

Santa Clara Stadium Authority

Overview of Santa Clara Stadium Authority Fiscal Year 2021/22
Annual Financial Statements and Audit Results Presentation by
KPMG, LLP

September 30, 2022



Agenda

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



Audit Limitations & Methodology

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

Overview

- KPMG has audited the Stadium Authority's Financial Statements as required by section 5.1(a) of the Credit Agreement.
- The Financial Statements cover the 2021/22 fiscal year (April 1, 2021 to March 31, 2022) with comparative data from the 2020/21 fiscal year.
- Unmodified (i.e., "clean") opinion expressed by the auditors.
- Reports will be available on the City's Stadium Authority webpage.

Key Financial Highlights

- **Management's Discussion and Analysis (page 4)**
 - Introduces the financial statements and provides an analytical overview of the SCSA financial activities.
 - SCSA's net position decreased by \$1.6 million when compared to the prior year.
 - Debt service payments during the fiscal year totaled \$31.7 million and overall outstanding long-term debt decreased by \$16.5 million.
 - During this fiscal year, there were ten National Football League (NFL) games, zero ticketed non-NFL events and twelve smaller special events held at Levi's Stadium. The Stadium Authority recognized \$58.4 million in operating revenue and \$50.4 million in operating expenses.



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Key Financial Highlights

- **Management's Discussion and Analysis (page 4) continued**
 - Revenue from Non-NFL events were \$1.2 million, and the related expenses were \$1.5 million resulting in net Non-NFL event loss of \$289 thousand.
 - ManCo initially provided the Non-NFL events' documents on June 30, 2022 and additional documents were provided on August 23, 2022 after staff's inquiries.
 - ManCo is currently investigating variances noted during staff's review and any changes will be brought forward at a later meeting.



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Key Financial Highlights

- **Statements of Net Position (page 9)**
 - Financial statement that reports the assets, liabilities, and net position of the Stadium Authority.
 - Total Assets were \$810.9 million, with Levi's Stadium being the largest asset with a carrying value of \$699.6 million, net of depreciation.
 - Total Liabilities were \$734.9 million made up mostly of outstanding debt equaling \$280.3 million and unearned revenues relating to Stadium Builder's Licenses (SBL's) of \$440.3 million.



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Key Financial Highlights

- **Statements of Revenues, Expenses, and Changes in Net Position (page 10)**
 - **Financial statement that reports the increases and decreases in the Stadium Authority's net position (revenues and expenses)**
 - **Revenues – Total \$58.4 million**
 - *Charges for Services* were \$11.7 million with \$343 thousand from STR Marketplace for SBL resales. There were \$9.8 million in NFL ticket surcharge, \$1.2 million in Non-NFL event revenue, and \$236 thousand in senior/youth fees during the year.
 - *Rents and Licensing* revenues were \$46.7 million with Stadium lease rent equaling \$25.5 million, SBL revenue recognition of \$13.5 million, and naming rights revenue of \$7.7 million.



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Key Financial Highlights

- **Statements of Revenues, Expenses, and Changes in Net Position (cont.)**
 - **Expenses – Total \$50.4 million**
 - *Lease Expenses* were \$1.2 million, which represents the Stadium ground lease of payment during the year. Also included in this category for reporting purposes is performance-based rent expense (paid by SCSA to the City). This is 50% of the net Non-NFL revenue less 50% of the annual ground rent. The net Non-NFL loss was \$(289) thousand for FY 2021-22 and 50% of the ground rent was \$213 thousand. Therefore, no performance-based rent expense was recorded in FY 2021-22.
 - *Materials, Services and Supplies* were \$30.7 million with Shared Stadium Expenses of \$22.9 million, SBL sales and service expenses of \$1.8 million, Non-NFL event expenses of \$1.5 million, miscellaneous services and supplies of \$1.4 million, and utilities of \$1.1 million.
 - *Selling, general, and administrative* expenses were \$1.6 million, and *Depreciation* totaled \$17.0 million.



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Key Financial Highlights

- **Summary of 8/31/22 49ers-SCSA Settlement (Subsequent Event)**
 - Stadium Authority now recognizes Operating Expenses, Management Expenses, and Shared Stadium Expenses that were due and Stadium Authority had partially suspended from payment.
 - Stadium Authority now recognizes the \$426 thousand interest expense under Revolving Credit Agreement.



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Key Financial Highlights

- Summary of 8/31/22 49ers-SCSA Settlement (Subsequent Event)
 - Stadium Authority never recognized ManCo's claim for default interest under the Management Agreement (\$329 thousand). That default interest claim is now waived.
 - Stadium Authority will reverse the receivable balances previously recorded for the year-end excess cash that ManCo used to pay off the Revolving Credit Agreement, instead of the StadCo Subloan as Stadium Authority had instructed. (Funds in Stadium Authority's Litigation Contingency Fund, which were saved to pay the suspended expenses referenced above, will be used at the end of this fiscal year to pay down the StadCo Subloan.)

Key Financial Highlights

- Notes to the Financial Statements (page 12)
 - An integral part of the annual financial statements
 - Note 4 - Capital Assets
 - Note 5 - Long-Term Debt
 - Note 7 – Contingencies

Audit Results Presentation by KPMG, LLP

Recommendation

- Accept the Santa Clara Stadium Authority Fiscal Year 2021/22 Annual Financial Statements and recommend that the Stadium Authority note and file the report at the October 18, 2022 Joint Council and Authorities Concurrent and Stadium Authority meeting.

SCSA

Santa Clara Stadium Authority