

Attachment 9

2020 Marketing Plan Questions and Response

2020 MARKETING PLAN QUESTIONS AND RESPONSE

Following the March 5 Board meeting that discussed the 2020 Marketing Plan, questions were submitted to ManagementCo, as listed below. The response from those questions along with the March 27, 2019 letter referenced in the response are also attached.

3/9/2020 SCSA Board Questions from the March 5, 2020 Special Board Meeting

1. How many events are being planned for 2020 and how are events from this year being benchmarked against those from previous years?
2. ManCo states that it hosted 33 proms and formals. Were those 33 events included in the total count of 106 events?
3. ManCo states that it is a favorite destination. If that is the case, how is the Stadium Authority not making any money?
4. Related Santa Clara is about to break ground across the street from Levi's Stadium. Why is there no mention of the project in the 2020 Marketing Plan? Does ManCo have any projections on the project's impact on future event bookings?
5. ManCo states that it is collaborating with its neighbors to sell Santa Clara as a destination but there is no evidence of this. Why isn't ManCo collaborating with the Convention Center and Tourism Improvement District to promote Santa Clara?
6. ManCo secured a CRM system to help with client communication, tracking client history, and collecting data for sales campaign. Why is ManCo not sharing that information with the Stadium Authority?
7. ManCo references a 2020 survey, which found that 54% of the survey participants ranked Major Events as "Extremely or Very Important", with an additional 20+% ranking them as "Moderately Important". In comparison, 57% of survey participants ranked Major Events as "Extremely or Very Important", with an additional 33% ranking them as "Moderately Important" in 2019. Can ManCo provide more information about why there is a decrease in the percentage of survey participants who rank Major Events to be either "Extremely or Very Important" or "Moderately Important"?
8. Under "1. Improved proposal process" in the Looking Back Section, ManCo states that it looks forward to issuing several RFPs in 2020. Please provide more information about those RFPs and how they relate to increasing marketing and booking of events for the Stadium.
9. In 2019, ManCo states that Levi's Stadium was becoming a soccer destination for local, national, and international teams and tournaments. The Stadium Authority no longer generates revenue from soccer events so why is ManCo still pursuing these events? Additionally, the 2020 Marketing Plan does not provide any update on the 2026 FIFA World Cup. Is there an update on that event?
10. The 2019 Marketing Plan referenced "KPIs to help monitor success and failure to best use our marketing spend." Why was that KPI reference removed from the 2020 Marketing Plan? Is that something that is no longer being tracked?

11. The Naming Rights Agreements requires the Stadium Authority to hold at least 36 non-NFL “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 18. How will ManCo pay for the penalty for not meeting the Naming Rights Agreement? What is ManCo’s plan to meet that requirement in the future?
12. ManCo said that its sales team sold its first South Club event in the Fall 2019. Please provide a record of all events held in the South Club.

3/13/2020 Response from Scott Sabatino, Chief Financial Officer, San Francisco 49ers

With respect to the Board members’ discussion of the 2020 Marketing Plan, and the questions presented in Christina Jung’s email dated March 9, 2020, please note the following:

- The Marketing Plan submitted by the Stadium Manager is in full compliance with the requirements of the Stadium Management Agreement.
- Please refer to Mr. MacNeil’s letter dated March 27, 2019 addressing many of the issues discussed at the Board Meeting.
- We are happy to provide detailed responses to your other questions and comments on the Marketing Plan. These will be provided as time permits, in light of developing federal, state, and local safety directives.



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