



City of Santa Clara

Call and Notice of Special Meeting

Santa Clara Stadium Authority

Wednesday, March 27, 2019

7:00 PM

City Hall Council Chambers
1500 Warburton Avenue Santa
Clara, CA 95050

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of California Government Code §54956 ("The Brown Act") and Section 708 of the Santa Clara City Charter, the Mayor calls for a Special Meeting of the Governing Board of the Stadium Authority to commence and convene on March 27, 2019, at 7:00 PM for a Special Meeting in the City Hall Council Chambers located in the East Wing of City Hall at 1500 Warburton Avenue, Santa Clara, California, to consider the following matter(s) and to potentially take action with respect to them.

7:00 PM STADIUM AUTHORITY SPECIAL MEETING

Call to Order

Pledge of Allegiance and Statement of Values

Roll Call

CONTINUANCES/EXCEPTIONS

PUBLIC PRESENTATIONS

[This item is reserved for persons to address the Council or authorities on any matter not on the agenda that is within the subject matter jurisdiction of the City or Authorities. The law does not permit action on, or extended discussion of, any item not on the agenda except under special circumstances. The governing body, or staff, may briefly respond to statements made or questions posed, and appropriate body may request staff to report back at a subsequent meeting. Although not required, please submit to the City Clerk your name and subject matter on the speaker card available in the Council Chambers.]

PUBLIC HEARING/GENERAL BUSINESS

1. **19-1604** [Action on the Proposed Santa Clara Stadium Authority Fiscal Year 2019/20 Budget and Stadium Operation and Maintenance Plan](#)

Recommendation: Staff recommends Alternatives 1, 2, and 3:

1. Adopt the Santa Clara Stadium Authority Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget;
2. Approve the Santa Clara Stadium Authority Fiscal Year 2019/20 Stadium Operations and Maintenance Plan excluding the Marketing Plan; and
3. Approve the Stadium Authority Compliance and Management Policy

2. **19-384** [Informational Report Regarding Notice of Breach of Agreement and Audit of Stadium Manager Delegated Procurement Authority](#)

Recommendation: Note and file this informational report regarding Notice of Breach of Agreement and audit of Stadium Manager delegated procurement authority.

REPORTS OF MEMBERS AND SPECIAL COMMITTEES

EXECUTIVE DIRECTOR REPORT

ADJOURNMENT

The next regular scheduled meeting is on Tuesday evening, April 9, 2019 (Council and Authorities Concurrent) in the City Hall Council Chambers.

MEETING DISCLOSURES

The time limit within which to commence any lawsuit or legal challenge to any quasi-adjudicative decision made by the City is governed by Section 1094.6 of the Code of Civil Procedure, unless a shorter limitation period is specified by any other provision. Under Section 1094.6, any lawsuit or legal challenge to any quasi-adjudicative decision made by the City must be filed no later than the 90th day following the date on which such decision becomes final. Any lawsuit or legal challenge, which is not filed within that 90-day period, will be barred. If a person wishes to challenge the nature of the above section in court, they may be limited to raising only those issues they or someone else raised at the meeting described in this notice, or in written correspondence delivered to the City of Santa Clara, at or prior to the meeting. In addition, judicial challenge may be limited or barred where the interested party has not sought and exhausted all available administrative remedies.

AB23 ANNOUNCEMENT: Members of the Santa Clara Stadium Authority, Sports and Open Space Authority and Housing Authority are entitled to receive \$30 for each attended meeting.

Note: The City Council and its associated Authorities meet as separate agencies but in a concurrent manner. Actions taken should be considered actions of only the identified policy body.

LEGEND: City Council (CC); Stadium Authority (SA); Sports and Open Space Authority (SOSA); Housing Authority (HA); Successor Agency to the City of Santa Clara Redevelopment Agency (SARDA)

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

If a member of the public submits a speaker card for any agenda items, their name will appear in the Minutes. If no speaker card is submitted, the Minutes will reflect "Public Speaker."

Agenda Report

19-1604

Agenda Date: 3/27/2019

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Action on the Proposed Santa Clara Stadium Authority Fiscal Year 2019/20 Budget and Stadium Operation and Maintenance Plan

BACKGROUND

The Stadium Management Agreement (Management Agreement) defines the Stadium Operation and Maintenance Plan (SOMP) as the plan designed to achieve a safe and well maintained Stadium, and shall include the standards for management and operation of the Stadium, including the required security, staffing, and other required elements of hosting Stadium Events. The Stadium Manager is responsible for preparing the SOMP, each of which shall be presented annually to the Stadium Authority, which has to include the:

1. Annual Shared Stadium Expense Budget,
2. Annual Public Safety Budget,
3. Capital Expenditure Plan, and
4. Marketing Plan.

At its March 19, 2019 meeting, the Santa Clara Stadium Authority Board (Board) held a Study Session to discuss the proposed Santa Clara Stadium Authority Operating, Debt Service, and Capital Budget (Attachment 1) in accordance with Article 4 "*Records, Accounts, Budgets, and Reports*" of the Management Agreement, as well as ManCo's 2019 Marketing and Business Plan for Non-NFL Events (Attachment 2).

During the Study Session, both the Board and the public provided valuable feedback and asked pertinent questions. At the direction of the Board, Stadium Authority staff has included responses as part of this report (Attachment 4).

DISCUSSION

The Stadium Authority FY 2019/20 Budget includes key components such as the Executive Director's Transmittal Letter; Stadium Operating Budget, which includes a breakdown of the Stadium Authority's General and Administrative (G&A) costs; Shared Stadium Manager expenses, including the total expenses and the Stadium Authority's share of those expenses; Debt Service budget; and the Capital Budget. In addition, staff included a glossary of financial terms used to facilitate understanding of the types of revenues, expenses, debt, and capital expenses.

In accordance with Sections 4.5 through 4.8 of the Management Agreement, ManagementCo submitted the operating, capital, and debt budget for the FY 2019/20 Stadium Authority Budget. Staff followed the budget development process outlined in the [Stadium Authority Budget Policy <http://santaclaraca.gov/home/showdocument?id=57074>](http://santaclaraca.gov/home/showdocument?id=57074) in preparing the Proposed FY 2019/20

Stadium Authority Budget. The goal of the budget development process is that the Budget is presented to the Board and the public at one Study Session and one Public Hearing before its final approval.

Steps that were followed during the budget process are listed below:

- In November, Stadium Authority staff met with ManagementCo to develop the annual budget plan which included the dates that ManagementCo would provide all necessary documents as required by the Stadium Lease and Stadium Management Agreement.
- In January, ManagementCo provided annual documents as outlined in the Stadium Agreements, which were used in the Budget Development Process:
 - Stadium Operations and Management Plan (*Source: Stadium Management Agreement*)
 - Annual Shared Expense Budget with Five Year Projection (*Source: Stadium Management Agreement*)
 - Annual Stadium Authority Operations Budget (*Source: Stadium Management Agreement*)
 - Annual Public Safety Budget (*Source: Stadium Management Agreement*)
 - Capital Expense Plan with Five Year Projection (*Source: Stadium Management Agreement*)
 - Non-NFL Event Marketing Plan (*Source: Stadium Management Agreement*)
 - Public Safety Document Updates (*Source: Stadium Operations Agreement*)
- January through early March, Stadium Authority staff fully analyzed ManagementCo's budget submission including but not limited to the number of full-time equivalents (FTEs) recommended and related personnel costs as well as non-personnel costs and calculated the budget for Stadium Authority General and Administrative (G&A) costs (such as staff costs, consulting, audit, legal, and any reasonable and necessary expenses to uphold its support of the Board) as well as any necessary funding to be used for the Stadium Authority's Discretionary Fund.

As presented to the Board at the March 19, 2019 Study Session, the proposed budget continues to represent information available to the Stadium Authority as of March 13, 2019 and Board direction provided at the study session. As previously reported, ManagementCo submitted additional budget information on March 14 that has not been included in this report as staff has not had sufficient time to properly analyze or research the new requests. In addition, based on feedback from the Board, staff has decreased the "Other Expense" budget from \$200,000 to \$110,000. This is consistent with prior year budgets for this line item and is required to pay for the Stadium Authority's bank fees related to the Trust management. Also, staff has withdrawn the Parking Gates at Youth Soccer Park project in the amount of \$97,650 from the Capital Budget. Lastly, the 2018/19 Capital Expense Projected Actuals and 2019/20 Capital Expense Projected Carryover were refined based on updated information.

Key highlights for the Stadium Authority's FY 2019/20 Budget are as follows:

- Revenues - The table below summarizes the FY 2019/20 projected revenues:

Revenue source	Proposed Budget (\$ millions)
Stadium Builder License (SBL) Revenue	\$25.4
Stadium Company Facility Rent	\$24.8
NFL Ticket Surcharge	\$8.1
Naming Rights Revenue	\$6.8
Net Revenue from Non-NFL Events	\$5.8
Non-NFL Ticket Surcharge	\$1.2
Miscellaneous Other Revenues	\$1.5
Total Revenues	\$73.6

- Facility rent revenue reflects the increase from the Rent Arbitration decision
 - Net Revenue from Non-NFL Events is based on the Stadium Marketing and Booking Fee Benchmark for FY 2019/20 as outlined in Section 3.4 of Amendment No. 1 to the Management Agreement
- Expenses - The table below summarizes the FY 2019/20 proposed operating budget, which is a decrease of \$58.5 million when compared to the prior year due to not being able to budget the gross Non-NFL expenses.

Expense Source	Proposed Budget (\$ millions)
Transfers Out	\$51.3
Shared Stadium Manager Expenses	\$11.9
Performance Rent (paid to City)	\$2.7
Stadium Authority General & Administrative	\$2.5
SBL Sales and Service	\$2.2
Utilities	\$1.5
Miscellaneous Other Expenses	\$1.5
Total Expenses	\$73.6

- The Stadium Authority General & Administrative expenses include \$1.2 million for staff support and Board stipends.
 - The transfers out consist of \$3.5 million that will be transferred to the capital reserve for future stadium capital improvements and the remaining \$47.8 million to the Debt Service Fund.

- Reserves - The table below lists the reserves expected at end of FY 2019/20:

Reserve Fund	Proposed Budget (\$ millions)
Operating Reserve	\$11.6
Debt Service Reserve	\$11.5
Capital Expense Reserve	\$3.8
Discretionary Fund Balance	\$2.3
Total Reserves	\$29.1

- Debt Service - The proposed FY 2019/20 Debt Service Budget of \$51.6 million (principal-\$34.9 million and interest-\$16.7 million) is based on the required debt service payments and anticipated excess cash that can be used towards debt. Total outstanding debt is projected to decrease by \$34.9 million from \$340.1 million to \$305.2 million.
- Capital Budget - The table below summarizes the FY 2019/20 Capital Budget.

Expense Type	Proposed Budget (\$ millions)
New Capital Improvement Appropriations	\$7.9
Stadium Warranty Related Construction Carry Forward	\$1.5
Prior Year Appropriations Carryover to FY 2019/20	\$4.8
Total Capital Budget	\$14.2

FY 2019/20 SOMP

In addition to adoption of the annual budget, this report is the culmination of information provided to fulfill the Lease and Management Agreement requirements to annually present the SOMP to the Board for review and approval. The March 19, 2019 Study Session included discussion of the Annual Shared Stadium Expense Budget, Annual Public Safety Budget and the Capital Expense Plan, and Marketing Plan.

Staff recommends approving the SOMP for FY 2019/20 with the exception of the Marketing Plan which staff is not recommending for approval at this time due to the lack of complete information and because mutual agreement has not been achieved.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environment Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

The proposed SCSA FY 2019/20 Budget includes \$73.6 million for Operating (includes \$51.3 million in transfers-out to Debt Service and Capital); \$51.6 for Debt Service; and \$14.2 million for Capital (includes a \$6.3 million carryover from the prior year).

COORDINATION

This report has been coordinated with the Stadium Authority Counsel's Office.

PUBLIC CONTACT

On March 13, 2019 a notice of the public hearing was published in the Santa Clara Weekly.

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov or at the public information desk at any City of Santa Clara public library.

ALTERNATIVES

1. Adopt the Santa Clara Stadium Authority Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget.
2. Approve the Santa Clara Stadium Authority Fiscal Year 2019/20 Stadium Operations and Maintenance Plan (excluding the Marketing Plan).
3. Approve the Stadium Authority Compliance and Management Policy
4. Take any other Action the Board deems appropriate.

RECOMMENDATION

Staff recommends Alternatives 1, 2, and 3:

1. Adopt the Santa Clara Stadium Authority Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget;
2. Approve the Santa Clara Stadium Authority Fiscal Year 2019/20 Stadium Operations and Maintenance Plan excluding the Marketing Plan; and
3. Approve the Stadium Authority Compliance and Management Policy

Reviewed by: Angela Kraetsch, Treasurer

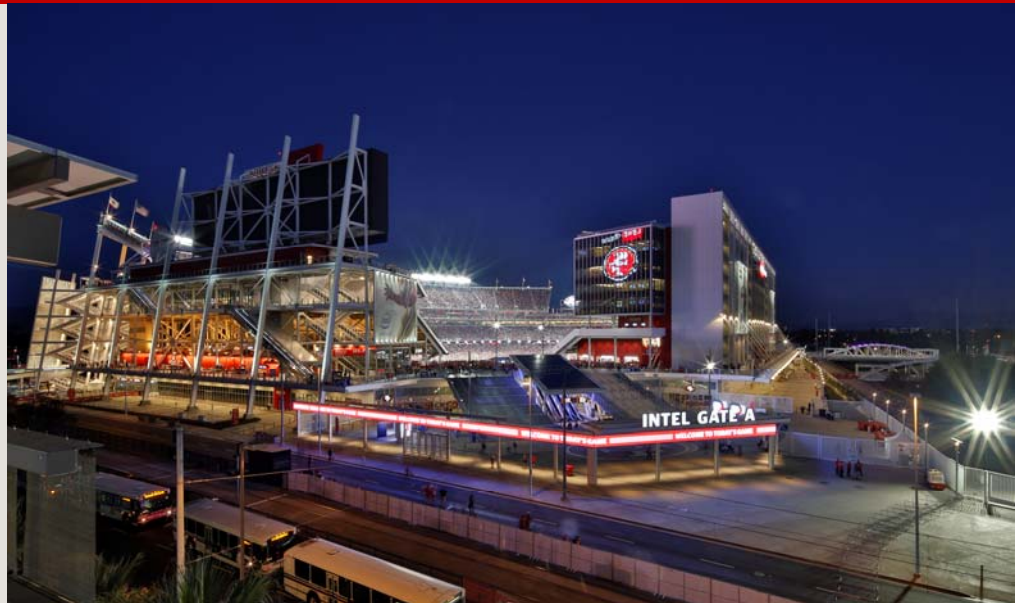
Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. Proposed Santa Clara Stadium Authority Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget
2. March 19, 2019 Agenda Report 19-084-Draft 2019 Non-NFL Events Marketing Plan for Levi Stadium
3. March 19, 2019 Agenda Report 19-1606-Proposed Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget, Annual Public Safety Budget, and Stadium Authority Compliance and Management Policy
4. March 19, 2019 Stadium Authority Budget Study Session Responses

Santa Clara Stadium Authority

PROPOSED FISCAL YEAR 2019/20 OPERATING, DEBT SERVICE AND CAPITAL BUDGET



On June 8, 2010 the residents of Santa Clara voted to adopt Measure J, the Santa Clara Stadium Taxpayer Protection and Economic Progress Act, resulting in the approval to construct a new stadium to be leased by the San Francisco 49ers. Measure J called for the creation of the Santa Clara Stadium Authority (Stadium Authority) to own, develop, construct, operate, and maintain the Stadium. The Stadium Authority exists as a public body, separate and distinct from the City. The Stadium Authority is structured so that the City is not liable for the debts or obligations of the Stadium Authority.

This budget and additional financial information on the Stadium Authority can be found at: "santaclaraca.gov/government/stadium-authority".

1500 Warburton Avenue
Santa Clara, CA 95050
Phone: (408) 615-2210
Website: santaclaraca.gov/government/stadium-authority
Email: communications@santaclaraca.gov



International Champions Cup Soccer
August 2018



Redbox Bowl
December 2018

Santa Clara Stadium Authority

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Honorable Board Chair and Directors
SANTA CLARA STADIUM AUTHORITY

Subject: Proposed Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget

Members of the Board,

As required in the Santa Clara Stadium Authority ("Stadium Authority") Management Agreement, Section 4.6, I transmit the Proposed Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget for the Stadium Authority. This budget provides the necessary funding to administer the duties of the Stadium Authority, including:

- Support for operating the Stadium for Non-NFL events through the Forty-Niners Stadium Management Company ("ManagementCo");
- Advancement of the FY 2019/20 Work Plan;
- Payment of debt service obligations; and,
- Maintenance of a five-year capital plan.

The Stadium Authority, a public entity, owns Levi's® Stadium and contracts with ManagementCo for promotion of Non-NFL events and facility operations and maintenance. This operational structure is implemented by using a variety of ManagementCo staff, vendors, and public service employees through reimbursement procedures. The Stadium Authority Board ("Board") provides overall governance and oversight of this operational structure, with use of Stadium Authority staff to support the Board's efforts. Amongst other due diligence requirements to support these duties, the Board is also responsible for: setting policy; debt and fiscal management; ensuring implementation required to uphold core duties related to operations and capital projects; and oversight or due diligence efforts as necessary. While meeting the Stadium Authority's requirements, this budget continues to advance strategic initiatives necessary to ensure that the Board is responsive to various stakeholders and constituencies participating in advancing Levi's® Stadium's purpose (e.g., residents, businesses, national and regional clients, and various other interested parties).

PROPOSED BUDGET IN BRIEF

In January 2019, ManagementCo provided the Stadium Authority with an estimated Net Non-NFL Event Revenue amount of \$750,000 for events held in the current fiscal year 2018/19. Upon receipt of this information, staff requested that ManagementCo provide supporting documentation, given

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that the fiscal trend information and documentation provided to date did not support this revised net revenue, and ManagementCo was unable to provide staff with the supporting documentation to determine how such a low value was calculated when compared to prior years. As such, once the event information is received and validated, a budget adjustment may be required if gross Non-NFL expenses are determined to be higher than budget. This due diligence will need to be completed in FY 2019/20 and does not assume a budget adjustment in this proposed budget. Accordingly, the Stadium Authority has elected to maintain projected revenue of \$4.0 million for Net Non-NFL Event Revenue in FY 2018/19 based on staff's analysis of the event make-up compared to prior years and draft profit and loss ("P&L") statements that were prepared by ManagementCo that support this projection.

In addition, ManagementCo requested \$929,000 for "Other expenses". This was an increase of \$824,000 when compared to the prior year. ManagementCo stated that this increase was an estimate of additional ManagementCo costs required to perform additional services requested by the Stadium Authority. Section 2.9 of the Management Agreement requires ManagementCo to "operate the Stadium as a quality NFL and multi-purpose public sports, public assembly, exhibit and entertainment facility, to a standard of quality comparable to other similar facilities". Section 2.9 also requires ManagementCo to "Control Manager Operating Expenses, StadCo Operating Expenses and Stadium Authority Operating Expenses".

The Stadium Authority believes that it has been reasonable with its requests to perform oversight based on the requirements of the various agreements. Accordingly, the Stadium Authority does not believe that our requests are above and beyond the normal costs of their day to day operations and would like to understand more details of this request and their characterization as "additional services". With that in mind, Stadium Authority staff is recommending a budget of \$110,000 in the "Other Expense" line item and, upon supporting documentation, staff is amenable to bringing forward a budget adjustment with the appropriate detail of what the expense will fund. However, if there have been additional services requested of ManagementCo, they have been either consistent with the agreements while not implemented in prior years, have been denied by ManagementCo, or, in some cases, we feel may have resulted in the Stadium Authority not fully understanding the full financial transactions of ManagementCo.

Like last year, this Proposed Budget is presented on an accrual basis which provides increased transparency for projected revenues and expenses, with added detail about financial transfers. The total Stadium Authority Operating Budget for FY 2019/20 is \$73.6 million and represents a decrease of \$58.5 million, or 44% reduction, compared to the prior fiscal year. This decrease is primarily due to the inability to budget the Non-NFL event revenue and expenses at the gross level in FY 2019/20 due to ManagementCo's reservation with forecasting fiscal activity for non-scheduled Non-NFL

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events. Therefore, staff budgeted \$5.8 million which continued the past practice of budgeting at the Net Non-NFL Event Revenue level based on the Stadium Marketing and Booking Fee Benchmark for FY 2019/20 as outlined in Section 3.4 of Amendment No. 1 to the Management Agreement.

KEY ISSUES IN THE PROPOSED BUDGET

There are several key issues to surface as part of the discussion for the Proposed FY 2019/20 Operating, Debt Service, and Capital Budget: Stadium Authority Financial Management System, Naming Rights Agreement, Performance Rent, General and Administrative Expenses, Debt Service Payments, Capital Expense Budget, and Marketing Plan.

Stadium Authority Financial/Accounting Management System - On March 1, 2019, the ManagementCo and Stadium Authority staff discussed the opportunity to establish a stand-alone Stadium Authority financial/accounting management system. Over the past years, ManagementCo has commingled its portion of the revenues and expenses of the Stadium Authority into its San Francisco 49ers financial management system. There has been dispute over possession of documents, access to financial information, and overall improved knowledge of the complete set of financial information pertaining to the Stadium Authority. ManagementCo now agrees to work with the Stadium Authority to establish a segregated financial management system for the Stadium Authority, where Stadium Authority staff has full access to the system, supporting documentation, and in real-time (not at the end of the fiscal year or on other terms that require the Stadium Authority to always look backwards to understand financial activity). The Work Plan and details to support this effort still need to be established, but there is already some level of agreement on approach to achieve implementation. Not included in this budget, and subject to more due diligence, is the Stadium Authority staffing costs, along with the Stadium Authority's portion of costs to procure such system, which will be brought back to the Stadium Authority Board when completed and prepared for Board consideration.

Naming Rights Agreement between Santa Clara Stadium Authority and Levi Strauss & Co. ("Naming Rights Agreement") - It is important to note, that the Naming Rights agreement with Levi's® requires the Stadium Authority to hold at least 36 "Major Events" (with 25,000+ attendees) every three contract years. As of this report, the current number of Major Events held at Levi's® Stadium was fourteen (14) with one year remaining in the current three year period. If fewer than 36 major events are held in the three-year period, Levi's® receives a credit of \$15,000 multiplied by the difference between 36 and the actual number of events held during the three year period. The Second Amendment to the Stadium Management Agreement states that ManagementCo would pay

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the Stadium Authority as liquidated damages the amount owed by the Stadium Authority to Levi's®. Given the timing of the agreement terms, this will no doubt be an issue to address in the next fiscal year.

Naming Rights Agreement Three-Year Periods	Number of Major Events
March 1, 2014 to February 28, 2017	39
March 1, 2017 to February 29, 2020	14*

* Through February 2019

Performance Rent - As stated previously, Net Non-NFL Event Revenue directly impacts the amount of Performance Rent that is an expense to the Stadium Authority and paid to the City of Santa Clara. Performance Rent is calculated using 50% of the Net Non-NFL Event Revenue minus performance based credits (see page 28 for more detail on Performance Rent).

Performance Rent Calculation	Fiscal Year 2018/19 Projection	Fiscal Year 2019/20 Budget
Ground Rent	\$ 320,000	\$ 355,000
Net Non-NFL Event Revenue	\$ 3,956,000	\$ 5,796,000
50% of Net Non-NFL Event Revenue	\$ 1,978,000	\$ 2,898,000
Performance Rent Credit (50% of Ground Rent)	\$ (160,000)	\$ (177,500)
Total Performance Rent paid to the City of Santa Clara	\$ 1,818,000	\$ 2,720,500

General and Administrative Expenses - The General and Administrative (G&A) portion of the proposed budget funds expenses to implement the Board's direction and oversight of the Stadium per the various authoritative agreements. As more staff resources have been required to advance the Board's directives, with some remaining gaps in services, Stadium Authority staff has increased its budget to reflect the required general oversight, accounting, and new resources for neighborhood mitigation efforts and ongoing undesirable impacts to neighborhoods resulting from events at the Stadium. Stadium Authority staff recommends a G&A budget for FY 2019/20 totaling \$2.5 million, an increase of \$795,000 or 47% from the prior fiscal year. The Stadium Authority G&A budget makes up 3% of the FY 2019/20 Proposed Stadium Authority Expense Budget of \$73.6 million. A portion of the increase is due to increases in salaries and benefits per negotiated Memorandum of Understandings ("MOUs"), projected increases in the percentage of time City employees are allocating to the Stadium Authority based on increased workload, adding additional support staff approved by Council on September 18, 2018 for record keeping and administrative support, as well as the partial funding of a Deputy City Manager position with specific focus on neighborhood services, policy development pertaining to improved neighborhood conditions during events, deployment of the multi-department public services coordination and oversight, and assignment of routine Stadium issues that require City response and action.

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Additionally, the Santa Clara City Council has established a policy priority that applies to the City's public services support of the Stadium Authority, which is to "Ensure Compliance with Measure J and Manage Levi's® Stadium". As part of planned separate action in this budget process, this policy priority is presented for the Board's consideration to establish the foundation for how the Board governs the Stadium Authority and how staff implements the Board's directives in compliance with Measure J.

Debt Service Budget - The FY 2019/20 Debt Service Budget of \$51.6 million is based on the required and additional payments for principal of \$34.9 million and interest of \$16.7 million. The budget reflects a total decrease of \$34.9 million of outstanding debt from \$340.1 million to \$305.2 million.

Capital Expense Budget - The FY 2019/20 Capital Expense ("CapEx") Budget totals \$14.2 million, which includes \$6.3 million in carryovers expenses from the prior year. This budget includes various security improvements, fencing on Tasman, furniture replacement and upgrades, and public safety equipment (a detailed list of CapEx projects begins on page 40).

Marketing Plan - The Stadium Management Agreement states that the Stadium Operation and Maintenance Plan (SOMP) shall include a Marketing Plan (4.10), and the Stadium Lease states that the SOMP shall be presented annually to the Stadium Authority for their consideration and approval (7.2). As part of last year's Stadium Authority budget approval process, ManagementCo and Stadium Authority staff presented the draft Marketing Plan to the Board during a Study Session. This practice allows the Board an opportunity to discuss the effectiveness of the proposed strategies and ask questions.

During discussion of last year's Marketing Plan, the Board discussion supported the mutual effort of ManagementCo and Stadium Authority to develop key performance indicators (KPIs) for the purpose of tracking marketing strategies and the outcomes achieved. The Board approved a recommendation to complete this work within 90 days and collect data. This was not completed, as discussed in November 2018 with the Board, and, unfortunately, the proposed 2019 Marketing Plan did not include KPIs.

The Management Agreement specifically provides that the marketing plan will include information in reasonable detail, as mutually agreed upon by ManagementCo and Stadium Authority. ManagementCo's submitted draft was not mutually agreed upon by the Executive Director, given the Board's discussion last year regarding KPIs. Additionally, given the above discussion relative to the Naming Rights Agreement and the Executive Director's request to include reference to the Naming Rights Agreement and strategies to achieve compliance, which were denied during development of the draft, it is the Executive Director's position that the proposed draft Marketing Plan does not

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include reasonable details that a Marketing Plan should contain, and that were committed to (e.g., KPIs) by ManagementCo last year, to monitor and track activity to book Non-NFL events successfully and in accordance with the goals as described in various agreements and documents. Further, given that ManagementCo's draft 2019 Marketing Plan does not address the various issues that we had discussed with them for over a year, Stadium Authority staff took the effort to detail our questions and comments in good faith and toward achieving a mutually agreed to 2019 Marketing Plan and ManagementCo must do the same. As such, the Executive Director does not recommend approval of the 2019 Marketing Plan given the absence of key information that is pertinent to comply with existing agreements (e.g., Naming Rights Agreement), commitments (e.g., KPIs), and good faith efforts to achieve mutual agreement.

STRATEGIC INITIATIVES AND ACCOMPLISHMENTS

In FY 2018/19, the first ever Stadium Authority Executive Director's Annual Report was published and publicly presented on November 27, 2018 at the Stadium Authority meeting. This marked a significant departure from past practice and demonstrated that the work between the Board and Executive Director were better aligned toward establishing set priorities, initiatives, and with the ability to achieve outcomes.

This past year can easily be characterized as getting the Stadium Authority's business in order, expanding transparency of this public agency's work, and ensuring compliance with Agreements in place for proper oversight of this publicly owned asset. The Board has shown great leadership and support for Stadium Authority's staff work and together we have established strong oversight practices with initial baseline data to inform public safety/public service strategic decision making.

However, our work is not complete and Stadium Authority staff has a good understanding of additional areas that require completion, review, or improved performance. For example, after a year of studying our deployment model and researching other models, we understand deficiencies in our neighborhood deployment during events at Levi's® Stadium, areas of accounting that requires reconciliation, and required communications to optimize our limited public safety/public service resources to support events. It is my opinion that these gaps in service require more resources to meet the Board's direction, establish internal policies, and implement new practices that meet community needs. Staff has been proactive in addressing these resource requirements as evidenced in our recent success with robust recruitment efforts for the "double badge" law enforcement program that resulted in over 40 applicants in one month, detailed reporting on the average value of Non-NFL events and the required activity to support the financials reported (e.g., concerts, soccer, Non-NFL football [College and High School], and non-ticketed events), and have tested new communication strategies to keep our community informed.

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Stadium Authority staff initiated and/or accomplished several major work efforts over the past year including, but not limited to:

- **Community Engagement** - (1) Conducted a robust Community Outreach and Engagement work plan to obtain statistically valid data relative to public opinion on community impacts resulting from Levi's® Stadium and for future policy development. Specifically, the purpose of this work plan was to identify the community's perspectives on issues related to Levi's® Stadium such as noise, public safety, nuisances, parking, flyovers, crowd control, cleanliness, loitering, lighting, pyrotechnics/fireworks, performance curfew, and other items. (2) Established a dedicated telephone number to receive input from residents. (3) Increased social media presence to provide advance notice and information about events at Levi's® Stadium. This effort was for both ManagementCo and Stadium Authority to be informed of the community sentiment and develop strategies for addressing them.
- **Noise Monitoring** - Implemented web-based, publicly available, ongoing, real-time noise monitoring services in the areas surrounding the Stadium and training facility.
- **College Football Playoff ("CFP") Championship Game** - Stadium Authority, ManagementCo, and the Bay Area Host Committee ("BAHC") entered into an Assignment and Assumption Agreement that will result in no losses to Stadium Authority budget or the City of Santa Clara's General Fund. In accordance with this agreement, approved by the Board on July 17, 2018, BAHC is responsible for all net expenditures; will share any net revenues with Stadium Authority, if applicable; and, will provide a complete accounting of all revenues and expenses, including supporting documentation. The Stadium Authority has audit rights for which staff will pursue over FY 2019/20 and, at the timing of writing this budget cover letter, is actively closing out reimbursement requirements for public services provided to BAHC for the CFP game.
- **Implemented Measure J Compliance Audit Recommendations** - The Stadium Authority Ad Hoc Audit Committee of the Board ("Committee") maintained a regular meeting schedule to receive updates on staff's efforts to implement the 37 audit recommendation in the Harvey M. Rose Associates, LLC Comprehensive Audit of Stadium Authority Finances. As reported to the Committee on October 29, 2018, Stadium Authority has now implemented approximately 70% of the audit recommendations, and these audit recommendations have provided for strengthened oversight and increased transparency of Stadium Authority's operations for Levi's® Stadium by improved fiscal and operational data and management practices. Examples include the discovery of significant funds held by ManagementCo that have now been transferred over to the Stadium Authority, violations of procurement requirements that will require corrective action by the Board, violations of procurement requirements with respect to required reporting for financial transactions between \$100,000 to \$250,000, and changed administrative processes or formalized practices by Stadium Authority staff. Additional meetings are planned in FY 2019/20 to present additional compliance with these audit recommendations.

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- **Independent Auditor Function** - The Stadium Authority Agreements allow for a designated Auditor to perform reviews of all Stadium Authority work. This past year, the Stadium Authority Ad Hoc Committee and Board reviewed and approved staff's proposal to establish a formal Stadium Authority Auditor. In turn, after a robust recruitment process, City/Stadium Authority Auditor Linh Lam was appointed to this role; she is a Certified Public Accountant who has met the State of California audit experience requirement, qualifying her to attest to reports, findings, and audit engagements. Already, the Stadium Authority Auditor has worked to address performance audits, including a proposed audit of ManagementCo's procurement practices due to their recent violation with Section 2.1 of the First Amendment to the Stadium Management Agreement. The Auditor, with support of consultant services, will also work to reconcile the past four years of general ledger entries and the Construction Fund expenditures that have been the focus of past Board meetings.
- **Policy Manual Development** - As capacity has allowed, established a Board Policy Manual as part of strengthening the Stadium Authority's policies to improve governance, transparency, and responsiveness to the Santa Clara community and Levi's® Stadium obligations.
- **Stadium Authority Coordination** - Instituted weekly Stadium Authority staff business meetings to develop stronger proactive community communications with the goal of addressing concerns revealed from the community research work. These meetings provide a forum to address community issues, and for organizational awareness of City and Stadium Authority services required to support Levi's® Stadium, staffing coverage and deployment issues for planned NFL/ Non-NFL events.
- **Rent Arbitration Award** - On June 18, 2018, the arbitrator entered an Interim Arbitration Award in favor of the Stadium Authority and on August 2, 2018 an Order Regarding the Parties' Interim Award Responses was issued essentially serving to make the Interim Award final. This adjusted the rent from \$24.5 million to \$24.8 million, an increase of \$262,000 per year. Since this increase was retroactive to the first lease year the result was an additional \$1.31 million in rent revenue for the first five years of operations. On December 10, 2018, the arbitrator entered the Final Arbitration Award which included the reimbursement of reasonable attorney's fees to the Stadium Authority in the approximate amount of \$2.3 million.
- **Average Value of Non-NFL Events** - Over the past year, staff worked diligently to respond to the long standing Board directive to report in greater detail on the Non-NFL events financial activity. Striking a balance between concern for market interest confidentiality and competitiveness and public agency transparency, for the first time since the inception of Non-NFL events at Levi's® Stadium, Stadium Authority staff presented the following table which provided information for the Board to better understand which events are profitable, money-losers, volume of events required to make up for losses, and average value of a Non-NFL event. This was a critical juncture in the history of Stadium Authority financial reporting because it



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equips the Board with making informed decisions and truly understanding the financial performance for these events. As a reasonable practice, the combination of the following information and a detailed Marketing Plan can yield valuable information for understanding the deployed strategies and the impacts to the financial bottom line.

EVENT TYPE	2014/15		2015/16		2016/17		2017/18	
	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue
Ticketed Events								
Concerts	0	\$ -	7	\$ 3,791,985	4	\$ 2,424,572	2	\$ 1,819,099
Sporting events:								
Football (non-NFL)	5	(3,007,907)	4	(2,316,903)	4	(2,946,165)	4	(3,601,827)
Soccer	2	3,948,144	2	891,300	5	2,414,209	3	3,228,754
Miscellaneous events	2	2,504,912	4	(149,392)	5	(159,175)	4	76,379
Subtotal Ticketed Events	9	\$ 3,445,149	17	\$ 2,216,989	18	\$ 1,733,441	13	\$ 1,522,405
Special Events (w eddings, corporate events, etc.)	186	\$ 1,762,404	204	\$ 3,862,027	127	\$ 3,583,453	113	\$ 3,640,924
Total Non-NFL Net Revenue	195	\$ 5,207,553	221	\$ 6,079,016	145	\$ 5,316,894	126	\$ 5,163,329
Total Performance Rent paid to the General Fund⁽¹⁾		\$ 2,513,777		\$ 2,932,008		\$ 2,533,447		\$ 2,439,164
Average General Fund Revenue per Ticketed Event		\$ 184,782		\$ 62,899		\$ 45,887		\$ 55,322

⁽¹⁾ Performance Rent is calculated as 50% of the net revenue from Non-NFL events less performance-based credit of 50% of fixed Ground Rent

STADIUM AUTHORITY FY 2019/20 WORK PLAN

The recommended funding for G&A in the amount of \$2.5 million is set at a level to implement the FY 2019/20 Work Plan. The Work Plan includes efforts to ensure compliance with the Amended and Restated Stadium Lease and various agreements (Stadium Management Agreement, Stadium Operations Agreement, Parking Agreement, etc.), as well as with all various permit conditions (e.g. temporary field seats) and applicable City Code and other laws and regulations. As reported to the Board, together with the Stadium Authority Counsel, I have continued the Board's position that ManagementCo produce for our possession all Stadium Authority documentation, comply with our mutual agreements, and be responsive to our audits. The discussion addressing the Naming Rights Agreement, Stadium Authority Financial/Accounting Management System, and good faith efforts to achieve a mutually agreed to 2019 Marketing Plan are already included in the proposed Work Plan; however, additional actionable items are required for this fiscal year.

The Work Plan also includes developing policy options for Board consideration for two high interest topics: the Community Room and San Thomas Aquino Creek Trail access during events. As outlined extensively in my correspondence dated August 31, 2018, following Board direction in November 2017, Stadium Authority staff worked with ManagementCo to find an alternate location for a Community Room at Levi's® Stadium that is more accessible (both in location and cost) than the current space. Due to ManagementCo's active cooperation and apparent commitment to make the space available, the Stadium Authority FY 2018/19 Operating, Debt Service, and Capital Budget included a capital budget appropriation to build out that particular designated space and, as such,



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the Stadium Authority approved a specific amount of \$630,000 which was established based on a cost estimate for build out of that designated space. However, the Forty Niners Stadium SC Company, LLC (“StadCo”) sent notice on September 12, 2018 that they would not convert this space or make it available for a community room purpose. Additionally, our efforts to request documents from ManagementCo (including copies of lease agreements) were not successful and did not allow for Stadium Authority staff to fully understand the financial/lease terms required to successfully make this space available. As part of the FY 2019/20 Work Plan, and upon completion of this budget development workload, staff will seek Board input on proposed next steps, including evaluation of the other locations discussed earlier in 2018, to finally resolve this issue.

For the San Thomas Aquino Creek Trail, Stadium Authority staff will evaluate options for keeping the Trail open during Levi’s® Stadium events and/or providing alternate routes if portions of the Trail are closed. For example, the Work Plan includes comparison to other stadiums or arenas, such as the Barclays Center, SAP Center at San Jose and Madison Square Garden, where the perimeter allows for a shallower entrance. It is of particular interest to Stadium Authority staff to more fully understand how these venues have shallow security perimeters and still maintain safety levels required for large venues. These examples offer favorable opportunities to examine how to proceed with our analysis and, with added resources, it is staff’s belief that we can achieve an outcome that addresses the community concerns.

The FY 2019/20 Work Plan also continues efforts that began following the March 23, 2018 soccer match to review and improve our multi-department deployment model, with a specific focus on law enforcement deployment methodology and neighborhood protection. This includes evaluating and modifying our deployment model as well as other options, such as a parking permit program, number of public service staff deployed per event, and continuing our multi-departmental coordination to minimize effects of events at Levi’s® Stadium on the surrounding neighborhoods and the Santa Clara community as a whole. To support these efforts, I am recommending the addition of a Deputy City Manager position during the City budget process which will be partially funded by this budget, as well as capital funds to install fencing at the Lafayette Street and Tasman Drive overcrossing to prevent unsafe pedestrian traffic and discourage improper rideshare pickups and drop-offs in that area. The Board has expressed concern for the ongoing neighborhood impacts during Stadium events, along with the absence of permanently addressing these concerns.

Additionally, the statistically valid community base line data found:

- In a telephone survey of registered Santa Clara voters, 60 percent of survey takers said noise from stadium events was one of the most important issues to address.
- A survey conducted by EMC Research found that approximately a third of near neighbors and citywide voters were concerned about noise from events at night.



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- The EMC Research survey also found that roughly a third of near neighbors and citywide voters were concerned about the number of weekday events.
- Public Dialogue Consortium's 2018 engagement activities included community interviews at two events, focus groups, online questionnaire and three community events with over 400 participants echoed what the surveys told us. Near neighbors voiced concerns about noise generated by Stadium events, including post-event noise from people and traffic.
- Many residents involved in the Public Dialogue Consortium's public engagement process stated that a lack of trust developed between the City, community and ManagementCo, due to the lack of financial transparency and follow through on initial commitments made when voters approved the Stadium via Measure J.

Existing staff capacity does not allow for staff to absorb the required multi-department and agency deployment and policy development to advance these ongoing concerns and, it has become clear, that this is not a one-time assignment as event conditions and impacts change based on event type, impacts, etc. The most recent example of the multi-department and multi-agency deployment complexity for the March 26th soccer match between the 2019 Mexican National Team vs. Paraguay is an example of the need to add dedicated resources to improve coordination and deployment strategies. While staff resources exist to adequately address the administrative needs of the Stadium Authority, the Stadium Authority has never considered adding the needed resources to improve coordination between the various departments to support events and to maintain constant communication with our neighborhoods. The addition of a focused resource in this area will allow for existing staff to stay focused on the Board's direction, while also addressing community focused needs.

The FY 2019/20 Work Plan includes the following items from the Stadium Authority Auditor's Annual Audit Work Plan:

- Analyzing the Stadium Authority's review procedures for Non-NFL events' revenues and expenses and provide feedback on procedure and control issues, if any.
- Reviewing the Stadium Authority Financial Reporting Policy with staff and external auditors and providing feedback on best practices.
- Reviewing past Construction Fund and Public Safety transactions and providing feedback on the allocation of staff charges (contracted service).
- Annual External Financial Audit for the Stadium Authority (contracted audit service).

Combined, the proposed Work Plan is significant compared to year's past and will require additional dedicated resources to implement. Unfortunately, some of these task are not necessarily new, but

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are efforts that had been delayed until resources or expertise were put into place, intentionally deferred, or disputed and for which now there is a path of how to proceed.

CONCLUSION

As with any proposed budget, there are risks that we can factor into our projections and those that we cannot. For example, some of our revenue projections are more fiscally conservative than in previous years. In some instances, this was necessary due to factors that can easily not materialize and the need to plan accordingly. For example, the Proposed Budget projects \$5.8 million of Net Non-NFL Event Revenue which can easily swing more or less favorable due to the actual number of events held, as well as increased costs of public service resources required to support these events, and the inevitable impact of a moderate or severe economic slow-down. The Proposed Budget is sensitive to each of these cost scenarios and, if changes should occur, Stadium Authority staff would be sure to bring forward any required budget amendments for the Stadium Authority Board to consider.

Within the above context, Levi's® Stadium continues to be a desirable venue for Non-NFL events such as concerts, soccer events, small and large corporate events and other gatherings (e.g., weddings, private parties, etc.). As we look forward, the following major Non-NFL events are scheduled in the near horizon for FY 2019/20, with more to come:

- Monster Jam — Saturday, April 13, 2019
- U.S. Women's National Team vs. South Africa — Sunday, May 12, 2019
- The Rolling Stones "No Filter" Tour — Saturday, May 18, 2019

This budget outlines a work program and financial strategy to assist in meeting the guiding principles of the Stadium Authority, namely that no City of Santa Clara General Fund monies are to be used to fund Stadium costs, Board oversight of its property manager, and to ensure that the Stadium Authority and ManagementCo continue to be held accountable to the various agreements. Our commitment is to continue to look for improvements within the organization and to deliver the kind of results that the public expects. I look forward to presenting this proposed budget at our upcoming sessions.

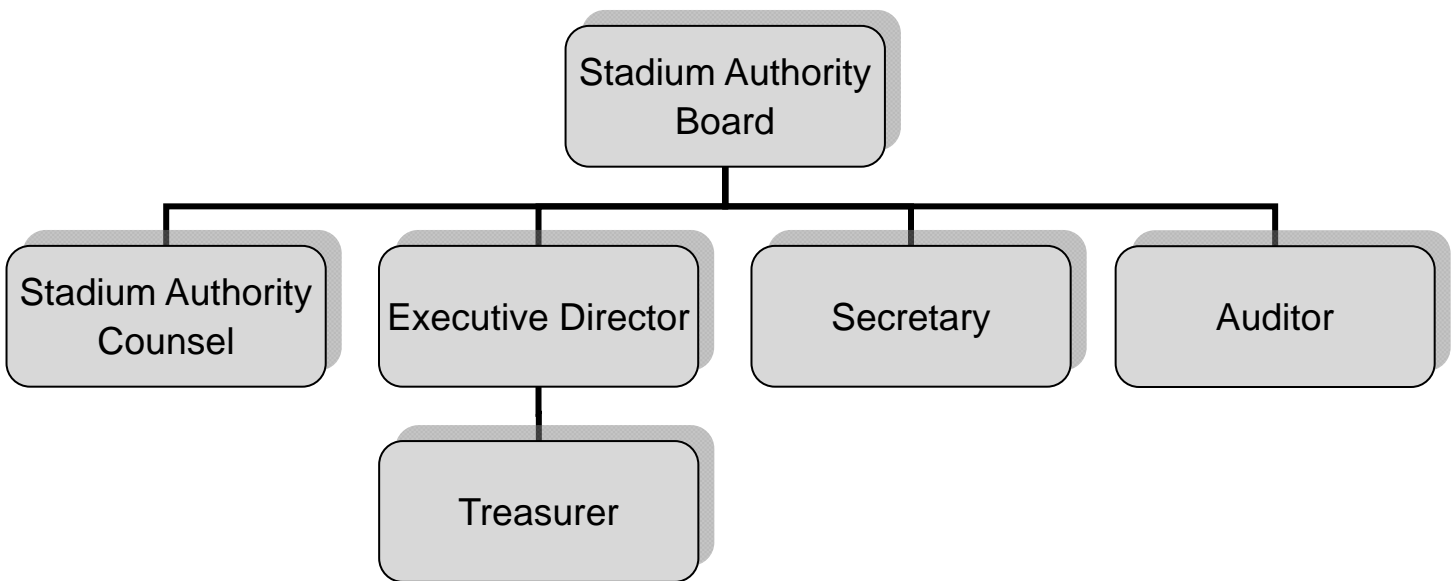
Respectfully Submitted,



Deanna J. Santana
Executive Director



ORGANIZATIONAL CHART



The seven elected members of the City Council serve as the governing Board of the Santa Clara Stadium Authority with the Mayor serving as Chairperson of the Authority.

In addition, City of Santa Clara staff serve as Officers of the Stadium Authority with the City Manager serving as the Executive Director.

GENERAL INFORMATION

This Santa Clara Stadium Authority (“Stadium Authority”) Budget Report provides information covering the Proposed FY 2019/20 Operating, Debt Service, and Capital Budget as well as comparative data from prior fiscal years. Estimated revenue and expense information (three quarters of actuals and one projected quarter) included in this report for the FY 2018/19 is unaudited and therefore subject to change as a result of the annual audit conducted by an external and independent auditing firm.

In addition to this report, the Stadium Authority produces annual financial statements within six months of the fiscal year-end (March 31st). These financial statements are audited by an external auditing firm and presented to the Stadium Authority’s Audit Committee and Board. Once presented to the Board, the financial statements are published on the Stadium Authority’s web page. The FY 2018/19 audited financial statements will be presented to the Board in August 2019.

The Stadium Authority is structured so that the City of Santa Clara (“City”) is not liable for the debts or obligations of the Stadium Authority.

All services provided by the City to ManagementCo or the Stadium Authority are fully reimbursed. Types of services include the following:

- Administrative General Fund costs that are spent during operations are separately tracked using special account codes in the City’s financial system and all such costs are billed for reimbursement.
- General Fund public safety costs for NFL and Non-NFL events are separately tracked and all such costs are billed for full reimbursement.

NFL EVENT HIGHLIGHTS - YEAR IN REVIEW

The San Francisco 49ers played ten (10) National Football League (“NFL”) games (two pre-season games and eight regular season games) in FY 2018/19. The total number of tickets sold for these games was 651,237, an average of 65,124 tickets sold for each game. The ticket sales resulted in \$8.1 million of NFL ticket surcharge revenue to Stadium Authority (based on the 10% NFL ticket surcharge on each ticket sold). A total of \$228,000 of Senior and Youth Program Fees were collected and forwarded to the City in FY 2018/19.

Operators who wish to operate a parking lot for sports or entertainment venues are required to go through the City’s permitting process. If approved, per the City’s Municipal Fee Schedule, these operators remit an offsite parking fee for each car that is parked for sports or entertainment events. This fee was designed to recover the public safety costs associated with these permitted offsite parking lots. Therefore, when invoicing for NFL or Non-NFL public safety costs for a particular event held at Levi’s® Stadium, the offsite parking fee that is collected for said event partly offsets the total public safety costs owed for that event. In the City’s FY 2017/18 (July 1, 2017 through June 30, 2018) the offsite parking fee was \$5.42 and it increased to \$5.63 in the City’s FY 2018/19.

Cars parked at the permitted offsite parking lots equaled 56,390. The associated offsite parking fee generated \$317,000. There were also 4,729 cars that were parked on the City’s Tasman lots. The Tasman lot parking fee generated \$24,000 for the City’s General Fund.



Non-NFL Event Highlights - Year in Review

There were a total of 290,341 tickets sold for the eleven ticketed Non-NFL events that were held in the first three quarters of FY 2018/19, resulting in \$1.2 million in Non-NFL event ticket surcharge revenue (from the \$4 per ticket Non-NFL event surcharge).

As stated in the NFL Event Highlights, Operators who wish to operate a parking lot for sports or entertainment venues are required to go through the City's permitting process. Approved operators remit an offsite parking fee, per the City's Municipal Fee Schedule, for each car that is parked for sports or entertainment events. This fee was designed to recover the public safety costs associated with these permitted offsite parking lots. Therefore, when invoicing for Non-NFL public safety costs for a particular event held at Levi's® Stadium, the offsite parking fee that is collected for said event should partly offset the public safety costs incurred with respect to the operations, parking, and traffic management. Cars parked at the permitted offsite parking lots equaled 26,041 in the first three quarters of FY 2018/19 resulting in \$144,000 in offsite parking fees from Non-NFL events.

There were also 87 smaller special events with 32,593 total attendees in the first three quarters of FY 2018/19. Examples of these special events include corporate events of various sizes, weddings, holiday parties, etc.

As mentioned previously in the transmittal letter, the Stadium Authority, ManagementCo, and the Bay Area Host Committee ("BAHC") entered into an Assignment and Assumption Agreement that would result in no losses to the Stadium Authority or the City of Santa Clara's General Fund for the College Football Playoff Championship game. Although this was not treated as a Non-NFL event, the Stadium Authority did receive the Non-NFL event ticket surcharge of \$4 per ticket for this event.

Note: One additional ticketed Non-NFL event and a number of smaller special events are scheduled before the end of the fiscal year which will result in a change in the numbers reflected in this section.

2018/19 Non-NFL Events		
Event	Date	Tickets Sold
Wedding Fair	April 22, 2018	473
Monster Jam	April 28, 2018	35,302
Taylor Swift Concert	May 11, 2018	29,333
Taylor Swift Concert	May 12, 2018	50,503
Earthquakes Soccer	July 22, 2018	22,281
Champions Cup Soccer	August 4, 2018	43,393
High School Football	September 21, 2018	3,802
OTR II Concert (Beyoncé/Jay-Z)	September 29, 2018	47,235
SJSU vs Army West Point Football	October 13, 2018	4,005
Pac-12 Championship	November 30, 2018	24,530
Redbox Bowl	December 31, 2018	29,484
Mexican National Team Soccer	March 26, 2019	TBD
Total to date		290,341

STADIUM AUTHORITY OPERATING BUDGET

The proposed FY 2019/20 Stadium Authority Budget covers the Stadium Authority's twelve month fiscal year which runs April 1, 2019 through March 31, 2020.

Key highlights for the Stadium Authority's FY 2019/20 Operating Budget are as follows:

Revenues

- ♦ FY 2019/20 total projected revenues of \$73.6 million includes \$25.4 million in stadium builder license (SBL) revenue, \$24.8 million in facility rent, \$8.1 million in NFL ticket surcharge, \$6.8 million in naming rights revenue, \$5.8 million in net receipts from Non-NFL events, \$1.2 million in Non-NFL ticket surcharge, and \$1.5 million in miscellaneous other revenues.

Expenses

- ♦ The proposed Operating Budget of \$73.6 million includes the Stadium Authority's share of expenses covered under the Management Agreement along with monies sufficient to reimburse the City for its staff support and payments for ground rent, Senior/Youth fees, and performance rent. It also includes transfers out of \$51.3 million.

Fund	Transfers Out	Transfers In
Operating	\$ 51,273,000	
Debt Service		\$ 47,795,000
CIP		3,478,000
Total	\$ 51,273,000	\$ 51,273,000

- ♦ As shown in the table above, \$47.8 million will be transferred from the Operating Fund to the Debt Service Fund for future principal and interest debt service payments. The remaining \$3.5 million will be transferred from the Operating Fund to the Capital Fund for future Stadium capital improvements.
- ♦ Shared Stadium Manager expenses increased by \$731,000 or 7% from the prior year budget of \$11.2 million to \$11.9 million. ManagementCo states that these increases are needed for the following:
 - ♦ Two new positions in Stadium Operations to sustain successful event operations and efficiently manage Internet Protocol Television ("IPTV") content
 - ♦ Increases to the minimum wage and third-party contracted security staff
 - ♦ Added repair and maintenance costs needed to maintain Levi's® Stadium
 - ♦ Increase in operational and training costs for Guest Services to continue to provide quality service to stadium patrons

STADIUM AUTHORITY OPERATING BUDGET

Expenses (cont.)

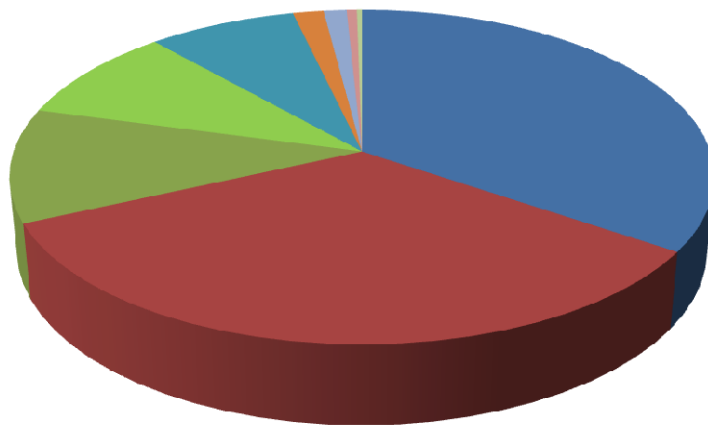
- ♦ Stadium Authority General & Administration costs increased by \$795,000 or 47% when compared to the prior year budget of \$1.7 million to \$2.5 million. These costs are described in detail on page 24 of this report. These increases are needed for the following:
 - ◇ Added staff capacity to assist with mitigating neighborhood impacts during events, multi-department and multi-regional deployment coordination, policy development, general accounting, and administrative support
 - ◇ Increases in salaries and benefits per applicable Memorandum of Understandings (MOUs)
 - ◇ Increase in the Audit line item to include targeted performance audits and a Ticket Surcharge audit

Reserves

- ♦ Total Operating reserves equal \$11.6 million (as required by the Stadium Lease) at the end of FY 2019/20, which is an increase of \$338,000 when compared to FY 2018/19. The Discretionary Fund is projected to have a balance of \$2.3 million.

STADIUM AUTHORITY OPERATING BUDGET (CONT.)

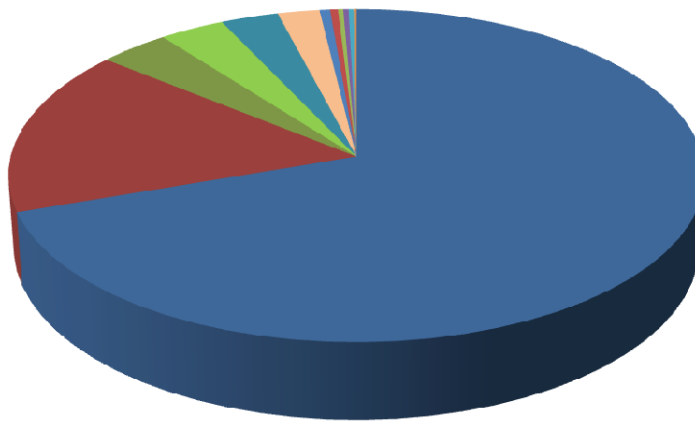
OPERATING REVENUES



\$73.6 Million

SBL Proceeds - \$25.4M, 34.5%
Rent - \$24.8M, 33.7%
NFL Ticket Surcharge - \$8.1M, 11.0%
Naming Rights - \$6.8M, 9.2%
Net Non-NFL Event Revenue - \$5.8 M, 7.9%
Non-NFL Event Ticket Surcharge - \$1.2M, 1.6%
Interest - \$0.9M, 1.2%
Sponsorship Revenue (STR) - \$0.4M, 0.6%
Senior & Youth Program Fees - \$0.2M, 0.3%

OPERATING EXPENSES



\$73.6 Million

Transfers Out - \$51.3M, 69.7%
Shared Stadium Manager Expenses - \$11.9M, 16.2%
Performance Rent (paid to City) - \$2.7M, 3.7%
Stadium Authority General & Administrative - \$2.5M, 3.4%
SBL Sales and Service - \$2.2M, 3.0%
Utilities - \$1.6M, 2.2%
Ground Rent (paid to City) - \$0.4M, 0.5%
Contribution to Operating Reserve - \$0.3M, 0.4%
Discretionary Fund Expense - \$0.2M, 0.3%
Senior & Youth Program Fees (paid to City) - \$0.2M, 0.3%
Use of StadCo Tenant Improvements - \$0.2M, 0.2%
Other Expenses - \$0.1M, 0.1%

Santa Clara Stadium Authority

Operating Budget Summary

	2017/18 Final Budget ⁽¹⁾	2017/18 Year-end Actuals	2018/19 Final Budget	2018/19 Projected Actuals	2019/20 Proposed Budget
Revenues					
NFL Ticket Surcharge	\$ 8,258,000	\$ 7,806,190	\$ 8,031,000	\$ 8,077,000	\$ 8,142,000
SBL Proceeds	31,756,000	31,738,451	26,156,000	27,214,000	25,416,000
Interest	280,000	522,996	794,000	969,000	938,000
Non-NFL Event Revenue ⁽²⁾	-	-	62,147,000	-	-
Net Revenues from Non-NFL Events	10,768,135	10,480,223	-	3,956,000	5,796,000
Naming Rights	6,366,000	6,366,337	6,558,000	6,557,000	6,754,000
Sponsorship Revenue (STR)	406,000	456,379	545,000	474,000	345,000
Rent	24,500,000	23,375,000	25,810,000	25,810,000	24,762,000
Senior & Youth Program Fees	231,000	225,116	230,000	228,000	230,000
Non-NFL Event Ticket Surcharge	2,000,000	1,537,128	1,800,000	1,542,000	1,232,000
BAHC Reimbursement for CFP Expenses	-	-	-	1,400,000	-
Other Revenue	-	-	-	2,281,000	-
Total Revenues	\$ 84,565,135	\$ 82,507,820	\$ 132,071,000	\$ 78,508,000	\$ 73,615,000
Expenses					
Shared Stadium Manager Expenses⁽³⁾					
Stadium Operations	\$ 3,613,000	\$ 3,072,360	\$ 3,721,000	\$ 3,621,000	\$ 4,004,000
Engineering	1,636,000	2,063,747	1,835,000	1,835,000	2,054,000
Guest Services	848,000	447,248	813,000	763,000	825,000
Groundskeeping	246,000	165,709	164,000	164,000	177,000
Security	1,498,000	1,292,455	1,543,000	1,543,000	1,656,000
Insurance	2,787,000	2,786,749	2,871,000	2,870,000	2,956,000
Stadium Management Fee	219,000	219,165	226,000	225,000	232,000
Shared Stadium Manager Expenses Subtotal	\$ 10,847,000	\$ 10,047,433	\$ 11,173,000	\$ 11,021,000	\$ 11,904,000
Other Operating Expenses					
SBL Sales and Service ⁽³⁾	\$ 2,095,000	\$ 1,449,213	\$ 2,324,000	\$ 2,148,000	\$ 2,221,000
Senior & Youth Program Fees (paid to City) ⁽³⁾	231,000	225,116	230,000	228,000	230,000
Non-NFL Event Expense ⁽²⁾	-	-	56,519,000	-	-
Ground Rent (paid to City) ⁽⁴⁾	285,000	285,000	320,000	320,000	355,000
Performance Rent (paid to City) ⁽⁴⁾	5,116,568	4,972,611	2,654,000	1,818,000	2,721,000
Discretionary Fund Expense ⁽⁵⁾	2,230,000	1,209,342	990,000	100,000	250,000
Utilities ⁽³⁾	1,434,000	937,978	1,506,000	1,506,000	1,551,000
Use of StadCo Tenant Improvements ⁽³⁾	245,000	237,120	236,000	248,000	182,000
Stadium Authority General & Administrative ⁽⁵⁾	3,395,000	3,025,782	1,685,000	1,342,000	2,480,000
CFP Expenses	-	-	-	1,400,000	-
Other Expenses ⁽⁶⁾	76,000	96,602	105,000	105,000	110,000
Transfers Out ⁽⁴⁾	58,517,000	57,795,817	54,001,000	57,030,000	51,273,000
Contribution to Operating Reserve ⁽⁴⁾	-	-	328,000	328,000	338,000
Other Operating Expenses Subtotal	\$ 73,624,568	\$ 70,234,581	\$ 120,898,000	\$ 66,573,000	\$ 61,711,000
Total Expenses	\$ 84,471,568	\$ 80,282,014	\$ 132,071,000	\$ 77,594,000	\$ 73,615,000
Operating Reserve	\$ 10,927,270	\$ 10,927,270	\$ 11,255,088	\$ 11,255,270	\$ 11,593,270
Discretionary Fund	\$ 1,555,853	\$ 1,265,075	\$ 1,086,407	\$ 1,936,075	\$ 2,302,075

⁽¹⁾ 2017/18 Final Budget includes entries to move the budget from cash to accrual basis

⁽²⁾ Information not provided by ManagementCo at the time of this report

⁽³⁾ Recommended by ManagementCo

⁽⁴⁾ Expense is based on payment schedule or calculated as instructed per relevant agreements

⁽⁵⁾ Recommended by Stadium Authority staff

⁽⁶⁾ The 2019/20 proposed budget for Other Expenses differs from the original request of \$507,000 received from ManagementCo as it requires further review by Stadium Authority staff.

STADIUM AUTHORITY OPERATING BUDGET (CONT.)

Stadium Authority Board Duties and Proposed General and Administrative Budget

The Board is a public entity responsible for governing the matters concerning Levi's® Stadium. As such, the Board is responsible for setting policy direction, ensuring implementation of its policy direction and other due diligence requirements through Stadium Authority staff, and auditing/oversight of its policy implementation, as reasonable and necessary.

To accomplish Board direction, staff recommends the following administrative budget for the 2019/20 Fiscal Year totaling \$2.5 million, or 3%, of the total Fiscal Year 2019/20 Proposed Stadium Authority Operating Expense Budget of \$73.6 million. With this recommended budget, staff will support the Board with its oversight of Levi's® Stadium per the various agreements with ManagementCo and Forty-Niners SC Stadium Company LLC (StadCo or Tenant) of the stadium, such as:

1. Uphold fiduciary responsibilities and debt obligations;
2. Maintain a productive and functional business relationship with the Tenant;
3. Develop Board policies as required for proper governance and transparency efforts concerning the Stadium Authority oversight efforts;
4. Continue the current community engagement process to address the public opinion research of the community impacts of Levi's® Stadium, with a focus on neighborhood response and public service deployment improvements;
5. Continue the current noise monitoring program;
6. Implement public safety expert's recommendations during events held at Levi's® Stadium;
7. Address the Work Plan items, as referenced in the Executive Director's transmittal letter to this budget; and,
8. Develop and implement oversight initiatives consistent with public entity organizations.

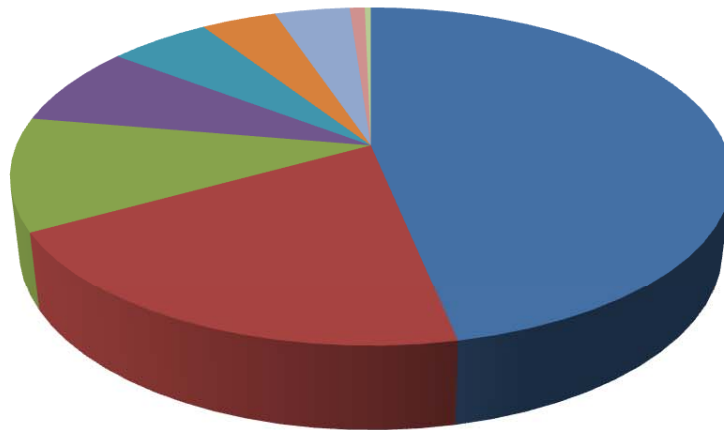
Stadium Authority staff are responsible for the programmatic oversight and audit of Stadium activities. As part of this budget, the oversight of stadium activities is allocated primarily to the Executive Director, the Chief Operating Officer, the Treasurer and supporting staff. As mentioned in the prior year budget, current staffing levels were under review and it stated that the Executive Director may bring forward staffing adjustments for the Board's consideration. As part of the review, the Executive Director is recommending a Deputy City Manager position with specific focus on neighborhood services, multi-department public services coordination, and overall deployment coordination. The Stadium Authority is already sufficiently staffed with management and financial resources to maintain the current level of operations; but, to the extent that Work Plan items continue to increase, more resources will be needed (e.g. implementation of a Stadium Authority Financial/Accounting System).

STADIUM AUTHORITY OPERATING BUDGET (CONT.)

As such, the Stadium Authority G&A expense budget of \$2.5 million provides the financial means in which to fulfill the Board policy direction and strategic initiatives. A breakdown of the Stadium Authority's portion of the overall operating expense budget of \$73.6 million is shown below.

Stadium Authority General and Administrative Budget		
Expense Type	Amount	Comments
Staff support (3.8 FTE)	\$ 1,160,000	To support the Stadium Authority with its oversight duties of stadium activities
Legal services	500,000	As needed for outside legal services
Audit services	267,000	Financial, Ticket Surcharge, and performance audits performed by external auditors
Consultants		
Community outreach/Board initiatives	190,000	Community engagement efforts and/or Board initiatives consistent with the work plan
Noise monitoring	135,000	Continued noise monitoring of Levi's® Stadium
Public safety	100,000	Implementation of public safety expert's recommendations
Executive Director & Board directives	100,000	Funding for unanticipated Board directives, Executive Director assignments, etc.
Other expenses	20,000	Routine office expenses
Board stipends	8,000	Stadium Authority meetings
Total	\$ 2,480,000	

Stadium Authority 2019/20 General and Administrative Budget



- Staff support - \$1.16M, 46.8%
- Legal services - \$500k, 20.2%
- Audit services - \$267k, 10.8%
- Community outreach - \$190k, 7.7%
- Noise monitoring - \$135k, 5.4%
- Public safety consultant - \$100k, 4%
- Unanticipated expenses - \$100k, 4%
- Other expenses - \$20k, 0.8%
- Board stipends - \$8k, 0.3%

STADIUM AUTHORITY OPERATING BUDGET GLOSSARY

Accrual Basis Accounting: The method of recording revenues and expenses when they are incurred, regardless of when cash is exchanged.

Bay Area Host Committee Reimbursement: This is the reimbursement received from the Bay Area Host Committee for all costs associated with the College Football Playoff Championship (CFP) that was held at Levi's® Stadium on January 7, 2019. This reimbursement is subsequently used to pay internal City and outside agency costs associated with the CFP (see College Football Playoff Expense below). (*Source: Assignment and Assumption Agreement*)

College Football Playoff Expense: All internal City and outside agency costs associated with the CFP that are invoiced to the Stadium Authority. (*Source: Assignment and Assumption Agreement*)

Contribution to Operating Reserve: The contributions to the operating reserve are funded by means of excess revenues (see Excess Revenue below). (*Source: The Amended and Restated Stadium Lease Agreement*)

Discretionary Fund Expense: This is funded by half of the Non-NFL ticket surcharge (see Non-NFL Event Ticket Surcharge on page 28) and has been used to cover NFL public safety costs above the public safety cost threshold in the first three fiscal years of operation and other items at the Stadium Authority's discretion.

Projected Beginning Balance	50% of 2019/20 Non-NFL Event Ticket Surcharge	2019/20 Discretionary Fund Expense	Projected Ending Balance
\$ 1,936,075	\$ 616,000	\$ 250,000	\$ 2,302,075

Excess Revenue: If Stadium Authority revenue exceeds expenses for any lease year, such excess revenues shall be distributed as described in the table below. This table reflects a projection on how the excess revenues will be distributed in the 2018/19 fiscal year. (*Source: The Amended and Restated Stadium Lease Agreement*)

2018/19 Use of Excess Revenues

#	Description	Amount Funded	Balance	Notes
	Excess Revenues at Year-end		\$ 21,113,799	
1	Payment of ManCo Revolving Loan	\$ -	21,113,799	N/A (this loan has not been utilized)
2	Funding Operating Reserve up to \$2 Million +3% annually	-	21,113,799	Funding requirement met
3	Funding CapEx Reserve an Additional \$1 Million +3% annually	(1,125,509)	19,988,290	Funding annual CapEx Reserve
4	Funding Operating Reserve up to \$10 Million +3% annually	(327,818)	19,660,472	Funding annual 3% requirement
5	Prepayment of StadCo Subordinated Loan	(19,660,472)	-	Prepayment requirement met
6	Funding Operating Reserve up to \$20 Million +3% annually	-	-	N/A
7	Funding Renovation/Demolition Reserve up to \$70 Million	-	-	N/A
8	Available for Additional Disbursements as described in the Stadium Lease	-	-	N/A

STADIUM AUTHORITY OPERATING BUDGET GLOSSARY (CONT.)

Ground Rent: The City has agreed to lease the land under Levi's® Stadium to Stadium Authority for an initial term of 40 years. The fixed ground rent schedule is noted below for the 40-year initial term. (Source: *Ground Lease Agreement*)

Lease Year(s)	Fiscal Year(s)	Annual Fixed Ground Rent
1	2014-15	\$ 180,000
2	2015-16	\$ 215,000
3	2016-17	\$ 250,000
4	2017-18	\$ 285,000
5	2018-19	\$ 320,000
6	2019-20	\$ 355,000
7	2020-21	\$ 390,000
8	2021-22	\$ 425,000
9	2022-23	\$ 460,000
10	2023-24	\$ 495,000
11-15	2024-25 through 2028-29	\$ 1,000,000
16-20	2029-30 through 2033-34	\$ 1,100,000
21-25	2034-35 through 2038-39	\$ 1,200,000
26-30	2039-40 through 2043-44	\$ 1,300,000
31-35	2044-45 through 2048-49	\$ 1,400,000
36-40	2049-50 through 2053-54	\$ 1,500,000

Insurance: ManagementCo procures insurance for Levi's® Stadium for the entire year and the cost is split between Stadium Authority and StadCo (see Shared Stadium Manager Expenses on page 31). The stadium lease sets Stadium Authority's share of insurance expense at \$2,550,000 for the first lease year with each succeeding lease year's insurance expense increasing by 3%. (Source: *Stadium Management Agreement & The Amended and Restated Lease Agreement*)

Interest: This is interest earned from cash on hand.

Naming Rights: Levi Strauss & Co (Levi's®) pays an annual naming rights fee to Stadium Authority. The annual fee increases by 3% each contract year through the 20 year term. This annual fee is paid in two equal semi-annual installments on or before March 1st and October 1st. (Source: *Naming Rights Agreement*)

Net Revenues from Non-NFL Events: ManagementCo provides management services for Levi's® Stadium year-round. As such ManagementCo is responsible for booking and scheduling all Non-NFL events on behalf of Stadium Authority. ManagementCo is required by the agreement to maintain complete and accurate books and records relating to the net income from the Non-NFL events. Those records are reviewed by Stadium Authority staff and/or outside consultants and audited by an independent auditor. After the completion of the fiscal year, the net revenues are paid to Stadium Authority by ManagementCo. (Source: *Stadium Management Agreement*)

NFL Ticket Surcharge: The Forty Niners Football Company, LLC (the Team) collects a 10% NFL ticket surcharge on the price of admission to all NFL games occurring in Levi's® Stadium on behalf of Stadium Authority. (Source: *Amended and Restated Non-Relocation Agreement*)

Non NFL Event Expense: The gross expenses for Non-NFL events held at Levi's® Stadium.

STADIUM AUTHORITY OPERATING BUDGET GLOSSARY (CONT.)

Non-NFL Event Revenue: The gross receipts from Non-NFL events held at Levi's® Stadium.

Non-NFL Event Ticket Surcharge: Promoters or sponsors of any ticketed Non-NFL event that is held at Levi's® Stadium are required to collect a \$4 per ticket surcharge on behalf of Stadium Authority. Half of this surcharge that is paid to Stadium Authority covers general stadium operations and the other half funds the Stadium Authority Discretionary Fund. (*Source: Amended and Restated Stadium Lease Agreement*)

Other Expenses: Miscellaneous Stadium Authority expenses such as bank fees.

Other Revenue: Miscellaneous Stadium Authority revenues. The projected 2018/19 other revenue is the result of the Final Rent Reset Arbitration Award. As part of that award, StadCo will reimburse the Stadium Authority for its legal costs associated with the Rent Reset Arbitration.

Performance Rent: Stadium Authority pays the City performance rent on top of the fixed ground rent. The basic calculation for the performance based rent is 50% of the net income from Non-NFL events for any given lease year less the sum of performance based rent credits. The performance based rent credits include 50% of the current year's base ground rent, and other credits. The table below represents a projection of the 2018/19 and 2019/20 Fiscal Years performance rent. (*Source: Ground Lease Agreement & Amended and Restated Stadium Lease Agreement*)

Performance Rent Calculation	Fiscal Year 2018/19 Projection	Fiscal Year 2019/20 Budget
Ground Rent	\$ 320,000	\$ 355,000
Net Non-NFL Event Revenue	\$ 3,956,000	\$ 5,796,000
50% of Net Non-NFL Event Revenue	\$ 1,978,000	\$ 2,898,000
Performance Rent Credit (50% of Ground Rent)	\$ (160,000)	\$ (177,500)
Total Performance Rent paid to the City of Santa Clara	\$ 1,818,000	\$ 2,720,500

Rent: The facility rent was originally set at \$24.5 million for StadCo to lease the stadium for their half of the year. As a result of the rent reset arbitration award in favor of Stadium Authority, the facility rent was reset to \$24.8 million retro-active to the first lease year. The rent adjustment process is outlined in the Amended and Restated Stadium Lease. (*Source: Amended and Restated Stadium Lease Agreement*)

Senior and Youth Program Fees: During the lease terms, StadCo collects a City of Santa Clara Senior and Youth program Fee on behalf of Stadium Authority. The fee is based on \$0.35 per NFL game ticket up to a maximum of \$250,000 per lease year. (*Source: Amended and Restated Stadium Lease Agreement*)

STADIUM AUTHORITY OPERATING BUDGET GLOSSARY (CONT.)

Shared Stadium Manager Expenses: ManagementCo oversees the day to day operations of Levi's® Stadium year-round. Since StadCo leases the stadium from Stadium Authority for half of each fiscal year, the ManagementCo stadium manager expenses are shared between StadCo and Stadium Authority. Most shared stadium manager expenses are split 50/50 between StadCo and Stadium Authority; grounds-keeping is the exception with a 70/30 split, StadCo being responsible for the larger share. In addition, ManagementCo procures insurance for Levi's® Stadium that is shared between Stadium Authority and StadCo (see Insurance on page 27). (*Source: Stadium Management Agreement & The Amended and Restated Stadium Lease Agreement*)

Sponsorship Revenue (STR): STR Marketplace, LLC (STR) established a secondary market website to facilitate the transfer and resale of SBLs. In exchange for the use of the Levi's® Stadium trademarks and links on the website (hence the title Sponsorship Revenue), STR pays Stadium Authority a minimum annual fee of \$325,000 based on the commissions that are collected by STR. In addition to the minimum annual fee, Stadium Authority also receives 50% of any commissions in excess of \$650,000. (*Source: SBL Website Marketing Agreement*)

Stadium Authority General & Administrative: As an independent public entity, Stadium Authority incurs its own expenses in relation to Board governance, fiduciary responsibilities, oversight, and operations of Levi's® Stadium. These include but are not limited to Stadium Authority staff time, due diligence requirements for proper fiscal and operational oversight, and various outside contractors and consultants who are hired to administer the necessary requirements for owning and operating Levi's® Stadium. Also included are various administrative type costs such as bank fees, phone charges, IT equipment maintenance, etc.

Stadium Builder License (SBL) Proceeds: SBL holders who are on a payment plan make annual payments. Additionally, some SBL holders make payments above and beyond their annual scheduled payment plan. There are also sales of new SBLs and/or SBLs that were defaulted and resold. SBL cash collections from all of these sources make up SBL proceeds.

Stadium Builder License (SBL) Sales and Service: ManagementCo provides sales and service to SBL holders on behalf of Stadium Authority. This includes all SBL collection efforts and customer service support. (*Source: Agreement for Stadium Builder License Sales & Fourth Amendment to the Stadium Management Agreement*)

STADIUM AUTHORITY OPERATING BUDGET GLOSSARY (CONT.)

Stadium Management Fee: ManagementCo receives an annual base management fee to manage Levi's® Stadium. The fee was \$400,000 in the first lease year and increases by 3% annually. This annual base management fee is split 50/50 between StadCo and Stadium Authority since ManagementCo manages the stadium year-round for both entities. In addition to the base management fee, ManagementCo receives a stadium marketing and booking fee (incentive fee) which is based on a percentage of the amount that the net income from Non-NFL events exceeds the marketing and booking fee benchmark. The table below shows the first 10 years of the base management fee and the stadium marketing and booking fee benchmark. It also shows the first four years of net income from Non-NFL events and a projection of the fifth year as well as the applicable marketing and booking fee which was 5% of the net Non-NFL income over the benchmark. (Source: *The Stadium Management Agreement*)

Fiscal Year	Lease Year	Annual Base Stadium Management Fee (SCSA Share)	Stadium Marketing and Booking Fee Benchmark	Actual/Projected Net Income from Non-NFL Events	Actual Stadium Marketing and Booking Fee	Total Stadium Management Fee
2014/15	1	\$ 200,000	\$ 5,000,000	\$ 5,207,553	\$ 10,378	\$ 210,378
2015/16	2	\$ 206,000	\$ 5,150,000	\$ 6,079,016	\$ 46,451	\$ 252,451
2016/17	3	\$ 212,180	\$ 5,304,500	\$ 5,316,894	\$ 620	\$ 212,800
2017/18	4	\$ 218,545	\$ 5,463,635	\$ 5,163,329	\$ -	\$ 218,545
2018/19 ⁽¹⁾	5	\$ 225,102	\$ 5,627,544	\$ 3,956,000	\$ -	\$ 225,102
2019/20	6	\$ 231,855	\$ 5,796,370	To be determined		
2020/21	7	\$ 238,810	\$ 5,970,261			
2021/22	8	\$ 245,975	\$ 6,149,369			
2022/23	9	\$ 253,354	\$ 6,333,850			
2023/24	10	\$ 260,955	\$ 6,523,866			

⁽¹⁾ The Net Income from Non-NFL Events for 2018/19 is a projection.

Transfers Out: Transfers from the Stadium Authority Operating Fund to fund Debt Service and Capital Funds.

Utilities: StadCo leases the stadium from Stadium Authority for six months of each fiscal year from August through January. StadCo is therefore responsible for the day to day utilities during that period. Stadium Authority pays for the day to day utilities from February through July. Utilities associated with large ticketed Non-NFL events are charged as an expense to the event which is included in the Non-NFL event expense.

Use of StadCo Tenant Improvements: StadCo charges Stadium Authority for use of various StadCo tenant improvements (such as the use of the scoreboard) during Non-NFL events. (Source: *Amended and Restated Lease Agreement*)

STADIUM MANAGER SHARED EXPENSES

The Stadium Management Agreement is between the Stadium Authority, StadCo and ManagementCo and was entered into as of March 28, 2012. This agreement provides Stadium Authority with the expertise of an outside manager to oversee the day-to-day operations of Levi's® Stadium. Additionally, the Amended and Restated Stadium Lease Agreement between Stadium Authority and StadCo was made and entered into as of June 19, 2013.

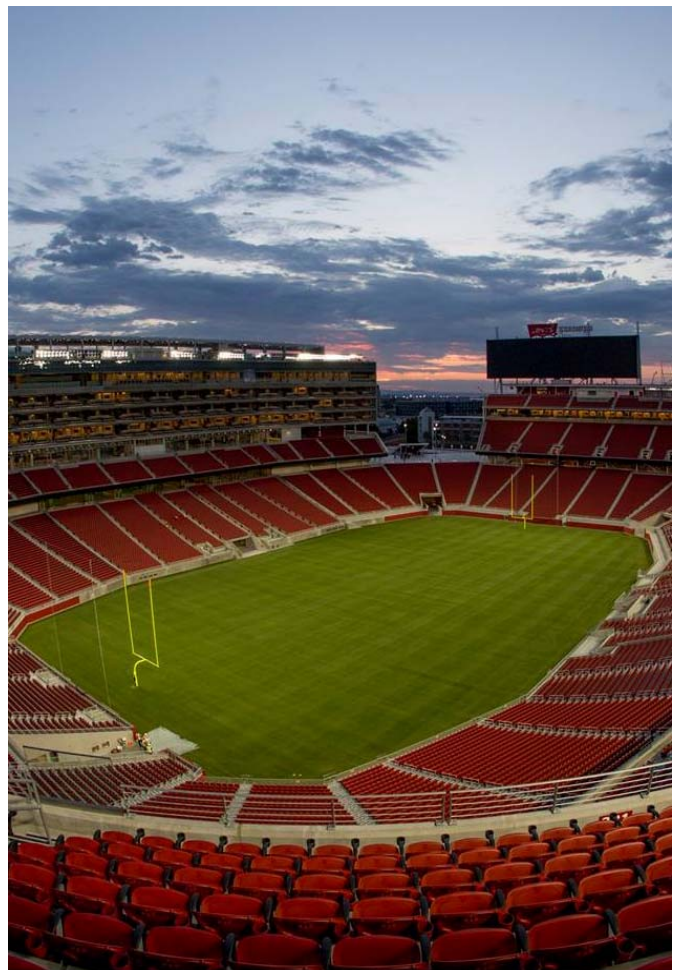
This agreement amended the original stadium lease to set the initial rent, to allow StadCo to enter into agreements with alternative energy providers, to cap Stadium Authority's share of the insurance costs at a fixed amount each year, and to require Stadium Authority to fund various reserves.

Per the terms of the stadium lease, StadCo leases the stadium from the Stadium Authority for half of each fiscal year, and is responsible for the Stadium Manager operating expenses during that period. The Stadium Manager operating expenses for the other half of the year are the responsibility of the Stadium Authority. 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 grounds-keeping being the exception with a 70/30 split, StadCo being responsible for the larger share.

ManagementCo procures insurance for Levi's® Stadium for the entire year and the cost is shared between Stadium Authority and StadCo.

Section 4.7 of the management agreement notes that ManagementCo will provide an Annual Shared Stadium Expense Budget to be adopted annually by Stadium Authority and StadCo.

Once the budget has been adopted, ManagementCo invoices Stadium Authority monthly for its budgeted portion of shared expenses which include stadium manager operating expenses. As part of the year-end work, the budgeted amounts that were paid are trued up with actuals for which ManagementCo provides details.



Stadium Manager

2019/20 Total Shared Stadium Expenses

Between the Santa Clara Stadium Authority and Forty Niners SC Stadium Company (StadCo)

	Stadium					
	Security	Operations	Engineering	Guest Services	Groundskeeping	Total
Total Compensation	\$ 965,828	\$ 4,285,958	\$ 2,634,822	\$ 991,144	\$ 295,287	\$ 9,173,039
Travel, Meals & Entertainment	2,186	413,076	12,000	73,226	10,060	510,548
Outside Services	2,041,426	2,068,172	1,396,416	14,900	54,037	5,574,951
General Supplies	78,404	120,000	-	140,112	196,560	535,076
Telephone	15,914	454,998	20,400	10,416	1,320	503,048
Equipment	191,220	567,380	31,500	129,504	29,120	948,724
Uniforms	10,490	-	2,500	174,638	3,120	190,748
Other	6,556	99,300	10,000	115,146	-	231,002
Subtotal	\$ 3,312,024	\$ 8,008,884	\$ 4,107,638	\$ 1,649,086	\$ 589,504	\$ 17,667,136

Santa Clara Stadium Authority Proportionate Share of Stadium Expenses ⁽¹⁾

	Stadium					
	Security (50%)	Operations (50%)	Engineering (50%)	Guest Services (50%)	Groundskeeping (30%)	Total
Total Compensation ⁽²⁾	\$ 482,914	\$ 2,142,979	\$ 1,317,411	\$ 495,572	\$ 88,586	\$ 4,527,462
Travel, Meals & Entertainment	1,093	206,538	6,000	36,613	3,018	253,262
Outside Services	1,020,713	1,034,086	698,208	7,450	16,211	2,776,668
General Supplies	39,202	60,000	-	70,056	58,968	228,226
Telephone	7,957	227,499	10,200	5,208	396	251,260
Equipment	95,610	283,690	15,750	64,752	8,736	468,538
Uniforms	5,245	-	1,250	87,319	936	94,750
Other	3,278	49,650	5,000	57,573	-	115,501
Subtotal	\$ 1,656,012	\$ 4,004,442	\$ 2,053,819	\$ 824,543	\$ 176,851	\$ 8,715,667
Insurance ⁽³⁾						2,956,149
Management Fee ⁽⁴⁾						231,855
Total						\$ 11,903,671

⁽¹⁾ The Santa Clara Stadium Authority proportionate share of stadium expenses is rounded to the nearest \$1,000 in the operating budget.

⁽²⁾ Total compensation is based on a total of 61 full time equivalent positions.

⁽³⁾ The stadium lease sets Stadium Authority's share of insurance expense at \$2,550,000 for the first lease year with each succeeding lease year's expense increasing 3%.

⁽⁴⁾ The stadium management agreement sets the base management fee at \$400,000 for the first lease year with each succeeding lease year's management fee increasing 3%. This base management fee is split 50/50 between Stadium Authority and StadCo.

STADIUM MANAGER SHARED EXPENSES GLOSSARY

Total Compensation: This cost includes full-time staff (61 employees), part-time staff, and benefits. Stadium Authority pays for 50% of these costs except for groundskeeping which is set at 30%.

- **Full-time wages** are costs for all management company full-time employees.
- **Part-time wages** are costs for all management company part time employees. Wages include annual training for all Guest Services Representatives.
- **Benefits** are costs of employees' health insurance, pension, vacation time, and all employer taxes.

Travel, Meals & Entertainment: These are costs for employee travel (airfare, ground, lodging, and meals) to stadium management conferences. In addition, this category includes costs for staff meals for general food and beverage, vendor engagement, and the year-end guest service employee appreciation banquet.

Outside Services: Costs for outside service providers which include the following:

- **Janitorial and Medical** costs related to the janitorial, cleaning, landscaping, and trash services of the interior and exterior of the stadium and medical services for the stadium during regular business hours.
- **Stadium Security** costs for staffing 24/7 security guards in and around the stadium and explosive detection canines.
- **Engineering & Maintenance** for mandatory safety and general maintenance costs associated with fire sprinklers, fire alarms, elevators, and backflows. Also includes outside sub-contracted calls for services for windows, signage and roof repair, HVAC & electrical, carpet, concrete or other misc. repair.

General Supplies: Supplies for stadium operations, janitorial, engineering, and Guest Services (For example: Janitorial supplies, general printing costs for stadium signage, deployment sheet, notes, handbooks etc.).

Telephone: These are costs for land lines and internet/data service for the stadium, (net of the costs for the Team's business offices), and cell service for stadium operations' and security personnel.

Equipment: Costs associated with stadium operations and security software, including incident tracking, mobile safety application, stadium staff scheduling/event calendar software, video surveillance licensing software, X-ray machine rental for deliveries, and monthly cost for off-site equipment storage.

STADIUM MANAGER SHARED EXPENSES GLOSSARY (CONT.)

Uniforms: Guest Services replacement and replenishment of uniforms.

Other Costs: Costs associated with Stadium Operations (For example: specialized training, command post, CPR first aid, background checks, recruiting, marketing/advertising, and employee retention program).

Tenant Improvements: Interior improvements within Tenant's exclusive facilities and any other improvements within the Stadium that are to be owned by, and constructed at the cost of, Tenant or any Tenant transferee as may be agreed by the Parties (Stadium Authority and StadCo).
(Source: Stadium Lease Agreement)

Stadium Manager

Santa Clara Stadium Authority Proportionate Share of Stadium Expenses - 5 Year Forecast

	2020/21	2021/22	2022/23	2023/24	2024/25
Total Compensation ⁽¹⁾	\$ 4,663,285	\$ 4,803,184	\$ 4,947,279	\$ 5,095,698	\$ 5,248,568
Travel, Hotel & Staff/Partner F&B	260,859	268,685	276,745	285,048	293,599
Outside Services	2,882,467	2,907,141	2,994,355	3,084,186	3,176,711
General Supplies	235,072	242,125	249,388	256,870	264,576
Telephone	258,798	266,562	274,559	282,795	291,279
Equipment	482,594	497,072	511,984	527,344	543,164
Uniforms	97,593	100,520	103,536	106,642	109,841
Other	118,966	122,535	126,211	129,997	133,897
Total	\$ 8,999,634	\$ 9,207,824	\$ 9,484,057	\$ 9,768,580	\$10,061,635
Insurance ⁽²⁾	3,044,833	3,136,178	3,230,264	3,327,172	3,426,987
Management Fee ⁽³⁾	238,810	245,975	253,354	260,955	268,783
Total	\$ 12,283,277	\$12,589,977	\$12,967,675	\$13,356,707	\$13,757,405

⁽¹⁾ Total compensation is based on a total of 61 full-time equivalent positions.

⁽²⁾ The stadium lease sets SCSA's share of insurance expense at \$2,550,000 for the first lease year with each succeeding lease year's expense increasing 3%.

⁽³⁾ The stadium management agreement sets the base management fee at \$400,000 for the first lease year with each succeeding lease year's management fee increasing 3%. This base management fee is split 50/50 between SCSA and StadCo.

Santa Clara Stadium Authority

Debt Service Budget Summary

	2017/18 Final Budget	2017/18 Year-end Actuals	2018/19 Final Budget	2018/19 Projected Actuals	2019/20 Proposed Budget
Resources					
Revenues					
Contribution from CFD	\$ 4,500,000	\$ 4,399,224	\$ 3,600,000	\$ 3,759,000	\$ 3,872,000
Revenues Subtotal	4,500,000	4,399,224	3,600,000	3,759,000	3,872,000
Transfers In from Operating	55,239,000	54,517,636	50,624,000	53,653,000	47,795,000
Contribution from Fund Balance	16,831,000	16,588,392	4,653,000	3,963,000	-
Total Resources	\$76,570,000	\$75,505,252	\$58,877,000	\$61,375,000	\$ 51,667,000
Expenses					
CFD Advance	\$ 3,860,000	\$ 3,722,535	\$ 3,600,000	\$ 3,732,000	\$ 3,844,000
Term A Loan	21,210,000	21,209,558	25,644,000	26,043,000	26,383,000
StadCo Subordinated Loan	51,500,000	50,573,159	29,633,000	31,600,000	21,440,000
Total Expenses	\$76,570,000	\$75,505,252	\$58,877,000	\$61,375,000	\$ 51,667,000
Debt Service Reserve	\$ 11,536,235	\$ 11,536,235	\$ 11,536,235	\$ 11,536,235	\$ 11,536,235

Total outstanding debt is projected to decrease by \$34.9 million from \$340.1 million to \$305.2 million. The proposed 2019/20 Debt Service Budget of \$51.6 million is based on the required and additional principal and interest debt service payments. Of this total, \$3.9 million represents anticipated contributions from the Community Facilities District (CFD).

Total Debt Service Reserves are projected to be \$11.5 million. A glossary has been provided, beginning on page 37, that describes the type of debt and the applicable source documents for each loan.

The schedule shown on the following page reflects the outstanding debt projection of \$340.1 million as of March 31, 2019 and the projected principal payments for 2019/20.

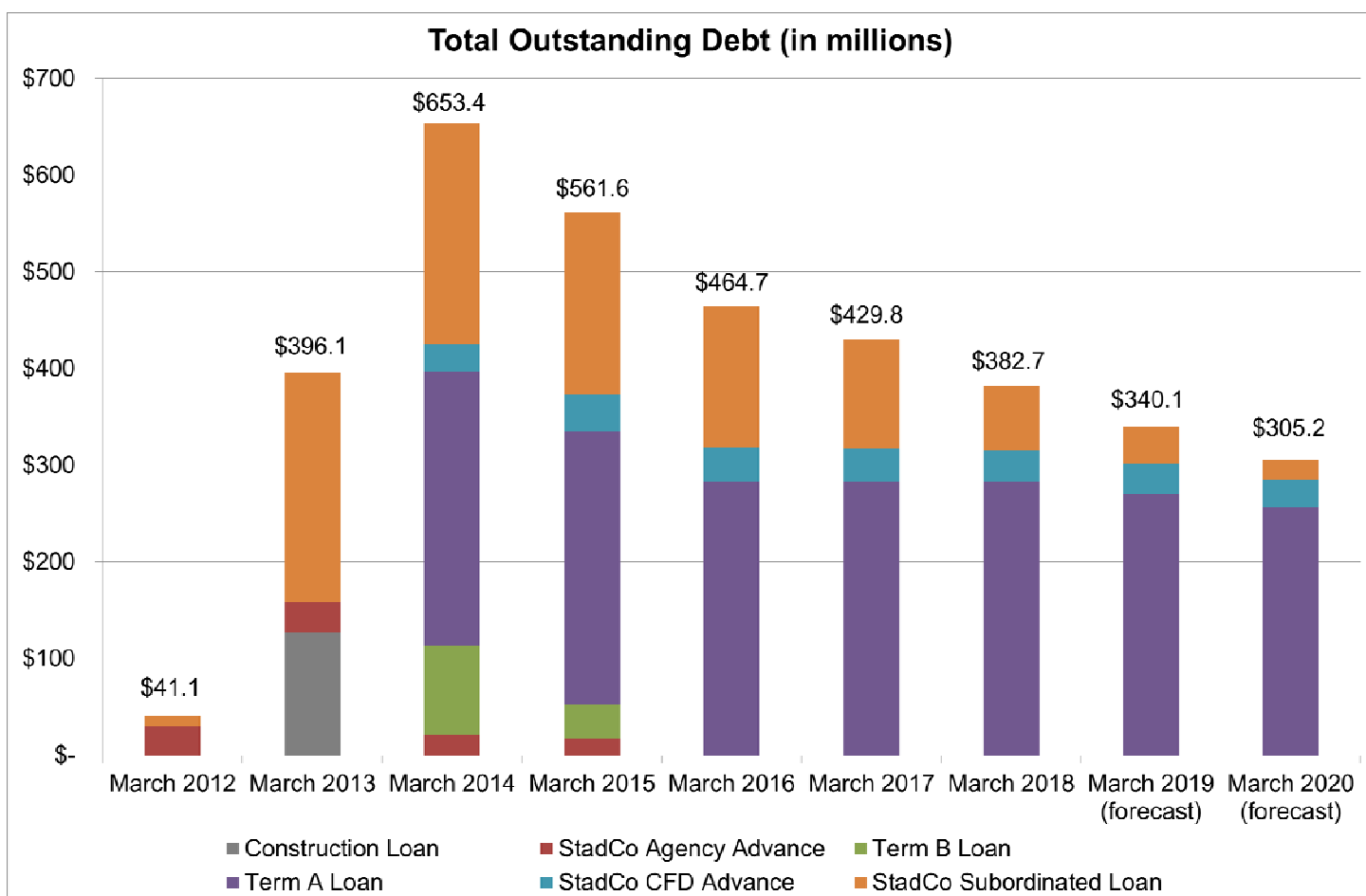
Santa Clara Stadium Authority

Debt Service Payment Schedule

Debt Obligations	Interest rates	2019/20 Interest	2019/20 Beginning Balance	2019/20 Principal Payments	2019/20 Additional Payments ⁽¹⁾	2019/20 Ending Balance
Stadium Funding Trust Term A Loan	5.00%	\$ 12,878,000	\$270,266,000	\$ 12,718,000	\$ 787,000	\$256,761,000
StadCo CFD Advance ⁽²⁾	5.73%	1,720,000	30,926,000	2,124,000	-	28,802,000
StadCo Subordinated Loan	5.50%	2,140,000	38,902,000	4,182,550	15,117,450	19,602,000
Total		\$ 16,738,000	\$340,094,000	\$ 19,024,550	\$ 15,904,450	\$305,165,000

⁽¹⁾ Additional payment is based on anticipated revenue that is in excess of all expenses and reserve requirements.

⁽²⁾ Community Facilities District (CFD) principal payment is an estimate based on anticipated contributions from the CFD



STADIUM AUTHORITY DEBT SERVICE BUDGET GLOSSARY

Contribution from the Community Facilities District (CFD): The CFD was established for the purpose of financing and constructing publicly owned facilities. To support that, the CFD levies and collects a special hotel tax of 2% on hotel rooms within the CFD. During the construction of Levi's® Stadium, Stadium Authority spent \$35 million on CFD infrastructure. All collections from the special CFD hotel taxes are contributed to Stadium Authority to pay down the CFD Advance which was used to fund the construction of the CFD publicly owned facilities. (Source: The Reimbursement Agreement Relating to the CFD)

CFD Advance: StadCo agreed to loan Stadium Authority a not to exceed amount of \$35 million for CFD infrastructure and with a maximum principal amount of \$38 million including capitalized interest. This loan bears interest at a fixed rate of 5.73% and the loan is payable solely from amounts actually received by Stadium Authority from the CFD. (Source: The Authority Promissory Note in Respect of StadCo CFD Advance)

Term A Loan: The Stadium Funding Trust (FinCo) agreed to loan Stadium Authority \$282.8 million to fund construction of Levi's® Stadium. This loan bears interest at a fixed rate of 5% payable semi-annually, with annual principal payments due beginning in April 2018. It has a maturity date in 2039 and is subject to certain prepayment premiums. The principal payment schedule is noted below. (Source: The Restated Credit Agreement)

Term A Loan Amortization						
Date	Annual Principal Payment		Date	Annual Principal Payment	Date	Annual Principal Payment
April 1, 2018	\$ 12,110,000		April 1, 2026	\$ 8,404,934	April 1, 2033	\$ 13,306,164
April 1, 2019	\$ 12,718,000		April 1, 2027	\$ 9,001,865	April 1, 2034	\$ 14,160,901
April 1, 2020	\$ 13,354,000		April 1, 2028	\$ 9,630,410	April 1, 2035	\$ 15,060,270
April 1, 2021	\$ 14,022,000		April 1, 2029	\$ 10,292,166	April 1, 2036	\$ 16,006,521
April 1, 2022	\$ 14,723,000		April 1, 2030	\$ 10,988,812	April 1, 2037	\$ 17,002,017
April 1, 2023	\$ 15,459,000		April 1, 2031	\$ 11,722,111	April 1, 2038	\$ 18,049,239
April 1, 2024	\$ 7,299,896		April 1, 2032	\$ 12,493,914	April 1, 2039	\$ 19,150,794
April 1, 2025	\$ 7,838,094					

StadCo Subordinated Loan: StadCo agreed to loan Stadium Authority an amount not to exceed \$500 million to fund construction of Levi's® Stadium. The actual amount loaned to the Stadium Authority was \$236.9 million. This loan bears a fixed interest rate of 5.5% with annual principal payments due beginning in March 2016 and it may be prepaid at any time without any penalties. (Source: The Restated StadCo Obligations Agreement)

STADIUM AUTHORITY CAPITAL EXPENSE BUDGET

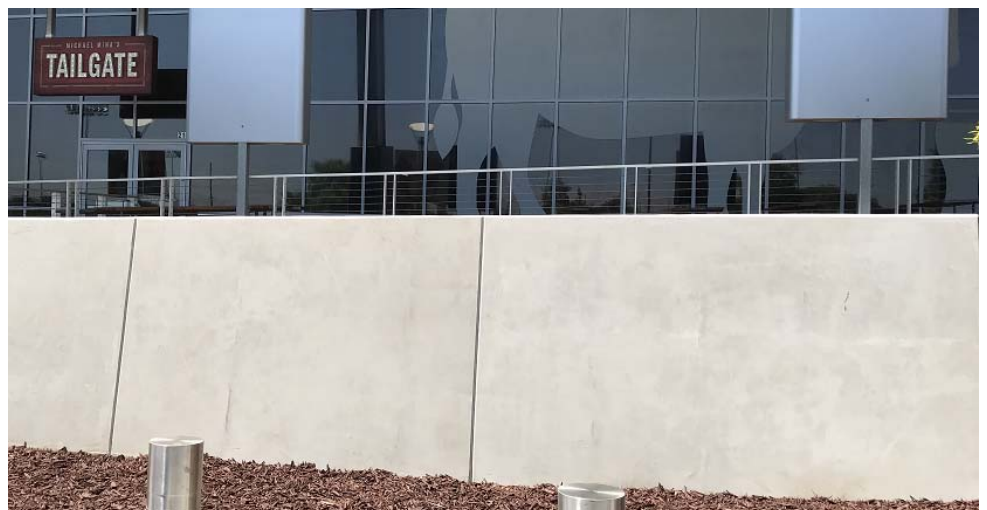
The Capital Expense (CapEx) Budget is used to fund the purchase or upgrade of fixed assets for the Stadium. While the funding for appropriations occur on an annual basis, the Capital Expense Plan extends for a five year period (shown on page 44 of this report). Changes to existing projects, as well as the addition of new projects, may occur during the five year planning period as new needs are identified. The appropriations for capital projects do not lapse at year-end but carryover into future years until the project is complete.

The FY 2019/20 CapEx Budget totals \$14.2 million. Of this total, \$6.3 million of prior year appropriations are projected to be carried over from FY 2018/19 (\$1.5 million of the projected carryover amount is for warranty related construction, and the other \$4.8 million is for prior year CapEx projects). New capital improvement appropriations equal \$7.9 million.

A detailed listing of proposed FY 2019/20 projects is provided on page 40 of this report.



Before and After Concrete Masonry Wall (CMU) Built to Protect the Main Stadium Natural Gas Pipeline



Santa Clara Stadium Authority

Capital Expense Budget Summary

	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2019/20
	Final Budget	Year-end Actuals	Final Budget	Projected Actuals	Projected Carryover	Proposed Budget	Total Proposed Budget
Beginning Balances	\$ 8,528,701	\$ 8,887,218	\$ 12,358,833	\$ 12,718,700	\$ 14,532,870		\$ 14,532,870
Resources							
Transfers In from Operating	3,278,000	3,278,181	3,377,000	3,376,527	-	3,478,000	3,478,000
Transfers In from Stadium Development ⁽¹⁾	1,851,000	1,851,000	-	-	-	-	-
Total Resources	13,657,701	14,016,399	15,735,833	16,095,227	14,532,870	3,478,000	18,010,870
	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2019/20
	Final Budget	Year-end Actuals	Final Budget	Projected Actuals	Projected Carryover ⁽²⁾	Proposed Budget	Total Proposed Budget
Expenses							
Construction	1,766,517	1,036,285	4,875,415	1,373,406	2,981,208	1,975,714	4,956,922
Equipment	1,022,000	11,385	1,210,000	112,932	1,515,688	5,555,300	7,070,988
Contingency	122,000	-	296,546	3,250	280,846	376,551	657,397
Stadium Warranty Related Construction	1,851,000	250,029	1,600,971	72,769	1,528,202	-	1,528,202
Total Expenses	4,761,517	1,297,699	7,982,932	1,562,357	6,305,944	7,907,565	14,213,509
Capital Expense Reserve	\$ 8,896,184	\$ 12,718,700	\$ 7,752,901	\$ 14,532,870	\$ 8,226,926		\$ 3,797,361

⁽¹⁾ Carryover from the original Stadium Construction Budget for Warranty related work

⁽²⁾ Projected Carryover includes \$115,000 in CapEx savings that are being returned to Fund Balance and a reallocation between the Construction and Equipment lines.



Two Flag Poles Added to Original Three



Fire Sprinkler System Upgrades

Santa Clara Stadium Authority

2019/20 CapEx Budget

Item Type	Description	Cost	Contingency (5%)	Total Cost
Electrical	Mechanical and Electrical Closet Lighting Install LED lighting in all mechanical and electrical closets located in the service tunnel, 300 Level, and 700 level. These lights not only improve visibility, but also provide longer and more efficient power usage.	\$ 150,000	\$ 7,500	\$ 157,500
Electrical	Escalator Covered Canopy Lighting Purchase proprietary Traxon canopy lights, modules, drivers, LED strips, connectors, etc. to cover Gate A and Gate C escalators. This specialized lighting system can be used for all stadium events, and branded according to the event.	100,000	5,000	105,000
Electrical	Broadcast Booth Power Installation of power components used for stadium events. These components will adhere to LEED certification, provide a clean source of power for our clients, and improve operating efficiencies.	35,000	1,750	36,750
Electrical	Concessions Cart Cabling Install code rated low voltage cabling (CAT6) to portable concession carts. This will provide Internet Protocol (IP) based access to the IPTV menu boards and Point of Sale (POS) systems for credit card transactions, as well as deliver an emergency signage to be displayed at the concession stands if needed.	50,000	2,500	52,500
General Building	Stadium Event Signage Install stadium signage (including but not limited to tunnel awnings, accessible seating reference areas, lower bowl sections placards, and additional fire and building code signage per fire marshal).	138,000	6,900	144,900
General Building	Miscellaneous Funds for unforeseen building related repairs.	100,000	5,000	105,000
General Building	Command Post Window Treatment Install window shades and/or tint the exterior windows on the 800 level command post to reduce heat and glare. This will assist dispatchers and command post operators working in this space.	16,000	800	16,800
General Building	Stadium and Special Event Spaces Entry mats to help alleviate wet floor scenarios and provide safety to stadium patrons. This will extend the finish of the existing flooring and help prevent slip and falls during inclement weather.	75,000	3,750	78,750
General Building	Non-Slip Floor Matting Install non-slip matting from the North Side Locker Rooms to tunnels primarily for event usage (that include access to the field for athletes, performers and customers).	50,000	2,500	52,500
General Building	Women's Locker Room Convert a portion of the auxiliary locker room area to accommodate a larger private space for female athletes, performers, officials, and other female event day sporting and entertainment professionals visiting or working events at Levi's Stadium.	372,000	18,600	390,600
General Building	Automated Logic Control Building Engineering System Install an automatic logic controller system upgrade to monitor the building's HVAC in all quadrants simultaneously. This updated system will enable graphic interface and help the system to operate more efficiently with time clock management and assisting in potential lighting control energy savings.	35,000	1,750	36,750
General Building	Club Space Flooring Strip, resurface, and/or replace hardwood flooring surfaces in the BNY East & West and Levi's 501 spaces. These spaces are among the most utilized spaces in the building and get a large amount of foot traffic. This work will help extend the useful life of these spaces as well as reducing slips and falls from worn floors.	85,000	4,250	89,250
General Building	Command Post Communication Equipment Purchase and install public safety screens, monitors, and projection devices used in monitoring stadium and security operations to help improve situational awareness and response.	58,000	2,900	60,900
Security	Stadium Camera Booth Card Readers Install card reader for North and South camera booths to secure the spaces that enter into/from general public access areas.	84,000	4,200	88,200

Santa Clara Stadium Authority

2019/20 CapEx Budget (cont.)

Item Type	Description	Cost	Contingency (5%)	Total Cost
Security	Enhance Stadium Security Perimeter Install additional Cameras, Radio Frequency Identification (RFID) tags, readers, and rolling gate remotes. Install new actuators in Security/Fire command center in the 100 level for remote access and 24/7 security operations.	250,000	12,500	262,500
Site	Stadium Insulation Install new insulation above the 300 level (under the 400/500 level). Original insulation is failing due to weather conditions. This also helps reduce sound reverberation throughout the concourse and protects the concrete from the elements.	150,000	7,500	157,500
Site	Security Fencing Install additional fencing under Gate C escalator to create a separation from "front and back of house" operations.	45,000	2,250	47,250
Site	Gold Lot 4 and 5 Lighting Install LED lighting in Gold 4 and Gold 5 parking lots. The current light plan is underpowered and is not sufficient given the work environment during stadium event load in/out. This lighting improves safety conditions for stadium personnel and provides energy cost savings with more efficient fixtures.	50,000	2,500	52,500
Site	Rust Prevention Mitigation The stadium railings, beams, and other steel areas need rust prevention and coating in specific areas throughout the stadium.	90,000	4,500	94,500
Site	Stadium Event Power Upgrades Install and enhance Stadium Event wiring service on the 12 Kilovolt (KV) Primary Switch Gear (PMSG) to main electrical panel.	42,714	2,136	44,850
Subtotal CapEx Construction Costs		\$ 1,975,714	\$ 98,786	\$ 2,074,500
Audio/Visual	Radio Booth Cabling Install fiber optic cabling to increase the low voltage cabling backbone. This installation will accommodate the expanding requests we get for booth usage during stadium events, and keep up with emerging trends.	\$ 600,000	\$ 30,000	\$ 630,000
Audio/Visual	Crestron Control & Building Operating System Upgrades Installation of a Creston Control system to monitor HVAC, Lighting, Electrical, and Fire Alarm. This comprehensive system enables all of these items to interface with one another for engineers to see a real time view of the building's systems.	10,000	500	10,500
Furniture, Fixtures & Equipment	Replace Furniture in Club and Special Event Spaces Purchase replacement furniture for clubs (BNY, United, Levi's 501 and Yahoo) and special event spaces to enhance areas and meet client expectations. These spaces are amongst the most utilized in the entire stadium.	1,600,000	80,000	1,680,000
Furniture, Fixtures & Equipment	Security and Life Safety Partitions/Dividers Install service tunnel drapery and/or partitions for security and public safety personnel during stadium events that require public access to the service level. This helps coordinate public movements in "back of house areas" without affecting stadium operations.	68,000	3,400	71,400
Furniture, Fixtures & Equipment	Tunnel Slip and Fall Protection Install Non-Slip material at the South, Northeast, and Northwest Field Tunnels.	30,000	1,500	31,500
Food & Beverage	Concession Signage Install new fascia signage at all fixed and portable concession stands throughout the stadium on all levels (60+ Concessions stands). Remove the existing "channel cut letters" that are obsolete and install new flexible signage to accommodate menu changes, allowing for increased sales and service opportunities.	2,500,000	125,000	2,625,000

Santa Clara Stadium Authority

2019/20 CapEx Budget (cont.)

Item Type	Description	Cost	Contingency (5%)	Total Cost
HVAC/Mechanical	Kitchen Exhaust Fans Install variable frequency drive (VFD) Units on kitchen exhaust fans for soft start (slow ramp up) capabilities. Kitchen exhaust fans currently operate 100 percent of the time. Installing VFD units will modulate the power and save energy whenever the fan is in use. Soft start extends the life of the equipment and saves energy.	300,000	15,000	315,000
Life Safety/Fire	Fire Sprinkler Extension The Santa Clara Fire Marshal has requested that fire sprinklers be installed at the Gate F entrance to mitigate potential fire risk beneath the existing ribbon boards.	55,000	2,750	57,750
Life Safety/Fire	Carbon Dioxide (CO₂) Alarms Install CO ₂ Alarms for walk-in coolers that are integrated into the automatic logic controller system so that building engineering can monitor CO ₂ levels (per the fire marshal); this improves the safety and security of employees entering these	45,000	2,250	47,250
Public Safety Equipment	Diesel Particulate Filter for SCSA Fire Truck Filter for the Stadium Authority fire truck to remove diesel exhaust particulate reducing exposure to firefighters.	11,500	575	12,075
Public Safety Equipment	Mobile Radio for SCSA Fire Truck Dedicated mobile radio for the Stadium Authority fire truck so that crews do not have to use portable radios that are subject to battery failure.	7,500	375	7,875
Public Safety Equipment	Chemical Warfare Detector identifying and mitigating any possible hazardous material threats at stadium events.	14,300	715	15,015
Public Safety Equipment	GPS Software for Tracking Personnel Live tracking of law enforcement personnel is critical to providing a safe environment at the Stadium. This technology and software will allow the Command Post to know where our personnel are at all times and make necessary assignment adjustments on the go. It is desired that the software also be capable of retaining data for historical analysis.	25,000	1,250	26,250
Public Safety Equipment	Body Worn Cameras (BWCs) BWCs are now standard issue in law enforcement and an expectation from the public, especially in contacts that can turn negative. Issuing BWCs to all police staff for use during Stadium events would better protect all interests and provide the transparency that the public has come to expect.	150,000	7,500	157,500
Public Safety Equipment	Staff Scheduling Software The Stadium requires Special Event Officers (SEOs) to operate safely. Notifying and communicating with our SEOs is critical in properly planning our staffing needs. We currently use an out of date version of "Game Day Staffing."	40,000	2,000	42,000
Public Safety Equipment	Upfit Kawasaki Mules City of Santa Clara Corp Yard "up-fits" the standard Kawasaki mules by adding decals, The rifle racks, emergency response lights and siren, and a public-address system. The purchase of three new mules was done from the FY 18/19 CapEx budget.	9,000	450	9,450
Public Safety Equipment	Fencing on Tasman Fencing to prevent stadium event pedestrian traffic from crossing unsafely between Lafayette St. and the Tasman St. overcrossing.	70,000	3,500	73,500
Vertical Transport	Elevator Door Replacement Replace and install new elevator doors on one of the freight elevators in the stadium.	20,000	1,000	21,000
Subtotal CapEx Equipment Costs		\$ 5,555,300	\$ 277,765	\$ 5,833,065
Total New CapEx Project Costs		\$ 7,531,014	\$ 376,551	\$ 7,907,565

Santa Clara Stadium Authority

2019/20 CapEx Budget Carryover

Item Type	Description	Cost	Remaining Contingency	Total Cost
Food & Beverage	Concession Area (2018/19 Carryover) Maintenance repair & programming of the beverage distribution system, concession stand equipment, repair walk-in coolers and main kitchen equipment.	\$ 469,161	\$ 24,250	\$ 493,411
General Building	Fire Sprinkler System (2018/19 Carryover) Fire Marshal request to have a sprinkler system installed for to accommodate combustible storage in open area under the escalator at gates A, C, and D, loading dock and highbay storage for fire life safety.	18,437	8,725	27,162
General Building	Loading Dock Security and Safety (2018/19 Carryover) Install security and safety equipment in the loading dock area to safely move workers and attendees around heavy equipment workflow.	147,910	7,396	155,306
General Building	Miscellaneous (2018/19 Carryover) Flooring, carpeting, millwork, tiles, masonry, granite counters, Stainless steel panels and counters, cladding, wall acoustic panels etc.	17,417	5,000	22,417
General Building	Premium Areas/Special Event Assets (2018/19 Carryover) Lyntal coating throughout the concourse. Floor restoration/terrazzo. Hardwood floor restoration in clubs. Coat service tunnel with epoxy coating and fill any cracks to protect against slips, trips and falls.	1,026,482	69,250	1,095,732
General Building	Stadium Field Conduits (2018/19 Carryover) Adding permanent solution for power and data on field/floor of stadium making electrical connections safer and efficient for concert and events.	111,607	12,500	124,107
Plumbing	Hot water Additions for Sump Pump (2018/19 Carryover) Install four hot water sump pump wash down stations to hose down the sump wells in the sewage system and four heat pumps at electrical rooms in quads A, B, C, and D.	235,120	17,500	252,620
Security	Access Control System (2018/19 Carryover) Install card readers on doors currently keyed for controlled security, install gate actuators at Gate A and Gate C. Update access control throughout to provide tighter and more efficient security measures.	111,190	9,850	121,040
Security	Security Cameras (2018/19 Carryover) Repair and update security cameras in the stadium to consistently view access areas & security perimeter.	53,884	2,950	56,834
Site	Asphalt (2018/19 Carryover) Slurry coat - visitor parking on Tasman, Gold 4 & 5 parking lots and South Access Road.	190,000	9,500	199,500
Site	Community Room Buildout (2018/19 Carryover) Consideration to build out an unfinished storage space in the stadium to potentially accommodate a new Community Space per Executive Director's request. This is Tenant's Exclusive Space - use of space by SCSA is subject to Tenant's approval which has not been given.	600,000	30,000	630,000
Subtotal CapEx Construction Carryover Costs		\$ 2,981,208	\$ 196,921	\$ 3,178,129
Furniture, Fixtures & Equipment	Guest Service Booths (2018/19 Carryover) Two additional guest services booths on the main concourse for better enhanced customer service touchpoints.	\$ 70,000	\$ 3,500	\$ 73,500
Furniture, Fixtures & Equipment	Water Stations (2018/19 Carryover) Install Elkay- type water stations on-site for public consumption. These are essentially water refill stations for guests and staff at the facility.	12,068	3,000	15,068
Public Safety Equipment	Street Signage (2017/18 Carryover) This item was brought before the SCSA Board and approved in the 2017/18 budget. Working with the Dept. of Public Works, the Executive Director's office and the Chief of Police's office to identify appropriate locations on surrounding city streets (Great America Parkway, Tasman Drive, etc.) to place signage to better protect, inform and serve patrons visiting Levi's® Stadium, non-event day traffic, community event advisories and emergency public safety and traffic advisories.	1,000,000	50,000	1,050,000

Santa Clara Stadium Authority

2019/20 CapEx Budget Carryover (cont.)

Item Type	Description	Cost	Remaining Contingency	Total Cost
Public Safety Equipment	Portable License Plate Reader/PTZ Cameras (2018/19 Carryover) Placing temporary/moveable license plate readers in remote stadium parking lots will provide better information and intelligence to the Command Post in order to deter crime and assist in apprehending crime suspects in the aftermath of an	160,000	8,000	168,000
Public Safety Equipment	Kawasaki Pro-FXT LE Black Mule (2018/19 Carryover) The Kawasaki Mule's are an essential part of the public safety plan at Levi's® Stadium events. Adding three new mules will allow staff to meet the public safety deployment needs.	17,586	1,875	19,461
Public Safety Equipment	Motor Vehicle Barriers (2018/19 Carryover) Having motor vehicle barriers would reduce the need to use vehicles and personnel to provide physical barriers during events.	100,000	5,000	105,000
Public Safety Equipment	EMS Equip - Auto Pulse Automated Compressors (2018/19 Carryover) Two auto pulse automated compressors would provide automatic compressions in the event of cardiac arrests while a patient is being transported from the stands.	32,000	1,600	33,600
Public Safety Equipment	EMS Equip - ALS Lifepack Monitor (2018/19 Carryover) This monitor would allow fire crews to better diagnose and treat cardiac patients by running various tests.	30,000	1,500	31,500
Public Safety Equipment	Public Safety Command Post Dispatch System (2018/19 Carryover) This system will interface between the system that is used at Levi's® Stadium to track all incidents/requests that occur during an event and the City's Hexagon CAD system. This will provide a seamless transition of data including calls for service, personnel assignments, and event tracking.	94,034	9,450	103,484
Subtotal CapEx Equipment Carryover Costs		\$ 1,515,688	\$ 83,925	\$ 1,599,613
Total CapEx Carryover Costs		\$ 4,496,896	\$ 280,846	\$ 4,777,742

Santa Clara Stadium Authority

Capital Expense Plan Summary - 5 Year Forecast

	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
Electrical	\$ 335,000	\$ -	\$ -	\$ 750,000	\$ 1,250,000
General Building	929,000	300,000	1,152,000	600,000	1,050,000
Plumbing	-	325,000	100,000	-	-
Security	334,000	325,000	150,000	-	-
Site	377,714	575,000	300,000	-	-
Subtotal CapEx Construction Costs	\$1,975,714	\$1,525,000	\$ 1,702,000	\$ 1,350,000	\$ 2,300,000
Audio/Visual	\$ 610,000	\$ 600,000	\$ -	\$ -	\$ -
FF&E	1,698,000	-	30,000	-	30,000
Food & Beverage	2,500,000	200,000	-	-	-
HVAC/Mechanical	300,000	325,000	100,000	-	-
Life Safety/Fire	100,000	100,000	-	-	-
Public Safety Equipment	327,300	110,000	120,000	-	-
Vertical Transport	20,000	-	-	-	-
Subtotal CapEx Equipment Costs	\$5,555,300	\$1,335,000	\$ 250,000	\$ -	\$ 30,000
Contingency (5%)	376,551	143,000	97,600	67,500	116,500
Total CapEx Project Costs	\$7,907,565	\$3,003,000	\$ 2,049,600	\$ 1,417,500	\$ 2,446,500

Stadium Authority FY 2019/20 Work Plan

Work Effort	Work Plan	Planned Outcome
ADA Compliance	<ul style="list-style-type: none"> Complete ADA compliance with improvements to Main Lot 	Compliance regarding accessible parking spaces and Stadium Main Lot Use or other satisfactory solutions that prioritize ADA compliance
Community Room	<ul style="list-style-type: none"> Return to Board to seek input on proposed next steps, including evaluation of the other locations discussed earlier in 2018. 	Resolution of Community Room location, policy/guidelines for use
Fiscal Transparency and Accountability	<ul style="list-style-type: none"> Continue/complete fiscal review of past years and provide analysis to Board, as available Review and implement audit functions and support SCSA Auditor on establishing a work plan Implement remaining Harvey M. Rose audit recommendations (currently 70% complete) Review process for ensuring StadCo is compliant with SBL requirements (e.g. season tickets on sale for “temporary” field seats) 	Audit Program for real-time accounting of Non-NFL Events at Levi’s® Stadium and validation of financial information provided for past years.
Marketing Plan for Non-NFL Events	<ul style="list-style-type: none"> Receive Board input and direction toward coming to mutual agreement on the 2019 Marketing Plan Continue working with ManCo, via correction action, if necessary, to revise their draft 2019 Marketing Plan (including KPIs), consistent with their 2018 commitment 	Marketing Plan that includes reasonable details to monitor and track activity to book non-NFL events successfully and in accordance with the goals as described in various agreements and documents
Public Safety Service Model	<ul style="list-style-type: none"> Implement public safety experts’ recommendations and pilot new practices (multi-department actions) 	Provide a safe and family-friendly environment for NFL and Non-NFL events at Levi’s® Stadium, while addressing the impacts to neighborhoods as surfaced in the community research effort
Emergency Operations	<ul style="list-style-type: none"> Review model to determine where appropriate to make updates and/or implement best practices 	Clarify and document roles and responsibilities
Lafayette Overpass at Tasman	<ul style="list-style-type: none"> Evaluate rideshare options (locations, signage, enforcement) Capital project to install fencing on Tasman 	Reduce traffic, neighborhood protection issues on Lafayette

Work Effort	Work Plan	Planned Outcome
<i>Public Safety Service Model Continued</i> Neighborhood Protection	<ul style="list-style-type: none"> Evaluate current deployment, implement changes Present parking permit program to Board for consideration Develop consolidated parking plan for NFL and Non-NFL Events that encompasses all City permitted offsite parking lots Evaluate and improve communication strategies 	<p>Reduce impact of NFL and Non-NFL events at Levi's® Stadium on surrounding neighborhoods with ongoing and predicable protections</p>
San Thomas Aquino Creek Trail	<ul style="list-style-type: none"> By review of other venues with shallow security perimeters and consultation with Homeland Security, evaluate options for keeping trail open during events and/or providing alternate routes if trail is closed 	<p>Creek trail access and/or safe and/or accessible alternate route</p>
SCSA Board Policy Manual	<ul style="list-style-type: none"> Continue to create manual, beginning with Governance and Budget policies Identify areas where policies are appropriate and propose drafts for the Board's approval. Already identified: financial reporting; flags flown at Levi's® Stadium; non-NFL event planning 	<p>Develop additional policies and present to Board for inclusion in manual</p>
SCSA Auditor Annual Audit Work Plan	<ul style="list-style-type: none"> Analyzing the Stadium Authority's review procedures for Non-NFL Events' revenues and provide feedback on procedure and control issues, if any. Reviewing the Stadium Authority Financial Reporting Policy with staff and external auditors and providing feedback on best practices. Reviewing past Construction Fund and Public Safety transactions and providing feedbacks on the allocation of staff charges (contracted service). Annual External Financial Audit for the Stadium Authority (contracted audit service) 	<p>Promote honest, efficient, effective and fully accountable city government through accurate, independent and objective audits.</p>

Administrative Work Efforts

There are several administrative work efforts that directly impact the ability of Stadium Authority staff to complete the above work plan. These are provided as reference:

- Code enforcement: monitor and enforce City Code and various permit conditions for (including but not limited to):
 - Development permit
 - Building permits
 - Offsite parking permits
- CFP National Championship: Post Event financial reconciliation and full event audit
- Community engagement:
 - continue to evaluate and implement various recommendations from statistically valid data collected in 2018
 - continue to improve City's communication efforts through social media and MySantaClara
- Fiscal accountability: continue implementing and monitoring processes, collecting data and conducting audits to improve transparency and accountability
- Harvey M. Rose Compliance Audit: Complete implementation of final third of recommendations (25 or 37 are complete)
- Noise Monitoring: continue monitoring and code enforcement efforts
- Public Safety Costs Threshold: continue to bill 49ers for all actual costs; continue good faith efforts
- Stadium Management Agreement Compliance: monitor and take action to ensure compliance, particularly First Amendment section 3.3
 - Advance communications of potential events
 - Written report for Non-NFL Events



Agenda Report

19-084

Agenda Date: 3/19/2019

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Study Session: Discussion of the Draft 2019 Non-NFL Events Marketing Plan for Levi's® Stadium in accordance with Section 4.10 of the Stadium Management Agreement

BACKGROUND

Per Section 7.2 of the Amended and Restated Stadium Lease (Lease) by and between the Santa Clara Stadium Authority (Stadium Authority) and Forty Niners SC Stadium Company (StadCo), the Stadium Manager shall be responsible for preparing the Stadium Operation and Maintenance Plan (SOMP), including the Annual Shared Stadium Expense Budget, Annual Public Safety Budget and the Capital Expenditure Plan, which shall be presented annually to the Stadium Authority and StadCo for their consideration and approval. These components of the SOMP are presented to the Stadium Authority Board (Board) as part of the annual Stadium Authority Proposed Operating, Debt Service, and Capital Budget. Prior to March 30 of each year, the Board reviews and provides feedback during a Study Session, and then considers adoption during a Public Hearing. On March 27, 2019, the Board will consider approval of the Fiscal Year 2019/20 Stadium Authority Proposed Operating, Debt Service, and Capital Budget.

Additionally, the Stadium Management Agreement (Management Agreement) between the Stadium Authority and Forty Niners Stadium Management Company, LCC (ManagementCo), requires ManagementCo to develop a Marketing Plan for Non-NFL events for inclusion in the SOMP:

4.10 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.

In prior years, the Marketing Plan was reviewed in the form of a slide deck presentation at the time the Stadium Authority budget was considered for approval, which provided the Board and ManagementCo little opportunity to discuss and deliberate strategically on its components. When Harvey M. Rose Associates, LLC (Auditor) performed an audit of Stadium operations to ensure compliance with the 2010 voter approved Measure J, they found (Finding 1.L):

The Management Agreement's requirement that "reasonably detailed" annual marketing plans, produced by ManagementCo and setting forth their plans to develop, implement, and monitor marketing, booking, advertising, and promotion of non-NFL events for the Stadium, was not met as such plans were not provided to the Stadium Authority for FYs 2014-15 and 2015-16.

The Board agreed with this audit finding and expressed concern for the absence of strategic detail and the need for an improved Marketing Plan. Beginning with the current fiscal year, FY 2018/19 (April 1, 2018 -March 30, 2019), Stadium Authority staff proposed that the Board and ManagementCo review the draft Marketing Plan in a Study Session prior to approving the SOMP at a subsequent Board Meeting.

Stadium Authority staff and ManagementCo mutually agreed and collaboratively presented the draft 2018 Non-NFL Events Marketing & Business Plan (2018 Marketing Plan) to the Board during a Study Session on March 13, 2018. The report to the Board noted the improvements in the draft 2018 Marketing Plan from previous years, and provided data to show how the improved draft Marketing Plan is responsive to the Auditor's recommendation (1.L):

The Stadium Authority Board should direct the Executive Director to notify ManagementCo that previous annual marketing plans were inadequate as they did not set forth reasonably detailed plans to develop, implement, and monitor marketing, booking, advertising, and promotion of non-NFL activities. The Board should further direct the Executive Director to notify ManagementCo that future marketing plans must include such details and be reviewed for sufficient detail by the Executive Director before being presented to the Board.

Various discussions were held between both parties from December 2017 through March 2018 on the above audit recommendation and approaches to mutually approve the Marketing Plan. As a result of those discussions, ManagementCo agreed to draft, and Stadium Authority staff agreed to support the effort to establish, key performance indicators (KPIs) during the first quarter of FY 2018/19 to evaluate the effectiveness of the Marketing Plan, as well as inform the decision making process for the next Marketing Plan. Noting that that the strategic initiatives proposed provide a solid foundation to improve the use of data analytics/metrics for desired performance outcomes, the March 13, 2018 presentation of the draft 2018 Marketing Plan included the intent to provide an informational report updating the Board of the proposed metrics status/completion in the second quarter of FY 2018/19 (July - September 2018). That effort was not completed within the targeted timeline suggested to the Board and both parties spent time working toward the completion of these key performance indicators through December 2018.

During the [Santa Clara Stadium Authority Annual Report to the Board <http://santaclaraca.gov/home/showdocument?id=62194>](http://santaclaraca.gov/home/showdocument?id=62194) on November 27, 2018, the Executive Director reported that efforts to work with ManagementCo to develop meaningful, useful and sustainable KPIs had not been completed, as agreed to during the March 13, 2018 Study Session for advanced review of both the marketing plan and proposed budget approval process. The Annual Report included documentation of Stadium Authority staff efforts throughout the year to advance this work, including providing everything from reporting categories to a reporting template to ManagementCo.

DISCUSSION

ManagementCo provided the draft 2019 Non-NFL Events Marketing Plan (2019 Marketing Plan) on January 29, 2019 (Attachment 1). As Stadium Authority staff began review of the draft 2019 Marketing Plan, it became clear that it does not incorporate the many discussions Stadium Authority staff and ManagementCo had over the past year on this topic, and does not incorporate Board direction from last March 2018 to include KPIs. In fact, none of the KPI templates that were prepared

for inclusion are proposed for the 2019 Marketing Plan.

On February 7, 2019, Stadium Authority staff provided this feedback to ManagementCo and asked if they would revise and resubmit their draft 2019 Marketing Plan. On February 8, 2019 ManagementCo replied, "We believe the draft Marketing Plan is in full compliance with the requirements of the Management Agreement".

On February 15, 2019 the Executive Director provided a detailed response to ManagementCo to reasonably demonstrate that the draft 2019 Marketing Plan was missing basic and/or standard information that would be important to include in any marketing plan, as well as missing information that ManagementCo had agreed to complete for the past year. Therefore, staff cannot recommend that the Board approve the 2019 Marketing Plan in its current state; rather, the Board should direct the Stadium Authority staff to work with ManagementCo to complete its commitments from last year and reach mutual agreement on the items raised this year for inclusion in the 2019 Marketing Plan. Stadium Authority staff sent an additional inquiry to ManagementCo on March 12 to understand their position and communicate it to the Board, since this matter has not been resolved timely. On March 13, ManagementCo responded as detailed at the end of the Discussion section of this report.

Stadium Authority staff's issues with the draft Marketing Plan are as follows:

Data and Key Performance Indicators

As it is standard for any strategic marketing plan, and mutually agreed to last year, ManagementCo was to include in each section metrics and supporting data to measure past performance and inform goals for 2019. Following the March 13, 2018 Study Session, Stadium Authority staff had numerous meetings and communications with ManagementCo regarding the development of KPIs, documented in the Executive Director's October 4, 2018 letter to ManagementCo (see [Santa Clara Stadium Authority Annual Report to the Board <http://santaclaraca.gov/home/showdocument?id=62194>](http://santaclaraca.gov/home/showdocument?id=62194), page 5 and Attachment 5). As recently as December 14, 2018, when Stadium Authority staff and ManagementCo met to discuss KPIs, ManagementCo stated that KPIs would be included in the draft Plan. ManagementCo again repeated and confirmed inclusion of KPIs during the January 17, 2019 Quarterly Status Meeting, attended by staff from both the Stadium Authority and ManagementCo.

While the draft Plan includes some data, the data does not show the outcome of strategic efforts, how success is measured, or how it informs the draft 2019 Marketing Plan activities. The KPI work that was completed is a good start for producing qualitative and quantitative data regarding the marketing and booking activity and the success of it. As an example, there are several sections with no data provided to quantify past or planned efforts:

Example: page 4, Increased attendance at industry events & participation in strategic partnerships. The paragraph includes language such as "amplify our brand", "invest in strategic partnerships that will provide us with additional exposure to local businesses, associations and planners", "continue to evaluate these partnerships and the ROI based on leads generated from each event and the overall impact to brand awareness," but there is no data provided to quantify the effort or demonstrate how implementation of strategies are measured, and the failure or success of them. This information is useful for determining financial investment, changes to strategy, and where to focus limited resources for booking non-NFL events at the Stadium.

Example: page 14, Dynamic Ticket Pricing: Applying dynamic ticket pricing as a common practice to all non-NFL events will help us better price ticketed events while allowing the venue to capture incremental revenue using predictive analytics of the secondary market. We have developed tools and dashboards similar to the following examples, which highlight secondary market activity and current sell-through rates for Stadium events. The Stadium Authority does not regularly receive reports from these tools or dashboards to meaningfully track trends and make informed decisions. Further, there is no data regularly provided to demonstrate how “applying dynamic ticket pricing” is successful, or what additional revenue has been realized as a result of the practice. The use of dynamic ticketing pricing should be of particular concern to the Board given that ManagementCo is charged with booking, and executing the required contracts, non-NFL events at the Stadium. Since ManagementCo negotiates and executes promoter contracts for these events and, to our understanding, has allowed for the inclusion of a provision that allows for the promoter without limitation to price tickets at \$0, including \$0 for the ticket surcharge, it is reasonable for the Stadium Authority to track and be informed with how this feature results in financial gain or loss to the Stadium Authority. ManagementCo may argue its position that this is a standard practice in the industry and, while the Stadium Authority is fully aware of the practice, it is reasonable for the Stadium Authority to understand the financial impact of this practice for the purpose of informed decision making.

Example: page 15, Incentivize multi-year agreements: Securing consistent events provides a degree of secured revenue to plan and budget around while providing flexibility to host events with ranging financial incentives. Furthermore, multi-year deals allow our organization to continue improving in our execution of an event, ideally resulting in improved financial performance with reduced costs based on learned efficiencies. While ManagementCo affirmatively makes this statement, it is reasonable to believe that it is based on some sort of data tied to revenue. The record already has demonstrated that ManagementCo entered into at least one multi-year agreement that did not produce revenue, and in fact came at a multi-million annual loss to the Stadium Authority, so it is reasonable for the Stadium Authority to desire to track this information and be concerned with Marketing Plan strategies that ManagementCo may pursue at a multi-million dollar loss for multiple years. To the extent that that ManagementCo has entered into multi-year revenue generating events, there should be clear data, and a willingness to share it with the Stadium Authority to collaboratively work toward strategies that support these efforts. This presents an example of where additional information about strategic efforts, and financial outcomes, are worthy of tracking data and measurable outcomes.

In sum, ManagementCo needs to include for each section meaningful KPIs that provide enough statistical information to evaluate and measure the effectiveness of the 2018 Marketing Plan and/or inform the decision making process over time and, specifically, for the 2019 marketing activities, as ManagementCo agreed to do this past year.

Addressing Required Events under the Naming Rights Agreement

Since October 2017, ManagementCo has expressed concern that the agreed upon condition regarding event end times (the Development Permit condition aka “curfew”) is impacting the ability to

book events, and the risk of not being in compliance with the Naming Rights Agreement between the Stadium Authority and Levi Strauss & Co. (Naming Rights Agreement).

The Naming Rights Agreement requires the Stadium Authority to hold at least 36 “Major Events” (with 25,000+ attendees) every three contract years. As of this report, the current number of large events held at the Stadium during the current three year period is fourteen (14), with one year remaining. If fewer than 36 major events are held in the three-year period, the Naming Rights Sponsor (Levi Strauss & Co.) receives a credit of \$15,000 multiplied by the difference between 36 and the actual number of events held during the three year period. The Second Amendment to the Stadium Management Agreement states that ManagementCo would pay the Stadium Authority as liquidated damages the amount owed by the Stadium Authority to the Naming Rights Sponsor.

Given the threshold metrics in the Naming Rights Agreement, the Stadium Authority is being completely reasonable to request inclusion in the draft 2019 Marketing Plan narrative, at minimum, that includes this basic information:

- How many Major Events need to be held during this period,
- How many events are confirmed to meet this obligation,
- How many Major Events need to be pursued to book the number that need to be held; and
- Specific plans to ensure success.

Considering the financial impact of the Naming Rights Agreement, this should be a major driver/theme of the draft 2019 Marketing Plan; however, the draft Plan was completely silent on this topic.

Non-NFL Revenues and Expenses

The FY 2018/19 non-NFL revenues and expenses submitted by ManagementCo estimate net revenues of \$750,000, or approximately 80% lower than prior projections and production, but the draft 2019 Marketing Plan does not even acknowledge the significant net revenue reduction or address strategies of how such a reduction can be mitigated.

In fact, much of the language in the draft 2019 Marketing Plan refers to a favorable booking and revenue environment. For example, the Executive Summary of the draft 2019 Marketing Plan purports that “Levi’s® Stadium’s non-NFL events business continues to generate revenue for the Stadium Authority while successfully bringing new shows and events to Santa Clara.” It is more important and effective for the draft 2019 Marketing Plan to acknowledge the actual context and remedy the projected net non-NFL revenue reduction, and provide the data to substantiate this trend, rather than include a general statement regarding successes.

Free Tickets or other Promotions/Giveaways

Following inquiries from the Board, Stadium Authority staff and ManagementCo discussed in December and January what ManagementCo refers to as the common practice of “papering the house” with free tickets. Per a December 27, 2018 email from ManagementCo, “comp’ed” tickets are distributed for nearly every event that happens at Levi’s® Stadium and every other entertainment venue in the country. However, there is no mention in the draft 2019 Marketing Plan of how this practice is used and the favorable strategic results it achieves, such as to (1) attract other events, (2) increase Stadium Authority revenue, or (3) how Stadium Authority is compensated for lost revenue

and/or increased public safety costs.

It is reasonable for the Stadium Authority to be concerned about the practice of “papering the house” because each of these “comp’ed” tickets represents a direct financial loss to the Stadium Authority. Moreover, the practice results in substantial reduction in revenue for large-attendance at non-NFL events (as was the case for the Taylor Swift concert which was widely covered in the media by inquiries of the public purpose of giving a high number of Oakland officials free tickets and, subsequently, the strategic or financial benefit to Levi’s® Stadium that requires the same expenditures as large events with similar numbers of fully paid tickets), resulting in an overall lower Return on Investment (ROI) for the events. The Board identified this trend in December 2018, when it asked about the 29,000 paid tickets for the Friday concert vs. the nearly 50,000 paid tickets for the Saturday concert, and the public safety costs being near equal for both nights. This was the result of employing this “papering the house” strategy. Separate from this practice, the ManagementCo also gets an allocation of tickets for its targeted distribution at a direct loss to the Stadium Authority. Accordingly, it is reasonable for the Stadium Authority to understand this practice from a marketing strategy and the positive financial outcomes for the Stadium Authority.

There may be other promotions and/or giveaways that are common practice, but Stadium Authority has not been informed of them by ManagementCo. The draft 2019 Marketing Plan should elaborate on giveaways in detail and the strategies being employed to advance favorable revenue conditions and overall success for the Stadium Authority. Over time, with data, the Stadium Authority and ManagementCo have the benefit of tracking the financial consequences and can make informed decisions in the future. The Stadium Authority is reasonable in seeking data about this practice as it has direct financial consequences and, at the core, it is directly related to how the ManagementCo books events and executes the contracts for them.

Example: When Stadium Authority staff inquired about a 2018 concert where tickets sold < attendance by ~ 20,000, ManagementCo replied it was common practice. The response did not provide an explanation of how Stadium Authority was compensated for lost ticket surcharge revenue and/or public safety costs. The 2019 Marketing Plan needs to explain and address this practice, and its value to the Stadium Authority, particularly since the Board has specifically asked about its impact on the Stadium Authority revenues. ManagementCo argues that it is not giving away these tickets, rather it is the promoter, but ultimately it is ManagementCo that negotiates and executes these agreements for the non-NFL events and can influence either the limitation of this use or on which events to employ this provision - with giving advanced notice to the Stadium Authority to financially plan for such losses.

When Stadium Authority staff provided feedback on the draft 2019 Marketing Plan to ManagementCo, their February 20, 2019 response stated that Stadium Authority staff appeared to be confused over the appropriate information to be included in the Marketing Plan. ManagementCo further stated they would prioritize the budget work over the Marketing Plan and, in the meantime, will continue to negotiate and book Non-NFL Events at Levi’s® Stadium in accordance with the Management Agreement.

On March 12, 2019, the Stadium Authority staff responded to ManagementCo to further explain its position, and affirm that Stadium Authority staff was not confused about the Marketing Plan’s content

and details. Stadium Authority staff's position is that the draft 2019 Marketing Plan submitted by ManagementCo does not contain the reasonable detail required by the Stadium Management Agreement and, therefore, Stadium Authority staff does not agree to the 2019 Marketing Plan. When the SOMP is presented to the Board for approval on March 27, the recommendation will include a request to not approve the Marketing Plan, and, if needed, to direct staff to pursue correction action, in accordance with section 3.3.1 of the Stadium Management Agreement to, which states, in part:

If 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.

The Management Agreement specifically provides that the marketing plan will include information in reasonable detail, as mutually agreed upon by Stadium Manager and Stadium Authority. ManagementCo's submitted draft was not mutually agreed upon by the Executive Director, given the Board's discussion last year regarding KPIs. Additionally, given the above discussion relative to the Naming Rights Agreement and the Executive Director's request to include reference to the Naming Rights Agreement and strategies to achieve compliance, which were denied during development of the draft, it is the Executive Director's position that the proposed draft Marketing Plan does not include reasonable details that a Marketing Plan should contain, and that were committed to (e.g., KPIs) by ManagementCo last year, to monitor and track activity to book non-NFL events successfully and in accordance with the goals as described in various agreements and documents.

As such, while the Executive Director will recommend approval of other portions of the SOMP during the Study Session on the proposed budget, approval of the draft 2019 Marketing Plan is not recommended given the absence of key information that is pertinent to compliance with existing agreements (e.g., Naming Rights Agreement), commitments (e.g., KPIs), and good faith efforts to achieve mutual agreement. ManagementCo refused to engage in past commitments and areas of interest for the Stadium Authority and, instead, abandoned this work for which it is required to complete in good faith.

Stadium Authority staff sent an email on March 12, 2019 to confirm the position of the ManagementCo so that it could accurately advise the Board. On March 13, ManagementCo responded stating, "We are not refusing to make any changes, nor are we planning to submit a revised draft at this time. Based on Item 5 in your email dated 2/15/19 (below), we are (still) awaiting your: "... separate table or document that lists our other concerns and questions, by page and section." My suggestion is to collect any Board input you deem appropriate on this matter and then please send us your detailed comments on the Marketing Plan, incorporating comments from your Board. Upon receipt, ManCo will consider those comments, and potentially send you a revised draft."

SCSA staff will provide detailed comments to ManagementCo and expects the ManagementCo to incorporate the Board's comments in a revised Marketing Plan.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes

in the environment.

FISCAL IMPACT

There is no cost to the Stadium Authority other than administrative staff time and expense. The effectiveness of the Marketing Plan to market and book Non-NFL Events at Levi's® Stadium has a direct impact on the amount of Stadium Authority revenue, and the amount paid to the City's General Fund.

COORDINATION

This report has been coordinated with the Stadium Authority Counsel's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Review and provide input on the draft 2019 Non-NFL Events Marketing Plan as prepared by the Forty Niners Stadium Management Company, LCC (ManagementCo).

Reviewed by: Walter C. Rossmann, Chief Operating Officer

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. Draft 2019 Non-NFL Events Marketing Plan



2019 Non-NFL Events Marketing Plan

January, 29th 2019

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Executive Summary

Levi's® Stadium's non-NFL events business continues to generate revenue for the Stadium Authority while successfully bringing new shows and events to Santa Clara. Additionally, the local hotels and businesses benefit from the large number of people who travel to Santa Clara from all over the state and country to attend these events. Levi's® Stadium has grown a distinct reputation as a premier entertainment venue, resulting from the combination of consistently high client satisfaction ratings, a steady pipeline of high-impact events, and incorporating data-driven decision-making into contracting, planning, and executing events.

As Stadium Manager, the Forty Niners Stadium Management Company continues to adapt its business strategy to the changing sports and entertainment landscape, and will focus our efforts in 2019 on business development, continued guest satisfaction, and building the Levi's® Stadium brand as a global entertainment venue. To achieve these objectives, our strategy and approach to guest communication and engagement requires us to adapt our traditional communication vehicles and content strategies, tailored to different demographics. Specifically, the Stadium Manager plans to engage new and returning clients and guests by:

- Sourcing new events and relationships through active involvement in local and national organizations
- Leveraging historical event data to market Levi's® Stadium's comparative advantages to the most relevant industries and organizations
- Creating engaging and informational sales collateral to educate new clients and spark interest in the marketplace
- Utilizing a CRM platform to update the way we manage sales leads and measure ROI on sales initiatives and marketing campaigns

Through this deeper connection between Levi's® Stadium events and its guests, the Stadium Manager will achieve the optimal outcome for the business, Stadium Authority revenue and community engagement.

Levi's® Stadium Event Definitions and Profiles:

The venue's non-NFL business is comprised of two over-arching event categories, Major Events and Special Events.

Major Events are stadium-wide, ticketed events open to the public. The Stadium has successfully executed a variety of different events that have brought greater fandom and economic impact to the local market. Spanning numerous leagues, sports, and attractions, Major Events have helped establish Levi's® Stadium as an iconic venue, but by no means is the Major Events business the sole driver of the non-NFL events business.

Special Events are private, contracted, and usually non-ticketed and exclusive events, subject to the event's nature and the client's objectives. These events span a wide range, from weddings to corporate anniversaries, charitable fundraisers, and conferences, and make up the vast majority of the venue's event calendar (over 80% of all Stadium events). The Special Events sales pipeline is driven primarily by relationships formed with local companies as well as our reputation and established experience in hosting a variety of events. Therefore, we are not only focused on the immediate health and profitability of our business, but also the connections we create with clients and opportunities to innovate the venue's guest experience.

Levi's® Stadium Special Events

Looking back:

In the 2018 calendar year, the Levi's Stadium Special Events sales team booked 106 special events resulting in over 40,000 event guests visiting the stadium. Of the 106 special events booked, 9 events consisted of 1,000+ attendees and 38 of the 110 events occurred in the months of October and December. The holiday season is consistently a busy time for the stadium and this season was no exception. The sales team booked 22 holiday parties and meetings within the timespan of two and half weeks, all while maneuvering the NFL schedule and college football games. In one weekend alone, the stadium hosted four parties on a Friday night, two parties on a Saturday night for over 3,000 guests and then hosted an NFL football game that Sunday at 1pm. It was no doubt one of our busiest weekends and we were able to successfully execute all events while also securing repeat business for the 2019 holiday season.



2018 Key Wins/Strengths

1. New concessionaire

In March 2018, Levy began operating as the new concessionaire and caterer at Levi's Stadium which created an exciting opportunity for the Special Events team. About 50-60% of a private event is typically spent on food and beverage so the caterer is a large part of what makes the event a success. Although food and beverage is not always the top priority for our clients, it's typically what guests remember most, for better or worse. The introduction of a new catering partner provided us with an opportunity to start fresh and work with the staff and Executive Chef to create menus and concepts that are popular with clients. We have been encouraged by Levy's innovative mindset and willingness to think beyond standard banquet menus to provide a truly memorable culinary experience. We feel the addition of a new caterer will be a major opportunity as we work to bring in new clients and events.



2. Increased attendance at industry events & participation in strategic partnerships

One of our 2018 initiatives was to amplify our brand in the marketplace and we were able to accomplish that initiative through industry sponsorships and networking events. Over the past year, the Special Events Sales team was tasked with attending monthly events in the Bay Area and traveling to national conferences. Although every event may not result in a lead, each event provides an opportunity to connect with companies and organizations that host events and understand what they are looking for in a venue. The time between meeting a prospect and booking their event could be months or even years, so it's important that we build strong relationships with our clients and maintain them through consistent sales calls and events. In addition to meeting clients, the events are also a great way to promote our brand and build trust within the community which can lead to referrals.

In addition to events, we have made it a priority to invest in strategic partnerships that will provide us with additional exposure to local businesses, associations and planners. These include the Silicon Valley Business Journal, SF Travel, Professional Convention Management Association, Meeting Professionals International and the Admin Awards. We have selected these organizations based on their list of members & attendees, style of events and added partner benefits. We will continue to evaluate these partnerships and the ROI based on leads generated from each event and the overall impact to brand awareness.



3. Continued success with high client satisfaction ratings

Over the past year, 74 of our clients have completed a post-event survey, otherwise known as an In-Depth-Interview or IDI. The survey covers each step in the event process, from sales to planning to event execution and billing. Clients are asked a series of questions about their experience working with the stadium event staff and then asked to rank their experience 1-5, 1 being a low score and 5 being a high score. Of the 74 surveys received, 90% of clients gave the event experience an overall score of 4 or above. Additionally, the following categories received an average score of 4.5 or above: Event Booking (4.75), Event Planning (4.5), Event Execution (4.7) & Overall Score (4.6).

Learnings

Learning how to market and sell the stadium after 5 years in operation and new venues opening around the Bay Area.

During the first couple years in operation, Levi's Stadium created quite a buzz amongst local corporations, associations and social groups looking to host their event in a unique location. Like most organizations in the Bay Area, our clients are constantly seeking out new and exciting event venues to provide their attendees with one of kind experiences. Whether it be a sports venue, museum, historic building, warehouse space or some other unique location, companies are moving beyond hotels and convention centers and looking into venues that will flip the script on the standard ballroom experience. Although Levi's Stadium has quickly become a favorite destination for Special Events, we understand newer venues might become exciting for clients in the short term so we must continue to evolve.

Since opening our doors we have had the privilege to host almost every type of special event and with each event we host, we learn more about our clients and how best to activate the stadium. We have been able to use feedback and statistics from past events to really understand what clients are looking for and how Levi's Stadium can add value to an event experience. Information from past events can be used to drive new business by creating templates for each space, considering successful room layouts, AV setups and unique activations (i.e. signage opportunities.) We also consider client feedback from post-event survey results and internal event recaps while building proposals for future events.

As we look to the future, we must first understand the changing landscape around us and what newer venues are bringing to the table. Levi's Stadium provides an experience and backdrop unlike any other in the Bay Area, which is why we subscribe to the belief that we do not need to compete with other venues. However, we must continue to evolve if we plan to grow the Special Event business and remain competitive with our neighboring venues. This evolution includes adapting to new event trends, updating event spaces through décor and technology, and creating new experience packages to add value for clients. We can achieve this through attending industry events and conferences, visiting other venues and not only surveying clients but putting their feedback into action. It goes without saying that Silicon Valley is the heart of global technology and innovation which puts Levi's Stadium in the spotlight when it comes to innovative venues.

Learnings In-Review:



Business Updates:

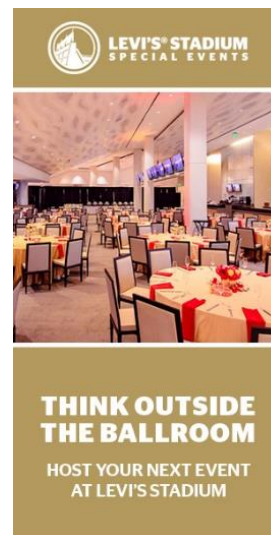
1. Adding resources

In May 2018, the Special Events team hired a Manager to oversee the Sales Team and business development. The purpose of this role is to encourage outbound sales, source strategic partnership opportunities and manage the daily productivity of the sales team including sales calls, site visits and contract negotiations. While we continue to have daily inbound calls and e-mails, it's equally as important to prospect new opportunities and spread brand awareness through active involvement in the local and national marketplace. This position enables the team to grow and helps to build a sustainable model that will bring in new business for years to come.

2. Amplify the venue's brand in the marketplace

In 2018, we launched the Levi's Stadium Special Events logo under the Levi's Stadium brand. The goal was to create a brand strictly dedicated to Special Events at Levi's Stadium that could be used for marketing, collateral and sponsorships at industry events. The Special Events business is unique when compared to the Major Events business and this brand provides the sales team with a platform to tell our story. As other sports and entertainment venues begin to understand the value of a Special Events department, many are moving in a similar direction. Since the launch of our logo in 2018, we have fully transitioned to only using the Levi's Stadium Special Events logo when selling and marketing private events. We had initial concerns that it would take some time for clients to recognize the new logo, but that was not the case. Thanks to great design work and clear communication, we experienced a nearly seamless transition and we have received positive reviews of the new logo. Below are some samples of how the logo has been used over the past year:

Web Ads:

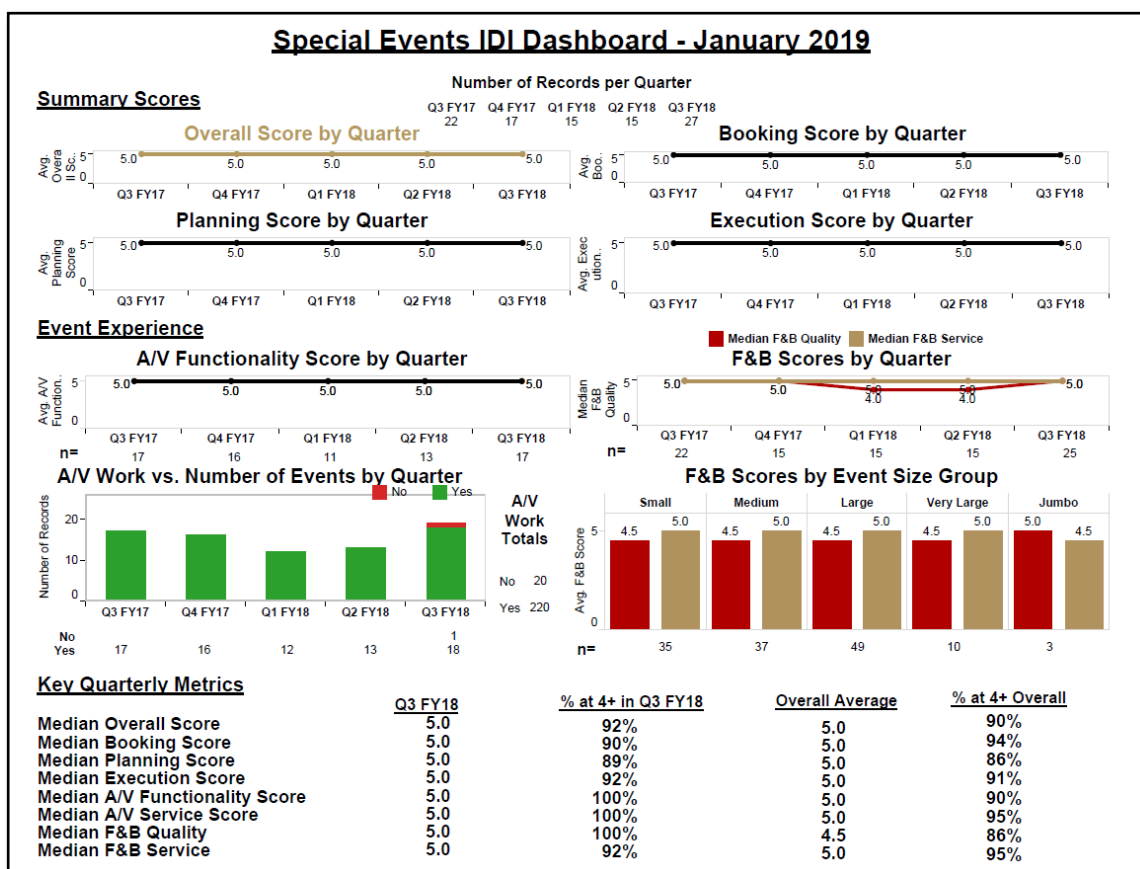


Client/Prospecting Events:

3. Leverage historical event data and established marketing channels to understand and strategically target new clients and opportunities

We continue to make great strides across the non-NFL events business by incorporating historical data, competitive analysis, and client feedback into how we evaluate and improve our non-NFL events' business model. Specific to client feedback, we developed the In-Depth Interview (IDI) program where we interview clients after events to review their holistic event experience and capture qualitative and quantitative feedback.

Client feedback is paramount to our business and has become one of the most important tools in measuring success and understanding our clients. These surveys are a key indicator of our ability to successfully sell, plan and operate an event, based on our client's goals and objectives. The number of leads generated by a particular marketing campaign is irrelevant if we are not able to properly execute an event and keep our clients satisfied. Having the ability to survey our clients immediately after an event provides a unique opportunity to gather real-time feedback, which might otherwise be lost or distorted with the passing of time. As shown in the chart below, 74 clients completed an IDI survey for the 2018 calendar year. The results will show that we consistently score high on event booking, event planning, event execution and AV functionality. We did receive lower than average scores on F&B during Q1 and Q2 which was attributed to the catering transition between our previous concessionaire and our current partner, Levy. We were pleased to see that F&B scores increased during Q3 and we look forward to continued success with Levy as we build out custom menus and F&B experiences for clients.



We use the feedback collected from IDIs along with successful event templates to target new clients and event opportunities. For example, if we receive great feedback from a client that hosted a conference in certain event spaces, we will use that template to build out new proposal for future clients. Although every event is slightly different from the next, we can provide a roadmap for clients to navigate the stadium and understand how their event might fit into such a unique space.

4. Engage local civic and industry-relevant partners to grow strategic relationships and recurring business

While we have successfully created relationships with key promotional partners and athletic organizations and associations in service of contracting Major Events, we have not fully realized our potential to grow the Special Events business alongside key civic partners, including the Santa Clara and San Jose Convention Centers. Furthermore, we have an opportunity to work with the new concessionaire, Levy, in developing a true partnership by leveraging their network and client portfolio to bring new clients and recurring events to Levi's® Stadium.

Over the past year, we have focused our efforts on sourcing strategic partnerships and building strong relationships with businesses and organizations around the Bay Area. As with most event venues, our first step was to lean on our local CVB to understand their pipeline and how we might be able to encourage large conferences and private events to come to Santa Clara. As the status of the Santa Clara CVB changed throughout the year, we began to work with other local organizations to continue to promote Santa Clara as a destination for Special Events. We have continued our partnership with SF Travel which includes print and online ad opportunities as well as speaking opportunities at events. We have also discussed ways to partner with SF Travel at national events to help promote the greater Bay Area as an event destination.

Another organization we have partnered with is the Silicon Valley Business Journal. Through this partnership we have been able to promote the Levi's Stadium Special Events brand both online and at Business Journal events. These events include the C-Suite Awards, the Corporate Philanthropy Awards and most recently, the Book of Lists event. Although we have experienced interest from businesses and associations at these events, we understand that many of these relationships will be long term and the ROI might be most evident in brand awareness and referrals.



Looking Forward:

This year, we are not only focused on how to sustain the Special Events business but also how to ensure it thrives for years to come. As we embark on our fifth year in operation, we have a solid base of data and experience that we can use to drive decision making. However, we must also look outwards to other venues and industry professionals to continue to educate ourselves. Our industry is built on relationships and reputation so we must be proactive in our approach to networking and find new opportunities to grow our business.

As we continue to “think big” and work to build a foundation for a thriving business, we will focus on three key initiatives this year:

1. Active involvement at local and national sales conferences to build brand awareness and bring national events to Santa Clara.

A majority of our market research is conducted through attending local and national tradeshows, meeting with planners and Destination Management Companies (DMCs) and visiting other venues to compare best practices. Although there are many factors that can drive the decision making process for clients, there are common themes that arise each year related to event venues. The top priorities are typically: budget, location, room capabilities/flexibility, unique setting and responsiveness of staff. With this information we can focus on what makes Levi's Stadium valuable to prospective clients and what sets us apart from other venues in the area.

We currently focus our outbound sales efforts within the Silicon Valley region, given that most of our clients are located within 20 miles of the stadium. We then expand to the greater Bay Area, attending events in San Francisco and the East Bay and even Sacramento as clients are typically willing to invest in transportation for a unique venue experience. Finally, we look to regional and national conferences which provide us with exposure to national brands and traveling shows.

A new initiative for 2019 is to have a stronger presence at national sales conferences and tradeshows to spread brand awareness outside of our local marketplace. We are consistently learning of new clients and industries we have not yet had the opportunity to work with attending events is a great way to meet prospects. Without a CVB to partner with currently, we will look to other partnership opportunities to provide national exposure for not only Levi's Stadium but the Santa Clara region. As we continue to maintain strong relationships in the Bay Area, it's imperative that we also look to the national conferences for opportunities to host larger events and build our reputation.

Below are a few examples of the industry events we have attended over the past year and some we hope to attend in 2019:

Silicon Valley events

- All Things Meetings
- Silicon Valley Business Journal
- Genentech Supplier Event
- Silicon Valley Young Professionals
- Silicon Valley Concierge Association

Bay Area events

- Meeting Professionals International, Northern CA
- Professional Convention Management Association – BAMIE Awards
- SF Business Journal
- Admin Awards
- Connect CA
- CalSAE

National Events

- Meeting Professionals International, World Education Conference
- Connect Marketplace
- IMEX

2. Fully integrate the CRM platform to manage sales leads, track conversions and better understand trends related to lost business.

In 2019, the CRM software will be fully integrated into the Special Events sales process. This software will help organize leads, tracking from initial call to booking the event. Over the past year we have reevaluated our internal process and determined that CRM will play an important role in running reports and understanding ROI related to industry events and sponsorships. Moving forward, we will be able to track leads that were generated from networking events and pull that data when evaluating whether to continue participation or look to new opportunities within the industry. This process will also help us to understand common reasons for lost business, whether it be availability, budget, scope of the event, client cancellation, etc. Although we understand we will not be able to book 100% of the leads that enter our pipeline, we will continue to review lost business and determine how to create future opportunities based on the information we track.

3. Create engaging and informative sales collateral to encourage new business and spark interest in the marketplace.

We will focus on continuing to create engaging and informative collateral for clients. When speaking with new clients, our first suggestion is to setup a site visit so they can experience the stadium first hand. With unique club spaces and layouts, it's important for clients to be in the space while discussing options for their event. When clients are not able to visit the stadium or need information prior to their visit, the collateral we share can play a major role in the decision making process.

One strategy that we are excited to launch this year is the Special Events Sales Kit. This is a document that will be available both online and in print for clients to reference during sales calls and site visits. The purpose of the sale kit is to provide new clients with a snapshot of what it looks like to host an event at Levi's Stadium. The kit will include pages dedicated to each event space as well as information on Levy catering and other amenities and experiences specific to Levi's Stadium.

In addition to the Sales Kit, we are currently working on a promotional video that we can feature on social media channels and at industry events. Through market research, we have learned that videos perform better than static content on social media, therefore we have decided to make it one of our initiatives for 2019 as we build a collection of engaging material that can be shared with clients. We hope to have this project completed by late spring and promote the video through the end of the year.

Section in-Review:

**Active
Involvement
at National
Sales Events**

**Improved
Tracking
Through CRM
Platform**

**Engaging and
Informative
Sales
Collateral**

Levi's® Stadium Major Events

Looking Back:

The Levi's® Stadium's Major Events business has been a key driver in propelling the venue's reputation and popularity to new heights, most recently evidenced by the Taylor Swift Tour, which was the second highest grossing concert tour in the Stadium's history, the Mexico vs Iceland match, which was one of the highest grossing Mexico-friendlies at the Stadium, and the College Football National Championship game, which was watched by more than 25 million viewers. Major Events also drive the Special Event business, enticing corporate and social clients to book events at Levi's® Stadium based on its popularity and prominence in the sports and entertainment industry. In 2018, we saw roughly half a million patrons come to Levi's Stadium – many of these events also drawing national TV viewership.

These types of marquis events are also important to the Stadium Authority's 50,000+ SBL holders who have committed more than \$500M to Levi's Stadium. Recent data shows that the quality and quantity of Major Events at Levi's Stadium is ranked as an important benefit for the SBL customers, and more than half of the SBL customers have purchased tickets to one or more Major Events. In a 2018 survey, 57% of the survey participants ranked Major Events as "Extremely or Very Important", with an additional 33% ranking them as "Moderately Important".

To sustainably grow the business as well as develop a consistent event calendar for years to come, we cannot rest on prior achievements but must look ahead to how we can be innovative in the events we attract as well as the fan experience we provide. With that in mind, our Major Events business underwent three significant changes / updates over the last six months that will serve as initial groundwork to help grow this particular business:

1. Improved proposal process

The Stadium Manager has continually raised the quality of bids presented and has improved the contracted event agreements. Our goal is to optimize the proposal process to ensure we are competitive for attractive high-impact events and succeed in bringing new or established events to Levi's Stadium. Furthermore, by continually innovating our proposal process, we have effectively standardized roles and responsibilities within the greater bid process to better prepare ourselves on announcing, marketing, and delivering these events.

2. Cross-departmental involvement in the promotion and execution of an event

Including more departments in how an event gets announced, promoted, and executed has allowed Levi's® Stadium to capitalize on several unique skillsets residing around the organization to optimize how we perform as a business and as a service with respect to our Major Events. For example, we have created more structure to incorporate our Marketing and Design teams into the comprehensive event execution plan, which has not only helped overall exposure and caused attendance to rise but has also paid dividends on increasing demand and viewership for these events.

3. Emergence as a soccer destination

Levi's® Stadium has developed a reputation as a soccer destination for local, national, and international teams and tournaments. For context, Levi's® Stadium has hosted 11 soccer matches in the last three years, including European soccer clubs in the International Champions Cup, International teams in the Copa America Centenario as well as the CONCACAF Gold Cup, and professional teams from Major League Soccer. Furthermore, our soccer matches have attracted a wide range of fans, in total bringing over 588,000 fans to the stadium. While soccer has been successful so far, the Stadium Manager aims to continue hosting national and international soccer matches while pursuing more high-demand international tournaments and anticipated matches. Most recently, the venue has submitted a complete bid for the FIFA 2026 World Cup and expect

to not only be competitive in the soccer world, but also continue emerging as a leader and U.S. soccer destination.

As of January 2019, we currently have seven major events slated for 2019, anchored by the Rolling Stones. This is an important event for Levi's Stadium, as 2019 is shaping up to be a year where fewer artists are performing stadium shows. Landing the Rolling Stones show was a major win for our building - They are only playing fifteen shows, with just three of those on the west coast.

Other highlights for 2019 include:

- International Champions Cup – Relevant, the event promoter, has revamped their strategy for 2019, which will include fewer matches and more guarantees for premium matchups and players. We have proven over the past 4+ years to be a premium stop for international soccer events and this re-tooled approach will be very impactful on the overall success of the tour.
- US Women's National Team vs. South Africa – this will be the first ever women's team event to take place at Levi's® Stadium. This is a unique event and should attract a new fan base to Levi's® Stadium.
- Mexico Men's National Team vs. Paraguay – We will look to build upon our recent success with Mexico Men's National Team matches.

Looking Forward:

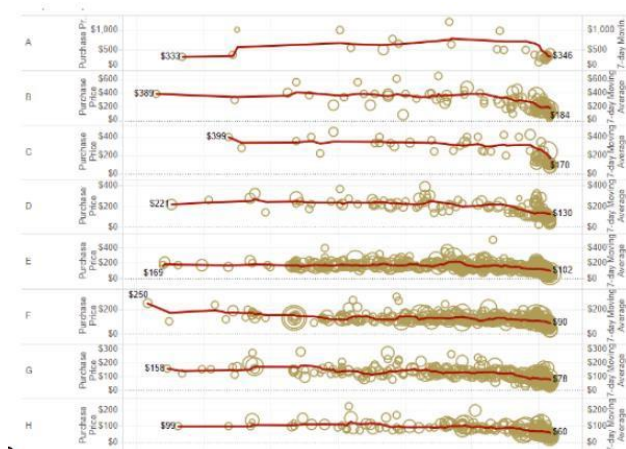
After four years of attracting, contracting, and successfully executing several high-profile events and shows, we will continue to focus on innovation for both the fan's experience and the venue's brand.

1. Leverage financial projections and ticketing data from past events to drive incremental revenue

As the ticketing landscape and financial models behind sports and entertainment continue to change, we need to think of new ways to capitalize on high-demand products and events by tracking and monitoring the ticket marketplace with predictive analytics. With four successful previous years of hosting events we can leverage past results and key event metrics, including attendance, average ticket price (ATP), revenue per fan by event, number of new fans versus returning fans. Keeping our measurements tied to the revenue results of our events will provide the clearest indication of these effort's success and what elements of our strategy or initiatives need to be changed or improved moving forward.

Data-driven marketing campaigns: Similar to how we aim to apply the principles of A / B testing to determine optimum marketing strategies for Special Events, we will continue examining where fans go to learn about events, where they buy tickets, and what drives those actions in order to best market our events to fans and drive conversion. This concept is realized through a multitude of campaigns across email and social channels, especially Facebook, measured against KPIs to help monitor success and failure to best use our marketing spend. An iterative feedback loop will be instrumental in helping us continually improve our marketing strategy while learning what plans / campaigns work for different events, various target demographics, or other determining factors.

Dynamic Ticket Pricing: Applying dynamic ticket pricing as a common practice to all non-NFL events will help us better price ticketed events while allowing the venue to capture incremental revenue using predictive analytics of the secondary market. We have developed tools and dashboards similar to the following examples, which highlight secondary market activity and current sell-through rates for Stadium events.



Ticket prices relative to secondary market



Levi's® Stadium view by percentage seats sold

Group Packages and Experiences: To help drive demand and attendance for events that are not anticipated sell-outs, we have several methods to incentivize group ticket purchases, strategic use of complimentary tickets, and additional hospitality or premium packages to drive additional revenue. Specifically, Levi's® Stadium events can leverage Loaded Tickets, a virtual payment method that allows fans to spend money by using their ticket at the game, in order to drive group sales and increased event day per cap. Additionally, Levi's® Stadium seeks to leverage other elements of the Stadium Manager's business, especially fan-facing departments (i.e. Fan Engagement and 49ers EDU) to tap into viable group ticket sale targets.

Section in-review:

**Data-drive
Marketing
Campaigns**

**Dynamic
Ticket
Pricing**

**Group
Packages &
Experiences**

2. Strengthen existing partnerships with external teams and leagues to increase our event schedule and host more high-impact events

Several marquee events in Levi's® Stadium's history were only made possible through the relationships that the Stadium Manager and the City of Santa Clara forged across the greater Bay Area community, which over time have and will continue to bring more high-impact events to Santa Clara. Civic leaders from the City of Santa Clara and beyond have come together to bring events like WrestleMania, Super Bowl 50, the College Football Playoff National Championship and the 2017 Gold Cup Finals to Santa Clara, and we are already working towards bigger events and achievements together, most recently in the 2026 FIFA World Cup bid.

In order to find similar opportunities for large-scale events, we will continue building our relationships with the key promoter groups involved across event types. These promoter groups include ICC / Relevant, Soccer United Marketing, FIFA, AEG, Live Nation, Global Planet, the Pac- 12 Conference, Feld Entertainment, and the College Football Circuit. As a priority for 2019 we are working with these promoters to expand our business and event profile, ideally bringing new events and audiences to Levi's® Stadium.

Assessing these efforts will be based on both our efforts and activities related to bringing more high-impact events to the Stadium along with our results in booking and executing these events. Specifically, it will be important to track and report how many event proposals and bids we participate in along with what events we contract and the key results of those events, including attendance, guest satisfaction, revenue, profit, and economic impact.

Incentivize collaboration in booking and hosting events: Historically Levi's® Stadium has been successful in hosting MLS and international soccer matches, in part due to a mutually beneficial partnership between the Stadium Manager and the San Jose Earthquakes. This partnership continues to be very fruitful, both in events co-hosted along with unexpected opportunities by virtue of collaborating with a leader in a related but distinct event field, most recently in our bid to host the 2026 World Cup. Forging similar partnerships where teams, leagues, and organizations are incentivized to collaborate is a key go-to-market strategy, specifically with peer organizations / venues, including AT&T Park to help the holistic Bay Area event business grow and present new opportunities otherwise unknown.

Incentivize multi-year agreements: Securing consistent events provides a degree of secured revenue to plan and budget around while providing flexibility to host events with ranging financial incentives. Furthermore, multi-year deals allow our organization to continue improving in our execution of an event, ideally resulting in improved financial performance with reduced costs based on learned efficiencies.

Section in-review:

**Incentivize
collaborative
booking**

**Incentivize
multi-year
deals**

3. Source new events and relationships

In conjunction with our existing relationships with teams, leagues, and industries, tremendous potential exists to bring in new events that could not only serve immediate financial and community benefits, but also create financial sustainability as recurring events. By working to break down and understand the event landscape relative to what our guests and community want, we can bring new events with less risk and greater potential to attract new, diverse groups.

We are looking into increasing the diversity of ticketed events to not only host large-scale concerts and sporting events, but also smaller and more intimate events as well. For example, one promoter has launched a non-traditional events business that encompasses smaller family/children events and book tours. We are one of the first football stadiums to have expressed strong interest in hosting these events and we believe that our strong relationship with the promoter may provide an opportunity to bring these events to Levi's Stadium in the future. We also have team members studying the feasibility and opportunity of other larger stadium events such as rugby, cricket, stadium golf, obstacle course racing, etc.

Furthermore, we will work to review the curfew policies with the City of Santa Clara and associated partners in order to align on an event calendar that is set up to host new, attractive events for the community. While there are several factors and aspects to the city curfew and associated policies, it will be critical to collaboratively develop a flexible event calendar that is attractive to the events and partners our collective community wants to bring to Santa Clara. The results of these efforts will be most clearly manifested in how many events are contracted and executed, along with lost or missed opportunities based on our policies and reputation in the entertainment industry.

Despite many restrictions and challenges in contracting, executing, and budgeting Major Events, our go-to-market strategy to actualize the three key initiatives above will help further the City of Santa Clara and

venue's ability to keep new Major Events coming while working towards financial stability and consistent growth in event count and revenue.

Competitive market research on upcoming / future events: In our continued effort to grow the non-NFL business on behalf of the Stadium Authority, we are constantly researching, analyzing, and planning for new events. One key tool that has allowed us to create early momentum behind this initiative is a multi-departmental research collection of nearby leagues, events, and upcoming event dates. Maintaining an updated event landscape allows us to keep pulse on the local entertainment market's activity, interest, and opportunities in order for us to best allocate our resources and contract events that will be a win for the Stadium Authority and the community.

Bid strategically and creatively: We are well-positioned with an established proposal framework, bid team, and drafting / execution process to bid on most stadium-relevant events that we believe will benefit the Stadium Authority and appeal to our community, increasing our opportunities to further develop our Major Events pipeline. While no proposals are the same, having the processes solidified with a framework to begin with and be executed by a trained department will help keep Levi's® Stadium nimble in its non-NFL events business efforts and better adapt to new and / or immediate event opportunities. A new focus for the coming year will be reviewing and analyzing more opportunities to host different events, such as the Stadium Links event, that creatively leverage the Stadium and accommodating infrastructure. Expanding our event profile will not only help build out our event calendar, but also attract new audiences and guests to the venue.

Advertise and promote Major Events and NFL games and related activities: To help increase popularity, viewership, and demand for Major Events, the Stadium Manager expects to continue promoting Major Events at 49ers home games and related NFL activities. While this has been an effective strategy for past Major Events, such as Monster Jam and previous Coldplay concerts, the Stadium Manager will look to increase and prioritize promoting Major Events at NFL events, with the expectation of increasing a Major Event's demand while bringing new, diverse audiences to our non-NFL events. Furthermore, the Stadium Manager will increase efforts to capitalize on NFL activities as opportunities to promote upcoming Major Events. The most recent example of this concept was during Fan Appreciation Day, before and during the final home game, where the 49ers used Gameday Entertainment activations to build awareness and demand for Monster Jam and the Taylor Swift concert, which was a successful effort we plan to build on next year. These promotions at NFL Events, and on the exterior LED panels on Levi's Stadium, will need to be negotiated with the 49ers, and the costs of the promotions will be borne by the Major Events.

Section in-review:



Conclusion

We are confident that we have outlined a marketing plan and overall strategic approach that will continue to drive high-impact events and revenues for Levi's Stadium, but there are some additional risks and considerations we will need to address and work on with the SCSA Staff to ensure the Stadium Authority's success for years to come. Specific to costs, it will be important to continue working together with respect to changes / updates that may impact the venue. From a brand perspective, it will be important for all parties to collectively manage the venue's reputation, calendar availability, and event broadcasting as these three factors are significant in our efforts to bring high-impact events to the Stadium while attracting a wide variety of guests.

Appendix

Levi's® Stadium Special Events

The Life Cycle of a Special Event

The life cycle of a special event begins with a lead and ideally will end with a lead. Whether it be a social gathering, association event or corporate meeting, groups are constantly planning events to help grow their business and build a stronger community within their industry. After a group determines what the event will be and how much they would like to spend, the next step is deciding on a venue. The objective of the Levi's Stadium Event Sales team is to be front and center when clients search for a venue whether it be online, through a referral or by attending events. Below is a brief description of our sales process from start to finish.

1. Sales Leads - Inbound V. Outbound

- a. Source of Inbound Leads:
 - Website – Event Inquiry Form
 - Direct e-mail (listed on our website & marketing materials)
 - Phone call (listed on our website & marketing materials)
- b. Source of Outbound Leads:
 - Networking events
 - Cold calls (phone or in-person meeting)
 - E-mail (direct or e-blast)

2. Initial Sales Call – Qualifying a lead

- a. Once a lead is generated, the sales representative will qualify the lead, discussing the client's budget and event specifications
 - If the lead does not fit the minimum requirements or the specifications are beyond what the stadium can accommodate, the sales representative will keep the lead on a list of prospective clients and include them in future e-mail campaigns and outreach. There is always a potential for these clients to come back to Levi's Stadium in the future.
 - If the client's budget and event specifications meet the stadium's requirements, then the lead is qualified as a "hot lead" meaning it's likely to go to contract.

3. Proposal Phase – Sales calls & site visits

- a. After the lead has been qualified as a "hot lead," the sales representative will then continue conversations with the client, setting up additional calls as well as a stadium site visit. This is when the client has an opportunity to tour the event space and ask questions about logistics, layouts, space capabilities, food and beverage, AV, event add-ons and anything else they wish to discuss. The sales representative may also include an Event Manager, the Catering Sales Manager and the AV Manager on site visits if it benefits the client.
- b. Once the sales representative understands fully what the client is looking for and the event objectives, a proposal can be created which outlines the estimated event costs.
- c. This phase will likely include communication back and forth between the client and the sales representative, clarifying the costs in the proposal and making updates as needed.

4. Contract Phase

- a. Once a proposal is agreed on, the sales representative will generate a standard event contract to include the estimated event costs and payment schedule as well as insurance requirements and other policies and procedures related to hosting an event at the stadium.
- b. Once the contract is signed by both parties and a deposit is paid by the client, the event is confirmed and can move on to the next phase, event planning.

5. Event Planning Phase

- a. After the contract has been fully executed, the Sales Representative introduces the client to their assigned Event Manager who will act as the main point of contact through the end of the event.
- b. The Event Manager is responsible for assisting in all event logistics, menu planning, AV requirements, event add-ons and 3rd party vendors as well as managing the client's budget and coordinating with internal departments. There are many roles involved in planning and executing private events, therefore the purpose of the stadium Event Manager is to streamline communication and reduce unnecessary stress on the client's side.

6. Event Execution Phase

- a. On the day of the event, the Event Manager works closely with the Event Operations Coordinator and internal department leads to ensure all event details have been properly communicated. From event install to a pre-event operations meeting to opening doors, there is always someone on site with the client making sure last minutes updates and adjustments can be accommodated.
- b. At the conclusion of the event, either the Event Manager or the Event Operations Coordinator remains onsite until all guests, client staff and vendors have exited the building.

7. Post-Event Phase – Billing, Event Survey and Sales Outreach

- a. In the days following the event, the Event Manager collects all final costs and sends the client a final invoice, typically within 48 hours. In addition to the final invoice, the client is sent a link to a post event survey. The survey covers every phase of the event, from sales to event planning to final billing. The goal of the survey is to give clients an opportunity to provide honest feedback immediately following the event, which is then reported and reviewed with internal departments.

8. Final Phase - Sales Outreach

- a. In an effort to keep the process truly cyclical, the Sales Representative will then reach out to the client to setup a call to discuss future event opportunities. Whether this call happens immediately following the event or weeks/months later, the Sales Representative will keep the client on a "past buyer" list and will check in with the client periodically. We never know when the next event opportunity will arise so frequent and consistent sales outreach is imperative.

3/19/19

item 2

Santa Clara Stadium Authority

Discussion of the Draft 2019 Non-NFL Events Marketing
Plan for Levi's® Stadium in accordance with Section 4.10
of the Stadium Management Agreement

March 19, 2019 Study Session



Study Session Summary

- | | |
|-------------------|---|
| Goal | <ul style="list-style-type: none">• Present Stadium Authority staff's position that ManCo's draft 2019 Marketing Plan does not include in "reasonable detail" the information required under the Management Agreement and discussed with Stadium Authority• Receive Board input for purposes of developing the draft Plan |
| Next Steps | <ul style="list-style-type: none">• March 27: Adopt the Stadium Authority FY 2019/20 Recommended Budget and Approve the Stadium Operation and Maintenance Plan<ul style="list-style-type: none">• As it stands, the recommendation will include a request to not approve the Marketing Plan as written, and, if needed, to direct staff to pursue correction action (per Management Agreement, section 3.3.1) |



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POST MEETING MATERIAL

History of Marketing Plan

Milestone	Comments
Presented in previous years at time Stadium Authority budget considered for approval.	Provided Board little opportunity to discuss and deliberate strategically on its components.
2017 Audit of Stadium Operations* found Management Agreement's "reasonably detailed" requirement not met.	Board agreed, expressed concern for the absence of strategic detail and the need for an improved Marketing Plan.



*Harvey M. Rose Associates, LLC audit of Stadium operations to ensure compliance with Measure J. 3

Harvey M. Rose Audit Recommendation 1.L:

Board should direct Executive Director to notify ManCo that:

- **Previous annual marketing plans were inadequate** as they did not set forth **reasonably detailed** plans to develop, implement, and monitor marketing, booking, advertising, and promotion of non-NFL activities.
- Future marketing plans must include such details and be reviewed for sufficient detail by Executive Director before being presented to Board.



History of Marketing Plan

Milestone	Comments
Dec 2017 – Mar 2018 Stadium Authority staff and ManCo discuss audit recommendation, approaches to mutually approve Marketing Plan.	ManCo agreed to draft KPIs in FY 2018/19 Q1 to evaluate Marketing Plan effectiveness, as well as inform decision making process for next Marketing Plan (Stadium Authority staff to support).

History of Marketing Plan

Milestone	Comments
Draft 2018 Marketing Plan collaboratively presented to Board by Stadium Authority staff/ ManCo in advance of budget adoption public hearing.	Stadium Authority staff: <ul style="list-style-type: none"> • Noted improvements from previous Marketing Plans • Provided some data to show responsiveness to Audit recommendation • Stated intent to provide informational report to Board on ManCo's proposed Key Performance Indicators in FY 2018/19 Q2 (Jul-Sept)

Management Agreement – Standard of Care

2.9 Standard of Care. Subject to the limitations set forth in this Agreement, the Budget, and the Stadium Lease, the Stadium Manager shall exercise **prudent, commercially reasonable good faith efforts in managing** and operating the Stadium in accordance with the terms hereof so as to (a) maintain the Stadium in the Required Condition and operate the Stadium as a **quality NFL and multi-purpose public sports, public assembly, exhibit and entertainment facility, to a standard of quality comparable to other similar facilities** (except that the parties recognize that portions of the Stadium may be in need of capital upgrades); (b) **control Manager Operating Expenses, StadCo Operating Expenses and Stadium Authority Operating Expenses**; and (c) **maximize Operating Revenues**.

Standard of Care

- prudent, commercially reasonable good faith efforts in managing
- quality NFL and multi-purpose public sports, public assembly, exhibit and entertainment facility, to a standard of quality comparable to other similar facilities
- control Manager Operating Expenses
- maximize Operating Revenues

Management Agreement – Marketing Plan

4.10 Marketing Plan. ...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")...

Marketing Plan to include “Reasonable Detail”

- Marketing Plan must include in “reasonable detail” various information regarding Non-NFL Events.
- Marketing Plan must be mutually agreed upon by ManCo and Stadium Authority.

Marketing Plan to include “Reasonable Detail”

- A request to include further information in the Marketing Plan, and ManCo's response to, or rejection of, that request, must be based on Management Agreement terms and be commercially reasonable.
- We are not seeking inclusion of economics or financial forecast information on an event by event basis.
- Currently, Stadium Authority seeks information and data about the marketing strategies employed and its relationship to the financial “bottom line”.

Marketing Plan to include “Reasonable Detail”

- ManCo has full authority and discretion to determine Non-NFL Events, but must use commercially reasonable efforts to do so.
- ManCo must also exercise prudent, commercially reasonable good faith efforts for operating the Stadium, and maximizing revenues.
- ManCo must have a reasonable explanation why it rejects a request from the Stadium Authority for further detail in the draft Marketing Plan.

Primary Issues with draft 2019 Marketing Plan

- Absence of Data and Key Performance Indicators
- Naming Rights Agreement – Strategy and Compliance
- Non-NFL Revenues and Expenses Strategies
- Free Tickets or other Promotions/Giveaways

Data and Key Performance Indicators

- KPIs are the method of tracking and measuring financial and operational goals, successes and issues
- Strategic initiatives in 2018 Marketing Plan provided a solid foundation to improve the use of data analytics/metrics for monitoring desired performance and outcomes and a good starting point for ManCo to develop KPIs as planned/agreed.

Data and Key Performance Indicators

- In October 2018, Stadium Authority Executive Director sent a letter to Stadium Manager summarizing efforts and lack of progress since March, and expectation for ManCo to produce a comprehensive set of KPIs.
- ManCo met several times with Stadium Authority and, up until January 2019, confirmed inclusion of KPIs in the Marketing Plan.

Data and Key Performance Indicators

- Draft 2019 Marketing Plan does not include data that shows the outcome of strategic efforts, how success is measured, or informs the draft 2019 Marketing Plan activities.
- The KPI work that was completed is a good start for producing qualitative and quantitative data regarding the marketing and booking activity and the success of it.

Examples from 2019 Marketing Plan

Section	Stadium Authority Staff Assessment
Increased attendance at industry events and participation in strategic partnerships (p.4)	No data provided to quantify the effort or demonstrate how implementation of strategies are measured, and the failure or success of them. This information is useful for determining financial investment, changes to strategy, and where to focus limited resources for booking non-NFL events at the Stadium.



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Examples from 2019 Marketing Plan

Section	Stadium Authority Staff Assessment
Dynamic Ticket Pricing (p.14)	No data provided to demonstrate how “applying dynamic ticket pricing” is successful, or what additional revenue has been realized as a result of the practice. ManCo negotiates and executes promoter contracts for Non-NFL Events and has allowed for the inclusion of a provision that allows for the promoter to price tickets without limitation at \$0 (and \$0 ticket surcharge); it is reasonable for Stadium Authority to track ManCo's practices and be informed with how this feature results in financial gain or loss to the Stadium Authority.



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Dynamic Ticket Pricing

Levi's Stadium FY 2018/19 Non-NFL Event Statistics as of September 30, 2018

	Monster Jam 04/29/18	Taylor Swift Concert I 05/11/18	Taylor Swift Concert II 05/12/18	Earthquakes Soccer Match 07/22/18	Champions Cup Soccer Match 08/04/18	High School Football 09/20/18	OTR II Concert (Beyonce & Jay-Z) 09/28/18	2018/19 Q1-Q2 Special Events	2018/19 YTD Total
No. of Tickets Sold	35,302	29,333	50,503	22,281	43,393	3,802	47,235	-	231,849
Non-NFL Ticket Surcharge	\$ 141,268	\$ 117,332	\$ 202,012	\$ 89,124	\$ 173,572	\$ 15,208	\$ 108,940	\$ -	\$ 927,396
No. of Non-NFL Special Events	-	-	-	-	-	-	-	41	41
Non-NFL Special Event Attendees	-	-	-	-	-	-	-	15,943	15,943
Cars Parked at Offsite Lots	3,719	2,196	4,580	2,698	4,641	-	4,504	-	22,338
City Offsite Parking Fee	\$ 20,157	\$ 11,902	\$ 24,824	\$ 15,190	\$ 26,129	\$ -	\$ 25,358	\$ -	\$ 123,559
Stadium Public Safety Costs	\$ 209,965	\$ 239,039	\$ 234,710	\$ 184,611	\$ 201,868	\$ 8,007	\$ 231,496	\$ 31,602	\$ 1,341,286
Less: Offsite Parking Fee Credit	\$ (20,157)	\$ (11,902)	\$ (24,824)	\$ (15,190)	\$ (26,129)	\$ -	\$ (25,358)	\$ -	\$ (123,559)
Reimbursable Public Safety Costs	\$ 189,808	\$ 227,126	\$ 209,886	\$ 169,421	\$ 175,740	\$ 8,007	\$ 206,139	\$ 31,602	\$ 1,217,727
Amount Reimbursed	\$ 189,179	\$ 226,327	\$ 208,378	\$ 171,494	\$ 178,659	\$ 8,007	\$ 199,520	\$ 31,602	\$ 1,173,466



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Examples from 2019 Marketing Plan

Section	Stadium Authority Staff Assessment
Incentivize multi-year agreements (p.15)	There should be clear data that support these efforts. The record already has demonstrated that ManCo entered into at least one multi-year agreement that did not produce revenue, and in fact came at a multi-million annual loss to the Stadium Authority. This presents an example of where additional information about strategic efforts, and financial outcomes, are worthy of tracking data and measurable outcomes by the Stadium Authority.



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Multi-Year Agreements

EVENT TYPE	2014/15		2015/16		2016/17		2017/18	
	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue
Ticketed Events								
Concerts	0	\$ -	7	\$ 3,791,985	4	\$ 2,424,572	2	\$ 1,819,099
Sporting events:								
Football (non-NFL)	5	(3,007,907)	4	(2,316,903)	4	(2,946,165)	4	(3,601,827)
Soccer	2	3,948,144	2	891,300	5	2,414,209	3	3,228,754
Miscellaneous events	2	2,504,912	4	(149,392)	5	(159,175)	4	76,379
Subtotal Ticketed Events	9	\$ 3,445,149	17	\$ 2,216,989	18	\$ 1,733,441	13	\$ 1,522,405
Special Events (weddings, corporate events, etc.)	186	\$ 1,762,404	204	\$ 3,862,027	127	\$ 3,583,453	113	\$ 3,640,924
Total Non-NFL Net Revenue	195	\$ 5,207,553	221	\$ 6,079,016	145	\$ 5,316,894	126	\$ 5,163,329
Total Performance Rent paid to the General Fund ⁽¹⁾		\$ 2,513,777		\$ 2,932,008		\$ 2,533,447		\$ 2,439,164
Average General Fund Revenue per Ticketed Event		\$ 184,782		\$ 62,899		\$ 45,887		\$ 55,322

⁽¹⁾ Performance Rent is calculated as 50% of the net revenue from Non-NFL events less performance-based credit of 50% of fixed Ground Rent



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Naming Rights Agreement

- Naming Rights Agreement between Santa Clara Stadium Authority and Levi Strauss & Co (Levi's®) entered on May 9, 2013
- Initial Term is 20 years (March 1, 2014 – February 28, 2034)
- \$154.2 million total naming right fees are paid over Initial Term by Levi's® to Stadium Authority
 - \$5.7M first contract year
 - 3% annual increase

Naming Right Fees by Contract Year*

Mar 2014 – Feb 2015	\$5.70M
Mar 2015 – Feb 2016	\$5.87M
Mar 2016 – Feb 2017	\$6.05M
Mar 2017 – Feb 2018	\$6.23M
Mar 2018 – Feb 2019	\$6.42M

*Naming Rights Revenues in budget are FY based, which is different than Naming Rights Contract Year



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Naming Rights Agreement

- Naming Rights Agreement threshold metrics:
 - Stadium Authority is required to have at least 36 Major Events every three contract years (Three-Year Period)
 - Major event is any Non-NFL Event with 25,000+ attendees
- If less than 36 Major Events held during any Three-Year Period
 - Levi's® receives \$15,000 credit x the difference between 36 and the actual number of Major Events held
 - ManCo would pay to the Stadium Authority as liquidated damages the amount owed by the Stadium Authority to Levi's® (Second Amendment to the Management Agreement, section 3.1)



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Addressing Required Events under the Naming Rights Agreement

- Current metrics:

Three-Year Period	Major Events	Notes
Mar 2014 – Feb 2017	39	1 Super Bowl = 8 Major Events
Mar 2014 – Feb 2020	14	Through February 2019

Prepared by Stadium Authority staff –not found in Marketing Plan

- 22 Major Events to hold by Feb 2020 – 4 on Stadium Events Calendar
 - \$270,000 potential credit to Levi's® (18 x \$15,000)
- This should be a major driver/theme of the draft 2019 Marketing Plan; however, ManCo's draft is completely silent on this topic.



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Non-NFL Revenues and Expenses

Draft 2019 Marketing Plan Executive Summary

"Levi's® Stadium's non-NFL events business continues to generate revenue for the Stadium Authority while successfully bringing new shows and events to Santa Clara."



ManCo submittal of FY 2018/19 non-NFL revenues and expenses

Net revenues estimate lower than prior projections and historical production (>\$5M annual average)

- \$750,000 for FY 18/19
- \$175,000 for FY 19/20

Draft 2019 Marketing Plan does not acknowledge the significant net revenue reduction or address strategies of how such a reduction can be mitigated.

SCSA

SANTA CLARA STADIUM AUTHORITY

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Free Tickets or other Promotions/Giveaways

- No metrics in draft 2019 Marketing Plan demonstrate how practice of distributing Free Tickets or other Promotions/Giveaways will achieve favorable strategic results, such as:
 - attract other events
 - increase Stadium Authority revenue
 - how Stadium Authority is compensated for lost revenue and/or increased public safety costs
- The Stadium Authority reasonably requests metrics about how these practices relate to how ManCo books events and otherwise meets its duties under the Standard of Care (2.9)

SCSA

SANTA CLARA STADIUM AUTHORITY

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Fiscal Impact of Marketing Plan

The effectiveness of the Marketing Plan to market and book Non-NFL Events at Levi's® Stadium has a direct impact on the "bottom line" amount of Stadium Authority revenue, and the amount paid to the City's General Fund.

ManCo's Response

- There appears to be some confusion over the appropriate information to be included in the Marketing Plan ("MP"). Pursuant to the Management Agreement, the MP presents our plan to "...develop, implement and monitor marketing, booking, advertising and promotion of Non-NFL Events...".
- It is not intended to be a reference manual on the basic economics of hosting ticketed events.

ManCo's Response

- [How comp tickets are used for major ticketed events] was already explained to you.
- If you would like further explanation of how comp tickets work, scanned versus sold, per capita spending at different event types, the mechanics of dynamic ticket pricing, the role of ticket brokers, etc. we would be happy to set up a meeting to discuss that with you. But that is not the purpose of the MP.



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ManCo's Response

- We are not refusing to make any changes, nor are we planning to submit a revised draft at this time.
- My suggestion is to collect any Board input you deem appropriate on this matter and then please send us your detailed comments on the Marketing Plan, incorporating comments from your Board. Upon receipt, ManCo will consider those comments, and potentially send you a revised draft.
- We disagree with much of what you have written. I don't plan to attend this meeting, but we look forward to receiving your detailed comments, including any input from your Board.



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Conclusion

- Following the Management Agreement terms and the parties' discussions, the Stadium Authority reasonably requested and expects the Marketing Plan to include:
 - Meaningful KPIs that provide enough statistical information to evaluate and measure the effectiveness of the 2018 Marketing Plan and/or inform the decision making process over time and, specifically, for the 2019 marketing activities, as ManCo has already agreed.
 - Basic information related to the Naming Rights Agreement metrics.



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Conclusion

- Following the Management Agreement terms and the parties' discussions, the Stadium Authority reasonably requested and expects the Marketing Plan to include:
 - Data about Dynamic Pricing/Free Tickets or other Promotions/Giveaways as it has direct financial consequences and, at the core, it is directly related to how ManCo books events and executes the contracts.
 - Strategies being employed to advance favorable revenue conditions and overall success for the Stadium Authority.



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Conclusion

- It is more important and effective for the draft 2019 Marketing Plan to acknowledge the actual context of Non-NFL Revenues and Expenses and remedy the projected net non-NFL revenue reduction, and provide the data to substantiate this trend, rather than include a general statement regarding successes.

Recommendation

Review and provide input on the draft 2019 Non-NFL Events Marketing Plan as prepared by the Forty Niners Stadium Management Company, LLC

SCSA

Santa Clara Stadium Authority

Table 3
Levi's® Stadium
2018/19 Non-NFL Event Statistics
As of September 30, 2018

	Monster Jam 04/28/18	Taylor Swift Concert I 05/11/12	Taylor Swift Concert II 05/12/18	Earthquakes Soccer Match 07/22/18	Champions Cup Soccer Match 08/04/18	High School Football 09/21/18	OTR II Concert (Beyonce & Jay-Z) 09/29/18	2018/19 Q1-Q2 Special Events	2018/19 YTD Total
No. of Tickets Sold	35,302	29,333	50,503	22,281	43,393	3,802	47,235	-	231,849
Non-NFL Ticket Surcharge	\$ 141,208	\$ 117,332	\$ 202,012	\$ 89,124	\$ 173,572	\$ 15,208	\$ 188,940	\$ -	\$ 927,396
No. of Non-NFL Special Events	-	-	-	-	-	-	-	41	41
Non-NFL Special Event Attendees	-	-	-	-	-	-	-	15,943	15,943
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City Offsite Parking Fee	\$ 20,157	\$ 11,902	\$ 24,824	\$ 15,190	\$ 26,129	\$ -	\$ 25,358	\$ -	\$ 123,559
Stadium Public Safety Costs	\$ 209,965	\$ 239,028	\$ 234,710	\$ 184,611	\$ 201,868	\$ 8,007	\$ 231,496	\$ 31,602	\$ 1,341,286
Less: Offsite Parking Fee Credit	\$ (20,157)	\$ (11,902)	\$ (24,824)	\$ (15,190)	\$ (26,129)	\$ -	\$ (25,358)	\$ -	\$ (123,559)
Reimbursable Public Safety Costs	\$ 189,808	\$ 227,126	\$ 209,886	\$ 169,421	\$ 175,740	\$ 8,007	\$ 206,139	\$ 31,602	\$ 1,217,727
Amount Reimbursed	\$ 189,179	\$ 226,327	\$ 208,378	\$ 171,494	\$ 178,959	\$ 8,007	\$ 159,520	\$ 31,602	\$ 1,173,466

0

POST MEETING MATERIAL

Agenda Report

19-1606

Agenda Date: 3/19/2019

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Study Session: Discussion of the Proposed Santa Clara Stadium Authority Fiscal Year 2019/20 Budget and Stadium Authority Compliance and Management Policy

BACKGROUND

The Stadium Management Agreement (Management Agreement) defines the Stadium Operation and Maintenance Plan (SOMP) as the plan designed to achieve a safe and well maintained Stadium, and shall include the standards for management and operation of the Stadium, including the required security, staffing, and other required elements of hosting Stadium Events. The Stadium Manager is responsible for preparing the SOMP, each of which shall be presented annually to the Stadium Authority, which has to include the:

1. Annual Shared Stadium Expense Budget,
2. Annual Public Safety Budget,
3. Capital Expenditure Plan, and
4. Marketing Plan.

Each year, the Stadium Authority staff prepares, in coordination with the Forty Niners Stadium Management Company (ManagementCo), the proposed Santa Clara Stadium Authority (Stadium Authority) Operating, Debt Service, and Capital Budget for the Stadium Authority's twelve month fiscal year (April 1 through March 31 of the following year) in accordance with Article 4 "*Records, Accounts, Budgets, and Reports*" of the Stadium Management Agreement (Management Agreement).

Following the process implemented last year, the Stadium Authority Board (Board) will review and provide input on the draft 2019 Marketing Plan as prepared by ManagementCo during a Study Session following the discussion of the Proposed Budget.

The Stadium Operations Agreement between the Stadium Authority and Forty Niners SC Stadium Company LLC (StadCo) states (section 8) that with the draft budget, the Stadium Manager shall deliver to the Stadium Authority and StadCo, for review and comment, any proposed updates or revisions to documents applicable to the traffic management, security and public safety at Stadium Events for such Lease Year (Public Safety Document Updates). Stadium Authority staff will provide an informational report to the Board regarding these updates following completion of the review process anticipated for Spring 2019.

On January 31 and February 1, 2019, the Santa Clara City Council held two full-day sessions to review the state of the organization, advancements of policy priorities, and key data that provided direction on managing the City going forward. Following the [Overview of City Council Operational and Strategic Priority Setting Sessions](http://santaclaraca.gov/government/council/council-goals) <<http://santaclaraca.gov/government/council/council-goals>>.

Board Members provided feedback to staff on their priorities for the organization. The priorities of individual Board Members are discussed below.

DISCUSSION

This report to the Stadium Authority transmits the Fiscal Year 2019/20 Stadium Authority Proposed Operating, Debt Service, and Capital Budget (Attachment 1) the Public Safety Budget that is required per the SOMP and is prepared by ManagementCo (Attachment 2). The budget document includes key components such as the Executive Director's Transmittal Letter, Stadium Operating Budget which includes a breakdown of the Stadium Authority's General and Administrative costs, Shared Stadium Manager expenses including the total expenses and the Stadium Authority's share of those expenses, Debt Service budget, and the Capital Budget. In addition, staff has included glossaries of commonly used financial terms in this proposed budget to facilitate understanding the types of revenues, expenses, debt, and capital expenses.

In accordance with Sections 4.5 through 4.8 of the Management Agreement, ManagementCo submitted the operating, capital, and debt budget for the FY 2019/20 Stadium Authority Budget. Staff followed the budget development process outlined in the [Stadium Authority Budget Policy <http://santaclaraca.gov/home/showdocument?id=57074>](http://santaclaraca.gov/home/showdocument?id=57074) in preparing the Proposed FY 2019/20 Stadium Authority Budget. The goal of the budget development process is that the Budget is presented to the Board and the public at one Study Session and one Public Hearing before its final approval.

Steps that were followed during the budget process are listed below:

- In November, Stadium Authority staff met with ManagementCo to develop the annual budget plan which included the dates that ManagementCo would provide all necessary documents as required by the Stadium Lease and Stadium Management Agreement.
- In January, ManagementCo provided annual documents as outlined in the Stadium Agreements, which were used in the Budget Development Process:
 - Stadium Operations and Management Plan (*Source: Stadium Management Agreement*)
 - Annual Shared Expense Budget with Five Year Projection (*Source: Stadium Management Agreement*)
 - Annual Stadium Authority Operations Budget (*Source: Stadium Management Agreement*)
 - Annual Public Safety Budget (*Source: Stadium Management Agreement*)
 - Capital Expenditure Plan with Five Year Projection (*Source: Stadium Management Agreement*)
 - Non-NFL Event Marketing Plan (*Source: Stadium Management Agreement*)
 - Public Safety Document Updates (*Source: Stadium Operations Agreement*)
- January through early March, Stadium Authority staff fully analyzed ManagementCo's budget submission including but not limited to the number of full-time equivalents (FTEs) recommended and related personnel costs as well as non-personnel costs and calculated the budget for Stadium Authority General and Administrative (G&A) costs (such as staff costs, consulting, audit, legal, and any reasonable and necessary expenses to uphold its support of the Board) as well as any necessary funding to be used for the Stadium Authority's Discretionary Fund.

The Proposed Budget represents information available to the Stadium Authority as of March 13, 2019. ManagementCo submitted additional budget information on March 14 that has not been included in this report as staff has not had sufficient time to properly analyze or research the new requests. Staff will update the Board at the March 27 meeting on the status of the additional submittals.

It is important to note that during the budget review process, the Stadium Authority had several rounds of questions and clarifications for ManagementCo in reference to their budget submittals. ManagementCo provided the Stadium Authority with an estimated Net Non-NFL Event Revenue amount of \$750,000 for events held in the current FY 2018/19. Staff requested that ManagementCo provide supporting documentation, given that the fiscal trend information and documentation provided to date did not support this revised net revenue, and ManagementCo was unable to provide staff with the supporting documentation to determine how such a low value was calculated when compared to prior years. As such, once the event information is received and validated, a budget adjustment may be required if gross Non-NFL expenses are determined to be higher than budget. This due diligence will need to be completed in FY 2019/20 and does not assume a budget adjustment in this proposed budget. Accordingly, the Stadium Authority has elected to maintain projected revenue of \$4.0 million for Net Non-NFL Event Revenue in 2018/19 based on staff's analysis of the event make-up compared to prior years and draft profit and loss ("P&L") statements that were prepared by ManagementCo that support this projection.

ManagementCo also did not provide a budget amount for FY 2019/20 for Non-NFL revenues and expenses at the gross level nor an estimate for the FY 2019/20 Net Non-NFL Event Revenue. Therefore, staff continued the past practice of budgeting at the Net Non-NFL Event Revenue level at \$5.8 million, which is based on the Stadium Marketing and Booking Fee Benchmark for FY 2019/20 as outlined in Section 3.4 of Amendment No. 1 to the Management Agreement.

In addition, ManagementCo requested \$507,000 for "Other Expenses". This was an increase of approximately \$400,000 when compared to the prior year. ManagementCo stated that this increase was an estimate of additional ManagementCo costs required to perform additional services requested by the Stadium Authority. The Stadium Authority believes that it has been reasonable with its requests to perform oversight based on the requirements of the various agreements. With that in mind, Stadium Authority staff is recommending a budget of \$200,000 in the "Other Expense" line item and, upon supporting documentation; staff is amendable to bringing forward a budget adjustment with the appropriate detail of what the expense will fund. However, if there have been additional services requested of ManagementCo, they have been either consistent with the agreements while not implemented in prior years, have been denied by ManagementCo, or, in some cases, we feel may have resulted in the Stadium Authority not fully understanding the full financial transactions of ManagementCo.

In an effort to continue to strengthen the SCSA's policies to improve governance, transparency, and responsiveness to the Santa Clara community and Levi's® Stadium obligations, the proposed budget includes an update on the Stadium Authority FY 2019/20 Work Plan, first presented to the Board on November 27, 2018. The Work Plan includes efforts such as ensuring compliance with agreements, City Code and applicable laws and regulations; developing policy options; and evaluating and implementing changes to the City's deployment of public services to support events at Levi's

Stadium. Additionally, the feedback received from individual Board Members (Attachment 3) following the [Overview of City Council Operational and Strategic Priority Setting Sessions](http://santaclaraca.gov/government/council/council-goals) <<http://santaclaraca.gov/government/council/council-goals>> held on January 31 and February 1, 2019 is consistent with the proposed FY 2019/20 Work Plan. The recommended G&A budget includes funding to implement this Work Plan.

Additionally, this proposed budget is accompanied with a recommended Stadium Authority Compliance and Management Policy for the Board to consider (Attachment 4). The Santa Clara City Council has established a policy priority that applies to the City's public services support of the Stadium Authority, which is to "Ensure Compliance with Measure J and Manage Levi's® Stadium". As part of planned separate action in this budget process, this policy priority is presented to the Board to adopt and to establish the foundation for how the Board governs the Stadium Authority and how staff implements the Board's directives. This policy, if approved, will be incorporated in the Stadium Authority Board Policy Manual and published on the Stadium Authority's website.

The proposed operating budget reflects total revenues and expenses of \$73.6 million, which is a decrease of \$58.5 million from the prior year. This is due to the ManagementCo not providing projected gross revenues and expenses for Non-NFL events for 2019/20. As mentioned previously, ManagementCo did not provide supporting documentation related to 2018/19 Non-NFL events which the Stadium Authority staff could have used to estimate the 2019/20 budget amount versus assuming \$5.8 million per the Stadium Marketing and Booking Fee Benchmark for FY 2019/20 as outlined in Section 3.4 of Amendment No. 1 to the Management Agreement.

Key highlights for the Stadium Authority's 2019/20 budget are as follows:

Operating Budget -

Revenues

- 2019/20 total projected revenues of \$73.6 million includes \$25.4 million in Stadium Builder License (SBL) revenue, \$24.8 million in facility rent, \$8.1 million in NFL ticket surcharge, \$6.8 million in Naming Rights revenue, \$5.8 million in Net Non-NFL events, \$1.2 million in Non-NFL ticket surcharge, and \$1.5 million in miscellaneous other revenues.

Expenses

- The proposed Operating budget equals \$73.6 million and includes the Stadium Authority's share of expenses covered under the Management Agreement in the amount of \$11.9 million along with monies sufficient to fulfill the Stadium Authority's administrative oversight of the Stadium in the amount of \$2.5 million (of which \$1.2 million is for staff support and Board stipends), ground rent of \$355,000, Senior/Youth fees of \$230,000, and performance rent of \$2.7 million. It also includes transfers out of \$51.2 million as detailed below.
- Total transfers out of \$51.2 million include a \$3.5 million transfer to the Capital Fund for future Stadium capital improvements and \$47.7 million to the Debt Service Fund.

Debt Service Budget -

- The proposed 2019/20 Debt Service Budget of \$51.5 million (principal of \$34.8 million and interest of \$16.7 million) is based on the required debt service payments and anticipated excess revenue that will be used to prepay debt. Total outstanding debt is projected to decrease by \$34.8 million from \$340.1 million to \$305.3 million.

Capital Expense Budget -

- The FY 2019/20 Capital Expense Budget totals \$14.4 million. Of this total, \$6.4 million of prior year appropriations are carried over into FY 2019/20. New capital improvement appropriations equal \$8.0 million.

Reserves -

- Total reserves are expected to be \$29.1 million at the end of FY 2019/20. This is composed of an operating reserve of \$11.6 million, a discretionary fund balance of \$2.3 million, a debt service reserve of \$11.5 million and a capital expenditure reserve of \$3.7 million.

FISCAL IMPACT

The proposed 2019/20 budget includes \$73.6 million for operating costs (includes transfers out to Debt Service and Capital Funds), \$51.3 million for debt service, \$14.4 million for capital (includes a \$6.4 million carryforward from the prior year) and \$29.1 million in total reserves.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environment Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

COORDINATION

This report has been coordinated with the City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office beginning the Thursday evening before the Tuesday meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Review and provide input on the Santa Clara Stadium Authority Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget and Stadium Authority Compliance and Management Policy.

Reviewed by: Angela Kraetsch, Treasurer

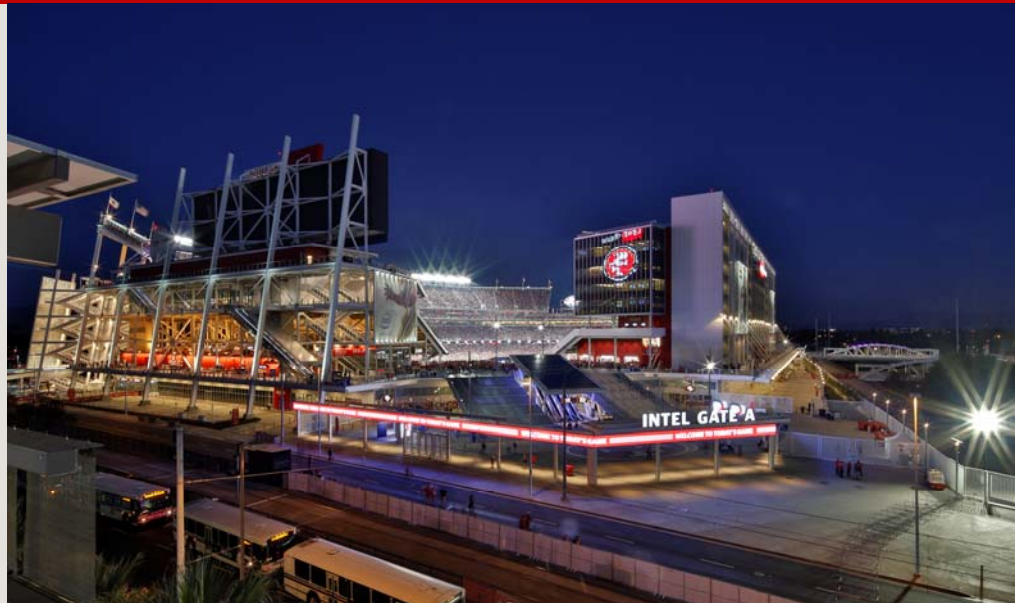
Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. Santa Clara Stadium Authority Proposed Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget
2. Annual Public Safety Budget
3. Stadium Authority Individual Board Member Priorities
4. Stadium Authority Compliance and Management Policy

Santa Clara Stadium Authority

PROPOSED FISCAL YEAR 2019/20 OPERATING, DEBT SERVICE AND CAPITAL BUDGET



On June 8, 2010 the residents of Santa Clara voted to adopt Measure J, the Santa Clara Stadium Taxpayer Protection and Economic Progress Act, resulting in the approval to construct a new stadium to be leased by the San Francisco 49ers. Measure J called for the creation of the Santa Clara Stadium Authority (Stadium Authority) to own, develop, construct, operate, and maintain the Stadium. The Stadium Authority exists as a public body, separate and distinct from the City. The Stadium Authority is structured so that the City is not liable for the debts or obligations of the Stadium Authority.

This budget and additional financial information on the Stadium Authority can be found at: "santaclaraca.gov/government/stadium-authority".

1500 Warburton Avenue
Santa Clara, CA 95050
Phone: (408) 615-2210
Website: santaclaraca.gov/government/stadium-authority
Email: communications@santaclaraca.gov



International Champions Cup Soccer
August 2018



Redbox Bowl
December 2018

Santa Clara Stadium Authority

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March 27, 2019

Honorable Board Chair and Directors
SANTA CLARA STADIUM AUTHORITY

Subject: Proposed Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget

Members of the Board,

As required in the Santa Clara Stadium Authority ("Stadium Authority") Management Agreement, Section 4.6, I transmit the Proposed Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget for the Stadium Authority. This budget provides the necessary funding to administer the duties of the Stadium Authority, including:

- Support for operating the Stadium for Non-NFL events through the Forty-Niners Stadium Management Company ("ManagementCo");
- Advancement of the FY 2019/20 Work Plan;
- Payment of debt service obligations; and,
- Maintenance of a five-year capital plan.

The Stadium Authority, a public entity, owns Levi's® Stadium and contracts with ManagementCo for promotion of Non-NFL events and facility operations and maintenance. This operational structure is implemented by using a variety of ManagementCo staff, vendors, and public service employees through reimbursement procedures. The Stadium Authority Board ("Board") provides overall governance and oversight of this operational structure, with use of Stadium Authority staff to support the Board's efforts. Amongst other due diligence requirements to support these duties, the Board is also responsible for: setting policy; debt and fiscal management; ensuring implementation required to uphold core duties related to operations and capital projects; and oversight or due diligence efforts as necessary. While meeting the Stadium Authority's requirements, this budget continues to advance strategic initiatives necessary to ensure that the Board is responsive to various stakeholders and constituencies participating in advancing Levi's® Stadium's purpose (e.g., residents, businesses, national and regional clients, and various other interested parties).

PROPOSED BUDGET IN BRIEF

In January 2019, ManagementCo provided the Stadium Authority with an estimated Net Non-NFL Event Revenue amount of \$750,000 for events held in the current fiscal year 2018/19. Upon receipt of this information, staff requested that ManagementCo provide supporting documentation, given

HONORABLE BOARD CHAIR AND DIRECTORS

SANTA CLARA STADIUM AUTHORITY

Subject: Proposed Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget

March 27, 2019

that the fiscal trend information and documentation provided to date did not support this revised net revenue, and ManagementCo was unable to provide staff with the supporting documentation to determine how such a low value was calculated when compared to prior years. As such, once the event information is received and validated, a budget adjustment may be required if gross Non-NFL expenses are determined to be higher than budget. This due diligence will need to be completed in FY 2019/20 and does not assume a budget adjustment in this proposed budget. Accordingly, the Stadium Authority has elected to maintain projected revenue of \$4.0 million for Net Non-NFL Event Revenue in FY 2018/19 based on staff's analysis of the event make-up compared to prior years and draft profit and loss ("P&L") statements that were prepared by ManagementCo that support this projection.

In addition, ManagementCo requested \$507,000 for "Other expenses". This was an increase of approximately \$400,000 when compared to the prior year. ManagementCo stated that this increase was an estimate of additional ManagementCo costs required to perform additional services requested by the Stadium Authority. Section 2.9 of the Management Agreement requires ManagementCo to "operate the Stadium as a quality NFL and multi-purpose public sports, public assembly, exhibit and entertainment facility, to a standard of quality comparable to other similar facilities". Section 2.9 also requires ManagementCo to "Control Manager Operating Expenses, StadCo Operating Expenses and Stadium Authority Operating Expenses".

The Stadium Authority believes that it has been reasonable with its requests to perform oversight based on the requirements of the various agreements. Accordingly, the Stadium Authority does not believe that our requests are above and beyond the normal costs of their day to day operations and would like to understand more details of this request and their characterization as "additional services". With that in mind, Stadium Authority staff is recommending a budget of \$200,000 in the "Other Expense" line item and, upon supporting documentation, staff is amenable to bringing forward a budget adjustment with the appropriate detail of what the expense will fund. However, if there have been additional services requested of ManagementCo, they have been either consistent with the agreements while not implemented in prior years, have been denied by ManagementCo, or, in some cases, we feel may have resulted in the Stadium Authority not fully understanding the full financial transactions of ManagementCo.

Like last year, this Proposed Budget is presented on an accrual basis which provides increased transparency for projected revenues and expenses, with added detail about financial transfers. The total Stadium Authority Operating Budget for FY 2019/20 is \$73.6 million and represents a decrease of \$58.5 million, or 44% reduction, compared to the prior fiscal year. This decrease is primarily due to the inability to budget the Non-NFL event revenue and expenses at the gross level in FY 2019/20 due to ManagementCo's reservation with forecasting fiscal activity for non-scheduled Non-NFL

**HONORABLE BOARD CHAIR AND DIRECTORS
SANTA CLARA STADIUM AUTHORITY**

**Subject: Proposed Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget
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events. Therefore, staff budgeted \$5.8 million which continued the past practice of budgeting at the Net Non-NFL Event Revenue level based on the Stadium Marketing and Booking Fee Benchmark for FY 2019/20 as outlined in Section 3.4 of Amendment No. 1 to the Management Agreement.

KEY ISSUES IN THE PROPOSED BUDGET

There are several key issues to surface as part of the discussion for the Proposed FY 2019/20 Operating, Debt Service, and Capital Budget: Stadium Authority Financial Management System, Naming Rights Agreement, Performance Rent, General and Administrative Expenses, Debt Service Payments, Capital Expense Budget, and Marketing Plan.

Stadium Authority Financial/Accounting Management System - On March 1, 2019, the ManagementCo and Stadium Authority staff discussed the opportunity to establish a stand-alone Stadium Authority financial/accounting management system. Over the past years, ManagementCo has commingled its portion of the revenues and expenses of the Stadium Authority into its San Francisco 49ers financial management system. There has been dispute over possession of documents, access to financial information, and overall improved knowledge of the complete set of financial information pertaining to the Stadium Authority. ManagementCo now agrees to work with the Stadium Authority to establish a segregated financial management system for the Stadium Authority, where Stadium Authority staff has full access to the system, supporting documentation, and in real-time (not at the end of the fiscal year or on other terms that require the Stadium Authority to always look backwards to understand financial activity). The Work Plan and details to support this effort still need to be established, but there is already some level of agreement on approach to achieve implementation. Not included in this budget, and subject to more due diligence, is the Stadium Authority staffing costs, along with the Stadium Authority's portion of costs to procure such system, which will be brought back to the Stadium Authority Board when completed and prepared for Board consideration.

Naming Rights Agreement between Santa Clara Stadium Authority and Levi Strauss & Co. ("Naming Rights Agreement") - It is important to note, that the Naming Rights agreement with Levi's® requires the Stadium Authority to hold at least 36 "Major Events" (with 25,000+ attendees) every three contract years. As of this report, the current number of Major Events held at Levi's® Stadium was fourteen (14) with one year remaining in the current three year period. If fewer than 36 major events are held in the three-year period, Levi's® receives a credit of \$15,000 multiplied by the difference between 36 and the actual number of events held during the three year period. The Second Amendment to the Stadium Management Agreement states that ManagementCo would pay

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the Stadium Authority as liquidated damages the amount owed by the Stadium Authority to Levi's®. Given the timing of the agreement terms, this will no doubt be an issue to address in the next fiscal year.

Naming Rights Agreement Three-Year Periods	Number of Major Events
March 1, 2014 to February 28, 2017	39
March 1, 2017 to February 29, 2020	14*

* Through February 2019

Performance Rent - As stated previously, Net Non-NFL Event Revenue directly impacts the amount of Performance Rent that is an expense to the Stadium Authority and paid to the City of Santa Clara. Performance Rent is calculated using 50% of the Net Non-NFL Event Revenue minus performance based credits (see page 28 for more detail on Performance Rent).

Performance Rent Calculation	Fiscal Year 2018/19 Projection	Fiscal Year 2019/20 Budget
Ground Rent	\$ 320,000	\$ 355,000
Net Non-NFL Event Revenue	\$ 3,956,000	\$ 5,796,000
50% of Net Non-NFL Event Revenue	\$ 1,978,000	\$ 2,898,000
Performance Rent Credit (50% of Ground Rent)	\$ (160,000)	\$ (177,500)
Total Performance Rent paid to the City of Santa Clara	\$ 1,818,000	\$ 2,720,500

General and Administrative Expenses - The General and Administrative (G&A) portion of the proposed budget funds expenses to implement the Board's direction and oversight of the Stadium per the various authoritative agreements. As more staff resources have been required to advance the Board's directives, with some remaining gaps in services, Stadium Authority staff has increased its budget to reflect the required general oversight, accounting, and new resources for neighborhood mitigation efforts and ongoing undesirable impacts to neighborhoods resulting from events at the Stadium. Stadium Authority staff recommends a G&A budget for FY 2019/20 totaling \$2.5 million, an increase of \$795,000 or 47% from the prior fiscal year. The Stadium Authority G&A budget makes up 3% of the FY 2019/20 Proposed Stadium Authority Expense Budget of \$73.6 million. A portion of the increase is due to increases in salaries and benefits per negotiated Memorandum of Understandings ("MOUs"), projected increases in the percentage of time City employees are allocating to the Stadium Authority based on increased workload, adding additional support staff approved by Council on September 18, 2018 for record keeping and administrative support, as well as the partial funding of a Deputy City Manager position with specific focus on neighborhood services, policy development pertaining to improved neighborhood conditions during events, deployment of the multi-department public services coordination and oversight, and assignment of routine Stadium issues that require City response and action.

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Additionally, the Santa Clara City Council has established a policy priority that applies to the City's public services support of the Stadium Authority, which is to "Ensure Compliance with Measure J and Manage Levi's® Stadium". As part of planned separate action in this budget process, this policy priority is presented for the Board's consideration to establish the foundation for how the Board governs the Stadium Authority and how staff implements the Board's directives in compliance with Measure J.

Debt Service Budget - The FY 2019/20 Debt Service Budget of \$51.5 million is based on the required and additional payments for principal of \$34.8 million and interest of \$16.7 million. The budget reflects a total decrease of \$34.8 million of outstanding debt from \$340.1 million to \$305.3 million.

Capital Expense Budget - The FY 2019/20 Capital Expense ("CapEx") Budget totals \$14.4 million, which includes \$6.4 million in carryover expenses from the prior year. This budget includes various security improvements, fencing on Tasman, furniture replacement and upgrades, and public safety equipment (a detailed list of CapEx projects begins on page 40).

Marketing Plan - The Stadium Management Agreement states that the Stadium Operation and Maintenance Plan (SOMP) shall include a Marketing Plan (4.10), and the Stadium Lease states that the SOMP shall be presented annually to the Stadium Authority for their consideration and approval (7.2). As part of last year's Stadium Authority budget approval process, ManagementCo and Stadium Authority staff presented the draft Marketing Plan to the Board during a Study Session. This practice allows the Board an opportunity to discuss the effectiveness of the proposed strategies and ask questions.

During discussion of last year's Marketing Plan, the Board discussion supported the mutual effort of ManagementCo and Stadium Authority to develop key performance indicators (KPIs) for the purpose of tracking marketing strategies and the outcomes achieved. The Board approved a recommendation to complete this work within 90 days and collect data. This was not completed, as discussed in November 2018 with the Board, and, unfortunately, the proposed 2019 Marketing Plan did not include KPIs.

The Management Agreement specifically provides that the marketing plan will include information in reasonable detail, as mutually agreed upon by ManagementCo and Stadium Authority. ManagementCo's submitted draft was not mutually agreed upon by the Executive Director, given the Board's discussion last year regarding KPIs. Additionally, given the above discussion relative to the Naming Rights Agreement and the Executive Director's request to include reference to the Naming Rights Agreement and strategies to achieve compliance, which were denied during development of the draft, it is the Executive Director's position that the proposed draft Marketing Plan does not

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include reasonable details that a Marketing Plan should contain, and that were committed to (e.g., KPIs) by ManagementCo last year, to monitor and track activity to book Non-NFL events successfully and in accordance with the goals as described in various agreements and documents. Further, given that ManagementCo's draft 2019 Marketing Plan does not address the various issues that we had discussed with them for over a year, Stadium Authority staff took the effort to detail our questions and comments in good faith and toward achieving a mutually agreed to 2019 Marketing Plan and ManagementCo must do the same. As such, the Executive Director does not recommend approval of the 2019 Marketing Plan given the absence of key information that is pertinent to comply with existing agreements (e.g., Naming Rights Agreement), commitments (e.g., KPIs), and good faith efforts to achieve mutual agreement.

STRATEGIC INITIATIVES AND ACCOMPLISHMENTS

In FY 2018/19, the first ever Stadium Authority Executive Director's Annual Report was published and publicly presented on November 27, 2018 at the Stadium Authority meeting. This marked a significant departure from past practice and demonstrated that the work between the Board and Executive Director were better aligned toward establishing set priorities, initiatives, and with the ability to achieve outcomes.

This past year can easily be characterized as getting the Stadium Authority's business in order, expanding transparency of this public agency's work, and ensuring compliance with Agreements in place for proper oversight of this publicly owned asset. The Board has shown great leadership and support for Stadium Authority's staff work and together we have established strong oversight practices with initial baseline data to inform public safety/public service strategic decision making.

However, our work is not complete and Stadium Authority staff has a good understanding of additional areas that require completion, review, or improved performance. For example, after a year of studying our deployment model and researching other models, we understand deficiencies in our neighborhood deployment during events at Levi's® Stadium, areas of accounting that requires reconciliation, and required communications to optimize our limited public safety/public service resources to support events. It is my opinion that these gaps in service require more resources to meet the Board's direction, establish internal policies, and implement new practices that meet community needs. Staff has been proactive in addressing these resource requirements as evidenced in our recent success with robust recruitment efforts for the "double badge" law enforcement program that resulted in over 40 applicants in one month, detailed reporting on the average value of Non-NFL events and the required activity to support the financials reported (e.g., concerts, soccer, Non-NFL football [College and High School], and non-ticketed events), and have tested new communication strategies to keep our community informed.

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Stadium Authority staff initiated and/or accomplished several major work efforts over the past year including, but not limited to:

- **Community Engagement** - (1) Conducted a robust Community Outreach and Engagement work plan to obtain statistically valid data relative to public opinion on community impacts resulting from Levi's® Stadium and for future policy development. Specifically, the purpose of this work plan was to identify the community's perspectives on issues related to Levi's® Stadium such as noise, public safety, nuisances, parking, flyovers, crowd control, cleanliness, loitering, lighting, pyrotechnics/fireworks, performance curfew, and other items. (2) Established a dedicated telephone number to receive input from residents. (3) Increased social media presence to provide advance notice and information about events at Levi's® Stadium. This effort was for both ManagementCo and Stadium Authority to be informed of the community sentiment and develop strategies for addressing them.
- **Noise Monitoring** - Implemented web-based, publicly available, ongoing, real-time noise monitoring services in the areas surrounding the Stadium and training facility.
- **College Football Playoff ("CFP") Championship Game** - Stadium Authority, ManagementCo, and the Bay Area Host Committee ("BAHC") entered into an Assignment and Assumption Agreement that will result in no losses to Stadium Authority budget or the City of Santa Clara's General Fund. In accordance with this agreement, approved by the Board on July 17, 2018, BAHC is responsible for all net expenditures; will share any net revenues with Stadium Authority, if applicable; and, will provide a complete accounting of all revenues and expenses, including supporting documentation. The Stadium Authority has audit rights for which staff will pursue over FY 2019/20 and, at the timing of writing this budget cover letter, is actively closing out reimbursement requirements for public services provided to BAHC for the CFP game.
- **Implemented Measure J Compliance Audit Recommendations** - The Stadium Authority Ad Hoc Audit Committee of the Board ("Committee") maintained a regular meeting schedule to receive updates on staff's efforts to implement the 37 audit recommendation in the Harvey M. Rose Associates, LLC Comprehensive Audit of Stadium Authority Finances. As reported to the Committee on October 29, 2018, Stadium Authority has now implemented approximately 70% of the audit recommendations, and these audit recommendations have provided for strengthened oversight and increased transparency of Stadium Authority's operations for Levi's® Stadium by improved fiscal and operational data and management practices. Examples include the discovery of significant funds held by ManagementCo that have now been transferred over to the Stadium Authority, violations of procurement requirements that will require corrective action by the Board, violations of procurement requirements with respect to required reporting for financial transactions between \$100,000 to \$250,000, and changed administrative processes or formalized practices by Stadium Authority staff. Additional meetings are planned in FY 2019/20 to present additional compliance with these audit recommendations.

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- **Independent Auditor Function** - The Stadium Authority Agreements allow for a designated Auditor to perform reviews of all Stadium Authority work. This past year, the Stadium Authority Ad Hoc Committee and Board reviewed and approved staff's proposal to establish a formal Stadium Authority Auditor. In turn, after a robust recruitment process, City/Stadium Authority Auditor Linh Lam was appointed to this role; she is a Certified Public Accountant who has met the State of California audit experience requirement, qualifying her to attest to reports, findings, and audit engagements. Already, the Stadium Authority Auditor has worked to address performance audits, including a proposed audit of ManagementCo's procurement practices due to their recent violation with Section 2.1 of the First Amendment to the Stadium Management Agreement. The Auditor, with support of consultant services, will also work to reconcile the past four years of general ledger entries and the Construction Fund expenditures that have been the focus of past Board meetings.
- **Policy Manual Development** - As capacity has allowed, established a Board Policy Manual as part of strengthening the Stadium Authority's policies to improve governance, transparency, and responsiveness to the Santa Clara community and Levi's® Stadium obligations.
- **Stadium Authority Coordination** - Instituted weekly Stadium Authority staff business meetings to develop stronger proactive community communications with the goal of addressing concerns revealed from the community research work. These meetings provide a forum to address community issues, and for organizational awareness of City and Stadium Authority services required to support Levi's® Stadium, staffing coverage and deployment issues for planned NFL/ Non-NFL events.
- **Rent Arbitration Award** - On June 18, 2018, the arbitrator entered an Interim Arbitration Award in favor of the Stadium Authority and on August 2, 2018 an Order Regarding the Parties' Interim Award Responses was issued essentially serving to make the Interim Award final. This adjusted the rent from \$24.5 million to \$24.8 million, an increase of \$262,000 per year. Since this increase was retroactive to the first lease year the result was an additional \$1.31 million in rent revenue for the first five years of operations. On December 10, 2018, the arbitrator entered the Final Arbitration Award which included the reimbursement of reasonable attorney's fees to the Stadium Authority in the approximate amount of \$2.3 million.
- **Average Value of Non-NFL Events** - Over the past year, staff worked diligently to respond to the long standing Board directive to report in greater detail on the Non-NFL events financial activity. Striking a balance between concern for market interest confidentiality and competitiveness and public agency transparency, for the first time since the inception of Non-NFL events at Levi's® Stadium, Stadium Authority staff presented the following table which provided information for the Board to better understand which events are profitable, money-losers, volume of events required to make up for losses, and average value of a Non-NFL event. This was a critical juncture in the history of Stadium Authority financial reporting because it

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equips the Board with making informed decisions and truly understanding the financial performance for these events. As a reasonable practice, the combination of the following information and a detailed Marketing Plan can yield valuable information for understanding the deployed strategies and the impacts to the financial bottom line.

EVENT TYPE	2014/15		2015/16		2016/17		2017/18	
	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue
Ticketed Events								
Concerts	0	\$ -	7	\$ 3,791,985	4	\$ 2,424,572	2	\$ 1,819,099
Sporting events:								
Football (non-NFL)	5	(3,007,907)	4	(2,316,903)	4	(2,946,165)	4	(3,601,827)
Soccer	2	3,948,144	2	891,300	5	2,414,209	3	3,228,754
Miscellaneous events	2	2,504,912	4	(149,392)	5	(159,175)	4	76,379
Subtotal Ticketed Events	9	\$ 3,445,149	17	\$ 2,216,989	18	\$ 1,733,441	13	\$ 1,522,405
Special Events (w eddings, corporate events, etc.)	186	\$ 1,762,404	204	\$ 3,862,027	127	\$ 3,583,453	113	\$ 3,640,924
Total Non-NFL Net Revenue	195	\$ 5,207,553	221	\$ 6,079,016	145	\$ 5,316,894	126	\$ 5,163,329
Total Performance Rent paid to the General Fund⁽¹⁾		\$ 2,513,777		\$ 2,932,008		\$ 2,533,447		\$ 2,439,164
Average General Fund Revenue per Ticketed Event		\$ 184,782		\$ 62,899		\$ 45,887		\$ 55,322

⁽¹⁾ Performance Rent is calculated as 50% of the net revenue from Non-NFL events less performance-based credit of 50% of fixed Ground Rent

STADIUM AUTHORITY FY 2019/20 WORK PLAN

The recommended funding for G&A in the amount of \$2.5 million is set at a level to implement the FY 2019/20 Work Plan. The Work Plan includes efforts to ensure compliance with the Amended and Restated Stadium Lease and various agreements (Stadium Management Agreement, Stadium Operations Agreement, Parking Agreement, etc.), as well as with all various permit conditions (e.g. temporary field seats) and applicable City Code and other laws and regulations. As reported to the Board, together with the Stadium Authority Counsel, I have continued the Board's position that ManagementCo produce for our possession all Stadium Authority documentation, comply with our mutual agreements, and be responsive to our audits. The discussion addressing the Naming Rights Agreement, Stadium Authority Financial/Accounting Management System, and good faith efforts to achieve a mutually agreed to 2019 Marketing Plan are already included in the proposed Work Plan; however, additional actionable items are required for this fiscal year.

The Work Plan also includes developing policy options for Board consideration for two high interest topics: the Community Room and San Thomas Aquino Creek Trail access during events. As outlined extensively in my correspondence dated August 31, 2018, following Board direction in November 2017, Stadium Authority staff worked with ManagementCo to find an alternate location for a Community Room at Levi's® Stadium that is more accessible (both in location and cost) than the current space. Due to ManagementCo's active cooperation and apparent commitment to make the space available, the Stadium Authority FY 2018/19 Operating, Debt Service, and Capital Budget included a capital budget appropriation to build out that particular designated space and, as such,



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the Stadium Authority approved a specific amount of \$630,000 which was established based on a cost estimate for build out of that designated space. However, the Forty Niners Stadium SC Company, LLC (“StadCo”) sent notice on September 12, 2018 that they would not convert this space or make it available for a community room purpose. Additionally, our efforts to request documents from ManagementCo (including copies of lease agreements) were not successful and did not allow for Stadium Authority staff to fully understand the financial/lease terms required to successfully make this space available. As part of the FY 2019/20 Work Plan, and upon completion of this budget development workload, staff will seek Board input on proposed next steps, including evaluation of the other locations discussed earlier in 2018, to finally resolve this issue.

For the San Thomas Aquino Creek Trail, Stadium Authority staff will evaluate options for keeping the Trail open during Levi’s® Stadium events and/or providing alternate routes if portions of the Trail are closed. For example, the Work Plan includes comparison to other stadiums or arenas, such as the Barclays Center, SAP Center at San Jose and Madison Square Garden, where the perimeter allows for a shallower entrance. It is of particular interest to Stadium Authority staff to more fully understand how these venues have shallow security perimeters and still maintain safety levels required for large venues. These examples offer favorable opportunities to examine how to proceed with our analysis and, with added resources, it is staff’s belief that we can achieve an outcome that addresses the community concerns.

The FY 2019/20 Work Plan also continues efforts that began following the March 23, 2018 soccer match to review and improve our multi-department deployment model, with a specific focus on law enforcement deployment methodology and neighborhood protection. This includes evaluating and modifying our deployment model as well as other options, such as a parking permit program, number of public service staff deployed per event, and continuing our multi-departmental coordination to minimize effects of events at Levi’s® Stadium on the surrounding neighborhoods and the Santa Clara community as a whole. To support these efforts, I am recommending the addition of a Deputy City Manager position during the City budget process which will be partially funded by this budget, as well as capital funds to install fencing at the Lafayette Street and Tasman Drive overcrossing to prevent unsafe pedestrian traffic and discourage improper rideshare pickups and drop-offs in that area. The Board has expressed concern for the ongoing neighborhood impacts during Stadium events, along with the absence of permanently addressing these concerns.

Additionally, the statistically valid community base line data found:

- In a telephone survey of registered Santa Clara voters, 60 percent of survey takers said noise from stadium events was one of the most important issues to address.
- A survey conducted by EMC Research found that approximately a third of near neighbors and citywide voters were concerned about noise from events at night.



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- The EMC Research survey also found that roughly a third of near neighbors and citywide voters were concerned about the number of weekday events.
- Public Dialogue Consortium's 2018 engagement activities included community interviews at two events, focus groups, online questionnaire and three community events with over 400 participants echoed what the surveys told us. Near neighbors voiced concerns about noise generated by Stadium events, including post-event noise from people and traffic.
- Many residents involved in the Public Dialogue Consortium's public engagement process stated that a lack of trust developed between the City, community and ManagementCo, due to the lack of financial transparency and follow through on initial commitments made when voters approved the Stadium via Measure J.

Existing staff capacity does not allow for staff to absorb the required multi-department and agency deployment and policy development to advance these ongoing concerns and, it has become clear, that this is not a one-time assignment as event conditions and impacts change based on event type, impacts, etc. The most recent example of the multi-department and multi-agency deployment complexity for the March 26th soccer match between the 2019 Mexican National Team vs. Paraguay is an example of the need to add dedicated resources to improve coordination and deployment strategies. While staff resources exist to adequately address the administrative needs of the Stadium Authority, the Stadium Authority has never considered adding the needed resources to improve coordination between the various departments to support events and to maintain constant communication with our neighborhoods. The addition of a focused resource in this area will allow for existing staff to stay focused on the Board's direction, while also addressing community focused needs.

The FY 2019/20 Work Plan includes the following items from the Stadium Authority Auditor's Annual Audit Work Plan:

- Analyzing the Stadium Authority's review procedures for Non-NFL events' revenues and expenses and provide feedback on procedure and control issues, if any.
- Reviewing the Stadium Authority Financial Reporting Policy with staff and external auditors and providing feedback on best practices.
- Reviewing past Construction Fund and Public Safety transactions and providing feedback on the allocation of staff charges (contracted service).
- Annual External Financial Audit for the Stadium Authority (contracted audit service).

Combined, the proposed Work Plan is significant compared to year's past and will require additional dedicated resources to implement. Unfortunately, some of these task are not necessarily new, but

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are efforts that had been delayed until resources or expertise were put into place, intentionally deferred, or disputed and for which now there is a path of how to proceed.

CONCLUSION

As with any proposed budget, there are risks that we can factor into our projections and those that we cannot. For example, some of our revenue projections are more fiscally conservative than in previous years. In some instances, this was necessary due to factors that can easily not materialize and the need to plan accordingly. For example, the Proposed Budget projects \$5.8 million of Net Non-NFL Event Revenue which can easily swing more or less favorable due to the actual number of events held, as well as increased costs of public service resources required to support these events, and the inevitable impact of a moderate or severe economic slow-down. The Proposed Budget is sensitive to each of these cost scenarios and, if changes should occur, Stadium Authority staff would be sure to bring forward any required budget amendments for the Stadium Authority Board to consider.

Within the above context, Levi's® Stadium continues to be a desirable venue for Non-NFL events such as concerts, soccer events, small and large corporate events and other gatherings (e.g., weddings, private parties, etc.). As we look forward, the following major Non-NFL events are scheduled in the near horizon for FY 2019/20, with more to come:

- Monster Jam — Saturday, April 13, 2019
- U.S. Women's National Team vs. South Africa — Sunday, May 12, 2019
- The Rolling Stones "No Filter" Tour — Saturday, May 18, 2019

This budget outlines a work program and financial strategy to assist in meeting the guiding principles of the Stadium Authority, namely that no City of Santa Clara General Fund monies are to be used to fund Stadium costs, Board oversight of its property manager, and to ensure that the Stadium Authority and ManagementCo continue to be held accountable to the various agreements. Our commitment is to continue to look for improvements within the organization and to deliver the kind of results that the public expects. I look forward to presenting this proposed budget at our upcoming sessions.

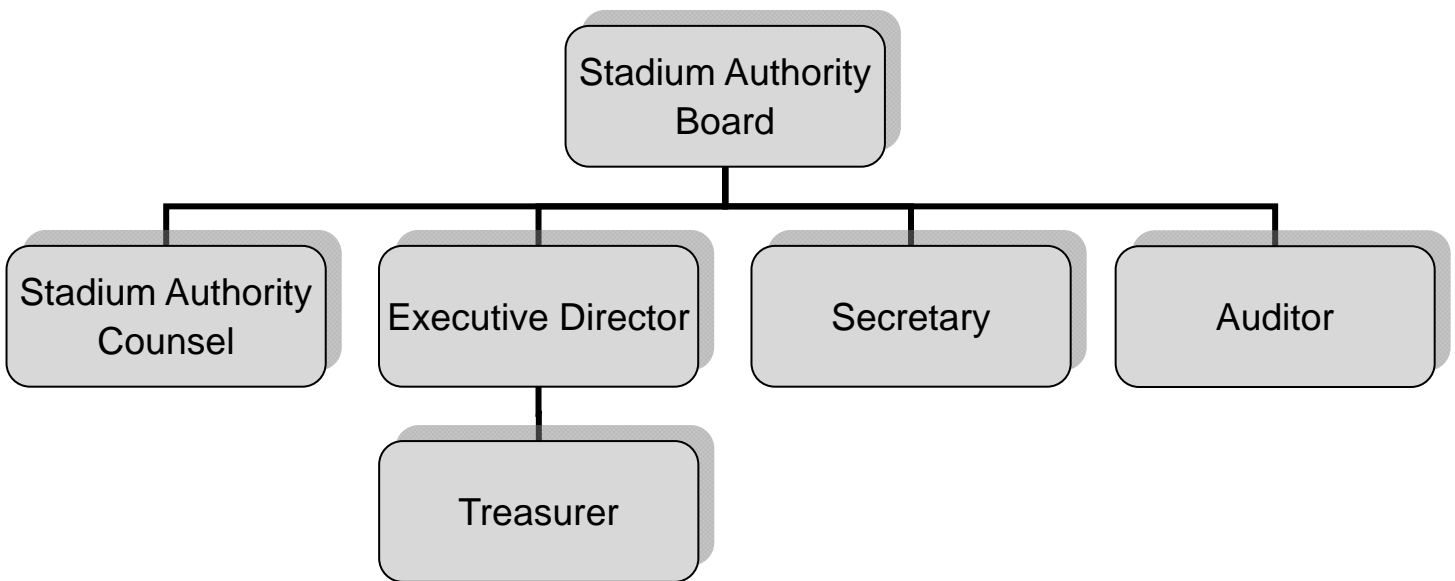
Respectfully Submitted,



Deanna J. Santana
Executive Director



ORGANIZATIONAL CHART



The seven elected members of the City Council serve as the governing Board of the Santa Clara Stadium Authority with the Mayor serving as Chairperson of the Authority.

In addition, City of Santa Clara staff serve as Officers of the Stadium Authority with the City Manager serving as the Executive Director.

GENERAL INFORMATION

This Santa Clara Stadium Authority (“Stadium Authority”) Budget Report provides information covering the Proposed FY 2019/20 Operating, Debt Service, and Capital Budget as well as comparative data from prior fiscal years. Estimated revenue and expense information (three quarters of actuals and one projected quarter) included in this report for the FY 2018/19 is unaudited and therefore subject to change as a result of the annual audit conducted by an external and independent auditing firm.

In addition to this report, the Stadium Authority produces annual financial statements within six months of the fiscal year-end (March 31st). These financial statements are audited by an external auditing firm and presented to the Stadium Authority’s Audit Committee and Board. Once presented to the Board, the financial statements are published on the Stadium Authority’s web page. The FY 2018/19 audited financial statements will be presented to the Board in August 2019.

The Stadium Authority is structured so that the City of Santa Clara (“City”) is not liable for the debts or obligations of the Stadium Authority.

All services provided by the City to ManagementCo or the Stadium Authority are fully reimbursed. Types of services include the following:

- Administrative General Fund costs that are spent during operations are separately tracked using special account codes in the City’s financial system and all such costs are billed for reimbursement.
- General Fund public safety costs for NFL and Non-NFL events are separately tracked and all such costs are billed for full reimbursement.

NFL EVENT HIGHLIGHTS - YEAR IN REVIEW

The San Francisco 49ers played ten (10) National Football League (“NFL”) games (two pre-season games and eight regular season games) in FY 2018/19. The total number of tickets sold for these games was 651,237, an average of 65,124 tickets sold for each game. The ticket sales resulted in \$8.1 million of NFL ticket surcharge revenue to Stadium Authority (based on the 10% NFL ticket surcharge on each ticket sold). A total of \$228,000 of Senior and Youth Program Fees were collected and forwarded to the City in FY 2018/19.

Operators who wish to operate a parking lot for sports or entertainment venues are required to go through the City’s permitting process. If approved, per the City’s Municipal Fee Schedule, these operators remit an offsite parking fee for each car that is parked for sports or entertainment events. This fee was designed to recover the public safety costs associated with these permitted offsite parking lots. Therefore, when invoicing for NFL or Non-NFL public safety costs for a particular event held at Levi’s® Stadium, the offsite parking fee that is collected for said event partly offsets the total public safety costs owed for that event. In the City’s FY 2017/18 (July 1, 2017 through June 30, 2018) the offsite parking fee was \$5.42 and it increased to \$5.63 in the City’s FY 2018/19.

Cars parked at the permitted offsite parking lots equaled 56,390. The associated offsite parking fee generated \$317,000. There were also 4,729 cars that were parked on the City’s Tasman lots. The Tasman lot parking fee generated \$24,000 for the City’s General Fund.



Non-NFL Event Highlights - Year in Review

There were a total of 290,341 tickets sold for the eleven ticketed Non-NFL events that were held in the first three quarters of FY 2018/19, resulting in \$1.2 million in Non-NFL event ticket surcharge revenue (from the \$4 per ticket Non-NFL event surcharge).

As stated in the NFL Event Highlights, Operators who wish to operate a parking lot for sports or entertainment venues are required to go through the City's permitting process. Approved operators remit an offsite parking fee, per the City's Municipal Fee Schedule, for each car that is parked for sports or entertainment events. This fee was designed to recover the public safety costs associated with these permitted offsite parking lots. Therefore, when invoicing for Non-NFL public safety costs for a particular event held at Levi's® Stadium, the offsite parking fee that is collected for said event should partly offset the public safety costs incurred with respect to the operations, parking, and traffic management. Cars parked at the permitted offsite parking lots equaled 26,041 in the first three quarters of FY 2018/19 resulting in \$144,000 in offsite parking fees from Non-NFL events.

There were also 87 smaller special events with 32,593 total attendees in the first three quarters of FY 2018/19. Examples of these special events include corporate events of various sizes, weddings, holiday parties, etc.

As mentioned previously in the transmittal letter, the Stadium Authority, ManagementCo, and the Bay Area Host Committee ("BAHC") entered into an Assignment and Assumption Agreement that would result in no losses to the Stadium Authority or the City of Santa Clara's General Fund for the College Football Playoff Championship game. Although this was not treated as a Non-NFL event, the Stadium Authority did receive the Non-NFL event ticket surcharge of \$4 per ticket for this event.

Note: One additional ticketed Non-NFL event and a number of smaller special events are scheduled before the end of the fiscal year which will result in a change in the numbers reflected in this section.

2018/19 Non-NFL Events		
Event	Date	Tickets Sold
Wedding Fair	April 22, 2018	473
Monster Jam	April 28, 2018	35,302
Taylor Swift Concert	May 11, 2018	29,333
Taylor Swift Concert	May 12, 2018	50,503
Earthquakes Soccer	July 22, 2018	22,281
Champions Cup Soccer	August 4, 2018	43,393
High School Football	September 21, 2018	3,802
OTR II Concert (Beyoncé/Jay-Z)	September 29, 2018	47,235
SJSU vs Army West Point Football	October 13, 2018	4,005
Pac-12 Championship	November 30, 2018	24,530
Redbox Bowl	December 31, 2018	29,484
Mexican National Team Soccer	March 26, 2019	TBD
Total to date		290,341

STADIUM AUTHORITY OPERATING BUDGET

The proposed FY 2019/20 Stadium Authority Budget covers the Stadium Authority's twelve month fiscal year which runs April 1, 2019 through March 31, 2020.

Key highlights for the Stadium Authority's FY 2019/20 Operating Budget are as follows:

Revenues

- ♦ FY 2019/20 total projected revenues of \$73.6 million includes \$25.4 million in stadium builder license (SBL) revenue, \$24.8 million in facility rent, \$8.1 million in NFL ticket surcharge, \$6.8 million in naming rights revenue, \$5.8 million in net receipts from Non-NFL events, \$1.2 million in Non-NFL ticket surcharge, and \$1.5 million in miscellaneous other revenues.

Expenses

- ♦ The proposed Operating Budget of \$73.6 million includes the Stadium Authority's share of expenses covered under the Management Agreement along with monies sufficient to reimburse the City for its staff support and payments for ground rent, Senior/Youth fees, and performance rent. It also includes transfers out of \$51.2 million.

Fund	Transfers Out	Transfers In
Operating	\$ 51,183,000	
Debt Service		\$ 47,705,000
CIP		3,478,000
Total	\$ 51,183,000	\$ 51,183,000

- ♦ As shown in the table above, \$47.7 million will be transferred from the Operating Fund to the Debt Service Fund for future principal and interest debt service payments. The remaining \$3.5 million will be transferred from the Operating Fund to the Capital Fund for future Stadium capital improvements.
- ♦ Shared Stadium Manager expenses increased by \$731,000 or 7% from the prior year budget of \$11.2 million to \$11.9 million. ManagementCo states that these increases are needed for the following:
 - ♦ Two new positions in Stadium Operations to sustain successful event operations and efficiently manage Internet Protocol Television ("IPTV") content
 - ♦ Increases to the minimum wage and third-party contracted security staff
 - ♦ Added repair and maintenance costs needed to maintain Levi's® Stadium
 - ♦ Increase in operational and training costs for Guest Services to continue to provide quality service to stadium patrons

STADIUM AUTHORITY OPERATING BUDGET

Expenses (cont.)

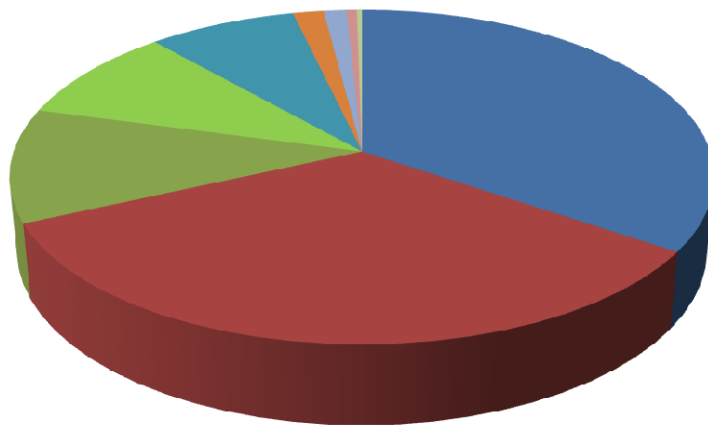
- ♦ Stadium Authority General & Administration costs increased by \$795,000 or 47% when compared to the prior year budget of \$1.7 million to \$2.5 million. These costs are described in detail on page 24 of this report. These increases are needed for the following:
 - ◇ Added staff capacity to assist with mitigating neighborhood impacts during events, multi-department and multi-regional deployment coordination, policy development, general accounting, and administrative support
 - ◇ Increases in salaries and benefits per applicable Memorandum of Understandings (MOUs)
 - ◇ Increase in the Audit line item to include targeted performance audits and a Ticket Surcharge audit

Reserves

- ♦ Total Operating reserves equal \$11.6 million (as required by the Stadium Lease) at the end of FY 2019/20, which is an increase of \$338,000 when compared to FY 2018/19. The Discretionary Fund is projected to have a balance of \$2.3 million.

STADIUM AUTHORITY OPERATING BUDGET (CONT.)

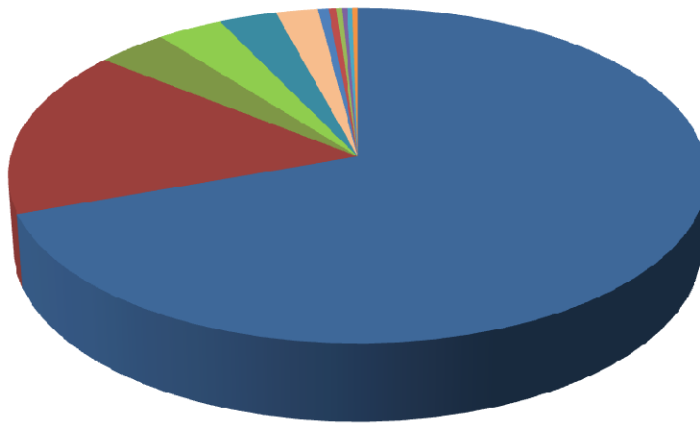
OPERATING REVENUES



\$73.6 Million

SBL Proceeds - \$25.4M, 34.5%
Rent - \$24.8M, 33.7%
NFL Ticket Surcharge - \$8.1M, 11.0%
Naming Rights - \$6.8M, 9.2%
Net Non-NFL Event Revenue - \$5.8 M, 7.9%
Non-NFL Event Ticket Surcharge - \$1.2M, 1.6%
Interest - \$0.9M, 1.2%
Sponsorship Revenue (STR) - \$0.4M, 0.6%
Senior & Youth Program Fees - \$0.2M, 0.3%

OPERATING EXPENSES



\$73.6 Million

Transfers Out - \$51.2M, 69.6%
Shared Stadium Manager Expenses - \$11.9M, 16.2%
Performance Rent (paid to City) - \$2.7M, 3.7%
Stadium Authority General & Administrative - \$2.5M, 3.4%
SBL Sales and Service - \$2.2M, 3.0%
Utilities - \$1.6M, 2.2%
Ground Rent (paid to City) - \$0.4M, 0.5%
Contribution to Operating Reserve - \$0.3M, 0.4%
Discretionary Fund Expense - \$0.2M, 0.3%
Senior & Youth Program Fees (paid to City) - \$0.2M, 0.3%
Other Expenses - \$0.2M, 0.2%
Use of StadCo Tenant Improvements - \$0.2M, 0.2%

Santa Clara Stadium Authority

Operating Budget Summary

	2017/18 Final Budget ⁽¹⁾	2017/18 Year-end Actuals	2018/19 Final Budget	2018/19 Projected Actuals	2019/20 Proposed Budget
Revenues					
NFL Ticket Surcharge	\$ 8,258,000	\$ 7,806,190	\$ 8,031,000	\$ 8,077,000	\$ 8,142,000
SBL Proceeds	31,756,000	31,738,451	26,156,000	27,214,000	25,416,000
Interest	280,000	522,996	794,000	969,000	938,000
Non-NFL Event Revenue ⁽²⁾	-	-	62,147,000	-	-
Net Revenues from Non-NFL Events	10,768,135	10,480,223	-	3,956,000	5,796,000
Naming Rights	6,366,000	6,366,337	6,558,000	6,557,000	6,754,000
Sponsorship Revenue (STR)	406,000	456,379	545,000	474,000	345,000
Rent	24,500,000	23,375,000	25,810,000	25,810,000	24,762,000
Senior & Youth Program Fees	231,000	225,116	230,000	228,000	230,000
Non-NFL Event Ticket Surcharge	2,000,000	1,537,128	1,800,000	1,542,000	1,232,000
BAHC Reimbursement for CFP Expenses	-	-	-	1,400,000	-
Other Revenue	-	-	-	2,281,000	-
Total Revenues	\$ 84,565,135	\$ 82,507,820	\$ 132,071,000	\$ 78,508,000	\$ 73,615,000
Expenses					
Shared Stadium Manager Expenses⁽³⁾					
Stadium Operations	\$ 3,613,000	\$ 3,072,360	\$ 3,721,000	\$ 3,621,000	\$ 4,004,000
Engineering	1,636,000	2,063,747	1,835,000	1,835,000	2,054,000
Guest Services	848,000	447,248	813,000	763,000	825,000
Groundskeeping	246,000	165,709	164,000	164,000	177,000
Security	1,498,000	1,292,455	1,543,000	1,543,000	1,656,000
Insurance	2,787,000	2,786,749	2,871,000	2,870,000	2,956,000
Stadium Management Fee	219,000	219,165	226,000	225,000	232,000
Shared Stadium Manager Expenses Subtotal	\$ 10,847,000	\$ 10,047,433	\$ 11,173,000	\$ 11,021,000	\$ 11,904,000
Other Operating Expenses					
SBL Sales and Service ⁽³⁾	\$ 2,095,000	\$ 1,449,213	\$ 2,324,000	\$ 2,148,000	\$ 2,221,000
Senior & Youth Program Fees (paid to City) ⁽³⁾	231,000	225,116	230,000	228,000	230,000
Non-NFL Event Expense ⁽²⁾	-	-	56,519,000	-	-
Ground Rent (paid to City) ⁽⁴⁾	285,000	285,000	320,000	320,000	355,000
Performance Rent (paid to City) ⁽⁴⁾	5,116,568	4,972,611	2,654,000	1,818,000	2,721,000
Discretionary Fund Expense ⁽⁵⁾	2,230,000	1,209,342	990,000	100,000	250,000
Utilities ⁽³⁾	1,434,000	937,978	1,506,000	1,506,000	1,551,000
Use of StadCo Tenant Improvements ⁽³⁾	245,000	237,120	236,000	248,000	182,000
Stadium Authority General & Administrative ⁽⁵⁾	3,395,000	3,025,782	1,685,000	1,342,000	2,480,000
CFP Expenses	-	-	-	1,400,000	-
Other Expenses ⁽⁶⁾	76,000	96,602	105,000	105,000	200,000
Transfers Out ⁽⁴⁾	58,517,000	57,795,817	54,001,000	57,030,000	51,183,000
Contribution to Operating Reserve ⁽⁴⁾	-	-	328,000	328,000	338,000
Other Operating Expenses Subtotal	\$ 73,624,568	\$ 70,234,581	\$ 120,898,000	\$ 66,573,000	\$ 61,711,000
Total Expenses	\$ 84,471,568	\$ 80,282,014	\$ 132,071,000	\$ 77,594,000	\$ 73,615,000
Operating Reserve	\$ 10,927,270	\$ 10,927,270	\$ 11,255,088	\$ 11,255,270	\$ 11,593,270
Discretionary Fund	\$ 1,555,853	\$ 1,265,075	\$ 1,086,407	\$ 1,936,075	\$ 2,302,075

⁽¹⁾ 2017/18 Final Budget includes entries to move the budget from cash to accrual basis

⁽²⁾ Information not provided by ManagementCo at the time of this report

⁽³⁾ Recommended by ManagementCo

⁽⁴⁾ Expense is based on payment schedule or calculated as instructed per relevant agreements

⁽⁵⁾ Recommended by Stadium Authority staff

⁽⁶⁾ The 2019/20 proposed budget for Other Expenses differs from the original request of \$507,000 received from ManagementCo as it requires further review by Stadium Authority staff.

STADIUM AUTHORITY OPERATING BUDGET (CONT.)

Stadium Authority Board Duties and Proposed General and Administrative Budget

The Board is a public entity responsible for governing the matters concerning Levi's® Stadium. As such, the Board is responsible for setting policy direction, ensuring implementation of its policy direction and other due diligence requirements through Stadium Authority staff, and auditing/oversight of its policy implementation, as reasonable and necessary.

To accomplish Board direction, staff recommends the following administrative budget for the 2019/20 Fiscal Year totaling \$2.5 million, or 3%, of the total Fiscal Year 2019/20 Proposed Stadium Authority Operating Expense Budget of \$73.6 million. With this recommended budget, staff will support the Board with its oversight of Levi's® Stadium per the various agreements with ManagementCo and Forty-Niners SC Stadium Company LLC (StadCo or Tenant) of the stadium, such as:

1. Uphold fiduciary responsibilities and debt obligations;
2. Maintain a productive and functional business relationship with the Tenant;
3. Develop Board policies as required for proper governance and transparency efforts concerning the Stadium Authority oversight efforts;
4. Continue the current community engagement process to address the public opinion research of the community impacts of Levi's® Stadium, with a focus on neighborhood response and public service deployment improvements;
5. Continue the current noise monitoring program;
6. Implement public safety expert's recommendations during events held at Levi's® Stadium;
7. Address the Work Plan items, as referenced in the Executive Director's transmittal letter to this budget; and,
8. Develop and implement oversight initiatives consistent with public entity organizations.

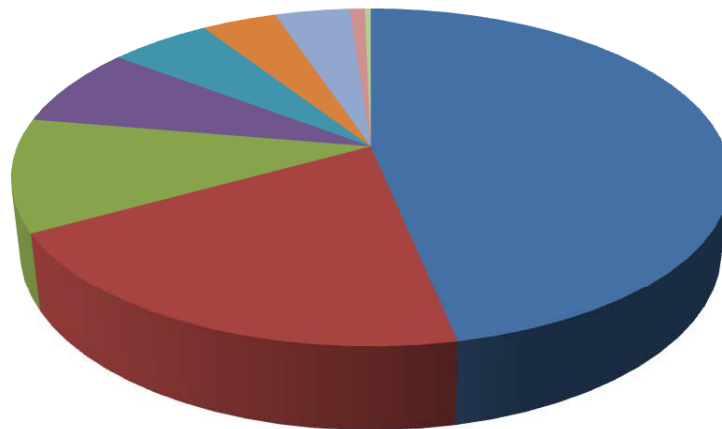
Stadium Authority staff are responsible for the programmatic oversight and audit of Stadium activities. As part of this budget, the oversight of stadium activities is allocated primarily to the Executive Director, the Chief Operating Officer, the Treasurer and supporting staff. As mentioned in the prior year budget, current staffing levels were under review and it stated that the Executive Director may bring forward staffing adjustments for the Board's consideration. As part of the review, the Executive Director is recommending a Deputy City Manager position with specific focus on neighborhood services, multi-department public services coordination, and overall deployment coordination. The Stadium Authority is already sufficiently staffed with management and financial resources to maintain the current level of operations; but, to the extent that Work Plan items continue to increase, more resources will be needed (e.g. implementation of a Stadium Authority Financial/Accounting System).

STADIUM AUTHORITY OPERATING BUDGET (CONT.)

As such, the Stadium Authority G&A expense budget of \$2.5 million provides the financial means in which to fulfill the Board policy direction and strategic initiatives. A breakdown of the Stadium Authority's portion of the overall operating expense budget of \$73.6 million is shown below.

Stadium Authority General and Administrative Budget		
Expense Type	Amount	Comments
Staff support (3.8 FTE)	\$ 1,160,000	To support the Stadium Authority with its oversight duties of stadium activities
Legal Services	500,000	As needed for outside legal services
Audit services	267,000	Financial, Ticket Surcharge, and performance audits performed by external auditors
Consultants		
Community outreach/Board initiatives	190,000	Community engagement efforts and/or Board initiatives consistent with the work plan
Noise monitoring	135,000	Continued noise monitoring of Levi's® Stadium
Public safety	100,000	Implementation of public safety expert's recommendations
Executive Director & Board directives	100,000	Funding for unanticipated Board directives, Executive Director assignments, etc.
Other expenses	20,000	Routine office expenses
Board stipends	8,000	Stadium Authority meetings
Total	\$ 2,480,000	

Stadium Authority 2019/20 General and Administrative Budget



- Staff support - \$1.16M, 46.8%
- Legal - \$500k, 20.2%
- Audit services - \$267k, 10.8%
- Community outreach - \$190k, 7.7%
- Noise monitoring - \$135k, 5.4%
- Public safety consultant - \$100k, 4%
- Unanticipated expenses - \$100k, 4%
- Other expenses - \$20k, 0.8%
- Board stipends - \$8k, 0.3%

STADIUM AUTHORITY OPERATING BUDGET GLOSSARY

Accrual Basis Accounting: The method of recording revenues and expenses when they are incurred, regardless of when cash is exchanged.

Bay Area Host Committee Reimbursement: This is the reimbursement received from the Bay Area Host Committee for all costs associated with the College Football Playoff Championship (CFP) that was held at Levi's® Stadium on January 7, 2019. This reimbursement is subsequently used to pay internal City and outside agency costs associated with the CFP (see College Football Playoff Expense below). (*Source: Assignment and Assumption Agreement*)

College Football Playoff Expense: All internal City and outside agency costs associated with the CFP that are invoiced to the Stadium Authority. (*Source: Assignment and Assumption Agreement*)

Contribution to Operating Reserve: The contributions to the operating reserve are funded by means of excess revenues (see Excess Revenue below). (*Source: The Amended and Restated Stadium Lease Agreement*)

Discretionary Fund Expense: This is funded by half of the Non-NFL ticket surcharge (see Non-NFL Event Ticket Surcharge on page 28) and has been used to cover NFL public safety costs above the public safety cost threshold in the first three fiscal years of operation and other items at the Stadium Authority's discretion.

Projected Beginning Balance	50% of 2019/20 Non-NFL Event Ticket Surcharge	2019/20 Discretionary Fund Expense	Projected Ending Balance
\$ 1,936,075	\$ 616,000	\$ 250,000	\$ 2,302,075

Excess Revenue: If Stadium Authority revenue exceeds expenses for any lease year, such excess revenues shall be distributed as described in the table below. This table reflects a projection on how the excess revenues will be distributed in the 2018/19 fiscal year. (*Source: The Amended and Restated Stadium Lease Agreement*)

2018/19 Use of Excess Revenues

#	Description	Amount Funded	Balance	Notes
	Excess Revenues at Year-end		\$ 21,113,799	
1	Payment of ManCo Revolving Loan	\$ -	21,113,799	N/A (this loan has not been utilized)
2	Funding Operating Reserve up to \$2 Million +3% annually	-	21,113,799	Funding requirement met
3	Funding CapEx Reserve an Additional \$1 Million +3% annually	(1,125,509)	19,988,290	Funding annual CapEx Reserve
4	Funding Operating Reserve up to \$10 Million +3% annually	(327,818)	19,660,472	Funding annual 3% requirement
5	Prepayment of StadCo Subordinated Loan	(19,660,472)	-	Prepayment requirement met
6	Funding Operating Reserve up to \$20 Million +3% annually	-	-	N/A
7	Funding Renovation/Demolition Reserve up to \$70 Million	-	-	N/A
8	Available for Additional Disbursements as described in the Stadium Lease	-	-	N/A

STADIUM AUTHORITY OPERATING BUDGET GLOSSARY (CONT.)

Ground Rent: The City has agreed to lease the land under Levi's® Stadium to Stadium Authority for an initial term of 40 years. The fixed ground rent schedule is noted below for the 40-year initial term. (Source: *Ground Lease Agreement*)

Lease Year(s)	Fiscal Year(s)	Annual Fixed Ground Rent
1	2014-15	\$ 180,000
2	2015-16	\$ 215,000
3	2016-17	\$ 250,000
4	2017-18	\$ 285,000
5	2018-19	\$ 320,000
6	2019-20	\$ 355,000
7	2020-21	\$ 390,000
8	2021-22	\$ 425,000
9	2022-23	\$ 460,000
10	2023-24	\$ 495,000
11-15	2024-25 through 2028-29	\$ 1,000,000
16-20	2029-30 through 2033-34	\$ 1,100,000
21-25	2034-35 through 2038-39	\$ 1,200,000
26-30	2039-40 through 2043-44	\$ 1,300,000
31-35	2044-45 through 2048-49	\$ 1,400,000
36-40	2049-50 through 2053-54	\$ 1,500,000

Insurance: ManagementCo procures insurance for Levi's® Stadium for the entire year and the cost is split between Stadium Authority and StadCo (see Shared Stadium Manager Expenses on page 31). The stadium lease sets Stadium Authority's share of insurance expense at \$2,550,000 for the first lease year with each succeeding lease year's insurance expense increasing by 3%. (Source: *Stadium Management Agreement & The Amended and Restated Lease Agreement*)

Interest: This is interest earned from cash on hand.

Naming Rights: Levi Strauss & Co (Levi's®) pays an annual naming rights fee to Stadium Authority. The annual fee increases by 3% each contract year through the 20 year term. This annual fee is paid in two equal semi-annual installments on or before March 1st and October 1st. (Source: *Naming Rights Agreement*)

Net Revenues from Non-NFL Events: ManagementCo provides management services for Levi's® Stadium year-round. As such ManagementCo is responsible for booking and scheduling all Non-NFL events on behalf of Stadium Authority. ManagementCo is required by the agreement to maintain complete and accurate books and records relating to the net income from the Non-NFL events. Those records are reviewed by Stadium Authority staff and/or outside consultants and audited by an independent auditor. After the completion of the fiscal year, the net revenues are paid to Stadium Authority by ManagementCo. (Source: *Stadium Management Agreement*)

NFL Ticket Surcharge: The Forty Niners Football Company, LLC (the Team) collects a 10% NFL ticket surcharge on the price of admission to all NFL games occurring in Levi's® Stadium on behalf of Stadium Authority. (Source: *Amended and Restated Non-Relocation Agreement*)

Non NFL Event Expense: The gross expenses for Non-NFL events held at Levi's® Stadium.

STADIUM AUTHORITY OPERATING BUDGET GLOSSARY (CONT.)

Non-NFL Event Revenue: The gross receipts from Non-NFL events held at Levi's® Stadium.

Non-NFL Event Ticket Surcharge: Promoters or sponsors of any ticketed Non-NFL event that is held at Levi's® Stadium are required to collect a \$4 per ticket surcharge on behalf of Stadium Authority. Half of this surcharge that is paid to Stadium Authority covers general stadium operations and the other half funds the Stadium Authority Discretionary Fund. (*Source: Amended and Restated Stadium Lease Agreement*)

Other Expenses: Miscellaneous Stadium Authority expenses such as bank fees.

Other Revenue: Miscellaneous Stadium Authority revenues. The projected 2018/19 other revenue is the result of the Final Rent Reset Arbitration Award. As part of that award, StadCo will reimburse the Stadium Authority for its legal costs associated with the Rent Reset Arbitration.

Performance Rent: Stadium Authority pays the City performance rent on top of the fixed ground rent. The basic calculation for the performance based rent is 50% of the net income from Non-NFL events for any given lease year less the sum of performance based rent credits. The performance based rent credits include 50% of the current year's base ground rent, and other credits. The table below represents a projection of the 2018/19 and 2019/20 Fiscal Years performance rent. (*Source: Ground Lease Agreement & Amended and Restated Stadium Lease Agreement*)

Performance Rent Calculation	Fiscal Year 2018/19 Projection	Fiscal Year 2019/20 Budget
Ground Rent	\$ 320,000	\$ 355,000
Net Non-NFL Event Revenue	\$ 3,956,000	\$ 5,796,000
50% of Net Non-NFL Event Revenue	\$ 1,978,000	\$ 2,898,000
Performance Rent Credit (50% of Ground Rent)	\$ (160,000)	\$ (177,500)
Total Performance Rent paid to the City of Santa Clara	\$ 1,818,000	\$ 2,720,500

Rent: The facility rent was originally set at \$24.5 million for StadCo to lease the stadium for their half of the year. As a result of the rent reset arbitration award in favor of Stadium Authority, the facility rent was reset to \$24.8 million retro-active to the first lease year. The rent adjustment process is outlined in the Amended and Restated Stadium Lease. (*Source: Amended and Restated Stadium Lease Agreement*)

Senior and Youth Program Fees: During the lease terms, StadCo collects a City of Santa Clara Senior and Youth program Fee on behalf of Stadium Authority. The fee is based on \$0.35 per NFL game ticket up to a maximum of \$250,000 per lease year. (*Source: Amended and Restated Stadium Lease Agreement*)

STADIUM AUTHORITY OPERATING BUDGET GLOSSARY (CONT.)

Shared Stadium Manager Expenses: ManagementCo oversees the day to day operations of Levi's® Stadium year-round. Since StadCo leases the stadium from Stadium Authority for half of each fiscal year, the ManagementCo stadium manager expenses are shared between StadCo and Stadium Authority. Most shared stadium manager expenses are split 50/50 between StadCo and Stadium Authority; grounds-keeping is the exception with a 70/30 split, StadCo being responsible for the larger share. In addition, ManagementCo procures insurance for Levi's® Stadium that is shared between Stadium Authority and StadCo (see Insurance on page 27). (*Source: Stadium Management Agreement & The Amended and Restated Stadium Lease Agreement*)

Sponsorship Revenue (STR): STR Marketplace, LLC (STR) established a secondary market website to facilitate the transfer and resale of SBLs. In exchange for the use of the Levi's® Stadium trademarks and links on the website (hence the title Sponsorship Revenue), STR pays Stadium Authority a minimum annual fee of \$325,000 based on the commissions that are collected by STR. In addition to the minimum annual fee, Stadium Authority also receives 50% of any commissions in excess of \$650,000. (*Source: SBL Website Marketing Agreement*)

Stadium Authority General & Administrative: As an independent public entity, Stadium Authority incurs its own expenses in relation to Board governance, fiduciary responsibilities, oversight, and operations of Levi's® Stadium. These include but are not limited to Stadium Authority staff time, due diligence requirements for proper fiscal and operational oversight, and various outside contractors and consultants who are hired to administer the necessary requirements for owning and operating Levi's® Stadium. Also included are various administrative type costs such as bank fees, phone charges, IT equipment maintenance, etc.

Stadium Builder License (SBL) Proceeds: SBL holders who are on a payment plan make annual payments. Additionally, some SBL holders make payments above and beyond their annual scheduled payment plan. There are also sales of new SBLs and/or SBLs that were defaulted and resold. SBL cash collections from all of these sources make up SBL proceeds.

Stadium Builder License (SBL) Sales and Service: ManagementCo provides sales and service to SBL holders on behalf of Stadium Authority. This includes all SBL collection efforts and customer service support. (*Source: Agreement for Stadium Builder License Sales & Fourth Amendment to the Stadium Management Agreement*)

STADIUM AUTHORITY OPERATING BUDGET GLOSSARY (CONT.)

Stadium Management Fee: ManagementCo receives an annual base management fee to manage Levi's® Stadium. The fee was \$400,000 in the first lease year and increases by 3% annually. This annual base management fee is split 50/50 between StadCo and Stadium Authority since ManagementCo manages the stadium year-round for both entities. In addition to the base management fee, ManagementCo receives a stadium marketing and booking fee (incentive fee) which is based on a percentage of the amount that the net income from Non-NFL events exceeds the marketing and booking fee benchmark. The table below shows the first 10 years of the base management fee and the stadium marketing and booking fee benchmark. It also shows the first four years of net income from Non-NFL events and a projection of the fifth year as well as the applicable marketing and booking fee which was 5% of the net Non-NFL income over the benchmark. (Source: *The Stadium Management Agreement*)

Fiscal Year	Lease Year	Annual Base Stadium Management Fee (SCSA Share)	Stadium Marketing and Booking Fee Benchmark	Actual/Projected Net Income from Non-NFL Events	Actual Stadium Marketing and Booking Fee	Total Stadium Management Fee
2014/15	1	\$ 200,000	\$ 5,000,000	\$ 5,207,553	\$ 10,378	\$ 210,378
2015/16	2	\$ 206,000	\$ 5,150,000	\$ 6,079,016	\$ 46,451	\$ 252,451
2016/17	3	\$ 212,180	\$ 5,304,500	\$ 5,316,894	\$ 620	\$ 212,800
2017/18	4	\$ 218,545	\$ 5,463,635	\$ 5,163,329	\$ -	\$ 218,545
2018/19 ⁽¹⁾	5	\$ 225,102	\$ 5,627,544	\$ 3,956,000	\$ -	\$ 225,102
2019/20	6	\$ 231,855	\$ 5,796,370	To be determined		
2020/21	7	\$ 238,810	\$ 5,970,261			
2021/22	8	\$ 245,975	\$ 6,149,369			
2022/23	9	\$ 253,354	\$ 6,333,850			
2023/24	10	\$ 260,955	\$ 6,523,866			

⁽¹⁾ The Net Income from Non-NFL Events for 2018/19 is a projection.

Transfers Out: Transfers from the Stadium Authority Operating Fund to fund Debt Service and Capital Funds.

Utilities: StadCo leases the stadium from Stadium Authority for six months of each fiscal year from August through January. StadCo is therefore responsible for the day to day utilities during that period. Stadium Authority pays for the day to day utilities from February through July. Utilities associated with large ticketed Non-NFL events are charged as an expense to the event which is included in the Non-NFL event expense.

Use of StadCo Tenant Improvements: StadCo charges Stadium Authority for use of various StadCo tenant improvements (such as the use of the scoreboard) during Non-NFL events. (Source: *Amended and Restated Lease Agreement*)

STADIUM MANAGER SHARED EXPENSES

The Stadium Management Agreement is between the Stadium Authority, StadCo and ManagementCo and was entered into as of March 28, 2012. This agreement provides Stadium Authority with the expertise of an outside manager to oversee the day-to-day operations of Levi's® Stadium. Additionally, the Amended and Restated Stadium Lease Agreement between Stadium Authority and StadCo was made and entered into as of June 19, 2013.

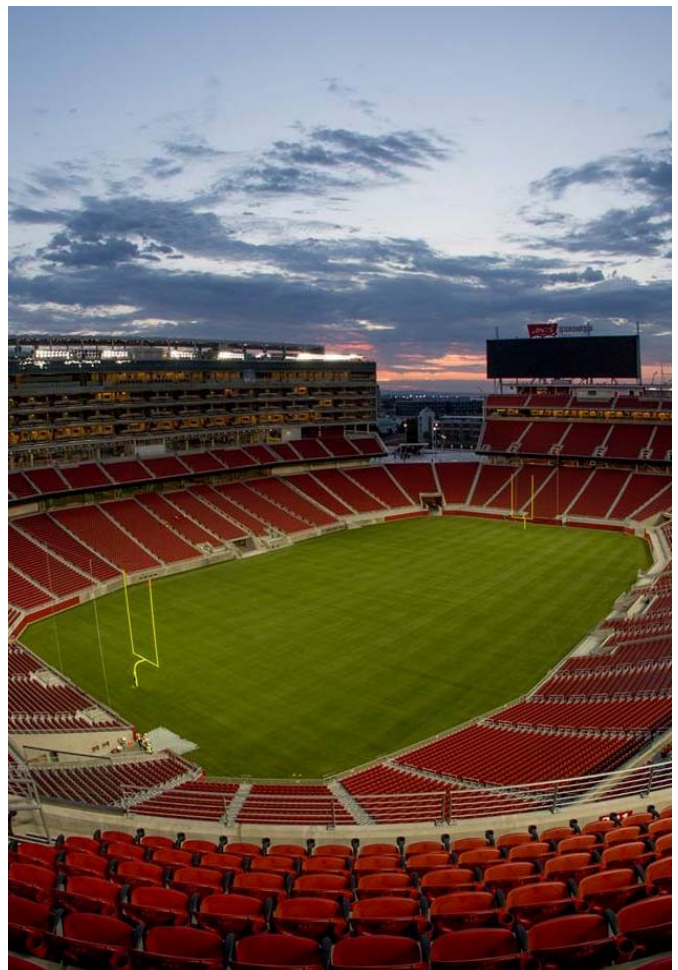
This agreement amended the original stadium lease to set the initial rent, to allow StadCo to enter into agreements with alternative energy providers, to cap Stadium Authority's share of the insurance costs at a fixed amount each year, and to require Stadium Authority to fund various reserves.

Per the terms of the stadium lease, StadCo leases the stadium from the Stadium Authority for half of each fiscal year, and is responsible for the Stadium Manager operating expenses during that period. The Stadium Manager operating expenses for the other half of the year are the responsibility of the Stadium Authority. 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 grounds-keeping being the exception with a 70/30 split, StadCo being responsible for the larger share.

ManagementCo procures insurance for Levi's® Stadium for the entire year and the cost is shared between Stadium Authority and StadCo.

Section 4.7 of the management agreement notes that ManagementCo will provide an Annual Shared Stadium Expense Budget to be adopted annually by Stadium Authority and StadCo.

Once the budget has been adopted, ManagementCo invoices Stadium Authority monthly for its budgeted portion of shared expenses which include stadium manager operating expenses. As part of the year-end work, the budgeted amounts that were paid are trued up with actuals for which ManagementCo provides details.



Stadium Manager

2019/20 Total Shared Stadium Expenses

Between the Santa Clara Stadium Authority and Forty Niners SC Stadium Company (StadCo)

	Stadium					Total
	Security	Operations	Engineering	Guest Services	Groundskeeping	
Total Compensation	\$ 965,828	\$ 4,285,958	\$ 2,634,822	\$ 991,144	\$ 295,287	\$ 9,173,039
Travel, Meals & Entertainment	2,186	413,076	12,000	73,226	10,060	510,548
Outside Services	2,041,426	2,068,172	1,396,416	14,900	54,037	5,574,951
General Supplies	78,404	120,000	-	140,112	196,560	535,076
Telephone	15,914	454,998	20,400	10,416	1,320	503,048
Equipment	191,220	567,380	31,500	129,504	29,120	948,724
Uniforms	10,490	-	2,500	174,638	3,120	190,748
Other	6,556	99,300	10,000	115,146	-	231,002
Subtotal	\$ 3,312,024	\$ 8,008,884	\$ 4,107,638	\$ 1,649,086	\$ 589,504	\$ 17,667,136

Santa Clara Stadium Authority Proportionate Share of Stadium Expenses ⁽¹⁾

	Stadium					Total
	Security (50%)	Operations (50%)	Engineering (50%)	Guest Services (50%)	Groundskeeping (30%)	
Total Compensation ⁽²⁾	\$ 482,914	\$ 2,142,979	\$ 1,317,411	\$ 495,572	\$ 88,586	\$ 4,527,462
Travel, Meals & Entertainment	1,093	206,538	6,000	36,613	3,018	253,262
Outside Services	1,020,713	1,034,086	698,208	7,450	16,211	2,776,668
General Supplies	39,202	60,000	-	70,056	58,968	228,226
Telephone	7,957	227,499	10,200	5,208	396	251,260
Equipment	95,610	283,690	15,750	64,752	8,736	468,538
Uniforms	5,245	-	1,250	87,319	936	94,750
Other	3,278	49,650	5,000	57,573	-	115,501
Subtotal	\$ 1,656,012	\$ 4,004,442	\$ 2,053,819	\$ 824,543	\$ 176,851	\$ 8,715,667
Insurance ⁽³⁾						2,956,149
Management Fee ⁽⁴⁾						231,855
Total						\$ 11,903,671

⁽¹⁾ The Santa Clara Stadium Authority proportionate share of stadium expenses is rounded to the nearest \$1,000 in the operating budget.

⁽²⁾ Total compensation is based on a total of 61 full time equivalent positions.

⁽³⁾ The stadium lease sets Stadium Authority's share of insurance expense at \$2,550,000 for the first lease year with each succeeding lease year's expense increasing 3%.

⁽⁴⁾ The stadium management agreement sets the base management fee at \$400,000 for the first lease year with each succeeding lease year's management fee increasing 3%. This base management fee is split 50/50 between Stadium Authority and StadCo.

STADIUM MANAGER SHARED EXPENSES GLOSSARY

Total Compensation: This cost includes full-time staff (61 employees), part-time staff, and benefits. Stadium Authority pays for 50% of these costs except for groundskeeping which is set at 30%.

- **Full-time wages** are costs for all management company full-time employees.
- **Part-time wages** are costs for all management company part time employees. Wages include annual training for all Guest Services Representatives.
- **Benefits** are costs of employees' health insurance, pension, vacation time, and all employer taxes.

Travel, Meals & Entertainment: These are costs for employee travel (airfare, ground, lodging, and meals) to stadium management conferences. In addition, this category includes costs for staff meals for general food and beverage, vendor engagement, and the year-end guest service employee appreciation banquet.

Outside Services: Costs for outside service providers which include the following:

- **Janitorial and Medical** costs related to the janitorial, cleaning, landscaping, and trash services of the interior and exterior of the stadium and medical services for the stadium during regular business hours.
- **Stadium Security** costs for staffing 24/7 security guards in and around the stadium and explosive detection canines.
- **Engineering & Maintenance** for mandatory safety and general maintenance costs associated with fire sprinklers, fire alarms, elevators, and backflows. Also includes outside sub-contracted calls for services for windows, signage and roof repair, HVAC & electrical, carpet, concrete or other misc. repair.

General Supplies: Supplies for stadium operations, janitorial, engineering, and Guest Services (For example: Janitorial supplies, general printing costs for stadium signage, deployment sheet, notes, handbooks etc.).

Telephone: These are costs for land lines and internet/data service for the stadium, (net of the costs for the Team's business offices), and cell service for stadium operations' and security personnel.

Equipment: Costs associated with stadium operations and security software, including incident tracking, mobile safety application, stadium staff scheduling/event calendar software, video surveillance licensing software, X-ray machine rental for deliveries, and monthly cost for off-site equipment storage.

STADIUM MANAGER SHARED EXPENSES GLOSSARY (CONT.)

Uniforms: Guest Services replacement and replenishment of uniforms.

Other Costs: Costs associated with Stadium Operations (For example: specialized training, command post, CPR first aid, background checks, recruiting, marketing/advertising, and employee retention program).

Tenant Improvements: Interior improvements within Tenant's exclusive facilities and any other improvements within the Stadium that are to be owned by, and constructed at the cost of, Tenant or any Tenant transferee as may be agreed by the Parties (Stadium Authority and StadCo).
(Source: Stadium Lease Agreement)

Stadium Manager

Santa Clara Stadium Authority Proportionate Share of Stadium Expenses - 5 Year Forecast

	2020/21	2021/22	2022/23	2023/24	2024/25
Total Compensation ⁽¹⁾	\$ 4,663,285	\$ 4,803,184	\$ 4,947,279	\$ 5,095,698	\$ 5,248,568
Travel, Hotel & Staff/Partner F&B	260,859	268,685	276,745	285,048	293,599
Outside Services	2,882,467	2,907,141	2,994,355	3,084,186	3,176,711
General Supplies	235,072	242,125	249,388	256,870	264,576
Telephone	258,798	266,562	274,559	282,795	291,279
Equipment	482,594	497,072	511,984	527,344	543,164
Uniforms	97,593	100,520	103,536	106,642	109,841
Other	118,966	122,535	126,211	129,997	133,897
Total	\$ 8,999,634	\$ 9,207,824	\$ 9,484,057	\$ 9,768,580	\$10,061,635
Insurance ⁽²⁾	3,044,833	3,136,178	3,230,264	3,327,172	3,426,987
Management Fee ⁽³⁾	238,810	245,975	253,354	260,955	268,783
Total	\$ 12,283,277	\$12,589,977	\$12,967,675	\$13,356,707	\$13,757,405

⁽¹⁾ Total compensation is based on a total of 61 full-time equivalent positions.

⁽²⁾ The stadium lease sets SCSA's share of insurance expense at \$2,550,000 for the first lease year with each succeeding lease year's expense increasing 3%.

⁽³⁾ The stadium management agreement sets the base management fee at \$400,000 for the first lease year with each succeeding lease year's management fee increasing 3%. This base management fee is split 50/50 between SCSA and StadCo.

Santa Clara Stadium Authority

Debt Service Budget Summary

	2017/18 Final Budget	2017/18 Year-end Actuals	2018/19 Final Budget	2018/19 Projected Actuals	2019/20 Proposed Budget
Resources					
Revenues					
Contribution from CFD	\$ 4,500,000	\$ 4,399,224	\$ 3,600,000	\$ 3,759,000	\$ 3,872,000
Revenues Subtotal	4,500,000	4,399,224	3,600,000	3,759,000	3,872,000
Transfers In from Operating	55,239,000	54,517,636	50,624,000	53,653,000	47,705,000
Contribution from Fund Balance	16,831,000	16,588,392	4,653,000	3,963,000	-
Total Resources	\$ 76,570,000	\$ 75,505,252	\$ 58,877,000	\$ 61,375,000	\$ 51,577,000
Expenses					
CFD Advance	\$ 3,860,000	\$ 3,722,535	\$ 3,600,000	\$ 3,732,000	\$ 3,844,000
Term A Loan	21,210,000	21,209,558	25,644,000	26,043,000	26,383,000
StadCo Subordinated Loan	51,500,000	50,573,159	29,633,000	31,600,000	21,350,000
Total Expenses	\$ 76,570,000	\$ 75,505,252	\$ 58,877,000	\$ 61,375,000	\$ 51,577,000
Debt Service Reserve	\$ 11,536,235	\$ 11,536,235	\$ 11,536,235	\$ 11,536,235	\$ 11,536,235

Total outstanding debt is projected to decrease by \$34.8 million from \$340.1 million to \$305.3 million. The proposed 2019/20 Debt Service Budget of \$51.5 million is based on the required and additional principal and interest debt service payments. Of this total, \$3.9 million represents anticipated contributions from the Community Facilities District (CFD).

Total Debt Service Reserves are projected to be \$11.5 million. A glossary has been provided, beginning on page 37, that describes the type of debt and the applicable source documents for each loan.

The schedule shown on the following page reflects the outstanding debt projection of \$340.1 million as of March 31, 2019 and the projected principal payments for 2019/20.

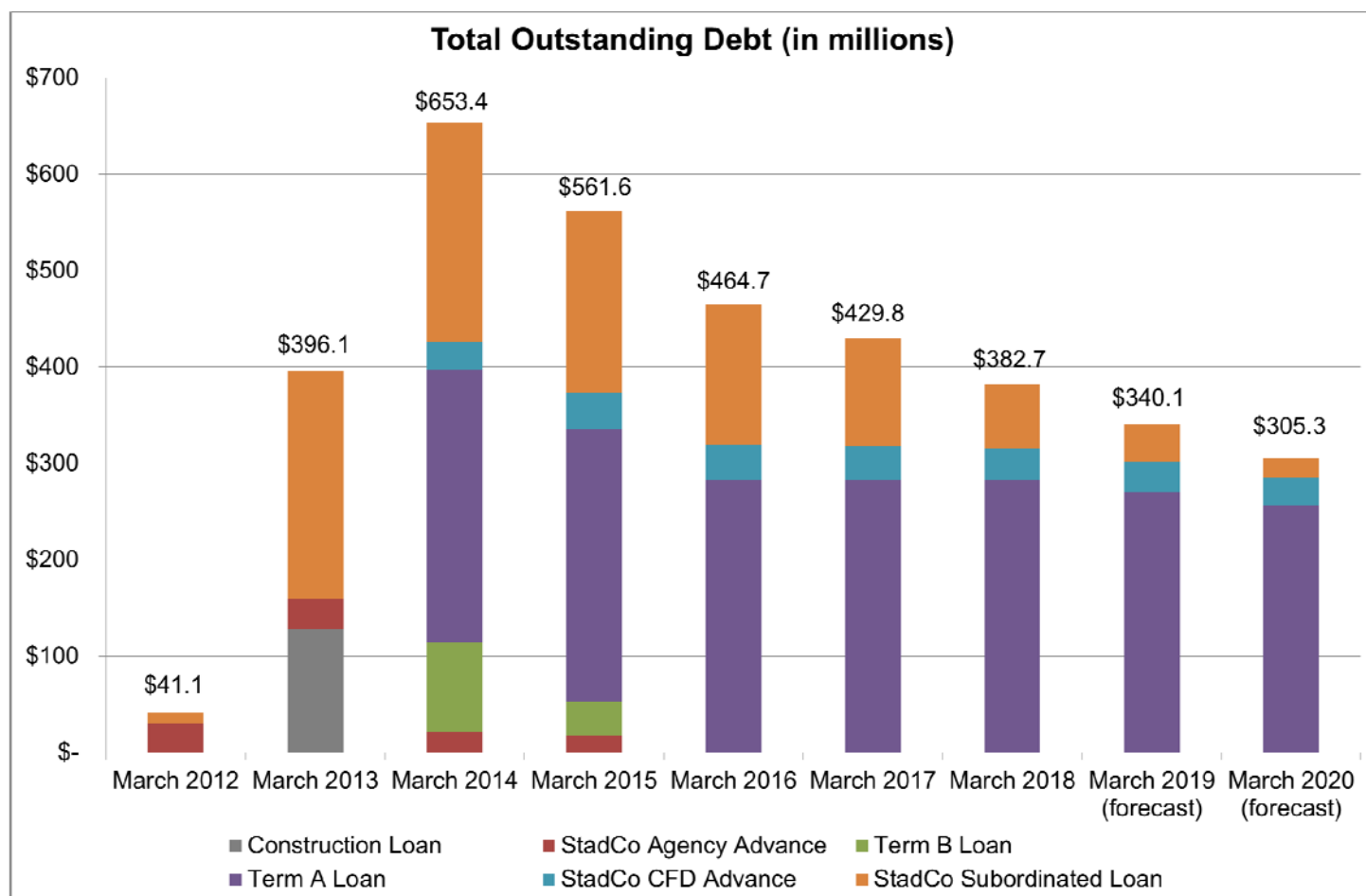
Santa Clara Stadium Authority

Debt Service Payment Schedule

Debt Obligations	Interest rates	2019/20 Interest	2019/20 Beginning Balance	2019/20 Principal Payments	2019/20 Additional Payments ⁽¹⁾	2019/20 Ending Balance
Stadium Funding Trust Term A Loan	5.00%	\$ 12,878,000	\$270,266,000	\$ 12,718,000	\$ 787,000	\$256,761,000
StadCo CFD Advance ⁽²⁾	5.73%	1,720,000	30,926,000	2,124,000	-	28,802,000
StadCo Subordinated Loan	5.50%	2,140,000	38,902,000	4,182,550	15,027,450	19,692,000
Total		\$ 16,738,000	\$340,094,000	\$ 19,024,550	\$ 15,814,450	\$305,255,000

⁽¹⁾ Additional payment is based on anticipated revenue that is in excess of all expenses and reserve requirements.

⁽²⁾ Community Facilities District (CFD) principal payment is an estimate based on anticipated contributions from the CFD



STADIUM AUTHORITY DEBT SERVICE BUDGET GLOSSARY

Contribution from the Community Facilities District (CFD): The CFD was established for the purpose of financing and constructing publicly owned facilities. To support that, the CFD levies and collects a special hotel tax of 2% on hotel rooms within the CFD. During the construction of Levi's® Stadium, Stadium Authority spent \$35 million on CFD infrastructure. All collections from the special CFD hotel taxes are contributed to Stadium Authority to pay down the CFD Advance which was used to fund the construction of the CFD publicly owned facilities. (Source: The Reimbursement Agreement Relating to the CFD)

CFD Advance: StadCo agreed to loan Stadium Authority a not to exceed amount of \$35 million for CFD infrastructure and with a maximum principal amount of \$38 million including capitalized interest. This loan bears interest at a fixed rate of 5.73% and the loan is payable solely from amounts actually received by Stadium Authority from the CFD. (Source: The Authority Promissory Note in Respect of StadCo CFD Advance)

Term A Loan: The Stadium Funding Trust (FinCo) agreed to loan Stadium Authority \$282.8 million to fund construction of Levi's® Stadium. This loan bears interest at a fixed rate of 5% payable semi-annually, with annual principal payments due beginning in April 2018. It has a maturity date in 2039 and is subject to certain prepayment premiums. The principal payment schedule is noted below. (Source: The Restated Credit Agreement)

Term A Loan Amortization							
Date	Annual Principal Payment		Date	Annual Principal Payment		Date	Annual Principal Payment
April 1, 2018	\$ 12,110,000		April 1, 2026	\$ 8,404,934		April 1, 2033	\$ 13,306,164
April 1, 2019	\$ 12,718,000		April 1, 2027	\$ 9,001,865		April 1, 2034	\$ 14,160,901
April 1, 2020	\$ 13,354,000		April 1, 2028	\$ 9,630,410		April 1, 2035	\$ 15,060,270
April 1, 2021	\$ 14,022,000		April 1, 2029	\$ 10,292,166		April 1, 2036	\$ 16,006,521
April 1, 2022	\$ 14,723,000		April 1, 2030	\$ 10,988,812		April 1, 2037	\$ 17,002,017
April 1, 2023	\$ 15,459,000		April 1, 2031	\$ 11,722,111		April 1, 2038	\$ 18,049,239
April 1, 2024	\$ 7,299,896		April 1, 2032	\$ 12,493,914		April 1, 2039	\$ 19,150,794
April 1, 2025	\$ 7,838,094						

StadCo Subordinated Loan: StadCo agreed to loan Stadium Authority an amount not to exceed \$500 million to fund construction of Levi's® Stadium. The actual amount loaned to the Stadium Authority was \$236.9 million. This loan bears a fixed interest rate of 5.5% with annual principal payments due beginning in March 2016 and it may be prepaid at any time without any penalties. (Source: The Restated StadCo Obligations Agreement)

STADIUM AUTHORITY CAPITAL EXPENSE BUDGET

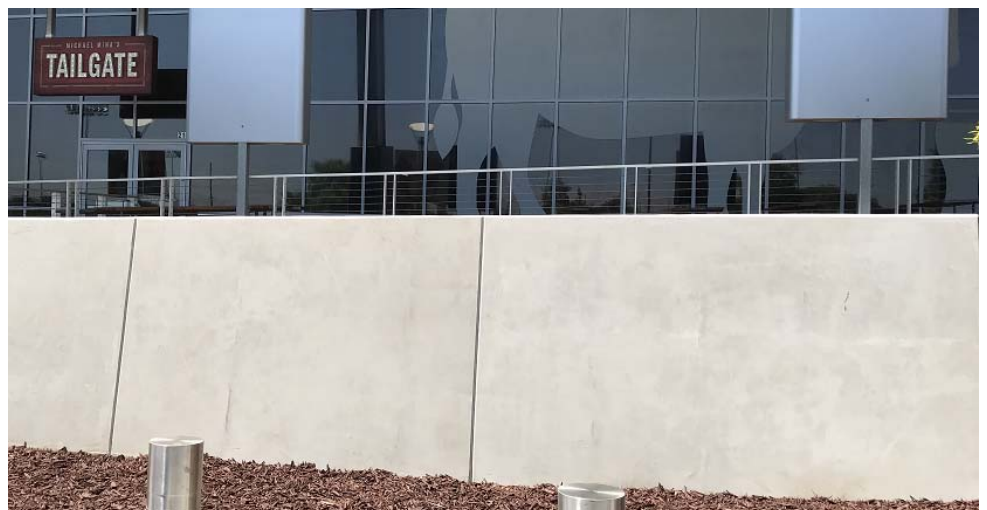
The Capital Expense (CapEx) Budget is used to fund the purchase or upgrade of fixed assets for the Stadium. While the funding for appropriations occur on an annual basis, the Capital Expenditure Plan extends for a five year period (shown on page 44 of this report). Changes to existing projects, as well as the addition of new projects, may occur during the five year planning period as new needs are identified. The appropriations for capital projects do not lapse at year-end but carryover into future years until the project is complete.

The FY 2019/20 CapEx Budget totals \$14.4 million. Of this total, \$6.4 million of prior year appropriations are projected to be carried over from FY 2018/19 (\$1.5 million of the projected carryover amount is for warranty related construction, and the other \$4.9 million is for prior year CapEx projects). New capital improvement appropriations equal \$8 million.

A detailed listing of proposed FY 2019/20 projects is provided on page 40 of this report.



Before and After Concrete Masonry Wall (CMU) Built to Protect the Main Stadium Natural Gas Pipeline



Santa Clara Stadium Authority

Capital Expense Budget Summary

	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2019/20
	Final Budget	Year-end Actuals	Final Budget	Projected Actuals	Projected Carryover	Proposed Budget	Total Proposed Budget
Beginning Balances	\$ 8,528,701	\$ 8,887,218	\$ 12,358,833	\$ 12,718,700	\$ 14,628,528		\$ 14,628,528
Resources							
Transfers In from Operating	3,278,000	3,278,181	3,377,000	3,376,527	-	3,478,000	3,478,000
Transfers In from Stadium Development ⁽¹⁾	1,851,000	1,851,000	-	-	-	-	-
Total Resources	13,657,701	14,016,399	15,735,833	16,095,227	14,628,528	3,478,000	18,106,528
	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2019/20
	Final Budget	Year-end Actuals	Final Budget	Projected Actuals	Projected Carryover ⁽²⁾	Proposed Budget	Total Proposed Budget
Expenses							
Construction	1,766,517	1,036,285	4,875,415	1,277,748	2,981,208	2,068,714	5,049,922
Equipment	1,022,000	11,385	1,210,000	112,932	1,610,654	5,555,300	7,165,954
Contingency	122,000	-	296,546	3,250	280,846	381,201	662,047
Stadium Warranty Related Construction	1,851,000	250,029	1,600,971	72,769	1,528,202	-	1,528,202
Total Expenses	4,761,517	1,297,699	7,982,932	1,466,699	6,400,910	8,005,215	14,406,125
Capital Expense Reserve	\$ 8,896,184	\$ 12,718,700	\$ 7,752,901	\$ 14,628,528	\$ 8,227,618		\$ 3,700,403

⁽¹⁾ Carryover from the original Stadium Construction Budget for Warranty related work

⁽²⁾ Projected Carryover includes \$115,000 in CapEx savings that are being returned to Fund Balance and a reallocation between the Construction and Equipment lines.



Two Flag Poles Added to Original Three



Fire Sprinkler System Upgrades

Santa Clara Stadium Authority

2019/20 CapEx Budget

Item Type	Description	Cost	Contingency (5%)	Total Cost
Electrical	Mechanical and Electrical Closet Lighting Install LED lighting in all mechanical and electrical closets located in the service tunnel, 300 Level, and 700 level. These lights not only improve visibility, but also provide longer and more efficient power usage.	\$ 150,000	\$ 7,500	\$ 157,500
Electrical	Escalator Covered Canopy Lighting Purchase proprietary Traxon canopy lights, modules, drivers, LED strips, connectors, etc. to cover Gate A and Gate C escalators. This specialized lighting system can be used for all stadium events, and branded according to the event.	100,000	5,000	105,000
Electrical	Broadcast Booth Power Installation of power components used for stadium events. These components will adhere to LEED certification, provide a clean source of power for our clients, and improve operating efficiencies.	35,000	1,750	36,750
Electrical	Concessions Cart Cabling Install code rated low voltage cabling (CAT6) to portable concession carts. This will provide Internet Protocol (IP) based access to the IPTV menu boards and Point of Sale (POS) systems for credit card transactions, as well as deliver an emergency signage to be displayed at the concession stands if needed.	50,000	2,500	52,500
General Building	Stadium Event Signage Install stadium signage (including but not limited to tunnel awnings, accessible seating reference areas, lower bowl sections placards, and additional fire and building code signage per fire marshal).	138,000	6,900	144,900
General Building	Miscellaneous Funds for unforeseen building related repairs.	100,000	5,000	105,000
General Building	Command Post Window Treatment Install window shades and/or tint the exterior windows on the 800 level command post to reduce heat and glare. This will assist dispatchers and command post operators working in this space.	16,000	800	16,800
General Building	Stadium and Special Event Spaces Entry mats to help alleviate wet floor scenarios and provide safety to stadium patrons. This will extend the finish of the existing flooring and help prevent slip and falls during inclement weather.	75,000	3,750	78,750
General Building	Non-Slip Floor Matting Install non-slip matting from the North Side Locker Rooms to tunnels primarily for event usage (that include access to the field for athletes, performers and customers).	50,000	2,500	52,500
General Building	Women's Locker Room Convert a portion of the auxiliary locker room area to accommodate a larger private space for female athletes, performers, officials, and other female event day sporting and entertainment professionals visiting or working events at Levi's Stadium.	372,000	18,600	390,600
General Building	Automated Logic Control Building Engineering System Install an automatic logic controller system upgrade to monitor the building's HVAC in all quadrants simultaneously. This updated system will enable graphic interface and help the system to operate more efficiently with time clock management and assisting in potential lighting control energy savings.	35,000	1,750	36,750
General Building	Club Space Flooring Strip, resurface, and/or replace hardwood flooring surfaces in the BNY East & West and Levi's 501 spaces. These spaces are among the most utilized spaces in the building and get a large amount of foot traffic. This work will help extend the useful life of these spaces as well as reducing slips and falls from worn floors.	85,000	4,250	89,250
General Building	Command Post Communication Equipment Purchase and install public safety screens, monitors, and projection devices used in monitoring stadium and security operations to help improve situational awareness and response.	58,000	2,900	60,900
Security	Stadium Camera Booth Card Readers Install card reader for North and South camera booths to secure the spaces that enter into/from general public access areas.	84,000	4,200	88,200

Santa Clara Stadium Authority

2019/20 CapEx Budget (cont.)

Item Type	Description	Cost	Contingency (5%)	Total Cost
Security	Enhance Stadium Security Perimeter Install additional Cameras, Radio Frequency Identification (RFID) tags, readers, and rolling gate remotes. Install new actuators in Security/Fire command center in the 100 level for remote access and 24/7 security operations.	250,000	12,500	262,500
Site	Parking Gates at Youth Soccer Park Currently the closest parking that is available to Stadium Authority staff while working at the stadium is across Tasman Drive. These gate improvements will allow for Stadium Authority staff to park at the Santa Clara Youth Soccer Park. This would provide parking that is secure and in closer proximity to the Stadium Authority office in the stadium.	93,000	4,650	97,650
Site	Stadium Insulation Install new insulation above the 300 level (under the 400/500 level). Original insulation is failing due to weather conditions. This also helps reduce sound reverberation throughout the concourse and protects the concrete from the elements.	150,000	7,500	157,500
Site	Security Fencing Install additional fencing under Gate C escalator to create a separation from "front and back of house" operations.	45,000	2,250	47,250
Site	Gold Lot 4 and 5 Lighting Install LED lighting in Gold 4 and Gold 5 parking lots. The current light plan is underpowered and is not sufficient given the work environment during stadium event load in/out. This lighting improves safety conditions for stadium personnel and provides energy cost savings with more efficient fixtures.	50,000	2,500	52,500
Site	Rust Prevention Mitigation The stadium railings, beams, and other steel areas need rust prevention and coating in specific areas throughout the stadium.	90,000	4,500	94,500
Site	Stadium Event Power Upgrades Install and enhance Stadium Event wiring service on the 12 Kilovolt (KV) Primary Switch Gear (PMSG) to main electrical panel.	42,714	2,136	44,850
Subtotal CapEx Construction Costs		\$ 2,068,714	\$ 103,436	\$ 2,172,150
Audio/Visual	Radio Booth Cabling Install fiber optic cabling to increase the low voltage cabling backbone. This installation will accommodate the expanding requests we get for booth usage during stadium events, and keep up with emerging trends.	\$ 600,000	\$ 30,000	\$ 630,000
Audio/Visual	Creston Control & Building Operating System Upgrades Installation of a Creston Control system to monitor HVAC, Lighting, Electrical, and Fire Alarm. This comprehensive system enables all of these items to interface with one another for engineers to see a real time view of the building's systems.	10,000	500	10,500
Furniture, Fixtures & Equipment	Replace Furniture in Club and Special Event Spaces Purchase replacement furniture for clubs (BNY, United, Levi's 501 and Yahoo) and special event spaces to enhance areas and meet client expectations. These spaces are amongst the most utilized in the entire stadium.	1,600,000	80,000	1,680,000
Furniture, Fixtures & Equipment	Security and Life Safety Partitions/Dividers Install service tunnel drapery and/or partitions for security and public safety personnel during stadium events that require public access to the service level. This helps coordinate public movements in "back of house areas" without affecting stadium operations.	68,000	3,400	71,400
Furniture, Fixtures & Equipment	Tunnel Slip and Fall Protection Install Non-Slip material at the South, Northeast, and Northwest Field Tunnels.	30,000	1,500	31,500

Santa Clara Stadium Authority

2019/20 CapEx Budget (cont.)

Item Type	Description	Cost	Contingency (5%)	Total Cost
Food & Beverage	Concession Signage Install new fascia signage at all fixed and portable concession stands throughout the stadium on all levels (60+ Concessions stands). Remove the existing "channel cut letters" that are obsolete and install new flexible signage to accommodate menu changes, allowing for increased sales and service opportunities.	2,500,000	125,000	2,625,000
HVAC/Mechanical	Kitchen Exhaust Fans Install variable frequency drive (VFD) Units on kitchen exhaust fans for soft start (slow ramp up) capabilities. Kitchen exhaust fans currently operate 100 percent of the time. Installing VFD units will modulate the power and save energy whenever the fan is in use. Soft start extends the life of the equipment and saves energy.	300,000	15,000	315,000
Life Safety/Fire	Fire Sprinkler Extension The Santa Clara Fire Marshal has requested that fire sprinklers be installed at the Gate F entrance to mitigate potential fire risk beneath the existing ribbon boards.	55,000	2,750	57,750
Life Safety/Fire	Carbon Dioxide (CO₂) Alarms Install CO ₂ Alarms for walk-in coolers that are integrated into the automatic logic controller system so that building engineering can monitor CO ₂ levels (per the fire marshal); this improves the safety and security of employees entering these	45,000	2,250	47,250
Public Safety Equipment	Diesel Particulate Filter for SCSA Fire Truck Filter for the Stadium Authority fire truck to remove diesel exhaust particulate reducing exposure to firefighters.	11,500	575	12,075
Public Safety Equipment	Mobile Radio for SCSA Fire Truck Dedicated mobile radio for the Stadium Authority fire truck so that crews do not have to use portable radios that are subject to battery failure.	7,500	375	7,875
Public Safety Equipment	Chemical Warfare Detector Identifying and mitigating any possible hazardous material threats at stadium events.	14,300	715	15,015
Public Safety Equipment	GPS Software for Tracking Personnel Live tracking of law enforcement personnel is critical to providing a safe environment at the Stadium. This technology and software will allow the Command Post to know where our personnel are at all times and make necessary assignment adjustments on the go. It is desired that the software also be capable of retaining data for historical analysis.	25,000	1,250	26,250
Public Safety Equipment	Body Worn Cameras (BWCs) BWCs are now standard issue in law enforcement and an expectation from the public, especially in contacts that can turn negative. Issuing BWCs to all police staff for use during Stadium events would better protect all interests and provide the transparency that the public has come to expect.	150,000	7,500	157,500
Public Safety Equipment	Staff Scheduling Software The Stadium requires Special Event Officers (SEOs) to operate safely. Notifying and communicating with our SEOs is critical in properly planning our staffing needs. We currently use an out of date version of "Game Day Staffing."	40,000	2,000	42,000
Public Safety Equipment	Upfit Kawasaki Mules City of Santa Clara Corp Yard "up-fits" the standard Kawasaki mules by adding decals, The rifle racks, emergency response lights and siren, and a public-address system. The purchase of three new mules was done from the FY 18/19 CapEx budget.	9,000	450	9,450
Public Safety Equipment	Fencing on Tasman Fencing to prevent stadium event pedestrian traffic from crossing unsafely between Lafayette St. and the Tasman St. overcrossing.	70,000	3,500	73,500
Vertical Transport	Elevator Door Replacement Replace and install new elevator doors on one of the freight elevators in the stadium.	20,000	1,000	21,000
Subtotal CapEx Equipment Costs		\$ 5,555,300	\$ 277,765	\$ 5,833,065
Total New CapEx Project Costs		\$ 7,624,014	\$ 381,201	\$ 8,005,215

Santa Clara Stadium Authority

2019/20 CapEx Budget Carryover

Item Type	Description	Cost	Remaining Contingency	Total Cost
Food & Beverage	Concession Area (2018/19 Carryover) Maintenance repair & programming of the beverage distribution system, concession stand equipment, repair walk-in coolers and main kitchen equipment.	\$ 469,161	\$ 24,250	\$ 493,411
General Building	Fire Sprinkler System (2018/19 Carryover) Fire Marshal request to have a sprinkler system installed for to accommodate combustible storage in open area under the escalator at gates A, C, and D, loading dock and highbay storage for fire life safety.	18,437	8,725	27,162
General Building	Loading Dock Security and Safety (2018/19 Carryover) Install security and safety equipment in the loading dock area to safely move workers and attendees around heavy equipment workflow.	147,910	7,396	155,306
General Building	Miscellaneous (2018/19 Carryover) Flooring, carpeting, millwork, tiles, masonry, granite counters, Stainless steel panels and counters, cladding, wall acoustic panels etc.	17,417	5,000	22,417
General Building	Premium Areas/Special Event Assets (2018/19 Carryover) Lyntal coating throughout the concourse. Floor restoration/terrazzo. Hardwood floor restoration in clubs. Coat service tunnel with epoxy coating and fill any cracks to protect against slips, trips and falls.	1,026,482	69,250	1,095,732
General Building	Stadium Field Conduits (2018/19 Carryover) Adding permanent solution for power and data on field/floor of stadium making electrical connections safer and efficient for concert and events.	111,607	12,500	124,107
Plumbing	Hot water Additions for Sump Pump (2018/19 Carryover) Install four hot water sump pump wash down stations to hose down the sump wells in the sewage system and four heat pumps at electrical rooms in quads A, B, C, and D.	235,120	17,500	252,620
Security	Access Control System (2018/19 Carryover) Install card readers on doors currently keyed for controlled security, install gate actuators at Gate A and Gate C. Update access control throughout to provide tighter and more efficient security measures.	111,190	9,850	121,040
Security	Security Cameras (2018/19 Carryover) Repair and update security cameras in the stadium to consistently view access areas & security perimeter.	53,884	2,950	56,834
Site	Asphalt (2018/19 Carryover) Slurry coat - visitor parking on Tasman, Gold 4 & 5 parking lots and South Access Road.	190,000	9,500	199,500
Site	Community Room Buildout (2018/19 Carryover) Consideration to build out an unfinished storage space in the stadium to potentially accommodate a new Community Space per Executive Director's request. This is Tenant's Exclusive Space - use of space by SCSA is subject to Tenant's approval which has not been given.	600,000	30,000	630,000
Subtotal CapEx Construction Carryover Costs		\$ 2,981,208	\$ 196,921	\$ 3,178,129
Furniture, Fixtures & Equipment	Guest Service Booths (2018/19 Carryover) Two additional guest services booths on the main concourse for better enhanced customer service touchpoints.	\$ 70,000	\$ 3,500	\$ 73,500
Furniture, Fixtures & Equipment	Water Stations (2018/19 Carryover) Install Elkay- type water stations on-site for public consumption. These are essentially water refill stations for guests and staff at the facility.	12,068	3,000	15,068
Public Safety Equipment	Street Signage (2017/18 Carryover) This item was brought before the SCSA Board and approved in the 2017/18 budget. Working with the Dept. of Public Works, the Executive Director's office and the Chief of Police's office to identify appropriate locations on surrounding city streets (Great America Parkway, Tasman Drive, etc.) to place signage to better protect, inform and serve patrons visiting Levi's® Stadium, non-event day traffic, community event advisories and emergency public safety and traffic advisories.	1,000,000	50,000	1,050,000

Santa Clara Stadium Authority

2019/20 CapEx Budget Carryover (cont.)

Item Type	Description	Cost	Remaining Contingency	Total Cost
Public Safety Equipment	Portable License Plate Reader/PTZ Cameras (2018/19 Carryover) Placing temporary/moveable license plate readers in remote stadium parking lots will provide better information and intelligence to the Command Post in order to deter crime and assist in apprehending crime suspects in the aftermath of an	160,000	8,000	168,000
Public Safety Equipment	Kawasaki Pro-FXT LE Black Mule (2018/19 Carryover) The Kawasaki Mule's are an essential part of the public safety plan at Levi's® Stadium events. Adding three new mules will allow staff to meet the public safety deployment needs.	17,586	1,875	19,461
Public Safety Equipment	Motor Vehicle Barriers (2018/19 Carryover) Having motor vehicle barriers would reduce the need to use vehicles and personnel to provide physical barriers during events.	100,000	5,000	105,000
Public Safety Equipment	EMS Equip - Auto Pulse Automated Compressors (2018/19 Carryover) Two auto pulse automated compressors would provide automatic compressions in the event of cardiac arrests while a patient is being transported from the stands.	32,000	1,600	33,600
Public Safety Equipment	EMS Equip - ALS Lifepack Monitor (2018/19 Carryover) This monitor would allow fire crews to better diagnose and treat cardiac patients by running various tests.	30,000	1,500	31,500
Public Safety Equipment	Public Safety Command Post Dispatch System (2018/19 Carryover) This system will interface between the system that is used at Levi's® Stadium to track all incidents/requests that occur during an event and the City's Hexagon CAD system. This will provide a seamless transition of data including calls for service, personnel assignments, and event tracking.	189,000	9,450	198,450
Subtotal CapEx Equipment Carryover Costs		\$ 1,610,654	\$ 83,925	\$ 1,694,579
Total CapEx Carryover Costs		\$ 4,591,862	\$ 280,846	\$ 4,872,708

Santa Clara Stadium Authority

Capital Expense Plan Summary - 5 Year Forecast

	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
Electrical	\$ 335,000	\$ -	\$ -	\$ 750,000	\$ 1,250,000
General Building	929,000	300,000	1,152,000	600,000	1,050,000
Plumbing	-	325,000	100,000	-	-
Security	334,000	325,000	150,000	-	-
Site	470,714	575,000	300,000	-	-
Subtotal CapEx Construction Costs	\$ 2,068,714	\$ 1,525,000	\$ 1,702,000	\$ 1,350,000	\$ 2,300,000
Audio/Visual	\$ 610,000	\$ 600,000	\$ -	\$ -	\$ -
FF&E	1,698,000	-	30,000	-	30,000
Food & Beverage	2,500,000	200,000	-	-	-
HVAC/Mechanical	300,000	325,000	100,000	-	-
Life Safety/Fire	100,000	100,000	-	-	-
Public Safety Equipment	327,300	110,000	120,000	-	-
Vertical Transport	20,000	-	-	-	-
Subtotal CapEx Equipment Costs	\$ 5,555,300	\$ 1,335,000	\$ 250,000	\$ -	\$ 30,000
Contingency (5%)	381,201	143,000	97,600	67,500	116,500
Total CapEx Project Costs	\$ 8,005,215	\$ 3,003,000	\$ 2,049,600	\$ 1,417,500	\$ 2,446,500

Stadium Authority FY 2019/20 Work Plan

Work Effort	Work Plan	Planned Outcome
ADA Compliance	<ul style="list-style-type: none"> Complete ADA compliance with improvements to Main Lot 	Compliance regarding accessible parking spaces and Stadium Main Lot Use or other satisfactory solutions that prioritize ADA compliance
Community Room	<ul style="list-style-type: none"> Return to Board to seek input on proposed next steps, including evaluation of the other locations discussed earlier in 2018. 	Resolution of Community Room location, policy/guidelines for use
Fiscal Transparency and Accountability	<ul style="list-style-type: none"> Continue/complete fiscal review of past years and provide analysis to Board, as available Review and implement audit functions and support SCSA Auditor on establishing a work plan Implement remaining Harvey M. Rose audit recommendations (currently 70% complete) Review process for ensuring StadCo is compliant with SBL requirements (e.g. season tickets on sale for “temporary” field seats) 	Audit Program for real-time accounting of Non-NFL Events at Levi’s® Stadium and validation of financial information provided for past years.
Marketing Plan for Non-NFL Events	<ul style="list-style-type: none"> Receive Board input and direction toward coming to mutual agreement on the 2019 Marketing Plan Continue working with ManCo, via correction action, if necessary, to revise their draft 2019 Marketing Plan (including KPIs), consistent with their 2018 commitment 	Marketing Plan that includes reasonable details to monitor and track activity to book non-NFL events successfully and in accordance with the goals as described in various agreements and documents
Public Safety Service Model	<ul style="list-style-type: none"> Implement public safety experts’ recommendations and pilot new practices (multi-department actions) 	Provide a safe and family-friendly environment for NFL and Non-NFL events at Levi’s® Stadium, while addressing the impacts to neighborhoods as surfaced in the community research effort
Emergency Operations	<ul style="list-style-type: none"> Review model to determine where appropriate to make updates and/or implement best practices 	Clarify and document roles and responsibilities
Lafayette Overpass at Tasman	<ul style="list-style-type: none"> Evaluate rideshare options (locations, signage, enforcement) Capital project to install fencing on Tasman 	Reduce traffic, neighborhood protection issues on Lafayette

Work Effort	Work Plan	Planned Outcome
<i>Public Safety Service Model Continued</i> Neighborhood Protection	<ul style="list-style-type: none"> Evaluate current deployment, implement changes Present parking permit program to Board for consideration Develop consolidated parking plan for NFL and Non-NFL Events that encompasses all City permitted offsite parking lots Evaluate and improve communication strategies 	<p>Reduce impact of NFL and Non-NFL events at Levi's® Stadium on surrounding neighborhoods with ongoing and predicable protections</p>
San Thomas Aquino Creek Trail	<ul style="list-style-type: none"> By review of other venues with shallow security perimeters and consultation with Homeland Security, evaluate options for keeping trail open during events and/or providing alternate routes if trail is closed 	<p>Creek trail access and/or safe and/or accessible alternate route</p>
SCSA Board Policy Manual	<ul style="list-style-type: none"> Continue to create manual, beginning with Governance and Budget policies Identify areas where policies are appropriate and propose drafts for the Board's approval. Already identified: financial reporting; flags flown at Levi's® Stadium; non-NFL event planning 	<p>Develop additional policies and present to Board for inclusion in manual</p>
SCSA Auditor Annual Audit Work Plan	<ul style="list-style-type: none"> Analyzing the Stadium Authority's review procedures for Non-NFL Events' revenues and provide feedback on procedure and control issues, if any. Reviewing the Stadium Authority Financial Reporting Policy with staff and external auditors and providing feedback on best practices. Reviewing past Construction Fund and Public Safety transactions and providing feedbacks on the allocation of staff charges (contracted service). Annual External Financial Audit for the Stadium Authority (contracted audit service) 	<p>Promote honest, efficient, effective and fully accountable city government through accurate, independent and objective audits.</p>

Administrative Work Efforts

There are several administrative work efforts that directly impact the ability of Stadium Authority staff to complete the above work plan. These are provided as reference:

- Code enforcement: monitor and enforce City Code and various permit conditions for (including but not limited to):
 - Development permit
 - Building permits
 - Offsite parking permits
- CFP National Championship: Post Event financial reconciliation and full event audit
- Community engagement:
 - continue to evaluate and implement various recommendations from statistically valid data collected in 2018
 - continue to improve City's communication efforts through social media and MySantaClara
- Fiscal accountability: continue implementing and monitoring processes, collecting data and conducting audits to improve transparency and accountability
- Harvey M. Rose Compliance Audit: Complete implementation of final third of recommendations (25 or 37 are complete)
- Noise Monitoring: continue monitoring and code enforcement efforts
- Public Safety Costs Threshold: continue to bill 49ers for all actual costs; continue good faith efforts
- Stadium Management Agreement Compliance: monitor and take action to ensure compliance, particularly First Amendment section 3.3
 - Advance communications of potential events
 - Written report for Non-NFL Events



Stadium Management Company
Annual Public Safety Budget
FY 2019

	<u>Amount</u>	<u>Footnote</u>
Public Safety Costs - Tenant (NFL Events)	\$ 2,844,798	1
Public Safety Costs - Authority (Non-NFL Events)	\$ 1,723,476	2
Public Safety Capital Expenditures (2019-20 Budget)	\$ 1,257,300	3
Public Safety Capital Expenditure Amortization	\$ 190,923	3
Tenant's Estimated Public Safety Share	\$ 84,855	3
Public Safety Capital Expenditure Amortization (prior years)	\$ 19,139	4

Footnotes to Schedule:

- 1 Assumes 10 home games. PSC above the threshold may be paid from the Discretionary Fund per Section 7.5.3 (a). The StadCo budget for 2019-20 is based on projected 2019 PSC for 10 NFL games, based on an estimated 10% hourly rate increase vs. 2018-19 rates.
- 2 The proposed non-NFL event PSC budget is based on the number and type of non-NFL events scheduled/projected for the 2019-20 fiscal year, and an estimated 10% hourly rate increase vs. 2018-19 rates.
- 3 The Stadium Manager has received Public Safety Capital Expenditure requests from the SCSA Finance Director in January 2019 for the 2019-20 fiscal year totaling \$647,300. The Stadium Manager has included permanent changeable street signage previously approved in the Capital Expenditure Plan for 2018-19 for \$1,000,000. This line item will be described in detail in the Proposed Capital Expenditure Plan. Assumes amortization of six months (half year) for 2019-20 for all assets then full year amortization in subsequent years.

Stadium Public Safety Capital Expenditure Requests

Equipment¹	Dept.	Depr. Life	FY17/18	FY18/19	FY19/20
Kubota 4x4 gas powered UTV ambulance	Fire	10	\$ 15,922		
Kimtech MTD-103 Advanced (med cart upgrade)	Fire	10		\$ 8,382	
Physio-Contorl LIFEPAK (monitor/defibulator)	Fire	5		\$ 29,187	
ZOLL AutoPulse System (cardiac arrest system)	Fire	5		\$ 28,440	
Kawasaki Pro-FXT LE Black Mule #1	Police	10		\$ 17,209	
Kawasaki Pro-FXT LE Black Mule #2	Police	10		\$ 17,209	
Kawasaki Pro-FXT LE Black Mule #3	Police	10		\$ 17,209	
Handheld Radios	Police	5		\$ 50,980	
Command Post Dispatch System (related to CAD)	Police, IT	5		\$ 179,966	
Portable Changeable Message Boards		15			\$ 1,000,000
CAD Replacement	Police, IT	5		\$ 130,000	
Portable License Plate Reader/PTZ Cameras	Police	5		\$ 160,000	
Motor Vehicle Barriers	Police	5		\$ 100,000	
Diesel Particulate Filter for Stadium Authority Fire Truck	Fire	10			\$ 11,500
APX 8500 Mobile Radio for SA Fire Truck	Fire	10			\$ 7,500
LCD3-3 Chemical Warefare Detector	Fire	10			\$ 14,300
GPS Personnel Tracking Software & Devices	Police	5			\$ 25,000
Body Worn Cameras	Police	5			\$ 150,000
Staff Scheduling Software	Police	5			\$ 40,000
Upfitting Mules purchased in 2018-19	Police	10			\$ 9,000
Radiation Detector	Fire	10			
Upfitting of SA John Deere Gator and Kubota Vehicles	Fire	10			
Cach of Rescue Gear	Fire	10			
Total:			\$ 15,922	\$ 738,582	\$ 1,257,300

Notes:

1 Five year Useful Life of Equipment unless otherwise noted.

Stadium Public Safety Asset Amortization

Equipment	Placed in Svc Date	Est?	FY 2017/18 Depreciation	FY 2018/19 Depreciation	FY 2019/20 Depreciation
Kubota 4x4 gas powered UTV ambulance	4/1/2018		\$ 0	\$ 1,592	\$ 1,592
Kimtech MTD-103 Advanced (med cart upgrade)	6/1/2018		\$ 0	\$ 699	\$ 838
Physio-Contorl LIFEPAK (monitor/defibulator)	2/1/2019	estimate	\$ 0	\$ 973	\$ 5,837
ZOLL AutoPulse System (cardiac arrest system)	2/1/2019	estimate	\$ 0	\$ 948	\$ 5,688
Kawasaki Pro-FXT LE Black Mule #1	1/7/2019		\$ 0	\$ 430	\$ 1,721
Kawasaki Pro-FXT LE Black Mule #2	1/7/2019		\$ 0	\$ 430	\$ 1,721
Kawasaki Pro-FXT LE Black Mule #3	2/1/2019	estimate	\$ 0	\$ 287	\$ 1,721
Handheld Radios	9/1/2018		\$ 0	\$ 5,948	\$ 10,196
Command Post Dispatch System (related to CAD)	3/15/2019	estimate	\$ 0	\$ 2,999	\$ 35,993
Portable Changeable Message Boards	10/1/2019	estimate	\$ 0	\$ 0	\$ 30,000
CAD Replacement	3/15/2019	estimate	\$ 0	\$ 2,167	\$ 26,000
Portable License Plate Reader/PTZ Cameras	3/15/2019	estimate	\$ 0	\$ 2,667	\$ 32,000
Motor Vehicle Barriers	10/1/2019	estimate	\$ 0	\$ 0	\$ 10,000
Diesel Particulate Filter for Stadium Authority Fire Truck	10/1/2019	estimate	\$ 0	\$ 0	\$ 575
APX 8500 Mobile Radio for SA Fire Truck	10/1/2019	estimate	\$ 0	\$ 0	\$ 375
LCD3-3 Chemical Warefare Detector	10/1/2019	estimate	\$ 0	\$ 0	\$ 715
GPS Personnel Tracking Software & Devices	10/1/2019	estimate	\$ 0	\$ 0	\$ 2,500
Body Worn Cameras	10/1/2019	estimate	\$ 0	\$ 0	\$ 15,000
Staff Scheduling Software	10/1/2019	estimate	\$ 0	\$ 0	\$ 4,000
Upfitting Mules purchased in 2018-19	10/1/2019	estimate	\$ 0	\$ 0	\$ 450
Radiation Detector	10/1/2019	estimate	\$ 0	\$ 0	\$ 2,100
Upfitting of SA John Deere Gator and Kubota Vehicles	10/1/2019	estimate	\$ 0	\$ 0	\$ 450
Cach of Rescue Gear	10/1/2019	estimate	\$ 0	\$ 0	\$ 1,450
Total:			\$ 0	\$ 19,139	\$ 190,923

Events w/Attendance >20k	FY17/18	FY18/19	FY19/20
NFL (StadCo) Events	10	10	10
SCSA Events	8	9	8
Total Events	18	19	18

StadCo Allocation	56%	53%	56%
SCSA Allocation	44%	47%	44%

StadCo Amortization	\$ 0	\$ 10,073	\$ 106,068
SCSA Amortization	\$ 0	\$ 9,066	\$ 84,855



Stadium Authority Individual Board Member Priorities

On January 31 and February 1, 2019, the Santa Clara City Council held two full-day sessions to review the state of the organization, advancements of policy priorities, and key data that provide direction on managing the City going forward. Following these [Overview of City Council Operational and Strategic Priority Setting Sessions](#), Board Members provided feedback to staff on their priorities for the organization.

The feedback received from individual Board Members related to Levi's® Stadium is consistent with the proposed Stadium Authority FY 2019/20 Work Plan. Below is a compilation of the Stadium Authority priorities received from individual Board Members, and the corresponding Work Plan item(s).

Individual Board Member Priority	Requested by	Corresponding FY 2019/20 Work Plan Item(s)
Improved relationship with 49ers	Chahal	All work plan items: the Board is responsible to the public entity, SCSA, and its mission and provides direction that staff implements.
Stop non-NFL events that operate at a loss	Chahal	<ul style="list-style-type: none">• Fiscal Transparency & Accountability• Marketing Plan for Non-NFL Events• SCSA Auditor Annual Audit Work Plan• Stadium Management Agreement Compliance: monitor and take action to ensure compliance, particularly First Amendment section 3.3 (Administrative Work Effort)
Ongoing and predictable protections for residents and businesses in the area of Levi's Stadium with higher level of enforcement, including parking solutions	Gillmor Watanabe	Public Safety Service Model (Overall Model; Emergency Operations; Lafayette Overpass at Tasman; Neighborhood Protection)
Police Staffing Capacity related to Levi's Stadium	Hardy	Public Safety Service Model (Overall Model; Emergency Operations; Lafayette Overpass at Tasman; Neighborhood Protection) Note: Council recently updated the Per Diem Special Event Police Officers ("Double Badge") hourly salary rate, with staff administering additional recruitment.
Access to San Tomas Aquino/Saratoga Creek Bike Trail	Chahal Hardy Davis	San Thomas Aquino Creek Trail

Stadium Authority Compliance and Management Policy

This policy sets the framework for compliance of the mandates of The Santa Clara Stadium Taxpayer Protection and Economic Progress Act (Measure J), passed by the voters of the City of Santa Clara in June 2010 and the management of Levi's Stadium (Stadium). Measure J was the legislation that approved the development on City-owned land of a Stadium suitable for the exhibition of professional football games and other event subjects, however, to the binding requirements set forth in Measure J to safeguard the City's General and Enterprise Fund and protect City taxpayers. Measure J was enacted for the following purposes:

1. Generate New Revenue for Santa Clara
2. Create New Jobs
3. Provide Taxpayer Protections
4. Generate Community Funding

To ensure that Levi's Stadium (Stadium) operates within the boundaries of Measure J and that the Stadium is managed effectively, the Stadium Authority Board (Board) established the following Board priority in January 2017:

- Ensure Compliance with Measure J and Manage Levi's Stadium

The Board is committed to complying with the regulations of Measure J and governance of the Stadium Authority and its activities through the below framework:

- Oversight – effective management of the Stadium
- Commitment – to the citizens of Santa Clara to protect the community and safeguard the City's General Fund
- Compliance – with Measure J and various Stadium agreements
- Transparency – to provide information required for decision making
- Communication – to keep the public informed of issues related to the Stadium
- Adequate Resources – to maintain the necessary resources, including staffing, to effectively manage the Stadium
- Enforcement – to require that Stadium contracts and agreements are accurately followed
- Monitoring – perform compliance and financial audits by both internal and external auditors
- Corrective Action – audit report of all findings which will require a written response to any non-compliant finding

Stadium Authority Board decisions must be aligned to the voter approved Measure J legislation and evaluation of this initiative must be reviewed against the purpose for which Measure J was established. The intent of the above framework is to provide transparency of conventional activities that the Stadium Authority will engage in to ensure Measure J compliance.

3/19/19

item 1

Santa Clara Stadium Authority

STUDY SESSION

Santa Clara Stadium Authority FY 2019/20 Operating,
Debt Service, and Capital Budget



March 19, 2019

Agenda

1. Standard of Care
2. Budget Development Schedule
3. Overview of Budget
4. Non-NFL Event Revenue
5. Stadium Authority Operating Budget
 - Operating Budget Revenues & Expenses
 - Stadium Authority General & Administrative (G&A) Expenses
 - Discretionary Expense
 - Performance Rent Calculation
6. Budget Risks
7. Stadium Authority Debt Budget
8. Stadium Authority Capital Budget

2

POST MEETING MATERIAL

Management Agreement – Standard of Care

2.9 Standard of Care. Subject to the limitations set forth in this Agreement, the Budget, and the Stadium Lease, the Stadium Manager shall exercise **prudent, commercially reasonable good faith efforts in managing** and operating the Stadium in accordance with the terms hereof so as to (a) maintain the Stadium in the Required Condition and operate the Stadium as a **quality NFL and multi-purpose public sports, public assembly, exhibit and entertainment facility, to a standard of quality comparable to other similar facilities** (except that the parties recognize that portions of the Stadium may be in need of capital upgrades); (b) **control Manager Operating Expenses, StadCo Operating Expenses and Stadium Authority Operating Expenses**; and (c) **maximize Operating Revenues**.

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Standard of Care

- Prudent, commercially reasonable good faith efforts in managing
- Quality NFL and multi-purpose public sports, public assembly, exhibit and entertainment facility, to a standard of quality comparable to other similar facilities
- Control Manager Operating Expenses
- Maximize Operating Revenues

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FY 2019/20 Budget Development

November 2018	Staff worked with ManCo to develop the annual budget plan which included the dates that all required documents were due to the Stadium Authority
January 2019	<p>ManCo provided the required documents per the Stadium Agreements:</p> <ul style="list-style-type: none"> • Stadium Operations and Management Plan • Annual Shared Expense Budget with Five Year Projection • Annual Stadium Authority Operations Budget • Annual Public Safety Budget • Capital Expenditure Plan with Five Year Projection • Non-NFL Event Marketing Plan • Public Safety Document Updates
Mid-January to March 2019	Staff analyzed ManCo's's budget submission, Stadium Manager received Stadium Authority's proposed budget. On March 14, ManCo submitted over \$2.8 million of additional budget adjustments.
March 15, 2019 March 19, 2019	<ul style="list-style-type: none"> • Release of Proposed FY 2019/20 Operating, Debt Service, and Capital Budget • Study Session to receive Board and public input on the SCSA's proposed budget
March 27, 2019	Public Hearing to approve the SCSA Proposed Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget and Approve the Stadium Operations Management Plan

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Santa Clara Stadium Authority FY 2019/20 Budget

- **Executive Director's Transmittal Letter**
- **Organizational Chart**
- **General Information**
- **Year in Review for both NFL and Non-NFL events**
- **Operating Budget (Accrual Basis)**
 - Stadium Authority General and Administrative Budget
 - Stadium Manager Shared Expenses and 5 Year Forecast
- **Debt Service Budget**
- **Capital Budget**
 - Capital Expenditure Plan – 5 Year Forecast

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Overview

Current Fiscal Year Non-NFL Event Revenue (FY 2018/19)

- **ManCo provided a projected net revenue amount of \$750,000 for FY 2018/19**
 - This would result in Performance Rent of \$215,000 paid to the City
 - A loss of \$2.4 million to the City's General Fund when compared to budget
- **ManCo did not provide supporting documentation for the FY 2018/19 projection, despite requests by Stadium Authority Staff**
- **Required that Stadium Authority staff depart from approach regarding fiscal projections**
- **Stadium Authority staff did not use ManCo's FY 2018/19 projection, but instead projected \$4 million based on the following:**
 - Staff's analysis of the event make-up compared to prior years (use of averages and actual data submitted over the past fiscal year by ManCo)
 - Draft Profit and Loss (P&L) statements that were prepared by ManCo for each event do not confirm the submitted numbers

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Overview (cont.)

FY 2018/19 – Completed or Initiated several key work efforts:

- Community Engagement (baseline data, Work Plan items, areas of interest, etc.)
- Noise Monitoring Program
- College Football Playoff (CFP) Championship Assignment Agreement and Deployment of Public Services
- Implemented 70% of Measure J Compliance Audit Recommendations
- Stadium Auditor established, including the establishment of an Audit Work Plan
- Policy Manual Development
- Stadium Authority Coordination (financial, compliance, auditing, clarifying processes, etc.)
- Rent Arbitration Award
- Non-NFL Event Financial Transparency (dating back to 2014 – current)
- Issued First Executive Director Annual Report

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Overview (cont.)

Historical Value of Non-NFL Events by Fiscal Year and Event Category

EVENT TYPE	2014/15		2015/16		2016/17		2017/18	
	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue
Ticketed Events								
Concerts	0	\$ -	7	\$ 3,791,985	4	\$ 2,424,572	2	\$ 1,819,099
Sporting events:								
Football (non-NFL)	5	(3,007,907)	4	(2,316,903)	4	(2,946,165)	4	(3,601,827)
Soccer	2	3,948,144	2	891,300	5	2,414,209	3	3,228,754
Miscellaneous events	2	2,504,912	4	(149,392)	5	(159,175)	4	76,379
Subtotal Ticketed Events	9	\$ 3,445,149	17	\$ 2,216,989	18	\$ 1,733,441	13	\$ 1,522,405
Special Events (weddings, corporate events, etc.)	186	\$ 1,762,404	204	\$ 3,862,027	127	\$ 3,583,453	113	\$ 3,640,924
Total Non-NFL Net Revenue	195	\$ 5,207,553	221	\$ 6,079,016	145	\$ 5,316,894	126	\$ 5,163,329
Total Performance Rent paid to the General Fund⁽¹⁾		\$ 2,513,777		\$ 2,932,008		\$ 2,533,447		\$ 2,439,164
Average General Fund Revenue per Ticketed Event		\$ 184,782		\$ 62,899		\$ 45,887		\$ 55,322

⁽¹⁾ Performance Rent is calculated as 50% of the net revenue from Non-NFL events less performance-based credit of 50% of fixed Ground Rent

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Overview (cont.)

FY 2019/20 Proposed Budget

- **Total Proposed Stadium Authority Operating Budget is \$73.6 million**
- **Stadium Authority's General & Administrative expense budget equals \$2.5 million**
 - Addresses oversight, accounting, and audit workplan
 - Budget includes a proposal for a Deputy City Manager position to oversee Multi-Department public service deployment, neighborhood focused response and impact mitigation efforts, related policy development, and overall department coordination on public service support for events
 - Set at a level to implement the FY 2019/20 Work Plan topics
- **Continued to Improve Oversight of Stadium Management**
 - Increased Transparency
 - Ensured compliance with Agreements

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Overview (cont.)

FY 2019/20 Proposed Budget

- **Developed new Board policy to “Ensure Compliance with Measure J and Manage Levi’s Stadium”**
- **Stadium Authority FY 2019/20 Work Plan**
 - Community Room
 - San Thomas Aquino Creek Trail
 - Multi-departmental and agency deployment improvements and policy development
 - Auditor’s Work Plan
- **Outstanding Issues not Included In this Proposed Budget:**
 - Additional Stadium Authority Insurance
 - Stadium Manager Requested Expenses
 - Buffet services for certain SBL holders per applicable agreements
 - Marketing staff for Non-NFL events
 - Standalone financial system for the Stadium Authority that would allow for real time access to event financial data
 - Ticket Operations

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SANTA CLARA STADIUM AUTHORITY

Proposed Fiscal Year 2019/2020 Operating, Debt Service, and Capital Budget



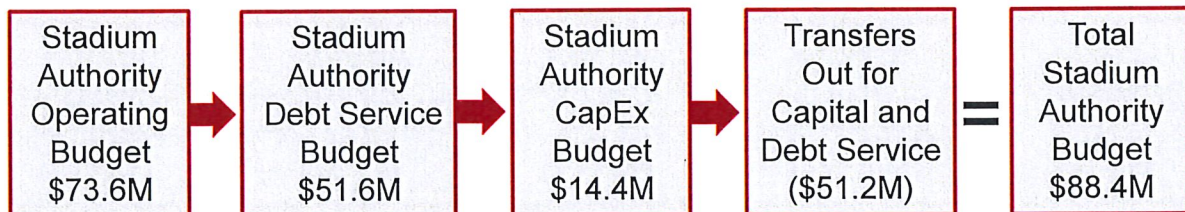
12

Stadium Authority Flowchart



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Stadium Authority Budget Flowchart



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FY 2019/20 Operating Budget Revenues

NFL Ticket Surcharge	\$8,142,000
SBL Proceeds	25,416,000
Interest	938,000
Net Non-NFL Event Revenue	5,796,000
Naming Rights	6,754,000
Sponsorship Revenue (STR)	345,000
Rent	24,762,000
Senior & Youth Program Fees	230,000
Non-NFL Event Ticket Surcharge	1,232,000
Total Revenues	\$73,615,000

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FY 2019/20 Operating Budget Expenses

Shared Stadium Manager Expenses	\$11,904,000	
SBL Sales and Service	2,221,000	
Senior and Youth Program Fees	230,000	←
Ground Rent	355,000	←
Performance Rent	2,721,000	←
Discretionary Fund Expense	250,000	
Utilities	1,551,000	
Use of StadCo Tenant Improvements	182,000	
Stadium Authority General & Administrative	2,480,000	
Other Expenses	200,000	
Transfers Out	51,183,000	
Contribution to Operating Reserve	338,000	
Total Expenses	\$73,615,000	

Paid to
the
City's
General
Fund

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FY 2019/20 Stadium Authority General and Administrative Budget

Expense Type	Amount	Comments
Staff support	\$1,160,000	To support the Stadium Authority with its oversight duties of stadium activities
Board stipends	\$8,000	Monthly Stadium Authority meetings
Audit services	\$267,000	Financial, Ticket Surcharge, and Performance Audits
Legal services	\$500,000	As needed for outside legal services
<u>Consultants</u>		
Community Outreach	\$190,000	Community engagement and board initiatives (e.g., community room, trail, neighborhood impacts, parking permit program, and other initiatives)
Noise Monitoring	\$135,000	Continued noise monitoring of Levi's® Stadium
Public Safety	\$100,000	Implementation of Public Safety expert's recommendations
Other expenses	\$20,000	Routine office expenses such as office supplies, copier lease, IT support, etc..
Executive Director and Board directives	\$100,000	Funding for unanticipated Board directives, Executive Director assignments, etc.
Total	\$2,480,000	3% of total Expense budget of \$73.6 million

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Santa Clara Stadium Authority Discretionary Fund

Projected Beginning Balance	50% of 2019/20 Non-NFL Event Ticket Surcharge	2019/20 Discretionary Fund Expense	Projected Ending Balance
\$1,936,075	\$616,000	\$250,000	\$2,302,075

- The Discretionary Fund has been used to cover NFL public safety costs above the public safety cost threshold, public safety capital expenses, and other items at the Stadium Authority's discretion.

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Santa Clara Stadium Authority Performance Rent Calculation

FY 2019/20 Performance Rent Calculation	Budget
Ground Rent	\$355,000
Net Non-NFL Event Revenue	\$5,796,000
50% of Net Non-NFL Revenue	\$2,898,000
Performance Rent Credit (50% of Ground Rent)	(177,500)
Total Performance Rent paid to the City of Santa Clara	\$2,720,500

19

FY 2019/20 Budget Risks

- **ManCo was unable to provide a projection for Non-NFL events for FY 2019/20 during the budget development process**
 - Staff was unable to budget at the gross level due to insufficient information provided by ManCo
 - Staff projected \$5.8 million for Net Non-NFL Event Revenue and \$2.7 million paid to the City in Performance Rent

20

FY 2019/20 Budget Risks (cont.)

- Notification from ManCo on March 14, 2019 of \$2.8 million in additional costs to the Stadium Authority

Expense Type	Additional Expenses (in \$ millions)	Description
SBL Sales & Services	\$1.1	Buffet service for applicable Stadium Business License (SBL) holders
SBL Sales & Services	\$0.1	Ticket operations related to SBL items
Non-NFL Events	\$1.2	Ticket operation staff (\$297k), IT staff (\$92k), and Sales & Marketing staff (\$800k)
Other Expenses	\$0.4	HR, Payroll, Accounting and Finance staff to work on Stadium Authority items
Total	\$2.8	

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FY 2019/20 Budget Risks (cont.)

- Information received from ManCo on March 14, 2019 reflects a forecast of \$175,000 for FY 2019/20 Net Non-NFL Revenue which would mean no Performance Rent would be paid to the City

FY 2019/20 Revised Performance Rent Calculation	Budget
Ground Rent	\$355,000
Net Non-NFL Event Revenue	\$175,000
50% of Net Non-NFL Revenue	\$87,500
Performance Rent Credit (50% of Ground Rent)	(177,500)
Total Performance Rent paid to the City of Santa Clara	\$ 0

22

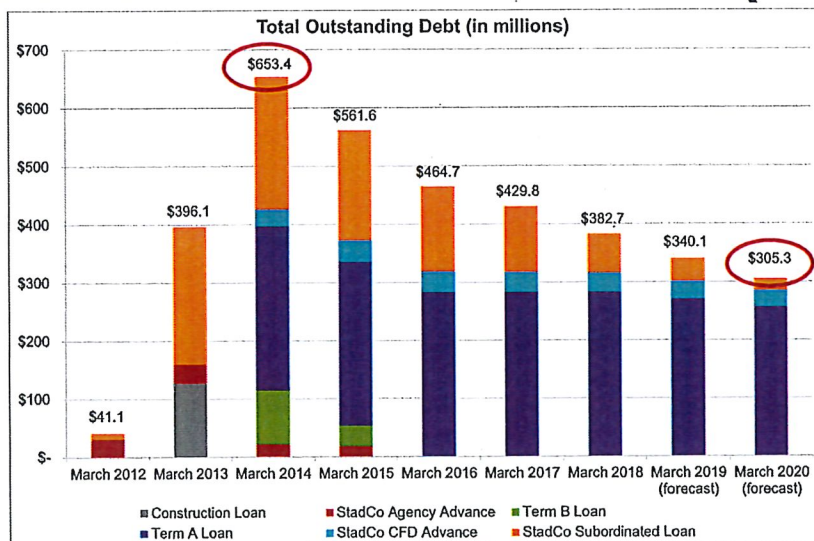
Santa Clara Stadium Authority FY 2019/20 Debt Service

Debt Type	Budget
CFD Advance	\$3,844,000
Term A Loan	26,383,000
StadCo Subloan	21,350,000
Total	\$51,577,000

- Debt Service amount of \$51.5 million includes Principal (\$34.8M) and Interest Payments (\$16.7M)
- Total Outstanding Debt is projected to decrease by \$34.8 million (principal payments) from \$340.1 million to \$305.3 million

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Santa Clara Stadium Authority FY 2019/20 Debt Service (cont.)



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Santa Clara Stadium Authority FY 2019/20 Capital Budget

Total Capital Budget of \$14.4 million

- **Stadium Improvements - \$12.9 million**
 - Carryover for Community room build out of \$630,000
 - Public Safety Equipment of \$1.9 million
 - Includes Fencing on Tasman
- **Stadium Warranty Related Construction - \$1.5 million**
 - Part of the original Stadium Development/Construction Budget

Note: Staff is withdrawing the Parking Gates at Youth Soccer Park Project in the amount of \$97,650 which will be reflected in the adopted budget.

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Conclusion

- Is structurally balanced between revenues and expenditures, but does not integrate new information received on March 14, 2019
- Maintains required reserves for operating, discretionary, and capital funds
- Maintains debt service commitments and identifies anticipated excess revenue that can be used toward debt.
- Invests in strategic capital expenditures
- Provides for greater transparency of expenditures
- Additional budget adjustments may be required after thorough review of ManCo's March 14 budget submittal
- These last minute developments, with new information, raise serious questions about how ManCo is managing the City's asset and cause for concern of Standard of Care

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March 19, 2019 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 19, 2019 Study Session.

#	Question	Answer
1.	Who is responsible for the outstanding issues that are not included in the budget that are identified on slide 11 of the presentation?	<p>The outstanding issues listed below are a combination of items projected by the Stadium Authority and items requested by the Forty Niners Stadium Management Company, LLC ("ManagementCo"). Stadium Authority staff is researching the obligations and impacts of the outstanding issues, as well as, requesting supporting documents from ManagementCo. The current proposed budget does not include funding for these items and staff will bring before the Board budget amendments with proper justification and documentation, as appropriate.</p> <ul style="list-style-type: none">• Additional Stadium Authority Insurance• Stadium Manager Requested Expenses• Buffet Services for Certain SBL Holders per Applicable Agreements• Marketing Staff for Non-NFL Events• Standalone Financial System for Stadium Authority• Ticket Operations
2.	Which entity controls the Team Store, Museum, Locker Room, and Restaurant at Levi's® Stadium?	<p>These areas are Tenant Exclusive Facilities noted in Exhibit C to the Stadium Lease and therefore controlled by Forty Niners SC Stadium Company, LLC ("StadCo"). The Stadium Authority does not receive revenue from these areas.</p>
3.	How can the board control the booking of money losing events?	<p>The Management Agreement, Section 3.2.1, grants ManagementCo with full rights to book Non-NFL Events. There are reporting requirements for planning purposes within the agreements, as well as mutual agreement of the Marketing Plan.</p>

#	Question	Answer
4.	How is the new Deputy City Manager position budgeted?	<p>The Stadium Authority General Administrative budget of \$2.5 million includes \$1.2 million for staff support which is equal to 3.8 full-time equivalent (FTE) positions. In reality this is made up of small percentages of 37 different staff members that charge time to the Stadium Authority. The new Deputy City Manager position is budgeted as follows and will close a significant gap of multi-department coordination and mitigating neighborhood impacts:</p> <ul style="list-style-type: none"> • 25% to the Stadium Authority General and Administrative (included in the \$1.2 million described above) • 25% to NFL events (billed to ManagementCo) • 25% to Non-NFL events (part of net Non-NFL Event Revenue) • 25% to the General Fund for non-Stadium Related tasks
5.	Are the new items that ManagementCo is proposing to add to the 2019/20 budget included in the agreements?	Staff is currently researching this and depending on the outcome will bring any proposed budget amendments to the Board for its consideration.
6.	What is the status of the current noise monitoring contract, and what are the goals surrounding this service?	<p>On December 19, 2017 a study session was held to discuss the Acoustic monitoring of Levi's® Stadium and the San Francisco 49ers Practice Facility for Noise Ordinance compliance (Item 6A). Links related to this item are noted below.</p> <p>Meeting Report</p> <p>PowerPoint Presentation</p> <p>On August 28, 2018, the City Council approved the second amendment to the contract extending the term to August 2020 subject to appropriation of funds in the FY 2019/20 as recommended.</p>
7.	Will the proposed Stadium Authority Capital Expense ("CapEx") Youth Soccer Park gate project be solely for the use of Stadium Authority staff?	This project has been removed from the Stadium Authority CapEx budget. This proposed gate would have been solely for the use of Stadium Authority staff.

#	Question	Answer
8.	Why is the Stadium Authority projecting \$4 million of net Non-NFL Event Revenue if ManagementCo has projected it to be \$750,000?	ManagementCo has projected that the net Non-NFL Event Revenue related to events held in 2018/19 will be \$750,000. However they have not provided any data supporting this projection after a number of requests. Therefore staff was forced to make its own projection that could be supported by data that was available. Staff used the average net revenue that was generated from each type of event for the past two Fiscal Years and applied those average amounts to the number of events by type that were held in 2018/19. Please refer to the table below.

Staff also reviewed the 2018/19 draft Non-NFL Event Profit and Loss ("P&L") and other related reports that had previously been provided by ManagementCo. The data in these reports did not seem to support a significant change in net revenue for each type of event when compared to prior years.

**Santa Clara Stadium Authority
Net Revenue for Non-NFL Events
by Event Type**

EVENT TYPE	2016/17		2017/18		Average Net Revenue/Event	2018/19	
	No. of Events	Net Revenue	No. of Events	Net Revenue		No. of Events	Projected Net Revenue
Ticketed Events							
Concerts	4	\$2,424,572	2	\$1,819,099	\$ 707,278	3	\$ 2,121,835
Sporting events:							
Football (non-NFL)	4	(2,946,165)	4	(3,601,827)	(818,499)	4 ⁽¹⁾	(3,273,996)
Soccer	5	2,414,209	3	3,228,754	705,370	3	2,116,111
Miscellaneous events	5	(159,175)	4	76,379	(9,199)	2	(18,399)
Subtotal Ticketed Events	18	\$ 1,733,441	13	\$ 1,522,405		12	\$ 945,552
Subtotal Remaining Non-NFL Events (weddings, corporate events, etc.)	127	\$ 3,583,453	113	\$ 3,640,924	\$ 30,102	100 ⁽²⁾	\$ 3,010,157
Total Non-NFL Net Revenue	145	\$ 5,316,894	126	\$ 5,163,329		112	\$ 3,955,709

⁽¹⁾ Does not include CFP

⁽²⁾ Estimated by SCSA (41 events confirmed in Q1 & Q2; estimate of 59 in Q3 & Q4 is conservative when compared with 2016/17 and 2017/18)

#	Question	Answer
9.	<p>1) Is the Stadium Authority getting the documents and financial information that it is legally entitled to?</p> <p>2) Has staff requested this information?</p> <p>3) Has ManagementCo been given enough time to comply with the request?</p> <p>4) Has ManagementCo been cooperative with these requests?</p> <p>5) Has ManagementCo fulfilled its legal obligations with regards to the agreements and complying with Measure J?</p>	<p>1) No, staff does not have possession of all documents. Most notably, we do not have any documents related to FY 2018/19. ManagementCo has produced a volume of documents and the burden to determine completeness of documentation has been placed on the limited Stadium Authority staff, which we are not resourced for nor is this a productive methodology. Although ManagementCo has made several attempts to produce all documentation, we do not believe that it has been achieved and recent work to remedy this matter was placed on hold by ManagementCo to focus on the budget. On March 21, Stadium Authority staff advised ManagementCo that the consultant hired to perform this work would need to resume this effort.</p> <p>2) Yes, staff has requested this information numerous times including taking legal action to gain possession of all documents. [See above response]</p> <p>3) Staff believes that ManagementCo has had plenty of time to comply with our requests for the possession of Stadium Authority documents. [See above response]</p> <p>4) Staff does not believe that ManagementCo has been completely cooperative in providing all of the documents.</p> <p>5) Staff does not believe that ManagementCo has fulfilled its legal obligations with regards to the agreements nor have they complied with Measure J.</p>
10.	Does the Stadium Authority receive 100% of concession revenue?	<p>No, the Stadium Authority does not receive 100% of the concession revenue. The Stadium Authority receives no concession revenue related to NFL events. For Non-NFL events the exact percentage or revenue that the Stadium Authority receives depends on various factors such as whether it is a large or small event, the location (club area or suites), and the type of sale (in-seat vs third party). On February 27, 2018 the Board approved the concession agreement with Levy Premium FoodService Limited Partnership. Links related to this item are noted below.</p> <p>Meeting Report PowerPoint Presentation</p>

Agenda Report

19-384

Agenda Date: 3/27/2019

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Informational Report Regarding Notice of Breach of Agreement and Audit of Stadium Manager Delegated Procurement Authority

BACKGROUND

Santa Clara Municipal Code (Code) Chapter 17.30, Stadium Authority Procurement Policy, outlines the procurement policies and procedures for the Santa Clara Stadium Authority (Stadium Authority). The Code authorizes the Executive Director, or designee, to purchase professional, nonprofessional and personal services required by the Stadium Authority in contract amounts up to and including two hundred fifty thousand dollars (\$250,000) per contract, subject to budgetary approval. Contracts with an amount above this dollar limit must be approved by the Stadium Authority Board (Board).

The First Amendment to the Stadium Management Agreement, Section 2. Delegation of Contracting Authority, requires that the Stadium Manager provide the Stadium Authority with information, including the contracting party and the contract amount, regarding all Stadium Procurement Contracts entered into with contract amounts greater than \$100,000 within thirty (30) days of entering into any such contract.

On November 9, 2018, the Executive Director sent a letter (Attachment 1) to the Stadium Manager noting the requirements of Section 2.1 and directing the Stadium Manager to comply, including retroactive compliance for past procurement actions. The letter acknowledged notification, received via two letters on October 30, 2018, from the Stadium Manager regarding the initiation of three projects, but also noted that there had not been any previous notifications. Further, the Executive Director noted that the contract for one project noticed on October 30, 2018 exceeds the contract approval authority outlined in Section 17.30.120 of the City Code (\$250,000), and requires SCSA Board action, in advance of executing the contract.

On February 19, 2019, Stadium Authority staff presented to the Board corrective action to cure the violation of the Stadium Management Agreement (Section 2.1 of the First Amendment) by retroactive approval of an agreement (with NEx Systems for Stadium Floor Improvements), and Stadium Manager disclosure of contracts issued through delegated authority from \$100,000 to \$250,000.

The Board did not approve the agreement and directed Stadium Authority staff to provide additional information and documents to demonstrate Stadium Manager's adherence to Code and the Management Agreement.

DISCUSSION

On December 13, 2018, Stadium Authority staff sent notice (Attachment 2) to provide Management Correction Plan to the Stadium Manager, per Stadium Management Agreement Section 3.3.2, and

provided examples of how the Stadium Manager had failed to comply with Section 2.1 of the First Amendment to the Stadium Management Agreement, Stadium Procurement Contracts and is in violation of Section 17.30.120 of the Santa Clara City Code (City Code), Service contracts - Signature Authority. The Stadium Authority received some documents from the Stadium Manager, which we included in the February 19, 2019 report to the Board for corrective action.

Following direction from the Board on February 19, 2019, Stadium Authority staff requested additional information and documents from the Stadium Manager to demonstrate Stadium Manager's adherence to Code and the Management Agreement.

Based on information from and discussions with the Stadium Manager, on March 22, 2019 Stadium Authority Counsel sent notice (Attachment 3) to San Francisco Forty Niners President that Forty Niners Stadium Management Company LLC (Stadium Manager) is in breach of its obligations under Stadium Management Agreement, by and among Santa Clara Stadium Authority (Stadium Authority), Stadium Manager, and Forty Niners SC Stadium Company LLC, dated March 28, 2012 and subsequently amended (Management Agreement).

Following this notice, Stadium Authority Executive Director sent a letter (Attachment 4) to the Stadium Manager to advise that the Stadium Authority will be accelerating an audit of all contracts issued by the Stadium Manager, as the Stadium Authority's agent, to determine compliance with all applicable legal requirements, including but not limited to California Prevailing Wage statutes (See California Labor Code Sections 1720 and 1771) and regulations of the California Department of Industrial Relations.

Until such due diligence on the referenced violation and compliance audit is completed, Stadium Authority staff is not able to bring before the Board consideration of retroactive approval of an agreement for NEx Systems for stadium floor improvements.

On March 21, 2019 the Executive Director advised the Stadium Manager that subject to demonstrating compliance with applicable requirements, including California Prevailing Wage statutes, that there is no authority to release public funds and that the contract had not been validly entered into since it did not have proper Board approval or may not have complied with applicable legal requirements (based on the documents submitted as proof of compliance). The Executive Director also stated that the San Francisco 49ers may want to consider financially curing this matter to at least address NEx Systems' request for payment.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

FISCAL IMPACT

There is no cost to the Stadium Authority to prepare this report other than administrative staff time and expense. The fiscal impact to the Stadium Authority as a result of the Audit of Stadium Manager Delegated Procurement Authority is unknown.

COORDINATION

This report has been coordinated with the Stadium Authority Counsel's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Note and file this informational report regarding Notice of Breach of Agreement and audit of Stadium Manager delegated procurement authority.

Reviewed by: Brian Doyle, Stadium Authority Counsel

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. November 4, 2018 Stadium Authority Compliance with Management Agreement, Section 2.1 and Muni Code, Section 17.30.120 Letter
2. December 13, 2018 Stadium Authority Notice to Provide Management Correction Plan
3. March 22, 2019 Stadium Authority Notice of Breach of Management Agreement
4. March 22, 2019 Stadium Authority Audit of Stadium Manager Delegated Procurement Authority Letter

SCSA

Santa Clara Stadium Authority

November 9, 2018

Mr. Jim Mercurio, Stadium Manager
San Francisco Forty Niners Management Company
4900 Marie P. DeBartolo Way
Santa Clara, CA 95054

**RE: Compliance with Management Agreement, Section 2.1 and Muni Code,
Section 17.30.120**

Dear Mr. Mercurio:

The purpose of this letter is to respond to recent letters from you regarding stadium procurement and your request of my approval. Per Section 2.1 of the First Amendment to the Stadium Management Agreement ("First Amendment"),

The Stadium Manager shall provide the Stadium Authority with information, including the contracting party and the contract amount, regarding all Stadium Procurement Contracts entered into with contract amounts greater than \$100,000 within thirty (30) days of entering into any such contract.

While Section 17.30.120 of the City's Municipal Code ("Code") authorizes the Stadium Manager, as the Executive Director's designee, to execute contracts for services on behalf of the Stadium Authority in contract amounts up to and including two hundred fifty thousand dollars (\$250,000) it in no way releases you of the duty to comply with the requirements outlined in the First Amendment.

As of the week of October 29, 2018, I have only begun receiving information for agreements entered into that exceed \$100,000 within the last month. You are required to comply with the terms of the Management Agreement and to timely submit this important information. Additionally, San Francisco Forty Niners Management Company's (ManCo) compliance with this term is required retroactively for past procurement actions and I request this information for the past fiscal years, including activity for FY 2018/19, by December 1, 2018. The terms of the Management Agreement and audit recommendations in the Measure J Compliance Audit have been known to ManCo for quite some time, there should be no further delay in ManCo's compliance with these terms and findings.

Additionally, in review of the SCSA Project Notification from ManCo on October 30, 2018, I call to ManCo's attention another potential violation of the below referenced Muni Code, Section 17.30.120. ManCo's SCSA Project Notification letter requests my approval to execute a contract with Nex Systems in the amount of \$495,000. The amount of the contract exceeds the approval authority as outlined in the referenced Muni Code and requires SCSA Board action, in advance of executing the

contract. Execution of a contract, on ManCo's part, with Nex Systems in an amount of \$495,000 would violate the terms of Section 17.30.120 of the Code which states:

The Executive Director, or designee, is authorized to purchase professional, nonprofessional and personal services required by the Stadium Authority and to execute contracts for such services on behalf of the Stadium Authority in contract amounts up to and including **two hundred fifty thousand dollars (\$250,000) per contract**, subject to approved budgetary amount, so long as such persons are specially trained and experienced and competent to perform the special services required. **Contracts with a contract amount above this dollar limit shall be referred to the Stadium Authority Board for approval.**

To maintain compliance with the Code and Management Agreement, you are required to seek approval from the Stadium Authority Board. Please work with SCSA staff to add this item to an upcoming Stadium Authority Board agenda for consideration and action at the earliest date possible and self-report any other procurements that may have violated either the Management Agreement and/or Muni Code by December 1, 2018 so that a corrective action plan can be reported to the Stadium Authority Board and implemented.

Your compliance with the Management Agreement and Code are required. Please call if there are any issues to discuss.

Sincerely,



Deanna J. Santana
Executive Director

cc: Ms. Hannah Gordon, CAO and Counsel
Walter C. Rossmann, Chief Operating Officer
Brian Doyle, Stadium Authority Counsel
Angela Kraetsch, Stadium Authority Treasurer
Linh Lam, Stadium Authority Auditor



December 13, 2018

Mr. Jim Mercurio, Stadium Manager
San Francisco Forty Niners Management Company
4900 Marie P. De Bartolo Way
Santa Clara, California 95054

Sent via Certified Mail, Return Receipt Requested

SUBJECT: Notice to provide Management Correction Plan, Stadium Management Agreement Section 3.3.2

Dear Mr. Mercurio:

This is to provide the San Francisco Forty Niners Management Company (Stadium Manager) with written notice that in the reasonable judgment of the Stadium Authority the Stadium Manager has not met the Stadium Authority's reasonable expectations with respect to the management of the Stadium. In particular Stadium Manager has not reasonably complied with its obligations under the parties' Stadium Management Agreement (Management Agreement) to (1) provide advance communication about and written reports for Non-NFL Events, and (2) comply with contract procurement procedures and restrictions as provided.

Accordingly, Stadium Authority hereby invokes its rights under Section 3.3.2 of the Stadium Management Agreement to demand a timely meeting with Stadium Manager's appropriate staff regarding these issues, and to then receive a written Management Correction Plan as provided under Section 3.3.2.

As explained below, Stadium Manager has not met these contractual obligations, nor its obligations to provide prudent and commercially reasonable good faith standard of care and duties under Sections 2.9 and 2.10 of the Management Agreement. Specifically, Stadium Manager has continually failed to comply with Section 3.3 of the First Amendment to the Stadium Management Agreement, Quarterly Status Meetings:

The Stadium Manager and the Executive Director shall, at the request of the Executive Director, at a mutually convenient time, meet and confer no less often than quarterly during the Term of the Management Agreement to report on the status of the Stadium Manager's activities pursuant to Paragraph 3.2 above and the then approved Marketing Plan, including, without limitation, the status of Stadium Manager's marketing and

MR. JIM MERCURIO, STADIUM MANAGER

Re: Notice for Management Correction Plan, Stadium Management Agreement Section 3.3.2

December 13, 2018

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promotional efforts, the status of any ongoing negotiations with respect to Non-NFL Events, financial performance and other matters relating to past Non-NFL Events, development of the Marketing Plan for the succeeding fiscal year, and such other similar or other topics as the Stadium Authority may request. In addition, and without limiting the Stadium Manager's obligation to provide an Annual Statement of Stadium Operations pursuant to Section 4.2 of the Existing Management Agreement, the 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.

Attachment A provides specific examples demonstrating the lack of compliance with reporting on the status of the Stadium Manager's activities including, without limitation, the status of Stadium Manager's marketing and promotional efforts and the status of any ongoing negotiations with respect to Non-NFL Events. The Stadium Authority has made several efforts, dating back to December 2017, to seek improved performance and corrective action and Stadium Manager has not performed in compliance with these requirements. Further, Attachment B provides specific examples demonstrating Stadium Manager's lack of compliance in furnishing written Non-NFL Event revenue reports to the Stadium Authority Executive Director.

Stadium Manager has also failed to comply with Section 2.1 of the First Amendment to the Stadium Management Agreement, Stadium Procurement Contracts:

In addition to contracting authority that may be granted to the Stadium Manager from time to time pursuant to Section 6.4 of the Existing Management Agreement, the Stadium Authority hereby agrees that the Stadium Manager shall have full authority and discretion to select the providers, and to negotiate, approve, enter into and administer contracts with such providers on behalf of the Stadium Authority, for the purchase of supplies, materials and equipment, and for services, relating to the Stadium and its operations ("Stadium Procurement Contracts"), as and to the extent the Executive Director has authority to enter into such Stadium Procurement Contracts pursuant to Sections 17.30.010 through 17.30.180 of the Santa Clara City Code ("SCCC"), as approved on first reading by the Santa Clara City Council on November 13, 2012. Manager shall provide the Stadium Authority with information, including the contracting party and the contract amount, regarding all Stadium Procurement Contracts entered into with contract amounts greater than \$100,000 within thirty (30) days of entering into any such contract. The foregoing constitutes the Executive Director's delegation to the Stadium Manager, pursuant to Section 17.30.010(c) of the SCCC, of the authority granted to the Executive Director to enter into such Stadium Procurement Contracts. If the ordinance adopting Sections 17.30.010 through 17.30.180 of the SCCC approved on November 13,

MR. JIM MERCURIO, STADIUM MANAGER

Re: Notice for Management Correction Plan, Stadium Management Agreement Section 3.3.2

December 13, 2018

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2012 does not become effective by January 31, 2013, this Section 2 shall be of no further force or effect.

Additionally, Stadium Manager is in violation of Section 17.30.120 of the Santa Clara City Code (City Code), Service contracts – Signature authority:

The Executive Director shall have the authority to execute contracts with third parties for services provided to the Stadium Authority, which shall be exempt from the competitive process, as follows:

(a) The Executive Director, or designee, is authorized to purchase professional, nonprofessional and personal services required by the Stadium Authority and to execute contracts for such services on behalf of the Stadium Authority in contract amounts up to and including two hundred fifty thousand dollars (\$250,000.00) per contract, subject to approved budgetary amount, so long as such persons are specially trained and experienced and competent to perform the special services required. Contracts with a contract amount above this dollar limit shall be referred to the Stadium Authority Board for approval;

(b) The Executive Director is authorized to delegate all or a portion of the authority to execute such service contracts to specified Stadium Authority employees at her/his discretion. Such delegation of authority shall be made in writing;

(c) Such service contracts shall be generally consistent with forms of contracts approved by the Stadium Authority Counsel's office or shall be subject to the final review and approval of the Stadium Authority Counsel's office for form and content;

(d) The maximum amount of the value of the service contracts which the Executive Director or designee is authorized to execute shall be adjusted as needed by resolution of the Stadium Authority Board, with amounts rounded to the nearest five thousand dollar (\$5,000.00) increment;

(e) Notwithstanding anything to the contrary, solicitations for professional services of private architectural, landscape architectural, engineering, environmental, land surveying, or construction project management firms shall be on the basis of demonstrated competence and on the professional qualifications necessary for the satisfactory performance of the services required.

Attachment C provides specific examples demonstrating the lack of compliance with both this agreement provision and this section of the City Code.

MR. JIM MERCURIO, STADIUM MANAGER

Re: Notice for Management Correction Plan, Stadium Management Agreement Section 3.3.2

December 13, 2018

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As a result, Stadium Manager has failed its obligations to provide prudent and commercially reasonable good faith standard of care and duties under Sections 2.9 and 2.10 of the Stadium Management Agreement, Standard of Care and Duty and Liability, respectively:

2.9 Standard of Care. Subject to the limitations set forth in this Agreement, the Budget, and the Stadium Lease, the Stadium Manager shall exercise prudent, commercially reasonable good faith efforts in managing and operating the Stadium in accordance with the terms hereof so as to (a) maintain the Stadium in the Required Condition and operate the Stadium as a quality NFL and multi-purpose public sports, public assembly, exhibit and entertainment facility, to a standard of quality comparable to other similar facilities (except that the parties recognize that portions of the Stadium may be in need of capital upgrades); (b) control Manager Operating Expenses, StadCo¹ Operating Expenses and Stadium Authority Operating Expenses; and (c) maximize Operating Revenues.

2.10 Duty and Liability. The Stadium Manager shall owe to each of StadCo and the Stadium Authority a duty to perform the obligations specified to be provided on their respective behalf under this Agreement and to conduct the management and operation of the Stadium at all times with integrity and good faith and in a manner which in the good faith judgment of the Stadium Manager is in the best interests of the Stadium, StadCo and the Stadium Authority and consistent with the terms of this Agreement. The Stadium Manager shall not be liable, responsible, or accountable in damages or otherwise to either StadCo or the Stadium Authority for any act or omission that is within the scope of its authority under this Agreement, except for acts or omissions of the Stadium Manager not in good faith or involving gross negligence or willful misconduct; provided, however, the Stadium Manager shall not be liable for damages and other amounts to the extent such items are covered by insurance proceeds or other third party payments.

For all these reasons, Stadium Authority hereby invokes its rights under Section 3.3.2 of the Stadium Management Agreement to demand a timely meeting with Stadium Manager's appropriate staff regarding these issues of (1) providing advance communication about and sufficient written reports for Non-NFL Events, and (2) complying with contract procurement procedures and restriction, and to then receive a written Management Correction Plan as to each of the two issues, as provided under Section 3.3.2.

This letter summarizes a series of actions that demonstrate that the Stadium Manager has not reasonably complied with its obligations under the parties' Management Agreement and how this lack of compliance impairs the Executive Director with respect to upholding her duties to the Stadium Authority and Stadium Authority Board. This condition was raised at a meeting on

¹ Forty Niners Stadium SC Company LLC

MR. JIM MERCURIO, STADIUM MANAGER

Re: Notice for Management Correction Plan, Stadium Management Agreement Section 3.3.2

December 13, 2018

Page 5 of 5

October 4, 2018, with Patty Ingles and Hannah Gordon, where the Executive Director advised in great detail how the Stadium Manager's inadequate performance sets inappropriate limitations on the Executive Director's ability to fulfill her obligations.

Accordingly, please provide available dates for the Section 3.3.2 meeting within 10 business days upon receipt of this correspondence, so it can be scheduled within the 30-day period required under the Stadium Management Agreement. In addition, to be efficient of all of our time and resources regarding this very important issue and potential violations, provide all information that will resolve these issues, at least seven business days in advance of the scheduled meeting. If you fail to comply with this Notice and your obligations under Section 3.3.2, or continue to fail to meet your obligations as stated here, Stadium Authority will consider all actions to enforce its rights and remedies under the Stadium Management Agreement, including but not limited to formal default notices, or legal actions in Superior Court.

Sincerely,



Deanna J. Santana
Executive Director

Attachments (3):

- A. Stadium Manager Non-Compliance with Section 3.3 of the First Amendment to the Stadium Management Agreement (Quarterly Status Meetings) – Advance Communication of Non-NFL Events
- B. Stadium Manager Non-Compliance with Section 3.3 of the First Amendment to the Stadium Management Agreement (Quarterly Status Meetings) – Written Non-NFL Event Reports
- C. Stadium Manager Non-Compliance with Section 2.1 of the First Amendment to the Stadium Management Agreement (Stadium Procurement Contracts) and Section 17.30.120 of the Santa Clara City Code)

Previous communications referenced in letter and attachments provided upon request.

CC: Santa Clara Stadium Authority Board
Patricia Inglis, Executive Vice President
Hannah Gordon, Chief Administrative Officer and General Counsel
Brian Doyle, Stadium Authority Counsel
Mohammad Walizadeh, Hanson Bridgett

Attachment A: Stadium Manager Non-Compliance with Section 3.3 of the First Amendment to the Management Agreement (Quarterly Status Meetings) – Advance Communication of Non-NFL Events

Stadium Authority and Stadium Manager have discussed numerous times, dating back to December 21, 2017 with San Francisco 49ers President Al Guido (SF 49ers President), Stadium Manager's obligation to share marketing efforts to obtain Non-NFL events. Additionally, Stadium Authority has also discussed numerous times the manner required to disclose communications about Stadium Manager's activity to obtain Non-NFL Events at Levi's Stadium, and how to reflect this information in the Marketing Plan for the Stadium Authority Board (Board). Stadium Manager has not taken reasonable action to meet the requirements under the Management Agreement and Stadium Authority continues to receive insufficient information that is also not timely or complete.

Following are specific examples that demonstrate Stadium Manager's non-compliance with Section 3.3 of the First Amendment to the Management Agreement due to Stadium Manager's scheduling of Non-NFL Events without prior coordination with Stadium Authority Executive Director (Executive Director).

- **2018 Non-NFL Events Marketing & Business Plan (Marketing Plan)** – On March 13, 2018 the Board held a Study Session to discuss and provide input on the Marketing Plan. Executive Director and Stadium Manager stated they would work collaboratively to develop key performance indicators (KPIs) that will be used to both evaluate the effectiveness of the Marketing Plan, as well as inform the decision making process for the next annual Marketing Plan, for review by the Board in the second quarter of Stadium Authority Fiscal Year 2018/2019 (July – September 2018).

Executive Director stated via October 4, 2018 letter that despite numerous discussions, efforts to develop KPIs had not significantly advanced, and outlined those efforts:

- April 26 Monthly Meeting: Stadium Manager establish by May 11 draft KPIs to Stadium Authority; Stadium Authority/Stadium Manager set May/June review dates.
- June 20 Email: Stadium Manager transmits draft KPIs for Concessionaire.
- June 21 Monthly Meeting: Discussed KPIs scope; Stadium Manager to establish draft KPIs to Stadium Authority by July 1.
- June 26 and 27 Emails: Stadium Authority requested meeting to review in July draft KPIs; reminder to provide additional KPIs (not related to Concessionaire).
- July 17 Email: Stadium Manager transmitted draft KPIs to Stadium Authority.
- July 19 Meeting: Stadium Authority/Stadium Manager review draft KPIs. Stadium Authority provided feedback, agreed to provide template for displaying KPIs. Stadium Manager to provide revised KPIs by August 16, with plans to review at August 23 monthly meeting.
- July 29 Email: Stadium Authority provided draft template for recording KPIs with potential performance categories based on the Marketing Plan.
- August 17 Email: Stadium Manager transmitted draft KPIs to Stadium Authority.

- **August 31, 2018 Executive Director Letter to Stadium Manager** – Executive Director memorialized the many discussions where Stadium Authority and Stadium Manager specifically reviewed this agreement provision at monthly meetings and in other venues regarding Stadium Manager’s requirement to provide full and advanced information of any potential Non-NFL Events. Executive Director listed specific examples of several Non-NFL events that Stadium Manager scheduled without prior coordination or disclosure to Executive Director as required:
 - Heart & Soles Run (Silicon Valley Leadership Group); March 23, 2019
 - College football: SJSU vs. Army West Point; October 13, 2018
 - College football: Cal vs UNC; September 1, 2018
 - High School Football Series; September 21, 2018
- **May 19, 2019 Rolling Stones Concert** – This is another specific example of the extremely limited nature of keeping the Executive Director apprised of Non-NFL Events. This began in August 2018 when SF 49ers President spoke with Chief Operating Officer Walter C. Rossmann regarding a potential Rolling Stones weeknight concert in May 2019, specifically referencing concerns with the requirement to end weeknight concerts no later than 10:00 p.m. SF 49ers President then called the Executive Director regarding the possibility of booking this potential concert. Since that time there was no further definitive communications regarding this Non-NFL Event until November 6, 2018, when Stadium Manager advised Executive Director via email of plans to do a pre-announcement promotion for the Rolling Stones concert. The Executive Director inquired in writing regarding the date(s) of the concert, she received a reply five days later stating “No set date yet...we will know next week and relay to the group when it has been determined.” In fact, the Executive Director learned about the date, despite her written inquiry, through a press release issued by the Stadium Manager. The Stadium Manager made no effort to respond to the written inquiry, despite the fact that it is reasonable to believe that the Stadium Manager had access to the date well in advance, as demonstrated through the robust public release of these concert dates. No pre-contractual information has been provided for the Stadium Authority to understand the financials surrounding this event, despite the provision requirement to disclose.
- **March 26, 2019 United States Men’s National Team Soccer Match** – Stadium Manager notified Executive Director December 9, 2018 via email of an upcoming formal announcement of this Non-NFL Event. Stadium Manager refers to efforts characterized as “previously advised” the Executive Director about this particular event. The agreement provision requires that no less often than quarterly Stadium Manager report on the status of any ongoing negotiations with respect to Non-NFL Events. The Stadium Manager has inappropriately set limitations on the information afforded to the Executive Director by placing “Hold” or “Pending” in a report that attempts to respond under this provision to the Executive Director. Listing a potential event on a spreadsheet with “Hold” or “Pending” does not satisfy this agreement provision and provides no

advanced notification to the Executive Director for which the threshold is “without limitation.” Further, on December 11, 2018, Executive Director sent via email a written request to understand this Non-NFL Event in greater detail and specifically requested information regarding this event’s financials. As of December 13, 2018 Stadium Manager has made no effort, once again, to provide information in accordance with the Management Agreement provision.

- **October 18 and November 26, 2018 Levi’s Stadium Event Notification Spreadsheets –** These notifications do not comply with this section of the Management Agreement. Providing a spreadsheet that (1) includes only upcoming scheduled events that have reached the status of “Hold”, “Pending” or “Booked” and (2) provides no detail beyond “Private Event” for the majority of events listed is insufficient. Per the Stadium Management Agreement, Stadium Manager is required to report the status of Stadium Manager's marketing and promotional efforts, and any ongoing negotiations with respect to Non-NFL Events “without limitation.” This insufficient response provides (1) no opportunity for the Executive Director to make any an informed decisions or analyses relative to the activity’s compliance within the Marketing Plan, (2) to understand the activities undertaken to book the Levi’s Stadium, or (3) to fulfill her obligations on this matter to the Stadium Authority Board.

For example, with respect to the Rolling Stones concert, the Levi’s Stadium Event Notification Spreadsheets reference two concert “holds” in May 2019, but provide no other detail. As the Stadium Manager is well aware, there are substantial community concerns with weekday concerts that violate the 10:00 p.m. curfew. It is imperative that the Stadium Manager provide information under the thresholds established in the Management Agreement.

It is the Stadium Manager’s obligation to coordinate and disclose any and all potential events at Levi’s Stadium in advance and “without limitation” of information. The Stadium Manager’s inadequate performance impairs the Executive Director in her duty to adequately provide public services throughout the City, each and every day of the year. At a meeting on October 4, 2018, with Patty Ingles and Hannah Gordon, the Executive Director advised in great detail how the Stadium Manager’s inadequate performance sets inappropriate limitations on the Executive Director’s ability to fulfill obligations to the Board.

Attachment B: Stadium Manager Non-Compliance with Section 3.3 of the First Amendment to the Management Agreement (Quarterly Status Meetings) – Written Non-NFL Event Reports

Executive Director notified Stadium Manager via letter dated October 1, 2018 of its failure, per the Management Agreement, to submit 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. In this letter, the Executive Director requested:

- Within 30 calendar days all past due required quarterly written reports;
- Within one week the written report for the August 4, 2018 Non-NFL Event (2018 International Champions Cup); and
- The written report for the September 29, 2018 Non-NFL Event (OTR II Concert) within the time frame established by the Management Agreement.

The Executive Director further requested that the written reports include the following Non-NFL Events information:

- Brief Event Narrative (overview report on event highlights)
- Event Contract
- Event Pro-Forma
- Profit and Loss Statement detailing all revenue and expense items, including all Non-NFL Event Revenue as defined in the Amended and Restated Stadium Lease (Section 12.8 Non-NFL Revenue)
- Statistical Event Data such as number of tickets sold, number of tickets scanned, total number of cars parked (main lot and offsite lots), etc.

The November 21, 2018 response from StadCo Chief Financial Officer Scott Sabatino states that Stadium Manager is not aware of delinquent reports for earlier periods. To date, the Executive Director has not been provided with any written Non-NFL Event reports and, as Stadium Manager is well aware, the Stadium Authority has had to take extraordinary action to obtain possession of documents and information in order to conduct its due diligence on Stadium Authority financial matters.

Stadium Manager is delinquent for all Non-NFL Events with attendance projected to exceed 25,000 that have taken place on or before October 29, 2018, and for all quarterly reports for the quarter ended September 30, 2018 and prior. In his November 21, 2018 letter, Mr. Sabatino states “the document production that we worked on earlier this year provides far more information than you requested for these quarterly reports”. As stated in the Executive Director’s October 1, 2018 letter, these required written Non-NFL Event reports do not replace existing staff-level administrative processes of Stadium Manager providing data for each Non-NFL Event to Stadium Authority as it becomes available. In turn, the staff-level administrative work also does not suffice as meeting the requirement for a written Non-NFL Event report and it is not for CFO Sabatino to make such determination on the part of the Executive Director.

The information provided in the sample quarterly report attached to StadCo's letter is incomplete and saving it on the shared laptop in the Stadium Authority Stadium Office does not meet this provision of the Management Agreement. Since issuing the October 1, 2018 letter, several other Non-NFL events have taken place and the Stadium Manager has made no effort to issue timely reports, as required by this Management Agreement provision.

To be clear, Stadium Manager should continue providing ticket and parking data by email to Stadium Authority Treasurer or her delegate, and loading data on the shared laptop in the Stadium Authority Stadium office. In addition, per the terms of the Management Agreement, the Stadium Manager should also furnish to the Executive Director, written reports that include the information requested in her October 1, 2018 letter, and referenced above.

Attachment C. Stadium Manager Non-Compliance with Section 2.1 of the First Amendment to the Stadium Management Agreement (Stadium Procurement Contracts) and Section 17.30.120 of the Santa Clara City Code (Service contracts – Signature authority)

Section 2.1 of the First Amendment to the Management Agreement and Section 17.30.120 of the City Code both delegate the Executive Director's procurement authority to the Stadium Manager and contain reporting requirements, or Board action, for the purpose of transparency and disclosure. The Stadium Manager has not reasonably taken good faith actions in the best interest of management of the Stadium to comply with the Management Agreement or City Code, as well as to be responsive to the Executive Director's requests.

In response to Harvey M. Rose Audit Recommendation 1.O, Stadium Authority reported to the Stadium Authority Ad-Hoc Audit Committee on October 29, 2018 that Section 2.1 of the First Amendment to the Management Agreement states that the Stadium Manager shall provide the Stadium Authority with information, including the contracting party and the contract amount, regarding all Stadium Procurement Contracts entered into with contract amounts greater than \$100,000 within thirty (30) days of entering into any such contract. The forgoing constitutes the Executive Director's delegation to the Stadium Manager. The Executive Director reported her intent to send a letter to the Stadium Manager ensuring compliance with this provision for the past year and going forward.

On October 30, 2018, Stadium Manager sent two letters requesting Executive Director's approval of procurements within \$100,000 - \$250,000 and over \$250,000. Upon review, it became clear that Stadium Manager sought Executive Director's approval inappropriately and not per the required Management Agreement terms. The following reflects activities taken by the Executive Director and Stadium Manager to cure the violations, which have not been properly addressed on the part of the Stadium Manager:

- **November 9, 2018 Executive Director Letter to Stadium Manager** – Executive Director expressed concern regarding Stadium Manager's non-compliance with the Management Agreement and City Code, including Stadium Manager's apparent failure to properly obtain Board approval for contracts over \$250,000. The Executive Director requested that Stadium Manager work with Stadium Authority staff to seek approval from the Board on an upcoming agenda, and to plan for any corrective action as soon as possible. Stadium Manager was also asked to self-report in writing any other procurement activity that violated the Stadium Management Agreement and/or City Code by December 1, 2018. Despite setting a deadline of December 1, 2018 for the Stadium Manager to provide a complete report in writing confirming the violations, and any additional violations, the Stadium Manager has not confirmed in writing the extent of violations.
- **November 29, 2018 Stadium Authority/Stadium Manager Quarterly Status Meeting** – Executive Director and Stadium Manager discussed one instance of Stadium Manager's failure to properly obtain Board approval, and Executive Director's direction to Stadium

Manager to submit required disclosure per November 9, 2018 letter. Executive Director and Stadium Manager also discussed Brown Act requirements for public meetings, and the multi-departmental review process and resulting lead time necessary to prepare reports to the Board. Stadium Authority staff explained that even if Stadium Manager provided the contract that week, and complete and accurate information for the report by December 3, 2018, there may not be sufficient time to add the contract approval to the December 11, 2018 meeting agenda.

During this meeting, Stadium Authority also requested Stadium Manager provide all Stadium Procurement Contracts so that Stadium Authority can ensure Stadium Authority payments are in compliance with contract terms, as well as the Management Agreement and/or City Code. As of December 13, 2018, Stadium Manager has only provided the contract for the one instance of Stadium Manager's failure to properly obtain Board approval.

- **November 30, 2018 Stadium Authority emails to Stadium Manager** – Stadium Authority followed up on the November 29, 2018 discussion regarding the required written disclosure of any procurement activity that violated the Stadium Management Agreement and/or City Code. Stadium Authority also requested the above referenced procurement contract requiring Board approval and relevant information so that staff could plan for a future Board meeting agenda date.
- **December 3, 2018 Stadium Manager email to Stadium Authority** – Stadium Manager provided the contract requiring Board approval and requested that Stadium Authority staff place the item on the December 11, 2018 Board meeting agenda. The material provided with the request was incomplete and did not substantiate that the procurement for over \$250,000 was properly insured or bonded, or any other contract requirements demonstrating that the Stadium Manager took good faith actions in the best interest in the Stadium. Executive Director has already requested this information and the Stadium Manager has not provided this required information to fully disclose the extent of the violation to the Board.
- **December 4 and 5, 2018 Stadium Authority email to Stadium Manager** – Stadium Authority confirmed the contract would not be prepared for consideration by the Board on December 11, 2018 to allow for due diligence staff review. Staff again requested a written response to the Executive Director regarding procurement compliance with Stadium Management Agreement and City Code.

As stated during the November 29, 2018 Stadium Authority/Stadium Manager meeting, documents for the December 11, 2018 City Council/Board meeting were past due, and documents for the January 15, 2019 meeting were due the week of December 10, 2018. As of December 13, 2018, Stadium Authority has not received additional material or communication

from Stadium Manager that demonstrates reasonable efforts to timely seek the Board's consideration of approval. As Stadium Authority stated at the monthly meeting, failure to meet these deadlines, would require that this action be delayed to January 29 or February 2019. This demonstrates poor management practices of efforts to cure a City Code violation in a timely and complete manner, even though the Executive Director noticed the Stadium Manager in early November. Additionally, as of this date, Stadium Authority has not received all procurement contracts as requested, and as Stadium Manager agreed to provide, on November 29, 2018.

Sent via Certified Mail, Return Receipt Requested
and Email al.guido@49ers.com



March 21, 2019

Al Guido, President
San Francisco Forty Niners
4949 Marie P. DeBartolo Way
Santa Clara, CA 95054

NOTICE OF BREACH
(MANAGEMENT AGREEMENT)
March 21, 2019

Dear Mr. Guido:

PLEASE TAKE NOTICE that Forty Niners Stadium Management Company LLC (Stadium Manager) is in breach of its obligations under Stadium Management Agreement, by and among Santa Clara Stadium Authority (Stadium Authority), Stadium Manager, and Forty Niners SC Stadium Company LLC, dated March 28, 2012 and subsequently amended (Management Agreement). This letter and notice serves as Stadium Authority's Notice of Breach under Section 11.3 of the Management Agreement.

Under the Section 2.1 of the First Amendment of the Management Agreement, dated November 13, 2012 (First Amendment), Stadium Manager is obligated to comply with contract procurement terms and related laws, as follows:

Stadium Procurement Contracts. In addition to contracting authority that may be granted to the Stadium Manager from time to time pursuant to Section 6.4 of the Existing Management Agreement, the Stadium Authority hereby agrees that the Stadium Manager shall have full authority and discretion to select the providers, and to negotiate, approve, enter into and administer contracts with such providers on behalf of the Stadium Authority, for the purchase of supplies, materials and equipment, and for services, relating to the Stadium and its operations ("**Stadium Procurement Contracts**"), as and to the extent the Executive Director has authority to enter into such Stadium Procurement Contracts pursuant to Sections 17.30.010 through 17.30.180 of the Santa Clara City Code ("**SCCC**"), as approved on first reading by the Santa Clara City Council on November 13, 2012. Manager shall provide the Stadium Authority with information, including the contracting party and the contract amount, regarding all Stadium Procurement Contracts entered into with contract amounts greater than \$100,000 within thirty (30) days of entering into any such contract. The foregoing constitutes the Executive Director's delegation to the Stadium Manager, pursuant to Section 17.30.010(c) of the SCCC, of the authority

granted to the Executive Director to enter into such Stadium Procurement Contracts. If the ordinance adopting Sections 17.30.010 through 17.30.180 of the SCCC approved on November 13, 2012 does not become effective by January 31, 2013, this Section 2 shall be of no further force or effect.

Accordingly, Stadium Manager is obligated to comply with Section 17.30.120 of the Santa Clara City Code (City Code), Service contracts – Signature authority:

The Executive Director shall have the authority to execute contracts with third parties for services provided to the Stadium Authority, which shall be exempt from the competitive process, as follows:

(a) The Executive Director, or designee, is authorized to purchase professional, nonprofessional and personal services required by the Stadium Authority and to execute contracts for such services on behalf of the Stadium Authority in contract amounts up to and including two hundred fifty thousand dollars (\$250,000.00) per contract, subject to approved budgetary amount, so long as such persons are specially trained and experienced and competent to perform the special services required. Contracts with a contract amount above this dollar limit shall be referred to the Stadium Authority Board for approval;

(b) The Executive Director is authorized to delegate all or a portion of the authority to execute such service contracts to specified Stadium Authority employees at her/his discretion. Such delegation of authority shall be made in writing;

(c) Such service contracts shall be generally consistent with forms of contracts approved by the Stadium Authority Counsel's office or shall be subject to the final review and approval of the Stadium Authority Counsel's office for form and content;

(d) The maximum amount of the value of the service contracts which the Executive Director or designee is authorized to execute shall be adjusted as needed by resolution of the Stadium Authority Board, with amounts rounded to the nearest five thousand dollar (\$5,000.00) increment;

(e) Notwithstanding anything to the contrary, solicitations for professional services of private architectural, landscape architectural, engineering, environmental, land surveying, or construction project management firms shall be on the basis of demonstrated competence and on the professional qualifications necessary for the satisfactory performance of the services required.

In exercising its authority under Section 2.1, Stadium Manager is required to comply with all applicable legal requirements, including but not limited to California Prevailing Wage statutes (See California Labor Code Sections 1720 and 1771) and regulations of the California Department of Industrial Relations.

Stadium Authority has previously raised questions and concerns regarding Stadium Manager's compliance with the contract procurement obligations. These concerns have included, but are not limited to, the December 13, 2018 Notice to Provide Management Correction Action that Stadium Authority served on Stadium Manager. Despite these contractual obligations and Stadium Authority's efforts to confirm Stadium Manager's compliance, it appears that Stadium Manager is in breach of its obligations.

Just today, on March 21, 2019, Jim Mercurio of Stadium Manager and Deanna Santana of Stadium Authority, in addition to other Stadium Manager and Stadium Authority staff, participated in a telephone conference regarding the Agreement for the Performance of Services by and between Stadium Manager and Designer Surfaces, LLC dba NEX Systems Surfaces, dated August 1, 2018, (NEX Agreement), that Stadium Manager procured on behalf of the Stadium Authority. It became very apparent on that call that Stadium Manager has substantially failed to comply with the California Prevailing Wage Law with respect to its issuance of the NEX Agreement, and that such contract is subject to being declared void under the provisions of 17.30.150 of the City Code. Specifically, Stadium Manager could not confirm that it complied with the California Prevailing Wage Law, let alone attempted to do so. In addition, Stadium Manager failed to present this NEX Agreement to Stadium Authority for Board approval prior to issuance, as required by City of Santa Clara Code.

Therefore, the Stadium Authority hereby notifies Stadium Manager of Breach of the Management Agreement.

Stadium Manager must cure the foregoing breach, at Stadium Manager's own costs and expense, by providing documentation to Stadium Authority that the NEX Agreement is in compliance with all applicable legal requirements, specifically including but not limited to California Prevailing Wage Law. If Stadium Manager fails to cure this breach within Thirty (30) Days of the date of this Notice, then such breach will be an Event of Default under Article 11 of the Management Agreement. This matter will be before the Stadium Authority Board on April 30, 2019, as stated by the Executive Director.

Al Guido, President, San Francisco Forty Niners

RE: Notice of Breach (Management Agreement)

March 21, 2019

Page 4 of 4

Stadium Authority reserves all rights, including but not limited to actions to enforce the Management Agreement.

Sincerely,



Brian Doyle

Stadium Authority Counsel

cc: Hannah Gordon, Director of Legal Affairs, San Francisco Forty Niners
Stadium Authority Executive Director
Santa Clara Stadium Authority Board

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March 22, 2019

Mr. Al Guido, President
San Francisco Forty Niners Management Company
4900 Marie P. De Bartolo Way
Santa Clara, California 95054

Sent via Certified Mail, Return Receipt Requested
(Corrected to reflect: April 12, 2019)

SUBJECT: Audit of Stadium Manager Delegated Procurement Authority

Dear Mr. Guido:

The purpose of this letter is to advise the Forty Niners Stadium Management Company, LLC (Stadium Manager) **that I will be accelerating an audit of all contracts issued by the Stadium Manager, as the Stadium Authority's agent**, to determine compliance with all applicable legal requirements, including but not limited to California Prevailing Wage statutes (See California Labor Code Sections 1720 and 1771) and regulations of the California Department of Industrial Relations.

In a telephone conversation with Stadium Manager Jim Mercurio this morning to discuss concerns related with compliance of the legal requirements for delegated procurement authority, it surfaced that the Stadium Manager had not complied with state law in procuring the Stadium Authority's contract with Designers Surfaces, LLC, a California limited liability company d/b/a NEX Systems Surfaces in the amount of \$643,568. I advised Mr. Mercurio during the call that based on the documentation produced, the Stadium Manager has not been able to demonstrate compliance with proper bidding and adherence to California Prevailing Wage statutes. I expressed my concern and offered to meet in short order with the Stadium Manager to review the requirements for this delegated authority.

Given the unknown magnitude of potential non-compliance with the issuance of public contracts with public funds as the Stadium Authority's agent, **you must produce copies of all Stadium Authority contracts issued by the Stadium Manager no later than April 12, 2019** and demonstrate how you have adhered to all legal requirements with respect to the procurement of the contracts for the Stadium Authority. Your timely compliance will allow me to provide the Board with an update of this matter and comply with the annual report required under City Code Section 17.30.

MR. AL GUIDO, PRESIDENT

Re: Audit of Stadium Manager Delegated Procurement Authority

March 22, 2019

Page 2 of 2

You also need to provide the year-to-date expenditures for each contract so that the Stadium Authority Auditor can determine compliance with the established monetary thresholds relative to signature authority.

Thank you for your immediate attention to this very serious matter.

Sincerely,



Deanna J. Santana
Executive Director

CC: Stadium Authority Board
Linh Lam, Stadium Authority Auditor
Walter C. Rossmann, Chief Operating Officer
Brian Doyle, Stadium Authority Counsel