

San Jose Arena Authority

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Memorandum

To: Members of the Arena Authority Board of Directors

From: John Veargason, Co-Chair, Facilities Committee
Mark Burriss, Co-Chair, Facilities Committee *cm/for*

Subject: Recommendations for HP Pavilion at San Jose and Sharks Ice at San Jose Capital Budgets for Fiscal Year 2010-2011

Date: February 17, 2010

On December 16, 2009 and January 13, 2010 the Arena Authority Facilities Committee convened with representatives from the City of San Jose and HP Pavilion Management to review and address the Fiscal Year 2010-2011 Capital budget submittals for HP Pavilion at San Jose and Sharks Ice at San Jose. As Co-Chairs of the Facilities Committee we recommend that the Arena Authority Board of Directors approve the following Capital budget recommendations:

HP Pavilion at San Jose

(1) That the Capital Repairs and Replacements budget for Fiscal Year 2010-2011 for HP Pavilion at San Jose be approved for \$1,135,000. According to Arena Authority records, the current balance in the Pavilion Capital Reserve Fund is \$2,876,680. Current outstanding payables total \$1,808,577. Please note that the City and HP Pavilion Management will jointly fund the next installments to the Pavilion Capital Reserve Fund and Pavilion Capital Enhancement Fund on August 1, 2010. The funding obligation for the City for FY 2010-2011 includes \$750,000 for the Capital Reserve Fund; \$500,000 for the Capital Enhancement Fund; and \$87,500 into the Capital Enhancement Fund for the Comerica Naming Agreement. For HP Pavilion Management, their contributions include \$750,000 into the Capital Reserve Fund; \$700,000 for the Capital Enhancement Fund; and \$87,500 into the Capital Enhancement Fund for the Comerica Naming Agreement. The total contributions by the City and HP Pavilion Management into the Capital Reserve Fund is \$1,500,000; for the Capital Enhancement Fund \$1,375,000. Please note that both the City and HP Pavilion Management continue to pay the debt service payment obligations on the \$16,500,000 for the additional Capital improvements to the facility that were completed during the summer of 2007. For FY 2010-11, the City and HP Pavilion Management's contributions to the debt service will be \$1,737,500. Following the annual debt service payments, the remaining balance in the Pavilion Capital Reserve Fund (without fund balance carryover) will be \$1,137,500 for FY 2010-11.

Sharks Ice at San Jose

(2) That for Fiscal Year 2010-2011, the Capital Repairs and Replacements budget for Sharks Ice at San Jose be approved for \$444,000. Per Arena Authority records, the current balance in the Ice Centre Revenue Fund is \$5,896,344. Outstanding payables for City-approved Capital repairs are \$1,045,926.

During the budgetary review process the Facilities Committee, along with budget and finance representatives from the City, identified a number of Capital items not included in Exhibit G but worth consideration for budget approval. These capital items are listed below for your review and consideration:

FY 2010-11

<u>Capital Item</u>	<u>Capital Budget</u>
Ice Skating Rack Systems	\$20,000
Heavy Cleaning Equipment	\$20,000
Audio Visual Equipment	\$15,000
Facility Tables and Chairs	\$10,000
Exterior Trash Receptacles	<u>\$6,000</u>
Total	\$71,000

Details of the HP Pavilion at San Jose and Sharks Ice at San Jose Capital budgets are available upon request. Please note that following any Board action, Authority staff will forward the recommended Capital budgets to the City Manager's Budget Office for consideration and subsequently to the San Jose City Council for legislative approval.

cc: Peter Detlefs, City of San Jose Finance Department
Jon Gustafson, Sharks Ice at San Jose
Kenn Lee, City Manager Budget Office
Rich Sotelo, HP Pavilion Management
Sheila Tucker, City Manager's Office