

10/2/18

Item # 5 A+B

Santa Clara Stadium Authority

Financial Status Reports

October 2, 2018



Overview

- Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2018
- Large Non-NFL Events
- Financial Status Report for the Quarter Ending June 30, 2018



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POST MEETING MATERIAL

Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2018

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Financial Status Report

- NFL Events
- Non-NFL Events
- Operating Budget Status
 - Performance Rent Calculation
 - Stadium Builder Licenses (SBLs)
 - Discretionary Fund
- Debt Schedules
- Capital Improvement Program
- General Fund

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NFL Events

- Ten NFL games were held in the 2017/18 fiscal year
- A total of 643,189 tickets were sold
 - Stadium Authority received \$7.8 million in NFL ticket surcharge revenue based on 10% of the price of admission to all NFL games
 - City of Santa Clara received \$225,000 in Senior & Youth Program Fees based on \$0.35 per ticket sold to all NFL games



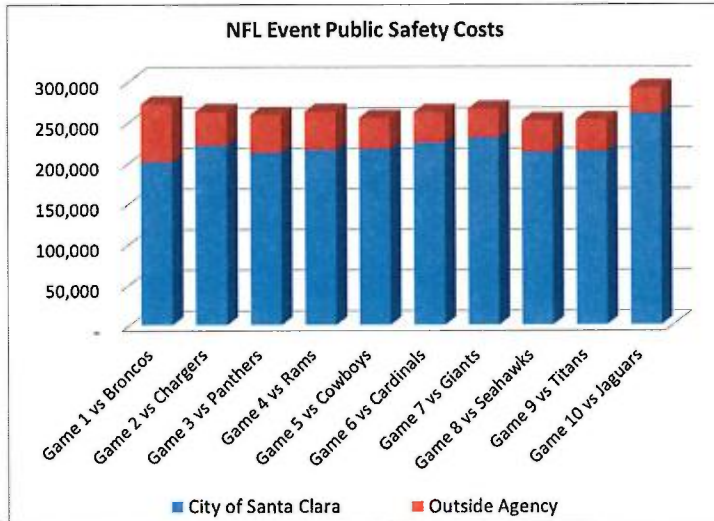
NFL Events - Parking



- A total of 54,107 cars were parked in offsite parking lots generating \$293,000 in offsite parking fees



NFL Events – Public Safety Costs



- Public safety costs amounted to \$2.6 million:

- \$2.2 million are direct City costs
- \$427,000 are outside agency costs
- \$293,000 were covered by the offsite parking fee

NFL Events Definition ManCo Marketing Plan

- Major Events are stadium-wide, ticketed events open to the public.
- Special Events are private, contracted, and usually non-ticketed and exclusive events, subject to the event's nature and the client's objectives.

Non-NFL Events

- Thirteen ticketed non-NFL events
- A total of 384,282 tickets were sold
 - Stadium Authority received \$1.5 million in non-NFL ticket surcharge revenue based on \$4 per ticket sold to all non-NFL events (one-half for stadium operations and one-half for Stadium Authority Discretionary Fund)
- Total of 113 smaller special events with 62,917 attendees: Stadium Authority received approximately \$3.6 million in net revenue from special events



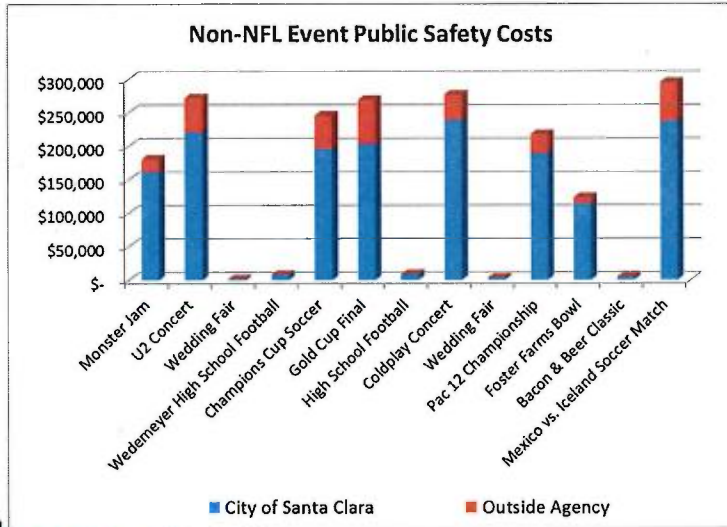
Non-NFL Events - Parking



- A total of 30,734 cars were parked in offsite parking lots generating \$165,000 in offsite parking fees



Non-NFL Events – Public Safety Costs



- Public safety costs amounted to \$2 million:
 - \$1.7 million are direct City costs
 - \$320,000 are outside agency costs
 - \$165,000 were covered by the offsite parking fee



Non-NFL Events – Net Revenue by Event Type

EVENT TYPE	2016/17			2017/18			Change	
	#	Net Revenue	% of Total Net Revenue	#	Net Revenue	% of Total Net Revenue	#	Net Revenue
Ticketed Events								
Concerts	4	\$ 2,424,572	46%	2	\$ 1,819,099	35%	(2)	\$ (605,473)
Sporting events:								
Football (non-NFL)	4	(2,946,165)	-55%	4	(3,601,827)	-70%	-	(655,662)
Soccer	5	2,414,209	45%	3	3,228,754	63%	(2)	814,545
Miscellaneous events	5	(159,175)	-3%	4	76,379	1%	(1)	235,554
Subtotal Ticketed Events	18	\$ 1,733,441	33%	13	\$ 1,522,405	29%	(5)	\$ (211,036)
Subtotal Remaining Non-NFL Events (weddings, corporate events, etc.)	127	\$ 3,583,453	67%	113	\$ 3,640,924	71%	(14)	\$ 57,471
Total Non-NFL Net Revenue	145	\$ 5,316,894	100%	126	\$ 5,163,329	100%	(19)	\$ (153,565)
Total Performance Rent paid to the General Fund		\$ 2,533,447			\$ 2,439,164			\$ (94,283)
Average General Fund Revenue per Ticketed Event		\$ 45,887			\$ 55,322			\$ 9,435



Average Event Calculation

Event Type	Net Revenue	% of Total Net Revenue	Performance Rent	# of Events	Average per Event
Ticketed Events	\$1,522,405	29.49%	\$719,186	13	\$55,322
Non-Ticketed Events	\$3,640,924	70.52%	\$1,719,978	113	\$15,221
Total	\$5,163,329	100%	\$2,439,164	126	\$19,358



Performance Rent Calculation

	2016/17	2017/18
Ground Rent	\$ 250,000	\$ 285,000
Non-NFL Event Revenue	52,238,762	55,206,675
Non-NFL Event Expense	(46,921,868)	(50,043,346)
Net Non-NFL Event Revenue	\$ 5,316,894	\$ 5,163,329
50% of Net Non-NFL Event Revenue	\$ 2,658,447	\$ 2,581,664
Performance Based Rent Credits		
50% of Fixed Ground Rent	(125,000)	(142,500)
Public Safety Costs Over Threshold	-	-
Received PIT	-	-
Disproportionate Taxes	-	-
Total Performance Based Rent	\$ 2,533,447	\$ 2,439,164



Operating Budget Status

- Total Operating Revenues of \$82.5 million or 98% of annual budget
- Total Operating Expenses of \$22.5 million or 87% of annual budget
 - SBL Sales and Service 69% of budget due to a prior year true-up resulting from a decrease in SBL sales activity
 - Discretionary Fund Expense 54% of budget because no NFL public safety costs over threshold for 2017/18 fiscal year were paid



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Stadium Builder Licenses (SBLs)

- Value of currently active SBLs is \$532.9 million (60,467 or 91.8% of 65,877 sellable SBLs)
- A total of 79.6% of principal value has been collected as of 3/31/18 (\$424 million)
- Net change in SBLs in the fiscal year was a decrease of 1,840
 - 1,190 new SBL sales
 - -798 net SBL upgrades
 - -2,232 defaulted SBLs



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Discretionary Fund

Fiscal Year	Beginning Balance	Revenue	Expenses	Ending Balance
2014-15	\$ -	\$ 715,770	\$ -	\$ 715,770
2015-16	715,770	1,238,542	714,028	1,240,284
2016-17	1,240,284	1,164,698	699,129	1,705,853
2017-18	1,705,853	768,564	1,209,342	1,265,075

- Funded by 50% of the non-NFL ticket surcharge of \$4 per event
- This revenue source is based on tickets sold therefore revenues are lower than prior years due to fewer non-NFL events held in 2017/18
- Discretionary fund previously used to pay NFL public safety costs above the public safety threshold
 - Stadium Authority in discussions with the Stadium Manager regarding threshold



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Debt Schedule

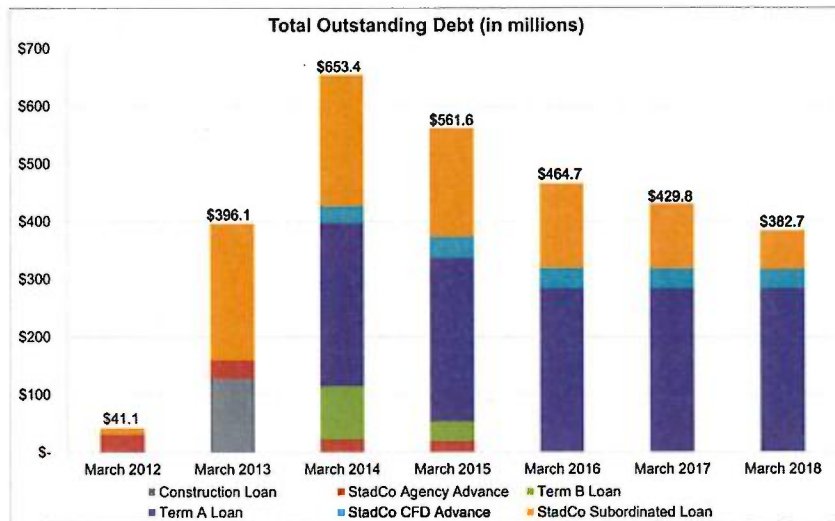
Type of Indebtedness	Interest Rates	Outstanding as of March 31, 2017	Net Change	Outstanding as of March 31, 2018
Stadium Funding Trust Loan:				
Term A Loan	5.00%	\$ 282,794,108	\$ -	\$ 282,794,108
StadCo CFD Advance	5.73%	34,414,899	(1,580,014)	32,834,885
StadCo Subordinated Loan	5.50%	112,564,310	(45,531,683)	67,032,627
Total		\$ 429,773,317	\$ (47,111,697)	\$ 382,661,620

- Total outstanding debt as of 3/31/18 was \$382.7 million
- Reduction of \$47.1 million from March 2017



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History of Debt Schedule



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Capital Improvement Program (CIP)

- Total CIP Budget of \$4.8 million
 - \$2.9 million is appropriated for Stadium CIP costs
 - \$1 million was spent on various projects such as additional signage, LED lighting upgrade, fire alarm upgrade, water treatment/softener system
 - \$1.9 million for work required to address items covered by warranty
 - \$250,000 was spent for shattered glass panels, accordion doors, and expansion joint waterproofing

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City of Santa Clara General Fund – Net Impact

Ground Rent	\$ 285,000
Performance Rent	2,439,164
Senior and Youth Fee	225,116
Tasman Lots Parking Fee	27,650

Total Net General Fund Impact	\$2,976,931
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Large Non-NFL Events

Overview

- Background
- Data Analysis
- Community Research – Key Findings
- Relevant agreement provisions
- Administrative Actions Taken

Background

- Measure J Compliance Audit
- Access to documents law suit
 - Documents related to ticketed (e.g.: concerts, soccer games, and non-NFL football games) and special non-NFL events (e.g.: weddings, corporate events, holiday parties)
- Audit of documents received
 - Still ongoing

Background (cont'd)

- Board Direction to review large non-NFL event data
- ManCo transmitted back-up documents for Non-NFL events for four years
 - Analysis pending completion of audit
- Data Analysis completed in preparation of the FY 2017/18 4th Quarter Report

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Data Analysis

- Based on non-NFL documents (e.g.: Profit and Loss statements and relevant back-up documents) received from ManCo
- Analysis of data clearly contradicts ManCo's assertions as reported in local media

49ers Vice President of Communications Bob Lange said Tuesday that Guido's reference to losing millions in revenue was referring to the previously estimated \$100 million in concert revenue over the life of the building.

"Concerts have made between \$600,000 and \$800,000 per concert for the city's general fund since the building opened," Lange said via email Tuesday.

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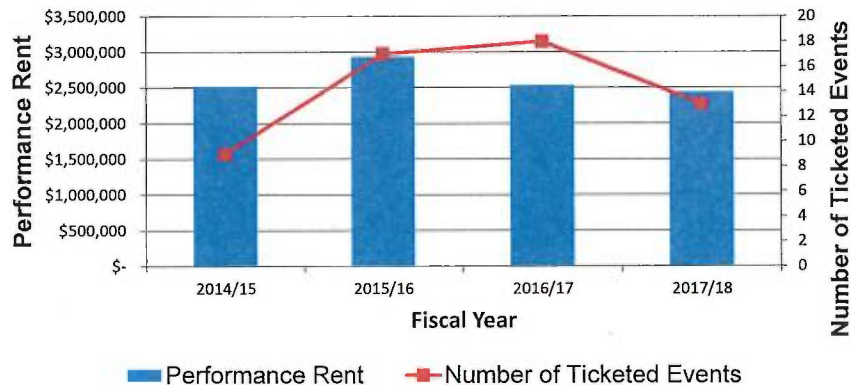
Non-NFL Events – Net Revenue by Event Type

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General Fund Revenue (Performance Rent) Since Inception of the Stadium

Performance Rent and Number of Ticketed Events by Fiscal Year



Community Research – Key Findings

- Traffic and parking impacts of the stadium: 78 percent of near neighbors are very or somewhat concerned while nearly three out of 10 Santa Clara voters are very or somewhat concerned;
- Littering, drinking/drug use, and loitering are also concerns; and
- Approximately a third of near neighbors (36 percent) and Santa Clara voters (31 percent) are concerned about noise from events at night.

Marketing Plan

Until the exercise of any Non-NFL Event Replacement Right, **the Stadium Operation and Maintenance Plan shall include a marketing plan setting forth in reasonable detail the Stadium Manager's plans to develop, implement and monitor marketing, booking, advertising and promotion of Non-NFL Events for the Stadium**, which marketing plan shall be **mutually agreed upon by the Stadium Manager and the Stadium Authority** (the "Marketing Plan"). If the Stadium Authority exercises the Non-NFL Event Replacement Right, the Stadium Authority and the Stadium Manager will develop a similar plan with the third-party provider.

4.10 Marketing Plan, Stadium Management Agreement

Non-NFL Reporting

Stadium Manager shall furnish the Executive Director, within 45 days of each Non-NFL event with attendance projected to exceed 25,000 and on a quarterly basis for all other events, such **written revenue or other reports relating to Non-NFL Events as the Parties may agree from time to time.**

3.3 Quarterly Status Meetings, First Amendment to Stadium Management Agreement

Section 3.3 Replacement Rights

Following the end of the second Fiscal Year, **if**, after any succeeding full Fiscal Year, **the Stadium Manager has**, in the reasonable judgment of the Stadium Authority, **materially failed to implement the provisions of the Marketing Plan so as to materially and adversely affect the** marketing, promotion and booking of Non-NFL Events and/or **Net Income from Non-NFL Events**, the Stadium Authority may provide the Stadium Manager with written notice of such fact, with a copy to StadCo.

Administrative Actions Taken

- Letter to Stadium Manager for Non-NFL Reports (October 1, 2018)
 1. Information that should be included in written reports;
 2. Receipt of past due reports;
 3. Schedule for future quarterly reports;
 4. Does not replace existing staff-level administrative processes to provide Non-NFL Event documentation.
- Working on meaningful, useful, and sustainable Key Performance Measures (KPIs)

Summary

- Data-driven Decisions (based on 4 years of performance)
 - Actual understanding of non-NFL events fiscal performance
 - Impact on net- non-NFL revenue
 - Impact on General Fund revenue
 - Impacts to the neighborhoods
- Inform next Marketing Plan (future non-NFL events)

Recommendation

- Note and File the Santa Clara Stadium Authority Financial Status Report for the Quarter Ending March 31, 2018



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Financial Status Report for the Quarter Ending June 30, 2018



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Financial Status Report

- Non-NFL Events
- Operating Budget Status
 - Stadium Builder Licenses (SBLs)
 - Discretionary Fund
- Debt Schedules
- Capital Improvement Program
- Budget Amendments



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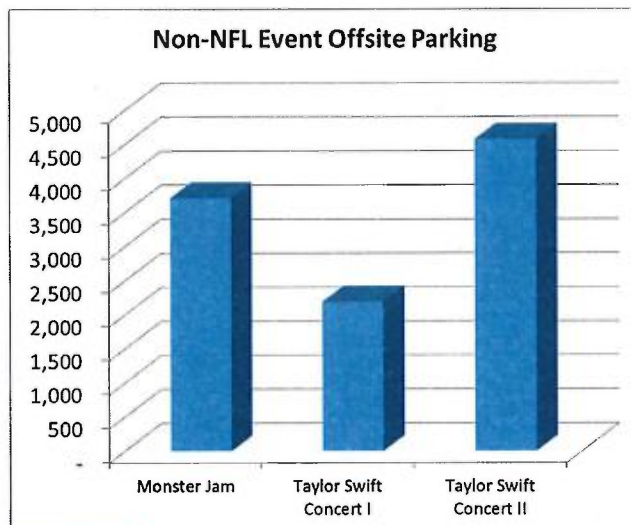
Non-NFL Events

- Three ticketed non-NFL events
- A total of 115,138 tickets were sold
 - Stadium Authority received \$461,000 million in non-NFL ticket surcharge revenue based on \$4 per ticket sold to all non-NFL events (one-half for stadium operations and one-half for Stadium Authority Discretionary Fund)
- Total of 24 smaller special events with 13,683 attendees



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Non-NFL Events - Parking

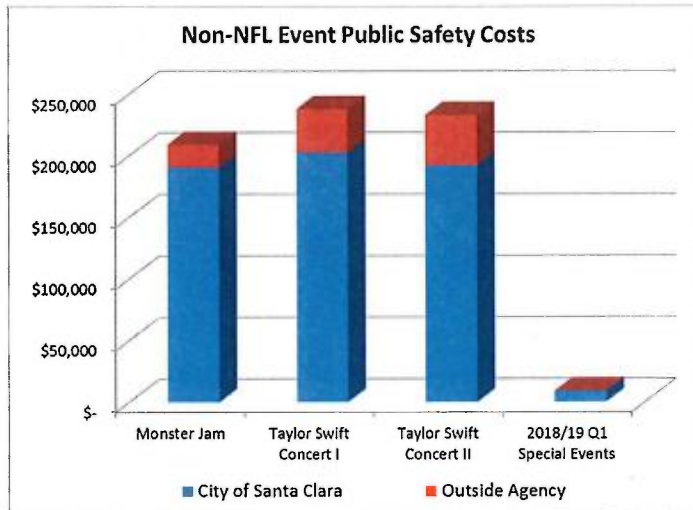


- A total of 10,495 cars were parked in offsite parking lots generating \$57,000 in offsite parking fees



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Non-NFL Events – Public Safety Costs



- Public safety costs amounted to \$690,000:

- \$596,000 are direct City costs
- \$94,000 are outside agency costs
- \$57,000 were covered by the offsite parking fee

Operating Budget Status

- Total Operating Revenues of \$14.3 million or 11% of annual budget
- Total Operating Expenses of \$11.8 million or 9% of annual budget
 - Revenues and expenses are below 25% because the non-NFL event activity is not recorded until the end of the fiscal year

Stadium Builder Licenses (SBLs)

- Value of currently active SBLs is \$530.4 million (60,121 or 91.3% of 65,877 sellable SBLs)
- A total of 80% of principal value has been collected as of 6/30/18 (\$424.3 million)
- 356 new SBLs were sold with total face value of \$2.3 million

Stadium Builder Licenses (SBLs) (cont.)

- SBL relocations netted 223 more SBLs
 - Increase of \$1.1 million in SBL face value
- Defaulted SBLs amounted to 925 with value of \$5.9 million
 - \$2.6 million or 44% of face value had already been collected when the SBLs were defaulted
 - Defaulted SBLs have either been resold or are available for resale at full price

Discretionary Fund

Fiscal Year	Beginning Balance	Revenue	Expenses	Ending Balance
2014/15	\$ -	\$ 715,770	\$ -	\$ 715,770
2015/16	715,770	1,238,542	714,028	1,240,284
2016/17	1,240,284	1,164,698	699,129	1,705,853
2017/18	1,705,853	768,564	1,209,342	1,265,075
2018/19	1,265,075	230,276	8,486	1,486,865

- Current balance is \$1.5 million
- Discretionary fund previously used to pay NFL public safety costs above the public safety threshold
 - Stadium Authority in discussions with the Stadium Manager regarding threshold



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Debt Schedule

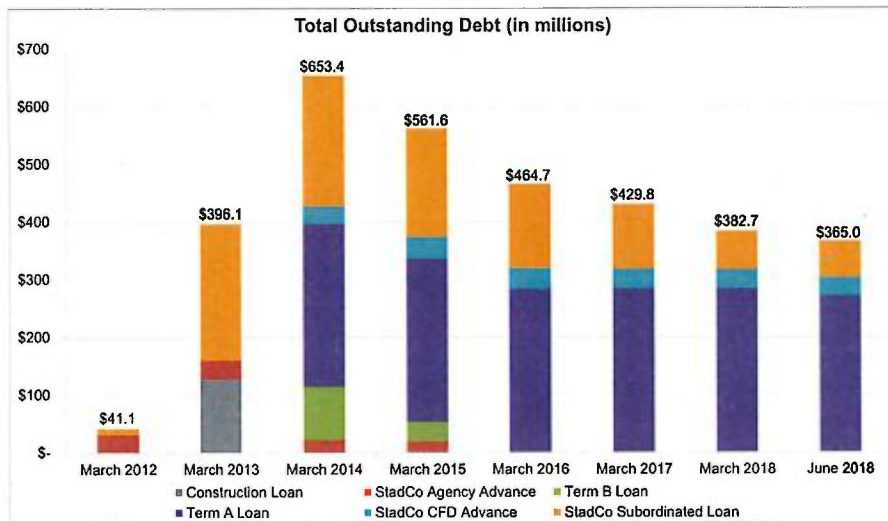
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Stadium Funding Trust Loan:				
Term A Loan	5.00%	\$ 282,794,108	\$ (12,527,696)	\$ 270,266,412
StadCo CFD Advance	5.73%	32,834,885	(639,050)	32,195,835
StadCo Subordinated Loan	5.50%	67,032,627	(4,505,279)	62,527,348
Total		\$ 382,661,620	\$ (17,672,025)	\$ 364,989,595

- Total outstanding debt as of 6/30/18 was \$365 million
- Reduction of \$17.7 million from March 2018



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History of Debt Schedule



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Capital Improvement Program (CIP)

- Total CIP Budget of \$7.9 million
 - \$6.2 million is appropriated for Stadium CIP costs
 - \$347,000 was spent on various projects such as the concrete masonry unit (CMU) wall, fire sprinkler system, and the flag poles
 - \$1.7 million is budgeted for work required to address items covered by warranty

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2018/19 Stadium Authority Budget Amendments

- Rent Reset Arbitration resulted in an annual increase of \$262,000 to rent, retroactive to the first lease year
 - \$1.1 million was received in September 2018
 - This added revenue is in excess of expenses, and will therefore be used to prepay the StadCo Subordinated Loan (Article 14 of the Stadium Lease)



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2018/19 Stadium Authority Budget Amendments (cont.)

- The following adjustments are being proposed in order to account for the additional rent revenue
 - **Operating Revenues** – Increase Rent \$1.31 million
 - **Operating Expenses** – Increase Transfers Out to Debt Service \$1.31 million
 - **Debt Service Revenues** – Increase Transfers In from Operating \$1.31 million
 - **Debt Service Expenses** – Increase StadCo Subordinated Loan \$1.31 million



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2018/19 Stadium Authority Budget Amendments (cont.)

- Budget amendment to cover CapEx projects that were still in progress at the end of the fiscal year and were not included in the 2018/19 budget as a carry forward.
- Budget carryforward amendment equals \$154,000:
 - Temporary Power for Special Events - \$50,000
 - Fire Sprinkler System - \$79,000
 - LED lighting at 700 North Concourse - \$25,000

2018/19 Stadium Authority Budget Amendments (cont.)

- The following adjustment is being proposed in order to account for the carried forward CIP projects
 - **CIP Expenses** – Increase Construction \$154,000
 - **CIP Reserves** – Decrease \$154,000

Recommendation

- Note and file the Santa Clara Stadium Authority Financial Status Report for Quarter Ending June 30, 2018
- Approve Budget Amendments to the 2018/19 Santa Clara Stadium Authority Budget

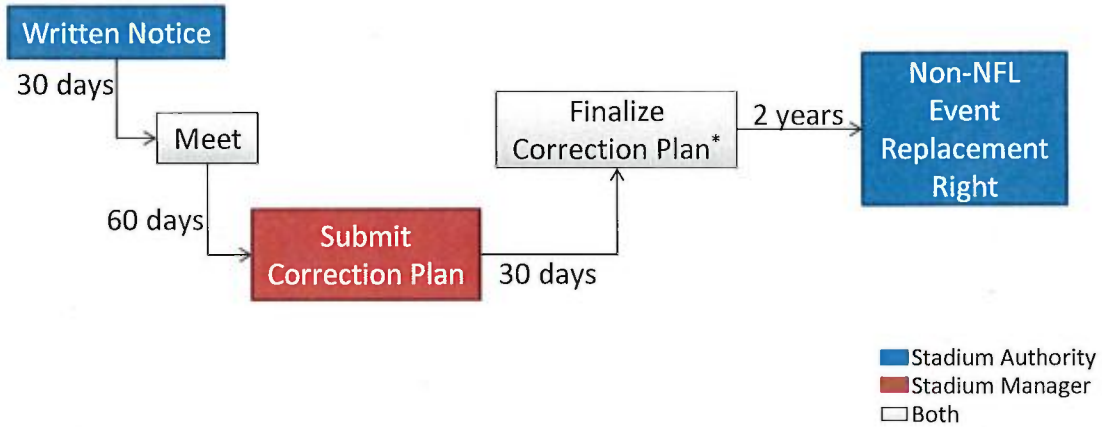


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Replacement Rights – *Potential Next Steps*



*Subject to approval of Stadium Authority