



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Kim Walesh  
Jennifer A. Maguire

**SUBJECT:** SEE BELOW

**DATE:** May 15, 2012

Approved

Date

5/16/12

**SUBJECT: SHARKS ICE AT SAN JOSE 2012-2013 PROPOSED CAPITAL BUDGET**

## **RECOMMENDATION**

- 1) Approve the attached Sharks Ice at San Jose Capital Repairs and Replacement Budget for 2012-2013 as submitted by the San Jose Arena Authority Board of Directors.
- 2) Approve the following amendment to the 2012-2013 Proposed Operating Budget in the Ice Centre Revenue Fund:
  - a) Decrease the allocation to the Finance Department for Ice Centre Repairs/Replacements by \$35,000; and
  - b) Increase the Ending Fund Balance by \$35,000

## **BACKGROUND**

In the Lease and Management Agreement between the City and HP Pavilion Management for Sharks Ice at San Jose, the City is required to pay for the costs of all repairs and replacements to the facility. This includes all facility improvements, equipment and systems, but excludes the HP Pavilion Management's equipment, Sharks training center, and the mezzanine restaurant. The City pays for these repairs through the Ice Centre Revenue Fund, a source that is funded solely through quarterly payments made by HP Pavilion Management, which has full operation of the ice training facility. Under the terms of the agreement, the Ice Centre Revenue Fund has been specifically designed to pay for the debt service associated with the construction and expansion of Sharks Ice and to cover the costs of facility capital repairs and improvements.

Included in the Sharks Ice at San Jose Lease and Management Agreement is an exhibit (Exhibit G) that includes a list of agreed upon capital repair and replacement items, such as ice chillers, HVAC and electrical equipment. This exhibit serves as the basis for HP Pavilion Management's annual proposed capital budget submittal. For the purposes of the agreement, the term

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“replacement” means the repair or replacement of those capital items specified in Exhibit G. The City has no obligation to pay for capital repairs or replacements not shown in Exhibit G. For items of capital repair or 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 proposed capital items. When this occurs, City staff and the Arena Authority review the capital budget submittal and determine, if the non-Exhibit G items should be recommended with the rest of the capital budget.

### **ANALYSIS**

Per the agreement between the City and HP Pavilion Management, for 2012-2013 HP Pavilion Management submitted to the Arena Authority and the City a detailed capital repairs and replacements budget for Sharks Ice at San Jose. Following review of the annual capital budget, the Arena Authority Board of Directors recommended to the City to repair, replace, and/or renovate partially or fully various items at the Sharks Ice Centre such as the lighting system, bleachers, and restrooms. The attached recommended budget totaling \$522,250 details all repair and replacement items and the respective cost for these items. These costs will be funded through the Ice Centre Revenue Fund. An adjustment to the Proposed Operating Budget for \$35,000 is recommended to align the budget with the Arena Authority Board of Directors recommendations which excluded two items that were included in the original submittal from the HP Pavilion Management but were not considered capital improvements.


The Ice Centre Revenue Fund has sufficient funding to support the normal capital repairs and replacements proposed for 2012-2013. After these costs are taken into consideration and with conservative revenue and expenditure projections, the remaining balance in this fund at the end of 2012-2013 is projected to be slightly over \$3.7 million.

### **COORDINATION**

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

/s/

KIM WALES  
Director of Economic Development  
Chief Strategist

  
JENNIFER A. MAGUIRE  
Budget Director

For more information on this memorandum please contact Lee Wilcox, Downtown Manager, at 408-535-8172.

**SHARKS ICE AT SAN JOSE**  
**Capital Budget Recommendations for 2012-2013**

<b>Capital Repair/Replacement</b>	<b>Proposed Budget</b>
Bleachers	\$ 80,000
Door Hardware	10,000
Fire System	33,000
Food Service Equipment	3,000
Nets/Edgar/Graphics	40,250
Mechanical, Plumbing & Electrical	
Cooling Tower	23,000
Dehumidifiers	20,000
Ice Chiller Plant	30,000
Lighting System	120,000
Lockers	18,000
Locker Rooms	20,000
Restrooms	60,000
Painting	20,000
Security	15,000
Unanticipated Repairs	<u>30,000</u>
<b>Total 2012-2013 Proposed Capital Budget</b>	<b>\$ 522,250</b>

All items listed above for repair and replacement are included in Exhibit G in the Sharks Ice at San Jose Lease and Management Agreement.