

**SMG - RFP PROPOSAL 2012
COMPARISON OF RATE STRUCTURE**

HISTORY:

During the 2009 contract renewal, SMG and the City of Corpus Christi established annual management fees in the amount of \$180,000 for the combined complex (Arena, Convention Center and Selena). Under the City's directive, SMG contracted with Centerplate as the complex's Food & Beverage provider for annual management fees of \$73,500. Both management agreements allow for an annual increases in fees based on changes in the Consumer Price Index. In addition, SMG made a lump-sum capital contribution in the amount of \$100,000.

The following is a summary of the terms of the current management contracts, actual rates for 2012-2013, and projections for 2013-2017 (estimated 2% annual increase):

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
SMG Management Fees	\$ 191,745	\$ 195,580	\$ 199,492	\$ 203,482	\$ 207,551
Centerplate Management Fees	<u>78,241</u>	<u>79,806</u>	<u>81,402</u>	<u>83,030</u>	<u>84,690</u>
Total Annual Management Fees	\$ 269,986	\$ 275,386	\$ 280,893	\$ 286,511	\$ 292,242

Projected 5-year Financial Commitment: **\$ 1,405,018**

PROPOSAL:

The management fee structure as proposed in the 2012 RFP response presents annual management fees for both the complex and Food & Beverage (combined). Beginning in 2012-2013, the cumulative management fee for both complex and Food & Beverage management services is \$125,000. As in the prior contract, increases in the management fees are allowed for based on the Consumer Price Index. Additionally, SMG is proposing a \$250,000 lump-sum grant.

For the purposes of a conservative comparison, annual incentive fees of \$24,200 are included in the following forecast:

	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
SMG Management Fees	\$ 125,000	\$ 127,500	\$ 130,050	\$ 132,651	\$ 135,304
Incentive Fees	<u>24,200</u>	<u>24,200</u>	<u>24,200</u>	<u>24,200</u>	<u>24,200</u>
Total Annual Management Fees	\$ 149,200	\$ 151,700	\$ 154,250	\$ 156,851	\$ 159,504
less: SMG financial grant	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>
Total Annual Financial Commitment	\$ 99,200	\$ 101,700	\$ 104,250	\$ 106,851	\$ 109,504

Projected 5-year Financial Commitment: **\$ 521,505**

SUMMARY:

A comparison of management fees over the next five (5) years under the current contract terms vs. the proposed terms results in the following:

5 yr. projection (Current Terms)	\$ 1,405,018
5 yr. projection (Proposed Terms)	<u>521,505</u>
Savings under proposed terms:	<u>\$ 883,513</u>