



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Dan McFadden

**SUBJECT:** Recommendation For City/Arena  
Authority Restated Agreement

**DATE:** September 14, 2006

Approved

Date

9/20/06

**COUNCIL DISTRICT:** City-Wide  
**SNI AREA:**

## REASON FOR ADDENDUM

The Transition Agreement has an end date of October 1, 2006; therefore, requires Council action before that date.

## RECOMMENDATION

- 1) Approve the Restated Agreement between the City and the San Jose Arena Authority.
- 2) Approve an amendment to the Transition Agreement between the City and the Arena Authority to extend the term for 30 days to November 1, 2006 and increase City funding in the amount of \$17,500, from \$52,500 to \$70,000.

## OUTCOME

The outcome of City Council approval will result in the execution of a restated agreement between the City of San Jose and the Arena Authority and will accomplish the following objectives: (1) Extends and secures a long-term agreement between the City and the Arena Authority for the oversight, coordination and management of HP Pavilion at San Jose, (2) Formalizes the Authority's oversight to include Logitech Ice at San Jose, the San Jose Sharks ice training facility, (3) Expands the Authority's oversight in the City's interests in the development of a comprehensive Capital asset management program, including other City-owned sports and entertainment facilities, (4) Secures a long-term funding source for the Authority, and (5) Transitions Arena Authority personnel into the City Manager's Office.

## **BACKGROUND**

In February 1992, the City and the Arena Authority entered into an agreement in which the Arena Authority was designated to perform a series of objectives on behalf of the City Council relating to the oversight and management of San Jose Arena. Since that time, the Authority has fulfilled its obligations identified in the agreement as well as expanding its administrative oversight responsibilities to include Logitech Ice at San Jose.

In June 2005, the City Council approved the City Manager's recommendation to reduce funding to the Arena Authority while broadening the Authority's asset management oversight responsibilities. Additionally, the City Council approved the City Manager's recommendation to move the oversight of the Authority into the City Manager's Office. Since that time, both the City and the Authority have worked to create a comprehensive restated agreement in which the Authority staff would become members of the City Manager's Office while the Authority's oversight responsibilities were more clearly defined and expanded.

In June 2006, the City Council approved a transition agreement between the City and the Arena Authority. The transition agreement was designed to serve as a temporary agreement as the City and the Arena Authority completed their efforts to craft a long-term restated agreement. The temporary agreement is scheduled to expire on 10/1/06.

## **ANALYSIS**

This recommended restated agreement is designed to support the long-term operation of the Arena Authority. In fulfilling its contractual obligations with the City, the Authority will continue with its oversight of HP Pavilion at San Jose, Logitech Ice at San Jose as well as other City facilities the City deems appropriate. It is the intention of this agreement to continue to support the operation of the Authority while identifying and implementing areas for organizational expansion. Please note that the term of the restated agreement (through July 31, 2018) is aligned to the term of the Arena Management Agreement between the City and HP Pavilion Management. Please also note that the Authority's primary areas of responsibility will continue to be HP Pavilion at San Jose and Logitech Ice at San Jose.

This agreement will allow for the expansion of services provided by the Arena Authority in the oversight and management of HP Pavilion at San Jose, Logitech Ice at San Jose and other City facilities. Additionally, this agreement will allow for the continuation of critical Authority community programs that have been a hallmark for community access to the Pavilion. These programs include the Arena Ticket Distribution program, the City and Community Events program, and the San Jose Sports Hall of Fame program.

## **POLICY ALTERNATIVES**

N/A

## **PUBLIC OUTREACH**

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- 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. **(Required: E-mail and Website Posting)**
- 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. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Criteria N/A.

- This report was agendized and discussed at a publicly noticed Arena Authority Board Meeting.
- This report has been posted online.

## **COORDINATION**

The Arena Authority Board of Directors and staff have been engaged in ongoing dialogue with the City Manager's Office, the Office of Economic Development, the City Attorney's office, the City Manager's Budget Office and City Council offices relating to the development of this restated agreement. The City and the Arena Authority have also discussed elements to the agreement with representatives from HP Pavilion Management. As a result of the ongoing discussions regarding the substance of the restated agreement, the Arena Authority Board of Directors met in August to review and approve the agreement. Please be advised that at the Arena Authority Board of Director's August 30 Board meeting, the Arena Authority Board unanimously approved the recommendation to accept the restated agreement. The Board then advised staff to submit the agreement to the City Manager's Office for consideration with the intention of the agreement being forwarded to the Mayor and City Council for legislative approval.

## **COST SUMMARY/IMPLICATIONS**

The City's General Fund cost associated with the annual funding of the Authority will be transferred to the City Manager's Office. City costs related to the personnel transition and employment of Authority staff is anticipated to be comparable to recent annual funding the City has allocated to the Authority.

For your reference, in Fiscal Year 2005-06, the Arena Authority received City general funding in the amount of \$178,400. In addition, through the terms of the lease and management agreement for Logitech Ice at San Jose, the City annually receives \$35,000 from HP Pavilion Management. The City then allocates the \$35,000 to the Authority for the oversight of operations at the ice training facility. As a result, funding for the Authority for FY 2005-06 was \$213,400.

HONORABLE MAYOR AND CITY COUNCIL

09-14-06

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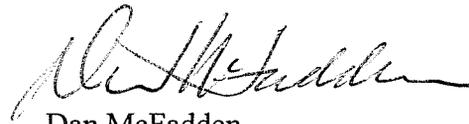
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**FISCAL/POLICY ALIGNMENT**

General Fund, will now be funded through the City Manager's Office as Authority staff is transitioned to City personnel. General operations of the Authority will continue to be funded through the funding established by the City's agreement with HP Pavilion Management for Logitech Ice at San Jose (\$35,000).

**CEQA**

This is not a project.



Dan McFadden  
Deputy City Manager

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