

City Comparison

History

The 2009 management agreement with SMG instituted annual management fees of \$180,000 for all facilities (Arena, Convention Center and Selena) and annual management fees of \$73,500 for the complex's Food & Beverage operations with Centerplate. Both management agreements allow for 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, which was amortized over the first three (3) years of the contract.

Proposal

The management fee structure as proposed in the 2012 RFP response presents annual management fees for both the complex and Food & Beverage (combined). Under the terms of the Proposal, the cumulative annual management fee 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, to be amortized over the 5-year term of the contract (\$50,000/year).

Comparison

Comparing the financial impact of the current terms vs. the proposed terms over the next two (2) years is straightforward; however, in order to present a 5-year “apples-to-apples” comparison, certain assumptions must be made for years 3 – 5. For the purposes of this illustration, the first three (3) years of the RFP Proposed Terms are applied to fiscal years 2015-2017; however, this is purely for the sake of argument and not an assurance of agreed upon rates for those time periods.

Scenario A

EXISTING AGREEMENT + ASSUMPTION

	Year 1	Year 2	Year 3	Year 4	Year 5
	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017
SMG Management Fees	\$191,745	\$195,580	\$125,000	\$127,500	\$130,050
Centerplate Management Fees	\$78,241	\$79,806	\$0	\$0	\$0
Total Annual Management Fees	\$269,986	\$275,386	\$125,000	\$127,500	\$130,050
Projected 5-year Financial Commitment from City	<u>\$927,922</u>				

Scenario B

SMG PROPOSAL

	Year 1	Year 2	Year 3	Year 4	Year 5
	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017
SMG Management Fees	\$125,000	\$127,500	\$130,050	\$132,651	\$135,304
SMG Financial Grant	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Projected 5-year Financial Commitment from City w/o Grant	<u>\$650,505</u>				
Difference between Scenario A & B without Grant	<u>\$277,417</u>				
Projected 5-year Financial Commitment from City w/ Grant	<u>\$400,505</u>				
Difference between Scenario A & B with Grant	<u>\$527,417</u>				

Summary

Based on this analysis, the City of Corpus Christi could realize approximately \$277,417 in total cost savings related to the base management fee for the American Bank Center for a five-year agreement. As part of their proposal, SMG is prepared to make available a grant of \$250,000 (\$50,000 per year for five years); to fund any needs at the American Bank Center. City Staff would determine the best use of these grant funds. The cost savings combined with the potential grant funds could result in a net financial benefit to the City of approximately \$527,417 over five-years.