

MEMORANDUM



TO: MAYOR AND CITY COUNCIL
FROM: VICTOR CARDENAS, CITY MANAGER
SUBJECT: NOVI ICE ARENA BACKGROUND
DATE: MAY 15, 2025

Due to recent committee meetings, both the Finance and Administration, along with the Consultant Review Committee, Mayor Fischer and Member Staudt request a summary/background on the Novi Ice Arena:

I. Background and Development History

When Built and Why

The Novi Ice Arena opened in September 1998 in response to a regional shortage of indoor ice facilities. At the time, youth hockey and figure skating participation in Michigan were growing rapidly—7.4% annually in figure skating and 12.2% in hockey—yet ice time availability was limited. Novi families were turning to neighboring cities for programming, and demand consistently exceeded capacity. This made Novi a strong candidate for new rinks.

Financing and Ownership

The initial idea for an arena was developed through a public-private partnership involving:

- The City of Novi, which acquired the land for the facility;
- Community Clubs of Novi, a 501(c)(3) non-profit entity with ice arena experience;
- Center Ice Management, Inc., which was involved in the initial plans for the facility.

While the City and these other private entities initially began work on the project, eventually the project transitioned to the City of Novi Building Authority, which built the facility and leased it to the City. The project was funded through revenue bonds, repaid using income generated from arena operations (primarily ice rentals). The roughly 15-acre site where the ice arena sits was formally transferred by quit claim deed to the City in 2015 once the original financing bonds were paid off.

Early Financial Condition

Following its opening, the arena was initially operated by the City of Novi. However, it faced early financial challenges and operated at a loss. Recognizing the need for professional expertise and cost-effective management, the City transitioned operations to a third-party contractor.

Partnership with Suburban Sports Group

In 1999, the City entered into a management agreement with Suburban Sports Group of Farmington Hills, a private operator with experience in running ice arenas. Suburban's role was to:

- Professionally manage all operations;
- Improve service and program quality;
- Stabilize and improve the facility's financial performance.

Suburban has successfully operated the facility for the past 25 years. A new five-year contract was recently executed and takes effect July 1, 2025.

II. Current State of the Novi Ice Arena

Financial Position

The arena has been operated as a self-sustaining Enterprise Fund, meaning it is expected to cover all costs (operations, capital improvements, and debt service) using its own revenues.

The final bond debt payment was made on May 1, 2024, marking the end of a long-term financial obligation of approximately \$525,000 annually in principal and interest payments.

The arena's cash balance stood at \$1,085,413 as of June 30, 2024, with a multi-year capital reinvestment plan now in place to use the freed-up debt service funds:

Fiscal Year	Capital Budget
2024–2025	\$1,084,749
2025–2026	\$858,497
2026–2027	\$100,000
2027–2028	\$100,000
2028–2029	\$325,000
2029–2030	\$550,000

Cash reserves will be drawn down over FY 2025 and FY 2026, and replenished to \$1 million over the two years following.

Relationship with Parks, Recreation & Cultural Services (PRCS)

The Ice Arena operates independently from PRCS, though its programs serve a shared recreational mission. PRCS:

- Does not receive revenue from the facility;
- Does not dictate ice rates, programming decisions, or scheduling;
- Maintains a supportive relationship but has no role in operations or budget.

Current Management by Suburban

Suburban Sports Group operates the arena under a management contract that:

- Pays them a base management fee (starting at \$138,000/year);
- Grants them full responsibility for day-to-day operations, staffing, marketing, and scheduling;
- Is structured with an incentive-based bonus plan for performance.

What the City and Community Get from the Relationship

Although the City does not directly share in profits, the benefits of this arrangement include:

- No taxpayer subsidy required to operate the arena;
- Full capital reinvestment of any net operating surplus into the facility;
- A professionally managed, high-quality recreational facility at no operational cost to the City;
- Access to high-demand programs for Novi youth and schools, including:
 - Novi Youth Hockey Association
 - Skating Club of Novi
 - Novi and Northville High School hockey teams

Each of these groups has **dedicated space within the facility**, ensuring long-term community benefit.

Program Subsidies

There are currently no City subsidies for ice arena programs. All programming is fee-based and self-funded by participants and user groups. The Ice Arena Fund supports capital and operational needs entirely through its own revenue streams.

Share of Profits

The City does not receive a share of any profits or net revenues. Instead:

- All revenues stay within the Ice Arena Fund;
- Net proceeds are used for capital improvements, maintenance, and facility operations;
- This reinvestment model ensures the arena remains financially stable and community-focused without requiring public subsidy.

III. Conclusion

The Novi Ice Arena has been a successful community collaboration. Built to meet a critical recreational need, it transitioned from early financial challenges to long-term sustainability under private management. With the retirement of its debt, the facility now enters a new era of reinvestment and financial strength—continuing to serve the community without burdening the City's general fund.

Attachments:

- Suburban Ice Management Contract (2025–2030)
- Development Agreement (Historical Reference)