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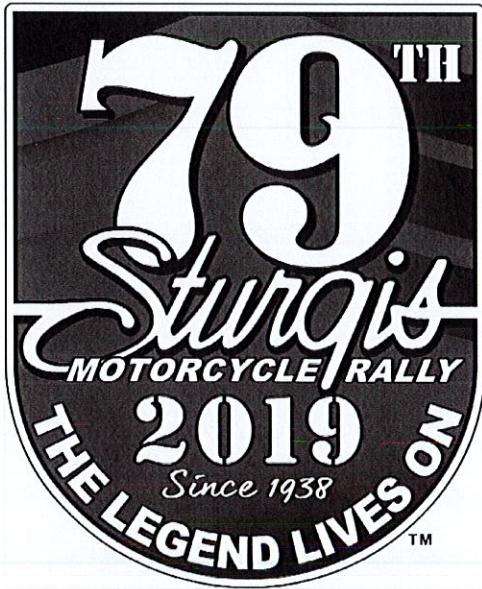
Sturgis



2019 Sturgis® Motorcycle Rally™

Financial Report

October 7, 2019



Concepts for Key Districts

Sturgis

Central Sturgis Financing Programs

The ambitious private and public development program for Central Sturgis will pay major dividends to the community and the people who live in and visit it. However, incentives and funding sources will be necessary to provide the necessary front-end momentum. These sources fall within two basic categories:

- **FINANCING AND REGULATORY INCENTIVES** to encourage investment, upper level reuse, and extended occupancy.
- **AN INCREASED RALLY REVENUE STREAM** for reinvestment in Main Street enhancement and product improvement.

In addition, design guidelines should be applied to projects that benefit from funding assistance or infrastructure investments. These guidelines would be enforced through specific development agreements for projects receiving funding assistance through tax increment financing (TIF) or enterprise funds.

Financing and Regulatory Incentives

Because Rally economics tend to reward property owners and business operators for taking the low-risk route of maintaining a very short season, financing incentives and removal of obstacles may be necessary to encourage desirable investment in buildings and businesses. Such a program should be coordinated with the business recruitment efforts described above, and include the following approaches:

- *Using tax increment financing (TIF) to assist targeted development projects.* Uses of funds should include acquisition and redevelopment of vacant sites and rehabilitation and adaptive reuse of existing buildings. TIF uses the added value created by a redevelopment project to finance project costs. Especially appropriate uses include adaptive reuse of upper levels of buildings for residential or office uses; façade rehabilitation; and new development unless a new project causes demolition of a National Register-listed or eligible property.
- *Developing a targeted business enterprise fund.* While enterprise funds, which typically provide initial capitalization assistance to new businesses, can entail significant risk, such a program could complement business recruitment efforts. Capitalization of a fund could be derived from permit fees or business assessments on vacant lands or buildings occupied only during the Rally. This fund would provide short-term capitalization during the first years of operation, and would require repayment with interest or revenue participation to replenish capital.
- *Creating a downtown development authority (DDA) with the ability to acquire and reuse properties.* Such a corporation could

buy properties on a voluntary basis, redevelop them for subsequent use, or convey them for private redevelopment. A DDA could continue to own and/or operate certain kinds of projects, such as a multi-tenant retail incubator or art exhibition/sales space.

• *Recalibrating property tax assessment policies.* Assessment policies based on land and improvement value rather than revenues further discourages owners from improving their properties for year-round operation.

• *Reviewing existing city ordinances for obstacles to desirable development.* City statutes should not unnecessarily obstruct desirable change or development. Yet, laws from another era can discourage such desirable outcomes as upper level building reuse and outdoor dining. Sturgis should complete an audit of existing legislation, and remove legislative obstacles to desirable Main Street development without compromising public health or safety.

Increased Rally Revenue Stream

The Sturgis Rally generates incredible economic activity in the city. While Sturgis realizes revenues from sales taxes and permit fees, most proceeds are used for the costs of the event itself – security, visitor accommodations, utilities, print material, and organization. The city's net revenue appears to be very small, estimated in the range of \$300,000. This leaves little funding for either enhancing the product that Sturgis offers Rally visitors, or for the annual impacts on the city such as vacant property, or excess infrastructure capacity.

In order to fund community enhancements that specifically benefit Rally participants and other visitors, Sturgis should establish a time-limited funding source, possibly based on vendor permit fees, a sales tax surcharge, or property assessment policy to generate at least \$1 million annually to devote to central district improvements, including the capital projects and enterprise funds identified by this plan. These additional costs would be relatively inconsequential to Rally businesses and visitors, but would produce highly visible benefits to both that would further increase the popularity of this great event and improve the ability of Sturgis to attract other programs.

Design Guidelines

Specific design guidelines should be created to guide development assisted by public infrastructure or project financing. These guidelines should address such issues as:

- *Main Street building setbacks.* Generally, guidelines in Main Street districts include mandatory build-to lines, requiring new structures to be built to the street right-of-way line. However,

Rally Related Income

	2013	2014	2015	2016	2017	2018	2019
Vendor Fees, Tattoo License	\$ 318,600	\$ 410,279	\$ 536,005	\$ 389,206	\$ 381,039	\$ 339,111	\$ 361,869
Vendor Fines, Insp. Fees / Reloc:	\$ 4,228	\$ 13,331	\$ 15,275	\$ 18,814	\$ 250	\$ 1,035	\$ -
Property Rentals	\$ 316,616	\$ 284,936	\$ 582,909	\$ 761,806	\$ 554,620	\$ 759,953	\$ 559,095
Sponsorship Program	\$ 243,653	\$ 299,656	\$ 481,433	\$ 356,533	\$ 373,786	\$ 429,036	\$ 531,859
Advertising Revenue	\$ 171,120	\$ 248,590	\$ 270,939	\$ 192,873	\$ 190,458	\$ 221,473	\$ 232,765
Photo Towers	\$ 16,800	\$ 10,895	\$ 34,727	\$ 15,225	\$ 21,890	\$ 18,302	\$ 14,221
Website Ad Sales	\$ 3,155	\$ 12,385	\$ 44,833	\$ -	\$ 20,305	\$ 13,000	\$ 1,880
Goods sold at Information Booth	\$ 7,708	\$ 5,977	\$ 8,130	\$ 4,525	\$ 5,885	\$ -	\$ -
Parking	\$ 5,456	\$ 6,749	\$ 1,116	\$ 450	\$ 410	\$ 277	\$ 821
Comm Center & Misc. Revenues	\$ 24,909	\$ 30,257	\$ 15,350	\$ 16,353	\$ 9,298	\$ 6,762	\$ 5,202
Mayor's Ride	\$ 68,293	\$ 56,216	\$ 74,070	\$ 76,025	\$ 70,020	\$ 88,627	\$ 79,933
Brick Project	\$ 53,257	\$ 40,312	\$ -	\$ -	\$ 10,976	\$ 8,688	\$ 12,188
Rally - other	\$ 11,009	\$ 8,785	\$ 314	\$ 6,407	\$ 81	\$ 3,558	\$ 9,728
ATM Machine Revenues	\$ 2,340	\$ 2,282	\$ 3,970	\$ 2,060	\$ 2,310	\$ 2,919	\$ 2,236
Special Sanitation Fees	\$ 178,722	\$ 143,080	\$ 223,744	\$ 164,239	\$ 190,439	\$ 201,488	\$ 162,164
VIP Hospitality	\$ 26,031	\$ 23,063	\$ 32,438	\$ 23,669	\$ 33,383	\$ 58,154	\$ 48,973
Total Income	\$ 1,451,898	\$ 1,596,794	\$ 2,325,253	\$ 2,028,184	\$ 1,865,150	\$ 2,152,383	\$ 2,022,931

*2019 is preliminary as of Oct. 7, 2019

Sales Tax Generated from Sturgis® Motorcycle Rally™

GENERAL	2018	2019
May	\$ 130,243.16	\$ 134,591.02
June	\$ 143,272.90	\$ 159,454.07
July & Aug Temp Vendors	\$ 267,584.95	\$ 267,943.42
August	\$ 277,751.21	\$ 286,986.24
Non-Rally Summer Monthly		
Average	\$ 136,758.03	\$ 147,022.55
Rally Differential	\$ 271,820.10	\$ 260,884.57
Rally Net	\$ 543,640.20	\$ 521,769.14

SPECIAL SALES TAX	2018	2019
May	\$ 23,926.10	\$ 23,618.88
June	\$ 30,631.77	\$ 30,943.22
July & Aug Temp Vendors	\$ 49,543.89	\$ 47,762.83
August	\$ 90,212.33	\$ 91,736.14
Non-Rally Summer Monthly		
Average	\$ 27,278.94	\$ 27,281.05
Rally Net	\$ 85,198.35	\$ 84,936.87

Total Additional Rally Sales Tax	\$ 628,838.55	\$ 606,706.01
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Rally Expenses	2013	2014	2015	2016	2017	2018	2019
Supplies, Materials & Food (all dept)	\$ (110,318)	\$ (137,680)	\$ (143,938)	\$ (128,761)	\$ (56,184)	\$ (154,690)	\$ (363,543)
Insurance	\$ (4,679)	\$ (5,146)	\$ (7,000)	\$ (7,096)	\$ (5,747)	\$ (6,192)	\$ (10,049)
Unemployment & Work Comp	\$ (7,366)	\$ (8,571)	\$ (8,822)	\$ (9,070)	\$ (8,280)	\$ (7,553)	\$ (8,220)
Professional Fees (Motoring USA)	\$ (70,225)	\$ (22,344)	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Fees (Legends)	\$ (115,968)	\$ (133,889)	\$ (187,772)	\$ (182,273)	\$ (33,474)	\$ (27,268)	\$ (27,989)
Professional Fees (Events)	\$ (33,700)	\$ (33,000)	\$ (36,694)	\$ (38,803)	\$ (33,621)	\$ (63,433)	\$ (62,350)
Publishing - Rally	\$ (40,006)	\$ (77,221)	\$ (137,405)	\$ (122,883)	\$ (147,335)	\$ (4,647)	\$ (16,105)
Rental & Lease Expenses	\$ (24,813)	\$ (30,217)	\$ (178,289)	\$ (385,912)	\$ (301,720)	\$ (340,526)	\$ (309,455)
Repairs & Maintenance--Rally Related	\$ (6,432)	\$ (3,066)	\$ (1,881)	\$ (3,995)	\$ (930)	\$ (3,330)	\$ (2,906)
Travel--Rally	\$ (15,618)	\$ (5,358)	\$ (7,935)	\$ (9,405)	\$ (8,617)	\$ (12,482)	\$ (8,680)
Utilities--Rally	\$ (5,507)	\$ (4,168)	\$ (3,033)	\$ (2,188)	\$ (3,531)	\$ (3,588)	\$ (9,174)
Housing & Other - (all departments)	\$ (31,366)	\$ (29,011)	\$ (31,382)	\$ (4,677)	\$ (9,364)	\$ (27,087)	\$ (13,598)
Rally Pay Pal/Credit Card Fees	\$ (3,172)	\$ (2,257)	\$ (1,797)	\$ (1,257)	\$ (4,054)	\$ (6,501)	\$ (6,481)
Merchandise for Resale	\$ (16,844)	\$ (22,621)	\$ (23,470)	\$ (9,726)	\$ (7,180)	\$ (7,463)	\$ (10,480)
City Promotion, & Receptions	\$ (9,685)	\$ (8,287)	\$ (31,790)	\$ (9,790)	\$ (56,184)	\$ (39,115)	\$ (26,001)
Portapots & Tipping Fees	\$ (73,772)	\$ (73,426)	\$ (114,569)	\$ (69,561)	\$ (77,639)	\$ (74,618)	\$ (82,599)
**Wages & Benefits	\$ (311,005)	\$ (339,129)	\$ (553,425)	\$ (490,042)	\$ (468,481)	\$ (462,983)	\$ (505,513)
State Inspection Fees	\$ (2,290)	\$ (1,985)	\$ -	\$ -	\$ -	\$ -	\$ -
SMRI Royalty Payment for use of marks	\$ (24,147)	\$ (23,991)	\$ (50,280)	\$ (24,790)	\$ (50,000)	\$ (83,375)	\$ (70,138)
Total Expenses	\$ (906,910)	\$ (961,364)	\$ (1,519,484)	\$ (1,500,228)	\$ (1,272,339)	\$ (1,324,851)	\$ (1,533,281)

Donations to Charities	2013	2014	2015	2016	2017	2018	2019
SMRi - Donation to Sturgis Rally Charities	\$ 50,000	\$ 55,000	\$ 50,000	\$ 51,000	\$ 50,000	\$ 50,000	N/A
City of Sturgis Donation to Sturgis Rally Char	\$ 12,074	\$ 15,536	\$ 24,072	\$ 17,827	\$ 18,287	\$ 19,575	\$ 26,593
Jack Daniel's Experience Tasting - Sturgis Rai	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 10,000
Brown-Forman Sturgis Scholarship Fund							\$ 10,000
Brown-Forman Operation Ride Home							\$ 15,000
Bike Raffle - Sturgis Police Athletic League							\$ 3,500
Legendary 5K - Sturgis Recreation							\$ 1,519
Mayor's Poker Tournament - Sturgis Rally Charities							
Mayor's Ride-Fire Dept	\$ 10,000	\$ 10,500	\$ 20,500	\$ 13,000	\$ 7,500	\$ 7,500	\$ 2,220
Mayor's Ride Fire Station Lot	\$ -	\$ -	\$ -	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Mayor's Ride-Police Reserves	\$ 10,000	\$ 10,500	\$ 4,500	\$ 4,500	\$ 5,000	\$ 5,000	\$ 5,000
Mayor's Ride-Sturgis Ambulance	\$ -	\$ 4,500	\$ 4,500	\$ 4,500	\$ 7,500	\$ 7,500	\$ 7,500
Mayor's Ride - Love INC. Sturgis							\$ 1,500
Mayor's Ride - Animal Shelter							\$ 2,500
Mayor's Ride - Deadwood VFW	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Mayor's Ride - United Way Employee Match	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ 2,000	\$ 2,000
Church Activities - 1st Pres, Grace Lutheran, Blessed Emmanuel, St. Francis							\$ 49,330
Sturgis Brown High School - Showers and Breakfast							\$ 8,042
1st Interstate Bank - Local Charities from Parking lot rental							\$ 10,778
Cary Hart Good Ride							\$ 13,000
Hamsters - Lifescape Children's Care Hospital, Rapid City							\$ 283,941
Buffalo Chip - Legends Ride, Legends Lunch, Biker Belles, Freedom Celebration							\$ 318,344
Total Charitable Donations	\$ 89,074	\$ 103,036	\$ 110,572	\$ 105,327	\$ 104,787	\$ 596,273	\$ 635,902

*2019 is preliminary as of Oct 4, 2019, there were other charitable activities that occurred that are not included in this spreadsheet

Net Profit of Sturgis® Motorcycle Rally™ to the City of Sturgis

	2013	2014	2015	2016	2017	2018	2019
Total Income	\$ 1,451,898	\$ 1,596,794	\$ 2,325,253	\$ 2,028,184	\$ 1,865,150	\$ 2,152,383	\$ 2,022,931.12
Sales Tax Generated	\$ 569,116	\$ 541,591	\$ 891,283	\$ 442,247	\$ 590,408	\$ 628,839	\$ 606,706.01
Less City Donations to Charity	\$ (39,074)	\$ (48,036)	\$ (60,572)	\$ (54,327)	\$ (54,787)	\$ (53,948)	\$ 69,331.93
Less Expenses	\$ (906,910)	\$ (961,364)	\$ (1,519,484)	\$ (1,500,228)	\$ (1,272,339)	\$ (1,324,851)	\$ (1,533,281.33)
Net Profit	\$ 1,075,030	\$ 1,128,985	\$ 1,636,480	\$ 915,877	\$ 1,128,433	\$ 1,402,423	\$ 1,165,687.73

Net Profit of Sturgis® Motorcycle Rally™ to the City of Sturgis

