

Attachment 8

Stadium Authority Responses to
March 5, 2020 Budget Study
Session Questions



March 5, 2020 Stadium Authority Budget Study Session Responses

The following information is in response to the feedback and questions received during the Santa Clara Stadium Authority ("Stadium Authority") March 5, 2020 Study Session.

1. Specifically, for soccer events, are we losing revenue or have expenses increased when we compare to previous years? Show historical trend for this type of event.

The historical data is attached at the end of this document. The data shows that the revenue and expense have varied greatly over the past few years, as does the profit margin. Out of 17 major soccer events, 13 have been profitable.

2. They claim that their sales team sold their first South club event in the fall 2019. Do we have records of that?

SCSA does not have records of this at this time. On March 7, 2020, SCSA requested records of all events held in the South Club.

3. When they go on their trips, is that something we pay for? (e.g. local and national conferences)

Costs for employee travel (airfare, ground, lodging and meals) to stadium management conferences are included in Shared Expenses.

4. Did they pay off all the fines that they were required to pay?

There are currently three outstanding invoices for citations totaling \$34,250. Two are not yet due, one is past due (due March 11, 2020) for \$30,250. The remaining fines have been paid.

5. Regarding the free tickets and promotions – Do we know how much we lost?

We do not know exactly how many tickets were given away; we are not provided with that information. However, we are provided with the number of tickets sold and the number of scanned attendance. Through Quarter 3, tickets sold were 183,888 and scanned attendance was 181,378. This information is provided DRAFT and subject to change as additional information is received.

6. In reference to the asphalt capital expense on pg. 46. We split that cost with them when they make so much more per parking space than we do. Why is that expense being split?

Section 7.1.1 of the Stadium Lease (see Exhibit A) outlines the obligations of the Stadium Authority as a Landlord, of which the maintenance of parking lots is required.

7. Why should the Stadium Authority be charged for certain costs? e.g. replacement of furniture in the clubs on pg. 46. Is that for the benefit of the 49ers and benefit for the Stadium Authority?

Other than the Tenant's Exclusive Facilities, the Stadium Authority is responsible for maintenance and repair costs. The Tenant's Exclusive Facilities include the Team Store, the Hall of Fame, Ticket Office, locker rooms and training space, Stadium Audio/Video Facilities, Owners Club, including Team Suite, and the Suite Tower.

8. What are we contractually responsible for and who is getting the benefit of that? (in reference to the asphalt and fiber optics)

Stadium Authority, as the Landlord, is responsible for most capital expenditures. Tenant Exclusive Facilities are the exception which include Team Store, the Hall of Fame, Ticket Office, locker rooms and training space, Stadium Audio/Video Facilities, Owners Club, including Team Suite, and the Suite Tower. Section 7.1.1 of the Stadium Lease outlines the obligations of the Stadium Authority and is included as Exhibit A.

9. How do we stop them from continuing to take loans from the Revolving Credit Loan?

Section 5.2.2 outlines the Stadium Manager's ability to draw on the Management Company Revolving Loan to the extent required for Operating Expenses. This issue is currently in arbitration and will be resolved by the arbitrator.

10. How are we sharing the CapEx expenses?

As outlined in Stadium Lease Section 7.1.1. (See Exhibit A), the Stadium Authority is responsible for maintenance and repairs of the Stadium, except to Tenant's Exclusive Facilities. In addition, Section 10.3.1 indicates that the Stadium Capital Expenditure Reserve shall be used by the Stadium Authority for Capital Expenditures (including periodic updating of the Stadium).

11. Do we have guidelines for how major expenses are shared?

Per the terms of the Stadium Lease, StadCo leases the stadium from the Stadium Authority for half of each fiscal year corresponding to the NFL season and is fully responsible for the Stadium Manager operating expenses for NFL events expenses during that period. The Stadium Manager operating expenses for the Non-NFL half of the year are the responsibility of the Stadium Authority. Shared Stadium Manager Expenses include Security, Stadium Operations, Engineering, Guest Services and Groundskeeping. Section 8.3.1 describes the proportionate share of Stadium Manager expenses that are owed by the Stadium Authority and StadCo. Namely that most stadium manager operating expenses are split 50/50 with groundskeeping being the exception with a 70/30 split, StadCo being responsible for the larger share.

12. ManCo receives broadcasting revenue. Should the Radio Booth Cabling CapEx line item be a shared expense?

Other than the Tenant's Exclusive Facilities, the Stadium Authority is responsible for maintenance and repair costs. The Tenant's Exclusive Facilities include the Team Store, the Hall of Fame, Ticket Office, locker rooms and training space, Stadium Audio/Video Facilities, Owners Club, including Team Suite, and the Suite Tower. ManagementCo has verified the Radio Booth is not part of Tenant's Exclusive Facilities, and, therefore, falls under Stadium Authority's responsibilities.

13. Provide a list of Rolling Stones expenses.

Below are the DRAFT Rolling Stones Event Results by Category. Please note that these numbers are draft and subject to change as additional revenue and expenditures may be recorded.

Levi's® Stadium
Rolling Stones Event Results by Category
DRAFT

	Rolling Stones Event 8/18/2019	
REVENUE:		
Seating Bowl	\$	9,902,028
Ticket Master Fees		569,282
Suites		176,350
Food & Beverage		371,063
Parking		264,116
Miscellaneous ⁽¹⁾		51,020
Total Revenue	\$	11,333,859
EXPENSE:		
Public Safety/Security	\$	563,961
Utilities/Solid Waste		20,997
Parking		167,444
Food & Beverage - Ticketed Events		109,547
Operations/Janitorial/Maintenance		888,039
Miscellaneous ⁽²⁾		8,712,094
Total Expense	\$	10,462,082
Total Non-NFL Net Revenue	\$	871,777

*Event information is DRAFT and subject to change

14. How do we plan for ongoing CapEx costs, such as GPS monthly operating cost?

The monthly fee for the GPS Software for Tracking Personnel, or any ongoing Public Safety cost related to the Stadium, would be divided across the larger events (NFL and Non-NFL) and invoiced as a Public Safety cost.

QUESTIONS FROM THE PUBLIC

15. Both entire lists balance to the positive if you remove the PAC-12 event. That event is the biggest money loser every year. If you do nothing else, ask why they continue to hold it.

The Management Agreement, Section 3.2.1, granted ManagementCo with full rights to book Non-NFL Events. Although, in late 2018, the Executive Director did request that the event be transferred to the Bay Area Host Committee to cut future losses. On February 11, 2020, the Board authorized the termination of the stadium management agreement with ManagementCo due to mismanagement, such as these money losing events. This event is no longer scheduled to be held at Levi's Stadium.

16. Some of the other stuff, such as the soccer matches, appear to be close to parity. Could we/they get more of these into the black by selling more tickets/parking/concessions and keeping better control of costs?

It's possible that these types of events could generate more revenue. Without deeper insight to the event booking, marketing and costs themselves it's difficult to say how much revenue could be generated. However, due to mismanagement, the Board has authorized the termination of the stadium management agreement with ManagementCo. We are hopeful a new management company can provide better results.

17. The lists only show big events. Do the assorted corporate parties, tours, museum visits and community meetings add up, or are they insignificant compared to the scale of the larger events?

The smaller, non-ticketed events do generate a significant source of revenue. Through Quarter 2 in FY 2019/20, there were 28 non-ticketed events that generated net revenue of \$362,000. Please note: the financial information provided from ManagementCo to date is draft and subject to change as additional revenue or expense may be recorded.

18. How much do we know about other city benefits of stadium events, such as increased transient occupancy tax and sales tax revenue? And for that matter, how much do we know about indirect costs?

In order to respond to this question, staff would need to complete extensive research based on what is available through public documents and discussions. It should be noted that benefits to a City are based on the business model and governance structure with respect to public stadiums—which differ from city to city. This research has not been completed and would need to be contracted out due to limited resources.

19. Finally, what obligates the city to cover these shortfalls? If hosting the PAC-12 gives the 49ers or the stadium management some strategic or PR advantage beyond the money they don't make, perhaps they could take up the slack.

The City does not cover any costs related to the Stadium. Section 4.7.3 of the Stadium Lease states that the Stadium Authority is entitled to all Stadium Authority Event Revenue and shall pay all Stadium Authority Event Expenses.

HISTORICAL SOCCER EVENT RESULTS

	Quakes	Mexico	Earthquakes	ManU					Liverpool
	8/2/2014	vs Chile	vs Lions	vs. Barcelona	COPA #1	COPA #2	COPA #3	COPA #4	vs AC Milan
REVENUES		9/6/2014	5/24/2015	7/25/2015	6/3/2016	6/6/2016	6/13/2016	6/18/2016	7/30/2016
Seating Bowl Revenue	2,628,376.52	3,406,574.96	684,635.00	10,041,712.00	(169,340.00)	(133,394.00)	(110,878.00)	(147,450.00)	2,055,125.10
Ticket Master Fee Revenue	162,413.40	135,689.97	6,931.65	412,111.50	451.68	261.70		58.56	130,327.66
Suites Revenue	58,924.80	17,613.00	38,825.66	363,484.30	163,143.26	169,290.12	81,624.90	328,679.64	63,097.30
Food & Beverage Revenue	304,767.37	336,604.52	147,285.05	400,978.95	474,539.78	411,475.74	158,643.87	375,726.57	182,121.19
Parking Revenue	221,697.50	305,268.20	74,095.00	219,880.00	151,510.00	344,788.00	84,803.00	260,230.00	123,750.00
Sponsorship Revenue	135,000.00		150,000.00	-					
Merchandise Revenue	10,572.25	4,028.02	5,285.60	70,582.49	10,853.67	11,996.29	3,220.41	30,018.44	12,336.55
Miscellaneous Revenue		37,000.00	3,500.00	9,000.00	30,000.00	25,000.00	24,000.00	26,500.00	590.26
Total Revenue	3,521,751.84	4,242,778.67	1,110,557.96	11,517,749.24	661,158.39	829,417.85	241,414.18	873,763.21	2,567,348.06
EXPENSES									
Public Safety/Security	369,698.31	452,479.47	260,158.36	368,256.84	427,866.08	433,605.79	400,239.88	492,338.12	301,985.85
Utilities/Solid Waste		25,153.84	28,384.46	33,875.58	26,550.96	22,555.96	20,396.72	22,058.71	20,932.92
Parking Expenses	311,873.06	413,933.32	155,209.66	255,307.93	176,679.79	205,286.29	159,627.56	222,849.18	182,953.56
F&B - Ticketed	166,046.79	1,437.76	14,255.03	200,522.43	107,842.30	47,411.36	30,750.61	48,754.77	138,222.31
Operations/Janitorial/Maint	277,669.23	257,964.26	259,508.07	306,989.44	468,307.24	395,779.22	267,848.13	337,770.41	241,941.23
Miscellaneous Expenses	(1,122,219.21)	2,662,349.42	951,184.96	8,903,354.84	(1,235,042.32)	(814,294.67)	(825,342.60)	(911,296.03)	1,344,313.65
Total Expenses	3,068.18	3,813,318.07	1,668,700.54	10,068,307.06	(27,795.95)	290,343.95	53,520.30	212,475.16	2,230,349.52
Net Profit/Loss	3,518,683.66	429,460.60	(558,142.58)	1,449,442.18	688,954.34	539,073.90	187,893.88	661,288.05	336,998.54
% Expense of Net Profit	0%	888%	-299%	695%	-4%	54%	28%	32%	662%
% Net Profit to Revenue	100%	10%	-50%	13%	104%	65%	78%	76%	13%

HISTORICAL SOCCER EVENT RESULTS (CONTINUED)

	Real Madrid vs ManU 7/23/2017	Gold Cup Final 7/26/2017	Mexico vs Iceland 3/23/2018	Earthquakes vs ManU 7/22/2018	Barcelona vs AC Milan 8/4/2018	Mexico vs Paraguay 3/26/2019	USWNT vs South Africa 5/12/2019	Chivas vs Benfica 7/20/2019
REVENUES								
Seating Bowl Revenue	7,845,684.49	3,699,441.75	4,238,761.00	1,251,200.80	3,601,703.20	2,852,046.51	5,730.00	974,905.13
Ticket Master Fee Revenue	347,509.34	210,238.06	287,282.91	97,117.62	321,442.88	216,130.58	-	82,039.89
Suites Revenue	199,848.95	80,533.50	78,041.86	38,523.60	79,553.96	50,784.22	19,296.03	26,966.55
Food & Beverage Revenue	379,124.93	384,897.95	333,733.80	175,023.36	236,403.61	221,063.64	108,984.19	90,430.61
Parking Revenue	260,200.00	271,551.00	347,341.00	41,872.51	171,993.95	237,265.00	132,170.00	63,765.00
Sponsorship Revenue	-	-	-	-	-	-	-	-
Merchandise Revenue	17,120.19	15,471.26	3,286.97	-	25,574.38	2,612.29	-	-
Miscellaneous Revenue	10,450.00	14,822.89	5,865.84	-	-	-	-	918.07
Total Revenue	9,059,937.90	4,676,956.41	5,294,313.38	1,603,737.89	4,436,671.98	3,579,902.24	266,180.22	1,239,025.25
EXPENSES								
Public Safety/Security	349,266.80	423,822.79	374,107.63	252,813.89	311,932.67	455,774.25	167,938.81	422,832.29
Utilities/Solid Waste	21,992.27	23,184.80	20,845.12	19,275.35	21,075.67	18,244.99	15,808.66	17,200.73
Parking Expenses	223,785.53	202,124.04	207,505.14	123,834.66	155,655.68	118,848.92	106,733.34	128,050.40
F&B - Ticketed	213,311.44	89,399.90	35,566.00	128,793.57	119,332.26	60,354.84	26,757.91	68,597.22
Operations/Janitorial/Maint	306,315.55	354,430.14	332,834.42	257,927.59	338,071.46	556,782.30	223,287.17	285,317.37
Miscellaneous Expenses	6,713,576.64	3,376,870.61	2,533,514.97	1,112,333.45	3,011,605.66	2,904,401.03	(481,074.60)	440,299.94
Total Expenses	7,828,248.23	4,469,832.28	3,504,373.28	1,894,978.51	3,957,673.40	4,114,406.33	59,451.29	1,362,297.95
Net Profit/Loss	1,231,689.67	207,124.13	1,789,940.10	(291,240.62)	478,998.58	(534,504.09)	206,728.93	(123,272.70)
% Expense of Net Profit	636%	2158%	196%	-651%	826%	-770%	29%	-1105%
% Net Profit to Revenue	14%	4%	34%	-18%	11%	-15%	78%	-10%

EXHIBIT A

ARTICLE 7 STADIUM OPERATION

7.1 Operation, Maintenance and Repair Obligations

7.1.1 Stadium Authority's Obligations

(a) The Stadium Authority shall, throughout the Lease Term, at its sole cost and expense (but subject to reimbursement by Tenant if a Shared Stadium Expense pursuant to ARTICLE 8), operate and Maintain, or cause to be operated and Maintained, the Premises (excluding Tenant's Exclusive Facilities), as well as the South Lot, the Bridges and the Main Lot Stadium Improvements (collectively, the "Appurtenant Improvements") in the condition required by the Stadium Operation and Maintenance Plan (the "Required Condition"), which shall establish procedures and policies for operating and Maintaining the Stadium Complex in accordance with good, sound and prudent engineering practices, taking into account the age and the remaining useful life of the Stadium, and the requirements of any Permitted Landlord Financing. Notwithstanding the foregoing, Tenant shall pay all costs and expenses of operating and Maintaining the Premises and the Appurtenant Improvements to the extent such costs and expenses are directly attributable to Tenant Events, including (a) costs of ticketing, security, traffic control, crowd control and Playing Field preparation, and (b) to the extent not covered by the proceeds of insurance carried by the Parties, costs of repairing damage to the Premises or the Appurtenant Improvements to the extent directly attributable to a Tenant Event ("Tenant Event Expenses"). In no event will any Tenant Event Expenses constitute Shared Stadium Expenses.

(b) In addition to the foregoing, except for Capital Repairs required to be made to the Tenant Improvements (which shall be performed by Tenant as part of Tenant's O&M Obligations), if at any time during the Lease Year; including during the Tenant Season, any Capital Repairs are required to be performed in or to the Premises or the Appurtenant Improvements, then, subject to the Procurement Guidelines, Landlord shall perform (or cause to be performed) such Capital Repairs and, unless such Capital Repairs arise directly from any Stadium Authority Event (in which event, the cost of such Capital Repairs shall constitute Stadium Authority Event Expenses and shall be paid by the Stadium Authority), the reasonable cost of such Capital Repairs shall be paid from funds available in the Stadium Capital Expenditure Reserve and Operating Expense Reserve. The reasonable cost of such Capital Repairs not paid from the Stadium Capital Expenditure Reserve or Operating Expense Reserve shall be a Shared Stadium Expense as and to the extent provided in ARTICLE 8. Notwithstanding the foregoing, if the Stadium Authority Put Right is exercised, then from and after the Tenant Season Expansion Date, Tenant shall perform any Capital Repairs required, in Tenant's reasonable judgment, to continue to operate the Premises for Tenant Events; provided, however, that if, in any Lease Year, (a) the cost of any Capital Repairs required, in Tenant's reasonable judgment, to continue to operate the Premises for Tenant Events, exceeds (b) the then-outstanding balance of the Stadium Capital Expenditure Reserve (excluding any amounts deposited pursuant to Paragraph 20.4.2 on account of the Required Demolition Fund), by more than the Capital Expenditure Threshold applicable to such Lease Year, then Tenant shall have the right, by written notice to the Stadium Authority, to terminate this Lease, unless the Stadium Authority agrees to fund the amount of such excess.