

CITY OF HAMILTON

CITY MANAGER'S OFFICE
City Manager

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: April 27, 2012	
SUBJECT/REPORT NO: Independent External Audit Review of HECFI Operations - Phase II (RFP) (CM11013c) (City Wide)	
SUBMITTED BY: Chris Murray City Manager	PREPARED BY: Ann Pekaruk, (905) 546-2424 Ext. 4469 Tony Tollis, (905) 546-2424 Ext. 4549 Ron Sabo (905) 546-2424 Ext. 3143 Art Zuidema, (905) 546-2424 Ext. 5639
SIGNATURE:	

RECOMMENDATION

- (a) That the City Manager be authorized and directed to enter into negotiations with Global Spectrum/Live Nation, and SMG/Forum Equity, in an effort to finalize a proposed Memorandum of Understanding subject to further approval of the City, with one of the aforementioned groups that achieves the objectives of Council with respect to the operations of the HECFI Facilities;
- (b) That the proposed Memorandum of Understanding achieved in Recommendation a) of Report CM11013c, together with the details of the HECFI Business Plan as presented to their Board, be presented to the General Issues Committee for their consideration on or before June 30, 2012, to provide staff with directions or recommend Council approval necessary for entering into the Memorandum of Understanding and providing for an operating agreement between the City and the preferred group;
- (c) That KPMG LLP be retained to facilitate the negotiations with the proponents outlined in Recommendation a) of Report CM11013c based on the fee schedule contained in their Terms of Reference (attached hereto as Appendix "A"), and funded through the HECFI Reserves.

EXECUTIVE SUMMARY

KPMG has completed a more detailed review of the submissions as directed by Council. The attached Appendix "A" is a copy of their presentation of findings and their recommendations going forward. Staff are in agreement that the two firms, Global Spectrum/Live Nation, and SMG / Forum Equity, provide the best opportunity for continued future savings.

If the recommendations of this report are approved, the staff team, with the assistance of KPMG will meet with the two firms and determine which will provide the best opportunity for the City, by negotiating directly with them in an effort to agree on a Memorandum of Understanding with one of them. This MOU if approved will form the basis for a more detailed operating agreement.

The successful Memorandum of Understanding will include among other things, guarantees of future savings, staffing impacts, securities, and expected maintenance of facilities.

The MOU will be presented to Council on or before June 30, 2012. As well staff will present the detailed Business plan prepared by HECFI as presented to their Board earlier this year. This business plan is not considered the status quo as it presents an alternative governance model. As always the status quo option is still a viable option for Council to consider.

As outlined in this report the total consulting costs to date are approximately, \$329K. It is expected that no more than an additional \$50K will be required to complete the MOU stage at which point no further external costs are anticipated.

Alternatives for Consideration – See Page 7

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial:

At this stage it is difficult to confirm any immediate cost savings resulting from any of the proposed operating options. A City subsidy will continue to be required for the operation of the HECFI facilities, at least in the short term. It is important to note however that the recommended option should translate into future cost reductions for the City. Until full negotiations and a Memorandum of Agreement are complete, the full financial impact will not be known. The table below outlines the various costs associated with HECFI and the areas than we can expect savings in the long run.

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DESCRIPTION	2012 BUDGET	POTENTIAL FUTURE SAVINGS
HECFI Operating Deficit	2,797,950	0 – 2,797,950
City Administration Cost Allocation	449,190	None
TOTAL OPERATING DEFICIT	3,247,140	0 – 2,797,950
City Paid Utility Costs	2,554,255	Little or None
City Paid Capital Costs **	750,000	Little or None
GRAND TOTAL	6,551,395	0 – 2,797,950

** 10 Year Capital Budget currently shows a total of 12.0M in capital spending. A condition assessment done recently would indicate that the Capital requirement would be closer to 21.2M over the next ten years.

Staffing:

Whenever a change in the service delivery model is contemplated, staff may be impacted. Unionized staff have their collective agreements to fall back on and in the case of a change in management, have successor rights which guarantees that the terms and conditions contained in the collective agreement will remain in effect for their term of the contract regardless of who owns, manages or operates the facilities. The City will endeavour to minimize the impact on staff throughout the negotiation of the Memorandum of Understanding.

Legal:

There will be legal implications to the City as a Memorandum of Understanding must be negotiated and eventually a detailed Operating Agreement. These processes will be facilitated through the Acting City Solicitor who is part of the Staff Advisory Team. The proposed memorandum of understanding is intended to form the basis for a future operating agreement with a single proponent, and Council approval will be required for the City to enter into the Memorandum of Understanding.

HISTORICAL BACKGROUND (Chronology of events)

At its meeting of June 29, 2011, Council approved the following recommendations pertaining to the HECFI Review:

- (h) *That the City Manager be authorized and directed to proceed with Phase 2 of the HECFI Review Terms of Reference, utilizing the services of KPMG, as follows:*
 - (i) *Prepare and issue a Request for interest (RFI) or Expression of interest for the purchase, lease, or management, of all or parts of HECFI facilities;*
 - (ii) *Summarize options in a report to GIC;*
- (i) *That the City Manager be authorized and directed to negotiate the scope and cost of the Review with KPMG;*
- (j) *That the City Manager report back to the General Issues Committee with the results of Phase 2 by December 31, 2011;*
- (k) *That the cost of Phase 2 be funded from the HECFI Reserve.*

Further to the above on October 11, 2011, the General Issues Committee Received Report CM11013a which outlined the process and costs for Phase II of the review.

On December 14, 2011, Council made the following amendment to Item (J) above:

That sub-section (j) of Item 7 of General Issues Committee Report 11-021, approved by City Council on June 29, 2011, respecting the Independent External Review of HECFI Operations, be amended by deleting the date of December 31, 2011 and replacing it with February 15, 2012, to read as follows:

7(j) That the City Manager report back to the General Issues Committee with the results of Phase 2 by February 15, 2012.

On February 15, 2012 the General Issues Committee approved the following:

That the City Manager (through KPMG) be authorized to meet with all proponents as outlined in report CM11013b to further explore the proposals and report back to GIC on March 21 with recommendations to proceed to the negotiations stage with one or more of the proponents.

POLICY IMPLICATIONS

N/A

RELEVANT CONSULTATION

The Staff Advisory Team assigned to the review is as follows:

Ann Pekaruk, Director, Audit Services
Rob Sabo, Acting City Solicitor
Tony Tollis, City Treasurer
Art Zuidema, Director, Corporate Initiatives

KPMG LLP was the consultant retained to assist in the review, RFP process and the preparation of Options to GIC.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

PROJECT COSTS TO DATE:

DESCRIPTION	REPORT #	AMOUNT
Operational Review	CM11002	90,000
Expressions of Interest – Stage one – Pre-Marketing	CM11013a	130,000
- Stage Two – Evaluation of Offers	CM11013a	53,000
Negotiations to Date (estimated)	CM11013a	50,000
Net HST Tax (13% less Municipal Rebate)		5,700
TOTAL TO DATE		328,700

PROJECT METHODOLOGY:

Council approved the use of a consultant for the solicitation of interest in the sale, lease or operation of the HECFI facilities. This was done in order to ensure that the City received the best possible bids from the private sector by ensuring confidentiality and industry expertise.

PROJECT OBJECTIVES:

The objective is to substantially reduce or completely eliminate the subsidization of the Facilities while ideally delivering on the original objectives, which include the following:

- Enhancing the quality of life of Hamiltonians;
- Maintaining the current core use of each Facility; namely, a performing arts venue (Hamilton Place), a convention centre (Hamilton Convention Centre) and a professional sports and entertainment venue (Copps Coliseum). However, the City will entertain changes in use to these Facilities which are shown to be advantageous to other City objectives;
- Attracting a larger mix of high caliber sports and entertainment events, ideally including a National Hockey League team for Copps Coliseum; and,
- Fostering “spin-off” private investment in the downtown core of Hamilton.

RESPONSES TO THE RFP:

The following were the responses received by KPMG on the RFP that was issued by them in November of 2011:

AEG / Katz Group – Operation of Copps Coliseum only

Carmens – Operation of Convention Centre only

Global Spectrum / Live Nation – Operation of all facilities

SMG / Forum Equity – Operation of all facilities

Sonic Unyon – Operation of Hamilton Place only

Vrancor – Operation of Convention Centre only

All of the above proponents are offering to manage one or more of the facilities through a management contract. They are not interested in purchasing or leasing the facilities. Some have offered Capital contributions, however the bulk of the ongoing Capital expenditures will continue to be paid by the City.

A detailed analysis of the responses is outlined on the attached Appendix “A”, which was prepared and will be presented by KPMG LLP.

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Staff is supportive of the KPMG recommendation, which asks Council for their approval to enter into negotiations with two proponents:

- Global Spectrum / Live Nation
- SMG / Forum Equity

Based on the evaluation conducted by KPMG, these groups bring significant expertise and experience in managing these types of facilities all over the world. It is KPMG's opinion (and staff concur) that they are in the best position to maximize any saving that can be achieved through a change in the management of the HECFI facilities.

NEXT STEPS:

Should the recommendations of this report be approved, KPMG together with the Staff Advisory Team will begin negotiations with the two groups in an effort to maximize the City's objectives and ongoing savings. A memorandum of understanding with one of these groups will be negotiated and presented to Council on or before June 30, 2012. At that time Council will also be presented with the detailed 5-year business plan that was presented to the HECFI Board, in order for Council to compare revised HECFI operating arrangement with the proposed new operating agreement.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

As an alternative, Council can choose to go with the status quo operating arrangement. Also, Council will have to revisit the make up of the HECFI Board, as an interim Board made up of City Councillors is currently in place.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Skilled, Innovative & Respectful Organization

- ◆ A culture of excellence

Financial Sustainability

- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

Intergovernmental Relationships

- ◆ N/A

Growing Our Economy

- ◆ A visitor and convention destination

Social Development

- ◆ N/A

Environmental Stewardship

- ◆ N/A

Healthy Community

- ◆ N/A

APPENDICES / SCHEDULES

Appendix "A" – KPMG Presentation and Recommendations



cutting through complexity

HECFI Phase Two: Alternative Service Delivery Search and Selection

Summary of RFP Proposals

GIC Presentation

April 27, 2012





Contents

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in connection with this
report are:**

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Background

- Background
- City Objectives
- City Subsidization Levels

Summary of Proposals

- AEG – Katz Group
- Global Spectrum – Live Nation
- SMG – Forum Equity
- Carmen’s Group
- Sonic Unyon
- Vrancor Group

Financial Analysis

Evaluation of Proposals

Conclusions

Appendix A: Detailed Summary of Proposals

Appendix B: Project Timelines



Background



HECFI Alternative Service Delivery RFP Background

- KPMG LLP and HLT Advisory Inc., (collectively “KPMG”) have assisted the City of Hamilton by managing an RFP process whereby Proponents were requested to submit proposals for the alternative service delivery (“ASD”) options for one, two or all three of the HECFI facilities.
- The three ASD options are as follows:
 1. Purchase of one or more facilities
 2. Long-term lease of one or more facilities
 3. Private management of one or more facilities. Under this approach, the City would continue to own the HECFI facilities, and a third party would manage and operate the facilities for a specified term on behalf of the City. In general, the facility manager would receive a management fee, and the operating results / operating savings of the facilities would be shared based on negotiated threshold(s) and profit-sharing ratios.



HECFI Alternative Service Delivery RFP City Objectives of the RFP Process

- In seeking ASD proposals from interested parties, the RFP document listed the following specific objectives of the City:
 1. **Reducing or eliminating the City's subsidization of HECFI's facilities.**
 2. Fostering spin-off private investment in the downtown core of Hamilton.
 3. Maintaining the core use of each of the three HECFI facilities.
 4. Attracting a larger mix of high calibre sports and entertainment events.
 5. Enhancing the quality of life of Hamiltonians



HECFI Alternative Service Delivery RFP Conclusions and Next Steps

- **Based upon a review and evaluation of the proposals as submitted, as detailed herein, and follow-up discussions with the Proponents, it was concluded that the City should continue to hold discussions with both SMG / Forum Equity and Global Spectrum / Live Nation. This conclusion was based upon the depth of the professional venue management programs and expertise of these parties, combined with their ability to operate all three facilities.**
- Furthermore, the City should negotiate the best financial terms possible following full disclosure of all pertinent information to the two Preferred Proponents, with the objective of agreeing on a Memorandum of Understanding with one of the parties for City Council to review and consider at a future meeting.
- Under the privatization scenario, the City should be prepared to incur some HR-related transitional costs.



HECFI Alternative Service Delivery RFP Financial Analysis - Subsidies

Historical Summary of City Subsidies:

City subsidies of HECFI								
Year ended December 31 (\$000's)	2006	2007	2008	2009	2010	2011	Budget 2012	Total
Operating Subsidies								
Recorded in HECFI financial statements								
Budgeted City subsidy	\$ 2,784	2,867	2,936	2,790	2,790	3,613	3,247	21,027
Unbudgeted deficit (surplus)	(38)	(64)	(34)	293	2,008	926	-	3,091
Bulldogs subsidy	214	214	220	220	220	220	220	1,528
Special events subsidy	100	165	100	100	100	100	-	665
	3,060	3,182	3,222	3,403	5,118	4,859	3,467	26,311
Not recorded in HECFI financial statements								
Utilities and CUP costs	2,470	2,430	2,240	2,260	2,311	2,454	2,568	16,733
Unallocated City administrative costs (*)	400	400	400	400	400	-	-	2,000
	2,870	2,830	2,640	2,660	2,711	2,454	2,568	18,733
Total Operating Subsidies	5,930	6,012	5,862	6,063	7,829	7,313	6,035	45,044
Capital Subsidies								
Capital expenditures - building (HECFI)	800	800	800	800	800	800	750	5,550
Capital expenditures - mechanical	-	-	-	725	3,023	638	902	5,288
	800	800	800	1,525	3,823	1,438	1,652	10,838
Total Subsidies	\$ 6,730	6,812	6,662	7,588	11,652	8,751	7,687	55,882

- Over the past seven years, the budgeted operating subsidy from the City has averaged \$3.004 million; 2011 and 2012 budgeted operating subsidies include transferred City administrative costs.
- In 2009, 2010 and 2011, additional transfers were required from the City in order to fund unbudgeted operating losses totaling \$3.227 million.



HECFI Alternative Service Delivery RFP Financial Analysis - Contribution Margin by Venue

Analysis by Facility:

Corporate Costs and Total Operating Subsidies of HECFI								
Year ended December 31 (\$000's)	2006	2007	2008	2009	2010	2011	Budget 2012	Average
Contribution Margin								
Copps Coliseum	\$ 255	817	661	687	(895)	(159)	253	231
Convention Centre	107	(11)	(36)	(313)	(334)	(1,040)	(353)	(283)
Hamilton Place	45	122	461	446	307	256	220	265
	407	928	1,086	820	(922)	(942)	120	214
Less: Corporate costs	(3,153)	(3,731)	(3,983)	(3,903)	(3,876)	(3,598)	(3,367)	(3,659)
Total operating subsidy	\$ 2,746	2,803	2,897	3,083	4,798	4,540	3,247	3,445

* Total operating subsidy represents the combined budgeted City subsidy and unbudgeted deficit / surplus

- Copps Coliseum experiences the greatest variability in operating results.
- Since 2007, the Convention Centre has continually posted a negative contribution margin. Operating results for 2011 include some one-time costs.
- Hamilton Place has continually posted a positive contribution margin.
- Operating results in 2010 and 2011 were impacted by unusual circumstances; the 2012 budget is the best indicator of future operating results.
- Need to increase revenues (events, ticket sales) and reduce costs (direct and corporate).



HECFI Alternative Service Delivery RFP Financial Analysis – Capital Budgets

Capital Expenditures:

Budgeted Capital Investment											
Year ended December 31,											
\$'000	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Copps Coliseum	1,200	-	-	-	-	-	-	-	-	-	1,200
Convention Centre	-	-	600	-	-	-	-	-	-	-	600
Hamilton Place	200	200	200	200	200	200	200	200	500	200	2,300
All Facilities	300	800	800	800	800	800	800	800	1,000	1,000	7,900
Total	1,700	1,000	1,600	1,000	1,000	1,000	1,000	1,000	1,500	1,200	12,000

- Over the next ten years, HECFI's budgeted capital expenditures for the three facilities total \$12.0 million, an average of \$1.2 million per year. These capital expenditures generally relate to smaller items and “cosmetic” upgrades to the facilities.
- The HECFI capital budget above does not include major electrical / mechanical / structural capital expenditures which are paid directly by the City. CUP's projected capital budget for HECFI facilities over the next 10 years is budgeted at approximately \$21.2 million (i.e. an average of an additional \$2.12 million per year). One near-term capital item is a new ice plant for Copps Coliseum.
- Total capital expenditures for HECFI facilities are projected to average \$3.32 million per year.



HECFI Alternative Service Delivery RFP The Hamilton Entertainment Market - Observations

- The following observations regarding the market positioning of HECFI venues were also noted in the Phase One report on HECFI:
 1. HECFI operates in an increasingly competitive marketplace.
 2. Hamilton operates in close proximity to Toronto.
 3. There is an increased concentration of entertainment suppliers.
 4. HECFI facilities are inappropriately sized for the market.
 5. High fixed cost base associated with HECFI.
 6. Economics of entertainment programming is becoming riskier.
- HECFI operates in a specialized and complex industry that is characterized by increasingly difficult economics.

A large blue trapezoidal graphic on the left side of the page, containing the text 'Summary of Proposals'.

Summary of Proposals

Six submissions were received by the proposal deadline in January 2012:

- **AEG / KATZ GROUP** – Primarily interested in managing Copps Coliseum.
- **CARMEN'S GROUP** – Management of Hamilton Convention Centre.
- **GLOBAL SPECTRUM / LIVE NATION** – Management of all three facilities.
- **SMG / FORUM EQUITY** – Management of all three facilities.
- **SONIC UNYON** – Management of Hamilton Place.
- **VRANCOR GROUP** – Management of Hamilton Convention Centre.

Three proposals are from global sports, entertainment and convention venue managers; three proposals are from local parties with an interest in the management of single facilities. Further details of all Proposals are presented in Appendix A.



HECFI Alternative Service Delivery RFP High Level Summary of Proposals – AEG / Katz Group

- AEG and Katz Group have joined together in submitting a proposal for managing Copps Coliseum.
- AEG operates and manages over 100 stadiums and arenas throughout the world. The Katz Group owns the Edmonton Oilers and is an active real estate developer.
- The AEG / Katz Group proposal envisions the creation of a vibrant multi-use sports and entertainment district in downtown Hamilton, with Copps Coliseum being the initial focus point.
- AEG would manage Copps Coliseum and increase the quality and quantity of sports and entertainment events at Copps Coliseum. AEG / Katz Group would share in operational savings realized from their management of Copps Coliseum.
- Real estate development around Copps Coliseum is a key feature of the overall vision. AEG and Katz Group are currently working together on a joint project in Edmonton that centres around a new arena for the Edmonton Oilers and ancillary real estate development.
- Both AEG and Katz Group own NHL teams and have contacts with qualified individuals who could become potential owners of an NHL team in Hamilton should the opportunity arise. They also have contacts with AHL and OHL hockey teams.



HECFI Alternative Service Delivery RFP Summary of Financial Term Sheets

AEG – Katz Group

Summary

- **Third party management contract of Copps Coliseum:** 10 year term, two 5 year renewals.
- No capital contributions to Copps Coliseum by AEG.
- **Management Fees:**
 - **Base fee:** \$nil;
 - **Performance fee:** 50% of improvement over annual operating contribution margin at Copps Coliseum, with a cap to be negotiated; and,
 - **Other incentive fees:** \$nil.
- City responsible for all capital expenditures, utility and CUP costs.
- AEG will be responsible for all services currently provided by the City (IT, legal, finance, etc.).
- Employees would transfer to AEG.

Benefits

- No base fee limits City's downside risk as there are no fixed compensation costs.
- Of all proponents, AEG is most incentivized to lower City's annual operating contribution to Copps Coliseum (i.e. 50% participation).
- Partnership between Katz and AEG is a partnership of two NHL franchise owners; best NHL prospects.
- AEG has sports and entertainment content division that may result in increased quantity and quality of events at Copps Coliseum.
- Well respected, financially secure, industry leading organizations.
- Global purchasing power arrangements and cost saving opportunities.

Risks

- Some savings are expected to come from AEG performing tasks the City currently charges back to HECFI. It is our understanding that there will be no real savings to the City; however, the City is expected to partially compensate AEG under the proposed arrangement.
- Proponent wishes only to operate Copps Coliseum.
- Longest initial term of any third-party operator.

Proposed structure only rewards Proponent if operating subsidy to Copps Coliseum is reduced; Proponent only wishes to manage Copps Coliseum



HECFI Alternative Service Delivery RFP High Level Summary of Proposals – Global Spectrum / Live Nation

- Global Spectrum and Live Nation have partnered together to submit a proposal for managing all three HECFI facilities.
- Global Spectrum is a global manager of numerous convention centres and sports and entertainment venues throughout the world, while Live Nation is the largest concert promotion company in the world.
- Global Spectrum would use its extensive venue management experience and professional management systems to increase the operating performance of HECFI's facilities. Live Nation would contribute towards increasing the quantity and quality of entertainment acts at Copps Coliseum and Hamilton Place.
- Increased utilization of HECFI's facilities would result in increased visits to the downtown core, and result in related development opportunities.
- Global Spectrum owns the Philadelphia Flyers and would assist in attracting a potential NHL team to Copps Coliseum should an opportunity arise in the future.



HECFI Alternative Service Delivery RFP Summary of Financial Term Sheets

Global Spectrum – Live Nation

Summary

- **Third party management contract:** 5 year term, one 5 year renewal.
- **\$500,000 capital loan** to HECFI.
- **Management Fees:**
 - **Base fee:** \$204,000 indexed to CPI;
 - **Performance fee structure:** 20% of first \$1.0 million improvement; 25% of improvement to break-even; 30% thereafter;
 - **Convention Centre:** 5% of F&B sales over \$2.5 million and 10% of improvement in operating results;
 - **Other incentive fees:** up to \$51,000 per annum based on performance metrics, indexed to CPI.
- City responsible for all capital expenditures, utility and CUP costs.
- Global responsible for all services currently provided by the City (IT, legal, finance, etc.).
- Employees would transfer to Global.

Benefits

- \$500,000 repayable loan for capital improvements to the facilities.
- Proponent interested in operating all three facilities.
- Partnership with Live Nation (largest promoter in the world) should result in increased quantity and quality of events at HECFI facilities.
- Well respected, financially secure, industry leading organizations.
- Global purchasing power arrangements and cost saving opportunities.

Risks

- Some of savings expected to come from Global performing tasks City currently charges back to HECFI. It is our understanding that there will be no real savings to the City; however, the City is expected to partially compensate Global under the proposed arrangement.
- Fixed level of base management fees is punitive to HECFI should operating results not improve.

Proponent wishes to operate all three HECFI facilities. If annual operating savings are not realized, the base management fee structure is somewhat punitive to the City.



HECFI Alternative Service Delivery RFP High Level Summary of Proposals – SMG / Forum Equity

- SMG and Forum Equity have partnered together to submit a proposal for managing all three HECFI facilities.
- SMG is a global manager of numerous convention centres and sports and entertainment venues throughout the world, while Forum Equity is a Toronto-based real estate development company with P3 expertise.
- SMG would use its extensive venue management experience and professional management systems to increase the operating performance of HECFI's facilities. SMG would also route its in-house entertainment acts to HECFI facilities to increase the quantity and quality of entertainment acts.
- Increased utilization of the HECFI facilities would result in increased visits to the downtown core, and result in related development opportunities.
- SMG does not own an NHL team, but manages two NHL venues including the Consol Centre of the Pittsburgh Penguins, and would assist in attracting an NHL team to Hamilton if the opportunity arises in the future.



HECFI Alternative Service Delivery RFP Summary of Financial Term Sheets

SMG – Forum Equity

Summary

- **Third party management contract:** 5 year term, one 5 year renewal.
- **Up to \$750,000** capital contribution to HECFI (\$400,000 if Copps excluded).
- **Fees (fees if CC excluded in brackets):**
 - **Base fee:** \$250,000 (\$150,000) indexed to CPI;
 - **Performance fee structure:** 25% of improvement between \$250k and \$500k; 30% of improvement between \$500k and \$1 million; 35% thereafter;
 - **NHL fee:** \$500,000 fee if Proponent is successful in landing NHL team; and,
 - **Other incentive fees:** up to \$50,000 (\$25,000) per annum, indexed to CPI.
- City responsible for all capital expenditures, utility and CUP costs.
- SMG responsible for all services currently provided by the City (IT, legal, finance, etc.).
- Employees would transfer to SMG.

Benefits

- Up to \$750,000 upfront contribution for capital improvements to facilities.
- Flexible proponent - SMG is willing to operate all three facilities or just Hamilton Convention Centre and Hamilton Place.
- Partnership with Forum Equity may lead to spin-off development in the downtown core.
- Some internal entertainment content that may result in increased quantity and quality of events at HECFI facilities.
- Proponent is incentivized to secure an NHL franchise for the City.
- Well respected, financially secure, industry leading organizations.
- Global purchasing power arrangements and cost saving opportunities.

Risks

- Some of savings expected to come from SMG performing tasks the City currently charges back to HECFI. It is our understanding that there will be no real savings to the City; however, the City is expected to compensate SMG under the proposed arrangement.
- Fixed level of base management fees is punitive to HECFI should operating results not improve.

Proponent wishes to operate all three HECFI facilities. If annual operating savings are not realized, the base management fee structure is somewhat punitive to the City.



HECFI Alternative Service Delivery RFP High Level Summary of Proposals – Carmen’s Group

- The Carmen’s Group has submitted a proposal to manage the Hamilton Convention Centre for a period of up to 20 years.
- The Carmen’s Group would operate the Convention Centre without any direct operating subsidy from the City and would provide the City with an annual \$125,000 contribution earmarked for local marketing efforts.
- Increased Convention Centre utilization and improvements to food service operations would offset the need for ongoing City subsidization. Carmen’s management would liaise with Tourism Hamilton and other local agencies to promote the Convention Centre.
- Based on future economic merits, the Carmen’s Group would build a 300 to 400 room hotel in the downtown core to meet increased over-night visits to Hamilton.
- The Mercanti family and Loren Lieberman are the key members of the Carmen Group’s management team and they would contribute their collective experience in the convention, hospitality, hotel and arts and entertainment fields.



HECFI Alternative Service Delivery RFP Summary of Financial Term Sheets

Carmen's Group

Summary

- **Third party management contract:** 10 year term, one 10 year renewal.
- Some upfront capital contributions to freshen up HCC.
- **Management Fees:**
 - **Base fee:** \$nil;
 - **Performance fee:** \$nil; and,
 - **Other incentive fees:** \$nil.
- Carmen's responsible for all operating risk (revenues and expenses to Carmen's).
- Carmen's commits up to \$125,000 annually to City for local marketing campaign.
- City responsible for all capital expenditures, utility and CUP costs.
- Envisions some HECFI employees becoming Carmen's employees.

Benefits

- "Made in Hamilton" option.
- Locally respected organization with significant ties to the community.
- Operating downside risk eliminated as Proponent proposes to assume risk and rewards of operations.
- Annual \$125,000 contribution by Carmen's to City for marketing expenditures.
- Potential investment in a new hotel in the downtown core.

Risks

- Proponent wishes only to operate the Convention Centre.
- Proponent does not have extensive experience dealing with union environments / management of large public venues.
- Limited sharing of operating profitability if the Hamilton Convention Centre becomes profitable in the future.
- Lower level of financial and management resources.

Proposed structure would eliminate visible operating subsidies for the Convention Centre. Minimal sharing of potential upside / operating profits as well. Proposal is similar to a long-term rental arrangement for the Convention Centre.



HECFI Alternative Service Delivery RFP High Level Summary of Proposals – Sonic Unyon

- Sonic Unyon has submitted a proposal to manage various aspects of Hamilton Place operations (both the Great Hall and the Studio) for a period of up to eight years.
- Sonic Unyon is a local company led by two individuals, Tim Potocic and Mark Milne, who have been engaged in various aspects of the music, entertainment and arts industries for almost twenty years.
- Sonic Unyon’s proposal envisions a gradual reduction in the City’s operating subsidization of Hamilton Place over a number of years through higher utilization of the facility and various cost containment initiatives.
- Sonic Unyon has a relationship with a Toronto-based manager of music and entertainment facilities that is expected to increase event activity.



HECFI Alternative Service Delivery RFP Summary of Financial Term Sheets

Sonic Unyon

Summary

- **Third party management contract:** 3 year term, one 5 year renewal.
- No capital contributions to facilities by Sonic Unyon.
- **Management Fees:**
 - **Base fee:** Greater of \$600,000 or 12% of gross revenues, indexed to CPI. This fee essentially replaces existing personnel costs;
 - **Performance fee:** To the extent profitable, 25% of profits to the Proponent; and,
 - **Other incentive fees:** \$nil.
- City responsible for all operating costs, utilities and capital costs.
- Proponent proposes naming rights, concession sales and sponsorships will cover all operating costs; City responsible for any shortfalls.

Benefits

- “Made in Hamilton” option.
- Locally respected organization with significant ties to the community.
- Performance fees only applicable once Hamilton Place is profitable.

Risks

- Substantial base fee given Proponent is only operating one facility; however, fee is intended to replace existing personnel costs rather than add a new layer of costs.
- Proponent has limited experience operating facilities the size of Hamilton Place.
- Proponent wishes only to operate Hamilton Place.
- Limited financial and management resources.

Proponent only wishes to operate Hamilton Place with the City responsible for operating shortfalls. Proponent has limited financial and management resources.



HECFI Alternative Service Delivery RFP High Level Summary of Proposals – Vrancor Group

- The proposal from the Vrancor Group, a regional development and hospitality company headed by Darko Vranich, envisions its long-term high-level management of the Hamilton Convention Centre.
- Vrancor considers the Hamilton Convention Centre to be too small and too outdated to successfully compete with other convention centres in Southwestern Ontario; accordingly, its proposal envisions the investment of \$20 to \$30 million to expand the Convention Centre by approximately 30,000 square feet and to modernize its amenities.
- Vrancor would manage the construction of the Convention Centre expansion project based on its past development experience of hotels and hospitality sector venues, and then manage the facility afterwards.
- The City would be responsible for the cost of the capital expansion project either directly or through the payment of a long-term revenue stream to Vrancor that finances the capital expansion.
- Vrancor would charge a modest revenue-based fee to manage the operations of the Convention Centre, and expects to benefit indirectly from increased visits to its hotel and restaurant venues in downtown Hamilton.



HECFI Alternative Service Delivery RFP Summary of Financial Term Sheets

Vrancor Group

Summary

- **Long-term lease / management contract:** 22 year term.
- Redevelopment of HCC at the outset of the lease, capital expenditures of \$20 to \$30 million.
- **Management Fees:**
 - **Base fee:** Estimate of \$2,000,000 per annum as principal and interest to fund capital expansion, plus 3% to 5% of gross revenues;
 - **Performance fee:** \$nil; and,
 - **Other incentive fees:** \$nil.
- City responsible for all operating costs, utilities, capital expenditures etc.
- Proponent wishes to lease the parking facility for a negotiated annual rent.
- Employees would remain HECFI / City employees.

Benefits

- “Made in Hamilton” option.
- Local organization with significant investments in Hamilton and elsewhere in Ontario.
- Redevelopment of outdated and under-sized Convention Centre facilities.

Risks

- Effectively commits the City to a \$20 to \$30 million capital project.
- Proposed fee model provides limited incentive for Proponent to reduce operating subsidy required by the City.
- Proponent wishes only to operate Convention Centre; may consider Hamilton Place in future or with another party.
- Limited experience in managing larger publicly-owned venues.

Proposal results in significant redevelopment of outdated and under-sized Convention Centre. City is financially responsible for funding the capital expansion project and ongoing operating subsidies.

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Summary of Key Financial Terms



HECFI Alternative Service Delivery RFP Analysis of HECFI Proposals

Analysis of HECFI Proposals

Preliminary - Subject to Negotiation

Comparison of Estimated Financial Savings (Note 3)

Annual Summary

	GS / Live Nation	SMG / Forum Equity	AEG / Katz Group	The Carmen's Group	Sonic Unyon	Vrancor Group
Number of HECFI facilities bid on:	3	3	1	1	1	1
Specific facilities managed	All Venues	All Venues	Copps	HCC	HP	HCC
Budgeted 2012 contribution margin (loss) (\$000's)	120	120	253	(353)	220	(353)
Budgeted 2012 operating subsidy - 100% (\$000's)	(3,247)	(3,247)	(935)	(1,344)	(968)	(1,344)
Full-time headcount included in direct costs	30	30	10	14	6	14
Full-time headcount included in indirect costs	23	23	8.33	6.33	8.33	6.33
Annual operating subsidy from the City (Note 1) (\$000's)	3,000	3,000	1,000	1,000	1,000	1,000

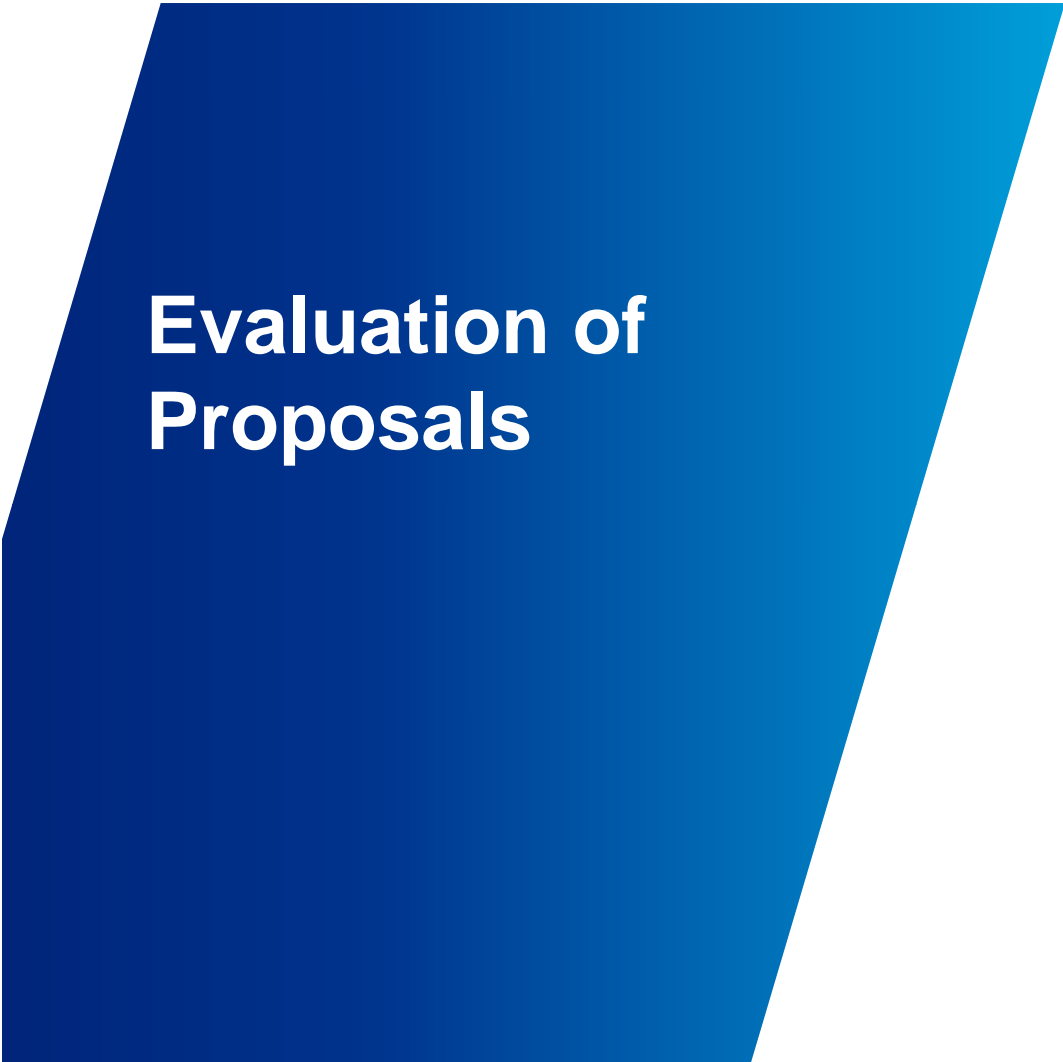
Annual Operating Savings (\$000's) (Note 2)	Financial Benefit (Cost) to City Per Year (\$000's)						
Annual operating savings to City	-	(204)	(175)	-	1,000	(300)	(776)
Annual operating savings to City	1,000	437	563	500	1,000	400	(36)
Annual operating savings to City	2,000	1,078	1,213	1,000	1,000	1,150	764
Annual operating savings to City	3,000	1,720	1,863	1,500	1,000	1,900	1,564
Annual operating savings to City	4,000	2,312	2,513	2,000	1,000	2,650	2,364

(Note 4)

Notes:

1. Assumes the base case has operating subsidies of \$1.0 million per venue..
2. Assumed annual operating savings.
3. Excludes potential severance payments and other transitional costs.
4. The Vrancor analysis includes the estimated cost of an expanded Convention Centre.

Expected range of realistic outcomes

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Evaluation of Proposals



HECFI Alternative Service Delivery RFP Evaluation of Proposals Against City Objectives

	AEG / Katz	Carmen's Group	Global Spectrum / Live Nation	SMG / Forum Equity	Sonic Unyon	Vrancor Group
Reducing or eliminating subsidization	✓	✓	✓	✓	✓	
Fostering economic spin-off downtown	✓	✓	✓	✓		✓
Maintaining core use of facilities	✓	✓	✓	✓	✓	✓
Attracting larger mix of high calibre events	✓	n/a	✓	✓	✓	n/a
Enhancing the quality of life of Hamiltonians	✓	✓	✓	✓	✓	✓



HECFI Alternative Service Delivery RFP Proposal Opportunities and Risks

	Opportunities	Risks
AEG / Katz Group	Significant experience with arenas, access to content, hockey connections, real estate development potential;	Higher cost of professional management, offset by operational expertise
Carmen's Group	No operating subsidy for Convention Centre, local hospitality experience, potential new hotel development	Narrow focus, limited sharing of upside with City, reduced ongoing City involvement
Global Spectrum / Live Nation	Significant venue management experience in Canada and US, significant access to content, professional management systems	Higher cost of professional management, offset by operational expertise
SMG / Forum Equity	Significant venue management experience in Canada and US, professional management systems, access to content, independence	Higher cost of professional management, offset by operational expertise
Sonic Unyon	Low cost, access to local content	Limited financial and management resources, limited facility management experience
Vrancor Group	Redevelopment of Convention Centre to "kick start" downtown revitalization; local development experience	Significant capital outlay funded by the City, high risk if redevelopment does not translate to new business

The six proposals were evaluated based on various metrics, including:

- Overall resources (financial resources, management depth, access to best practices, sports and entertainment content, purchasing power);
- Strength of financial offer (reduction to operating subsidies, level of financial guarantees, capital support, etc);
- Venue experience (depth and breadth of experience in managing similar public facilities);
- Real estate development prospects (experience, vision etc);
- NHL prospects (assistance in sourcing an NHL team / owner);
- Human resources matters (transition experience with unionized and non-unionized personnel, transition costs);
- Intangibles and other matters (support for local arts and culture, local presence, potential for conflicts of interest, proposal thoroughness, governance and future reporting to City).

Based on the foregoing analysis, the Proponents were ranked in the following order :

SMG / Forum Equity (1st); Global Spectrum / Live Nation (2nd); AEG / Katz Group (3rd); Carmen's Group (4th); Vrancor Group (5th); and Sonic Unyon (6th).



HECFI Alternative Service Delivery RFP Evaluation of Options

Options Available for HECFI:

- The City has three primary privatization options to choose from:
 - SMG / Forum Equity management of all three facilities
 - Global Spectrum / Live Nation management of all three facilities
 - Hybrid option combining two or three separate parties to manage individual HECFI facilities. There are numerous possible combinations under this hybrid approach. One example of three separate operators is the combination of AEG / Katz Group – Carmen’s Group – Sonic Unyon.
- A fourth option is the revised governance option for HECFI (i.e. continued City operation of existing HECFI facilities with a revised governance model). At this time, this analysis does not review this option.

Conclusions

- Based on the proposals received, the following observations were made:
 - There was significant interest in the HECFI facilities. Six innovative and well-prepared proposals were received.
 - All proposals represent private management arrangements for HECFI facilities (rather than a lease or purchase of specific facilities) for terms of 8+ years (including renewals).
 - All proposals maintain the core use of each of the three HECFI facilities.
 - Except for some minor upfront contributions, all proposals leave future capital costs as the financial responsibility of the City (see Vrancor Group capital expansion plan).
 - All proposals require some ongoing level of subsidization of operating costs (e.g. utility costs, some level of operating costs etc.).
 - Proponents will work towards reducing operating subsidies through both cost reductions and revenue enhancements, but at this point with limited financial guarantees. These “savings” will be shared between the City and the facility manager. Some Proponents are willing to provide some form of financial guarantees, but will need to undertake extensive due diligence including further analysis of cash flows, personnel mapping, direct discussions with HECFI management, detailed contract reviews etc. in order to provide such guarantees. The shift in the risk-reward balance would likely result in higher participation rates by facility managers in future operating savings.



HECFI Alternative Service Delivery RFP Overall Observations from Proposals Received

- Based on the proposals received, the following observations were made:
 - There is room for further negotiation of financial arrangements with the selected Proponents.
 - HR transitioning is a key issue and will likely result in some one-time costs to the City in order to transition HECFI employees to the successful Proponent.
 - Several proponents have expressed an interest in making additional private investments in the downtown core of Hamilton. These development initiatives are dependent on the future economic merits of such ventures.
 - The three large proponents offer significant facility management experience, strong financial resources, management depth, professional management systems, global purchasing power, access to sports and entertainment “content”, extensive industry contacts and relationships, access to industry best practices, better NHL re-location prospects and lower overall risk of facility management “failure”. However, the management costs of these large proponents are generally higher than for the three local operators.
 - No single “clear cut” leading Proponent.
 - Some issues in comparing “apples to oranges” proposals.
 - At this time, this analysis does not consider the revised governance option for HECFI.



HECFI Alternative Service Delivery RFP Looking for a Game-Changer

- The smaller local Proponents do not demonstrate the same level of experience, financial resources or ability to successfully manage the larger market conditions.
- It is understood that Hamilton is looking for a game-changing proposal to significantly change or "kick-start" the downtown core – the local Proponents to some extent are an extension of the status quo.
- AEG, Global Spectrum and SMG with their affiliated partners offer the capability, capital and experience to revitalize Hamilton's downtown core.



HECFI Alternative Service Delivery RFP International Facility Management Advantages

Moreover, it was concluded that the larger venue management companies have demonstrated an ability to manage Hamilton's market conditions.

All three large professional venue management companies offer:

1. An ability to bring the necessary scale of resources to compete in an increasingly competitive marketplace.
2. An entertainment management / booking system to successfully manage the Toronto geographic shadow relationship.
3. The required management systems and experience to increase revenues and reduce costs from HECFI's operations.
4. Successful experience with managing similar-sized municipal facilities in markets similar to Hamilton.
5. Intrinsic knowledge of entertainment programming and the ability to manage the economics of the industry.

- Based on an assessment of resource capabilities, level of experience, potential to reduce City subsidization levels, and ability to successfully manage the larger market conditions, the City should exclude two proponents immediately:
 - Vrancor Group – the City does not have an appetite to fund the proposed \$20 to \$30 million capital expansion of the Hamilton Convention Centre.
 - Sonic Unyon – lacks the financial and managerial resources, experience, and ability to manage larger market conditions.
- The Carmen’s Group has provided a "no operating subsidy" offer for the Convention Centre.
- AEG/Katz Group wants to operate Copps Coliseum only.
- A hybrid option that potentially has AEG/Katz Group operating Copps Coliseum with the Carmen’s Group operating the Convention Centre and another operator taking on Hamilton Place was also considered.
- While AEG/Katz has the potential to be a “game changer” and has the experience and resource capabilities, its preference is to only operate one facility. Such a “hybrid” option may not provide for as large an opportunity to identify savings due to having different operators for the three facilities.
- The City would also need to manage two or three different venue managers under the “hybrid” option. Accordingly, this option has been dismissed.

- **Based upon a review and evaluation of the proposals as submitted, as detailed herein, and follow-up discussions with the Proponents, it was concluded that the City should continue to hold discussions with both SMG / Forum Equity and Global Spectrum / Live Nation. This conclusion was based upon the depth of the professional venue management programs and expertise of these parties, combined with their ability to operate all three facilities.**
- Furthermore, the City should negotiate the best financial terms possible following full disclosure of all pertinent information to the two Preferred Proponents, with the objective of agreeing on a Memorandum of Understanding with one of the parties for City Council to review and consider at a future meeting.
- Under the privatization scenario, the City should be prepared to incur some HR-related transitional costs.

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**Appendix A:
Detailed Summary
of Proposals**



HECFI Alternative Service Delivery RFP AEG – Katz Group Proposal (1)

High-Level Summary of Proposal	AEG and Katz Group have joined together in submitting a proposal for managing Copps Coliseum. The AEG / Katz Group proposal envisions the creation of a vibrant multi-use sports and entertainment centre in downtown Hamilton, with Copps Coliseum being the initial focus point. AEG would manage Copps Coliseum and increase the quality and quantity of sports and entertainment events at Copps Coliseum. AEG / Katz Group would share in operational savings realized from their management of Copps Coliseum. Both AEG and Katz Group own NHL teams and have contacts with qualified individuals who could become potential owners of an NHL team in Hamilton should the opportunity arise. Real estate development around Copps Coliseum is a key feature of the overall vision. AEG and Katz Group are currently working together on a joint project in Edmonton that centres around a new arena for the Edmonton Oilers and ancillary real estate development.
Track Record of Mgmt	AEG operates over 100 stadiums and arenas worldwide. AEG has a demonstrated track record of successfully managing similar venues for public clients. It has improved operating and financial results through the revitalization of management and event programming at current and former NHL/NBA facilities such as the Key Arena in Seattle, WA where an operating subsidy has been turned into profit, SL Centre (NHL) in Hartford, CT and Target Centre (NBA) in Minneapolis, MN where event and financial metrics have been materially improved. The Katz Group owns the Edmonton Oilers NHL franchise and has other related sporting / entertainment / real estate interests, primarily based in Alberta.
Depth of On-Site/ Head Office Mgmt	AEG's corporate headquarters are located in California. The Katz Group has head offices in Edmonton, with local offices in Toronto. A locally-based general manager will be assigned to the HECFI facilities.
Experience with Municipal 3rd Party Mgmt	AEG has extensive experience with municipal Third Party management contracts and operates over 100 facilities worldwide.
Corporate Skills	AEG'S expertise in financial management, marketing, facility operations, booking and revenue development will be locally customized and professionally implemented at Copps Coliseum.
Community Involvement	AEG/Katz Group will work closely with local business and community organizations to generate beneficial community activity that enhances the quality of life for Hamilton while making the downtown core more attractive to development. AEG is committed to the communities in which it does business and to the world as a whole. It has given over \$80m to charities across the globe.
Financial Position	AEG and its subsidiaries are privately held companies and do not distribute their financial statements or information to third parties. In accordance with other similar public procurement procedures, AEG has provided certification to KPMG regarding certain financial thresholds that may be made available if necessary. AEG is the largest sports and entertainment company in the world with ownership interests in numerous sports teams, the second largest concert promoter worldwide and an international real estate developer.
Degree of Change of Use	AEG plans to continue to use Copps Coliseum in its current capacity as a major sports and entertainment facility, with enhanced event programming and management expertise.
Degree to which the proposal meets the City Objectives	AEG/Katz Group proposal meets the City's objectives for Copps Coliseum.



HECFI Alternative Service Delivery RFP AEG - Katz Group Proposal (2)

Quantum of Operating/Capital Subsidy	AEG / Katz Group is confident that the City's subsidy will be substantially reduced or eliminated for Copps Coliseum. AEG / Katz Group proposes to be compensated on a pure performance basis. AEG / Katz Group would earn a management fee equal to 50% of the improvement in reducing the City's Operating Subsidy of Copps Coliseum compared to a pre-established benchmark. The pre-established benchmark will be negotiated with the City should it be selected as the preferred proponent. The term of the agreement would be ten years with the option to extend for another two five year terms.
Ability to demonstrate increased visitation/revenue	Through AEG Facilities' event booking and marketing initiatives, AEG is confident that Copps Coliseum will experience increased event programming. AEG's results oriented event booking approach is demonstrated by Pollstar's 2011 year end ranking that shows 28 of its venues rank among the top 200 worldwide. Additionally, AEG's corporate partnerships division will be engaged to maximize sponsorship opportunities.
Capability and commitment to capital improvement	AEG / Katz Group recognizes the need for a long-term capital replacement strategy. The City would retain responsibility for the capital replacement strategy and related costs for Copps Coliseum with input from AEG / Katz Group. If chosen as the successful proponent, AEG/ Katz Group will work with the City to determine the overall structure of the existing capital replacement plan.
Degree to which the Proponent guarantees a reduction in subsidy	The AEG/Katz Group proposal has no base management fee. AEG/Katz Group will only earn management fees as a result of operating subsidy reductions to the City of Hamilton. This reflects AEG/Katz Group's confidence that the City's subsidies will be substantially reduced or eliminated. AEG/Katz Group expects that the City will continue to provide the following subsidies to Copps Coliseum: declining Operating Subsidy, Bulldogs subsidy, Utilities and CUP costs, Capital Expenditures for the building and mechanical assets.
Ability of Proponent to manage HR issues	AEG has a full service Human Resources department designed to handle all of Copps Coliseum's needs, including new personnel transitioning, payroll, recruiting, training programs, employee benefits and collective bargaining agreement administration. AEG will recognize and adopt all pre-existing collective bargaining agreements. Existing full-time HECFI employees primarily involved with Copps Coliseum would transition into employees of AEG.
Ability to assume responsibility for administrative services currently provided to HECFI by the City	AEG Facilities is prepared to internally provide or source services currently provided by the City of Hamilton to their mutual benefit.
Flexibility on NHL Franchise	AEG/Katz Group recognizes the importance of attracting an NHL team to the City of Hamilton. Katz Group will work with the City to help facilitate such efforts and AEG will be flexible with regard to the potential renegotiation of any management agreement should an NHL team move into Copps Coliseum. The Katz Group has an option to acquire an existing OHL team should the Bulldogs leave Copps Coliseum.
Ability to attract additional investment / overall vision	AEG/Katz Group has identified an individual with the resources and interest in becoming an NHL owner for a team in Hamilton. If and when this candidate becomes the owner/franchisee of an NHL team for Hamilton, it is the Katz Group's intention to leverage that opportunity into a multi-use sports and entertainment district. Katz Group is contemplating a new ultra urban development that contemplates retail, commercial and residential space anchored by a fully modern NHL venue that would cater to 2 million visitors annually to Hamilton's downtown core.



HECFI Alternative Service Delivery RFP Global Spectrum – Live Nation Proposal (1)

High Level Summary of Proposal	Global Spectrum and Live Nation have partnered together to submit a proposal for managing all three HECFI facilities. Global Spectrum is a global manager of numerous convention centres and sports and entertainment venues throughout the world, while Live Nation is the largest concert promotion company in the world. Global Spectrum would use its extensive venue management experience and professional management systems to increase the operating performance of HECFI's facilities. Live Nation would contribute towards increasing the quantity and quality of entertainment acts at Copps Coliseum and Hamilton Place. Increased utilization of HECFI's facilities would result in increased visits to the downtown core, and result in related development opportunities. Global Spectrum owns the Philadelphia Flyers and would assist in attracting a potential NHL team to Copps Coliseum should an opportunity arise in the future.
Track Record of Mgmt	Global Spectrum operates 40 arenas, 13 stadiums, 32 convention centres and 6 theatres in North America and internationally. Global Spectrum's parent company, Comcast-Spectacor, owns the Philadelphia Flyers of the NHL, the Phantoms of the AHL and, until recently, the 76ers of the NBA. In 1994, Global Spectrum began operations in Tampa, FL as Globe Facility Services. Comcast-Spectacor acquired a majority interest in Globe Facility Services in January 2000, creating one of the industry's leading and best financially resourced private management companies. Global Spectrum manages a total of 11 facilities for seven Canadian clients: London (John Labatt Centre), Oshawa (GM Centre), Windsor, Abbotsford, Penticton, Dawson Creek and Ryerson University (former Maple Leaf Gardens) in Toronto. Global Spectrum has partnered with Live Nation Entertainment – the world's leading concert promotion company. Live Nations owns and operates various amphitheatres throughout North America.
Depth of On-Site/ Head Office Mgmt	Global Spectrum Facility Management has its Canadian corporate headquarters at the John Labatt Centre in London, Ontario. Global Spectrum's Regional Vice President (Brian Ohl) has been assigned responsibility for the HECFI facilities. He has a five member corporate support team based out of London and Oshawa.
Experience with Municipal 3rd Party Mgmt	Extensive experience with municipal Third Party management contracts; Global Spectrum has operated public assembly facilities in Canada for the past 10 years and has grown its client list internationally from 7 to 112 venues over 10 years.
Corporate Skills	Corporate skills commensurate with a multinational corporation. It offers management and general administration, marketing, event production/promotion, finance, food and beverage, security, property operations, maintenance and capital replacement, box office ticketing, and human resources services.
Community Involvement	Global Spectrum requires its senior management team at each of its facilities to be active in various community civic, social and fraternal organizations. It does this to be good corporate citizens in the communities it serves and also to maintain direct contact with its users/promoters, stakeholders and attendees. At the John Labatt Centre, Global Spectrum has a good neighbour policy where it participates in and assists numerous Charitable Organizations and Community Support Services.
Financial Position	In fiscal year 2010, the parent company Comcast-Spectacor generated \$37.9b in revenue. Annual reports, including audited financial statements from the past five years, financial ratings and other supportive information indicating the financial condition of Comcast can be downloaded from www.cmcsk.com .
Degree of Change of Use	Global Spectrum proposes no change of use for the HECFI facilities.
Degree to which the proposal meets the City Objectives	Global Spectrum's proposal meets the City's objectives for all facilities.



HECFI Alternative Service Delivery RFP Global Spectrum – Live Nation Proposal (2)

Quantum of Operating/Capital Subsidy	Base management fee of \$204,000 indexed to CPI plus metrics-based incentive fees of up to an additional \$51,000 per annum; 20% of first \$1 million in reduced operating subsidy; 25% of any additional reduction to breakeven; 30% of any net operating surplus; 5% of gross food and beverage sales at the Convention Centre in excess of \$2.5 million plus 10% of any improved net contribution to the Convention Centre's bottom line. The term of the agreement would be five years renewable for an additional five years.
Ability to demonstrate increased visitation/revenue	Hamilton has been an important primary market for Live Nation Entertainment during its 20 year history of promoting concerts and events at all HECFI facilities. Working with Global Spectrum will maximize the corporate resources and market knowledge of both organizations, allowing for comprehensive and strategic marketing and media plans to be developed.
Capability and commitment to capital improvement	Global Spectrum will provide a \$500,000 loan to HECFI for mutually agreed revenue-generating enhancements to any one or all of the HECFI facilities. This investment will be treated as a loan amortized on a straight-line basis over the initial five year term of the Management Agreement. Interest on the loan will be at LIBOR plus four percent on any outstanding balance. If the Management Agreement is terminated early for any reason, the City will be obligated to pay the unamortized portion of the loan to Global Spectrum within 30 days of termination.
Degree to which the Proponent guarantees a reduction in subsidies	Global Spectrum/Live Nation have proposed what they believe to be a below fair market base management fee for providing their combined services. They fully expect to earn the bulk of their compensation through performance fees that are based primarily on reducing the City's operating subsidy to the HECFI facilities. Global Spectrum included case studies from Des Moines and Augusta to demonstrate its ability to transform publicly-owned facilities. Global Spectrum expects that the City will continue to provide the following subsidies to HECFI: declining Operating Subsidy, Bulldogs subsidy, Utilities and CUP costs, Capital Expenditures for buildings and mechanical assets.
Ability of Proponent to manage HR issues	Global Spectrum has a full Human Resource department to provide all HR services. Their proposal also includes a detailed plan to transition HECFI employees into Global Spectrum employees as well as a letter of support from IATSE supporting their bid.
Ability to assume responsibility for administrative services currently provided to HECFI by the City	Global Spectrum is prepared to internally provide or source services currently provided by the City of Hamilton to their mutual benefit. For one base management fee, Global Spectrum provides a comprehensive and complete scope of management, marketing and operational services either for existing facilities or for projects in the design and development phase. This includes: Administration and finance, event booking and scheduling, ticketing services and box office management, sales and marketing, operations and engineering, and management of ancillary services.
Flexibility on NHL Franchise	If Global Spectrum is selected to manage the HECFI facilities and a bona fide NHL hockey team/investor emerges, it will offer flexibility in its contract terms in order to support the pursuit of an NHL team. This includes a termination provision if the NHL ownership group prefers to manage Copps Coliseum itself. The parent company, Comcast-Spectacor, owns the NHL Flyers; the proponent therefore believes it is in an excellent position to help the City of Hamilton in its efforts to secure an NHL franchise should an opportunity arise.
Ability to attract additional investment / Overall Vision	Global Spectrum has an existing relationship with the Cordish Company, one of the world's largest developers with extensive expertise in almost every aspect of real estate development: entertainment and mixed use, gaming and lodging, sports anchored developments, retail, office and residential. The Cordish Company has experience in creating world class destination developments in areas that were previously considered troubled, impossible to develop or had failed in the hands of previous developers. Plan in place to foster spin-off private investments in downtown core. Global Spectrum would also be interested in a separate arrangement to manage the City's parking facilities located around the HECFI facilities.



HECFI Alternative Service Delivery RFP SMG – Forum Equity Proposal (1)

High-Level Summary of Proposal	SMG and Forum Equity have partnered together to submit a proposal for managing all three HECFI facilities. SMG is a global manager of numerous convention centres and sports and entertainment venues throughout the world, while Forum Equity is a Toronto-based real estate development company with P3 expertise. SMG would use its extensive venue management experience and professional management systems to increase the operating performance of HECFI’s facilities. SMG would also route its in-house entertainment acts to HECFI facilities to increase the quantity and quality of entertainment acts. Increased utilization of the HECFI facilities would result in increased visits to the downtown core, and result in related development opportunities. SMG does not own an NHL team but does manage two NHL venues including the Consol Centre of the Pittsburgh Penguins, and would assist in attracting an NHL team to Hamilton if the opportunity arises in the future.
Track Record of Mgmt	SMG operates 77 arenas throughout North America and the world. Included in the arena network are 2 NHL venues: the Consol Energy Centre in Pittsburgh, PA and Nassau Coliseum where the New York Islanders play. It also operates two OHL arenas for the Mississauga St. Michael's Majors and the Kingston Frontenacs. SMG also manages the business operations of two minor league teams - the AHL Rockford Ice Hogs and the ECHL Reading Royals. SMG operates 54 theatres and performing arts centres throughout North America and the world. It has a Live Entertainment Theatre Division with the experience and knowledge to operate, book and market live theatre. SMG operates 68 convention centres throughout North America and the world. Its Convention Centre Division manages both large convention centres like the McCormick Place in Chicago and the Direct Energy Centre in Toronto and smaller convention centres of a size comparable to the Hamilton Convention Centre. SMG hosted more than 28,000 event days attracting more than 40 million patrons. SMG controls more than 1.75 million entertainment seats and more than 14 million square feet of exhibition space.
Depth of On-Site/ Head Office Mgmt	Hamilton is well positioned with the other regional venues that SMG manages in both Southern Ontario (Kingston (K Rock Centre), Mississauga (Hershey Centre) and Toronto) and the United States. The network of venues will provide operational resources and event booking synergies for the Hamilton facilities. A locally-based general manager will be assigned to the HECFI facilities.
Experience with Municipal 3rd Party Mgmt	SMG has extensive experience with municipal 3 rd Party management; currently enjoys partnerships in 225 facilities worldwide.
Corporate Skills	SMG corporate skills are commensurate with a multinational facility management corporation. It offers management and general administration, marketing, event production/promotion, finance, food and beverage, security, property operations, maintenance and capital replacement, box office ticketing, and human resources services.
Community Involvement	SMG has a commitment to the importance of community involvement. Local staff will involve themselves in the community as members of boards and associations of the leading business and civic organizations in Hamilton, volunteer and charitable organizations. This aspect of their management is considered vital and never taken for granted.
Financial Position	SMG’s gross revenues are in excess of \$1.5B, and the company has solid financial resources.
Degree of Change of Use	SMG proposes no Change of use for the HECFI facilities
Degree to which the proposal meets the City Objectives	SMG meets the City’s objectives for all facilities.



HECFI Alternative Service Delivery RFP SMG – Forum Equity Proposal (2)

Quantum of Operating/Capital Subsidy	Base management fee of \$250,000 indexed to CPI plus metrics-based incentive fees of up to an additional \$50,000; 25% of any operating improvements between \$250,000 and \$500,000; 30% of any improvements between \$500,000 and \$1 million; 35% of savings over \$1 million. The term of the agreement would be five years, renewable for an additional five years.
Ability to demonstrate increased visitation/revenue	SMG included an immediate action plan for the HECFI facilities; letters of reference included in their proposal support their ability to increase visitation levels and revenue
Capability and commitment to capital improvement	SMG/Forum Equity will contribute \$750,000 in capital funding upon contract signing to be used at the discretion of the City. SMG/Forum Equity will work with the City to determine the most effective use of this capital to make improvements. The investment will be amortized on a straight-line, non-cash basis over 10 years. Should the agreement be terminated for any reason during the term, SMG/Forum Equity would be owed the remaining, unamortized balance of the investment.
Degree to which the Proponent guarantees a reduction in subsidy	SMG has a long and successful track-record of reducing municipal subsidies at the facilities it operates. SMG proposes that with proper focus on driving new event activity levels, utilizing its SAVOR food division to improve food service operations at the Convention Centre, implementation of SMG's policies and operating standards, and taking advantage of SMG'S purchasing power in the industry, it projects a reduction in the operating subsidy of \$1.5 million. SMG conservatively projects that HECFI's facilities could be effectively operated at an annual subsidy of \$2.0 m to \$2.5 m. SMG expects that the City will continue to provide the following subsidies to HECFI: declining Operating Subsidy, Bulldogs subsidy, Utilities and CUP costs, Capital Expenditures for buildings and mechanical assets. The \$750,000 capital contribution is a firm commitment from SMG.
Ability of Proponent to manage HR issues	SMG has a full Human Resource department to provide all HR services. SMG also included a detailed plan to transition employees over to becoming SMG employees. SMG has considerable experience with transitioning public sector employees.
Ability to assume responsibility for administrative services currently provided to HECFI by the City	Prepared to provide a comprehensive scope of services to replace existing City services.
Flexibility on NHL Franchise	SMG has no objections to and is prepared to work with an NHL franchise should the opportunity arise. In the event SMG/Forum Equity is instrumental in successfully bringing an NHL hockey team to Copps Coliseum, it would be awarded a one-time success fee of \$500,000 payable upon the execution of a long-term lease by the NHL club.
Ability to attract additional investment / overall vision	SMG/Forum Equity plan on using the three facilities as anchors to attract mixed use development in the area. Forum Equity's experience investing in and developing mixed use assets in similar regions of Ontario along with its strategic partnership with the City of Hamilton through the HRCC initiative will be leveraged to bring multi-family residential buildings, retail and pedestrian walkways/outdoor space in an effort to attract larger volumes of people to the downtown core.



HECFI Alternative Service Delivery RFP Carmen's Group Proposal (1)

High Level Summary of Proposal	Carmen's has submitted a proposal to manage the Hamilton Convention Centre for a period of up to 20 years. Carmen's would operate the Convention Centre without any direct operating subsidy from the City and would provide the City with an annual \$125,000 contribution for local marketing efforts. Increased Convention Centre utilization and improvements to food service operations would offset the need for ongoing City subsidization. Carmen's management would liaise with Tourism Hamilton and other local agencies to promote the Convention Centre. Based on economic merits, Carmen's would build a 300 to 400 room hotel in the downtown core to meet increased over-night visits to Hamilton. The Mercanti family and Loren Lieberman are the key members of Carmen's team and they would contribute their collective experience in the convention centre, hospitality, hotel and arts and entertainment fields.
Track Record of Mgmt	Carmen's currently owns and operates three distinct event venues in the City of Hamilton: Carmen's Banquet Centre, Best Western Premier C Hotel – Castelli Ballroom/Dolce Lounge and the Lakeview Ballroom at the Lakeland Centre (a Hamilton Region Conservation Authority facility).
Depth of On-Site/ Head Office Mgmt	The organizational structure of the proponent will include participation by key Carmen's executive team members including P.J. Mercanti and Peter Mercanti as well as Festival of Friends Executive Director Loren Lieberman, Executive Vice President Debby Russ and C Hotel President Joe Mercanti.
Experience with Municipal 3rd Party Mgmt	In January 2011, Carmen's entered into a partnership with the Hamilton Region Conservation Authority to be the operator of the Lakeland Centre ballroom facility. Carmen's operates the facility on behalf of the HRCA and pays the HRCA a monthly rental fee for which the HRCA has limited operating costs other than ongoing utilities and facility capital costs.
Corporate Skills	Carmen's is able to provide all the necessary corporate skills typical for a hotel and convention centre operator and would require minimal direct assistance from the City after an initial transition period.
Community Involvement	Carmen's intends to make the Convention Centre a more community-oriented facility with an increased number of community fundraisers and events. This would positively contribute to the city's mandate of making Hamilton the greatest city in Canada to raise a child, as many children would benefit directly from the funds raised at many of the events at the Convention Centre.
Financial Position	Carmen's notes that it is in sound financial position and that it has generated record profits over the past four years.
Degree of Change of Use	Carmen's does not propose to change the use of the Convention Centre.
Degree to which the proposal meets the City Objectives	The Carmen's proposal meets the City's objectives for the Convention Centre.



HECFI Alternative Service Delivery RFP Carmen's Group Proposal (2)

Quantum of Operating/Capital Subsidy	Carmen's would operate the Convention Centre without any ongoing operating subsidy from the City and would assume responsibility for all expenses except for utilities, capital improvements and property taxes for a 20 year term. The City would receive an annual payment of \$125,000 that would be used for local marketing campaigns. If profitable over the longer-term, Carmen's would consider the payment of some utility costs related to the Convention Centre.
Ability to demonstrate increased visitation/revenue	Carmen's intends to increase the volume of events at the Convention Centre by designing high quality event packages and by aggressively pursuing conventions, conferences and trade shows from across Ontario and Canada. This would generate greater foot traffic in downtown Hamilton. The Hamilton Marketing Fund proposal (i.e. \$125,000 annual payment) would be designed to attract more conventions into Hamilton in conjunction with the City's marketing department and tourism team.
Capability and commitment to capital improvement	A management agreement would be structured in such a way that any necessary capital improvements associated with the basic functioning of the Convention Centre would be covered by the City of Hamilton. All routine maintenance expenditures would be incorporated into Carmen's operating budget. Carmen's would invest its own financial resources towards new table decorations and new cutlery/plates and general aesthetic enhancement that would allow Carmen's to generate greater revenue.
Degree to which the Proponent guarantees a reduction in subsidy	The proposed arrangement would eliminate the City's visible operating subsidy and allow Carmen's to operate on a rent-free basis at the Convention Centre for a twenty year term. From a practical perspective, the proposed lease arrangement would need to be structured as a management contract to avoid the incurrence of property taxes. Carmen's would expect that the City would continue to provide the following subsidies in respect of the Convention Centre - Utilities and CUP costs and major Capital Expenditures for the building and mechanical assets.
Ability of Proponent to manage HR issues	Carmen's would be prepared to work with the UFCW union in operating the Convention Centre. All existing part-time employees in the kitchen and on the service team would participate in Carmen's standard training programs. Carmen's would also facilitate discussions with the other unions that currently do work within the scope of the Convention Centre to ensure that continued cooperation remains. The retention of full-time HECFI employees who work primarily at the Convention Centre would need to be reviewed in greater detail.
Ability to assume responsibility for administrative services currently provided to HECFI by the City	After an initial transition period, it is expected that Carmen's would require limited ongoing administrative assistance from the City other than for payroll-related assistance.
Flexibility on NHL Franchise	Not applicable. Carmen's would support the arrival of an NHL team in Hamilton.
Ability to attract additional investment / overall vision	If Carmen's is selected as the successful Proponent for the Convention Centre, it would be a strategic objective for the Carmen's Mercanti Group of Companies to pursue the construction of a new 300 to 400 room hotel in the downtown core (\$40 to \$50 million project). Carmen's five year strategic plan includes an objective of expanding the hotel side of the business to meet an identified shortage of hotel spaces in Hamilton. Carmen's has engaged in discussions with several property owners in downtown Hamilton with the purpose of potentially purchasing their properties for a future hotel/condo development.



HECFI Alternative Service Delivery RFP Sonic Unyon Proposal (1)

High-Level Summary of Proposal	Sonic Unyon has submitted a proposal to manage various aspects of Hamilton Place operations (both the Great Hall and the Studio) for a period of up to eight years. Sonic Unyon is a local company led by two individuals, Tim Potocic and Mark Milne, who have been engaged in various aspects of the music, entertainment and arts industries for almost twenty years. Sonic Unyon's proposal envisions a gradual reduction in the City's operating subsidization of Hamilton Place over a number of years through higher utilization of the facility and various cost containment initiatives. Sonic Unyon has a relationship with a Toronto-based manager of music and entertainment facilities that is expected to increase event activity.
Track Record of Mgmt	Sonic Unyon currently manages 40,000 square feet of commercial space in downtown Hamilton. It has experience in negotiating leases, contracts and event settlements through the various events that Sonic Unyon promotes on a monthly basis. The Company is involved in events on a monthly basis during Art Crawl. It is the promoter and festival organizer for the annual Supercrawl festival on James Street North. Sonic Unyon also brings selective music acts to Hamilton on a year round basis to perform in rented halls and venues throughout the City.
Depth of On-Site/ Head Office Mgmt	Two owners of Sonic Union: Mark Milne and Tim Potocic have worked together for 20 years; they operate Sonic Unyon Records, 1263261 Ontario Inc. Sonic Unyon Distribution, Labwork Music and Supercrawl. Mark and Tim would become the key managers of Hamilton Place.
Experience with Municipal 3rd Party Mgmt	There is limited demonstrated experience with municipal third party management of performing arts centres.
Corporate Skills	Sonic Unyon currently manages 40,000 square feet of commercial space in downtown Hamilton. It has experience in negotiating leases, contracts and settlements through the events that Sonic Unyon promotes on a monthly basis. Sonic Unyon has experience in promoting and arranging various music and entertainment acts, primarily in the Hamilton area. Sonic Unyon has minimal experience in the management of publicly-owned facilities.
Community Involvement	Sonic Unyon believes collaboration with local arts groups and educational institutions is key to the success of Hamilton Place. It will bring these organizations to the table through strong relationships built over many years of past collaborations. It has significant ties to the Hamilton Philharmonic Orchestra, Art Gallery of Hamilton, Hamilton Conservatory of the Arts, Imperial Cotton Centre of the Arts, Hamilton Arts Council, Theatre Aquarius, The Artist Inc. The Factory, the Print Studio, Creative Arts, Dundas Valley School of Art, Opera Hamilton, and Grit Lit.
Financial Position	Sonic Unyon describes its standing with Revenue Canada, creditors and suppliers as impeccable; its credit rating is noted as excellent. However, the Company has limited financial resources compared to other Proponents.
Degree of Change of Use	Sonic Unyon is proposing no change in use for Hamilton Place.
Degree to which the proposal meets the City Objectives	The Sonic Unyon proposal meets the City's objectives for Hamilton Place.



HECFI Alternative Service Delivery RFP Sonic Unyon Proposal (2)

Quantum of Operating/Capital Subsidy	<p>Sonic Unyon proposes a compensation formula of the greater of \$600,000 per annum or 12% of gross receipts inclusive of rental, ticket sales and merchandise sales. If the facility is profitable, Sonic Unyon would also earn a 25% share of profits. Sonic Unyon envisions a gradual reduction in the City's operating subsidization of Hamilton Place. The City would retain certain revenue streams such as sponsorships, naming rights and concession sales. Sonic Unyon is proposing an initial three year term, plus a five year renewal term.</p>
Ability to demonstrate increased visitation/revenue	<p>Sonic Unyon believes the current revenues can be maintained and increased at Hamilton Place by partnering with Collective Concerts, a Toronto-based facility manager. Both venues at Hamilton Place are considered to be underutilized and would generate more income if the number of rentals and performances can be increased. Collective Concerts has the ability to co-promote events with Sonic Unyon and bring events that previously played in Toronto and skipped over Hamilton. Sonic Unyon also indicates that it has a strong local connection to the local performing arts community that could increase revenue and visitation to Hamilton Place. It also has long-standing relationships with agents and promoters at the national and international level, ensuring that current relationships are maintained with respect to booking Hamilton Place while new partners are brought into the fold.</p>
Capability and commitment to capital improvement	<p>All capital costs to address building deficiencies would remain the responsibility of the City based on its rights to 100% of the revenue from naming rights, sponsorship and concession sales.</p>
Degree to which the Proponent guarantees a reduction in subsidy	<p>Sonic Unyon proposes to manage and book all events at Hamilton Place for management fees that are less than the prorated amount that HECFI currently incurs for administrating the venue while increasing the number of nights the venue is utilized while maximizing the head count per night. Sonic Unyon believes that the City is constrained by employment contracts with the various unions that impact the bottom line and that it can offer services of equal or greater value via a third party management arrangement. Sonic Unyon expects that the City will continue to provide the following subsidies to Hamilton Place: declining Operating Subsidy, Utilities and CUP costs, Capital Expenditures for buildings and mechanical assets.</p>
Ability of Proponent to manage HR issues	<p>Sonic Unyon is a limited scale operation with no demonstrated experience in managing unionized employees. It notes that it will require no changes to the unionized collective agreements and maintenance employees. The City will be required to keep the necessary part-time and full-time staff needed to maintain the facility in the same manner as it is currently providing. Most HECFI employees currently employed at Hamilton Place would remain employees of HECFI / the City.</p>
Ability to assume responsibility for administrative services currently provided to HECFI by the City	<p>Sonic Unyon is prepared to provide Management and General Administration services for Hamilton Place as well as marketing, event production, finance, food & beverage management, security, property operations and maintenance. However, some existing services provided by the City (e.g. payroll processing, etc.) would likely continue.</p>
Flexibility on NHL Franchise	<p>Sonic Unyon would be prepared to work with an NHL franchise should an opportunity arise in the future. Sonic Unyon has no substantive connections in this area.</p>
Ability to attract additional investment / overall vision	<p>Sonic Unyon has a close working relationship with the Economic Development department of the City of Hamilton through the Film and Television office, Culture, SEAT, CCP, Urban Renewal and Public Works and Planning. Sonic Unyon works closely with Tourism Hamilton developing plans to attract more people, sponsors and attention to the Supercrawl festival.</p>



HECFI Alternative Service Delivery RFP Vrancor Group Proposal (1)

High Level Summary of Proposal	The proposal from the Vrancor Group envisions its long-term high-level management of the Hamilton Convention Centre. Vrancor considers the Hamilton Convention Centre to be too small and too outdated to successfully compete with other convention centres in Southwestern Ontario; accordingly, its proposal envisions the investment of \$20 to \$30 million to expand the Convention Centre by approximately 30,000 square feet and to modernize its amenities. Vrancor would manage the construction of the Convention Centre project based on its past development experience of hotels and hospitality sector venues, and then manage the facility afterwards. The City would be responsible for the cost of the capital expansion project either directly or through the payment of a long-term revenue stream to Vrancor that finances the capital expansion. Vrancor would charge a modest revenue-based fee to manage the operations of the Convention Centre, and expects to benefit indirectly from increased visits to its hotel and restaurant venues in downtown Hamilton.
Track Record of Mgmt	Vrancor Group Inc. along with its three main divisions/subsidiaries, Vrancor Hotels Group Inc., Vrancor Food Service Group Inc., and Vrancor Development Group Inc., are wholly-owned by Darko Vranich and his family. The Vrancor Group owns and operates 8 hotels, 4 restaurants and 5 banquet & convention centres throughout Southern and Central Ontario. Vrancor currently employs 500 people.
Depth of On-Site/ Head Office Mgmt	Hamilton is the Head Office for Vrancor's hospitality and real estate development activities. Darko Vranich is a significant local developer in the downtown core of Hamilton. He is the Company's sole officer and director.
Experience with Municipal 3rd Party Mgmt	Vrancor Group has limited municipal 3 rd party management experience. However, the Vrancor Group does manage its own convention centres and hotel facilities.
Corporate Skills	Vrancor Group is able to provide all the necessary corporate skills typical for a hotel and convention centre operator and a real estate developer.
Community Involvement	Vrancor's proposal does not detail its community involvement.
Financial Position	Vrancor noted that it has provided the City with detailed financial information in conjunction with obtaining approvals for its other development projects in downtown Hamilton. The Company confirmed that it has the financial capacity to meet the requirements outlined in its proposal.
Degree of Change of Use	Vrancor does not propose a change in use for the Convention Centre.
Degree to which the proposal meets the City Objectives	Vrancor's proposal meets the City's objectives for the Convention Centre.



HECFI Alternative Service Delivery RFP Vrancor Group Proposal (2)

Quantum of Operating/Capital Subsidy	Vrancor requires a minimum annual management fee of \$2.0 million (to finance the capital expansion) plus a variable management fee of 3% to 5% of the gross revenues of the Convention Centre for a proposed 22 year term. Vrancor will potentially commit \$20 to \$30 million for the construction project and further deploy management and operations resources to the Hamilton downtown core.
Ability to demonstrate increased visitation/revenue	Vrancor is a significant hotel and convention centre operator; as the owner of the Sheraton Hotel adjacent/connected to the Convention Centre it has a significant ability to increase visitation and revenue at the Convention Centre through joint operations.
Capability and commitment to capital improvement	Vrancor has potentially committed to \$20 to \$30 million for facilities construction and to further deploy management and operations resources to the Hamilton downtown core.
Degree to which the Proponent guarantees a reduction in subsidy	No guarantees are provided in the proposal. Vrancor expects that the City will continue to provide the following subsidies to the Convention Centre: an ongoing Operating Subsidy, Utilities and CUP costs, Capital Expenditures for buildings and mechanical assets.
Ability of Proponent to manage HR issues	The details of employment arrangements, proposed management structure, allocation of expenses between common facilities and day-to-day management functions to be performed by Vrancor employees will be detailed at the next stage. Vrancor's proposal envisions having an asset management type role to oversee the executive decision making and strategic planning for the Convention Centre at the highest level. Unionized employees at the Convention Centre will have their contracts honoured; however, all contracts are at the cost of the City. Existing employees are expected to remain employees of HECFI / the City.
Ability to assume responsibility for administrative services currently provided to HECFI by the City	Vrancor does not address this aspect of the proposal.
Flexibility on NHL Franchise	Not applicable. Vrancor will co-operate with a potential NHL investor should an opportunity arise in the future.
Ability to attract additional investment / overall vision	Vrancor is well known to the City of Hamilton and currently has a number of projects under construction or in the development stage. The Company has made a major commitment to focus its growth plans toward downtown Hamilton. It is committed to the downtown core with its existing presence at the Sheraton Hotel and other hotels under construction/development. Vrancor would also be interested in negotiating a separate long-term lease of City-owned parking facilities located near HECFI's facilities.

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Appendix B: Project Timelines



HECFI ALTERNATIVE SERVICE DELIVERY RFP TIMETABLE

Date	Event / Process
November 7, 2011	Issuance of RFP for ASD Options
November 17 and 30, 2011	Proponent briefing and site tours
December 8, 2011	Last date for submission of written questions
January 13, 2011	Deadline for submission of Proposals
February 15, 2012	City Council decision to extend review of Proponent proposals
February / March 2012	Interviews / discussions with all Proponent(s)
April 23, 2012	City Council selection of Preferred Proponent(s)
May / June 2012	Negotiation of MOU with Preferred Proponent(s)
Before June 30, 2012	City Council decision on MOU