MEMORANDUM

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TO: CITY COUNCIL CONSULTANT REVIEW COMMITTEE

FROM: JEFF MUCK, PRCS DIRECTOR

CC: VICTOR CARDENAS, CITY MANAGER

SUBJECT: ICE ARENA MANAGEMENT AGREEMENT

DATE: FEBRUARY 20, 2025

The Novi Ice Arena is a 75,000 square foot facility with two 85 x 200 sheets of ice. The Ice Arena is operates 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 that the 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**.

Financial Overview

Below is a 10-year history of financial statistics the Consultant Review Committee requested:

As of	06/30/2015	06/30/2016	06/30/2017	06/30/2018	06/30/2019	06/30/2020	06/30/2021	06/30/2022	06/30/2023	06/30/2024
Management contract fees	108,797	108,797	113,149	117,675	122,382	122,382	122,376	122,376	122,376	142,128
NETINCOME	695,870.67	789,165.77	796,597.45	657,038.24	646,445.07	266,826.24	76,755.59	266,253.21	131,280.13	206,123.09
Capital Expenses	214,968	87,617	281,473	8,411	34,379	130,204	13,401	39,715	471,665	135,297

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**..

Next Steps

If the Consultant Review Committee recommends renewing the agreement with Suburban Ice, staff will bring forward a motion at an upcoming City Council meeting to approve a new three-year agreement starting July 1, 2025 through June 30, 2028, with two optional one-year extensions.

A **redlined version** of the updated agreement has been prepared by the **City Attorney's Office** and is attached for review.
The City Attorney's office has prepared a redline version of the new agreement (attached).

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