

Executive summary | Roundtable XI | March 7, 2023

Wipfli Tribal Gaming CFO Peer Exchange

Hosts: Grant Eve and Barnaby Allen | Wipfli

Facilitator: Josh Iverson | Profitable Ideas Exchange (PIE)

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Introduction

Fifteen chief financial officers (CFOs) from tribal gaming facilities met virtually to share leading practices and discuss topics of mutual interest based on an agenda created through a series of pre-interviews.

From Wipfli, tribal industry leader Grant Eve and tribal gaming practice partner Barnaby Allen hosted the exchange, and PIE's Josh Iverson facilitated.

The focus of the discussion covered the following topics over the course of the hour:

- Gaming revenue updates and market predictions
- Managing costs

Gaming revenue updates and market predictions

Wipfli's Grant Eve and Barnaby Allen opened the conversation by sharing statistics from the [American Gaming Association's 2022 commercial gaming revenue report](#) and [Wipfli's 2023 tribal gaming CFO survey](#).

- According to the report, the commercial gaming industry set a record high of \$60.4 billion in total gaming revenue, which marks a 14% increase from 2021.
- A survey conducted by Wipfli revealed that 81% of CFOs were confident that their financial stability had exceeded pre-COVID levels, and 66% indicated that they anticipated a 1-10% increase in revenue for 2023.
- Yet despite record revenue and high profits in 2022, CFOs are still concerned about rising labor costs with shrinking talent pools and are working on plans in the event of a possible market downturn.
- The main areas of concern other than labor for tribal CFOs are infrastructure and construction planning, cybersecurity and strategic planning.

Gaming revenue updates and market predictions

The CFOs shared microeconomic trends they follow in their immediate market, including the impact of local real estate prices as well as volatility in other industry sectors (i.e., oil and gas) impacting their operations.

- Most members reported a drop in their player bases, and gaming operations have had to rely more on bigger spenders. CFOs are also wary of impending interest rate hikes and a volatile job market that could impact turnout. Gaming operations that have been able to maintain or increase their volume attribute most of their success to their location in larger population centers.
- Meanwhile, other casinos are finding their clientele to be more vulnerable to seasonality and gas prices. From a macroeconomic standpoint, there is some broad uncertainty in all corners of the gaming industry as CFOs wait to determine the unintended impacts from possible additional Fed interest rate increases coming later this year.

Managing costs

CFOs are keen to explore cost containment strategies to stay ahead of potential challenges.

- Since restaurants are often viewed as marketing initiatives, many facilities have started to scale back on some of their COVID-19 protocols, given the CDC's evolving stance on the virus. While casinos will still provide masks and gloves upon request, most are beginning to phase out, or have completely phased out, some of the protective shields and weekly testing procedures.

Although routine expenses, such as food and beverage costs, are already impacting budgets, many CFOs are cautious not to transfer too much or any of these increases to customers.

- Casinos in metropolitan areas have slightly raised food costs to align with the rest of the area without receiving too much backlash.
- Some CFOs are seeking to renegotiate vendor agreements to save costs. One organization has even created a food buyer role to find the best pricing for food costs instead of relying on vendor commitments.

Managing costs

CFOs are also interested in finding the right balance between the number of employees and the increasing cost of labor, as well as determining which positions are truly necessary.

- Due to a shrinking labor pool, casinos have had to overwork their current staff, which in turn gives workers grounds to ask for higher compensation. In seeking to attract more talent, one organization decided to advertise their benefits. They believe that their benefit packages are competitive against those of larger corporations that typically hired from the same talent pool in the same hourly pay range.

To keep up with the increasing wage demands across all industries, CFOs have been forced to implement retention strategies.

- These strategies include offering larger bonuses to their tenured employees to keep them on board, while also looking for ways to supplement their workforce.
- One organization was able to attract new talent by offering bonuses to seasonal workers who stayed for the summer after the ski season.
- Another organization has tried an approach called daily pay, which allows employees to take out an advance on their paycheck of up to \$500. The organization found that 25% of their employee base regularly used the app.

Managing costs

CFOs are also exploring the use of technology to reduce labor costs.

- Some organizations shared their success stories of implementing software to automate the cage and revenue audit process. This has been integrated into the cloud-based Sage Intacct accounting system, which further automates the process. They reported faster and more accurate responses from their accounting departments.

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The idea of using health clinics to attract and retain employees has also been explored.

- Due to the COVID-19 pandemic, many tribal gaming centers, with their large commercial footprint, were able to create testing centers that evolved into on-premises health clinics for employees.
- It is now being considered whether extending these benefits to immediate family members would be an effective way to attract talent. Some organizations have even intensified their efforts to provide healthcare benefits to their employees, such as removing or significantly reducing copays or implementing self-insurance.



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