

# **Town of West Yellowstone**

**Town Council Work Session**

**Tuesday, February 18, 2014**

**West Yellowstone Town Hall**

**440 Yellowstone Avenue, West Yellowstone, Montana**

**12 Noon**

## **Agenda**

### **Public Comment Period/Council Comments**

Management of Union Pacific Dining Lodge by Yellowstone Historic Center

Discussion

**No action will be taken, the Public is invited to attend.**





# YELLOWSTONE HISTORIC CENTER

THE HERITAGE OF TRAVEL TO YELLOWSTONE

Post Office Box 1299

Phone/Fax:

406-646-7461

West Yellowstone, Montana 59758

E mail: [info@yellowstonehistoriccenter.org](mailto:info@yellowstonehistoriccenter.org)  
Website: [www.yellowstonehistoriccenter.org](http://www.yellowstonehistoriccenter.org)

Yellowstone Historic Center  
P.O. Box 1299  
West Yellowstone, MT 59758

February 3, 2014

Becky Guay  
Operations Manager  
Dining Lodge Management Committee, Chair  
Town of West Yellowstone  
P.O. Box 1570  
West Yellowstone, MT 59758

Dear Becky:

The YHC has long partnered with the Town of West Yellowstone in the management, preservation, and restoration of the Union Pacific Depot. During the same period of time we have worked with the Town to preserve and restore the Union Pacific Dining Lodge. The YHC is interested in seeking an operating agreement with the Town that would include the management of the UP Dining Lodge.

Over the past year, the Town and the YHC have engaged in several working sessions to discuss that operating agreement. The goal of those sessions has been to determine the feasibility of such an agreement.

At the DL Committee meeting on January 15, 2014, you requested that the YHC prepare a proposal outlining how we would operate the UP Dining Lodge as an event and convention center business, the operational costs associated with running that business, and the funding we would seek from the Town to support this operation. The YHC submits the attached proposal in response to that request.

Sincerely,

Ed Geiger  
Manager, Yellowstone Historic Center

# YHC Dining Lodge Management Proposal

February 3, 2014

## Operating Proposal

The Yellowstone Historic Center (YHC) proposes to enter into an agreement with the Town of West Yellowstone (Town) for the purpose of assuming responsibility for management of the entire UP Dining Lodge facility. The YHC seeks an agreement that would be structured after our current lease agreement for the Union Pacific Depot.

The YHC also proposes that it assume management of the event rental operations, currently managed by the Town, including reservation and event administration.

The YHC would be responsible for expenses associated with the operation of the Union Pacific Dining Lodge as an event and conference center. The YHC would collect and administer all revenue derived from event and conference rental activities.

There are several differences between how Dining Lodge operations are managed by the Town and YHC's management proposal.

Currently the rental period for an event is 24 hours. The period begins at noon on the first rental day and ends at noon the following day. The YHC management plan proposes changing the rental period to start at 11 AM and to end at 2 AM. This way we are assured each event ends at a time that allows for cleaning before another event at 11 AM, if one is scheduled. Multi-day event rentals will run from 11 AM on the first day of the event to 2 AM of the morning following the last full day of the event.

The other issue with the current rental period is that the renter is responsible for cleaning the dining room, kitchen and restrooms. The current rental period allows no time to perform adequate cleaning should the renter fail to meet their responsibility.

The YHC management proposal includes providing services for cleaning after each event. The cleaning crew would have access to the facilities from 2 AM until 10 AM. In this way, we will be assured cleaning issues will not affect our ability to market back-to-back bookings.

YHC's current plans include the repurposing of the office spaces vacated by the Town Court and Social Services. In order to create new rental offerings within the UP Dining Lodge, the YHC proposes converting these spaces into multi-purpose meeting rooms. This will allow us to have separate rental space for conference meetings, training seminars and parties, as well as breakout rooms for larger

conferences. These rooms will also be available as wedding support rooms, allowing the wedding party a place to meet and change before the event.

Special attention will be given to recreating historic details throughout the renovation process.

The bathrooms will be renovated to provide fixtures and plumbing that support the high volume of traffic associated with large events. Attention will be given to meeting all accessibility standards and requirements.

*Additional funds for this would fall to the Town*

As with the UP Depot, the YHC will cooperate with the Town in developing any plans associated with capital improvements. The YHC will seek assistance in obtaining grants, or other sources of funding to support these upgrades and renovations. Any substantial modification, or alteration to the premises, is subject to the Town's prior approval.

## **Staffing Plan**

### **Reservation Administration**

The YHC will staff for an event coordinator, who is responsible for all event administrative tasks.

They will schedule events, process rental deposits and payments, execute contracts, conduct pre- and post-event inventories and inspections, and return deposits where applicable.

They will provide facility tours for all potential clients. They will document and verify all permits and licenses. They will document liability insurance policies as required.

It is expected that 11 staff hours at \$15.00 per hour for an estimated 50 events will require \$8,250.00 annually. This amount is reflected in the proposed "UP Dining Lodge Operating Budget."

### **Event Oversight**

The YHC will hire a staff person who will be present during the actual event.

They will coordinate on-site activities with the renter, wedding planner, convention planner, caterers, and/or vendors as needed during the event.

They will also coordinate equipment rental sign-in/out for each event, being the point of contact for any rental or facility issues during the event activity.

They would also be responsible for post-event activities including building lockup, restocking and cleaning service oversight.

This person would monitor all activities throughout the event to ensure compliance with Town ordinances and would notify local authorities in the event of a problem.

It is expected that an average of 9 staff hours at \$12.00 per hour for an estimated 50 events will require \$5,400.00 annually. This amount is reflected in the proposed "UP Dining Lodge Operating Budget."

### **DL Management - YHC Oversight**

The YHC is responsible for oversight, and this includes expenses related to the management of contracted services, employee supervision, and program related accounting services.

The cost of DL Management oversight is estimated to be 10% of the Total Expenses line item in the proposed "UP Dining Lodge Operating Budget." This would be approximately \$7000.00 during the first year of operation.

### **Sales and Marketing**

YHC plans to market the facility as an events and conference center.

The contractor will work with local, regional, and national event and conference planners to increase the number of days rented, and thus increase revenue.

It is expected that this will be accomplished by a contracted service. This contracted service will cost approximately \$15,600.00 annually. This amount is reflected in the proposed "UP Dining Lodge Operating Budget."

### **Financial Assessment:**

It is anticipated that the YHC will operate at a deficit during the first five years of operation. The attached operating budget includes revenue and operating cost projections for the first five years of YHC management.

During the first year of operation, the existing rental rate schedule would remain in effect. In years two through five, the rate schedule would be modified to align more closely with our regional competition. The proposed rate schedule also addresses the Town's desire to extend a discount to those who qualify for a resident discount.

A key administrative expense in the YHC budget proposal is that of event oversight. This is a new service, one that was not provided under the Town's management of events.

Interviews with previous renters, caterers, and cleaning contractors have indicated the need for on-site supervision during events.

The addition of sales and marketing services to the budget is key to the financial success of any event or conference center. While marketing is one of the highest administrative expenses, it also has the most impact on any plan to increase overall revenue.

Operational expenses differ little between the YHC proposed budget and the previous operating budget from the Town. Most of the operational expenses are static and will change little whether the Town or YHC operates the Dining Lodge.

## U P Dining Lodge Operating Budget

INCOME	2014			2015			2016			2017			2018		
	Rental Rates	Rental Days	Rental Revenue	Rental Rates	Rental Days	Rental Revenue	Rental Rates	Rental Days	Rental Revenue	Rental Rates	Rental Days	Rental Revenue	Rental Rates	Rental Days	Rental Revenue
<b>Rental Type</b>															
DL Community Events, Res/non-profit -25%disc	\$300	10	\$3,000	\$750	7	\$5,250	\$900	7	\$6,300	\$1,125	7	\$7,875	\$1,350	7	\$9,450
DL Community Events, Non-Resident	\$300	35	\$10,500	\$1,000	25	\$25,000	\$1,200	27	\$32,400	\$1,500	30	\$45,000	\$1,800	36	\$64,800
DL Commercial Events, Res, N-Res, Non-P	\$750	0	\$0	\$1,500	1	\$1,500	\$1,750	3	\$5,250	\$2,000	3	\$6,000	\$3,000	4	\$12,000
Firehole Room, Resident/non-profit - 25%disc	\$100	0	\$0	\$225	1	\$225	\$300	3	\$900	\$375	3	\$1,125	\$375	3	\$1,125
Firehole Room, Non-Resident	\$200	0	\$0	\$300	1	\$300	\$400	2	\$800	\$500	2	\$1,000	\$500	3	\$1,500
Conference Room 1(Old Court Room)		0	\$0	\$125	1	\$125	\$125	5	\$625	\$150	6	\$900	\$150	7	\$1,050
Conference Room 2(Old SS Room)		0	\$0	\$75	1	\$75	\$75	5	\$375	\$100	6	\$600	\$100	7	\$700
Conference Room 3(Old YHC Office)		0	\$0	\$175	1	\$175	\$175	5	\$875	\$200	6	\$1,200	\$200	7	\$1,400
<b>Yearly Facility Rental</b>			<b>\$13,500</b>			<b>\$32,650</b>			<b>\$47,525</b>			<b>\$63,700</b>			<b>\$92,025</b>
Other Income (YHC Rent)			\$6,000			\$6,000			\$6,000			\$6,000			\$6,000
<b>Yearly Rental Revenue</b>			<b>\$19,500</b>			<b>\$38,650</b>			<b>\$53,525</b>			<b>\$69,700</b>			<b>\$98,025</b>
<b>Administrative Expenses</b>															
Phone - 2nd Line			\$600			\$660			\$726			\$799			\$878
Office Supplies			\$2,000			\$2,200			\$2,420			\$2,662			\$2,928
Printing			\$1,000			\$1,100			\$1,210			\$1,331			\$1,464
Postage and Shipping			\$600			\$660			\$726			\$799			\$878
Liability Insurance \$750k/\$1.5mil per RFP			\$2,200			\$2,420			\$2,662			\$2,928			\$3,221
Payroll Reservation Administration			\$8,250			\$9,075			\$9,983			\$10,981			\$12,079
Payroll Event Oversight			\$5,400			\$5,940			\$6,534			\$7,187			\$7,906
Payroll Related Costs (20%)			\$2,730			\$3,003			\$3,303			\$3,634			\$3,997
Sales and Marketing Services			\$15,600			\$17,160			\$18,876			\$20,764			\$22,840
Advertising costs, newspaper ads, magazine ads, web, social media, brochures, etc.			\$4,000			\$4,400			\$4,840			\$5,324			\$5,856
Computers and Printers			\$500			\$550			\$605			\$666			\$732
<b>Operational Expenses</b>															
Electric			\$11,622			\$12,784			\$14,062			\$15,468			\$17,015
Gas			\$2,343			\$2,577			\$2,835			\$3,119			\$3,430
Water and Sewer			\$563			\$620			\$681			\$750			\$825
Waste Disposal			\$900			\$990			\$1,089			\$1,198			\$1,318
Operating Supplies (kitchen, bathrooms, lighting, cleaning, Professional Services			\$1,944			\$2,138			\$2,352			\$2,587			\$2,846
Other Professional Services			\$2,170			\$2,387			\$2,626			\$2,889			\$3,178
Buildings															
Cleaning Service			\$6,500			\$7,150			\$7,865			\$8,652			\$9,517
Programs															
Other Expenses															
<b>Total Administrative and Operational Expenses</b>			<b>\$68,922</b>			<b>\$75,814</b>			<b>\$83,395</b>			<b>\$91,735</b>			<b>\$100,908</b>
DL Management - YHC Oversight - 10%			\$7,000			\$7,700			\$8,470			\$9,317			\$10,249
<b>Total Expenses</b>			<b>\$75,922</b>			<b>\$83,514</b>			<b>\$91,865</b>			<b>\$101,052</b>			<b>\$111,157</b>
<b>Revenue Shortfall</b>			<b>-\$56,422</b>			<b>-\$44,864</b>			<b>-\$38,340</b>			<b>-\$31,352</b>			<b>-\$13,132</b>
<b>Five Year Shortfall</b>															<b>-\$184,110</b>

## **Funding Proposal**

Both the proposed YHC budget and the Town's budget plan for management of the Dining Lodge include deficit operating plans. However, YHC's operating budget plan approaches a zero deficit level by the end of the fifth year of operation, while the Town's plan continues to operate with major deficits indefinitely.

Based on loss projections by the Town and the YHC in regard to Dining Lodge management the YHC makes the following proposals:

The YHC proposes that it assume management of the event rental operations, currently managed by the Town, including reservation and event administration.

The YHC proposes that the Town assist YHC with funding for its operation of the Union Pacific Dining Lodge as an event and convention center for a period of five years. The YHC requests that the funding for the five-year period be in the amount of \$150,000.00.

This funding request is based on the YHCs projected losses through the first five years of operation. It is also in line with the losses projected by the Town if they were to continue operation of the UP Dining Lodge during the same period.

The proposed schedule for funds disbursement from the Town to YHC is:

Year One -----	\$50,000.00
Year Two -----	\$40,000.00
Year Three ----	\$30,000.00
Year Four -----	\$20,000.00
Year Five -----	\$10,000.00

**Addendum to YHC Dining Lodge Management Proposal**

February 12, 2014

This addendum to the management proposal for the Dining Lodge between the Town of West Yellowstone and the Yellowstone Historic Center, dated February 3, 2014, is effective as of today, February 12, 2014. It is attached to and made a part of the YHC Dining Lodge Management Proposal.

During the Yellowstone Historic Center's Board of Directors meeting that was held on February 11, 2014 the Board gave approval to the staff to move forward with the Town in developing the Dining Lodge Management Proposal with additional points of clarification.

1. In the first two pages of the proposal, the YHC expresses our intention to repurpose office spaces and renovate existing facilities such as restrooms. The YHC Board of Directors and staff wish to emphasize the importance of these renovations and upgrades in the near term to make the Dining Lodge more attractive to event hosts and competitive with higher end venues in the general area. This will directly affect our ability to raise rental revenues over the coming five years, especially for non-resident, commercial events. Without such upgrades, we do not believe that the budget projections in the current management proposal can be realized, and the resulting deficits would threaten the viability of the YHC.
2. The YHC intends to seek, through grant applications and fundraising, the monies necessary to accomplish these renovations and upgrades. Given their scope, and the value they would add to the Dining Lodge, which remains under Town ownership, the YHC will seek to some funding help from the Town for them.
3. If the Town and YHC come to an agreement regarding this proposal to manage the Dining Lodge, the YHC, wishes to include this key understanding in any more formal agreements that may be executed in future.
4. The YHC also wants to make sure that responsibilities for repair and maintenance associated with the operation of the Dining Lodge as an event and conference center, as well as -repair and maintenance of the structure, are resolved in any formal agreements.

While these items were addressed briefly in the management proposal, the YHC's intent here is to clarify our position in regard to these important elements.

Ed Geiger, Manager  
Yellowstone Historic Center  
P.O. Box 1299  
West Yellowstone, MT 59758

## Assumptions of the Town

The town is not running the administration of the Dining Lodge as a business and YHC is.

Recent history of the dining lodge rental does not reflect full capacity because of limitation put on renting the facility by the window restoration project and the roof project.

“days” of rental reflect a singular 24-hour period ie. Part of a Friday and Part of a Saturday which is two days of a calendar year and only one day of rental

Professional Cleaning services employed have currently been paid for by the renter out of their deposit funds or directly to the professional doing the cleaning. We see this as and “in and out”

Administrative expenses are currently covered by the department out of which the employee administering the dining lodge rental works. Ie. Office supplies, postage, phone, internet, liability insurance, computers etc. The combination of these expenses with a department creates an “economy of scale” that we would expect to be achieved by the YHC as they have office space, equipment and services that are currently already set up at the building for comparison purposes. Proposed administration charges for phone/internet and computers have been included because we currently don’t have an office in the building but expect that the new seasonal employee will need such a space and equipment to perform their duties to administer the building effectively.

We have projected cost increases of 3% rather than the 10% that YHC has employed.

	YHC all year	projected YHC-seasonal*	projected YHC all year**	projected YHC-seasonal	projected YHC all year	projected YHC-seasonal	projected YHC all year	projected YHC-seasonal	projected YHC all year
	FY 13	FY14	FY14	FY15	FY15	FY16	FY16		
<b>Income</b> (planned for flat revenue)									
Tier 1 (commercial) events - all	750	750	750	750	750	750	750	750	750
Tier 1 (commercial) events - Firehole only	0								
Tier 2 (community) events - all	14950	15000	15000	15000	15000	15000	15000	15000	15000
Tier 2(communit)yevents - Firehole only	0								
Profess. Clean. Charges/Other Income	75	500	500	500	500	500	500	500	500
YHC Rent			6000		6000		6000		6000
<b>Total Revenue</b>	15775	16250	22250	16250	22250	16250	22250	16250	22250
<b>Administrative expenses</b> (planned for 3% increase)									
Cell phone/internet	1600	1600	1600	\$ 1,648	\$ 1,648	\$ 1,697	\$ 1,697	\$ 1,748	\$ 1,748
Liability Insurance	included	included	included	included	included	included	included	included	included
Payroll - Facilities Tech .5FTE	n/a	22090	22090	\$ 22,753	\$ 22,753	\$ 23,435	\$ 23,435	\$ 24,138	\$ 24,138
Computers/printer	included	1000	1000						
						\$ -	\$ -	\$ -	\$ -
<b>Operational Expenses</b> Planned for 3% increase)									
Gas Water and Sewer	2650	2700	2700	\$ 2,781	\$ 2,781	\$ 2,864	\$ 2,864	\$ 2,950	\$ 2,950
Electric	10575	6500	11000	\$ 6,695	\$ 11,330	\$ 6,896	\$ 11,670	\$ 7,103	\$ 12,020
Waste Disposal	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Building Supplies	975	3175	2200	\$ 2,266	\$ 2,266	\$ 2,334	\$ 2,334	\$ 2,404	\$ 2,404
Dish replacement/sm. Equip	800			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cleaning supplies, toilet paper(est)	1400			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Professional Services	1975	2000	2000	\$ 2,060	\$ 2,060	\$ 2,122	\$ 2,122	\$ 2,185	\$ 2,185
building and grounds maintenance	8950	4500	4500	\$ 4,635	\$ 4,635	\$ 4,774	\$ 4,774	\$ 4,917	\$ 4,917
<b>Professional Cleaning Services</b>	75	500	500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
2 hours per event (28) x 75.00/hr									
<b>Total Expenses</b>	29000	43090	47590	\$ 43,338	\$ 47,973	\$ 44,623	\$ 49,397	\$ 45,947	\$ 50,864
Net Revenue (Expenses)	\$ (13,225)	\$ (26,840)	\$ (25,340)	\$ (27,088)	\$ (25,723)	\$ (28,373)	\$ (27,147)	\$ (29,697)	\$ (28,614)

\* Seasonal = YHC only in the building seasonally

\*\* All Year = YHC residing in the building all year long