

CUMBERLAND COUNTY FINANCE COMMITTEE
NEW COURTHOUSE, 117 DICK STREET, 5TH FLOOR, ROOM 564
SEPTEMBER 1, 2011 - 9:30AM
MINUTES

MEMBERS PRESENT: Commissioner Marshall Faircloth, Committee Chair
Commissioner Jeannette Council
Commissioner Billy King

OTHER COMMISSIONERS

ATTENDING: Commissioner Jimmy Keefe

OTHERS:

James Martin, County Manager
Amy Cannon, Deputy County Manager
James Lawson, Assistant County Manager
Howard Abner, Assistant Finance Director
Dena Dail, Financial Manager
Sally Shutt, Communications Manager
Karen Long, Crown Coliseum General Manager
Lisa Foster, Crown Coliseum Director of Finance
Civic Center Commission Members
Candice H. White, Clerk to the Board
Press

Commissioner Faircloth called the meeting to order at 9:30 am.

1. APPROVAL OF MINUTES – AUGUST 4, 2011 REGULAR MEETING

MOTION: Commissioner Council moved to approve the minutes.

SECOND: Commissioner King

VOTE: UNANIMOUS (3-0)

2. PRESENTATION OF CROWN COLISEUM BUSINESS PLAN

Commissioner Faircloth called on James Martin, County Manager who asked Crown Coliseum General Manager Karen Long to introduce her staff and the Civic Center Commission members who were present at the meeting.

Ms. Long explained the Crown Coliseum Business Plan was presented to the Civic Center Commission and approved on April 6, 2001 with instructions for staff to develop a strategic plan, which was presented and approved at their June 28, 2011 meeting. Ms. Long further explained the Crown Coliseum Business Plan will be utilized to define the scope of multiple services, as well as a means of continuing evaluation to achieve the Crown Center's mission, goals and objectives.

Ms. Long reported that the arena, ballroom, coliseum, expo, and theatre comprise the various venues under the Crown Center umbrella and the services offered under the umbrella included catering and concession operations, TicketMaster, an in-house production team, equipment, and staffing.

Ms. Long reported marketing used for events, as well as the Crown Center's own branding efforts, include the following services:

- Building Relationships/Guidance
- Branding/Selling/Partnering
- Monitoring Trends

Ms. Long stated these keep clients from having to out-source to secure these services and also provide a revenue stream for the Crown Center.

Ms. Long reported the Crown Center is involved with a variety of local businesses, industries, and related agencies that offer networking and partnership opportunities such as the following:

- Website/Social Media
- Scoreboard/Marquees/Electronic Billboards
- Event Calendars/Posters/Flyers
- Various Print and Radio Media

Ms. Long stated these relationships also provide a market for many of the following:

- Local and Regional Branding
- National Branding
- Conference Representation
- Partnerships

Ms. Long reported bookings for the Crown Center include local, regional and national flat shows, which are made up of trade shows, conventions and meetings. Ms. Long explained that some of the challenges in attracting new clients/shows, as well as entertainment and booking artists, include meeting facilities that need to be larger and offer the convenience of other exhibitions and attractions, the lack of upscale hotels near the complex, the lack of a local television station, and the lack of a major airport.

Ms. Long reported there are challenges associated with booking major ticketed events because A-line artists usually book in major metropolitan areas and their contracts lock them out of performing in the Fayetteville area for several months following that event. Ms. Long further reported the Fayetteville market has shown it will not spend more than \$50 for a ticket and a full house at that price will not raise enough to pay for an act, let alone make a profit. Ms. Long stated promoters also cancel shows because the Crown Center does not sell enough tickets thirty days in advance of an event; many patrons prefer to purchase their tickets on the day of the show. Ms. Long also reported the Crown Center continues to reach out to A-line artists just in case they will perform in Fayetteville and makes every attempt to provide excellent customer service both front-of-the-house and back-of-the-house. Ms. Long stated creative strategies are being used to attract quality shows and revenue sharing is becoming more prevalent.

Ms. Long reported the Crown Center partners with the following industry-related and local groups and has recently added major promoter's Live Nations:

- Venue Coalition
- Anschutz Entertainment Group (AEG)
- Outback Concerts
- National Shows 2 (NS2)
- Starbooker Presents
- Prism Sports & Entertainment
- Community Concerts
- Fort Bragg Morale, Welfare & Recreation (MWR)
- Fayetteville State University (FSU)
- WIDU
- Fayetteville Area Convention & Visitors Bureau (FACVB)
- Fayetteville – Cumberland Chamber of Commerce

Ms. Long presented the following list of challenges faced by the Crown Center:

- Standard industry practices are limited due to government policies and procedures (contracting; approval turn around; inability to engage in trades and bartering; advertising/marketing efforts)
- Military deployments
- Transient community requires continuous education
- Competition from various larger markets (Raleigh, RBC, Greensboro, Winston-Salem, Charlotte, SC markets)
- Lack of upscale hotels near the complex; conventions prefer an adjacent hotel
- No local television station
- Expo Center has minimal breakout space
- Coliseum size occasionally limits more popular artists
- Limitation on ticket prices within local market
- Lack of major airport which limits convention opportunities

Ms. Long reported opportunities to increase revenue include the following:

- Networking within industry for information sharing and trends
- National publications
- Branding (local and national)
- Training (customer service, job proficiency, etc.)
- Sponsorship sales and premium services
-

Ms. Long reported that event revenues are based on the following:

- Building and equipment rentals
- Facility and box office fees
- Recovered expenses
- Ticket rebates
- Concessions

Ms. Long stated marketing revenues are based on suite occupancy and signage leasing.

Ms. Long displayed the following financial/operating figures and stated the Facility Operating Account receives a portion of the Prepared Food and Beverage Tax:

- FY 2011 projected event and marketing revenues - \$2,339,665
- FY 2012 budgeted event and marketing revenues - \$2,437,000
- 2011 general fund transfer - \$683,000
- 2012 general fund transfer - \$0

Ms. Long stated the Crown Center has been able to relinquish its general fund transfer due to a significant reduction in its' debt service and is confident it will be able to maintain a healthy food and beverage fund balance due to the historical data of the monies received.

Ms. Long reviewed the Crown Center's debt service as follows:

- Debt service is funded by the prepared food and beverage tax, which is 1% added to the purchase, and hotel/motel tax, which is one-quarter of 6% tax
- FY 2010 general fund transfer equal to \$1.9 million
- Current FY 2011 and budgeted FY 2012 general fund transfer equal to \$0
- FY 2011 - \$2.6 million appropriated from prepared food and beverage fund balance to pay debt service
- 3-year plan to decrease appropriation from prepared food and beverage fund balance:
 - 2012 - \$783,000
 - 2013 - \$474,120
 - 2014 - \$149,807

Ms. Long concluded her presentation by displaying a graph depicting the positive economic impact for fiscal years 2008 through 2010 for the arena, coliseum, expo and theatre.

Questions followed regarding revenue from the food and beverage and the hotel/motel tax, the debt service, and refinancings. Amy Cannon, Deputy County Manager, confirmed that the Crown Center would require approximately \$3.6 million each year to finance its debt service. Lisa Foster, Crown Coliseum Director of Finance, explained some of the tax revenue goes into an operations account.

Commissioner Keefe stated he hoped the business plan would contain new initiatives or goals that would indicate what the Crown Center hopes to achieve and would also give citizens some indication of what to expect from their tax dollars. Commissioner Keefe further stated the goals should include serious innovative ways to attract venues, rather than a wait and see approach. Discussion followed.

Commissioner Faircloth stated the one component missing from the business plan was a pro forma that would project "what we're going to do" and "how we're going to get there". Discussion followed. Commissioner Faircloth asked that the Civic Center Commission be as proactive as possible and push everyone to get the Crown Center to position financially where tax subsidies will no longer be needed to cover operations and can therefore be used as front money to bring in some of the venues and acts that are currently missing.

Commissioner Faircloth asked that the business plan be revisited in the Spring and contain pro formas for the next three to five years that will indicate what it will take to get the numbers where they should be. Commissioner Faircloth explained the premise was that the Crown Center would become an enterprise fund intended to make a profit. Commissioner Faircloth further explained occupancy and food and beverage tax monies were used to fund debt service and for 2011, the county reduced the transfer for debt service to zero freeing up those funds to be used for the general fund tax money. Commissioner Faircloth stated the next step is to free up as much of the food and beverage tax, and hotel and occupancy tax as possible so the Crown Center can get the quality things that are missing.

James Martin, County Manager, asked Ms. Long to bring the business plan to the Finance Committee in April following her presentation to the Civic Center Commission in March. Commissioner Council asked that the plan be provided twice a year. There was a consensus of the committee.

3. REVIEW OF MONTHLY FINANCIAL REPORT

Howard Abner, Assistant Finance Director, provided highlights of the monthly financial report and explained the 13th month column that had been added to the report. Mr. Abner reported each year with expenditures at 90% or above, there is less money being rolled into the fund balance.

Mr. Abner reviewed revenues and stated 105% of the budgeted amount had been brought in, which is a low percentage for the county and also means less is going into the fund balance. Mr. Martin stated upcoming budgets will be tighter and less able to end up with budgeted revenues exceeding budgeted expenditures. Mr. Martin also stated this ability will be diminished and eroded over time and the county's ability to budget up to 3% of its expenses from fund balance will ultimately go away. Commissioner Faircloth stated the county should continue to look at spending.

Mr. Abner reviewed taxes and stated property and sales taxes are the county's two primary revenue sources that are not restricted.

Mr. Abner stated when looking at operating expenses, the Crown Center had a deficit of over \$3.4 million, and when looking at expenses and revenues, it will continue to have a deficit. Discussion followed regarding whether the Crown Center was ever expected to make money and what would be considered a realistic amount of loss. Commissioner King stated the Crown Center was always viewed as a "quality of life" matter. Discussion continued.

Commissioner King was excused at 11:03 AM.

Mr. Martin stated the Civic Center Commission is comprised of business men/women and suggested that they assist Crown Center staff with the Finance Committee's charge.

4. OTHER MATTERS OF BUSINESS

There were no other matters of business.

There being no further business, the meeting adjourned at 11:15 AM.