

# Santa Clara Stadium Authority

Action on the Audited Santa Clara Stadium Authority Fiscal Year  
2018/19 Annual Financial Statements

September 17, 2019, Item 2C



## Audit Limitations & Methodology

- This was an audit of the Stadium Authority's financial statements and internal controls, based on information provided by the SCSA and Stadium Management Company. The audit opinion is not for any other City entity nor any Forty-Niners entity. This audit was not a compliance audit.
- This financial audit is an independent evaluation of the Stadium Authority's financial statements and reporting processes to provide **reasonable assurance** that the financial statements are free from material misstatement.
- Through various audit processes and procedures, auditors determine if relevant controls and processes are in place for the fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP).



## Overview

- KPMG completed the annual audit of the Stadium Authority's Financial Statements as required by section 5.1(a) of the Credit Agreement
- The Financial Statements cover the 2018/19 fiscal year (April 1, 2018 to March 31, 2019) with comparative data from the 2017/18 fiscal year
- Unmodified (i.e., "clean") opinion expressed by the auditors
- Presented to the Audit Committee on September 10, 2019
- Reports are available on the City's Stadium Authority webpage

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## Key Financial Highlights

- SCSA's net position increased by \$17.3 million when compared to the prior year
  - Total Assets were \$828 million, with Levi's Stadium being the largest asset with a carrying value of \$749 million, net of depreciation
  - Total Liabilities were \$768 million made up mostly of outstanding debt equaling \$340 million and unearned revenues relating to Stadium Builder's Licenses (SBLs) and stadium naming rights revenue of \$406 million
- Debt service payments during the fiscal year totaled \$61 million and overall outstanding long-term debt decreased by \$42 million

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## Key Financial Highlights

- During this fiscal year, there were 10 National Football League (NFL) games, 12 ticketed non-NFL events, and 100 smaller special events held at Levi's Stadium.
- The Stadium Authority recognized \$107 million in operating revenue:
  - Charges for Services were \$61.2 million with non-NFL event revenue of \$50.9 million, NFL ticket surcharge of \$8.1 million, non-NFL ticket surcharge of \$1.6 million, and senior/youth fees of \$228 thousand
  - Rents and Licensing revenues were \$45.3 million with Stadium lease rent equaling \$25.8 million, SBL revenue recognition of \$11.6 million, and naming rights revenue of \$7.7 million



## Key Financial Highlights

- The Stadium Authority recognized \$85 million in operating expenses:
  - Lease Expenses were \$1.2 million, the largest expense being the Stadium ground lease of \$980 thousand
  - Materials, Services and Supplies were \$66.5 million with Non-NFL expenses of \$51 million, stadium manager expenses of \$7.1 million, SBL sales and service expenses of \$2.2 million, and insurance expenses of \$2.9 million.
  - Selling, general, and administrative expenses were \$668 thousand and Depreciation totaled \$16.7 million
- Revenue from the non-NFL events totaled \$50,856,562 and the related expenses were \$50,837,971 resulting in net non-NFL event revenue of \$18,591



# Net Revenue for Non-NFL Events

As of March 31, 2018

EVENT TYPE	2014/15		2015/16		2016/17		2017/18		2018/19	
	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue
<b>Ticketed Events</b>										
Concerts	0	\$ -	7	\$ 3,791,985	4	\$ 2,424,572	2	\$ 1,819,099	3	\$ 1,438,848
Sporting events:										
NCAA College Football	5	(3,007,907)	4	(2,316,903)	4	(2,946,165)	4	(3,601,827)	4	(3,437,297)
Soccer	2	3,948,144	2	891,300	5	2,414,209	3	3,228,754	3	(267,981)
Miscellaneous events	2	2,504,912	4	(149,392)	5	(159,175)	4	76,379	2	(67,502)
<b>Subtotal Ticketed Events</b>	<b>9</b>	<b>\$ 3,445,149</b>	<b>17</b>	<b>\$ 2,216,989</b>	<b>18</b>	<b>\$ 1,733,441</b>	<b>13</b>	<b>\$ 1,522,405</b>	<b>12</b>	<b>\$ (2,333,932)</b>
Special Events (weddings, corporate events, etc.)	186	\$ 1,762,404	204	\$ 3,862,027	127	\$ 3,583,453	113	\$ 3,640,924	100	\$ 2,352,523
<b>Total Non-NFL Net Revenue</b>	<b>195</b>	<b>\$ 5,207,553</b>	<b>221</b>	<b>\$ 6,079,016</b>	<b>145</b>	<b>\$ 5,316,894</b>	<b>126</b>	<b>\$ 5,163,329</b>	<b>112</b>	<b>\$ 18,591</b>
Total Performance Rent paid to the General Fund		\$ 2,513,777		\$ 2,932,008		\$ 2,533,447		\$ 2,439,164		\$ -

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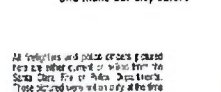
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## Measure J – Projected Revenue

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# Measure J – Projected Revenue




### Santa Clara Police Chief Steve Lodge on Measure J's Impact on Public Safety

"I'm the Police Chief.

I have one job to do:  
protect the safety  
of the citizens of  
Santa Clara.

I view every decision I make through that  
lens: does it help me protect Santa Clarans  
and make our city safer?



Measure J is supported by Police Chief Steve Lodge,  
the Santa Clara Police Officers Association  
and Santa Clara Firefighters Local 1038.

After looking at the  
language carefully, I am  
~~confident~~ **confident** I agree  
two important things:


- 1. Measure J generates guaranteed new revenue that can help Santa Clara continue to provide the high-quality police and fire protection that our citizens deserve - without raising taxes on city residents.**
- 2. Measure J requires that the \$5 per ticket 3D stadium operating expenses, including public safety costs. This prevents any diversion of general fund dollars away from public safety."**

- Steve Lodge, Police Chief

Police Chief Lodge Recommends  
**Vote YES on Measure J**

All firefighters and police officers gathered here are either current or retired from the Santa Clara Fire or Police Departments. These departments will not exist at the time of the ballot. Having no political or financial agenda, we as Santa Clara City Residents

Read more about Measure J and the guaranteed revenue it will bring to Santa Clara to help maintain high-quality public safety services by going to the city's website at [www.SantaClaraCA.gov](http://www.SantaClaraCA.gov)



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# Measure J – Projected Revenue

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Table 2  
Ground Rent to City: Fixed and Projected Performance Based  
49er Stadlum  
Santa Clara, CA  
(\$000's Omitted)

Performance Rent Per 2009 Projection and assuming 2014 opening; Selected Years Shown; One Team

FY Beginning	A. Fixed Ground Rent to City	B. Projected Performance-Based Rent to City <sup>(1)</sup>			E. Net Perform. Rent To City	F. (= A. + E.) Projected Total Ground Rent to City <sup>(4)</sup>
		50% of Non-NFL Net Revenue	Credit 50% Fixed Rent	Credit PIT <sup>(3)</sup>		
<b>40 Year Lease</b>		<b>at projection</b>				
2014	\$180	\$2,480	(\$90)	\$0	\$2,390	\$2,570
2019	355	2,875	(178)	0	2,697	3,052
2024	1,000	3,333	(500)	0	2,833	3,833
2026	1,000	3,536	(500)	(307)	2,729	3,729
2029	1,100	3,864	(550)	(325)	2,988	4,088
2034	1,200	4,479	(600)	(359)	3,520	4,720
2039	1,300	5,193	(650)	(397)	4,146	5,446
2044	1,400	6,020	(700)	(438)	4,882	6,282
2049	1,500	6,978	(750)	(483)	5,745	7,245
2053	1,500	7,854	(750)	(523)	6,581	8,081
Nominal Total	40,875	186,995	(20,438)	(11,359)	155,199	196,074
NPV (rounded) <sup>(2)</sup>	\$10.1 M				\$23.8 M	\$33.9 M
Discount Rate	6%				10%	

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## Projected Ground Rent to City

As presented to the City Council on June 2, 2009 as part of the Stadium Project Term Sheet (slide 37) and Keyser Marsten 2012 Report

	2013/14	2018/19	2023/24	2033/34	2052/53
EVENT TYPE	Net Revenue	Net Revenue	Net Revenue	Net Revenue	Net Revenue
Fixed Rent	\$ 180,000	\$ 355,000	\$ 1,000,000	\$ 1,200,000	\$ 1,500,000
Performance Rent	2,390,000	2,697,000	2,833,000	3,520,000	6,581,000
Senior/Youth Fee	228,000	228,000	228,000	228,000	228,000
Total Ground Rent paid to the General Fund	\$ 2,798,000	\$ 3,280,000	\$ 4,061,000	\$ 4,948,000	\$ 8,309,000

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# Proforma Projection to Actual Comparison

	2018/19 Proforma	2018/19 Actual	Variance
EVENT TYPE	Net Revenue	Net Revenue	Net Revenue
Performance Rent	\$ 2,697,000	\$ -	\$ (2,697,000)
Total Performance Rent paid to the General Fund	\$ 2,697,000	\$ -	\$ (2,697,000)



## FY 2019/20 Projected Revenue

	2019/20	
EVENT TYPE	No. of Events	Net Revenue
Ticketed Events		
Concerts	1	\$ 745,039
Sporting events:		
NCAA College Football	2	(3,500,000)
Soccer	1	489,922
Miscellaneous events	0	-
Subtotal Ticketed Events	4	\$ (2,265,039)
Special Events (weddings, corporate events, etc.)	100	\$ 2,352,523
Total Non-NFL Net Revenue	104	\$ 87,484
Total Performance Rent paid to the General Fund		\$ -

### Assumptions:

- Net Revenue based on 3-year average for concerts and soccer. NCAA College Football estimates based on past performance for Pac-12 Championship and Redbox Bowl. Special events based on last year performance.



## FY 2019/20 Projected Revenue

In Millions \$

Ticketed Events	Revenue	Expenses	Net
Monster Jam	1.4	1.6	(0.2)
Taylor Swift tour (2 dates)	15.6	14.6	0.9
Stadium Links	0.1	0.0	0.0
Manchester United vs Earthquakes	1.4	1.8	(0.4)
ICC: Barcelona vs AC Milan	4.4	3.8	0.7
High School Football Series	0.1	0.1	(0.0)
Jay-Z/Beyonce	7.3	6.8	0.5
SJSU vs Army	0.2	0.6	(0.4)
Pac-12	2.7	5.7	(3.0)
Redbox Bowl Game	4.5	5.0	(0.5)
Events to date	37.7	40.0	(2.3)

Chart above provided by ManCo in February 2019 without any supporting documentation for these expenses. Assumed non-ticketed special events and soccer would offset. Subject to revision on October 29, 2019 as part of the 4<sup>th</sup> Quarter Financial Reports.

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## From Wikipedia on the Red Box Bowl

“On July 12, 2016, the [San Francisco 49ers NFL](#) team announced that it had taken over management of the Foster Farms Bowl from the San Francisco Bowl Game Association, and also announced a new, four-year broadcast rights deal with [Fox Sports](#), replacing ESPN.<sup>[9]</sup> In September 2018, [Redbox](#) (a chain of video rental kiosks) announced it had become the new title sponsor.<sup>[10][11]</sup> “

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