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City of Racine, Wisconsin
COMMON COUNCIL

AGENDA BRIEFING MEMORADUM (ABM)

COMMITTEE: Civic Centre Commission **LEGISLATION ITEM #:** 876-17

AGENDA DATE:

Wednesday, September 6, 2017; Common Council: Wednesday, September 20, 2017

DEPARTMENT:

Prepared By: Jim Palenick, City Administrator

Reviewed By: Dennis Wisner, Mayor

SUBJECT:

To discuss, and possibly recommend approval for Addendum Number 3 to the Management Agreement between the city of Racine and VENUWORKS for ongoing management, operations, and marketing services associated with Festival Hall, Festival Park, and Memorial Hall.

EXECUTIVE SUMMARY:

The current contract the City has in place for the ongoing management, operations, and marketing of Festival Hall, Festival Park, and Memorial Hall, with VENUWORKS is set to expire effective December 31, 2017. By Contract, VENUWORKS has been the sole operator and manager of these facilities since January 1, 2012, and has pursued and completed their responsibilities in complete compliance with contract terms throughout, while also increasing the number of yearly events and facility users and decreasing the total yearly subsidy the City pays to operate and maintain these venues. Because it would be in the City's best interest to not bid these operations out until we could do so knowing whether there will be a major, new additional venue (multi-purpose event center) to add to the list; and, because we will be in best position to know the specific nature of what, and if, the operations of such an event center will then entail; we feel best served for the below-described reasons (Background & Analysis) to recommend an Eighteen (18)-month contract extension with VENUWORKS for the term of January 1, 2018 through June 30, 2019.

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31 **BACKGROUND & ANALYSIS:**

32 If we bid the venue operations out now, for a multi-year period, we would be precluding the bidding
33 out of the possible operation and management of the event center at the likely time it will be
34 necessary to get the selected operator working in partnership, in advance, with the Architect and
35 Construction-Manager-at-Risk (12-20 months). Further, to bid these operations out for a single year
36 (while firms are aware we are looking at a new event center) would likely elicit no real competition or
37 interest. In turn, however, by extending the current contract terms with VENUWORKS, we achieve
38 continued quality operations with no increase in costs while also getting assistance from VENUWORKS
39 Staff with the following important efforts:

- 40 1.) Securing an exterior naming rights sponsor for the proposed event center consistent with the
41 milestone achievement requirement established by resolution.
42 2.) Securing the negotiated deal structure required to commit an anchor-tenant, USHL hockey
43 franchise for the event center further consistent with the milestone achievement requirement
44 established by resolution.

45 These efforts are to be provided by VENUWORKS without additional charge or commission, except
46 that appropriate out-of-pocket expenses will be reimbursed. Further, should the City not continue to
47 contract with VENUWORKS following the 18-month extension, we would then be obligated to pay a
48 lump-sum total of \$25,000 (still without commission). This is in comparison to proposals from other
49 similar, national venue consultants/naming rights firms who quoted non-refundable retainers of
50 \$35,000, whether successful or not, and commissions up to 22 ½% if successful. Because VENUWORKS
51 would like to continue to build goodwill with the City and further develop its relationship which might
52 allow it to compete favorably for the operations contract for a future event center, the firm is offering
53 to continue the current contract without altering the financial terms and to add some very generous
54 support efforts for the event center milestone achievement requirements.

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56 **BUDGETARY IMPACT:**

57 Current terms of the Management Agreement with VENUWORKS requires the City to pay
58 VENUWORKS a yearly “base management fee” of \$70,000, adjusted upward each January 1st following
59 2013, by the annual change in the Consumer Price Index. In addition, VENUWORKS can achieve
60 additional yearly “variable fees” which are performance-based and equal to no greater than 50% of
61 the subsidy savings they can achieve year-over-year. The City has budgeted for these fees in advance.
62 To the extent VENUWOPRKS continues to achieve year-over-year subsidy savings, the city will see its
63 budget for the Civic Centre continue to decline.

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65 **OPTIONS/ALTERNATIVES:**

66 The Civic Centre Commission may recommend to the Common Council of the City:

- 67 **1.) Adopt Addendum #3 to the Management Agreement with VENUWORKS extending the current**
68 **agreement for a period of 18-months, through June 30, 2019, including the extra services for**
69 **support of the proposed event center without charge.**
70 **2.) Reject the Addendum to extend the VENUWORKS contract and instead bid out the**
71 **management of the Civic Centre facilities for some term following January 1, 2018.**

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73 **RECOMMENDED ACTION:**

74 **That the Civic Centre Commission recommends that the Common Council of the City adopt Addendum**
75 **#3 to the Management agreement with VENUWORKS extending the current agreement for a period**
76 **of 18-months, through June 30, 2019, including the extra services for support of the proposed event**
77 **center, without charge.**

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79 **ATTACHMENT(S):**

- 80 **1. August 17, 2017 Proposal from Steve Peters for pre-opening services**
81 **2. Addendum #3 to Management Agreement.**
82 **3. Tim Sullivan e-mail confirming no additional fees or commissions.**