

San José Arena Enhancement Fund**Fund 301****PURPOSE OF THE FUND:**

The San Jose Arena Enhancement Fund accounts for arena capital enhancements funded by contributions from HP Pavilion Management and the City, under the terms of the Amended and Restated San José Arena Management Agreement (Agreement). The Agreement approved by the City Council on December 19, 2000 provides that the City and San José Arena Management (SJAM) are required to contribute into a San José Arena Enhancement Fund. In 2007, an Addendum to the Agreement was approved providing certain funding in association with Comerica naming rights. The City's portion of these funds are to be held in a separate account by the City and used as provided in the Agreement. In the same year, a Capital Enhancements Agreement was approved by the Council. Under the terms of the Capital Enhancements Agreement, the City funded half (\$8.25 million) of the total improvements (\$16.5 million) through the issuance of taxable commercial paper notes issued for this purpose by the City of San José Financing Authority and to be repaid by the City. For administrative convenience the taxable commercial paper proceeds were placed in the Enhancement Fund and dispersed per the 2007 Capital Enhancement Agreement. Pursuant to the 2007 Capital Enhancements agreement certain funds held in the Enhancement Fund, funds from the Comerica naming rights Addendum and additional specified funds available through the Agreement are authorized to be used by the City to repay the commercial paper notes. The addendum to the agreement between the City and SJAM dated April 24, 2009 specifies that this revenue be deposited directly into the San José Arena Enhancement Fund in order to pay for the City's share of the capital improvements.

AUTHORITY FOR THE FUND:

Establishment of this fund was required as part of the above referenced Arena Management Agreement.

SOURCE OF FUNDS:

- Commercial Paper Proceeds
- Transfers from the General Fund
- Payments from HP Pavilion Management
- Interest earnings
- Comerica Agreement Naming Rights Revenue (City share)

FUND RESTRICTIONS:

While the use of moneys within this fund is not subject to Proposition 218, certain moneys in this fund may be restricted, as described below.

Moneys in this fund are governed by the Agreement. Commercial paper notes must be spent for the purpose for which the notes were issued.

San José Arena Enhancement Fund**Fund 301****FUND RESTRICTIONS (CONT'D.):**

Under the terms of the Agreement, moneys in this fund shall be used for capital enhancements to the San José Arena. Capital enhancements are defined, per the Agreement, as expenditures that are not required to repair or replace faulty or worn out capital items but 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. All moneys, if any, including interest earned shall remain in this fund even after the termination of the current Agreement.

LEAD RESPONSIBILITY:

City Manager's Office – Office of Economic Department

FINANCIAL INFORMATION AND LOCATION:**Comprehensive Annual Financial Report (CAFR) Designation:**

Governmental Fund-Special Revenue

Budget Location:

Adopted Operating Budget

Funding Sources Resolution and Appropriation Ordinance Location:

Section 24.03