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OFFICE OF THE CITY CLERK
OAKLAND

2017 JUN 29 PM 1:

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

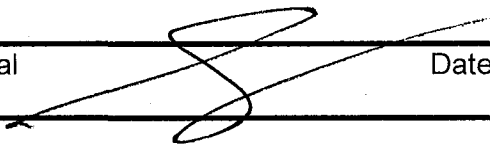
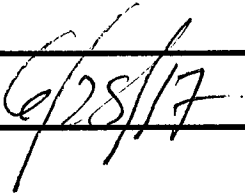
FROM: Mark Sawicki
Director, EWD

SUBJECT: Renewal of Management Agreement
for Oakland Ice Center with Sharks
Ice, LLC

DATE: June 26, 2017

City Administrator Approval

Date:

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution:

- (1) Authorizing The City Administrator, Without Returning To The City Council, To Negotiate And Execute A Management Agreement Between The City of Oakland And Sharks Ice, LLC (Or Its Related Entities Or Affiliates) to Manage and Operate the Oakland Ice Center ("OIC") Substantially In Conformance With The Term Sheet Attached As Exhibit A;
- (2) Authorizing An Appropriation Of Up To \$3,800,000 To Fund Capital Improvements At The OIC, Including A New Refrigeration System, To Be Undertaken By Sharks Ice, LLC; And
- (3) Finding Such Actions Exempt From CEQA Pursuant to CEQA Guidelines Section 15301

EXECUTIVE SUMMARY

Adoption of the proposed resolution will allow staff to negotiate and execute a new five-year management agreement ("New Agreement"), with two administrative five-year extension options, between the City and Sharks Ice, LLC ("SI", formerly San Jose Arena Management, LLC or "SJAM", each a subsidiary of Sharks Sports & Entertainment LLC), for SI to manage and operate the Oakland Ice Center (OIC) based on the agreed-upon terms summarized in **Exhibit A** (attached to Resolution). The terms include a base management fee of \$325,000, an annual set-aside of \$200,000 for capital improvements, and as an incentive management fee for SI, a 50/50 split of net revenues. In addition, staff recommends the appropriation of \$3.8 million of redevelopment bond funds to pay for necessary OIC capital improvements, including a new refrigeration system that is legally required for the OIC to continue its operations. This investment will be recaptured in annual installments from OIC gross revenue, over a 15-year period, with a return on investment which is equivalent to an annual interest of 4.5 percent. The City will receive payments of \$372,455 over a period of 15 years. However, in the first year only, the City will allocate \$200,000 of this annual payment to capital improvements and receive \$172,455 in cash.

Item: _____
CED Committee
July 11, 2017

BACKGROUND / LEGISLATIVE HISTORY

The OIC is located at 519 18th Street in the Uptown area of downtown Oakland. It is a three-level, steel and concrete building constructed in 1995-96. The facility contains two ice rinks, an Olympic-sized rink (200' by 100') and a National Hockey League L-sized rink (200' by 85'); two party rooms; meeting space for group events; a dance studio; seating for 1,500 spectators, a state-of-the art sound system; a fully stocked snack bar (647 square feet) and full-service pro shop (1,213 square feet) retailing ice hockey and skating equipment and accessories. The multi-purpose ice skating facility offers a variety of recreational activities including ice hockey, figure skating, broomball, curling, speed skating, ice dancing and public skating. **Table 1** below provides a summary of the OIC's development, ownership and management history.

Table 1: History of Oakland Ice Center – Development, Ownership & Management

April 1995	Redevelopment Agency ("Agency") loan of \$11 million to US Ice Ventures to develop and construct facility; Agency enters into a long-term ground lease with US Ice Ventures.
March 1996	OIC construction completed and fully operational.
June 1996	US Ice Ventures defaults on Agency loan.
May 2, 1997	Title to the facility is transferred to the Agency.
1997	Recreational Management Services of California (RMS) is retained by Agency as manager of facility on a temporary basis (until March 2000).
March 2000	Agency terminates Agreement with RMS and selects Ice Specialties Entertainment Inc. (ISE, dba Iceoplex) through a limited Request for Proposals (RFP) process. An initial 2-year management agreement expired in March 2002, then held over month-to-month (until October 2007).
April 2006	Agency issues RFP for new facility manager.
2007	Agency selects SJAM for a 3-year term (Resolution No. 2007-0074 C.M.S.) <ul style="list-style-type: none"> • Term: October 29, 2007 to December 31, 2010 • SJAM compensation from net revenue: 70 percent of first \$150,000; 60 percent between \$150,000 and \$200,000; 50 percent over \$200,000. • City share of net revenue: 30 percent of first \$150,000; 40 percent between \$150,000 and \$200,000; 50 percent over \$200,000. • SJAM contributes \$100,000 for capital improvements over term of Agreement. • SJAM makes monthly lease payments to City (\$2,655/month or \$31,850/year) for the Snack Bar & Pro Shop. The revenues and expenses of each business are excluded from OIC operations.
Oct 2010 to present	Agency renews Management Agreement with SJAM (now SI), but under new terms more favorable to City. (Resolution No. 2010-0084 C.M.S.) <ul style="list-style-type: none"> • Term: December 20, 2010 to December 20, 2015, then month-to-month. • SI compensation from net revenue: 50 percent of the first \$450,000; 65 percent over \$450,000. • City share of net revenue: 50 percent of the first \$450,000; 35 percent over \$450,000. • SI to contribute \$40,000 per year for capital improvements. • City to contribute at least \$150,000 per year for capital improvements.

Oct 2010 to present (continued)	<ul style="list-style-type: none"> SI makes monthly lease payments to City (\$3,141.67/month or \$37,700/year) for the Snack Bar & Pro Shop. The revenues and expenses of each business are excluded from OIC operations.
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OIC Financial Performance

Prior to SI's assumption of management responsibilities for the OIC, the facility was not managed well, and the Agency had to cover operating shortfalls in some years. Under the current Agreement terms, SI receives a larger share of revenues than the City as compensation for their management services. This fee arrangement was designed to provide SI with a considerable financial incentive to improve the OIC's popularity and financial performance and has proven to be effective at achieving that goal.

Attachment A illustrates the financial performance of the OIC over the last 12 years. **Figure 1** shows how SI management significantly increased gross revenue every year after taking over in 2007, nearly doubling gross revenue from approximately \$1.7 million in year one to approximately \$3.3 million in year nine, and generating a positive cash flow to the City. As a percent of gross revenue, SI management fee has grown from 10 percent in year one (or \$153,977) to 20 percent (or \$651,174) in year nine, FY 2015-16.

Figure 1 also shows how OIC's annual gross revenue has been allocated (i.e. Operating Expenses, Operator's Share of Revenue, City Share of Revenue). In summary, SI cumulative share of net revenue since taking over in 2007 is approximately \$3.84 million. The City's cumulative share of net revenue is approximately \$3.1 million.

Figure 2 shows how the SI \$3.84 million cumulative share of net revenue has been spent compared to the City's \$3.1 million cumulative share of net revenue. Nearly all of the \$3.1 million that the City received from OIC operations during the last nine-year period (i.e. 94 percent or approximately \$2.8 million) was reinvested back into the OIC, which include: \$1.2 million for capital improvements (pursuant to the Agreement's annual set aside amount); \$782,000 for additional ad hoc capital improvements approved by City Council; an annual \$121,000 loan repayment for solar panels (which was completely paid off in 2012); and an annual \$24,000 Business Improvement District (BID) tax payment. This has resulted in net revenues of approximately \$200,000 for the City.

SI retained most of their \$3.84 million as a management fee, but agreed to invest approximately 9 percent of that amount (or \$345,000 pursuant to the Agreement's annual set-aside amount) in capital improvements at the OIC.

ANALYSIS AND POLICY ALTERNATIVES

Exhibit A summarizes the key terms of the New Agreement, which will have a term of five years, with two five-year administrative extension options. **Table 2** below compares the key existing business terms to the new business terms and shows the order of revenue distribution. Compared to the existing terms, the new terms have been simplified and are more favorable to the City.

Table 2: Annual Net Revenue Share Formula – Current Terms vs. Proposed Terms

	Order of Gross Revenue Distribution	Current Revenue Split	Proposed New Revenue Split
0	Operating Expenses	TBD (~\$2.2M)	TBD (~\$2.2M)
1	Repayment on the \$3.8M Redevelopment Bond Funds, with a rate of return equivalent to 4.5% over a 15-year period	n/a	\$172,455 in year one \$372,455 in years two to fifteen
2	Capital Improvement Reserve Fund	n/a (see #6)	\$200,000 (additional \$200,000 in year one)
3	SI Base Management Fee	\$0	\$325,000
4	Revenue Split #1	First \$450K – 50%/50%	50%/50%
5	Revenue Split #2	Above \$450K – City 35% Sharks 65%	n/a
6	SI Share to Capital Improvement	\$40K	n/a (see #2)
6	City Share to Capital Improvement	\$150K (plus additional \$21,076 for 5 years)	n/a (see #2)

Under the proposed new revenue split, staff anticipates the City will receive a higher share of OIC revenues than under the current revenue sharing structure. This higher cash flow to the City is shown in **Figure 3 of Attachment A**, which illustrates how the same net revenue amount would be allocated under the two arrangements.

Staff engaged an economic consultant, Century Urban, to research fee structures for ice rink management companies to form the basis of the City's initial compensation offer to SI. Century Urban identified fifteen third-party managers nationwide (nine operating in California and six outside of California and nationally), surveyed six of those managers and reviewed seven management agreements. Based on this research, Century Urban concluded the top of the market offers \$150,000 as a base management fee, with \$300,000 as a target management fee, i.e. when incentive fees and sponsorship revenues are included. SI countered with additional market data about ice rink management to illuminate the unique relationship between the City and SI and to justify receiving a higher management fee, particularly focusing on ice rinks that are publicly-owned, similar in size to the OIC, and operated by a local National Hockey League (NHL) franchise company like SI.

As a result, the negotiating parties arrived at an arrangement to pay SI a base fee of \$325,000 and a 50/50 split of net revenues as an incentive fee, which staff anticipates will result in excess of \$510,000 in total compensation to SI in the first year, not including sponsorship revenue. Although staff believes that this level of compensation to SI is a "premium" rate, the payment structure is reasonable because under the continued and experienced management of SI, the OIC is anticipated to continue to generate a reasonable revenue stream to the City as the facility owner, as well as a market-rate return on the \$3.8 million investment. (See **Attachment C** for 10-Year Cash Flow Statement).

Community Benefits

The continued operation of the OIC under SI management will provide the following benefits to the Oakland community.

1. Free Admissions for Oakland Unified School District ("OUSD") students
 - OIC will offer free admission and skating equipment to at least 1,000 OUSD students per year, during field trips with their class to the OIC.
 - At least twelve times a year, the OIC will offer free skating dates and times, including free skating equipment, to OUSD students participating in OUSD's "After School Program".
2. Discounted Admissions for Oakland residents
 - Oakland residents will receive a ten (10) percent discount on all fees, admissions, and skating equipment rentals.
3. Scholarship Programs
 - OIC will offer scholarships to OUSD students.
4. Sponsorship of High School League(s)
 - OIC will sponsor at least one OUSD ice hockey team and create High School Hockey League competitions.

Capital Improvement Funding

The OIC's current refrigeration system, which makes and maintains the ice on the rinks, relies on the refrigerant R-22, which is a greenhouse gas that is being banned by the Environmental Protection Agency (EPA), effective January 1, 2020. Therefore, the terms of the new contract were significantly affected by the need to fund the replacement of this soon-to-be obsolete refrigeration system. Replacement costs were estimated to be approximately \$3.5 million, based on quotes that SI solicited back in fall of 2014. The facility's other deferred capital improvement needs, estimated at \$300,000, may include new bathrooms, locker rooms, floors and bleacher repairs. Therefore, staff recommends that the City appropriate \$3.8 million from Agency bond funds for these necessary capital improvements at the OIC, which would be repaid first from OIC gross revenues, after operating expenses. The New Agreement will allow SI to contract for and supervise all capital improvements authorized by the City. SI and staff anticipate that the refrigeration replacement and other deferred capital improvements will occur in 2018.

Attachment B lists anticipated capital improvements at OIC and their estimated costs over the next five years.

In addition, \$200,000 will be set aside annually (paid out second from gross revenue, after capital investment repayment) into a capital reserve fund for any future capital improvements and repairs. However, in the first year, in anticipation of higher costs related to the capital improvements listed above and generally rising construction costs in the Bay Area, \$400,000 will be set aside in the capital reserve fund.

Advertising & Facility Naming Rights

Since SI revenue share will likely be effectively reduced in the short-term (compared to their level of compensation in recent years under the current revenue sharing structure), partly due to the City's desire to recapture the \$3.8 million capital investment with a rate of return, staff agreed to provide SI with the opportunity to sell naming and advertising rights to generate new revenue from corporate sponsorship, to generate additional revenues to the City and SI. The first \$100,000 in revenues from such advertising and branding, including naming rights, will be used to reimburse SI for in-kind OIC marketing costs they solely incur over the course of a year. Net sponsorship revenues more than \$100,000, will be split 50/50 between the City and SI. The conditions and criteria under which staff will return to City Council for approval of contracts between a sponsor and SI for naming/advertising rights will be defined in the New Agreement.

Pro Shop and Snack Bar

Revenue and expenses from the Pro Shop and Snack Bar located within the facility are excluded from OIC operations, which mean the City does not share in any expenses or net revenue generated by these operations. Instead, the City will receive a lease payment from the operator of these shops – either SI or a third-party licensee/concessionaire. For use of this space, the City will charge a rate of \$25,000 per year, which will escalate by 10 percent (or the Consumer Price Index, whichever is lower) in year six and year 11, if extensions on the leases are granted.

FISCAL IMPACT

The facility was originally built with redevelopment bond funds and any revenue generated by the OIC is considered restricted bond funds, which can only be expended on redevelopment eligible activities. (This is consistent with the Oakland Redevelopment Successor Agency's Cooperation Agreement with the taxing entities, which redirects proceeds from bond-funded projects to taxing entities based on their pro rata property tax shares.) The proposed capital improvements will also be funded from redevelopment bond funds. Therefore, the proposed repayment of the City's capital investment over a 15-year term is also considered restricted bond funds.

There are no costs to the General Purpose Fund, but there are indirect benefits from sales tax generated at the Snack Bar and Pro Shop, as well as sales taxes generated at neighboring businesses frequented by patrons of the OIC.

Attachment C provides a 10-year cash flow statement for the OIC, with actual revenues and expenditures from FY 2015-16, projections for FY 2016-17, and projections for the 10-year period of the New Agreement from FY 2018 to FY 2027. Projections assume a 3 percent growth in annual gross revenues and a 2.5 percent growth in expenses. After operating expenses, an annual repayment on the City's \$3.8 million capital investment is paid out first, then SI's base management fee, and finally an annual set aside for capital reserves, before the 50/50 profit split between SI and City is applied. Note that the capital reserve set-aside is higher in year one, at \$400,000, compared to \$200,000 in subsequent years.

Beginning in FY 2017-18, the City will appropriate an amount not-to-exceed \$3.8 million for the replacement of the refrigeration system and other capital improvements in the OIC, which are anticipated to occur in 2018. The source of funding for this \$3.8 million capital investment will be from Central District Redevelopment bond funds:

Fund	Organization	Account	Project	Program	Amount	Percent
5610	85245	54011	1003244	SC13	\$ 2,054,000.00	54%
5614	85245	54011	1003244	SC13	\$ 1,746,000.00	46%
Total					\$ 3,800,000.00	100%

Note that the above recommended appropriation was already included in the City's Proposed FY 2017-19 Budget; however, the budget was not yet adopted as of the writing of this report.

The City's \$3.8 million capital investment, along with a return on the investment, will be repaid from OIC operations over a 15-year period (which is equivalent to \$172,455 in year one and \$372,455 for years two through 15) and be deposited back proportionately into the original sources of funding:

Fund	Organization	Account	Project	Program	Percent of Capital Repayment
5610	85245	44419	1003244	SC13	54%
5614	85245	44419	1003244	SC13	46%
					100%

Any additional annual cash flow from OIC operations, Pro Shop and Snack Bar lease payments and advertising/sponsorship revenue will be deposited into:

Fund	Organization	Account	Project	Program
5610	85245	44419	1003244	SC13

PUBLIC OUTREACH / INTEREST

Pursuant to the current Agreement, SI formed a Community Advisory Committee (CAC) comprised of representatives from seven constituencies of OIC users: public skaters, adult figure skaters, parents of youth figure skaters, adult hockey players, parents of youth hockey players, ice dancers, and speed skaters. The CAC has been meeting up to three times a year and is a forum for OIC users to discuss any OIC management, programming and service issues with OIC personnel, SI management and City staff.

Overall, the CAC and other OIC users have been very pleased with the management of the OIC by SI; although at times some have raised the need for capital improvements to the building, such as repairs to the bathrooms. Therefore, users will be pleased with the \$3.8 million that the City plans to invest upfront into the OIC and the ongoing \$200,000 per year set-aside into a capital reserve fund, because many deferred capital improvement needs will finally get addressed. SI will seek to time the replacement of the refrigeration system, and other capital improvements, to have minimal impact on the schedule of OIC users.

The OIC attracts approximately 35,000 patrons a year, all of whom will benefit from the anticipated physical improvements to the facility as well as from having OIC continue operations under SI management.

COORDINATION

Project Implementation staff have coordinated on this agenda item with the City Administrator's Office, the Office of the City Attorney, and the Controller's Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: The New Agreement will require SI to comply with the City's Local Employment, Apprenticeship, and Local/Small Local Business Enterprise Programs. The OIC generates sales tax revenues to the City from food, beverage and merchandise sales. Capital improvements to the OIC will improve the functioning, appearance, and safety of the facility, which will benefit existing users and potentially attract new users who could contribute to the growth of the downtown Oakland economy.

Environmental: The OIC has a good track record of energy-efficient and "green" building improvements. The building already has solar panels (installed 2005) which create energy efficiencies and reduce greenhouse gas and other harmful emissions. The replacement of the soon-to-be obsolete refrigeration system that uses R-22 (a greenhouse gas that contributes to ozone depletion and global warming) will also significantly enhance the environmental health and safety of the facility.

Social Equity: The OIC offers a variety of healthy recreational services to a broad range of Oakland residents who may otherwise not have access to such recreational opportunities. The OIC offers discounted admissions to Oakland residents and outreach to OUSD students to participate in the OIC's programs and services.

CEQA

City staff have determined, after independent review and consideration, that the New Agreement is exempt from CEQA pursuant to Section 15301 (existing facilities) of the CEQA Guidelines.

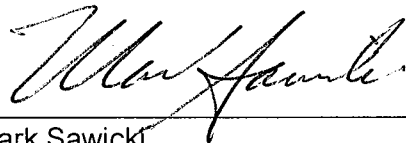
ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends that the City Council adopt a Resolution:

- (1) authorizing the City Administrator, without returning to the City Council, to negotiate and execute a Management Agreement between the City of Oakland and Sharks Ice, LLC (or its related entities or affiliates) to manage and operate the Oakland Ice Center ("OIC") substantially in conformance with the term sheet attached as Exhibit A;
- (2) authorizing an appropriation of up to \$3,800,000 to fund capital improvements at the OIC, including a new refrigeration system, to be undertaken by Shark Ice, LLC; and
- (3) finding such actions exempt from CEQA pursuant to CEQA Guidelines Section 15301.

For questions regarding this report, please contact Jens Hillmer, Urban Economic Coordinator, at (510) 238-3317 or Hui-Chang Li at (510) 238-6239.

Respectfully submitted,



Mark Sawicki
Director, Economic & Workforce Development
Department

Reviewed by:

Jens Hillmer, Urban Economic Coordinator
Project Implementation Division

Prepared by:

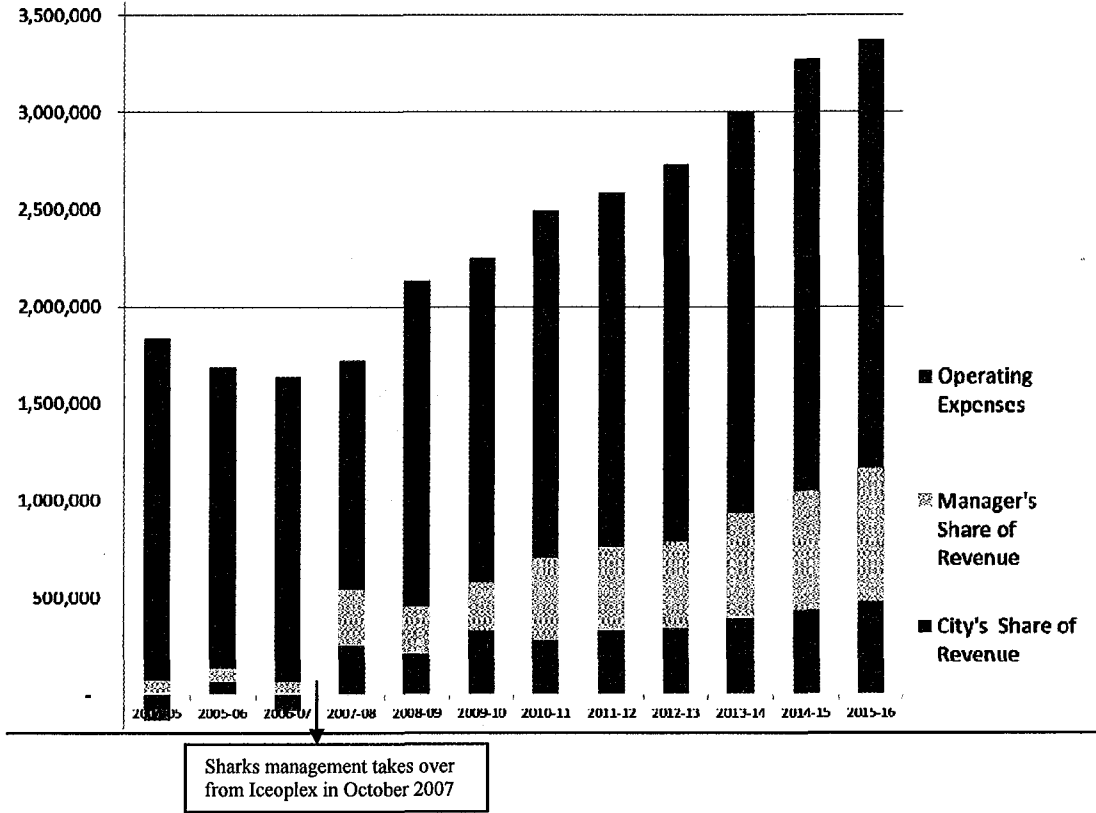
Hui-Chang Li, Urban Economic Analyst IV
Project Implementation Division

Attachments (3)

- A: OIC Financial Performance
- B: List of Future Capital Improvements
- C: Ten-Year Cash Flow Statement

Attachment A: OIC Financial Performance

Figure 1: OIC Annual Gross Revenue Allocation, FY2004-05 to FY 2015-16



Attachment A: OIC Financial Performance

Figure 3: Annual Net Revenue Allocation – New vs. Existing

NEW - REVENUE SHARE		EXISTING REVENUE SHARE	
5-year term with two 5-year extension options \$200K/yr setaside for Capital Reserve Fund		5-year term, then month-to-month since Dec 2015 \$190K+/yr setaside for Capital Reserve Fund	
<i>\$9.8M Upfront Capital Investment</i> recaptured over a 15-Year term			
Net Revenue (FY 2015-16)	1,167,190	Net Revenue (FY 2015-16)	1,167,190
Capital Investment Repayment - 1st out	<i>(372,455)</i>		
Sharks Base Fee - 2nd out	(325,000)		
Capital Reserve - 3rd out	<i>(200,000)</i>		
Sharks Share (50%)	(134,867)		
City Share (50%)	(134,867)		
Net Revenue to Sharks	459,867		
Snack Bar & Pro Shop Lease Payment	(25,000)		
Add'l Rev: Ad and Naming Rights - after \$100K to reimburse Sharks in-kind ad expenses, then 50% split of revenues	100,000		
Net Revenue to City	507,323		
Add'l Rev: Snack Bar & Pro Shop Lease	25,000		
Add'l Rev: Ad and Naming Rights - after \$100K to reimburse Sharks in-kind ad expenses, then 50% split of revenues	TBD		
		<i>First \$450K</i>	
		Sharks Share (50%)	(225,000)
		City Share (50%)	(225,000)
		<i>Above \$450K</i>	
		Sharks Share (65%)	(466,174)
		City Share (35%)	(251,017)
		Revenue to Sharks	691,174
		Less Capital Reserve	<i>(40,000)</i>
		Net Revenue to Sharks	651,174
		Snack Bar & Pro Shop Lease Payment	(37,700)
		Revenue to City	476,017
		Less Capital Reserve	<i>(171,076)</i>
		Net Revenue to City	304,941
		Add'l Revenue: Snack Bar Lease	37,700

Attachment B: List of Future Capital Improvements at Oakland Ice Center

Draft as of June 22, 2017

	2018	2019	2020	2021	2022	Total
	4,200,000	200,000	200,000	200,000	200,000	5,000,000
1 Exterior Appurences	20,000					20,000
2 Aluminum/Glass Doors		25,000				25,000
3 Doors and Frames		10,000			10,000	20,000
4 Exterior Block Seal		10,000			15,000	25,000
5 Painting		5,000		10,000		15,000
6 Exterior Cleaning	15,000				15,000	30,000
7 Interior Doors and Frames	8,000				10,000	18,000
8 Fire Systems	35,000					35,000
9 Lighting System	50,000					50,000
10 Emergency Lighting System						0
11 Concrete Seal	15,000					15,000
12 Epoxy Flooring			60,000			60,000
13 Rubber Floor	70,000		35,000			105,000
14 Boiler		40,000				40,000
15 Dehumidifier			10,000			10,000
16 Exhaust Fans		20,000				20,000
17 HVAC	40,000					40,000
18 Ice Chiller Plant	3,700,000				20,000	3,720,000
19 Ventillation fans					15,000	15,000
20 Interior Painting		15,000			10,000	25,000
21 Lavatories	20,000					20,000
22 Toilet Partitions	20,000					20,000
23 Urinals	9,000					9,000
24 Water Closets	22,000					22,000
25 Wall Tiles	45,000					45,000
26 Bleachers	50,000					50,000
27 Dasherboards						0
28 Elevator					20,000	20,000
29 Metal Pipe Railing			15,000			15,000
30 Goals/Edgers			15,000		10,000	25,000
31 Roof		10,000				10,000
32 Zamboni				130,000		130,000
33 Trash Containers/Tables/Benches	10,000				10,000	20,000
34 Security Cameras - Added Cameras	5,000	5,000				10,000
35 Rental Skates			5,000		5,000	10,000
36 Lockers	6,000					6,000
37 Unanticipated Cap Repairs	60,000	60,000	60,000	60,000	60,000	300,000
						Build into iceskid replacement (\$500K)

ATTACHMENT C: 10-YEAR CASH FLOW STATEMENT

	Existing Agreement		New Agreement: Projected 10-Year Cash Flow - Oakland Ice Center - FY 2018 to FY 2027										Projected 10 yr Total
	Actuals	Projected	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	
	FY 16	FY 17	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Operating Revenues	3,372,648.00	3,473,827.44	3,578,042.26	3,685,383.53	3,795,945.04	3,909,823.39	4,027,118.09	4,147,991.63	4,272,369.58	4,400,540.67	4,532,556.89	4,668,533.60	41,018,244.68
Operating Expenses	(2,205,458.00)	(2,249,567.16)	(2,305,806.34)	(2,363,451.50)	(2,422,537.78)	(2,483,101.23)	(2,545,178.76)	(2,608,808.23)	(2,674,028.44)	(2,740,879.15)	(2,809,401.12)	(2,879,636.15)	(25,832,828.70)
Net Operating Income	1,167,190.00	1,224,260.28	1,272,235.92	1,321,932.03	1,373,407.25	1,426,722.16	1,481,939.33	1,539,123.40	1,598,341.15	1,659,661.52	1,723,155.76	1,788,897.44	15,185,415.98
Capital Investment Repayment - to City	n/a	n/a	(172,455.23)	(372,455.23)	(372,455.23)	(372,455.23)	(372,455.23)	(372,455.23)	(372,455.23)	(372,455.23)	(372,455.23)	(372,455.23)	(3,524,552.32)
Base Management Fee - to Sharks	n/a	n/a	(325,000.00)	(325,000.00)	(325,000.00)	(325,000.00)	(325,000.00)	(325,000.00)	(325,000.00)	(325,000.00)	(325,000.00)	(325,000.00)	(3,250,000.00)
Capital Reserve Set-Aside	Deduct \$40K from Sharks Split; Deduct \$171K from City Split		(400,000.00)	(200,000.00)	(200,000.00)	(200,000.00)	(200,000.00)	(200,000.00)	(200,000.00)	(200,000.00)	(200,000.00)	(200,000.00)	(2,200,000.00)
Net Revenue	1,167,190.00	1,224,260.28	374,780.69	424,476.80	475,952.02	529,266.93	584,484.10	641,668.17	700,885.91	762,206.29	825,700.53	891,442.21	6,210,863.65
Sharks Split	691,173.50	728,269.18	187,390.35	212,238.40	237,976.01	264,633.46	292,242.05	320,834.09	350,442.96	381,103.15	412,850.27	445,721.11	3,105,431.83
City Split	476,016.50	495,991.10	187,390.35	212,238.40	237,976.01	264,633.46	292,242.05	320,834.09	350,442.96	381,103.15	412,850.27	445,721.11	3,105,431.83
Sharks Cashflow	651,173.50	688,269.18	512,390.35	537,238.40	562,976.01	589,633.46	617,242.05	645,834.09	675,442.96	706,103.15	737,850.27	770,721.11	6,355,431.83
City Cashflow (includes CapX Repayment)	304,940.50	324,915.10	359,845.58	584,693.63	610,431.24	637,088.70	664,697.28	693,289.32	722,898.19	753,558.38	785,305.50	818,176.34	6,629,984.15


Notes:

1. *Snack Bar & Pro Shop lease revenue to City not shown in this cashflow statement. Fixed for the first 5 years at \$25,000/year, 10% (or CPI increase, whichever is less) in year 6 and year 1*
2. *Advertisement Revenues - not show in this cashflow statement. Ad revenue split 50/50 after first \$100K to reimburse Sharks for inkind marketing costs*
3. *Projections assume a 3 percent growth in annual operating revenues and a 2.5 percent growth in operating expense*
4. *Repayment on the City Investment is decreased by \$200,000 in first year and redirected to fund Capital Reserve Set-Aside*

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2017 JUN 29 PM 1:14

Approved as to Form and Legality:


Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

A Resolution: (1) Authorizing The City Administrator, Without Returning To The City Council, To Negotiate And Execute A Management Agreement Between The City of Oakland And Sharks Ice, LLC (Or Its Related Entities Or Affiliates) to Manage and Operate the Oakland Ice Center ("OIC") Substantially In Conformance With The Term Sheet Attached As Exhibit A; (2) Authorizing An Appropriation Of Up To \$3,800,000 To Fund Capital Improvements At The OIC, Including A New Refrigeration System, To Be Undertaken By Sharks Ice, LLC; And (3) Finding Such Actions Exempt From CEQA Pursuant To CEQA Guidelines Section 15301

WHEREAS, the City of Oakland (the "City") owns the OIC, which is located at 519 18th Street in the Central District Redevelopment Project Area; and

WHEREAS, on December 20, 2010, the City entered into a 5-year Management Agreement ("Existing Agreement") with San Jose Area Management, LLC ("SJAM"), a wholly-owned subsidiary of Sharks Sports & Entertainment, LLC ("SSE") for the operation and management of the OIC, which expired on December 20, 2015, but, pursuant to its terms the Existing Agreement, has since then remained in effect on a month-to-month basis on the same terms; and

WHEREAS, SJAM has successfully managed the OIC since first assuming management in October 29, 2007, generating an annual cash flow to the City from OIC operations, and maintaining community outreach and accessibility to OIC programs and services; and

WHEREAS, during the year ending June 30, 2014, SJAM assigned its rights and obligations under the Existing Agreement to Sharks Ice, LLC ("SI"), another wholly-owned subsidiary of SSE; and

WHEREAS, the City and SI both desire to continue their partnership and enter into a new management agreement (the "New Agreement") for the OIC; and

WHEREAS, the OIC's existing refrigeration system, which makes and maintains the ice on the rinks, must be replaced because it relies on the refrigerant R-22, which is a greenhouse gas that is being banned by the Environmental Protection Agency, effective January 1, 2020; and

WHEREAS, the City desires to make available \$3.8 million to fund the replacement of OIC's soon-to-be obsolete refrigeration system and other necessary deferred capital improvements as described in the staff report; and

WHEREAS, the City has identified bond funds of the former Redevelopment Agency bond totaling \$3.8 million to fund the necessary capital improvements at the OIC; and

WHEREAS, the City and SI desire to modify some of the terms of the Existing Agreement by entering into the New Agreement for the OIC; and

WHEREAS, the proposed New Agreement shall have a term of 5 years, with two administrative 5-year extension options at the sole and absolute discretion of the City Administrator; and

WHEREAS, under the proposed New Agreement, SI's compensation for their management services shall be (1) a \$325,000 base management fee; plus (2) 50% of net revenue (as an incentive management fee), after deduction for a capital investment repayment (at \$172,455 in year one and \$372,455 in years two to fifteen) and contribution to a capital reserve fund (at \$400,000 in year one and \$200,000 in subsequent years); and

WHEREAS, under the proposed New Agreement, the City's share of net revenue (annual cash flow) from OIC operations under SI management shall be (1) an annual repayment on the City's \$3.8 million capital investment equal to \$172,455 in year one and \$372,455 in years two to fifteen; plus (2) 50% of net revenue, after deduction for annual capital investment repayment and contribution to a capital reserve fund; and

WHEREAS, the City shall also receive additional lease revenue from renting out the Pro Shop and Snack Bar spaces located within the OIC at a rate of \$25,000 a year which will escalate 10% (or by the rate of the Consumer Price Index, whichever is lower) in year 6 and year 11 and 50% of any advertising revenue from corporate sponsorships of the OIC, after deducting up to the first \$100,000 to reimburse SI for in-kind marketing costs; and

WHEREAS, the City Council's approval of the New Agreement is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15301 (existing facilities); now therefore be it

RESOLVED: That the City Administrator or her designee is authorized, without returning to the City Council, to negotiate and execute a New Agreement with SI based on the terms and conditions described in the term sheet attached to this Resolution as *Exhibit A*; and be it further

RESOLVED: That the City Council hereby allocates up to \$3.8 million dollars from Central District Redevelopment bond funds to fund the replacement of the refrigeration system and other necessary capital improvements at OIC as outlined in the staff report; and be it further

RESOLVED: That the funding is being appropriated through the Proposed FY 2017-19 Budget in the amount of \$2,054,000 from the City's Central District Fund (5610); Central District Redevelopment Organization (85245); Oakland Ice Center Project (1003244) for the purposes of funding the replacement of the refrigeration system and other necessary capital improvements at the OIC as outlined in the staff report; and be it further

RESOLVED: That the funding is being appropriated through the Proposed FY 2017-19 Budget in the amount of \$1,746,000 from the City's Central District TA Bond Series 2006T Fund (5614); Central District Redevelopment Organization (85245); Oakland Ice Center Project (1003244) for the purposes of funding the replacement of the refrigeration system and other necessary capital improvements at the OIC as outlined in the staff report; and be it further

RESOLVED: That net revenue from the OIC generated as repayment to the City on the \$3.8 million capital investment be deposited back proportionately into the respective funding sources from which funding came; and be it further

RESOLVED: That any additional net revenue generated from the OIC (i.e. from OIC operations, ProShop and Snack Bar lease payments, and advertising/sponsorship revenue) during the Term of the Agreement will be deposited into the City's Central District Fund (5610); Central District Organization (85245); Oakland Ice Center Project (1003244); and be it further

RESOLVED: That the City finds and determines, after independent review and consideration, that the authorization to enter into the New Agreement with SI is exempt from CEQA pursuant to CEQA Guidelines Section 15301 (existing facilities); and be it further

RESOLVED: That any and all documents necessary to effectuate the intent of this Resolution shall be reviewed and approved as to form and legality by the City Attorney prior to execution by the City Administrator or his or her designee and a copy shall be filed with the City Clerk; and be it further

RESOLVED: That the City Administrator or his or her designee is further authorized to negotiate and enter into other agreements and take whatever action is necessary with respect to funding the capital improvement work consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2017

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GIBSON McELHANEY, GUILLEN, KALB, KAPLAN, AND PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California

EXHIBIT A – TERM SHEET

MANAGEMENT/OPERATIONS AGREEMENT FOR THE OAKLAND ICE CENTER

Updated: June 21, 2017

1. Facility	Oakland Ice Center ("OIC") property located at 519 18th Street, Oakland, California
2. Owner	City of Oakland, a municipal corporation ("City")
3. Manager and Operator	Sharks Ice, LLC ("SI")
4. Term; Form of Extension Agreement	<p>5 years commencing July 1, 2017 with two five (5) year extension options for SI.</p> <p>Following the approval of this document ("Term Sheet"), the parties will work together in good faith to draft and execute a formal Management/Operations Agreement ("Extension Agreement"). The Extension Agreement would be consistent with the provisions of this Term Sheet but would include additional details, definitions and clarifications. The Extension Agreement would also include additional provisions based on the provisions of the existing Management/Operations Agreement by and between the City and SI, dated December 20, 2010 ("Existing Agreement") that are not superseded by this Term Sheet, subject to appropriate revisions based on current laws and regulations.</p>
5. Compensation	<p>"Net Revenue" shall be calculated by including all revenue received by SI for operations at the OIC from whatever source ("Operating Revenue") less all costs of maintaining and operating the OIC ("Operating Expenses"), except that (a) revenues and expenses attributable to SI's operation of the OIC Snack Bar and OIC Pro Shop shall be excluded from this calculation and shall be allocated solely to SI except as provided in Section 6, and (b) revenues and expenses related to building naming rights and interior advertising/branding signage, if any, shall be allocated as provided in Sections 16 and 17.</p> <p>Annual allocation of Net Revenue shall be as follows:</p> <p><u>1st:</u> To pay the City for City's Capital Investment of <u>\$3.8 Million</u> (see Section 11). This will be <u>\$172,455 in year one and \$372,455 per year for years 2 to 15</u>. This amount shall be paid to the City annually.</p> <p><u>2nd:</u> To pay a fixed management fee to SI in the amount of <u>\$325,000 per year</u>. This fee includes compensation to SI for managing the capital projects at OIC, including the refrigeration system replacement project described below.</p> <p><u>3rd:</u> <u>\$200,000 a year</u> to pay into the Capital Reserve Fund, except in the <u>first year \$400,000</u> to pay into the Capital Reserve Fund. (see Section 10)</p> <p><u>4th:</u> Revenue Split - 50/50 between the City and SI</p> <p>The City's Annual Share of Net Revenue is due no later than 10 days following completion of the annual audit of Sharks Ice's financial statements for the OIC, but in no event later than 180 days after the end of each fiscal year during the term of the Extension Agreement.</p>

	<p>An example of Net Revenue allocation is shown attached as Exhibit A-1.</p> <p>The Extension Agreement will more specifically define and describe Operating Revenue, Operating Expenses and Net Revenue as well as the Net Revenue allocations described above.</p>
<p>6. Pro Shop and Snack Bar</p>	<p>Revenue and expenses from Pro Shop and Snack Bar are excluded from OIC operations. SI (or a third party licensee/concessionaire) shall be required to pay rent for the Pro Shop and Snack Bar.</p> <p>Rent shall be fixed at \$25,000 per year for the Pro Shop and Snack Bar, combined, due in monthly installments. Rent shall escalate 10% or based on the CPI, whichever is lower in year 6 and year 11.</p>
<p>7. Activities during the Term of the Agreement</p>	<p>SI shall perform all duties ("Management Duties") reasonably necessary to operate and manage all aspects of the OIC, in accordance with the provisions of the Existing Agreement. The costs and expenses of performing the Management Duties shall be included in the Operating Expenses of the OIC, and shall not be borne by either the City or SI, except as otherwise expressly stated in this Term Sheet or in the Extension Agreement.</p> <p>The City and SI understand that the OIC will need to be closed temporarily during the refrigeration system replacement project described in Section 11.</p> <p>SI's Management Duties will include project management for all capital improvements to the OIC that are authorized by the City.</p> <p>The Extension Agreement will more specifically describe the Management Duties.</p>
<p>8. Programming</p>	<p>SI will continue to maintain a balanced and diverse schedule of programs of hockey, figure skating, public skating, ice dancing and other ice-related activities at the OIC, in accordance with the provisions of the Existing Agreement.</p>
<p>9. Maintenance & Repair</p>	<p>SI will, as an Operating Expense, keep and maintain all portions of the OIC, all improvements located in the OIC and all furniture, fixtures and equipment ("FF&E") in the OIC in good order and repair consistent with the uses of the building contemplated by the Existing Agreement ("Ordinary Maintenance and Repair"). Ordinary Maintenance and Repair to the building and its various systems and equipment, including the entire ice refrigeration system, that are typically performed more frequently than once per year shall be considered Operating Expenses.</p> <p>The Extension Agreement will more specifically define FF&E and Ordinary Maintenance and Repair.</p>

<p>10. Capital Improvements Fund</p>	<p>Each year, SI shall set aside from Net Revenue (as defined above) in a restricted fund for the benefit of OIC (“Capital Reserve Fund”) the amounts described in Section 5 above (\$400,000 in first year and \$200,000 in subsequent years).</p> <p>During the Term of the Extension Agreement, the Capital Reserve Fund shall be used for all “Capital Repairs and Replacements,” which shall mean all expenditures for (i) building additions, alterations, or improvements, or (ii) repairs to existing capital improvements, and (iii) purchases of additional or replacement machinery, FF&E or building systems, consistent with historical use and practice. Such definition shall be established in the final Extension Agreement.</p> <p>To the extent available, the Capital Reserve Fund may also be used for (1) capital improvements made to improve the quality, functioning, efficiency or competitiveness of the OIC (“Capital Enhancements”) and (2) “Extraordinary Repair Work” consisting of (i) unforeseen repairs to structural elements of the building or permanently installed, unexposed mechanical, electrical, and plumbing components that are not expected to wear out during the life of the OIC building (and therefore are not scheduled for repair or replacement); (ii) repairs or improvements required to ensure that the OIC building meets all federal, state, and local building code requirements (e.g., fire, ADA, electrical, etc.) applicable to the existing building components as constructed by the City (or the Agency, as the City’s predecessor). The City shall be solely responsible for the cost of all Extraordinary Repair Work.</p> <p>Notwithstanding the foregoing, if the need arises for (i) any Extraordinary Repair Work for which the City does not have a source of adequate funding (such as insurance proceeds and amounts in the Capital Reserve Fund), or (ii) any Capital Repairs and Replacements that are required to keep the OIC operating in a safe manner (including but not limited to emergency work) for which the amounts in the Capital Reserve Fund are not sufficient (or projected to be sufficient in the applicable fiscal year) to cover the cost thereof, then the parties shall meet and confer in good faith to try to agree on terms upon which one or both of the parties would be willing to accept responsibility for such costs. If the parties are unable to reach such agreement, then either party may terminate the Extension Agreement upon thirty (30) days’ written notice to the other party.</p> <p>The Extension Agreement will more specifically define and describe the Capital Reserve Fund, Capital Repairs and Replacements, Capital Enhancements, and Extraordinary Repair Work.</p>
<p>11. City Investment for Capital Improvement</p>	<p>Concurrent with the approval of the Term Sheet, staff shall seek City Council approval, at its sole and absolute discretion, to allocate a one-time capital investment to fund the replacement of the refrigeration system and other existing deferred capital improvements, which will be further defined in the Extension Agreement.</p> <ul style="list-style-type: none">• The one-time capital investment shall be in an amount not to exceed \$3.8 million.• The investment will be repaid on an annual basis from gross revenues over a 15 year period, due 30 days after close of the fiscal year.

	<ul style="list-style-type: none"> • Annual payment amount is \$172,455 in year one and \$372,455 for years two to fifteen
<p>12. City Employment Programs and Requirements</p>	<p>SI shall comply with the City’s Local Employment, Apprenticeship, and Local/Small Local Business Enterprise Program.</p> <ul style="list-style-type: none"> • <u>50%</u> Local and Small Local For Profit and Not For Profit Business Enterprise Program (L/SLBE) • 50% Local Employment Program (LEP) • 15% Oakland Apprenticeship Program • Payment of Prevailing Wages • City of Oakland Living Wage Ordinance • City of Oakland Equal Benefits Ordinance • City of Oakland Minimum Wage Ordinance • Electronic Certified Payroll Submittals <p>More information about these programs can be found at the City of Oakland’s website at</p> <ul style="list-style-type: none"> • http://www2.oaklandnet.com/oakca1/groups/contracting/documents/form/oak029719.pdf
<p>13. Community Benefits</p>	<p>SI shall continue to provide benefits to the community, as described below. Costs related to these benefits shall be an Operating Expense of the OIC.</p> <ol style="list-style-type: none"> <u>Free Admissions for OUSD students</u> <ul style="list-style-type: none"> • OIC shall offer free admission and skating equipment for no less than 1,000 Oakland Unified School District (“OUSD”) students during field trips with their class to the OIC. • At least twelve (12) times during each year of the Term of the Extension Agreement, OIC shall offer OUSD students participating in OUSD’s ‘After School Program’ free skating dates and times, and skating equipment during scheduled regular public skating sessions as defined in the Extension Agreement. <u>Scholarships</u> OIC shall continue to offer scholarship programs for OUSD students <u>Sponsor High School League(s)</u> OIC shall continue to sponsor at least one OUSD ice hockey team and continue to create a High School Hockey League competition. <u>Discounts Admissions for Oakland Residents</u> OIC shall ensure that Oakland residents receive a ten (10) percent discount on all fees, admissions, and skating equipment rentals. <p>Progress Reporting: due quarterly to City staff 30 days after the end of each quarter, except that the fourth quarter and year-end report are due 60 days after the end of the fiscal year.</p>

	<p>The reporting shall quantify the value of these community benefits from OIC operations.</p> <p>The Extension Agreement will more specifically describe progress reporting and after school program requirements.</p>
<p>14. Fee Schedules</p>	<p>An updated schedule of current standard fees will be included in the Extension Agreement. Should SI desire to increase any of such standard fees by more than five (5) percent in any calendar year, it must submit the proposed fee schedule to the City Administrator for review and approval, which approval will be granted if the increased fees are comparable to the fees charged by other ice rinks in comparable market areas within California (namely, the greater San Francisco Bay area, Los Angeles area, and San Diego area), excluding rinks managed or owned by SI or its affiliates.</p>
<p>15. Marketing</p>	<p>For marketing purposes, SI will be entitled to use the name "Oakland Ice Center operated by Sharks Ice" and the logo of the Sharks in advertising, internal labeling of forms, certificates and paper products, and general reference to the Property; provided that the font size of the phrase "Oakland Ice Center" and "Sharks Ice" will be the same size, but may be different type faces. Additionally, Sharks Ice shall have the right to utilize a different name for the facility in accordance with Section 16 below.</p> <p>In consultation with City staff, during the Extension Agreement, SI will include up to \$70,000 for direct OIC marketing expenditures during each annual budget cycle for the OIC. Additionally, SI shall offer another \$150,000 in-kind value (at standard commercial rates) for advertising of the OIC at other San Jose Sharks or SI-affiliated facilities such as SAP Center at San Jose, Solar4America Ice at San Jose and Solar4America Ice at Fremont.</p> <p>Up to the committed \$70,000 for direct marketing expenses shall be an Operating Expense for the OIC; the \$150,000 in-kind value will not be an Operating Expense for OIC.</p> <p>Progress Reporting on marketing expenditures: due quarterly to City staff at the same times as the report under Section 13 above. Report shall itemize and demonstrate how both the \$70,000 paid for by OIC operations, as well as the \$150,000 worth of "in-kind" marketing expenditures, were spent to benefit the OIC solely or as an equitable proportion of shared advertising.</p>
<p>16. Naming Rights</p>	<p>SI shall have the right to sell naming rights to the facility to an advertiser approved by the City in its sole and absolute discretion. SI shall include "Oakland" in the new name. The City retains the right to approve the graphic representation of the name, as well as the location, design, size and appearance of the building signage depicting the name, consistent with applicable City requirements.</p> <p>Naming rights revenue shall be allocated per section 17 below.</p>
<p>17. Advertising Rights</p>	<p>SI shall have the right to sell advertising and branding opportunities within the facility (but not on the exterior of the facility) to SI sponsors, except to companies who produce, market</p>

and/or distribute alcohol (including beer and wine) or tobacco products, provided such advertising is in good taste and consistent with good community standards, which the City shall determine in its sole and absolute discretion.

Procedurally once SI has procured an advertiser or sponsor (including a naming rights sponsor), SI shall provide the City Administrator with the name of the sponsor/advertiser, the duration of the arrangement, and the amount of revenue. Within 15 days after receiving the information, the City Administrator shall review it to ensure consistency with good community standards, and shall, in her sole and absolute discretion, give SI notice as to whether such advertising or sponsorship arrangement has been approved.

SI and/or the corporate entity requesting the naming or advertising rights will be responsible for all related costs and expenses, including but not limited to (i) the new facility name and logo, (ii) costs for the design, fabrication and installation of the new exterior signage, and (iii) all other related expenses, including costs for permits, plan review and inspection fees.

Advertising revenues received by SI for the sale of naming, branding and advertising rights on or in the facility, less the costs and expenses described above, are referred to as the "**Advertising Net Revenue.**" Advertising Net Revenue shall be allocated annually as follows:

1st: Up to the first **\$100,000** shall be used to reimburse SI for advertising costs that are not included in the OIC Operating Expenses regarding marketing and promotion (i.e., direct OIC advertising costs in excess of \$70,000, and the value of in-kind advertising provided by SI at affiliated facilities.)

2nd: The remaining Advertising Net Revenue shall be split 50/50 between the City and SI.

For example, if advertising revenues for a fiscal year are \$400K and related advertising costs and expenses are \$150K, the \$250K in Advertising Net Revenue would be allocated \$175K to SI and \$75K to the City.

Due quarterly, at the time of the Community Outreach Progress Report (See Section 13), SI shall provide an itemized accounting of SI's advertising costs and all revenues generated by the sale of naming, advertising and branding opportunities.

The SI annual financial statements shall also include a final annual report of the Advertising Net Revenue for each applicable fiscal year. The City's share of Advertising Net Revenue shall be payable at the same time as payment is due for City's share of Net Revenue under Section 5 above.

18. Parking	<p>City shall continue to make best efforts to offer SI the right to purchase parking in City's Dalziel parking garage <u>or comparable garage</u> at \$6,500 per month, for free parking by OIC customers from Monday – Friday from 4:00 pm to 1:00 am, and on Saturdays from 8:00 am to 1:00 am, in accordance with the current arrangement.</p> <p>This \$6,500 payment for parking shall be an Operating Expense and this Operating Expense shall not exceed \$6,500.</p>
19. Annual Plan and Operating Budget	<p>SI and City shall prepare, provide, and review an Annual Plan and Operating Budget consistent with the current Management Agreement. These processes will be outlined in the Extension Agreement.</p>

EXHIBIT A-1: NET REVENUE ALLOCATION - NEW vs. EXISTING

NEW - REVENUE SHARE	
5-year term with two 5-year extension options \$200K/yr setaside for Capital Reserve Fund	
\$3.8M Upfront Capital Investment recaptured over a 15-Year term	
Net Revenue (FY 2015-16)	1,167,190
Capital Investment Repayment - 1st out	(372,455.23)
Sharks Base Fee - 2nd out	(325,000)
Capital Reserve - 3rd out	(200,000)
Sharks Share (50%)	(134,867)
City Share (50%)	(134,867)
Net Revenue to Sharks	459,867
Snack Bar & Pro Shop Lease Payment	(25,000)
Add'l Rev: Ad and Naming Rights - after \$100K to reimburse Sharks in-kind ad expenses, then 50% split of revenues	100,000
Net Revenue to City	507,323
Add'l Rev: Snack Bar & Pro Shop Lease	25,000
Add'l Rev: Ad and Naming Rights - after \$100K to reimburse Sharks in-kind ad expenses, then 50% split of revenues	TBD

EXISTING REVENUE SHARE	
5-year term, then month-to-month since Dec 2015 \$190K+/yr setaside for Capital Reserve Fund	
Net Revenue (FY 2015-16)	1,167,190
<i>First \$450K</i>	
Sharks Share (50%)	(225,000)
City Share (50%)	(225,000)
<i>Above \$450K</i>	
Sharks Share (65%)	(466,174)
City Share (35%)	(251,017)
Revenue to Sharks	691,174
Less Capital Reserve	(40,000)
Net Revenue to Sharks	651,174
Snack Bar & Pro Shop Lease Payment	(37,700)
Revenue to City	476,017
Less Capital Reserve	(171,076)
Net Revenue to City	304,941
Add'l Revenue: Snack Bar Lease	37,700