



CITY AUDITOR'S OFFICE

WestWorld Operations

November 4, 2022

AUDIT NO. 2209

CITY COUNCIL

Mayor David D. Ortega
Tammy Caputi
Vice Mayor Tom Durham
Betty Janik
Kathy Littlefield
Linda Milhaven
Solange Whitehead



November 4, 2022

Honorable Mayor and Members of the City Council:

Enclosed is the audit report for *WestWorld Operations*, which was included on the Council-approved FY 2021/22 Audit Plan. This audit was conducted to evaluate management controls over and effectiveness of marketing, event contracts, billing, expenses, and other operational aspects.

WestWorld Operations can be improved by improving analysis and documentation for negotiated fees, conducting thorough rate analyses for RV fees, and using full-cost analysis when developing rates and fees.

As well, opportunities exist to improve tracking and reporting facility utilization, implement technology systems for facility management and event scheduling, streamline the billing process and ensure contract terms are applied, and update the WestWorld website for better customer service.

If you need additional information or have any questions, please contact me at (480) 312-7867.

Sincerely,

A handwritten signature in blue ink that reads "Sharron Walker". The signature is written in a cursive, flowing style.

Sharron E. Walker, CPA, CFE, CLEA
City Auditor

Audit Team:

Brad Hubert, CIA, CGAP, CGFM, CRMA – Sr. Auditor
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AUDIT HIGHLIGHTS

WestWorld Operations

November 4, 2022

Audit No. 2209

WHY WE DID THIS AUDIT

This audit of WestWorld Operations was performed to evaluate management controls and the effectiveness of marketing, event contracts, billing, expenses, and other operational aspects, primarily during fiscal years 2020/21 and 2021/22.

BACKGROUND

WestWorld is a 386-acre equestrian and special event recreation facility operated by the City on federal land under an agreement with the Bureau of Reclamation (BOR).

The facility hosts many annual events including the All-Arabian Horse Show, the Barrett-Jackson Auto Auction, and the Parada del Sol Rodeo along with other events throughout the year.

Operating revenues include facility rentals and use fees, RV parking fees and feed and bedding sales. Over the past 5 years, WestWorld's net revenues have ranged from negative \$257,000 to more than \$1.9 million.

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WHAT WE FOUND

Negotiated facility rates do not consider the event labor hours, and rate and fee information does not accurately evaluate cost recovery.

Specifically, we found:

- Individual equestrian events pay less on average than other events despite using more facilities and requiring more labor support.
- WestWorld rate analysis does not include City overhead and indirect costs and rates are generally lower than comparable facilities.

Opportunities exist to improve facility use monitoring, marketing, billing, and RV processes.

We found:

- WestWorld use statistics do not compare actual facility use to available capacity. Better analysis could assist marketing efforts.
- Manual task tracking and billing processes lead to inefficiencies and errors.
- Enhanced website services could streamline RV operations and improve the customer experience.

WHAT WE RECOMMEND

We recommend WestWorld management:

- Develop a sliding scale for discounting facility rates and evaluate ways to offer all-inclusive facility fees for contracted events; conduct a thorough RV rate analysis and evaluate whether additional fees are needed; and use full-cost calculations when developing facility rates and fees.
- Report facility utilization as percentage of available capacity; implement technology systems to track facility management and event scheduling; streamline the billing process; ensure contract terms are applied; and update the WestWorld website for better customer service.

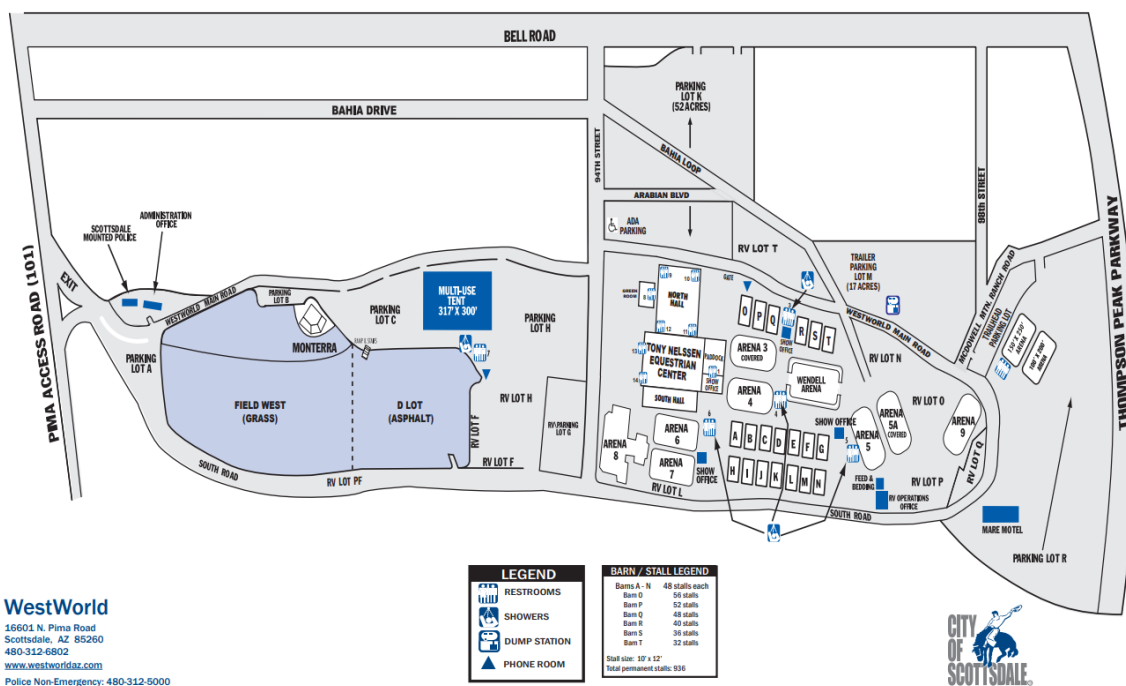
MANAGEMENT RESPONSE

WestWorld management agreed with the recommendations and stated that they have already begun the process of making many of the suggested improvements.

BACKGROUND

In 1982, the City entered into a Cost-Sharing and Land Use Agreement with the federal Bureau of Reclamation (BOR) to develop and operate an equestrian-related recreation facility on federal land. The City entered into the agreement to develop the WestWorld facility for public recreation use and to enhance revenue from rentals, concession sales, and parking fees. Since 1997, the City has operated this 386-acre property, shown in Figure 1, which is located at the base of the McDowell Mountains.¹ The Community Services division currently manages its use. The WestWorld General Manager, who reports to the Assistant City Manager/Community Services Division Director, is assisted by approximately 30 budgeted full-time equivalent employees in providing year-round event hosting services for equestrian and other events.

Figure 1. WestWorld Site Map



Source: Images obtained from <https://www.westworldaz.com/>

Recognized as the “2020 Facility of the Year” by the League of Agricultural and Equine Centers, WestWorld is an equestrian and special event facility. WestWorld hosts diverse event productions and is home to several annual events including the All-Arabian Horse Show, the Barrett-Jackson Auto Auction, and the Parada del Sol Rodeo.

¹ WestWorld is located north of the Central Arizona Project canal and east of Pima Road.

As summarized in Figure 2, WestWorld features an equestrian center, arenas, fields, and parking lots.

Figure 2. WestWorld Facility Features



Tony Nelssen Equestrian Center (TNEC) Equidome

- Climate controlled arena that primarily hosts equine and livestock events.
- 12,000 sq. ft. with 3,400 permanent seats
- 3 interior VIP suites and a concourse for vendor and other activities
- Daily base rental rate: \$2,500

TNEC North and South Hall

- Climate-controlled facilities that allow hosting multiple events simultaneously. They host equine and livestock events, consumer shows, and others.
- North Hall: 117,000 sq. ft./South Hall: 37,000 sq. ft.
- Daily base rental rates: North Hall \$6,500/South Hall \$1,250



Covered Arenas

- Two covered arenas primarily used for equine events
- Arena sizes are 300 ft. by 150 ft.
- Daily base rental rate: \$600 daily

Non-covered Arenas

- Seven non-covered arenas primarily used for equine events
- Wendell arena is 315 ft. by 160 ft., most other arenas are 300 ft. by 150 ft.
- Daily base rental rates: Wendell \$630, others \$184 to \$315



Fields

- An approximately 9-acre grass field primarily used for sports events, such as polo and soccer
- Daily base rental rates: \$500 to \$4,750

Parking lots

- Nine parking lots with 11,000+ parking spaces
- Accommodates 400 temporary barns
- Daily base rental rates: \$300 to \$3,500



SOURCE: Auditor analysis of WestWorld website, City Council-approved rates and fees effective July 1, 2022, and other information provided by WestWorld management.

In FY 2021/22, WestWorld reported hosting 75 events with a total attendance of 504,680. An economic impact study performed by Arizona State University’s W.P. Carey School of Business estimated, for the period of August 2018 through July 2019, WestWorld participants and visitors who were from outside the city contributed \$111 million into the local economy.

Operating Revenues and Expenses

As summarized in Table 1, WestWorld revenues ranged from approximately \$4.7 million to \$7.4 million from fiscal years 2017/18 through 2021/22. Expenses ranged from \$4.7 million to \$5.5 million over the same period, resulting in a positive operating net revenue for four of the last five fiscal years.

Table 1. WestWorld Revenues and Expenses by Fiscal Year

	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Change – 5 Years
Charges for Service /Other	\$4,898,983	\$4,959,788	\$4,569,762	\$6,162,345	\$7,313,897	49%
Transfers In ¹	100,000	100,000	100,000	100,000	100,000	0%
Total Revenues	\$4,998,983	\$5,059,788	\$4,669,762	\$6,262,345	\$7,413,897	48%
Personnel	2,105,925	2,171,666	2,191,947	2,105,011	2,609,419	24%
Contractual Services	2,171,389	2,066,875	2,135,987	1,836,655	2,046,591	-6%
Commodities	448,951	584,192	502,629	744,939	818,266	82%
Capital Outlays	21,126	20,483	96,299	11,679	35,648	69%
Total Expenses	\$4,747,391	\$4,843,216	\$4,926,862	\$4,698,284	\$5,509,924	16%
Net Revenue	\$251,592	\$216,572	(\$257,100)	\$1,564,061	\$1,903,973	657%

¹ Transfers In include an annual \$100,000 from the City’s Bed Taxes for WestWorld advertising expenses.

Note: This analysis does not include indirect and overhead costs or expenses related to capital assets.

SOURCE: Auditor analysis of SmartStream reports for FY 2017/18 through FY 2021/22.

WestWorld’s operating revenues include facility rental and use fees, RV parking fees, and feed and bedding sales. Personnel and contractual service costs comprise the primary direct operating expenses, with budgeted full-time positions ranging from 29 to 32 employees. Other related costs, such as certain overhead and other direct costs, such as asset depreciation, are not included in the WestWorld cost centers.

From July 1, 2018, through September 8, 2022, completed and on-going WestWorld capital improvement projects have totaled about \$61.6 million, as follows:

(continued on next page)

Project	Status	Amount ¹
Tony Nelssen Equestrian Center expansion	Completed	\$46,580,953
Renovation of horse barns	In Progress	5,702,972
Improve access and infrastructure	Completed	4,761,009
Replacement of arena lights to reduce operating costs	In Progress	1,331,273
Expansion of restrooms in North Hall	Completed	810,411
Renovation of arena to provide flexible event space	Completed	758,835
Pave G Lot	Completed	347,926
Replacement of tent fabric panels	Completed	365,987
Purchase of portable RV pedestals	Completed	376,589
Replacement of public address system	In Progress	366,132
Lot H electrical improvements	Completed	125,947
Tent removal	Completed	45,165
TNEC - Monument sign	In Progress	36,616
Total		\$61,609,815

¹ Amounts are actual costs if “Completed” status and budgeted if “In Progress.”

SOURCE: Auditor analysis of SmartStream Budget to Actual reports as of September 8, 2022.





The Tony Nelssen Equestrian Center expansion, the most significant WestWorld capital improvement project, enclosed and climate-controlled the largest outdoor arena in December 2013 to allow WestWorld to host events during the summer months. Other capital projects costing over \$1 million that have been completed or are in progress include: renovation of barns originally built in the 1980’s; purchasing land to improve access and infrastructure; and arena light replacements to reduce operating costs and light spillage into the adjacent community. Capital improvement project funding sources have included General Obligation bonds, Municipal Property Corporation bonds, General Fund and Tourism Development Funds.

Event Contracting and Billing Process

About two weeks after an event ends, a WestWorld management analyst collects event data and identifies applicable rates and fees to develop the initial billing estimate for management review. Figure 3 on page 7 outlines key elements in WestWorld’s billing process.

(continued on next page)

Figure 3. Key elements of WestWorld’s event tracking and billing processes.

<p>Work Orders</p> 	<p>WestWorld staff record their event tasks and labor hours in an Excel-based Work Order system developed by the former General Manager. A summary spreadsheet compiles this daily information for use in billing.</p>
<p>Event Sheets</p> 	<p>WestWorld foreman and managers capture dates that an event occupies WestWorld facilities, including move-in and -out dates. As well, they record manual counts of occupied stalls, equipment used, and services rendered for each event. These Excel-based event sheets have a tab for each day of the year. A WestWorld director reviews the completed event document for reasonableness.</p>
<p>Summary of Charges</p> 	<p>WestWorld staff reviews work orders, event sheets, and the applicable contracts to create a Summary of Charges. WestWorld management and the event producer review the draft summary. In some instances, WestWorld management meets with the event producers to resolve billing questions or concerns.</p>
<p>Invoice</p> 	<p>After questions are resolved, the staff sends the required Accounts Receivable form to the city Accounting department, which generates and send the invoice to the event producer. The management analyst monitors the event invoice payment status through accounting reports and follows up on unpaid billings.</p>

SOURCE: Auditor analysis of WestWorld’s work order system, event sheets for FY 2020/21 and 2021/22, and staff interviews.

OBJECTIVES, SCOPE, AND METHODOLOGY

An audit of *WestWorld Operations* was included on the City Council-approved fiscal year (FY) 2021/22 Audit Plan. The audit objective was to evaluate management controls over and effectiveness of marketing, event contracts, billing, expenses, and other operational aspects.

To gain an understanding of WestWorld management controls and processes, auditors interviewed the contracted General Manager, Director, Business Manager, and their staff. We also reviewed:

- Prior related City Auditor's reports including Audit No 1806 *WestWorld Marketing & Concession Contracts*; Audit No 1304 *WestWorld's Financial Operations*; Audit No 0526B – 0526G *WestWorld Financial Operations*; and Audit No 0526A *WestWorld – Compliance with the Cost-Sharing and Land Use Agreement*.
- WestWorld financial information from the city's Budget Books and SmartStream reports for FY 2017/18 through FY 2021/22.
- Applicable laws, regulations, and policies, including City Council-approved FY 2021/22 and FY 2022/23 rates and fees Resolution Nos. 12150 and 12488; Resolution No. 11429 allowing the City Manager to execute WestWorld agreements that contain negotiated rates; and the Community Services division's WestWorld Events Prioritization Policy.
- Marketing plans submitted by National Western Capital Corporation (NWCC) for FY 2021/22 and FY 2022/23
- Other management-prepared documents, such as WestWorld's FY 2020/21 annual report; the WestWorld website information; events calendars for 2020 through 2022; daily Event Sheets for FY 2020/21 and FY 2021/22; event code lists from 2015 through 2023; and Work Order logs for FY 2020/21 and FY 2021/22.

To evaluate effectiveness of management controls and processes, we:

- Compared a sample of contracts and invoices for scheduled events to determine if revenues recover the associated direct expenses and events are scheduled consistent with the prioritization policy.
- Calculated WestWorld utilization rates by individual event space, such as arenas and halls, for FY 2020/21 and FY 2021/22 using the calendar of events and daily event sheets.
- Analyzed available documentation underlying WestWorld's FY 2021/22 rates and fees. As well, for calendar year 2021, we compared contracted event rates to the Council-approved rates to evaluate whether rates were negotiated equitably among event types and covered the associated event costs.
- Inquired about cost-saving strategies and reviewed WestWorld management's stated efforts.
- Analyzed eleven events held during FY 2020/21 and FY 2021/22, including the associated work orders, event sheets, applicable contracts and Accounts Receivable data.
- Evaluated the data controls and accuracy of the work order system's FY 2020/21 and FY 2021/22 labor hours data.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Audit work took place from June through September 2022.

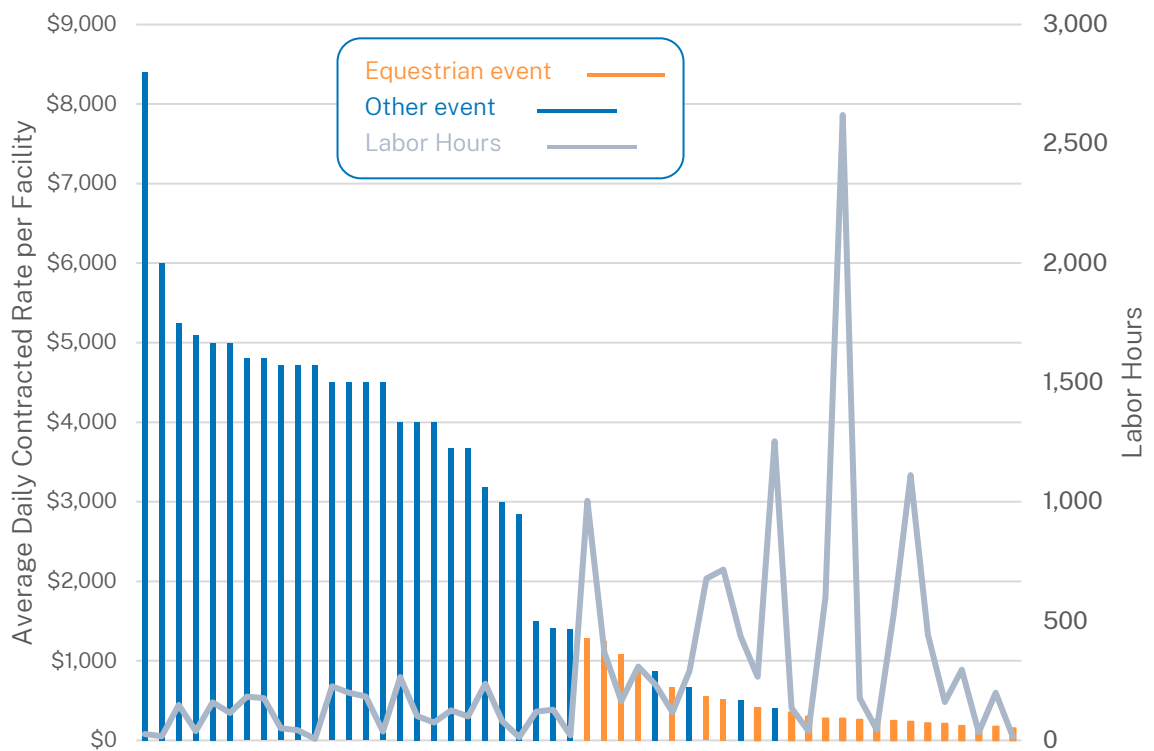
FINDINGS AND ANALYSIS

1. Negotiated facility rates do not consider the event labor hours and rate and fee information does not accurately evaluate cost recovery.

Despite using more facilities and requiring substantially more support from WestWorld staff, equestrian events pay less per day and per facility than other events and adopted fees and rates are often lower than similar facilities. As well, WestWorld management’s cost recovery information focused only on direct costs and did not include the City’s significant investments into the property and the related overhead.

- A. Individual equestrian events are charged less for the use of WestWorld facilities despite using 140% more facilities on average than other types of events. They also require nearly 174% more labor hours from WestWorld staff, as shown in Figure 4.

Figure 4. Equestrian events facility use rates are lower than other events despite requiring substantially more labor hours.



Note: This analysis does not include the Barrett-Jackson Automobile Auction, the Arabian Horse Show or the Sun Country American Quarter Horse Association events as those contracts are Council-approved.

SOURCE: Auditor analysis of 52 event contracts and recorded work order system hours for calendar year 2021.

Although equestrian events earn additional income from feed and bedding sales, the loss of the underlying facility revenue reduces the overall income received.

Overall, the average total contracted facility rate for equestrian events was 45% lower than charged to other types of events in calendar year 2021. Also, because equestrian events generally run for more days than other event types, their average 2021 daily facility rate was 64% lower. Similarly, since equestrian events use more facilities, their 2021 daily rate per facility averaged 88% lower than for other event types.

	Equestrian	Other	Equestrian Rate is:
Average Facility Rate	\$12,183	\$22,001	45% Lower
Average Daily Rate	\$1,554	\$4,371	64% Lower
Average Daily Rate per Facility	\$434	\$3,722	88% Lower

While the City Council has approved specific rates and fees for WestWorld facilities and tasks, they have also given the City Manager, or his designee, the authority to negotiate rates and fees when entering multi-year contracts with event producers. This management authority was intended to streamline the process of booking events. Our review found that negotiated event contracts are charged an average of 64% less per day for each facility used. There was no documented analysis available evaluating whether the discounted rates plus any estimated related revenues would cover WestWorld’s operating costs for the event or provide the highest return if multiple events were being proposed for the same time.

Similar event facilities, such as the Phoenix Convention Center offer tiered discounts based on other associated guaranteed sales at the facility. For example, discounts range from 10% to 30% based on the amount of guaranteed gross banquet and catering sales. At WestWorld, facility rate discounts could be tied to guaranteed attendance or number of event participants, which indirectly provide related sales, or directly connected to other event revenue such as concessions, stable and RV rentals, or feed and bedding sales.

- B. Detailed service charges complicate the operational and billing processes. In addition to facility charges, WestWorld has specific rates and fees for individual services such as portable ticket offices, internet connections, light towers, microphones, telephones, and bleachers. Certain fees require more tracking and operational work.
- Horse stalls are billed based on the actual number of stalls used per day. Because equestrian event producers are not required to request and pay for a specific number of stalls, WestWorld staff spend hours counting the number of stalls being used each day by an event.
 - For others, the services could be included as part of the facility rates rather than having to be requested and billed. For example, the City pays for internet and telephone services at WestWorld whether they are requested by individual events or not. Including these would simplify event preparation and billing.
 - As well, certain other services that do not have specific fees are charged based on labor hours. As a result, event producers are billed varying prices for

services such as placing picnic tables or cleaning restrooms depending on how long the staff spent performing the specific task. Some of these detailed services could also be in the facility rates.

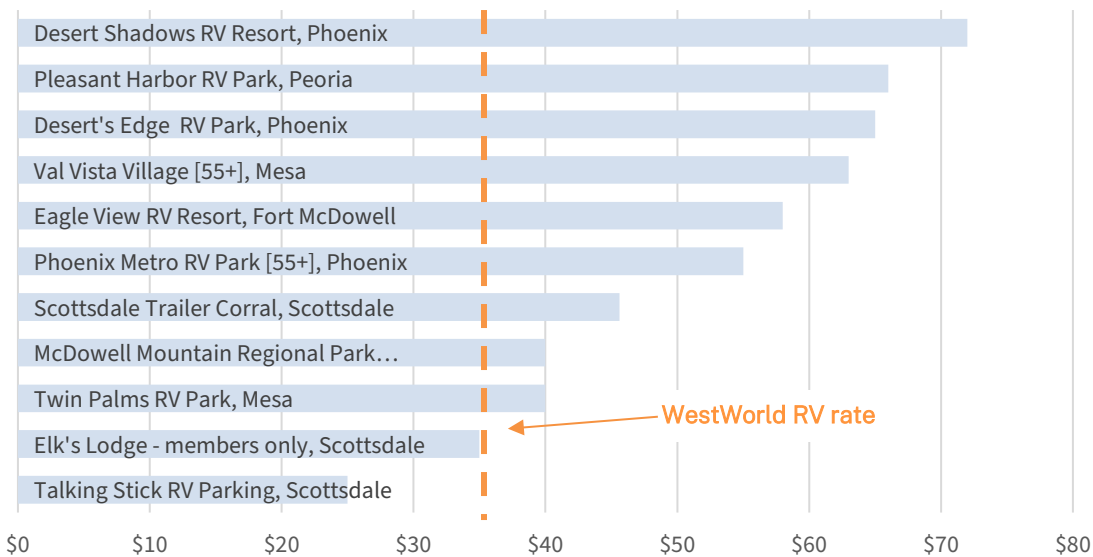
One event producer of the eleven noted that to better forecast their event costs, they would prefer to contract with a flat fee for their event facilities and arenas. Further, the event producer noted that a single rate for stall usage also would help them forecast and save the City time and resources on daily stall counts. Our previous audit of WestWorld event contracts noted similar event producer feedback as well as the resulting billing complexity.

- C. WestWorld’s daily RV rates need further analysis to ensure they are based on cost recovery and market comparisons.

While WestWorld’s daily RV rate is similar to the benchmarked equestrian facilities’ rates, as shown in Table 2 on page 14, some of those facilities only allow RV parking for their onsite events. WestWorld RV parking sites are available to the general public at its \$35 daily rate.

As shown in Figure 5, this fee is lower than most on the list of other RV parks that WestWorld provides to potential customers when it has no vacant spaces. Only a casino-owned RV park had a lower daily RV fee.

Figure 5. WestWorld’s \$35 daily RV rate is lower than most RV parks in the area.



SOURCE: Auditor analysis of publicly available information for RV parks obtained in September 2022.

Our analysis noted that amenities vary significantly among the RV parks, with some including washers and dryers, showers, restrooms, and swimming pools in addition to the usual electric and water hook ups and onsite dumping station. A thorough market

analysis would include evaluating WestWorld’s position in the local market area as well as to the similar event facilities.

Also, WestWorld may need additional RV fees that are common practice. Currently WestWorld does not charge an RV cancellation fee to help recover the lost revenue from a no-show and the administrative cost of canceling the reservation. WestWorld also has not yet adopted an RV clean up fee to address instances when these customers leave a significant amount of trash or damage.

- D. When proposing its current FY 2022/23 rates and fees, WestWorld management stated on budget forms that the recommended fees would cover 94% of its operating costs. However, the underlying rate analysis only included budgeted direct costs and did not incorporate City overhead, depreciation or amortization for equipment and the facilities. Some capital improvement projects represented significant city investments, such as expanding, enclosing and climate controlling the Tony Nelssen Equestrian Center.

According to the Budget department’s “Rates and Fees Best Practices,” when a service is similar to those provided by the public sector, a department should attempt to recover full costs, including “not only the direct costs of the service, but also costs shared with other activities, city-wide indirect costs and non-cash costs such as a capital charge for facilities and equipment.”

For example, for its FY 2022/23 rates and fees, the citywide indirect cost rate of 7.06% plus annual depreciation and amortization charges for WestWorld facilities and equipment would have added about \$5.1 million. Therefore, projected revenues of \$5.3 million will recover only about 49% of the expected \$10.7 million cost to operate the facility this year and the City’s General Fund will cover the remaining expenses.

Further, for rate and fee analysis, the budget guidance notes that benchmarking analysis may be used in justifying the proposed changes. While the former WestWorld General Manager stated that their recommended rates and fees were in line with other facilities, WestWorld’s own analysis of 16 comparable facilities showed that they were often lower.

As summarized in Table 2, although two fees were slightly higher, the majority of WestWorld’s rates were between 53% and 72% of the rates for equestrian facilities that WestWorld considered comparable.

Table 2. Most WestWorld rates were lower than comparable facilities’ rates.

Facility Type	WestWorld Rate	Benchmark Average Rate	Percentage of Benchmark Average
Coliseum (Equidome)	\$2,500	\$2,013	124%
RV Parking	\$35	\$31	113%
Stalls	\$18	\$25	72%
Outdoor Arena	\$315	\$439	72%
Covered Arena	\$600	\$949	63%
Outdoor Stadium	\$630	\$1,185	53%

SOURCE: Auditor analysis of November 2021 facility comparison provided by WestWorld staff.

Recommendations:

WestWorld management should:

- A. Develop a sliding scale for discounting facility rates based on the amount of other related guaranteed revenues and prepare and retain analyses that support additional discounts provided.
- B. Evaluate ways to include the routine event services into facility rates, such as telephone and internet, or require guaranteed minimums, such as horse stall counts, to streamline the operational and billing processes.
- C. Conduct a more thorough RV rate analysis including other event facilities and the local market area. As well, evaluate whether RV fees are needed to address no-shows and extensive cleanup activities.
- D. Use full-cost calculations when developing facility rates and fees. These full-cost rates should then be evaluated against the competitive market rate limitations before recommending rates and fees for City Council approval.

2. Opportunities exist to improve facility use monitoring, marketing, billing, and RV processes.

Improving facility use statistics, developing a comprehensive marketing plan and monitoring marketing activities, and streamlining the complex manual billing process can improve operational results. As well, WestWorld can streamline operations and improve the customer experience by automating the RV reservation process and providing more comprehensive information on its website.

- A. WestWorld use statistics do not compare actual facility use to available capacity. Instead, management continues to report “Use Days,” which assigns all events the same value regardless of the size and number of rented facilities. This means that an event using one arena for three days and another event that uses the entire property for three days would both be counted as three “Use Days.” Also, two events using different facilities on the same day are counted as two “Use Days.” With this method, WestWorld facility use increased over the last five fiscal years to a reported 780 Use Days.

	Fiscal Year				
	2017/18	2018/19	2019/20	2020/21	2021/22
Equestrian use days	240	216	193	244	247
Other event use days	280	296	379	531	533
Total use days	520	512	572	775	780

However, this does not provide a measure of the total capacity used and the remaining availability. By comparing days of use to the estimated available days for each individual rental space, we calculated an overall facility use rate of 44% for the last two fiscal years, As summarized in Table 3, individual facility use rates ranged from 29% to 61% during this time. Some event spaces, such as the tent, South Hall, and a few arenas, average only 30-40% use.

Table 3. WestWorld facility usage by fiscal year indicates opportunities to host additional events.

Facility	FY 2020/21		FY 2021/22		Overall Use Rate*
	Days Used	Use Rate*	Days Used	Use Rate*	
North Hall	212	58%	236	65%	61%
Equidome	208	57%	226	62%	59%
Polo Fields	171	47%	212	58%	52%
Arena 3	168	46%	198	54%	50%
Arena 4	159	44%	182	50%	47%
Arena 5A	148	41%	188	52%	46%
Arena 7	141	39%	176	48%	43%
Arena 5	141	39%	173	47%	43%
Arena 6	142	39%	158	43%	41%
Tent	175	48%	103	28%	38%
Wendell Arena	101	28%	162	44%	36%
Arena 9	114	31%	132	36%	34%
South Hall	123	34%	120	33%	33%
Arena 8	83	23%	129	35%	29%
Total	2,086	41%	2,395	47%	44%

*Analysis is based on 365-days-a-year availability. However, this availability is sometimes limited by planned capital improvement projects and maintenance needs.²

SOURCE: Auditor analysis of WestWorld calendars and Event Sheets for FY 2020/21 and FY2021/22.

Evaluating actual event space usage versus capacity would also help in developing a comprehensive marketing plan. The current marketing plan developed by the contracted marketing firm includes finding additional event bookings. Knowing which types of event spaces are underused would help the marketing team to target specific events.

Further, WestWorld has not established utilization goals or benchmarks for each facility or for the property overall. Individual facility use goals may vary quite a bit. For example, climate-controlled facilities and covered arenas would be expected to have more use than uncovered arenas. These event space activation goals should also allow time needed for maintenance requirements.

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² We validated WestWorld calendar data using event sheets. Minor errors were identified but were not significant enough to change the overall analysis.

B. The complex, manual task tracking and billing processes lead to inefficiencies and errors.

1. The task tracking processes are spreadsheet-based and lack data input controls.

- Currently, WestWorld staff enter their time spent on event support, maintenance, and operations into a set of spreadsheets referred to as *Work Orders*. Because spreadsheets are being used for this labor-tracking system, data accuracy depends on the individual's data entry skills and the supervisors' manual reviews to detect errors or omissions.

Our review of FY 2020/21 and FY 2021/22 data found missing event information, inconsistent event codes, inaccurate dates, and instances of unusually high labor hours. These data errors may result in inaccurate billings and provide unreliable data for work analysis purposes.

A work order system software, such as those used in the Facilities department, could provide input, processing, and access controls; create efficiencies; and enhance reporting capabilities.

- Similarly, WestWorld staff use spreadsheet-based *Event Sheets* to track the use of the various event spaces and equipment. Supervisory reviews do not detect errors and omissions in these forms as well. Our comparison of these event sheets with event contracts and the event calendar revealed discrepancies in event use dates and billing as further described in section 2.

When event producers have questioned their billings, which are based on Work Order and Event Sheet information, WestWorld management has accepted the event producers' requested adjustments.

2. After an event is held at WestWorld, staff summarizes billable charges based on the work orders, the event sheets, and the applicable event contract terms. WestWorld management reviews and provides this preliminary Summary of Charges to the event producer for review before billing for the event.

After examining eleven Summary of Charges, with their 99 associated event sheets and the applicable event contracts, we noted the following:

- While the billing process starts about two weeks after an event, City invoices are dated from three weeks to almost four months later for the eleven events we reviewed. In only three instances did WestWorld bill within 30 days of an event end date.

Such delayed billings increase the risk of nonpayment and slow the City recovering the costs incurred.

- Although contract terms require the event producers to pay a specific agreed-to facility use fee, WestWorld sometimes billed less.

Specifically, for two equestrian events, WestWorld billed approximately \$7,000 less than the specified facility use fee. In these cases, the event producers downsized their events and used fewer arenas than originally planned.

The WestWorld management analyst explained that they consider the contract amounts to be an estimate and, instead, charge fees based on actual usage. However, the event contract terms do not provide that option. The practice of allowing events to downsize without paying any related costs can encourage event producers to overstate their expected attendance to obtain discounted rates, secure their desired dates, and reserve most of the property without having to use those facilities. This then limits WestWorld’s ability to host larger or multiple events on the same dates.

Facility Use Agreement Terms

5.1 Licensee *shall* pay to the City the amount of ... for use of the facility (“Use Fees”). (*emphasis added*)

SOURCE: Review of eleven executed licensing agreements

- When an event’s move-in or move-out dates were changed, the parties did not amend the contract.

The event contract terms and conditions allow the event producers to use specific facilities on specific dates and times. In two instances that we noted, event producers extended their use for a total of three extra days to either move in or move out. WestWorld staff did not bill these extra days to the events.

- Billing discrepancies for eight events totaled about \$24,000 less than work indicated in the event records or the cost based on Council-approved rates, as follows:

Event Type	Stall Usage	Water and Drag Arenas	Other Services	Total
Seven equestrian events	\$ 6,837	\$ 16,450	\$ 336	\$ 23,623
One non-equestrian event	0	0	297	297
Total	\$ 6,837	\$ 16,450	\$ 633	\$ 23,920

Four event producers were billed \$6,837 less for stall use than recorded by WestWorld staff. In one instance, WestWorld did not bill for stalls used on the last day of the event. In two others, the event producers did not agree with the original stall use charges, so WestWorld management decreased the bill accordingly. If WestWorld management does not consider the event sheet data to be accurate, a more reliable tracking method is needed. Another event producer was not charged for use of one stall.

Staff-recorded services for watering and dragging arenas were underbilled by \$16,450. For one event that ran almost 24-hours a day, WestWorld management negotiated a \$40 rate for each overnight watering and dragging service and a one-time fee of \$5,000 for all watering and dragging services during regular hours. Because WestWorld staff watered and dragged arenas 942 times for this event, the overnight drag fees plus the lump-sum fee for regular hours equated to \$7.86 for each service. Therefore, this event producer paid far below the City Council-approved

\$25 rate per service and received a discount of \$16,150. One other event had a billing discrepancy of about \$300 based on actual use documented in event sheet data.

Other smaller billing discrepancies totaling \$633 included documented usage versus charges for equipment rental, haul offs, and property damage.

C. Opportunities exist to streamline WestWorld operations and improve the customer experience by enhancing the website services.

- Currently RV reservations can only be made by contacting the WestWorld RV office by phone. Staff manually input the customer's reservation into the reservation system and separately process credit card payments through a different system. Then the transaction information is manually entered into a city cashiering system, which transfers information to the general ledger.
- Subsequently, during the event, the RV customers must stop by the RV office to get their reservation details, which can result in lines of customers waiting for service. Allowing customers to make online RV reservations could provide several benefits, including allowing the customer to choose their RV space from those currently available, eliminating customer wait lines, and requiring the customer to agree to WestWorld terms and conditions prior to confirming the reservation. The WestWorld website can be enhanced by providing facility maps along with a comprehensive list of rentable event spaces and their key features. Some similar equestrian and event facility websites provide detailed information such as facility maps listing event room and arena dimensions, square footage, ceiling heights, number of 10-foot-by-10-foot booths, seating capacity, number of meeting rooms, and their rental rates.

This type of website information can help market WestWorld by allowing a potential customer to initially assess how to address their event needs and budget.

Recommendations:

WestWorld management should:

- A. Calculate and report facility utilization rates as percentage of available capacity to allow for more comprehensive monitoring of usage and assist with planning and marketing efforts.
- B. Obtain and implement technology systems with input and processing controls for facility management and event scheduling. Ensure that the systems include reporting capabilities to streamline the billing process. Also:
 1. Establish a timeliness goal for completing the billing process and monitor actual performance against the goal.
 2. Ensure contract terms are applied and develop an approval and documentation method for the event that any changes are appropriate. Further, establish a cancellation or modification fee for changes made to the reserved facilities within a defined time period of the scheduled event.

- C. Ensure the WestWorld website is updated to provide better customer service. Specifically, provide an online RV reservation system as well as adding maps of rentable event spaces along with key features and rental fees.

MANAGEMENT ACTION PLAN

1. Negotiated facility rates do not consider the event labor hours, and rate and fee information does not accurately evaluate cost recovery.

Recommendations:

WestWorld management should:

- A. Develop a sliding scale for discounting facility rates based on the amount of other related guaranteed revenues and prepare and retain analyses that support additional discounts provided.
- B. Evaluate ways to include the routine event services into facility rates, such as telephone and internet, or require guaranteed minimums, such as horse stall counts, to streamline the operational and billing processes.
- C. Conduct a more thorough RV rate analysis including other event facilities and the local market area. As well, evaluate whether RV fees are needed to address no-shows and extensive cleanup activities.
- D. Use full-cost calculations when developing facility rates and fees. These full-cost rates should then be evaluated against the competitive market rate limitations before recommending rates and fees for City Council approval.

MANAGEMENT RESPONSE: Agree

PROPOSED RESOLUTION:

- A. WestWorld will continue to review and address facility rates within our contract terms with equestrian and special events and will analyze those adjustments and when reduced rates should be considered.
- B. WestWorld staff has been researching software and technology opportunities (laptops/cell phones) to assist with routine event services, rates, and fees to efficiently improve current billing practices.
- C. R.V. rates were slightly increased in Fiscal Year 2021/22. With the upcoming budget prep for FY2023/24, staff has been researching and benchmarking similar R.V. rentals and will be bringing forward for Council consideration new fees this Fiscal Year.
- D. We are and have been reviewing full cost consideration for the entire facility, while comparing similar facilities in which we are competing for equestrian events from across similar venues in the United States (Texas, California, Florida, Nevada and Oklahoma).

WestWorld staff will assess pricing policies and submit a proposal to Community Services Management in Fiscal Year 2022/23

RESPONSIBLE PARTY: WestWorld Management General Manager / Community Services Executive Director

COMPLETED BY: William B. Murphy, Assistant City Manager

2. Opportunities exist to improve facility use monitoring, marketing, billing, and RV processes.

Recommendations:

WestWorld management should:

- A. Calculate and report facility utilization rates as percentage of available capacity to allow for more comprehensive monitoring of usage and assist with planning and marketing efforts.
- B. Obtain and implement technology systems with input and processing controls for facility management and event scheduling. Ensure that the systems include reporting capabilities to streamline the billing process. Also:
 1. Establish a timeliness goal for completing the billing process and monitor actual performance against the goal.
 2. Ensure contract terms are applied and develop an approval and documentation method for the event that any changes are appropriate. Further, establish a cancellation or modification fee for changes made to the reserved facilities within a defined time period of the scheduled event.
- C. Ensure the WestWorld website is updated to provide better customer service. Specifically, provide an online RV reservation system as well as adding maps of rentable event spaces along with key features and rental fees.

MANAGEMENT RESPONSE: Agree

PROPOSED RESOLUTION:

- A. WestWorld will be working with the EventPro software program to update calendars. These updates/upgrades will not only include booked events but noting days/arenas that are unusable because of event turnovers or incompatibility with another event on site.
- B. The EventPro software program has the capacity for creating calendars, facility usage, invoicing and contracts. We are currently in the process of submitting a Sole Source request to the City's Purchasing Department for EventPro software. Once that Sole Source contract has been executed, we will schedule a training for all relevant staff.
 1. With our new management in place beginning November 7, 2022, evaluation of current work order input is being explored with the Community Services Work Order system. Some events such as Barrett Jackson require information from outside sources (i.e., APS charges) which delays the invoicing process.
 2. WestWorld Staff will list any changes to usage in contract on the final invoice in addition to noting within the event file.

WestWorld charges a deposit fee on all contracts of \$1,500.00 or 10% of Base Use Fee (the total of all facilities rented) whichever is greater. This is a non-refundable fee. If Producer cancels within 90 days of the event. Producers pay the entire Base Use Fee.
- C. National Western Capital Corporation is responsible for the WestWorld website content and has hired a website company to create a completely new and upgraded

website. The new website will include the ability to add event photos, event videos and additional information for ease of access to all WestWorld amenities. This website is targeted to go live the week of November 21, 2022.

- D. The online access by customers should be limited only to customer information, RV description/space required and a request for a space.

WestWorld staff will make targeted improvements to the programs and websites throughout FY2022/23; review and revise event contract in FY2022/23;

RESPONSIBLE PARTY: WestWorld Management General Manager / Community Services Executive Director

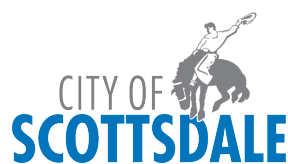
COMPLETED BY: William B. Murphy, Assistant City Manager

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