



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Kim Welsh
Jennifer A. Maguire

SUBJECT: ARENA AUTHORITY FUNDING

DATE: May 11, 2012

Approved 

Date 5/11/12

RECOMMENDATION

1. Approve for 2012-2013 only, the lease of the City's suite at HP Pavilion at San Jose for ten (10) San Jose Sharks home games at a value of \$60,000 to Silicon Valley Sports and Entertainment (SVSE) to support the 2012-2013 Operating Budget for the Arena Authority.
2. Approve the following 2012-2013 Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund:
 - a. Increase the estimate for Revenue from the Use of Money/Property in the amount of \$60,000, and;
 - b. Increase the City-Wide Expenses Arena Authority appropriation in the amount of \$60,000.

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: HP Pavilion 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.

Unlike most nonprofit organizations, given the Arena Authority's limited charter, the City is effectively its sole revenue source.

The 2012-2013 funding for the Arena Authority is currently derived from two sources: \$108,598 from the General Fund and \$41,824 from the Ice Centre Revenue Fund for costs associated with the Arena Authority's oversight of Sharks Ice at San José. The Arena Authority estimates carrying over a fund balance of \$20,916 from 2011-2012 as a result of revenue from ticket sales and salary savings. Prior to including the recommended actions in this memorandum, the total source of funds available for the Arena Authority's operating budget would be \$171,738 whereas

the total operating costs are \$227,602. This includes a minimal increase compared to the 2011-2012 budget of \$223,555.

The Arena Authority's current level of staffing includes one full-time Executive Director and a part-time Administrative Manager and it is currently difficult to support the basic operation of the organization without using carryover funds. A further decrease to staffing levels would be required, thereby reducing Arena Authority management oversight and programs unless an additional funding source is identified.

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 2010-2011 and 2011-2012, the Administration is recommending that the City suite be leased to SVSE for ten (10) agreed upon Sharks game dates during the 2012-2013 NHL regular season. There are currently 41 home games tentatively scheduled at the HP Pavilion during this season. The SVSE has approached the City to lease ten dates for the City suite at \$6,000 per Sharks game date for a total of \$60,000. While the dates have not been selected, SVSE has indicated that they are interested in week night regular season games. The revenue will be directed to augment the funding available for the Arena Authority operations and will bridge the funding gap previously identified.

The Pavilion City suite consists of 16 in-suite tickets. As a result of the ten date lease of the City suite, a total of 160 in-suite tickets would be removed from the available inventory for civic purposes. The City suite will remain available for all other Pavilion events, including 31 Sharks home games. The Arena Authority would continue to administer the Arena Ticket Distribution Program by issuing all available tickets in the Pavilion lower seating area as well as the tickets in the City suite during 2012-2013.


If the recommendation is approved, the Arena Authority's funding from City funds will be increased to \$210,422.

COORDINATION

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

/s/

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