

3/5/2020

item 1

Santa Clara Stadium Authority

*Draft 2020 Non-NFL Events Marketing Plan for Levi's® Stadium in
accordance with Section 4.10 of the Stadium Management
Agreement*



March 5, 2020
Item 1, RTC #20-272

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Agenda

1. Review of draft 2020 Marketing Plan

- Data Metrics
- Agreement with Management Agreement
- Other Marketing Plan Items

2. Review of draft Proposed 2020/21 Stadium Authority Shared Expenses & Capital Budgets



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POST MEETING MATERIAL

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Marketing Plan

- Sets out business activity strategies for booking, marketing, operation, and managing, etc. the Stadium.
- Contextual for informing business decision and how to strategically proceed
- Must be mutually agreed to by both the Stadium Manager and the Stadium Authority
- Quality review and discussion is needed “at a bigger picture” because of the Stadium Manager’s poor financial performance



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Background

- Section 4.10 Marketing Plan in the Management Agreement between the Stadium Authority and ManCo, requires ManCo to develop a Marketing Plan for Non-NFL events for inclusion in the Stadium Operation and Maintenance Plan (SOMP) and mutual agreement of it by the Stadium Authority.



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Background

- Marketing Plan is required to include the Stadium Manager's plans to develop, implement and monitor marketing, booking, advertising and promotion of Non-NFL Events for the Stadium.
- ***Oversight and Monitoring & Data Driven Decisions*** -- ManCo committed to develop key performance indicators (KPIs) during the first quarter of FY 2018/19 but ultimately did not, despite significant support from Stadium Authority staff.



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Draft 2019 Marketing Plan

- On March 19, 2019, Stadium Authority staff transmitted ManCo's draft 2019 Marketing Plan to the Board.
- By this time, ManCo had already advised through the media that the projected revenues for FYs 2018/19 and 2019/20 would decrease significantly.
- With no KPI data and ManCo's report of their poor financial performance, the Stadium Authority did not approve the Marketing Plan.



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Impact on Non-NFL Event Revenue

- FY 2018/19 Q4 fiscal status report showed that Non-NFL event activities only generated \$18,591 in net revenue, reflecting a \$5.1 million loss in net revenue compared to FY 2017/18
- ManCo has already advised of similar results for this current fiscal year (FY 2019/20)
- For FY 2020/21, ManCo has only provided a “TBD” for its net Non-NFL event revenue.

Key Issues with 2019 Marketing Plan

- Absence of KPIs and corresponding data for data-driven decisions
- No meaningful discussion regarding the Naming Rights Agreement requirement (36 “Major Events”) and lacking plan to meet the minimum goals
- Significant decrease in projected net revenue for FY 2018/19 Non-NFL events and NO strategies to mitigate more losses
- Lack of explanation of how ManCo’s business practices, e.g., booking so many money-losing events and various giveaways, was strategically profitable and commercially reasonable, within the fiscal context

Draft 2020 Marketing Plan



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Key Considerations

- ManCo is required as fiduciaries under the Management Agreement to act in the Stadium Authority's sole best interest.
- With anticipated three FYs of poor financial performance, ManCo should have responsibly proposed how to restore financial viability for the Stadium Authority and a "turnaround" strategy.
- Stadium Authority's draft 2020 Marketing Plan was reviewed and considered against:
 1. Data Results,
 2. Alignment to Management Agreement provisions, and
 3. Other Key Information.



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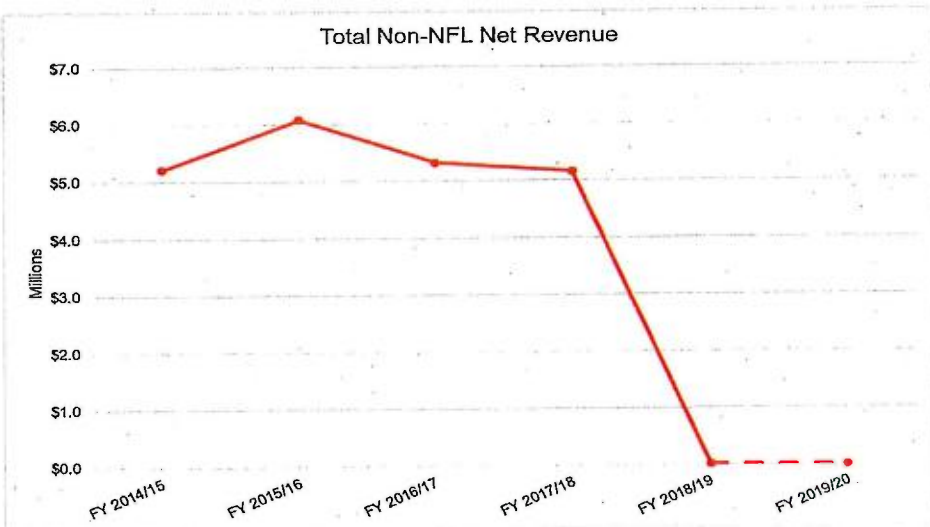
Marketing Plan Data Results

Marketing Plan – *Booking and Financial Performance*

- In absence of KPI data committed to by ManCo, Stadium Authority has staff compiled several key charts with data that reflects ManCo's performance with Non-NFL events.
- The following charts illustrate how ManCo ended FY 2018/19 and their overall management of Non-NFL events based on their existing Marketing Plan strategies and practices.

Total Non-NFL Net Revenue, FYs 2014 – 2020

- Since FY 2015/16, total Non-NFL net revenue has declined year after year.
- Total Non-NFL net revenue dropped most significantly from FY 2017/18 to FY 2018/19, reflecting a \$5.1 million decrease.



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Marketing Plan – Booking and Financial Performance

- The trend is expected to continue since there is no net revenue proposed, just a "TBD", by ManCo for FY 2020/21.
- The sum of these data demonstrate that both the Stadium Authority and City of Santa Clara make no revenue from ManCo's booking and operations of Non-NFL events.

Net General Fund Impact

For Stadium Authority Fiscal Year to Date Ending March 31, 2019

Ground Rent	\$	320,000
Performance Rent		-
Senior and Youth Fee		227,933
Tasman Lots Parking Fee		23,645
Sales Tax		619,224

Total Net General Fund Impact	\$	1,190,802
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Marketing Plan – Booking and Financial Performance

- 75% of ticketed events are money-losers, 9 out of 12 events lost money or made zero revenue for the Stadium Authority.
- ManCo spent \$43.9 million to make \$41.3 million.
- ManCo's sudden booking of second day concert and multi-year Non-NFL football events are bad booking decisions for the Stadium Authority.
- Even soccer games, which were once profitable, have now begun to lose the Stadium Authority money.



2018/19 Ticketed Non-NFL Events Revenue and Expenditure Summary In Millions \$

Ticketed Events	Revenue	Expenses	Net
Monster Jam	1.4	1.6	(0.2)
Taylor Swift Tour Day 1	5.1	6.9	(1.8)
Taylor Swift Tour Day 2	10.5	7.8	2.7
Stadium Links	0.1	0.0	0.0
Manchester United vs Earthquakes	1.6	1.9	(0.3)
ICC: Barcelona vs AC Milan	4.4	4.0	0.4
High School Football Series	0.1	0.1	0.0
Jay-Z/Beyonce	8.4	7.9	0.5
SJSU vs Army	0.2	0.4	(0.2)
Pac-12	1.3	4.0	(2.7)
Redbox Bowl	4.6	5.2	(0.6)
Mexico vs Paraguay	3.6	4.1	(0.5)
Events to date	41.3	43.9	(2.6)

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Marketing Plan – Booking and Financial Performance

Net Revenue for Non-NFL Events by Event Type as of March 31, 2019

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
Ticketed Events										
Concerts	0	\$ -	7	\$ 3,791,985	4	\$ 2,424,572	2	\$ 1,819,099	3	\$ 1,438,848
Sporting events:										
Football (non-NFL)	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)
Subtotal Ticketed Events	9	\$ 3,445,149	17	\$ 2,216,989	18	\$ 1,733,441	13	\$ 1,522,405	12	\$ (2,333,932)
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
Total Non-NFL Net Revenue	195	\$ 5,207,553	221	\$ 6,079,016	145	\$ 5,316,894	126	\$ 5,163,329	112	\$ 18,591
Total Performance Rent paid to the General Fund		\$ 2,613,777		\$ 2,932,008		\$ 2,533,447		\$ 2,439,164		\$ -



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Marketing Plan – *Booking and Financial Performance*

- Year after year, Non-NFL football events have lost over **\$15 million** for the Stadium Authority.
- Special Events have consistently generated revenue for the Stadium Authority, but their numbers have declined since FY 2015/16.
- The amount of total performance rent paid to the General Fund has also decreased year after year since FY 2015/16.
- There was zero performance rent paid to the General Fund in FY 2018/19.



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“Business as Usual” Approach

- Based on this data, any business can reasonably require a “turnaround” strategy and ManCo’s absence of one should concern the Board.
- ManCo should explain how it is commercially reasonable to continue with these business practices.
- Shallow strategies to drive up Non-NFL event bookings:
 - LinkedIn site
 - Proposed quarterly newsletter



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Alignment to Management Agreement Provisions

Some Relevant Management Agreement Provisions

1. Notify, Section 2.6.20
2. Standard of Care, Section 2.9
3. Marketing Plan, Contracting Authority, Section 3.2
4. Quarterly Status Meetings, Section 3.3

Duty to Promptly Disclose

- Section 2.6.20 (“Notify”) in the Management Agreement requires that ManCo notify the Stadium Authority of **any expected material variations from budgeted line item revenues and/or expense projections as promptly as is practicable** after the Stadium Manager becomes aware of such likely variations.
- Despite \$2.4 million of increasing expenses in FY 2018/19, ManCo did not take any action to formally advise the Board of increased expenditures projections.
- ManCo should proactively and timely disclose any financial matters that enable the Board to make sound financial decisions.



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Standard of Care

- Section 2.9 (“Standard of Care”) in the Management Agreement requires ManCo to:
 1. Maintain the Stadium in required condition and operate it as a quality facility,
 2. Control Manager Operating Expenses, and
 3. Maximize operating revenues.
- The draft 2020 Marketing Plan does not reflect an urgency and effort on ManCo’s part to meet these three requirements.



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Standard of Care Cont'd

- During FY 2019/20, City staff discovered that ManCo was not maintaining the Stadium in the required safe condition. Examples include:
 - Failure to maintain a certified Stadium Fire Alarm System for months, which is state required
 - Failure to control Manager Operating Expenses
 - Failure to Maximize Operating Revenue

Marketing and Booking Requirements

- Section 3.2 ("Marketing Plan; Contracting Authority") in the Management Agreement makes clear that ManCo's work is done **"on behalf of the Stadium Authority only (not StadCo), (a) the Stadium Manager shall use commercially reasonable efforts, consistent with the Marketing Plan, to market, promote, schedule and book Non-NFL Events and other activities at the Stadium."**
- However, the contract terms that ManCo enters into have resulted in significant losses to the Stadium Authority.
- Additionally, ManCo's own documents have surfaced concerns about their questionable business practices of not working exclusively for the Stadium Authority when booking Non-NFL events.

Example: Redbox Bowl

- The December 2019 discussions revealed that ManCo's actions directly conflicted with Section 3:
 - Negotiated contracts on behalf of the Stadium that resulted in more losses and potential self-dealing by President Al Guido. Contract's redacted sections were financial commitments made to StadCo by ManCo by President Al Guido (who acted obo of parties).
 - Several terms that were committed to by ManCo, on the part of the Stadium authority that lowered profitability (e.g. room night stays at a top-of-the-line downtown San Francisco hotel, complimentary meals and gifts to each participant, courtesy vehicles, etc.)



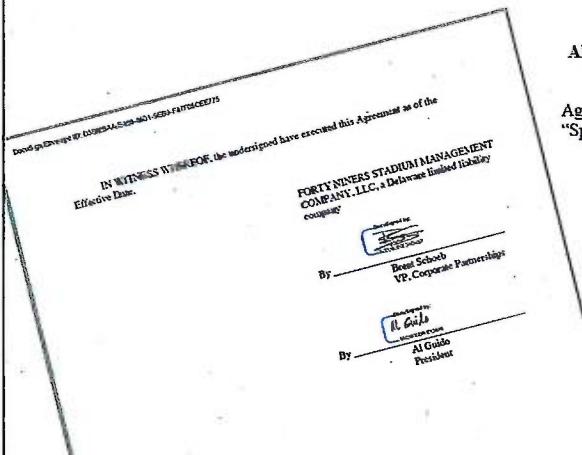
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	12/30/2014 Foster Farms Bowl	12/26/2015 Foster Farms Bowl	12/26/2016 Foster Farms Bowl	12/30/2017 Foster Farms Bowl	12/31/2018 RedBox Bowl	Totals
Revenue						
Seating Bowl Revenue	2,229,000	600,158	1,749,344	1,709,883	2,106,960	8,395,345
TM Fees	33,885	26,118	15,876	20,403	31,609	127,893
Suite Revenue	60,379	90,834	26,759	51,382	58,426	287,779
F & B Revenue	146,907	158,572	90,072	102,043	147,527	644,522
Parking Revenue	155,393	138,130	59,760	66,005	97,073	516,361
Rental / Guarantee						
Sponsorship			1,332,125	496,600	499,800	2,828,525
Merchandise		1,096	21,378	16,551	11,402	50,427
Other Revenue		7,000	1,666,524	1,628,368	1,658,827	4,960,718
Total Revenue	2,624,965	1,021,907	4,961,838	4,091,234	4,611,625	17,311,570
Expenses						
Guest Service Representatives	60,541	78,979	57,361	30,513	59,024	286,419
Public Safety Cost	171,161	163,416	156,643	110,560	326,096	927,876
Security	142,201	131,060	113,802	58,266	104,234	549,562
Janitorial / Maintenance	88,483	107,097	98,391	81,527	10,164	385,661
Field Conversion / Replacement	15,280	10,619	4,413	3,387	840	34,538
Other Stadium Operations	30,693	27,303	23,814	35,155	92,023	208,987
Utilities	20,518	15,324	20,658	20,544	19,368	96,412
Other Gameday Staff	25,913	57,614	118,887	74,377	179,425	456,216
Transportation	25,958	25,573	(2,429)	26,895	21,238	97,236
Parking Operations	149,630	164,686	148,866	91,034	151,318	705,535
Parking - 3rd Party Lot Rentals		13,759	1,071	1,601	(6,653)	9,778
Credit Card Fees	1,236	9,795	5,633	3,616	710	20,990
Catering	59,940	9,281	86,213	36,039	87,388	278,862
Partner Payments & Guarantees	2,143,404	412,939	3,615,000	3,600,000	3,602,535	19,373,878
Ticket Sales Commissions	24,975	7,292	7,515	1,779	3,597	45,157
Marketing Expense	7,998	11,087	137,068	105,666	108,500	370,320
Bowl Committee Expenses			456,023	441,253	397,554	1,294,830
Partner Reimbursement			(65,026)	(77,658)		(142,684)
Total Expenses	2,967,932	1,245,822	4,983,901	4,644,556	5,157,362	18,999,573
Net Profit/(Loss)	(342,967)	(223,915)	(22,063)	(553,322)	(545,737)	(1,688,003)

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Title Sponsorship Agreement



ARTICLE 8. SPONSORSHIP FEES.

8.1 Sponsorship Fees. In consideration for the rights granted to Sponsor in this Agreement by the Forty Niners, Sponsor shall pay the Forty Niners annual sponsorship fees (the "Sponsorship Fees") in the following amounts on or before the following dates:

Amount	Date Due
\$	October 1, 2018
\$	January 7, 2019
\$	July 7, 2019
\$	January 7, 2020
\$	October 1, 2020
\$	January 7, 2021

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Stadium Venue Use Agreement

Exhibit A-2: Bowl Hospitality Requirements

2. Hotels.

- Each Event Partner shall require its respective Participant to arrive four days prior to the Event and utilize at least Six Hundred (600) room nights at the team hotel designated by Stadium Manager with a four-night stay (five-night stay optional) with rates not to exceed One Hundred and Sixty-One Dollars and Seventy Cents (\$161.70), plus tax, in 2016 (escalating at a maximum of four percent per year during the Term) per night per room, at a downtown San Francisco, top-of-the-line hotel. The Participants shall have the option of staying at a hotel at or near Santa Clara the night before the Event. The Pac-12 Conference official hotel and the Big Ten Conference official hotel shall each be a premier San Francisco property.
 - Five Hundred (500) additional team, official party, and fan room nights at rates not to exceed One Hundred and Sixty-One Dollars and Seventy Cents (\$161.70), plus tax, in 2016 (escalating at a maximum of four percent per year during the Term) per night per room will be made available to and at the option of the participating institutions. Stadium Manager shall make best efforts to secure lower room rates.
 - In no event shall the room rate under Sections 2.a.-b. exceed \$175.00, plus tax, during the Term.
 - Each Event Partner shall require its Participant to have its pep band arrive at least two days prior to the Event and the Participant shall be provided rooms at a maximum of One Hundred and Forty-Three Dollars (\$143.00), plus tax, in 2018, (escalating at a maximum of four percent per year during the Term) per night for either double, triple, or quadruple rooms.
 - Each Event Partner shall receive Three (3) complimentary hotel suites at the team hotel.
 - Team meeting space shall also be provided at the team hotel at no charge.
- Meals. Stadium Manager shall cause Three (3) complimentary meals to be provided to each Participant between the date the Participants arrive for the Event and the day following the Event. Example of one meal would be the official Team Party for One Hundred and Twenty-Five (125) guests with the time and location to be determined by Stadium Manager.
 - Vehicles. Each Participant shall receive Four (4) courtesy vehicles for use during the official party stay, to be supplied by Stadium Manager, and in addition, Stadium Manager shall make available One (1) additional car and a driver to each of the Pac-12 Conference and the Big Ten Conference to transport members of the respective conference institution's official party to official functions of Stadium Manager.
 - Gifts. Stadium Manager shall provide on a complimentary basis One Hundred and Twenty-Five (125) team/player/official party gifts to each Participant at a value that should be at, but not exceed, the applicable NCAA limit for such year.
 - Practice Facilities. Stadium Manager shall provide practice facilities to each Participant and band at no cost and at a location determined by Stadium Manager.

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Marketing Plan – *Booking and Financial Performance*

- Section 3.2 requires that ManCo “shall use commercially reasonable efforts, consistent with the Marketing Plan,”.
- Inadequate explanation of how ManCo’s practice of money-losing ticketed events, costly contract terms, existing business practices (that are in violations of state and local laws), etc. are advantageous marketing strategies and commercially reasonable.
- Redbox Bowl provides illustrates why both data and the quality of contract negotiations are important for the Marketing Plan.
- A “business as usual” Marketing Plan provides no assurance that these actions will be terminated.
- This is just one example, the extent is unknown. Stadium Authority has asked for event contracts but has not received all of them.

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Disclosure and Reporting “Without Limitation”

3.3 Quarterly Status Meetings. The Stadium Manager and the Executive Director shall, at the request of the Executive Director, at a mutually convenient time meet and confer no less than quarterly during the Term of the Management Agreement to report on the status of the approved Marketing Plan, including, without limitation, **the status of Stadium Manager’s marketing and promotional efforts, the status of any ongoing negotiations with respect to Non-NFL Events, financial performance and other matters relating to past Non-NFL Events,** development of the Marketing Plan for the succeeding fiscal year, and such other similar or other topics as the Stadium Authority may request. In addition, ... **the Stadium Manager shall furnish the Executive Director, within 45 days of each Non-NFL event with attendance projected to exceed 25,000 and on a quarterly basis for all other events,** such as written revenue or reports relating to Non-NFL Events as the Parties may agree from time to time.

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Disclosure and Reporting “Without Limitation”

- Stadium Authority continues to learn of events through the media. Executive Director has requested event contracts and ManCo has not complied with requests.
- ManCo has been delayed on numerous occasions with providing the required “45 day reports”.
- ManCo’s actions impair Stadium Authority’s ability and monitor ManCo’s booking and financial performance.



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Other Key Information



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Reoccurring Issues

- The draft 2020 Marketing Plan reflects many of the same issues that were previously highlighted for the 2019 Marketing Plan:
 - Poorly gauges the seriousness of ManCo's poor financial performance, arising from their marketing, booking, and operations of Non-NFL events.
 - Misleading reference of high volume of activity, but does not mention the financial quality of that activity.
 - Does not mention the Naming Rights Agreement requirement to hold at least 36 Non-NFL "Major Events" every three contract years nor includes plan to meet this requirement in the future.



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"Turnaround" Strategy Needed

Unless a dramatic financial "turnaround" strategy is presented or a valid explanation for how this continued performance is commercially reasonable, the Stadium Authority staff cannot recommend investment in or approval of the 2020 Marketing Plan.

ManCo should explain how continuing their booking and financial performance is commercially reasonable, compliant with the law, and ensures that the Board's approval is not in support of state laws regarding self-dealing, public procurements, etc.



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Recommendation to the Board

Stadium Authority Board Discussion and possible action on ManCo's draft 2020 Marketing Plan.



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FY 2019/20 Ticketed Non-NFL Events Performance to Date

- Important Note: All Revenue and Expenses presented includes actual data known to date, but is not complete. Invoices and other expense data are periodically updated as actual amounts become known. As such, the Net revenue amounts will change and are not final until all event Revenue and Expenses are known.

In Millions \$

Ticketed Events	Revenue	Expenses	Net
Monster Jam	1.6	2.0	(0.4)
Wedding Fair	0.0	0.0	0.0
USWNT vs South Africa	0.3	0.1	0.2
ICC: Chivas vs Benfica	1.2	1.4	(0.2)
Rolling Stones	11.3	10.5	0.8
High School Football Series	0.1	0.1	0.0
Pac-12 Championship	3.1	5.3	(2.2)
Redbox Bowl	4.5	4.5	0.0
Events to date	22.1	23.9	(1.8)