CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Motion – Approving Agreement for Sports Facility Consulting Services with Sports Facilities Advisory, LLC

DATE: October 29, 2018

FINANCIAL IMPACT: This study is estimated to cost $55,000 over two phases, plus related travel expenses. This expenditure will require a budget amendment, with the funding source being Hotel/Motel Tax Revenue.

BACKGROUND: The City recently announced a partnership with Mid-American Energy Company to construct the Mid-American Energy RecPlex facility. Staff and Council have developed a financial objective of operating the facility at a profit or, minimally, breaking even, while maintaining rates which are competitive in the Central Iowa and Midwestern marketplace. In preparation for construction, it becomes imperative to plan for management, operation, and programming of the facility.

Sports Facilities Advisory, LLC, (SFA) based in Clearwater, FL, is uniquely qualified as a nationally recognized advisory company (with Iowa connections). The scope of services proposed in the attached agreement with SFA will help the City more accurately anticipate revenues and expenses by developing an optimal management and staffing model, completing space utilization projections, constructing an operational and maintenance budget, and projecting the facility's annual economic impact.

As part of this planning, staff believes it will also be critical to create performance expectations for residents interested in recreational use – and balance those expectations against needs and desires of various club teams interested in renting the space for organized practices. This consultant has extensive experience in all of these areas.

OUTSTANDING ISSUES (if any): None

RECOMMENDATION: Approval of SFA Agreement.

Lead Staff Member: Tom Hadden, Jamie Letzring

STAFF REVIEWS

Department Director	
Appropriations/Finance	
Legal	
Agenda Acceptance	

PUBLICATION(S) (if applicable)

Published In	
Dates(s) Published	

SUBCOMMITTEE REVIEW (if applicable)

Committee	F & A		
Date Reviewed	October 24, 2018		
Recommendation	Yes	No	

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SERVICES AGREEMENT

Between:

Sports Facilities Advisory, LLC

&

City of West Des Moines, IA

OCTOBER 19, 2018

1. City of West Des Moines, IA (hereinafter referred to as "Client") hereby engages Sports Facilities Advisory, LLC (hereinafter referred to as "Consultant") for the services set forth in this Services Agreement (hereinafter referred to as "Agreement").
2. **Scope of Services:** The Client is engaging the Consultant to provide the services set forth on Exhibit A in the attached hereto and the Consultant is agreeing to provide the services set forth on Exhibit A in the attached hereto.
3. **Period of Performance:** The period of performance under this Agreement shall commence upon signature of this Agreement by both parties and shall continue through the delivery by Consultant of Exhibit A but in no case shall be longer than 120 days. Any services provided by Consultant to Client beyond the scope of services and period of performance described herein will be contracted separately and billed at Consultant's hourly rates.
4. **Confidentiality, Nondisclosure, and Non-Use Covenants:** For purposes of this Agreement, the party disclosing confidential information is the "discloser," and the party receiving the information is the "recipient." Confidential information means all information concerning either party's business including, but not limited to, all tangible, intangible, visual, electronic, present or future information such as (a) trade secrets; (b) financial information, including pricing; (c) technical information, including research, development, procedures, algorithms, data designs, and know-how; (d) business information, including operations, planning, marketing interests, and products and services; and (e) the terms of this Agreement.

   The recipient does not have an obligation to protect confidential information that is; (a) in the public domain through no action of the recipient; (b) within the legitimate possession of the recipient, with no confidentiality obligations to a third party; (c) lawfully received from a third party having rights in the information without restriction, and without notice of any restriction against its further disclosure; (d) independently developed by the recipient without breaching the agreement or by the parties who have not had, either directly or indirectly, access to or knowledge of the confidential information; or (e) disclosed with the prior written consent of the discloser. If confidential information is required to be produced by law, court order or government authority, the recipient must immediately notify the discloser of that obligation. The recipient will not produce or disclose confidential information in response to that obligation until discloser has requested protection from the court or other legal or governmental authority issuing the process and the request has been denied, or consented in writing to the production or disclosure of the confidential information in response to the process, or taken no action to protect its interests in the confidential information within 14 business days after the receipt of notice from the recipient of the obligation to produce or disclose.

   Recipient will use the confidential information only to further the relationship between the parties. Confidential information may not be disclosed to any third party without the written consent of the discloser or used by the recipient in any manner which may be competitive to the discloser.
5. **Responsibility**: Client assumes all responsibility for financial and other risks associated with the planning, development, operations & management of the Client's business and Consultant assumes no liability for the Client's project. The Client agrees to seek independent accounting and legal services that are necessary for the operation of Client's businesses.
6. **Consultant Services**: Client understands that consultant is a management consulting firm, is not licensed to sell securities, is not a licensed accounting practice nor licensed to practice law.
7. **Governing Law:** The execution, interpretation, and performance of this Agreement shall be governed by the laws of the State of Florida. Any lawsuits arising from this Agreement shall be brought before a Court of Law in Pinellas County, Florida.
8. **Construction**: The parties hereto acknowledge and agree that: (i) each party has participated in the drafting of this Agreement; (ii) no inference in favor of, or against, any party shall be drawn from the fact that one

party has drafted any portion hereof; and (iii) each party has had the opportunity to have this document reviewed by their respective legal counsel.

9. **Entire Agreement:** This Agreement and the attached Exhibit A contains the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements or understandings, expressed or implied, written or oral, between the parties hereto with respect to the subject matter hereof. This Agreement may not be modified or amended except by a written instrument signed by the parties hereto.
10. **Compensation**: Upon execution of this Agreement, the compensation for Exhibit A shall be due and owing as follows under the Payment Terms:

Payment Terms – Exhibit A: Phase I & Phase II

- **Payment 1 – $15,500.00:** Due upon execution of Agreement. Consultant will not provide services nor book meetings until Payment 1 is made in full.
- **Payment 2 – $15,500.00:** Due upon delivery of Market Opportunity Report. Phase II work will begin upon receipt of payment.
- **Payment 3 – $15,500.00:** To be invoiced upon review of the draft pro forma. Draft pro forma to be delivered upon payment.
- **Payment 4 – $8,500.00:** To be invoiced upon review of the final deliverable(s). Final deliverable(s) to be delivered upon payment.
- **Reimbursable Travel Expenses:** To be invoiced upon completion of travel. Reimbursable travel expenses are due upon receipt of invoice. Travel expenses encompass flights, hotel accommodations, ground transportation and associated fees (parking, tolls, etc.), and meals, which will be billed at $55 per consultant per day.

- o Preferred Payment: To avoid additional processing fees, the preferred payment method is via check.
- o Wire Transfers: Client is responsible for all additional fees associated with electronic wire transfers.
- o Credit Card Payments: For credit card payments, Client will be responsible for a 3% processing fee.

In the event Client fails to make any payments when due, interest will be charged on the unpaid total in the amount of 18% per annum or the maximum rate allowed under state and federal law, whichever is greater. All payment due dates, unless otherwise stated, are to be within 30 days of receipt of the invoice. Deposit (or initial) payments are the exception as these payments are immediately due to engage Consultant for services.

City of West Des Moines, IA
"CLIENT"

BY: _____

_____
Print Name

_____
Date

Sports Facilities Advisory, LLC
"CONSULTANT"

BY: _____

Jason Clement, Partner

_____
Date

_____
Client Billing Address

_____
Invoicing/Billing Contact Name

_____
Invoicing/Billing Contact Email/Phone

EXHIBIT A

SCOPE OF SERVICES

PHASE I | EXISTING DATA REVIEW, MARKET OPPORTUNITY REPORT, & RECOMMENDATIONS

a) Consultant (hereinafter referred to as "SFA") will review any existing data, documentation, and/or resources Client provides related to the project including floor plans, feasibility projections, organization structure, budget, and lease agreement. This information will be utilized and delivered in the Market Opportunity Report.

b) After reviewing the existing data, SFA will facilitate a Business Development Strategy Session (BDPS) either remote or in-person. The BDPS is a planning and strategy session that will focus on defining success and refining Client's vision, value propositions, financial resources and core competencies, products and services, strategic alliances, and financial success metrics. During the BDPS, SFA will also share data from its preliminary market assessment and data review, including key demographic and socioeconomic factors, participation rates, and other market insights.

c) SFA will then prepare an executive summary-level report that outlines Client's opportunity based on the work completed and additional analysis based on SFA's expertise in the industry. The report will feature four sections:
   1. Business Model Overview – definitions of success and business model insights
   2. Market Overview - demographics and socioeconomics, participation rates, and competition
   3. Facility Overview – facility program (sizes and spaces) and cost of construction
   4. Performance Expectations – high-level financial performance ranges based on market factors and national industry benchmarks
   5. Conclusion and Next Steps

Phase I Price Quote: $15,500.00
The Market Opportunity and Recommended Facility Report will be delivered in ~2 weeks from the Business Development Planning Session.

PHASE II | DETAILED FINANCIAL FORECAST (PRO FORMA) & DEVELOPMENT TIMELINE

a) In this Phase, SFA will complete more in-depth research/analysis to produce a 5-year cash flow forecast. SFA's pro forma documents are detailed, institutional-grade financial forecasts used to support decision-making and financing.

   The pro forma will provide insight into the financial potential of the project and will include projections related to construction and start-up costs, revenues/expenses by product/program, EBITDA, net income, facility utilization, and more.

   The pro forma will be provide Client with detailed financial projections related to and based on:
   - The ideal business model
   - Realistic and/or recommended debt-to-equity mix and debt service
   - Right-sized program spaces and space requirements

- Construction and start-up costs based on recent, comparable projects
- Recommended parking
- Revenue by product/program
- Direct/variable costs (Cost of Goods Sold)
- Facility and operating budget and expenses (year 1 broken down monthly)
- Management and staffing model
- Utilization Projections
- Year 1 budget broken down monthly into operation budget

b) SFA will also project the economic impact of the facility on an annual basis. Economic impact is defined as new off-site spending that will occur in the market as a result of tournaments and events held at the facility. This information is used to project economic activity from out-of-town visitors who would not be in the market but for the events that will be held at the facility.

The results, primarily quantified as room nights generated and direct spending, are used by elected officials and private developers alike to understand the impact that the venue will have on the lodging, dining, retail, entertainment, and transportation industries as well as on the tax base of the municipalities that benefit from new spending.

SFA's economic impact projections are developed based on projections for tournaments and events throughout the pro forma and reflective of several key drivers of economic impact, including:

- Number of Events
- Number of Teams
- Number of Participants
- Number of Affiliated Spectators
- Percent of Participants and Affiliated Spectators from Out of Town
- Length of Stay
- Average Daily Rate (ADR)
- Average Daily Expenditures (ADE)

c) In this part of Phase II, SFA will complete a detailed development timeline documenting the strategies and tactical action steps to be taken to develop the operation and see it to operational success. SFA will collaborate with the City of West Des Moines leadership team so the timeline includes the existing priorities and anything SFA will add. The information will be organized in the following categories:

- Organizational Development & Structure
- Business Development (marketing, sales)
- Operational Development
- Program Development and Enhancement
- Facility Development
- Meeting management and reporting

SFA will provide expert perspective regarding management, programming, revenue optimization, and highest and best use during non-peak hours, which will serve to equip both Client and SFA with a foundation for the important decisions related to the strategic direction of the project. The Operating Budget insight will be extraordinarily detailed incorporating all expenses including an organizational chart with personnel costs, management fee, marketing/business development expenses, facility expenses/utilities/maintenance, and all administrative costs including office supplies, etc. The timeline represents the detailed action items and strategies required to complete and achieve the financial forecast.

Phase II Price Quote: $39,500.00

Please Note: This proposal is valid for 60 days from issuing date.