



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: May 9, 2012 REPORT#: 12-064

ATTENTION: Council President and City Council
May 21, 2012

SUBJECT: Report from the Office of the Mayor – Economic Growth Services
regarding RESOLUTION TO AMEND THE JOINT USE
MANAGEMENT AGREEMENT WITH THE PADRES TO INCREASE
SPECIAL EVENT USE OF PETCO PARK

REQUESTED ACTION:

1. Recommend the approval of a RESOLUTION TO AMEND THE JOINT USE
MANAGEMENT AGREEMENT WITH THE PADRES TO INCREASE SPECIAL
EVENT USE OF PETCO PARK

EXECUTIVE SUMMARY:

The Office of Economic Growth Services has been approached by local business owners and civic organizations regarding the number of Special Events held at Petco Park in the off-season. Local businesses have conveyed their desire for the City to encourage more, and more regular special events at Petco Park to address the drop in activity in East Village when baseball games are not being played. The current agreement with the Padres, the Joint Use Management Agreement (Agreement), authorizes the Padres to be the sole manager of the ballpark, but includes provisions that are a disincentive for the organization to hold events in the off-season.

The JUMA, between the City of San Diego and the San Diego Padres, approved February 1, 2000, established the terms of the Padres' and City's joint use of the Ballpark Property, and the terms of the Padres' exclusive management of the Ballpark Property. Included in the JUMA is the agreement by which the City engages the Padres to manage the Ballpark and the Padres accept such engagement from the City, as the sole and exclusive on-site manager of the Ballpark Property throughout the year for the entire term of the Agreement. This includes terms for the scheduling, revenue sharing, and expense allocation of four categories of events: Major League Baseball Games, Co-Owner's Everyday Events, Small Events and Significant Events. The Small Events and Significant Events categories have the ability to create activity in and around the ballpark, particularly in the off-season. The Padres have been conducting a pilot program to ascertain whether increased off-season Small Event and Significant Event use of the ballpark is sustainable. The result of this pilot program is a proposal to make focused changes to the JUMA

in two areas; the Small Events and Significant Events categories to create an incentive to hold more off-season events, and increased Capital Expenditure spending.

Changes to the Small Events and Significant Event categories, that increase the number of events at the park, can have at least two distinct benefits. First, the civic asset of Petco Park can be used to provide a variety of events to city residents all year long. This is in keeping with the goal of using the ballpark for a public purpose in addition to baseball related activities. Second, area businesses, residents and the City can benefit from increased ballpark activity during the off-season. Use of Petco Park traditionally drops off when baseball games are not being played. This could be replaced by regular off-season special events, but the terms of the JUMA are a financial disincentive. Local resident and business groups have contacted the City to express concerns regarding the viability of businesses in and around the Ballpark District as many operations have closed since the opening of Petco Park. This is attributed to a decided drop off in park activity in the off-season.

Revenues from Small Events and Significant Events are allocated based on a split season schedule: (1) The "City Split Season" (from the day after the end of the Major League Baseball Season of each calendar year to February 28 or 29 of the following year), and (2) the "Padres Split Season" (from March 1 of each calendar year through the end of the Major League Baseball Season of that calendar year). For the "City Split Season" the "Net Incremental Revenue" (where Incremental Ballpark Revenues exceed Incremental Ballpark Expenses) from Small Events and Significant Events for the entire season are allocated 70% to the City, and 30% to the Padres. During this period the "Net Incremental Loss" (where Incremental Ballpark Revenues are less than Incremental Ballpark Expenses) from Significant Events for the entire Season are allocated 70% to the City and 30% to the Padres. During the "Padres Split Season" the percentages are reversed, with the Padres receiving 70% of the "Net Incremental Revenue" from Small Events and Significant Events and being responsible for 70% of the "Net Incremental Loss" from Significant Events. The City receives 30% of the Net Incremental Revenues and is responsible for 30% of the Net Incremental Loss from Significant Events. As the solely authorized Ballpark Manager the Padres book, manage, and promote Small Events and Significant Events. Certain expenses directly related to a specific Small Event or Significant Event are deducted and factored into the calculation of "Net Incremental Revenue," but there are expenses associated with the event that are borne by the Padres and are not factored into the calculation of Net Incremental Revenue. According to the Padres, the level of off-season events that local residents and businesses desire would require an increase in non-reimbursable overhead expenses (Attachment B). The current "Net Incremental Revenue" allocation of 30% to the Padres and 70% to the City in the "City Split Season" is a disincentive to conducting Small Events and Significant Events.

Revenue from general special events in the off-season has been volatile (Attachment C). Significant Events, such as a major concert or sporting event, have been the major drivers of off-season special event revenue. In 2010, there was a sharp drop-off in off-season special event revenue partly due to the USA Sevens Rugby Competition leaving San Diego. From October 2009 to September 2010 the City share of special event net revenue was \$94,913. Since that time, the Padres have been working to increase both in-season and off-season special event revenue. From October 2010 to September 2011 the City share of net revenue from Small

City Council and the provisions in the JUMA which require written City approval prior to any improvement that would adversely change the essential aesthetic nature of the Ballpark Property or have a material adverse effect on the structure or systems of the Ballpark Property or change the essential nature of the Ballpark Property and the purpose for which it was intended to be used.

IBA report 12-7 identified that the increase in Capital Improvements at Petco Park was a benefit to the City. The report did not make specific recommendations to alter the proposal to increase Capital Expenditures.

The May 2, 2012 memorandum from the City Attorney raised a concern that eliminating the Padres' obligation to make deposits into the Capital Expenditure Reserve Fund would constitute an amendment to the MOU. This amendment must therefore be reviewed to determine whether it is (1) in the best interests of the City and (2) does not materially (i) decrease the rights or increase the obligations of the City, (ii) increase the financial commitments of the City or (iii) decrease revenue to the City. This amendment easily meets that test, because it increases the Padres' required annual Capital Expenditure commitment from \$250,000 to \$1,000,000 per year. Such an increase is in the best interests of the City as Petco Park is a City-owned facility, and increased spending on Capital Expenditures will result in a higher quality facility for years to come. All of the Capital Expenditure obligations reside with the Padres, so there is no increase in the obligations of the City. The Capital Expenditure Reserve Fund reverts to the Padres at the end of the Padres' occupancy of the ballpark, so ceasing to make deposits into that fund in lieu of the Padres' increased spending obligation does not adversely affect the City. Finally, the \$500,000 minimum balance requirement continues to provide the City with the same level of protection as it currently has. A more detailed response to the City Attorney's memo is set out in Attachment A to this report.

Small Event and Significant Revenue

As discussed previously in this report, the current revenue split serves as a disincentive to holding Small Events and Significant Events in the off-season. Additionally, there is a risk associated with the opt-in provisions of the JUMA that require the City to assume 70% of the Net Incremental Losses for off-season events if the City chooses to opt-in to an event, especially if the Padres expand upon its pilot program to increase event activity in the off-season, which will present a greater risk of loss in the early years of building event activity. To address these issues this action would achieve the following:

1. Eliminate the City's Significant Events responsibility to opt-in or opt-out of events and pay "Net Incremental Loss" for Significant Events.
2. Require a minimum annual payment of \$300,000 to the City. In the event there is a Net Incremental Loss in a Fiscal Year from Significant Events, the allocation of that loss shall not relieve the Padres of its obligation to make the \$300,000 payment. The minimum annual payment will be adjusted upward every subsequent year by the amount of the percentage increase, if any, in the CPI. This floor eliminates the risk associated with potential "Net Incremental Loss" and guarantees a steady revenue stream.

Events and Significant Events was \$380,643. The pilot project of promoting and booking Small Events and Significant Events indicates that the Padres can increase event activity, especially during the off-season, if the current incentive structure is changed. To realize this potential and encourage more events in the off-season, the Net Incremental Revenue formula needs to be changed.

On February 1, 2012 the Committee on Rules, Open Government, and Intergovernmental Relations considered a proposal to increase Capital Expenditure spending at Petco Park, eliminate the City's financial risk from opting into Significant Events, and create a sustainable approach to promoting and conducting special events all year long. The Committee unanimously approved a motion to have the Office of Economic Growth Services and the City Attorney draft a resolution consistent with the proposal presented to the committee, responsive to the discussion of the Committee members, taking into account recommendations of the IBA, and subject to further discussions with the Padres. Based upon subsequent meetings between the Office of the Mayor and the Padres, the following amendment to the JUMA is proposed.

Capital Expenditure Spending and Reserve

As Petco Park ages, Capital Expenditure improvements become more important. The City at one time was required to contribute \$250,000 to the Capital Expenditure Reserve Fund. Before Petco Park opened, that requirement was assumed by the Padres. In response to comments at the February 1, 2012 hearing, this action requires the Padres to make Capital Expenditures rather than a contribution to the Capital Expenditure Reserve Fund to ensure ongoing improvements to the ballpark. The proposed amendment to the JUMA increases Capital Expenditure spending, maintains a healthy Capital Expenditure Reserve Fund, and streamlines the process for making Capital Expenditures improvements. The amendment includes three elements:

1. Increase the contribution from the Padres toward Capital Expenditures at Petco Park from \$250,000 to \$1,000,000. Currently, the Padres are required to make a \$250,000 contribution to the Capital Expenditure Reserve Fund and at the end of the Padres occupancy at the ballpark, any remaining funds will be owned by the Padres. This proposal replaces that requirement with actual Capital Expenditure spending by requiring that the Padres, on an average annual basis measured over the remainder of the Term of the agreement, make Capital Expenditures of not less than \$1,000,000 per year.
2. Maintain a Capital Expenditure Reserve Fund of \$500,000. To ensure a source of funding for unforeseen circumstances, no repayment from the Capital Expenditure Reserve Fund shall be made to the extent such repayment causes the balance in the Capital Expenditure Reserve Fund to drop below \$500,000.
3. Streamline Capital Expenditure approval process. Currently, the Padres are required to present a proposed Capital Expenditure Budget on or before October 31 to include in the City's annual budget approval process for the following fiscal year. Additionally, the Padres are required to obtain written approval for any improvements that involves a contract or any change order to any contract estimated to cost, in the aggregate, in excess of \$150,000. In consideration of the increase in required Capital Expenditure spending, this proposal would eliminate the \$150,000 threshold and rely on the budget approval of

3. Allocate Small Event and Significant Event "Net Incremental Revenue" 70% to the Padres and 30% to the City. The payment to the City shall be 30% of "Net Incremental Revenue" from Small and Significant Events or the minimum annual payment, whichever is higher in a Fiscal Year. Additionally, this would end the split season, so the terms of revenue sharing would be the same year-round rather than an in-season off-season split.

IBA Report 12-7 suggested that the City could discuss a different split of revenue than the 70%-30% split proposed at the February 1, 2012 hearing. In response to that suggestion the City and the Padres met to discuss alternatives. The first alternative is reducing the City's share to a percentage less than 30%. The City does not support a percentage lower than 30%. The second alternative is reducing the Padres share to a percentage less than 70%. In discussions with the Padres, a percentage of less than 70% would reduce or remove the incentive for holding year-round special events. It would return the negotiations to a discussion solely on changing the off-season revenue sharing, rather than ending the split season distinction. Additionally, in the case of a percentage less than 70% to the Padres, the non-reimbursable costs associated with conducting year-round special events, would increase. For these reasons, both parties agree that the proposed the 70%-30% split is a preferable proposal for consideration by Council.

The IBA suggested that the City should consider establishing provisions for a trigger that would change revenue allocations in the future based on certain revenue thresholds. In response to that suggestion, the City and the Padres met to discuss alternatives. The first alternative would be a trigger threshold that would decrease the City's share of revenue if certain revenue targets were met. The benefit of such a proposal would be to incentivize the Padres to hold more and more lucrative events to reach a threshold that would result in a more favorable revenue share for the Padres. This was discussed by the City and the Padres prior to February 1, 2012 and after the committee hearing. The City does not support a threshold that reduces the City's share of Net Incremental Revenue. Though this could incentivize the Padres to solicit the most lucrative events, it could work against the collaborative efforts between the City and the Padres to hold events that will benefit the public but may not be the most lucrative. A key component of this action is to activate the park for its intended purpose as a public asset above and beyond its baseball uses. Setting a revenue threshold that encourages the attraction of only the most lucrative events would be at cross purposes with an element of this action. The second alternative is to increase the City's share and reduce the Padres share based upon a specific revenue target. Such a trigger could have a benefit to the City of an increased share of Net Incremental Revenue. However, the revenue threshold would serve as a disincentive to the Padres conducting special events that would result in revenue in excess of the threshold. The purpose of the proposed amendment is to increase special event use of the ballpark to increase activity in and around the park for the benefit of the public as a whole and the drive traffic to area businesses. Setting a threshold that increases the City's share and reduces the Padres share will serve as a soft-ceiling for total revenue and may affect the number of events booked at the ballpark. This may be at cross-purposes with a key element of this proposal, which is to increase the use of Petco Park as a public asset. For these reasons, this action does not incorporate a revenue threshold that alters the 70%-30% revenue sharing.

The IBA report suggested revisiting the minimum annual payment amount at a future date as an upward adjustment to the minimum annual payment should not have an impact to the Padres revenue. The City and the Padres discussed this recommendation and incorporated language in

the amendment that included an escalator to the payment. At the end of the FY2013 and at the end of every subsequent Fiscal Year thereafter, the minimum annual payment will be adjusted upward, but never downward, by the amount of the percentage of increase, if any, in the CPI for the period that includes January 1 of the Fiscal Year for which the adjustment is then being made.

According to the City Attorney memo, both revising the revenue split for Small Events and Significant Events held in the off-season and creating a minimum annual payment are in compliance with MOU. However, the City Attorney recommends evaluating these changes to ensure that they are (1) in the best interests of the City and (2) do not materially (i) decrease the rights or increase the obligations of the City, (ii) increase the financial commitments of the City or (iii) decrease revenue to the City.

Both of these changes are in the best interest of the City. Establishing a required minimum annual payment from the Padres to the City eliminates the risk of loss to the City and its taxpayers, which is a risk of the loss that the City currently bears. This risk of loss would be especially acute during the period in which the Padres propose to expand upon its pilot program to increase event activity in the off-season. Additionally, the required minimum annual payment ensures a constant, reliable stream of revenue for the City, which will be adjusted upward annually for inflation. Under the current structure, the City assumes 70% of any losses from event activity during the off-season, unless they elect to opt-out of an event (which also eliminates the potential for any revenue from the event). The Padres' pilot program necessarily entails a substantial amount of risk to build out the event business, and the minimum annual payment protects the City from any downside risk while still maintaining an upside potential. The Padres project that the City's 30% share of Net Incremental Revenue (in both the off-season and during the season) could grow to over \$600,000 within three years if successful off-season events are increased. This represents a significant increase in Net Incremental Revenue to the City compared to the last two years while eliminating the risk of City and taxpayer loss. An increase in off-season activity at the ballpark will also bolster local businesses and likely increase downtown tourism.

In addition, neither of these changes materially decrease the rights or increase the obligations of the City, increase the financial obligations of the City or decrease revenue to the City. While the changes do result in a reduction of the City's share of Net Incremental Revenue during the off-season from 70% to 30%, as discussed above, this reduction incentivizes the Padres to hold more events year-round at the ballpark. According to the Padres' projections, the resulting increase in activity actually generates more revenue for the City under the revised split arrangement. In addition, as mentioned above, the proposed minimum annual payment protects the City and its taxpayers from loss while guaranteeing \$300,000 of annual revenue to the City, regardless of future event activity.

A more detailed response to the City Attorney's memo is set out in Attachment A to this report.

Event Capital Expenditure Credit

To encourage Capital Expenditures that will facilitate the expansion of special events at Petco Park without requiring the City to contribute money to cover 30% of the costs, this proposal includes the ability for the Padres to seek a partial credit for expenditures deemed by the City to be Event Capital Expenditures. The Event Capital Expenditure Credit would be 30% of the cost of all labor and materials reasonably required to manufacture, produce, install, construct or upgrade any equipment, structural components or integral parts of the Ballpark Property to be used predominantly in connection with Small Events and Significant Events. To receive such a credit the Padres would need to present a reasonably detailed statement of the Event Capital Expenditure including cost and how the expenditure will be used predominantly in connection with special events. The City will have 10 working days to respond with its agreement or disagreement. If a credit is granted, it shall be against revenue above and beyond the \$300,000 minimum annual payment due to the City. Additionally, if the credit is granted it shall be apportioned for the depreciable life of the improvement. At the end of the Term of the agreement, any unused Event Capital Expenditure Credits will expire.

The IBA report suggested further discussion on the proposed revenue offset. The City and Padres met and created the revised proposal that is described in the immediately preceding paragraph and is incorporated into the proposed action. First, the City has the ability to approve or deny any request for an Event Capital Expenditure Credit. Second, the City would cap its participation in any Event Capital Expenditure at 30% of the total cost of all labor and materials reasonably required to manufacture, produce, install, construct or upgrade any equipment, structural components or integral parts of the Ballpark Property to be used predominantly in connection with Small Events and Significant Events. Third, the Event Capital Expenditure Credit is only reimbursable for expenditures above and beyond the minimum annual payment and is apportioned over the depreciable life of the improvement. Regardless of whether the City deems a Capital Expenditure to be eligible for an Event Capital Expenditure Credit, the City will receive its minimum annual payment of \$300,000 as adjusted by CPI for the Term of the Agreement.

The City Attorney memo notes that this change is compliant with the MOU, but once again recommends evaluating the change to ensure that it is (1) in the best interests of the City and (2) does not materially (i) decrease the rights or increase the obligations of the City, (ii) increase the financial commitments of the City or (iii) decrease revenue to the City. This change is in the best interest of the City for a number of reasons. First, since Petco Park is a City-owned facility, incentivizing the Padres to spend more on Capital Expenditures helps to maintain the value of the facility over time. Second, the specific Capital Expenditures that are incentivized through this change are necessary for the Padres to build the event business, which in turn is projected to result in additional revenue for the City through its share of Net Incremental Revenue from events. This change would not materially decrease the rights or increase the obligations of the City, increase the financial commitments of the City or decrease revenue for the City. Incentivizing expenditures on the Padres' events business has the potential to increase revenue for the City as previously mentioned without requiring the City to contribute any cash towards the expenditures. While the Padres would receive a credit for 30% of the value of Event Capital Expenditures, this credit would only apply to revenues above and beyond the minimum annual payment, ensuring that the City's baseline revenue would be preserved. A more detailed response to the City Attorney's memo is set out in Attachment A to this report.

Potential Competition with Qualcomm Stadium

The IBA report raised a question regarding whether this proposal would reduce the number of events held at Qualcomm Stadium. Petco Park and Qualcomm Stadium compete for few if any events. First, the two venues are dissimilarly located. The facilities are approximately 8 miles apart and situated in two distinct settings. Petco Park is located downtown, surrounded in the East Village by retail, restaurants, and within walking distance of the Gaslamp District. The facility itself has a seating capacity of over 40,000 and can be flexibly programmed with orientation toward the Western Metal Building. It also contains meeting spaces that can be programmed for smaller events. With the growth of residential downtown, it also provides a walkable destination for nearby residents. From a transportation perspective, the facility can be reached by foot, transit, trolley, train and automobile. Qualcomm is situated in Mission Valley and surrounded by 122 acres of surface parking that is also programmed for special events. The seating capacity is over 70,000. Transportation to the facility includes transit, trolley and automobile. Compared to Petco Park, there is significantly less residential and retail within walking distance, making the facility a less walkable destination. Given the differences between the two facilities, there is no demonstrable evidence that this action will reduce the number of events at Qualcomm. Additionally, efforts by the Padres to increase the number of Special Events at Petco Park will have a spill-over effect of marketing the entire City which may result in more events at Qualcomm if an event cannot be held at Petco Park for scheduling or facility reasons.

FISCAL CONSIDERATIONS:

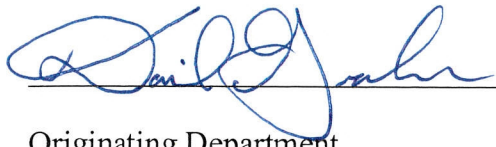
Capital Expenditure spending by the Padres will increase from a contribution to the Ballpark Capital Expenditure Reserve Fund of \$250,000 to \$1 million in actual Capital Expenditure spending, representing at least \$14-\$24 million for the remainder of the term of the Agreement. The City will also receive a minimum payment of \$300,000 annually in Special Event Revenue for a total of \$4.2 million, plus CPI adjustments, which will offset City obligations for the Ballpark contained in the JUMA. If the Special Event Revenue Formula is changed and Capital Expenditure spending is increased, the Padres project the total City share of Special Event Net Revenue to increase from \$315,000 in 2012-2013 to \$637,500 in 2014-2015 (Attachment C). Increased activity in and around the ballpark may also have a beneficial impact on TOT revenue and sales tax revenue. The potential impact to additional city revenue streams cannot be determined at this time.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

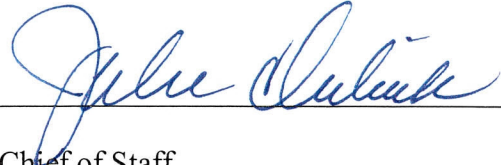
Business owners, residents, the Downtown Partnership, East Village Association, and community members have expressed support to the City and at the February 1, 2012 Rules Committee hearing.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Stakeholders include Downtown Partnership, East Village Association, area residents, and local businesses.



Originating Department
David Graham
Deputy Policy Director, Office of the Mayor



Chief of Staff
Julie Dubick

ATTACHMENT A

PROPOSED AMENDMENT	ANALYSIS PER SECTION 3 OF THE ORDINANCE OR SECTION 2 OF THE ORDINANCE AND SECTION XXXVII OF THE MOU
<p>1. Deleting the definition of “City Split Season.” (JUMA ¶ 1.1.39)</p>	<p>Deleting this definition is necessary in order to effect the change to a year-round Net Incremental Revenue split of 70% to the Padres and 30% to the City.</p> <p>1. In the best interest of City? Yes, revising the Net Incremental Revenue split incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City’s rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, deleting this definition will have no effect on the City’s rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City’s financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City’s revenues. Incentivizing the Padres to increase event activity at the ballpark has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.</p>
<p>2. “Net Incremental Loss” shall have the meaning given to this term in ¶ 6.10.3. (JUMA ¶ 1.1.92)</p>	<p>Revising this definition is necessary in order to effect the change to a year-round Net Incremental Revenue split of 70% to the Padres and 30% to the City.</p> <p>1. In the best interest of City? Yes, revising the Net Incremental Revenue split incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City’s rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, revising this definition will have no effect on the City’s rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City’s financial commitments.</p>

ATTACHMENT A

	<p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City's revenues. Incentivizing the Padres to increase event activity at the ballpark has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.</p>
<p>3. "Net Incremental Revenue" shall have the meaning given to this term in ¶ 6.10.3. (JUMA ¶ 1.1.93)</p>	<p>Revising this definition is necessary in order to effect the change to a year-round Net Incremental Revenue split of 70% to the Padres and 30% to the City.</p> <p>1. In the best interest of City? Yes, revising the Net Incremental Revenue split incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City's rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, revising this definition will have no effect on the City's rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City's financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City's revenues. Incentivizing the Padres to increase event activity at the ballpark has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.</p>
<p>4. The definition of "Padres Games and Events" shall be amended to eliminate reference to 70/30 events. (JUMA ¶ 1.1.109)</p>	<p>Revising this definition is necessary in order to effect the change to a year-round Net Incremental Revenue split of 70% to the Padres and 30% to the City. As there is no longer an opt-out provision, the reference to defining 70/30 events that the City opts-out of as "Padres Games and Events" is unnecessary.</p> <p>1. In the best interest of City? Yes, revising the Net Incremental Revenue split incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City's rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, revising this</p>

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	<p>definition will have no effect on the City's rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City's financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City's revenues. Incentivizing the Padres to increase event activity at the ballpark has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.</p>
<p>5. Deleting the definition of "Padres Split Season." (JUMA ¶ 1.1.114)</p>	<p>Deleting this definition is necessary in order to effect the change to a year-round Net Incremental Revenue split of 70% to the Padres and 30% to the City.</p> <p>1. In the best interest of City? Yes, revising the Net Incremental Revenue split incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City's rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, deleting this definition will have no effect on the City's rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City's financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City's revenues. Incentivizing the Padres to increase event activity at the ballpark has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.</p>
<p>6. Changing the ratio of each parties' share of Net Incremental Revenue for Small Events so that 30% goes to the City and 70% goes to the Padres. (JUMA ¶ 6.3.3)</p>	<p>Changing the ratio of each parties' share of Net Incremental Revenue for Small Events is an important part of the proposed changes to the JUMA. As discussed in the body of this Report, a number of local small businesses and civic organizations have expressed a desire for more events to be held at the ballpark during the off-season. Revising the ratio of each parties' share of Net Incremental Revenue removes the current disincentive for the Padres to increase event activity in the off-season.</p> <p>1. In the best interest of City? Yes, changing the ratio of each parties' share of Net Incremental Revenue incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net</p>

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	<p>Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City's rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, changing this ratio will have no effect on the City's rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City's financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City's revenues. Incentivizing the Padres to increase event activity at the ballpark has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.</p>
<p>7. Changing the ratio of each parties' share of Net Incremental Revenue and Net Incremental Loss for Significant Events so that 30% goes to the City and 70% goes to the Padres. (JUMA ¶ 6.3.4)</p>	<p>Changing the ratio of each parties' share of Net Incremental Revenue for Small Events is an important part of the proposed changes to the JUMA. As discussed in the body of this Report, a number of local small businesses and civic organizations have expressed a desire for more events to be held at the ballpark during the off-season. Revising the ratio of each parties' share of Net Incremental Revenue removes the current disincentive for the Padres to increase event activity in the off-season.</p> <p>1. In the best interest of City? Yes, changing the ratio of each parties' share of Net Incremental Revenue incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City's rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, changing this ratio will have no effect on the City's rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City's financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City's revenues. Incentivizing the Padres to increase event activity at the ballpark has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream</p>

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	<p>while protecting the City from any downside risk of loss.</p>
<p>8. Amending the definition of “Small Events.” (JUMA ¶ 6.9.1)</p>	<p>Revising this definition is necessary in order to effect the change to a year-round Net Incremental Revenue split of 70% to the Padres and 30% to the City.</p> <p>1. In the best interest of City? Yes, revising the Net Incremental Revenue split incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City’s rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, revising this definition will have no effect on the City’s rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City’s financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City’s revenues. Incentivizing the Padres to increase event activity at the ballpark has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.</p>
<p>9. Amending the definition of “Significant Events.” (JUMA ¶ 6.9.1)</p>	<p>Revising this definition is necessary in order to effect the change to a year-round Net Incremental Revenue split of 70% to the Padres and 30% to the City.</p> <p>1. In the best interest of City? Yes, revising the Net Incremental Revenue split incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City’s rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, revising this definition will have no effect on the City’s rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City’s financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City’s revenues. Incentivizing the Padres to increase event activity at the ballpark</p>

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	<p>has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.</p>
<p>10. Deleting the City's option to Opt-Out of any Significant Events. (JUMA 6.9.2(d))</p>	<p>Deleting this provision is necessary in order to eliminate the risk of City and taxpayer loss and to effect the new minimum annual payment amount of \$300,000 from the Padres to the City. The changes to the JUMA now entitle the City to at least the minimum annual payment as well as 30% of Net Incremental Revenue over this minimum amount while eliminating the risk of City and taxpayer loss.</p> <p>1. In the best interest of City? Yes, the new minimum annual payment structure ensures a reliable revenue stream for the City while eliminating the risk of City and taxpayer loss. This enables the Padres to take on the risk of expanding its event business without risking taxpayer dollars if the business is ultimately not successful. The City is entitled to 30% of Net Incremental Revenues over this minimum payment.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? Adding the minimum annual payment concept will not decrease the City's rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, deleting this provision will have no effect on the City's rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The new minimum annual payment will have no effect on the City's financial commitments. The concept of a minimum annual payment replaces the previous structure in which the City was required to share in a portion of any losses generated by events (30% of losses during the season and 70% of losses in the off-season), so it will actually decrease the financial commitments of the City.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The new minimum annual payment has the potential to increase the City's revenues. In recent years, the City has received less than \$300,000 as its share of the Net Incremental Revenues from events at the ballpark. The required payment will ensure a reliable revenue stream for the City while still enabling the City to capture a portion of the upside if the business is successful.</p>
<p>11. Deleting the City's option to Opt-Out of any Significant Events. (JUMA ¶ 6.9.6)</p>	<p>Deleting this provision is necessary in order to eliminate the risk of City and taxpayer loss and to effect the new minimum annual payment amount of \$300,000 from the Padres to the City. The changes to the JUMA now entitle the City to at least the minimum annual payment as well as 30% of Net Incremental Revenue over this minimum amount while eliminating the risk of City and taxpayer loss.</p> <p>1. In the best interest of City? Yes, the new minimum annual payment structure ensures a reliable revenue stream for the City while eliminating the risk of City and taxpayer loss. This enables the Padres to take on the risk of expanding its event business without risking taxpayer dollars if the business is ultimately not successful. The City is entitled to 30% of Net Incremental Revenues over this minimum payment.</p> <p>2.a. Not materially decrease rights or increase obligations of City</p>

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	<p>pursuant to MOU? Adding the minimum annual payment concept will not decrease the City’s rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, deleting this provision will have no effect on the City’s rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The new minimum annual payment will have no effect on the City’s financial commitments. The concept of a minimum annual payment replaces the previous structure in which the City was required to share in a portion of any losses generated by events (30% of losses during the season and 70% of losses in the off-season), so it will actually decrease the financial commitments of the City.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The new minimum annual payment has the potential to increase the City’s revenues. In recent years, the City has received less than \$300,000 as its share of the Net Incremental Revenues from events at the ballpark. The required payment will ensure a reliable revenue stream for the City while still enabling the City to capture a portion of the upside if the business is successful.</p>
<p>12. The provision which allows cancellation of Significant Events if both parties timely Opt-Out is deleted. (JUMA6.9.7)</p>	<p>Deleting this provision is necessary in order to eliminate the risk of City and taxpayer loss and to effect the new minimum annual payment amount of \$300,000 from the Padres to the City. The changes to the JUMA now entitle the City to at least the minimum annual payment as well as 30% of Net Incremental Revenue over this minimum amount while eliminating the risk of City and taxpayer loss.</p> <p>1. In the best interest of City? Yes, the new minimum annual payment structure ensures a reliable revenue stream for the City while eliminating the risk of City and taxpayer loss. This enables the Padres to take on the risk of expanding its event business without risking taxpayer dollars if the business is ultimately not successful. The City is entitled to 30% of Net Incremental Revenues over this minimum payment.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? Adding the minimum annual payment concept will not decrease the City’s rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, deleting this provision will have no effect on the City’s rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The new minimum annual payment will have no effect on the City’s financial commitments. The concept of a minimum annual payment replaces the previous structure in which the City was required to share in a portion of any losses generated by events (30% of losses during the season and 70% of losses in the off-season), so it will actually decrease the financial commitments of the City.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The new minimum annual payment has the potential to increase the City’s revenues. In recent years, the City has received less than \$300,000 as its share of the Net Incremental Revenues from events at the ballpark. The required payment will ensure a reliable revenue stream for the City while still enabling the City to capture a portion of</p>

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	the upside if the business is successful.
<p>13. The provision which discusses “City Split Season” and “Padres Split Season” for purposes of the Allocation by Formula is deleted. (JUMA ¶ 6.10.1)</p>	<p>Deleting this provision is necessary in order to effect the change to a year-round Net Incremental Revenue split of 70% to the Padres and 30% to the City.</p> <p>1. In the best interest of City? Yes, as it incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City’s rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, deleting this provision will have no effect on the City’s rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City’s financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City’s revenues. Incentivizing the Padres to increase event activity at the ballpark has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.</p>
<p>14. The provision which provides for allocation of Net Incremental Revenue and Net Incremental Loss for Significant Events and Small Events during the City Split Season is deleted. (JUMA ¶ 6.10.2)</p>	<p>Deleting this provision is necessary in order to effect the change to a year-round Net Incremental Revenue split of 70% to the Padres and 30% to the City.</p> <p>1. In the best interest of City? Yes, as it incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City’s rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, deleting this provision will have no effect on the City’s rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City’s financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City’s revenues. Incentivizing the Padres to increase event activity at the ballpark</p>

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	<p>has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.</p>
<p>15. Changing the Allocation of Net Incremental Revenue and Net Incremental Loss for Significant Events to 30% to City and 70% to Padres, and the allocation of Net Incremental Revenue for Small Events to 30% to City and 70% to Padres year-round. (JUMA ¶ 6.10.3)</p>	<p>Revising this provision is necessary in order to effect the change to a year-round Net Incremental Revenue split of 70% to the Padres and 30% to the City.</p> <p>1. In the best interest of City? Yes, as it incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City's rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, revising this provision will have no effect on the City's rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City's financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City's revenues. Incentivizing the Padres to increase event activity at the ballpark has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.</p>
<p>16. Changing the reporting and payment schedules so that the Padres will now pay City the City's share of the Net Incremental Revenue for Significant Events on April 30 and November 30 of each year. (JUMA ¶ 6.11.1)</p>	<p>This change has already been made to the JUMA. It was approved by the City Manager pursuant to a letter issued on May 10, 2005.</p>
<p>17. Substituting the term "Fiscal Year" for "Split Season" in reference to adjustments after reconciliation for payments to City from Small Events. (JUMA ¶ 6.11.2)</p>	<p>Revising this definition is necessary in order to effect the change to a year-round Net Incremental Revenue split of 70% to the Padres and 30% to the City.</p> <p>1. In the best interest of City? Yes, as it incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not</p>

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	<p>decrease the City's rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, revising this definition will have no effect on the City's rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City's financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City's revenues. Incentivizing the Padres to increase event activity at the ballpark has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.</p>
<p>18. A new section is added, requiring that the aggregate Net Incremental Revenue payment to the City for Significant Events and Small Events shall be no less than \$300,000 (Minimum Annual Payment), adjusted upward at the end of each fiscal year per CPI San Diego-All Urban Consumers. (JUMA ¶ 6.11.4(a))</p>	<p>This section effects the new concept of a minimum annual payment amount of \$300,000 from the Padres to the City. The changes to the JUMA now entitle the City to at least the minimum annual payment as well as 30% of Net Incremental Revenue over this minimum amount, without requiring the City to conduct a risk assessment of each Significant Event.</p> <p>1. In the best interest of City? Yes, the new minimum annual payment structure ensures a reliable revenue stream for the City while eliminating the risk of City and taxpayer loss. This enables the Padres to take on the risk of expanding its event business without risking taxpayer dollars if the business is ultimately not successful. The City is entitled to 30% of Net Incremental Revenues over this minimum payment.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? Adding the minimum annual payment concept will not decrease the City's rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, adding this section will have no effect on the City's rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The new minimum annual payment will have no effect on the City's financial commitments. The concept of a minimum annual payment replaces the previous structure in which the City was required to share in a portion of any losses generated by events (30% of losses during the season and 70% of losses in the off-season), so it will actually decrease the financial commitments of the City.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The new minimum annual payment has the potential to increase the City's revenues. In recent years, the City has received less than \$300,000 as its share of the Net Incremental Revenues from events at the ballpark. The required payment will ensure a reliable revenue stream for the City while still enabling the City to capture a portion of the upside if the business is successful.</p>
<p>19. A new section is added, subject to the Minimum Annual Payment, providing that the Padres may offset its Event Capital Expenditure Credit</p>	<p>Adding this section is necessary to incentivize the Padres to make Capital Expenditures related to its events business that are necessary to increase event activity year-round while not requiring the City to contribute any cash towards such Capital Expenditures, despite the City's right to claim a portion of the</p>

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<p>against the Net Incremental Revenue paid to the City for Significant Events and Small Events. (JUMA ¶ 6.11.4(b))</p>	<p>proceeds from the resulting business.</p> <p>1. In the best interest of City? Yes, the offset of Event Capital Expenditures is in the best interest of the City, as it encourages the Padres to make Capital Expenditures related to its events business that are necessary to increase event activity year-round while not requiring the City to contribute any cash towards such Capital Expenditures, despite the City's right to claim a portion of the proceeds from the resulting business. Also, the City receives 30% of Net Incremental Revenue generated by this business (over the minimum annual payment).</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? Event Capital Expenditures are not addressed in the MOU. The addition of this concept does not affect the City's rights or obligations as all Event Capital Expenditures are required to be paid by the Padres.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? Since the Event Capital Expenditures are obligations of the Padres, the addition of this concept will not have any effect on the City's financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? While the Padres may offset 30% of Event Capital Expenditures against Net Incremental Revenue, the Padres are still required to make the minimum annual payment to the City without the benefit of any offsets. Incentivizing the Padres to make the Capital Expenditures that are necessary to increase event activity year-round is projected to increase Net Incremental Revenue over time.</p>
<p>20. Substituting the term "Fiscal Year" for "Split Season" in reference to report reconciliation rights of the Parties. (JUMA ¶ 6.13)</p>	<p>Revising this definition is necessary in order to effect the change to a year-round Net Incremental Revenue split of 70% to the Padres and 30% to the City.</p> <p>1. In the best interest of City? Yes, as it incentivizes the Padres to hold more events at the ballpark all year, which is projected to result in an increase to total Net Incremental Revenue such that the City receives more revenue under the revised split than it does currently. Increased event activity will bolster businesses around the ballpark during the traditionally slower off-season as more people attend events at the ballpark.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The change in the Net Incremental Revenue split will not decrease the City's rights under the MOU. The MOU does not specifically contemplate a revenue split between the City and the Padres for non-baseball events; that was enacted pursuant to the JUMA. Therefore, revising this definition will have no effect on the City's rights or obligations pursuant to the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? The change in the Net Incremental Revenue split will have no effect on the City's financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The change in the Net Revenue Split has the potential to increase the City's revenues. Incentivizing the Padres to increase event activity at the ballpark has the potential to greatly increase total Net Incremental Revenue, which in turn will result in greater revenues for the City. In addition, the Padres have agreed to a minimum annual payment amount of \$300,000 (adjusted annually</p>

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	for CPI increases), which will guarantee the City a reliable revenue stream while protecting the City from any downside risk of loss.
<p>21. Changing the date upon which the Padres shall submit to City a proposed Capital Expenditure Budget from “on or before March 1” to “on or before October 31” of each year. (JUMA ¶ 7.8.2)</p>	<p>This change has already been made to the JUMA. It was approved by the City Manager pursuant to a letter issued on September 23, 2005.</p>
<p>22. Deleting the words “whether involving a Material Contract or not, and” - concerning those improvements requiring prior written approval of the City. (JUMA ¶ 7.8.2(a))</p>	<p>This change is made to streamline the Capital Expenditure approval process in consideration of the Padres’ agreement to increase Capital Expenditure spending to \$1,000,000 on an average annual basis. The City would still have the right to review and approve the Padres’ overall Capital Expenditure Budget each year.</p> <p>1. In the best interest of City? Yes, the related increase in Capital Expenditures is in the best interest of the City as the ballpark is a City-owned facility, and increased spending on Capital Expenditures will result in a higher quality facility for years to come.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The MOU directs the City to designate all Capital Expenditures with the Padres’ reasonable concurrence. Capital Expenditures will remain subject to the standard Capital Expenditure Budget approval process. Since this is consistent with the MOU, it does not decrease the rights or increase the obligations of the City under the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? Since all Capital Expenditures are obligations of the Padres, the change will not have any effect on the City’s financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? Padres’ spending on Capital Expenditures pursuant to Material Contracts will have no effect on the City’s revenue.</p>
<p>23. Deleting the requirement for prior written approval of the City for improvements involving a Material Contract. (JUMA ¶ 7.8.2(b))</p>	<p>This change is made to streamline the Capital Expenditure approval process in consideration of the Padres’ agreement to increase Capital Expenditure spending to \$1,000,000 on an average annual basis. The City would still have the right to review and approve the Padres’ overall Capital Expenditure Budget each year.</p> <p>1. In the best interest of City? Yes, the related increase in Capital Expenditures is in the best interest of the City as the ballpark is a City-owned facility, and increased spending on Capital Expenditures will result in a higher quality facility for years to come</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The MOU directs the City to designate all Capital Expenditures with the Padres’ reasonable concurrence. Capital Expenditures will remain subject to the standard Capital Expenditure Budget approval process. Since this is consistent with the MOU, it does not decrease the rights or increase the obligations of the City under the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? Since all Capital Expenditures are obligations of the Padres, the change will not have any effect on the City’s financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? Padres’ spending on Capital Expenditures pursuant to Material Contracts will have no</p>

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	effect on the City's revenue.
<p>24. Revising those improvements deemed approved by City to include Material Contracts and interior, exterior, structural and non-structural work. (JUMA ¶ 7.8.2(c))</p>	<p>This change is made to streamline the Capital Expenditure approval process in consideration of the Padres' agreement to increase Capital Expenditure spending to \$1,000,000 on an average annual basis. The City would still have the right to review and approve the Padres' overall Capital Expenditure Budget each year.</p> <p>1. In the best interest of City? Yes, the related increase in Capital Expenditures is in the best interest of the City as the ballpark is a City-owned facility, and increased spending on Capital Expenditures will result in a higher quality facility for years to come</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The MOU directs the City to designate all Capital Expenditures with the Padres' reasonable concurrence. Capital Expenditures will remain subject to the standard Capital Expenditure Budget approval process. Since this is consistent with the MOU, it does not decrease the rights or increase the obligations of the City under the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? Since all Capital Expenditures are obligations of the Padres, the change will not have any effect on the City's financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? Padres' spending on Capital Expenditures pursuant to Material Contracts will have no effect on the City's revenue.</p>
<p>25. Deleting wording which gives discretion to the City Manager whether to advance funds from the Capital Expenditure Reserve Fund for items in the Capital Expenditure Budget approved by City or deemed approved. (JUMA ¶ 7.8.4)</p>	<p>As a result of the Padres' increased commitment to spend at least \$1,000,000 per year in Capital Expenditures, the concept of depositing at least \$250,000 in the Capital Reserve Fund has been deleted, and there is no need to for the City Manager to approve advancing of funds. The Capital Reserve Fund will be maintained with no less than \$500,000 in it.</p> <p>1. In the best interest of City? Yes, the increase in Capital Expenditures is in the best interest of the City, as the ballpark is a City-owned facility, and increased spending on Capital Expenditures will result in a higher quality facility for years to come. Removal of the requirement to continue to make deposits into the Capital Reserve Fund has no effect on the Padres' continuing obligation.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The City Manager's discretion to advance funds from the Capital Reserve Fund is not specifically contemplated by the MOU. Therefore, removing this provision will have no impact on the City's rights or obligations under the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? Since the Padres have had the financial obligation to make deposits into the Capital Reserve Fund, this does not impact the City's financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? The Padres' deposits into the Capital Reserve Fund will not decrease revenue to the City. Due to the Padres' increased commitment to Capital Expenditures, revenues to the City may actually increase as a result of a stronger events business and a high quality facility.</p>
<p>26. Revising the example of an "Approved Capital Expenditure</p>	<p>This change is made to streamline the Capital Expenditure approval process in consideration of the Padres' agreement to increase Capital Expenditure</p>

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<p>Budget” to reflect new category of improvements deemed approved by ¶ 7.8.2(c). (JUMA ¶ 7.8.7)</p>	<p>spending to \$1,000,000 on an average annual basis. The City would still have the right to review and approve the Padres’ overall Capital Expenditure Budget each year.</p> <p>1. In the best interest of City? Yes, the related increase in Capital Expenditures is in the best interest of the City as the ballpark is a City-owned facility, and increased spending on Capital Expenditures will result in a higher quality facility for years to come.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The approval process for Capital Expenditures is not specifically mentioned in the MOU. Therefore changing the process by including a new category of improvements deemed amended does not decrease rights or increase obligations of the City under the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? Since all Capital Expenditures are obligations of the Padres, the change will not have any effect on the City’s financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? Padres’ spending on Capital Expenditures pursuant to these new categories of improvements that are deemed approved will have no effect on the City’s revenue.</p>
<p>27. Revising the definition of “Approved Capital Expenditure” to reflect new category of improvements requiring prior City approval by ¶ 7.8.2(a) and deemed approved by ¶ 7.8.2(c). (JUMA ¶ 7.8.8)</p>	<p>This change is made to streamline the Capital Expenditure approval process in consideration of the Padres’ agreement to increase Capital Expenditure spending to \$1,000,000 on an average annual basis. The City would still have the right to review and approve the Padres’ overall Capital Expenditure Budget each year.</p> <p>1. In the best interest of City? Yes, the related increase in Capital Expenditures is in the best interest of the City, as the ballpark is a City-owned facility, and increased spending on Capital Expenditures will result in a higher quality facility for years to come.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? The approval process for Capital Expenditures is not specifically mentioned in the MOU. Therefore changing the process by including a new category of improvements deemed amended does not decrease rights or increase obligations of the City under the MOU.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? Since all Capital Expenditures are obligations of the Padres, the change will not have any effect on the City’s financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? Padres’ spending on Capital Expenditures pursuant to these new categories of improvements that are deemed approved will have no effect on the City’s revenue.</p>
<p>28. Adding a new Event Capital Expenditures section which defines an “Event Capital Expenditure Credit” and its offset from the amount of Net Incremental Revenue paid to the City. (JUMA ¶ 7.22)</p>	<p>Adding this section is necessary in order to effect the change to the Padres’ Capital Expenditure obligations. Currently, the Padres are required to contribute \$250,000 annually to the Capital Expenditure Reserve Fund. This fund could then be used by the Padres to pay for approved Capital Expenditures. The Padres will no longer be required to make contributions to the Capital Expenditure Reserve Fund, but will be required to spend at least \$1,000,000 per year on Capital Expenditures. In addition, to incentivize the Padres to make Capital Expenditures that are necessary to increase event activity year-round while not requiring the City to contribute any cash towards</p>

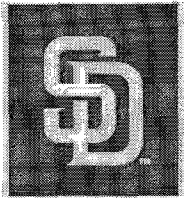
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	<p>such Capital Expenditures, despite the City's right to claim a portion of the proceeds from the resulting business.</p> <p>1. In the best interest of City? Yes, the offset of Event Capital Expenditures is in the best interest of the City, as it encourages the Padres to make Capital Expenditures related to its events business that will support an increase in event activity year-round while not requiring the City to make any direct investment toward such Capital Expenditures. However, the City's will benefit from the acceleration of increased event activity including 30% of Net Incremental Revenue generated by this business (over the minimum annual payment) as well as any additional tax revenue from increased TOT or enhanced sales tax from area businesses.</p> <p>2.a. Not materially decrease rights or increase obligations of City pursuant to MOU? Event Capital Expenditures are not addressed in the MOU. The addition of this concept does not affect the City's rights or obligations as all Event Capital Expenditures are required to be paid by the Padres.</p> <p>2.b. Not materially increase the financial commitments of City pursuant to the MOU? Since the Event Capital Expenditures are obligations of the Padres, the addition of this concept will not have any effect on the City's financial commitments.</p> <p>2.c. Not materially decrease revenue to City pursuant to MOU? While the Padres may offset 30% of Event Capital Expenditures against Net Incremental Revenue, the Padres are still required to make the minimum annual payment to the City without the benefit of any offsets. Incentivizing the Padres to make the Capital Expenditures that are necessary to increase event activity year-round is projected to increase Net Incremental Revenue over time.</p>
<p>29. Amending the section requiring deposits in to the Capital Reserve Fund so that now neither party shall make deposits into the Capital Expenditure Reserve Fund beginning FY 2013, but the Padres shall make Capital Expenditures of not less than \$1,000,000 per year. (JUMA ¶ 8.7.1)</p>	<p>As a result of the Padres' increased commitment to spend at least \$1,000,000 per year in Capital Expenditures, the concept of depositing at least \$250,000 in the Capital Reserve Fund has been deleted. The Capital Reserve Fund will be maintained with a balance of no less than \$500,000. As before, the Capital Reserve Fund shall revert to the Padres at the conclusion of the term of its tenancy in the ballpark.</p> <p>The Capital Expenditure Reserve Fund is specifically contemplated by the MOU, so per the City Attorney's reasoning, removing the Padres' obligation to continue to make deposits constitutes an amendment of the MOU. However, per Section 3 of the MOU, this amendment is permitted without public vote if it meets the criteria below:</p> <p>1. In the best interest of City? Yes, the increase in Capital Expenditures is in the best interest of the City, as the ballpark is a City-owned facility, and increased spending on Capital Expenditures will result in a higher quality facility for years to come. Removal of the requirement to continue to make deposits into the Capital Reserve Fund has no effect on the Padres' continuing obligations with respect to Capital Expenditures.</p> <p>2.a. Not materially decrease rights or increase obligations of City? Under the MOU, one party is required to make deposits of \$250,000 annually into the Capital Reserve Fund. The Padres have been making these deposits since before the ballpark opened. For the Padres to cease these deposits would have no effect on the City's rights or obligations under the MOU.</p> <p>2.b. Not materially increase the financial commitments of City? Since the</p>

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Padres have had the financial obligation to make deposits into the Capital Reserve Fund, this does not impact the City's financial commitments.

2.c. Not materially decrease revenue to City? The Padres' deposits into the Capital Reserve Fund will not decrease revenue to the City. Due to the Padres' increased commitment to Capital Expenditures, revenues to the City may actually increase as a result of a more vibrant and consistent events activities and a ongoing investment into the facility.



Event Expenses not Chargeable Against Gross Revenue

Padres Excluded Expenses – Average Estimate for Large Concert, Soccer or Rugby Match

Overhead or other Expense Category	Amount
Sales/Service Salary	\$55,500
Brand/PR/Communications Salary	\$44,250
Operations Salary	\$20,100
Senior Executives Salary	\$19,500
Legal/Finance Salary	\$11,375
Sponsorship Salary	\$9,225
<u>Other Overhead/Expenses</u>	<u>\$41,300</u>
TOTAL	\$201,250

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**PETCO PARK NON-BASEBALL EVENT NET REVENUE
SEVEN YEAR ANALYSIS**

YEAR	EVENT	In-Season		Off Season		Totals
		City 30%	Padres 70%	City 70%	Padres 30%	
2005						
(Oct 04 - Sept 05)	Soccer			\$ 209,385	\$ 89,736	\$ 299,121
	General	\$ 116,974	\$ 272,939	\$ 208,910	\$ 89,533	\$ 688,356
		\$ 116,974	\$ 272,939	\$ 418,295	\$ 179,269	\$ 987,477
				2005 City		\$ 535,269
				2005 Padres		\$ 452,208
2006						
(Oct 05 - Sept 06)	Rolling Stones			\$ 583,893	\$ 250,240	\$ 834,133
	General	\$ 13,088	\$ 30,538	\$ 73,422	\$ 31,466	\$ 148,513
		\$ 13,088	\$ 30,538	\$ 657,315	\$ 281,706	\$ 982,647
				2006 City		\$ 670,402
				2006 Padres		\$ 312,244
2007						
(Oct 06-Sept 07)	Rugby			\$ 352,718	\$ 151,165	\$ 503,882
	General	\$ 37,059	\$ 86,471	\$ 349,053	\$ 148,704	\$ 621,287
		\$ 37,059	\$ 86,471	\$ 701,771	\$ 299,869	\$ 1,125,169
				2007 City		\$ 738,829
				2007 Padres		\$ 386,340
2008						
(Oct 07-Sept 08)	Rugby			\$ 520,444	\$ 223,047	\$ 743,491
	General	\$ 110,467	\$ 234,745	\$ 86,340	\$ 37,003	\$ 468,554
		\$ 110,467	\$ 234,745	\$ 606,783	\$ 260,050	\$ 1,212,045
				2008 City		\$ 717,250
				2008 Padres		\$ 494,795
2009						
(Oct 08-Sept 09)	Rugby			\$ 516,900	\$ 221,528	\$ 738,428
	Madonna			\$ 526,808	\$ 225,775	\$ 752,583
	General	\$ 46,420	\$ 108,314	\$ 246,178	\$ 131,116	\$ 532,029
		\$ 46,420	\$ 108,314	\$ 1,289,886	\$ 578,420	\$ 2,023,039
				2009 City		\$ 1,336,306
				2009 Padres		\$ 686,734
2010						
(Oct 09-Sept 10)	Soccer	\$ 19,399	\$ 45,264			\$ 64,663
	General	\$ 79,970	\$ 196,992	\$ (4,456)	\$ (1,337)	\$ 271,170
		\$ 99,368	\$ 242,256	\$ (4,456)	\$ (1,337)	\$ 335,832
				2010 City		\$ 94,913
				2010 Padres		\$ 240,919
2011						
(Oct 10-Sept 11)	Rescheduled Events*			Actual \$ 141,167	\$ 60,501	\$ 201,668
	General	\$ 162,000	\$ 530,401	\$ 77,476	\$ 33,203	\$ 803,080
		\$ 162,000	\$ 530,401	\$ 218,643	\$ 93,704	\$ 1,004,748
				2011 City		\$ 380,643
				2011 Padres		\$ 624,105

*The Cox and ASA events were scheduled for In-Season, but were moved to October to accommodate potential post-season games

2005-2011 Net Revenue (Excluding High & Low Years)	Total	Average Annual	30% of Average
	\$ 5,312,085	\$ 1,062,417	\$ 318,725