

Santa Clara Stadium Authority

Overview of Santa Clara Stadium Authority Fiscal Year 2019/20
Annual Financial Statements and Audit Results Presentation by
KPMG, LLP

September 24, 2020, Item 2



Agenda

- Audit Limitations and Methodology
- Overview
- Key Financial Highlights
 - Management's Discussion and Analysis (MD&A)
 - Basic Financial Statements
 - Statements of Net Position
 - Statements of Revenues, Expenses, and Changes in Net Position
 - Notes to the Financial Statements
- Audit Results Presentation by KPMG, LLP
- Recommendation



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Audit Limitations & Methodology

- This was an audit of the Stadium Authority's financial reports, processes, internal controls and the Stadium Authority's shared expenses with Forty-Niners Stadium Management Company LLC (ManCo).
- This financial audit is an independent evaluation of the Stadium Authority's financial reports and reporting processes to provide **reasonable assurance** that the financial statements are accurate and complete. This is not an absolute guarantee that there were no human errors or miscommunications that could lead to a mistake.
- Through various audit processes and procedures, auditors determine if controls and processes are in place to produce accurate and reasonable financial statements.
 - KPMG will discuss the audit processes and procedures in more detail during their presentation



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Overview

- KPMG has audited the Stadium Authority's Financial Statements as required by section 5.1(a) of the Credit Agreement
- The Financial Statements cover the 2019/20 fiscal year (April 1, 2019 to March 31, 2020) with comparative data from the 2018/19 fiscal year
- Unmodified (i.e., "clean") opinion expressed by the auditors
- Reports will be available on the City's Stadium Authority webpage



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Key Financial Highlights

- **Management's Discussion and Analysis (page 3)**
 - Introduces the financial statements and provides an analytical overview of the SCSA financial activities
 - SCSA's net position increased by \$15.4 million when compared to the prior year
 - Debt service payments during the fiscal year totaled \$30.3 million and overall outstanding long-term debt decreased by \$15 million
 - During this fiscal year, there were 12 National Football League (NFL) games, 8 ticketed non-NFL events, and 79 smaller special events held at Levi's Stadium. The Stadium Authority recognized \$83.9 million in operating revenue and \$62.8 million in operating expenses



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Key Financial Highlights

- **Management's Discussion and Analysis (page 3) continued**
 - Revenue from the non-NFL events totaled \$29.3 million and the related expenses were \$32 million resulting in net non-NFL event loss of \$2.7 million
 - ManCo provided the non-NFL events' documents on 7/15/20 and staff was able to retrieve the documents from the Stadium on 7/29/20
 - Staff is currently reviewing the non-NFL events' documents provide by ManCo. Any changes will be brought forward at a later meeting.



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Key Financial Highlights

- **Statements of Net Position (page 8)**
 - Financial statement that reports the assets, liabilities, and net position of the Stadium Authority
 - Total Assets were \$841.7 million, with Levi's Stadium being the largest asset with a carrying value of 732.7 million, net of depreciation
 - Total Liabilities were \$766.2 million made up mostly of outstanding debt equaling \$325 million and unearned revenues relating to Stadium Builder's Licenses (SBL's) of \$415 million



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Key Financial Highlights

- **Statements of Revenues, Expenses, and Changes in Net Position (page 9)**
 - Financial statement that reports the increases and decreases in the Stadium Authority's net position (revenues and expenses)
 - **Revenues – Total \$83.9 million**
 - *Charges for Services* were \$39.1 million with non-NFL event revenue of \$29.3 million, NFL ticket surcharge of \$8.4 million, non-NFL ticket surcharge of \$735 thousand, and senior/youth fees of \$250 thousand
 - *Rents and Licensing* revenues were \$44.8 million with Stadium lease rent equaling \$24.8 million, SBL revenue recognition of \$12.1 million, and naming rights revenue of \$7.7 million



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Key Financial Highlights

- **Statements of Revenues, Expenses, and Changes in Net Position (cont.)**

- **Expenses – Total \$62.8 million**

- *Lease Expenses* were \$1.2 million, the largest expense being expenditure recognition of the Stadium ground lease of \$980 thousand. Also included in this category for reporting purposes, is performance based rent expense (paid by SCSA to the City). This is 50% of the net non-NFL revenue less 50% of the annual ground rent. The net non-NFL loss was \$(2.7) million for FY 2019-20 and 50% of the ground rent was \$177,500. Therefore, no performance based rent expense was recorded in FY 2019-20.
 - *Materials, Services and Supplies* were \$43.9 million with Non-NFL expenses of \$32 million, SBL sales and service expenses of \$3.6 million, insurance expenses of \$2.9 million and utilities of \$1.6 million.
 - *Selling, general, and administrative* expenses were \$984 thousand and *Depreciation* totaled \$16.7 million



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Key Financial Highlights

- **Notes to the Financial Statements (page 11)**

- An integral part of the annual financial statements
 - Note 4 - Capital Assets
 - Note 5 - Long-Term Debt
 - Note 7 - Contingencies
 - Note 8 - Subsequent Events



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Audit Results Presentation by KPMG, LLP



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Recommendation

- Accept the Santa Clara Stadium Authority Fiscal Year 2019/20 Annual Financial Statements and recommend that the Stadium Authority note and file the report at the October 13, 2020 Joint Council and Authorities Concurrent and Stadium Authority meeting.



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