



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Ed Shikada

SUBJECT: ARENA AUTHORITY FUNDING

DATE: May 27, 2009

Approved

Debra Antara

Date

5/28/09

RECOMMENDATION

Approve for Fiscal Year 2009-10 only, the sale of HP Pavilion at San Jose club seat tickets through the San Jose Arena Authority's Arena Ticket Distribution Program as an interim measure to supplement City funding for the Arena Authority.

BACKGROUND

Created in 1990, the Arena Authority is a nonprofit, public benefit corporation that provides oversight of the management agreements and community programs for three of the City's most significant Capital assets: HP Pavilion at San Jose, Sharks Ice at San Jose, and San Jose Municipal Stadium. HP Pavilion at San Jose and Sharks Ice at San Jose each attract over 1.5 million visitors annually. One of the community programs for which they provide oversight is the distribution of 16 tickets for the City suite and, when available, 16 tickets for clubs seats at net cost.

Unlike most nonprofit organizations, given the Arena Authority's limited charter, the City is effectively its sole revenue source. Due to the City's current structural deficit, the City Manager's Proposed Budget reduces City funding to nonprofit organizations by 16% for FY 2009-10. City funding for the Arena Authority is currently derived from two sources: the City Manager's Office (proposed \$148,798 for FY 2009-10) and an additional amount for the Authority's oversight of Sharks Ice at San Jose (proposed \$39,800 for FY 2009-10) for a proposed total of \$188,598 for FY 2009-10. The 16% funding reduction from the City Manager's Office to the Arena Authority is \$28,345.

Since FY 2003-04, (not including the FY 2009-10 proposed reduction) the City has reduced annual funding to the Arena Authority by 21%. Due to these previous funding reductions, the Arena Authority has reduced staffing levels and curtailed program implementation. Currently, the Authority employs one full-time Executive Director and an Administrative Manager at 0.6 FTE. The proposed 16% reduction in City funding for FY 2009-10 would place the Arena Authority at a level of operational funding that could not support the basic levels of operation of the organization. As a result, the proposed funding level reduction would require further staff reductions and further reduction in Authority management oversight and programs.

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Council Policy 9-11, entitled "Distribution of Arena Tickets", governs the distribution of the City tickets at the Arena through the Arena Authority. The Policy requires the Arena Authority to sell the Club seat tickets and parking passes at a price not to exceed face value, to the extent that the seats are not otherwise reserved through the tickets distribution procedures. The revenue from these ticket sales is required to be used to support the Arena Authority activities in order to enable reduced support from the City General Fund.

ANALYSIS

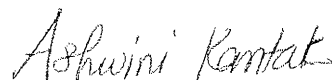
In an effort to mitigate the anticipated reduction to the Arena Authority budget, it is proposed that all of the Pavilion club seat tickets available to the City be sold to supplement funding to the Arena Authority for FY 2009-10, on a one-time basis only, pending further review of financial options. The Arena Authority would continue to administer the distribution of tickets to the City suite for civic purposes. It is estimated that the sale of Pavilion club seat tickets would generate adequate revenue to the Arena Authority for FY 2009-10 and would allow for the continued operation of the organization. The Arena Authority issues approximately 2,300 club seats each year through the Arena Ticket Distribution program. Sale of these tickets is expected to generate at least \$40,000.

Per the terms of the Amended and Restated San Jose Arena Management Agreement, the Pavilion Manager, to the extent possible, is required to issue to the City without charge 16 tickets in the Pavilion club seating area for civic purposes. As a result, the Arena Authority receives club seat tickets to all San Jose Sharks home games and a number of other events at the Pavilion, including the Ringling Bros. Circus and the SAP Tennis Open Tournament. Through its agreement with the City, the Arena Authority has issued the club seat tickets in accordance with the provisions of the City Council Policy on the Distribution of Arena Tickets. Along with tickets available in the Pavilion's City suite, the Arena Authority has issued over 75,000 suite and club seat tickets for civic purposes since the program was introduced in 1993.

In an effort to expedite this potential revenue generating opportunity, HP Pavilion Management will be contacted to inquire about their interest to serve as the ticket sale administrator.

COORDINATION

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



Ed Shikada
Deputy City Manager

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