

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

OFFICE OF THE CITY CLERK

2007 FEB 15 PM 7:34

TO: Office of the Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development Agency
DATE: February 20, 2007

RE: **Third Supplemental Report on a Resolution Authorizing the Agency Administrator to Negotiate and Execute a Three-Year Agreement with Rink Management Services Corporation for Management and Operation of the Oakland Ice Center for a Base Monthly Fee not to Exceed \$4,900, Plus an Annual Incentive Fee not to Exceed 20 percent of Net Revenue Adjusted for Any Deferred Expenses that May be Earned during the Previous Year in Excess of \$7,603, Pursuant to Specific Criteria and on an alternate Resolution Authorizing a Three-Year Operations and Management Agreement with San Jose Arena Management, LLC for the Oakland Ice Center for a Negotiated Annual Fee based on a Percentage of Net Revenue, Pursuant to Specific Criteria**

On February 8, 2007, legal counsel to San Jose Management, LLC (SJAM) issued a letter to the Director of the Community and Economic Development Agency requesting that certain information about Thomas W. Hillgrove, current President of Rink Management Services Corporation ("RMS"), and his previous involvement with Recreational Management Services, Inc. of California ("RMSC of California") and the Oakland Ice Center ("OIC") be made available to the City Council and the public. Staff inadvertently omitted Mr. Hillgrove's role as President of RMSC of California and its parent company, SkateNation, while RMSC of California was managing the OIC for the Agency. Specifically, staff did not report certain issues that were raised by staff during Mr. Hillgrove's presidency of RMSC of California / SkateNation relating to the companies' financial reporting and revenue projections for the OIC during 1997 to 1999.

As stated in the staff report of October 24, 2006, RMSC of California managed the OIC for the Agency from May 2, 1997 until February 29, 2000. Previously, RMSC of California had managed the OIC for U.S. Ice Ventures, LLC, beginning with limited operations in September of 1995, and full operations in March of 1996, after completion of construction of the facility.

Mr. Hillgrove was the president of RMSC of California from 1989 until 1998, and continued to serve as President of SkateNation until April 5th of 1999, when he left the company to establish RMS. Mr. Hillgrove was in charge of RMSC of California/SkateNation during 22 of the 33 months that RMSC of California was under contract with the Agency for management of the OIC. Hence, Mr. Hillgrove presided over RMSC of California as its financial reporting and revenue projections for the OIC became an issue of concern to Agency staff. The following provides a brief summary of the Agency's contract history with RMSC of California.

Item: _____
ORA/City Council
February 20, 2007

The Agency hired RMSC of California under a six-month contract beginning on May 2, 1997, and ending on November 2, 1997; Mr. Hillgrove signed that contract. Thereafter, the Agency continued to keep RMSC of California under contract on a month-to-month basis until January 25, 1999, when, after issuance of a Request for Proposals (RFP), the Agency entered into a three-year management agreement with RMSC of California.

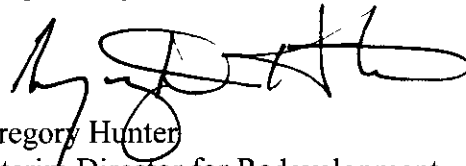
RMSC of California was a different company from RMS; and Mr. Hillgrove was involved in both entities. In August of 1998, RMSC of California became a subsidiary of SkateNation, a Richmond, Virginia-based company that specialized in owning and operating skating rinks. In December of 1998, SkateNation, Inc. was sold to Family Golf Center, Inc. of Delaware.

On May 18th of 1999, staff reported to the City Council that there were concerns about RMSC of California's financial reporting, as well as their overly optimistic net revenue projections for the OIC. In June of 1999, staff asked RMSC of California to put their books in order to allow a City audit to commence. Ultimately, RMSC of California was unable to satisfy the Agency's expectations, and staff and the City Auditor agreed that Henry C. Levy & Co. (Levy & Co.), an independent certified public accountant, should be engaged to correct RMSC of California's books. Staff also reached an agreement with RMSC of California, whereby the costs for these accounting services would be paid from their management fee (which did not include a percentage of net revenues until the Agency and RMSC entered into the 3-year agreement in January of 1999).

On May 9, 2000, staff report that Levy & Co. had compiled and revised the financial reports submitted by RMSC of California. According to the staff report, "The Levy & Co. report states that RMSC of California's record keeping had been faulty from 1997 through 1999, when Levy & Co. was able to correct reporting problems and to correct the records". The report further states that, "the CPA report did not include any findings that Ice Center funds were stolen or misused". The Levy & Co. report notes that it made various accounting adjustments to the OIC books to correct receivable and payable accounts, correctly book deferred income and certain expenses including depreciation, and present the OIC's financial statements on a full accrual basis. The Agency terminated RMSC of California's three-year management contract for the OIC effective February 29, 2000, because of submitting inaccurate and incomplete financial reports.

Mr. Hillgrove was heading RMSC of California/SkateNation during the time that Agency staff raised the issues about financial reporting with him and his staff, but was no longer the President of RMSC of California /SkateNation when the Agency and its auditors worked with RMSC of California/SkateNation to perform the audit and address the issues of concern. Since 1999, Mr. Hillgrove has been President of RMS, which has become the largest operator of recreational skating rinks in the country.

Respectfully submitted,



Gregory Hunter
Interim Director for Redevelopment,
Economic Development, Housing and
Community Development

Prepared by:
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Urban Economic
Coordinator

APPROVED AND FORWARDED TO THE
CITY COUNCIL:


OFFICE OF THE AGENCY ADMINISTRATOR

Item: _____
ORA/City Council
February 20, 2007