

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Iowa State Center Annual Report
Date: December 1, 2004

Recommendation:

Receive the annual report on the Iowa State Center for the year ended June 30, 2004.

Executive Summary:

The Iowa State Center includes the operations of Hilton Coliseum, Stephens Auditorium, Fisher Theater, and the Scheman Building, as well as various outdoor activities such as stadium concerts, barbecues, and dances.

FY 2004 was the 16th full year of private management for the Iowa State Center. The management agreement continues to be based upon the concept that the private management company will increase programming and revenues that generate additional income, which more than compensates for the management fees.

In June 2001, the Board approved a new comprehensive management agreement with Spectator Management Group (SMG) for an initial term of five years with an option for a second five-year term. FY 2004 was the third year of management under the new agreement. SMG is responsible for the comprehensive management of the Iowa State Center, including but not limited to financial, human resource, operating, marketing, and programming.

The mission of the Center, its booking priorities and operating policies continue to be controlled by ISU.

Annual
Report

This report contains financial information, activities, and attendance statistics of the Iowa State Center. Iowa State Center is not a self-supporting unit of the University. During the University's annual budget process, it allocates funds to the Center in the form of a general operating subsidy and a utilities subsidy.

The Iowa State Center FY 2004 revenues were \$7.5 million and expenses were \$8.5 million. The University provided an operating subsidy of \$0.9 million which was \$0.2 million less than FY 2003.

Operating revenues of the Iowa State Center come from several sources. Concessions, catering and novelty receipts are the largest source making up 40.5% of total operating revenues. Other revenue sources include building and equipment rent, reimbursed costs, C.Y. Stephens Series, advertising, public facility maintenance surcharge, ticket handling, and promotions.

The University began assessing departments a 2% administrative fee in FY 2004. Due to existing agreements and contracts with facility lessees, the Center had to absorb the fee which totaled \$75,868.

Net concession revenues decreased by \$32,666 (-5.7%) from FY 2003 due to a decrease in contemporary event ancillary revenues.

The Center hosted 22 concerts and special events with combined total ticket sales over \$3.9 million. Hilton Coliseum was also the site for a number of post-season basketball games.

This report includes at least five years of historical data in a variety of categories. Some pertinent information is provided since the inception of the contract.

Annual Audit The Iowa Auditor of State conducted an audit on the Iowa State Center for the fiscal year ended June 30, 2004. The audit report indicated that the financial statements were presented fairly in all material respects.

Background:

Iowa State Center Management The Iowa State Center includes the Hilton Coliseum, Stephens Auditorium, Fisher Theater, Scheman Building, and the Farmhouse Museum. The management firm is not responsible for Brunner Gallery, which is in the Scheman Building and Farmhouse Museum.

The management agreement continues to be based upon the concept that the private management company will increase programming and revenues that generate additional income, which more than compensates for the increased costs of management fees. The management responsibilities include financial, human resources, operating, and programming including responsibility for concession stands, beverage sales, and novelty sales at the Center.

Following a Request for Proposal (RFP) process, the Board approved a management contract with Spectator Management Group (SMG) in June 2001. SMG assumed management responsibilities in August 2001.

SMG is a closely held joint venture company with two equal principals: the Hyatt Hotel Chain and ARAMARK Corporation. Currently, SMG manages 70 arenas, 7 stadiums, 34 performing arts centers, 50 convention centers, and 10 other recreational facilities.

Analysis:

FY 2004
Highlights

Conference Services

The Conference Services Division held several events as a result of partnership efforts between the Center, University Conference Services, and the Ames Convention and Visitors Bureau. These included Iowa United Methodist Church, Winter and Summer Fire Service Institute Fire School, Midwest Energy Association, Future Farmers of America, All-State High School Music Festival, and the All-State High School Speech contest. These events utilize multiple facility space at the Center, the ISU residence halls and local hotels.

Programming

- The Center hosted 22 concerts and special events with combined total ticket sales over \$3.9 million.
- Hilton Coliseum was the site for the 1st and 2nd rounds of the Men's NIT basketball tournament; the 1st, 2nd, and semi-final rounds of the Women's NIT basketball tournament; and the 1st and 2nd rounds of the Women's NCAA basketball tournament.
- The Season at Stephens consisted of 17 attractions and 20 performances. The University states that final ticket sales revenue fell short of budget due to the downturn in the Iowa economy, winter weather, and general tension with the world situation.
- The Martha-Ellen Tye Performing Arts Institute Creative Connection series, which consisted of 10 shows and 18 performances surpassed FY 2003 attendance figures by 65%. Students from 33 of Iowa's 99 counties took advantage of this program.

Annual Report

The audited financial statements show FY 2004 operating revenues of \$7.5 million, a 3.7% increase over FY 2003. The transfer from the general fund is less than the amount in FY 2000 and has decreased by \$194,759 (17.6%) since FY 2003.

Operating expenses of \$8.5 million represent a slight increase of 0.3% over FY 2003.

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operating Revenues	\$8,980,515	\$6,817,403	\$7,125,806	\$7,273,284	\$7,543,243
Non-operating Revenues	65,702	181,776	135,653	115,227	69,682
Operating Transfers	<u>948,054</u>	<u>1,227,447</u>	<u>1,332,719</u>	<u>1,105,640</u>	<u>910,881</u>
Total	\$9,994,271	\$8,226,626	\$8,594,178	\$8,494,151	\$8,523,806
Operating Expenses	\$9,994,271	\$8,226,626	\$8,594,178	\$8,494,151	\$8,523,806

Management Fees

The management agreement with SMG was effective August 1, 2001. This agreement established an annual fee of \$120,000 subject to annual adjustments and a 10% commission on net concessions and merchandise sales, limited to the amount of the management fee for that year. The following table shows fees for the past ten years.

<u>Fiscal Year</u>	<u>Management Fee (net)</u>	<u>Commission Fee</u>	<u>Total Fees</u>
1995	120,000	123,197	243,197
1996	135,000	109,185	244,185
1997	134,000	120,737	254,737
1998	134,000	95,289	229,289
1999	134,000	128,868	262,868
2000	134,000	120,828	254,828
2001	150,000	117,470	267,470
2002	122,500	111,560	234,060
2003	120,840	120,840	241,680
2004	123,281	123,281	246,562

Concession Sales

The net return for concession sales, after the concessions commission payment, has fluctuated over the years from 27.0% in FY 1987 (the benchmark year), to a high of 52.4% in FY 1995, to 38.2% in FY 2004. The University reports this fluctuation is a result of a variance in attendance.

The net concessions sales decreased by \$32,666 (-5.7%) from FY 2003. The lower net return, when compared to the previous year, was due to a decrease in contemporary event ancillary revenues.

<u>FY</u>	<u>Gross Sales</u>	<u>Net Concessions</u>	<u>Net Return</u>
1987*	\$ 440,359	\$ 118,897	27.0%
1988**	762,734	221,193	29.0%
1989	616,050	234,099	38.0%
1990	746,020	331,233	44.4%
1991	923,272	433,938	47.0%
1992	850,686	401,524	47.2%
1993	985,931	430,852	43.7%
1994	889,511	426,076	47.9%
1995	1,233,487	646,347	52.4%
1996	1,092,144	560,270	51.3%
1997	1,207,370	650,042	50.1%
1998	952,891	388,213	40.7%
1999	1,288,683	597,699	46.4%
2000	1,209,319	479,160	39.6%
2001	1,175,903	459,125	39.0%
2002***	1,179,981	416,743	35.3%
2003	1,424,136	570,747	40.1%
2004	1,408,117	538,081	38.2%

* Benchmark year.

** Ogden contract effective February 1988.

*** SMG contract effective June 2001.

Conference Services

The following table compares the budget to actual for conference services at Scheman for FY 2004.

	<u>Budget/Goals</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>
Rooms Sold	4,177	3,947	(230)	(5.5)%
Revenue/Room Sold	\$211.43	\$209.56	\$(1.87)	(0.9)%
Room Revenue	\$883,143	\$827,149	\$(55,994)	(6.3)%
Scheman Revenue	\$1,131,976	\$1,049,129	\$(82,847)	(7.3)%
Scheman Net (Loss)	(\$397,685)	(\$379,817)	\$17,868	4.5 %

The number of rooms sold for the year fell short of the budget by 230 rooms. The revenue generated on a per room sold basis decreased by \$1.87 per room from budget. The decrease in the number of rooms sold coupled with the decrease in revenue generated on a per rooms sold basis resulted in the meeting room revenue falling short of the budgeted goal by \$55,994.

Programming All public ticketed events, which include Contemporary Programming, Performing Arts Programming and the Martha-Ellen Tye Performing Arts Institute, are included in Programming.

Contemporary Programming

The Center hosted 22 concerts and special events with combined total ticket sales over \$3.9 million. The George Strait concert had the highest gross sales of \$677,596. Hilton Coliseum was also the site for a number of post-season basketball games. FY 2004 total event days were higher than expected by 26 days (12.3%).

	Event Days		
	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>
ISU Athletic Events	59	69	10
Conference/Trade/Flat Shows	44	46	2
University Events	48	50	2
Concerts/Special Events	19	22	3
Fisher Theater	41	50	9

Performing Arts Programming

The Season at Stephens consisted of 17 attractions and 20 performances with ticket sales revenue greater than \$500,000.

Martha-Ellen Tye Performing Arts Institute

The Creative Connection series consisted of 10 shows and 18 performances. Over 16,500 students from 33 of Iowa's 99 counties took advantage of this program. Scholarships, that help guarantee access to the arts for all students, were awarded to 4,059 students.

Attendance FY 2004 attendance at the Iowa State Center (including Brunner Gallery and Farmhouse Museum for which SMG is not responsible) was 792,774.

<u>Fiscal Year</u>	<u>Total Attendance</u>
1987*	859,771
1988**	944,793
1989	894,063
1990	918,491
1991	806,184
1992	835,207
1993	972,858
1994	808,943
1995	1,005,181
1996	905,408
1997	895,523
1998	861,766
1999	1,052,777
2000	1,101,452
2001	873,738
2002***	919,368
2003	853,779
2004	792,774

* Benchmark year.

** Ogden contract effective February 1988.

*** SMG contract effective June 2001.

Employment
Opportunities

During FY 2004, the Iowa State Center continued to provide employment opportunities for an average of 331 part-time employees per pay period with an aggregate part-time payroll of \$1,160,759. Approximately 60% of these employees were ISU students working in a variety of jobs such as technical production, front-of-house positions, including ushers and peer security, traffic control, environmental services, concessions, ticket office, and conference services.

Initiatives

Support to Iowa State Center was reduced as a result of the mid-year across-the-board cut announced by the Governor in October. Initiatives during the year were curtailed in response to this mid-year reduction. Initiatives that did occur were directed towards Center infrastructure needs including:

- Painting and signing fire lanes
- Replacing the public drinking fountains in Hilton Coliseum
- Completing capital projects including:
 - Replacing the Scheman Building kitchen overhead door
 - Updating the Scheman Kitchen fire suppression


Deb A. Hendrickson

Approved: 
Gregory S. Nichols

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