

3/24/20

Item #3

# Santa Clara Stadium Authority

Proposed Santa Clara Stadium Authority Fiscal Year  
2020/21 Budget, Stadium Operation and Maintenance  
Plan, and 2020 Marketing Plan  
Item #3 (20-429)

March 24, 2020



## Agenda

1. Standard of Care
2. Budget Development Schedule
3. Update from March 5<sup>th</sup> Study Session
4. Stadium Authority Operating Budget
5. Stadium Authority Debt Budget
6. Stadium Authority Capital Budget
7. 2020 Marketing Plan
8. FY 2020/21 Stadium Operations Management Plan (SOMP)
9. Conclusion
10. Alternatives
11. Recommendations

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**POST MEETING MATERIAL**

## Standard of Care

- Prudent, commercially reasonable good faith efforts in managing
- Quality NFL and multi-purpose public sports, public assembly, exhibit and entertainment facility, to a standard of quality comparable to other similar facilities
- Control Manager Operating Expenses
- Maximize Operating Revenues

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## FY 2020/21 Budget Development

<b>November 2019</b>	Stadium Authority staff met with ManCo to discuss the annual budget plan which included dates that ManCo would provide all documents. At that meeting, it was expressed ManCo would follow the due dates outlined in the Stadium Agreements
<b>February 2020</b>	<p>At least 45 days prior to the start of the fiscal year (February 15) ManCo provided the required documents per the Stadium Agreements:</p> <ul style="list-style-type: none"> <li>• Stadium Operations and Management Plan</li> <li>• Annual Shared Expense Budget with Five Year Projection</li> <li>• Annual Stadium Authority Operations Budget</li> <li>• Annual Public Safety Budget</li> <li>• Capital Expenditure Plan with Five Year Projection</li> <li>• Non-NFL Event Marketing Plan</li> <li>• Public Safety Document Updates</li> </ul>
<b>Mid-February to March 2020</b>	Staff analyzed ManCo's budget submission. A list of questions and a request for additional details were submitted to ManCo on February 25 and March 9. ManCo submitted responses on March 11 and 18.
<b>March 2, 2020 March 5, 2020</b>	<ul style="list-style-type: none"> <li>• Release of Proposed FY 2020/21 Operating, Debt Service, and Capital Budget</li> <li>• Study Session to receive Board and public input on the SCSA's proposed budget</li> </ul>
<b>March 24, 2020</b>	Public Hearing to approve the SCSA Proposed Fiscal Year 2020/21 Operating, Debt Service, and Capital Budget and Approve the Stadium Operations Management Plan; approve revised Stadium Authority Budget Policy, and take action on 2020 Marketing Plan

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## **FY 2020/21 Budget Development (Cont.)**

- **Executive Director's Transmittal Letter**
- **Organizational Chart**
- **General Information**
- **Year in Review for both NFL and Non-NFL events**
- **Operating Budget (Accrual Basis)**
  - Stadium Authority General and Administrative Budget
  - Stadium Manager Shared Expenses and 5 Year Forecast
- **Debt Service Budget**
- **Capital Budget**
  - Capital Expenditure Plan – 5 Year Forecast
- **Stadium Authority Work Plan**

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## **FY 2020/21 Budget Development (Cont.)**

### **Attachments:**

1. Proposed Santa Clara Stadium Authority Fiscal Year 2020-21 Operating, Debt Service, and Capital Budget
2. March 5, 2020 Proposed Santa Clara Stadium Authority Fiscal Year 2020-21 Operating, Debt Service, and Capital Budget and Staff Presentation
3. March 5, 2020 Draft 2020 Non-NFL Events Marketing Plan for Levi Stadium and Staff Presentation
4. Annual Public Safety Budget
5. Revised Stadium Authority Budget Policy
6. Stadium Authority Compliance and Management Policy
7. February 25, 2020 Stadium Authority Budget Submittal Questions and Management Co Responses to Questions
8. Stadium Authority Responses to March 5, 2020 Budget Study Session/Public Questions
9. 2020 Marketing Plan Questions and Responses

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# Update from March 5 Study Session

**Board Direction:** return with options available to the Board regarding the Stadium budget

The Stadium Authority Board is a **legislative body with the legal authority to approve its budget**. The Stadium Lease creates certain debt repayment obligations which includes the marketing of SBL's and use of other revenue to make scheduled debt repayment obligations. The Board should approve those elements of the Budget that will continue these payment obligations.

**The Non-NFL elements of the budget are within the Board's ultimate discretion about what to approve or not to approve.** The Board has the discretion not to approve expenses that will not generate revenue. The Board may consider specific elements of expenses to disapprove based upon the facts before it. In addition, the Board may consider the effects of the current pandemic on whether its should be making public expenditures for events that most likely will not occur.

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# Update from March 5 Study Session

## Santa Clara Stadium Authority Operating Budget Summary

	2019/20 Final Budget	Study Session 2020/21 Proposed Budget	ManCo	SCSA
			Revised Submission 2020/21 Proposed Budget	Recommended 2020/21 Proposed Budget
<b>Revenues</b>				
NFL Ticket Surcharge	\$ 8,142,000	\$ 8,665,000	\$ 8,665,000	\$ 8,665,000
Stadium Builder License (SBL) Proceeds	25,416,000	24,213,000	24,213,000	24,213,000
Net Revenues from Non-NFL Events	5,796,000	-	1,500,000	1,500,000
Naming Rights	6,754,000	6,957,000	6,957,000	6,957,000
Rent	24,762,000	24,762,000	24,762,000	24,762,000
Other Revenues	2,745,000	2,130,000	2,090,000	2,090,000
<b>Total Revenues</b>	<b>\$ 73,615,000</b>	<b>\$ 66,727,000</b>	<b>\$ 68,187,000</b>	<b>\$ 68,187,000</b>
<b>Expenses</b>				
<b>Shared Stadium Manager Expenses<sup>2)</sup></b>				
Shared Stadium Manager Expenses <sup>(1)</sup>	\$ 11,904,000	\$ 12,132,000	\$ 12,276,000	\$ 3,045,000
SBL Sales and Service	2,221,000	3,610,000	3,610,000	3,610,000
Performance Rent (paid to City)	2,721,000	-	555,000	555,000
Utilities	1,551,000	1,597,000	1,597,000	1,597,000
Stadium Authority Staff and Contracts	2,480,000	4,851,000	4,581,000	4,581,000
Legal Contingency	-	-	-	9,231,000
Transfers Out - Capital Improvement Program	3,478,000	3,582,000	3,582,000	3,582,000
Transfers Out - Debt Service	47,795,000	38,234,000	39,265,000	39,265,000
Other Expenses	1,465,000	2,721,000	2,721,000	2,721,000
<b>Total Expenses</b>	<b>\$ 73,615,000</b>	<b>\$ 66,727,000</b>	<b>\$ 68,187,000</b>	<b>\$ 68,187,000</b>

<sup>(1)</sup> Stadium operations, engineering, guest services, groundskeeping, security, insurance, Stadium Management Fee  
The 2020/21 SCSA Recommended Budget of \$3,045,000 is for insurance costs only.

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## **Update from March 5 Study Session**

### **Key Changes - Shared Expenses**

- ManagementCo revised the budget from \$12.13 million to \$12.28 million to reflect higher Stadium operations and guest services costs
- The recommended funding level is \$3.05 million for insurance costs only, with the balance of \$9.23 million set aside in a Legal Contingency
- Given the impact of coronavirus on events, staff will return with budget adjustments if events are scheduled, provided that sufficient backup documentation is submitted

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## **Update from March 5 Study Session**

### **Other Key Changes**

- While no estimate was available for March 5<sup>th</sup>, there is a loss of \$1.7 million to \$2.0 million projected for FY 2019/20 the FY 2020/21 revenue estimate is revised from "TBD" to \$1.5 million
- Based on \$1.5 million net revenue, performance rent has been revised from \$0 to \$555,000 in FY 2020/21. This was provided before orders regarding COVID-19 were fully known; will likely impact these figures.
- The Stadium Authority did not receive back-up of gross revenues and expenditures or projected events that would support this amount
- Financial Management System Project (\$283,500) has been moved from the Operating Budget to the Capital Budget, subject to subsequent court rulings on cost allocation

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## Stadium Authority Budget Flowchart



Note: The \$13.7 million difference between the Operating Budget and the Total Budget includes capital projects funded by beginning fund balance (\$9.7 million) and debt service funded by the CFD (\$4.0 million).

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## FY 2020/21 Operating Budget Revenues

NFL Ticket Surcharge	\$ 8,665,000
SBL Proceeds	24,213,000
Interest	896,000
Net Non-NFL Event Revenue*	1,500,000
Naming Rights	6,957,000
Sponsorship Revenue (STR)	392,000
Rent	24,762,000
Senior & Youth Program Fees	230,000
Non-NFL Event Ticket Surcharge	572,000
<b>Total Revenues</b>	<b>\$68,187,000</b>

\* Revised from TBD to \$1.5m; before COVID-19 orders were known

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## FY 2020/21 Operating Budget Expenses

Shared Stadium Manager Expenses	\$3,045,000	
Legal Contingency	9,231,000	
SBL Sales and Service	3,610,000	
Senior and Youth Program Fees	230,000	←
Ground Rent	390,000	←
Performance Rent	555,000	←
Discretionary Fund Expense	250,000	
Utilities	1,597,000	
Use of StadCo Tenant Improvements	73,000	
Stadium Authority General & Administrative	4,581,000	
Naming Rights Commission	30,000	
Other Expenses	1,400,000	
Transfers Out	42,847,000	
Contribution to Operating Reserve	348,000	
<b>Total Expenses</b>	<b>\$68,187,000</b>	

Paid to  
the  
City's  
General  
Fund

## Santa Clara Stadium Authority Performance Rent Calculation

FY 2020/21 Performance Rent Calculation	Budget
Ground Rent	\$390,000
Net Non-NFL Event Revenue	<b>1,500,000</b>
50% of Net Non-NFL Revenue	750,000
Performance Rent Credit (50% of Ground Rent)	(195,000)
Total Performance Rent paid to the City of Santa Clara	<b>\$555,000</b>

## Santa Clara Stadium Authority Performance Rent Calculation (cont.)

### Historical Value of Non-NFL Events by Fiscal Year and Event Category

EVENT TYPE	2014/15		2015/16		2016/17		2017/18		2018/19	
	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue
Ticketed Events										
Concerts	0	\$ -	7	\$3,791,985	4	\$2,424,572	2	\$1,819,099	3	\$ 1,438,848
Sporting events:										
Football (non-NFL)	5	(3,007,907)	4	(2,316,903)	4	(2,946,165)	4	(3,601,827)	4	(3,437,297)
Soccer	2	3,948,144	2	891,300	5	2,414,209	3	3,228,754	3	(267,981)
Miscellaneous events	2	2,504,912	4	(149,392)	5	(159,175)	4	76,379	2	(67,502)
Subtotal Ticketed Events	9	\$3,445,149	17	\$2,216,989	18	\$1,733,441	13	\$1,522,405	12	\$ (2,333,932)
Special Events (weddings, corporate events, etc.)	186	\$1,762,404	204	\$3,862,027	127	\$3,583,453	113	\$3,640,924	100	\$ 2,352,523
<b>Total Non-NFL Net Revenue</b>	<b>195</b>	<b>\$5,207,553</b>	<b>221</b>	<b>\$6,079,016</b>	<b>145</b>	<b>\$5,316,894</b>	<b>126</b>	<b>\$5,163,329</b>	<b>112</b>	<b>\$ 18,591</b>
<b>Total Performance Rent paid to the General Fund</b>		<b>\$2,513,777</b>		<b>\$2,932,008</b>		<b>\$2,533,447</b>		<b>\$2,439,164</b>		<b>\$ -</b>

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## Santa Clara Stadium Authority FY 2020/21 Debt Service

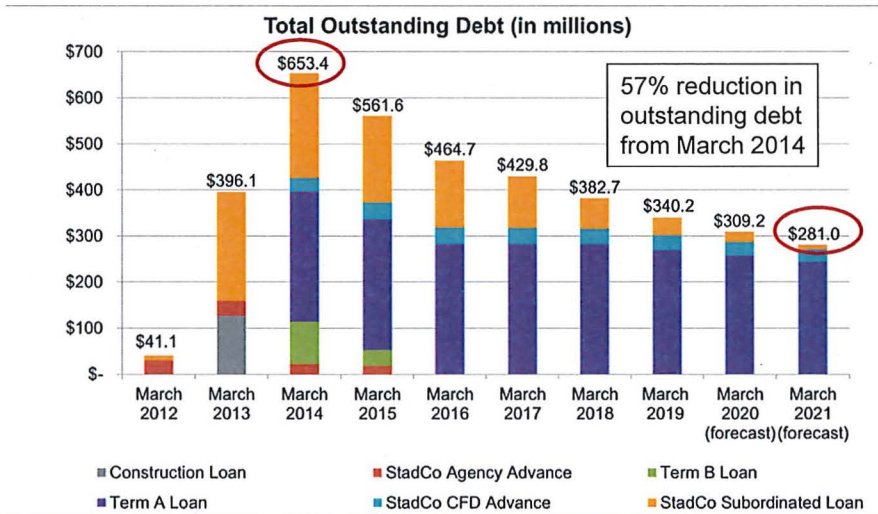
Debt Type	Budget
CFD Advance	\$3,989,000
Term A Loan	25,562,000
StadCo Subloan	13,742,000
<b>Total</b>	<b>\$43,293,000</b>

- Debt Service amount of \$43.3 million includes Principal (\$28.2M) and Interest Payments (\$15.1M)
- Total Outstanding Debt is projected to decrease by \$28.2 million (principal payments) from \$309.2 million to \$281.0 million

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## Santa Clara Stadium Authority FY 2020/21 Debt Service (cont.)



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## Santa Clara Stadium Authority FY 2020/21 Capital Budget

**Total Capital Budget of \$13.3 million**

- **Stadium Improvements - \$11.8 million**
  - **New Projects (\$5.3 million)**
    - Construction (\$3.0 million): signage replacement, security cameras, pedestrian safety fencing, wayfinding signage, security access control, CCTV pop-up trailers
    - Equipment (\$2.3 million): public safety/life safety (\$1.4 million), Financial Management System (\$283,500), and other (\$578,000)
  - **Carryover Projects (\$6.5 million)**
    - Construction (\$2.0 million): women's locker room, parking lot asphalt, signage
    - Equipment (\$4.5 million): public safety/life safety (\$1.7 million), other (\$2.8 million)
- **Stadium Warranty-Related Construction - \$1.5 million**
  - Part of the original Stadium Development/Construction Budget

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# Santa Clara Stadium Authority FY 2020/21 Capital Budget (cont.)

## Santa Clara Stadium Authority Capital Expense Plan Summary - 5 Year Forecast

	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
Electrical	\$ -	\$ -	750,000	1,250,000	1,475,000
General Building	900,000	1,352,000	600,000	1,050,000	3,125,000
Plumbing	300,000	150,000	-	-	460,000
Public Safety	121,416	-	-	-	-
Security	1,290,000	150,000	-	-	1,110,000
Site	225,000	400,000	-	150,000	575,000
<b>Subtotal CapEx Construction Costs</b>	<b>\$ 2,836,416</b>	<b>\$ 2,062,000</b>	<b>\$ 1,350,000</b>	<b>\$ 2,450,000</b>	<b>\$ 6,745,000</b>
Audio/Visual	\$ -	\$ -	600,000	-	650,000
FF&E	-	30,000	-	30,000	31,669
Food & Beverage	250,000	-	-	-	200,000
HVAC/Mechanical	300,000	150,000	-	75,000	1,060,000
Information Technology	270,000	-	-	-	-
Life Safety/Fire	450,000	50,000	-	-	135,000
Public Safety Equipment	938,523	115,000	517,500	140,000	100,000
Vertical Support	-	-	-	-	1,000,000
<b>Subtotal CapEx Equipment Costs</b>	<b>\$ 2,208,523</b>	<b>\$ 345,000</b>	<b>\$ 1,117,500</b>	<b>\$ 245,000</b>	<b>\$ 3,176,669</b>
Contingency (5%)	252,248	119,850	123,375	134,750	496,083
<b>Total CapEx Project Costs</b>	<b>\$ 5,297,187</b>	<b>\$ 2,516,850</b>	<b>\$ 2,690,875</b>	<b>\$ 2,829,760</b>	<b>\$ 10,417,762</b>

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## 2020 Marketing Plan

- Stadium Authority Board and Staff posed many questions on the budget and Marketing Plan (Attachments 7, 8, and 9)
- On March 13, 2020, Stadium Manager submitted last year's response (for the 2019 Marketing Plan) for the 2020 Marketing Plan (Attachment 9)
- Stadium Manager is non-responsive to the Board's 2020 Marketing Plan questions nor has it explained how their practices are commercially reasonable

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## **FY 2020/21 Stadium Operations Management Plan (SOMP)**

- Required by the Agreement
- Dropped off to Stadium Authority Staff without notice in February
- Under review by Police and Fire Departments and we will return on March 31 for Board action

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## **Conclusion**

- Provides a level of funding to operate the stadium (operating, debt, capital) with adjustments to Shared Expenses to be brought forward during the year
- Shared Expenses budget of \$3 million covers insurance costs only; given the impact of coronavirus on events, staff will return with budget adjustments if events are scheduled, provided that sufficient backup documentation is submitted
- Legal Contingency available to cover budget adjustments for Shared Expenses
- Non-NFL Event Net Performance: now projects a loss of \$2.0 million in FY 2019/20 and a gain of \$1.5 million in FY 2020/21
- Maintains required reserves for operating, discretionary, and capital funds
- Maintains debt service commitments and identifies anticipated excess revenue that can be used toward debt
- Invests in strategic capital expenditures

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## **Conclusion**

- 2020 Marketing Plan not recommended for approval (no discussion of “turnaround” strategy to improve performance and demonstrate ability to profitably operate the facility)
- Proposed changes to Stadium Authority Budget Policy (added language regarding funding requirements (Section 4.6) and the Standard of Care (Section 2.9) included in the Stadium Authority Management Agreement, described budgetary appropriation control for expenditures at the fund level, and modified the language to clarify the ManCo budget submittal date of 45 days prior to the upcoming budget)
- Continued legal challenges associated with ManCo; the submission of the budget does not indicate a change in the Board’s position
- The Stadium Authority Board as the legislative body having full authority, under the law, is to set its budget

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## **Alternatives**

1. Adopt the Santa Clara Stadium Authority Fiscal Year 2020/21 Operating, Debt Service, and Capital Budget, including funding Shared Stadium Manager Expenses at \$3,045,000 and a Legal Contingency at \$9,231,000.
2. Adopt the Santa Clara Stadium Authority Fiscal Year 2020/21 Operating, Debt Service, and Capital Budget as submitted by ManagementCo, including funding Shared Stadium Manager Expenses at \$12,276,000.
3. Direction to staff to return on March 31, 2020 with the Stadium Operations Management Plan (SOMP)
4. Approve the revised Stadium Authority Budget Policy.
5. Take No Action on the 2020 Marketing Plan
6. Take any other Action the Board deems appropriate.

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## Recommendations

Alternatives 1, 3, 4, and 5:

1. Adopt the Santa Clara Stadium Authority Fiscal Year 2020/21 Operating, Debt Service, and Capital Budget, including funding Shared Stadium Manager Expenses at \$3,045,000 and a Legal Contingency at \$9,231,000;
3. Direction to staff to return on March 31, 2020 with the Stadium Operations Management Plan (SOMP)
4. Approve the revised Stadium Authority Budget Policy; and,
5. Take No Action on the 2020 Marketing Plan

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