

MEMORANDUM

Date: Sept. 22, 2015

To: Finance Committee

From: Barbara Whitehorn, CFO, Director of Finance & Management Services
Roderick Simmons, Parks & Recreation Director

CC: Gary Jackson, City Manager

Subject: Western North Carolina Nature Center Update

Attachments: Interim Financial Report as of 9/18/2015

The purpose of this memorandum is to provide an update regarding the operations of the WNC Nature Center ("Center") in regard to changes made to admission rates, membership fees and the MOU with the Friends of the Nature Center ("Friends").

Background

Staff completed an analysis of Nature Center operations in March, 2015 that identified a significant gap between revenue and the cost of running the Center. The General Fund subsidy of Center operations was \$899,391 or 65% of the total cost of operations.

Contributing to the gap was the Memorandum of Understanding with the Friends, which allowed 100% of membership collections to be retained by the Friends, which they could grant back to the Center for capital projects at their discretion. Because no membership funds directly supported operations, every membership, which allowed free admission to pass holders, was a net cost, rather than benefit for the Center's bottom line.

Staff brought recommendations for possible realignment of membership funds to the Council Finance Committee. After discussions with the Committee and the Friends, a new MOU was agreed to which provides operational support to the Center from the Friends, the amount of which will step up over three years to minimize the subsidy required by the City's General Fund. Additionally, staff recommended several operational changes over three years, including admission and program fee increases, adding concessions and merchandise and pursuing other governmental support.

The impact on the subsidy over three years is projected as follows:

	YEAR 1 (FY 2016)	YEAR 2 (FY 2017)	YEAR 3 (FY 2018)
EXISTING SUBSIDY (PY)	\$899,391 (65%)	\$615,238 (45%)	\$525,888 (38%)
GENERAL AND GROUP ADMISSION INCREASE	(184,153)	0	0
PROGRAM FEE ADJUSTMENTS	0	(9,350)	0
OPERATING CONTRIBUTION FROM FRIENDS	(100,000)	(50,000) – additional, total (150,000)	(25,000) – additional, total (175,000)
THIRD PARTY CONCESSIONS AND MERCHANDISE	0	(30,000)	0
TRACKLESS TRAIN REVENUE	0	0	(12,000)
OTHER	0	0	(138,000)
FUNDRAISING/GOVERNMENTAL SUPPORT			
SUBSIDY	\$615,238 (45%)	\$525,888 (38%)	\$350,888 (25%)

Preliminary Update

Center performance for the first two months of FY 2015-16 has been strong. With less than one-quarter of the fiscal year completed, and limited attendance and financial data upon which to base assumptions, staff is nevertheless pleased with initial results. Staff had recommended that the Friends adopt an increase in the cost of memberships in alignment with the Center admission fee increase effective July 1; however, The Friends adopted an increase to membership rates during their August meeting, with the new rates effective October 1. There does not appear to have been a negative impact on admissions due to the lower than expected membership costs during the first two months of operations in FY 2015-16.

The Friends submitted payment of \$25,000 to the City on September 10, the first of four quarterly payments totaling the \$100,000 operating contribution agreed to in the MOU.

A full quarterly financial report for the Center as of 9/30/2015 will be submitted to the Finance Committee during the regular October meeting.