



CITY OF KENNER

PRESS RELEASE

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FOR IMMEDIATE RELEASE

Kenner Expects Big Savings With New Pontchartrain Center Contract

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The Kenner City Council on Thursday night unanimously approved a new contract negotiated with the longtime operator of the Pontchartrain Center that could save the city up to \$200,000 a year.

"This contract eliminates guaranteed payments and encourages the operator to work harder on promoting Kenner and the Pontchartrain Center," Kenner Mayor Michael Yenni said.

Ever since the Pontchartrain Center opened in 1991, SMG has generally received a base management fee, no matter how many bookings for Carnival balls, meetings, sports events, concerts, trade shows and faith-based events were scheduled. On top of that, SMG often also was paid for reaching performance goals.

In the new, five-year contract, there will no longer be any base management fee for SMG, which also runs the Mercedes-Benz Superdome and the New Orleans Arena.

The goal is not for the Pontchartrain Center to turn a profit. Civic centers bring events and visitors and recognition to a city, but few if any around the country make money, according to Doug Thornton, the senior vice president for SMG in the New Orleans area.

The idea behind the new contract is to give SMG increased motivation to decrease the annual operating deficit as much as possible. Kenner subsidizes the operations of the Pontchartrain Center, so any reduction in the yearly deficit means savings for the city.

SMG was paid \$175,000 in 2012 that included a \$95,000 base management fee and performance compensation of \$80,000. The deficit for the year for the Pontchartrain Center was approximately \$448,000.

If that same situation were repeated this year, Kenner would save \$175,000 because there would be no fixed management fee and no performance compensation would be paid because the deficit remained above \$350,000. The new contract calls for SMG to earn an incentive by significantly reducing the yearly deficit, based on formulas written into the contract.

Thornton did not speak at Thursday night's meeting, but has previously said he thinks the city could save about \$1 million over the five-year life of the contract. He also has said SMG plans to invest \$100,000 in a marketing fund that is available to incentivize target patrons to utilize the Pontchartrain Center. The Jefferson Convention and Visitors Bureau will be engaged to assist in researching and meeting the goals of the fund working in concert with SMG marketing tools.

"No matter how SMG performs, the city will save a considerable amount of money under this new contract," Yenni said. "The more success SMG has, the more money they make and the more money Kenner saves."

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