

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Iowa State Center Contract Management Agreement with SMG  
**Date:** June 1, 2001

**Recommendations:**

1. Approve the selection of SMG to manage the Iowa State Center at Iowa State University for the five-year period beginning July 1, 2001.
2. Subject to the review of the contract terms by Board Office staff and the Attorney General's Office, authorize the Executive Director to enter into the contract on behalf of the Board.

**Executive Summary:**

The Iowa State Center, on the Iowa State University campus, includes the operations of Hilton Coliseum, Stephens Auditorium, Fisher Theater, and the Scheman Building, as well as various outdoor activities such as stadium concerts, barbecues, and dances. Iowa State Center is not a self-supporting unit of the University. The University controls the mission of the Center, its booking priorities, and operating policies, but has contracted out the management of the Center for over 13 years.

In December of 1987, the Board directed that the University bring agreements that shift operating management of the Iowa State Center to the Board for its approval. The Board of Regents/ISU has had a contract with Ogden Corporation for the management of the Center since 1988. Ogden has been paid a monthly management fee and commission on food and beverage concessions.

Annually, the Board is presented with a report on the Iowa State Center in support of the strategic planning goal to provide effective stewardship of institutional resources (Key Result Area 4.0). That report presents an annual audit of the Center along with various operating activities such as concession sales (gross and net), types of Center activities (budget and actual), attendance information, and fees paid to Ogden (management fees and concession commissions).

In October 2000, the University issued a Request for Proposal (RFP) for operation and management services of the Iowa State Center. A committee of university faculty, staff, students, and Ames officials interviewed three arena management firms.

The committee has selected Spectator Management Group (SMG), a national firm, to manage the Center beginning July 1, 2001. SMG is a closely held joint-venture company with two equal principals, the Hyatt Hotel chain and ARAMARK Corporation.

The committee believes that SMG offered the best opportunity to reduce operating subsidies through additional national event programming, reduced operating costs, and increased concession sales. The University states that SMG has the added benefit of being financially capable of promoting events for ISU's venues. With several new venues being developed in the surrounding areas, ISU believes that SMG provides the best operating arrangements for at least the next five years.

SMG has proposed to retain the individuals currently employed at the Iowa State Center. The University is in the process of completing the detailed negotiations for a new contract, which is expected to contain the same basic terms of the existing agreement.

The Board Office recommends that the agreement with SMG be consistent with the contract terms and conditions of the previous management contract and that Board Office staff and the Attorney General's Office review the negotiated terms prior to acceptance.

### **Background and Analysis:**

Iowa State Center is not a self-supporting unit of the University. During the University's annual budget process, the University allocates a general operating subsidy and a utilities subsidy to the Center. These allocations are included in the Board-approved budgets.

In February of 1988, the Board and Iowa State University contracted with Ogden Entertainment, Inc. to manage the Iowa State Center for a five-year period, with the provision for two contract extensions of three years each. ISU pursued this arrangement after experiencing difficulty attracting high quality entertainment since Iowa is considered a secondary market.

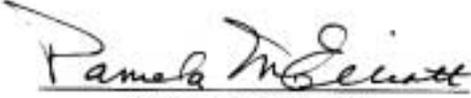
The primary objectives of the original Ogden contract were to improve financial operations of the Center and increase the number, profitability, and diversity of programs at Iowa State Center. Ogden's management responsibilities include financial, human resources, operating, and programming including responsibility for concession stands, beverage sales, and novelty sales at the Center.

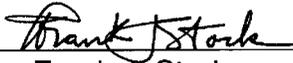
In February 1999, the University requested that the Board approve the amendment to the existing contract with Ogden to extend Ogden's contract until June 30, 2001. At that time, the University informed the Board that it planned to seek competitive proposals for these management services at the end of the extension period. On June 2, 2000, Ogden's entertainment division that managed the Center was sold to ARAMARK.

In October 2000, Iowa State University issued a Request for Proposal for operation and management services of the Iowa State Center. A committee of 18 university faculty, staff, students, and Ames officials chose the new firm to manage the Iowa State Center. In December 2000, the Board was notified that ARAMARK purchased the Ogden entertainment division and would be assuming the existing management contract for the Iowa State Center.

SMG, headquartered in Philadelphia, is a closely held joint-venture company with two equal principals, the Hyatt Hotel chain and ARAMARK Corporation. It manages 117 arenas, stadiums, theaters, and convention centers across the country. Other facilities currently managed by SMG include Denver's Mile High Stadium, Louisiana Superdome, Grand Rapids (Michigan) Convention Center, San Francisco Civic Auditorium, and facilities at Tulane University, Western Michigan University, and Cleveland (Ohio) State University.

SMG proposed to retain all Iowa State Center employees. The Center employs 36 full-time people.

  
Pamela M. Elliott

Approved:   
Frank J. Stork