



**Date:** June 28, 2016

**To:** Executive Director for Stadium Authority Action

**From:** Finance Director/Treasurer/Auditor for Stadium Authority

**Subject:** Approval of Amendment to the 2015-16 Santa Clara Stadium Authority Budget

### **EXECUTIVE SUMMARY**

At the May 24, 2016 Stadium Authority meeting, staff brought forth a request to approve a budget amendment to the fiscal year 2015-16 Stadium Authority budget. The Board requested that the item be continued until they received the Stadium Authority's Financial Status Report for the Quarter and Year Ending March 31, 2016. That report is now available and will be presented on the same agenda on June 28, 2016.

On March 22, 2016, staff brought forward operating and debt service budget amendments to the 2015-16 budgets. A debt service budget amendment in the amount of \$32,423,000 was unanimously approved by the Board members present (Kolstad and Marsalli absent). The debt service budget amendment was described as additional appropriation authority needed to use excess cash to pay down debt.

By the end of March 2016, additional unanticipated revenue above the amount projected totaling \$2,706,459 was available. Note that these amounts which are described as excess revenues are amounts remaining after paying all other obligations including the ground rent payment to the City; Stadium Authority operating expenses, regular debt service payments; and required contributions to operating, capital, and debt service reserves. In accordance with loan documents, Stadium Authority was required to use those excess monies to pay down debt. This was the first time that expenditures have exceeded the amount appropriated at year end, and that is why staff had to bring forward a request for a retroactive budget amendment. Since the annual payments from those who financed their Stadium Builders Licenses are primarily received at the end of the Stadium Authority's fiscal year, it is difficult to predict how much will be paid over the minimum payment due. Staff will put additional cushion in future budget projections to reduce the chance of having to bring forward last minute or retroactive budget amendments.

Although the amount of projected 2015-16 revenues was underestimated, this is actually a positive development for the Stadium Authority, as it resulted in lower overall debt, and lower future debt service.

During and subsequent to the discussion on the budget amendment, the Board asked several questions about why the excess monies were used to pay the Subordinated Loan rather than the Term A Loan. There are three primary loans used by the Stadium Authority to finance the development of Levi's Stadium: the Term A Loan, the Term B Loan, and the Subordinated Loan.



- The Term A Loan is a fixed rate amortized loan bearing interest at 5% annually with a maturity date of April, 2039; which requires semi-annual payments that will repay the loan over the term.
- The Term B Loan was a variable rate loan due in 2018. The Term B Loan was not fully amortized over the five-year term and was expected to be refinanced in 2018. Payments on the Term B Loan were primarily to be derived from the proceeds received by the Stadium Authority from the annual payments due from the sale of Stadium Builders Licenses (SBLs). Prepayment of the Term B loan was allowed without penalty and, as has been previously reported, the Term B Loan was paid in full in March 2016 (part of the \$32.4 million budget amendment approved by the Board on March 22, 2016). The payoff of the Term B Loan eliminated all of the Stadium Authority's interest rate risk.
- The Subordinated Loan is a loan advanced by StadCo bearing an annual interest rate of 5.5% with scheduled payment due through 2039. However, the StadCo Loan was structured so that the Stadium Authority was only obligated to make payments from funds remaining after the payment of the Term A and Term B loans and other expenses. If sufficient funds are not available to make the Subordinated Loan scheduled payment, the payment can be deferred. On the other hand, if the Stadium Authority has available funds in excess of the scheduled payment, the Stadium Authority is required to use those funds to pay the Subordinated Loan.

There are a variety of documents, of which the Stadium Authority is a party, that govern the use of the loan funds. The Amended and Restated Credit Agreement outlines the terms for the use and repayment of the Term A and Term B Loans. The Deposit and Disbursement Agreement controls the use of Stadium Authority revenues through the creation of a series of accounts to ensure that the City ground rent as well as Stadium Authority operating expense and debt service are paid. The StadCo Obligations Agreement governs the use and repayment of the Subordinated Loan.

The additional \$2.7 million payment were funds that were not needed for other designated uses under the Deposit and Disbursement Agreement, such as scheduled debt service on loans or for required deposits into reserves. As a result, at the end of the Stadium Authority fiscal year, Stadium Authority funds that are not needed for other payments are required under the Deposit and Disbursement Agreement to be deposited in the Stadium Authority Excess Cash Flow Account. Section 2.4(b)(ii)(3) of the StadCo Obligations Agreement provides that the Stadium Authority must make a mandatory prepayment on the Subordinated Loan in the amount of the funds in the Stadium Authority Excess Cash Flow Account.

At the time of the prepayment of the Subordinated Loan, the Term B Loan was fully repaid. The Term A Loan allows for voluntary prepayments, however, as provide in Section 2.13(a)(i) of the Credit Agreement, the payment must be accompanied by a Yield Maintenance Amount, also known as a make-whole amount. The Yield Maintenance Amount is calculated to provide the note holder with the same benefit on a present value basis that the note holder would have received if it received the interest payment over time.

#### **ADVANTAGES AND DISADVANTAGES OF ISSUE**

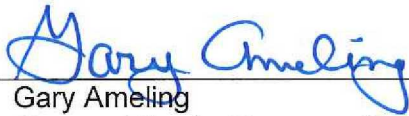
The 2015-16 budget amendment allows the Stadium Authority to pay down its debt and stay within its debt service budget appropriation authority.

**ECONOMIC/FISCAL IMPACT**

The proposed \$2,707,000 2015-16 budget amendment balances the appropriation authority with the amount of debt service payments that were required to be made.

**RECOMMENDATION**


That the Santa Clara Stadium Authority Board approve the Stadium Authority 2015-16 debt service budget amendment of \$2,707,000.



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Gary Ameling  
Finance Director/Treasurer/Auditor

APPROVED:



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Rajeev Batra  
Acting Executive Director for Stadium Authority

*Documents Related to this Report:*

- 1) *Stadium Authority Budget Amendment – Fiscal Year 2015-16 - Debt Service*

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# STADIUM AUTHORITY BUDGET AMENDMENT

## Fiscal Year 2015-16 - Debt Service

	<u>Amended Budget</u>	<u>Requested Budget Amendment</u>	<u>Final Budget</u>
Appropriations:			
Agency Advance Debt Service	18,547,333	-	18,547,333
CFD Advance Debt Service	3,330,160	-	3,330,160
Term A & B Debt Service	49,582,000	-	49,582,000
StadCo Subordinated Loan Debt Service	21,355,000	2,707,000	24,062,000
<b>Total 2015-16 Appropriations Debt Service *</b>	<b>\$ 92,814,493</b>	<b>\$ 2,707,000</b>	<b>\$ 95,521,493</b>

\* Additional appropriation needed to use excess cash to pay down debt.