010  
Addison, TX 75001-9010

Re: Town of Addison representative to DART Board of Directors

Dear Ms. Moran:

Members of DART's Board of Directors serve staggered two-year terms pursuant to Section 452.578 of the Texas Transportation Code. Mr. Ray Noah was appointed to represent the Town of Addison. His term of office will expire on July 1, 2006.

Please send a copy of the resolution appointing or re-appointing a representative for the Town of Addison to the DART Board of Directors to the attention of:

Nancy K. Johnson  
Director of Board Support  
Dallas Area Rapid Transit  
P.O. Box 660163  
Dallas, Texas 75266  
Fax (214) 749-3651

If you have any questions regarding this matter, please call me at (214) 749-3347.

Yours very truly,



Mark Enoch  
Board Chair

c: Ray Noah  
Gary Thomas  
Rocky Angle  
Nancy K. Johnson

[Return to previous page](#)**Raymond Noah**

Raymond Noah was appointed in 1984 by the City Council of Richardson to represent Richardson on the DART Board of Directors. He has also been appointed by the towns of Addison, Highland Park and University Park to represent these municipalities on the DART Board.

**DART Committee Participation:**

*Chair, Audit Committee*

*Vice Chair, Administrative Committee*

*Member, Budget/Finance Committee*

*Member, Diversity & Economic Opportunity Committee*

*Member, Regional Rail Right of Way Committee*

**Employment:**

Attorney, Raymond D. Noah and Associates

**Community Service & Corporate Board Service:**

*Mayor and Councilman, City of Richardson*

*Board Member, Vice President & President, North Central Texas Council of Governments*

*President, Texas Association of Mayors, Councilmen and Commissioners*

*Member, Texas Municipal League Board of Directors*

*Chair, North Texas Legislative Conference*

*Member, City of Richardson Charter Revision Committee*

*Member, Collin County Mayors' Association*

*Member, Board of Dallas Alliance*

*Member, Regional Transportation Council*

*Board Member and President, Richardson Symphony Orchestra*

*Member, Richardson Central Rotary Club*

*Life Member, PTA*

*Member, Advisory Boards, YMCA and YWCA*

*Board Chair, Richardson Hospital Authority*

*Member, Texas A&M University-MSU Development Board*

*Member, Advisory Board, University of Texas at Dallas*

*Trustee, Administrative Board, First United Methodist Church, Richardson*

*Chair, Richardson Chamber of Commerce*

*Chair, Leadership Richardson Advisory Board*

*Retiring Municipal Judge, Richardson*

**Education:**

Juris Doctor, Southern Methodist University Law School

Bachelor of Business Administration, University of Texas at El Paso

**Council Agenda Item: #R8**

**SUMMARY:**

The purpose of this item is for the Council to consider allowing the Town of Addison to participate in HUD's Community Development Block Grant Program.

**FINANCIAL IMPACT:**

Revenue Budgeted Amount: \$N/A

Cost: \$N/A

**BACKGROUND:**

The Town recently received a notice from Dallas County providing the Town of Addison the opportunity to participate in HUD's Community Development Block Grant (CDBG) program. The CDBG program is the nation's primary urban assistance program that is used to finance programs and activities that eliminate blight and assist those in low to moderate income range.

A sample of projects and activities that are eligible under the CDBG program are the acquisition of property, construction of infrastructure, code enforcement activities, certain housing assistance, and provisions of public services such as crime prevention, child care assistance, and other welfare needs.

Traditionally, Addison has not participated in the CDBG program. Based on a conversation with Dallas County's Director of Planning & Development he explained that Addison has two options. 1.) Maintain the status quo and do nothing with the program and 2.) Provide an indication that Addison is interested in participating in the program. If Addison chooses to participate it does not obligate the Town to receive any funds from the program. If Addison is a participant it allows Dallas County to obtain a larger block of funds from the Federal government because it is tied to population. During the spring, Dallas County would contact the Town and inform us of our annual allotment and provide us an opportunity to accept or deny the funds.

There is concern with the requirements or "strings attached" for being a participant of this program. In addition, Dallas County indicated that if Addison were to participate the allotment for our community would be in the neighborhood of \$50,000. Therefore, staff recommends that Addison continue its nonparticipation in the CDBG program.

**RECOMMENDATION:**

Administration recommends denial.



DALLAS COUNTY  
COMMISSIONERS COURT ADMINISTRATION  
DEPARTMENT OF PLANNING AND DEVELOPMENT

April 12, 2006

Mr. Ron Whitehead, City Manager  
Town of Addison  
5300 Beltline Road  
Dallas, TX 75254-7606

Dear Mr. Whitehead,

HUD's Community Development Block Grant (CDBG) program, which is the nation's primary urban assistance program is used to finance activities that eliminate blight and assist low/moderate income people. It is a flexible program, and its funds can be used to reconstruct roads, replace water lines, install sidewalks, develop parks, improve drainage, promote economic development and reconstruct owner-occupied homes in low and moderate income neighborhoods.

In FY88, with the help of thirteen cities who entered into three-year cooperative agreements with it, Dallas County was able to qualify for this program for the first time. As a result of this cooperation, Dallas County has been since able to receive and direct over \$36.6 million into these cities.

HUD has recently informed Dallas County that it may allow cities not presently participating in the program to join for the remainder of the 2006-08 qualification period. If the Town of Addison elected to join the program, the City would receive funding from this program every year and could then use this funding for any eligible project of the City's determination.

If your City is interested in participating in this program, HUD has asked that your City notify HUD in writing, (U.S. Department of Housing and Urban Development, Community Planning & Development, 801 Cherry St., 28<sup>th</sup> Floor, P.O. Box 2905, Fort Worth, TX 75116-2905) by May 26, 2006, that it elects to be included for the remaining two years. Additionally, if your City is interested in participating in this program, Dallas County asks that the enclosed cooperative agreement be executed and returned to us, along with an accompanying resolution authorizing such participation, by June 12, 2006. To assist your City in determining whether to participate in this program, a copy of the County's CDBG policies are also enclosed.

If I can answer any other questions that you may have, please do not hesitate to call me at (214) 653-7601.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Loessberg".

Rick Loessberg  
Director of Planning & Development

encl.

**AGREEMENT OF COOPERATION  
for CDBG/HOME Program**

**WHEREAS**, the 93<sup>rd</sup> Session of the Congress passed, and the President of the United States signed into law, the Housing and Community Development Act of 1974 (PL93-383) which created the Urban County Community Development Block Grant (CDBG) program; and

**WHEREAS**, Dallas County, Texas, is applying to the U.S. Department of Housing and Urban Development for Urban County CDBG entitlement status; and

**WHEREAS**, in order to qualify for this status, Dallas County must enter into cooperative agreements with local governments and have the collective population of the County's unincorporated area and the participating local governments total at least 100,000 people; and

**WHEREAS**, Texas cities and counties are authorized under Chapter 373, Local Government Code, and Section 381.003, Local Government Code, to conduct essential Housing and Community Development activities; and

**WHEREAS**, Texas cities and counties are authorized under Chapter 791, Government Code, to enter into cooperative agreements with one another.

**NOW, THEREFORE, BE IT RESOLVED THAT:**

The Town of Addison supports the efforts of Dallas County, Texas to qualify for the Urban County CDBG program and asks that its population be included in such a program beginning for Federal Fiscal Years 2007 and 2008.

This agreement covers both the CDBG entitlement program and when applicable, the HOME Investment Partnership program.

This agreement remains in effect until the CDBG (and HOME, where applicable) funds and program income received with respect to the three-year qualification period are expended and the funded activities completed, and that the County and City may not terminate or withdraw from the agreement while the agreement remains in effect.

The Town of Addison understands that by executing the CDBG cooperation agreement it:

1. May not apply for grants under the Small Cities or State CDBG Program from appropriations for fiscal years during the period in which it is participating in the Urban County CDBG program; and
2. May receive a formula allocation under the HOME program only through the urban county. May not participate in a HOME consortium except through the Urban County, regardless, of whether the Urban County received a HOME formula allocation.

Dallas County and the Town of Addison agrees to cooperate to undertake, or assist in undertaking, community renewal and lower income housing assistance activities, specifically urban renewal and publicly assisted housing.

Dallas County and the Town of Addison shall take all actions necessary to assure compliance with the Urban County's certification required by Section 104(b) of the Title I of the Housing and Community Development Act of 1974, as amended, including Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Section 109 of Title I of the Housing and Community Development Act of 1974, and Title VIII of the Civil Rights Act of 1968 and other applicable laws;

Dallas County and the Town of Addison understands that Urban County funding will not be provided for activities in or in support of a cooperating local government that does not affirmatively further fair housing within its own jurisdiction or that impedes the County's actions to comply with its fair housing certifications;

The Town of Addison understands, that in accordance with 24 CFR 570-501(b) and 570.503,(which requires a written agreement), it shall be subject to the same administrative requirements as a sub-recipient should it receive funding under this program;

The Town of Addison agrees to inform Dallas County of any income generated by the expenditure of CDBG/HOME funds received, and that any such program income must be paid to the county to be used for eligible activities in accordance with all HOME and Community Development Block Grant requirements;

Dallas County is responsible for monitoring and reporting to the U.S. Department of Housing and Urban Development on the use of any such program income, and that in the event of close-out or change in status of the Town of Addison, any program income that is on hand or received subsequent to the close-out or change in status shall be paid to the County;

The Town of Addison agrees to notify Dallas County of any modification or change in the use of the real property from that planned at the time of acquisition or improvement, including disposition, and further agrees to reimburse the county in an amount equal to the current fair market value (less any portion thereof attributable to expenditure of non-CDBG/HOME funds) for property acquired or improved with CDBG/HOME funds that is sold or transferred for a use which does not qualify under the CDBG/HOME regulations;

Any money generated from the disposition or transfer of property will be treated as program income and returned to the County prior to, or subsequent to, the close-out, change of status, or termination of this cooperative agreement between Dallas County and the Town of Addison .

The Town of Addison has adopted and is enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations;
2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within jurisdictions.

The Town of Addison understands that Dallas County will have final responsibility for administering the CDBG/HOME program, selecting CDBG/HOME projects and filing annual grant requests; and

The Mayor of the Town of Addison, Texas is authorized to sign any additional forms, on behalf of the Town of Addison, that the U.S. Department of Housing and Urban Development may require.

APPROVED AND ACCEPTED THIS THE \_\_\_\_\_ day of \_\_\_\_\_ 2006.

\_\_\_\_\_  
R. Scott Wheeler, Mayor  
Town of Addison, Texas

\_\_\_\_\_  
Margaret Keliher, County Judge  
Dallas County, Texas

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

\_\_\_\_\_  
Ron Whitehead, City Manager

\_\_\_\_\_  
Paula Stephens, Commissioners Court Clerk

Approved as to Form:

\_\_\_\_\_  
Bob Schell, Assistant District Attorney

ORDER NO. 96 680

DATE APR 16 1996

STATE OF TEXAS §

COUNTY OF DALLAS §

BE IT REMEMBERED, at a regular meeting of the Commissioners Court of Dallas County, Texas held on the 16th day of April, 1996, on motion made by Mike Cantrell, Commissioner of Dist. #2, and seconded by Kenneth A. Mayfield, Commissioner of Dist. #4, the following Order was adopted:

WHEREAS, Dallas County has operated a Community Development Block Grant (CDBG) program since 1988; and

WHEREAS, the policies for this program are contained in Court Orders 92-344, 95-750, and 95-1594; and

WHEREAS, funds from this program have traditionally been allocated using a grant application cycle; and

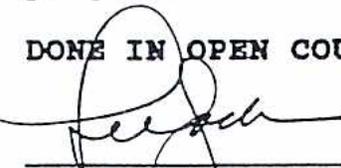
WHEREAS, a new method that will utilize a formula to allocate funds has been developed; and

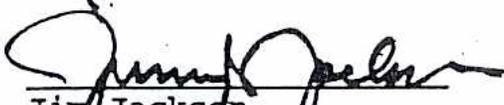
WHEREAS, this allocation formula will streamline the funding process, provide cities with more stable funding, and enable them to address their highest needs; and

WHEREAS, the Dallas County Commissioners Court was briefed on this issue on April 2, 1996.

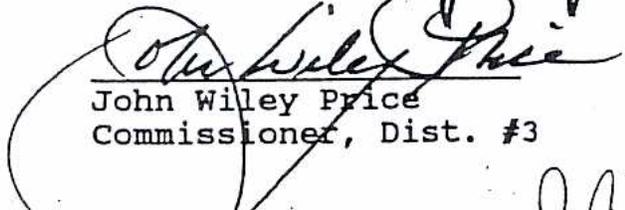
NOW, THEREFORE, BE IT ORDERED, ADJUDGED AND DECREED that the Dallas County Commissioners Court replaces the previous CDBG grant application process with an allocation formula, that Court Orders 92-344, 95-750, and 95-1594 are rescinded and replaced by the policies contained in this order, and that these revised policies shall govern the operation of the County's CDBG program.

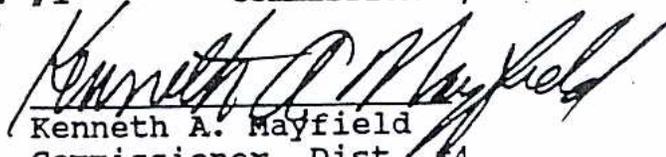
DONE IN OPEN COURT this the 16th day of April, 1996.

  
Lee F. Jackson  
County Judge

  
Jim Jackson  
Commissioner, Dist. #1

  
Mike Cantrell  
Commissioner, Dist. #2

  
John Wiley Price  
Commissioner, Dist. #3

  
Kenneth A. Mayfield  
Commissioner, Dist. #4

DALLAS COUNTY

## **POLICIES FOR DALLAS COUNTY CDBG PROGRAM**

### **1. PROGRAM EMPHASIS**

The Dallas County Community Development Block Grant (CDBG) program is designed to only undertake those projects and activities which assist low/moderate income individuals and families, eradicate blight, and/or eliminate those conditions which threaten a community's health, welfare or safety. However, regardless of which of these three categories a specific project falls into, at least 70 percent of the program's total expenditures, over a three-year period, must be directed to those projects where the principal beneficiaries are of low/moderate income.

### **2. OBJECTIVES AND PRIORITIES**

Dallas County, with the assistance of the public and the cities that participate in the CDBG program, will establish community development objectives and priorities to guide the allocation of its federal housing and community development funding. Funded projects should thus generally be compatible with these stated objectives and priorities unless it can be suitably demonstrated why another objective or priority should be pursued.

### **3. ADMINISTRATIVE EXPENSES**

The administrative expenses that Dallas County incurs for operating this program will be financed out of the program's annual entitlement. In no instance will the twelve-month administrative budget exceed ten percent of the total funds available.

### **4. CONSORTIUM-WIDE PROJECTS**

For projects that will benefit residents of all CDBG-participating municipalities, the County may reserve a portion of the program's funds for said projects.

### **5. ALLOCATION OF FUNDS**

Funds will be allocated to all interested participating cities and the County's unincorporated area using the formula that is described in Appendix B. The amount of funds that will be allocated through this formula will be equivalent to the total amount of funds that the County has available minus the funds that are budgeted for administration and consortium-wide projects.

Only those cities that have entered into a formal cooperative agreement with the County or the County, on behalf of its unincorporated area, can receive funding from this formula; other entities can only receive funding if the County or a city wishes to allocate a portion of its annual award to this entity. However, such suballocating will only be permitted if the proposed activity will occur within the jurisdiction that is suballocating its award.

### **6. PROJECT DEVELOPMENT/REVIEW**

Participating cities will be responsible for determining how they wish to utilize their CDBG

undertake any CDBG-eligible activity (see Appendix C). Cities may also hold all or a portion of their award in reserve for one year for use in another project.

Once cities have determined how they wish to utilize their CDBG allocation, the County will only review the proposed activities to ensure that they are eligible, that they meet HUD's various requirements, and that there are sufficient funds available to undertake the activities. In the event that an activity is not eligible, is not sufficiently funded or does not meet all of HUD's requirements, the County will require the City to appropriately revise or change the activity.

**7. TECHNICAL ASSISTANCE**

Dallas County CDBG staff will be available to assist all eligible entities in developing and preparing projects.

**8. CITIZEN PARTICIPATION**

The Dallas County CDBG program will be operated in accordance with the Citizen Participation Plan outlined in Appendix A.

**9. COMPLIANCE**

All eligible entities must agree to abide by all relevant County, Federal and State laws, regulations and policies.

**10. DISPLACEMENT**

Dallas County will seek to minimize the displacement of businesses and/or households through the steps outlined in Section 10, Appendix A.

**11. ELIGIBLE PROJECTS/ACTIVITIES**

The CDBG program can be used to finance those projects/activities generally described in Appendix C and as defined in Section 105(a) of the Federal Housing and Community Development Act of 1974, as amended.

**12. INELIGIBLE PROJECTS/ACTIVITIES**

The CDBG program generally cannot be used to finance such projects as:

- A. The construction of buildings/facilities used for the general conduct of government;
- B. The construction of new housing except when such housing is used to house individuals/families displaced by County CDBG activities;
- C. The financing of political activities;
- D. The acquisition of construction equipment;
- E. The provision of income payments;
- F. The operation and maintenance of capital improvement facilities; and
- G. Those others defined by HUD.

13. **ASSESSMENT**

Entities receiving funding for capital improvement projects are generally prohibited from levying special assessments (including service connections and "tap" fees) against properties owned by low/moderate income individuals who have benefitted from this project unless the assessments seek to recover a portion of the capital costs not covered by the CDBG assistance.

14. **DEFINITION OF LOW/MODERATE INCOME**

The Dallas County CDBG program shall use as its definition of low/moderate income that which is annually set by HUD.

15. **ACCESS TO INFORMATION**

All CDBG program materials shall be public information, available for review upon request.

16. **UNSATISFACTORY PERFORMANCE**

Entities who have falsified information contained within their proposals or who have unsatisfactorily implemented past awards may be prevented from receiving future funding, may have current awards revoked, and/or may be liable for any program funds inappropriately expended. The process for determining/imposing such penalties is outlined in Appendix D.

17. **CHANGES IN POLICY**

Dallas County will not change any CDBG policy without first consulting with its participating municipalities.

18. **EXCESSIVE OR DEADLY FORCE POLICY**

In accordance with Section 519 of Public Law 101-140, the 1990 HUD Appropriations Act, Dallas County certifies that its Sheriff's Department has adopted and is enforcing a policy prohibiting the use of excessive force against any individuals engaged in nonviolent civil rights demonstrations; such policy is contained in the Sheriff Department's Code of Conduct, Chapter VI, "Protection of Prisoners, Their Rights and Their Property"; Chapter VIII, Section 8.06, "Use of Deadly Force"; Chapter IV, Section 4.01, "Professional Conduct and Personal Bearing"; and Chapter V, Section 5.03, "Responsibilities and General Conduct on Duty".

19. **DRUG-FREE WORKPLACE**

In accordance with the Drug-Free Workplace Act of 1988, Dallas County hereby certifies to HUD that it will provide a drug-free workplace by:

- A. Publishing a statement, in the form of a memorandum, notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
- B. Establishing a drug-free awareness program to inform employees about:

- (2) Dallas County's policy of maintaining a drug-free workplace;
  - (3) any available drug counseling, rehabilitation, and employees assistance program;
  - (4) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.
- C. Making it a requirement that each employee that is engaged in the performance of the grant be given a copy of the memorandum required in paragraph (A);
- D. Notifying the employee that as a condition of employment under the grant, the employee will: (1) abide by the terms of the above memorandum and County policy, and (2) notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five days after such conviction;
- E. Notifying HUD within ten days of receiving notice from an employee or otherwise receiving actual notice of such conviction;
- F. Initiate one of the following actions, within 30 days of receiving notice under subparagraph D(2), with respect to any employee who is so convicted: (1) taking appropriate personnel action against such an employee, up to and including termination; or (2) require such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved by a Federal, State, or local health, law enforcement, or other appropriate agency;
- G. Making a good faith effort to continue to maintain a drug-free workplace through implementation of the above paragraph; and
- H. Defining the workplace annually in the County's CDBG application for federal assistance.

## APPENDIX A

### CITIZEN PARTICIPATION PLAN

It is the intention of Dallas County and its participating municipalities to operate a CDBG/HOME program that actively provides for and encourages meaningful citizen participation in the development of CDBG/HOME projects, the Consolidated Plan, any substantial amendments to the Consolidated Plan, and the Plan's annual performance report, especially from those citizens who either live in slum and blighted areas or possess low/moderate incomes, from public housing authorities and from other low-income residents of targeted revitalization areas where assisted housing developments are located. Accordingly, Dallas County will:

1. Provide staff assistance to any eligible entity, especially those that represent low/moderate income groups, that is interested in utilizing CDBG funding and funding from any other program covered by the County's Consolidated Plan.
2. Encourage local public housing authorities and Section 8 programs, residents of public and assisted housing developments and other low-income residents of targeted revitalization areas where developments are located to participate in the process of developing and implementing the Consolidated Plan.
3. Require each public entity interested in making a CDBG/HOME proposal to hold a public hearing for the purpose of encouraging the community to help identify the area's community development needs and to comment on any potential funding proposals. Said public hearing will be held at times and locations that are convenient and accessible.
4. Conduct at least two public hearings during each year for the purpose of identifying housing and community development needs, developing proposals and activities, and reviewing program performance.
5. Conduct at least one public hearing during the development of any Consolidated Plan before it is published for comment.
6. Publish notices announcing times, dates and locations of these public hearings two weeks prior to the first meeting date in large print in the non-legal section of a general circulation newspaper as well as in two minority community newspapers. Said public hearings will be held at times and locations that are convenient and accessible to actual beneficiaries and will provide accommodations for persons with disabilities.
7. Require that each public entity scheduled to hold a public hearing to post notices of this hearing in a manner consistent with the Texas Open Meetings Act.
8. Ensure that an individual who is familiar with the program and bilingual will attend all public hearings for the benefit of non-English speaking people.
9. Make available to citizens, public agencies, and other interested parties, before it adopts a Consolidated Plan, information which shall be available to the public.

be received, proposed eligible activities to be undertaken, and the estimated amount of assistance that will benefit low-moderate income residents.

10. Actively seek to minimize displacement of persons and comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR 24. Dallas County will only approve and fund a project that will cause displacement, if, in its opinion, the benefits of the project significantly outweigh the social and economic costs of the displacement. When such a project is funded, the County and the applicant will fully comply with all state and federal relocation/compensation laws, and the County will assign staff to oversee, coordinate and give highest priority to all needed relocation/assistance efforts.
11. Consider any comments or views of citizens received in writing, or orally at public hearings in preparing the final Consolidated Plan, any substantial amendments and the performance report. Comments will be maintained, and comments or views not accepted (and the reason for non-acceptance) will be attached to the final Consolidated Plan, amendment or performance report.
12. Provide copies of the proposed Consolidated Plan, amendment and performance report at libraries, government offices, public places and to citizens and groups requesting such.
13. Use the following definition criteria to determine substantial change and/or when an amendment to the Consolidated Plan is necessary:

Any change which physically alters the location of the CDBG project or any other program covered by the County's Consolidated plan or target area. Any change which considerably modifies or affects the purpose or scope of the project. Any change which raises or lowers the number of beneficiaries that equates to a change of twenty percent or more. Any change to the County's Consolidated Plan that requires the County to establish a priority for an activity that does not exist in the current Consolidated Plan. A decision to not conduct a previously-approved activity.
14. Provide for a 30-day public comment period for proposed Consolidated Plans, substantial amendments and performance reports.
15. Announce the holding of such 30-day public comment periods by publishing a notice in the non-legal section of a general circulation newspaper as well as in two minority newspapers.
16. Respond to all citizen requests for information. Develop information pertaining to the CDBG/HOME program and its proposed projects, Consolidated plan, performance reports and amendments which can be made available at public hearings and for citizens inquiries. When written requests, complaints or comments are submitted, respond to them in writing within fifteen days.

## APPENDIX B

### CDBG/HOME ALLOCATION FORMULA

Dallas County CDBG/HOME funds will be allocated using a formula that takes into account the number of people living within the program's service area and the percentage of them being low/moderate income.

25% of the funding that will be allocated by the formula will be determined by an entity's population. In order to calculate this share of an entity's funding, the total population of the eligible cities that are interested in receiving CDBG/HOME funding and the percentage of the total population living within each interested city are calculated. Each city will then receive partial funding equal to its percentage of the total population.

The remaining 75% that will be allocated by the formula will be determined by the percentage of an entity's population being low/moderate income. In order to calculate this share of an entity's funding, the low/moderate income percentages for every eligible city interested in receiving CDBG/HOME funding are added together, and the proportion of this total that each city contributes is calculated with each city receiving funding equal to this proportional amount.

Combining the amounts from the two sets of calculations for population and low/moderate income produces the total award that a city will receive.

## APPENDIX C

### ELIGIBLE PROJECTS/ACTIVITIES

The Dallas County CDBG Program can generally be used to finance:

1. the acquisition of real property (including air rights, water rights, and other interests therein) which is: (A) blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; (B) appropriate for rehabilitation or conservation activities; (C) appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; (D) to be used for the provision of public works, facilities, and improvements eligible for assistance under this title; (E) to be used for other public purposes;
2. the acquisition, construction, reconstruction, or installation (including design features and improvements with respect to such construction, reconstruction, or installation that promote energy efficiency) of public works, facilities (except for buildings for the general conduct of government), and sites for other improvements; such projects thus include, but are not limited to, the installation/expansion of roads, sewer lines, water lines, water/wastewater treatment plants, sidewalks, curbs, and drainage facilities;
3. code enforcement in deteriorated or deteriorating areas in which such enforcement, together with public improvements and services to be provided, may be expected to arrest the decline of the area;
4. clearance, demolition, removal, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements (including interim assistance, and financing public or private acquisition for rehabilitation, and rehabilitation of privately-owned properties and including the renovation of closed school buildings);
5. special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;
6. payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for the relocation of individuals and families displaced by activities under this title;
7. disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to this title or its retention for public purposes;
8. provisions of public services, including, but not limited to, those concerned with employment, crime prevention, child care, health, drug abuse, education, energy conservation, welfare or recreation needs, if such services have not been provided by the unit of general local government (through funds raised by such unit, or received by such unit from the State in which it is located) during any part of the twelve-month period immediately preceding the date of submission of the statement with respect to which funds are to be made available under this title, and which are to be used for such services, unless the Secretary finds that the

discontinuation of such services was the result of events not within the control of the unit of general local government, except that not more than 15 percent of the total amount of any assistance provided to the County may be used for activities under this title for the current fiscal year for such activities;

9. payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as a part or activities assisted under this title;
10. payment of the cost of completing a project funded under Title I of the Housing Act of 1949;
11. relocation payments and assistance for displaced individuals, families businesses, organizations, and farm operations, when determined by the grantee to be appropriate;
12. activities necessary: (A) to develop a comprehensive community development plan, and (B) to develop a policy-planning management capacity so that the recipient of assistance under this title may more rationally and effectively: (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carry out management, coordination, and monitoring of activities necessary for effective planning implementation;
13. payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities, including the provision of information and resources to residents of areas in which community development and housing activities are to be concentrated with respect to the planning and execution of such activities, and including the carrying out of activities as described in Section 701(c) of the Housing Act of 1954 on the date prior to the date of enactment of the Housing and Community Development Amendments of 1981;
14. activities which are carried out by public or private nonprofit entities, including: (A) acquisition or real property; (B) acquisition, construction, reconstruction, rehabilitation, or installation of (i) public facilities (except for buildings for the general conduct of government), site improvements, and utilities, and (ii) commercial or industrial buildings or structures and other commercial or industrial real property improvements; and (C) planning;
15. grants and loans to neighborhood-based nonprofit organizations, local development corporations, or entities organized under Section 301(d) of the Small Business Investment Act of 1958 to carry out a neighborhood revitalization or community economic development or energy conservation project in furtherance of the objectives of Section 101(c), including grants and loans to neighborhood-based nonprofit organizations, or other private or public nonprofit organizations, for the purpose of assisting, as part of neighborhood revitalization or other community development, the development of shared housing opportunities (other than by construction of new facilities) in which elderly families (as defined in Section 3(b) of the United States Housing Act of 1937) benefit as a result of living in a dwelling in which the facilities are shared with others in a manner that effectively and efficiently meets the housing needs of the residents and thereby reduces their cost of housing;
16. Activities necessary to the development of a comprehensive community-wide energy use strategy, which may include items such as:

- (A) a description of energy use and projected demand by sector, by fuel type, and by geographic area;
  - (B) an analysis of the options available to the community to conserve scarce fuels and encourage use of renewable energy resources;
  - (C) an analysis of the manner in, and the extent to, which the community's neighborhood revitalization, housing, and economic development strategies will support its energy conservation strategy;
  - (D) an analysis of the manner in, and the extent to, which energy conservation objectives will be integrated into local government budgeting, land use planning and zoning, and traffic control, parking, and public transportation functions;
  - (E) a statement of the actions the community will take to foster energy conservation and the use of renewable energy resources in the private sector, including the enactment and enforcement of local codes and ordinances to encourage or mandate energy conservation or use of renewable energy resources, financial and other assistance to be provided (principally for the benefit of low-and moderate-income persons) to make energy conserving improvements to residential structures, and any other proposed energy conservation activities;
  - (F) appropriate provisions for energy emergencies;
  - (G) identification of the local governmental unit responsible for administering the energy of strategy;
  - (H) provision of a schedule for implementation of each element in the strategy; and
  - (I) a projection of the savings in scarce fossil fuel consumption and the development and use of renewable energy resources that will result from implementation of the energy use strategy;
17. provision of assistance to private, for-profit entities when the assistance is necessary or appropriate to carry out an economic development project;
  18. the rehabilitation or development of housing assisted under Section 17 of the United State Housing Act of 1937; and
  19. provision of direct assistance to facilitate and expand homeownership among persons of low and moderate income by using assistance to: (A) subsidize interest rates and mortgage principal amounts for low and moderate income homebuyers; (B) finance the acquisition by low and moderate income homebuyers of housing that is occupied by the homebuyers; (C) acquire guarantees for mortgage financing obtained by low and moderate income homebuyers from private lenders (except that amounts received under this title may not be used under this subparagraph to directly guarantee such mortgage financing and grantees under this title may not directly provide such guarantees); (D) provide up to 50 percent of any downpayment required from low or moderate income homebuyers; or (E) pay reasonable closing costs normally associated with the purchase of a home when incurred by low or moderate income homebuyers.

## APPENDIX D

### PENALTIES FOR CDBG/HOME VIOLATIONS

Dallas County may penalize those entities that have either falsified information on their funding proposals or who have violated State/Federal/Dallas County rules, policies, statutes and/or contractual obligations in implementing a CDBG/HOME award or who have otherwise unsatisfactorily implemented a CDBG/HOME project. The penalties that Dallas County may impose for such violations include:

1. prohibiting the entity from receiving future funding; or
2. terminating/revoking award; or
3. requiring the entity to reimburse HUD/Dallas County for unlawful, inappropriate or unauthorized expenditures; or
4. any combination of the above.

Dallas County will only impose such penalties when it has first had some reason to believe an offense has been committed and has fully investigated the alleged incident, confirmed that such an impropriety has occurred, determined the severity of the offense, consulted with HUD and the Dallas County District Attorney's office, and provided the applicant with ample opportunity to respond.

It should be noted that HUD can impose similar penalties on Dallas County for any impropriety on its part and that the Commissioners Court will also voluntarily penalize itself if an offense is called to its attention and is confirmed. Such violations should be reported to the Civil Section of the Dallas County District Attorney's Office, 411 Elm Street, 5th Floor, Dallas, Texas 75202 and to the U.S. Department of Housing and Urban Development, Region VI Office, 1600 Throckmorton, Fort Worth, TX 75113.

Department of Financial & Strategic Services  
*Quarterly Review*

*For the Period Ended March 31, 2006*

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*Town of Addison  
May 2006*

# *Quarter Ended 3/31/06*

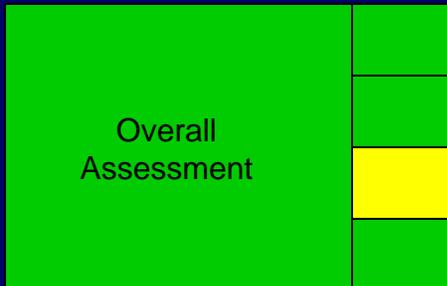
## *Table of Contents*

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|   | Pages    |
|---|----------|
| Executive Dashboard .....   | i-iv     |
| Memorandum to the City Manager .....  | 1-2      |
| <br><b>Financial Section:</b>   |          |
| Executive Summary of Major Operating Funds .....  | 3        |
| General Fund, Quarterly Statement of Revenues Compared to Budget.....   | 4        |
| General Fund, Quarterly Statement of Expenditures Compared to Budget .....  | 5        |
| Hotel Fund, Quarterly Statement of Revenues and Expenditures<br>Compared to Budget .....                          | 6        |
| Street Capital Project Fund, Quarterly Statement of Revenues and Expenditures<br>Compared to Budget.....          | 7        |
| Parks Capital Project Fund, Quarterly Statement of Revenues and Expenditures<br>Compared to Budget.....           | 7        |
| 2000 Capital Project Fund, Quarterly Statement of Revenues and Expenditures<br>Compared to Budget .....           | 8        |
| 2002 Capital Project Fund, Quarterly Statement of Revenues and Expenditures<br>Compared to Budget .....           | 8        |
| 2004 Capital Project Fund, Quarterly Statement of<br>Revenues and Expenditures Compared to Budget.....            | 9        |
| 2006 Capital Project Fund, Quarterly Statement of Revenues and Expenditures<br>Compared to Budget .....           | 9        |
| Airport Fund, Quarterly Statement of Revenues and Expenditures<br>Compared to Budget.....                         | 10       |
| Utility Fund, Quarterly Statement of Revenues, Expenses and Changes in Working<br>Capital Compared to Budget..... | 11       |
| Schedule of Sales Tax Collections and Related Analyses.....   | 12       |
| Hotel Occupancy Tax Collection by Hotel Service Type.....   | 13       |
| Interim Combined Statement of Cash Receipts and Disbursements .....   | 14       |
| Collateral Summary.....   | 15       |
| Statement of Compliance.....  | 16       |
| <br><b>Attachments:</b>   |          |
| First Southwest Portfolio Report .....  | Attached |



**Revenues**

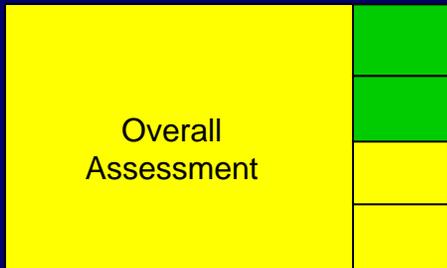


- Ad Valorem Taxes
- Sales Tax
- Franchise Fees
- Long Term Trend

**Legend**

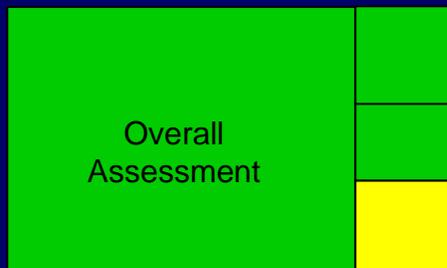
- Positive Outlook
- Area of Concern
- Negative Outlook

**Expenses**



- YTD Expenditures vs. Relative Position in Year
- Relative Position Compared to Prior Year
- Compensation Issues
- Long Term Trend

**Fund Balance**

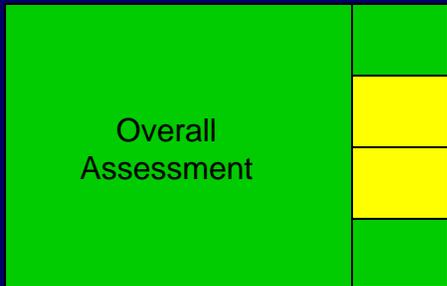


- Level Compared to FY 06 Budget Assumption
- Level Compared to 25% Requirement
- Long Term Trend



**Hotel Fund**

**Revenues**



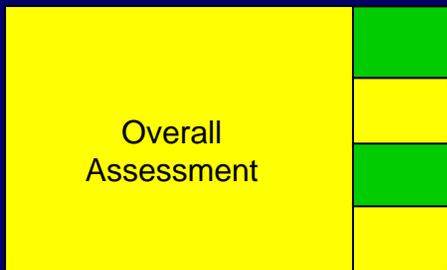
Overall  
Assessment

- Hotel Occupancy Taxes
- Special Event Fees
- Conference Centre Rental Fees
- Long Term Trend

**Legend**

- Positive Outlook
- Area of Concern
- Negative Outlook

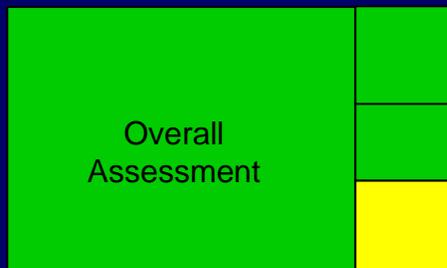
**Expenses**



Overall  
Assessment

- YTD Expenditures vs. Relative Position in Year
- Relative Position Compared to Prior Year
- Overtime/Outside Labor Costs
- Long Term Trend

**Fund Balance**

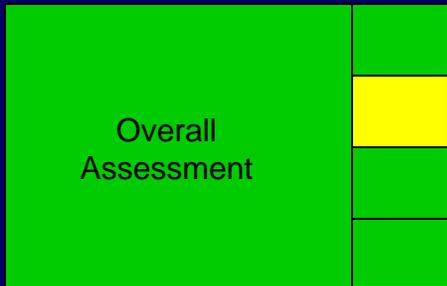


Overall  
Assessment

- Level Compared to FY 06 Budget Assumption
- Level Compared to 25% Requirement
- Long Term Trend



**Revenues**

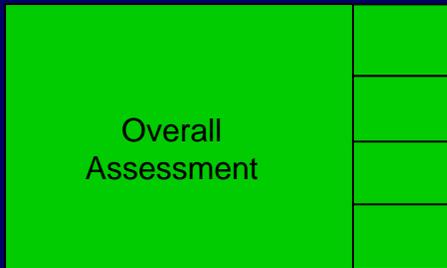


- Fuel Flowage Fees
- Rental Fees
- Grant and Other Revenue
- Long Term Trend

**Legend**

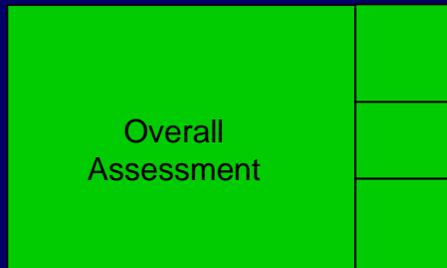
- Positive Outlook
- Area of Concern
- Negative Outlook

**Expenses**



- YTD Expenditures vs. Relative Position in Year
- Relative Position Compared to Prior Year
- Impact of Potential Capital Projects
- Long Term Trend

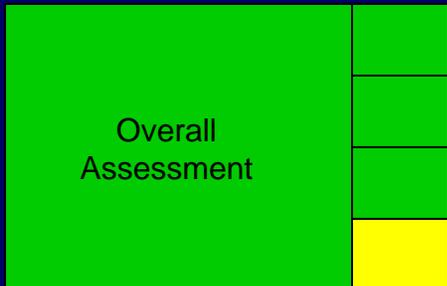
**Working Capital Balance**



- Level Compared to FY 06 Budget Assumption
- Level Compared to 25% Requirement
- Long Term Trend



**Revenues**

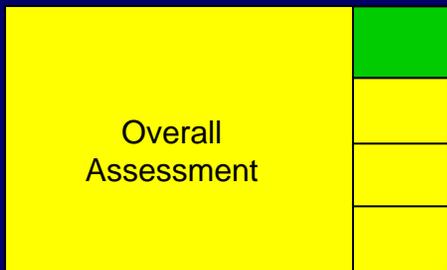


- Water Sales
- Sewer Charges
- Penalties and Other Revenue
- Long Term Trend

**Legend**

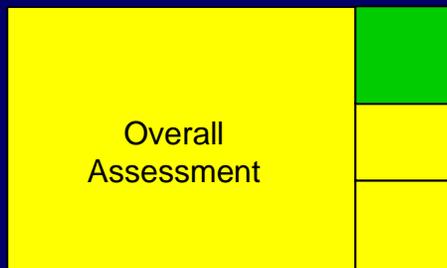
- Positive Outlook
- Area of Concern
- Negative Outlook

**Expenses**



- YTD Expenditures vs. Relative Position in Year
- Relative Position Compared to Prior Year
- Water Purchases and Treatment Costs
- Long Term Trend

**Working Capital Balance**



- Level Compared to FY 06 Budget Assumption
- Level Compared to 25% Requirement
- Long Term Trend

## MEMO

**To: Ron Whitehead, City Manager**

**From: Randy Moravec, Director, Financial & Strategic Services**

**Re: Second Quarter FY 2006 Financial Report**

**Date: May 17, 2006**

---

**GENERAL FUND**

- Revenues through the first half of the year totaled \$15.8 million, which is 64.2% of budget and \$2.4 million more than received this time last year.
- Sales tax is \$196k or 4.1% over last year. If this trend continues through the year, projected collections would exceed budget by \$54k. Addison's experience continues to lag the increases enjoyed by Dallas County (up 10.1%) and State of Texas (up 14.2%).
- Property tax is up a significant \$1.6 million or 24.6% due to the higher tax rate levied for operations and maintenance this fiscal year.
- Telecommunication fees lag the collections from the same period last year. This is one revenue source that will continue to decline due to the propensity of consumers to use cellular phones over landline phones.
- Other revenue sources are at or exceed budget for this time of the year.
- Second quarter expenditures totaled \$7 million bringing the year-to-date amount to \$11.9 million, or 47.8% of budget. Expenditures through six months are \$1 million more than incurred this time last year, primarily due to employee compensation and benefits.

**HOTEL FUND**

- The first half of the fiscal year recorded revenues of \$2.7 million. Hotel occupancy taxes posted revenues of \$2.2 million, a 15.8% gain over the previous year. Eighteen of the Town's 22 hotels posted gains, with those in the full-services and business moderate categories performing the best. Revenues for the next two quarters may be impacted by the remodeling of the Marriott Quorum, which will take out a third of their rooms for the next few months, although that hotel showed a 10% gain in occupancy tax for the second quarter
- Conference Center rental recovered the second quarter but is still down 8.7% compared to last year.
- Expenditures for the quarter totaled \$2.5 million or \$347k more than last year. The largest expense was associated with the replacement of the theatre's lighting system at a cost of \$150k.

## **AIRPORT FUND**

- Operating revenue at \$1.8 million is 4.9% more than generated last year. Collections of fuel flowage fees and rental are up. The assessment of airport income is good, with the only area of concern being the status of through-the-fence fees.
- Year-to-date operating expenses of \$1.3 million contributed to net income of \$449k, compared to the \$258k amount recorded this time last year. Net income is expected to diminish the remainder of the fiscal year as WSAAV begins its aggressive maintenance program that had been budgeted.
- Working capital has not yet been significantly affected by the completion of the fuel farm. Although substantially completed, the Town and contractor are in the process of resolving final issues prior to authorizing final payment to the contractor.
- The long-term trend for airport working capital is good, with revenue being sufficient for supporting operations and needed capital improvements.

## **UTILITY FUND**

- Through six months the volume of water sold is up 31.9% from the same time last year. Combined with the higher water and sewer rates in place, the fund took in \$1.1 million more than a year ago. The increased sale of water required the Town to purchase more water from Dallas Water Utilities. As a result, operating expenses of \$2.8 million were \$234k greater than last year.
- Net income of \$833k is substantially better than the \$127k loss experienced through March 2005.
- Although the general outlook for this fund continues to be one of caution, the financial condition of the fund has significantly improved, and depending on the high-water sales period of the summer, the outlook next quarter may be improved to favorable.

## **CASH AND INVESTMENT REPORT**

- Cash for all funds as of March 31, 2006 totaled \$ 37 million, a decline of \$418k from the beginning of the quarter. The decline is attributed to capital expenditures associated with the Arapaho Road project. Two capital project funds (2000 G.O. Bonds and 2004 G.O. Bonds) reflect negative amounts. These disparities were also due to the Arapaho Road project that was being supported by several different capital project funds. The amounts will be balanced out and the negative balances restored, or in the case of the 2000 G.O. Bond fund, closed.
- The Town's average investment yield to maturity as of 3/31/06 was 3.94%, a slight increase from the 3.68% of the previous quarter and the average weighted maturity was 235 days.
- The Town's return is still below the Texpool return and will continue to lag for several months due to the Fed's raising of short-term interest rates. As the Town continues to lock-in these higher rates with longer maturities, the Town's portfolio will begin to generate rates in excess of this benchmark.

## TOWN OF ADDISON

**EXECUTIVE SUMMARY OF MAJOR OPERATING FUNDS FOR THE QUARTER ENDED MARCH 31, 2006**  
**UNAUDITED ACTUAL AMOUNTS COMPARED TO THE 2006 ADOPTED BUDGET AND PREVIOUS YEAR ACTUAL FOR SAME PERIOD**  
*All Amounts Expressed in Thousands of Dollars*

|                                       | General Fund    |                 |               | Hotel Fund      |               |               | Airport Fund      |                 |               | Utility Fund    |                |                | Total Major Operating Funds* |                 |               |
|---------------------------------------|-----------------|-----------------|---------------|-----------------|---------------|---------------|-------------------|-----------------|---------------|-----------------|----------------|----------------|------------------------------|-----------------|---------------|
|                                       | Budget          | Actual          | PY Actual     | Budget          | Actual        | PY Actual     | Budget            | Actual          | PY Actual     | Budget          | Actual         | PY Actual      | Budget                       | Actual          | PY Actual     |
| <b>RESOURCES</b>                      |                 |                 |               |                 |               |               |                   |                 |               |                 |                |                |                              |                 |               |
| Ad Valorem Tax                        | \$ 8,465        | \$ 8,363        | \$ 6,737      | \$ -            | \$ -          | \$ -          | \$ -              | \$ -            | \$ -          | \$ -            | \$ -           | \$ -           | \$ 8,465                     | \$ 8,363        | \$ 6,737      |
| Non-Property Tax                      | 10,774          | 5,251           | 5,048         | 3,990           | 2,241         | 1,936         | -                 | -               | -             | -               | -              | -              | 14,764                       | 7,492           | 6,984         |
| Franchise Fees                        | 2,752           | 540             | 424           | -               | -             | -             | -                 | -               | -             | -               | -              | -              | 2,752                        | 540             | 424           |
| Service/Permitting/License Fees       | 1,633           | 884             | 741           | 1,049           | 81            | 130           | 1,112             | 463             | 437           | 9,013           | 3,902          | 2,816          | 12,808                       | 5,330           | 4,124         |
| Rental, Interest and Other Income     | 1,058           | 801             | 506           | 669             | 355           | 351           | 3,419             | 1,396           | 1,316         | 55              | 61             | 48             | 5,201                        | 2,614           | 2,221         |
| Transfers and Other Sources           | -               | -               | -             | -               | -             | -             | -                 | -               | -             | -               | -              | -              | -                            | -               | -             |
| <b>Total Resources</b>                | <b>24,682</b>   | <b>15,839</b>   | <b>13,456</b> | <b>5,708</b>    | <b>2,677</b>  | <b>2,417</b>  | <b>4,531</b>      | <b>1,859</b>    | <b>1,753</b>  | <b>9,069</b>    | <b>3,963</b>   | <b>2,864</b>   | <b>43,989</b>                | <b>24,338</b>   | <b>20,490</b> |
| <b>APPLICATION OF RESOURCES</b>       |                 |                 |               |                 |               |               |                   |                 |               |                 |                |                |                              |                 |               |
| Personal Services                     | 17,232          | 8,279           | 7,182         | 1,427           | 526           | 424           | 281               | 121             | 91            | 1,227           | 540            | 450            | 20,167                       | 9,466           | 8,147         |
| Supplies and Materials                | 1,042           | 447             | 435           | 209             | 64            | 61            | 22                | 4               | -             | 99              | 38             | 41             | 1,372                        | 554             | 537           |
| Maintenance                           | 1,762           | 570             | 974           | 371             | 177           | 143           | 1,849             | 534             | 484           | 304             | 87             | 114            | 4,286                        | 1,369           | 1,715         |
| Contractual Services                  | 3,444           | 1,788           | 1,653         | 3,431           | 1,124         | 1,145         | 1,504             | 666             | 793           | 4,762           | 2,139          | 1,962          | 13,142                       | 5,717           | 5,553         |
| Capital Equipment Amortization        | 1,071           | 551             | 577           | 17              | 9             | 11            | -                 | -               | -             | 17              | 9              | 11             | 1,105                        | 569             | 599           |
| Capital Equipment/Projects            | 65              | -               | 76            | 150             | 230           | -             | 3,168             | 825             | 48            | 589             | 5              | 411            | 3,972                        | 1,060           | 535           |
| Transfers and Other Uses**            | 263             | 263             | -             | 706             | 353           | 352           | 384               | 192             | 128           | 2,350           | 1,175          | 1,148          | 3,703                        | 1,983           | 1,628         |
| <b>Total Application of Resources</b> | <b>24,879</b>   | <b>11,899</b>   | <b>10,897</b> | <b>6,311</b>    | <b>2,483</b>  | <b>2,136</b>  | <b>7,208</b>      | <b>2,343</b>    | <b>1,544</b>  | <b>9,349</b>    | <b>3,992</b>   | <b>4,137</b>   | <b>47,747</b>                | <b>20,717</b>   | <b>18,714</b> |
| <b>Net Change in Fund Balances</b>    | <b>\$ (197)</b> | <b>\$ 3,940</b> | <b>2,559</b>  | <b>\$ (603)</b> | <b>\$ 194</b> | <b>\$ 281</b> | <b>\$ (2,677)</b> | <b>\$ (484)</b> | <b>\$ 209</b> | <b>\$ (280)</b> | <b>\$ (29)</b> | <b>(1,273)</b> | <b>\$ (3,758)</b>            | <b>\$ 3,621</b> | <b>1,776</b>  |

**Notes:**

\* Totals may not exactly match due to rounding.

\*\* Transfers and other uses includes interfund transfers and and retirement of debt in the Airport and Utility funds.

# TOWN OF ADDISON

## GENERAL FUND

### FY 2006 QUARTERLY STATEMENT OF REVENUES COMPARED TO BUDGET

*With Comparative Information from Prior Fiscal Year*

| Category                           | 2005-06 FY           |                      |                      |                       | 2004-05              |                       |
|------------------------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|-----------------------|
|                                    | Budget               | 2nd Quarter          | Year-to-Date         | YTD as %<br>of Budget | Year-to-Date         | YTD as %<br>of Budget |
| Advalorem taxes:                   |                      |                      |                      |                       |                      |                       |
| Current taxes                      | \$ 8,419,500         | \$ 6,751,514         | \$ 8,326,905         | 98.9%                 | \$ 6,681,586         | 96.6%                 |
| Delinquent taxes                   | 25,710               | 8,285                | 10,195               | 39.7%                 | 20,318               | 372.1%                |
| Penalty & interest                 | 19,290               | 25,191               | 26,222               | 135.9%                | 35,071               | 321.5%                |
| Non-property taxes:                |                      |                      |                      |                       |                      |                       |
| Sales tax                          | 9,924,100            | 2,508,141            | 5,019,169            | 50.6%                 | 4,823,031            | 49.4%                 |
| Alcoholic beverage tax             | 849,750              | 231,793              | 231,793              | 27.3%                 | 225,378              | 28.7%                 |
| Franchise / right-of-way use fees: |                      |                      |                      |                       |                      |                       |
| Electric franchise                 | 1,619,430            | -                    | -                    | 0.0%                  | -                    | 0.0%                  |
| Gas franchise                      | 194,980              | 241,378              | 241,378              | 123.8%                | 188,432              | 88.4%                 |
| Telecommunication access fees*     | 742,940              | 141,492              | 186,452              | 25.1%                 | 208,029              | 26.2%                 |
| Cable franchise                    | 107,430              | 56,933               | 56,933               | 53.0%                 | 27,103               | 26.0%                 |
| Street rental fees                 | 7,000                | 3,796                | 9,833                | 140.5%                | -                    | 0.0%                  |
| Sanitation                         | 80,000               | 44,934               | 44,934               | 56.2%                 | -                    | 0.0%                  |
| Licenses and permits:              |                      |                      |                      |                       |                      |                       |
| Business licenses and permits      | 149,030              | 32,387               | 49,224               | 33.0%                 | 51,735               | 36.0%                 |
| Building and construction permits  | 303,130              | 194,243              | 288,779              | 95.3%                 | 155,989              | 61.3%                 |
| Intergovernmental revenue          | -                    | -                    | -                    | 0.0%                  | 42,797               | 0.0%                  |
| Service fees:                      |                      |                      |                      |                       |                      |                       |
| General government                 | 960                  | 56                   | 129                  | 13.4%                 | 373                  | 52.5%                 |
| Public safety                      | 759,270              | 206,327              | 338,203              | 44.5%                 | 331,991              | 46.2%                 |
| Urban development                  | 4,450                | 3,175                | 4,176                | 93.8%                 | 2,216                | 108.1%                |
| Streets and sanitation             | 184,680              | 51,061               | 90,229               | 48.9%                 | 86,352               | 48.5%                 |
| Recreation                         | 65,150               | 18,327               | 29,999               | 46.0%                 | 26,203               | 38.1%                 |
| Interfund                          | 166,400              | 83,200               | 83,200               | 50.0%                 | 86,370               | 50.1%                 |
| Court fines                        | 744,970              | 330,470              | 535,744              | 71.9%                 | 318,355              | 43.2%                 |
| Interest earnings                  | 167,000              | 86,174               | 135,790              | 81.3%                 | 76,405               | 67.3%                 |
| Rental income                      | 119,000              | 27,083               | 43,333               | 36.4%                 | 56,875               | 43.8%                 |
| Other                              | 27,500               | 39,970               | 86,564               | 314.8%                | 11,344               | 50.4%                 |
| <b>Total Revenues</b>              | <b>\$ 24,681,670</b> | <b>\$ 11,085,930</b> | <b>\$ 15,839,184</b> | <b>64.2%</b>          | <b>\$ 13,455,953</b> | <b>59.2%</b>          |

**NOTES:**

1) N/A - Not Applicable

2) \* Telecommunication fee revenue may be understated since these fees are due 45 days following the end of the quarter.

# TOWN OF ADDISON

## GENERAL FUND

### FY 2006 QUARTERLY STATEMENT OF EXPENDITURES COMPARED TO BUDGET

*With Comparative Information from Prior Fiscal Year*

| Category                               | 2005-06 FY           |                     |                      |                       | 2004-05              |                       |
|--|----------------------|---------------------|----------------------|-----------------------|----------------------|-----------------------|
|  | Budget               | 2nd Quarter         | Year-to-Date         | YTD as %<br>of Budget | Year-to-Date         | YTD as %<br>of Budget |
| General Government:                    |                      |                     |                      |                       |                      |                       |
| City manager                           | \$ 1,269,600         | \$ 328,100          | \$ 656,443           | 51.7%                 | \$ 590,025           | 48.7%                 |
| Financial & strategic services         | 1,014,140            | 270,823             | 485,749              | 47.9%                 | 443,189              | 43.7%                 |
| General services                       | 766,950              | 191,026             | 333,056              | 43.4%                 | 303,603              | 46.9%                 |
| Municipal court                        | 429,190              | 116,733             | 203,601              | 47.4%                 | 165,747              | 40.2%                 |
| Human resources                        | 371,570              | 106,788             | 199,329              | 53.6%                 | 167,006              | 42.6%                 |
| Information technology                 | 1,088,010            | 314,331             | 487,873              | 44.8%                 | 440,763              | 42.2%                 |
| Combined services                      | 782,120              | 251,574             | 383,711              | 49.1%                 | 506,939              | 65.8%                 |
| Council projects                       | 308,590              | 91,367              | 319,837              | 103.6%                | 213,395              | 57.1%                 |
| Public safety:                         |                      |                     |                      |                       |                      |                       |
| Police                                 | 7,395,220            | 2,063,262           | 3,508,452            | 47.4%                 | 3,221,715            | 44.1%                 |
| Fire                                   | 5,590,320            | 1,547,584           | 2,635,728            | 47.1%                 | 2,438,091            | 46.8%                 |
| Development services                   | 637,340              | 148,064             | 268,567              | 42.1%                 | 248,900              | 43.9%                 |
| Streets                                | 1,366,140            | 378,133             | 583,454              | 42.7%                 | 597,975              | 42.5%                 |
| Parks and Recreation:                  |                      |                     |                      |                       |                      |                       |
| Parks                                  | 2,378,830            | 573,001             | 1,025,072            | 43.1%                 | 868,780              | 39.0%                 |
| Recreation                             | 1,217,980            | 337,231             | 545,362              | 44.8%                 | 690,960              | 53.5%                 |
| OTHER FINANCING USES                   |                      |                     |                      |                       |                      |                       |
| Transfer to parks capital project fund | 263,000              | 263,000             | 263,000              | 100.0%                | -                    | 0.0%                  |
| <b>Total Expenditures</b>              | <b>\$ 24,879,000</b> | <b>\$ 6,981,017</b> | <b>\$ 11,899,233</b> | <b>47.8%</b>          | <b>\$ 10,897,088</b> | <b>45.6%</b>          |

**NOTES:**

1) N/A - Not Applicable

# TOWN OF ADDISON

## HOTEL FUND

### FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

*With Comparative Information from Prior Fiscal Year*

| Category                            | 2005-06 FY          |                     |                     |                    | 2004-05             |                    |
|-------------------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|--------------------|
|                                     | Budget              | 2nd Quarter         | Year-to-Date        | YTD as % of Budget | Year-to-Date        | YTD as % of Budget |
| <b>Revenues:</b>                    |                     |                     |                     |                    |                     |                    |
| Hotel/Motel occupancy taxes         | \$ 3,990,000        | \$ 1,183,464        | \$ 2,241,037        | 56.2%              | \$ 1,936,107        | 56.9%              |
| Proceeds from special events        | 1,049,300           | 81,247              | 80,575              | 7.7%               | 129,875             | 12.3%              |
| Conference centre rental            | 490,000             | 120,634             | 232,525             | 47.5%              | 255,343             | 73.0%              |
| Theatre centre rental               | 84,000              | 19,273              | 38,697              | 46.1%              | 43,311              | 57.7%              |
| Interest and miscellaneous          | 94,700              | 45,459              | 83,950              | 88.6%              | 52,187              | 90.9%              |
| <b>Total Revenues</b>               | <b>5,708,000</b>    | <b>1,450,077</b>    | <b>2,676,784</b>    | <b>46.9%</b>       | <b>\$ 2,416,823</b> | <b>49.0%</b>       |
| <b>Expenditures and other uses:</b> |                     |                     |                     |                    |                     |                    |
| Visitor services                    | 799,810             | 167,892             | 300,990             | 37.6%              | 253,720             | 33.0%              |
| Marketing                           | 996,710             | 177,484             | 437,447             | 43.9%              | 385,694             | 43.3%              |
| Special events                      | 2,246,230           | 280,314             | 416,170             | 18.5%              | 327,660             | 16.4%              |
| Conference centre                   | 1,056,260           | 433,485             | 617,778             | 58.5%              | 401,670             | 47.2%              |
| Performing arts                     | 506,010             | 35,233              | 277,518             | 54.8%              | 415,358             | 82.1%              |
| Capital projects                    | -                   | 79,105              | 79,705              | 0.0%               | -                   | 0.0%               |
| Other financing uses:               |                     |                     |                     |                    |                     |                    |
| Transfer to debt service fund       | 705,890             | 176,472             | 352,945             | 50.0%              | 352,305             | 50.0%              |
| <b>Total Expenditures and Other</b> | <b>\$ 6,310,910</b> | <b>\$ 1,349,985</b> | <b>\$ 2,482,552</b> | <b>39.3%</b>       | <b>\$ 2,136,408</b> | <b>37.3%</b>       |

**NOTES:**

- 1) N/A - Not Applicable
- 2) Amounts spent by special project:

|                            |                     |                   |                   |              |                   |              |
|----------------------------|---------------------|-------------------|-------------------|--------------|-------------------|--------------|
| Public Relations           | \$ 663,330          | \$ 99,312         | \$ 246,666        | 37.2%        | \$ 268,976        | 44.1%        |
| Oktoberfest                | 558,170             | 753               | 5,158             | 0.9%         | 1,328             | 0.3%         |
| Kaboom Town                | 175,220             | 149               | 149               | 0.1%         | 292               | 0.2%         |
| Calendar                   | 44,480              | 218               | 39,656            | 89.2%        | 40,138            | 90.2%        |
| Hotel Support Program      | 260,000             | 37,427            | 66,136            | 25.4%        | 60,740            | 30.4%        |
| Taste Addison              | 613,470             | 45,882            | 46,223            | 7.5%         | 23,822            | 4.3%         |
| Jazz Festival              | 251,400             | 73,911            | 78,237            | 31.1%        | 106,100           | 50.1%        |
| Shakespeare Festival       | 31,000              | -                 | 16,528            | 53.3%        | -                 | 0.0%         |
| Summer Jazz Festival       | 24,100              | 360               | 360               | 1.5%         | -                 | 0.0%         |
| Weekend to Wipe Out Cancer | 13,000              | -                 | 874               | 6.7%         | 741               | 5.7%         |
| <b>TOTAL</b>               | <b>\$ 2,634,170</b> | <b>\$ 258,012</b> | <b>\$ 499,987</b> | <b>19.0%</b> | <b>\$ 502,137</b> | <b>21.7%</b> |

**TOWN OF ADDISON**  
**STREET CAPITAL PROJECT FUND**  
 FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET  
*With Comparative Information from Prior Fiscal Year*

| Category                    | 2005-06 FY          |                  |                  |                    | 2004-05             |                    |
|-----------------------------|---------------------|------------------|------------------|--------------------|---------------------|--------------------|
|                             | Budget              | 2nd Quarter      | Year-to-Date     | YTD as % of Budget | Year-to-Date        | YTD as % of Budget |
| <b>Revenues:</b>            |                     |                  |                  |                    |                     |                    |
| DART Grants                 | \$ 752,000          | \$ -             | \$ -             | 0.0%               | \$ -                | 0.0%               |
| Interest income and other   | 85,000              | 37,327           | 72,206           | 84.9%              | 66,446              | 78.2%              |
| <b>Total Revenues</b>       | <b>837,000</b>      | <b>37,327</b>    | <b>72,206</b>    | <b>8.6%</b>        | <b>\$ 66,446</b>    | <b>8.1%</b>        |
| <b>Expenditures:</b>        |                     |                  |                  |                    |                     |                    |
| Personal services           | 50,000              | 4,954            | 9,436            | 18.9%              | 13,763              | 27.5%              |
| Design and engineering      | 138,000             | 1,560            | 2,603            | 1.9%               | 306,471             | 157.5%             |
| Construction and equipment: | 1,298,000           | 4,859            | 6,210            | 0.5%               | 3,423,653           | 74.9%              |
| <b>Total Expenditures</b>   | <b>\$ 1,486,000</b> | <b>\$ 11,373</b> | <b>\$ 18,249</b> | <b>1.2%</b>        | <b>\$ 3,743,888</b> | <b>77.7%</b>       |

**NOTES:**

1) N/A - Not Applicable

**TOWN OF ADDISON**  
**PARKS CAPITAL PROJECT FUND**  
 FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET  
*With Comparative Information from Prior Fiscal Year*

| Category                                  | 2005-06 FY        |                 |                  |                    | 2004-05          |                    |
|---|-------------------|-----------------|------------------|--------------------|------------------|--------------------|
|   | Budget            | 2nd Quarter     | Year-to-Date     | YTD as % of Budget | Year-to-Date     | YTD as % of Budget |
| <b>Revenues:</b>                          |                   |                 |                  |                    |                  |                    |
| Interest income and other                 | \$ 12,000         | \$ 5,827        | \$ 9,531         | 79.4%              | \$ 7,195         | 143.9%             |
| Developer contributions                   | 184,000           | -               | -                | 0.0%               | \$ -             | 0.0%               |
| Transfer from street capital project fund | 263,000           | 263,000         | 263,000          | 100.0%             | -                | 0.0%               |
| <b>Total Revenues</b>                     | <b>459,000</b>    | <b>268,827</b>  | <b>272,531</b>   | <b>59.4%</b>       | <b>\$ 7,195</b>  | <b>143.9%</b>      |
| <b>Expenditures:</b>                      |                   |                 |                  |                    |                  |                    |
| Personal services                         | 5,000             | 347             | 1,013            | 20.3%              | 996              | N/A                |
| Design and engineering                    | 53,000            | 2,475           | 20,063           | 37.9%              | 32,288           | N/A                |
| Construction and equipment:               | 779,000           | 0               | 35,230           | 4.5%               | -                | 0.0%               |
| <b>Total Expenditures</b>                 | <b>\$ 837,000</b> | <b>\$ 2,822</b> | <b>\$ 56,306</b> | <b>6.7%</b>        | <b>\$ 33,284</b> | <b>9.5%</b>        |

**NOTES:**

1) N/A - Not Applicable

**TOWN OF ADDISON**  
**2000 CAPITAL PROJECT FUND**  
**FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET**  
*With Comparative Information from Prior Fiscal Year*

| Category                    | 2005-06 FY        |                   |                  |                    | 2004-05          |                    |
|-----------------------------|-------------------|-------------------|------------------|--------------------|------------------|--------------------|
|                             | Budget            | 2nd Quarter       | Year-to-Date     | YTD as % of Budget | Year-to-Date     | YTD as % of Budget |
| Revenues and other sources: |                   |                   |                  |                    |                  |                    |
| Interest earnings and other | \$ 2,000          | \$ 45             | \$ 755           | 37.8%              | \$ 2,837         | 141.9%             |
| Total Revenues              | <u>2,000</u>      | <u>45</u>         | <u>755</u>       | 37.8%              | <u>\$ 2,837</u>  | <u>141.9%</u>      |
| Expenditures:               |                   |                   |                  |                    |                  |                    |
| Personal services           | 12,000            | (10,412)          | 794              | 6.6%               | 2,550            | 25.5%              |
| Design and engineering      | 122,000           | 2,902             | 87,423           | 71.7%              | 16,400           | 7.1%               |
| Construction and equipment  | -                 | -                 | -                | 0.0%               | 2,362            | 0.0%               |
| Total Expenditures          | <u>\$ 134,000</u> | <u>\$ (7,510)</u> | <u>\$ 88,217</u> | 65.8%              | <u>\$ 21,312</u> | <u>8.8%</u>        |

NOTES:

- 1) N/A - Not Applicable

**TOWN OF ADDISON**  
**2002 CAPITAL PROJECT FUND**  
**FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET**  
*With Comparative Information from Prior Fiscal Year*

| Category                     | 2005-06 FY          |                   |                   |                    | 2004-05             |                    |
|------------------------------|---------------------|-------------------|-------------------|--------------------|---------------------|--------------------|
|                              | Budget              | 2nd Quarter       | Year-to-Date      | YTD as % of Budget | Year-to-Date        | YTD as % of Budget |
| Revenues:                    |                     |                   |                   |                    |                     |                    |
| Interest earnings and other  | \$ 40,000           | \$ 19,041         | \$ 37,335         | 93.3%              | \$ 33,194           | 44.3%              |
| Total Revenues               | <u>40,000</u>       | <u>19,041</u>     | <u>37,335</u>     | 93.3%              | <u>\$ 33,194</u>    | <u>44.3%</u>       |
| Expenditures and other uses: |                     |                   |                   |                    |                     |                    |
| Personal services            | -                   | 12,661            | 24,903            | N/A                | 47,679              | 95.4%              |
| Design and engineering       | 250,000             | 127,225           | 129,477           | 51.8%              | 117,899             | 39.3%              |
| Construction and equipment   | 1,205,280           | -                 | 264,044           | 21.9%              | 849,741             | 30.0%              |
| Total Expenditures           | <u>\$ 1,455,280</u> | <u>\$ 139,886</u> | <u>\$ 418,424</u> | 28.8%              | <u>\$ 1,015,319</u> | <u>31.9%</u>       |

NOTES:

- 1) N/A - Not Applicable

**TOWN OF ADDISON**  
**2004 CAPITAL PROJECT FUND**  
**FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET**  
*With Comparative Information from Prior Fiscal Year*

| Category                            | 2005-06 FY          |                     |                     |                    | 2004-05             |                    |
|-------------------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|--------------------|
|                                     | Budget              | 2nd Quarter         | Year-to-Date        | YTD as % of Budget | Year-to-Date        | YTD as % of Budget |
| <b>Revenues:</b>                    |                     |                     |                     |                    |                     |                    |
| Intergovernmental - county grant    | \$ -                | \$ -                | \$ -                | N/A                | \$ 1,422,812        | N/A                |
| Interest earnings and other         | 150,000             | 12,472              | 40,602              | 27.1%              | 127,355             | 84.9%              |
| <b>Total Revenues</b>               | <b>150,000</b>      | <b>12,472</b>       | <b>40,602</b>       | <b>27.1%</b>       | <b>\$ 1,550,167</b> | <b>1033.4%</b>     |
| <b>Expenditures and other uses:</b> |                     |                     |                     |                    |                     |                    |
| Personal services                   | 50,000              | 0                   | 325                 | 0.6%               | 11,848              | 23.7%              |
| Design and engineering              | 450,000             | 39,756              | 76,734              | 17.1%              | 80,365              | 17.9%              |
| Construction and equipment          | 8,100,000           | 3,210,848           | 3,397,737           | 41.9%              | 1,485,332           | 18.3%              |
| <b>Total Expenditures</b>           | <b>\$ 8,600,000</b> | <b>\$ 3,250,603</b> | <b>\$ 3,474,795</b> | <b>40.4%</b>       | <b>\$ 1,577,545</b> | <b>18.3%</b>       |

**NOTES:**

1) N/A - Not Applicable

**TOWN OF ADDISON**  
**2006 CAPITAL PROJECT FUND**  
**FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET**  
*With Comparative Information from Prior Fiscal Year*

| Category                            | 2005-06 FY          |               |                  |                    | 2004-05      |                    |
|-------------------------------------|---------------------|---------------|------------------|--------------------|--------------|--------------------|
|                                     | Budget              | 2nd Quarter   | Year-to-Date     | YTD as % of Budget | Year-to-Date | YTD as % of Budget |
| <b>Revenues:</b>                    |                     |               |                  |                    |              |                    |
| Bond proceeds                       | \$ 1,500,000        | \$ -          | \$ 1,500,000     | 100.0%             | \$ -         | 0.0%               |
| Interest earnings and other         | 5,000               | 14,486        | 14,486           | 289.7%             | -            | 0.0%               |
| <b>Total Revenues</b>               | <b>1,505,000</b>    | <b>14,486</b> | <b>1,514,486</b> | <b>100.6%</b>      | <b>\$ -</b>  | <b>0.0%</b>        |
| <b>Expenditures and other uses:</b> |                     |               |                  |                    |              |                    |
| Bond sale costs                     | 12,000              | -             | -                | 0.0%               | -            | 0.0%               |
| Design and engineering              | -                   | -             | -                | 0.0%               | -            | 0.0%               |
| Construction and equipment          | 1,493,000           | -             | -                | 0.0%               | -            | 0.0%               |
| <b>Total Expenditures</b>           | <b>\$ 1,505,000</b> | <b>\$ -</b>   | <b>\$ -</b>      | <b>0.0%</b>        | <b>\$ -</b>  | <b>0.0%</b>        |

**NOTES:**

1) N/A - Not Applicable

**AIRPORT FUND**  
**FY 2006 QUARTERLY STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES TO WORKING CAPITAL COMPARED TO BUDGET**  
*With Comparative Information from Prior Fiscal Year*

| Category                                      | 2005-06 FY          |                     |                     |                       | 2004-05             |                       |
|---|---------------------|---------------------|---------------------|-----------------------|---------------------|-----------------------|
|   | Budget              | 2nd Quarter         | Year-to-Date        | YTD as %<br>of Budget | Year-to-Date        | YTD as %<br>of Budget |
| Operating revenues:                           |                     |                     |                     |                       |                     |                       |
| Operating grants                              | \$ 30,000           | \$ -                | \$ -                | 0.0%                  | \$ -                | 0.0%                  |
| Fuel flowage fees                             | 1,065,000           | 254,865             | 451,256             | 42.4%                 | 418,621             | 41.9%                 |
| Rental  | 3,330,000           | 797,599             | 1,320,321           | 39.6%                 | 1,263,267           | 41.1%                 |
| User fees                                     | 47,000              | 6,926               | 11,987              | 25.5%                 | 18,484              | 52.8%                 |
| Total operating revenues                      | <u>4,472,000</u>    | <u>1,059,390</u>    | <u>1,783,564</u>    | 39.9%                 | <u>1,700,372</u>    | 41.1%                 |
| Operating expenses:                           |                     |                     |                     |                       |                     |                       |
| Town - Personal services                      | 281,130             | 65,856              | 120,948             | 43.0%                 | 90,751              | 31.9%                 |
| Town - Supplies                               | 22,300              | 2,535               | 4,250               | 19.1%                 | (112)               | -0.7%                 |
| Town - Maintenance                            | 26,250              | 10,061              | 10,329              | 39.3%                 | 16,518              | 71.0%                 |
| Town - Contractual services                   | 424,100             | 152,371             | 201,283             | 47.5%                 | 232,749             | 57.1%                 |
| Grant - Maintenance                           | 60,000              | 60,000              | 60,000              | 100.0%                | -                   | 0.0%                  |
| Operator operation & maintenance              | 1,762,660           | 319,603             | 463,834             | 26.3%                 | 467,030             | 37.4%                 |
| Operator service contract                     | 1,080,000           | 222,026             | 465,135             | 43.1%                 | 560,369             | 53.8%                 |
| Total operating expenses                      | <u>3,656,440</u>    | <u>832,451</u>      | <u>1,325,779</u>    | 36.3%                 | <u>1,367,305</u>    | 44.4%                 |
| Net operating income                          | <u>815,560</u>      | <u>226,939</u>      | <u>457,785</u>      | 56.1%                 | <u>333,067</u>      | 31.6%                 |
| Non-Operating revenues (expenses):            |                     |                     |                     |                       |                     |                       |
| Interest earnings and other                   | 59,000              | 40,864              | 75,757              | 128.4%                | 52,737              | 150.7%                |
| Interest on debt, fiscal fees & other         | (169,360)           | (42,340)            | (84,680)            | 50.0%                 | (128,014)           | 60.4%                 |
| Total non-operating revenues (expenses)       | <u>(110,360)</u>    | <u>(1,476)</u>      | <u>(8,923)</u>      | 8.1%                  | <u>(75,277)</u>     | 42.6%                 |
| Net income (loss)<br>(excluding depreciation) | <u>\$ 705,200</u>   | <u>\$ 225,463</u>   | <u>\$ 448,862</u>   | 63.7%                 | <u>\$ 257,790</u>   | 29.3%                 |
| <b>CHANGES IN WORKING CAPITAL</b>             |                     |                     |                     |                       |                     |                       |
| Net income (excluding depreciation)           | <u>\$ 705,200</u>   | <u>\$ 225,463</u>   | <u>\$ 448,862</u>   | 63.7%                 | <u>257,790</u>      | 29.3%                 |
| Sources (uses) of working capital:            |                     |                     |                     |                       |                     |                       |
| Retirement of long-term debt                  | (215,000)           | (53,750)            | (107,500)           | 50.0%                 | -                   | 0.0%                  |
| Net additions to fixed assets with grants     | (70,000)            | -                   | (500)               | 0.7%                  | -                   | 0.0%                  |
| Other net additions to fixed assets           | (3,097,500)         | (514,237)           | (824,647)           | 0.0%                  | (47,850)            | N/A                   |
| Net sources (uses) of working capital         | <u>(3,382,500)</u>  | <u>(567,987)</u>    | <u>(932,647)</u>    | 27.6%                 | <u>(47,850)</u>     | 19.3%                 |
| Net increase (decrease) in working capital    | (2,677,300)         | (342,524)           | (483,785)           | 18.1%                 | 209,940             | 33.3%                 |
| Beginning fund balance                        | 4,817,470           | 3,039,183           | 3,180,444           | 66.0%                 | 1,573,835           | 103.9%                |
| Ending fund balance                           | <u>\$ 2,140,170</u> | <u>\$ 2,696,659</u> | <u>\$ 2,696,659</u> | 126.0%                | <u>\$ 1,783,775</u> | 83.1%                 |

NOTES:

- 1) N/A - Not Applicable
- 2) Operating income and portions of operating expenses are underreported by one month due to transactions being accounted for by operator one month and not reported to Town until following month.

# TOWN OF ADDISON

## UTILITY FUND

### FY 2006 QUARTERLY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES TO WORKING CAPITAL COMPARED TO BUDGET

*With Comparative Information from Prior Fiscal Year*

| Category  | 2005-06 FY          |                     |                     |                       | 2004-05             |                       |
|---|---------------------|---------------------|---------------------|-----------------------|---------------------|-----------------------|
|   | Budget              | 2nd Quarter         | Year-to-Date        | YTD as %<br>of Budget | Year-to-Date        | YTD as %<br>of Budget |
| <b>Operating revenues:</b>                            |                     |                     |                     |                       |                     |                       |
| Water sales   | \$ 4,210,800        | \$ 974,017          | \$ 1,907,534        | 45.3%                 | \$ 1,191,863        | 32.5%                 |
| Sewer charges   | 4,741,400           | 1,127,293           | 1,968,510           | 41.5%                 | 1,594,637           | 38.9%                 |
| Tap fees  | 1,000               | 100                 | 1,100               | 110.0%                | 585                 | 58.5%                 |
| Penalties   | 60,000              | 11,061              | 24,784              | 41.3%                 | 29,250              | 48.8%                 |
| <b>Total operating revenues</b>                       | <b>9,013,200</b>    | <b>2,112,471</b>    | <b>3,901,928</b>    | <b>43.3%</b>          | <b>2,816,335</b>    | <b>36.0%</b>          |
| <b>Operating expenses:</b>                            |                     |                     |                     |                       |                     |                       |
| Water purchases                                       | 2,469,600           | 592,704             | 1,034,930           | 41.9%                 | 888,337             | 39.1%                 |
| Wastewater treatment                                  | 1,814,800           | 441,545             | 895,280             | 49.3%                 | 852,810             | 50.0%                 |
| Utility operations                                    | 2,125,260           | 530,154             | 882,187             | 41.5%                 | 836,857             | 40.5%                 |
| <b>Total operating expenses</b>                       | <b>6,409,660</b>    | <b>1,564,403</b>    | <b>2,812,397</b>    | <b>43.9%</b>          | <b>2,578,004</b>    | <b>42.6%</b>          |
| <b>Net operating income</b>                           | <b>2,603,540</b>    | <b>548,068</b>      | <b>1,089,531</b>    | <b>41.8%</b>          | <b>238,331</b>      | <b>13.4%</b>          |
| <b>Non-Operating revenues (expenses):</b>             |                     |                     |                     |                       |                     |                       |
| Interest income and other                             | 55,300              | 30,666              | 60,994              | 110.3%                | 48,025              | 42.3%                 |
| Interest on bonded debt<br>and fiscal charges         | (635,130)           | (158,783)           | (317,565)           | 50.0%                 | (413,390)           | 52.0%                 |
| <b>Total non-operating<br/>revenues (expenses)</b>    | <b>(579,830)</b>    | <b>(128,117)</b>    | <b>(256,571)</b>    | <b>44.2%</b>          | <b>(365,365)</b>    | <b>51.2%</b>          |
| <b>Net income (excluding depreciation)</b>            | <b>\$ 2,023,710</b> | <b>\$ 419,951</b>   | <b>\$ 832,960</b>   | <b>41.2%</b>          | <b>\$ (127,034)</b> | <b>-11.9%</b>         |
| <b>CHANGES IN WORKING CAPITAL</b>                     |                     |                     |                     |                       |                     |                       |
| Net income (loss)                                     | 2,023,710           | 419,951             | 832,960             | 41.2%                 | (127,034)           | -11.9%                |
| <b>Sources (uses) of working capital:</b>             |                     |                     |                     |                       |                     |                       |
| Retirement of long-term debt                          | (1,715,000)         | (428,750)           | (857,500)           | 50.0%                 | (734,500)           | 50.0%                 |
| Net additions to fixed assets                         | (589,200)           | (2,441)             | (4,681)             | 0.8%                  | (411,449)           | 53.4%                 |
| <b>Net sources (uses) of<br/>working capital</b>      | <b>(2,304,200)</b>  | <b>(431,191)</b>    | <b>(862,181)</b>    | <b>37.4%</b>          | <b>(1,145,949)</b>  | <b>51.2%</b>          |
| <b>Net increase (decrease) in<br/>working capital</b> | <b>(280,490)</b>    | <b>(11,240)</b>     | <b>(29,221)</b>     | <b>10.4%</b>          | <b>(272,048)</b>    | <b>108.9%</b>         |
| <b>Beginning fund balance</b>                         | <b>1,841,940</b>    | <b>1,851,485</b>    | <b>1,869,466</b>    | <b>101.5%</b>         | <b>3,151,828</b>    | <b>86.5%</b>          |
| <b>Ending fund balance</b>                            | <b>\$ 1,561,450</b> | <b>\$ 1,840,245</b> | <b>\$ 1,840,245</b> | <b>117.9%</b>         | <b>\$ 2,879,780</b> | <b>75.9%</b>          |

**NOTES:**

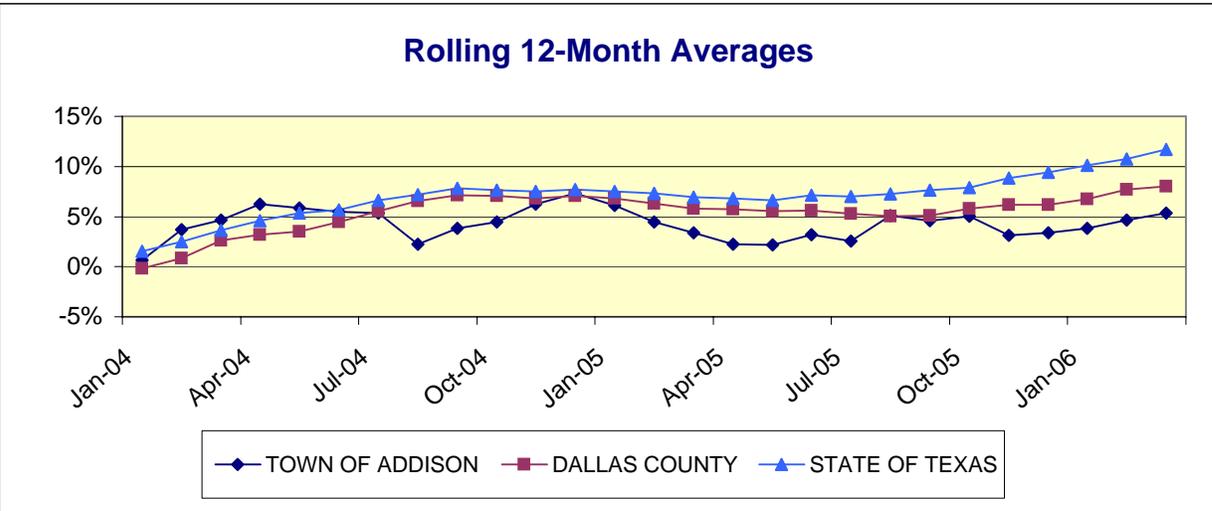
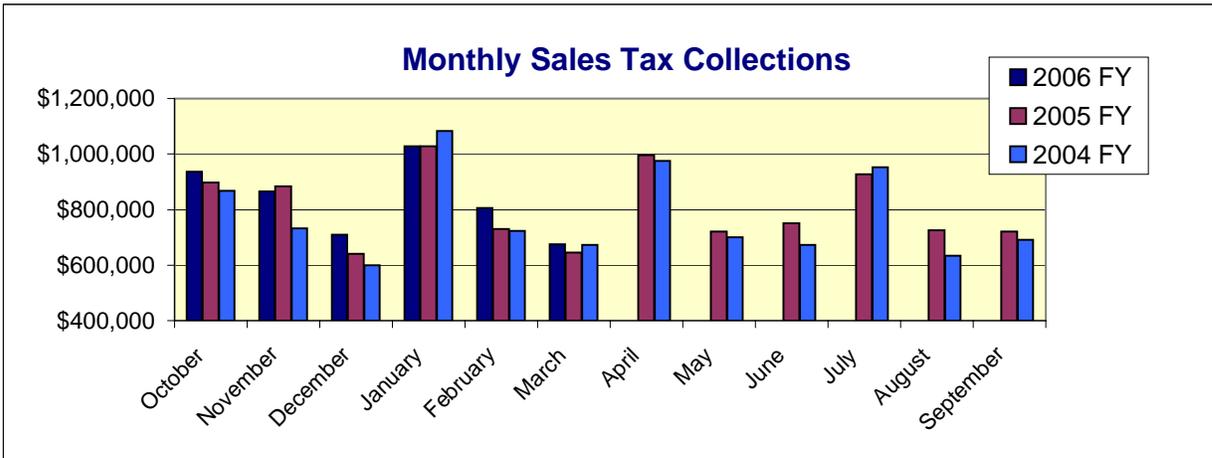
- 1) N/A - Not Applicable
- 2) Purchases of water and wastewater treatment services are underreported by one to two months due to prior year accruals and delay in receiving billings from Dallas Water Utilities.

# TOWN OF ADDISON

## Schedule of Sales Tax Collections and Related Analyses

*For the fiscal year ending September 30, 2006*

|                    | TOWN OF ADDISON     |              |                          |            | DALLAS COUNTY            |            | STATE OF TEXAS           |            |
|--------------------|---------------------|--------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|
|                    | 2005-06 Collections |              | % Change from Prior Year |            | % Change from Prior Year |            | % Change from Prior Year |            |
|                    | Monthly             | Cumulative   | Monthly                  | Cumulative | Monthly                  | Cumulative | Monthly                  | Cumulative |
| October            | \$ 937,156          | \$ 937,156   | 8.0%                     | 4.4%       | 11.1%                    | 11.1%      | 8.6%                     | 8.6%       |
| November           | \$ 864,460          | \$ 1,801,616 | -2.1%                    | 1.2%       | 8.4%                     | 10.0%      | 15.8%                    | 11.7%      |
| December           | \$ 709,412          | \$ 2,511,028 | 10.6%                    | 3.7%       | 8.4%                     | 9.5%       | 16.6%                    | 13.2%      |
| January            | \$ 1,027,739        | \$ 3,538,767 | 0.1%                     | 2.6%       | 8.3%                     | 9.1%       | 13.4%                    | 13.3%      |
| February           | \$ 805,255          | \$ 4,344,022 | 10.4%                    | 4.0%       | 15.0%                    | 10.1%      | 15.3%                    | 13.6%      |
| March              | \$ 675,147          | \$ 5,019,169 | 4.7%                     | 4.1%       | 10.3%                    | 10.1%      | 17.8%                    | 14.2%      |
| April              |                     |              |                          |            |                          |            |                          |            |
| May                |                     |              |                          |            |                          |            |                          |            |
| June               |                     |              |                          |            |                          |            |                          |            |
| July               |                     |              |                          |            |                          |            |                          |            |
| August             |                     |              |                          |            |                          |            |                          |            |
| September          |                     |              |                          |            |                          |            |                          |            |
| Budget 05-06:      |                     | \$ 9,924,100 |                          |            |                          |            |                          |            |
| Projected Year-End |                     | \$ 9,970,700 |                          |            |                          |            |                          |            |



**TOWN OF ADDISON HOTEL OCCUPANCY TAX COLLECTION**  
**Hotels By Service Type for the Quarter and Year-To-Date Ended March 31, 2006**  
**With Comparisons to Prior Year**

|                           | Rooms        |             | 2nd Quarter FY 06   |             | 06 to 05   | YTD FY 06           |             | 06 to 05   |
|---------------------------|--------------|-------------|---------------------|-------------|------------|---------------------|-------------|------------|
|                           | Number       | Percentage  | Amount              | Percentage  | % Diff.    | Amount              | Percentage  | % Diff.    |
| <b>Full Service</b>       |              |             |                     |             |            |                     |             |            |
| Marriott Quorum           | 548          | 14%         | \$ 235,891          | 20%         | 10%        | \$ 441,415          | 20%         | 3%         |
| Intercontinental          | 529          | 13%         | 263,964             | 22%         | 45%        | 468,954             | 21%         | 31%        |
| Crown Plaza               | 429          | 11%         | 122,101             | 10%         | 32%        | 224,967             | 10%         | 30%        |
|                           | <u>1,506</u> | <u>38%</u>  | <u>621,955</u>      | <u>53%</u>  | <u>27%</u> | <u>1,135,336</u>    | <u>51%</u>  | <u>18%</u> |
| <b>Extended Stay</b>      |              |             |                     |             |            |                     |             |            |
| Budget Suites             | 344          | 9%          | 13,540              | 1%          | 37%        | 23,815              | 1%          | 24%        |
| Best Western              | 70           | 2%          | 11,838              | 1%          | 55%        | 24,334              | 1%          | 67%        |
| Marriott Residence        | 150          | 4%          | 45,319              | 4%          | 13%        | 86,495              | 4%          | 12%        |
| Summerfield Suites        | 132          | 3%          | 31,360              | 3%          | -9%        | 67,790              | 3%          | -12%       |
| Homewood Suites           | 128          | 3%          | 38,331              | 3%          | -4%        | 68,329              | 3%          | -8%        |
| Springhill Suites         | 159          | 4%          | 56,288              | 5%          | 18%        | 105,188             | 5%          | 16%        |
|                           | <u>983</u>   | <u>24%</u>  | <u>196,675</u>      | <u>17%</u>  | <u>9%</u>  | <u>375,950</u>      | <u>17%</u>  | <u>6%</u>  |
| <b>Business Moderate</b>  |              |             |                     |             |            |                     |             |            |
| Marriott Courtyard Quorum | 176          | 4%          | 79,157              | 7%          | 22%        | 149,164             | 7%          | 21%        |
| LaQuinta Inn              | 152          | 4%          | 41,309              | 3%          | 29%        | 76,866              | 3%          | 24%        |
| Marriott Courtyard Proton | 147          | 4%          | 30,986              | 3%          | 22%        | 73,840              | 3%          | -4%        |
| Country Inn               | 102          | 3%          | 26,706              | 2%          | 13%        | 50,613              | 2%          | 15%        |
| Hilton Garden Inn         | 96           | 2%          | 42,804              | 4%          | 17%        | 78,822              | 4%          | 19%        |
| Holiday Inn - Arapaho     | 101          | 3%          | 31,165              | 3%          | 42%        | 58,655              | 3%          | 49%        |
| Comfort Inn               | 86           | 2%          | 14,791              | 1%          | 36%        | 28,106              | 1%          | 32%        |
|                           | <u>860</u>   | <u>21%</u>  | <u>266,918</u>      | <u>23%</u>  | <u>16%</u> | <u>516,066</u>      | <u>23%</u>  | <u>19%</u> |
| <b>Economy</b>            |              |             |                     |             |            |                     |             |            |
| Motel 6                   | 168          | 4%          | 16,662              | 1%          | -3%        | 35,168              | 2%          | 6%         |
| Hampton Inn               | 160          | 4%          | 47,206              | 4%          | 34%        | 87,335              | 4%          | 35%        |
| Holiday Inn*              | 118          | 3%          | 2,773               | 0%          | -86%       | 27,385              | 1%          | -31%       |
| Quality Inn               | 78           | 2%          | 19,957              | 2%          | 28%        | 41,875              | 2%          | 28%        |
| Addison Inn               | 78           | 2%          | 7,966               | 1%          | 21%        | 14,938              | 1%          | 14%        |
| Sleep Inn                 | 63           | 2%          | 3,352               | 0%          | 28%        | 6,985               | 0%          | 16%        |
|                           | <u>665</u>   | <u>17%</u>  | <u>97,915</u>       | <u>8%</u>   | <u>0%</u>  | <u>213,686</u>      | <u>10%</u>  | <u>13%</u> |
| <b>TOTAL</b>              | <u>4,014</u> | <u>100%</u> | <u>\$ 1,183,464</u> | <u>100%</u> | <u>13%</u> | <u>\$ 2,241,037</u> | <u>100%</u> | <u>16%</u> |

NOTES:

\* Property is experiencing change of ownership and is two months delayed in providing tax receipts.

**TOWN OF ADDISON**  
**INTERIM STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
For the Quarter Ending March 31, 2006

| Fund                           | Balance<br>12/31/2005 | Quarter<br>Receipts  | Quarter<br>Disbursements | Balance<br>3/31/2006 |
|--------------------------------|-----------------------|----------------------|--------------------------|----------------------|
| <b>General Fund</b>            | \$ 6,250,133          | \$ 18,290,645        | \$ 14,103,016            | \$ 10,437,762        |
| <b>Special Revenue Funds:</b>  |                       |                      |                          |                      |
| Hotel                          | 4,611,869             | 1,389,627            | 1,560,568                | 4,440,928            |
| Public Safety                  | 52,508                | 501                  | 500                      | 52,509               |
| Municipal Court                | 303,696               | 242,909              | 225,641                  | 320,964              |
| Arbor                          | 91,584                | 13,653               | 26,465                   | 78,772               |
| <b>Debt Service Funds:</b>     |                       |                      |                          |                      |
| G. O. Bonds                    | 2,341,273             | 7,592,676            | 7,644,554                | 2,289,395            |
| Hotel Revenue Bonds            | 789,361               | 359,395              | 588,931                  | 559,825              |
| <b>Capital Projects Funds:</b> |                       |                      |                          |                      |
| Streets                        | 3,892,481             | 37,327               | 11,373                   | 3,918,435            |
| Parks                          | 390,002               | 268,827              | 2,822                    | 656,007              |
| 2000 G. O. Bonds               | 33,168                | 45                   | 49,944                   | (16,731)             |
| 2002 G.O. Bonds                | 2,078,777             | 19,041               | 139,886                  | 1,957,932            |
| 2004 G.O. Bonds                | 3,107,658             | 12,472               | 3,125,329                | (5,199)              |
| 2006 G.O. Bonds                | 1,500,000             | 14,486               | -                        | 1,514,486            |
| <b>Enterprise Funds:</b>       |                       |                      |                          |                      |
| Utility                        | 4,007,371             | 2,249,988            | 3,604,298                | 2,653,061            |
| Airport                        | 4,152,139             | 1,147,829            | 1,560,773                | 3,739,195            |
| <b>Internal Service Funds:</b> |                       |                      |                          |                      |
| Capital Replacement            | 2,142,571             | 384,356              | 298                      | 2,526,629            |
| Information Services           | 1,708,243             | 224,247              | 21,799                   | 1,910,691            |
| <b>TOTAL - ALL FUNDS</b>       | <b>\$ 37,452,834</b>  | <b>\$ 32,248,024</b> | <b>\$ 32,666,197</b>     | <b>\$ 37,034,661</b> |

Note: Cash inflows and outflows represent revenues, expenditures, and investment transactions.

| <b>INVESTMENTS BY MATURITY AND TYPE</b> |                           |                |                      |                      |
|---|---------------------------|----------------|----------------------|----------------------|
| For the Quarter Ending March 31, 2006   |                           |                |                      |                      |
|   | Type                      | % of Portfolio | Yield<br>to Maturity | Amount               |
|   | Pools                     | 20.86%         | 4.57%                | \$ 7,909,349         |
|   | Agencies                  | 65.96%         | 3.92%                | 25,008,139           |
|   | Treasuries                | 13.17%         | 3.02%                | 4,994,752            |
| <b>Total Investments</b>                |                           | <b>100.00%</b> |                      | <b>37,912,240</b>    |
|   | Accrued Interest Earnings |                |                      | 291,619              |
|   | Demand Deposits           |                |                      | (1,169,198)          |
| <b>TOTAL</b>                            |                           |                |                      | <b>\$ 37,034,661</b> |

**COLLATERAL SUMMARY**

The first and most important objective for public funds investments is safety of assets. Therefore, all non-government security investments and bank accounts in excess of FDIC coverage must be secured by collateral. The bank balances and investments are monitored on a regular basis for appropriate coverage by marking the collateral to market. Collateral levels are adjusted to secure the varying levels of receipts throughout the fiscal year.

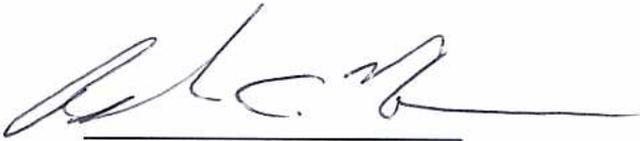
**Town of Addison  
Collateral Analysis  
Demand Deposit Cash  
March 31, 2006**

| <b>Pledging Institution</b> | <b>Safekeeping Location</b> | <b>Account Title</b> | <b>Pledged Security Description</b> | <b>Security Par Value</b> | <b>Market Value</b> | <b>FDIC Insurance</b> | <b>Ending Bank Balance</b> | <b>Difference Over(Under)</b> |
|-----------------------------|-----------------------------|----------------------|-------------------------------------|---------------------------|---------------------|-----------------------|----------------------------|-------------------------------|
| Frost Bank                  | Federal Reserve             | Operating            | GNMA due:<br>20-Feb-28              | \$ 2,075,571              | \$ 2,073,649        |                       |                            |                               |
|                             |                             |                      |                                     | <u>\$ 2,075,571</u>       | <u>\$ 2,073,649</u> | <u>\$ 100,000</u>     | <u>144,926</u>             | <u>\$ 2,028,723</u>           |

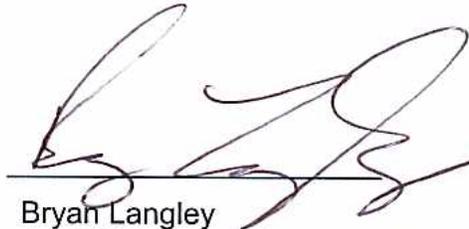
**Quarterly Investment Report  
Pooled Investment Funds  
Quarter ending March 31, 2006**

This quarterly Investment report has been prepared in compliance with Section 2256.023 "Internal Management Reports", of the Public Funds Investment Act, and in accordance with reporting requirements contained in the Town of Addison Investment Policy as approved by City Council on September 27, 2005.

Activity in the Town's portfolio during this quarter is in compliance with the investment strategy as specified in the Town's Investment Policy. All investments are high-quality securities with no perceived default risk. Securities reflect active and efficient secondary markets in the event of an unanticipated cash requirement. Operating funds require the greatest short-term liquidity. Investment pools have been utilized to provide short-term fund requirements. Investment maturities have been staggered throughout the budget cycle to provide cash flow based on anticipated operating needs of the Town. Diversifying the appropriate maturity structure has reduced market cycle risk. There has been no loss of principal during this quarter of activity, and none is anticipated in the future.



Randolph C. Moravec  
Director of Financial & Strategic Services



Bryan Langley  
Asst. Director of Financial & Strategic Services

## First Quarter of Calendar Year 2006 Review

First quarter growth was largely expected to jump as Gulf Coast reconstruction gained momentum. However, early indications are that the rebound was much stronger than experts had predicted. Much of the reason for this was unexpectedly warm weather throughout the U.S. during the month of January. Although the Farmer's Almanac had predicted a chilly winter, the National Climatic Data Center reported that the official average temperature for January was 39½ degrees, topping the record high set in 1953. The warmer weather drew out the shoppers in mass and retail sales surged by a revised 2.9%. Falling unemployment claims signaled an improved job market and a 4.7% January unemployment rate confirmed it. The stock market seemed pleased with improving economic conditions as the DOW topped the 11,000 mark for the first time in over four years. In a particularly volatile quarter, crude oil futures approached \$70 per barrel, gradually dipped down to \$60 and closed the quarter at \$66. Rising gas prices didn't slow consumer spending but continue to affect the savings rate which has been negative for more than a year. Core consumer inflation stayed well-behaved at a benign 2.1% year-over-year pace. The Fed, hoping to stay one step ahead of any future inflation, raised the overnight funds target by another 25 bps at the end of January, said goodbye to long-time Chairman Greenspan and welcomed new Chairman Ben Bernanke. The new Chairman sounded like a clearer version of the old Chairman in his February Congressional testimony and to the surprise of few, raised rates by 25 bps at the March FOMC meeting without indicating completion. Bond yields drifted higher all quarter long and the effects of higher mortgage lending rates finally began to show up in the home sales data. Although first quarter GDP is expected to have increased by an annualized rate well above 4%, investors won't get confirmation of this until late April. What is certain is that warm weather contributed to a better-than-expected quarter, keeping the Fed in a tightening mode longer than market experts would have imagined.

### Key Economic Indicators:

#### ➤ **MANUFACTURING**

Most indications are that U.S. factories are relatively healthy. Although the Institute for Supply Management (ISM)'s factory index declined slightly in March from 56.7 to 55.2, the index still marked its 35<sup>th</sup> consecutive month over 50, a level which indicates *expansion*. January durable goods orders plummeted 8.9% due entirely to sagging aircraft orders, but rebounded 2.9% in February.

#### ➤ **EMPLOYMENT**

Job creation was brisk in the first three months of 2006 as nearly 600,000 jobs were added to the nation's payrolls – the best showing since the 4<sup>th</sup> quarter of 2004. The unemployment rate fell from 4.8% to 4.7% in March *equaling a four-year low*. With the productivity trends slowing and weekly unemployment claims near cycle lows, future labor conditions appear positive.

#### ➤ **INFLATION**

Headline CPI rose by only 0.1% in February after rising by a somewhat alarming energy-fueled 0.7% in January. Core CPI, which excludes volatile food and energy prices, was up just 0.1% in February and 2.1% year-over-year. The core personal consumption expenditures (PCE) index, a favorite of the Fed, increased at an acceptable 1.8% year-over-year rate through February.

#### ➤ **RETAIL SALES**

Advance retail sales surged by a seasonally-adjusted 2.9% in the first month of the new year as the warmest January in 112 years allowed shoppers to spend at the fastest pace since May 2005. On a year-over-year seasonally-adjusted basis, sales jumped from 5.8% in December to 9.3% in January. Although sales actually fell by 1.3% the following month, consumer spending for the first quarter appeared particularly robust.

➤ **AUTOS**

Auto sales have been steady despite a lack of accustomed sales incentives. Total vehicle sales dropped in Jan from 17.6 million units (annualized) to a 16.6 million unit pace in both Feb and March, but are up substantially from October's recent low of 14.7.

➤ **HOUSING**

The trend in home sales is down although the sales levels are still fairly high from a historical perspective. New home sales dropped by 10.5% in February to a 1.08 million unit pace, the slowest in two years while existing homes sales actually *rose* by 5.2% in February to a 6.91 million unit pace. Much of the pick-up in resale homes was thought to be weather-related and may have borrowed from future sales. Generally speaking, rising mortgage rates are expected to slow home sales after five consecutive record years. As confirmation, inventories of unsold home ballooned to a record 548,000 units.

➤ **OIL**

Oil prices continue to be an ongoing problem as crude has hovered above 60 for all of the first quarter. Crude futures came within a dollar of record highs to close at \$69.62 in late January and gasoline prices rose along with oil. The average price for regular unleaded gasoline for the week ending March 31, 2006 was \$2.51 per gallon. Energy prices will be a key factor in U.S. economic health going forward, although the exact effect is debatable. Rising energy prices could result in higher or lower interest rates depending on whether they are primary viewed as inflationary or as the drag on consumer spending that slows the economy.

➤ **FED MEETINGS**

- Jan 31<sup>st</sup> – *Rates increased 25 bps* – 4.50% target

The FOMC tightened monetary policy at Greenspan's farewell FOMC meeting after 18 ½ years as Fed Chairman. In the official statement, the committee finally dropped the shop-worn "measured pace" phrase, indicating that future decisions would be *data dependent*. They also suggested that inflation was still a Fed concern and thereby signaled to investors that they had not concluded the rate hikes.

- Mar 28<sup>th</sup> – *Rates increased 25 bps* – 4.75% target

As expected, the Fed raised the target funds rate by another 25 bps at the first FOMC meeting chaired by Ben Bernanke. The official statement included the phrase that "*The Committee judges that some further measured policy firming is likely to be needed to keep the risks to the attainment of both sustainable economic growth and price stability roughly in balance.*" This exact language was included in the last three meetings and strongly hinted that the Fed still isn't done.

**Market Movement:**

- Treasury markets became more volatile during the quarter, highlighted by sharp moves up and down but within a fairly well defined range. The six-month Treasury-bill yield, which opened the quarter at 4.38%, rose 44 bps to close at 4.82%. The two-year Treasury-note yield opened the quarter at 4.41% and climbed 41 bps to close at 4.82%. The yield curve was extremely flat as the entire curve from six months out held in the 4.80's.
- Stock markets had a good quarter with the S&P 500 reaching an all-time high at 1,307 during March. The S&P 500 was up 46 points to 1,295, a 3.7% gain for Q1. The DOW was up 392 points and 3.7% for the quarter, closing at 11,109. The NASDAQ gained 6.1% in Q1, rising 134 points to 2,340.
- The TexPool average rate during the first quarter came in at 4.44%, up 49 basis points from the fourth quarter's 3.95%. This rate will continue to rise along with the overnight fed funds rate and is currently near 4.75%.

➤ **INTEREST RATES**

|             |          | <b>Fed Funds</b> | <b>3 mo T-bill</b> | <b>6 mo T-bill</b> | <b>2 yr T-note</b> | <b>3 yr T-note</b> | <b>10 yr T-note</b> |
|-------------|----------|------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| <b>Last</b> | 12/31/05 | 4.25%            | 4.08%              | 4.38%              | 4.41%              | 4.37%              | 4.40%               |
| <b>High</b> |          |                  | 4.69%              | 4.83%              | 4.84%              | 4.85%              | 4.86%               |
| <b>Low</b>  |          |                  | 4.12%              | 4.36%              | 4.31%              | 4.27%              | 4.33%               |
| <b>End</b>  | 3/31/06  | 4.75%            | 4.61%              | 4.82%              | 4.82%              | 4.82%              | 4.85%               |

**Portfolio Activity since December 31<sup>st</sup>:**

- Tax inflows during January allowed us to make two purchases. The first was a FNMA 4.00% note maturing in Feb-2008 at a yield-to-maturity of 4.80%. The second purchase was a FHLB 4.00% note maturing in Apr-2007 at a yield of 4.69%. Both purchases matched our strategy of extending maturities in order to lock in higher yields.
- A mid-February maturity of \$3 million was reinvested into a FNMA 4.96% callable note maturing in Feb-2008 and callable one-time only in Feb-2007. The yield-to-maturity was 5.075%. Again, this purchase matched our extension strategy. The call feature provided additional yield while the low coupon and one-time call feature reduce the risk that the bond will be called.
- A final maturity of \$2 million in late-February was not reinvested as these funds were needed to replenish cash balances.

**Outlook for the Second Quarter 2006:**

Clearly the economy bounced back after the sluggish fourth quarter of 2005, but the big question will be the whether the bounce is sustainable. The Fed has indicated repeatedly that monetary policy decisions will be data dependent. In other words, they'll raise rates if the economy is too strong and inflation looks like a problem. The lingo is fresh, but the thought process is as old as Fed monetary policy itself. At the moment, with the economy on solid ground and inflation generally in check, the Fed is more likely to pause at 5% after one more 25 basis point increase at the May 10th meeting. Of course, recent predictions have repeatedly been well off the mark so another tightening in June probably wouldn't surprise anyone. Economists continue to ratchet up their predictions as consumers keep shrugging off such apparent obstacles as rising gasoline prices and staggering levels of consumer debt paired with negative savings rates. In recent years, there has been ample offsetting stimulus in the form of tax breaks, mortgage refinancing and the ability to borrow at near historical lows. Much of this stimulus is now long gone. As interest rates and gas prices climb, the consumer is likely to feel the pinch. The two-year Fed tightening cycle is nearly over. History dictates that the Fed will likely reverse course and begin easing in six to 12 months. And the yield curve will be one step ahead.

**Projected Strategy for the Second Quarter 2006:**

As we approach the peak in rates for this cycle, it is time to begin extending maturities into the 18 to 30 month range. History tells us that the peak in yields will precede the peak in the fed funds rate. The yield curve will anticipate future Fed moves, and investors will want to lock in today's high yields before the market begins pricing in the possibility of future rate cuts. We acknowledge the possibility that the Fed may *raise* rates more than the market currently expects, but with the short, laddered portfolio currently in place, we will be gradually stepping into these longer term purchases over the next few months, reducing the risk of implementing this strategy.



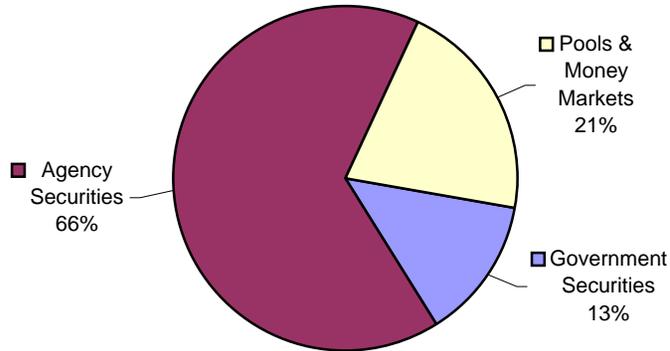
**Investment Portfolio Summary**  
**For the Quarter Ended**  
**March 31, 2006**

**Prepared By**

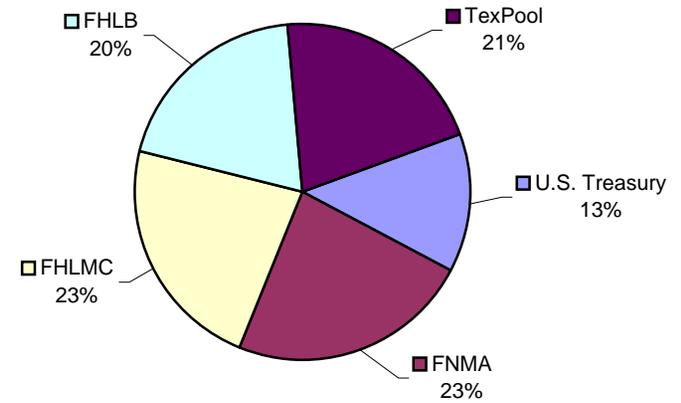


**Town of Addison  
Portfolio Composition  
March 31, 2006**

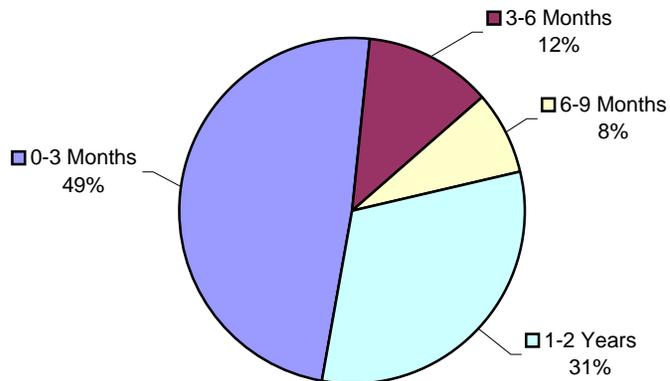
**Portfolio Composition by Security Type**



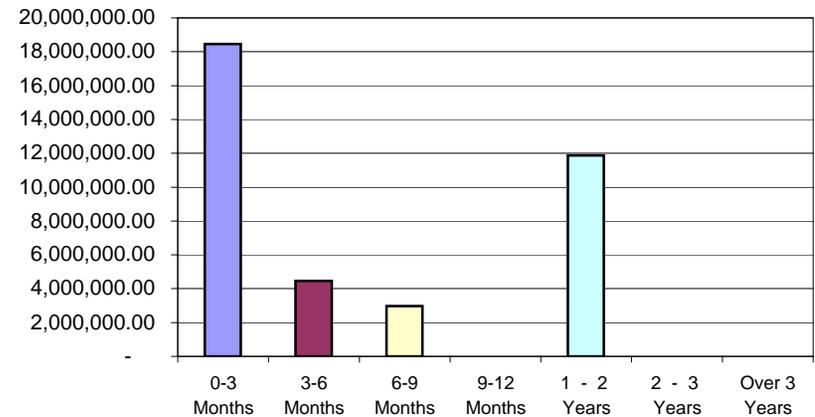
**Portfolio Composition By Issuer**



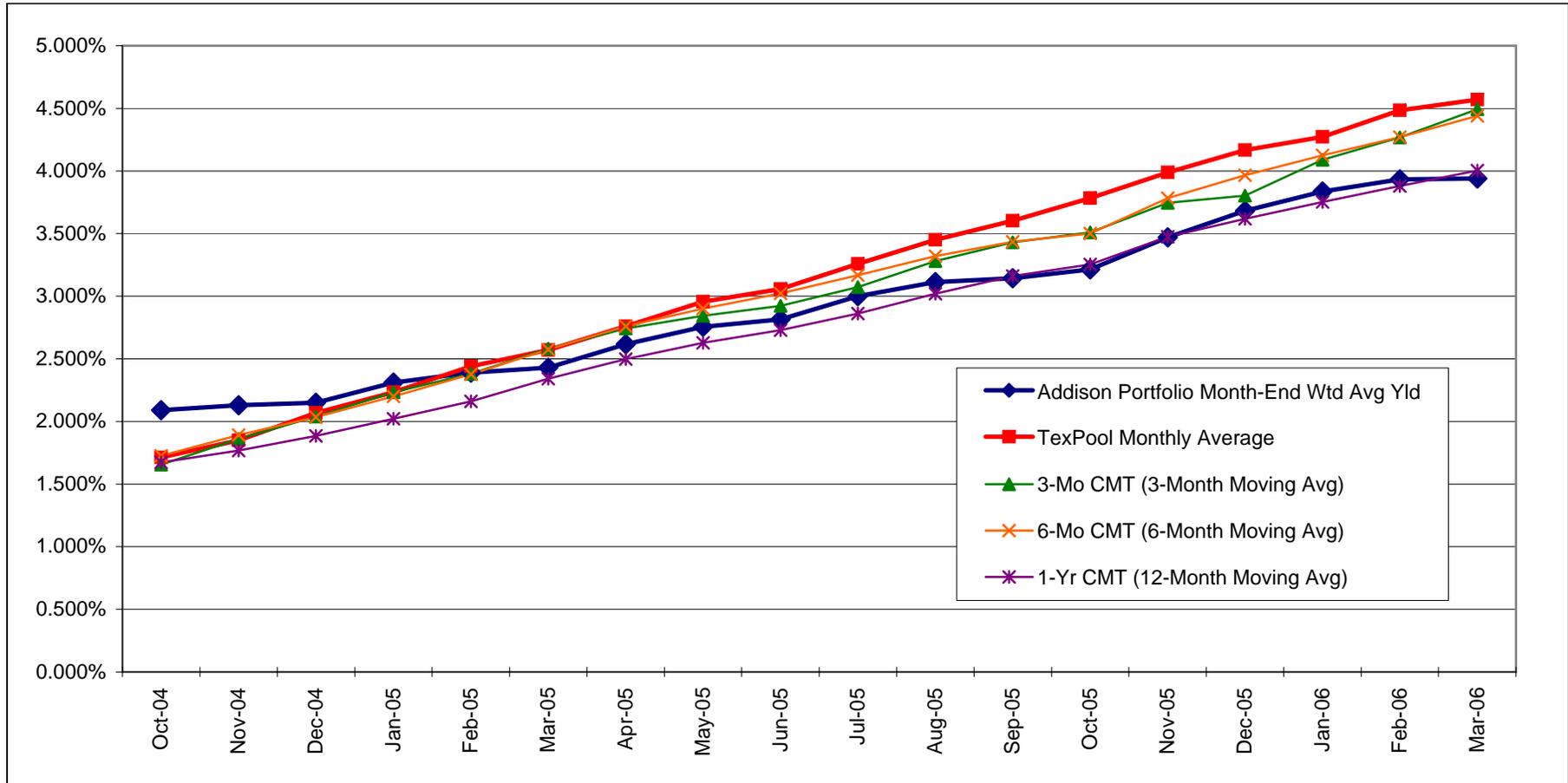
**Portfolio Composition by Maturity (Percentage)**



**Portfolio Composition by Maturity (Amount)**



**Town of Addison  
Benchmark Comparison  
March 31, 2006**



**Notes:**

- 1.) Benchmark data for TexPool is the monthly average yield.
- 2.) CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities.
- 3.) The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year CMT is the daily average for the previous 12-months.

***Town of Addison***  
***Pooled Funds***  
**FIXED INCOME DISTRIBUTION**  
*March 31, 2006*

**Summary Information**

|                  | <b>Totals</b> |                        | <b>Weighted Averages</b> |       |
|------------------|---------------|------------------------|--------------------------|-------|
| Par Value        | 37,989,349.45 | Average YTM            |                          | 3.939 |
| Market Value     | 37,769,075.63 | Average Maturity (yrs) |                          | 0.6   |
| Adjusted Cost    | 37,912,239.84 | Average Coupon (%)     |                          | 3.716 |
| Net Gain/Loss    | -143,164.21   | Average Duration       |                          | 0.6   |
| Annual Income    | 1,411,593.54  |                        |                          |       |
| Number of Issues | 12            |                        |                          |       |

**Distribution by Maturity**

| <b>Maturity</b> | <b>Number</b> | <b>Mkt Value</b> | <b>% Bond Holdings</b> | <b>Average Y T M</b> | <b>Average Coupon</b> | <b>Average Duration</b> |
|-----------------|---------------|------------------|------------------------|----------------------|-----------------------|-------------------------|
| 0 - 3 Months    | 5             | 18,465,247.05    | 48.9                   | 3.765                | 3.573%                | 0.076                   |
| 3 - 6 Months    | 2             | 4,459,687.50     | 11.8                   | 2.623                | 2.647%                | 0.382                   |
| 6 - 9 Months    | 1             | 2,966,250.00     | 7.9                    | 3.101                | 3.110%                | 0.553                   |
| 1 - 2 Years     | 4             | 11,877,891.08    | 31.4                   | 4.872                | 4.493%                | 1.531                   |

**Town of Addison**  
**DETAIL OF SECURITY HOLDINGS**  
*As of March 31, 2006*

| Security Description | Security CUSIP | Coupon       | Settlement Date | Maturity Date | Next Call Date | Par Value            | Purchase Price | Purchase Cost        | Book Value           | Market Price  | Market Value         | Accrued Interest  | Days to Maturity | Days to Next Call | Yield to Maturity | Yield to Next Call |
|----------------------|----------------|--------------|-----------------|---------------|----------------|----------------------|----------------|----------------------|----------------------|---------------|----------------------|-------------------|------------------|-------------------|-------------------|--------------------|
| <b>Pooled Funds</b>  |                |              |                 |               |                |                      |                |                      |                      |               |                      |                   |                  |                   |                   |                    |
| TEXPOOL              | texpool        | 4.570        |                 |               |                | 7,909,349.45         | 100.000        | 7,909,349.45         | 7,909,349.45         | 100.000       | 7,909,349.45         | 0.00              | 1                |                   | 4.570             |                    |
| FHLMC                | 3128X3XE8      | 2.700        | 10-12-04        | 04-12-06      |                | 3,000,000.00         | 100.000        | 3,000,000.00         | 3,000,000.00         | 99.941        | 2,998,229.83         | 38,025.00         | 12               |                   | 2.700             |                    |
| U.S. T-Note          | 912828CF5      | 2.250        | 05-11-04        | 04-30-06      |                | 3,000,000.00         | 99.367         | 2,981,015.63         | 2,999,234.06         | 99.812        | 2,994,375.00         | 28,342.54         | 30               |                   | 2.581             |                    |
| FHLMC                | 3128X4CQ2      | 3.700        | 07-22-05        | 06-20-06      |                | 2,580,000.00         | 99.730         | 2,573,046.10         | 2,578,329.39         | 99.716        | 2,572,667.77         | 26,781.83         | 81               |                   | 4.001             |                    |
| U.S. T-Note          | 912828CM0      | 2.750        | 07-12-05        | 06-30-06      |                | 2,000,000.00         | 99.121         | 1,982,421.88         | 1,995,518.33         | 99.531        | 1,990,625.00         | 13,825.97         | 91               |                   | 3.682             |                    |
| FHLB                 | 3133X07J2      | 2.570        | 08-18-03        | 08-18-06      | 05-18-06       | 3,000,000.00         | 100.000        | 3,000,000.00         | 3,000,000.00         | 99.094        | 2,972,812.50         | 9,209.17          | 140              | 48                | 2.570             | 2.571              |
| FHLB                 | 3133X3U84      | 2.800        | 02-25-04        | 08-25-06      | 05-25-06       | 1,500,000.00         | 100.000        | 1,500,000.00         | 1,500,000.00         | 99.125        | 1,486,875.00         | 4,200.00          | 147              | 55                | 2.800             | 2.801              |
| FNMA                 | 3136F6GH6      | 3.110        | 10-27-04        | 10-27-06      | 04-27-06       | 3,000,000.00         | 99.950         | 2,998,500.00         | 2,999,570.55         | 98.875        | 2,966,250.00         | 39,911.67         | 210              | 27                | 3.136             | 3.144              |
| FHLB                 | 3133XB6F7      | 4.000        | 01-19-06        | 04-05-07      | 04-05-06       | 3,000,000.00         | 99.188         | 2,975,628.00         | 2,979,593.49         | 98.906        | 2,967,187.50         | 58,666.67         | 370              | 5                 | 4.693             | 7.821              |
| FHLMC                | 3128X4WA5      | 5.000        | 12-28-05        | 12-28-07      | 06-28-06       | 3,000,000.00         | 100.000        | 3,000,000.00         | 3,000,000.00         | 99.555        | 2,986,641.08         | 38,750.00         | 637              | 89                | 5.000             | 5.000              |
| FNMA                 | 3136F7TB3      | 4.960        | 02-13-06        | 02-08-08      | 02-08-07       | 3,000,000.00         | 99.784         | 2,993,534.20         | 2,993,953.31         | 99.594        | 2,987,812.50         | 21,906.67         | 679              | 314               | 5.075             | 5.186              |
| FNMA                 | 3136F6YB9      | 4.000        | 01-11-06        | 02-25-08      | 05-25-06       | 3,000,000.00         | 98.390         | 2,951,700.00         | 2,956,691.26         | 97.875        | 2,936,250.00         | 12,000.00         | 696              | 55                | 4.805             | 8.492              |
|                      |                | 3.715        |                 |               |                | 37,989,349.45        | 99.675         | 37,865,195.26        | 37,912,239.84        | 99.422        | 37,769,075.63        | 291,619.51        | 235              |                   | 3.939             |                    |
| <b>GRAND TOTAL</b>   |                | <b>3.715</b> |                 |               |                | <b>37,989,349.45</b> | <b>99.675</b>  | <b>37,865,195.26</b> | <b>37,912,239.84</b> | <b>99.422</b> | <b>37,769,075.63</b> | <b>291,619.51</b> | <b>235</b>       |                   | <b>3.939</b>      |                    |

***Town of Addison***  
***Pooled Funds***  
**INVESTMENT TRANSACTIONS**  
*From 01-01-06 To 03-31-06*

| <b>Settle Date</b> | <b>Security</b>     | <b>CUSIP</b> | <b>Coupon</b> | <b>Mature Date</b> | <b>Call Date</b> | <b>Quantity</b> | <b>Unit Price</b> | <b>Amount</b> |
|--------------------|---------------------|--------------|---------------|--------------------|------------------|-----------------|-------------------|---------------|
| <b>PURCHASES</b>   |                     |              |               |                    |                  |                 |                   |               |
| 01-11-06           | FNMA                | 3136F6YB9    | 4.000         | 02-25-08           | 05-25-06         | 3,000,000       | 98.390            | 2,951,700.00  |
|                    | Accrued Interest    |              |               |                    |                  |                 |                   | 45,333.33     |
| 01-19-06           | FHLB                | 3133XB6F7    | 4.000         | 04-05-07           | 04-05-06         | 3,000,000       | 99.188            | 2,975,628.00  |
|                    | Accrued Interest    |              |               |                    |                  |                 |                   | 34,666.67     |
| 02-13-06           | FNMA                | 3136F7TB3    | 4.960         | 02-08-08           | 02-08-07         | 3,000,000       | 99.784            | 2,993,534.20  |
|                    | Accrued Interest    |              |               |                    |                  |                 |                   | 2,066.67      |
|                    |                     |              |               |                    |                  |                 |                   | 9,002,928.87  |
| <b>MATURITIES</b>  |                     |              |               |                    |                  |                 |                   |               |
| 02-14-06           | NEW CENTER ASSET CP | 64351VBE1    | 0.000         | 02-14-06           |                  | 3,000,000       | 100.000           | 3,000,000.00  |
| 02-27-06           | FHLB                | 3133X43E9    | 2.300         | 02-27-06           | 11-27-05         | 2,000,000       | 100.000           | 2,000,000.00  |
|                    | Accrued Interest    |              |               |                    |                  |                 |                   | 23,000.00     |
|                    |                     |              |               |                    |                  |                 |                   | 5,023,000.00  |

**Town of Addison**  
**EARNED INCOME**  
*From 12-31-05 To 03-31-06*

|  | Beginning<br>Accrued<br>Interest | Purchased<br>Interest | Sold<br>Interest  | Interest<br>Received | Earned<br>Interest | Ending<br>Accrued<br>Interest | Amortization/<br>Accretion | Adjusted<br>Earned<br>Income |
|--|----------------------------------|-----------------------|-------------------|----------------------|--------------------|-------------------------------|----------------------------|------------------------------|
| <b>Pooled Funds</b>                                    |                                  |                       |                   |                      |                    |                               |                            |                              |
| TEXPOOL (texpool)                                      | 0.00                             | 0.00                  | 0.00              | -89,027.82           | 89,027.82          | 0.00                          | 0.00                       | 89,027.82                    |
| NEW CENTER ASSET CP 0.000% Due 02-14-06<br>(64351vbe1) | 0.00                             | 0.00                  | 0.00              | 0.00                 | 0.00               | 0.00                          | 15,937.50                  | 15,937.50                    |
| FHLB 2.300% Due 02-27-06 (3133x43e9)                   | 15,844.44                        | 0.00                  | -23,000.00        | 0.00                 | 7,155.56           | 0.00                          | 5,173.81                   | 12,329.37                    |
| FHLMC 2.700% Due 04-12-06 (3128x3xe8)                  | 17,775.00                        | 0.00                  | 0.00              | 0.00                 | 20,250.00          | 38,025.00                     | 0.00                       | 20,250.00                    |
| U.S. T-Note 2.250% Due 04-30-06 (912828cf5)            | 11,560.77                        | 0.00                  | 0.00              | 0.00                 | 16,781.77          | 28,342.54                     | 2,377.05                   | 19,158.82                    |
| FHLMC 3.700% Due 06-20-06 (3128x4cq2)                  | 2,916.83                         | 0.00                  | 0.00              | 0.00                 | 23,865.00          | 26,781.83                     | 1,879.43                   | 25,744.43                    |
| U.S. T-Note 2.750% Due 06-30-06 (912828cm0)            | 151.93                           | 0.00                  | 0.00              | 0.00                 | 13,674.03          | 13,825.97                     | 4,481.67                   | 18,155.71                    |
| FHLB 2.570% Due 08-18-06 (3133x07j2)                   | 28,484.17                        | 0.00                  | 0.00              | -38,550.00           | 19,275.00          | 9,209.17                      | 0.00                       | 19,275.00                    |
| FHLB 2.800% Due 08-25-06 (3133x3u84)                   | 14,700.00                        | 0.00                  | 0.00              | -21,000.00           | 10,500.00          | 4,200.00                      | 0.00                       | 10,500.00                    |
| FNMA 3.110% Due 10-27-06 (3136f6gh6)                   | 16,586.67                        | 0.00                  | 0.00              | 0.00                 | 23,325.00          | 39,911.67                     | 184.93                     | 23,509.93                    |
| FHLB 4.000% Due 04-05-07 (3133xb6f7)                   | 0.00                             | 34,666.67             | 0.00              | 0.00                 | 24,000.00          | 58,666.67                     | 3,965.49                   | 27,965.49                    |
| FHLMC 5.000% Due 12-28-07 (3128x4wa5)                  | 1,250.00                         | 0.00                  | 0.00              | 0.00                 | 37,500.00          | 38,750.00                     | 0.00                       | 37,500.00                    |
| FNMA 4.960% Due 02-08-08 (3136f7tb3)                   | 0.00                             | 2,066.67              | 0.00              | 0.00                 | 19,840.00          | 21,906.67                     | 419.11                     | 20,259.10                    |
| FNMA 4.000% Due 02-25-08 (3136f6yb9)                   | 0.00                             | 45,333.33             | 0.00              | -60,000.00           | 26,666.67          | 12,000.00                     | 4,991.26                   | 31,657.93                    |
|  | 109,269.82                       | 82,066.67             | -23,000.00        | -208,577.82          | 331,860.84         | 291,619.51                    | 39,410.27                  | 371,271.11                   |
| <b>GRAND TOTAL</b>                                     | <b>109,269.82</b>                | <b>82,066.67</b>      | <b>-23,000.00</b> | <b>-208,577.82</b>   | <b>331,860.84</b>  | <b>291,619.51</b>             | <b>39,410.27</b>           | <b>371,271.11</b>            |

## **Council Agenda Item: #R10**

### **SUMMARY:**

Presentation and discussion of Phase I of the Strategic Reviews process.

### **FINANCIAL IMPACT:**

Several of the recommendations from the Strategic Reviews have financial impact and will be considered during the development of the FY06-07 Budget.

### **BACKGROUND:**

As part of the continuing effort to examine the Town's operations and work toward more effective and efficient services, staff is in the midst of a strategic review process. These reviews have two primary purposes:

- Examine the relationship of a department's activities to that of the overall strategic vision for the Town of Addison.
- Review the quality, productivity and benefits of these activities to ensure that Town resources are being utilized efficiently.

Strategic Reviews began in November and six departments/divisions were selected to participate in the initial phase. These reviews are a collaborative effort between the department/division, Financial and Strategic Services and the City Manager's Office.

At the May 23<sup>rd</sup> Council meeting, staff will provide a brief overview that highlights the methodology used during these reviews, some examples of the analysis performed and discussed how this information will be utilized in the future.

### **RECOMMENDATION:**

As a result of this process, staff will provide recommendations from this process to Council later in the budget process.

## **Council Agenda Item: #R11**

**There are no attachments for this item.**

## **Council Agenda Item: #R12**

### **SUMMARY:**

Presentation and discussion of the first phase of the hotel tax audit conducted by MBIA MuniServices.

### **FINANCIAL IMPACT:**

As a result of the audit, the Town has received an additional \$20,531.38 in hotel occupancy taxes and associated penalties. The cost of conducting the audit was \$11,000. Therefore, the Town received a net revenue gain of \$9,531.38.

### **BACKGROUND:**

The Town Council approved a contract with MBIA MuniServices in March 2005. The purpose of the contract was to 1) review the Town's hotel occupancy tax ordinance, 2) analyze the compliance and reporting of Addison hotels, and 3) perform field audits of hotels as deemed necessary by analysis.

In November 2005, MBIA MuniServices presented Addison with a hotel occupancy tax report that included the following observations and recommendations.

### **Review of Town Ordinance and Process**

- MBIA concluded that the Town's hotel occupancy tax ordinance is comprehensive. To help hotel managers better understand the hotel occupancy tax collection requirements, they recommend that some additional materials be distributed to lodging providers to encourage compliance with the ordinance. The Town agrees with this recommendation and will be preparing a new brochure that summarizes the ordinance requirements.
- MBIA observed that the department performed well in processing hotel monthly reports, which is reflected in the relatively few errors of reporting hotels.

### **Analysis of Lodging Returns**

- MBIA analyzed the returns of the lodging providers for the Town over the past four years. After analyzing this information, MBIA recommended that field audits be conducted for all Addison properties over a three year period.
- For the first year, MBIA audited the Hotel Intercontinental, Suites of America, Summerfield Suites, Crowne Plaza, Courtyard by Marriott, Marriot Quorum, and Residence Inn properties.
- Following the field audits, the Town sent letters of commendation to the Summerfield Suites, Crowne Plaza, Courtyard by Marriott, Marriott Quorum, and

Residence Inn properties in recognition of their outstanding compliance with the Town's hotel occupancy tax ordinance.

- For the Hotel Intercontinental property, MBIA determined that the hotel had underreported hotel occupancy taxes. After conducting numerous meetings and reviewing records with hotel management, the Town agreed to accept a payment in the amount of \$4,638 for delinquent taxes. The primary issue involved in the reporting deficiency was related to an airline contract.
- For the Suites of America property, MBIA attempted to meet with hotel management on four separate occasions to no avail. The Town and the City Attorney eventually intervened to require the hotel to provide the necessary information needed to audit their hotel occupancy tax receipts. After a lengthy process of analyzing this information, the Town and the hotel eventually agreed to accept a payment in the amount of \$15,893.38 for delinquent taxes and associated penalties. The primary issue involved in the reporting deficiency was related to poor record keeping and the application of the 30 day exemption.

### **Going Forward**

In the fall of 2006, MBIA is scheduled to audit a second group of hotels to determine whether they are complying with the Town's ordinance. However, staff has an issue with MBIA's commitment to assisting the Town with pursuing collection of difficult accounts. Staff is confident this issue can be satisfactorily addressed, but will not authorize MBIA to proceed with the second group until the issue is resolved.

## **Council Agenda Item: #ES1**

**There are no attachments for this item.**

## **Council Agenda Item: #ES2**

**There are no attachments for this item.**