

May 15, 2023

MEMO TO: J. Carter Napier, City Manager *301*
FROM: Zulima Lopez, Parks, Recreation, and Public Facilities Director
SUBJECT: Ford Wyoming Center Fund Subsidy

Meeting Type & Date

Work Session
May 24, 2023

Action type

Direction Requested

Recommendation

That Council approves the FY24 budget for the Ford Wyoming Center Fund.

Summary

OVG360, formerly Spectra Venue Management (Spectra), has been under contract for the management of Casper's event center, now known as the Ford Wyoming Center, since October 1, 2016. In the summer of 2022, City Council extended the management contract with OVG360 for an additional 10-year term.

When discussing the operation and subsidy associated with the Ford Wyoming Center, there are two distinct financial features: net operating loss (NOL) and fund subsidy. The NOL is the total deficit that OVG360 experiences in the management of the facility based on the obligations outlined in the management agreement. The net operating loss benchmark is \$994,919, and was established based on the average subsidy in the last three years the event center was managed by the City of Casper (FY14 - FY16). The NOL amount is estimated and budgeted each fiscal year. That amount is divided equally throughout the year, and paid to OVG360 monthly, in order to provide them with the cashflow needed to operate the facility. If, at the end of each fiscal year, the NOL is less than the total amount paid by the City, the City is reimbursed for the overpayment. OVG360 receives incentives for operating below the NOL benchmark of \$994,919. Conversely, they share in the financial burden if they operate above the NOL benchmark, through a refund of the management fee.

The total fund subsidy includes the NOL payments made to OVG360 as well as the expenses that the City of Casper is contractually obligated to carry as part of the management agreement. The primary expense each year is the cost of property insurance to insure the property (building) and all of the City-owned assets contained within.

The performance of the Ford Wyoming Center, from a net operating loss and total fund subsidy standpoint since FY19, as well as the proposed budget for FY24, is charted below:

Fiscal Year	FY19	FY20	FY21*	FY22	FY23 (Estimate)	FY24 (Proposed)
Net Operating Loss (NOL) Budget	\$994,919	\$994,919	\$967,932	\$964,919	\$950,000	\$920,000
NOL Payments	\$977,915	\$970,466	\$797,869	\$915,264	\$950,000	\$920,000
Fund Subsidy	\$921,577	\$1,093,670	\$1,042,713	\$1,187,497	\$976,349	\$1,107,998

* NOL payments were reduced due to COVID-19 closure/event cancellations.

Financial Considerations

The proposed FY24 budget for NOL payments to OVG360 is \$920,000, which is a \$30,000 reduction from FY23. However, the City’s insurance and bonds expense increased by 116% between FY23 and FY24, from \$82,763 to \$178,544. This contributes significantly to the FY24 subsidy budget of \$1,107,998, which is an increase of \$131,649 from the FY23 year-end estimate.

Despite a pandemic and unprecedented inflation in the last two years, the fund subsidy has remained relatively stable. For the six years charted above, the average fund subsidy is \$1,054,967. This is only \$60,048 more than the average subsidy under City operation from FY14 to FY16 of \$994,919, which was used to establish the benchmark net operating loss.

Based on data provided by Visit Casper, events held at the Ford Wyoming Center yielded just over \$25,000,000 in economic impact to Casper and Natrona County in 2019. This impact is even higher now, as annual events such as high school championships and College National Finals Rodeo (CNFR) have seen record ticket sales over the last two years. Considering this impact, it is clear that the Ford Wyoming Center is critical to the economic vitality of our community.

Oversight/Project Responsibility

Zulima Lopez, Parks, Recreation, and Public Facilities Director

Attachments

None