COUNCIL AGENDA: 01-13-09
ITEM: 4.3

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Paul Krutko

SUBJECT: **SEE BELOW**

DATE: December 18, 2008

Approved

Date 12/18/08

COUNCIL DISTRICT: Citywide

SUBJECT: CONVENTION CENTER EXPANSION PLAN OF FINANCE AND COST BENEFIT ANALYSIS INFORMATION

RECOMMENDATION

1. Acceptance of a status report on a plan of finance and cost benefit analysis for the Proposed Convention Center Expansion and direction to staff to revise the proposed Convention Center Financing District accordingly.

2. Adoption of a resolution taking certain actions with regard to the Convention Center Facilities District No. 2008-1, including, repealing prior resolutions 74604, 74605 and 74669, canceling the Public Hearing, and approving the existing boundary map and ratifying its recordation.

OUTCOME

Acceptance of this status report on the Convention Center expansion will allow staff to continue to conduct the analysis related to actions to be taken at the City Council meeting on February 3, 2009. In addition, approval of this recommendation will allow the City to proceed with the required analysis regarding the formation of a Convention Center Facilities District and issuance of bonds in connection with that District. To comply with Sunshine requirements this memo is being distributed on December 18, 48 days prior to the City Council taking any formal action related to the Convention Center expansion on February 3, 2009. The Cost Benefit Analysis will be distributed through a Supplemental Memo.

BACKGROUND

On September 30, 2008, the City Council adopted a Resolution of Intention to establish a Convention Center Financing District (Resolution No.74604) and a Resolution to Incur Bonded

Indebtedness to finance acquisition and construction related to the Convention Center. Both resolutions set a Public Hearing for property owners to protest the establishment of the proposed District on November 11, 2008.

At the November 11, 2008 City Council meeting the Council approved the recommendation to open the Public Hearing in connection with the formation of a Convention Center Facilities District to authorize the levy of special taxes pursuant to the City of San José Convention Center Facilities District financing procedure and authorizing other related actions, and adopted a resolution to continue the Public Hearing to January 13, 2009. (Resolution No. 74669)

In addition, Council directed staff to present a comprehensive plan of finance for Council consideration that addressed the following:

- Construction
- Ongoing capital repair and replacement
- Relocation of City employees currently housed at the former MLK Library
- Operating expenses during the construction period
- The TOT impact as it relates to funding for the Office of Cultural Affairs, Convention and Visitors Bureau and the General Fund

In preparing this report it was determined that it would be necessary to restructure certain elements of the adopted Convention Center Financing District (CCFD) Resolution of Intent in order to enhance the cash flow and to better insulate the City's General Fund from the overall implementation issues associated with the project.

The following memorandum explains the recommended structure in detail.

ANALYSIS

Proposed Convention Center Renovation and Expansion Project

The project scope as currently outlined in the schematic design prepared by LMN Architects contemplates an expansion of 180,000 gross square feet, which includes a 35,000 square foot ballroom and 25,000 square feet of meeting rooms, a support kitchen, pre-function and circulation space, and a lobby. The estimated cost of the expansion work is approximately $200 million.

In addition to the expansion, the proposed project scope also includes a number of renovation items related to the existing facilities. Major renovation items consist of a new central plant and roof, moveable walls, fire/life safety systems and a new building management system. Other renovation items include accessibility improvements, signage, and new paint and carpet. The estimated cost of the renovation work is approximately $100 million.

Aggregating the costs of both the expansion scope and the renovation scope, the estimated cost of the proposed Convention Center renovation and expansion project is $300 million. If the project is approved, the construction documents are expected to be completed by June 2010, and the current schedule anticipates completion of the project by November 2012.

It is important to note that the $300 million estimate includes an inflation factor based on construction beginning in Fall 2009, with completion expected by November 2012. If this schedule would slip, the total project cost might increase.

Proposed Plan of Finance

The proposed plan of finance centers upon the following elements:

- The proposed funding structure consists of a $150 million RDA contribution and an issuance of bonds supported by a 4% special tax under the CCFD.

- The amount of the bonds would be based upon anticipated revenue generated by the 4% special tax and overall market conditions.

- If, at the time the bonds are sold, market conditions are such that the special tax cannot generate $150 million in bond proceeds, all or a portion of the proposed renovations (approximately $50 million) may be deferred.

- The City would undertake any deferred renovation as the special tax revenues accumulate over time.

- The Bond structure would include a 1% "blinker tax", effectively increasing the special tax to 5% when reserves fall below a minimum threshold.

- The full 4% special tax would be immediately implemented for certain hotel properties while a phase in approach would be maintained to the City's other hotel properties. Team San José (TSJ) has suggested that a downtown centric zone would be appropriate for immediate implementation with the phased-in approach being applied to hotels in the surrounding area.

- The approximate $2 million annual General Fund contribution to CVB would be analyzed as a possible source to cover General Fund and OCA revenue shortfalls and/or to cover the redeployment costs of relocating City employees out of MLK.

Convention Center Financing District Special Tax

Funding for the Convention Center renovation and expansion project is anticipated to come from two sources: $150 million from the Redevelopment Agency (assuming that the Agency can amend the redevelopment plans to increase its bond cap) and approximately $150 million from the proposed CCFD.

Hotel properties within the CCFD will have the opportunity to approve a special tax that the City would impose on hotel properties based on occupied hotel rooms. The special tax rate would be a percentage of the hotel room rate, and would be administered in the same manner as the City's current Transient Occupancy Tax ("TOT"). These annual special tax revenues would be used to support the issuance of bonds to finance all or a portion of the CCFD share of the project costs.

City and Redevelopment Agency staffs have been working closely with the City's financial consultants, the Convention and Visitors Bureau, and the hotel community to develop a special tax structure for the CCFD that will maximize the bonding capacity of the CCFD. As incorporated in the Resolution of Intention and Rate and Method of Apportionment presented to Council on September 30, 2008, each assessor's parcel classified as a hotel property within the CCFD would be subject to a special tax equal to 4% of the rent charged by the operator of such hotel property for the applicable month. As proposed in September that 4% special tax would be phased-in over a four-year period beginning in FY 2008-09.

Reflecting work done subsequent to the September 30, 2008, Council meeting and City staff intends to come forward with a revised Resolution of Intention and Rate and Method of Apportionment related to the CCFD that incorporate the following changes to the proposed special tax.

The City will proceed with a validation lawsuit as part of the proposed schedule to establish the legality of the proposed special tax.

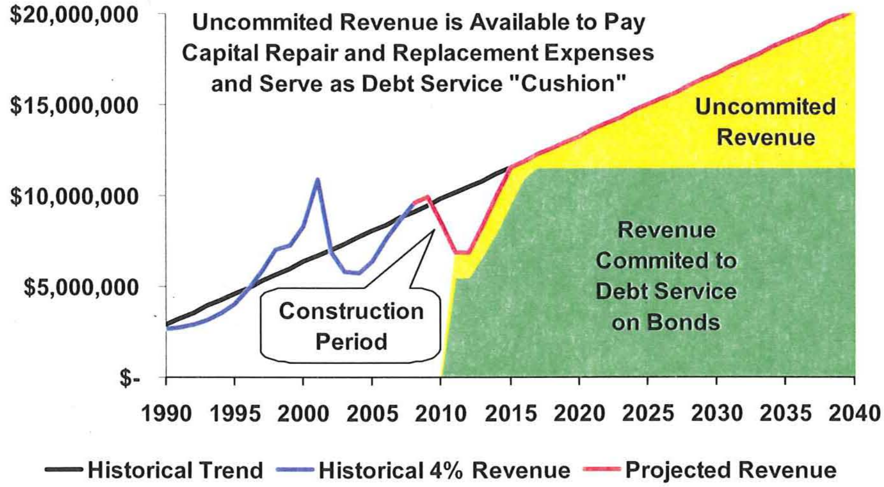
Proposed Modifications to the Special Tax

The first change would include a "blinker" feature that would increase the 4% special tax up to 5% in the event that the required debt service reserve balances fail to meet certain minimum thresholds. This "blinker" tax increase would be implemented one fiscal year at a time, and would "blink" off once the minimum thresholds are attained. The purpose of the "blinker" tax is to protect the General Fund by ensuring adequate special tax revenues are for debt service.

The second change would provide for immediate implementation of the full 4% special tax for certain hotel properties while maintaining a phase-in approach for the City's other hotel properties. TSJ has suggested that a downtown centric zone would be appropriate for immediate implementation with the phased-in approach being applied to hotels in the surrounding area. The purpose of this change will be to generate more special tax revenue early to create a stabilization fund that could be accessed to pay debt service in the event that the tax revenues are insufficient, and prior to the "blinker tax" being imposed.

Defer a Portion of the Renovation

Although these revisions to the special tax are anticipated to increase the bonding capacity of the CCFD, financial market conditions at the time bonds are sold may preclude the CCFD from borrowing enough to finance the full $150 million of the CCFD contribution that would be combined with the RDA $150 million contribution to fund the project. In that event, project scope items related to renovating the existing facility will be deferred and then completed on a pay-as-you-go basis with special tax revenues in future years. Current market conditions and underwriting criteria indicate that the potential bonding capacity would range from $82 million to $108 million. Thus, the deferred renovation scope would range from $68 million to $42 million.



Ongoing Capital Repair and Replacement Funding

As discussed in the previous section, a revenue increase equivalent to an additional 4% in hotel room charges through a CCFD special tax is anticipated. This additional revenue is to be used to pay a portion of the Convention Center renovation and expansion project costs, costs of administering the CCFD, ongoing capital repair and replacement expenses, and future Convention Center capital enhancements.

It is anticipated that the majority of the CCFD contribution to the renovation and expansion project will be financed through the issuance of bonds. The bonds are anticipated to be structured to pay level debt service after an initial ramp-up period of several years.

Beginning with the implementation of the special tax and continuing through the debt service ramp-up period, special tax revenues will accumulate in the CCFD revenue fund to provide a debt service cushion during economic downturns. Subsequently, as the CCFD special tax revenues increase above the amount necessary to pay debt service, the balance in the CCFD revenue fund in excess of the debt service cushion will be available to pay for ongoing capital repair and replacement expenses and to fund future capital enhancements of Convention Center facilities.

Assessment of Fund 536 Performance During the Construction Period

An important consideration surrounding the financial feasibility of the Convention Center expansion and renovation centers upon the ability of the Transient Occupancy Tax (TOT) Fund 536 to support TSJ operations throughout the construction period.

It can be anticipated that TSJ's operating revenues, TOT revenues and sales tax will all be negatively impacted by the expansion related construction activities. The impacts are anticipated to include a decline in occupied room nights; a reduction in TSJ's operating revenues due to fewer events at the Convention Center; and a consequent reduction in spending by event participants. In addition, TOT revenues are expected to be impacted negatively by the general downturn in the economy.

An additional consideration also centers upon the decline in TOT revenues and the consequent impact on the TOT support to the General Fund (4%), the Office of Cultural Affairs (OCA) (1.5%) and the Convention and Visitors Bureau (CVB) (1.5%).

In order to assess the ability of Fund 536 to maintain a positive fund balance throughout the construction period, and thereby mitigate the need to use the General Fund to cover any TSJ operating deficit, financial pro formas were developed for the period FY 2008-09 – FY 2011-12. Horwath HTL was retained by the City's Finance Department to review the data, assumptions and methodology utilized by TSJ and their consultants in preparing the initial set of pro formas. In certain instances, Horwath did change underlying assumptions.

At the commencement of this fiscal year 2008-09, there was a $7.1 million unrestricted ending balance in Fund 536. The current projection based on the TOT revenue analysis performed by Horwath and expenditure projections provided by the City Manager's Budget Office and revised by Horwath, as detailed in Attachment A, indicate that the Fund 536 unrestricted ending fund balance will increase to $7.5 million by the end of this fiscal year.

The information provided anticipates a downturn in the economy. As a comparison, during the last national recession, following the events of 9/11 and the dotcom crash, the San Jose market TOT revenue declined approximately $9.0 million (38.8) % in 2001-02 and $1.8 million (10.8)% in 2002-03.

Key results highlighted in Horwath's projections include the following:

- TSJ operating revenues decrease from $11.576 million in FY 2008-09 to a low of $8.095 million in FY 2009-10, before growing back to $10.395 million in FY 2011-12, the year prior to the opening of the expansion.

- The TSJ Operating Deficit funded from Fund 536 increases from \$3.708 million in FY 07-08 to a high of \$8.297 million in FY 2010-11.

- TOT Collections decline from \$23.669 million in FY 2007-08 to \$18.964 million in FY 2008-09. Collections do not increase to above the 2007-08 level until after FY 2011-12.

- TSJ's allocated portion of the TOT declines from \$7.213 million in FY 2007-08 to a low of \$5.689 million in FY 2009-10.

In addition, Horwath's analysis included a projection of Fund 536 unrestricted ending balances given in two scenarios. The first scenario, Attachment A, includes projections for Fund 536 and assumes the current budgeted level of shared employees (85.75 positions). Key results from Attachment A are the following:

- The unrestricted ending fund balance in Fund 536 would drop from a projected \$7.5 million in 2008-2009 to a <u>negative</u> unrestricted ending fund balance of \$136,000 beginning in 2010-2011 and increasing to approximately a negative \$2.2 million in 2011-2012.

It should be noted that proactive measures (e.g. reducing budgeted staffing levels and/or non-personal/equipment budgeted expenditures), to be approved by the City Council, may be necessary to mitigate the impact on and maintain a positive unrestricted ending fund balance. For example, personal services savings of approximately \$1 million annually could result from decreasing the number of positions from the current level of 85 budgeted positions.

The second scenario, Attachment B, considers that alternative scenario regarding staffing of shared employees based on current filled positions (approximately 70 positions). Key results from Attachment B are as follows:

- This scenario could potentially result in savings that would decrease the unrestricted ending fund balance from \$8.4 million projected in 2008-2009 to a positive unrestricted ending fund balance of approximately \$1.8 million in 2011-2012 (compared to the negative \$2.2 million in Attachment A).

It should be noted that under the scenario in Attachment B, if approved, a loss of General Fund revenue (approximately \$100,000 annually) related to overhead would result from a reduction of budgeted positions. Given the need to cover these important costs attributable to the strategic support services (payroll, legal, human resources, etc.), it may be necessary to allocate these expenses to Fund 536 (TOT and operating revenues).

In summary, the above analysis indicates it will be necessary to reduce staffing levels at the Convention Center to ensure Fund 536 revenues are adequate with no impact to the General Fund during the construction period.

Additional Impact on TOT Revenues

This comparative analysis presented in the table below was conducted to compare the recently updated City Budget Forecast against Horwath's TOT related assumptions that include their own assessment of the impact on TOT due to declining economic conditions, as well as the adverse impact on the TOT resulting from the convention center construction and the resulting decline in hotel room nights.

Horwath Economic and Convention Center Expansion Impact on Preliminary Five-Year General Fund Forecast

	General Fund	CVB	OCA*	Total
2008-2009	(277,240)	(110,203)	(107,300)	(494,743)
2009-2010	(976,564)	(388,184)	(377,959)	(1,742,706)
2010-2011	(1,109,054)	(440,849)	(429,236)	(1,979,139)
2011-2012	(682,720)	(271,381)	(264,232)	(1,218,333)
Total	(3,045,577)	(1,210,617)	(1,178,728)	(5,434,922)

* Projected revenue and impact to the Office of Cultural Affairs for arts grants. The actual grants expended include available carryover funding from prior years.

As summarized in the table above, the impact of TOT based on a worsening of the general economic environment and the impact of Convention Center expansion, as projected by Horwath, would result in approximately $3.0 million of lost revenue to the General Fund from 2008-2009 to 2011-2012. In addition, the funding received by CVB and OCA would decrease by approximately $1.2 million each over the same period resulting in decreased funding for Convention Center marketing activities and for arts grants.

The above analysis indicates that an unavoidable impact from the Convention Center Expansion project is a reduction in General Fund revenues used for the other proposes and in funds available for arts program through OCA. A potential source to backfill the TOT funded portion for the General Fund and OCA would be to access the current $2 million in annual General Fund allocations to the CVB.

Cost Benefit Analysis – Keyser Marston

Based upon information provided by Team San Jose, San Jose Redevelopment Agency and the City, Keyser Marston Associates (KMA) will be conducting a Fiscal and Economic Impact analysis. The analysis will be conducted in accordance with the Cost-Benefit Analysis Pilot Program as amended and adopted by the City Council on August 28, 2007.

The fiscal impact analysis will consider all general fund revenue impacts upon the City as a result of the Convention Center Expansion project, including sales tax, transient occupancy tax, franchise fees and utility tax. In addition to the General Fund impacts, Keyser Marston Associates will analyze the impacts to the Redevelopment Agency resulting from the bonding of the Project. Staff will transmit the completed Cost Benefit Analysis through a Supplemental Memo prior to the January 13, 2009, Council Meeting.

EVALUATION AND FOLLOW-UP

Depending on direction received from Council, on February 3, 2009 staff intends to bring for Council consideration a new Resolution of Intent and Resolution to Incur Bond Indebtedness, incorporating the changes to the proposed special tax discussed in this memo. A new Public Hearing will be set for March 10, 2009, at which time, if property-owners owning a majority of hotel rooms in the proposed District do not protest the imposition of the special tax, the Council may call for a property owner election on the tax. This election can occur no earlier than 90 days after the public hearing. If the District is formed and the tax imposed, the City will bring a validation action to have a court confirm the City's legal authority to impose a special tax and issue bonds under the Act. The taxes will be collected while the validation action is pending, but they will not be spent. If the validation action fails, the taxes will be refunded to property owners. If it is successful, the funds will be held as a revenue stabilization fund, discussed above, to provide an additional source of funding debt service in the event the annual special tax revenues are not sufficient to fund annual debt service on the bonds.

The preliminary schedule if Council decides to proceed with both resolutions is as follows:

- February 3, 2009 – Adopt New Resolution of Intent to form CCFD and New Resolution of Intent to Incur Bonded Debt and Set Public Hearing Date
- March 10, 2009 – Adopt Resolution of Formation of CCFD and to Incur Bonded Debt
- PUBLIC HEARING Resolution Calling Election
- May 11, 2009 – RDA Plan Cap Amendment Considered
- June 8, 2009 – Special Election Held Among Property Owners
- June 9, 2009 – City Council Meeting/Resolution Declaring Results from Special Election
- June/July, 2009 – Validation Action Filed

PUBLIC OUTREACH/INTEREST

If approved by council, staff will bring back for Council consideration on February 3, 2009 a revised Resolution of Intent to Form the CCFD, providing for the revised taxing structure. The Clerk will cause notice of the March 10, 2009 public hearing to be published in a newspaper in accordance with the Act and the affected property owners will receive mailed notices of the hearing.

☐ **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)**

COORDINATION

This staff report has been prepared by the City Manager's Office in coordination with the City Budget Office, City Attorney's Office, the Redevelopment Agency, Finance Department, and Team San Jose.

COST SUMMARY/IMPLICATIONS

A portion of the compensation for the financial advisor and bond counsel is contingent on the successful sale and close of the bonds and will be paid from bond proceeds. Non-contingent financial advisor, bond counsel, and special tax consultant costs and related City staff costs will be covered by funds provided by the Redevelopment Agency.

CEQA

Resolution No. 72767. On June 21, 2005, the City Council made findings with Resolution No. 72767 in connection with the adoption of the Downtown Strategy 2000. The Program EIR for the Downtown Strategy 2000 addressed the Convention Center expansion project at a programmatic, or highly conceptual, level. Subsequent environmental review will be completed based on the more detailed project description that will be an outcome of the City Council/Agency Board's design direction. The City Council/Agency Board's ultimate action to authorize the Convention Center expansion would be informed by this subsequent environmental review.

Paul Krutko

PAUL KRUTKO
Chief Development Officer

For questions, please contact Paul Krutko, Chief Development Officer, at (408) 535-8181.

ATTACHED: Attachment A and Attachment B

ATTACHMENT A
CONVENTION AND CULTURAL AFFAIRS FUND (536)
STATEMENT OF SOURCE AND USE OF FUNDS

	2007-2008 Actual	2008-2009 Estimate	2009-2010 Projection	2010-2011 Projection	2011-2012 Projection
SOURCE OF FUNDS					
Beginning Fund Balance					
Reserve for Encumbrances	338,432	689,485	689,485	689,485	689,485
Unrestricted	4,080,356	7,106,113	7,512,457	3,706,973	(136,424)
Sinking Fund	0	500,000	1,000,000	1,000,000	1,000,000
Total Beginning Fund Balance	4,418,788	8,295,598	9,201,942	5,396,458	1,553,061
Revenue					
Operating Revenues	11,544,681	11,576,000	8,095,000	8,477,000	10,395,000
Interest	0	5,000	0	0	0
Total Revenue	11,544,681	11,581,000	8,095,000	8,477,000	10,395,000
Transfers					
Transient Occupancy Tax	7,213,565	6,543,540	5,689,290	5,843,130	6,375,570
General Purpose Parking	1,249,973	550,000	550,000	550,000	550,000
Total Transfers	8,463,538	7,093,540	6,239,290	6,393,130	6,925,570
TOTAL SOURCE OF FUNDS	**24,427,007**	**26,970,138**	**23,536,232**	**20,266,588**	**18,873,631**
USE OF FUNDS					
Expenditures					
Operating Expenses					
Personal Services	6,750,021	7,886,079	8,201,522	8,529,583	8,870,766
Non-Personal/Equipment	6,357,988	7,194,835	7,374,706	7,559,074	7,748,050
Total Operating Expenditures	13,108,009	15,080,914	15,576,228	16,088,657	16,618,817
Wkr Comp Claims Payments	112,629	200,000	200,000	200,000	200,000
Operating Contingency	0	0	0	0	0
Human Resources Operations	51,407	53,485	55,624	57,849	60,163
Overhead Reimb to Gen Fund	911,940	859,929	894,326	930,099	967,303
OCA Improvement	2,900	380,000	0	0	0
TSJ Mgmt Fee for Performance	150,000	150,000	202,375	211,925	259,875
Insurance Expenses	145,441	200,000	200,000	200,000	200,000
Capital Improvements	1,134,974	0	0	0	0
ADA Study	0	30,000	0	0	0
Convention Center Free Use	0	0	213,725	213,725	213,725
Miscellaneous Improvements	265,737	570,000	500,000	500,000	500,000
Total Expenditures	15,883,037	17,524,328	17,842,279	18,402,255	19,019,883
Transfers					
Trsfr to General Fund - Retiremt	0	23,094	65,683	67,868	70,675
Trsfr to General Fund	248,372	220,774	231,813	243,403	255,574
Total Transfers	248,372	243,868	297,496	311,271	326,249
Ending Fund Balance					
Reserve for Encumbrances	689,485	689,485	689,485	689,485	689,485
Unrestricted	7,106,113	7,512,457	3,706,973	(136,424)	(2,161,986)
Sinking Fund	500,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Ending Fund Balance	8,295,598	9,201,942	5,396,458	1,553,061	(472,501)
TOTAL USE OF FUNDS	**24,427,007**	**26,970,138**	**23,536,232**	**20,266,588**	**18,873,631**

Key Assumptions:

TSJ Management Fee calculated at 2.5% of Operating Revenues - actual amount to be determined by performance.

Shared Employees/Personal Services are based on budgeted level, with 4% growth.

Non-Personal/Equipment expenditures based on budgeted level, with 2.5% growth.

ATTACHMENT B
CONVENTION AND CULTURAL AFFAIRS FUND (536)
STATEMENT OF SOURCE AND USE OF FUNDS
Includes potential impact on ending fund balance with salary savings assumed

	2007-2008 Actual	2008-2009 Estimate	2009-2010 Projection	2010-2011 Projection	2011-2012 Projection
SOURCE OF FUNDS					
Beginning Fund Balance					
Reserve for Encumbrances	338,432	689,485	689,485	689,485	689,485
Unrestricted	4,080,356	7,106,113	8,378,514	5,571,926	2,767,382
Sinking Fund	0	500,000	1,000,000	1,000,000	1,000,000
Total Beginning Fund Balance	4,418,788	8,295,598	10,067,999	7,261,411	4,456,867
Revenue					
Operating Revenues	11,544,681	11,576,000	8,095,000	8,477,000	10,395,000
Interest	0	5,000	0	0	0
Total Revenue	11,544,681	11,581,000	8,095,000	8,477,000	10,395,000
Transfers					
Transient Occupancy Tax	7,213,565	6,543,540	5,689,290	5,843,130	6,375,570
General Purpose Parking	1,249,973	550,000	550,000	550,000	550,000
Total Transfers	8,463,538	7,093,540	6,239,290	6,393,130	6,925,570
TOTAL SOURCE OF FUNDS	**24,427,007**	**26,970,138**	**24,402,289**	**22,131,541**	**21,777,437**
USE OF FUNDS					
Expenditures					
Operating Expenses					
Personal Services	6,750,021	7,020,022	7,300,823	7,592,856	7,896,570
Non-Personal/Equipment	6,357,988	7,194,835	7,374,706	7,559,074	7,748,050
Total Operating Expenditures	13,108,009	14,214,857	14,675,529	15,151,929	15,644,620
Wkr Comp Claims Payments	112,629	200,000	200,000	200,000	200,000
Operating Contingency	0	0	0	0	0
Human Resources Operations	51,407	53,485	55,624	57,849	60,163
Overhead Reimb to Gen Fund	911,940	859,929	796,129	827,974	861,093
OCA Improvement	2,900	380,000	0	0	0
TSJ Mgmt Fee for Performance	150,000	150,000	202,375	211,925	259,875
Insurance Expenses	145,441	200,000	200,000	200,000	200,000
Capital Improvements	1,134,974	0	0	0	0
ADA Study	0	30,000	0	0	0
Convention Center Free Use	0	0	213,725	213,725	213,725
Miscellaneous Improvements	265,737	570,000	500,000	500,000	500,000
Total Expenditures	15,883,037	16,658,271	16,843,382	17,363,403	17,939,477
Transfers					
Trsfr to General Fund - Retiremt	0	23,094	65,683	67,868	70,675
Trsfr to General Fund	248,372	220,774	231,813	243,403	255,574
Total Transfers	248,372	243,868	297,496	311,271	326,249
Ending Fund Balance					
Reserve for Encumbrances	689,485	689,485	689,485	689,485	689,485
Unrestricted	7,106,113	8,378,514	5,571,926	2,767,382	1,822,227
Sinking Fund	500,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Ending Fund Balance	8,295,598	10,067,999	7,261,411	4,456,867	3,511,712
TOTAL USE OF FUNDS	**24,427,007**	**26,970,138**	**24,402,289**	**22,131,541**	**21,777,437**

Key Assumptions:

TSJ Management Fee calculated at 2.5% of Operating Revenues - actual amount to be determined by performance.
Shared Employees/Personal Services are based on budgeted level, with 4% growth.
Non-Personal/Equipment expenditures based on budgeted level, with 2.5% growth.