

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Ed Shikada

**SUBJECT:** HP PAVILION AT SAN JOSE  
CAPITAL BUDGET  
RECOMMENDATIONS

**DATE:** May 13, 2010

Approved

Date

5/16/10

## RECOMMENDATION

It is recommended that the City Council approve the attached HP Pavilion Capital Repairs and Replacement Budgets for 2010-2011 as submitted by the San José Arena Authority Board of Directors.

## BACKGROUND

In accordance with the agreement between the City of San José and the San José Arena Management (Silicon Valley Sports and Entertainment), the Capital Repairs and Replacement budget is presented to the City Council for approval. This budget is supported by the existing Arena Capital Reserve Fund that was established for this purpose. Over the last several years, both the City and Silicon Valley Sports and Entertainment (SVSE) have made contributions to the Arena Capital Reserve Fund per the agreement.

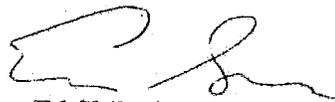
## ANALYSIS

The San José Arena Authority Board of Directors reviewed and recommends that City Council approve the annual capital budget for 2010-2011. Lists of the individual capital improvements recommended are attached for your reference. For 2010-2011, the normal capital repairs and replacements budget totals \$1,135,000.

The Arena Capital Reserve Fund has sufficient funding to support the normal capital repairs and replacements proposed for 2010-2011. After these costs are taken into consideration and with conservative revenue and expenditure projections, the remaining balance in this fund at the end of 2010-2011 is projected at \$1.1 million.

## COORDINATION

Staff from the San José Arena Authority, SVSE, and the City have coordinated to present this budget as part of the City's annual budget process.



Ed Shikada  
Deputy City Manager

Attachment

**HP PAVILION AT SAN JOSE**  
**Capital Budget Recommendations for 2010-2011**

<b>Normal Capital Repair/Replacement</b>	<b>2010-2011 Proposed Capital Budget</b>
Replace fixed seating in lower bowl sections 101, 102, and 103	250,000
Replace retractable seating at sections 103 and 114	175,000
Replace freight elevator and interior components on north elevator	160,000
Replace building automation system controls	75,000
Repaint catwalk handrails, parking lot striping, strong back mechanical room, exterior handrails	68,000
Replace ceiling and epoxy floor in main kitchen	65,000
Replace boiler flue and seismically upgrade boilers	62,000
Replace variable speed drives on air handlers and cooling towers	60,000
Design and mock up replacement brine chiller plant and piping system	50,000
LEED - Green Initiatives - Retro-commissioning of major mechanical systems and replacement system design	50,000
Unanticipated Repairs	50,000
Replace two security cameras and install four additional	30,000
Replace faucets and countertops in restrooms and dressing rooms	25,000
Replace three ice machines	15,000
<b>Total 2010-2011 Proposed Capital Budget</b>	<b>1,135,000</b>

**San Jose Arena Authority****Memorandum**

**To:** Kenn Lee, Capital Budget Coordinator  
**From:** Chris Morrissey, Executive Director *CM*  
**Subject:** Invoice for Reimbursement for Normal Capital Repairs and Replacements at HP Pavilion at San Jose  
**Date:** May 25, 2010

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Please find attached the following invoice and supporting documents for City Council-approved capital repairs and replacements for HP Pavilion at San Jose. These capital repair and replacement items are from Fiscal Year 2007-08:

<u>Invoice Number</u>	<u>Invoice Amount</u>	<u>Invoice Date</u>
1800001201	\$77,821.07	3/31/2010
<b>Total:</b>	\$77,821.07	

Please note that I have taken an opportunity to inspect all work listed on the invoice with Rich Sotelo, Vice President of Building Operations at HP Pavilion at San Jose, and have found the work to be of a satisfactory nature. Additionally, I have checked the invoice and supporting documents in relation to the Council-approved capital budget as well as for accuracy and found them to be complete and in compliance. If you have any comments or questions relating to these items, please contact me directly at 977-4783 or at morrisey@sjaa.com. Also, please contact the Arena Authority when the reimbursement check is available for delivery.

cc: Members of the San Jose Arena Authority Board of Directors



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Ed K. Shikada  
Jennifer A. Maguire

**SUBJECT:** SEE BELOW

**DATE:** May 7, 2010

Approved

Date

5/12/10

**SUBJECT: RECOMMENDATIONS FOR SHARKS ICE AT SAN JOSE CAPITAL BUDGET FOR 2010-2011**

## RECOMMENDATION

It is recommended that the City Council:

Adopt the following amendments to the 2010-2011 Proposed Operating Budget in the Ice Centre Revenue Fund (432):

- a. Increase the Ice Center Repair and Replacements appropriation in the amount of \$71,000; and
- b. Decrease the Ending Fund Balance in the amount of \$71,000.

## BACKGROUND

The City's agreement for Sharks Ice at San Jose requires the City to pay for the costs of all repairs or replacements to the facility, including all improvements, equipment and systems therein, except the Manager's Equipment, Sharks Training Center and the Mezzanine Restaurant. The City pays for these repairs through the Ice Centre Revenue Fund. The Ice Centre Revenue Fund accounts for rental revenues received from Sharks Ice at San José operations and payment of debt and repairs and improvements at the facility. Included in the Sharks Ice Lease and Management Agreement is an exhibit (Exhibit G) that includes a list of agreed upon capital repair and replacement items, such as carpet, HVAC and boiler replacements. This exhibit to the lease and management agreement serves as the basis for San José Arena Management LLC (SJAM)'s annual capital budget submittal. For the purposes of the agreement the term "replacement" means the repair of those items specified in Exhibit G of the lease and management agreement and the City has no obligation to pay for the repair and replacement of any item not shown in Exhibit G. For items of capital repair and replacement which are not included in their approved Capital Repair Plan, and do not involve emergency work, SJAM is required to request in writing approval of the work. When this occurs, City staff and the Arena

Authority review the capital budget submittal and determine if any non-Exhibit G items should be recommended with the rest of the capital budget.

On a quarterly basis through the terms of the agreement, SJAM submits a lease payment to the City's Ice Centre Revenue Fund. Each year, SJAM submits to the Arena Authority and the City a detailed budget for capital repairs and replacements for Sharks Ice at San Jose. Following review of the annual capital repairs and replacements budget submittal, the Arena Authority Board of Directors reviews and subsequently recommends to the City a list of capital repair and replacement items. The capital budget items recommended annually by the Authority to the City are budgeted items to be paid for through the Ice Centre Revenue Fund.

On March 26, 2010, the Arena Authority submitted its annual Sharks Ice at San Jose capital repairs and replacements budget to the City. For 2010-2011, the Arena Authority is recommending \$444,000 in capital repairs and replacements. The 2010-2011 Proposed Operating Budget includes \$373,000 recommended for capital repair and replacement items contained in Exhibit G. A total \$71,000 for the 2010-2011 Proposed Operating Budget are not included in Exhibit G. The current unrestricted Ending Fund Balance in the Ice Centre Revenue Fund is \$3,119,259 with potential reimbursements for previously-approved capital repairs and replacements totaling \$1,045,926. Therefore, the unrestricted Ending Fund Balance available to fund the recommended capital repairs and replacements is \$2,073,333.

### ANALYSIS

Following SJAM's annual budget submittal, the Arena Authority, in consultation with the City, reviews the capital budget and determines which non-Exhibit G capital items would be included for funding consideration. For 2010-2011, the following list of non-Exhibit G capital items has been included with the Sharks Ice capital budget recommendation:

#### **Capital Items Not Included in Exhibit G 2010-2011**

<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>
<b>Total</b>	<b>\$71,000</b>

While the City is not required to fund any item not specified in Exhibit G, staff has reviewed the list and, consistent with the recommendation of the Arena Authority Board, believes that these items align with the building facilities and activities currently reflected in Exhibit G. In making

May 7, 2010

Subject: Sharks Ice 2010-2011 Budget

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this recommendation, staff has applied the following objective criteria, with each item needing to meet all criteria:

1. The useful life of the repair or replacement is for 5 years or more.
2. The repair or replacement is integral to the public operation of the facility.
3. The repair or replacement effectively supports or prolongs the life expectancy of building systems.
4. Replacement items and equipment become capital assets of the facility.

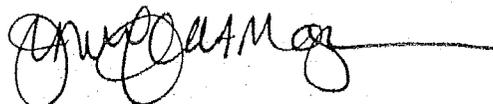
This recommendation is not intended to authorize future non-Exhibit G expenditures; future requests will be reviewed case-by-case. Staff has evaluated the list of non-Exhibit G items and the documentation to support expenditures and believe these items will support the public operation of the facility, and that the City should approve the request for funding.

### COORDINATION

This memorandum has been coordinated with the Arena Authority, the Office of the City Attorney and the Department of Finance.



ED K. SHIKADA  
Chief Deputy City Manager



JENNIFER A. MAGUIRE  
Budget Director