



CITY OF NOVI CITY COUNCIL

APRIL 7, 2025

SUBJECT: Approval of a three (3) year contract with two mutually agreed upon one (1) year renewal options with Suburban Arena Management, LLC for the management for the Novi Ice Arena, commencing on July 1, 2025.

SUBMITTING DEPARTMENT: Parks, Recreation & Cultural Services

KEY HIGHLIGHTS:

- The City of Novi's management (consulting) contract with Suburban Ice is set to expire on June 30, 2025. For the past twenty-five years (25), Suburban Ice has successfully operated a high quality, customer service-oriented facility, offering a comprehensive range of ice skating and hockey programs.
- Under Suburban's management, the arena has consistently met its debt service obligations and established a capital replacement reserve fund.
- Given Suburban Ice's strong track record, staff recommends that the City Council approve a renewal of the management agreement. In previous contract cycles, the City issued Requests for Proposals (RFPs); however, in both 2020 and 2015, Suburban Ice was the only firm to submit a proposal.
- The City Council Consultant Review Committee unanimously recommended renewal of the agreement at their March 24, 2025 meeting.

BACKGROUND INFORMATION:

The Novi Ice Arena is a 75,000 square foot facility with two 85 x 200 sheets of ice. The Ice Arena is operated as part of the City's Ice Arena Fund (an Enterprise Fund). It was originally funded through revenue bonds, which are repaid using rental income from ice sales. As a self-sustaining facility, the arena must generate sufficient revenue to cover operational costs, including debt service payments.

The City of Novi's management (consulting) contract with Suburban Ice is set to expire on June 30, 2025. For the past twenty-five years, Suburban Ice has successfully operated a high quality, customer service-oriented facility, offering a comprehensive range of ice skating and hockey programs. Under Suburban's management, the arena has consistently met its debt service obligations and established a capital replacement reserve fund.

Given Suburban Ice's strong track record, staff recommends City Council approve a renewal of the management agreement for three years, with the option for two additional one-year extensions. In previous contract cycles, the City issued Requests for Proposals (RFPs); however, in both 2020 and 2015, Suburban Ice was the only firm to submit a proposal.

Suburban Ice has submitted the following base management fee for the renewal period:

Year 1 (2025-26) – \$138,000
Year 2 (2026-27) – \$138,000
Year 3 (2027-28) – \$145,520
Year 4 (2028-29) – \$145,520
Year 5 (2029-30) – \$149,260

Proposed Shared Incentive Schedule

In addition, a Shared Incentive Schedule is also proposed:

It is the common goal of MANAGEMENT FIRM and the CITY that the facility is operated so as to generate sufficient funds to pay all direct expenses and all required debt service payments.

To encourage the generation of funds and in order for MANAGEMENT FIRM shall be paid 25% percent of the annual growth in operating income from fiscal year to fiscal year, the minimum operating income must be equal to or greater than \$425,000 each year of the agreement.

A significant change in the renewal agreement is a reduction of the Shared Incentive threshold from \$750,000 to \$425,000. Over the past four years, Suburban Ice has not received additional reimbursement under the existing threshold. Under the proposed \$425,000 threshold, the last time Suburban Ice would have qualified was Fiscal Year 2019.

Attached in this packet are:

- Ice Arena Management Agreement Memorandum – J. Muck
- Rosati, Schultz, Joppich, & Amtsbuechler PC Review Letter
- Ice Arena Management Agreement (Clean copy)
- Ice Arena Management Agreement (Redline copy)

RECOMMENDED ACTION: Approval of a three (3) year contract with two mutually agreed upon one (1) year renewal options with Suburban Arena Management, LLC for the management for the Novi Ice Arena, commencing on July 1, 2025.