



## Agenda Report

25-102

Agenda Date: 2/25/2025

### REPORT TO STADIUM AUTHORITY BOARD

#### **SUBJECT**

Discussion of the Proposed Santa Clara Stadium Authority Fiscal Year 2025/26 Operating, Debt Service and Capital Budget and Stadium Authority Budget, Compliance and Management Policies, and Marketing Plan

#### **BOARD PILLAR**

Ensure Compliance with Measure J and Manage Levi's Stadium

#### **BACKGROUND**

The Stadium Management Agreement (Management Agreement) defines the Stadium Operation and Maintenance Plan (SOMP) as the plan designed to achieve a safe and well maintained Stadium and states that it should include the standards for management and operation of the Stadium, including the required security, staffing, and other required elements of hosting Stadium Events. The Forty Niners Stadium Management Company LLC (ManCo or Stadium Manager) is responsible for preparing the SOMP, which shall be presented annually to the Santa Clara Stadium Authority (Stadium Authority), and must include the:

1. Annual Shared Stadium Expense Budget,
2. Annual Public Safety Budget,
3. Capital Expenditure Plan, and
4. Marketing Plan.

Section 4.10 of the Management Agreement requires that the Marketing Plan set forth in reasonable detail the Stadium Manager's plans to develop, implement and monitor marketing, booking, advertising, and promotion of the Non-NFL Events for Levi's Stadium.

Each year, Stadium Authority staff prepares a proposed Santa Clara Stadium Authority Operating, Debt Service, and Capital Budget for the Stadium Authority's twelve-month Fiscal Year (FY), which begins on April 1 and runs through March 31 (in accordance with Article 4 - Records, Accounts, Budgets, and Reports of the Management Agreement).

#### **DISCUSSION**

This report to the Stadium Authority Board transmits the Proposed FY 2025/26 Stadium Authority Operating, Debt Service, and Capital Budget (Attachment 1), Public Safety Budget (Attachment 2), and 2025 Levi's Stadium Events Marketing Plan (Attachment 3). It should be noted that the Public Safety Budget is provided by ManCo and included in this report for Stadium Authority Board information only, as budget appropriations for the City's public safety departments are approved by the City Council through the City's annual budgeting process.

The budget document contains several key sections including the:

- **Stadium Operating Budget** which includes a breakdown of the Stadium Authority's General and Administrative costs,
- **Shared Stadium Manager Expenses** including the total expenses and the Stadium Authority's share of those expenses,
- **Debt Service Budget;** and
- **Capital Budget.**

In addition, staff has included glossaries of commonly used financial terms in this proposed budget to facilitate understanding the types of revenues, expenses, debt, and capital expenses.

In accordance with Sections 4.5 through 4.8 of the Management Agreement, ManCo prepared and submitted a proposed operating, capital, and debt budget for the FY 2025/26 Stadium Authority Budget. Staff followed the budget development process outlined in the Proposed Stadium Authority Board Budget Policy (Attachment 4) in preparing the Proposed FY 2025/26 Stadium Authority Budget.

Because of the complexity and importance of the Stadium Budget, Stadium Authority staff's approach has been to present the budget for Stadium Authority Board consideration over the course of two or more meetings. This year, the schedule for this is as follows: a February 25<sup>th</sup> study session; if necessary, a roll-over March 4<sup>th</sup> Special Meeting/Study Session; and, finally, a March 11<sup>th</sup> Public Hearing for Board final consideration and action. The following summarizes the timeline of the FY 2025/26 budget process:

- In November 2024, Stadium Authority worked with ManCo to develop the annual budget plan which included the dates that ManCo would provide all necessary documents as required by the Stadium Lease, Management Agreement, and Stadium Operations Agreement.
- In January 2025, ManCo provided annual documents as outlined in the Stadium Agreements, which were used in the Budget Development Process:
  - Stadium Operations and Maintenance Plan
    - Annual Shared Expense Budget with Five Year Projection
    - Annual Stadium Authority Operations Budget
    - Annual Public Safety Budget
    - Capital Expenditure Plan with Five Year Projection
    - Levi's Stadium Events Marketing Plan
  - Public Safety Document Updates
  - NFL and Non-NFL Events Parking Plans
- In February 2025, Stadium Authority staff analyzed ManCo's budget submission including but not limited to the number of full-time equivalents (FTEs) recommended and related personnel costs as well as non-personnel costs, and calculated the budget for Stadium Authority General and Administrative (G&A) costs (such as staff costs, consulting, audit, legal, and any reasonable and necessary expenses to uphold its support of the Board) as well as any necessary funding to for allocation in the Stadium Authority's

Discretionary Fund. As of the timing of the production of this report, responses from ManCo regarding additional questions from the Stadium Authority are expected to be received on February 21<sup>st</sup>. Any additional information will be provided during the staff presentation on February 25<sup>th</sup>.

The Proposed Budget is presented on an accrual basis which provides increased transparency for projected revenues and expenses, with added detail about financial transfers. The total Revenues and Expenses in the Stadium Authority Operating Budget for FY 2025/26 are \$66.2 million and \$61.2 million, respectively.

A summary of key changes and assumptions for the Proposed Budget include:

- **Net Non-NFL Events Revenue** estimate for FY 2025/26 totals \$5.3 million. This is budgeted lower than the actuals for FY 2023/24 and FY 2024/25, which were \$8.3 million and \$9.3 million (projected actuals), respectively. ManCo provided a budget estimate of \$4.5 million to \$5.3 million for Net-Non-NFL Event Revenue for FY 2025/26. Historically, performance has exceeded the preliminary budget estimates based on actual event profitability.
- **Payments to the City's General Fund** are programmed at \$6.3 million in FY 2025/26 for performance rent (\$2.2 million), excess revenue distribution (\$2.8 million), ground rent (\$1.0 million), and Senior/Youth fees (\$270,000).
- **Non-NFL Ticket Surcharge** revenue is projected to increase \$2.3 million, reflecting the increase from of the surcharge from \$4 to \$8 for tickets sold in FY 2025/26 for certain events.
- **Public Safety cost reimbursements** over the agreed-upon threshold for FY2025/26 is \$2.1 million; \$2.0 million will be paid for from the Public Safety Cost Reserve, and \$100,000 will be paid from the Discretionary Fund.
- **Public Safety Costs 2024 Outstanding Balance** paydown of \$2.8 million from Excess Revenues which will leave an end balance of \$2.8 million at the end of FY2025/26.
- **Levi's® Naming Rights expense** of \$1.7 million includes the Authority's obligations under its Naming Rights Agreement with Levi's® (Schedule 1, Sections 5 and 6) to provide Levi's® a suite and tickets to the six 2026 FIFA World Cup soccer matches. The Stadium Authority will receive a \$4 to \$6 surcharge per ticket sold for the six 2026 FIFA World Cup events, with projected revenues (including any backfill if less than \$6 is charged) of \$2.1 million. These revenues will be allocated 50% to Stadium Authority general revenue and 50% to the Discretionary Fund.
- **Renovation/Demolition Reserve** is budgeted to have a balance of \$48.9 million by the end of FY 2025/26. This reserve is ahead of schedule towards the required \$70 million balance because of the contribution from excess revenues that have been generated in recent years.
- **Capital Expense (CapEx) Reserve Fund Balance** is budgeted to have a balance of \$2.6 million by the end of FY2025/26. Staff is proposing that the Stadium Authority contribute an additional \$1.0 million to the CapEx fund above contractual requirements to provide additional resources for unanticipated expenses. Stadium Authority will continue to provide oversight and work with ManCo to ensure the projects with the highest priority and needs are addressed within the five-year CapEx plan. StadCo has conducted a Facilities Condition Assessment (FCA), funded at their expense, to help facilitate long-term financial

planning, operational efficiency, and structural integrity. The FCA identifies necessary repairs, capital improvements, and compliance requirements while optimizing maintenance costs and resource allocation. The Stadium Authority will undertake a vetting of the FCA once complete. It is important to note that the current capital reserve balance is far below an appropriate level and increasing this balance should be a major focus of future budgetary and capital project planning.

- Proposed **Capital Expenditures** totaling \$18.6 million, including general building, security, furnishings and equipment, and public safety investments. The Authority will oversee and collaborate with ManCo to prioritize projects within the five-year CapEx plan.
- **General and Administrative Budget** funding 8.7 full-time equivalent positions totaling \$3.3 million. This is a baseline level of support necessary for Stadium Authority operations and reflects an estimate of staff time necessary for FY 2025/26 activities. This budget also included positional changes to reflect a staff reclassification that took place during the current fiscal year, conversion of an existing Assistant to the City Manager to a Deputy City Manager position.
- Total estimated Debt Service payments of \$20.6 million including debt related to the Community Facilities District (\$3.6 million) and Term A Loan (\$17.1 million).

Key highlights for the Stadium Authority's 2025/26 budget are as follows:

#### Operating Budget

##### Revenues

- FY 2025/26 total projected revenues of \$66.2 million includes \$24.8 million in facility rent, \$5.2 million in SBL revenue, \$15.0 million in NFL ticket surcharge, \$8.1 million in Naming Rights revenue, \$3.4 million in Non-NFL ticket surcharge, \$5.3 million in Non-NFL events net revenue, \$3.4 million in interest revenue, and \$1.0 million in miscellaneous other revenues.
- Non-NFL Events Ticket surcharge revenues are projected to increase by \$2.0 million or 146%, from \$1.4 million in FY 2024/25 Budget to \$3.4 million in FY 2025/25 Budget. As a part of the 2024 settlement agreement, Non-NFL event ticket surcharge will increase from \$4 per ticket to a minimum of \$8 per ticket starting in FY 2025/26. This incremental surcharge revenue will be used to reimburse public safety costs that exceed the threshold.
- ManCo provided Net-Non-NFL Event Revenue to be between \$4.5 million and \$5.3 million for FY 2025/26. The Stadium Authority used the higher estimate of \$5.3 million as the anticipated Net Non-NFL Event Revenue for FY 2025/26. This is based on a projection of eight major events (six concerts and two soccer events) and non-ticketed events.

##### Expenses

- The proposed Operating Budget equals \$61.2 million and includes the Stadium Authority's share of expenses covered under the Management Agreement in the amount of \$14.0 million, along with monies sufficient to fulfill the Stadium Authority's administrative oversight of the Stadium in the amount of \$4.7 million, SBL sales and services of \$3.3 million, utilities costs of \$1.8 million, ground rent of \$1.0 million, performance rent paid to the City of \$2.2 million, naming rights expense of \$1.7 million, public safety cost over threshold of \$2.1 million, public safety cost 2024 outstanding balance of \$2.8 million, transfer to the City general fund of \$2.8 million and other expenses of \$2.0 million. It also includes transfers out of \$22.8 million as detailed below.

- Total transfers out of \$22.8 million include a \$5.2 million transfer to the Capital Fund for future Stadium capital improvements and \$17.6 million to the Debt Service Fund.

#### Reserves

- Total operating reserves are expected to be \$79.3 million at the end of FY 2025/26. This is composed of a Renovation/Demolition Reserve of \$48.9 million, an Operating Reserve of \$27.7 million and a Discretionary Fund Reserve of \$1.4 million.

#### Debt Service Budget

- The proposed 2025/26 Debt Service Budget of \$20.6 million (principal of \$9.9 million and interest of \$10.7 million) is based on the required debt service payments. Total outstanding debt is projected to decrease by \$9.9 million from \$219.7 million to \$209.8 million.

#### Capital Expense Budget

- The FY 2025/26 Capital Expense Budget totals \$18.6 million. Of this total, \$13.4 million of prior year appropriations are carried over into FY 2025/26. New capital improvement appropriations equal \$5.2 million

#### **Levi's Stadium Marketing Plan**

The Marketing Plan (Attachment 3) is submitted by ManCo and included in the report. The Stadium Authority has enlisted a consultant to conduct an evaluation of the 2025 Levi's Stadium Marketing Plan. This review will assess current marketing strategies, offer recommendations to enhance the Stadium Authority's strategic oversight, ensure consistency and impact across marketing and branding elements, analyze media plans, and interpret performance data to identify trends and areas for improvement. The process will commence in March 2025, with multiple deliverables, including a final report expected by July 2025. The findings will guide both the ongoing oversight of the 2025 Marketing Plan and the development of the 2026 Marketing Plan.

#### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of a California Environmental Quality Act ("CEQA") pursuant to the CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Furthermore, the action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

#### **FISCAL IMPACT**

The Proposed FY 2025/26 Budget includes \$61.2 million for operating costs (includes transfers out to Debt Service and Capital Funds), \$20.6 million for debt service, and \$18.6 million for capital (includes a \$13.4 million carryover from the prior year).

#### **COORDINATION**

This report has been coordinated with the Executive Director and Stadium Authority Counsel Offices.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) or at the public information desk at any City of Santa Clara public library.

**RECOMMENDATION**

Review and provide input on the Proposed Santa Clara Stadium Authority Fiscal Year 2025/26 Operating, Debt Service, and Capital Budget, Proposed Stadium Authority Budget, Compliance and Management Policies, and 2025 Levi's Stadium Events Marketing Plan.

Reviewed by: Kenn Lee, Treasurer

Approved by: Jovan Grogan, Executive Director

**ATTACHMENTS**

1. Santa Clara Stadium Authority Proposed Fiscal Year 2025/26 Operating, Debt Service, and Capital Budget
2. Fiscal Year 2025/26 Annual Public Safety Budget
3. 2025 Levi's Stadium Events Marketing Plan
4. Stadium Authority Board Budget Policy
5. Stadium Authority Board Compliance and Management Policy