

AGENDA
SPECIAL PLANNING, BUILDING AND ZONING COMMITTEE
Village of Hoffman Estates
February 1, 2010

7:30 P.M. - Board Room

Members: Gary Pilafas, Chairperson
Karen Mills, Vice Chairperson
Ray Kincaid

I. Roll Call

NEW BUSINESS

1. Request approval of a resolution authorizing the Village Treasurer to make payments for event and operating expenses at the Sears Centre Arena.
2. Discussion regarding various operational and financial procedures for the Sears Centre Arena.

II. Adjournment

**COMMITTEE AGENDA ITEM
VILLAGE OF HOFFMAN ESTATES**

SUBJECT: Request approval of a resolution authorizing the Village Treasurer to make payments for event and operating expenses at the Sears Centre Arena

MEETING DATE: February 1, 2010

COMMITTEE: Special Planning, Building and Zoning

FROM: Michael DuCharme/Mark Koplin

REQUEST: Discussion of approval of a resolution authorizing the Village Treasurer to make payments for event and operating expenses at the Sears Centre Arena.

BACKGROUND: In December 2009, the Village Board approved a three month budget for the Sears Centre Arena and authorized funding the January operating costs. The Village will need to soon provide funding for the February operating costs.

DISCUSSION: The attached resolution grants the Village Treasurer authority to co-sign checks for operating event expenses at the Sears Centre Arena, including event settlements. This authorization also allows for wire transfer of funds and transfers between accounts, as may be necessary. Global Spectrum, as interim manager at the Sears Centre Arena, will initiate such payment requests and sign off on these payments prior to bringing to the Village for approval. Such payments will be made from the Sears Centre Arena operating account.

RECOMMENDATION: Recommend approval of a resolution authorizing the Village Treasurer to make such payments and transfers for event and operating expenses at the Sears Centre Arena.

Attachment

cc: Ben Gibbs (Global Spectrum)

RESOLUTION NO. _____ - 2010

VILLAGE OF HOFFMAN ESTATES

A RESOLUTION AUTHORIZING THE
VILLAGE TREASURER TO MAKE PAYMENT
FOR EVENT AND OPERATING EXPENSES
AT THE SEARS CENTRE ARENA

WHEREAS, the Village of Hoffman Estates has hired Global Spectrum under an interim Management Agreement; and

WHEREAS, the Sears Centre Arena is currently conducting operations and events; and

WHEREAS, the Village of Hoffman Estates desires the Village Treasurer to make payment for event and operating expenses at the Sears Centre Arena.

NOW, THEREFORE, BE IT RESOLVED by the President and Board of Trustees of the Village of Hoffman Estates, Cook and Kane Counties, Illinois, as follows

Section 1: Prior to the consummation of the long term agreement with the Facility Manager, the Village Treasurer is hereby authorized to pay by check or wire any event-related expenses as well as other operating expenses related to the Sears Centre Arena as contemplated in the Interim Management Agreement between the Village of Hoffman Estates and Global Spectrum, L.P. Any expense being paid shall be initiated and recommended for approval and or payment by the appropriate Global Spectrum, L.P. personnel prior to being released by the Village Treasurer. The Village Treasurer will provide the Board of Trustees a list of the checks issued, transfers made between accounts, and wire transfers on a periodic basis.

Section 3: This Resolution shall be in full force and effect immediately from and after its passage and approval.

PASSED THIS _____ day of _____, 2010

| VOTE | AYE | NAY | ABSENT | ABSTAIN |
|----------------------------|-------|-------|--------|---------|
| Trustee Karen V. Mills | _____ | _____ | _____ | _____ |
| Trustee Cary J. Collins | _____ | _____ | _____ | _____ |
| Trustee Raymond M. Kincaid | _____ | _____ | _____ | _____ |
| Trustee Jacquelyn Green | _____ | _____ | _____ | _____ |
| Trustee Anna Newell | _____ | _____ | _____ | _____ |
| Trustee Gary J. Pilafas | _____ | _____ | _____ | _____ |
| Mayor William D. McLeod | _____ | _____ | _____ | _____ |

APPROVED THIS _____ DAY OF _____, 2010

Village President

ATTEST:

Village Clerk

**COMMITTEE AGENDA ITEM
VILLAGE OF HOFFMAN ESTATES**

SUBJECT: Discussion regarding various operational and financial procedures for the Sears Centre Arena

MEETING DATE: February 1, 2010

COMMITTEE: Special Planning, Building and Zoning

FROM: *mk* Mark Koplin

REQUEST: Discussion regarding various operational and financial procedures for the Sears Centre Arena.

BACKGROUND: The Village now has title to the Sears Centre Arena and has hired Global Spectrum on an interim basis to manage the facility while a long term agreement is being negotiated. Events continue as does daily operations at the Sears Centre Arena. The Village needs to consider and approve various procedures related to event and day-to-day operations.

DISCUSSION: While the Village is negotiating a long term arena management agreement with Global Spectrum, it is beneficial to discuss and consider various procedures that should be adopted and/or incorporated into the management agreement.

Cash Handling and Purchasing Procedures

A draft of procedures is attached. Using IFG, along with copies of such procedures (including Global Spectrum's), the Finance Director drafted procedures that more closely follow standard Village practice for purchasing. This sets for the policy for soliciting quotes for services (a tiered approach) and addresses "sole source" quotes and emergency purchases as well. As desired by the Village Board, the policy requires two signatures on all checks, one by Global Spectrum and the other by the Village.

Operating Expenses

All expenses incurred at the Sears Centre Arena in connection with its operation, promotion, maintenance and management, including:

- ◆ Employee payroll, benefits and related costs, operating supplies, advertising, marketing, group sales, and public relations costs, office and cleaning expenses.
- ◆ Data processing costs, credit and debit expenses, dues, subscriptions and membership costs, printing, postage and stationary costs.

DISCUSSION: (Continued)

- ◆ Equipment rental costs, minor repairs, maintenance and equipment servicing, telephone, travel and related business expenses of Manager/employees, cost of employee uniforms and identification, exterminator, snow and trash removal.
- ◆ Computer software, hardware and training costs, parking lot expenses, including maintenance, utility expenses, audit, professional services, and accounting fees, legal fees incurred subsequent to the execution of this Agreement, all bond and insurance costs, including worker's compensation insurance.
- ◆ Costs incurred under Food and Beverage and other Service Contracts and other agreements relating to Facility operations and taxes, exclusive of income taxes.
- ◆ Management fee.

Further detail provided in the attachment.

“Operating Expenses” does not include:

1. Any debt service (principal or interest).
2. Any “buyout” or repayment of funds invested, advanced, or otherwise loaned.
3. Incentive compensation or bonuses paid to employees, if any, which shall be paid directly by Manager out of Manager's funds.
4. Property taxes.
5. Any expenses related to Global Spectrum personnel based in Global Spectrum's corporate headquarters or field locations (other than the reasonable costs of travel by such corporate or regional personnel).
6. Capital Expenditures, all of which shall be borne solely by Owner.

Event Expenses

These costs are associated with a specific event. The attachment lists such expenses, as will be defined in the Global Spectrum agreement.

- ◆ Variable costs - a direct building cost, shared co-promotion expense; reimbursed, or non-reimbursed cost (as the case may be) directly related to the advancement or production of an event.
- ◆ Includes expenses related to show advancement (marketing costs like media “placement”, brochures), show production (i.e. dirt, ice prep., rigging, catering, etc.), talent costs (includes licenses), and other show production expenses such as cleaning, security, utilities, staffing, ushers, conversion costs, and parking, etc.
- ◆ Routine maintenance and overhead expenses not considered to be event expenses.

Further detail provided in the attachment.

Funding - Cash Flow

These are the funds necessary on a month-to-month basis necessary for the Sears Centre Arena to do business.

- ◆ Rolling 12 month cash flow budget established for calendar year,
- ◆ Operating Account funded quarterly with amounts generated by operation of the Facility and/or with funds made available by Owner.
- ◆ Manager and Owner reconcile cash flow forecast (“true up”) at the end of each quarter and Owner will replenish the Operating Account, as necessary.

DISCUSSION: (Continued)***Budget Approval***

- ◆ Operating Pro Forma and Forecast submitted for transition year and the first three full Operating Years, which includes key pro forma assumptions.
- ◆ Manager to submit detailed Operating Budget by September 1, each year for review, amendment, and approval of the Owner.
- ◆ Budget is a good faith projection, subject to changes in financial, economic, and other conditions and circumstances beyond the Manager's control.

Adherence to Operating Budget

- ◆ Without the prior consent of the Owner, Manager shall not exceed, commit, or contract to expend any sums in excess of the aggregate amounts allowed in the Operating Budget or otherwise approved by Owner.
- ◆ Exceptions:
 - ◇ Emergency repairs, in which event Manager shall notify Owner prior to making such repair.
 - ◇ "Spike" in expenses for utilities or insurance (cost of which is not within the reasonable control of Manager).
 - ◇ Increased costs resulting from events scheduled.
- ◆ Manager has the latitude to operate the Facility within amounts budgeted for each department with line item amounts not to vary by more than 10%.
- ◆ Manager agrees to notify the Owner within 30 days of any variances to above.

Substantial Adverse Budget Conditions

- ◆ If adverse departure from budget and/or Owner reasonably believes it will be able to provide sufficient funding to cover any budget deficits, Owner shall request from Manager a plan for reduction of expenditures to a level consistent with the funding resources available.
- ◆ Parties must recognize reduction of expenditures does not impair, restrict, or otherwise effects the ability of Manager to perform its duties hereunder so that the management of the Facility would not be feasible.

Financial Reporting and Handling Cash and Purchasing

- ◆ Global Spectrum will implement their standard Finance Procedures Manual, requiring strict recordkeeping, reporting, and accounting procedures/systems, with staff undergoing training.
- ◆ Owner receives monthly/quarterly financial reports and booking summary, and separate cash receipts and disbursements reports for each event held each month.
- ◆ Owner has on-line bank account access, able to view daily transactions and monthly bank statements. Owner must co-sign any checks, including payroll.
- ◆ The Owner or authorized agent has right to audit and inspect such records.

DISCUSSION: (Continued)

Event Budget, Booking, Advancement, Sales, and Settlement

- ◆ Sample of Trenton Arena event budget to be provided at meeting.
- ◆ Review of Event License.
- ◆ Discuss booking procedures (rent, co-promotion, self promoted, and approval).
- ◆ Discuss costs incurred to “advance” a show (such as media ads, purchase dirt).
- ◆ Sample of Event Flash Report/Settlement to be provided at meeting.

RECOMMENDATION:

For discussion purposes only.

Attachments

cc: Ben Gibbs (Global Spectrum)
Joe Briglia (IFG)

Operating Expenses: All expenses, including but not limited to Event Expenses, incurred by Manager and Owner in connection with its operation, promotion, maintenance and management of the Facility, including but not limited to the following:

- (i) employee compensation and related expenses (e.g. base salaries, severance, and car allowances) employee benefits and related costs (e.g. relocation and other related expenses pursuant to Manager's relocation policy (a copy of which will be provided),
- (ii) cost of operating supplies, including general office supplies,
- (iii) advertising, marketing, group sales, and public relations costs,
- (iv) cleaning expenses,
- (v) data processing costs, Master Card, VISA, and other credit and debit facilities and telecheck fees and expenses,
- (vi) dues, subscriptions and membership costs,
- (vii) the Fixed Management Fee,
- (viii) printing and stationary costs,
- (ix) postage and freight costs,
- (x) equipment rental costs,
- (xi) minor repairs, maintenance, and equipment servicing, not including expenses relating to performing capital improvements or repairs,
- (xii) security expenses,
- (xiii) telephone and communication charges,
- (xiv) travel and entertainment expenses of Manager employees,
- (xv) cost of employee uniforms and identification,
- (xvi) exterminator, snow and trash removal costs, if applicable
- (xvii) computer, software, hardware and training costs,
- (xviii) parking lot expenses, including maintenance
- (xix) utility expenses,
- (xx) office expenses,
- (xxi) audit, professional services, and accounting fees,
- (xxii) legal fees incurred subsequent to the execution of this Agreement,
- (xxiii) all bond and insurance costs, including but not limited to personal property, dram shop, liability and worker's compensation insurance,
- (xxiv) cost of complying with any Laws,
- (xxv) costs incurred by Manager as approved by Owner to settle or defend any claims asserted against Manager arising out of its operations at the Facility on behalf of Owner to the extent not covered by insurance proceeds actually received;
- (xxvi) costs incurred under Service Contracts and other agreements relating to Facility operations, and
- (xxvii) Taxes exclusive of income taxes.

The term "Operating Expenses" does not include:

- (a) any debt service (principal or interest),

(b) any "buyout" or repayment of funds invested, advanced or otherwise loaned by any party with respect to the Facility or its operations (such as, for example, any monies repaid to a food and beverage concessionaire upon termination of its contract),

(c) incentive compensation or bonuses paid to employees, if any, which shall be paid directly by Manager out of Manager's funds

(d) property taxes,

(e) any expenses related to Global Spectrum personnel based in Global Spectrum's corporate headquarters in Philadelphia, Pennsylvania or its regional field locations (other than the reasonable costs of travel by such corporate or regional personnel in connection with Global Spectrum's management of the Facility), and

(f) Capital Expenditures, all of which shall be borne solely by Owner and not as an Operating Expense.

Notwithstanding anything to the contrary in this Agreement, Operating Expenses does not include Global Spectrum's expenses incurred in defending claims or responding to governmental compliance actions arising out of Manager's actions, Illinois Attorney General public access determinations, or requests pursuant to the Illinois Freedom of Information Act.

Event Expenses: The incremental increase in variable costs (whether a direct building cost, shared co-promotion expense, reimbursed, or non-reimbursed as the case may be) in operating the Facility that are directly related to the advancement or production of an event and which would not otherwise have been incurred but for the occurrence of the particular event, which include expenses related to:

cleaning,
security,
utilities,
Facility staffing,
ushers,
advertising,
music and
entertainment services,
set up and take down, parking, and
expenses expressly designated as event expenses in this Agreement.

Event expenses shall include the cost of labor and materials incurred in set up or changing the Facility from its prior use to use for that event, including placing and installing any furnishings or equipment required for the event. Customary and normal costs for take down or conversion following an event shall not be an event expense of such event: provided, however, that unusual or extraordinary expenses associated with conversion of the Facility following an event shall be considered an Event expense of that event. Routine maintenance and overhead of the Owner and similar expenses shall not be considered to be event expenses, nor shall any prorated portion of such expenses be allocated as event expenses.

***EXHIBIT _____**

PURCHASING POLICY - SEARS CENTRE ARENA

The following constitutes policy for the operator to follow in its administration of the management and agreement. Event licenses and tenant leases are not covered within these policies. Specialized event related expenses can be considered "sole sourced" with proper documentation.

A. General Policy for Soliciting Quotes

Arena employees are responsible for obtaining quotes for purchases in the instances outlined below. Requisitions submitted and purchase orders not processed without the required quotes or a satisfactory explanation of why quotes were not obtained (e.g. sole source, emergency, standardized vendor etc.) should not be approved for payment and will not be considered an approved operating expense.

| | |
|--------------------|--|
| Up to \$1,000 | Competitive quotes not required if single source pricing is deemed reasonable by Department Directors. |
| \$1,000 - \$5,000 | Two quote minimum, three quotes preferred. Faxes are acceptable. Must take lowest quote. |
| \$5,001 - \$19,999 | Three written quotes. Faxes are acceptable. Must take lowest quote. |
| \$20,000 & Above | Village Board approval is required for all contracts of this dollar amount. Also applies to cumulative payments that exceed 20K. (1) |

Items purchased more than once during a fiscal year (e.g. forms, copier supplies, etc.) do not need quotes every time a purchase is made. However, competitive quotes for these items shall be sought at least once each year to ensure that vendors are competitive.

B. Sole Source Purchasing

Contract for parts, supplies, or equipment that are available only from a single source are referred to as "sole source" purchases. Sole source procurements may arise from the following circumstances:

1. Equipment for which there is no comparable competitive product or is available only from one supplier.
2. Public utility services from natural or regulated monopolies.
3. A component or replacement part for which there is no commercially available substitute and which can be obtained only from the manufacturer.

4. An item where compatibility is the overriding consideration, such as computer software.
5. A used item, for example, a television transmitter tower that becomes immediately available and is subject to prior sale.

These items shall not be subject to requirements for seeking competitive quotes or bids. However, purchases in excess of \$20,000 shall be presented and approved by the Village Board Committee and Board Agenda prior to acquisition with a request to waive bids, approve the purchase, and enter into a formal contract.

C. Emergency Purchases Policy

Emergencies are defined as events that could not have been foreseen where immediate action is necessary to safeguard the public's health and safety and prevent delays in work, contracts, and/or transportation as referred to in Section _____. In the event of an emergency, upon verbal approval by the Contract Administrator, the General Manager may authorize a vendor to perform work necessary to resolve such emergency without formal bid solicitation. Documentation of the emergency and the need for immediate action shall be presented to the Village Board in a reasonable period of time following resolution of the crisis.

An emergency purchase order can be issued authorizing a vendor to perform any and all work necessary. If the emergency and the need for immediate action exceeds \$20,000, documentation shall be presented to the Contract Administrator prior to such authorization. The following procedures shall be followed in the event an emergency purchase order is needed:

1. If an emergency purchase is required during normal business hours, _____ shall be contacted.
2. If an emergency item is required after normal business hours, the General Manager, Sears Centre Arena may procure the item immediately. A requisition with a delivery ticket or packing slip should be attached and sent to the Village's Finance Director within three working days after the emergency, so that the proper paperwork is initiated and approved retro-actively.

D. Purchase Procedures

1. All purchases can only be authorized by Department Heads and must be signed off on by General Manager prior to payment. Any purchase/contract in excess of \$20,000 requires approval by the Village Board prior to purchase.
2. Purchase orders and proper documentation are required on all non-event expenses, including day of event cash disbursements to promoters on events and event expenses co-promoted by Global Spectrum. Multi copy purchase orders should be used to allow one copy to be held in the department, a copy to be forwarded to accounting, and a copy to be provided to the Village at the time of payment.

3. All invoices are to be received by the Arena Accounting Department. Upon receipt, Accounting Department's copy of the purchase order is attached to invoice, sent to department head for review and approval, and promptly returned to the Accounting Department.
4. A copy of the purchase order original invoice and supporting documentation should be copied and signed off by General Manager prior to check being issued for payment. A copy of all documentation related to every purchase shall be provided to the Director of Finance, Village of Hoffman Estates at the time a check is presented to the Village for co-signature.

All invoices are to be entered into the accounting system with checks generated on the 15th and 30th of each month.

E. Check Signing/Wire Transfers/Transfers Between Accounts

1. All checks require two signatures. One by General Manager or Finance Director of the Arena. In addition, all checks must be countersigned by authorized representative of the Village of Hoffman Estates.
2. All wire transfers for event and non-event expenses will be initiated by Global Spectrum using on-line bank access and must be authorized and released by an authorized representative of the Village.
3. Transfers between the Ticketing and Operating Account will be initiated by Global Spectrum using on-line bank access and must be authorized and released by an authorized representative of the Village.

- (1) Village Board approval will require a minimum of three (3) weeks to process. Agenda item must be forwarded to contract administrator where it will be placed on the appropriate Committee Agenda (2nd and 4th Monday) for final Board approval (1st and 3rd Monday).

*These policies are subject to change upon the owner's written approval.

EVENT APPROVAL AND SETTLEMENT PROCEDURES

EVENT SETTLEMENTS

All events are settled between the promoter and General Manager and or Global Spectrum's Director of Finance with approval of the Village's Contract Administrator on the night of the event or per the terms of the contract.

1. Final Ticket Sales Report generated for event after box office closing.
2. Settlement Statement prepared. Promoter's expenses are paid in accordance to the event contract, paid directly by the Sears Centre Arena.
 - a. Copy of contract to be attached to Settlement Statement.
 - b. Backup for all event-related expenses to be attached to Settlement Statement.
 - c. Any cash disbursements during week of event will be documented.
 - d. It is the responsibility of the General Manager to inform the Contract Administrator at least seven (7) days prior to the event of factors having a negative impact, which may result in a net operating loss or significant reduction in estimated event income.
3. Settlement Statement reviewed by promoter and mutually agreed, signed off on by both Global Spectrum and promoter.
4. Payment issued to promoter and checks cut for related expenditures after approval by the Village's Contract Administrator.
5. Any wire transfers associated with the event will be initiated by Global Spectrum authorized representative and released by the Village of Hoffman Estates on agreed upon date.