Escrow Agreement for Termination of IFG and Memorandum of Understanding with SMG

Council Agenda Items 8.03 and 8.04
June 29, 2010

What we need from Council

- Direct staff to negotiate:
  - Final terms of MOU with SMG
  - Termination Agreement with IFG and associated Escrow agreement
Escrow Agreement

- Necessary for the termination agreement to be finalized with IFG and brought forward to Council
- Funding of $1.3 million allocated in 2010-2011 adopted budget
- Funds to be held in Escrow for 90 days or until modified by termination agreement

Termination Agreement

- Facilities Management Agreement (FMA) with IFG calls for a buy out of $2.35 million
- IFG and City are negotiating the specific terms of this agreement
  - Transition
  - Timing
  - Disbursement of
  - Legal expenses
  - Employees of IFG
MOU with SMG

- **Purpose**: Document the general understandings that will be used to develop the Facilities Management Agreement
- **Venues**: Stockton Arena, Bob Hope Theatre, Oak Park Ice Arena, and Stockton Ballpark

MOU with SMG

- **Term**
  - 5 Years with option to extend
  - Contract termination available at end of 3rd year with 90 days written notice
- **Staffing**
  - City will identify our liaison
  - SMG will obtain City approval for General Manager
  - SMG responsible for staffing facilities with reasonable efforts to retain existing employees
MOU with SMG

- Financial Records, Audits, and Reports
  - SMG to maintain appropriate records
  - City has right to inspect and audit records
  - Annual audit to be performed

MOU with SMG

- Compensation and Payment
  - Base management fee $270,000
  - Annual increases based on CPI
  - Incentive Fees based on operating revenue improvement
  - Food and Beverage to be assumed by SMG upon expiration of current agreement
    - 5% of gross sales
MOU with SMG

- SMG capital contribution
  - SMG to contribute $1 million to be used to fund a portion of the IFG buy out
  - SMG will fund up to $25,000 of transition expenses

Why SMG?

- One of the World’s largest entertainment facility management companies
- SMG manages facilities in US, UK, Mexico and several other Countries
- Presence in California is critical
  - Long Beach, Oakland, Fresno, Bakersfield, San Francisco
- Extensive experience in turning around underperforming venues
Why SMG?

Bob Cavalieri
Senior Vice President
Business Development

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