



## FORTY NINERS STADIUM MANAGEMENT COMPANY

June 15, 2020

**VIA EMAIL- Klee@SantaClaraCA.gov**

Kenn Lee  
Treasurer  
Santa Clara Stadium Authority  
1500 Warburton Avenue  
Santa Clara, CA 95050

Mr. Lee:

This is in response to your letter dated 6.10.2020 to Ms. Chi regarding the SCSA funding of the net loss for Non-NFL Events (NNE).

Your letter follows a familiar pattern of misstating the record, failing to correctly apply the stadium contracts, and making baseless claims to deflect attention from the SCSA's own actions. Let me correct the record:

- The net loss from NNE for 2019 should come as no surprise to you or the Board. The Stadium Manager advised you years ago that the Mayor's PR/political strategy would result in fewer events, and those events would be less profitable. The Mayor's music ban, the bureaucratic red tape devised by the SCSA and the City to scare off event promoters, and the alarming increase in the cost of City employees being charged to stadium events will continue to adversely impact event profitability.
- The profitability of NNE for 2019 was also impacted by the City's charges for prior years' workers' comp claims. You will recall that the City recently invoiced stadium events more than \$1M for workers compensation claims for City employees, including more than \$250,000 for a Santa Clara police officer who was charged with felony workers' comp fraud by the Santa Clara County District Attorney in February 2020, which you failed to disclose.
- Your assertion that the amount of the loss increased from TBD to \$2.7M "... in a matter of a few months" is intentionally misleading, suggesting that the Stadium Manager concealed the loss, or that you were somehow unaware of the loss. But that's demonstrably false. We informed you in writing on 3.11.2020 that we were projecting a loss through 3.31.2020 in the range of \$1.7M to \$2.0M. You included that estimate in your report to your board on 3.24.2020, and City Manager Santana's letter to the Board that same day stated "Net Non-NFL Events revenue loss of \$2.0 million for the current year..." Obviously the estimate we provided in early March was before the impacts of the COVID pandemic were apparent, and before the year-end accounting was complete.
- Furthermore, the SCSA has consistently ignored the guidance we have provided with respect to NNE profits. For example, the budget that you recommended to the Board for 2019 NNE profit was \$5.8M, which was a number plucked from a 30-year projection

prepared by the City seven years ago. We have previously advised you that this irresponsible budgeting was significantly overstating the expected Stadium Authority revenues.

- Any delay in reviewing the accounting records for NNE is a result of the SCSA's unilateral decision in 2018 to suspend the previous process we had followed for years with prior City staff to audit event transactions throughout the year. You decided to resume that process only recently, and Stadium Manager's accounting staff met with City staff on 2.28.2020. In that meeting City Staff reviewed revenues and expenses for the single event they requested – the 2019 Rolling Stones show. In prior years, the City accountants reviewed records for each NNE shortly after the event occurred. Although we never received any explanation for the decision to suspend this procedure, it appears this was part of a strategy to bolster the false narrative that the 49ers were withholding financial records.
- We will of course be delighted to accommodate your City Auditor's review of NNE records for 2019. In compliance with Santa Clara County guidelines and NFL rules, we currently have limited access to the facility. As soon as we move from business continuity operations to permitting all staff into the building, we will reach out to arrange a date and time.
- Your reference to the 2018/19 NNE net income transfer in February 2020 suggests that there was some delay in payment on the part of the Stadium Manager. That is false. You sent an invoice for that amount in January 2020, and we paid the invoice in February 2020.
- Your claim that we are holding payments to the City "hostage" is disingenuous. We have accrued the City invoices in the 2019 NNE accounting, and will make payment as soon as the SCSA funds the net loss. We explained this to you in writing more than a month ago. As we have previously indicated, the SCSA has more than enough cash to pay the \$2.7M, and that funding will be deposited in your bank account on Monday 6.15.20. If the SCSA decides to hold up that transfer, it is you holding the City payments "hostage."

If the SCSA decides that it is unable to fund the \$2.7M this week, even though it has ample funds to do so, we will consider our next steps.

Sincerely,

*V.L. on behalf of*

Larry MacNeil  
San Francisco 49ers