

Santa Clara Stadium Authority

Overview of Santa Clara Stadium Authority Fiscal Year 2017/18
Annual Financial Statements and Audit Results Presentation by
KPMG, LLP

August 27, 2018, Item 2



POST MEETING MATERIAL

Agenda

- Audit Limitations and Methodology
- Overview
- Key Financial Highlights
 - Management's Discussion and Analysis (MD&A)
 - Basic Financial Statements
 - Statements of Net Position
 - Statements of Revenues, Expenses, and Changes in Net Position
 - Notes to the Financial Statements
- Audit Results Presentation by KPMG, LLP
- Recommendation

Audit Limitations & Methodology

- This was an audit of the Stadium Authority's financial reports, processes, internal controls and the Stadium Authority's shared expenses with Forty-Niners Stadium Management Company LLC (ManCo).
- This financial audit is an independent evaluation of the Stadium Authority's financial reports and reporting processes to provide **reasonable assurance** that the financial statements are accurate and complete. This is not an absolute guarantee that there were no human errors or miscommunications that could lead to a mistake.
- Through various audit processes and procedures, auditors determine if controls and processes are in place to produce accurate and reasonable financial statements.
 - KPMG will discuss the audit processes and procedures in more detail during their presentation

Overview

- KPMG has audited the Stadium Authority's Financial Statements as required by section 5.1(a) of the Credit Agreement
- The Financial Statements cover the 2017/18 fiscal year (April 1, 2017 to March 31, 2018) with comparative data from the 2016/17 fiscal year
- Unmodified (i.e., “clean”) opinion expressed by the auditors
- Reports will be available on the City’s Stadium Authority webpage

Key Financial Highlights

- **MD&A (page 3)**

- Introduces the financial statements and provides an analytical overview of the SCSA financial activities
- SCSA's net position increased by \$10.9 million when compared to the prior year
- Debt service payments during the fiscal year totaled \$68 million and overall outstanding long-term debt decreased by \$47 million
- During this fiscal year, there were 10 National Football League (NFL) games, 13 ticketed non-NFL events, and 113 smaller special events held at Levi's Stadium. The Stadium Authority recognized \$108.5 million in operating revenue and \$90.1 million in operating expenses
- Revenue from the non-NFL events totaled \$55,206,675 and the related expenses were \$50,043,346 resulting in net non-NFL event revenue of \$5,163,329

Key Financial Highlights

- **Statements of Net Position (page 8)**
 - Financial statement that reports the assets, liabilities, and net position of the Stadium Authority
 - Total Assets were \$847 million, with Levi's Stadium being the largest asset with a carrying value of \$765 million, net of depreciation
 - Total Liabilities were \$804 million made up mostly of outstanding debt equaling \$383 million and unearned revenues relating to Stadium Builder's Licenses (SBL's) of \$398 million

Key Financial Highlights

- **Statements of Revenues, Expenses, and Changes in Net Position (page 9)**
 - Financial statement that reports the increases and decreases in the Stadium Authority's net position (revenues and expenses)
 - **Revenues – Total \$109 million**
 - *Charges for Services* were \$65.3 million with non-NFL event revenue of \$55.2 million, NFL ticket surcharge of \$7.8 million, non-NFL ticket surcharge of \$1.5 million, and senior/youth fees of \$225 thousand
 - *Rents and Licensing* revenues were \$43.2 million with Stadium lease rent equaling \$24.5 million, SBL revenue recognition of \$10.8 million, and naming rights revenue of \$7.7 million

Key Financial Highlights

- **Statements of Revenues, Expenses, and Changes in Net Position (cont.)**
 - **Expenses – Total \$90 million**
 - *Lease Expenses* were \$3.6 million, the largest expense being the performance based rent of \$2.4 million
 - *Materials, Services and Supplies* were \$69.3 million with Non-NFL expenses of \$50 million, stadium manager expenses of \$7.5 million, SBL sales and service expenses of \$2.2 million, and insurance expenses of \$2.8 million.
 - *Selling, general, and administrative* expenses were \$542 thousand and *Depreciation* totaled \$16.7 million

Key Financial Highlights

- **Notes to the Financial Statements (page 11)**
 - An integral part of the annual financial statements
 - Note 4 - Capital Assets
 - Note 5 - Long-Term Debt
 - Note 7 - Contingencies
 - Note 8 - Subsequent Events

Audit Results Presentation by KPMG, LLP



Recommendation

- Accept the Santa Clara Stadium Authority Fiscal Year 2017/18 Annual Financial Statements and recommend that the Stadium Authority note and file the report at the September 11, 2018 Joint Council and Authorities Concurrent and Stadium Authority meeting.

SCSA

Santa Clara Stadium Authority