

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Ed Shikada
Jennifer Maguire

SUBJECT: SEE BELOW

DATE: May 21, 2009

Approved

Christine J. Shryppig

Date

5/22/09

**SUBJECT: RECOMMENDATIONS FOR SHARKS ICE AT SAN JOSE CAPITAL
BUDGET FOR FISCAL YEAR 2009-2010**

RECOMMENDATION

It is recommended that the City Council:

Adopt the following amendments to the 2009-2010 Proposed Operating Budget in the Ice Center Revenue Fund (432):

- a. Increase the Ice Center Repair and Replacements appropriation in the amount of \$174,000; and
- b. Decrease the Ending Fund Balance in the amount of \$174,000.

BACKGROUND

On a quarterly basis through the term of the lease and management agreement for Sharks Ice at San Jose, HP Pavilion Management submits a payment to the City's Ice Centre Revenue Fund. This fund was created for two purposes: (1) pay off the debt service on Sharks Ice at San Jose and; (2) pay for annual Capital repairs and replacements at the ice training facility as approved by the City. Each year, HP Pavilion Management 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 budget items to be paid for through the Ice Centre Revenue Fund.

On March 3, 2009, the Arena Authority submitted its annual Capital Repairs and Replacements budget for Fiscal Year 2009-2010 to the City for Sharks Ice at San Jose to be approved in the amount of \$273,000. The current balance in the Ice Centre Revenue Fund is \$4,781,700. The outstanding payables for City-approved repairs are \$772,900. Also included in the submittal was

a consolidated list of budget items from FY2006-2007 to FY 2008-09 that have been previously recommended by the Arena Authority Board of Directors for funding but not included in the detailed list of reimbursable capital budget items enumerated in the lease and management agreement between the City and HP Pavilion Management.

ANALYSIS

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. For the purposes of the agreement the term “replacement” means the repair of those items specified in an Exhibit to the agreement, referred to as “Exhibit G.” Per the terms of the lease and management agreement, the City has no obligation to pay for the repair and replacement of any item not shown on 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, HP Pavilion Management is required to request in writing approval of the work. Each year, the Arena Authority Board has detailed and submitted a list of budget items not included in Exhibit G to the City for reimbursement but the items were not funded by the City through the annual Capital review process. The items are provided below:

FY 2008-09

<u>Item</u>	<u>Budget</u>
Audio Equipment	\$58,000
Replacing Facility Graphics/Directional Signs	\$20,000
Irrigation Equipment Repair	\$7,000
Exterior Trash Receptacles	<u>\$6,000</u>
Subtotal	\$91,000

FY 2007-08

<u>Item</u>	<u>Budget</u>
Audio Equipment	\$8,000
Irrigation Equipment Repair	<u>\$5,000</u>
Subtotal	\$13,000

FY 2006-07

<u>Item</u>	<u>Budget</u>
Sealing and Striping Parking Lot	\$32,000
Facility Cleaning Equipment	\$20,000
Food Service Equipment (tables & chairs)	\$10,000
Rink Rigging Equipment	<u>\$8,000</u>
Subtotal	\$70,000
Total	\$174,000

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While the City is not required to reimburse for any item not specified in Exhibit G, staff has reviewed the requests and, consistent with the recommendations of the Arena Authority, believes that these items align with the building facilities and activities currently reflected in Exhibit G. In making this recommendation, staff has applied the following objective criteria on a one-time basis, 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.

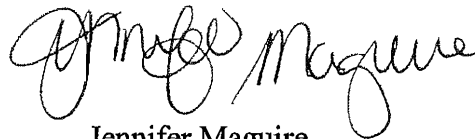
Staff has evaluated the list of non-exhibit G items and the documentation to support expenditures and believe these items are necessary to support the public operation of the facility, and that the City should approve the request for reimbursement. Any actual reimbursements from the Ice Centre Revenue Fund would be conditioned on timely receipt of appropriate documentation to support the expenditures.

COORDINATION

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



Ed Shikada
Deputy City Manager



Jennifer Maguire
Budget Director