

TO: City Council
FROM: Alfred D. Lott, City Manager
SUBJECT: Bowie Ice Arena RFP – Privatization
DATE: July 2, 2020

INTRODUCTION

In May 2020, the City Council directed staff to prepare a Request for Proposals (RFP) for a public-private partnership (PPP) between the City of Bowie and a private entity to improve, operate, and maintain the Bowie Ice Arena. The document was prepared with proposals due by June 26, 2020. In preparation for Council review on July 6, 2020, staff reviewed the submitted proposals and submits this summary.

A goal of the RFP was to determine if a PPP was beneficial to the City. Factors weighing on this include:

- 1) Continuation of services favoring the residents of the City and user groups serving the community
- 2) Annual operating deficit/income to the City
- 3) Address capital expenses necessary to continue long-term operation of the facility
- 4) Ability of proposals to fund necessary capital projects

Proposals were received, from Everything Ice Management, Black Bear Sports Group, and JLS Temps. The proposal from JLS Temps was incomplete and did not address even the Minimum Evaluation Criteria of the RFP. All four staff reviewers rated the proposal submitted by Everything Ice Management higher than the proposal by Black Bear Sports Group.

BACKGROUND

This year marks the forty ninth (49) season of operation for the Bowie Ice Arena. The original structure was constructed in 1971 and consisted of a refrigerated slab located under a large pavilion with open sides. It operated as a seasonal facility from November to March. The facility was enclosed in 1996 to allow for a 10-month operation.

This facility incorporates (1) 200' x 85' sheet of ice. It contains an ice resurfacing machine room with a melt pit, restrooms, a concession stand, a skate rental desk, a pro shop, cashier facilities, onsite storage, four locker rooms, a meeting room, emergency backup generator, and bench spectator seating that holds 600.

There are approximately 9.6 full time equivalent positions, of which four (4) are full-time staff members. The four full-time staff members have approximately 92 years of specialized Ice Arena experience. Four of the part-time staff have combined more than 90 years of specialized

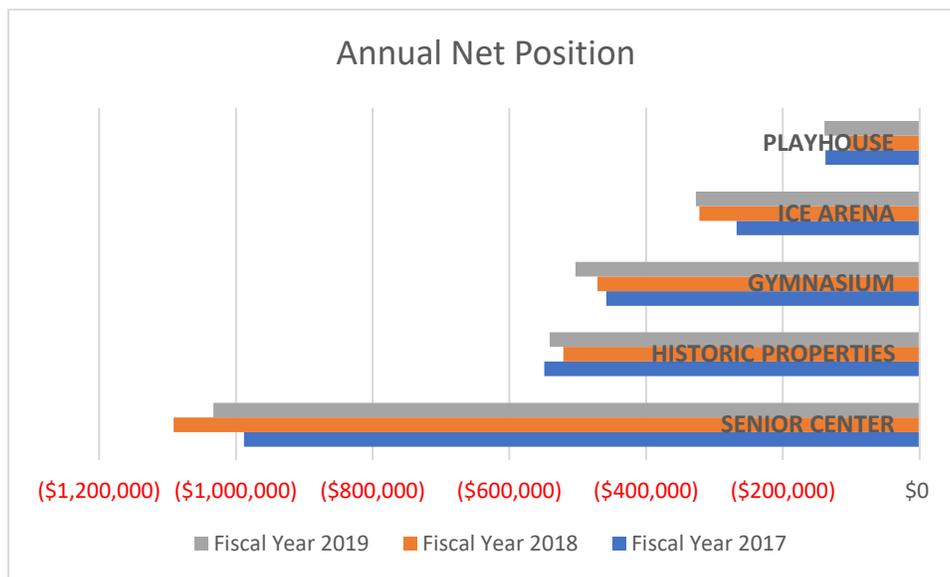
Ice Arena experience. This experience is no doubt one of the reasons the Bowie Ice Arena is so well respected and considered by many to be the premier recreational ice facility in our region.

The cost to operate the Ice Arena was approximately \$267,743 in FY17, \$322,413 in FY18, and \$327,349 in FY19 when comparing revenues vs. expenditures.

Ice Arena Revenues vs. Expenditures

Description	FY17	FY18	FY19
Expenditure	952,878	1,018,170	1,034,924
Revenue	685,135	695,757	707,575

A comparative analysis of the annual net position of the Playhouse, Ice Arena, Gymnasium, Historic Properties and Senior Center for Fiscal Year 2017 through 2019 has been provided for your review. This chart highlights the costs of operating each of these divisions after revenue inputs. The Bowie Ice Arena operates under a high level of cost recovery as compared to other resident centered recreation services.



In 2017, a due diligence evaluation of the Bowie Ice Arena was conducted by the Hughes Group. This report was provided to City Council in September 2017. This study reported deficiencies in areas related to the building envelope to include insulation and the roofing system, the structural system to include columns and trusses, as well as significant issues with the under-slab refrigeration, mechanical systems and the slab itself. Additionally, the report indicated undersized locker rooms and restrooms, accessibility conditions that do not meet current requirements, deteriorating conditions associated with the fire suppression system, as well as an

aged electrical infrastructure. To continue providing Ice Arena services, capital investment is required.

FINDINGS

Three companies responded to the RFP and submitted proposals.

1. Everything Ice Management
2. Black Bear Sports Group, Inc.
3. JLS Temps

During this process, Everything Ice was identified as the highest point earner with 3.288 average score. Black Bear Sports Group, Inc. was in second with 2.0613 average score. JLS Temps proposal did not meet the minimum RFP evaluation criteria.

Weighted Criteria Scores	WEIGHT	BLACK BEAR WEIGHTED SCORE				EIM WEIGHTED SCORE				JLS TEMPS WEIGHTED SCORE			
		REVIEWER 1	REVIEWER 2	REVIEWER 3	REVIEWER 4	REVIEWER 1	REVIEWER 2	REVIEWER 3	REVIEWER 4	REVIEWER 1	REVIEWER 2	REVIEWER 3	REVIEWER 4
		1. Professional Qualifications	0.2	0.42	0.47	0.36	0.69	0.82	0.76	0.76	0.82	0.20	0.20
2. Development and Improvement	0.35	0.53	0.67	0.56	1.23	0.95	0.88	0.98	1.30	0.35	0.35	0.35	0.35
3. Facility and Site	0.02	0.06	0.06	0.06	0.08	0.10	0.08	0.08	0.08	0.02	0.02	0.02	0.02
4. Operations and Maintenance	0.43	0.31	0.77	0.62	0.77	1.39	1.42	1.34	1.42	0.43	0.43	0.43	0.43
Total Score	1	1.92	1.97	1.60	2.77	3.25	3.13	3.15	3.62	1.00	1.00	1.00	1.00

Points were assigned to evaluation criteria on a one to five point scale with 1 being Non-advantageous, 2-3 being advantageous, and 4-5 being very advantageous. Part of the proposal sought the respondents to articulate the benefit that would be provided to the City for entering into a Public Private Partnership for capital development and for ongoing operations. A separate section covering the proposed PPP value to the City of Bowie follows a summary of some of the evaluation criteria for the two responsive proposals.

Everything Ice Management

Everything Ice provided an advantageous response to the 2017 facility analysis, concurring with most items outlined in the analysis, and stating some items would require additional review. Everything Ice outlined a facility improvement schedule that would occur Spring 2021 through 2022. They anticipate the need for a new roof, which would be scheduled within 7 years. Depending on demand, Everything Ice states they may be interested in funding a second sheet of ice.

Everything Ice provided an advantageous response to the programmatic vision for the Bowie Ice Arena. Everything Ice outlined a vision that proposes hours of operation during peak usage from 6am to midnight and extends the season from 10 months to 12 months. Everything Ice also

proposed that existing customers would have prime ice availability, and that large users would have input in scheduling.

Everything Ice indicates an investment of a total of \$7,491,500 over 7 years. They include a request for a 50% capital expenditure match from the City (initial \$1,495,750 and an estimated additional \$2,250,000 in 5-7 years). They propose an annual payment to the City of \$100,000 per year (increasing to \$200,000 per year in FY27) for rent of the facility. Everything Ice seeks a 50 year lease term.

Everything Ice described the capital development advantages of a PPP as being able to avoid the expense of constructing a twin rink facility, 50% contribution to short and mid-term capital expense to benefit taxpayers, and they noted the City would lose control of the facility. For the operational advantages of a PPP, Everything Ice stated the advantages were increased daily operating hours and an increased annual operating season.

Black Bear Sports Group, Inc.

Black Bear Sports Group, Inc. provided a non-advantageous response to the 2017 facility analysis. Black Bear asserts that capital items highlighted in the analysis that have remaining service life should not have been included. Black Bear failed to account for items such as the roof that have a remaining service life, despite seeking a 50-year lease on a 49-year-old building. The proposal dismissed the importance of capital investment despite the long-term lease sought. Depending on demand, Black Bear states that they may be interested in funding a second sheet of ice.

Black Bear Sports Group, Inc. provided an advantageous response to the programmatic vision for the Bowie Ice Arena. Black Bear proposes hours of operation from 6am to midnight and extends the season from 10 months to 12 months. Black Bear Sports Group, Inc. provided less specificity related to providing preferential treatment of existing groups. The respondent's submittal requires assumptions by the City related to assurances that Bowie based programs will get ice time under their management.

Black Bear Sports Group indicates an investment estimate of \$2,500,000 over 3 years. They include a request for 33% capital expenditure match from the City, capped at \$1,000,000. They propose an annual rental payment to the City of \$15,000 per year with increases at the lower of the Consumer Price Index or 2%.

Black Bear Sports Group described the capital development advantages of a PPP as being able to avoid the expense of constructing a twin rink facility, environmental benefits of energy efficiency investment, and a two thirds contribution to short-term capital expense. For the operational advantages of a PPP, Black Bear Sports Group stated the advantages were an increased annual operating season, their ability to bring in hockey showcases and tournaments for out of state money, professional operation, and the City could keep use for Bowiefest and the International Festival at no charge.

Both proposals indicate a fee structure tied to the “market rate”. Neither proposal provides detail regarding proposed rates, however the EIM proposal includes a pro forma modeled off the City of Bowie budget which has an increase in admissions. It does not specify if the increase is from the longer open season or increased rates.

PUBLIC PRIVATE PARTNERSHIP BENEFIT TO CITY OF BOWIE

The purpose of pursuing a Public Private Partnership is to take advantage of the unique abilities of the private sector and the public sector to achieve the desired goal. As articulated by the submitted proposals, neither presents a distinct benefit that can be brought by the private sector that the City of Bowie does not currently, or could provide.

Expanded Availability

Each proposal lists the benefit of an expanded season by having a 12 month facility, in addition to operating hours from 6am to midnight. With an investment in the subfloor, this advantage is not distinct to the private companies, the City of Bowie can operate 12 months a year as well. This capital expense has not been made by the City to date, as the City was previously constructing a new facility. Today, dependent on reservations, the Bowie Ice Arena operates between 5:30am and midnight, which is common in the fall and winter.

No New Facility

Each proposal suggests the City would benefit from not constructing a new facility. That has already taken place through City Council action.

Environmental Benefits

While both proposals include these elements to a different degree, just Black Bear states that is a PPP benefit. With the investment in the capital items, this advantage is not distinct to the private companies.

City Use

The Black Bear proposal states the benefit of the City maintaining use of the Ice Arena for Bowiefest and International Festival activities. This availability is not lost with City operation.

Expanded Tournaments

The Black Bear proposal states the benefit of bringing in hockey showcases and tournaments for out of state money. This benefit contradicts a previously communicated City Council objective of making City facilities available primarily to Bowie residents.

Capital Investment

As an old facility, the Bowie Ice Arena is in need of capital investment to assure its beneficial service to the City in the years to come. The 2017 assessment covered items needing to be addressed. Proposers were provided the 2017 assessment and asked to respond to each of the

capital needs in the assessment. Everything Ice and Black Bear each submitted proposals seeking a 50 year lease term, which would obligate the need for adequate capital investment to keep an aged facility operational many decades into the future. The 2017 assessment states that major rehabilitation is required in the near term to achieve that.

Black Bear's proposal only considers a small degree of near-term capital investment which does not align with the proposed long-term operation of the arena sought by their proposal. Further, the proposal would not provide all of the capital funding. The proposal seeks the City of Bowie provide one third of the limited capital investment. It specifically dismisses capital expense for items with some remaining useful life. By not funding the capital expense, the City is not wholly benefitted from private investment.

Everything Ice's proposal better aligns with the capital investment contemplated in the 2017 assessment. The Everything Ice proposal as well would not provide all of the capital funding. The proposal seeks the City of Bowie provide one half of the short and mid-term capital investment. By not funding the capital expense, the City is not wholly benefitted from private investment.

CONCLUSION

The review team determined that the most attractive attribute a private entity could bring to a partnership would be significant funding for capital expenditures to improve the Bowie Ice Arena. Neither proposal provides that. Everything Ice stated they have \$3.4 million in cash and the City of Bowie would need to fund 50% of short and mid-term capital improvements. Black Bear Sports Group, Inc. stated they had \$4 million in cash and the City of Bowie would need to fund 33% of short-term capital improvements. Black Bear Sports Group did not provide a long-term facility improvement vision or schedule.

Both submittals indicate an increase in services through an expansion of available ice time. This would be achieved by expanding operations from a 10-month to 12-month season by resolving the frost heaving problem with the subfloor through capital expenditure. Both also recommend providing hours of daily operation to 6am to midnight.

The Bowie Ice Arena currently operates at less than (\$330,000) net loss (FY19), making it the least expensive significant recreational service offered by the City behind the Bowie Playhouse. By undertaking a PPP the City risks losing programmatic control for our resident-based programs and the loss of an excellent facility staff with decades of ice arena management experience. The City would be obligated to adhere to the contract for decades, losing the ability to modify the recreational options available to its residents in its most used park amenity.

The alternative to engaging in a PPP is to continue City operation and task the City with funding similar necessary cosmetic and structural improvements/repairs specified by the 2017 assessment. In addition, a goal to cover the cost of some or all of the capital improvements and/or operating costs could be established. This would be achieved from the extension of the

use to 12 months, raising the rental rates, and considering the expanded use by non-resident groups.

RECOMMENDATIONS

- That the City not enter into a PPP with either firm and continue to operate the facility, including necessary capital improvements, with existing staff.
- Or, if the City Council is determined to enter into a PPP, then staff recommends the City enter into negotiations with Everything Ice Management.