



SaskTel Centre & TCU Place Management Analysis

SEPTEMBER 27, 2022



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01

Executive Summary



Key Questions

- What are the existing conditions of governance that can be improved upon at the proposed new arena and convention center?
- What are the advantages and disadvantages of a private partnership?
- What is the optimal governance model for these facilities and what financial benefits does this present?

SWOT Overview

The following SWOT analysis details the strengths, weaknesses, opportunities, and threats of the existing and potential structures at SaskTel Centre and TCU Place.

Strengths



- Strong current management team
- Adaptability of management to evolving markets
- Higher risks by new arena management has led to higher rewards
- Low City / Board involvement in venue management

Weaknesses



- Aging and dysfunctional current facilities
- Loss in business related to the COVID-19 pandemic
- City compensation structure for management and sales staff

Opportunities



- New modern facilities with a nationally renowned private management company
- Enhanced facilities and revenue streams generating new impacts and development to the City

Threats



- Rising costs of construction
- Ongoing health risks that inhibit venue performance
- Potential inability to negotiate a favorable management agreement for the new facilities

Key Findings

The following points highlight Hunden Strategic Partners' (HSP) high level findings of its analysis of the current and potential management structures at SaskTel Centre and TCU Place.



Strong Management

Prior to the COVID-19 pandemic, both SaskTel Centre and TCU Place were profitable venues. In response to lost business, management at TCU Place is actively looking at new ways to generate revenue for the evolving convention center industry and new management of SaskTel Center has provided a seamless transition with expanded event targeting and execution. The environments at these facilities has led to low turnover and a strong foundation for future planned development.

Market Potential

The City of Saskatoon's vision for a new Downtown Event & Entertainment District presents an opportunity for both facilities to be reimagined as modern state-of-the-art venues that can attract new markets and increase visitation. Adjacent new facilities will create new synergies that can enhance both businesses and introduce operating efficiencies that can improve their bottom lines.

Management Alternatives

The plan for new or improved facilities also inspired the City to reevaluate optimal governance and management structures that can ultimately lead to new partnerships that will advance these venues and their impact to the City of Saskatoon. Though current management is strong, potential partnerships with renowned private management companies can elevate these venues to new levels.



Recommendations

Based on our analysis, HSP recommends that the City of Saskatoon proceed with a Request for Qualifications (RFQ), followed by a formal Request for Proposal (RFP). This will enable the City to:

- Negotiate a management agreement at a level playing field after receiving competitive bids from all qualified and interested parties
- Optimize and streamline governance structures of both facilities
- Obtain the most favorable agreements for the City that will also elevate the new venues

The goal of this process would be to secure singular management of both facilities by a provider with broad experience in both venue management and the convention industry to increase operational efficiency, enhance bookings and attendance, increase revenues, and generate new impacts for the City. Another goal of the City is to attract a partner who will be willing to invest in the significant capital costs associated with the new facilities.

Under this approach, HSP also recommends a single oversight Board that will represent City ownership of both facilities. Ideally, employee compensation packages and union agreements should be restructured under a new manager to better incentivize sales and marketing staff and to better attract top talent to these venues.



02

**Project Profile &
Site Overview**



Project History

Many steps have been taken by the City of Saskatoon to move towards the development of an event and entertainment district in the downtown area. In 2018, a market analysis on TCU Place and SaskTel Centre was conducted by HLT Advisory, Conventional Wisdom, and Convergence Design. This report concluded that both facilities were nearing the end of their useful life with a recommendation that a replacement be in downtown Saskatoon.

Through the end of 2019, the City administration provided multiple reports on considerations and next steps for these new facilities and the future district. In 2020, Oak View Group and Katz Group / Shugarman Architecture were engaged to advise on potential site locations for the two facilities.

Currently, public feedback is being collected on two sites in downtown Saskatoon with site selection approval planned for November 2022. A funding plan is expected to be approved by the end of 2023.

As the City is moving forward with site selection, HSP was engaged to evaluate management alternatives for the new facilities including private partnerships and long-term operating contracts.



Market Study Findings

The market study completed in 2018 determined TCU Place's original building components made servicing the facility problematic. Sizing issues are also evident, with mismatches in capacities between the theatre and ballroom space, leading to operating inefficiencies. The market study also concluded that the SaskTel Centre is producing events and attendance at levels that also exceed the venue's current operating abilities.

Though retrofitting these buildings to minimize these issues was considered, the cost and time to complete what was needed would still result in less than state-of-the-art venues. This led to the conclusion that the development of a new arena and convention center would provide the greatest benefit to the community with significant new economic impacts generated by the construction and operation of these new facilities.





Interviews

Groups Interviewed & Discussion Topics

The following groups represent advisory boards, teams within larger City departments, for-profit companies, and not-for-profit entities.

- TCU Place Board
- TCU Place Management
- TCU Place Sales Staff
- SaskTel Centre Board
- SaskTel Centre Executive Team
- Saskatoon Entertainment Group (SEG)
- Live Nation
- Tourism Saskatoon
- Oak View Group (OVG360)
- ASM Global (ASM)

A list of general topics discussed with each group include:

- Perspective on the current ownership and management structure of SaskTel Centre and TCU Place
- Thoughts on what the City / Board's role should be at each facility
- Any areas of improvement needed in operations, sales, staffing, and management
- Thoughts on joint private or public / private management and board of both proposed new / renovated facilities
- Pros and cons of private management of arenas and convention centers
- Changes that have occurred since SEG took over management of SaskTel Centre
- Potential market opportunities with new and enhanced adjacent facilities not currently being captured
- How COVID has changed day-to-day operations and long-term strategic goals and initiatives at the facilities



Implications

- There are differing views in what the City's role should be in operating both facilities and whether each venue should have their own board. A singular management and board structure would likely streamline decision making and help to reset historical mindsets on roles and responsibilities between parties.
- There are also a range of opinions on how the facilities should be managed (as currently structured, or if a new operator could manage one or both of these facilities). Any new management company would need to have diverse experience in operating within the two differing business models in the arena and convention center industries.
- Regardless of any new management agreement, it is evident senior management of both facilities is strong, is adaptable to increasing business, and has maintained solid staff loyalty. Any transition in management could look to retain current leaders and high performing staff.
- All the private management companies interviewed by HSP, including ASM, OVG360, and SEG indicated an interest in partnering with the City on the new district project.



03

Trends & Best Practices



Introduction to Industry Trends

Trends in North American convention and venue management provide benchmarks against which destinations and executive staff can compare their own facilities to gauge performance. It is important that Saskatoon understand trends in order to remain competitive.

In this section, HSP compiled the most recent and relevant information available about current trends regarding these industries.

Convention Center Characteristics

According to the PwC Convention Center Report, “small” convention and conference facilities with under 100,000 SF of function space represent approximately 30% of the industry with approximately 50% of all conference facilities in areas with less than 15,000 hotel rooms.

Almost all facilities are owned by governmental entities and managed through private, quasi-public authority, or local government structures.

On average, small convention centers have 42 full-time staff and four full-time sales staff.

Small convention center catering is operated 40% by an exclusive caterer, 53% by an exclusive contractor, and 7% with multiple vendors.

Convention Center Ownership (<100K SF Function Space)	
Owner	Percentage
City	56%
Authority	9%
State	9%
County / Council	21%
Other	5%
Total	100%
Part of a Complex	24%

Source: PWC Convention Center Report

Convention Center Management (<100K SF Function Space)	
Manager	Percent
Private	26%
Quasi-Public Authority	26%
Local Government	32%
Other	16%
Total	100%

Source: PWC Convention Center Report

Convention Center Management

Convention and meeting facilities, regardless of ownership, are operated and managed in three main ways:

- Direct City Oversight
- Direct Local Government Corporation (LGC) or Authority
- Contracted Private

Over 30 percent of small convention centers are managed by local governments, with approximately a quarter managed by contracted private management companies and another quarter managed by a LGC or Authority.

Management & Operations	
Type	Description
Direct City / County Oversight	Facility is fully operated by the City / County
Direct Local Government Corporation and Authority	Facility is operated by the Authority / LGC hired staff
Contracted Private Management	Facility is operated via contract with a private third-party management company

Source: Hunden Strategic Partners

What is the Industry Doing?

- **More cities are moving to independent entities (boards, authorities, Local Government Corporations, etc.) to own and sustain their major event facilities.** This move to an independent model occurs especially as facilities and complexes become larger and more important to the local economy. The larger the facility or complex, the more likely the move to an independent entity. This both protects the complex from funding issues in general governments and politics, and provides a competitive, mission-focused entity to oversee the long-term success of a public-private benefit enterprise.
- **More cities are moving to private, contracted management, regardless of ownership.** It is nearly unheard of for a facility to move from private management back to public, but every year, additional cities move to private management to mitigate many of the issues noted above. With a move to private management, there is more accountability, ability to hire / fire, and a focus on key performance indicators (KPI's), such as revenue, expense, room nights, customer service, and others. HSP interviewed many cities who have made the change to private management and witnessed positive results.
- **Focus on Efficiency of Structure and Process.** As cities have worked to treat convention and event complexes like the competitive businesses that they are, coordination amongst the sales organization, facilities, and hotels is critical. The most successful convention structures include weekly, monthly, quarterly, and annual coordination amongst sales entities at the buildings, hotels, and the Destination Marketing Organization (DMO). To take it one step further, the most aggressive cities are combining the sales force at the building with the DMO to be one entity. In the case of some, the two sales staffs (building and DMO) are co-located in the same office to shorten the communication loop.
- **Ensures that the Governance Board / Structure / Funding is Solid.** Most strong structures include appointments to their boards from people who know the hospitality and event industry and who can ask the right questions of management and contractors. Political appointees without industry background are minimized. The funding streams are also protected for the facilities and DMO.

Arena Management

HSP gathered data on the arenas currently utilized by the three leagues that SaskTel Centre sports tenants are currently a part of including:

- Junior Western Hockey League – Saskatoon Blades
- National Lacrosse League - Saskatchewan Rush
- Canadian Elite Basketball League – Saskatoon Rattlers

Saskatoon Entertainment Group, the organization that now manages SaskTel Centre, is also the owner of the Blades and Rush teams.

The following slides outlines the owners and managers by type for the arenas utilized by these three leagues as well as the ownership and management structures for Canadian American Hockey League team arenas.

Hockey

The arenas currently utilized by Junior Western Hockey League teams are managed mostly by either the associated city or a third-party manager. SaskTel Centre is unique in that it is managed by a private third-party entity, but also has an overseeing authority that represents city ownership.

Junior Western Hockey League Management							
Team	Arena	Arena Capacity	Arena Owner	Arena Manager	City / Public	Management LGC / Authority	Private
Lethbridge Hurricanes	ENMAX Centre	5,900	City of Lethbridge	City of Lethbridge	X		
Swift Current Broncos	Innovation Credit Union iPlex	2,879	City of Swift Current	City of Swift Current	X		
Prince Albert Raiders	Art Hauser Centre	2,580	City of Prince Albert	City of Prince Albert	X		
Winnipeg Ice	Wayne Fleming Arena	1,600	University of Manitoba	University of Manitoba	X		
Kamloops Blazers	Sandman Centre	5,464	City of Kamloops	City of Kamloops	X		
Prince George Cougars	CN Centre	5,582	City of Prince George	City of Prince George	X		
Vancouver Giants	Langley Events Centre	5,276	Township of Langley	Township of Langley	X		
Portland Winterhawks	Memorial Coliseum	12,888	City of Portland	RCM	X		
Spokane Chiefs	Spokane Veterans Memorial Arena	12,638	Spokane Public Facilities District	Spokane Public Facilities District	X		
Red Deer Rebels	Peavey Mart Centrium	7,111	Western Exposition Association	Western Exposition Association		X	
Brandon Wheat Kings	Keystone Centre	5,102	Keystone Agricultural & Recreation Centre	Keystone Agricultural & Recreation Centre Inc		X	
Moose Jaw Warriors	Mosaic Place	4,500	City of Moose Jaw	Moose Jaw Downtown & Field House Facilities		X	
Regina Pats	Brandt Centre	6,484	City of Regina	Regina Exhibition Association Ltd.		X	
Medicine Hat Tigers	Co-op Place	7,000	City of Medicine Hat	City of Medicine Hat			X
Calgary Hitmen	Scotiabank Saddledome	19,289	Calgary City Council	Calgary Sports and Entertainment Corporation			X
Edmonton Oil Kings	Rogers Place	18,500	City of Edmonton	Oilers Entertainment Group			X
Kelowna Rockets	Prospera Place	6,886	City of Kelowna	GSL Group			X
Victoria Royals	Save-On-Foods Memorial Centre	7,400	RG Properties LTD	GSL Group			X
Everett Silvertips	Angel of the Winds Arena	10,000	Everett Public Facilities District	Spectra Experiences			X
Seattle Thunderbirds	accesso ShoWare Center	6,500	City of Kent	ASM Global			X
Tri-City Americans	Toyota Center	6,000	City of Kennewick	VenuWorks			X
Saskatoon Blades	SaskTel Centre	14,497	City of Saskatoon	Saskatoon Entertainment Group			X
Total / Average	-	7,599	-	-	41%	18%	41%

Source: Various

Lacrosse

National Lacrosse League arenas, including SaskTel Centre, are mostly operated through private management.

National Lacrosse League Management							
Team	Arena	Arena Capacity	Arena Owner	Arena Manager	City / Public	Management LGC / Authority	Private
Georgia Swarm	Gas South Arena	11,355	Gwinnett County	Gwinnett Convention and Visitors Bureau	X		
Halifax Thunderbirds	Scotiabank Centre	10,595	Halifax Regional Municipality	Events East	X		
Panther City Lacrosse Club	Dickies Arena	12,200	City of Fort Worth	Trail Drive Management Corporation		X	
Albany FireWolves	MVP Arena	14,236	Albany County	ASM Global			X
Buffalo Bandits	KeyBank Center	19,070	Erie County	Pegula Sports and Entertainment			X
New York Riptide	Nassau Veterans Memorial Coliseum	13,917	Nassau County	Nassau Live Center			X
Philadelphia Wings	Wells Fargo Center	19,543	Comcast Spectacor	Global Spectrum			X
Rochester Knighthawks	Blue Cross Arena	10,664	City of Rochester	Pegula Sports and Entertainment			X
Toronto Rock	FirstOntario Centre	17,383	City of Hamilton	Comcast Spectacore			X
Calgary Roughnecks	Scotiabank Saddledome	19,289	City of Calgary	Calgary Sport and Entertainment			X
Colorado Mammoth	Ball Arena	17,809	Kroenke Sports and Entertainment	Kroenke Sports and Entertainment			X
San Diego Seals	Pechanga Arena	12,920	City of San Diego	AEG/ASM Global			X
Vancouver Warriors	Rogers Arena	18,910	Aquilini Investment Group	Aquilini Investment Group			X
Las Vegas Desert Dogs	Michelob Ultra Arena	12,000	MGM Resorts International	MGM Resorts International			X
Saskatchewan Rush	SaskTel Centre	15,200	City of Saskatoon	Saskatoon Entertainment Group			X
Total / Average	-	15,006	-	-	13%	7%	80%

Source: Various

Basketball

Management of the arenas used by the Canadian Elite Basketball League are disbursed between city, authority, and private management.

Canadian Elite Basketball League Management							
Team	Arena	Arena Capacity	Arena Owner	Arena Manager	Management		
					City / Public	LGC / Authority	Private
Fraser Valley Bandits	Langley Events Centre	5,276	Township of Langley	Township of Langley	X		
Guelph Nighthawks	Sleeman Centere	5,100	City of Guelph	City of Guelph	X		
Montreal Alliance	Verdun Auditorium	4,114	City of Montreal	City of Montreal	X		
Edmonton Stingers	Edmonton Expo Centre	4,200	Edmonton Economic Development Corp.	Explore Edmonton		X	
Newfoundland Growlers	The Field House/Mary Brown's Centre	6,750	City of St. John's	St. John's Sports and Entertainment		X	
Ottawa Blackjacks	TD Place Arena	24,000	City of Ottawa	Ottawa Sports and Entertainment Group		X	
Scarborough Shooting Stars	Toronto Pan Am Sports Centre	3,500	City of Toronto	TPASC Inc., Toronto Parks and Recreation		X	
Hamilton Honey Badgers	FirstOntario Centre	17,383	City of Hamilton	Core Entertainment/Comcast Spectacore			X
Niagara River Lions	Meridian Centre	4,030	City of St. Catharines	SMG Canada ULC			X
Saskatchewan Rattlers	SaskTel Centre	15,195	City of Saskatoon	Saskatoon Entertainment Group			X
Total / Average	-	10,723	-	-	30%	40%	30%

Source: Various

American Hockey League

American Hockey League Management							
Team	Arena	Arena Capacity	Arena Owner	Arena Manager	City / Public	Management LGC / Authority	Private
Belleville Senators	CAA Arena	4,365	City of Belleville	City of Belleville	x		
Laval Rocket	Place Bell	10,062	City of Laval	Evenko and Harden			x
Toronto Marlies	Coca-Cola Coliseum	8,100	City of Toronto	Maple Leaf Sports & Entertainment			x
Manitoba Moose	Canada Life Centre	15,321	True North Sports & Entertainment	True North Sports & Entertainment			x
Abbotsford Canucks	Abbotsford Centre	7,000	City of Abbotsford	Abbotsford Canucks Limited Partnership			x
Calgary Wranglers	Scotiabank Saddledome	19,289	City of Calgary	Calgary Sports and Entertainment			x
Total / Average	-	10,690	-	-	17%	0%	83%

Source: Various

A new arena also provides an opportunity to capture new tenants that can increase the number of events and ticket sales / visitation to the facility. All but one Canadian American Hockey League team arena is managed by a private management company. A management company with experience with major sports tenants could be important in enticing strong tenants to an arena, and their ability to do so should be considered in any new agreement in order to increase overall impacts to the facility and any surrounding district.



Governance Structures

Governance

Governance is defined as the system by which entities are directed and controlled. It is concerned with the structure and processes for decision making, accountability, control, and behavior at the top of an entity. Governance influences how an organization's objectives are set and achieved, how risk is monitored and addressed, and how performance is optimized.

Governance is a system and process, and successful implementation of a good governance strategy requires strategic planning, risk management, and performance management. Organizations that lack good governance are rarely able to perform optimally. Governance is important in preserving and strengthening stakeholder confidence. Good governance allows the organization to create a culture and foundation of **high-performance** and **optimal operations**. Good governance is also key in ensuring that an organization is able to **rapidly respond and adapt** to a changing external environment.

While good governance does not guarantee success, organizations with poor governance are almost always destined to perform poorly or fail over the long term.

City Management

PROS

- Long-term employees due to benefit packages / pensions
- No management fees
- Can focus on priorities beyond profit

CONS

- Employees do not have an incentive structure to inspire and motivate exceptional service; tough to attract aggressive, proactive employees
- Can place City staff in strategic oversight positions for unique business models. A lack of experience results in less effective operations.
- Unique businesses require an entirely new set of policies and procedures. Bureaucracy, red-tape, and lack of flexibility can cause delays.
- Political pressures
- Duplication of efforts among facilities
- More reactive than proactive

Direct Authority / LGC Management

PROS

- Limit or manage the financial risk to the City
- Allow public projects to benefit from local board of directors with specific expertise
- Can minimize bureaucracy and red-tape
- Can minimize duplication of efforts
- Reduces competing or conflicting messaging across facilities and creates one marketing vision
- Funding funnels into one agency and is disseminated among all participating facilities / programs

CONS

- City loses direct control over day-to-day operations which can result in some political dissatisfaction
- Oversight often requires making strategic / capital decisions. Members of a board may not have experience in relevant industries to make such decisions.

Contracted Private Management

PROS

- Access to talent across their network
- Competition drives improvement
- Incentives can spur high performance
- Experienced in securing long-term revenue contracts such as sponsorships and naming rights as well as reducing expenses through network of vendor relationships
- Can separate the main organization / city from tough decisions (personnel, payroll, etc.)

CONS

- Learning curve as new staff comes into facility
- Increased management fees, though should be tied to improved performance metrics

Food & Beverage

As a subset of operations, catering and food & beverage (F&B) service can be handled in a variety of ways including:

- In-House
- Exclusive
- Contracted Management

Catering and F&B are important aspects of any decision as they can provide a legitimate revenue stream for facilities. They are particularly important to contracted private management due to the incentives based on their bottom line. Private managers have a variety of methods and vendor relationships to help lower losses and increase performance to the bottom line.

Procurement

Procurement, or the process of purchasing goods and services, is one of the vital components of operations. Delays or heavy regulations and policies can prohibit the swift and nimble needs of an organization.

Immediate needs such as WiFi / technology, etc. may not quickly be resolved under City procurement. A City may have many suppliers, but may lack quality and/or specialization.

Private entities can be more flexible in dealing with procurement needs and can avoid RFP and bidding processes which can take a significant amount of time. However, if a private entity receives property, services, and funding from a City agency, they may still be required to follow their own procurement rules.

Benefits & Compensation

Employee benefits and compensation are vital in the creation of a high-performing and successful facility or program. Competition to recruit and retain the most experienced and proven staff is strong in the meetings and events industry, and talented professionals will often choose the facilities that offer the strongest compensation packages and state-of-the-art facilities.

City managed facilities are often restricted from offering strong packages due to budget and compensation limits. This structure has also been a deterrent to candidates due to separate focuses amongst facilities and departments. Some of the most qualified candidates for leadership are being recruited by and working for the private management sector where they can earn higher salaries and overall compensation due to incentives pay.

Capital Expenditures

HSP also had conversations regarding capital expenditure processes for meeting and event facilities. Common threads across the discussions are highlighted below:

- As facilities age, it is vital to create a plan to underwrite costly improvements as well as have a plan for funding ongoing technological and physical improvements to the facilities
- Some communities create an ordinance where a percentage of taxes are set aside for capital expenses; many use sales and hotel taxes to cover capital expenses for facilities as they age
- City processes can be cumbersome when it comes to capital expenses; capital expenses are often combined into one general fund without clear direction or dedication for the needs of the facilities versus other departments
- Private management companies are particularly concerned about who / how capital expenditures are covered
- In an Authority / LGC structure, capital expenses can be assigned
- Private management companies may not be best suited to capital expense duties, but this is critical for ownership

Third-Party Management

Third-party private management structure benefits include the following:

- Operating agreement between Manager and City (or quasi-public ownership entity):
 - Ownership partners maintain control through approval of operating and capital budgets
 - Ownership direction and supervision of policies
 - Renegotiated master service and vendor agreements with best practices programs and pricing
 - Human resources & professional development services tied to key performance indicators & efficiencies
- Competitive convention center and venue management that includes operating, marketing, & hospitality services from a single group
 - Upgraded food & beverage service and offerings
 - Audio / visual innovation consulting & operating services & furniture, fixtures, & equipment (FF&E) procurement
 - Transition of exemplary operating staff to Manager supervision under performance-based compensation – reduces heavy benefit loads related to government employees and reduces overall City staffing costs and increases venue performance

Third-Party Marketing

Additional **marketing benefits from third-party private management** includes:

- Building optimization design, review and consulting and “pre-opening” marketing and branding of updated or new facilities
- Cooperative advertising and media placements for meeting and box office maximization
- Targeted lead generation for trade shows and qualified convention and association business
- Portfolio collaboration to target touring show opportunities and box office bookings
- Valuable networks of sellable seats that provides negotiating leverage for ticketing and box office sales
- Increased values for ticketing and marketing efforts for arts and sports tenants
- Live entertainment, theater, and sports programming and content development customized for each unique venue
- Naming rights valuation and sales
- Proprietary booking software with multi-venue / multi-date booking leverage and enhanced data analytics

These benefits combined lead to world-class experiences that attract tourism through additional conventions, unique sporting events, concerts, and theater productions.

Industry Feedback

HSP spoke with a wide variety of industry experts, facility operators, communities, and other stakeholders regarding management, governance, and operations. Common threads across the discussions are highlighted below:

- The business of tourism, events, meetings, and conventions is very different from the business of government; this makes it difficult for City-operated facilities to run as effectively and successfully as others.
- City policies and bureaucratic red tape can delay vital processes (competing priorities, political pressures, vendors and procurement, pay structures, incentives, etc.).
- The DMO and City have competing needs in terms of the booking calendar for facilities.
- Multiple facilities run by the same City can often duplicate efforts in costs associated with sales coordination, employee training / recruitment / retention / IT services, etc.
- A convention center is a client-oriented, competitive business and as such, cannot be operated like the City department.
- Funding is vital no matter the management and needs a structure defining who pays for maintenance, outstanding bonds, renovations, etc.
- The “devil is in the details” – privately managed facilities can be very successful but also require appropriate oversight and monitoring of metrics.
- Privatization can cause issues with unions / political pressures as well as communication and performance monitoring requirements.
- Private management can be “less personal” and corporate leaders can be hands-off and disconnected from the community, unless this is structured as part of their contracted expectations
- Contracted private management companies should be incentivized based on budget, customer service score, and food and beverage revenues; food and beverage is important to incentivized private management companies because they can create a strong revenue stream which feeds into their annual performance and reduces annual losses.

Benefits / Drawbacks to Direct Negotiation

PROS

- Invested manager through arena tenant ownership
- Established relationship and track record with manager

CONS

- Lack of competition from qualified entities
- Lack of transparency. Why the selected firm? How did they compare?
- Palace intrigue ensues. Could get political or have backlash.
- Set expectations based only on current agreement
- Potential lack of flexibility with revised terms and event calendar
- Loss of potential for improved agreement with a new third party
- Lack of experience in convention business requiring separate management of both facilities (if going with existing)
- Inability to access expanded infrastructure, network, services, and revenue streams that could be enhanced with a national private manager

Benefits / Drawbacks to an RFQ/P Process

PROS

- An RFQ followed by an RFP would provide the ability for interested firms to show interest and qualifications while adhering to a required submittal structure. This would result in an apple-to-apples result. Allows for easier and more fair comparison.
- Level playing field for all interested parties
- Qualified firms move onto receive RFP.
- Responses to RFP induce competitive business terms and better deal for the public sector.
- Increased City negotiating power for terms of agreements

CONS

- RFQ/P timeline, effort, and coordination required. However, an investment in time upfront can save money and time later if the results improve for the long term.

An Expression of Interest could be employed prior to an RFQ if the City is interested in confirming general market interest from potential private partners, however HSP has confirmed through its interviews that multiple potential private partners have expressed interest in a potential partnership with the City on this endeavor.



Implications

- More and more public venues are moving to private management to minimize red tape, increase efficiency of operations, and to reach new markets and increase sales.
- Singular management of dual like-kind facilities also creates new synergies, decreases operating costs and overhead, and increases the bottom line.
- Management solicitation processes can aid in securing improved agreement terms and obtaining best in market sales, marketing, procurement, and vendor relationships. An RFQ followed by an RFP is recommended, or an RFP without an RFQ.
- Opening facilities involves a significant amount of additional marketing, advertising, and branding, and a manager with experience in these areas in order to jump start the success of these new venues is key.



04

Case Studies





Case Study Overview

HSP selected a relevant set of public facilities operated by private and not-for-profit entities throughout Canada. An initial list of 14 was narrowed down to eight facilities to profile in-depth on how they are funded, owned, and operated.

The results provide concrete examples, lessons-learned, and benefits and drawbacks to different types of management and funding structures.



Case Studies

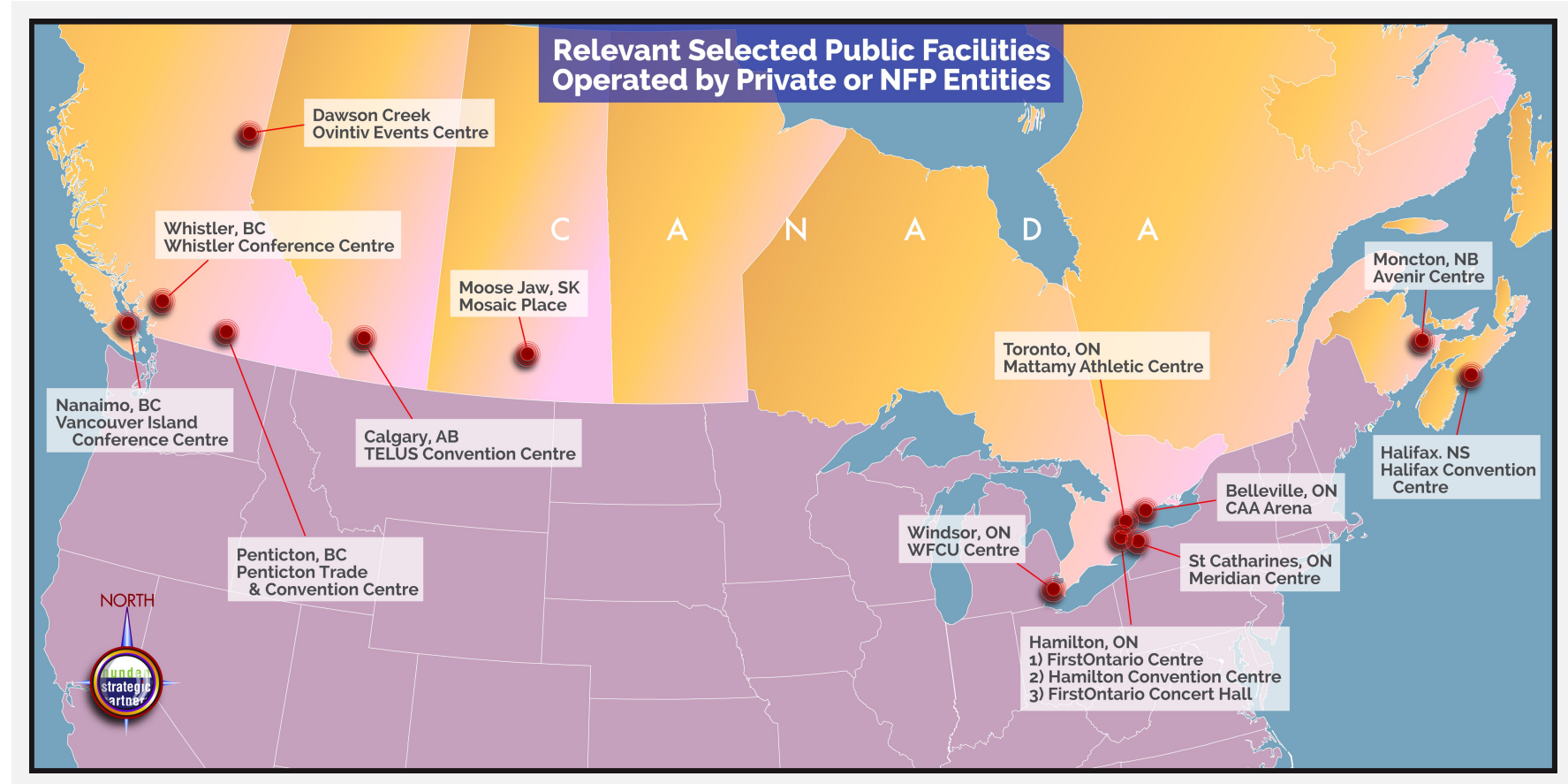
Relevant Canadian Public Facilities Operated by Private or Not-for-Profit (NFP) Entities

Relevant Canadian Public Facility Information				
Facility Name / Type	Location	Total Arena or CC Function Space (SF)	Owner	Operator
Arenas				
Avenir Centre	Moncton, NB	110,000	City of Moncton	ASM Global
CAA Arena	Belleville, ON	24,000	City of Belleville	OVG
FirstOntario Centre	Hamilton, ON	117,000	City of Hamilton	OVG
Mattamy Athletic Centre	Toronto, ON	12,000	Toronto Metropolitan University	OVG
Meridian Centre	St. Catharines, ON	160,000	City of St. Catharines	ASM Global
Mosaic Place	Moose Jaw, SK	200,000	City of Moose Jaw	OVG
Ovintiv Events Centre	Dawson Creek, BC	20,000	City of Dawson Creek	OVG
WFCU Centre	Windsor, ON	302,000	City of Windsor	OVG
Average	-	118,125	-	-
Convention / Conference Centers				
Hamilton Convention Centre / First Ontario Concert Hall	Hamilton, ON	80,000	City of Hamilton	OVG and Carmen's
Halifax Convention Centre	Halifax, NS	120,000	Province of Nova Scotia & Halifax Regional Municipality	Events East Group
Penticton Trade & Convention Centre	Penticton, BC	60,000	City of Penticton	OVG
TELUS Convention Centre	Calgary, AB	96,800	City of Calgary	Calgary Conv Ctr Authority
Vancouver Island Conference Centre	Nanaimo, BC	38,000	City of Nanaimo	OVG
Whistler Conference Centre	Whistler, BC	40,000	Resort Municipality of Whistler	Tourism Whistler
Average	-	72,467	-	-
Source: Various				

Case Study Map

The map to the right outlines the locations of relevant public Canadian facilities operated by either private or not-for-private entities.

The eight profiled facilities include three arenas, four standalone convention / conference centres, and a convention centre connected to a concert hall. These facilities are profiled in the following slides.

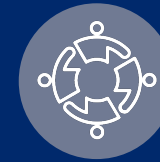


Avenir Centre

MUNICIPALLY OWNED + PRIVATELY OPERATED

Key Governance Details

- **Ownership:** The City of Moncton owns Avenir Centre. Prior to it being built, the City's major event venue was the Moncton Coliseum, which is still owned and operated by the City. Due to the facility's infrastructure limitations, the City started a public consultation process in 2010 for building a new arena. The project broke ground in 2016 and Avenir Centre officially opened in 2018
- **Management:** ASM Global has a 20-year contract with the City of Moncton to provide venue management services and has been doing so since the facility opened. A governance board oversees ASM's management and operation of the facility. The board consists of members across various City departments. The board meets with ASM quarterly to review operational and financial reports and meets with City Council annually to provide them updates. ASM is responsible for generating all revenues for the facility, advertising, and covering operating losses.
- **Marketing:** The arena has a capacity of 10,000 for concerts, 9,000 for hockey, 1,000 for conferences, and is home to the Moncton Wildcats (QMJHL) and Moncton Magic (NHL).
- **Funding:** The arena was constructed for a cost of \$113 million CAD. The City borrowed \$39 million CAD and received funding from the provincial and federal governments. Due to the pandemic, the City undertook a cross-country facility comparison analysis and realized Avenir Centre was in a much better financial position than municipally operated facilities because ASM, as a private entity, could access additional funding from the federal government for covering employee costs that was not accessible to municipalities. Capital expenditures are funded from a facility capital reserve that is based on the lifecycle of the building.



Location: Moncton, NB

Function Space: 120,000 SF

Owner: City of Moncton

Operator: ASM Global

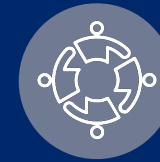
Opened: 2018

FirstOntario Centre

MUNICIPALLY OWNED + PRIVATELY OPERATED

Key Governance Details

- **Ownership:** While the City owns the FirstOntario Centre along with the other major entertainment venues in Hamilton, they signed a master agreement in 2021 with Hamilton Urban Precinct Entertainment Group (HUPEG) that conveyed the land and assets. HUPEG is a consortium of investors, development partners, and venue operators. The agreement between the City and HUPEG is guaranteed for 30 years and could be extended up to 49 additional years.
- **Management:** The City conducted an RFP process in 2013 to select a private management firm to operate Hamilton's major event venues, including FirstOntario Centre after the City's not-for-profit governance organization HECFI failed to meet performance expectations. Spectra, now a part of OVG, ultimately won the RFP process and has managed the arena and concert hall ever since. Since Spectra/OVG has been involved, the City has realized increased profitability of its assets and no longer carries operational liabilities with respect to costs like payroll. Spectra/OVG has saved the City of Hamilton over \$3 million CAD in operational expenditures since 2013.
- **Marketing:** The City saw an improvement in the quality of bookings at the arena since it switched to private management. The increase in quality and number of bookings has improved even further due to HUPEG and OVG utilizing their existing business relationships in the industry. The arena is now booking on scale, catching stops on cross-nation tours for major concerts among other larger and more profitable events.
- **Funding:** The agreement between Hamilton and HUPEG does not include monetary contributions from the City and is estimated to save the City \$155 million CAD over 30 years. As part of the agreement, HUPEG will spend at least \$50 million CAD renovating the arena beginning in Fall 2022. In 2021, HUPEG partnered with OVG to redevelop Hamilton's Arts and Entertainment District, including the FirstOntario Centre arena. With the addition of OVG, the total investment in the arena is now expected to be between \$100 and \$200-million CAD.



Location: Hamilton, ON

Function Space: 117,000 SF

Owner: City of Hamilton

Operator: OVG

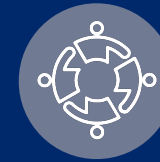
Opened: 1985; renovation in Fall 2022

WFCU Centre

MUNICIPALLY OWNED + PRIVATELY OPERATED

Key Governance Details

- **Ownership:** The City of Windsor owns the entire multi-purpose sports and entertainment complex of which the WFCU Centre is a part.
- **Management:** OVG has provided venue management services at WFCU since it opened in 2008. They are also the food and beverage provider through OVG Hospitality. When it was determined that the WFCU facility would include additional entertainment events, it was decided it would be in the best interests of the City and the Windsor Spitfires junior ice hockey team to amend the Spitfires lease agreement to allow third party event management and food and beverage services to be implemented.
- **Marketing:** The arena is home to the Windsor Spitfires (OHL) and Windsor Express (NBLC). The Spitfires agreed to a 20-year lease with WFCU Centre in 2006. WFCU was awarded a 10-year naming rights deal in 2009 for \$1.62 million CAD for the arena. Furthermore, in 2009, the City brought in an additional \$1.1 million CAD in naming rights deals from seven sponsors for the naming rights for the three community rinks, reception hall, community centre, seniors' centre, and event chairs.
- **Funding:** The multi-purpose sports and entertainment complex, which includes the WFCU Centre, a three-rink ice/rec centre, and a community centre, was built for a cost of \$72 million CAD and financed by the City of Windsor along with a \$4 million CAD provincial grant.



Location: Windsor, ON

Function Space: 302,000 SF

Owner: City of Windsor

Operator: OVG

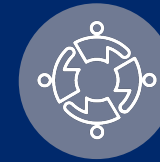
Opened: 2008

Halifax Convention Centre

PROVINCIAL & MUNICIPAL OWNED + GOVERNMENT AGENCY OPERATED

Key Governance Details

- **Ownership:** The Halifax Convention Centre (HCC) is owned in equal parts by the Province of Nova Scotia (PNS) and the Halifax Regional Municipality (HRM).
- **Management:** Halifax Convention Centre Corp (HCCC) was established through legislation in 2014 as part of a government partnership between the PNS and HRM. In 2017, HCCC was renamed Events East Group (EEG) to reflect the full scope of its business and operations. Management and control of EEG is vested in a Board of Directors. The Board is made up of 10 members, five appointed by PNS and five appointed by HRM. Each year, EEG must submit a budget, which includes an estimate of the shareholder investment for the year, and a business plan to the Board for approval. These documents drive the core measures of EEG, generating a certain amount of economic impact and meeting the budget.
- **Marketing:** Responsibility for the promotion and marketing of events at HCC rests with EEG. Their focus is to drive economic impact to the facility in order to promote Halifax's downtown for business and tourism purposes. HCC brands itself as more of a flexible conference space than a traditional convention centre. In a typical year, they host approximately 150 events, with 80,000 to 90,000 attendees, generating \$50-\$55 million CAD. Typically, most of HCC's events are conferences and conventions, followed by a few expo shows.
- **Funding:** HCC was constructed for a cost of \$164 million CAD. The federal government, PNS, and HRM each contributed roughly one-third of the project's cost. The Canadian federal government contributed \$51 million CAD with PNS and HRM each contributing \$56 million CAD through a 25-year lease agreement with provisions for two five-year extensions. HRM and PNS share equal responsibility for covering HCC's annual operating deficit and HCC's capital expenditures.



Location: Halifax, NS

Function Space: 120,000 SF

Owner: Halifax Regional Municipality
& Province of Nova Scotia

Operator: Events East Group

Opened: 2017

Hamilton Convention Centre & FirstOntario Concert Hall

MUNICIPALLY OWNED + PRIVATELY OPERATED

Key Governance Details

- **Ownership:** The City owns Hamilton Convention Centre (HCC) and FirstOntario Concert Hall. However, they recently conveyed the land and assets to the Hamilton Urban Precinct Entertainment Group (HUPEG) as part of an effort that began in 2017 that looked to having the private sector redevelop the venues.
- **Management:** The City conducted an RFP process in 2013 to select a private management firm to operate their major event venues, including HCC/FirstOntario Concert Hall. The City decided to sever the relationship with their not-for-profit governance organization partly due to the gray areas within the relationship. Spectra, now a part of OVG, won the RFP and manages the concert hall and FirstOntario arena. The City decided to contract with a local group, Carmen's Group, for management of HCC.
- **Marketing:** Like at FirstOntario Centre, the City has realized an improvement in profitability since switching to private management of HCC/FirstOntario Concert Hall. The existing relationships that Irving Azoff, Tim Leiweke and their team at OVG have brought to managing the concert hall has proven synergistic with their management of FirstOntario Centre. Since Carmen's Group took over management of HCC in 2013, the facility has been infused with over \$1 million CAD in renovations. What sets Carmen's and HCC apart from its national counterparts is an all-inclusive approach to events backed by a long history of success in hospitality, catering, and event production.
- **Funding:** HCC/FirstOntario Concert Hall was included in HUPEG's winning \$500 million CAD proposal to renovate, operate, and maintain downtown Hamilton's major entertainment facilities. According to the master agreement between Hamilton and HUPEG, there are no monetary contributions from the City and HCC and FirstOntario Concert Hall will receive \$12.5 million CAD in renovations shortly after the FirstOntario Centre renovations are completed in 2024.



Location: Hamilton, ON

Function Space:

- Concert Hall – 2,181 seats
- HCC – 80,000 SF

Owner: City of Hamilton

Operator:

- Concert Hall – OVG
- HCC – Carmen's

Opened:

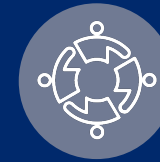
- Concert Hall – 1973
- HCC – 1981; renovated 2013

Penticton Trade & Convention Centre

MUNICIPALLY OWNED + PRIVATELY OPERATED

Key Governance Details

- **Ownership:** The City of Penticton owns the Penticton Trade and Convention Centre (PTCC) along with the venues that are a part of the larger South Okanagan Events Center Complex which includes the South Okanagan Events Centre (SOEC), PTCC, Memorial Arena, and OHS Training Centre.
- **Management:** Starting in 2008 OVG, previously known as Spectra, has managed the PTCC, SOEC, and Memorial Arena. The City granted extensions to Spectra for their venue management services at all of these properties in 2013 and again in 2019 for five and 10 years, respectively. According to 2018 figures, the PTCC generated between 36,000 to 41,000 room nights per year.
- **Marketing:** To maximize the use of Penticton's facilities, a brand-new entity called 'Meet in Penticton (MIP) Convention Bureau (CB) was founded in January 2022. The CB's goal is to grow Penticton's economic impact through visitation, spending, and overnight stays during the shoulder and off seasons. They will also assist partners with RFPs, room blocks, off-site activities, incentives, information, and connections.
- **Funding:** A new Four Points by Sheraton broke ground next to the PTCC in April 2022. The hotel will have a direct pedestrian connection to the PTCC via a \$600K CAD allocation from the City.



Location: Penticton, BC

Function Space: 60,000 SF

Owner: City of Penticton

Operator: OVG

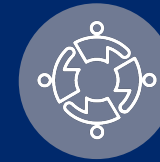
Opened: 1965

Vancouver Island Conference Centre

MUNICIPALLY OWNED + PRIVATELY OPERATED

Key Governance Details

- **Ownership:** The City of Nanaimo owns the Vancouver Island Conference Centre (VICC). The idea from day one was the VICC would be built along with a private hotel that was to be constructed at the same time. The market crash in 2008 led to the hotel developer going bankrupt. As a result, the hotel is only now being finished and is slated to open in the spring of 2023.
- **Management:** Since March 2017, Spectra, now OVG, has managed the VICC, overseeing operations and marketing of the centre and providing destination marketing services in collaboration with tourism partners and stakeholders. Prior to Spectra, the VICC was managed by Atlific, a Canadian hotel management company, for 10 years. Dissatisfaction by local hoteliers with Atlific's performance generating room nights coupled with the belief they were siphoning day events from the hotels led to the switch in venue operator.
- **Marketing:** OVG reduced the City's investment in the centre by an average of 17% annually, while increasing positive economic impact by an average of 33% annually. When speaking to the City about these figures, they brought up the importance of benchmarks used in the contract to determine performance incentives. The current contract incentivizes OVG to primarily focus on saving the City money whereas the City would prefer OVG to primarily focus on the number of room nights generated. When the private management contract is up for renewal, the City intends to change the metrics used to determine performance incentives.
- **Funding:** VICC was constructed for a cost of \$72 million CAD. There was a referendum to approve the funding and construction of the VICC which barely passed, 51% in favor to 49% opposed. When capital expenditures are necessary, anything under \$10K CAD does not need approval from the City.



Location: Nanaimo, BC

Function Space: 38,000 SF

Owner: City of Nanaimo

Operator: OVG

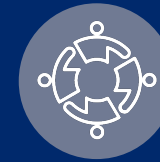
Opened: 2008

Whistler Conference Centre

MUNICIPALLY OWNED + MUNICIPAL AGENCY OPERATED

Key Governance Details

- **Ownership:** The Resort Municipality of Whistler owns the Whistler Conference Center (WCC).
- **Management:** The WCC is overseen by Tourism Whistler which was provided a 100-year lease back when it was built in 1989. The board of directors at Tourism Whistler consists of 12 members from the Whistler business community including hotel representatives, business owners, and two municipality employees.
- **Marketing:** Tourism Whistler has a unique primary objective for WCC which is to drive room nights for the Resort Municipality of Whistler. Producing an operating profit, the usual primary objective of privately run facilities, is of secondary importance at WCC. Tourism Whistler goes to great lengths to ensure the WCC is seen as complimentary rather than competitive with the local business community.
- **Funding:** If businesses are located on Resort land, then they are represented as part of Tourism Whistler, the destination marketing organization for the Resort Municipality of Whistler, which is funded by member business dues (similar to property taxes). These funds, along with the WCC's revenues, are used to fund WCC operations. Any profits from WCC are reinvested in marketing the facility/destination and/or other predetermined purposes such as capital expenditures.



Location: Whistler, BC

Function Space: 25,337 SF

Owner: Resort Municipality of Whistler

Operator: Tourism Whistler

Opened: 1989; last renovated 2021



Implications

- Benchmarks, KPIs, and other performance incentives should be thoughtfully and carefully selected as they have an outsized role in shaping what a contracted private management company values, how they determine success, and the focus of their efforts. Agreements that strike a balance between driving economic impact for the facility and doing the same for the associated city are ideal.
- Risk and how averse a community is to it should factor into the decision whether to utilize a contracted private management company. Such a company should decrease a city's financial risk via funding commitments, economies of scale, and synergies provided through their network of business relationships. However, being too risk averse, such as allowing a contracted company to make all decisions in order to secure some level of yearly revenue for the city, comes with its own consequences. Namely, you could leave money on the table in the form of a more favorable deal for the city.
- Removing bureaucracy and politics out of the day-to-day decision-making process allows for a streamlined and thus more efficient operation resulting in increased financial performance of facilities.



05

Recommendations



Key Findings

The following points highlight Hunden Strategic Partners' (HSP) high level findings of its analysis of the current and potential management structures at SaskTel Centre and TCU Place.



Strong Management

Prior to the COVID-19 pandemic, both SaskTel Centre and TCU Place were profitable venues. In response to lost business, management at TCU Place is actively looking at new ways to generate revenue for the evolving convention center industry and new management of SaskTel Center has provided a seamless transition with expanded event targeting and execution. The environments at these facilities has led to low turnover and a strong foundation for future planned development.

Market Potential

The City of Saskatoon's vision for a new Downtown Event & Entertainment District presents an opportunity for both facilities to be reimagined as modern state-of-the-art venues that can attract new markets and increase visitation. Adjacent new facilities will create new synergies that can enhance both businesses and introduce operating efficiencies that can improve their bottom lines.

Management Alternatives

The plan for new or improved facilities also inspired the City to reevaluate optimal governance and management structures that can ultimately lead to new partnerships that will advance these venues and their impact to the City of Saskatoon. Though current management is strong, potential partnerships with renowned private management companies can elevate these venues to new levels.



Recommendations

Based on our analysis, HSP recommends that the City of Saskatoon proceed with a Request for Qualifications (RFQ), followed by a formal Request for Proposal (RFP). This will enable the City to:


- Negotiate a management agreement at a level playing field after receiving competitive bids from all qualified and interested parties
- Optimize and streamline governance structures of both facilities
- Obtain the most favorable agreements for the City that will also elevate the new venues


The goal of this process would be to secure singular management of both facilities by a provider with broad experience in both venue management and the convention industry to increase operational efficiency, enhance bookings and attendance, increase revenues, and generate new impacts for the City. Another goal of the City is to attract a partner who will be willing to invest in the significant capital costs associated with the new facilities.

Under this approach, HSP also recommends a single oversight Board that will represent City ownership of both facilities. Ideally, employee compensation packages and union agreements should be restructured under a new manager to better incentivize sales and marketing staff and to better attract top talent to these venues.





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Hunden Strategic Partners is a full-service real estate development advisory practice specializing in destination assets.

With professionals in Chicago, San Diego, Indianapolis and Minneapolis, HSP provides a variety of services for all stages of destination development in:

- Real Estate Market & Financial Feasibility
- Economic, Fiscal & Employment Impact Analysis (Cost/Benefit)
- Organizational Development
- Public Incentive Analysis
- Economic and Tourism Policy/Legislation Consulting
- Research & Statistical Analysis
- Developer Solicitation & Selection

The firm and its principal have performed more than 750 studies over the past 20 years, with more than \$5.5 billion in built, successful projects.