

March 27, 2019

Item #1

ManCo Stadium Authority Budget Submission Comparisons

	3/14/2019 ManCo Submission FY 2019/20	3/27/2019 ManCo Submission FY 2019/20	Change from 3/14/2019 Submission	*converted to cash for comparison purposes SCSA Budget FY 2019/20	Difference in SCSA Budget and Trust Budget
Cash Flows					
Authority Revenues					
NFL Ticket Surcharge	\$ 8,141,974	\$ 8,142,000	\$ 26	\$ 8,142,000	\$ -
SBL Proceeds	25,879,973	25,880,000	27	25,416,000 ⁽¹⁾	(464,000)
Net Revenues from Non-NFL Events	750,000	750,000	-	3,956,000 ⁽²⁾	3,206,000
Naming Rights	6,754,047	6,754,000	(47)	6,754,000	-
Rent	24,762,000	24,762,000	-	24,762,000	-
Senior & Youth Program Fees	229,620	230,000	380	230,000	-
Non-NFL Event Ticket Surcharge	1,232,000	1,232,000	-	1,232,000	-
Sponsorship Revenue (STR)	344,876	344,000	(876)	345,000	1,000
Interest on Reserves	846,036	846,000	(36)	938,000 ⁽³⁾	92,000
Subtotal Authority Revenues	\$ 68,940,526	\$ 68,940,000	\$ (526)	\$ 71,775,000	\$ 2,835,000
Authority Expenses					
Security	1,656,012	1,656,000	(12)	1,656,000	-
Stadium Ops	4,004,436	3,996,000	(8,436)	4,004,000	8,000
Engineering	2,053,812	2,052,000	(1,812)	2,054,000	2,000
Guest Services	824,544	828,000	3,456	825,000	(3,000)
Grounds	176,856	180,000	3,144	177,000	(3,000)
Subtotal Stadium Manager Expenses	8,715,660	8,712,000	(3,660)	8,716,000	4,000
SBL Sales and Service	3,438,647	3,440,000	1,353	2,221,000 ⁽⁴⁾	(1,219,000)
Insurance	2,956,149	2,956,000	(149)	2,956,000	-
Senior & Youth Program Fees	229,620	230,000	380	230,000	-
Base Ground Rent	355,000	355,000	-	355,000	-
Performance Based Rent	215,000	215,000	-	215,000	-
Discretionary Fund Expense	616,000	618,000	-	250,000 ⁽⁵⁾	(366,000)
Utilities	1,550,874	1,551,000	126	1,551,000	-
Use of StadCo Tenant Improvements	182,414	182,000	(414)	182,000	-
Stadium Authority Costs	2,480,004	2,365,000	(115,004)	2,480,000	115,000
Management Co Base Fee	231,855	232,000	145	232,000	-
Capital Expenditures	2,318,548	2,319,000	452	2,319,000	-
Other Expenses	929,202	869,000	(60,202)	110,000 ⁽⁶⁾	(759,000)
Subtotal Authority Expenses	\$ 24,218,973	\$ 24,042,000	\$ (176,973)	\$ 21,817,000	\$ (2,225,000)
Authority Net Cash Flow Before Debt	\$ 44,721,553	\$ 44,898,000	\$ 176,447	\$ 49,958,000	\$ 5,060,000

1. ManCo increased SBL Proceeds by \$460k; additional revenue does not pose significant impact to budget. If additional SBL funds are received they will flow according to Deposit and Disbursement Agreement.
2. ManCo projects net revenue from Non-NFL Events to be significantly lower than in prior years. Stadium Authority staff projected revenue based on historical data since no data was provided by ManCo.
3. ManCo decreased Interest by \$92k, no significant impact to budget. Increase in SBL proceeds more than makes up for decrease, and there are still significant net cash flows at the end of the Fiscal Year.
4. ManCo increased SBL Sales and Service by \$1.2 million for Legacy Club SBL buffet meals (\$1.1 million) and ticketing operations working on SBL matters (\$100k).
5. Discretionary Fund Expenses in terms of the trust cash flow model is half of the Non-NFL ticket surcharge that is collected.
6. ManCo increased Other Expenses by \$759k for additional ManCo expenses for additional services requested by Stadium Authority including HR, accounting, finance ManCo staff working on Stadium Authority matters.

POST MEETING MATERIAL

March 27, 2019

Item #1



FORTY NINERS STADIUM MANAGEMENT COMPANY

March 27, 2019

Via Email

Santa Clara Stadium Authority Board
1500 Warburton Avenue
Santa Clara, CA 95050

Dear Stadium Authority Board,

This letter is to assist you in your March 27, 2019 meeting to consider the Stadium Authority Operating Budget (the "SAB") for the upcoming fiscal year, and also to respond to some of the recent statements on this subject made by SCSA Board members and staff.

First, at the most recent SCSA meeting, there were complaints that Forty Niners Stadium Management Company LLC ("ManCo") did not send a representative to the meeting. ManCo has been in frequent and regular consultation with your staff, including Ms. Santana, during the budget process (and throughout the year), and believed that it had provided SCSA staff with all information necessary to understand the proposed budgets. ManCo has, historically, chosen the staff person with expertise in the subject that was agendized, and made that person available at the meeting to answer questions. However, over the course of time, it became apparent that that process was no longer a productive one. The nature of the questions were often rhetorical, or could not be answered without significant review of financial (or other) records, or went beyond the anticipated scope of discussion, and/or the staff person's area of expertise. More disturbingly, the comments directed to ManCo staff were often sarcastic and antagonistic, and did not lead to useful exchanges of information or opinion.

We realize that SCSA Board and staff are attentive to political considerations and appearances, and that the demands of politics may sometimes take precedence over the conventions of professional and civil discourse. But we did not feel it appropriate to continue to expose our staff to such treatment. There is no contractual requirement that ManCo have a staff member present at Board meetings, and ManCo staff are just as (or more) capable of responding to Board and staff in writing.

Second, it is not true that ManCo has failed or refused to provide information, or that it failed to give SCSA staff sufficient time to review information, or that it is "too busy" to respond to SCSA staff questions, or that it gives SCSA's needs a low priority. The exact opposite of each of those assertions is true.

On January 16, 2019, ManCo delivered the draft SAB to SCSA staff, reflecting an estimated net revenue from non-NFL events of \$750,000.¹ ManCo and SCSA staff met the next day, and ManCo staff informed SCSA staff that the non-NFL events marketing plan would be available soon. Ms. Santana informed us that she would not be able to review that plan until sometime later. The day after that meeting, ManCo delivered the draft CapEx plan and five-year CapEx projection to SCSA staff. On January 29, ManCo delivered the non-NFL events marketing plan to Stadium Authority staff. In sum, drafts of the SAB, the non-NFL events marketing plan, the CapEx plan, and the five-year CapEx projection were provided to SCSA staff two months prior to their anticipated approval by the SCSA Board. Recent claims by SCSA representatives that this information was provided at the last minute, without adequate time to review and consider, are simply not true.

On January 29, 2019, SCSA staff sent ManCo 20 questions about the draft SAB. Eight days later, ManCo responded to those questions (the response was 16 pages long, with additional attached tables). On February 12, SCSA staff sent one additional question concerning the estimated profit from non-NFL events. Three days later, ManCo staff responded, and provided a table of estimated net revenue by event from the 2018-19 ticketed events. On February 22, ManCo provided additional information on the CapEx plan (that response was 14 pages long, not including the supporting schedules that were provided to SCSA staff), and six days later ManCo provided additional information on the SAB (that response was eight pages, not including supporting schedules and copies of requested correspondence).

Ms. Santana also asserted that she and SCSA staff had not had sufficient time to consider the buffet expenses and additional ManCo staff expenses. But on March 5, she and SCSA staff were alerted to those issues, and were given an estimate of the amounts that would be budgeted for the coming year. Those subjects were then discussed at a March 8 meeting between SCSA and ManCo staff. On March 14, ManCo sent SCSA staff the final figures that would be included in the SAB for the upcoming year.

SCSA staff should have understood long ago that ManCo's staffing expenses would increase significantly. SCSA is proposing to increase its employee expenses by 68% percent in order to conduct further oversight over Stadium operations. A significant part of that "oversight" consists of drafting questions to pose to ManCo staff. Many of those questions require in-depth analysis and review of years of financial and operational records. SCSA demands and expects prompt and thorough responses (and ManCo staff have, in fact, provided such services). All of that requires significant resources. It is not realistic for SCSA to demand a significantly higher level of service from ManCo that it then balks at paying for such services.

¹ We understand that the City is continuing to include a performance rent payment in its own budget that is premised on a much higher projection of non-NFL event net revenue. While the City's budget is outside the purview of ManCo's responsibility, it seems fiscally imprudent to prepare a City budget based on overstated revenue figures.

At the Board meeting, and in a recent press release, SCSA Board and staff have complained about the downturn in projected non-NFL event revenues. SCSA is, of course, not guaranteed a profit in any given year, and there may be years when SCSA fails to make any profit on non-NFL events. But a significant part of this recent decline in net revenues was predictable, and ManCo staff alerted SCSA to the likelihood that it would occur.

A major contributor to this decline is the City's 10:00 p.m. weekday curfew, despite previous conditions of approval. Specifically, because the SCSA Board (acting as the City Council) refuses to grant exemptions from the curfew, the Stadium can no longer attract weekday concerts. Those concerts are, in fact, profitable, notwithstanding SCSA's statements to the contrary. For example, the February 2019 "community letter" states that "one concert date alone" generated a \$2 million loss. What you did not disclose is that it was one day in a multi-show engagement at the Stadium, and that the engagement as a whole was quite profitable for SCSA.

Those types of events can no longer be hosted at the Stadium because of the curfew issues. The curfew, and the predicted effect on non-NFL event net revenues, has been discussed at length between SCSA and ManCo. SCSA staff at the Board's direction even conducted a survey of the public on the curfew issue and found that a majority of those polled favor modifications to the curfew, however there has been no progress much less a vote on this topic for close to a year now. Indeed, in 2017, Louis Messina, a top concert promoter who works with Taylor Swift, Ed Sheeran, George Strait, Kenny Chesney, Tim McGraw and Faith Hill, Kelly Clarkson, Blake Shelton, and others, said that Mr. Sheeran chose to play at AT&T Park in San Francisco, rather than at the Stadium, because of the curfew. Mr. Messina stated: "[SCSA is] going to lose so much revenue. No one is going to play a building with a 10 p.m. curfew. It would mean the headliner would have to play when it's still light outside and that's just not something that anyone would agree to."

ManCo remains hopeful that some of the SCSA and City impediments to non-NFL events revenue can be resolved, so that as to improve profitability going forward. SCSA Board member Davis mentioned at the meeting, the curfew issue was mentioned by very few respondents in the recent community engagement efforts, so she might be open to "working with" ManCo on the curfew issue. Of course, concert promoters will be reluctant to engage with ManCo at all unless the curfew issue has been resolved. In the meantime, ManCo will continue to manage and promote that business in a manner consistent with its contractual obligations.

We gave SCSA staff the opportunity to provide comments or ask questions about the draft non-NFL event marketing plan that was provided in January 2019. Ms. Santana instead instructed ManCo staff to watch the video from the last SCSA Board meeting, and to discern any questions or comments from that video. We have tried to glean what

we can, but welcome further input if our interpretation or understanding was not what was intended:

- Mr. Doyle commented that the marketing plan does not include sufficient detail. We believe it does, but we invite Mr. Doyle or SCSA staff to elaborate further. In the meantime, ManCo will review the sample marketing plan that we received from SCSA staff on March 26. We are happy to review and use accordingly next year.
- Ms. Santana commented that the plan lacks data. We are unclear as to what data Ms. Santana believes should be included in the plan, and would be happy to respond to more detailed questions on this issue.
- Ms. Santana commented that the plan lacks KPIs. We believe it would not be productive to continue to pursue defining KPIs in the current environment, where performance of non-NFL event net revenue is highly impacted by SCSA and City activities over which ManCo exercises no control. Further, development of KPIs is not required by the Management Agreement.
- Ms. Santana commented that she wanted more information about "free ticket" promotions. This issue has been discussed at some length on prior occasions. Typically, the concert promoters have the contractual right to control ticket pricing and distribution, and they decide on the distribution of "free" tickets. I provided a great deal of detail on this point in a lengthy email to Ms. Santana on December 27, 2018.
- Ms. Santana wanted more information about the naming rights strategy. Specifically, under the naming rights agreement, if fewer than 36 "major events" are held at the Stadium in any three-year period, Levi's receives a credit towards its payment obligations under the naming rights agreement. The amount of the credit is determined by the number of events by which the Stadium falls short of the 36 event goal. For example, if the Stadium hosts 35 events in a three-year period, then Levi's receives a \$15,000 credit. At present, if no other major events are booked in the next year, Levi's will receive a credit of \$270,000.

ManCo's strategy is to book as many major events as it reasonably can. While ManCo does monitor SCSA's compliance with the naming rights agreement, it is worthwhile to note that the maximum anticipated penalty is a fraction of the other expenses that are being discussed. For example, SCSA seeks to increase its own "General and Administrative" expenses by \$795,000, an amount which far exceeds the possible financial impact of any credit to Levi's.

We do not believe that the non-NFL events marketing plan should be amended in response to any of these comments. However, if the SCSA Board or staff has specific amendments to propose, we would be happy to consider them.

Finally, and in conclusion, as far as we are aware, ManCo has provided all information necessary to the SCSA Board to review and determine whether to approve the SAB and ancillary documents. I and other ManCo staff and executives have extended the same invitation many times before, but we will use this letter as another opportunity to do so – we welcome the opportunity to work cooperatively to manage the Stadium, in order to achieve the best financial and community benefits for the City of Santa Clara and the Santa Clara Stadium Authority.

Sincerely,

V.L. on behalf of

Larry MacNeil
Compliance Manager

Copy: Al Guido, President

Hannah Gordon, Chief Administrative Officer & General Counsel

Scott Sabatino, Chief Financial Officer

Jim Mercurio, Vice President, Stadium Operations & General Manager

Santa Clara Stadium Authority

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



March 27, 2019

Agenda

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

Management Agreement

RECITALS:

A. Pursuant to that certain Stadium Lease Agreement dated as of March 28, 2012 (as the same may be amended, restated and modified, the "**Stadium Lease**"), by and between the Stadium Authority and StadCo, from and after the Commencement Date, StadCo will have a leasehold interest in the Premises (as defined in the Stadium Lease) located in Santa Clara County, California.

B. The Lease Year (as defined in the Stadium Lease) is divided into two (2) seasons: the Tenant Season and the Stadium Authority Season (as defined in the Stadium Lease), and the respective Stadium Authority's and StadCo's use of, and obligations relating to, the Stadium are different for each such season, as set forth in the Stadium Lease.

C. Each of StadCo and the Stadium Authority has selected the Stadium Manager to provide management services for the Stadium on its respective behalf on a continual, year-round basis, regardless of which season of the Lease Year it is, in accordance with Section 7.2 of the Stadium Lease, including overseeing the day-to-day operations and maintenance of the Stadium.

D. The Stadium Authority has also selected the Stadium Manager to handle the marketing and booking of Non-NFL Events at the Stadium on its behalf.

E. The Stadium Manager is an organization whose principals have substantial experience and expertise in the management and operation of public assembly facilities.

F. The Stadium Authority and StadCo have determined to grant to Stadium Manager, and Stadium Manager has agreed to accept, the authority and responsibility to manage and operate the Stadium in accordance with the terms of this Agreement.

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Management Agreement – Standard of Care

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

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FY 2019/20 Budget Development

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

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Update Since Study Session

- No Supporting documentation for drop in revenue for FY 2018/19 or FY 2019/20
- No Supporting documentation for justifying their additional request of \$2.8M
- No response to our concerns and Board's comments regarding Marketing Plan....although, SCSA has provided them with a copy of a sample Marketing Plan
- ManagementCo has amended the Stadium Operations Budget (SOB) and submitted it to the Collateral Trustee under the stadium loan documents without advising the Stadium Authority of their changes prior to submitting it

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Santa Clara Stadium Authority FY 2019/20 Budget

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

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SANTA CLARA STADIUM AUTHORITY

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



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Stadium Authority Flowchart



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Stadium Authority Budget Flowchart



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FY 2019/20 Operating Budget Revenues

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

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FY 2019/20 Operating Budget Expenses

Shared Stadium Manager Expenses	\$11,904,000	
SBL Sales and Service	2,221,000	
Senior and Youth Program Fees	230,000	← Paid to the City's General Fund
Ground Rent	355,000	←
Performance Rent	2,721,000	←
Discretionary Fund Expense	250,000	
Utilities	1,551,000	
Use of StadCo Tenant Improvements	182,000	
Stadium Authority General & Administrative	2,480,000	
Other Expenses	110,000	← Decreased from \$200k to \$110k to cover Stadium Authority fixed bank fees
Transfers Out	51,273,000	
Contribution to Operating Reserve	338,000	
Total Expenses	\$73,615,000	

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FY 2019/20 Stadium Authority General and Administrative Budget

Expense Type	Amount	Comments
Staff support (3.8 FTE's)	\$1,160,000	To support the Stadium Authority with its oversight duties of stadium activities
Board stipends	\$8,000	Monthly Stadium Authority meetings
Audit services	\$267,000	Financial, Ticket Surcharge, and Performance Audits
Legal services	\$500,000	As needed for outside legal services
<u>Consultants</u>		
Community Outreach	\$190,000	Community engagement and board initiatives (e.g., community room, trail, neighborhood impacts, parking permit program, and other initiatives)
Noise Monitoring	\$135,000	Continued noise monitoring of Levi's® Stadium
Public Safety	\$100,000	Implementation of Public Safety expert's recommendations
Other expenses	\$20,000	Routine office expenses such as office supplies, copier lease, IT support, etc..
Executive Director and Board directives	\$100,000	Funding for unanticipated Board directives, Executive Director assignments, etc.
Total	\$2,480,000	3% of total Expense budget of \$73.6 million

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Santa Clara Stadium Authority Discretionary Fund

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

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

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Santa Clara Stadium Authority Performance Rent Calculation

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

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2018/19 Budget Risk

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

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

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2018/19 Budget Risk (cont.)

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

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

⁽¹⁾ Does not include CFP

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

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FY 2019/20 Budget Risks

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

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FY 2019/20 Budget Risks (cont.)

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

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

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FY 2019/20 Budget Risks (cont.)

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

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

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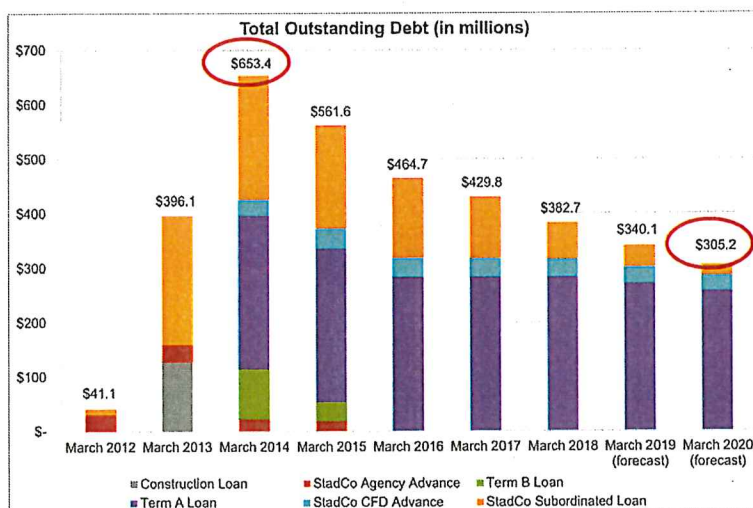
Santa Clara Stadium Authority FY 2019/20 Debt Service

Debt Type	Budget
CFD Advance	\$3,844,000
Term A Loan	26,383,000
StadCo Subloan	21,440,000
Total	\$51,667,000

- Debt Service amount of \$51.6 million includes Principal (\$34.9M) and Interest Payments (\$16.7M)
- Total Outstanding Debt is projected to decrease by \$34.9 million (principal payments) from \$340.1 million to \$305.2 million

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



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Santa Clara Stadium Authority FY 2019/20 Capital Budget

Total Capital Budget of \$14.2 million

- **Stadium Improvements - \$12.7 million**
 - Carryover for Community room build out of \$630,000
 - Public Safety Equipment of \$1.9 million
 - Includes Fencing on Tasman
- **Stadium Warranty Related Construction - \$1.5 million**
 - Part of the original Stadium Development/Construction Budget

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

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Conclusion

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

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Recommendation

1. Adopt the Santa Clara Authority Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget
 - Do not include \$2.8 million and bring back as appropriate for budget adjustment based on due diligence and supporting documentation
 - Other Expenses, reduce to \$110k for banking fees
2. Approve the Santa Clara Stadium Authority Fiscal Year 2019/20 Stadium Operations and Maintenance Plan (SOMP) excluding the Marketing Plan
 - Staff is not recommending approval of the 2019 Marketing Plan
3. Approve the Stadium Authority Compliance and Management Policy

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