Commissioner Provided Items

Disclaimer: The following information is provided by an individual Finance Commissioner for discussion purposes only. The content has not been reviewed, verified, or endorsed by City finance staff and does not represent official City data, analysis, or policy.

Sports Complex Cashflow & Recommendations

Submitted by Dave Chennault

Subject to Update by Supplemental Communications

7/31/26

Current Agreement - Summary

- Current agreement consists of 3 different 3 year terms
- We are nearing the end of year 5 and the current 3 year term ends on 9/6/27
- City or HBSC can "walk-away" from agreement on 9/7/27 if either chooses to do so
- Revenue Share paid as rent is currently 16% but will rise to 18% for last 3 years starting on 9/7/27
- City does not share any parking revenue with HBSC Partners except it allows HBSC Partners to sell an annual parking pass for $80 – city gets 16% of that ($12.80) while HBSC Partners gets $67.20. City pays all expenses associated with parking lot and parking enforcement
- Roughly 80% of the revenue received on the sports complex in the current agreement comes from parking fees
- Parking lot holds 859 cars and HBSC Partners sold 546 annual parking passes in 2025
- Instead of receiving $10 a day on weekend and special event days, city only receives $12.80 for the entire YEAR
  - Assuming the buyers of the parking pass are rational, the city is losing at least $50K a year on parking revenue by allowing parking pass sales
- City covers nearly all expense, utilities, maintenance, bond payments, and all capital improvement costs, outfield grass, trash collection in parking lots, and methane monitoring (that alone costs of nearly $250K a year and is rising)
- HBSC Partners is supposed to only charge published city rates for what is allowed for field rental
  - Copies of agreements between HBSC Partners and their customers have been requested to understand what and how HBSC Partners charges their customers
- HBSC Partners runs the Adult softball leagues for the city and collects all fees. It pays 16% of the fees collected to the city as part of the rent for the sports complex
  - The majority of adult league games are played in the parks – not the sports complex
  - HBSC Partners charges the city over $9K a month fixed fee to drag the fields once daily when they are used (Works out to over $400 each time a field is dragged)
  - This field prep is a separate contract for 6 fields in our parks
  - City pays nearly all expenses associated with the Fields in the parks (grass, water, capital)

Income Statement - Commentary

- This analysis on the next page separates **adult league revenue/rent** from Sports Complex operations, as adult league activities are independent of the Sports Complex and are primarily conducted in City parks.
- **Key Findings**
  - **Declining Adult League Participation** — Adult league play has decreased **43% over the past four years**, indicating a significant downward trend that warrants further review.
  - **Parking Dominates Revenue** — Parking revenue represents **approximately 80%** of total Sports Complex revenue, while rent accounts for only **about 20%**. This imbalance helps explain HBSC Partners' strong interest in securing the parking revenue stream.
  - **High Annual Operating Costs** — When factoring in operating expenses, bond payments, and capital improvements, the City spends **between $1.4 million and $2 million annually** to operate the Sports Complex.
  - **Structural Operating Deficit** — The City incurs an annual loss of **approximately $1 million**, effectively subsidizing HBSC Partners because rent revenue does not cover operating costs, debt service, or capital expenditures.
  - **HBSC Partners Revenue vs. City Costs** — HBSC Partners reported **$1.4 million in gross revenue** last year, while the City absorbed nearly all operational and capital costs associated with the facility.
  - **Expense Inputs** — Flat annual expenses (e.g., water, electricity) were provided directly by City staff.
  - **Capital Improvement Data** — Capital improvement figures are sourced from approved annual budgets and staff documentation.

Sports Complex Cashflow Statement FY 22 - FY 26 (and out year known bond payments and projected known capital expenses)

Gross Revenue	Fy22/23	FY 23/24	Fy24/25	FY 25/26	FY 26/27 **	FY 27/28 **	** Estimated
Gross Revenue (including adult leagues played all over city)	$ 1,112,212.42	$ 1,173,874.12	$ 1,291,464.08	$ 1,419,428.69			
Revenue Less Adult League Fees (actual revenue generated from Sports Complex)	**$ 975,092.42**	**$ 1,051,769.12**	**$ 1,194,089.08**	**$ 1,340,823.69**			
Total Adult League Fees (games played all over city - note huge drop)	**$ 137,120.00**	**$ 122,105.00**	**$ 97,375.00**	**$ 78,605.00**			
Year Over Year Revenue Growth (without adult leagues)		8%	14%	12%			

Revenue Share (Rent)	Fy22/23	FY 23/24	Fy24/25	FY 25/26	FY 26/27 **	FY 27/28 **	** Estimated
Parking Metr Revenue	$ 130,160.73	$ 203,176.83	$ 729,126.00	$ 713,081.00			
Rent Paid By HBSC Partners	$ 127,214.85	$ 160,006.16	$ 201,139.00	$ 227,109.00			
Rent Paid BY HBSC Partners if the adult league removed	$ 111,721.25	$ 143,636.26	$ 187,973.09	$ 198,073.22			
Total Rent less league fee portion	**$ 241,881.98**	**$ 346,813.09**	**$ 917,099.09**	**$ 911,154.22**			
Percentage City "Gets" in Total That Comes From Parking	**54%**	**59%**	**80%**	**78%**			

Expenses	Fy22/23	FY 23/24	Fy24/25	FY 25/26	FY 26/27 **	FY 27/28 **	
Water	$ 88,000.00	$ 88,000.00	$ 88,000.00	$ 88,000.00			
Electricity	$ 110,000.00	$ 110,000.00	$ 107,099.00	$ 117,758.00			
Methane Mitigation	$ 231,000.00	$ 231,000.00	$ 231,000.00	$ 231,000.00			
Field & Landscape Maintenance	$ 135,000.00	$ 135,000.00	$ 135,000.00	$ 135,000.00			
Restroom & Janitorial Maintenance	$ 38,400.00	$ 38,400.00	$ 39,600.00	$ 39,600.00			
Restroom Paper/Cleaning Supplies	$ 9,600.00	$ 9,600.00	$ 9,600.00	$ 9,600.00			
Equipment Replacement			$ 6,390.00	$ 182,689.00			
Tree Maintenance			$ 83,879.20				
Natural Turf Replacement	$ 17,000.00	$ 17,000.00	$ 17,000.00	$ 17,000.00			
Total Operating Expenses	$ 629,000.00	$ 629,000.00	$ 634,793.00	$ 821,751.00			**Total FY 22/26 Revenue - Expenses**
Net Income	**$ (387,118.02)**	**$ (282,186.91)**	**$ 282,306.09**	**$ 89,403.22**			**$ (297,595.62) Loss**

The following information is provided by an individual Finance Commissioner for discussion purposes only. The content has not been reviewed, verified, or endorsed by City finance staff and does not represent official City data, analysis, or policy.

	Fy22/23	FY 23/24	Fy24/25	FY 25/26	FY 26/27 **	FY 27/28 **	** Estimated
Bond Payments	**$ 717,270.97**	**$ 694,756.00**	**$ 681,553.32**	**$ 671,340.54**	**$ 660,626.91**	**$ 661,745.10**	

Capital Improvements Expenses	Fy22/23	FY 23/24	Fy24/25	FY 25/26	FY 26/27 **	FY 27/28 **	** Budgeted
LED Lights	$ 442,644.00				$ 335,000.00	$ 560,000.00	
Sports Turf	$ 181,840.00	$ 62,020.00					
Electrical Switches			$ 300,000.00				
Pump				$ 90,971.00			
Driveway Repair				$ 400,000.00			
Batting Cage					$ 330,000.00		
Total Capital Expenses	**$ 624,484.00**	**$ 62,020.00**	**$ 300,000.00**	**$ 490,971.00**	**$ 665,000.00**	**$ 560,000.00**	
Total Annual FY Cost Paid By City	**$ 1,970,754.97**	**$ 1,385,776.00**	**$ 1,616,346.32**	**$ 1,984,062.54**			**Total Cost to City FY 22/26**
Annual Net Cost (loss) To City	**$ (1,728,872.99)**	**$ (1,038,962.91)**	**$ (699,247.23)**	**$ (1,072,908.32)**	**$ -**	**$ -**	**$ (4,539,991.46)**

Update on HBSC Partners Proposal

- All comments as of 7/31/26 and subject to update
- Verbal description of project
  - 20 Year Agreement
  - Soar Academy (enclosed cross training facility)
  - 23 Acres of Sports Turf
  - Completely enclose Sports Complex to create gates where admission is required for entry
  - Double parking rates with 73% of parking revenue flowing to over 20 year period
  - No outside food allowed in sports complex
  - Complete control of all aspects including all maintenance
  - Expense covered by HBSC – unclear, different versions of proposed expense coverage given verbally
- Challenges
  - No written proposal or financial projections submitted by HBSC Partners
  - Significant legal and environmental challenges
    - CEQA and EIR required for Soar Academy due to methane remediation issues
    - CEQA and EIR likely to be required for Sports Turf
  - Sports Turf requires expensive and extensive cleaning several times a year and constant maintenance
    - These costs not included in verbal proposal
  - Structure of the "deal" unclear with who covers what
  - Unclear why this is getting pushed now – especially since the road to complete the SOAR academy looks very long and very unsure

Discussion of Options

- Option 1 - Do Nothing – keep agreement as-is and evaluate over the next 14 months – we have the option to move away from current agreement on 9/7/27 at the end of the current 3 year term
- Option 2 - Run Wild – Let HBSC Partners charge market rates for fields as they are currently configured. This will require better oversite by city staff and constant monitoring. Proposal is to keep current agreement in place based upon current published rates then split the additional revenue generated above the current rates by a percentage. My suggestion is a 50/50 split of extra revenue generated since there is no additional cost to HBSC Partners while our expenses stay the same. I am open to your suggestions
- Option 3 - Turf and Run Wild – Install sports turf and allow market rates for fields – This is an unknown since it is believed a CPRA and EIR will be required by our legal team to install the Sports Turf in the fields at the sports complex. This option is highly dependent upon what is recommended by our legal team within the city. The rate split and length of commitment to HBSC Partners along with the cost and expenses split is subject to negotiation and study by the Finance Commission and staff.
- Option 4 - Soar, Turf, and Run Wild – Similar to option 3 but it is almost certain that the SOAR academy will require extensive review by the State, County, and require a CEQA and EIR process. This will be costly and take an extended period. It will require extensive legal team and staff involvement from public works, community development, and C&L. The rate split and length of commitment to HBSC Partners along with the cost and expenses split is subject to negotiation and study by the Finance Commission and staff.
- Option 5 - Gate fees, parking revenue , turf, run wild on rates, and construction to wall in the Sports Complex to support the gate – This is the most ambitious option and will surely require extensive oversite by numerous departments in the city and will require significant permitting and extensive oversite by the state, county, and city teams. It will require multiple CEQA and EIR processes and take an extended period of time. The rate split and length of commitment to HBSC Partners along with the cost and expenses split is subject to negotiation and study by the Finance Commission and staff.

The following information is provided by an individual Finance Commissioner
for discussion purposes only. The content has not been reviewed, verified, or endorsed by
City finance staff and does not represent official City data, analysis, or policy.

Stand-Alone Options to Consider

- Recommendation 1 – Modify the current agreement to end the annual parking pass sales by HBSC Partners –
  - HBSC is currently allowed to sell annual parking passes to the Sports Complex for $80. The city receives 16% of the $80 or $12.80 per year for parking annually while paying all costs associated with the parking lot while HBSC Partners receives $67.20 and bears no costs.
  - It is believed HBSC has sold a significant number of annual parking passes – more than 500 and this is costing the city at least $50,000 in lost parking revenue and likely over $200,000 annually.
  - I recommend ending the annual parking pass sales by HBSC as there is no reason for it at present and it is costing the city a significant amount in annual revenue
- Recommendation 2 – Update the agreement so there is a guaranteed base and variable rent structure.
- Recommendation 3 – Issue an RFI to get ideas for options at the sports complex
- Recommendation 4 – Upgrade the outfield grass and Irrigation System – Cost is unknown.
- Recommendation 5 - Conduct the operational and Financial Audit as requested by the Finance Commission in June, 2026
- Recommendation 6 – Build batting cages out with budget already allocated and continue to study SOAR academy