

City Questions Coliseum's Finances

SMG's Expenses Raising Eyebrows

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By Jeremy Redmon, Times-Dispatch Staff Writer

The Coliseum's bookings and revenues have declined in the past three years, but the annual cost to run the facility has stayed roughly the same.

City auditors want to know why.

They are reviewing the financial records of Philadelphia-based SMG, which has managed the arena for the past 15 years.

The audit comes as city officials review a proposed contract for SMG to continue managing the Coliseum.

"Since they are having fewer events, why would the expenses go up or stay the same? That is the basic question," said City Auditor Lance Kronzer. "We are not only looking at the expenses but whether there could be efficiencies in how they are operating."

Operating revenues in fiscal 2000 dropped \$124,996 from the previous fiscal year; in fiscal 2001, they dropped an additional \$612,300, according to a city memo obtained by The Times-Dispatch.

While revenues were dropping, annual expenses to run the arena rose from \$3.2 million to \$3.3 million, then dropped back to \$3.2 million for fiscal year 2001.

The number of events held at the Coliseum rose from 149 in fiscal year 1999 to 158 in fiscal year 2000 before dropping to 124 last fiscal year.

Larry Wilson, the Coliseum's general manager since August, did not return repeated telephone calls for comment. He is the Coliseum's fifth manager since October 1998.

The Coliseum has suffered in recent years by losing bookings from Virginia Commonwealth University and Richmond Rhythm basketball teams, an SMG official said. VCU opened the Stuart C. Siegel Center in 1999, and the Rhythm moved its games to the Siegel Center before folding.

Richmond's Coliseum also faces stiff competition from North Carolina and South Carolina sports arenas, the official said.

"To Larry Wilson's credit, in the three short months he has been here, he has been trying to bring events here," said the SMG official, who asked that he not be identified.

Former Deputy City Manager Lee Dumbauld was so alarmed by the Coliseum's recent financial performance that she urged City Manager Calvin D. Jamison to consider replacing SMG.

The arena's losses increased by 43.7 percent, or \$534,778, during the last two fiscal years, from \$1.2 million to \$1.7 million.

In the last 13 years, the Coliseum has lost \$13.4 million while the city has contributed \$18.3 million toward its debt and operating expenses.

"A review of Coliseum financial statements over the past 13 years shows a negative trend in financial performance over the entire period, with especially alarming financial performance for the fiscal year just ended," Dumbauld wrote in a Sept. 20 memo to Jamison.

Dumbauld resigned as deputy city manager Oct. 11. She declined to talk on the record about why she quit. Jamison said she left for personal reasons.

Richmond's Redevelopment and Housing Authority owns the Coliseum on behalf of the city, which is responsible for the building's \$7.9 million debt.

A majority of sports arenas in America are subsidized by local governments and do not turn a profit, according to Brailsford & Dunlavey, a sports facility consulting firm.

"It is a very rare one that operates at a strong profit margin," said Chris Dunlavey, president of the D.C.-based firm. "Typically, they are around break-even or running at a deficit."

News about the audit comes as SMG is studying how to prevent another embarrassment for Richmond like the one that occurred Nov. 28 at the Coliseum.

Officials canceled the ACC/Big Ten Challenge game between the University of Virginia and Michigan State University that night, just minutes into the second half. Condensation made the floor treacherous for players.

Unseasonably warm weather combined with the hockey ice underneath the court caused the slickness, according to SMG.

Critics argued SMG should have melted the ice before the game. SMG officials said there would not have been enough time to make new ice for a Richmond Renegades game scheduled for the following Friday.

The Coliseum's conditions have also been scrutinized.

To spruce up the place, U.Va. officials said they spent about \$3,000 on new carpet for the locker rooms just before the game with MSU.

"We tried to make the venue as attractive as possible out of respect not only to ourselves but to Michigan State," U.Va. assistant coach Tommy Herrion said in a previous interview.

Some sports industry officials say SMG has a good reputation. The company runs about 140 facilities worldwide, including convention centers, stadiums, arenas and performing arts centers.

"SMG is a first-rate management company. It has a very good reputation and it always has," said Don Schumacher, executive director of the Cincinnati-based National Association of Sports Commissions.

Last year, SMG won the contract from Richmond to manage the Coliseum despite a panel of city officials recommending that it should go instead to Global Spectrum Inc. Global submitted a bid that could have saved the city \$150,000 a year. And the company scored higher than SMG in a comparison by the panel.

Global alleged a conflict of interest last year because a city agency's board member, Kenneth Johnson, joined SMG in its five-year bid for the Coliseum. Johnson is the chairman of the Richmond Redevelopment and Housing Authority. He said the move is legal, and the Richmond commonwealth's attorney's office agreed.

Jamison ultimately rejected Global's bid, citing SMG's experience, ability to draw large events and minority business presence. The city's Procurement Review Board upheld his decision.

"I have turned it over to a committee headed by [Acting Deputy City Manager] Bernard Wray to take a good look at the details of it and come back with some recommendations about what they found," Jamison said about Dumbauld's memo.

City officials are planning \$7 million in improvements to the Coliseum, including installing a new scoreboard and public address system. Jamison hopes those improvements will increase business.

Kronzer said the results of his audit could affect SMG's proposed contract to continue managing the Coliseum.

He began auditing SMG's records in September at Dumbauld's request. The city auditor has met with SMG officials and requested copies of their records. Kronzer hopes to finish the review by the end of next month.

"They incurred a loss that was much more than usual," Kronzer said about the Coliseum's last fiscal year losses. "The [city] administration asked us to look into what the causes were for that and to make some recommendations."

OPERATING LOSSES

The Richmond Coliseums revenues and bookings have declined in recent years while the annual cost to run it has roughly stayed the same. Here is a six-year history of its financial performance.

Fiscal year	Operating expenses	Operating revenues	Operating loss	Loss in constant dollars
1996	\$2,934,970	\$1,929,464	\$1,005,506	\$1,133,037
1997	\$3,019,471	\$1,952,059	\$1,067,412	\$1,175,816
1998	\$3,050,727	\$1,778,919	\$1,271,808	\$1,379,483
1999	\$3,282,267	\$2,205,877	\$1,076,390	\$1,142,291
2000	\$3,303,823	\$2,080,881	\$1,222,942	\$1,255,611
2001	\$3,226,301	\$1,468,581	\$1,757,720	n.a.
Total:	\$18,817,559	\$11,415,781	\$7,401,778	n.a.

SOURCE: Sept. 20 memo from former Deputy City Manager Lee Dumbauld to City Manager Calvin D. Jamison

*Adjusted for inflation and other factors based on all items in U.S. cities.

Calculations were done using <http://www.newsengin.com>

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