

3/5/20

Item # 2

# Santa Clara Stadium Authority

Santa Clara Stadium Authority FY 2020/21 Operating,  
Debt Service, and Capital Budget and Stadium Authority  
Budget, Compliance and Management Policies

Item #2 (20-45)



March 5, 2020

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## Agenda

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



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**POST MEETING MATERIAL**

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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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## 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



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## FY 2020/21 Budget Development

<b>November 2019</b>	Stadium Authority staff met with ManCo to discuss the annual budget plan which included dates that ManCo would provide all documents. At that meeting, it was expressed ManCo would follow the due dates outlined in the Stadium Agreements
<b>February 2020</b>	At least 45 days prior to the start of the fiscal year (February 15) ManCo provided the required documents per the Stadium Agreements: <ul style="list-style-type: none"> <li>• Stadium Operations and Management Plan</li> <li>• Annual Shared Expense Budget with Five Year Projection</li> <li>• Annual Stadium Authority Operations Budget</li> <li>• Annual Public Safety Budget</li> <li>• Capital Expenditure Plan with Five Year Projection</li> <li>• Non-NFL Event Marketing Plan</li> <li>• Public Safety Document Updates</li> </ul>
<b>Mid-February to End-February 2020</b>	Staff analyzed ManCo's budget submission. A list of questions and a request for additional details were submitted to ManCo. On February 28, ManCo stated we would receive a response by March 6. Any additional information or detail will be provided at budget adoption.
<b>March 2, 2020 March 5, 2020</b>	<ul style="list-style-type: none"> <li>• Release of Proposed FY 2020/21 Operating, Debt Service, and Capital Budget</li> <li>• Study Session to receive Board and public input on the SCSA's proposed budget</li> </ul>
<b>March 24, 2020</b>	Public Hearing to approve the SCSA Proposed Fiscal Year 2020/21 Operating, Debt Service, and Capital Budget and Approve the Stadium Operations Management Plan

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## FY 2020/21 Budget Development (cont.)

- **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
- **Stadium Authority Work Plan**



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## **FY 2020/21 Budget Development (cont.)**

- Annual Public Safety Budget submitted by ManCo (Attachment 2)
- Revised Stadium Authority Budget Policy (Attachment 3)
- Stadium Authority Compliance and Management Policy (Attachment 4)
- Stadium Authority Budget Submittal Questions (Attachment 5)
- Non-NFL Event Marketing Plan (Separate Board Item)

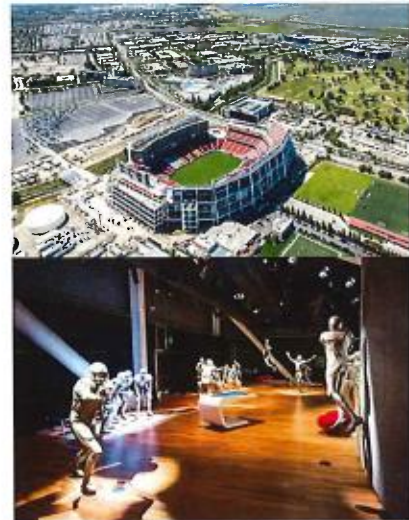


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## **Overview**

- Proposed Budget of \$66.7 million presented on an accrual basis, which provides increased transparency
  - Decrease of \$6.9 million (9%) from prior fiscal year
  - Assumes \$0 net Non-NFL event revenue
- General and Administrative Budget includes 6.8 positions as a baseline level of support
- Proposed Capital Expenditures total \$13 million including general building, security, furnishings and equipment, and public safety investments
- Debt Service payments total \$42.3 million, including debt related to the CFD (\$4 million), Subordinate Loan (\$12.7 million) and Term A Loan (\$25.6 million)



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## Overview (cont.)

### Key Issues in the Proposed Budget

- **Termination of Stadium Management Agreement**
  - Board authorized termination on February 11, 2020
  - Work on the budget and fiscal processes do not constitute a waiver or release of termination notice or any Stadium Authority rights and claims
- **Performance Rent and Continued Decline in General Fund Revenue**
  - Net Non-NFL event revenue impacts Performance Rent to General Fund
  - ManCo did not provide a net Non-NFL event revenue estimate for FY 2020/21
  - Budget assumes no net revenue and no performance rent for FY 2019/20 and FY 2020/21 and does not reflect a "turnaround" marketing strategy
- **Stadium Authority Financial/Accounting Management System**
  - Contractual requirement to maintain separate records for tenant season and Stadium Authority season; records comingled in past
  - Separate system included in the General and Administrative budget, subject to subsequent court rulings on cost allocation

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## Overview (cont.)

### Budget Questions for ManCo Submitted February 25, 2020

- **Operating Budget Requests**
  - Assumptions for lower SBL revenue and details on defaulted SBLs/SBL seat relocations
  - Non-NFL Event activity at gross level for FY 2019/20 and FY 2020/21 and event contracts
  - Calculations and assumptions for projected Non-NFL Ticket Surcharge, interest earnings projections, use of StadCo tenant improvements, Other Expenses category (1300% increase)
  - Shared Expenses: breakout by department and expense type, an organizational chart, staffing costs by position, explanation for compensation increase with staff reduction, details on outside services costs, procurement plan, and changes between department budgets
  - SBL sales and service expenses breakout, organization chart, and description of increase
  - For SCSA General and Administrative Cost, explain difference between SCSA's submittal and amount carried in budget
  - Request for insurance documents for all Stadium-related policies with documentation
  - Naming Rights liquidated damages information
  - Debt: explain differences from the amortization schedule, when will the issue of additional debt reserve funding be resolved and potential impact on SCSA, interest calculations

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## Overview (cont.)

### Budget Questions for ManCo Submitted February 25, 2020

- **Capital Budget Requests**

- Detailed listing of projects in the FY 2019/20 and FY 2020/21 five-year CapEx plan
- Explanation of increase in five-year plan and large increase in FY 2024/25
- Prioritization matrix for new and carryover projects; information on any expected savings
- Timeline for completion of new and carryover projects
- Status of specific projects not included in the CapEx budget
- Plans for Concession Signage and Stadium Event Signage
- Detail and justification for Asphalt Project and clarification on the Stationary Electric Pressure Washers
- Categorization of the CO2 Monitoring & Sensors for Code Compliance
- Procurement Plan to deliver the CapEx projects



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## Overview (cont.)

### Status of Ongoing Workplan Efforts

- Community Engagement (robust Community Outreach and Engagement Workplan, dedicated telephone number for community input, increased social media presence to provide advance notice about events at the stadium)
- Noise Monitoring (implemented web-based, publicly available, real-time noise monitoring services)
- Implemented 73% of Measure J Compliance Audit Recommendations with the remaining 27% designated as "partially complete"
- Stadium Authority Coordination (weekly Stadium Authority staff business meetings to develop stronger proactive community communications, forum to address community issues, organizational awareness of required City and Stadium Authority services, fire code violation monitoring, knowledge transfer)



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## **Overview (cont.)**

### **Stadium Authority and Auditor's Workplan Updates**

- Analysis of Stadium Authority's review procedures for Non-NFL events' revenue and expenses (Spring 2020)
- College Football Playoff Account Review Audit (procurement underway)
- Annual Statement of Stadium Operations (procurement underway)
- Review past Construction Fund and Public Safety transactions and provide feedback on allocation of staff charges (Spring 2020)
- Maintain workload requirements with seven lawsuits
- Bring for discussion with the Stadium Authority Board the next steps regarding the community room
- Propose an option for San Tomas Aquino Creek Trail access during NFL and non-NFL ticketed events



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## **Proposed Stadium Authority FY 2020/21 Operating, Debt Service, and Capital Budget**



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# Stadium Authority Flowchart



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# Stadium Authority Budget Flowchart



Note: The \$13.5 million difference between the Operating Budget and the Total Budget includes capital projects funded by beginning fund balance (\$9.5 million) and debt service funded by the CFD (\$4.0 million).



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## FY 2020/21 Operating Budget Revenues

NFL Ticket Surcharge	\$ 8,665,000
SBL Proceeds	24,213,000
Interest	896,000
Net Non-NFL Event Revenue	0
Naming Rights	6,957,000
Sponsorship Revenue (STR)	392,000
Rent	24,762,000
Senior & Youth Program Fees	230,000
Non-NFL Event Ticket Surcharge	612,000
<b>Total Revenues</b>	<b>\$66,727,000</b>



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## FY 2020/21 Operating Budget Expenses

Shared Stadium Manager Expenses	\$12,132,000
SBL Sales and Service	3,610,000
Senior and Youth Program Fees	230,000
Ground Rent	390,000
Performance Rent	0
Discretionary Fund Expense	250,000
Utilities	1,597,000
Use of StadCo Tenant Improvements	73,000
Stadium Authority General & Administrative	4,851,000
Naming Rights Commission	30,000
Other Expenses	1,400,000
Transfers Out	41,816,000
Contribution to Operating Reserve	348,000
<b>Total Expenses</b>	<b>\$66,727,000</b>

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City's  
General  
Fund



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## FY 2020/21 Stadium Authority General and Administrative Budget

Expense Type	Amount	Comments
Staff support (6.8 FTE)	\$2,144,000	To support the Stadium Authority with its oversight duties of stadium activities
Legal services	1,273,000	As needed for outside legal services
Audit services	452,000	Financial and Performance Audits – external auditors
Consultants	358,000	As needed for outside consulting services
Executive Director and Board directives	325,000	Unanticipated Board directives, Executive Director assignments, etc.
Financial Mgmt System	270,000	Purchase and implementation of Financial Management System
Other expenses	20,000	Routine office expenses (e.g., office supplies, copier lease)
Board stipends	9,000	Monthly Stadium Authority meetings
<b>Total</b>	<b>\$4,851,000</b>	7% of total Expense budget of \$66.7 million



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## Santa Clara Stadium Authority Discretionary Fund

Projected Beginning Balance	50% of FY 2020/21 Non-NFL Event Ticket Surcharge	FY 2020/21 Discretionary Fund Expense	Projected Ending Balance
\$2,328,102	\$306,000	\$250,000	\$2,384,102

- 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 2020/21 Performance Rent Calculation	Budget
Ground Rent	\$390,000
Net Non-NFL Event Revenue	0
50% of Net Non-NFL Revenue	0
Performance Rent Credit (50% of Ground Rent)	(195,000)
Total Performance Rent paid to the City of Santa Clara	<b>\$0</b>



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## Santa Clara Stadium Authority Performance Rent Calculation (cont.)

### Historical Value of Non-NFL Events by Fiscal Year and Event Category

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:										
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)
<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>
<b>Total Performance Rent paid to the General Fund</b>		<b>\$2,513,777</b>		<b>\$2,932,008</b>		<b>\$2,533,447</b>		<b>\$2,439,164</b>		<b>\$ -</b>



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## Santa Clara Stadium Authority FY 2020/21 Debt Service

Debt Type	Budget
CFD Advance	\$3,989,000
Term A Loan	25,562,000
StadCo Subloan	12,711,000
<b>Total</b>	<b>\$42,262,000</b>

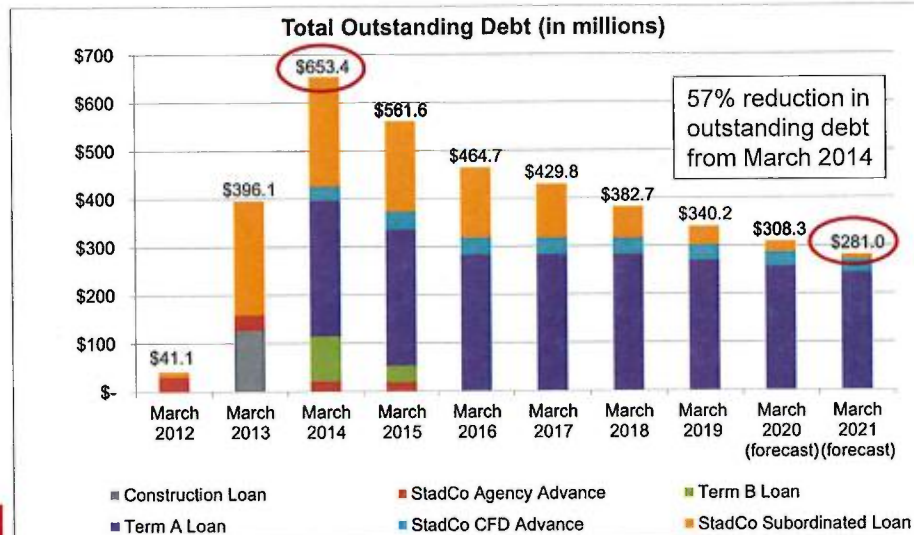
- Debt Service amount of \$42.3 million includes Principal (\$27.3M) and Interest Payments (\$15.0M)
- Total Outstanding Debt is projected to decrease by \$27.3 million (principal payments) from \$308.3 million to \$281.0 million



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## Santa Clara Stadium Authority FY 2020/21 Debt Service (cont.)



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# Santa Clara Stadium Authority

## FY 2020/21 Capital Budget

**Total Capital Budget of \$13.0 million**

- **Stadium Improvements - \$11.5 million**
  - **New Projects (\$5.0 million)**
    - Construction (\$3.0 million): signage replacement, security cameras, pedestrian safety fencing, wayfinding signage, security access control, CCTV pop-up trailers
    - Equipment (\$2.0 million): public safety/life safety (\$1.4 million), other (\$578,000)
  - **Carryover Projects (\$6.5 million)**
    - Construction (\$2.0 million): women's locker room, parking lot asphalt, signage
    - Equipment (\$4.5 million): public safety/life safety (\$1.7 million), other (\$2.8 million)
- **Stadium Warranty-Related Construction - \$1.5 million**
  - Part of the original Stadium Development/Construction Budget



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# Santa Clara Stadium Authority

## FY 2020/21 Capital Budget (cont.)

### Santa Clara Stadium Authority Capital Expense Plan Summary - 5 Year Forecast

	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
Electrical	\$ -	\$ -	\$ 750,000	\$ 1,250,000	\$ 1,475,000
General Building	900,000	1,352,000	600,000	1,050,000	3,125,000
Plumbing	300,000	150,000	-	-	480,000
Public Safety	121,416	-	-	-	-
Security	1,290,000	150,000	-	-	1,110,000
Site	225,000	400,000	-	150,000	575,000
<b>Subtotal CapEx Construction Costs</b>	<b>\$ 2,836,416</b>	<b>\$ 2,052,000</b>	<b>\$ 1,350,000</b>	<b>\$ 2,450,000</b>	<b>\$ 6,745,000</b>
Audio/Visual	\$ -	\$ -	\$ 600,000	\$ -	\$ 650,000
FF&E	-	30,000	-	30,000	31,669
Food & Beverage	250,000	-	-	-	200,000
HVAC/Mechanical	300,000	150,000	-	75,000	1,060,000
Life Safety/Fire	450,000	50,000	-	-	135,000
Public Safety Equipment	936,685	115,000	517,500	140,000	100,000
Vertical Support	-	-	-	-	1,000,000
<b>Subtotal CapEx Equipment Costs</b>	<b>\$ 1,936,685</b>	<b>\$ 345,000</b>	<b>\$ 1,117,500</b>	<b>\$ 245,000</b>	<b>\$ 3,176,669</b>
Contingency (5%)	238,655	119,850	123,375	134,750	498,083
<b>Total CapEx Project Costs</b>	<b>\$ 5,011,736</b>	<b>\$ 2,616,850</b>	<b>\$ 2,590,875</b>	<b>\$ 2,829,750</b>	<b>\$ 10,417,762</b>



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## **Santa Clara Stadium Authority FY 2020/21 Work Plan**

- Redirection of staff resources to address violations of local and State laws has impacted completion of Work Plan items
- Within the context of supporting several lawsuits, staff will focus on:
  - ADA Compliance
  - Community Room
  - San Tomas Aquino Creek Trail
  - SCSA Board Policy Manual
  - SCSA Auditor Annual Audit Work Plan



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## **Conclusion**

- Provides the necessary funding to operate the stadium (operating, debt, capital) and is structurally balanced between revenues and expenditures
- 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
- Advances strategic initiatives necessary to ensure that the Board is responsive to various stakeholders and constituencies
- Additional budget adjustments may be required based on ManCo's responses to questions/request for additional information
- Continued legal challenges associated with ManCo; the submission of the budget does not indicate a change in the Board's position



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## Conclusion

- Non-NFL Event Net Performance Rent continues to project zero for FY 2019/20 and FY2020/21 with no “turnaround”
- Compliance and Management Policy included in report – no changes proposed
- Board consideration as to whether it makes sense to invest \$12 million to make about \$18,000 of revenue or risk performance on report “TBD.”
- Next Board Meeting – March 24 will incorporate further changes for Board consideration/Adoption



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## Santa Clara Stadium Authority

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