

STATUS OF HARVEY ROSE ASSOCIATES AUDIT RECOMMENDATIONS

1. COMPLIANCE WITH STADIUM AUTHORITY AGREEMENTS

Audit Recommendation	Current Status	Action Taken
1.A The Stadium Authority Board should direct the Executive Director to request the public safety costs threshold be adjusted through negotiations with StadCo to reflect actual costs to the City for providing public safety services for NFL events.	Partially Complete	A letter was issued to StadCo on February 3, 2017 to formally request a meeting for the purpose of engaging in good faith negotiations with respect to an increase in the Public Safety Cost Threshold. Additional correspondence on this topic has transpired, with both sides agreeing to meet and discuss the topic. A meeting on this issue is in process of being scheduled.
1.B The Stadium Authority Board should direct the Executive Director and Stadium Authority counsel to notify ManCo that the absence of five year capital expenditure plans for FYs 2014-15 and 2015-16 was a breach of Section 10.3 of the Stadium Lease and that ManCo is required to provide such plans under the lease for the current and all future Stadium Authority fiscal years.	Complete	ManCo provided a five-year capital expenditure plan in February 2017 for the Fiscal Years 2017-18 thru 2021-22. This plan was incorporated into the Stadium Authority's Adopted Fiscal Year 2017-18 SCSA Budget. ManCo was notified that they were to provide a five year capital expenditure plan going forward. ManCo provided a five-year capital expenditure plan in February 2018 and this plan was incorporated into the Stadium Authority's Proposed Fiscal Year 2018-19 Budget.
1.C The Stadium Authority Board should direct the Executive Director to provide a copy of the Operation and Maintenance Plan to the Stadium Authority Board for review, in closed session if deemed necessary for public safety reasons by the Stadium Authority counsel.	Complete	In accordance with Section 3.1 of the Stadium Operations Agreement, Section 4.5 of the Stadium Management Agreement, and Section 7.2 of the Stadium Lease Agreement, the 49ers Management Company (ManCo) is responsible for preparing the Stadium Operation and Maintenance Plan (SOMP). The SOMP consists of the Annual Shared Stadium Expense Budget, Annual Public Safety Budget and Capital Expenditure Plan, as well as the Annual Public Safety Budget and the Amortization of Public Safety Capital Expenditures. For Fiscal Year 2018-19 all documents were presented to the Stadium Authority Board at its March 13 meeting. The SCSA Board will consider the proposed budgets, comprising the SOMP, at the March 27th meeting.
1.D The Stadium Authority Board should require that Stadium Authority staff and ManCo prepare an annual public safety budget in conjunction with the City's public safety departments detailing both NFL and non-NFL event public safety costs for submission to and adoption by the Board.	Complete	ManCo provided a Public Safety Budget to staff in February 2017 during the 2017-18 budget process. This was also provided to staff on February 7, 2018 as part of the 2018-19 budget process. The Public Safety Budget was included as part of the 2018-19 Proposed SCSA Budget that was presented to the Board on March 13, 2018. The SCSA Board will consider the proposed budget, comprising the SOMP, at the March 27th meeting.
1.E The Stadium Authority Board should direct the Executive Director to renegotiate provisions of the Stadium Lease so that the Stadium Authority receives a share of any concessionaire revenue that exceeds the minimum guaranteed amount from non-NFL events.	Complete	The Stadium Authority does receive revenue in excess of minimum per Stadium Lease: 7.3.2 Concession Revenue. In February 2018, the SCSA Board approved new concessionaire contracts and included in that presentation was detail of how the SCSA receives revenue. Underway is also the effort to clarify by fiscal year the exact amount generated for Food & Beverage (F&B) revenue.
1.F The Stadium Authority Board should direct the Executive Director to notify StadCo that a formal consolidated draft parking plan must be produced and delivered to the Community Development Department and to the Board for review and approval as required under the Stadium Lease.	Partially Complete	On August 24, 2017 staff presented to the Stadium Authority Board the Transportation Management and Operations Plan (TMOP) which includes detailed parking lot information as required in the first amendment to the management agreement. Stadium Authority staff has received a draft parking plan. Staff needs to review the draft plan to determine if this is compliant with the TMOP. Once staff has performed their due diligence review it will be submitted to the Board for approval.

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1.G The Stadium Authority Board should direct the Chief of Police to present the public safety plan to the Stadium Authority Board for review and formal approval (in closed session if deemed necessary by Stadium Authority counsel) and to present any updates to the public safety plan to the Stadium Authority Board for review and documented adoption.	Partially Complete	Staff will bring policy recommendations regarding the public safety plan to Board (i.e.: overtime), which will inform the administrative Public Safety Plan. Further, in light of recent national incidents and heightened focus on large crowds, it should be noted that the Plan is dynamic and will require adjustments to respond to various public safety conditions. For Fiscal Year 2018-19, the Police Chief approved the public safety plan and the Executive Director is in possession of a copy under lock and key.
1.H The Stadium Authority Board should direct the Executive Director to formally notify StadCo that the total cost for stadium insurance must be disclosed in the shared stadium expenses budget pursuant to Section 4.6 of the Management Agreement and, based on the disclosure, consider proposing to StadCo an amendment to the Stadium Lease to remove the provision that the Stadium Authority pay a fixed amount of insurance costs, with StadCo paying an unknown amount.	Partially Complete	Paragraph 8.3.1 of the Amended and Restated Stadium Lease Agreement states in part that "for purposes of this Lease, the "Stadium Authority Insurance Share" shall be calculated as follows: (i) for the first (1st) Lease Year, the Stadium Authority Insurance Share shall equal Two Million Five Hundred Fifty Thousand Dollars (\$2,550,000); and (ii) on the commencement of the second (2nd) and each succeeding Lease Year, the Stadium Authority Insurance Share shall be increased by three percent (3%); provided, however, that for any Lease Year during which the total attendance at Ticketed Non-NFL Events exceeds 750,000, Landlord and Tenant shall cooperate in good faith to equitably adjust the Stadium Authority Insurance Share to reflect the increased attendance at Non-NFL Events. SCSA staff met with StadCo representative on February 1, 2018 to discuss and review the cost of the stadium insurance." In accordance with the contract the Stadium Authority's insurance cost portion is itemized in the FY 2018/19 Proposed Stadium Authority Proposed Budget. Stadium Authority staff requested the total cost for stadium insurance from ManCo.
1.I The Stadium Authority Board should direct the Executive Director to formally notify StadCo and ManCo that ManCo is in breach of the Management Agreement because it did not furnish Annual Statements of Stadium Operations for FYs 2014-15 and 2015-16, and to require that such statements be provided for those years, for FY 2016-17 and each year thereafter.	Partially Complete	The annual audited financial statements performed by an independent auditor complies with the requirements listed in the Stadium Lease except for a detailed discussion regarding the tenant's proportional share of shared Stadium expenses. SCSA staff will request that the outside auditor issue an audit for FY 2017-18 that conforms to the paragraphs in the Stadium Lease and Stadium Management Agreement that describe the Annual Statements of Stadium Operations.
1.J The Stadium Authority Board should direct the Executive Director to send formal notification to ManCo and StadCo that ManCo was in apparent breach of the Stadium Lease requirement that a one year budget and five year projection of shared Stadium expenses be provided on an annual basis to the Stadium Authority and demanding that ManCo provide such budgets and projections for the current and all future years. The Executive Director should be directed to provide a written response to ManCo each year on the draft budget submitted by ManCo.	Complete	ManCo provided a one year budget and five year projection of shared stadium expenses to staff in February 2017 during the 2017-18 budget process. ManCo was notified that they were to provide this plan annually. These documents were provided to SCSA staff in February 2018 during the 2018-19 budget process and incorporated into the 2018-19 proposed SCSA Budget.

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1.K The Stadium Authority Board should direct the Executive Director and Treasurer to work with ManCo to require that the annual operating budget and quarterly financial status reports disclose sufficient information to ensure that staff and the Board can determine whether the Stadium Authority is adhering to Stadium Lease requirements contained in Article 14 regarding the allocation of excess Stadium Authority revenue.	Complete	Article 14 of the Amended and Restated Stadium Authority Lease Agreement describes to steps if Stadium Authority Revenue exceeds Stadium Authority Expenses for any Lease Year prior to the Tenant Season Expansion Date. This information was included on page 16 of the proposed 2018-19 SCSA Budget. In addition, staff has already begun to change the format of financial reporting for the purpose of transparency and to facilitate understanding of the fiscal report. We have made verbal presentations to the board summarizing the changes each time they are implemented.
1.L The Stadium Authority Board should direct the 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. The Board should further direct the Executive Director to notify ManCo that future marketing plans must include such details and be reviewed for sufficient detail by the Executive Director before being presented to the Board.	Complete	ManCo provided a Sales and Marketing Plan to staff in February 2017 during the 2017-18 budget process. This information was also provided in February 2018. Staff has worked with ManCo to provide a more robust marketing plan that was presented to the Board on March 13, 2018. As noted during the March 13th presentation, the agreement sets a "reasonable detail" standard which we believe the proposed fiscal year 2018-19 plan reflects. The SCSA Board will consider action of the Marketing Plan on March 27, 2018.
1.M The Stadium Authority Board should direct the Executive Director to confer with the Finance Director/Treasurer to determine what financial information would be necessary to assess non-NFL event financial performance, including incentive payments to ManCo, and then notify ManCo regarding what additional information will be required on an ongoing basis.	Partially Complete	ManCo has transferred some financial documents for non-NFL events to the Stadium Authority and a due diligence review is underway to ensure that we have all documents. Upon receipt of the universe of documents, the Executive Director has issued a memo that recommends independent audit of the documents.
1.N The Stadium Authority Board should direct the Executive Director to notify ManCo that it is in breach of Management Agreement Section 3.3, which requires that written revenue or other reports relating to non-NFL events be provided to the Stadium Authority within 45 days of each non-NFL event with attendance projected to exceed 25,000. The Stadium Authority Board should further direct the Executive Director to demand that ManCo provide such written revenue reports according to specifications to be detailed by the Treasurer for all future non-NFL events with attendance projected to exceed 25,000.	Partially Complete	ManCo has transferred some financial documents for non-NFL events to the Stadium Authority and a due diligence review is underway to ensure that we have all documents. Upon receipt of the universe of documents, the Executive Director has issued a memo that recommends independent audit of the documents.
1.O The Stadium Authority Board should direct the Executive Director and Stadium Authority counsel to request an amendment to the Management Agreement that would require formal and/or informal bidding procedures for any transactions with ManCo affiliates or for transactions above a designated threshold to ensure that goods and services received from an affiliate of ManCo are competitively priced.	Partially Complete	As stipulated in the Management Agreement, SCSA staff participated in the selection process for the Concessionaire contract as approved by the SA Board on Feb. 27, 2018. The Executive Director has met with ManCo regarding the transferred procurement authority from SCSA to ManCo. In addition, SCSA staff is seeking guidance and an opinion from the FPPC on these matters.

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1.P The Stadium Authority Board should direct the Executive Director to direct ManCo to provide quarterly written reports to the Stadium Authority, to be maintained as permanent Stadium Authority records, detailing parking lot information as required in the first amendment to the management agreement.	Partially Complete	On August 24, 2017 staff presented to the Stadium Authority Board the Transportation Management and Operations Plan (TMOP) which includes detailed parking lot information as required in the first amendment to the management agreement. SCSA staff will work with ManCo to provide written quarterly information reports to be submitted to the Stadium Authority. The TMOP can be located on the Stadium Authority's website at http://santaclaraca.gov/home/showdocument?id=53322
1.Q The Stadium Authority Board should direct the Executive Director to require that all meetings, including the date and purpose of the meetings, between Stadium Authority staff and ManCo be documented and reported quarterly or annually to the Stadium Authority Board.	Complete	The Executive Director issued a quarterly report for the period October - December 2017 on February 13, 2018 and will continue providing such a report at the completion of each quarter
1.R The Stadium Authority Board should direct the Executive Director to establish procedures to ensure that all existing plans, reports, and budget documents required to be provided by ManCo are provided to the Stadium Authority in the manner required by existing agreements. The Stadium Authority Board should further direct the Executive Director to report annually on the status (receipt, review, and approval status) of each required plan, report, and budget document.	Complete	Staff has prepared a schedule to track the deliverables. The required documents were provided to staff in February 2018 during the 2018-19 budget process as reported at the March 13, 2018 Stadium Authority Budget Study Session.
2. STADIUM AUTHORITY REVENUES AND EXPENSES		
2.A The Stadium Authority Board should request that ManCo provide the relevant reports and documentation that back up the NFL ticket surcharge summary report in order to retain permanent verification of the accuracy of the surcharge calculated by ManCo.	Partially Complete	SCSA staff reviewed the NFL ticket surcharge and user-fee calculation process with ManCo and is working on receiving an independently prepared report.
2.B The Stadium Authority Board should negotiate with ManCo to establish a level of detail regarding non-NFL event revenue and expenses that can be provided in City reports, public documents, and permanent records to be kept by the Stadium Authority without compromising ManCo's ability to book and negotiate deals with non-NFL event acts and performances. The Board should direct staff to include this level of detail for both budgeted and actual revenues and expenses in the annual proposed budget and the quarterly financial status reports to allow the Board and public to monitor the performance of non-NFL events and ManCo's performance in managing and executing the events.	Partially Complete	Staff included the gross Non-NFL event Revenue and Expenses in the proposed 2018-19 SCSA budget. Staff plans to show a greater level of line item detail as part of the Stadium Authority's annual Fourth Quarter Financial Report starting with the FY 2017-18 Fourth Quarter Financial Report. As mentioned in the audit recommendation, releasing detailed revenue and expense information in the initial quarters of the fiscal year may reveal information for event organizers which may compromise ManCo's ability to book and negotiate profitable Non-NFL events.

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2.C The Stadium Authority Board should require that a detailed breakdown of performance rent calculations and payments to the City of Santa Clara be included in the budget and quarterly financial status reports using additional information provided by ManCo.	Complete	Performance Rent calculation was included in the Stadium Authority's Quarterly Financial Report that was presented to the Board on November 21, 2017 and was included in the proposed 2018-19 SCSA Budget.
2.D The Stadium Authority Board should require that ManCo provide reports and documentation that can be kept in Stadium Authority records, consistent with confidentiality provisions in the agreements that back up the non-NFL ticket surcharge summary report in order to verify that the surcharge calculated by ManCo is accurate.	Partially Complete	ManCo has transferred some financial documents for non-NFL events to the Stadium Authority and a due diligence review is underway to ensure that we have all documents. Upon receipt of the universe of documents, the Executive Director has issued a memo that recommends independent audit of the documents.
2.E The Stadium Authority Board should require that a comprehensive accounting of Debt Service Fund transactions, including beginning and year-end balances, budget vs. actual revenues and expenditures by specific line item, and details on all transfers in and out of the fund, be presented in Stadium Authority budgets and financial status reports.	Complete	This information has been incorporated in the Stadium Authority's 2017-18 Budget, 2018-19 Budget, and current Quarterly Financial Status Reports.
2.F The Stadium Authority Board should require that Discretionary Fund revenues, expenses, budget-to-actual comparisons, and account balances be reported in Stadium Authority budgetary documents separately from the Operating Fund.	Complete	The discretionary fund expenses and budget-to-actual comparisons have been reported to the SCSA Board beginning with the YE 3/31/15 Stadium Authority Financial Status Report that was presented on 8/18/15. The revenues that fund the discretionary fund and the account balance have been reported to the SCSA Board since the QE 6/30/16 Stadium Authority Financial Status Report that was presented on 8/23/16. The Discretionary Fund is shown separately on page 16 of the 2018-19 proposed SCSA Budget.
2.G The Stadium Authority Board should require that ManCo prepare the five year Shared Expense Budget, per the requirements in the Stadium Management Agreement, and the Board should direct the Executive Director to document receipt of the Shared Expense Budget, and provide written comments to ManCo in response to the proposed expenses.	Complete	ManCo provided a one year budget and five year projection of shared stadium expenses to staff in February 2017 during the 2017-18 budget process. ManCo was notified that they were to provide this plan annually. These documents were provided to SCSA staff in February 2018 during the 2018-19 budget process and incorporated into the 2018-19 proposed SCSA Budget. (this recommendation seems to be a repeat of recommendation 1.J)
2.H The Stadium Authority Board, StadCo, and ManCo should amend the Management Agreement or separately establish binding policies that do not allow retroactive increases in authorized expenditures such as Stadium Manager expenses, and should require that detailed explanations be provided to the Board when additional funding is requested midyear in advance of such expenses being incurred.	Complete	SCSA staff has been proactive in bringing the budget adjustments to the Board before the expense is incurred. In addition, The SCSA Board adopted a Budget Policy on March 13, 2018 that requires that budget amendments are approved by the Board before the expense is incurred.
2.I The Stadium Authority should require that ManCo provide independently prepared reports and documentation to back up the number of NFL tickets sold for each fiscal year in order to verify that the senior/youth fee calculated by ManCo is accurate and to have a set of permanent records documenting the validity of this revenue.	Partially Complete	SCSA staff reviewed the NFL ticket surcharge and user-fee calculation process with ManCo and is working on receiving an independently prepared report.

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2.J The Stadium Authority Board and the City of Santa Clara should clarify when the City Purchasing Authority procurement thresholds (Santa Clara Municipal Code Chapter 2.105.070 et seq.) apply and when the Stadium Authority Procurement Policy thresholds (Santa Clara Municipal Code Chapter 17.30) apply.	Complete	The current practice is to use the City's more restrictive Purchasing Authority threshold if the City is purchasing items on behalf of the Stadium Authority. The City is in the process of hiring a Purchasing Manager and one of the goals for this position is to update the City and Stadium Authority's procurement policies. With the SCSA Board's approval of establishing a Policy Manual, staff will introduce additional fiscal and procurement policies for its consideration.
2.K The Stadium Authority Board should direct staff to prepare policies and procedures pertaining to all purchases made on behalf of the Stadium Authority to require a level of specificity in costs and services in all vendor contracts, that all invoices bill using the rates or unit costs specified in their contracts, and that the invoices and contracts be periodically reviewed by Stadium Authority staff.	Not Implemented	The City is in the process of hiring a Purchasing Manager and one of the goals for this position is to update the City and Stadium Authority's procurement policies. With the SCSA Board's approval of establishing a Policy Manual, staff will introduce additional fiscal and procurement policies for its consideration.
2.L The Stadium Authority Board should require that budgets and actual expenditures for the Stadium construction budget be presented alongside the Stadium Authority Operating Budget to provide an accurate overall picture of purchases for all materials, services, and supplies for the Stadium.	Complete	The construction budget is shown in the Quarterly Financial Reports and Annual Budgets as part of the Capital Expense Budget. The remaining construction budget is designated for warranty related work. For the FY 2018/19 Recommended Stadium Authority Budget, the information is provided on pages 28 - 31.
2.M The Stadium Authority Board should direct staff to report actual revenues and expenditures on an accrual basis in budgetary documents so that all amounts presented reflect actual results for the year, regardless of the timing of revenue receipt or expenses incurred.	Complete	The Stadium Authority's Third Quarter Financial Report presented to the Board on February 13, 2018 included adjustments to bring the budget to full accrual. The proposed 2018-19 SCSA Budget was prepared using the accrual method of budgeting. In addition, accrual budgeting was included in the SCSA Budget Policy approved by the Board on March 13, 2018 as a requirement.
3. UNCLAIMED, UNREIMBURSED CITY STAFF COSTS		
3.A The Stadium Authority Board should request that staff prepare plans for reimbursement to the City's General Fund for unreimbursed staff costs from the appropriate source: Discretionary Fund, ManCo, or, to the extent funds are available and appropriate, the Construction Fund.	Not Implemented	Staff is currently working on this recommendation and it has been outlined in the work plan to bring this item back to the Committee in July.
3.B The Stadium Authority Board should request that staff have ManCo prepare an annual comprehensive Public Safety budget, as required by the Stadium Lease, to include all components of Stadium public safety costs and reimbursement, including NFL public safety costs paid for directly by ManCo on behalf of StadCo, by the Stadium Authority from the Discretionary Fund, and any costs paid using other funds such as the Construction Fund.	Complete	ManCo provided a Public Safety Budget to staff in February 2017 during the 2017-18 budget process. This was also provided to staff on February 7, 2018 as part of the 2018-19 budget process. The Public Safety Budget was included as part of the 2018-19 Proposed SCSA Budget that was presented to the Board on March 13, 2018.

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3.C The Stadium Authority Board should direct staff to develop specific definitions of which costs should be charged as overhead and which should be direct billed. Alternatively, staff should adjust the rate applied to direct billed staff costs from the current 10 percent to a more appropriate rate, and communicate to all staff which positions or activities will be charged as overhead.	Not Implemented	An updated Cost Allocation Plan study is scheduled for 2018-19. A revised overhead rate will be calculated at that time.
4. STADIUM PARKING REVENUE CONTROLS		
4.A The Stadium Authority should exercise its right stipulated in the agreement between master parking lot operator Citypark and ManCo to periodically audit the detailed records of individual parking lots for NFL and non-NFL events.	Partially Complete	ManCo recently engaged the audit firm BDO USA, LLP to perform an audit of Parking and Concessions. City staff observed and assisted with the audit process at a Non-NFL event (Gold Cup on 7/26/17).
4.B The Stadium Authority Board should direct staff to report back on the advantages and disadvantages of adding City audit rights as a condition of granting parking permits.	Not Implemented	Staff fully supports this recommendation and will address it as capacity avails itself.
4.C The Stadium Authority Board should direct staff to require that ManCo provide a written report on matters related to off-site parking operations at their quarterly meetings, requiring that baseline information be provided in a specific format.	Not Implemented	Staff fully supports this recommendation and will address it as capacity avails itself.