

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Iowa State Center Annual Report  
**Date:** December 4, 2000

**Recommendation:**

Receive the report on the Iowa State Center at Iowa State University for the year ended June 30, 2000.

**Executive Summary:**

Annually, the Board is presented with a report on the Iowa State Center in support of the strategic planning goal to provide effective stewardship of institutional resources (Key Result Area 4.0). 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.

Iowa State University has contracted with Ogden Entertainment, Inc. for the management of the Center for over ten years. Ogden Entertainment, Inc. is paid a monthly management fee and commission on food and beverage concessions. The mission of the Center, its booking priorities, and operating policies continue to be controlled by the University.

The Iowa State Center FY 2000 operating revenues were \$9.05 million and the university operating subsidy was \$0.95 million. Total Center expenses were \$10.0 million. Gross and net concession revenues decreased by \$79,364 (-6.2%) and \$118,539 (-19.8%) respectively. These revenues were less than the prior year primarily due to 1) no major stadium concerts and 2) increases in costs of concession goods and part-time labor. Center concession operations posted the highest net sales figure for any comparable fiscal year that did not include a major stadium concert. From FY 1987, the benchmark year, to FY 2000, net concession dollars have increased 303.0% and attendance at Center events has increased 28.1%.

The Iowa Auditor of State conducted an audit on the Iowa State Center for the fiscal year ended June 30, 2000. The audit report indicated that the financial statements were presented fairly in all material respects. No findings were reported.

As reported last December, Ogden Entertainment, Inc. is a wholly owned subsidiary of Ogden Services Corporation. On September 17, 1999, Ogden Services Corporation announced its intent to sell the Entertainment and Aviation divisions of its business to concentrate on its energy business. Ogden Services Corporation announced on March 30, 2000, that it had signed a definitive agreement with ARAMARK, a leading provider of managed services, to sell its entertainment division. The sale, and assumption of the existing management contract by ARAMARK, became effective on June 2, 2000.

ISU has had a contract with Ogden Corporation since 1988. In October 2000, the University issued a Request for Proposal (RFP) for operation and management services of the Iowa State Center.

**Background:**

Iowa State University contracted with Ogden Entertainment, Inc. in February of 1988 to manage the Iowa State Center for a five-year period, with the provision for two contract extensions of three years each. ISU pursued this arrangement after experiencing difficulty attracting high quality entertainment. Iowa is a secondary market.

The following table identifies a timeline and associated activities that have occurred with Ogden and subsequently ARAMARK, in managing the Iowa State Center.

|               |  |
|---------------|--|
| February 1988 | Initial 5 Year Contract with Ogden Entertainment, Inc. (through June 30, 1993) |
| January 1993  | 3 Year Extension (through June 30, 1996)                                       |
| June 1996     | 3 Year Extension (through June 30, 1999)                                       |
| February 1999 | 2 Year Extension (through June 30, 2001)                                       |
| June 2000     | Ogden sells Entertainment Division to ARAMARK                                  |
| October 2000  | ISU issues an RFP for the Iowa State Center Operations and Management Services |

The primary objectives of the contract are for Ogden/ARAMARK to improve financial operations of the Center and increase the number, profitability, and diversity of programs at the Center. Ogden/ARAMARK's management responsibilities include financial, human resources, operating, and programming including responsibility for concession stands, beverage sales, and novelty sales at the 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. These allocations are included in the Board approved budgets.

**Analysis:**

The audited financial statements show FY 2000 Center operating revenues of \$9.05 million and expenses of \$9.99 million. The difference of \$948,054 represents the operating subsidy for FY 2000 provided by Iowa State University. The University's planned operating subsidy of the Center was \$1.2 million. The \$676,204 represents an allocation surplus which is being utilized for a number of capital improvements for the Center.

|                     | 1998             | 1999           | 2000           |
|---------------------|------------------|----------------|----------------|
| Operating Revenues  | \$5,714,863      | \$7,066,577    | \$9,046,217    |
| Operating Transfers | <u>1,452,243</u> | <u>820,963</u> | <u>948,054</u> |
| Total               | \$7,167,106      | \$7,887,540    | \$9,994,271    |
| Expenses            | \$7,167,106      | \$7,887,540    | \$9,994,271    |

The net return for concession sales has increased from 27.0% in FY 1987, the benchmark year, to 39.6% in FY 2000 while the net concession dollars have increased 303.0%. The gross concession sales for FY 2000 decreased \$79,364 (-6.2%) over FY 1999 while net concessions decreased \$118,539 (-19.8%). The larger net concession decrease was due to increases in the costs of concession goods and part-time labor.

**Concession Sales**

| <b><u>Fiscal Year</u></b> | <b><u>Gross Sales</u></b> | <b><u>Net Concessions</u></b> | <b><u>Net Return</u></b> |
|---------------------------|---------------------------|-------------------------------|--------------------------|
| 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%                    |

\* Benchmark year.

\*\* Ogden contract effective February 1988.

Ogden/ARAMARK is paid a monthly management fee of \$12,500, net of any expenses incurred over and above normal Center operating costs and a 10% commission of concessions and novelties revenues. Total management fees for FY 2000 of \$254,828, were 3.1% less than FY 1999 due to decreased concessions.

### Management Fees

| <u>Fiscal Year</u> | <u>Management Fee (net)</u> | <u>Commission Fee</u> | <u>Total Fees</u> |   |
|--------------------|-----------------------------|-----------------------|-------------------|---|
| 1990               | \$ 120,000                  | \$ 74,600             | \$ 194,600        | * |
| 1991               | 120,000                     | 92,300                | 212,300           | * |
| 1992               | 120,000                     | 85,134                | 205,134           |   |
| 1993               | 143,932                     | 98,524                | 242,456           |   |
| 1994               | 135,000                     | 89,416                | 224,416           |   |
| 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           |   |

\* Calculated

The number of event days and sessions exceeded the budget in each category with an average revenue rate per session that was 15.7% higher than planned and 22.2% higher than the prior year. This increase can primarily be attributed to 1) an increase negotiated in the catering commission the Center receives from the Memorial Union catering department and 2) an increase in the Scheman rental rates.

### Center Activities

|                                    | <u>Budget</u> | <u>Actual</u> |
|------------------------------------|---------------|---------------|
| Athletic Events (days)             | 52            | 59            |
| Conference/Trade/Flat Shows (days) | 41            | 52            |
| University Events (days)           | 40            | 48            |
| Concerts/Special Events (days)     | 13            | 18            |
| Fisher Theater                     | 54            | 64            |
| Sessions                           | 8,800         | 9,208         |
| Revenue/Session                    | \$78.50       | \$90.84       |
| Meeting Revenue                    | \$690,761     | \$839,403     |
| Total Scheman Revenue              | \$814,311     | \$1,000,268   |
| Scheman Net (Loss)                 | (\$370,854)   | (\$166,058)   |
| Bookings/Month                     | 600           | 626           |

Total attendance at the Iowa State Center (including Brunnier Gallery and Farmhouse Museum for which Ogden/ARAMARK is not responsible) in FY 2000 was 1,101,452, a record high attendance. The increase in attendance from FY 1987 to FY 2000 has been 241,681 or 28.1%. The average attendance at Iowa State Center since Ogden/ARAMARK's first full fiscal year of operation, FY 1989, has been 921,488.

**Attendance**

| <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               |

\* Benchmark year

\*\* Ogden contract effective February 1988

During FY 2000, the Iowa State Center continued to provide employment opportunities for over 800 part-time persons with an aggregate part-time payroll of \$979,727. Approximately 50% 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, custodial, concessions, and conference services.

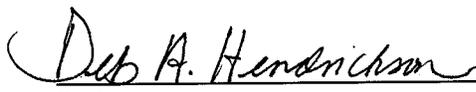
Collaborative efforts between the Center, University Conference Services, and the Ames Convention and Visitors Bureau resulted in the University and community hosting two major events during the year. In May, the Odyssey of the Mind Association hosted the D2K Global Finals, bringing over 15,000 participants, coaches, and chaperones to the Iowa State University campus over four days. In July, the Family Motor Coach Association held their annual rally bringing over 8,000 motor homes in and around Ames. This group utilized a number of community, university, and Center facilities to accommodate seminars, trade shows, and entertainment.

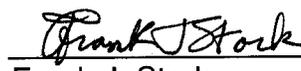
Highlights for FY 2000 include:

- The Conference Services Division had the second highest number of total sessions booked in the Scheman Building exceeding the budgeted number of sessions by 4.6%.
- The Contemporary Programming Division experienced a 38% increase over the budgeted number of concerts/special events with total attendance at these events exceeding 76,500 and gross ticket sales in excess of \$2.2 million.
- The Performing Arts Programming had two sellout performances of STOMP, one sellout performance of the musical Annie and well-attended performances by The Chieftains, The Flying Karamazovs, BeauSoleil, Smokey Joe's Cafe, and Camelot.

Initiatives during the year addressed infrastructure needs and marketing opportunities including:

- Centralization of conference division office space allowing all Conference Services staff to be in close proximity, which centralized the support staff and client information as well as improved communication.
- Purchase and installation of a new building scheduling system allowing easy access to all applications and facilitating electronic communication of event information.
- Capital improvements were made including the remodeling of three major meeting spaces in Scheman, replacing exterior lighting in parking lots, rehabilitating parking lots and replacing the Scheman Building roof.
- Continued joint marketing efforts with Extended and Continuing Education and University Conference Services resulting in a shared sales plan outlining efforts designed to work with the Ames Convention and Visitors Bureau to attract new groups to Ames and Iowa State University.

  
Deb A. Hendrickson

Approved:   
Frank J. Stork