



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Kim Walesh
Jennifer A. Maguire

SUBJECT: ARENA AUTHORITY FUNDING

DATE: May 20, 2014

Approved

Date

5/20/14

RECOMMENDATION

1. Approve for 2014-2015 only, the lease of the City's suite at SAP Center at San José for eight San José Sharks home games at a value of \$48,000 to Silicon Valley Sports and Entertainment (SVSE) to support the 2014-2015 Operating Budget for the Arena Authority.
2. Approve the following 2014-2015 Proposed Operating Budget amendments in the General Fund:
 - a. Increase the estimate for Revenue from the Use of Money/Property in the amount of \$48,000, and;
 - b. Increase the City-Wide Expenses Arena Authority appropriation in the amount of \$48,000.

BACKGROUND

Created in 1990, the Arena Authority is a nonprofit, public benefit corporation that provides oversight of the management agreements, operations and community programs for three of the City's most significant community assets: SAP Center at San José, Sharks Ice at San José, and San José Municipal Stadium. One of the long-standing community programs for which they provide oversight and administration is the Arena Ticket Distribution Program. Through this program, 16 Pavilion tickets in the City suite and, when available, 16 tickets in the Pavilion lower seating area (commonly known as the Club seats) are made available for various civic purposes.

The Arena Authority's Operating Budget for 2014-2015 is \$230,000. Unlike most nonprofit organizations, given the Arena Authority's limited charter, the City is effectively its sole revenue source. The 2014-2015 funding for the Arena Authority is currently derived from two sources: \$108,598 from the General Fund and \$43,514 from the Ice Centre Revenue Fund for costs associated with the Arena Authority's oversight of Sharks Ice at San José. The combined funding sources still leave a funding gap of approximately \$78,000. Utilizing the Arena Authority's 2013-2014 fund balance from past ticket sales and salary savings, this shortfall is reduced to approximately \$48,000.

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The Arena Authority's current level of staffing includes one full-time Executive Director and a part-time Administrative Manager, making it difficult to support the basic operation for the organization without requesting an additional source of funds. A further decrease to staffing levels would be required, if this recommendation is not approved, thereby reducing Arena Authority management oversight and programs.

Council Policy 9-11, entitled "Distribution of Arena Tickets," governs the distribution of the City tickets at the Pavilion through the Arena Authority. One element of the policy allows for the sale of Pavilion tickets that would support Arena Authority operations while reducing the support of the City's General Fund.

ANALYSIS

Similar to 2013-2014, the Administration is recommending that the City suite be leased to SVSE for eight agreed upon Sharks game dates during the 2014-2015 NHL regular season at \$6,000 per Sharks game date for a total of \$48,000. There are currently 41 home games tentatively scheduled at the SAP Center during this season. While the dates have not been selected, SVSE has indicated that they are interested in week night regular season games. The revenue will augment the funding available for Arena Authority operations and will bridge the funding gap previously identified.

The SAP Center City suite consists of 16 in-suite tickets. As a result of the eight date lease of the City suite, a total of 128 in-suite tickets would be removed from the available inventory for civic purposes. The City suite will remain available for all other SAP Center events, including 33 Sharks home games. The Arena Authority would continue to administer the Arena Ticket Distribution Program by issuing all available tickets in the SAP Center lower seating area as well as the tickets in the City suite during 2014-2015.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the Arena Authority.

/s/

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Chief Strategist



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For questions regarding this memorandum, please contact Lee Wilcox, Assistant to the City Manger at 408-535-4852.