

### User Pay

A facility fee could be used to service the debt for a portion of the City commitment to the project. This facility fee could be similar to the ticket surcharge at Rexall Place. The existing surcharge revenues contribute to the successful financial operations. The facility fee could be used to service the debt on the initial capital and once that debt is retired be used for on-going capital needs.

Based on analysis up to \$125 million in debt could be supported with the annual revenues generated by a user fee of this type. A facility fee of \$5-\$6 on tickets over \$25 and \$2 on tickets under \$25 could generate annually facility revenues that could service \$125 million in debt, at 4.5% borrowing, over a 25 year period. Approximately 1.7 million total attendees for all events would be required to achieve these revenues.

### Facility Fee Revenue and Debt Support

#### Debt Support

Capital	\$	125,000,000	
Financing Rate		4.50%	
Term (years)		25	
Annual Debt Service Cost	\$	<b>8,379,590</b>	

#### Facility Fee

Attendance >\$25		1,534,100	
Attendance < \$25		173,800	
Facility Fee > \$25	\$	5.25	\$ 8,054,025
Facility Fee < \$25	\$	2	\$ 347,600
Facility Fee Revenue			<b>\$ 8,401,625</b>

The most significant risk of this funding mechanism is the attendance. As this is entirely user fee and attendance driven, the operator must be able to attract the number and quality of events in order to achieve the target. A shortfall may result in a need to increase the fee, which can then have a negative impact on attendance. A benefit of this approach is that the user fee could be adjusted to compensate for any shortfall in the revenue generated from the CRL.

### Seat Licensing

Any seat licensing consideration would require a significant understanding of the market in order to determine its potential for success. The perception of Administration is that a market may not exist to make this a significant contributor

to one time capital funding. There currently is no plan to license a portion of the seating or incremental seats in a new arena. If the perception of the market changes, however, Administration would ensure through formal agreements with the Katz Group that there would be an appropriate sharing of revenues.