

Santa Clara Stadium Authority

Report on the Audited Santa Clara Stadium Authority Fiscal Year
2019/20 Annual Financial Statements
Item #5 (20-724)

October 13, 2020



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). 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 reports 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 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
- Presented to the Audit Committee on September 24, 2020
- Reports are available on the City's Stadium Authority webpage



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Key Financial Highlights

- SCSA's net position increased by \$15.4 million when compared to the prior year
 - 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
- Debt service payments during the fiscal year totaled \$30.1 million and overall outstanding long-term debt decreased by \$15 million



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Key Financial Highlights

- 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.
- The Stadium Authority recognized \$83.9 million in operating revenue:
 - *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

- The Stadium Authority recognized \$62.8 million in operating expenses:
 - *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

- 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 provided by ManCo. If corrections are necessary, results will be brought forward at a later meeting.



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Recommendation

Note and file the Santa Clara Stadium Authority
Fiscal Year 2019/20 Annual Financial Statements.



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SCSA

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