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**REDEVELOPMENT AGENCY  
OF THE CITY OF OAKLAND  
AGENDA REPORT**

2009 MAR 11 PM 1:58

TO: Office of the City/Agency Administrator  
ATTN: Dan Lindheim  
FROM: Community and Economic Development Agency  
DATE: March 24, 2009

RE: **Resolution Authorizing the Agency Administrator to Purchase a  
Zamboni Ice Resurfacing Machine for the Oakland Ice Center in  
an Amount Not-to-Exceed \$90,000**

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**SUMMARY**

A resolution has been prepared authorizing the Agency Administrator, or his designee, to purchase an ice resurfacing machine from Frank J. Zamboni & Co., Inc in an amount not to exceed \$90,000.

The two ice resurfacing machines at the OIC are 9 and 10 years old respectively, and at least one machine has no doubt exceeded its useful life due to daily year-round use and substandard maintenance by the previous management of the OIC. SJAM has negotiated a discounted price on an industry standard Zamboni ice resurfacing machine directly with the manufacturer. The \$85,237 total purchase price including tax and delivery charge is almost \$23,000 less than the \$108,338 total price for a comparably equipped Olympia ice resurfacing machine. Because the estimated 8.5 percent interest charge for leasing a machine significantly exceeds the approximate 2 percent interest that the Agency is earning on its cash investments, it is preferable to purchase than lease the new ice resurfacing machine.

**FISCAL IMPACT**

At the time this report was written, there was \$183,359 in expenditure appropriations remaining in the Agency's City Center Land Sale Proceeds Fund (9511) and \$45,326 of expenditure appropriations in the Agency's Unrestricted Land Sale Proceeds Fund (9553) for payment of capital improvements and repairs to the OIC. The \$183,359 in the City Center Land Sale Proceeds Fund represents money that was allocated a number of years ago for OIC capital improvements and repairs, and the \$45,326 in the Unrestricted Land Sale Proceeds Fund represents the Agency's share of the net profit from the OIC for FY2007-08 per the profit-sharing provisions of the Agency's management agreement with SJAM.

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Based on the \$269,555 net profit reported by SJAM for the first six months of the current fiscal year, the Agency is expected to receive at least \$99,777 in September 2009. The profit-sharing formula calls for the Agency to receive 50 percent of the net profit generated during the final six months of FY09, so the Agency's total share of FY09 net profit is expected to easily exceed the \$99,777 accrued through the first six months. According to Agency Resolution No. 2007-0034 C.M.S., the Agency's share of net profit from the OIC earned under SJAM's management is to be deposited into a capital reserve for the OIC.

Funding for the purchase of the Zamboni ice resurfacing machine will be paid from City Center Land Sale Proceeds Fund (9511), Capital Improvement Projects – Economic Development Organization (94800), Vehicles: Replacements (57612), Oakland Ice Center Project (P131220) up to \$183,359; and if needed Unrestricted Land Sale Proceeds Fund (9553), Capital Improvement Projects – Economic Development Organization (94800), Buildings: Additions Account (57612), Oakland Ice Center Project (P131210). The critical importance of a properly functioning ice resurfacing machine to the safe and efficient operation of the OIC justifies the postponement of some planned capital improvements and repairs to next fiscal year when \$100,000 or more of the Agency's share of FY09 net profit will be available.

## **BACKGROUND**

In October, 2007 the Agency entered into a 38-month agreement with SJAM for management and operation of the OIC. The agreement provides that SJAM shall be responsible for paying all routine maintenance and minor repairs to the OIC, and the Agency shall be responsible for paying for major repairs to the OIC and its capital equipment, and for making improvements to the OIC or purchasing new capital equipment.

The two Olympia model ice resurfacing machines at the OIC are 9 and 10 years old respectively and at least one of those machines has reached the end of its useful life due to daily, year-round use and substandard maintenance under the previous OIC manager. A properly functioning ice resurfacing machine is critical to maintaining a safe and smooth ice surface. The current machines are prone to breakdown and cannot groom the ice surfaces in the most efficient and appropriate manner.

## **KEY ISSUES AND IMPACTS**

The total \$228,685 of capital improvement funds in Fund 9511 and Fund 9553 at the time of this writing are sufficient to pay the \$85,237 cost of the new Zamboni ice resurfacing machine, most of the capital improvements and repairs to the OIC planned for this fiscal year, and the \$60,472 semi-annual lease payment for January through June due this July for the \$1.3 million solar panel system and other energy efficiency improvements installed at the OIC in mid-2005.

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Staff considered the option of leasing instead of purchasing the new Zamboni ice resurfacing machine, but determined that it is more cost effective to purchase it. This is because the approximately 8 percent finance charge on a lease is significantly higher than the average interest rate that the Agency can currently earn on its investment of cash during the three to five-year term of a potential lease. The purchase of a pre-owned ice resurfacing machine was also considered, but that option was determined to be less preferable than purchasing a new machine. The difference between the discounted price SJAM was been able to negotiate for the Agency for a new machine and the price for a pre-owned machine is not large enough to justify the risk of increased maintenance and repair costs, and lesser performance and longevity from a pre-owned machine.

## **PROJECT DESCRIPTION**

Upon the recommendation of SJAM, staff is proposing to purchase a new Zamboni Model 545 ice resurfacing machine to replace the oldest and least reliable Olympia ice resurfacing machine. Zamboni ice resurfacing machines are the acknowledged ice skating industry standard. They are the predominant machines used at public and private ice skating facilities around the country, including most NHL arenas. Zamboni ice resurfacing machines have independent drive trains and auger drives for the ice resurfacing apparatus. This design allows the Zamboni to operate at slow speeds without compromising the quality of the ice resurfacing.

SJAM has obtained an \$85,237 quotation for an appropriately equipped Zamboni ice resurfacing machine including sales tax and delivery. This price is \$23,101 or 21 percent less than that of a similarly equipped Olympia brand machine also including sales tax and delivery. SJAM was able to receive a substantial discount on the purchase price for the Agency because SJAM is also ordering a number of other ice resurfacing machines from Zamboni for its Fremont and San Jose ice skating facilities.

## **SUSTAINABLE OPPORTUNITIES**

**Economic:** Acquisition of a new ice resurfacing machine will enable SJAM to better and more efficiently maintain the ice surfaces at the OIC making the facility safer and more attractive to customers so that net profits for the Agency will continue to increase.

**Environmental:** The proposed Zamboni ice resurfacing machine will be equipped with a three-way catalytic converter that will minimize the exhaust from this propane-powered machine.

***Social Equity:*** No equity opportunities have been identified.

## **DISABILITY AND SENIOR CITIZEN ACCESS**

There are no ADA or senior citizen access issues identified in this report.

## **RECOMMENDATION AND RATIONALE**

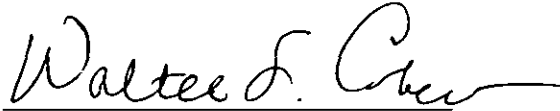
It is recommended that the City Administrator, or his designee, be authorized to purchase a Zamboni ice resurfacing machine from the Frank J. Zamboni & Co. Inc. in an amount not to exceed \$90,000 for the following reasons:

1. At least one of the existing ice resurfacing machines has exceeded its useful life and needs to be replaced.
2. Properly functioning ice resurfacing machines are critical to the maintenance of a safe and smooth ice surface.
3. SJAM was able to negotiate a discounted price on a new Zamboni ice resurfacing machine that is substantially less than the price for an Olympia brand of ice resurfacing machine.
4. Purchase of a new ice resurfacing machine is more cost effective than purchasing a pre-owned machine or leasing a new machine.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends approval of the attached Redevelopment Agency resolution authorizing the Agency Administrator or his designee to purchase a Zamboni ice resurfacing machine from Frank J. Zamboni & Co., Inc. for the Oakland Ice Center in an amount not to exceed \$90,000.

Respectfully submitted,



Walter S. Cohen, Director  
Community and Economic Development Agency

Reviewed by:   
Gregory Hunter, Deputy Director  
Economic Development and Redevelopment

Jens Hillmer, Economic Development Coordinator  
Downtown Redevelopment

Prepared by:  
John Quintal  
Economic Development Analyst

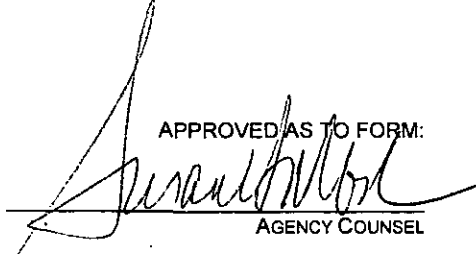
APPROVED AND FORWARDED TO THE  
COMMUNITY AND ECONOMIC  
DEVELOPMENT COMMITTEE:



Office of the City/Agency Administrator

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APPROVED AS TO FORM:  
  
AGENCY COUNSEL

## REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

RESOLUTION NO. \_\_\_\_\_ C.M.S.

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**RESOLUTION AUTHORIZING AGENCY ADMINISTRATOR TO  
PURCHASE A ZAMBONI ICE RESURFACING MACHINE FOR THE  
OAKLAND ICE CENTER IN AN AMOUNT NOT-TO-EXCEED  
\$90,000**

**WHEREAS**, on May 2, 1997, the Agency acquired ownership of the twin-rink ice skating facility located at 519 – 18<sup>th</sup> Street known as the Oakland Ice Center ( OIC) following the default by the original owner of the OIC on an Agency loan to construct the OIC; and

**WHEREAS**, pursuant to Agency Resolution No. 2007-0074 C.M.S., the Redevelopment Agency entered into an agreement with San Jose Arena Management LLC (SJAM) on October 23, 2007 for management and operation of the OIC (the "Agreement"); and

**WHEREAS**, the terms of the Agreement require SJAM to pay for all normal operating expenses in exchange for a share of net profits from the OIC, but obligate the Agency to pay for all capital improvements and repairs; and

**WHEREAS**, the ice resurfacing machines at the OIC are approximately 9 and 10 years old respectively and at least one machine has probably exceeded its useful life due to daily year round use and substandard maintenance by the previous management of the OIC; and

**WHEREAS**, properly functioning ice resurfacing machines are critical to the maintenance of a safe and usable ice skating surfacing, and at least one of the ice resurfacing machines is in need of immediate replacement; and

**WHEREAS**, SJAM solicited quotations for the purchase of comparably featured Olympia and Zamboni ice resurfacing machines, which are industry standard ice resurfacing machines, in the amounts of \$108,338 and \$85,238 respectively, including delivery and tax; and

**WHEREAS,** the large discrepancy between the approximate 2 percent interest that the Agency is earning on its cash reserves and the approximate 8.5 percent interest the Agency would have to pay on a lease of a new ice resurfacing machine make it more cost effective to purchase than lease this machine; and

**WHEREAS,** the Zamboni ice resurfacing machine is the preferred model for a number of technical reasons and SJAM was able to obtain a substantial discount on the Agency's purchase of a Zamboni ice resurfacing machine directly from the manufacturer; and

**WHEREAS,** there are sufficient funds in the Agency's capital improvement accounts for the OIC to pay up to \$90,000 for a Zamboni ice resurfacing machine and most other scheduled capital improvements and repairs; and

**WHEREAS,** the Agency expects to receive over \$100,000 of net profit from the OIC during the fiscal year ending June 30, 2009, no later than mid-September to pay for additional capital improvements and repairs; and

**WHEREAS,** an ice resurfacing machine is a specialized piece of equipment that is not readily available through local suppliers or distributors; now, therefore, be it

**RESOLVED:** That the Agency Administrator is hereby authorized to enter into a contract with Frank J. Zamboni & Co., Inc. for the purchase of a Zamboni ice resurfacing machine in an amount not-to-exceed ninety thousand dollars and no cents (\$90,000.00); and be it

**FURTHER RESOVLED:** That funding for the purchase of the Zamboni ice resurfacing machine will be paid from City Center Land Sale Proceeds Fund (9511), Capital Improvement Projects – Economic Development Organization (94800), Vehicles: Replacements (57612), Oakland Ice Center Project (P131220); and if needed Unrestricted Land Sale Proceeds Fund (9553), Capital Improvement Projects – Economic Development Organization (94800), Buildings: Additions Account (57612), Oakland Ice Center Project (P131210); and be it

**FURTHER RESOLVED:** That the Agency Administrator is authorized to take whatever action is necessary with respect to this purchase consistent with this Resolution and its basic purposes; and be it

**FURTHER RESOLVED:** That any agreements authorized hereunder, including amendments, modifications, or extensions, shall be approved as to form by the Office of the Agency Counsel and filed with the Agency Secretary.

IN AGENCY, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2009

**PASSED BY THE FOLLOWING VOTE:**

AYES- BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, QUAN, REID, AND  
CHAIRPERSON BRUNNER

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
LATONDA SIMMONS  
Secretary of the Redevelopment Agency  
of the City of Oakland