



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Sara L. Hensley

SUBJECT: MUNICIPAL STADIUM
MANAGEMENT AND OPERATIONS
AGREEMENT

DATE: 02-23-05

Approved

Date

3.1.05

Council District: 7
SNI Area: N/A

RECOMMENDATION

Approval of an agreement for a term of 30 months with Baseball Acquisition Company, Inc. (BAC) for the use, management and operations of Municipal Stadium, under which BAC would pay to the City 1.1% of contractor's gross receipts or \$12,000 annually, whichever is greater.

BACKGROUND

Built as part of Franklin Roosevelt's Works Progress Administration (WPA), Municipal Stadium opened to the public in 1942. The premises include the stadium and parking areas located at the corner of Senter Road and Alma Street, bounded by Kelley Park to the east and the Ice Centre to the west.

In recent years, the stadium has been utilized, operated and managed by Baseball Acquisition Company, Inc. (BAC) under an agreement with the City of San José. As such, the stadium is home to the San José Giants AAA baseball team, provides a venue for San José State University home baseball games, and acted as host site for other sports and special event uses.

On October 26, 2004, Council approved a resolution authorizing the City Manager to negotiate and execute an agreement with BAC for the use, management and operations of Municipal Stadium. However, subsequent to that action BAC requested modifications in the proposed agreement necessitating this item's return to Council. The current agreement with BAC is scheduled to expire on March 31, 2005. Parks, Recreation and Neighborhood Services staff has completed negotiations with BAC to continue operation and management of the stadium under an updated agreement.

ANALYSIS

Under the current agreement, BAC has the right to utilize the stadium for San José Giants baseball games, other sports events and special events as appropriate. The contractor is responsible for all utility services, staffing, staging, clean up, security services, equipment purchases and non-structural maintenance and repairs of the facility. In addition, BAC pays the City an annual minimum payment of \$1,200 or a percentage of gross revenues, whichever is greater. Annual payments over the last three years have been approximately \$10,000.

The proposed agreement becomes effective April 1, 2005 and expires on October 1, 2007. While the proposed agreement continues to mirror the existing agreement in most respects, three changes are noteworthy. The current methodology for determining the amount of revenue due to the City is unduly complex and cumbersome. A set percentage (1.1%) of "contractor's gross receipts" will be employed in lieu of the multi-tiered, variable percentage formula currently in place. As defined within this agreement "contractor's gross receipts" represents 100% of all money and other things of value received by or paid to the contractor for the use of the facility including refreshment, BBQ, smokehouse and souvenir sales, premises use fees and charges, gate receipts (except those from San José Giants games), vendor sales and parking fees. This will work in conjunction with an increase in the minimum annual revenue due to the City to \$12,000. A jointly financed periodic inspection and capital assessment of the facility is also proposed allowing for more informed and strategically targeted capital investments either by or directed by the City.

Lastly, BAC has expressed interest in testing the marketability of naming rights to the stadium. If and when BAC meets with success in locating a party interested in paying a reasonable amount for naming rights to the stadium, that entity will be required to engage the City in negotiations related to the potential revenue due to the City and/or the use of revenue generated for the betterment of the facility. Naming the stadium for any entity would require City Council approval, and would be handled in compliance with the City's recently adopted Revenue Generating Policy.

This updated proposed agreement differs from that proposed to Council on October 26, 2004 in two ways. While calling for a reduced percentage of gross receipts to be paid to City, it provides for a broader definition of gross receipts, which is more consistent with past practices and provides for a stronger audit trail. In addition, the minimum annual payment to the City is increased from the originally proposed \$10,000.00 to \$12,000.00.

PUBLIC OUTREACH

Not applicable.

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Subject: Municipal Stadium Management and Operations Agreement

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COORDINATION

These negotiations have been coordinated with the Office of the City Attorney, Risk Management, and the Office of Economic Development.

CEQA

PP04-275 (categorical exemption).

COST IMPLICATIONS

No negative impact to the General Fund is anticipated as a result of these negotiations.



SARA L. HENSLEY
Director of Parks, Recreation and
Neighborhood Services

