



# Memorandum

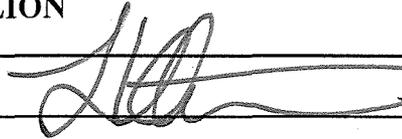
**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Dan McFadden

**SUBJECT:** ADDITIONAL CAPITAL  
IMPROVEMENTS FOR THE  
HP PAVILION

**DATE:** April 18, 2007

Approved

 Date 4/23/07

**COUNCIL DISTRICT:** # or City-Wide  
**SNI AREA:** (If applicable)

## RECOMMENDATION

It is recommended that the Council:

- 1) Adopt a resolution authoring the City Manager to negotiate and execute an agreement with the HP Pavilion Management (HPPM) for additional capital improvements;
- 2) Direct the City Manager to return to the City Council with the necessary approvals to utilize the existing Lease Revenue Commercial Paper Program to provide \$8.25 million to fund the City's portion of the additional capital improvements for the HP Pavilion.
- 3) Adopt a resolution authoring the City Manager to negotiate and execute amendments to the Amended and Restated San Jose Arena Management Agreement (AMA) with regard to payments for parking, parking availability requirements and Comerica naming. These amendments will reflect increased contributions to the capital enhancements fund from the Comerica naming and parking payments, and will modify the audit requirements of the AMA consistent with the City Auditor's recommendations.

## OUTCOME

Provide a number of capital replacements and enhancements to the HP Pavilion in a timely fashion that will insure the continued first-class operation of the facility. It is essential for the building to remain competitive, and to continue as a major economic generator in the Downtown.

## EXECUTIVE SUMMARY

Under the terms of the AMA, HPPM may file a request with the City for the addition or replacement of additional capital improvements in the Pavilion. Moreover, HPPM may request that the City participate in funding the additional capital improvements in an amount equal to fifty percent (50%) of the total cost for the items.

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HPPM has requested a program of enhancements (described below) in addition to the regular capital/maintenance upkeep. The cost of the work (\$16,500,000) will be paid 50/50 by the City and HPPM, and the City will own the improvements. To ensure timely installation, our share would be financed. The City's loan, commercial paper, is to be repaid over nine years from revenues generated by arena operations. By combining scheduled reserves with new revenues the impact on the General Fund will be minimal – an average of <\$416,500> annually from 2007-2016.

The work described below would be completed by the summer of 2007, in time for the U.S. Gymnastic National Championship event at HP Pavilion.

## **BACKGROUND**

HP Pavilion at San Jose opened in September 1993. Since that time, significant capital items have been repaired or replaced in an effort to maintain the facility at the "Applicable Standard" as defined in the AMA: "A standard of performance, operation, maintenance equal to or exceeding those generally applicable to contemporary [1993 vintage] comparable major arenas in the United States at which NBA and/or NHL games are played."

Since the opening of the Pavilion in 1993, twenty-one NHL arenas have been constructed in North America, making HP Pavilion at San Jose the ninth oldest building in the league. Due to the partnership created by the City, HPPM and the Arena Authority, the Pavilion still retains a "like new" appearance. This condition has been achieved primarily because of approximately nine million dollars funded primarily by HPPM in ongoing preventative maintenance programs overseen by the Arena Authority. Despite the appearance of the building, the facility needs to undergo a number of important improvements.

## **ANALYSIS**

While the financial analysis presented below is quite detailed, what is proposed is simply to take a portion of the revenue generated by arena operations, and funding allocated to the Capital and Enhancement Reserves, to finance the necessary improvements to the building. To reduce the impact on the General Fund and the Arena Reserve Funds, a loan (commercial paper) is utilized to provide the improvements in a timely manner, and to spread the impact on the General Fund over a number of years.

### **Facility Improvement**

The additional capital improvements listed below are being recommended due to a number of significant operational factors. The center-ice scoreboard, the video equipment, the fascia display and the seating area sound system have all exceeded their useful lives. Parts to repair and replace this equipment are either obsolete or no longer supported by the manufacturer. A number of these capital items have become unreliable, and are no longer serviceable. Many of the components being considered for replacement are original from when the Pavilion opened in 1993, and in some cases are two generations behind what is considered state of the art. The following are the items requested by HPPM:

<u>Capital Item</u>	<u>Estimated Cost</u>
Center Ice Scoreboard	\$4,950,000
HD Video Equipment Upgrade	\$3,000,000
LED Fascia Display	\$2,700,000
Rigging Capacity Upgrade	\$1,600,000
Seating Arena Sound System	\$1,500,000
Acoustic Improvements	\$1,000,000
Consultants/Contingency	\$1,750,000
<b>Total:</b>	<b>\$16,500,000</b>

The upgrade to the rigging capacity reflects an industry shift in rigging weight demands for today's touring shows. The original Pavilion rigging capacity of 75,000 lbs. was based on touring shows hanging weight loads that were standard in the industry in the early 1990's. Today, touring shows routinely suspend over 125,000 lbs. of sound and video equipment in arenas around the country.

The acoustic improvements are necessary to improve sound quality inside the Pavilion seating area. Sound quality issues continue to be a factor during Pavilion concerts. As a result, an assortment of remedies has been attempted over the years with moderate, localized success. This additional capital improvement to upgrade the acoustics is a comprehensive approach to address current Pavilion sound quality issues.

Payments by HPPM to the City

A schedule of payments by HPPM to the City under the AMA is described below (see attachment A – Past and Projected Payments to the City by HP Pavilion Management). The City receives additional compensation from the HPPM in the form of the use of the City suite and sixteen club seat tickets valued at approximately \$400,000 annually.

The following are the direct annual arena expenses for which the City is responsible under the contract and are charged to the general fund for FY 2007-08: Police Traffic Control, \$265,000; Arena Employee Parking, \$100,000; Arena Authority Administrative costs, \$183,000; and Emergency Capital Repairs budgeted at \$100,000.

Capital Repairs and Enhancements to the HP Pavilion

HPPM is required by the terms of the AMA to submit annually to the Arena Authority a capital repair and replacement budget for HP Pavilion at San Jose. The AMA makes a distinction between (a) Normal Capital Repairs and (b) Capital Enhancements:

- a. "Normal Capital Repairs and Replacements are those repairs and replacements of capital terms, including fixtures, machinery or equipment, as distinguished from normal maintenance which are necessary to repair or replace over time capital items of the Arena which are subject to wearing out after a useful life. Examples are roofs, floors, carpeting and mechanical systems. Normal Capital Repairs and Replacements can be forecasted and budgeted for."

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*Normal capital repairs and replacements* are funded through the Capital Reserve Fund, a fund created solely for Pavilion capital repairs and replacements contemplated over the course of the management term.

For your reference, both the City and HP Pavilion Management have participated in contributing to the Pavilion Capital Reserve Fund, with the City solely contributing \$200,000 annually to the fund during term years 1-10 and HP Pavilion Management supplementing the fund during term years 11-15 in the amount of 2% of Hockey Revenues. Please note that we are currently in the term year 14. Beginning in term year 16 (2008-09) and continuing through the end of the management term, the City and HPPM will jointly be participating in funding the Capital Reserve Fund. An annual \$750,000 matching payment will result in a total of \$15,000,000 deposited in the Capital Reserve Fund from 2008 through 2018.

In preparation of establishing a capital budget program for Fiscal Year 2007-08, HPPM complied with the management agreement obligation and has submitted to the Arena Authority a comprehensive list of capital repair and replacement items. The current submittal for the FY 2007-08 Pavilion capital budget is \$473,500 and the current balance of the Reserve fund is \$1,654,000. This balance is not deducted from the \$16.5 million requested for the proposed improvement program.

- b. "Capital Enhancements means capital expenditures that are not required to repair or replace faulty or worn out capital items but are made to improve the quality or functioning of the Arena Facilities, including costs of capital repairs and replacements in excess of costs necessary to restore or replace capital items to the same or substantially similar level of quality or function as originally installed."

*Capital Enhancements* are addressed under the AMA through a separate fund. Beginning with the extended term (August 1, 2008 through August 1, 2018) the City and HPPM will each deposit on a matching basis \$500,000 per year for the first five years. In addition HPPM may redirect \$200,000 from the annual rent payment to the City to the Enhancement Fund. The total amount projected in the Enhancement Fund under this agreement equals \$7,000,000 through 2018.

Under an agreement with HPPM this past year, funding derived from the naming of the Arena Club for Comerica (\$175,000 per year for seven years), will be deposited by the City and HPPM in the enhancement fund - a total of \$1,225,000. A small amount of this money is already committed to study building modifications necessary to support an NBA team. Also, \$1,150,000 in additional funding is projected, as a result of extending use with HPPM for parking they are now using across Santa Clara Street (Lot 5a) from 2008 to 2013 (for more details see attachment A). The total available to the Enhancement Fund through these two sources is \$2,375,000.

The total projected in the Capital Repair and Enhancement Reserves is \$24,375,000 (\$15,000,000; \$7,000,000; & \$2,327,000) through 2018. The interest accrued on the balances in the various reserves is not included.

#### Summary

Based on their track record during 14 years at the Pavilion, HPPM is an excellent custodian and operator of the facility. HPPM's presentation of the proposed enhancement to the Arena Authority was thorough and convincing both as to need and timing. The program proposed by HPPM consists of

replacement and enhancement items, and will draw from both of those funds. However, there are not sufficient funds in the Reserve at this time to keep pace with the normal ongoing repair and replacement schedule, and also meet the demand for installing a scoreboard and the other elements of the enhancement program in a timely fashion. Therefore, staff proposes to contribute additional funds through redirecting revenue streams generated by arena operations to pay down a loan - \$1,150,000 for 5a parking and \$3,250,000 from the HP Capital Reserve Fund to augment the Enhancement Fund to pay for the City's half of the \$16,500,000 improvement program.

### **FISCAL/POLICY ALIGNMENT**

What are the City's obligations under the AMA to participate in the proposed enhancement program? The following excerpts from the AMA respond to this question.

"Not later than the sixteenth (16<sup>th</sup>) Term Year the parties will meet and confer to develop a long-term enhancement program. This program will address the facility enhancements necessary to maintain the competitive quality of the Arena...in any year Manager may at any time after conferring with the Arena Authority file a request in writing with the city to seek approval for an item(s) to enhance the Arena and City financial participation and contribution for such item in an amount equal to fifty percent (50%) of the total costs of such item. The request shall provide a fixed price construction commitment for such item, a description of such item, a justification for such request and such other materials as may be reasonably required to evaluate and make a decision on the request. City's financial participation shall be at City's sole and absolute discretion."

*Funding Strategy* - Staff is proposing that the City issue \$8.25 million of taxable commercial paper to provide funding for the capital enhancements at HP Pavilion. The interest rate for this loan is estimated at approximately 5.95% over the term of the repayment schedule. The interest rate is reset on a periodic basis during the term. This is a conservative rate based on the 5.32% the City is averaging so far this year and an average of 4.97% over the last twenty years. The commercial paper is projected to be repaid over eight years from funds provided for in the AMA or generated by arena operations. Attachment B – Proposed Source Of Funding For Loan Repayment, reflects on the efforts by staff to balance a number of concerns:

- Not to change the current five year forecast of HP Pavilion revenues to the General Fund.
- Not to seriously disrupt the normal repair and replacement schedule for the HP Pavilion.
- To maintain an even flow of revenues to the General Fund over the life of the contract.
- Provide adequate insurance that ample funds will be available to service the debt. Potential additional revenues exist e.g. (1) continuation of the parking revenue past 2013 (2) extension on resale of the club (Comerica) naming (3) extension on resale of the building (HP Pavilion) naming (4) existing balance of 1.64 million and interest that will accrue in the Reserve Fund.

Staff believes that the recommended issuance at commercial paper to finance the improvement and a repayment over 8 years with a redirection of revenues within the contract is an appropriate and balanced way to match the commitment by HPPM.

*General Terms of Improvement Agreement* - City will issue commercial paper in the amount of \$8.25 million to finance its 50% portion of the cost of the Enhancements. Commercial paper will be an obligation of the City's General fund and will be secured by the General Fund. City and HPPM agree that the City will fund the pay off of the City's \$8.25 million commercial paper obligation through the

use of funds and revenue associated with Arena as shown on Attachment B. A separate memorandum to Council is being prepared by the Finance Department to implement the loan/commercial paper program and will be presented at a later Council meeting.

HPPM shall obtain a commercially reasonable loan for their \$8.25 million share of the cost of the enhancements. Repayment of the loan shall be the obligation of HPPM. HPPM may also use its share of payments into the Enhancement Fund for purposes of loan repayment. HPPM over term of the AMA may use up to \$2 million available funds from the Capital Reserve Fund for use in repayment of the loan provided the Capital Reserve Fund is maintained at a level sufficient to pay all necessary capital repairs and replacements.

HPPM shall contract for the design, purchase and installation of the enhancements. The City will repay SJAM for its share of costs of work. The City's share is to be paid only after work is completed and delivered, lien free. HPPM shall require that prevailing wages be paid for all construction activities, but will not be required to publicly bid the purchase or construction activities due to their 50% contribution to the cost. All plans will be approved by the City. HPPM shall submit invoices to the City on a monthly basis for reimbursement of expenses in the amount of 50% of the actual cost. HPPM shall not be reimbursed for any in-house cost associated with the project. City Public Works and other direct City costs will be reimbursed by HPPM.

The AMA contains a provision requiring HPPM to provide the City with an audit report by a CPA that is not generally available under current accounting standards. The City Auditor's Office has reviewed this issue and has recommended the language be changed. It is recommended that in the agreement with HPPM section 10.02 of the AMA be amended to incorporate the change suggested by the City Auditor.

### **PUBLIC OUTREACH/INTEREST**

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.

### **COORDINATION**

This memo has been co-ordinated with the City Attorney's Office, Redevelopment Agency, City Auditor, Finance Department, Department of Transportation, Public Works, and Planning, Building, and Code Enforcement, Economic Development, the City Manager's Budget Office, and Arena Authority.

## CONCLUSION

This agreement to proceed with the Additional Capital and Enhancement Program totaling \$16.5 million with the City providing \$8.25 million to upgrade a proven asset will result in at least three significant benefits to the City:

- Insurance that the Pavilion will continue as a first-class sports and entertainment venue that acts as an economic engine for the Downtown
- Enable the Pavilion to continue to provide significant annual revenues to the general fund
- Solidify our continuing partnership with HPPM as we pursue an NBA franchise, and work cooperatively to address the myriad of parking issues relating to the Adobe Project, BART and continuing development in the Arena environs.

## CEQA

Not a project.



Dan McFadden  
Deputy City Manager

For questions please contact Dan McFadden, Deputy City Manager, at (408) 535-8120.

Attachments: Attachment A – Past and Projected Payments to the City by HP Pavilion Management; Key Provisions of the Arena Management Agreement; Attachment B – Proposed Source of Funding for Loan Repayment.

**ATTACHEMENT A - PAST AND PROJECTED PAYMENTS TO THE CITY BY HP PAVILION MANAGEMENT**

Fiscal Year	H.P. Payment to General Fund					H.P. Payment to Reserve and Enhancement Funds				Total
	Rent: Fixed Fee and Suite	Rent: Hockey Rent	Payment of HP Naming Rights (Community Fund)	Rent: Parking (Lot 5A)	Payment of HP Naming Rights	Payment of Comerica Naming Rights	Reserve Fund Payment	Payment to Enhancement Fund	Less Additional Transfer to Reserve	
1993-1994 (a)	500,000			100,000						600,000
1994-1995	500,000			105,000						605,000
1995-1996	500,000			110,250						610,250
1996-1997	921,649			115,763						1,037,412
1997-1998	948,467			121,551						1,070,018
1998-1999	1,057,085			127,629						1,184,714
1999-2000 (b)	1,192,086		105,000	134,010	520,000					1,951,096
2000-2001	1,358,404		250,000	140,710	1,250,000					2,999,114
2001-2002	1,575,171		250,000	147,746	1,250,000					3,222,917
2002-2003	1,883,526		250,000	155,133	1,250,000					3,538,659
2003-2004	2,697,147		250,000	162,889	1,250,000		734,597			5,094,633
2004-2005	2,746,721		250,000	171,033	1,250,000		798,284			5,216,038
2005-2006	2,040,842		250,000	179,586	1,250,000		452,528			4,172,956
2006-2007	2,024,348		250,000	188,535	1,250,000	87,500	379,173			4,179,556 (e)
2007-2008	2,746,758		375,000	197,955	1,250,000	87,500	730,000			5,387,213
2008-2009 (c)	1,642,283	1,459,983	375,000	207,853 (d)	1,250,000	87,500	750,000	700,000	(200,000)	6,272,619
2009-2010	1,707,974	1,518,382	375,000	218,245	1,250,000	87,500	750,000	700,000	(200,000)	6,607,101
2010-2011	1,776,293	1,579,118	375,000	229,158	1,250,000	87,500	750,000	700,000	(200,000)	6,747,069
2011-2012	1,847,345	1,642,282	375,000	240,616	1,250,000	87,500	750,000	700,000	(200,000)	6,892,743
2012-2013	1,921,239	1,707,974	375,000	252,646	1,250,000	87,500 (f)	750,000	700,000	(200,000)	7,044,359
2013-2014	1,998,088	1,776,293	375,000		1,250,000		750,000	200,000	(200,000)	6,349,381
2014-2015	2,078,012	1,847,344	375,000		1,250,000 (g)		750,000	200,000	(200,000)	6,500,356
2015-2016	2,161,132	1,921,238					750,000	200,000	(200,000)	5,032,370
2016-2017	2,247,578	1,998,088					750,000	200,000	(200,000)	5,195,666
2017-2018	2,337,481	2,078,011					750,000	200,000	(200,000)	5,365,492
<b>Total</b>	<b>41,909,629</b>	<b>17,528,713</b>	<b>4,855,000</b>	<b>3,206,308</b>	<b>19,270,000</b>	<b>612,500</b>	<b>10,594,582</b>	<b>4,500,000</b>	<b>(2,000,000)</b>	<b>102,276,732</b>

Source: HP Pavilion Management, Amended and Restated Arena Management Agreement, and FMS

Notes:

- a) Original Agreement
- b) Amended and Restated Arena Management Agreement to include naming rights approved by the City Council on December 19, 2000.
- c) Fixed Fee and Hockey Rent start and increase each year by 4%.
- d) Extension of Parking Lot 5A agreement proposed.
- e) Projections for 2006-2007 and 2007-2008 based on HP Pavilion Management estimated amounts.
- f) Comerica Naming contract ends in 2012-2013.
- g) HP Naming contract ends in 2014-2015.

## KEY PROVISIONS OF THE ARENA MANAGEMENT AGREEMENT

In 1991 the City and San Jose Arena Management entered into the initial agreement for the operation and management of the San Jose Arena. The Agreement has a term of fifteen years from the opening in August 1993, and allows three 5-year extensions at the option of SJAM on the same terms and conditions existing at the end of the initial term. The initial term expires July 31, 2008.

### a. **THE ORIGINAL AGREEMENT (1991-2000)**

Rent Payments – The Agreement provides for three separate payments to be made to the City. The first is the Fixed Fee, which began at \$500,000 in the first year and increased to \$900,000 by year ten; and then become the greater of \$1,000,000 or 5% of Hockey Ticket Revenue in years 11 through 15. Second is the Suite Revenue payment, which is 20% of net suite revenue, began in year 4 and continues through the term. The third is a Parking payment of \$100,000 per year in the first year increased by 5% per year for each year of the term. SJAM is allowed to deduct a portion of the possessory interest tax (property tax) paid for the facility from its rental obligations. The amount deducted for possessory interest taxes is reimbursed to the City from the Redevelopment Agency.

Reserve Fund – The Agreement required the City to deposit \$200,000 per year in years 1 through 10 and SJAM to deposit the greater of \$250,000 or 2% of Hockey Ticket Revenue in years 11 through 15 in to a Capital Reserve Fund to fund capital repair and replacement for the Arena.

Building Naming – The agreement provides for the Arena to be called the San Jose Arena but allows the commercial naming of the Arena at the sole discretion of the City. If the City approves of the naming, the revenue is to be divided equally between the City and SJAM.

### b. **THE AMENDED AND RESTATED MANAGEMENT AGREEMENT (2000-2008)**

During the existing term thru 2008 the current provisions with respect to Rent and the Reserve Fund remain unchanged. In addition the City will receive:

#### Building Naming Revenue

SJAM has negotiated an agreement with Compaq Computers to rename the Arena “Compaq Center at San Jose”. HP assumed this agreement in 2002 under the existing terms and conditions. The agreement is for 15 years, calling for the payment of \$2,500,000 per year and an additional “Community Fund” payment of \$500,000 in each of the first seven years, increasing to \$750,000 in each of the final eight years of the term. The first year payment under the agreement was pro rated from April 2001. City received one-half of the revenue paid by HP for the naming. City was responsible for one-half of the new signage costs to make the name change, but not more than \$600,000. City share of the Community Fund payment is to be dispersed on an equal basis for use in the ten Council Districts. The Community Fund payment

## KEY PROVISIONS OF THE ARENA MANAGEMENT AGREEMENT

will be used for education, recreational, and cultural purposes. In total, net of the City signage change costs of a maximum \$600,000, the City will receive \$21,900,000 in Naming Revenue through July 31, 2018. This amount will increase if the agreement with HP is extended beyond July 2015.

If a NBA team plays its home games in the Arena the Building Naming Payment would be increased by \$800,000 per year.

### City/Community Events Fund

Beginning August 1, 2001, and throughout the Initial and Extended term, SJAM will establish an account in the amount of \$100,000 per year which the City may draw against, in coordination with the Arena Authority, to pay SJAM charges for City and Community events.

### **c. EXTENDED TERM, 2009 THROUGH JULY 31, 2018**

#### Rent Payments

Rent during the Extended Term consists of two payments. First, Building Rent, which begins at \$1,642,283 in 2008 and is increased each year through the term by the greatest of 4%, or the change in the CPI, or the percentage increase of non-hockey rent revenue as defined in the Agreement. Second, Hockey Rent, which begins at \$1,459,983 in 2008 and is increased each year through the term by the greater of 4%, the change in the CPI, or 3.65% of hockey ticket revenue.

SJAM will continue to deduct a portion of the possessory interest tax paid on the facility.

#### Building Naming Revenue

Building Naming Revenue continues as described above.

#### Reserve Fund

City and SJAM each are to deposit into the Reserve Fund \$750,000 per year during the extended term. If a NBA team plays its entire home game schedule in the Arena, City's Reserve Fund contribution increases to \$1,250,000.

#### Enhancement Fund

In addition to the reserve fund, an enhancements fund is created and funded during the Extended Term. City and HPPM will develop an enhancements program with the purpose of maintaining the competitive quality of the Arena during and after the Extended Term. City and HPPM will each deposit, on a matching basis, up to \$500,000 a year during the first five years of the Extended Term. In addition HPPM may reduce its rent payment to the City in each year of the Extended Term by \$200,000 provided it deposits an additional \$200,000 in the Enhancement Fund.

## KEY PROVISIONS OF THE ARENA MANAGEMENT AGREEMENT

### d. NOT INCLUDED IN THE AMA

- Comerica Naming: As part of an advertising package that HPPM sold to Comerica, \$175,000 per year (for four years plus a three year extension) was attributed to the naming of the Arena Club and placing a sign on the extension of the building. Under the contract these naming proceeds are to be shared 50/50 with the City. In an agreement approved last year by Council both the City and HPPM agreed to use these proceeds to enhance the Pavilion.
- Onsite Parking 5A: Under the agreement HPPM had the use of a City owned parcel directly across from the arena from 15 years a \$100,000 base rate plus a 5% evaluation each year. The agreement terminates in 2008. BART may require the property for construction and lay-down possibly in 2013. The City proposes to extend the use of the property to the HPPM on the same terms with a two year notice. The City would agree to direct these additional funds to the enhancement of the Pavilion.

**ATTACHEMENT B**

**PROPOSED SOURCE OF FUNDING FOR LOAN REPAYMENT**

Fiscal Year	Extension of Parking Rent (Lot 5A)	Payment of Comerica Naming Rights	Payment of HP Naming Rights	Redirect Reserve Fund Payment	City Transfer to Enhancement Fund (per Amended Agreement)	Revenue Available for Debt Service	Impact on General Fund		
							Remaining Amount to General Fund After Repayment	Remaining City Payment to Reserve Fund After Repayment	Proposed Available for General Fund Net of City Reserve Fund Payment
2007-2008		175,000				175,000	4,569,713		4,569,713
2008-2009	207,853	87,500		250,000 (a)	500,000	1,045,353	4,727,266	500,000	4,227,266
2009-2010	218,245	87,500		250,000	500,000	1,055,745	4,851,356	500,000	4,351,356
2010-2011	229,158	87,500		250,000	500,000	1,066,658	4,980,411	500,000	4,480,411
2011-2012	240,616	87,500		250,000	500,000	1,078,116	5,114,627	500,000	4,614,627
2012-2013	252,646	87,500	1,250,000	500,000	500,000	2,590,146	4,004,213	250,000	3,754,213
2013-2014			1,250,000	500,000		1,750,000	4,149,381	250,000	3,899,381
2014-2015			1,250,000	500,000		1,750,000	4,300,356	250,000	4,050,356
2015-2016				750,000 (b)		750,000	4,082,370	-	4,082,370
2016-2017						-	4,245,666	750,000	3,495,666
2017-2018						-	4,415,492	750,000	3,665,492
<b>Total</b>	<b>1,148,518</b>	<b>612,500</b>	<b>3,750,000</b>	<b>3,250,000 (c)</b>	<b>2,500,000</b>	<b>11,261,018 (d)</b>	<i>Average</i> <b>4,494,623</b>		<i>Average</i> <b>4,108,259</b>

Source: HP Pavilion Management, Amended and Restated Arena Management Agreement

Notes:

- a) Redirects Reserve Fund Payments to pay debt service obligations.
- b) If terms of the naming rights revenue are extended beyond 2014-2015, the loan repayment would be made from that revenue and the payments to the Reserve Fund would continue as planned.
- c) Total of Redirected from City Reserve Fund (\$3,250,000) and City Reserve Fund total \$4,250,000.
- d) Amount required to service debt is \$11,261,018 at the assumed rate of 5.95%.  
Because the City is using commercial paper, the City has the ability to accelerate payments to reduce the interest costs.