

4.2.5 Cost

Proposers are to include a line item for the cost of the proposed services. The cost of the services would be the direct costs associated with the proposed services. The cost of the services would be the direct costs associated with the proposed services. Additionally, the City reserves the right to accept or reject any proposal when certain financial characteristics are met and/or when the proposed services are not in the best interest of the City and all other proposals will be considered.



PROPOSED FEE STRUCTURE
CITY OF CORPUS CHRISTI-AMERICAN BANK CENTER COMPLEX
JULY 6, 2012

AS WITH ALL OUR CLIENTS, WE REMAIN FLEXIBLE WITH REGARD TO THE OVERALL COMPENSATION STRUCTURE AND WILL WORK CLOSELY WITH THE CITY TO ARRIVE AT BUSINESS TERMS WHICH MEET ALL OF OUR MUTUAL GOALS FOR SUCCESSFUL OPERATION OF THE EVENT FACILITIES.

Management & Food and Beverage Services

Term:

5 years with an option to extend the contract for three additional one (1) year periods at the discretion of the City, per the RFP.

Base Fee:

For all services referenced in the RFP an annual base fee of \$125,000; subject to annual increases based upon the change in CPI. (THIS IS APPROX. A \$150,000 PER YEAR REDUCTION AS COMPARED TO THE CURRENT FEE STRUCTURE FOR BOTH MANAGEMENT AND FOOD AND BEVERAGE COMBINED)

Incentive Fee:

In order to qualify for any incentive payments SMG must achieve both of the following:

- A) Must exceed the approved annual operating budget
- B) Must exceed the current 30% Operating Profit Margin for the F&B Operation, based on the current calculation with the existing food service provider.

If SMG achieves the above two criteria it will be eligible for an incentive fee based on the following criteria:

1. **Financial (Revenue-Based) Incentive Fee (up to 80% of base fee):**
SMG would earn 20% of Operating Revenues in excess of an agreed upon benchmark.

2. **Non-Financial Incentive Fee (up to 20% of base fee):**
In addition, SMG would be eligible for an incentive fee based upon the City's evaluation of SMG's performance on mutually agreeable goals in the following suggested areas:
• Annual Client Satisfaction Goals (10% of base fee)
• Annual Maintenance/ Capital Goals (10% of base fee)

Cash Commitment:

SMG is prepared to make available a \$250,000 grant to be used by the City to fund any needs at the Complex. In recognition of the City's priority for maximizing revenues and economic impact to the downtown area, and as referenced in the recently completed performance audit, this may be a source of funds to help supplement the Convention Event Fund (CEF) to increase economic activity or offset any transition expenses related to the Food & Beverage operation (licensing, permits, etc.). In the event SMG's agreement is terminated for no cause prior to the end of 5 years, it would be entitled to the unamortized balance of the investment. If the agreement is terminated for cause, there would be no repayment.

When you take into account SMG's capital contribution, the net cost to the City on an annual basis is \$75,000 per year.

SMG would be willing to adjust its base fee accordingly if the City is interested in adjusting the Cash Commitment by SMG.