

Attachment 7

Stadium Authority Budget
Submittal Questions and
ManagementCo Responses to
Questions



Questions for the Stadium Manager in reference to the 2021/22 SCSA Budget

Per Article 4 of the Management Agreement, RECORDS, ACCOUNTS, BUDGETS AND REPORTS, Section 4.6 states that the Stadium Manager will prepare an annual operating budget for the Stadium for each Fiscal Year (the “Stadium Operations Budget”) to meet the scope of services and objectives under this Agreement; such Stadium Operations Budget may include such other information as may be requested by StadCo and the Stadium Authority.

As a result of the City’s revocation of the Executive Director’s authority to procure goods and services on behalf of the SCSA, as of November 8, 2019, the Stadium Manager must now seek approval from the Board and demonstrate that the Stadium Manager has properly and legally procured goods and services before Stadium Authority contracts may be executed.

Note: SCSA may ask additional questions once the information requested below is provided.

Facility Rent

- StadCo’s FY2021/22 budget is in accordance with the rent reset. SCSA does not have any questions.
- StadCo’s FY2020/21 projection is \$17.33 million. The SCSA has received \$17,884,000 to date.

- 1. Please provide a written request with how StadCo prefers to handle the overage.**

Stadium Manager:

As noted on the SCSA Annual Budget submission, the projected actuals are based on forecasted waterfall activity. From an accrual perspective, you may have booked and received \$17.884M, but from a cash perspective (i.e. waterfall activity) you have only received \$17.33M for FY 2020/21 Facility Rent.

Your note above lists that these projections and proposed budget are from StadCo. We assume you mean Stadium Manager.

- 2. Have any federal relief funds been received?**



Stadium Manager:

No federal relief funds have been received by the Stadium Manager.

NFL Ticket Surcharge (10% of NFL Ticket Revenue)

NFL Ticket Surcharge			
	2019/20	2020/21	2021/22
SCSA Final Budget	\$ 8,412,291	\$ 8,665,000	
SCSA Actuals/Projections	\$ 8,412,291	\$ -	
StadCo Projection		\$ -	
StadCo Proposed Budget			\$ 8,665,000

- All FY2020/21 NFL Games have been completed with total surcharge of \$0. SCSA does not have any questions.
- The FY2021/22 budget assumes all games will occur with full attendance.

3. Please provide an alternate scenario/projection given the pace of the COVID-19 vaccine rollout.

Stadium Manager:

We recommend a 2021 budget that assumes 100% fans. As we gain more clarity on the Covid-19 situation, we can use the budget amendment process called for in the Stadium documents.

However, we would be happy to provide an alternate scenario/projection for you. Please provide the attendance assumptions you would like us to use for this projection. We will provide this on a confidential reply document.

Your table above shows that these projections and proposed budget are from StadCo. We assume you mean Stadium Manager.

Stadium Builder License (SBL) Receivables

SBL Receivables			
	2019/20	2020/21	2021/22
SCSA Final Budget	\$ 25,416,000	\$ 24,213,000	
SCSA Actuals/Projections	\$ 26,245,536		
StadCo Projection		\$ 23,512,000	
StadCo Proposed Budget			\$ 23,682,000

- StadCo’s FY2020/21 projection is \$23,512,000.

- 4. The SCSA has received \$9.9 million to date leaving \$13.5 million to be collected prior to the end of the year to meet the provided projection. Please provide the assumptions and details behind this projection and any potential impacts from the current COVID-19 pandemic.

Stadium Manager:

Please see the response in the confidential document.

- StadCo’s FY2021/22 proposed budget for SBLs is \$23,682,000 which is \$170,000 higher than StadCo’s FY2020/21 projection.

- 5. Please provide the assumptions that were factored into the FY2021/22 budget.

Stadium Manager:

- 800 new SBLs sold at an average price of \$6k (\$4.8M)
- 3% gross default rate
- New SBLs are assumed to be financed 90% of the time at the existing 10-year / 8.5% financing terms

See other document on confidential question

STR Marketplace (This is an online marketplace where SBL owners can sell their SBLs directly to 3rd parties. Based on an agreement with STR, SCSA receives a portion of these transactions with a minimum \$325,000 annual fee due to SCSA).

- StadCo’s FY2020/21 projection of \$325,000 is in line with SCSA’s projection based on FY2020/21 average Monthly STR Fees. SCSA does not have any questions.

STR Marketplace			
	2019/20	2020/21	2021/22
SCSA Final Budget	\$ 345,000	\$ 392,000	
SCSA Actuals/Projections	\$ 325,000	\$ 325,000	
StadCo Projection		\$ 325,000	
StadCo Proposed Budget			\$ 325,000

Non-NFL Events (Net)



Note: StadCo provided a cash-based budget (which is required for the Trust), therefore, the FY2020/21 projection and FY2021/22 budget are related to the FY2019/20 and FY2020/21 Non-NFL Events, respectively.

- 6. Please provide the projected Non-NFL Event activity at the gross level (revenues and expenses) for the Stadium Authority's 2020/21 Fiscal Year (April 1, 2020 – March 31, 2021). Given that no events were held at the Stadium, please provide the assumptions and details behind the \$600k loss.**

Stadium Manager:

Similar to what you may have seen from the Santa Clara Convention Center, there are still costs associated with keeping a business going even during a period where no events occur. A majority of the expenses related to the projected shortfall of \$600k are estimated labor costs for both the special events team, who has worked on customer outreach and handled customer refunds for cancelled events, and other G&A staff (accounting, finance, ticket operations, etc.) working on Non-NFL Events, including responding to requests from your Non-NFL auditors. There is also amortization expenses of public safety costs and City of Santa Clara liability insurance included in this projection.

- 7. Please provide the budgeted Non-NFL Event activity at the gross level (revenues and expenses) for the Stadium Authority's 2021/22 Fiscal Year (events that will occur April 1, 2021 – March 31, 2022).**

- a. We have noted the comment explaining the net shortfall may range from a loss of \$600k to \$0. Please provide the assumptions and details (including number of events) behind this estimate.**

Stadium Manager:

As noted on our budget submission on January 29th, 2021, the assumptions include two (2) TBD concerts. Overall, the range from a shortfall of \$600k to breakeven primarily depends on the ability to host both ticketed and catered events throughout the year. If for some reason the Covid-19 situation remains stagnant, it is possible there could be a shortfall very similar to what is being projected for FY2020/21 activity (FY2021/22 cash). However, if we are able to get people back in Levi's Stadium for both ticketed events (and there are acts to book) and special events, especially prior to the holiday season where the special events business thrives, it is possible that we could see improved financials compared to FY2020/21.

For example, we are currently looking to reschedule BTS. This concert has sold well and we are still holding around 80% (20% refunded) of the cash for advanced ticket sales. Assuming no impact by Covid-19, this concert would be a success.

8. **The assumed activity does not appear to be consistent with the NFL activity assumption of full attendance nor is it consistent with marketing plan. Please explain the why the Non-NFL event revenue is not consistent with the NFL assumptions and the marketing plan.**

Stadium Manager:

The number of NFL events and timeframe are already known. There will be an NFL season in the fall with 10 home games scheduled. This is not necessarily the same for Non-NFL Events which require far more assumptions to be made. Consistent with what the Marketing Plan stated, the events industry is already looking beyond 2021 and towards 2022-2023. A majority of promoters and artists have made the decision to sit out 2021 as we recover from the pandemic, although as noted above, some prospects remain. Even if the Covid-19 situation bounces back quicker than anticipated, that doesn't necessarily mean that there will be many additional Non-NFL Events to schedule in 2021.

9. **With the continued decline of Non-NFL events to the level of no Non-NFL events held this fiscal year, why is there not a decline in SCSA's portion of expense to a level closer to zero?**

Stadium Manager:

The Non-NFL Events business at Levi's Stadium has shown that it can generate millions of dollars in net profit per year, but that requires significant amounts of work by a group of dedicated employees executing a business plan.

As with any business, even during periods of short term revenue disruption, there are overhead costs associated with keeping the business alive. This is similar to what the City of Santa Clara is seeing with the convention center that has spent money on marketing, staff, and overhead costs, even though it is currently unable to host events.

As noted in the Marketing Plan, we and several other industry experts are projecting 2022 and 2023 to bring the event business back on track with busy concert touring calendars. Preparation for 2022 and 2023 requires significant efforts in 2021 to ensure a successful slate of events.

Non-NFL Ticket Surcharge (\$4 per ticket sold)

Non-NFL Ticket Surcharge			
	2019/20	2020/21	2021/22
SCSA Final Budget	\$ 735,496	\$ 572,000	
SCSA Actuals/Projections	\$ 735,496	\$ -	
StadCo Projection		\$ -	
StadCo Proposed Budget			\$ 150,000

- StadCo’s FY2020/21 projection is \$0 and corresponds to SCSA’s projection given no ticketed events were held at the Stadium.
- StadCo’s FY2021/22 proposed budget is \$150,000.

10. Please provide the detailed assumptions by event category used to calculate this number. Please also include number of events. These assumptions should tie to the Marketing Plan.

Stadium Manager:

As noted on our budget submission on January 29th, the projection assumes two (2) TBD concerts that could generate up to \$300k in Non-NFL Ticket Surcharge. The budget submitted reflects the midpoint (i.e. \$300k * 50%).

This calculates to 37.5k tickets sold.

Naming Rights

- StadCo’s FY2020/21 projection and FY2021/22 budget are in accordance with Naming Rights Contract. SCSA does not have any questions.

Senior/Youth Fee (\$0.35 per NFL ticket sold)

- StadCo’s FY2020/21 projection is \$0 and corresponds to SCSA’s projection.
- The FY2021/22 budget reflects \$232,000 and is in line with an average attendance of 66,273 for 10 NFL games.

11. The FY2021/22 budget assumes all games will occur with full attendance. Please provide an alternate scenario/projection given the pace of the COVID-19 vaccine rollout.

Stadium Manager:

Please refer to the response to this identical question earlier in this document.

Interest Income

Interest Income			
	2019/20	2020/21	2021/22
SCSA Final Budget	\$ 938,000	\$ 896,000	
SCSA Actuals/Projections	\$ 903,761	\$ 39,122	
StadCo Projection		\$ 74,000	
StadCo Proposed Budget			\$ 56,000

- StadCo’s FY2020/21 projection is \$74,000 however SCSA’s projection for interest is closer to \$39,000. See table below:

2020/21 SCSA Projected Interest Income			
Month	Cash Balance	Interest	Effective Interest Rate
April-20	\$ 59,167,305	\$ 9,012	0.18%
May-20	59,569,621	5,046	0.10%
June-20	59,994,330	3,550	0.07%
July-20	66,583,536	3,045	0.05%
August-20	65,384,022	2,130	0.04%
September-20	74,080,557	1,635	0.03%
October-20	71,717,684	1,415	0.02%
November-20	71,496,432	1,205	0.02%
December-20	73,620,142	415	0.01%
January-21	73,523,742	3,585	0.06% *
February-21	74,412,742	3,628	0.06% *
March-21	91,419,742	4,457	0.06% *
SCSA Projected Interest Income		\$ 39,122	

*Used estimated cash balances and .06% as interest rate assumption for January 2021 through March 2021 calculations

12. Please provide details and assumptions on how the projection of \$74,000 was developed.

Stadium Manager:

The details and assumptions used for projected interest income were taking YTD cash actuals of \$71k through December and assuming a run rate for January through March that is similar to the three-month average of October through December.

- StadCo’s FY2021/22 proposed budget is \$56,000.

13. Please provide assumptions and calculations used to determine the interest income budgeted amount of \$56,000.

Stadium Manager:

The details and assumptions used for the interest income budget were an average of 0.2% on estimated Waterfall, Capex Reserve and Opex Reserve balances throughout the year. If there are different interest rates and average balances that you prefer to be used for the 2021/22 budget, please advise.

SCSA Stadium Manager Shared Expenses

Stadium Manager Shared Expenses		
	2020/21	2021/22
StadCo Projection	\$ 6,550,000	
StadCo Proposed Budget		\$ 7,877,000

- StadCo’s 2020/21 projection is \$6,550,000.

14. Please provide the detailed breakout for the 2020/21 projection in the same manner as the SCSA Annual Shared Stadium Expense Budget (by department and expense type).

Stadium Manager:

Please see the attached.

15. There is no basis by which to proceed with confidentiality with regard to personnel being paid with public funds. Invoices for other consultants and contractors contain hourly billing information such as duties performed and rates of pay. For staffing costs, please provide salaries by position title (without names), actual hours charged to Shared Expenses, hourly rates, benefits, and related costs. Meeting at the stadium to review Shared Expenses is inefficient and the SCSA looks to provide some level of detail to the Board in a timely manner to support these costs.

Stadium Manager:

We are happy to provide all of this info to you and your auditors as we have in prior years. Linh Lam looked at this detail last month and Tyler Cook did so before her. This includes the names and pay for every single employee.

This has been consistent with past practice for the past seven years, and we believe your continued request is in bad faith and part of your litigation strategy.



You are also reminded that the compensation of Stadium Manager employees is at the sole and absolute discretion of the Stadium Manager per 6.5.1 of the Management Agreement.

16. For Outside Services cost, please provide the details supporting each expense, including payments, contracts, and invoices.

Stadium Manager:

There is a separate process for providing copies of contracts, invoices, etc. for prior year expenses.

17. Please explain the procurement plan for any contracted services.

Stadium Manager:

For any new contracts requiring SCSA approval, Stadium Manager will submit contracts and procurement information that complies with the Stadium Authority Procurement Policy set forth in Chapter 17.30. Stadium Manager shall work with the SCSA on those purchases over \$250K per year that require competitive bidding under the Policy as we have in previous years. No competitive bidding or procurement procedures are required for purchases under \$250K under the Policy.

18. The job description list provided appears to be incomplete as the following positions are missing President, CFO, Deputy Counsel, General Counsel, Compliance Manager. Please review the list provided to the SCSA and update accordingly.

Stadium Manager:

As discussed with your predecessors and consistent with the last seven years of operations, we do not charge for President, CFO, Deputy General Counsel, or General Counsel time spent on SCSA work. The Compliance Manager charges his time back as part of "Other G&A" and is not bucketed under Stadium Manager Shared Expenses. There is no need to update the Stadium Manager Shared Expenses job descriptions and org chart.

19. As a reminder, based on Stadium Board direction, supporting documentation is required prior to payment.

Stadium Manager:

SCSA will be provided contracts and procurement information for all new contracts that require SCSA approval as provided in the Stadium Authority Procurement Policy.



20. Please provide a detailed breakdown of the costs savings in maintenance and operating expenses of the Team not playing the last 3 NFL games of the 2020 season at Levi's Stadiums.

Stadium Manager:

To remind you, there is a difference between event costs and shared stadium expenses. Both NFL Gameday costs and utilities during the NFL season are charged 100% to StadCo. Accordingly, the breakdown you requested is not information that is relevant to the SCSA.

21. Based representations that the costs of use of the Stadium for as mass-vaccine site will be covered by the NFL and Niners, shouldn't Shared Expenses decrease as part of the costs previously allocated that would now be paid 100% directly by the NFL and the 49ers Team?

Stadium Manager:

As noted above, there is a difference between event costs and shared stadium expenses. All incremental costs associated with utilizing Levi's Stadium as a vaccine site will be covered by the 49ers. This would not impact the SCSA's portion of Shared Stadium Expenses, which exclude incremental event costs. Stadium Managers' VP/Controller shall ensure all incremental event costs are properly allocated to the 49ers.

- StadCo's FY2021/22 budget submittal is \$7,877,000 which is \$1.1 million lower than the FY2020/21 budget submittal. The table below shows the differences between the FY2021/22 and the FY2020/21 budget submittals at the department level.

Stadium Manager

2020/21 to 2021/22 Change in Budget Submittal of Shared Stadium Expenses

	Security		Stadium Operations		Engineering		Guest Services		Groundskeeping		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Total Compensation	\$ (47,503)	-11%	\$ (658,016)	-26%	\$ 140,458	10%	\$ (149,170)	-38%	\$ 12,894	16%	\$ (701,337)	-14%
Travel, Meals & Entertainment	-	0%	(140,863)	-69%	(3,975)	-66%	(26,701)	-65%	(1,650)	-80%	(173,192)	-68%
Outside Services	28,394	3%	(278,900)	-26%	320,829	71%	25,332	3167%	(97,362)	-37%	(1,675)	0%
General Supplies	15,754	980%	(14,350)	-23%	(77,670)	-100%	(25,209)	-25%	(20,772)	-36%	(122,239)	-41%
Telephone	900	18%	(46,986)	-17%	(1,200)	-12%	(2,976)	-67%	-	0%	(50,263)	-17%
Equipment	74,268	918%	(71,765)	-32%	(22,730)	-81%	(25,000)	-43%	(600)	-25%	(45,820)	-14%
Uniforms	2,276	44%	-	0%	(250)	-17%	(30,829)	-39%	-	0%	(28,803)	-34%
Other	-	0%	(13,200)	-30%	6,470	518%	14,003	48%	-	0%	7,278	10%
Subtotal	\$ 74,089	5%	\$ (1,224,080)	-27%	\$ 361,932	18%	\$ (220,550)	-31%	\$ (107,490)	-26%	\$ (1,116,051)	-12%
Insurance											91,345	3%
Management Fee											7,164	3%
Total											\$ (1,017,542)	-8%

22. Please provide an explanation for the changes between department budgets that changed by more than 5%.

Stadium Manager:

There is an overall reduction in headcount that has led to significant savings in compensation costs. This is the large driver of the year-over-year change. There is also a reduction in overall spending for travel and entertaining costs, as well as general supplies and equipment needs.

Utilities

- StadCo’s FY2020/21 projection is on target. SCSA does not have any questions.
- StadCo’s FY2021/22 proposed budget is an \$11,000 decrease from the FY2020/21 budget. In the past there has been a 3% increase year over year.

23. Please provide details and assumptions on how the budget was developed.

Stadium Manager:

The assumption is that there would be limited staff and guests at the Stadium through June which would produce a forecasted savings of roughly 7% per month until utility costs return to their standard rates (3% growth vs. FY20 budget) for the rest of the year.

SBL Sales and Service

SBL Sales and Service Expenses			
	2019/20	2020/21	2021/22
SCSA Final Budget	\$ 3,614,477	\$ 3,610,000	
SCSA Actuals/Projections	\$ 3,614,477		
StadCo Projection		\$ 1,967,000	
StadCo Proposed Budget			\$ 3,448,000

- StadCo’s FY2020/21 projection is \$1,967,000

24. Please provide a detailed breakout for this projection similar to Stadium Manager Expenses (Compensation, Travel, Outside Services, General Supplies, etc.).

Stadium Manager:

Please see the attached.

- StadCo’s FY2021/22 proposed budget of \$3,448,000 is \$1,481,000 (or 75%) higher than the FY2020/21 projection.

25. Please describe the increase in this line item.

Stadium Manager:

The largest driver of the proposed budget variance is the All-Inclusive Buffet which saw no costs in 2020/21 as no fans were present for 49ers home games. In addition to this, there were also large savings in sales, general and administrative costs due to the inability to host prospecting events, SBL member events, or focus group. Overall the proposed budget of \$3.448M is 4.5% lower than last year’s budget of \$3.610M.

26. The budgeted full-time staff remains at 19 in FY20/21 and FY21/22, however, budgeted staff costs (wages and bonuses) decline in FY21/22. Please provide an explanation for the decline in staff costs while FTE remains constant. Meeting at the stadium to review expenses is not only inefficient it is entirely inadequate to ensure that the shared expenses are being properly allocated. SCSA is required to have transparency into its accounts so that it can provide the necessary level of detail to the Board in a timely manner to support these costs.

Stadium Manager:

Correct, full time staff headcount still remains at 19. The reasons for a reduction in wages and bonuses charged to the SCSA, despite the same number of headcount, is primarily due to a reduction in the overall percentage estimates of time spent on SBL work for the Service team. To remain conservative, we are also forecasting a lower SBL Revenue goal for the sales team which is the reason for the decline in bonuses and commissions year-over-year.

Use of StadCo Tenant Improvements (based on Exhibit R to the Stadium Lease the Stadium Authority is charged for the use of StadCo assets during Non-NFL events)

Use of StadCo Tenant Improvements			
	2019/20	2020/21	2021/22
SCSA Final Budget	\$ 182,000	\$ 73,000	
SCSA Actuals/Projections	\$ 182,000	\$ -	
StadCo Projection		\$ -	
StadCo Proposed Budget			\$ 26,000

- StadCo’s FY2020/21 projection is \$0 and corresponds to SCSA’s projection.
- StadCo’s FY2021/22 budget is \$26,000.

27. Please provide calculations and assumptions behind the budgeted amount of \$26,000.

Stadium Manager:

- Two (2) Concerts = \$11k
- Special Events = \$15k

Stadium Authority G&A Costs

Stadium Authority General and Administrative Costs (G&A)			
	2019/20	2020/21	2021/22
SCSA Final Budget	\$ 2,480,000	\$ 4,581,000	
SCSA Actuals/Projections	\$ 2,371,198	\$ 2,666,000	
StadCo Projection		\$ 2,666,000	
StadCo Proposed Budget			\$ 3,000,000

- StadCo’s FY2021/22 proposed budget of \$3,000,000 does not match SCSA’s submittal of \$5,115,000.

28. Please provide assumptions behind the budgeted amount of \$3,000,000. As a reminder, the SCSA’s budget is on accrual basis. Projected savings from a previous year should not affect the expenses on an accrual basis.

Stadium Manager:

On an accrual basis, the budgeted amount should be \$3M. There is no cash adjustment to the SCSA Overhead number submitted on the Annual Budget. This amount is based on your FY20 projected actuals of \$2.666M grown at 12 percent, which is the same YoY percentage increase from FY19 to FY20 (i.e. \$2.371M to \$2.666M). As the event calendar in 2021 may be limited, Stadium Manager has managed to reduce costs in a number of areas and will continue to look for ways to reduce further during these uncertain times. Please provide an updated SCSA Overhead budget that is no more than \$3M by 2/26/21, which is subject to the approval of Stadium Manager per Section 3.2 of the Management Agreement.

Management Co Base Fee

- StadCo’s FY2020/21 projection of \$239,000 and FY2021/22 proposed budget of \$246,000 is based on the Management Agreement of 3% increase. No questions.

Non-NFL Ticket Fee \$2 Discretionary Fund Deposit

- StadCo's FY2020/21 projection and FY2021/22 budget is the full \$2 per non-NFL event ticket that is deposited into the discretionary fund, not the actual discretionary fund expense.
- The FY2020/21 discretionary fund expense is projected to be approximately \$0.
- The FY2021/22 discretionary fund expense budget is \$250,000.

29. Once the questions noted under Non-NFL Ticket Surcharge are answered, additional questions about the discretionary fund expense may follow.

Stadium Manager:

As a reminder, the Stadium Authority budget submission is on a cash basis.

Ground Rent – Base

- StadCo's FY2020/21 projection and FY2021/22 budget are both based on Ground Lease Agreement. No questions.

Ground Rent – Performance

30. Once the questions noted under the Non-NFL Events (net) section are addressed, additional questions on the performance rent may follow.

Stadium Manager:

Noted.

Senior/Youth Fee Expense

- StadCo's FY2020/21 projection is \$0 and corresponds to SCSA's projection.
- StadCo's FY2021/22 budget reflects \$232,000 and is in line with an average attendance of 66,273 for 10 NFL games.

31. The FY2021/22 budget assumes all games will occur with full attendance. Please provide an alternate scenario/projection given the pace of the COVID-19 vaccine rollout.

Stadium Manager:

Please refer to the response to this identical question earlier in this document.



Capital Expenditures

- Please see separate document with questions related to Capital Expenditures.

Insurance Expense

- StadCo's FY2020/21 projection and FY2021/22 budget are both based on Stadium Lease Agreement.

32. Please provide insurance documents for all Stadium-related policies with supporting invoices for premiums.

Stadium Manager:

As discussed with your predecessor, the Stadium Authority's rates are fixed per Section 8.3.1 of the Stadium Lease that states the Stadium Authority Insurance Share shall be calculated as follows: (i) for the first lease year the Stadium Authority Insurance Share shall equal two million five hundred fifty thousand dollars (\$2,550,000) and (ii) on the commencement of the second and each succeeding lease year, the insurance shall be increased by three percent (3%). This fixed rate for insurance was included in the Facility Rent calculation as part of Exhibit J.

Each year the SCSA receives a summary of insurance coverages and certificates of coverage.

33. These costs are not reconciled against invoices. How are potential savings of public funds being expended?

Stadium Manager:

Please see answer to Question 32 above. The Stadium Authority's rates are fixed per Section 8.3.1 of the Stadium Lease Agreement.

Naming Rights

- StadCo's FY2021/22 proposed budget is \$88,000 and agrees to the commission schedule.

34. Please indicate if the liquidated damages amount payable to the Stadium Authority and subsequent payment to Levi's has been included in the submitted budget. In addition, provide the calculation for liquidated damages.

Stadium Manager's Response:

This information has been provided separately to the SCSA and is included in the draft budget.

Other Expenses

Other Expenses			
	2019/20	2020/21	2021/22
SCSA Final Budget	\$ 110,000	\$ 1,400,000	
SCSA Actuals/Projections	\$ 104,915		
StadCo Projection		\$ 913,000	
StadCo Proposed Budget			\$ 388,000

- StadCo’s FY 2021/22 proposed budget is a decrease of \$525,000 or 58% from the FY 2020/21 projection of \$913,000.

35. Please provide details including a breakdown of staff costs and lender fees and an explanation why it has decreased by 58%. For staffing costs, please provide salaries by position title (do not provide names), actual hours charged, hourly rates, benefits, and related costs.

Stadium Manager:

As noted on the SCSA Annual Budget submission on 1/29/21, the projected actual of \$913k are forecasted waterfall activity. The forecasted projected actual expense for the Other G&A line item are closer to \$350k and are related to G&A staff costs and lender admin fees. This difference between the \$913k and the \$350k will be trued up on next year’s Lender budget.

The FY20 budget included costs for implementing the new accounting system, which has been delayed by the SCSA for a variety of reasons. In view of the pandemic, we also reduced our staff costs in responding to various inquiries by the SCSA staff. Lastly, we spent significantly less time than budgeted working on prior period research for HSNO, following the suspension of that project.

As noted earlier, we are happy to provide all of this info to you and your auditors as we have in prior years. Linh Lam looked at this detail last month and Tyler Cook did so before her. This includes the names and pay for every single employee.

36. Please note that the Stadium Authority has reserves all rights to recoup funds and other costs based on Stadium Manager’s breach of its obligations under the Management Agreement, including any payments associated with the Financial Management System Implementation.

Stadium Manager:

Stadium Manager is in receipt of the Stadium Authority's reservation of rights, which places another barrier towards implementing the financial management system selected by the Stadium Authority. Stadium Manager is happy to begin the implementation of the requested financial management system upon the Stadium Authority agreeing to honor its contractual obligation to pay for costs related to its implementation.

Debt Service

- Term A Interest: StadCo's FY2020/21 projection of \$12,208,000 and FY2021/22 budget of \$11,507,000 is in line with SCSA calculations. No questions.
- Term A Principal
 - StadCo's FY2020/21 projection of \$14,022,000 is higher than SCSA calculation of \$13,354,000.
 - StadCo's FY2021/22 proposed budget of \$14,723,000 is higher than the \$14,022,000 scheduled principal payment.

37. We understand from prior years that this is a timing issue. As a reminder, the SCSA's budget is on accrual basis.

Stadium Manager:

Noted.

- Lender Required Reserve deposit/withdrawal of \$500,000

38. Please explain what this line item is and what has changed from last year.

Stadium Manager:

Mechanically, the waterfall provides certain traps to ensure that operating expenses are able to be made based on the lender budget that is provided. The updated forecast for the lender budget has lower O&M expense estimates for April through June of 2021 than what was previously budgeted for. This releases cash that was previously trapped to cover these expenses which we are estimating to be somewhere in the ballpark of \$500k.

- Subloan Scheduled Principal: StadCo's FY2020/21 projection and FY2021/22 budget do not match the schedule noted in the original agreement.

39. We understand from prior years that an adjusted amortization schedule was developed. Please provide a copy of the adjusted amortization schedule for reference.

Stadium Manager:



Please see the attached.

CapEx Reserve

- StadCo's 2021/22 budget is based on the annual \$1,000,000 (plus 3% annual inflator) increase to the CapEx reserve described in Article 14 of the Stadium Lease for use of excess revenues for the purposes of the trust cash flow. This contribution is dependent on excess cash. We understand that ManCo may pull the excess revenue to pay down the Revolving Loan; however, the Stadium Authority stands behind its position that draws on the Revolving Loan are unauthorized as well as any subsequent payments.

Operating Reserve

- StadCo's 2021/22 budget is based on the annual 3% increase to the Operating Reserve noted in Article 14 of the Stadium Lease for use of excess revenues for the purposes of the trust cash flow. This contribution is dependent on excess cash. We understand that ManCo may pull the excess revenue to pay down the Revolving Loan; however, the Stadium Authority stands behind its position that draws on the Revolving Loan are unauthorized as well as any subsequent payments.

SCSA Annual Shared Stadium Expense Budget (CONFIDENTIAL)

FY20 Projected Actuals

FY20 Projected Actuals

Category	Security	Stadium Ops	Engineering	Guest Services	Grounds	Total
Total Compensation	490,500	1,666,425	1,510,000	286,550	60,000	4,013,475
Travel, Meals & Entertainment	200	11,300	0	10,000	2,500	24,000
Outside Services	762,300	712,500	452,200	100	98,000	2,025,100
General supplies	4,900	21,800	2,000	600	30,200	59,500
Telephone	4,100	233,800	6,800	2,000	400	247,100
Equipment	39,800	64,200	13,000	36,100	400	153,500
Uniforms	1,000	0	200	21,500	0	22,700
Other	0	3,000	100	0	1,500	4,600
Total	1,302,800	2,713,025	1,984,300	356,850	193,000	6,549,975

Compensation Breakout:	Security	Stadium Ops	Engineering	Guest Services	Grounds	Total
FT Wages	375,500	1,185,000	975,000	156,550	45,000	2,737,050
PT Wages	0	105,000	0	60,000	0	165,000
Benefits	115,000	376,425	535,000	70,000	15,000	1,111,425
Total Compensation	490,500	1,666,425	1,510,000	286,550	60,000	4,013,475

2021 SCSA Budget Supporting Documentation (CONFIDENTIAL)

FY20 SBL Sales and Service Projected Actuals

FY20 Projected Actuals

Category	Sales Team	Service Team	Total
Compensation	1,074,538	589,317	1,663,855
Sales, General and Administrative	138,250	55,000	193,250
Total	\$ 1,212,788	\$ 644,317	\$ 1,857,105

Compensation Breakout:	Sales Team	Service Team	Total
FT Wages and Benefits	784,538	549,317	1,333,855
Bonuses/Commissions	290,000	40,000	330,000
Total Compensation	\$ 1,074,538	\$ 589,317	\$ 1,663,855

Sales, General and Administrative:	Total
SBL Member Events	-
SBL Advertising & Prospecting Events	120,000
Sales Enablement	55,000
SBL Focus Groups	-
Sales Training	11,250
Travel, Meals & Entertainment	-
Other	7,000
Total	193,250

SBL Finance & Ticket Ops	Total
Compensation	\$ 109,485

FY21 SBL & Service Team Sub-Total	\$ 1,966,590
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+ All-Inclusive Buffets	-
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FY21 Total SBL Sales & Service Costs	\$ 1,966,590
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Questions for the Stadium Manager in reference to the FY2021/22 CapEx Budget

Per Article 4 of the Management Agreement, RECORDS, ACCOUNTS, BUDGETS AND REPORTS, Section 4.8 states that the Draft Capital Expenditure Plan (a) shall contain the Stadium Manager's proposed Capital Repairs to be made to the Premises during the upcoming Fiscal Year, (b) shall describe in reasonable detail any material discrepancies between the Stadium Manager's proposed Capital Expenditures for such Fiscal Year and the five (5) year projection of anticipated Capital Expenditures included in the previous year's Capital Expenditure Plan, and (c) shall include any Capital Expenditures for public safety that the Stadium Manager proposes be made consistent with the then approved Public Safety Plan.

As a result of the City's revocation of the Executive Director's authority to procure goods and services on behalf of the SCSA, as of November 8, 2019, the Stadium Manager must now seek approval from the Board and demonstrate that the Stadium Manager has properly and legally procured goods and services before Stadium Authority contracts may be executed.

Note: SCSA may ask additional questions once the information requested below is provided.

Capital Expenditures

- 1. For all projects, what is the SCSA time involvement required to assist with any of the requested projects? Potential time commitments from SCSA staff include, procurement assistance, prevailing wage review, Board reports, etc.**

Stadium Manager:

It is not currently possible for Stadium Manager to estimate the time required by SCSA staff, as there is currently no productive communication between SCSA/City staff and Stadium Manager staff. Specifically, with respect to procurement procedures for capital projects, the SCSA staff has refused to review procurement documentation created by Stadium Manager or provide any useful input to Stadium Manager, which appears to be a part of their litigation strategy.



2. The FY2021/22 proposed CapEx budget includes a significant new project (General Areas/Coatings Main Deck) totaling \$2.45 million that was not included in prior year submittals of the 5-year plan.

a. Can you provide detail as to why this significant project was not previously proposed?

Stadium Manager:

This project was previously forecasted in Fiscal Year 2021/22 for \$200,000 and Fiscal Year 2024/25 for \$750,000. The previously forecasted projects planned to patch and spot repair failures in the current coating system. However, our recommendation is to merge the two proposed projects into a project that performs a more comprehensive recoat of larger areas in order to adequately protect and maintain the building. The proposed project will apply traffic coating in three areas main areas:

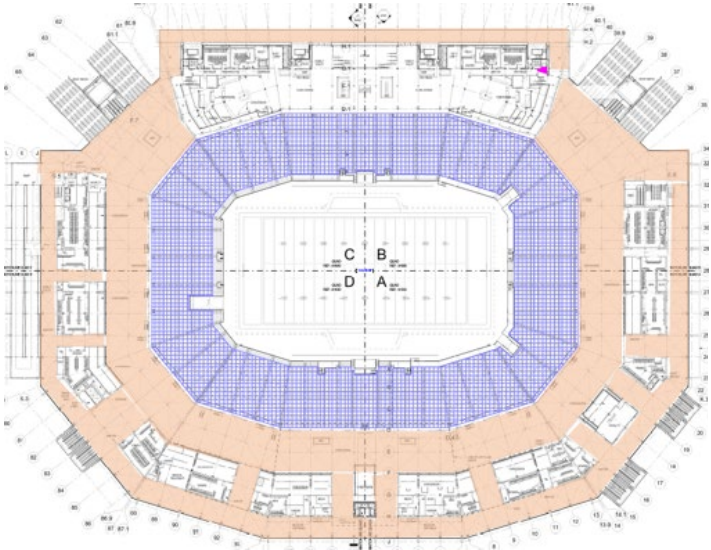
- Phase 1A – 300 Level Seating Bowl:	\$1,650,000
- Phase 1B – 300 Level Concourse:	\$ 500,000
- <u>Phase 1C – 700 Level Concourse:</u>	<u>\$ 300,000</u>
TOTAL	\$2,450,000

The traffic coating works as part of the waterproofing barrier to occupied spaces below the concourses and seating bowl, as well as extends the life of the concrete structure of the stadium. This project will maintain the building structure and the interior spaces below the bowl and concourses and protects against water leaks and potential tripping hazards This project also provides additional slip, trip and fall prevention protection and improves the overall aesthetic appearance. The traffic coating is now showing signs of wear and tear and is experiencing multiple failures. Water, rain and exposure to the elements will exasperate the issues. Maintaining this system protects against current and future system failures and will better serve the stadium and its patrons.

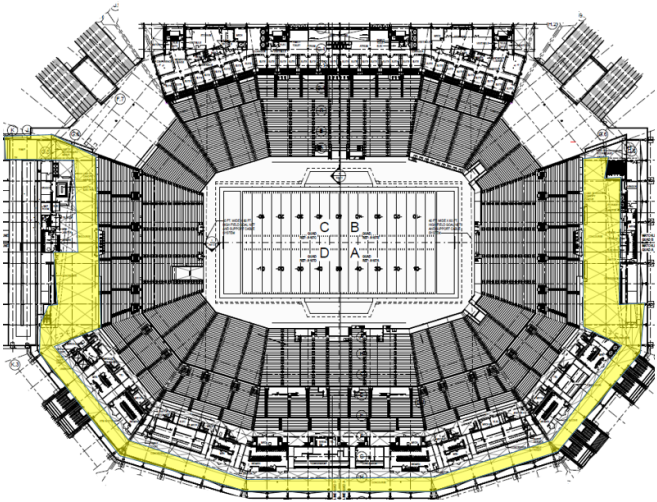
b. Please send pictures of the area planned for the coating.

Stadium Manager:

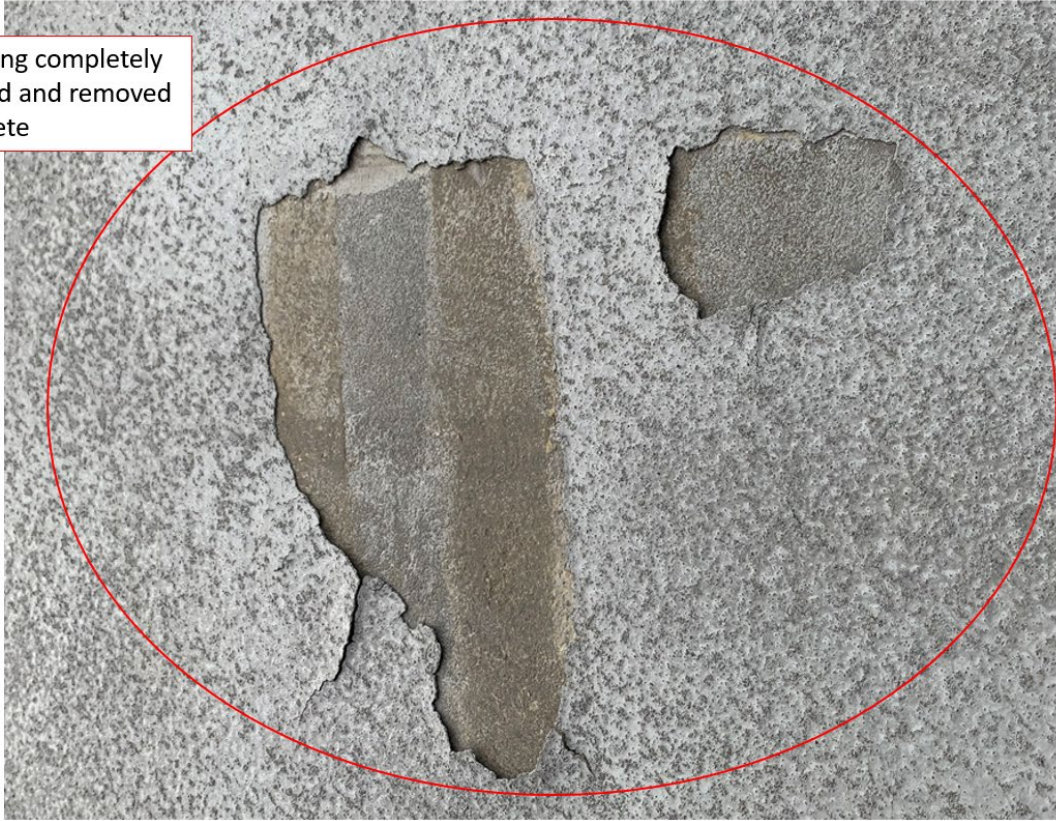
See below for picture references of area planned for coating and of recent failures in the existing traffic coating material:



- Index:**
- Phase 1A – 300 Level Seating Bowl
 - Phase 1B – 300 Level Concourse
 - Phase 1C – 700 Level Concourse

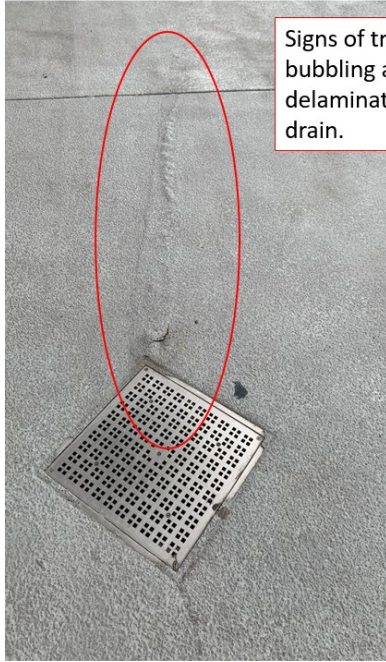


Traffic coating completely delaminated and removed from concrete

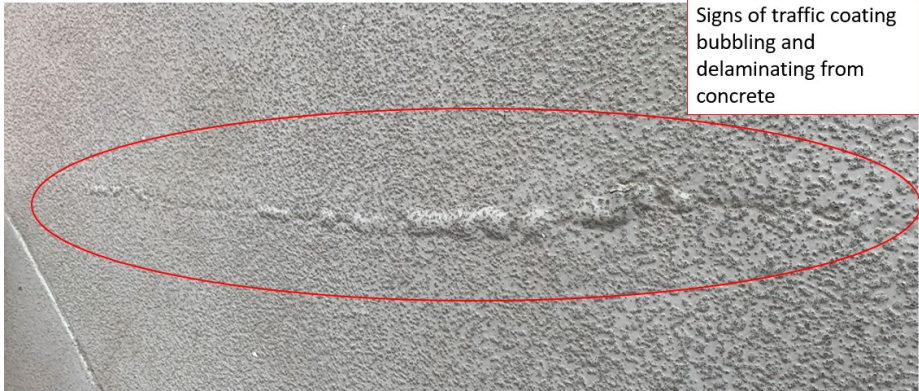


Traffic coating completely delaminated and removed from concrete

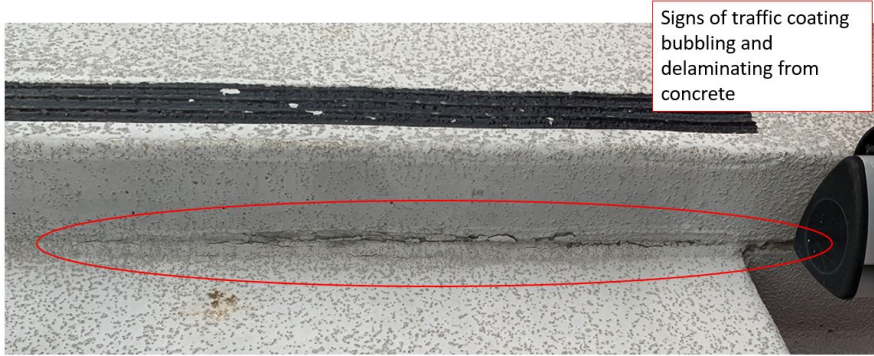




Signs of traffic coating bubbling and delaminating at floor drain.



Signs of traffic coating bubbling and delaminating from concrete



Signs of traffic coating bubbling and delaminating from concrete

c. Is this project included in the ADA settlement requirements?

Stadium Manager:

No, this is not included in the ADA Settlement requirements.

3. For the FY2021/22 Field Turf Track project:

a. What was the expected life of the original installation?

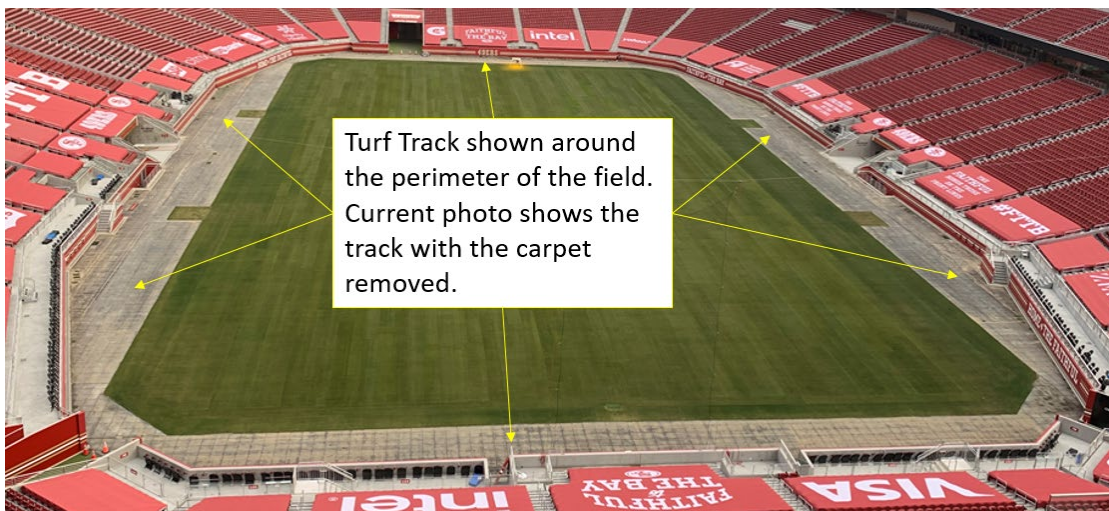
Stadium Manager:

The expected life of the system was 3 years.

b. Please send pictures of the area planned for the replacement.

Stadium Manager:

Pictures of the area planned for replacement are included below. The proposed project will remove the synthetic turf and the base underlayment. Sand will be removed to an approximate depth of 4" and moved to the body of the playing field to be used a root zone addition. Base rock will be imported and compacted to an approximate depth of 4". A shock pad will be laid on top of the compacted sub grade and artificial turf will be installed as the finished surface. The previous Ultrabase system allowed for flexibility in the track layout but after five years of heavy load bearing events, the system has become uneven. The base track has been damaged due to the number of high impact non-nfl special events, such as Monster Jam, concerts, etc and the current track has reached its end of life.





4. For the FY2021/22 Key Management System project:

- a. Is this for physical keys or key cards?**

Stadium Manager:

This project will address both physical and key cards.

- b. What is the current practice to manage this risk?**

Stadium Manager:

Currently, Engineering staff manages distribution of keys. We are introducing and proposing a new electronic program that Security will now manage as part of their access control efforts. The program keeps a digital footprint and history of use and distribution with archive tracking.

5. Please verify the following regarding the Drone Detection proposed project:

- a. Is the system FAA, FCC and DOJ compliant?**

Stadium Manager:

The FAA and DOJ do not provide any type of certification.

As for FCC compliance, the Aeroscope system was tested per FCC guidelines. Below are the details:

Compliance Information

FCC Compliance Notice

NOTE: This equipment has been tested and found to comply with the limits for a Class A digital device, pursuant to part 15 of the FCC Rules. These limits are designed to provide reasonable protection against harmful interference when the equipment is operated in a commercial environment. This equipment generates, uses, and can radiate radio frequency energy and, if not installed and used in accordance with the instruction manual, may cause harmful interference to radio communications. Operation of this equipment in a residential area is likely to cause harmful interference in which case the user will be required to correct the interference at his own expense.

- b. Please stay in contact with the City of Santa Clara Police Department to during vendor selection and implementation to keep them informed of the status of this project.

Stadium Manager:

It is the Stadium Manager's intention to include SCPD as a part of the selection process and vendor vetting.

6. For the FY2021/22 proposed CapEx plan and the projects that are being carried over from prior years, please provide a prioritization matrix identifying the needs for the projects such as health and safety, revenue generation, aesthetics/ customer experience, cost savings etc. and additional narrative and justification to further understand the need and importance of the proposed projects. If the Stadium Manager expects cost savings and/or other financial impacts, please provide this information so that SCSA understands the return on investment for the proposed capital projects.

Stadium Manager:

All of these projects are necessary to maintain the facility in the Required Condition.

7. Given the carryover of capital funds from FY2020/21 to FY2021/22 because funded projects could not be procured or completed, please describe ManCo's plan to procure, bring the plans and request approval from the Board, and substantially complete the projects during the next fiscal year which are proposed for funding for FY2021/22.

Stadium Manager:

ManCo will put projects through a fair and open solicitation and award, contract, and execution process. The completion for each of these projects will vary based upon solicitation process, permitting process, SCSA Board review, and approval process. ManCo intends to present these projects to the SCSA Board while

adhering to the Santa Clara Procurement Code. Completion of these projects will be impacted by the level of collaboration with the SCSA/City staff.

- a. What is the timeline for project completion for all carryover projects and new projects?**

Stadium Manager:

ManCo intends to complete as much work as possible during the next 12 months while adhering to the Santa Clara Procurement Code. Completion of these projects may be impacted by COVID restrictions during the planning and/or construction stages.

- b. Are there impacts from a cost inflation standpoint?**

Stadium Manager:

We have accounted for price inflation and have a contingency in place to cover potential increases.

- c. With the cancellation of events due to the COVID-19 pandemic, isn't this an opportune time to complete projects?**

Stadium Manager:

Given the numerous stay at home orders, and staff reductions as a result of Covid 19 including the City staff's inability to process permits and inspections on a timely basis, and several HOLDS that the SCFD placed on new project construction, many possible opportunities were missed. There is also a disconnect with SCSA/City staff with respect to procurement which has adversely impacted schedule.

- 8. In the out years of the 5-year plan, projects are being moved further out compared to the submittal last year. As an example, the Lighting System – Fixture project (\$750k) budgeted for FY2022/23 in last year's submittal is now proposed for FY2023/24. Please provide an explanation for pushing projects out and the Stadium Manager's plan for upkeep of the Stadium in a timely manner.**

Stadium Manager:

The Stadium Manager completes an evaluation of the facility by consulting with staff, contractors and consultants who continue to monitor and assess the needs of the stadium during regular facility preventative maintenance, testing and inspections. Annually, the evaluation of the facility is conducted and the previous list of possible projects are considered, along with the addition of any newly identified projects. The evaluation of these projects on the long term capital project list adjusts the forecasted projects expected timing and budgets annually,

for example the decision to defer the Lighting System – Fixture project from FY2022/23 to FY2023/24. Numerous factors can change the anticipated year and budget of a project. Specifically, regular wear and tear and overall use of an asset can influence the decision to replace the asset either sooner or later. As the Stadium received less use in FY2020/21, some projects were able to be moved without impacting the long-term viability of the asset. Ultimately, all potential projects are evaluated and reconsidered annually and the product of this evaluation is how we proposed the 1-Year Capex Plan and 5-year Capex Plan.

- 9. Please provide pictures for the Replacement Furniture for BNY Field Clubs, United, Levi’s 501 & Yahoo clubs and Special Event Spaces project (if different than provided during the FY2020/21 Budget preparation).**

Stadium Manager:

Proposed furniture specifications can and will be provided upon receipt of the approved budget and after the project management team can begins the solicitation and proper scope of work specification . This will be done in stages and will be in accordance with new covid-19 learnings.

- 10. Please provide an update to plans for both the Concession Signage and Stadium Event Signage (if any updates have been made since those provided during the FY2020/21 Budget preparation).**

Stadium Manager:

- CONCESSION SIGNAGE: Concession signage plans are included as an attachment for reference. The signage contractor has fabricated and installed the majority of the signage shown in the plan set. Remaining work includes punch list items.
- STADIUM EVENT SIGNAGE: There have been no changes to stadium event signage.

- 11. Please provide additional detail for the HVAC project:**

Stadium Manager:

The project is ongoing and is scheduled to be complete by March 31, 2021. See below for details.

- a. **Is this project complete? If not, please provide a status. Please provide the following supporting documentation that the SCSA previously requested:**
- i. **Costs of the project provided by the contractor and certified payroll if applicable;**

Stadium Manager:

The project is not complete. The project was awarded to RMI Mechanical for a fixed fee contract of \$72,030. The Project is registered on the DIR and certified payroll will be uploaded on a weekly basis. The final Certified Payroll will be provided to the SCSA at the completion of the project.

- ii. **Copy of the emergency repair agreement; and**

Stadium Manager:

Emergency repair agreement is included as an attachment for reference.

- iii. **Invoice with final costs**

Stadium Manager:

The project is not complete. An invoice with the final costs will be provided at the completion of the project.

- b. **The remaining budget was not carried over to FY2021/22. Is the remaining budget not needed?**

Stadium Manager:

The remaining budget was not carried over to FY2021/22, but a general HVAC renewal and replacement budget is included at regular intervals in future years.

- 12. The Levi's Naming Rights Signage Replacement Project increased from \$650,000 to \$900,000. Please provide an explanation for the increase in cost for this project.**

Stadium Manager:

The project planning process of the sign replacement has advanced since previous years to add more detail and information about the project. The budget was re-evaluated as the project plan, details and requirements have advanced during our process. Inflation, new requirements such as a sign mock up, and feedback during market research efforts all provided justification for the increased the budget. As reminder, this is a budget estimate only and industry pricing during an open and fair competitive bid process will determine the project actual cost.

- a. **For this project specifically, what is the SCSA time involvement required to assist with any of the requested projects? Potential time commitments from SCSA staff include, procurement assistance, prevailing wage review, Board reports, etc.**

Stadium Manager:

It is not currently possible for Stadium Manager to estimate the time required by SCSA staff, as there is currently no productive communication between SCSA/City staff and Stadium Manager staff. Specifically, with respect to procurement procedures for capital projects, the SCSA staff has refused to review procurement documentation created by Stadium Manager or provide any useful input to Stadium Manager, which appears to be a part of their litigation strategy.

- 13. **The Photoluminescent Tape for Life Safety project was included in FY2020/21 CapEx budget; however, it is not in the FY2021/22 Proposed CapEx budget and has no actuals through January.**

- a. **Please explain why this is not included in FY2021/22 CapEx (i.e. completed, re-prioritized, combined with other projects).**

Stadium Manager:

This project was completed through a combination of testing and in house / self-performed labor by the Stadium Engineering Department. Specifically, a third party testing company developed a test procedure in cooperation with the original photoluminescent tape manufacturer. The test procedure measures the performance of the existing photoluminescent tape. The testing company determined the existing tape met or exceeded the requirements identified in the test procedures with the exception of a few minor areas, which were all replaced by stadium Engineering staff using existing spare stock.

- b. **Is this project included in the ADA settlement requirements?**

Stadium Manager:

No, this is not included in the ADA Settlement.

14. Please provide a more detailed description of the Beverage Distribution System project. Are these mobile distribution systems or will the lines be run through the walls/floors of the Stadium?

Stadium Manager:

This is a hybrid system using existing pathways though some mobile elements may be required.

15. Please provide descriptions for projects included in the out years.

Stadium Manager:

The Stadium Manager has provided the five (5) year projection of the anticipated Capital Expenditures per the Stadium Management Agreement for review.



Questions for the Stadium Manager in reference to the FY2021/22 CapEx Budget

Per Article 4 of the Management Agreement, RECORDS, ACCOUNTS, BUDGETS AND REPORTS, Section 4.8 states that the Draft Capital Expenditure Plan (a) shall contain the Stadium Manager's proposed Capital Repairs to be made to the Premises during the upcoming Fiscal Year, (b) shall describe in reasonable detail any material discrepancies between the Stadium Manager's proposed Capital Expenditures for such Fiscal Year and the five (5) year projection of anticipated Capital Expenditures included in the previous year's Capital Expenditure Plan, and (c) shall include any Capital Expenditures for public safety that the Stadium Manager proposes be made consistent with the then approved Public Safety Plan.

As a result of the City's revocation of the Executive Director's authority to procure goods and services on behalf of the SCSA, as of November 8, 2019, the Stadium Manager must now seek approval from the Board and demonstrate that the Stadium Manager has properly and legally procured goods and services before Stadium Authority contracts may be executed.

Note: SCSA may ask additional questions once the information requested below is provided.

Capital Expenditures

Additional questions below are in response to SCSA Board input during a meeting on February 16:

- 1. For each project, please provide the Agreement and Section Number citing SCSA's responsibility to fund the project.**

Stadium Manager:

Please refer to the Stadium Lease.

- 2. Please provide the procurement schedule for the capital projects.**

Stadium Manager:

As applicable, Stadium Manager will put projects through a fair and open solicitation and award, contract, and execution process. The schedule for completion for each of these projects will vary based upon solicitation process, permitting process, SCSA Board review, and approval process. Stadium Manager intends to present these projects to the SCSA Board as required by the Stadium Authority Procurement Policy. Completion of these projects will be impacted by the level of collaboration with and cooperation from the SCSA/City staff.



**Questions for the Stadium Manager
in reference to the
FY2021/22 CapEx Budget**

Per Article 4 of the Management Agreement, RECORDS, ACCOUNTS, BUDGETS AND REPORTS, Section 4.8 states that the Draft Capital Expenditure Plan (a) shall contain the Stadium Manager's proposed Capital Repairs to be made to the Premises during the upcoming Fiscal Year, (b) shall describe in reasonable detail any material discrepancies between the Stadium Manager's proposed Capital Expenditures for such Fiscal Year and the five (5) year projection of anticipated Capital Expenditures included in the previous year's Capital Expenditure Plan, and (c) shall include any Capital Expenditures for public safety that the Stadium Manager proposes be made consistent with the then approved Public Safety Plan.

As a result of the City's revocation of the Executive Director's authority to procure goods and services on behalf of the SCSA, as of November 8, 2019, the Stadium Manager must now seek approval from the Board and demonstrate that the Stadium Manager has properly and legally procured goods and services before Stadium Authority contracts may be executed.

Note: SCSA may ask additional questions once the information requested below is provided.

Capital Expenditures

2. The FY2021/22 proposed CapEx budget includes a significant new project (General Areas/Coatings Main Deck) totaling \$2.45 million that was not included in prior year submittals of the 5-year plan.
 - a. Can you provide detail as to why this significant project was not previously proposed?
 - b. Please send pictures of the area planned for the coating.
 - c. Is this project included in the ADA settlement requirements?

Stadium Manager:

This project was previously forecasted in Fiscal Year 2021/22 for \$200,000 and Fiscal Year 2024/25 for \$750,000. The previously forecasted projects planned to patch and spot repair failures in the current coating system. However, our recommendation is to merge the two proposed projects into a project that performs a more comprehensive recoat of larger areas in order to adequately protect and maintain the building. The proposed project will apply traffic coating in three areas main areas:

- Phase 1A – 300 Level Seating Bowl:	\$1,650,000
- Phase 1B – 300 Level Concourse:	\$ 500,000
- <u>Phase 1C – 700 Level Concourse:</u>	<u>\$ 300,000</u>
TOTAL	\$2,450,000

The traffic coating works as part of the waterproofing barrier to occupied spaces below the concourses and seating bowl, as well as extends the life of the concrete structure of the stadium. This project will maintain the building structure and the interior spaces below the bowl and concourses and protects against water leaks and potential tripping hazards This project also provides additional slip, trip and fall prevention protection and improves the overall aesthetic appearance. The traffic coating is now showing signs of wear and tear and is experiencing multiple failures. Water, rain and exposure to the elements will exasperate the issues. Maintaining this system protects against current and future system failures and will better serve the stadium and its patrons.

Additional SCSA Follow up:

- **When was the coating originally installed? Is there a warranty?**
- **What is the projected life of the new system?**

Stadium Manager:

The original coating was installed in 2014. There is no longer a warranty. The projected life of the new coating is approximately five (5) years (depending on the anticipated number of high traffic events, the amount of wear and tear, and weather conditions.) There may be a possibility of purchasing an extended warranty beyond the five (5) years.

- 7. Given the carryover of capital funds from FY2020/21 to FY2021/22 because funded projects could not be procured or completed, please describe ManCo’s plan to procure, bring the plans and request approval from the Board, and substantially**

complete the projects during the next fiscal year which are proposed for funding for FY2021/22.

Stadium Manager:

ManCo will put projects through a fair and open solicitation and award, contract, and execution process. The completion for each of these projects will vary based upon solicitation process, permitting process, SCSA Board review, and approval process. ManCo intends to present these projects to the SCSA Board while

adhering to the Santa Clara Procurement Code. Completion of these projects will be impacted by the level of collaboration with the SCSA/City staff.

- a. What is the timeline for project completion for all carryover projects and new projects?

Stadium Manager:

ManCo intends to complete as much work as possible during the next 12 months while adhering to the Santa Clara Procurement Code. Completion of these projects may be impacted by COVID restrictions during the planning and/or construction stages.

- b. Are there impacts from a cost inflation standpoint?

Stadium Manager:

We have accounted for price inflation and have a contingency in place to cover potential increases.

- c. With the cancellation of events due to the COVID-19 pandemic, isn't this an opportune time to complete projects?

Stadium Manager:

Given the numerous stay at home orders, and staff reductions as a result of Covid 19 including the City staff's inability to process permits and inspections on a timely basis, and several HOLDS that the SCFD placed on new project construction, many possible opportunities were missed. There is also a disconnect with SCSA/City staff with respect to procurement which has adversely impacted schedule.

Additional SCSA Follow up:



- **The City continues to provide permitting services virtually and in-person by appointment. Please provide your project schedule and an explanation of the impacts to the schedule.**

Stadium Manager:

As noted above, ManCo will put projects through a fair and open solicitation and award, contract, and execution process. The scheduled completion of these projects is impacted by the level of SCSA/City Staff collaboration, which includes more than just the permitting process. The timeline will vary based on the solicitation process, SCSA Board review, and approval process. Additional timeline guidance can be provided as projects are submitted to the Board for approval.



**Follow Up Questions for the Stadium Manager
in reference to the
2021/22 SCSA Budget**

Per Article 4 of the Management Agreement, RECORDS, ACCOUNTS, BUDGETS AND REPORTS, Section 4.6 states that the Stadium Manager will prepare an annual operating budget for the Stadium for each Fiscal Year (the “Stadium Operations Budget”) to meet the scope of services and objectives under this Agreement; such Stadium Operations Budget may include such other information as may be requested by StadCo and the Stadium Authority.

As a result of the City’s revocation of the Executive Director’s authority to procure goods and services on behalf of the SCSA, as of November 8, 2019, the Stadium Manager must now seek approval from the Board and demonstrate that the Stadium Manager has properly and legally procured goods and services before Stadium Authority contracts may be executed.

Note: SCSA may ask additional questions once the information requested below is provided.

NFL Ticket Surcharge (10% of NFL Ticket Revenue)

NFL Ticket Surcharge			
	2019/20	2020/21	2021/22
SCSA Final Budget	\$ 8,412,291	\$ 8,665,000	
SCSA Actuals/Projections	\$ 8,412,291	\$ -	
StadCo Projection		\$ -	
StadCo Proposed Budget			\$ 8,665,000

- All FY2020/21 NFL Games have been completed with total surcharge of \$0. SCSA does not have any questions.
- The FY2021/22 budget assumes all games will occur with full attendance.

3. Please provide an alternate scenario/projection given the pace of the COVID-19 vaccine rollout.

Stadium Manager:

We recommend a 2021 budget that assumes 100% fans. As we gain more clarity on the Covid-19 situation, we can use the budget amendment process called for in the Stadium documents.

However, we would be happy to provide an alternate scenario/projection for you. Please provide the attendance assumptions you would like us to use for this projection. We will provide this on a confidential reply document.

Your table above shows that these projections and proposed budget are from StadCo. We assume you mean Stadium Manager.

Additional SCSA Follow up:

- **From the Stadium Manager’s professional assessment, what is the Plan B scenario in the event full attendance is not an option?**

Stadium Manager:

We are hopeful and optimistic that we will have 100% fans this year, and we recommend a budget that assumes so. Stadium Manager is not in the position to recommend any alternative other than 100% fans at this point as any “Plan B” recommendation would not be more accurate than anything the SCSA would propose. We would be happy to work on any alternate scenario/projection that you feel is necessary for your fiscal year planning. We will provide this on a confidential reply document.

Non-NFL Events (Net)

Note: StadCo provided a cash-based budget (which is required for the Trust), therefore, the FY2020/21 projection and FY2021/22 budget are related to the FY2019/20 and FY2020/21 Non-NFL Events, respectively.

- 6. Please provide the projected Non-NFL Event activity at the gross level (revenues and expenses) for the Stadium Authority’s 2020/21 Fiscal Year (April 1, 2020 – March 31, 2021). Given that no events were held at the Stadium, please provide the assumptions and details behind the \$600k loss.**

Stadium Manager:

Similar to what you may have seen from the Santa Clara Convention Center, there are still costs associated with keeping a business going even during a period where no events occur. A majority of the expenses related to the projected shortfall of \$600k are estimated labor costs for both the special events team, who has worked on customer outreach and handled customer refunds for cancelled events, and other G&A staff (accounting, finance, ticket operations, etc.) working on Non-NFL Events, including responding to requests from your Non-NFL auditors. There is also amortization expenses of public safety costs and City of Santa Clara liability insurance included in this projection.

Additional SCSA Follow up:

- **Please provide the detail of the loss by expense category.**
- **The Santa Clara Convention Center acted immediately to reduce potential losses by reducing staffing from over 45 positions to 2 positions. What actions has the Stadium Manager taken to minimize losses? Of these actions, what are the service impacts to Non-NFL Events?**

Stadium Manager:

As noted above, the loss is primarily made up of labor and staffing costs for the special events team and other G&A staff working on Non-NFL Events (accounting, finance, ticket operations, etc.) which makes up over \$400k of the projected loss of \$600k. The additional expenses include amortization costs for PSC Capex purchases, special events marketing expenses, and prior year true ups/late bills. Final expenses will be provided after year-end, consistent with prior years.

The Stadium Manager had savings on four of the seven full time positions in the special events department, as well as an overall reduction in sales and marketing expenses. These expenses were necessary to ensure that the special events business at Levi's Stadium bounces back quickly once State and County regulations permit these events to continue.

As for service impacts to Non-NFL Events, there were no events so there was no impact on service levels.

- 7. Please provide the budgeted Non-NFL Event activity at the gross level (revenues and expenses) for the Stadium Authority's 2021/22 Fiscal Year (events that will occur April 1, 2021 – March 31, 2022).**

- a. We have noted the comment explaining the net shortfall may range from a loss of \$600k to \$0. Please provide the assumptions and details (including number of events) behind this estimate.

Stadium Manager:

As noted on our budget submission on January 29th, 2021, the assumptions include two (2) TBD concerts. Overall, the range from a shortfall of \$600k to breakeven primarily depends on the ability to host both ticketed and catered events throughout the year. If for some reason the Covid-19 situation remains stagnant, it is possible there could be a shortfall very similar to what is being projected for FY2020/21 activity (FY2021/22 cash). However, if we are able to get people back in Levi's Stadium for both ticketed events (and there are acts to book) and special events, especially prior to the holiday season where the special events business thrives, it is possible that we could see improved financials compared to FY2020/21.

For example, we are currently looking to reschedule BTS. This concert has sold well and we are still holding around 80% (20% refunded) of the cash for advanced ticket sales. Assuming no impact by Covid-19, this concert would be a success.

Additional SCSA Follow up:

- If there are two concerts booked, what supports the loss? If the BTS concert is rescheduled, would this wipe out the potential loss?
- Given the current anticipated loss or break-even scenario in FY2021/22 that includes two major concerts, is there a contingency/alternative revenue and expenditure scenario that would prevent losses in FY2021/22? What expenditure changes/impacts would be required to prevent losses in FY2021/22 on both the SCSA and Stadium Manager side?

Stadium Manager:

Although it is difficult to predict what kind of capacity we would be able to host for concerts, if we were able to reschedule the BTS concert (2 shows) at a close to full/full attendance, the NNE projection would be much closer to break even.

There are ongoing expenses associated with keeping the Non-NFL Event business alive during a period of short term revenue disruption. These costs are required to maintain a swift and healthy return of NNE business once State and County regulations allow. With a busy slate of events predicted for 2022 and 2023, it is vital we prepare for these events in FY21.

Non-NFL Ticket Surcharge (\$4 per ticket sold)

Non-NFL Ticket Surcharge			
	2019/20	2020/21	2021/22
SCSA Final Budget	\$ 735,496	\$ 572,000	
SCSA Actuals/Projections	\$ 735,496	\$ -	
StadCo Projection		\$ -	
StadCo Proposed Budget			\$ 150,000

- StadCo’s FY2020/21 projection is \$0 and corresponds to SCSA’s projection given no ticketed events were held at the Stadium.
- StadCo’s FY2021/22 proposed budget is \$150,000.

10. Please provide the detailed assumptions by event category used to calculate this number. Please also include number of events. These assumptions should tie to the Marketing Plan.

Stadium Manager:

As noted on our budget submission on January 29th, the projection assumes two (2) TBD concerts that could generate up to \$300k in Non-NFL Ticket Surcharge. The budget submitted reflects the midpoint (i.e. \$300k * 50%).

This calculates to 37.5k tickets sold.

Additional SCSA Follow up:

- **How many tickets are planned to be given away for free?**

Stadium Manager:

We are unable to predict the number of complimentary tickets that a promoter/artist will decide to distribute for ticketed events that are not yet scheduled.

SCSA Stadium Manager Shared Expenses

Stadium Manager Shared Expenses		
	2020/21	2021/22
StadCo Projection	\$ 6,550,000	
StadCo Proposed Budget		\$ 7,877,000

- StadCo's 2020/21 projection is \$6,550,000.

14. Please provide the detailed breakout for the 2020/21 projection in the same manner as the SCSA Annual Shared Stadium Expense Budget (by department and expense type).

Stadium Manager:

Please see the attached.

Additional SCSA Follow up:

- SCSA had previously received a forecast in December that reflected the same bottom line of \$6.5 million. SCSA has also tracked the invoices received to date that correspond to the December forecast. It's important to note that SCSA has compared the December forecast to the February forecast and has found that while the bottom line remains at an estimated \$6.5 million in both forecasts received the amounts in each category have fluctuated. It's typical for forecasts to fluctuate, however, the bottom line usually fluctuates as well. In this case, the category forecasts fluctuate, but the bottom line remains unchanged. Please provide insight to how the categories change but the bottom line does not change.

Stadium Manager:

We believe the December forecast you are referring to is the lender budget forecast which is used to ensure that the SCSA has enough cash to pay for its bills. The overall projection for Shared Stadium Expenses of \$6.5M agrees with the detailed submission to question 14 above. The "fluctuations" between departments as you note above are because the comparisons you are using are from two separate schedules that serve two different purposes. The overall adjustments on the lender budget are typically spread at a high level or prorated between the departmental categories as at the end of the day the total bottom line number, \$6.5M in this case, is typically what we are reviewing each month. The response to Question 14 above is the departmental detail that makes up the \$6.5M and is much more granular at a departmental level than our monthly review of the lender budget.

15. There is no basis by which to proceed with confidentiality with regard to personnel being paid with public funds. Invoices for other consultants and contractors contain hourly billing information such as duties performed and rates of pay. For staffing costs, please provide salaries by position title (without names), actual hours charged to Shared Expenses, hourly rates, benefits, and related costs. Meeting at the stadium to review Shared Expenses is inefficient and the SCSA looks to provide some level of detail to the Board in a timely manner to support these costs.

Stadium Manager:

We are happy to provide all of this info to you and your auditors as we have in prior years. Linh Lam looked at this detail last month and Tyler Cook did so before her. This includes the names and pay for every single employee.

This has been consistent with past practice for the past seven years, and we believe your continued request is in bad faith and part of your litigation strategy.

You are also reminded that the compensation of Stadium Manager employees is at the sole and absolute discretion of the Stadium Manager per 6.5.1 of the Management Agreement.

Additional SCSA Follow up:

- The Stadium Authority seeks to gain understanding and detail behind the costs invoiced each month to provide transparency to the Board. The past practice of selecting samples at an in-person meeting and then returning to review the samples over several days is inefficient and could be considered a waste of resources when a more efficient practice exists.

Please note, the review of Shared Expenses by Linh Lam is not complete. There are outstanding questions that have not been addressed. The review should not be considered a sign off of any sort.

Stadium Manager:

No response needed.

17. Please explain the procurement plan for any contracted services.

Stadium Manager:

For any new contracts requiring SCSA approval, Stadium Manager will submit contracts and procurement information that complies with the Stadium Authority Procurement Policy set forth in Chapter 17.30. Stadium Manager shall work with the SCSA on those purchases over \$250K per year that require competitive bidding under the Policy as we have in previous years. No competitive bidding or procurement procedures are required for purchases under \$250K under the Policy.

Additional SCSA Follow up:

- Clearly procurement procedures such as adherence to applicable prevailing wage regulations and payment bond requirements are required for contracts under \$250K depending on the service being procured. In addition, Stadium Manager has recognized in meetings with Stadium Authority that, pending formal amendments to the policy, Manager's duty to minimize expenses includes best practices of competitive procurement even for goods and services contracts of less than \$250K.

Stadium Manager:

In addition to being in compliance with 17.30, Stadium Manager acknowledges the applicable prevailing wage regulations and payment bonds requirements for certain contracts procured on behalf of the SCSA.

- 20. Please provide a detailed breakdown of the costs savings in maintenance and operating expenses of the Team not playing the last 3 NFL games of the 2020 season at Levi's Stadium.**

Stadium Manager:

To remind you, there is a difference between event costs and shared stadium expenses. Both NFL Gameday costs and utilities during the NFL season are charged 100% to StadCo. Accordingly, the breakdown you requested is not information that is relevant to the SCSA.

Additional SCSA Follow up:

- A breakdown is necessary so that Stadium Authority can ensure that Game day event expenses are not being billed as shared expenses.

Stadium Manager:

Gameday event expenses are never charged to the SCSA.

- 21. Based representations that the costs of use of the Stadium for as mass-vaccine site will be covered by the NFL and Niners, shouldn't Shared Expenses decrease as part of the costs previously allocated that would now be paid 100% directly by the NFL and the 49ers Team?**

Stadium Manager:

As noted above, there is a difference between event costs and shared stadium expenses. All incremental costs associated with utilizing Levi’s Stadium as a vaccine site will be covered by the 49ers. This would not impact the SCSA’s portion of Shared Stadium Expenses, which exclude incremental event costs. Stadium Managers’ VP/Controller shall ensure all incremental event costs are properly allocated to the 49ers.

Additional SCSA Follow up:

- Unless Stadium Authority has full transparency into all expenses for the Vaccine Time period it cannot provide the public with assurance that the 49ers’ allocation between “incremental” costs and Shared Expenses is valid.

Stadium Manager:

Please refer to Jim Mercurio’s email on 3/9/2021.

Stadium Authority G&A Costs

Stadium Authority General and Administrative Costs (G&A)			
	2019/20	2020/21	2021/22
SCSA Final Budget	\$ 2,480,000	\$ 4,581,000	
SCSA Actuals/Projections	\$ 2,371,198	\$ 2,666,000	
StadCo Projection		\$ 2,666,000	
StadCo Proposed Budget			\$ 3,000,000

- StadCo’s FY2021/22 proposed budget of \$3,000,000 does not match SCSA’s submittal of \$5,115,000.

28. Please provide assumptions behind the budgeted amount of \$3,000,000. As a reminder, the SCSA’s budget is on accrual basis. Projected savings from a previous year should not affect the expenses on an accrual basis.

Stadium Manager:

On an accrual basis, the budgeted amount should be \$3M. There is no cash adjustment to the SCSA Overhead number submitted on the Annual Budget. This amount is based on your FY20 projected actuals of \$2.666M grown at 12 percent, which is the same YoY percentage increase from FY19 to FY20 (i.e. \$2.371M to \$2.666M). As the event calendar in 2021 may be limited, Stadium Manager has managed to reduce costs in a number of areas and will continue to look for ways to reduce further during these uncertain times. Please provide an updated SCSA Overhead budget that is no more than \$3M by 2/26/21, which is subject to the approval of Stadium Manager per Section 3.2 of the Management Agreement.

Additional SCSA Follow up:

- The SCSA G&A budget considers expected costs in the upcoming year. When costs fall below budget, it is either because of cost savings efforts or a change in the expected plan. As an example, the SCSA planned on a certain amount of legal costs in FY20/21 but due to the pandemic those costs were not realized in FY20/21. However, that does not mean the costs will not be realized at all, but rather will take place in the following year. In addition, the SCSA generated savings in FY20/21 in response to the COVID-19 pandemic by pausing Executive Director directives and keeping budgeted positions vacant. The G&A budget cannot be projected by simply adding a percentage increase to prior year actuals; that is not an accurate practice of budgeting. The full potential costs of a year must be included in the budget. The ongoing pandemic and its impacts will be monitored and the SCSA will generate savings or keep positions vacant as needed.

As a reminder, Measure J does not allow the City to cover any funds related to Stadium operations. If any G&A costs are incurred, the Stadium Authority must cover those costs.

Stadium Manager:

No response needed.

Insurance Expense

- StadCo's FY2020/21 projection and FY2021/22 budget are both based on Stadium Lease Agreement.

32. Please provide insurance documents for all Stadium-related policies with supporting invoices for premiums.

Stadium Manager:

As discussed with your predecessor, the Stadium Authority's rates are fixed per Section 8.3.1 of the Stadium Lease that states the Stadium Authority Insurance Share shall be calculated as follows: (i) for the first lease year the Stadium Authority Insurance Share shall equal two million five hundred fifty thousand dollars (\$2,550,000) and (ii) on the commencement of the second and each succeeding lease year, the insurance shall be increased by three percent (3%). This fixed rate for insurance was included in the Facility Rent calculation as part of Exhibit J.

Each year the SCSA receives a summary of insurance coverages and certificates of coverage.

33. These costs are not reconciled against invoices. How are potential savings of public funds being expended?

Stadium Manager:

Please see answer to Question 32 above. The Stadium Authority's rates are fixed per Section 8.3.1 of the Stadium Lease Agreement.

Additional SCSA Follow up:

- **Please provide a reconciliation of insurance costs billed to the Stadium Authority vs. actual costs incurred.**

Stadium Manager:

The SCSA is in possession of the documentation required under the Lease.