



08 December 2016

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Communities
to Lead
Forward

Dale Todd, President
Friends of Cedar Lake, Inc.
Cedar Rapids, IA

RE: Cedar Lake Feasibility Study - Supplementation Information

Dear Mr. Todd:

In response to your request for clarification on components of the Cedar Lake Feasibility Study prepared by PROS Consulting, Inc., please see my responses below.

How were estimates derived for recreation activity participation in the Market Analysis?

In Section 3.5 of the Market Analysis, entitled “Local Market Potential,” we utilized data obtained from the Environmental Systems Research Institute, Inc. (ESRI) a research and development organization specializing in population projections and market trends. ESRI’s Market Potential data measures the likely demand for specific products, services, or activities in an area based upon a synthesis of information from multiple consumer surveys that identify the study area’s expected number of consumers as well as consumption rate. This allows us to estimate the number of participants for certain activities in an area. The Market Potential Index allows us to express the relative popularity of an activity in the study area versus the nation as a whole.

For more information on ESRI’s Market Potential methodology, please see <https://goo.gl/Xby25M>.

How were estimates derived for the operations and maintenance costs for Cedar Lake?

Section 4.5, entitled “Financial Analysis,” presents an operational pro forma that shows a net annual operational cost for Cedar Lake of \$84,586 in Year 1, escalating to \$91,980 in Year 6. The pro forma accounts for four major categories of revenues (rentals, boathouse, special events, and sponsorships) and five major categories of expenses (park maintenance, rentals, boathouse, special events, and sponsorships). While Section 4.4 and Appendix C explain the key assumptions for each of these revenue/expense areas, it may be of primary importance to acknowledge that park maintenance is the significant “driver” of the net operational cost, which ranges from \$102,589 in Year 1 to \$121,844 in Year 6. These park maintenance costs were estimated based upon the current per acre direct maintenance cost for the Cedar Rapids Parks and Recreation Department, which is \$1,242/acre. An additional 18% indirect (overhead) rate was applied and multiplied by 70 acres of land in Cedar Lake Park, yielding a total of \$102,589. This value was then inflated at an annual rate of 3.5% to estimate Years 2-6.

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How was the final economic impact of \$17.5M and 370 jobs calculated?

Section 4.6, entitled “Economic Impact,” shows a summary of this calculation, which is based upon a methodology referred to as the Regional Input-Output Modeling System developed and provided by the U.S. Bureau of Economic Analysis (BEA).

The estimate is based upon the total value of four factors directly attributable to the project: investment in new buildings and equipment (i.e., capital development costs), purchases by households, purchases by government, and purchases by consumers outside of the region. Confluence, the planning and design firm that prepared the Cedar Lake Master Plan, estimated two of these factors (investment in new buildings and equipment; purchases by government) to be \$18,000,000. The other two factors (purchases by households; purchases by consumers outside of the region) were excluded from analysis because we did not feel we could confidently estimate their values at this time based upon the conceptual nature of the plan. The \$18,000,000 total thus represented our estimate of the value of the final demand created by the project.

Final demand was then multiplied by location- and industry-specific “final demand multipliers” published by the BEA. The multipliers used in our analysis were for “Museums, historical sites, zoos, and parks” in the state of Iowa. A multiplier of 20.5402 was used for employment, representing the total change in number of jobs that occurs in all industries as a result of the project (370). A multiplier of 0.9705 was used for final value-added dollars, representing the total dollar change that occurs in all industries based upon the output delivered by the project (\$17,469,000).

It should be noted that the economic impact of 370 jobs and \$17,469,000 are not specific to any year; they represent the total impact over the lifespan of the assets produced by the project.

For more information on BEA’s Regional Input-Output Modeling System, please see <https://goo.gl/yYIaxd>.

Please feel free to contact me with additional questions.

Kindest Regards,

/s/ Jeffrey J. Bransford, PMP, CPRP
Senior Project Manager