

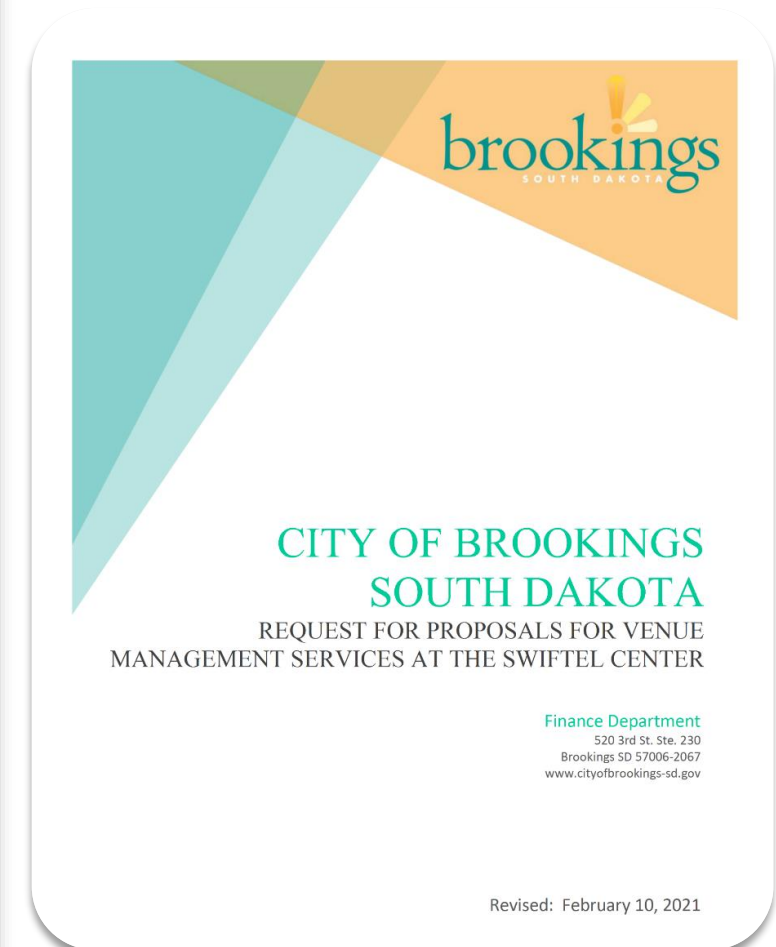


RFP for Management Services of the Swiftel Center

Contract Award
Recommendation

The RPF Process

- The current contract with VenuWorks has been in place for 20+ years and it naturally terminates on 7/31/21
- The City decided to seek competitive bids & explore options
- VenuWorks and Spectra submitted responses to the RFP on 3/12/21
- A Selection Committee composed of city employees and Swiftel Center's Advisory Board members reviewed, analyzed and compared the two proposals received
- The analysis included evaluating the following key areas
 - Long term financial impact (both to the city and to the community)
 - Treatment of current venue staff
 - Community support
 - New business opportunities
 - Reference checks



Spectra's Proposal

\$1.58M estimated profit margin improvement within five yrs., \$508K more than the other proposal = reduced annual subsidy from ~\$450K to \$54K by year five. Will also contribute \$425K for investments with no payback

20% increase in event days and 45% increase in attendance by year five = + \$1.3M annual incremental economic impact to our community

Will extend job offers to all current staff. Offers will be made at least at their current salaries with comparable benefits honoring current employee tenure for benefits accrual

Provide additional tools and resources to help employees succeed. Will add two full time employees to help support the work load

Successful track record of financial performance and community engagement with peer communities. Excellent customer satisfaction in currently operated venues

Innovative culture, identified a number of untapped opportunities in our market

* Please refer to [Appendix](#) for additional information on the evaluation of the two proposals received

Spectra's Company Profile



Spectra	
Headquarters	Philadelphia, PA
Year in Business	21
# Facilities Managed	188
# Employees	2,800
Ownership	Atairos (PE firm in Majority)/Comcast-Spectacor (significant minority owner)
Financial Stability	Heavily investing in growth strategy
Depth of Senior Management	Senior leadership is very strong Long-tenured with company/industry

ATAIROS GROUP PARTNER COMPANIES



COMCAST SPECTACOR ENTITIES



Appendix



Swiftel Center 3-Year Financial History

- The Center is operating on a \$448K 3 yr. average deficit or 22% of total revenues
- This basis was used to compare bidders' pro forma projections

	Dec-18	Dec-19	Dec-20	3-Year Avg
Building Rent Income	\$235,131	\$211,683	\$179,148	\$208,654
Contractually Obligated Income	\$188,220	\$190,559	\$176,975	\$185,252
Reimbursed Event Expenses	\$563,811	\$469,321	\$368,531	\$467,221
Contributed Income	\$0	(\$16,431)	\$268,607	\$84,059
Food & Beverage Income - Concessions	\$1,105,424	\$802,878	\$312,642	\$740,314
Food & Beverage Income - Catering	\$70,444	\$223,627	\$405,064	\$233,045
Other Event Income	\$29,593	\$214,260	\$57,152	\$100,335
Other Income	\$1,156	\$12,213	\$14,442	\$9,270
Revenue	\$2,193,779	\$2,108,110	\$1,782,560	\$2,028,150
Personnel Expense - Full-Time	\$791,319	\$802,307	\$710,433	\$768,020
Personnel Expense - Part-Time Support	\$14,288	\$14,337	\$19,882	\$16,169
Personnel Expense - Part-Time Event	\$340,021	\$327,326	\$204,758	\$290,702
Personnel Expense - Taxes, Benefits & Fees	\$344,929	\$344,811	\$311,622	\$333,787
General & Administrative Expense	\$41,974	\$47,778	\$89,947	\$59,900
Occupancy Expense	\$321,476	\$324,049	\$261,739	\$302,421
Services & Ops/COGS/F&B	\$784,817	\$764,893	\$568,182	\$705,964
Expense	\$2,638,823	\$2,625,501	\$2,166,564	\$2,476,963
Net Operating Income (Loss) - including fees	(\$445,045)	(\$517,391)	(\$384,004)	(\$448,813)
Actual/Projected Fees & Commissions				
Base Fee	\$98,430	\$100,399	\$103,411	\$100,747
Commission	\$7,937	\$7,622		\$7,780
Total Fees & Commissions	\$106,367	\$108,021	\$103,411	\$105,933
Net Operating Income (Loss) - excluding fees	(\$338,677)	(\$409,370)	(\$280,593)	(\$342,880)

Figures taken directly from City of Brookings Financials

VenuWorks

- Increased Naming Rights revenues
- Increased Advertising sold on new inventory purchased with Capital Investment
- Increased other event revenues based upon bounce back of the business
- Indirect expenses stable
- Event and food related variable expenses increase proportionally with revenue increases

Spectra

- Increased Naming Rights and other partnerships (advertising) revenues
- Increased other event revenues based upon increase in projected events & attendance
- Indirect expenses stable; staffing higher as a result of adding an assistant general manager
- Spectra did not have the benefit of current staff salaries, so this could change
- Event and food related variable expenses increase proportionally with revenue increases

Pro Forma Estimates



VenuWorks

	2022	2023	2024	2025	2026
Net Operating Income - before fees & commissions	(\$138,539)	(\$116,276)	(\$91,692)	(\$64,629)	(\$34,920)
Projected fees & commissions	\$135,332	\$140,499	\$145,888	\$151,509	\$157,374
Net Operating Income	(\$273,871)	(\$256,775)	(\$237,580)	(\$216,138)	(\$192,294)
Projected Savings Over 2018-20 3-Yr Avr NOL	\$174,942	\$192,038	\$211,233	\$232,676	\$256,520
Cumulative 5-Year Savings to City					\$1,067,409

Spectra

Net Operating Income - before fees & commissions	(\$98,126)	(\$2,925)	\$51,555	\$106,835	\$152,932
Projected fees & commissions	\$131,657	\$163,483	\$180,707	\$195,366	\$206,969
Net Operating Income	(\$229,783)	(\$166,409)	(\$129,152)	(\$88,532)	(\$54,037)
Projected Savings Over 2018-20 3-Yr Avr NOL	\$219,030	\$282,404	\$319,661	\$360,282	\$394,777
Cumulative 5-Year Savings to City					\$1,576,154

VenuWorks vs. Spectra projected NOI/L	(\$44,088)	(\$90,366)	(\$108,428)	(\$127,606)	(\$138,257)
Difference to City of Brookings) ----->					(\$508,745)

Financial Proposal Comparison



	VENUWORKS	SPECTRA
CONTRACT TERM		
Term:	5 years with a 5 year renewal option	5 years and 5 months* with a 5 year renewal option
Stub Year:	N/A	August 1, 2021 - December 31, 2021
Initial Term:	August 1, 2021 - July 31, 2026	January 1, 2022-December 31, 2025
Renewal Term:	August 1, 2026 - July 31, 2031	January 1, 2026-December 31, 2030 <i>*to align contract with City's fiscal year end</i>
FEE STRUCTURES		
Base Management Fee	\$60,000 per year (\$5,000 per month)	\$75,000 annually (\$6,250 per month)
CPI Increase	Fixed 3% per year	Based on change in the local CPI (index TBD)
Cap on CPI	N/A	No more than 3% per year
Food & Beverage Fee	5% of Gross Sales	None - included in Base Management Fee
Sponsorship Commission	5% of Gross Sales	20% of gross sales in excess of \$200,000 (a benchmark which is \$10,000 in excess of current annual revenues)
Financial Incentive Fee	None	Starting as of 1/1/22 - no fee in stub year 25% of the improvement in NOI/L from (\$200,000) to Breakeven 12.5% of the improvement in NOI/L from to Breakeven to \$200,000 17.5% of the improvement in NOI/L in excess of \$200,000 (above is not retroactive)
Qualitative Incentive	None	Starting as of 1/1/22 - no fee in stub year - up to \$20,000 annually (1) Customer Service (2) Achievement of Annual Event/Fiscal Goals (3) Community Stakeholder Involvement (4) Repairs & Maintenance/Capital Planning/Asset Protection (5) Quality of Management, Operations, and F&B Services
Fee Rebate/Trigger	Will rebate up to \$35,000 of F&B fee if they don't make annual bottom-line budget	Will not qualify for Qualitative Incentive if they don't make annual bottom-line budget





Financial Proposal Comparison

	VENUWORKS	SPECTRA
<u>CAPITAL INVESTMENT</u>		
Amount(s)	\$350,000	\$425,000 (was \$325,000) August 1, 2021 Spectra will cover all costs of transition (~\$25K) January 1, 2022 \$225,000 amortized over 10 years January 1, 2023 \$100,000 amortized over 9 years January 1, 2026 \$100,000 amortized over 5 years
Use(s)	Food and Beverage enhancements and electronic signage upgrades	Booking Fund or agreed upon revenue producing initiatives
Treatment	Interest Free Loan	Grant
Payment	Paid back over 120 months as an operating expense	None during active term of agreement
Termination	Unpaid balance paid if terminated before end of agreed upon amortization/payback period	Unpaid balance paid if terminated before end of agreed upon amortization/payback period
<u>EVENT FUND</u>	\$250,000 Was not specific on how fund is treated Need to understand treatment of Fund	Included as part of Capital Investment above Suggesting \$225,000 but flexible



Overall Financial Proposal



	VenuWorks	Spectra	Notes
Competitive Base Fee	✓✓	✓	VW significantly lowered its base fee
Incentive Based Compensation	✓	✓✓✓	VW based upon only F&B sales. Spectra on bottom-line improvement plus qualitative factors. Spectra's benchmark on bottom line requires significant improvement before earning.
Capital Investment	✓	✓✓✓	Overall amounts close. VW is a loan paid back via Swiftel operation. Spectra is a grant only paid back if terminated early.
Event Fund Contribution	✓✓	✓	VW slightly higher amount. Controlled by VW. Spectra as part of capital investment.
Other Cash Considerations	✓✓	✓	VW corporate will absorb and repay current \$78K cash loan to the Center Spectra offering small annual marketing contribution & scholarships to SDSU
Overall Projected Deficit Reduction	✓	✓✓	Both companies projecting savings after fees
Estimated Economic Impact to the Community	✓	✓✓	Spectra projecting increases in both event days and attendance driving more economic impact





Estimated Economic Impact to the Community

<i>*Assuming \$20 of direct spend per attendee</i>	Flat from 2019	Increased from 2018
Attendance (people)	110,514	167,131 (45% increase)
Event Days	335	436 (20% increase)
Estimated Direct Spend in the Community	\$2,210,280	\$3,342,627
Direct Spend VW vs. Spectra (W)/B	(\$1,132,374)	\$1,132,347
Direct Spend Increase for Each 10% increase in attendance		\$230,526

- Spectra estimates increasing event days by 20% and attendance by 45% by year 5
- This would significantly increase the direct and indirect economic impact in our City
- VenuWorks estimated their event days and attendance flat to 2019 for the next 5 years



Comparable Venues & References (1/2)



Venue, City Population, Max Seat Capacity	Key Feedback from City Management
Ford Idaho Center – Nampa, ID <ul style="list-style-type: none">• 94,000• 12,279 seat capacity	<ul style="list-style-type: none">• Spectra is supportive of community events• Have performed financially better than expected• Excellent Customer Service• The number of quality events has increased due to Spectra
Alerus Center – Grand Forks, ND <ul style="list-style-type: none">• 56,000• 21,000 seat capacity• <i>Transitioned from VW to City to Spectra</i>	<ul style="list-style-type: none">• Very involved in the community• They've opened our eyes to what can be achieved, and they've turned things around from a net loss to a net profit• Before them we couldn't sell the 13 suites we have, now there is a wait list for them• Excellent Customer Service
Ralston Arena – Ralston, NE <ul style="list-style-type: none">• 7,314• 4,400 seat capacity	<ul style="list-style-type: none">• Still losing money; however, not as much as previously• Developed procedures and processes on how to best run the arena• When there is a marketing or sales need, they bring in staff from other markets for support
Tyson Events Center– Sioux City, IA <ul style="list-style-type: none">• 82,531• 10,000 seat capacity	<ul style="list-style-type: none">• During COVID, GM was proactive, cutting costs, making hard decisions• Spectra uses its large network of venues to gain knowledge on which shows will work and also to negotiate show rates• They are always pushing the limits on how we can reduce deficit



Comparable Venues & References (2/2)



Venue, City Population, Max Seat Capacity	Key Feedback from City Management
Ford Park – Beaumont, TX <ul style="list-style-type: none">• 118,000• 8,500 seat capacity• <i>Transitioned from ASM</i>	<ul style="list-style-type: none">• They cut costs and kept up with maintenance and upkeep• Spectra brought in more events prior to COVID• Led an Energy Conservation Program• Excellent customer service, they are very responsive
Tony's Pizza Event Center – Salina, KS <ul style="list-style-type: none">• 46,200• 7,583 seat capacity	<ul style="list-style-type: none">• They secured multiple large sponsorships as a result of their efforts in the community• They are meeting their proforma financials• Rates their customer service 10/10
Hill Country Youth Event Center – Kerrville, TX <ul style="list-style-type: none">• 23,370• 4,000 seat capacity	<ul style="list-style-type: none">• Work with hotels and to bring conventions• They are very aware of our community and innovate accordingly• Have exceeded our expectations• They have always met budget or exceeded it
Stride Bank Event Center – Enid, OK <ul style="list-style-type: none">• 50,394• 4,000 seat capacity	<ul style="list-style-type: none">• The event center has improved and closed the operations deficit by 50%• Created innovative events to generate additional revenue such as partnering with downtown Main Street to run an ice rink during the holidays in the parking lot



Comparable Venues & References

Conclusion

We acknowledge that Spectra is new to the City of Brookings market and that a number of these venues are different from the Swiftel Center (i.e. amenities, market size, competition), but we also realize that these venues are also different from each other.

The reference checks provided us with evidence that Spectra is very effective in adapting to each community and in developing and executing market-specific strategies and operational plans successfully.