

# City Council Item

April 27, 2026



<b>Item</b>	Approve Contract for Management Services at the Chanhassen Community Center with Sports Facilities Companies	
<b>File No.</b>		<b>Item No:</b> H.1
<b>Agenda Section</b>	<b><u>GENERAL BUSINESS</u></b>	
<b>Prepared By</b>	Laurie Hokkanen, City Manager	
<b>Reviewed By</b>		

<b><u>SUGGESTED ACTION</u></b>	
"The Chanhassen City Council approves entering into a contract with Sports Facilities Companies for pre-opening and management services of the Chanhassen Community Center, subject to minor modifications as may be made by legal counsel."	
<b>Motion Type</b>	Simple Majority Vote of members present
<b>Strategic Priority</b>	Financial Sustainability

## **SUMMARY**

## **BACKGROUND**

The City Council will consider a management services agreement with Sports Facilities Companies to support the successful planning, activation, and long-term operations of the Chanhassen Community Center. Sports Facilities Companies brings national expertise in operating multi-use recreation and community facilities, including programming, membership development, and revenue optimization. This partnership will provide the city with experienced, data-driven guidance during final design and pre-opening phases, while positioning the facility for strong operational performance from day one. Approving this agreement aligns with the city's commitment to delivering a high-quality, financially sustainable community asset that serves residents of all ages and stages.

## **DISCUSSION**

The management contract allows the city to retain control and ownership while leveraging specialized expertise to operate a complex, multi-use facility efficiently and successfully from day one.

### 1. Phased Engagement (Pre-Opening + Operations)

- SFC was engaged early during final design and construction.
- They have provided input on layout, programming space, staffing models, and revenue opportunities.
- Transition into full operational support at opening.
- Flat rate of \$180,000 for pre-opening services as fully described in the attached proposal.

### 2. City Ownership and Policy Control

- The city retains ownership of the facility and sets policy direction (fees, access, priorities).
- SFC operates within city-approved budgets, policies, and performance expectations.

### 3. Day-to-Day Operations

- SFC is responsible for daily management, including staffing, programming, memberships, scheduling, and customer experience.
- Focus on activating all spaces (ice, turf, fitness, community rooms, etc.) to maximize use.

### 4. Financial Management & Accountability

- Annual budget developed collaboratively with city oversight and Council approval.
- Regular financial reporting, forecasting, and performance tracking.
- Emphasis on revenue generation and cost control to support long-term sustainability.

### 5. Performance Metrics

- Clear KPIs tied to participation, membership growth, cost recovery, and customer satisfaction.
- Ongoing evaluation to ensure the facility meets both financial and community goals.

### 6. Staffing Model

- Staff may be a mix of SFC-employed and/or city employees, depending on final structure. Currently, General Manager will continue to be a city employee and all other staff will be SFC-employed.
- SFC leads hiring, training, and operational standards to ensure consistency and quality.

## 7. Risk Management

- Defined roles for liability, insurance, and compliance.
- SFC brings industry best practices for safety, operations, and maintenance coordination.

## 8. Term and Flexibility

- The agreement includes an initial term of 8 years, with renewal options.
- Off-ramps and performance-based provisions allow the city to maintain control and adjust if needed.

## 9. Marketing and Partnerships

- SFC leads branding, membership sales strategies, and program development.
- Supports sponsorships, partnerships, and community engagement efforts.

## **BUDGET**

The city intends to operate the Chanhassen Community as a cost-neutral venture, with operating costs covered by revenues (excluding debt service and long-term maintenance costs). The pro forma completed for the SFC project indicates that the break-even point is expected to begin in Year Three of operations. The city intends to use the fund balance reserved for this purpose to cover operating gaps prior to.

The \$180,000 fee for pre-opening services was anticipated and included in the overall project budget.

During the term of the management agreement, SFC will receive compensation from the city as follows, as provided in Exhibit B of the contract.

### 1. Base Management Fee

\$25,000 per month

2. Deferred Management Incentive Fee
3. Sponsorship & Advertising Compensation
4. Employee Compensation
5. Reimbursed Expenses

## **RECOMMENDATION**

Staff recommends that the City Council approve the pre-opening services and management services agreement with Sports Facilities Companies.

## **ATTACHMENTS**