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## ***BOARD OF DIRECTORS AGENDA REPORT***

MEETING DATE: **SEPTEMBER 28, 2023** ITEM: **8C**

**SUBJECT:** **Presentation of Updated Financial Projections for Self-Management Model of Equestrian Center and Vote on Next Steps**

**DATE:** September 22, 2023

**FROM:** Michele Richards, CEO

**PRESENTATION BY:** Michele Richards, CEO

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*Action Item*

### **BACKGROUND**

In June 2021, with a recommendation from the Facilities Committee, the Board directed staff to take over management and operation of the equestrian center in order to fully understand actual revenue and operational expenses. The agreement with the operator at the time was set to expire on December 31, 2022, and District staff was directed to assume management and operation on January 1, 2023.

The 2023 budget for the equestrian center included a projected net loss of \$1,332,919. Staff has been providing the Financial Monitoring and Audit Committee and Board financial reports for the equestrian center on a monthly basis throughout the year. Careful monitoring and recording of actual revenue and expenses has closed the gap to a net loss of \$697,462 as of August 31, 2023.

At the April and May 2023 Board meetings, the Financial Monitoring and Audit Committee expressed concern about the continued losses reported for the equestrian center. Staff was directed by the Board to take an additional look at the equestrian center financials and provide input on options to improve the financial position. For the Board's discussion, staff presented four (4) financial scenarios based on the current self-operation model utilized at the equestrian center.

The Board agreed that Scenario #3 had the best bottom-line outcome and directed staff to continue refining the model with the goal of further reducing the projected year-end net loss of \$477,444.

### Scenario #3

- Assumed stall cleaning, feeding and arena maintenance services carried out by the contractor would be brought in-house and completed by OCFEC staff
- Assumed maximum rental capacity
- Utilized existing rental rates charged by EQC on June 1<sup>st</sup>

In the time following the June Board of Directors meeting, staff has hosted two listening sessions with equestrian center users who spoke at the June meeting about ideas they had for streamlining operations. In addition, staff has continued to research actual revenue and expenses to refine the numbers presented for Scenario #3 in June.

Staff is presenting two refined options from the original Scenario #3:

#### **Scenario #3 assumes:**

- maximum capacity for all stalls, offices, lockers and trailers at existing rates
- one-time initial set-up costs for needed equipment
- all expenses (labor and non-labor) are calculated based on current costs

At full capacity and not factoring in the one-time cost for equipment, Scenario #3 would result in a net loss of \$227,805. To at least break even, current rental rates would have to be increased by 16% without covering one-time costs, or 20.2% covering one-time costs amortized over a five-year period.

#### **Scenario #4 assumes:**

- current occupancy for all stalls, offices, lockers and trailers at existing rates (about 63% occupancy)
- One-time initial set-up costs for needed equipment
- All expenses (labor and non-labor) calculated based on current costs

At current occupancy and not factoring in the one-time cost for equipment, Scenario #4 would result in a net loss of \$632,648. To at least break even, current rental rates would have to be increased by 71.6% without covering one-time costs, or 78.3% covering one-time costs amortized over a five-year period.

Neither of the options above addresses much needed capital improvements.

## **RECOMMENDATION**

At the Board's discretion. In addition, the Board should provide direction to staff on the 2024 equestrian center budget.

# OC Fair & Event Center

2023 Budget per Month

Department: 25 - Equestrian Center

## Assumptions:

Max occupancy assumed for all stalls, offices, lockers, and trailers at existing rates

Assumes one-time initial set up costs such as equipment (highlighted)

All expenses (labor and non-labor) calculated based on current costs

## SCENARIO 3

Full OCFEC Staffing  
MAX OCCUPANCY

	January	February	March	April	May	June	July	August	September	October	November	December	YTD Total
<b>Revenues</b>													
4396 Late Fees													-
XXXX Stall Rental Revenue	116,563	116,563	116,563	116,563	116,563	116,563	116,563	116,563	116,563	116,563	116,563	116,563	1,398,756
XXXX Misc Revenue (Lockers, Trailers, Misc)	3,040	3,040	3,040	3,040	3,040	3,040	3,040	3,040	3,040	3,040	3,040	3,040	36,480
XXXX Feed Revenue	30,612	30,612	30,612	30,612	30,612	30,612	30,612	30,612	30,612	30,612	30,612	30,612	367,344
<b>Total Revenues</b>	<b>150,215</b>	<b>150,215</b>	<b>150,215</b>	<b>150,215</b>	<b>150,215</b>	<b>150,215</b>	<b>150,215</b>	<b>150,215</b>	<b>150,215</b>	<b>150,215</b>	<b>150,215</b>	<b>150,215</b>	<b>1,802,580</b>
<b>Labor Expenses</b>													
5010 Salaries/Wages - Permanent	37,117	37,117	37,117	37,117	37,117	37,117	37,117	37,117	37,117	37,117	37,117	37,117	445,402
5011 Salaries/Wages - Overtime	662	331	331	-	331	-	331	-	331	-	994	331	3,644
5013 Employee Benefits - FT	27,745	27,745	27,745	27,745	27,745	27,745	27,745	27,745	27,745	27,745	27,745	27,745	332,938
5020 Wages - Temporary	10,768	10,768	10,768	10,768	10,768	10,768	10,768	10,768	10,768	10,768	10,768	10,768	129,214
502X Employee Benefits - PT	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	12,857
XXXX Wages - Security Costs	4,362	3,940	4,362	4,222	4,362	4,222	-	-	4,222	4,362	4,222	4,362	42,638
5031 Overtime-Temporary	1,680	840	840	-	840	-	840	-	840	-	2,520	840	9,240
<b>Sub-Total Labor Expenses</b>	<b>83,406</b>	<b>81,812</b>	<b>82,234</b>	<b>80,922</b>	<b>82,234</b>	<b>80,922</b>	<b>77,872</b>	<b>76,701</b>	<b>82,094</b>	<b>81,063</b>	<b>84,436</b>	<b>82,234</b>	<b>975,932</b>
<b>Non-Labor Expenses</b>													
5040 Employee Travel			500	2,000		500			500			500	4,000
5045 Employee Training	360	5,000											5,360
5100 Professional Services	73,245	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	85,913
5200 Office Supplies	400	400	400	400	400	400	400	400	400	400	400	400	4,800
5201 Signs/Banners & Assoc Supplies	200	200	200	200	200	200	200	200	200	200	200	200	2,400
5205 Small Equip/Furniture	15,000												15,000
5206 Large Equipment	248,226												248,226
5208 Software/Equip Support	160	160	160	160	160	160	160	160	160	160	160	160	1,920
5210 Farm Supplies (Feed & Shavings)	49,990	49,990	49,990	49,990	49,990	49,990	49,990	49,990	49,990	49,990	49,990	49,990	599,880
5230 Equip Maint & Supplies	300	300	300	300	300	300	300	300	300	300	300	300	3,600
5240 Uniform Expense	5,800												5,800
5270 Telephone	75	75	75	75	75	75	75	75	75	75	75	75	900
XXXX Bank Fees	3,515	3,515	3,515	3,515	3,515	3,515	3,515	3,515	3,515	3,515	3,515	3,515	42,180
5300 Buildings & Grounds Supply	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
5310 Trash Removal	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	187,200
5312 Parking Lot Sweeping	1,200	800	800	800	800	800	1,200	800	800	800	800	800	10,400
5320 Utilities - Electricity	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	33,000
5324 Utilities - Water	2,657	2,470	2,589	2,610	2,684	2,784	2,863	2,863	2,784	2,684	2,610	2,624	32,222
5330 Special Repairs	500	500	500	500	500	500	500	500	500	500	500	500	6,000
5339 Major Projects	30,000												30,000
5445 Printing	500												500
<b>Sub-Total Non-Labor Expenses</b>	<b>452,478</b>	<b>84,912</b>	<b>80,531</b>	<b>82,052</b>	<b>80,126</b>	<b>80,725</b>	<b>80,705</b>	<b>80,305</b>	<b>80,725</b>	<b>80,126</b>	<b>80,052</b>	<b>80,566</b>	<b>1,343,301</b>
<b>Total Expenses</b>	<b>535,884</b>	<b>166,724</b>	<b>162,766</b>	<b>162,974</b>	<b>162,360</b>	<b>161,648</b>	<b>158,577</b>	<b>157,006</b>	<b>162,819</b>	<b>161,189</b>	<b>164,488</b>	<b>162,800</b>	<b>2,319,234</b>
<b>Net Proceeds</b>	<b>(385,669)</b>	<b>(16,509)</b>	<b>(12,551)</b>	<b>(12,759)</b>	<b>(12,145)</b>	<b>(11,433)</b>	<b>(8,362)</b>	<b>(6,791)</b>	<b>(12,604)</b>	<b>(10,974)</b>	<b>(14,273)</b>	<b>(12,585)</b>	<b>(516,654)</b>
<b>One-time Set-up Expenses</b>	<b>293,226</b>												<b>293,226</b>
<b>Total Expenses (minus one-time set up costs)</b>	<b>242,658</b>	<b>166,724</b>	<b>162,766</b>	<b>162,974</b>	<b>162,360</b>	<b>161,648</b>	<b>158,577</b>	<b>157,006</b>	<b>162,819</b>	<b>161,189</b>	<b>164,488</b>	<b>162,800</b>	<b>2,026,008</b>
<b>Net Proceeds (minus one-time set up costs)</b>	<b>(92,443)</b>	<b>(16,509)</b>	<b>(12,551)</b>	<b>(12,759)</b>	<b>(12,145)</b>	<b>(11,433)</b>	<b>(8,362)</b>	<b>(6,791)</b>	<b>(12,604)</b>	<b>(10,974)</b>	<b>(14,273)</b>	<b>(12,585)</b>	<b>(223,428)</b>

# OC Fair & Event Center

2023 Budget per Month

Department: 25 - Equestrian Center

## Assumptions:

Current occupancy assumed for all stalls, offices, lockers, and trailers at existing rates

Assumes one-time initial set up costs such as equipment (highlighted)

All expenses (labor and non-labor) calculated based on current costs

## SCENARIO 4

Full OCFEC Staffing

CURRENT OCCUPANCY

	January	February	March	April	May	June	July	August	September	October	November	December	YTD Total
<b>Revenues</b>													
4396 Late Fees													-
XXXX Stall Rental Revenue	72,541	72,541	72,541	72,541	72,541	72,541	72,541	72,541	72,541	72,541	72,541	72,541	870,492
XXXX Misc Revenue (Lockers, Trailers, Misc)	2,325	2,325	2,325	2,325	2,325	2,325	2,325	2,325	2,325	2,325	2,325	2,325	27,900
XXXX Feed Revenue	30,612	30,612	30,612	30,612	30,612	30,612	30,612	30,612	30,612	30,612	30,612	30,612	367,344
<b>Total Revenues</b>	<b>105,478</b>	<b>105,478</b>	<b>105,478</b>	<b>105,478</b>	<b>105,478</b>	<b>105,478</b>	<b>105,478</b>	<b>105,478</b>	<b>105,478</b>	<b>105,478</b>	<b>105,478</b>	<b>105,478</b>	<b>1,265,736</b>
<b>Labor Expenses</b>													
5010 Salaries/Wages - Permanent	33,060	33,060	33,060	33,060	33,060	33,060	33,060	33,060	33,060	33,060	33,060	33,060	396,718
5011 Salaries/Wages - Overtime	662	331	331	-	331	-	331	-	331	-	994	331	3,644
5013 Employee Benefits - FT	24,712	24,712	24,712	24,712	24,712	24,712	24,712	24,712	24,712	24,712	24,712	24,712	296,546
5020 Wages - Temporary	10,768	10,768	10,768	10,768	10,768	10,768	10,768	10,768	10,768	10,768	10,768	10,768	129,214
502X Employee Benefits - PT	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	1,071	12,857
XXXX Wages - Security Costs	4,362	3,940	4,362	4,222	4,362	4,222	-	-	4,222	4,362	4,222	4,362	42,638
5031 Overtime-Temporary	840	420	420	-	420	-	420	-	420	-	1,260	420	4,620
<b>Sub-Total Labor Expenses</b>	<b>75,476</b>	<b>74,303</b>	<b>74,725</b>	<b>73,833</b>	<b>74,725</b>	<b>73,833</b>	<b>70,363</b>	<b>69,611</b>	<b>74,584</b>	<b>73,974</b>	<b>76,087</b>	<b>74,725</b>	<b>886,237</b>
<b>Non-Labor Expenses</b>													
5040 Employee Travel			500	2,000		500			500			500	4,000
5045 Employee Training	360	5,000											5,360
5100 Professional Services	73,245	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	85,913
5200 Office Supplies	400	400	400	400	400	400	400	400	400	400	400	400	4,800
5201 Signs/Banners & Assoc Supplies	200	200	200	200	200	200	200	200	200	200	200	200	2,400
5205 Small Equip/Furniture	15,000												15,000
5206 Large Equipment	248,226												248,226
5208 Software/Equip Support	160	160	160	160	160	160	160	160	160	160	160	160	1,920
5210 Farm Supplies (Feed & Shavings)	49,990	49,990	49,990	49,990	49,990	49,990	49,990	49,990	49,990	49,990	49,990	49,990	599,880
5230 Equip Maint & Supplies	300	300	300	300	300	300	300	300	300	300	300	300	3,600
5240 Uniform Expense	5,300												5,300
5270 Telephone	75	75	75	75	75	75	75	75	75	75	75	75	900
XXXX Bank Fees	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	2,468	29,618
5300 Buildings & Grounds Supply	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
5310 Trash Removal	13,200	12,600	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	13,200	157,800
5312 Parking Lot Sweeping	1,200	800	800	800	800	800	1,200	800	800	800	800	800	10,400
5320 Utilities - Electricity	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	33,000
5324 Utilities - Water	2,657	2,470	2,589	2,610	2,684	2,784	2,863	2,863	2,784	2,684	2,610	2,624	32,222
5330 Special Repairs	500	500	500	500	500	500	500	500	500	500	500	500	6,000
5339 Major Projects	30,000												30,000
5445 Printing	500												500
<b>Sub-Total Non-Labor Expenses</b>	<b>448,531</b>	<b>80,865</b>	<b>77,084</b>	<b>78,605</b>	<b>76,679</b>	<b>77,278</b>	<b>77,258</b>	<b>76,858</b>	<b>77,278</b>	<b>76,679</b>	<b>76,605</b>	<b>77,119</b>	<b>1,300,839</b>
<b>Total Expenses</b>	<b>524,007</b>	<b>155,168</b>	<b>151,809</b>	<b>152,438</b>	<b>151,404</b>	<b>151,111</b>	<b>147,620</b>	<b>146,469</b>	<b>151,862</b>	<b>150,652</b>	<b>152,691</b>	<b>151,844</b>	<b>2,187,076</b>
<b>Net Proceeds</b>	<b>(418,529)</b>	<b>(49,690)</b>	<b>(46,331)</b>	<b>(46,960)</b>	<b>(45,926)</b>	<b>(45,633)</b>	<b>(42,142)</b>	<b>(40,991)</b>	<b>(46,384)</b>	<b>(45,174)</b>	<b>(47,213)</b>	<b>(46,366)</b>	<b>(921,340)</b>
<b>One-time Set-up Expenses</b>	<b>293,226</b>												<b>293,226</b>
<b>Total Expenses (minus one-time set up costs)</b>	<b>230,781</b>	<b>155,168</b>	<b>151,809</b>	<b>152,438</b>	<b>151,404</b>	<b>151,111</b>	<b>147,620</b>	<b>146,469</b>	<b>151,862</b>	<b>150,652</b>	<b>152,691</b>	<b>151,844</b>	<b>1,893,850</b>
<b>Net Proceeds (minus one-time set up costs)</b>	<b>(125,303)</b>	<b>(49,690)</b>	<b>(46,331)</b>	<b>(46,960)</b>	<b>(45,926)</b>	<b>(45,633)</b>	<b>(42,142)</b>	<b>(40,991)</b>	<b>(46,384)</b>	<b>(45,174)</b>	<b>(47,213)</b>	<b>(46,366)</b>	<b>(628,114)</b>