



COUNCIL AGENDA: 6/25/19
FILE: 19-522
ITEM: 2.13

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: SEE BELOW

DATE: June 12, 2019

Approved

Date

6-13-19

RECOMMENDATION

Approve an Agreement between the City and the San José Arena Authority retroactive from August 1, 2018 through June 30, 2025.

OUTCOME

Approval of the agreement secures services provided by the Arena Authority through June 30, 2025, with a five-year renewal options through June 30, 2040; additional responsibilities undertaken by the Arena Authority aligns the term of Arena Authority services with the City's agreement with Sharks Sports & Entertainment; and allows for a revised 2018-2019 compensation amount.

BACKGROUND

Since being created as a nonprofit, public benefit corporation 501 (c) (3) through a resolution of the San José City Council on October 23, 1990, the San José Arena Authority has served an essential role on behalf of the City. Originally, the organization was charged with the administrative oversight and contract administration of one facility: San José Arena (now SAP Center at San José). Since then, the Arena Authority has expanded its contractual and oversight responsibilities to include Solar4America Ice at San José, Excite Ballpark Home of the San José Giants (San José Municipal Stadium), the Emergency Resources Network (a network created by the Arena Authority to address natural disasters and man-made threats to the major public facilities in San José), and the South Campus Operations Team (a group created by the Authority that includes park and facility operators in the area in and around the south campus of San José State University).

Additionally, the Arena Authority has been deeply involved in discussions on development projects adjacent to SAP Center at San José, including BART, High Speed Rail, Caltrain electrification, on-site and off-site vehicular parking inventories, locations and operations, the

extension of Autumn Parkway, and the design and function of the multimodal Diridon Transit Center. In relation to the day-to-day operations at the SAP Center, the Authority plays a significant role in the implementation of the Center's Transportation and Parking Management Plan (TPMP). The Arena Authority created and administers the process for the development and implementation of the annual capital budget programs for all three major sports facilities and, with the anticipated expansion of Solar4America Ice at San José, the Arena Authority will continue to serve a critical role through its leadership of the South Campus Operations Team.

As community liaison, the Arena Authority is responsible for the highly regarded Arena Ticket Distribution Program (over 115,000 tickets have been distributed by the Arena Authority since the program was introduced in 1993) and the City and Community Events Program (over \$1.7 million in program funding credits has been issued to program recipients since 2001). The Arena Authority also has board representation on the San José Sports Hall of Fame Committee. It is worth noting that the Arena Authority, a 19-member, Mayor-appointed Board of Directors and two executive staff, has either created or had a significant role to all of the programs listed above.

ANALYSIS

The term of the most recent agreement between the City and the Arena Authority expired on July 31, 2018. It is the intention of the City and the Arena Authority to recognize the Arena Authority's expanding role, and to align the new agreement with the terms of the City's agreement with Sharks Sports & Entertainment. Completion of the contract amendment was delayed due to workload requirements. Though the new agreement incorporates many of the elements from the previous agreement, the new agreement updates the areas oversight and coordination as described above.

Term

Term Period One: August 1, 2018 to June 30, 2025

Subsequent Term Periods: From July 1, 2025 to June 30, 2040 (the City has options to extend agreement for 5-year terms)

Compensation

City will continue to fund the Authority at a level to support operations and programs within the Authority's areas of oversight and coordination as described above. Though the final determination of annual funding levels rests with the City, in recognizing the Authority's broader scope, staff recommended a compensation increase of \$15,000 beginning in 2018-2019 as part of the Approval of Various Budget Actions for Fiscal Year 2018-2019 memorandum scheduled for City Council approval at its meeting on June 18, 2019. Further, the City will endeavor to continue its practice of annual cost of living adjustments that align with other third-party organizations operating on the City's behalf, dependent on fiscal conditions.

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Staff will continue to evaluate any additional funding to the Arena Authority that may be recommended should the role of the Arena Authority as part of a future budget process, if appropriate and as fiscal conditions allow, as the Authority continues to expand in areas that have proven to be of great benefit to the City.

EVALUATION AND FOLLOW-UP

Staff will continue to monitor the Arena Authority's areas of responsibilities and may recommend adjustments to their annual compensation level if appropriate and as fiscal conditions allow.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the June 25, 2019 City Council meeting agenda.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

The budget recommendations contemplated in this memorandum do not require Commission review.

FISCAL/POLICY ALIGNMENT

The City's continued relationship with the Arena Authority will continue to promote the successful operation of SAP Center at San José, Solar4America Ice at San José, Excite Ballpark Home of the San José Giants, the South Campus Operations Team (SCOT) and the Emergency Resources Network, along with the community outreach programs and the day-to-day operations of the Arena Authority.

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COST SUMMARY/IMPLICATIONS

The City provides funding to the Arena Authority through the Ice Centre Revenue Fund and the General Fund. The funding level from the Ice Centre Revenue Fund is a component of the annual payments received from Solar4America Ice management set by an existing agreement, and increases annually by approximately 3%. In 2018-2019, Ice Center funding for the Arena Authority is \$48,500 and will increase to \$49,955 in 2019-2020. The General Fund contribution in 2018-2019 is recommended at \$221,000 (which includes the original amount of \$206,000 and an increase of \$15,000), which is also scheduled to grow by 3% in the 2019-2020 Proposed Operating Budget to \$227,630. Payments from the City to the Arena Authority totals \$269,500 in 2018-2019 and \$277,585 in 2019-2020.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

KIM WALESH

Deputy City Manager

Director Office of Economic Development

For questions, please contact Nanci Klein, Assistant Director of Economic Development and Director of Real Estate at (408) 535-8184.