

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 Directory'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

Table of Contents

Executive Summary 2

Levi’s® Stadium Special Events 3

 Looking Back..... 3

 Business Updates..... 6

 Looking Forward 9

Levi’s® Stadium Major Events16

 Looking Back12

 Looking Forward13

Conclusion17

Appendix18

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:

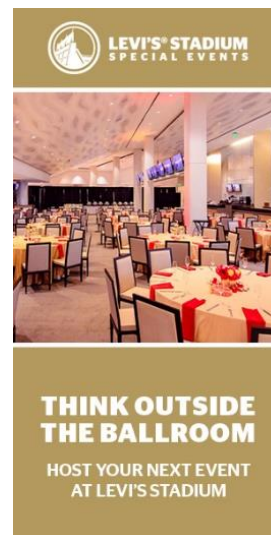
1. Adding resources

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:

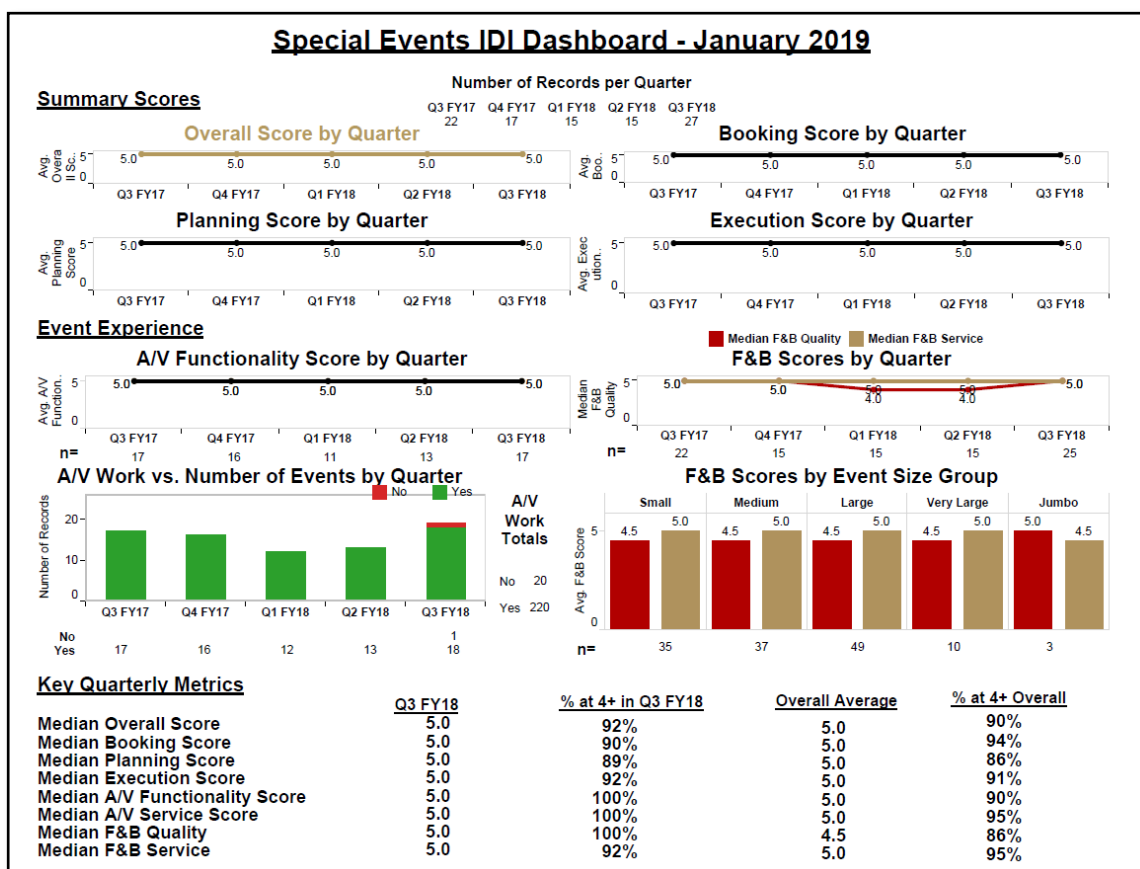


Client/Prospecting Events:

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:

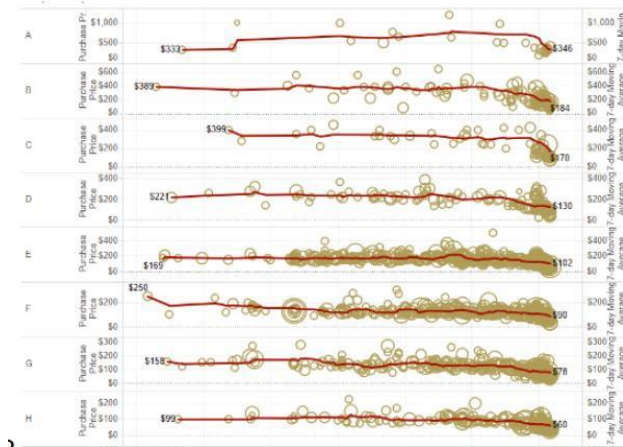
After four years of attracting, contracting, and successfully executing several high-profile events and shows, we will continue to focus on innovation for both the fan's experience and the venue's brand.

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) |



2

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.	<p>Stadium Authority staff:</p> <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**.



7

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



8

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.



17

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.



18

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



19

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.



20

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



21

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



22

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)



23

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.



24

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.

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)

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.



29

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.



30

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.



31

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.



32

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

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0

POST MEETING MATERIAL