

Santa Clara Stadium Authority

Action on the Audited Santa Clara Stadium Authority Fiscal Year
2018/19 Annual Financial Statements

September 17, 2019, Item 2C



Audit Limitations & Methodology

- This was an audit of the Stadium Authority's financial statements and internal controls, based on information provided by the SCSA and Stadium Management Company. The audit opinion is not for any other City entity nor any Forty-Niners entity. This audit was not a compliance audit.
- This financial audit is an independent evaluation of the Stadium Authority's financial statements and reporting processes to provide **reasonable assurance** that the financial statements are free from material misstatement.
- Through various audit processes and procedures, auditors determine if relevant controls and processes are in place for the fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP).



Overview

- KPMG completed the annual audit of the Stadium Authority's Financial Statements as required by section 5.1(a) of the Credit Agreement
- The Financial Statements cover the 2018/19 fiscal year (April 1, 2018 to March 31, 2019) with comparative data from the 2017/18 fiscal year
- Unmodified (i.e., "clean") opinion expressed by the auditors
- Presented to the Audit Committee on September 10, 2019
- Reports are available on the City's Stadium Authority webpage

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SANTA CLARA STADIUM AUTHORITY

Key Financial Highlights

- SCSA's net position increased by \$17.3 million when compared to the prior year
 - Total Assets were \$828 million, with Levi's Stadium being the largest asset with a carrying value of \$749 million, net of depreciation
 - Total Liabilities were \$768 million made up mostly of outstanding debt equaling \$340 million and unearned revenues relating to Stadium Builder's Licenses (SBLs) and stadium naming rights revenue of \$406 million
- Debt service payments during the fiscal year totaled \$61 million and overall outstanding long-term debt decreased by \$42 million

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SANTA CLARA STADIUM AUTHORITY

Key Financial Highlights

- During this fiscal year, there were 10 National Football League (NFL) games, 12 ticketed non-NFL events, and 100 smaller special events held at Levi's Stadium.
- The Stadium Authority recognized \$107 million in operating revenue:
 - Charges for Services were \$61.2 million with non-NFL event revenue of \$50.9 million, NFL ticket surcharge of \$8.1 million, non-NFL ticket surcharge of \$1.6 million, and senior/youth fees of \$228 thousand
 - Rents and Licensing revenues were \$45.3 million with Stadium lease rent equaling \$25.8 million, SBL revenue recognition of \$11.6 million, and naming rights revenue of \$7.7 million

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SANTA CLARA STADIUM AUTHORITY

Key Financial Highlights

- The Stadium Authority recognized \$85 million in operating expenses:
 - Lease Expenses were \$1.2 million, the largest expense being the Stadium ground lease of \$980 thousand
 - Materials, Services and Supplies were \$66.5 million with Non-NFL expenses of \$51 million, stadium manager expenses of \$7.1 million, SBL sales and service expenses of \$2.2 million, and insurance expenses of \$2.9 million.
 - Selling, general, and administrative expenses were \$668 thousand and Depreciation totaled \$16.7 million
- Revenue from the non-NFL events totaled \$50,856,562 and the related expenses were \$50,837,971 resulting in net non-NFL event revenue of \$18,591

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SANTA CLARA STADIUM AUTHORITY

Net Revenue for Non-NFL Events

As of March 31, 2018


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



Measure J – Projected Revenue



Measure J – Projected Revenue



Santa Clara Police Chief Steve Lodge on Measure J's Impact on Public Safety

"I'm the Police Chief.
I have one job to do: protect the safety of the citizens of Santa Clara.
I view every decision I make through that lens: does it help me protect Santa Clarans and make our city safer?"

All firefighters and police officers placed here are being compensated on levels from the Santa Clara Fire or Police Departments. Those placed were not on duty at the time of the protest. There are no protected firefighters, not a Santa Clara firefighter.

After looking at the language carefully, I am confident Measure J does two important things:

- 1. Measure J generates guaranteed new revenue that can help Santa Clara continue to provide the high-quality police and fire protection that our citizens deserve - without raising taxes on city residents.**
- 2. Measure J requires that the stadium cover all stadium operating expenses, including public safety costs. This prevents any diversion of general fund dollars away from public safety.**

- Steve Lodge, Police Chief

**Police Chief Lodge Recommends
Vote YES on Measure J**

Read more about Measure J and the guaranteed revenue it will bring to Santa Clara to help maintain high-quality public safety services by going to the city's website at www.SantaClaraCA.gov



Measure J – Projected Revenue

"Santa Clarans Should Have Confidence In The Taxpayer Protections That Were Demanded and Included In Measure J"

STADIUM PROJECT FINANCING

The city negotiated for the best deal possible, including:

- The stadium will be financed through bonds that will be repaid by the stadium's own revenue.
- The stadium will be owned and operated by the city.
- The stadium will be a public entity, not a private company.

NEW REVENUE TO THE GENERAL FUND

Measure J will generate \$10 million in new revenue for the city's general fund.

This revenue will be used to:

- Pay for the stadium's operating expenses.
- Pay for the stadium's maintenance and repair costs.
- Pay for the stadium's security and safety costs.

**On June 8th,
Vote YES on Measure J**

VoteYesonJ.com



Measure J – Projected Revenue

Analysis of Impact on Taxpayers and the City



"After extensive and careful study, I believe this project will provide great benefits to our community, with NO costs or financial risk to Santa Clara residents."
 Santa Clara Mayor Patricia Mabon

THE STADIUM PROJECT was put to public consideration in the past year of high-level study with the San Jose City Plan.

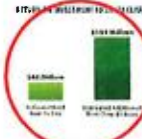
The city's staff and elected officials have carefully considered the results of independent economic and financial analysis, assessments, and our citizens through the process of questions and fiscal impacts, and have found the stadium does not pose any financial risk to the city.

A majority of the City Council members believe this project will improve the quality of life in our city and in Santa Clara without burdening our community with any financial risk.

Guaranteed New Revenue To The City

Under the terms of the agreement, the city will continue to own the stadium and the revenue to be paid to the stadium is guaranteed to the city.

- a guaranteed minimum of \$40 million is paid over the next 40 years
- an estimated \$150 million from other events



Financing That Puts The City and Taxpayers At NO Risk

The city is responsible for only 10% of the cost of the stadium. The stadium will be financed by the state and the bonds generated by the stadium will cover 90% of the \$250 million cost.



The city is also, and its city debt investment, comes from the state's investment agency funds, which can only be used in certain areas for development projects that generate economic activity.

The revenue generated by the stadium will be used to pay for the stadium through the stadium bonds.

- NO new or increased city taxes
- NO use of general bond dollars
- The City is responsible for ALL cost recovery

There are no special taxes or fees on the stadium project. The stadium is specifically financed by bonds generated by the stadium and the state's investment agency funds.



Measure J – Projected Revenue



Table 2
 Ground Rent to City: Fixed and Projected Performance Based
 49er Stadium
 Santa Clara, CA
 (\$000's Omitted)

Performance Rent Per 2009 Projection and assuming 2014 opening; Selected Years Shown; One Team

FY Beginning	A.	B.			C.	D.	E.	F. (= A. + E.)
	Fixed Ground Rent to City	Projected Performance-Based Rent to City ⁽¹⁾				Credit PIT ⁽³⁾	Net Perform. Rent To City	Projected Total Ground Rent to City ⁽⁴⁾
		50% of Non-NFL Net Revenue	Credit 50% Fixed Rent					
<i>40 Year Lease</i>		<i>at projection</i>						
2014	\$180	\$2,480	(\$90)	\$0	\$0	\$2,390	\$2,570	
2019	355	2,875	(178)	0	0	2,697	3,052	
2024	1,000	3,333	(500)	0	0	2,833	3,833	
2026	1,000	3,536	(500)	(307)	(307)	2,729	3,729	
2029	1,100	3,864	(550)	(325)	(325)	2,988	4,088	
2034	1,200	4,479	(600)	(359)	(359)	3,520	4,720	
2039	1,300	5,193	(650)	(397)	(397)	4,146	5,446	
2044	1,400	6,020	(700)	(438)	(438)	4,882	6,282	
2049	1,500	6,978	(750)	(483)	(483)	5,745	7,245	
2053	1,500	7,854	(750)	(523)	(523)	6,581	8,081	
Nominal Total	40,875	186,995	(20,438)	(11,359)	(11,359)	155,199	196,074	
NPV (rounded) ⁽²⁾	\$10.1 M					\$23.8 M	\$33.9 M	
Discount Rate	6%					10%		



Projected Ground Rent to City

As presented to the City Council on June 2, 2009 as part of the Stadium Project Term Sheet (slide 37) and Keyser Marsten 2012 Report

	2013/14	2018/19	2023/24	2033/34	2052/53
EVENT TYPE	Net Revenue	Net Revenue	Net Revenue	Net Revenue	Net Revenue
Fixed Rent	\$ 180,000	\$ 355,000	\$ 1,000,000	\$ 1,200,000	\$ 1,500,000
Performance Rent	2,390,000	2,697,000	2,833,000	3,520,000	6,581,000
Senior/Youth Fee	228,000	228,000	228,000	228,000	228,000
Total Ground Rent paid to the General Fund	\$ 2,798,000	\$ 3,280,000	\$ 4,061,000	\$ 4,948,000	\$ 8,309,000



Proforma Projection to Actual Comparison

EVENT TYPE	2018/19 Proforma	2018/19 Actual	Variance
	Net Revenue	Net Revenue	Net Revenue
Performance Rent	\$ 2,697,000	\$ -	\$ (2,697,000)
Total Performance Rent paid to the General Fund	\$ 2,697,000	\$ -	\$ (2,697,000)



FY 2019/20 Projected Revenue

EVENT TYPE	2019/20	
	No. of Events	Net Revenue
Ticketed Events		
Concerts	1	\$ 745,039
Sporting events:		
NCAA College Football	2	(3,500,000)
Soccer	1	489,922
Miscellaneous events	0	-
Subtotal Ticketed Events	4	\$ (2,265,039)
Special Events (w weddings, corporate events, etc.)	100	\$ 2,352,523
Total Non-NFL Net Revenue	104	\$ 87,484
Total Performance Rent paid to the General Fund		\$ -

Assumptions:

- Net Revenue based on 3-year average for concerts and soccer. NCAA College Football estimates based on past performance for Pac-12 Championship and Redbox Bowl. Special events based on last year performance.



FY 2019/20 Projected Revenue

In Millions \$

Ticketed Events	Revenue	Expenses	Net
Monster Jam	1.4	1.6	(0.2)
Taylor Swift tour (2 dates)	15.6	14.6	0.9
Stadium Links	0.1	0.0	0.0
Manchester United vs Earthquakes	1.4	1.8	(0.4)
ICC: Barcelona vs AC Milan	4.4	3.8	0.7
High School Football Series	0.1	0.1	(0.0)
Jay-Z/Beyonce	7.3	6.8	0.5
SJSU vs Army	0.2	0.6	(0.4)
Pac-12	2.7	5.7	(3.0)
Redbox Bowl Game	4.5	5.0	(0.5)
Events to date	37.7	40.0	(2.3)

Chart above provided by ManCo in February 2019 without any supporting documentation for these expenses. Assumed non-ticketed special events and soccer would offset. Subject to revision on October 29, 2019 as part of the 4th Quarter Financial Reports.



From Wikipedia on the Red Box Bowl

“On July 12, 2016, the [San Francisco 49ers NFL](#) team announced that it had taken over management of the Foster Farms Bowl from the San Francisco Bowl Game Association, and also announced a new, four-year broadcast rights deal with [Fox Sports](#), replacing ESPN.^[9] In September 2018, [Redbox](#) (a chain of video rental kiosks) announced it had become the new title sponsor.^{[10][11]} “



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Santa Clara Stadium Authority