

James H. Gailey, County Manager

To: County Commissioners
Recreation District Trustees

From: Jim Gailey, County Manager/Contract Manager

Date: September 12, 2024

RE: OVG360 Incentive Fee

Annually the General Manager at the Cross Insurance Arena and I sit down and work through the Financial Incentive Fee in accordance with Article 3 Compensation of the Management Agreement between the County and OVG. This meeting has happened and I bring forth a recommendation for the 2023-2024 Financial Incentive Fee for acceptance by the Trustees (providing a recommendation to the Commissioners) and ultimately the County Commissioners.

Section 3.1 Fixed Management Fee

In consideration of the Manager's performance of its services hereunder, Owner shall pay Manager a Fixed Management Fee. Beginning at the first Operating Year, the Fixed Management Fee shall be \$9,166 per month, \$110,000 unless the Front Row Commercial Rights Marketing Agreement is extended (which it was) then the Fixed Management Fee shall be reduced by \$10,000 per annum. Beginning the second Operating Year, Fixed Management Fee shall be increased over the previous year in accordance with the CPI-U over the previous 12-months up to a maximum increase of any one-year increase of 3.5%

Section 3.2 Incentive Fee

"...Manager shall be entitled to receive an Incentive Fee each full or partial Operating Year of the Term. The Incentive Fee shall consist of three separate components of the "Financial Fee", the "Food & Beverage Fee", and the "Qualitative Fee", as follows:

A. Financial Fee

Financial Fee shall be equal to 20% of increase in each Operating Year in Revenue over the "revenue benchmark" as calculated. For the purposes of computing the Financial Fee, the Revenue Benchmark and the increase in Revenue measured against such Revenue Benchmark shall both exclude the portion of the Revenue from the sale of food and beverage. The Financial Fee earned by the Manager shall be capped at 50% of the Fixed Management Fee paid to the Manager each year.

B. Food & Beverage

The Food & Beverage (F&B) shall equal to 15% of increase in each Operating Year of the portion of Revenue from the sale of F&B (including both concession and catering)(amount excluded from Revenues above for calculation of the Financial Fee) over the F&B benchmark. The F&B Benchmark shall be mutually agreed upon during the 2015/16 contract year.

The F&B earned by Manager in any Operating Year shall not exceed and shall be capped at 30% of the Fixed Management Fee paid to Manager each year. The Revenue Benchmark and F&B Benchmark shall be increased annually and on the same schedule and by the same CPI Increase as the Fixed Management Fee.

C. Qualitative Fee

The Qualitative Fee earned by the Manager in any Operating Year shall not exceed and shall be capped at 20% of the Fixed Management Fee paid to the Manager in such year. The owner may award the Qualitative Fee, in whole or part, at its sole discretion using the following criteria to evaluate Manager’s performance:

Customer Service	5%
Quality of Food	5%
Achievement of Goals	5%
Maintenance & Repairs	5%

Owner shall complete the Manager’s performance in these four categories and notify Manager in writing of the amount of the Qualitative Fee earned by the Manager. The foregoing shall not be considered to be the sole evaluation criteria that may be used by Owner to evaluate Manager’s performance, which criteria shall be in Owner’s own discretion, providing that any changes to the foregoing criteria are communicated to Manager in writing at the beginning of the Operating Year to which such changes apply.

The total Incentive Fee earned by Manager in Operating Year shall not exceed and shall be capped at the amount of the Fixed Management Fee payable to the Manager in such Operating Year.

2023/2024 Fixed Management Fee \$120,450

<u>Categories</u>	<u>Cap of Management Fee</u>	<u>Max</u>	<u>Proposed</u>
Financial Incentive Fee	50%	\$60,225	\$60,225
Food & Beverage	30%	\$36,135	\$36,135
<u>Qualitative</u>	<u>20%</u>	<u>\$24,090</u>	<u>\$22,283</u>
		\$120,450	\$118,643

Proposed Trustee Recommendation:

Recommend the County Commissioners approve the \$118,643.00 Incentive Fee per the Management Contract between the Cumberland County and OVG360.

Cross Insurance Arena - Portland ME

Financial Incentive Calculation 2023-2024

Summary

Base Management Fee for 23-24	\$	120,450
Incentive Components with Caps		
Financial Fee Cap is 50% of Base Mgmt Fee	\$	60,225
Food Beverage Cap is 30% of Base Mgmt Fee	\$	36,135
Qualitative Cap is 20% of Base Mgmt Fee	\$	24,090

Financial Fee Incentive: paid out of 20% of the incremental revenue that exceeds established benchmark

YTD Total Event Income	\$	2,775,262
Rink Program and Other Revenue	\$	101,588
Total Financial Fee Revenues	\$	2,876,860
Less: Concessions Ancillary Income	\$	(1,655,239)
Net Financial Fee Revenue	\$	1,221,621
Less: Benchmark	\$	(546,932)
23-24 Incremental Revenue	\$	674,689
Financial Fee @ 20% (Capped at \$60,225)	\$	134,938

Food and Beverage Incentive: paid out of 15% of the incremental revenue that exceeds established benchmark

YTD F&B Income	\$	1,655,239
Less: Benchmark	\$	(519,853)
23-24 Incremental Revenue	\$	1,135,386
Financial Fee at 15% (Capped at \$36,135)	\$	170,308

Qualitative: paid out of managers evaluations in four categories, each category worth 5% for a total of 20%

Achievement of goals	5.00%
Maintenance & repair	4.75%
Customer Service	4.75%
Quality of food	4.00%
Total Qualitative of 20%	18.50%
	92.50%
Qualitative Fee (Capped at \$24,090)	\$22,283

Total Incentive Fee Expense for 2023-2024	\$	118,643
---	----	---------