



City of Glendale

MEMORANDUM

DATE: September 4, 2015

TO: Mayor and Council

FROM: Tom Duensing, Interim Assistant City Manager

SUBJECT: Council Item of Special Interest – Arena/Westgate Financial Impact

As a Council Item of Special Interest on May 19, 2015, Vice Mayor Hugh requested the economic impact to the City from the Arena/Westgate area, in particular, the revenues and expenditures associated with the area. Consistent with information presented in the December 17, 2013 Five-Year Financial Forecast, the Arena/Westgate information has been updated. There are several items you will want to consider when reviewing this information.

- This presentation reflects sales taxes from all funds versus the General Fund only as presented on December 17, 2013.
- In FY15-16, there is a column for Budget and a column for Revised Estimate. The Revised Estimate amounts represent changes due to the amended Arena Management and Lease Agreement. The amendment resulted in savings of \$3.6 million as cited in the July 30, 2015 Moody's report on the renegotiated agreement.
- Starting in FY15-16, you will see the inter-fund advance repayments being classified as inter-fund transfers. This is a result of the inter-fund advance reclassification approved on April 14, 2015.
- The forecasted information for FY16-17 through FY20-21 contains reasonable growth assumptions for both revenues and expenditures. It is anticipated growth assumptions will change with the planned December 2015 updated Five-Year Financial Forecast.
- There are several notes in the attached schedule to also consider when reviewing this information.

Please feel free to contact me with any questions.

Arena/Westgate Area
Analysis of Revenue and Expenditures - All Funds

	FY13-14 Actual	FY14-15 Estimate	FY15-16		Forecast				
			Budget	Revised Estimate	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Westgate Sales Tax - (All Funds, without Arena)	\$ 7,965,810	\$ 9,371,569	\$ 8,972,640	\$ 8,972,640	\$ 9,300,628	\$ 9,649,967	\$ 10,012,284	\$ 10,388,060	\$ 10,607,313
Rental Revenue	1,223,915	1,327,677	1,203,313	1,203,313	1,215,346	1,227,499	1,239,774	1,252,172	1,264,694
Arena Events Operations	(501,495)	(664,925)	(696,008)	(696,008)	(709,929)	(724,128)	(738,611)	(753,383)	(768,450)
Debt Service, Inter-Fund Activity									
Debt Service - Arena (1)	(8,399,152)	(8,493,791)	(7,111,137)	(7,111,137)	(7,877,310)	(8,502,272)	(11,103,928)	(10,785,463)	(13,035,654)
Debt Service - Media Center/Conference Center/Parking Garage (2)	(5,502,431)	(5,502,431)	(7,108,488)	(7,108,488)	(7,101,883)	(7,104,265)	(7,104,890)	(7,103,116)	(7,107,865)
Inter-Fund Advance Repayments - NHL Management Fee (3)	(403,640)	(501,610)	-	-	-	-	-	-	-
Inter-Fund Transfers - NHL Management Fee (3)	-	-	(600,000)	(600,000)	(1,089,550)	(1,449,660)	(1,553,250)	(1,579,810)	(1,595,810)
Subtotal - Debt Service, Inter-Fund Activity	<u>(14,305,223)</u>	<u>(14,497,832)</u>	<u>(14,819,625)</u>	<u>(14,819,625)</u>	<u>(16,068,743)</u>	<u>(17,056,197)</u>	<u>(19,762,068)</u>	<u>(19,468,389)</u>	<u>(21,739,329)</u>
Arena Agreement (5)									
Arena Sales Tax - (General Fund)	749,618	913,398	749,618	749,618	757,114	764,685	772,332	780,055	787,856
Other Arena Agreement Revenues (4)	4,746,059	5,683,627	6,306,657	1,452,828	1,467,356	1,482,030	1,496,850	1,511,819	1,526,937
NHL Management Fee	-	-	-	-	(5,000,000)	-	-	-	-
Arena Management Fee (4)	(13,551,370)	(15,000,000)	(15,000,000)	(6,500,000)	(6,500,000)	(6,500,000)	(6,500,000)	(6,500,000)	(6,500,000)
Arena Events Capital Maintenance	(450,685)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Subtotal - General Fund Impact	<u>(8,506,378)</u>	<u>(8,902,975)</u>	<u>(8,443,725)</u>	<u>(4,797,554)</u>	<u>(9,775,530)</u>	<u>(4,753,285)</u>	<u>(4,730,818)</u>	<u>(4,708,126)</u>	<u>(4,685,207)</u>
Arena Sales Taxes - (Dedicated Funds)	354,713	435,122	354,713	354,713	358,260	361,843	365,461	369,115	372,806
Subtotal - Arena Agreement	<u>(8,151,665)</u>	<u>(8,467,853)</u>	<u>(8,089,012)</u>	<u>(4,442,841)</u>	<u>(9,417,270)</u>	<u>(4,391,442)</u>	<u>(4,365,357)</u>	<u>(4,339,011)</u>	<u>(4,312,401)</u>
Total - Arena/Westgate Area	<u>\$ (13,768,658)</u>	<u>\$ (12,931,364)</u>	<u>\$ (13,428,692)</u>	<u>\$ (9,782,521)</u>	<u>\$ (15,679,968)</u>	<u>\$ (11,294,301)</u>	<u>\$ (13,613,978)</u>	<u>\$ (12,920,551)</u>	<u>\$ (14,948,173)</u>

Note 1: The Arena debt service increase in FY18-19 to FY20-21 is due primarily to the debt refunding savings realized in FY15-16 to FY17-18.

Note 2: No portion of the Media Center/Conference Center/Parking Garage debt was refinanced during the most recent refunding.

Note 3: In FY14-15, the inter-fund advance was reclassified to an inter-fund transfer. Therefore, payments back to the Enterprise Funds are categorized as inter-fund transfers from FY15-16, forward.

Note 4: In FY15-16, the Arena Management & Lease Agreement was amended. Per the amendment, the Other Arena Agreement Revenues (ticket surcharges and parking revenue) are retained by the Arena manager and offset by a reduction in the Arena Management Fee. This resulted in savings of \$3.6 million as cited in the July 30, 2015 Moody's report on the contract amendment.

Note 5: The current Arena Management Agreement terminates at the end of FY16-17. Arena Agreement revenues and expenditures will depend upon any new management agreement.