

3/4/25

Item # 2.A

Santa Clara Stadium Authority

Study Session

Proposed Santa Clara Stadium Authority FY 2025/26
Budget, Compliance and Management Policies, and
Marketing Plan
Item #2.A (25-263)



March 4, 2025

Agenda

1. Overview
2. Key Summary
3. February 25th Study Session Questions and Responses
4. Recommendation

Overview

October/November 2024	Stadium Authority staff worked with ManCo to discuss the annual budget plan which included the dates that ManCo would provide all necessary documents as required by the Stadium Agreements.
December 2024	Stadium Authority staff provided the Stadium Authority G&A, Public Safety Capital Expenses, and Discretionary Fund costs to ManCo for review and incorporation into the annual budget.
January 2025	At least 45 days prior to the start of the fiscal year (January 31) ManCo provided the required documents per the Stadium Agreements: <ul style="list-style-type: none"> • Stadium Operations and Maintenance Plan • Annual Shared Expense Budget with Five Year Projection • Annual Stadium Authority Operations Budget, Capital Expenditure Plan with Five-Year Projection • Annual Public Safety Budget • 2025 Marketing Plan and Public Safety Document Updates
February 2025	Staff submitted a series of questions to ManCo on February 11, 2025, and received responses on February 21.
February 25 & March 4, 2025	Special Study Session on Fiscal Year 2024/25 Operating, Debt Service, and Capital Budget, Stadium Operation and Maintenance Plan, Public Safety Budget and Marketing Plan
March 11, 2025	Public Hearing to approve the SCSA Proposed Fiscal Year 2024/25 Operating, Debt Service, and Capital Budget
March 14, 2025	SCSA Notice of approval/disapproval of the Stadium Manager's Draft Annual Stadium Authority Budget
March 21, 2025	Stadium Manager required to submit Adopted Budget to the Trust (10 days prior to start of FY)

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Overview (cont.)

Summary of Report Attachments:

1. Proposed Santa Clara Stadium Authority Fiscal Year 2025/26 Operating, Debt Service, and Capital Budget
2. Annual Public Safety Budget
3. 2025 Marketing Plan
4. Stadium Authority Budget Policy
5. Stadium Authority Compliance and Management Policy
6. Staff Report from February 25, 2025 Meeting
7. Staff Presentation from February 25, 2025 Meeting
8. Questions and Responses from February 25, 2025 Meeting

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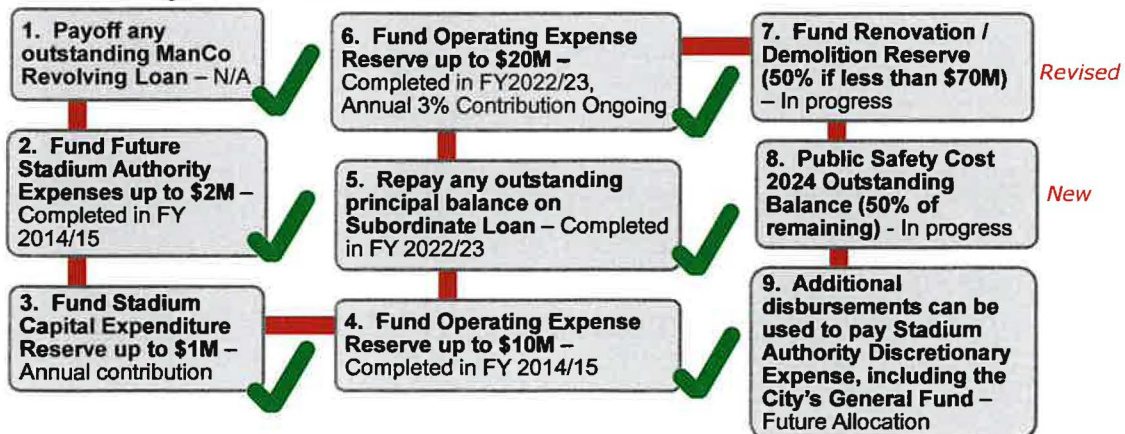
Overview (cont.)



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Excess Revenues Distribution

Excess Revenues Distribution: If revenues exceeds expenses in a lease year the Excess Revenues are required to be distributed in the order as set forth in Article 14 of the Stadium Lease agreement as shown below.



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Stadium Authority FY2025/26 Budget Key Summary

- Implements terms of the 2024 Settlement Agreement
- Supports major events including 2026 World Cup and Super Bowl LX
- Net Non-NFL Events Revenue budgeted at \$5.3 million
 - Lower than prior two fiscal years (FY)
 - FY 2023/24 Actual: \$8.3 million
 - FY 2024/25 Projection: \$9.2 million
 - Historical performance increases from preliminary budget projection
- Public Safety Costs (PSC) reimbursements over threshold expenditure is budgeted to be \$2.1 million
 - \$2.0 million from PSC Reserve
 - \$0.1 million from Discretionary Fund
- PSC 2024 Outstanding Balance (\$9.2 million in FY 2024/25, \$2.8 million in FY 2025/26)
 - Projected \$2.8 million balance at end of FY2025/26

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Stadium Authority FY2025/26 Budget Key Summary (cont.)

- Direct payments to the General Fund at \$6.2 million
 - Performance Rent for FY 2025/26 (\$2.2 million, accrual basis)
 - Projected FY 2025/26 Excess Revenue (\$2.8 million)
 - Ground Rent (\$1.0 million)
 - Senior and Youth Fees (\$270,000)
- Non-NFL Ticket Surcharge revenue is projected to increase \$2.0 million, increase of the surcharge from \$4 to \$8 for tickets sold for certain events
- Additional \$1.0 million to the CapEx fund above contractual requirements to provide additional resources for potential additional CapEx expenses
- Levi's Naming Rights expense of \$1.6 million to cover the Authority's obligations under its Naming Rights Agreement with Levi's to provide suite and tickets to the six 2026 World Cup soccer matches (anticipated additional surcharge of \$2.1 million from events)

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February 25th Study Session Questions and Responses

Question: The CapEx reserve is projected to drop to a low level in FY2025/26, what is the plan to address the low reserve amount? How does the additional \$1.0 million contribution factor into this plan when there are no specific projects identified for these additional funds.

Response: The Stadium Manager has contracted with a consultant to complete a Facilities Condition Assessment (FCA) which is expected to be completed in May. Staff has participated in a walk-through with the consultant and once the Stadium Authority receives a copy of this FCA report, staff will perform an independent review to understand the budget implications. This report will inform decisions around Levi's Stadium capital needs. The additional \$1.0 million contribution is being recommended in case unexpected expenses arise during the fiscal year. Depending on the results of the FCA report, this additional contribution could be adjusted.

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February 25th Study Session Questions and Responses (cont.)

Question: What additional information can be provided regarding new ManCo office space expense?

Response: ManCo staff moved into office space on Great America Parkway and a share of those expenses were proposed by the Stadium Manager to be included in the Stadium Authority's FY 2025/26 budget under the Other Expenses line item. Since this is a new expense request by ManCo, conversations between Stadium Authority staff and ManCo about this topic are ongoing.

According to ManCo the decision by the 49ers to move business staff, including ManCo employees, to office space off Great America Parkway is intended to foster collaboration and efficiency across the organization. Unlike the previous structure, all business staff are consolidated in one location, leading to more frequent personal interactions that provide stronger working relationships and improved productivity. The costs associated with the office space will be allocated to the SCSA, StadCo and TeamCo for their respective share of costs based on employee count.

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February 25th Study Session Questions and Responses (cont.)

Question: Why is the Levi's naming right's expense related to the FIFA World Cup 2026 tickets being included in the FY2025/26 budget when the FIFA World Cup 2026 games do not occur until FY2026/27? When will the Stadium Authority receive the FIFA World Cup 2026 ticket surcharge?

Response: This is a timing difference due to the fact that the expense needs to occur in the year prior to the receipt of revenue for the FIFA events. FIFA is requiring that tickets and suites that are being allocated through sponsorship agreements must be purchased by the fall of 2025. Otherwise, they will be reverted back to FIFA to be sold. Therefore, the purchase of tickets for Levi's required under the naming rights agreement is expected to occur in FY2025/26. The ticket surcharge that the Stadium Authority will collect on the FIFA World Cup 2026 soccer events will not be received until after the events occur in FY2026/27.

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February 25th Study Session Questions and Responses (cont.)

Question: Why are Stadium Builder License (SBL) Sales and Service expenses high given that SBL revenue is declining? Why is there a need for 19 FTE in the SBL Sales and Service departments?

Response: The sales and support model for legacy and new SBL revenues consists of three key areas: 1) active sales efforts to sell licenses; 2) support services for existing SBL customers—including collections on financed SBLs and member support; and 3) general services such as ticketing. Staffing levels are continuously evaluated to align with these functions, ensuring clarity on individual roles, sales activities that are exclusive to SBLs, and benchmarking ROI through sales quotas and customer support levels. Although there are 19 SBL Sales and Service staff members, they do not equate to 19 full-time equivalents (FTEs), as their time spent on Stadium Authority-related tasks is tracked and reflected in the budget accordingly. The SBL Sales team has consistently exceeded revenue targets, generating over \$10 million in new SBL sales in three of the last four sales campaigns. However, many of these sales are financed over a 10-year period, meaning that while they contribute to long-term contractual revenue, they may not be fully reflected in the current fiscal year.

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February 25th Study Session Questions and Responses (cont.)

Question: Why have Stadium Authority General & Administration (G&A) costs increased by 8% from the prior year? Are the staff members included in this budget subject to CalPERS? Are the 8.7 FTE all Stadium Authority positions?

Response: These staff support costs are City employees working on Stadium Authority activities. Portions of over 40 different staff perform this work which equates to 8.7 FTE positions. Cost increases are attributed to increases in staff time as well as increases to salaries and benefits including CalPERS costs. The overall Stadium Authority G&A budget also includes some consultant contracts including audit and legal services as an example.

Question: What is the source of the excess revenues, why do they fluctuate year over year and how do they flow to the City's General Fund?

Response: Excess revenues are generated when revenues exceed operating expenses, transfers to the CapEx reserve and debt service expenses. The terms of the 2024 Settlement Agreement and resulting amendments to the lease agreements describe how excess revenues are to be distributed at the end of the fiscal year (often referred to as the excess revenue waterfall). The reason that excess revenues can fluctuate from year to year is the result of revenues and expenses coming in higher or lower than anticipated.

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February 25th Study Session Questions and Responses (cont.)

Question: During the 2024 Settlement process it was expected that the City's General Fund would receive \$20 million in the following two Fiscal Years. Please describe where this \$20 million is shown in the budget.

Estimated \$20M Payments to the City

Base Rent (\$2 M)

- FY 2024/25 - \$1 M
- FY 2025/26 - \$1 M

Year-End "Excess Revenue" (\$7.7 M)

- FY 2024/25 - \$3.1 M (est.)
- FY 2024/25 - \$1.0 M (G&A Savings)
- FY 2025/26 - \$3.6 M (est.)

Performance-Based Rent (\$9.6 M)

- FY 2022/23 - \$4.2 M
- FY 2023/24 - \$2.9 M
- FY 2024/25 - \$2.5 M (est.)

Senior and Youth Program Fees (\$0.6 M)

- FY 2024/25 - \$0.3 M (est.)
- FY 2025/26 - \$0.3 M (est.)

Projected Payments from Stadium Authority to the City's General Fund

	FY 2024/25	FY 2025/26	Total	
Senior & Youth Fees	\$ 279,000	\$ 270,000	\$ 549,000	
Ground Rent	1,000,000	1,000,000	2,000,000	
Performance Rent	11,450,000	2,150,000	13,600,000	\$13.6 vs. \$9.6
Transfer to City General Fund from Excess Revenues	5,893,000	2,820,000	8,713,000	\$8.7 vs. \$7.7
Total	\$18,622,000	\$ 6,240,000	\$ 24,862,000	

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February 25th Study Session Questions and Responses (cont.)

Question: What is the source of the excess revenues, why do they fluctuate year over year and how do they flow to the City's General Fund?

Response: Excess revenues are generated when revenues exceed operating expenses, transfers to the CapEx reserve and debt service expenses. The terms of the 2024 Settlement Agreement and resulting amendments to the lease agreements describe how excess revenues are to be distributed at the end of the fiscal year (often referred to as the excess revenue waterfall). The steps are described in detail on page 18 of the Santa Clara Stadium Authority Proposed Fiscal Year 2025/26 Operating, Debt Service and Capital Budget. The reason that excess revenues can fluctuate from year to year is the result of revenues and expenses coming in higher or lower than anticipated.

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February 25th Study Session Questions and Responses (cont.)

Question: Why did the Naming Rights Signage CapEx project increase by \$1.1 million?

Response: The initial budget estimate was calculated prior to the formal bid process. Upon a competitive solicitation the, total estimate came in higher than originally projected. The increase was due to additional structural support required for the large sign and rising material and labor costs. This project was approved by the Board in December 2024.

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February 25th Study Session Questions and Responses (cont.)

Question: How will the Marketing Plan be used to increase net Non-NFL Event Revenue?

Response: The Marketing Plan focuses on increasing net Non-NFL event revenue by boosting awareness, engagement, and direct bookings for Levi's Stadium. Non-NFL revenue has exceeded targets based on a focus on booking higher margin events, which is a key pillar of the marketing plan. Another important pillar includes targeted advertising to position the stadium as a top-tier venue and client engagement efforts like showcases and networking events. Additionally, staying active in the industry through conferences and market research helps maintain a competitive edge. With a strategic approach to these initiatives, the plan aims to drive sustained growth and maximize marketing ROI. SCSA staff believe the Marketing Plan should be more comprehensive in nature to include more business justification for the current strategy and opportunities for growth beyond the current strategy. Stadium Authority will work with a consultant to provide insights on industry best practices regarding revenue optimization strategies for Non-NFL events, and staff will work with Stadium Manager on discussing opportunities for growth within the Levi's Stadium business model constraints (e.g. costs, contractual obligations and stadium infrastructure).

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February 25th Study Session Questions and Responses (cont.)

Question: Why is the SOMP confidential and can it be public after it is finalized?

Response: The SOMP is more than 700 pages long, and addresses a wide variety of topics including security, staffing, and equipment. Much of this information is safety-sensitive and is therefore not for public dissemination.

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February 25th Study Session Questions and Responses (cont.)

Question: Does the City or ManCo make decisions on public safety deployment (and therefore costs) during events?

Response: The City's Police Department works with the Stadium Manager for deployment at Levi's Stadium events based on threat assessments for each event. The Stadium operates in a layered public safety approach, and during normal or major events, where another governmental agency does not take over control (e.g., the Secret Service), the Santa Clara Police Department is the lead law enforcement agency.

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February 25th Study Session Questions and Responses (cont.)

Question: Why are the \$1.5 million funds need to for warranty related work?

Response: This has been carried over for several years related to projects that were identified after the initial construction had been completed. While certain capital elements may be covered by a warranty, the cost to remove and replace the capital element (for example) may not be covered by the warranty thus the need for capital funds for warranty related work. ManCo is in the process of reviewing the outstanding warranty related projects and claims to determine if any warranty related expenditures may be required. Upon confirmation that no further warranty work is anticipated, the funds may be allocated to the CapEx reserve.

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February 25th Study Session Questions and Responses (cont.)

Question: Why are the projections for net Non-NFL Event Revenue only \$5.3 million when there are some good performers that are coming?

Response: ManCo has a practice of budgeting net non-NFL event revenue lower than what is expected based on events that are known. Stadium Authority staff expects the net non-NFL event revenue to come in higher than budgeted similar to prior years. This is more of a budgeting practice than an expected reduction in revenue.

Net Non-NFL Event Revenue (in millions)

	Adopted Budget	Actual/ Projection	Variance
FY 2022/23	\$ 0.3	\$ 8.8	\$ 8.5
FY 2023/24	4.5	8.3	3.8
FY 2024/25	6.0	9.3	3.3
FY 2025/26	5.3	TBD	TBD

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February 25th Study Session Questions and Responses (cont.)

Question: Please provide a comparison of FY2025/26 and FY2024/25 Shared Stadium Expenses.

Response: As ManCo continues to assess its operations, they have eliminated one position in the Engineering Department and two in the Stadium Operation Department. The proposed shared stadium expense budget has also been updated to include 20 new security positions that are expected to transition in-house. This transition will help with quality and consistency of security personnel, enhanced operational control and flexibility, and improved customer and stakeholder experience.

The increase in the groundskeeping department proposed budget is related to two anticipated field replacements due to the timing of Non-NFL events.

The increase to the equipment line is due to an increase in software license costs driven by the need for a security system integrator to assess the stadium's security technology infrastructure.

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February 25th Study Session Questions and Responses (cont.)

Shared Stadium Expenses by Category

	FY 2024/25 (Budget)	FY 2025/26 (Budget)	Variance (\$)	Variance (%)
Total Compensation	\$ 5,617,689	\$ 6,721,479	\$ 1,103,790	20%
Travel, Meals & Entertainment	287,152	240,112	(47,040)	-16%
Outside Services	3,100,266	2,236,420	(863,846)	-28%
General Supplies	156,258	162,908	6,650	4%
Telephone	223,916	315,881	91,765	41%
Equipment	347,880	360,077	12,197	4%
Uniforms	61,081	80,974	19,893	33%
Other	63,631	73,351	9,720	15%
Subtotal	9,857,873	10,191,002	333,129	3%
Insurance	3,427,000	3,530,000	103,000	3%
Management Fee	269,000	277,000	8,000	3%
Total	\$13,553,873	\$13,998,002	\$ 444,129	3%

Shared Stadium Expenses by Department

	FY 2024/25 (Budget)	FY 2025/26 (Budget)	Variance (\$)	Variance (%)
Security	\$ 1,601,668	\$ 1,904,942	\$ 303,274	19%
Stadium Operations	3,383,947	3,498,837	114,890	3%
Engineering	3,935,208	3,751,772	(183,436)	-5%
Guest Services	620,562	485,626	(134,936)	-22%
Groundskeeping	316,488	549,825	233,337	74%
Insurance	3,427,000	3,530,000	103,000	3%
Management Fee	269,000	277,000	8,000	3%
Total	\$13,553,873	\$13,998,002	\$ 444,129	3%

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February 25th Study Session Questions and Responses (cont.)

Question: It has been stated that there are no FIFA World Cup 2026 and Super Bowl LX costs included in the Stadium Authority budget, however at another meeting it was mentioned that some costs will be billed to the Stadium Authority. Where are those costs in the Stadium Authority Budget?

Response: There are no direct event costs associated with the FIFA World Cup 2026 and Super Bowl LX included in the proposed budget. The Board has approved an Assignment and Assumption Agreement for FIFA matches which covers and guides how event (including pre- and post-) costs will be reimbursed and/or funded by other governmental agencies. As a part of the Agreement, if certain preliminary costs are not able to be reimbursed by other governmental agencies, the costs (est. at \$148,930) will be covered by the Stadium Authority. These costs are not currently included in the proposed budget. Additionally, the Assignment and Assumption Agreement does not charge the Bay Area Host Committee for normal and customary personnel charges that are budgeted to the Stadium Authority on an annual basis. Staff is currently negotiating with the Bay Area Host Committee and the San Francisco Forty-Niners on Super Bowl LX agreements.

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February 25th Study Session Questions and Responses (cont.)

Question: Please compare the 10-year projection with Rent Arbitration Exhibit J.

Santa Clara Stadium Authority 10-Year Forecast Comparison with Rent Arbitration Exhibit J General Fund Impact (in millions)

Fiscal Year	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
Levi's® Stadium Year of Operations	12	13	14	15	16	17	18	19	20	21
10-Year Forecast										
Ground Rent - Base	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.20
Ground Rent - Performance	4.13	2.15	2.85	2.53	2.31	2.35	2.44	2.54	2.64	2.74
Senior Youth Fee	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.30
Excess Revenue	2.82	2.26	3.54	2.95	3.40	4.12	5.27	5.44	4.30	3.95
10-Year Forecast Total	\$ 8.22	\$ 6.68	\$ 7.66	\$ 6.75	\$ 7.08	\$ 7.84	\$ 10.08	\$ 9.35	\$ 8.31	\$ 8.20
Rent Arbitration Exhibit J										
Ground Rent - Base	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.20
Ground Rent - Performance	2.96	3.06	3.17	3.28	3.35	3.46	3.58	3.71	3.83	3.92
Senior Youth Fee	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Excess Revenue	-	-	4.49	6.16	6.55	6.91	5.95	5.27	5.31	4.67
Rent Arbitration Exhibit J Total	\$ 4.19	\$ 4.29	\$ 6.60	\$ 10.67	\$ 11.23	\$ 10.70	\$ 10.86	\$ 10.31	\$ 10.47	\$ 10.02
10-Year Forecast/Rent Arbitration Exhibit J Comparison										
Ground Rent - Base	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ground Rent - Performance	1.17	(0.91)	(0.32)	(0.75)	(1.04)	(1.11)	(1.14)	(1.17)	(1.19)	(1.18)
Senior Youth Fee	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.07
Excess Revenue	2.82	2.26	(0.95)	(3.21)	(3.15)	(1.79)	0.32	0.17	(1.01)	(0.71)
10-Year Forecast/Rent Arbitration Exhibit J Comparison	\$ 4.03	\$ 1.30	\$ (1.23)	\$ (3.92)	\$ (4.19)	\$ (2.86)	\$ (0.78)	\$ (0.95)	\$ (2.16)	\$ (1.92)

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February 25th Study Session Questions and Responses (cont.)

Question: Who selected the marketing consultant and what will they be looking at?

Response: Staff conducted a competitive solicitation process and released a Request for Proposals. Subsequently, City/SCSA staff selected the marketing consultant without consultation with ManCo or other outside entities, as the contract is with the Stadium Authority and the sole client is the Stadium Authority. The review includes analyzing current marketing strategies, evaluating marketing and branding elements for consistency and impact, reviewing media plans for efficiency and Return on Investment (ROI), and interpreting performance data.

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Recommendation

1. Review and provide input, or possible Board action, on the Proposed Santa Clara Stadium Authority Fiscal Year 2025/26 Operating, Debt Service, and Capital Budget, Proposed Stadium Authority Budget, Compliance and Management Policies, and 2025 Levi's Stadium Events Marketing Plan

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Santa Clara Stadium Authority

Study Session

Proposed Santa Clara Stadium Authority FY 2025/26
Budget, Compliance and Management Policies, and
Marketing Plan
Item #2.A (25-263)



March 4, 2025