

3/21/21

Item # 4



FORTY NINERS STADIUM MANAGEMENT COMPANY

March 1, 2021

VIA EMAIL - MayorAndCouncil@santaclaraca.gov

Santa Clara Stadium Authority  
1500 Warburton Avenue  
Santa Clara, CA 95050

Re: City Staff Agenda Report on the 2021 NNE Marketing Plan

Members of the Board,

We have reviewed the agenda report submitted by your City Staff late last week with the respect to the FY21 Marketing Plan.

The staff report at first suggests that it is intended to provide comments on the Marketing Plan, but it is more accurately characterized as a recitation of the various claims that Mr. Doyle has asserted in his litigation against the 49ers. We disagree with those assertions.

It is our view that this report by your staff is another attempt to rationalize the millions of dollars that Manager Santana and Mr. Doyle have wasted on their crusade against the 49ers, which they launched in 2017 at the direction of Mayor Gillmor.

Against that backdrop we do not believe subjecting our Marketing and Events teams to this type of baseless criticism is a productive use of anyone's time. Accordingly, we respectfully decline the invitation to participate in the "study session" your staff is conducting on the Marketing Plan as we have already responded in writing to most of the accusations in your City Staff's report.

As an example of the time we have all wasted debating the Marketing Plan with your staff, their latest memo complains that they have not received an adequate explanation of the "...practice of giving free tickets away for events". As we have explained, virtually every live event includes complimentary tickets, typically directed by the promoter or the act. We have had unproductive email exchanges with Manager Santana on this topic for years, most recently about the Rolling Stones show. This "issue" has been addressed.

The report by City Staff continues to blame the decline in profits from Non-NFL Event on some shortcoming of the Marketing Plan and the Stadium Manager. This is simply an attempt by City staff to deflect criticism from themselves for the damage they have caused to the reputation of Levi's Stadium in the live-event industry from

4900 Marie P. DeBartolo Way | Santa Clara, CA 95054

**POST MEETING MATERIAL**

ill-advised actions like the Mayor's music ban, publicizing performer's confidential economic information, and putting up bureaucratic roadblocks to major touring concerts.

If you are interested in going through our previous responses on these issues, I have attached our written responses from the past two years on the Marketing Plan, along with some relevant documents that illustrate the disastrous impact on this line of business from Manager Santana's actions.

It's important to note that prior to 2017, Levi's Stadium had a strong track record of hosting successful and profitable events, and received multiple industry awards. We have already taken steps to be more conservative in booking certain types of events that in the past haven't sold well in this market – for example college football games. We look forward to a time when the SCSA decides to reset its strategy for Levi's Stadium and work together to rebuild this important line of business.

Sincerely,

*V.L. on behalf of*

Jim Mercurio  
Executive Vice President & General Manager  
Levi's Stadium

## **Prior responses to SCSA on Marketing Plan comments**



**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.<sup>1</sup> 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.

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<sup>1</sup> 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

12.2.19

Reply to Kenn Lee's 11.27.19 email/letter to Scott Sabatino and Jim Mercurio

Mr. Lee:

This is in reply to your letter dated 11.27.19 to Messrs. Sabatino and Mercurio regarding the Stadium Authority Budget Calendar. A copy of your letter is attached as Exhibit B.

There are several errors in your letter. Let me correct a few of them:

- In your third paragraph you argue that the SCSA did, in fact, provide detailed comments to ManCo in response to the Draft 2019 Marketing Plan that ManCo submitted to the SCSA on 1.29.19. That is false.
  - We received an email from Executive Director Santana dated 2.15.19 that provided four comments on the marketing plan, and promised that she would follow up with "... a separate table or document that lists our other concerns and questions, by page and section." We responded to each of the four comments in that email, and we requested the additional written comments several times. Ms. Santana declined those requests and instead requested we watch a video of the City Council meeting on 3.19.19.
  - We watched that video and could discern no useful input from the Board Members. I sent a letter to Ms. Santana and to the Board dated 3.27.19 on that topic, attached as Exhibit A for your convenient reference. That letter addressed the Board comments that we think Ms. Santana was referring to from the 3.19.19 Board meeting.
  - There was one comment by Board Member Debi Davis that I did not address in my 3.27.19 letter, so I will address that now:
  - Ms. Davis questioned why the Marketing Plan referred to paid advertisements in the Silicon Valley Business Journal's "Book of Lists" (2:09 of the video). Ms. Davis brought a copy of the Book of Lists to the dais, turned to a page advertising 49ers suites, and proclaimed that the advertisement is "... not promoting events, it's promoting their suites". But Ms. Davis simply missed the fact that the entire back cover of the Book of Lists had a separate advertisement devoted entirely to Levi's Stadium Special Events. In other words, Ms. Davis was confused and her question was based on a false premise that could have been debunked by looking at the back cover of the magazine she was waving around. Here is a photograph of the back cover of that publication:



- In your fourth paragraph you make the following assertion: “Given the drastic reduction in net revenue in recent years, it is important that the public understand how Stadium Manager intends to remedy its failure to meet its contractual duty to maximize revenue”.
  - Your statement erroneously suggests that the decline in net revenue is a result of some deficiency in the Marketing Plan. That is false.
  - First of all, the reasons for the decline in net revenue from Non-NFL Events have been well documented. Stadium Manager has discussed this with the Stadium Authority for years, including presentations to your Board.
  - Indeed one of the top concert promoters in the world commented in 2017 that: “[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.”
  - I think we all realize that the Mayor’s music ban was a political miscalculation, but the City and Stadium Authority have done nothing to remedy that. Recently the SCSA suggested that the Stadium Manager should work harder with major touring concerts to schedule shows at Levi’s Stadium on weekends rather than weeknights. But that comment simply underscores the SCSA’s lack of understanding of how touring shows operate: the logistics of coordinating a nationwide tour, with fleets of trucks, buses and airplanes, does not allow the promoters to “work around” the SCSA’s schedule. The promoters will simply choose another venue in the Bay Area, as Ed Sheeran did in 2017, or they will skip the Bay Area entirely in favor of other west coast cities.

- In your fifth paragraph you list a series of purported “good faith” actions by the Stadium Authority with respect to procurement. None of them are true, and they are all irrelevant to the budget process. Because this is the subject of current litigation, I won’t go through the history with you in this letter.
- In your final paragraph you incorrectly state that Stadium Manager has refused to provide certain information. You misunderstood Mr. Sabatino’s letter. That letter simply corrected the budget sequence that Ms. Santana muddled in her letter of 10.24.19, and requested that the Stadium Authority expedite its deliveries to the Stadium Manager so that we can prepare the 2020/21 budget. It appears from your letter that you are unwilling or unable to do that, since you are still planning to deliver those materials to the Stadium Manager on February 3, 2020. This is too late.

We expect you to deliver the items listed in Mr. Sabatino’s letter on or before Friday, January 3, 2020, including supporting documentation to allow Stadium Manager to evaluate the reasonableness of all proposed expenditures.

Larry MacNeil  
Compliance Manager

EXHIBIT A – Letter from Stadium Manager regarding 2019 Marketing Plan



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March 27, 2019

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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

**Ed Sheeran show cancellation - 2017**

**San Francisco Chronicle**

**Ed Sheeran says 'no thanks' to Levi's Stadium show: Curfew kills the buzz**

**Matier & Ross**

**September 24, 2017**

Source: <https://www.sfchronicle.com/bayarea/matier-ross/article/Ed-Sheeran-says-no-thanks-to-Levi-s-12222539.php>

Santa Clara's concert curfew has prompted British pop phenom Ed Sheeran to drop Levi's Stadium from his 2018 tour.

Sheeran announced a 15-city North American tour via Instagram on Friday, and notably absent from the lineup was a Bay Area stop that had tentatively been planned for Levi's on Aug. 21. That's a Tuesday night, which would have forced Sheeran to wrap it up by 10 p.m. to comply with the City Council's weeknight deadline for the final song.

Al Guido, the 49ers president who had been negotiating the appearance, said he was told by Sheeran's agent that there was "no way" he'd be done by 10 p.m. — and without a waiver from the city, the deal was scuttled.

"Four thousand hardworking individuals have lost their right to work, residents have lost out on millions of dollars in revenue, and music lovers have been denied an opportunity to view a world-class concert," Guido said. Not to mention that the 49ers lost out on their undisclosed cut, which comes from filling up the stadium's 150 luxury boxes.

But the loss to Santa Clara and the Niners may be the San Francisco Giants' gain. Word is that Sheeran's team is negotiating for the singer to appear at AT&T Park on the same date, when the Giants will be on the road. The Giants declined to comment.

"This potential concert loss is news to us," said Santa Clara Mayor Lisa Gillmor, whose council majority has been feuding with the Niners for months over stadium finances.

Weeknight concerts at Levi's Stadium have become a sore spot with Santa Clara. Two acts at Levi's — Beyoncé and U2 — blew right past the 10 p.m. curfew even after the city denied them extensions.

Coldplay is scheduled to play at Levi's next month, even though the City Council voted 4-3 to turn down the group's request for a one-hour curfew extension.

Gillmor said that even before Levi's construction began, the city promised nearby residents that weeknight noise would be limited. Officials are simply living up to that promise, she said.

Guido said the city is being unreasonable.

"The noise ordinance states 10 p.m. (as the curfew), but it also clearly states that the city manager can make exceptions," he said.

According to the team, Santa Clara risks losing out on a big chunk of the estimated \$100 million that concerts were expected to deliver to the city over the 40-year stadium contract — money that could support libraries, police and other city services.

Team reps complain that the Great America amusement park next door has gotten permission to go until 1 a.m. up to 30 times a year. The 49ers, meanwhile, have been denied their request for four extensions a year for non-football events.

What's more, Levi's is the only major outdoor stadium in California bound by a 10 p.m. weeknight curfew, the Niners say.

The 49ers aren't looking to book concert acts out of the goodness of their hearts. The team could use the money, because its pigskin division has the customers running for the exits.

As Chronicle sports columnist Ann Killion notes, 1,653 seat license holders — folks who plunked down big money just so they could buy game tickets at Levi's — defaulted on their payments in the past quarter.

### August 24, 2017 Stadium Authority Meeting

Agenda item 8.D. Informational and Possible Action Report: Stadium Manager Presentation on Non-NFL Events

**Matt Prieshoff**, Chief Operation Officer at Live Nation in California

"Live Nation has produced multiple sold out events at Levi's Stadium including One Direction and Luke Bryan in 2015, two sold out Beyoncé shows in 2016 as well as sold out Coldplay show in 2016. U2 is later this year and we are exciting for Coldplay coming back for what we anticipate to be another sold out show on Wednesday, October 4<sup>th</sup>. Live Nation is the leader in live entertainment in the world, close to over 26,000 events last year and over 71 million fans attending those events. Now we standing with this volume and our standing in the industry, we can't dictate to the artist what venue to play, what day of the week to play or where to play on a specific date. However, we can and do present Levi's Stadium to the artist for what we believe it to be, an appealing venue and a very appealing city with the large array of modern and first class amenities. However, the city diminishes our opportunity to book events there and our enthusiasm to play with a 10pm curfew 5 out of the 7 days a week. It will be increasingly difficult for us to book acts at this venue with this curfew. The Rose Bowl in Pasadena, AT&T Park in San Francisco, Shoreline Amphitheatre, Oakland Coliseum, Concord Pavilion, Qualcomm Stadium, the Hollywood Bowl, Dodger Stadium all have 11:00pm curfew every day of the week. We keep wanting to do events here, we want to keep doing sold out events here and generate revenue for the City of Santa Clara. We are currently looking at an event that we believe will sell out Levi's Stadium in 2018. But if 5 of those 7 days a week are not available until 11:00pm it will be very difficult for this artist to play. We are looking for a compromise of up to 4-5 nights per year that would go to 11:00pm, which is 1% a year for all days. On October 4<sup>th</sup>, I invite you to attend Coldplay. It is one of the best shows I have ever seen in my 25 years of working in this business. I want you to imagine for a second the 45,000 people that are coming to or from your City to attend that event that are having dinner here, having drinks here, that are getting gas here. I want you to imagine their faces when the confetti go off and the fireworks go up in the air, I want you to imagine their faces smiling when leaving the event. Now can you imagine those 45,000 faces at the event in Northern California instead of your city."

## **Complimentary Tickets - 2018**

**From:** [MacNeil, Larry](#)  
**To:** [Walter Rossmann](#); [Mercurio, Jim](#)  
**Cc:** ["Compliance Manager"](#); [Catlin Ivanetich](#); [Brian Doyle](#); [Deanna Santana](#); [Angela Kraetsch \(AKraetsch@SantaClaraCA.gov\)](#)  
**Subject:** RE: Tayler Swift concert tickets & Mountain Winery  
**Date:** Friday, April 26, 2019 4:47:00 PM  
**Attachments:** [image001.png](#)

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Hi Walter:

Please refer to the Mayor's comments to the media over the past couple of years regarding Levi's Stadium events and the 49ers. Rather than welcoming large entertainment events to the region, the comments tend to be complaints about economics, traffic, or noise. It is difficult for us to understand the motives behind this negative spin, since you are actually damaging the profits of the SCSA and the City. The latest article on the Taylor Swift tour has made the rounds and, again, we were contacted by the promoter expressing dismay over the article.

Your comments regarding comp tickets are incorrect. Comp tickets do not result in lost revenue. The promoters sell as many tickets as they can to the general public. In this case, there were a number of tickets that were going to go unsold, and those tickets were strategically targeted to specific groups that would not otherwise purchase tickets. For example, Vet Tix for military veterans, and Hear the Music Live for teens living in foster care. Both of these groups received comp tickets to the Taylor Swift show.

So there is no "revenue loss". Groups that receive complimentary tickets and attend the show spend money on parking and concessions, resulting in increased revenue for the event. Describing comps as a "revenue loss" also diminishes the venue's credibility in the marketplace, as promoters that see these comments will question our ability to understand the basics of this industry and the business model necessary to put these events on successfully.

Your comment that we have not explained how "public knowledge" of the economics of individual events hinders our ability to book events is also incorrect. I explained that to Deanna in my email on 12.27.18, and I had lengthy discussions with her predecessors on that topic. Those discussions included interviews with experienced industry executives. I will restate a few of those points here:

1. We have explained to you several times that revenue from ticketed events is highly variable and difficult to project. So when a promoter is booking an event, they hope it will sell well, but there are no guarantees that it will. Now that the promoters understand that the City will actively publicize the economics of individual events – with a particular emphasis on those that didn't sell out - they will be less likely to book here. The negative PR is just not worth it.
2. Part of a promoter's job is to generate excitement and demand for an upcoming show. Discussions in the media about "free tickets" obviously undermine that effort.

3. Customers will be less likely to purchase early if they believe that free tickets might be available at the last minute.
4. Customers that paid for tickets may feel that they overpaid when they later read reports about free tickets. That may adversely affect their willingness to buy tickets for future events.
5. Publicizing the economic details of prior events provides a competitive advantage to promoters interested in booking future events. It provides a similar competitive advantage to competing venues.

If you place yourself in a promoter's position, I think it's pretty clear how the Mayor's comments harm the business. If you work in good faith on a deal, and then if the event does not perform as expected, you are already in a tough position. You then see headlines from Santa Clara that will make your job more difficult. The next time you have an artist that wants to do a tour, is your first call going to be Santa Clara? From our perspective, we would choose not to put the promoters in that position.

As to your demand that, pursuant to Section 12.1 of the Stadium Lease, Stadium Manager pay a \$4 surcharge for each ticket that the promoters for the Taylor Swift concert chose to distribute through the Mountain Winery "Loyalty Club," and certain local businesses and charities: As you know, I disagree with your contention that the promoters distributed tickets to the "general public." But even if that position had any merit, Stadium Manager is not a not a signatory to the Lease, and therefore does not have the obligation to make the payment you have demanded.

Thx

Larry MacNeil  
San Francisco 49ers  
408.416.1639

**From:** Walter Rossmann <WRossmann@SantaClaraCA.gov>  
**Sent:** Thursday, April 11, 2019 3:44 PM  
**To:** MacNeil, Larry <larry.macneil@49ers.com>; Mercurio, Jim <jim.mercurio@49ers-smc.com>  
**Cc:** Compliance Manager <compliancemanager@49ers-smc.com>; Catlin Ivanetich <Clvanetich@SantaClaraCA.gov>; Brian Doyle <BDoyle@SantaClaraCA.gov>; Deanna Santana <DSantana@SantaClaraCA.gov>  
**Subject:** RE: Tayler Swift concert tickets & Mountain Winery

Hi Larry,

Over the past months, both by email and to the media as ManCo's PR Strategy, ManCo has repeatedly asserted that Mayor Gillmor has undercut ManCo's ability to book future events at Levi's Stadium as part of a PR strategy supported by Singer Associates. These assertions are entirely baseless and designed to deflect from ManCo's poor performance under the Management Agreement. There is no strategy to undercut ManCo. However, since we believe you are likely to repeat these falsehoods in violation of your contractual obligations to act in good faith, we hereby demand that you submit any evidence that you may have about your assertions before making any such claims in the future. Sam Singer is a communications consultant of both the city of Santa Clara and the Stadium Authority, not Mayor Gillmor. Neither the Mayor nor Mr. Singer have adopted a strategy of undercutting the 49ers. For you to assert otherwise is false and misleading.

Regarding the issue of seeking information about the practice of "papering" the house, the Board's interest in the practice is purely financial. The practice results in a financial loss to the Stadium Authority that we believe reduces the overall effectiveness of booking concerts that make money. We are not trying to negatively impact our mutual business, rather get information in a timely manner. Moreover, you have never shown us how public knowledge of the fact that a concert did not sell well hinders your ability to book more profitable concerts in the future.

Last, per your emails, the promoter made arrangements for the Mountain View Winery members, number of local businesses, and local charities, in essence, the general public to receive free tickets. This broad distribution is beyond "specific targeted groups" as characterized in your email from December 27, 2018. Therefore, SCSA is entitled to receive and ManCo shall pay the \$4 per ticket surcharge to the SCSA as required under paragraph 12.1 of the Amended and Restated Lease Agreement.

Walter

**WALTER C. ROSSMANN** | Chief Operating Officer  
1500 Warburton Avenue | Santa Clara, CA 95050  
D: 408.615.2215 | [www.santaclaraca.gov/scsa](http://www.santaclaraca.gov/scsa)



**From:** MacNeil, Larry [<mailto:larry.macneil@49ers.com>]  
**Sent:** Tuesday, April 9, 2019 3:39 PM  
**To:** Walter Rossmann <[WRossmann@SantaClaraCA.gov](mailto:WRossmann@SantaClaraCA.gov)>; Mercurio, Jim <[jim.mercurio@49ers-smc.com](mailto:jim.mercurio@49ers-smc.com)>  
**Cc:** Compliance Manager <[compliancemanager@49ers-smc.com](mailto:compliancemanager@49ers-smc.com)>; Catlin Ivanetich <[CIvanetich@SantaClaraCA.gov](mailto:CIvanetich@SantaClaraCA.gov)>; Brian Doyle <[BDoyle@SantaClaraCA.gov](mailto:BDoyle@SantaClaraCA.gov)>; Deanna Santana <[DSantana@SantaClaraCA.gov](mailto:DSantana@SantaClaraCA.gov)>  
**Subject:** RE: Tayler Swift concert tickets & Mountain Winery

Walter:

Your email to Mr. Mercurio was referred to me.

The news article that you referenced below appears to be based on the story that Mayor Gillmor pitched to a San Francisco columnist, since it contains similar inaccuracies and spin.

For example, both of these articles refer to a purported contract provision which required the stadium to be filled to an "acceptable level". Please refer to the event contract previously provided to your office on at least two separate occasions. There is no such provision in the event contract.

As to your specific requests:

1. The pricing and distribution of tickets for this event were decisions by the promoter, not by the 49ers or Stadium Manager. I have explained this to your office several times and sent you the specific references in the event contract in several separate emails. Stadium Manager does not have "an agreement with Mountain Winery" for this or any other Non-NFL event.
2. I have attached copies of the emails where the promoter directed complimentary tickets to a number of local businesses and charities. Please maintain the confidentiality of these communications with the promoter as the public disclosure will further erode our ability to book events.
3. As to your request for "all other supporting documentation" related to this show, that information, along with the information for all the events for 2018, is being compiled in accordance with the schedule previously agreed to by your office.

As described in my earlier correspondence on this topic, the Mayor's strategy of publicizing the economics of individual events has further undercut our ability to book future events at Levi's Stadium. To the extent that your latest document request is part of that PR strategy, I think you are beating a dead horse: The concert promoters have already gotten the message that the City is not interested in booking future concerts.

Thx

Larry MacNeil  
San Francisco 49ers  
408.416.1639

**From:** Walter Rossmann <[WRossmann@SantaClaraCA.gov](mailto:WRossmann@SantaClaraCA.gov)>

**Sent:** Monday, April 8, 2019 1:35 PM

**To:** Mercurio, Jim <[jim.mercurio@49ers-smc.com](mailto:jim.mercurio@49ers-smc.com)>

**Cc:** Compliance Manager <[compliancemanager@49ers-smc.com](mailto:compliancemanager@49ers-smc.com)>; Catlin Ivanetich <[Civanetich@SantaClaraCA.gov](mailto:Civanetich@SantaClaraCA.gov)>; Brian Doyle <[BDoyle@SantaClaraCA.gov](mailto:BDoyle@SantaClaraCA.gov)>; Deanna Santana <[DSantana@SantaClaraCA.gov](mailto:DSantana@SantaClaraCA.gov)>

**Subject:** Tayler Swift concert tickets & Mountain Winery

Hi Jim,

Per the news article below, Loyalty Club members of the Mountain Winery were entitled to a pair of free tickets for the Friday, May 11 performance at Levi's Stadium – just for replying via email to the offer.

Please provide SCSA all supporting documentation including an agreement with Mountain Winery to leverage Taylor Swift attendance within ten days of this email. Additionally, provide all other supporting documentation related to this non-NFL event that they may have not produced during our last inquiry within ten days of this email as well.

Thanks.

Walter

**WALTER C. ROSSMANN** | Chief Operating Officer  
1500 Warburton Avenue | Santa Clara, CA 95050  
D: 408.615.2215 | [www.santaclaraca.gov/scsa](http://www.santaclaraca.gov/scsa)



Begin forwarded message:

**From:** Lenka Wright

**Sent:** Thursday, April 4, 2019 1:00 PM

**To:** Deanna Santana <[DSantana@SantaClaraCA.gov](mailto:DSantana@SantaClaraCA.gov)>; Walter Rossmann <[WRossmann@SantaClaraCA.gov](mailto:WRossmann@SantaClaraCA.gov)>; Angela Kraetsch <[AKraetsch@SantaClaraCA.gov](mailto:AKraetsch@SantaClaraCA.gov)>; Brian Doyle <[BDoyle@SantaClaraCA.gov](mailto:BDoyle@SantaClaraCA.gov)>; Nadine Nader <[nnader@SantaClaraCA.gov](mailto:nnader@SantaClaraCA.gov)>; Catlin Ivanetich <[Civanetich@SantaClaraCA.gov](mailto:Civanetich@SantaClaraCA.gov)>

**Subject:** Industry article re: concert tickets

This article from TicketNews shares insider details about the concert business,  
<https://www.ticketnews.com/2019/04/taylor-swift-promoters-20000-tickets-free-2/>.

**Taylor Swift's Tour Saw 20K Tickets Given Away for One Show**

**INDUSTRYMUSICTOP STORY** April 4, 2019 TicketNews Staff

Some 20,000 tickets were given away to fill seats at a May stop on Taylor Swift's Reputation Tour a year ago, according to numbers that have come to light due to a feud between the Santa Clara Stadium Authority and the San Francisco 49ers organization over the operation of Levi's Stadium.

The figures were [reported by the San Francisco Chronicle](#), and add a new wrinkle to a tour that has become something of a Rorschach test in the ticketing industry.

TicketNews reported on [free tickets being distributed through an unrelated venue in early May 2018](#), one of several instances where rumors of seat-filling on the tour swirled despite it eventually being the highest-grossing tour of the year. Loyalty Club members of the Mountain Winery were entitled to a pair of free tickets for the Friday, May 11 performance at Levi's Stadium – just for replying via email to the offer.

Mountain Winery declined to answer how many tickets were being distributed in this fashion, but thanks to the Chronicle's reporting, we know that the town took a big bath on the tour stop due to the giveaway, which was necessary to fill the stadium to a level which satisfied the contract signed with Swift's management.

"We made over \$3 million on the first show and lost over \$2 million on the second show," Santa Clara Mayor Lisa Gillmor told the newspaper. After selling some 50,000 tickets for the first show on sale at the venue (Saturday, May 12), the second show was added along with second and even third shows in several markets "due to unprecedented demand." That second show, however, sold under 30,000 tickets, necessitating the freebie dump.

It is unclear whether or not the Levi's Stadium stop was an outlier in

terms of the poor sales that led to the giveaways. Early reports of poor sales based on a combination of sky-high prices and flooding markets with additional shows were drowned out by a chorus of stories regarding how well the tour did, financially. But based on the methodology of so-called “slow ticketing” (Put tickets on sale far in advance, price as high as the market will bear when your biggest fans are buying, then kick tickets out the back door to fill the building when everything stagnates and the date approaches with a half-full house), it’s unlikely the city of Santa Clara stands alone in having taken a bath on at least one of the “Reputation” stops.

Sincerely,  
Lenka

**Lenka Wright**

Director of Communications | City Manager’s Office

1500 Warburton Avenue | Santa Clara, CA 95050

Direct: 408-615-5515 | Cell: 669-243-8467 | [www.SantaClaraCA.gov](http://www.SantaClaraCA.gov)



**City of  
Santa Clara**  
The Center of What's Possible

**From:** [MacNeil, Larry](#)  
**To:** [Deanna Santana \(DSantana@SantaClaraCA.gov\)](#); [Walter Rossman \(WRossmann@SantaClaraCA.gov\)](#); [Ruth Shikada](#); [Catlin Ivanetich \(civanetich@santaclaraca.gov\)](#); [Angela Kraetsch \(AKraetsch@SantaClaraCA.gov\)](#)  
**Cc:** [Mercurio, Jim](#); [Sabatino, Scott](#)  
**Subject:** Taylor Swift - Confidential  
**Date:** Thursday, December 27, 2018 10:52:00 AM

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Deanna –

I am following up on your question at our 12/20/18 meeting regarding the Taylor Swift show.

Before answering your question, I want to restate what I said in that meeting. Your public discussion on the economics of individual Non-NFL Events has a material adverse impact on Manco's ability to book Non-NFL Events. Divulging artists' confidential business information, combined with the SCSA's weeknight music ban, impairs Manco's ability to perform its duties.

In the meeting, you said that you have already heard this admonition from our staff many, many times, but I wanted to remind you that your discussion of this particular issue on the Taylor Swift show should remain confidential.

You responded by saying you didn't know if you would or would not keep this confidential, and "that is not Manco's concern".

That is wrong. The SCSA undermining our efforts is Manco's concern.

The SCSA has stated in the past that it is able to maintain the confidentiality of the economics of individual events, but this matter was discussed in an open City Council/SCSA meeting on 12/11/18. Mayor Gillmor asked about free tickets and you said it was the first time you heard about it and you would look into it. If you were not aware of the complimentary tickets for that show, it is only because you neglected to review the report previously submitted to you by Manco. The Taylor Swift 45-day flash report that was provided to your office more than a month ago clearly shows tickets distributed of 101,876 and tickets sold of 79,836. The report already provided to you also breaks these numbers down by individual show.

As I explained, "papering the house" is a common practice for entertainment events. The promoters and the artists want to have a full house, so if a promoter or an act is unable to sell out an event, for whatever reason, as the event date approaches and they know how many seats will go empty, they will quietly distribute tickets in order to fill the venue. The reasons for this practice are obvious. It makes for a more vibrant experience, supports future demand, and increases ancillary revenues through concessions and parking. Again – the acts and promoters do this quietly. They don't want to talk publicly about a particular act that does not sell out a performance, or about complimentary tickets.

This practice is particularly common when a big act sells out one pre-scheduled show, and then later decides to add a second show to – hopefully – sell out again. And that is what happened with the Taylor Swift show. The challenge was that the second show (on Friday) did not sell as well as the first, and there were a significant number of tickets that the promoter needed to get distributed to

paper the house.

The fact that you did not read about this in the media means that the promoter was successful in papering the house. The promoters and acts do not want to have this practice discussed publicly, and they select groups for ticket distribution that are not going to bring attention to the practice.

You asked specifically about the \$4.00 surcharge on the distributed comp tickets. There is no surcharge collected for those tickets, since that would not be “complimentary”. It would make no sense to ask someone to attend an event at no charge, and then ask them for a \$4.00 surcharge. This is consistent with the language in the lease regarding the \$4.00 surcharge:

**12.1 Non-NFL Event Ticket Surcharge.** The Stadium Authority (or, if the Stadium Authority exercises the Stadium Authority Put Right as provided in Paragraph 5.1, then, effective as of the Tenant Season Expansion Date, Tenant) will impose, and will require the promoter or sponsor of any Non-NFL Events to collect on its behalf, a surcharge of Four Dollars (\$4) per Ticket to all Non-NFL Events for which Tickets are sold or otherwise offered to the general public (the “Non-NFL Ticket Surcharge”). Except as expressly provided below in this

These tickets were neither sold nor distributed to the “general public”. They were distributed to specific targeted groups in order to paper the house. You can imagine the negative impacts of offering free tickets to a Taylor Swift show to the “general public”.

Indeed, comp tickets are distributed for nearly every event that happens at Levi’s Stadium and every other entertainment venue in the country. The counts of tickets “scanned” versus tickets “sold” are clearly reported on the reports already provided to you.

Larry MacNeil  
408.416.1639

## **Rolling Stones - 2019**

Jim:

First and foremost, thank you. Please thank Craig, Nelson, Camila and Landmark. Hands down the best show on the tour. You have a great team. I firmly believe your leadership, experience and attention to detail make this a winning team so thank you very much.

Now the bad. Despite all of the posturing and outlandish last minute decisions from the City Officials, you guys persevered and our show was a success. I applaud you and the team for working through all of these outlandish, and quite frankly, unsafe recommendations the City had for our performance. All of the last minute change orders that came from the City are very unfortunate. Our Pyro shooter has been shooting this show all over the globe with us; so to have this portion of the show get arbitrarily canceled weighs heavy on him. What is the future of professional pyrotechnics in your building.

Quite honestly, the "concerns" expressed by the SCFD and the City were unfounded. Had they done their diligence or more importantly acquired the requisite knowledge of Live Event mass gatherings, they would of never recommended putting our fans at risk by corralling them into inescapable pens surrounded by bike rack. Thankfully, your experienced team were able to change course and avoid a sure catastrophe.

I don't quite understand all of the over regulation and micro management. I would think that the City would want this joint venture to bear fruit. The touring industry has made note of the difficulties and uncertainties presented by the City and eventually will just skip your market.

You know me and my background. In my 30 years in this industry, 26 of them touring the world, this last minute scrutiny will not play in your favor. The approval process is give and take and we were willing to concede a lot. Other tours may say No Thank You!

Anyway - it's a great stadium, great fans and your staff did an awesome job. If you can get your partners on board with allowing more than just football, you have a winning situation. I hope to see you soon my friend. Thanks again for taking care of us and our fans, greatly appreciated.

Good luck this year.

Michael Wozniak

Mr. Jim Mercurio  
General Manager  
Levi's Stadium

23 August 2019

Dear Mr. Jim Mercurio,

I wanted to send a note thanking you and your staff for the great time we had doing the Stones concert last week. Nelson was a prince, instantly responding to all of our needs and requests without question—don't lose him! Craig and Dale and Danny were exemplary in every detail, and for that I thank you as well. Your facility was one of the fastest load-outs we have had on this tour, and the ease of working within the facility is to be commended.

Now, on the other hand, do you not want touring shows anymore? The impression I and many others in the industry have, is your facility is getting so restrictive and dysfunctional, it's no longer worth the effort to play there due to the myriad and random rule changes or sudden restrictions placed on a tour. In our case, a last-minute requests for our structural engineer to fly across the country to inspect the stage when we have never done this before at Levi's. That alone cost us \$6000.

Then the no pyro at the last minute, when our pyrotechnician has done countless shows in the stadium as well as across America for numerous artists, without incident, only to be told if he disobeys the demand from the fire department he would be subject to black listing from the state. Really, is this how you operate?

Our catering area has been used for numerous shows, only to be told at the eleventh hour it is off limits. Thank you, Mr. Mercurio, for your intervention in that ruling so we had a place to feed band and crew.

Quite honestly, we were half expecting someone from the city or whoever is pulling the strings to try and dictate the set list!! Oh my, where does it stop??

Your facility is top notch, your staff commendable, and yet each time someone mentions playing Levi's, we all cringe, knowing that some new rule will be applied to the show just before we start either loading in or before the show. That's not healthy in the least for booking future shows. .

Whether it's denying the placement of our sponsor activation in your GIANT parking lot or the horrendously expensive permitting process (how do you build anything in the city with those prices?), it all adds up in the negative column for playing Levi's. Not a good sign.

I sincerely hope you and your staff can rectify these random acts of authority and ensure a smooth-running facility when it comes to large concerts such as ours, and others. I've been doing site coordination since the 70's, and have basically played every stadium in the US and numerous ones in Europe. I understand rules and regulations, and knowing what is in place helps determine where one plays, but the great unknown or random rules makes for a hesitancy on the bookers ' part to play those stadiums.

WE enjoy playing Levi's, and I sincerely hope to come back under more favorable conditions, and once again enjoy my time there with your excellent staff.

Sincerely,

John Morrison

Site Promoter

The Rolling Stones No Filter 2019

3/2/21

Item # 4

# SCSA Study Session 3/2/2021



Forty Niners Stadium Management Company

**POST MEETING MATERIAL**

# Disagreements on SCSA Budget

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- 1) SCSA Overhead Expenses
- 2) SCSA payment of Shared Stadium Expenses

Levi's®

STADIUM

# Stadium Authority Overhead

# Stadium Authority Overhead

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8.2.5 **Stadium Authority Overhead.** Administration and other related costs associated with operating the business of the Stadium Authority, as distinguished from the costs of operating and managing the Stadium, including if any such administration is performed by the Stadium Manager, and including, specifically, costs incurred by the Stadium Authority for accounting and legal matters, including costs of defending lawsuits with any Landlord Mortgagee, or costs of any disputes between the Stadium Authority and its employees or contractors (collectively, "**Stadium Authority Overhead**").

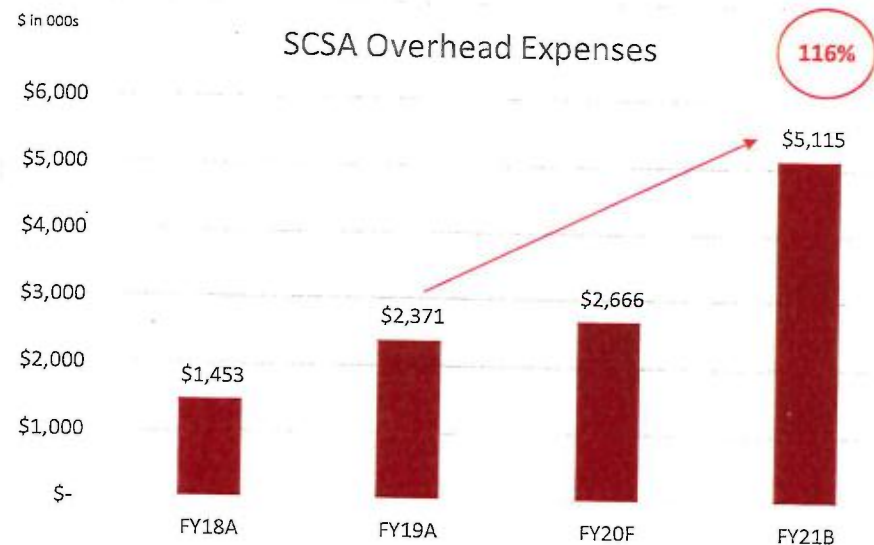
# Stadium Authority Overhead

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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.

# Stadium Authority Overhead

- City Staff proposed an increase of **116%** for their own overhead costs versus actual spend in 2019.
- We have broken down the budget into three categories:
  - City Staff (\$1.8M)
  - Consulting (\$800k)
  - Outside Legal Services (\$2.5M)



## City Staff wants to increase their own compensation...

- City Staff proposed an increase of **80%** for headcount costs versus actual spend in 2019.
  - City Manager staffing costs are at a proposed **44%** increase versus 2019 actuals.
  - Finance staffing costs are at a proposed **134%** increase versus 2019 actuals.
  - City Attorney staffing costs are at a proposed **89%** increase versus 2019 actuals.



Increasing staff costs by 80% during the pandemic is fiscally irresponsible.

# Staffing Costs by Position

- The City Attorney position has increased by **280%** over a three-year period.
- The City Manager position has increased by **98%** over a three-year period.
- The Director of Finance position has increased by **65%** over a three-year period.

Position	FY18A	FY19A	FY20F	FY21B	3-Yr Growth	FY21 Annualized
City Attorney	\$ 44,825	\$ 64,742	\$ 173,676	\$ 170,334	280%	\$ 567,781
City Manager	\$ 77,122	\$ 136,738	\$ 141,738	\$ 153,034	98%	\$ 765,171
Director of Finance	\$ 42,764	\$ 54,165	\$ 45,329	\$ 70,734	65%	\$ 471,557
Assistant to the City Manager	\$ 178,352	\$ 255,214	\$ 234,652	\$ 231,634	30%	\$ 308,846
Management Analyst - Finance Department	\$ 133,512	\$ 159	\$ -	\$ 194,958	46%	\$ 194,958
Accounting Tech	\$ 13,262	\$ 30,316	\$ 112,159	\$ 127,956	865%	\$ 127,956
Office Specialist/Staff Aide	\$ -	\$ 20,811	\$ 20,955	\$ 81,703	-	\$ 163,405
Sr. Management Analyst - Finance Department	\$ -	\$ -	\$ 244,171	\$ 228,446	-	\$ 228,446
Management Analyst - City Manager Department	\$ -	\$ -	\$ -	\$ 194,958	-	\$ 194,958
Other Staff (21 Heads in FY21B)	\$ 178,064	\$ 422,127	\$ 157,604	\$ 319,095	79%	
<b>Totals</b>	<b>\$ 667,901</b>	<b>\$ 984,272</b>	<b>\$ 1,130,284</b>	<b>\$ 1,772,852</b>	<b>165%</b>	
<i>Year-over-Year</i>	-	47%	15%	57%	-	

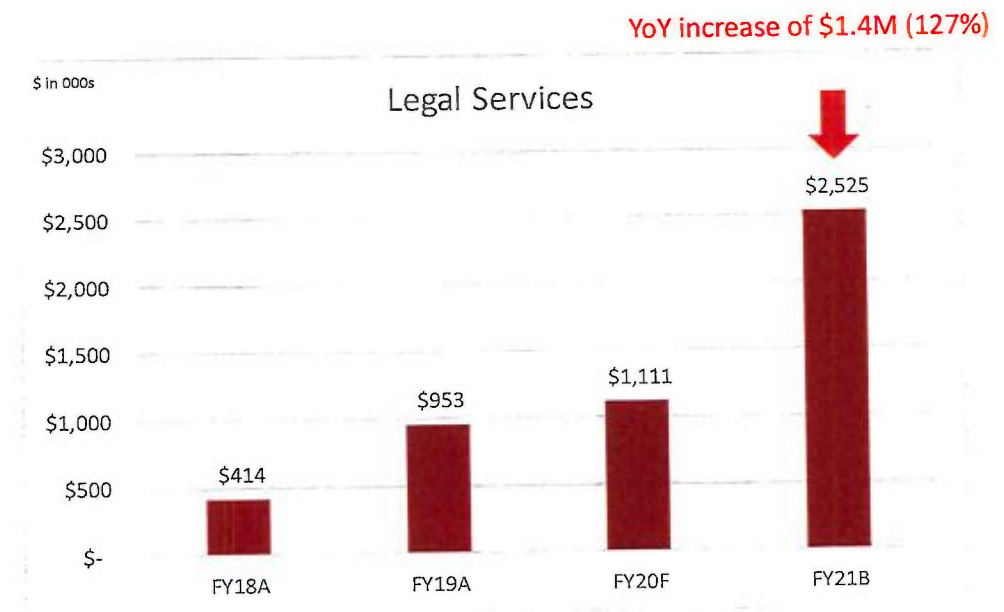
*Additional Breakout:*

<b>City Attorney / City Manager / Director of Finance</b>	<b>\$ 164,711</b>	<b>\$ 255,645</b>	<b>\$ 360,743</b>	<b>\$ 394,102</b>	<b>139%</b>
<i>Percentage of City Staff Spend</i>	25%	26%	32%	22%	

Note: Fiscal Year 2019 actuals are based on the run rate of actuals by position through November 2019 provided by the SCSA.

# Outside Legal Services

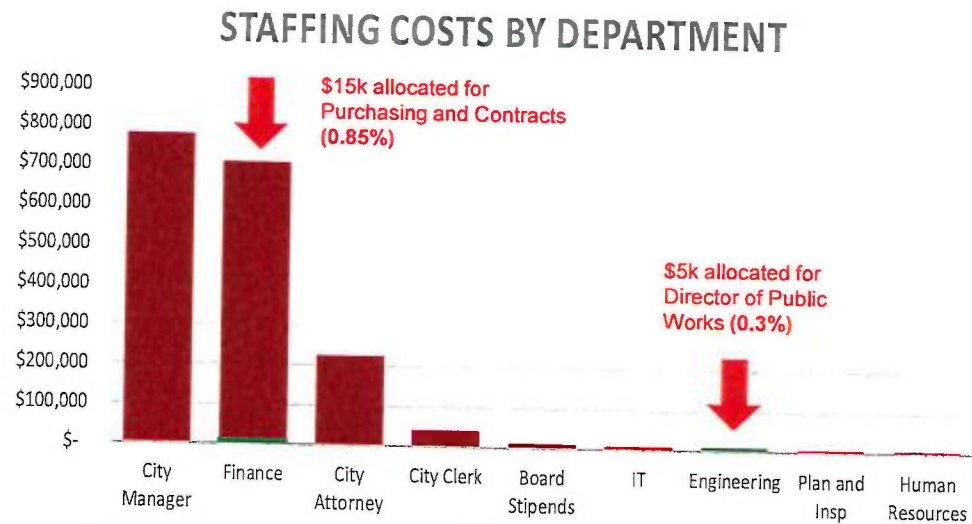
- City Staff proposes to double the outside legal costs for FY21.
- Having already spent \$2.5M in legal fees over the past three years, staff is requesting an additional \$2.5M this year.



Note: This is outside legal services for SCSA matters only and excludes other City litigation costs such as the CVRA (\$5M).

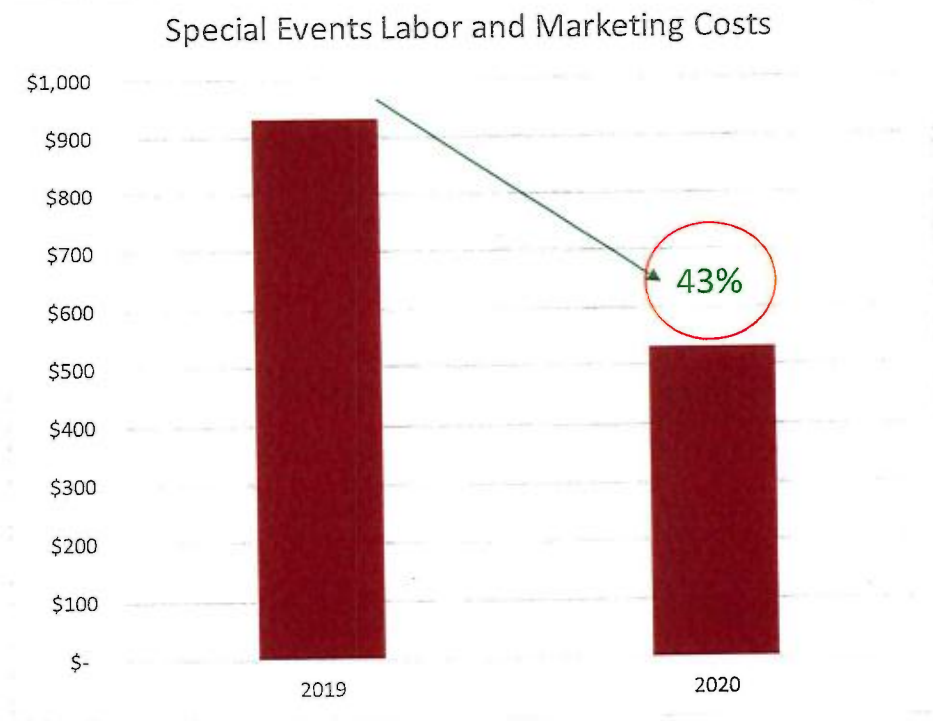
# Minimal Collaboration

- The SCSA Overhead budget is a clear message that the SCSA Staff does not plan to collaborate on procurement.
  - Of the nearly **\$1.8M** proposed for staffing costs, **96%** is related to positions in the City Manager, Finance, and City Attorney departments.
  - Only **1.15%** of the entire staffing budget is for procurement and public works.



# Stadium Manager – Non-NFL Events

- Stadium Manager has responsibly reduced costs of Non-NFL Events during the pandemic.
  - Savings throughout the year on four (4) of the seven (7) full time positions.
  - Overall reduced spending in Special Events Marketing budget.



# Non-NFL Events – Profit Decline

The City has taken a number of actions, perhaps unintentionally, that make Levi's Stadium less attractive for concerts.



**Disclosure of artists' economics for individual events**  
(Taylor Swift)



**Mayor's Music Ban/Curfew**  
(Ed Sheeran cancelling Levi's show in favor of AT&T Center)



**Complex and expensive City approval process**  
(Rolling Stones)



**Significant increase in City charges to events**

\$ in 000s

\$7,000  
\$6,000  
\$5,000  
\$4,000  
\$3,000  
\$2,000  
\$1,000  
\$-  
\$(1,000)  
\$(2,000)  
\$(3,000)  
\$(4,000)

## Non-NFL Events, net

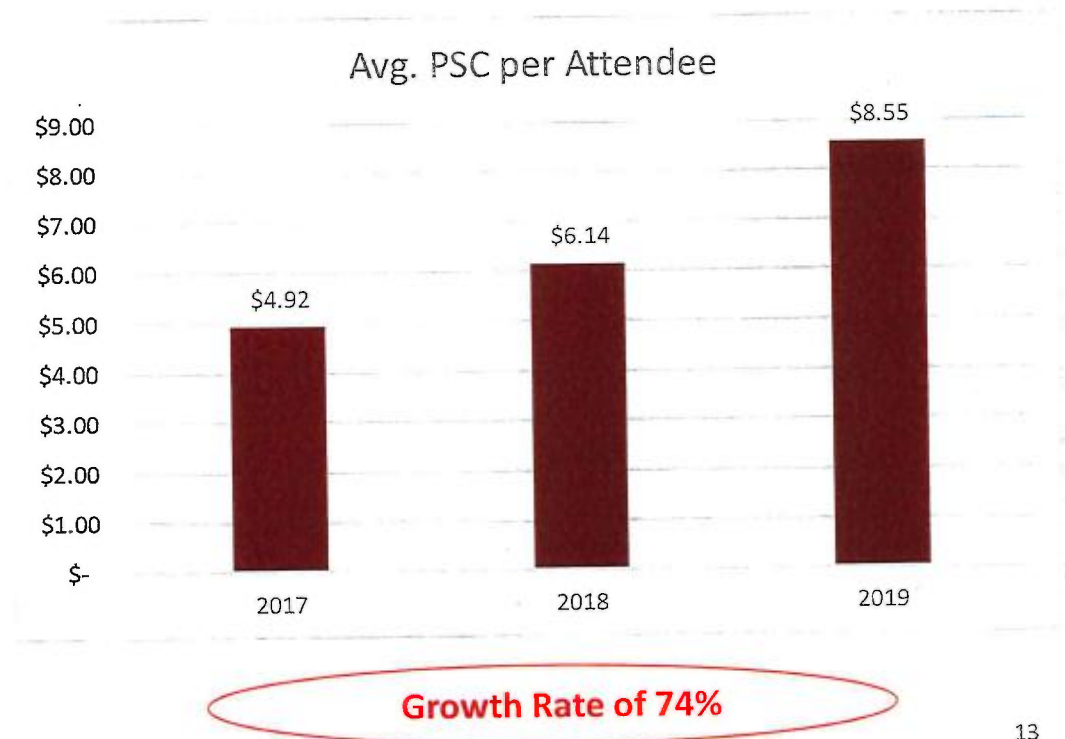
Lisa Gillmor appointed as mayor in 2016.

Deanna Santana and Brian Doyle were hired in 2017.

FY15 FY16 FY17 FY18 FY19 FY20

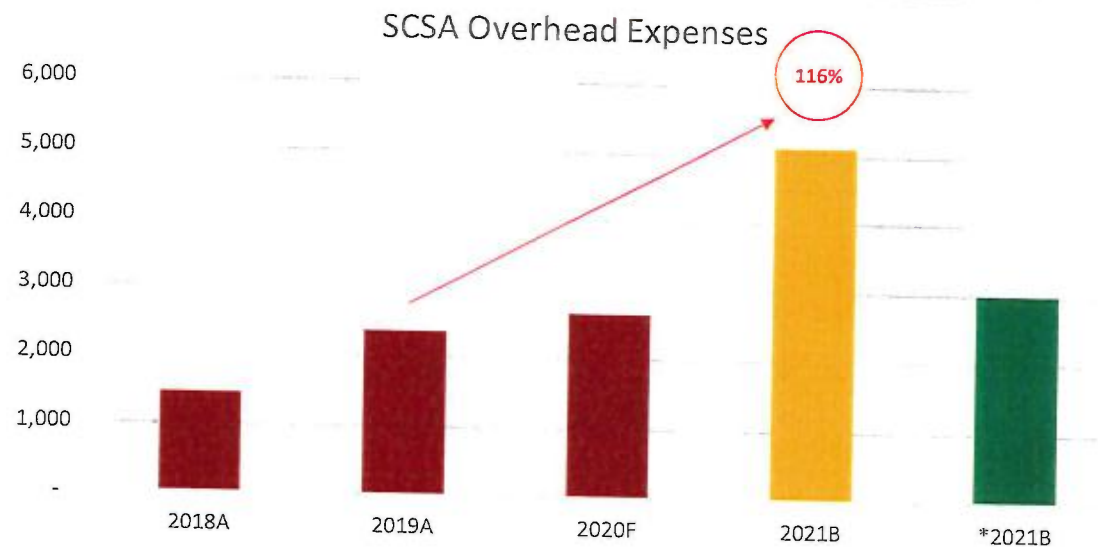
## Non-NFL Events – Public Safety Costs

- The overall growth in Public Safety Costs is one reason for the diminishing profitability for Non-NFL Events.
  - Public Safety Costs have grown **74%** in two years.



## SCSA Board Decisions - Overhead

- Stadium Manager's recommendation is a **\$3M** FY21 budget, which is still **\$600k** higher than 2019 actuals.
  - This is a **27%** increase versus 2019 actuals.



\*Note: Stadium Manager's recommendation of \$3M

# ManCo Approval Rights over SCSA Budget

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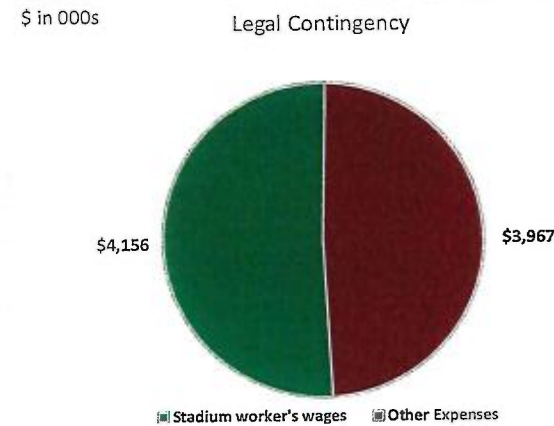
Source: Section 3.2 of the Management Agreement:

“As set forth in Section 4.6 hereof, as long as the Management Company Revolving Loan remains in effect or there is any amount still outstanding thereunder, **the Annual Stadium Authority Budget shall be subject to the prior review and approval of the Stadium Manager, which approval shall be in the Stadium Manager’s sole and absolute discretion.** The Stadium Manager’s review and approval right with respect to the Annual Stadium Authority Budget includes the right to review the Annual Stadium Authority Budget on a line item basis and to object to any item it does not believe is reasonably necessary.”

# SCSA Payment of SSE

## “Legal Contingency”

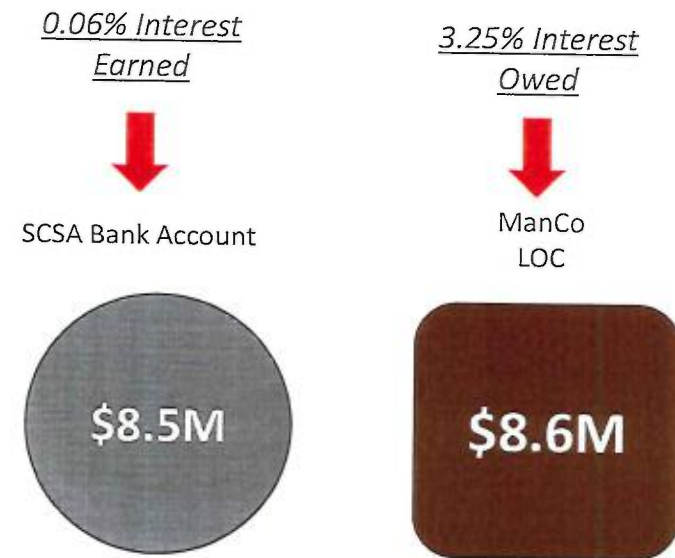
- Of the **\$8.1M** that the SCSA has budgeted as “Legal Contingency,” **\$4.2M** is related to wages and compensation for Stadium workers.
  - This does not even include contracts that were approved by the SCSA Board, and City Staff continues to withhold payment.



Security: **\$379k**  
Stadium Operations: **\$1.898M**  
Engineering: **\$1.543M**  
Guest Services: **\$242k**  
Grounds: **\$94k**  
  
**Totals: \$4.156M**

# Stadium Manager Line of Credit

- The SCSA has continued to withhold payment for expenses incurred by Stadium Manager in FY2020/21.
  - The current Stadium Manager Line of Credit balance is ~\$8.6M, including over \$100k in (unnecessary) interest.
- A majority of the costs withheld have nothing to do with procurement.



~\$250k annual cost of unnecessary interest expense

Note: 3.25% represents WSJ Prime Rate, per Revolving Line of Credit Documentation.

## Stadium Manager Concerns

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- Reduce SCSA overhead to \$3M.
  - If this Board decides to double overhead costs in this environment, it can use the Operating Reserve.
- Paying all Shared Stadium Expenses costs.

3/2/2021

item 4

# Santa Clara Stadium Authority

*Draft 2021 Non-NFL Events Marketing Plan for Levi's® Stadium in  
Accordance with Section 4.10 of the Stadium Management  
Agreement*



March 2, 2021  
Item 4, RTC #21-50

1

## Purpose of Marketing Plan

- A marketing plan is an operational document that outlines an advertising strategy that an organization will implement to generate leads and reach its target market. A marketing plan details the outreach and PR campaigns to be undertaken over a period, including how the company will measure the effect of these initiatives. The functions and components of a marketing plan include the following:
  - **Market research** to support pricing decisions and new market entries
  - Tailored messaging that **targets certain demographics and geographic areas**
  - **Platform selection** for product and service promotion—digital, radio, Internet, trade magazines, and the mix of those platforms for each campaign
  - **Metrics** that measure the results of marketing efforts and their reporting timelines

Source: Investopedia.com



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POST MEETING MATERIAL

1

## Fiduciary Responsibility

**Fiduciary:** person or organization that acts on behalf of another person or persons, putting their clients' interest ahead of their own, with a duty to preserve good faith and trust. Being a fiduciary thus requires being bound both legally and ethically to act in the other's best interests. <sup>(1)</sup>

### Areas of Responsibility:

- Prudent, commercially reasonable good faith efforts in managing
- Multi-purpose public facility with a standard of quality comparable to other similar facilities
- Control Manager Operating Expenses
- Maximize Revenues

3 <sup>(1)</sup> Source: Investopedia.com

3

## Marketing Plan

- 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).
- Sets forth Stadium Manager's plans to develop, implement and monitor marketing, booking, advertising and promotion of Non-NFL Events for the Stadium.
- Must be mutually agreed to by both the Stadium Manager and the Stadium Authority

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## 2019 Marketing Plan

- Draft 2019 Marketing Plan was not mutually agreed upon. SCSA expressed concerns about:
  - Absence of metrics/key performance indicators (KPIs) and corresponding data for data-driven decisions, despite ManCo's FY 2018/19 commitment to the Board.
  - No meaningful discussion regarding plan to meet minimum requirements of the Naming Rights Agreement requirement (36 "Major Events").
  - Significant decrease in projected net revenue for FY 2018/19 Non-NFL events and no strategies to enhance revenue and mitigate losses.
  - Lack of explanation of how booking numerous money-losing events and various giveaways was an advantageous marketing strategy.



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## 2020 Marketing Plan

- Draft 2020 Marketing Plan was not mutually agreed upon. SCSA expressed concerns about:
  - Absence of a "turnaround" strategy to become profitable.
  - Concerns about the draft 2019 Marketing Plan were not discussed or addressed.
  - Booking history and declining financial performance for Non-NFL events from FY 2015/16 through FY 2019/20.
  - Lack of alignment with key provisions in the Management Agreement (e.g., duty to notify, standard of care, booking duties and responsibilities, etc.).



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## Agenda

1. Key Considerations for Draft 2021 Marketing Plan
2. Marketing Plan Data Results
3. Alignment to Management Agreement and Naming Agreement Provisions
4. ManCo's March 1 Letter to the Board



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## Key Considerations

1. As fiduciaries, ManCo is required to act in the Stadium Authority's sole best interest.
2. ManCo projects a \$600,000 loss for FY 2020/21 and somewhere between a \$600,000 loss to \$0 net revenue for FY 2021/22.
3. Concerns regarding draft Marketing Plans from previous years remain relevant, this marks the fourth fiscal year of unfavorable financial performance.
4. After years of "Spend money to lose money" strategy, it is not working and ManCo can not show "turnaround" timing, strategy, etc.



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## Key Considerations

5. With KPIs, Stadium Authority and ManCo would have trend information on what is working and what is not. Metrics matter.
6. FY 2020/21 has been defined by COVID-19 pandemic and suspension of Non-NFL events at Levi's Stadium.
7. Stadium Authority lost more money when the Stadium was activated in FY 2019/20, than in FY 2020/21.
8. Draft 2021 Marketing Plan was reviewed and considered against:
  1. Marketing Plan Data Results, and
  2. Alignment with Management Agreement and Naming Rights Agreement provisions



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## Assumptions for 2021

Activity	Assumptions Based on Information Provided by ManCo
General Activity:	Limited activity on Non-NFL side. NFL Pre-Season and Regular Season will operate "normally" with full capacity Stadium
Ticketed Events:	Two TBD concerts
Non-Ticketed Special Events:	25 to 35 mixed catered events that will generate revenue averaging between \$40,000 to \$60,000 per event
Marketing Budget:	\$115,000 to \$165,000: budget request is not clear, with inconsistent amounts.
Revenue/Loss:	Loss of \$600,000 to \$0



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## Marketing Plan Data Results (Metrics)



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## Booking and Financial Performance

- In absence of KPI data from ManCo, Stadium Authority staff compiled several key charts with data that reflects Non-NFL event performance.
- The following charts illustrate revenue for Non-NFL events in FY 2019/20 and expected revenue for FY 2020/21.
- The charts suggest that Marketing Plan strategies are ineffective for generating revenue for SCSA.



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## Total Non-NFL Net Revenue, FYs 2014/15 – 2020/21

- Net revenue dropped most significantly from FY 2017/18 to FY 2018/19, \$5.1 million decrease.
- Downward trend in FY 2019/20, resulting in a \$2.7M loss.
- Since FY 2015/16, net revenue declined year after year, with **anticipated \$600,000 shortfall for this year and next year (or \$0 net revenue)**
- Marketing Plan strategies should respond to this trend.



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## FY 2018/19 Ticketed Non-NFL Events Revenue & Expenditures

- 75% of FY 2018/19 ticketed events were money-losers. 9 out of 12 events lost money or made zero revenue for the SCSA.
- As reflected in this table and the table on the next slide, ManCo's booking of soccer games, which were once profitable, now operate at a loss to SCSA.
- Based on the data from these two fiscal years, it appears that SCSA more likely to lose money on ticketed Non-NFL events vs. make 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)
<b>Events to date</b>	<b>41.3</b>	<b>43.9</b>	<b>(2.6)</b>

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## FY 2019/20 Ticketed Non-NFL Events Revenue & Expenditures

- 75% of Non-NFL ticketed events in FY 2019/20 are money-losers, 6 of the 8 events lost money or made zero revenue for SCSA.
- Booking of Non-NFL football events continues to be a bad financial decision for SCSA, costing \$3.2 million in FY 2019/20.
- The concept of *losing money to make money* has not paid off for the SCSA after several years and, therefore, should not be considered a viable marketing strategy without stricter controls and transparency of ManCo's intentions.



### Levi's® Stadium Ticketed Non-NFL Events Revenue and Expenditure Summary FY 2019/20 Quarter 4

In Millions \$

Ticketed Event	Revenue	Expense	Net
Monster Jam	\$ 1.6	\$ 2.0	\$ (0.4)
Bay Area Wedding Fair	0.0	0.0	0.0
USWNT vs South Africa	0.3	0.1	0.2
ICC: Chivas vs Benfica	1.2	1.5	(0.3)
Rolling Stones: No Filter Tour	11.4	10.5	0.9
High School Football Series	0.1	0.1	0.0
Pac-12 Championship	3.1	5.7	(2.6)
Redbox Bowl	4.6	5.2	(0.6)
<b>Total Ticketed Non-NFL Net Revenue to date</b>	<b>\$ 22.3</b>	<b>\$ 25.1</b>	<b>\$ (2.8)</b>

\*Numbers may vary due to rounding

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### Levi's Stadium Net Revenue for Non-NFL Events by Event Type As of March 31, 2020

EVENT TYPE	2014/15		2015/16		2016/17		2017/18		2018/19		2019/20	
	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	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	1	\$ 856,583
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)	3	(3,170,926)
Soccer	2	3,948,144	2	891,300	5	2,414,209	3	3,228,754	3	(267,981)	2	(65,295)
Miscellaneous events	2	2,504,912	4	(149,392)	5	(159,175)	4	76,379	2	(67,502)	2	(458,609)
<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>	<b>8</b>	<b>\$ (2,838,247)</b>
<b>Subtotal Ticketed Events - Other Expenses</b>												<b>\$ (167,217)</b>
<b>Subtotal Special Events (weddings, corporate events, etc.)</b>	<b>186</b>	<b>\$ 1,762,404</b>	<b>204</b>	<b>\$ 3,882,027</b>	<b>127</b>	<b>\$ 3,583,453</b>	<b>113</b>	<b>\$ 3,640,924</b>	<b>100</b>	<b>\$ 2,352,523</b>	<b>79</b>	<b>\$ 1,492,331</b>
<b>Subtotal Other Operating Expenses</b>												<b>\$ (1,227,881)</b>
<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>\$ 18,891</b>	<b>87</b>	<b>\$ (2,741,014)</b>
<b>Total Performance Rent paid to the General Fund</b>		<b>\$ 2,613,777</b>		<b>\$ 2,932,008</b>		<b>\$ 2,533,447</b>		<b>\$ 2,439,164</b>		<b>\$ -</b>		<b>\$ -</b>

- FYs 17/18 and 18/19 are near identical with the # of Ticketed Events and Non-Ticketed events, which suggests that there are underlying factors that lead to a \$3.8 million change in revenue (Y-T-Y).
- Data indicate that the loss had less to do with market demand and more with their business practices (e.g., type/quality of the events booked and the agreements negotiated).
- It should be noted that 1) during this same period CFP National Championship game was held in Jan 2019 and SCSA assigned the agreement to prevent significant additional losses in FY 2018/19.
- Soccer events generated revenue during earlier fiscal years, but increased public safety was required in subsequent years. Public safety could not be compromised for profitability.

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## Booking and Financial Performance

- Non-NFL football events have lost **\$18.5 million** over 6 years: likely benefited NFL revenues more than SCSA. ManCo should not market or book Non-NFL football events with the rationale that without these events, it would be hard to book other events. **There is no evidence or data to support these statements.**
- Non-ticked Special Events have declined in numbers since FY 2015/16, they have consistently generated revenue for the SCSA. Since FY 2015/16, they have generated more revenue than ticketed events.
- Unfortunately, SCSA loses less money when events suspended than when produced by ManCo.



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## ManCo's 2020 Marketing Activity

- As described in the draft 2021 Marketing Plan, ManCo's 2020 marketing activities focused on the following:
  - **Canceling/postponing booked events (pg. 3),**
  - Growing their client base (pg. 3),
  - **Implementing client touchpoints (pg. 4),**
  - Sponsoring the Silicon Valley and San Francisco Admin Awards (pg. 5)
  - **Conducting a client survey that focused on how companies and organizations were dealing with the pandemic (pg. 6).**
- Staff had concerns or clarifications to make about the bolded activities.



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## Canceled/Postponed Events

- The percentage of events that were canceled/postponed (50%) is incorrect.
- SCSA requested the actual data. It is not a 50/50 split:
  - As of February 18, 2021, 18 canceled (62%) and 11 postponed (38%).
- Accurate data is fundamental to data-based decision making. Incorrect or casual representation of information does not allow for the best decisions to be made on behalf of SCSA.



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## Client Touchpoints

- Client touchpoints are described as “personal check-ins and educational calls” and “the team shared recipes, favorite books, TV shows and ways to relax and improve mental health with clients” (pg. 4).
- ManCo executed 3,900+ client touch points that were recorded and followed through their CRM system.
- ManCo states that the conversations eventually will lead to clients inquiring about event future opportunities and the development of new event packages (prospects), but without data tracking, there is no ability to analyze effectiveness of these expenditures.
- There should be a cost-benefit review, KPI developed, or any other quantitative tool that tracks the investment of this outreach and the bookings that result from investing in this effort.



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## Client Survey

- ManCo's client survey had limited and mixed responses, which ManCo used to come to conclusion that *the survey results provided enough information to begin planning for a return to events in 2021, building out packages for outdoor events and incorporating virtual enhancements.*
- Staff communicated concerns that 17 responses (4% rate of response) out of 431 surveys sent was not enough to draw valid conclusions about client's opinions to inform decision-making.
- Staff asked for additional evidence/documentation to support its strategy to begin planning events in 2021. ManCo responded that survey was sent out in August 2020 and team planned to send out a follow up survey in March/April 2021 or later.



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## Data Driven Decisions and KPIs

- The client touchpoints and survey reflect some market research activity, but the information derived is limited and undocumented. Therefore, outcomes cannot be adequately tracked.
- The objective, messaging and specific target audience of the survey are unclear which does not allow for tracking of trends and effectiveness of marketing effort and investment.
- Marketing Plan should capture both quantitative data and qualitative information to inform strategic decisions.



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## Future Marketing Activity – *Areas of Interest*

- Below are areas of interest as ManCo plans their 2021 marketing activity:
  - New Event Packages
  - Marketing Budget
  - Diversifying Ticketed Events



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## New Events Package

- The COVID-19 pandemic has prompted ManCo to evaluate and focus on Non-Ticketed Special Events through new event packages.
- ManCo should continue to focus on Non-Ticketed Special Events, even after larger ticketed events are able to resume, rather than decreasing the number of Non-Ticketed Special Events as it has done year after year since FY 2015/16.
- Non-Ticketed Special Events have generated revenue for SCSA and assist in covering losses for Ticketed events.
- Enhancing this activity is part of a good strategy.



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## Marketing Budget

- Given the FY 2021/22 projections, staff asked about ManCo's marketing budget--clarification about whether the marketing budget was a new request.
- ManCo's response: Budget is needed to ensure a successful sales pipeline, educate clients/prospects on new protocols and offerings post-COVID, and engage artist management, tour promoters, leagues, teams, and tournaments.
- Provided two budget amounts (\$115,000 and \$50,000), which does not appear to include staff. ManCo would be expending \$115,000 to \$165,000 on marketing activity that does not demonstrate a strategic approach to generating revenue.
- **In a scenario of multiple years of financial loss, requests for additional funding should be very clear and well defined, including purpose and strategy.**



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## Diversifying Ticketed Events

- Draft 2021 Marketing Plan acknowledges the need to increase "the diversity of ticketed events beyond large-scale concerts and sporting events by evaluating smaller and more intimate events as well" (pg. 12).
- ManCo discusses potential events that are being evaluated (e.g., obstacle course racing, golf, comedy shows, book tours, rugby, lacrosse, food and music festivals, etc.)
- This research was also mentioned in the draft 2019 and 2020 Marketing Plans, but ManCo has never shared its findings, booking strategy or numerical targets, or revenue projections.
- **Efforts should include # targeted events, review overall events, costs and revenue, and generate a targeted strategy.**



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## Alignment to Management Agreement and Naming Rights Agreement Provisions



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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.
- Draft 2021 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

- Stadium should be a marketable venue that is in good condition.
- During FY 2019/20, City staff again discovered that ManCo was not maintaining the Stadium in a manner consistent with health and safety codes, e.g., numerous fire code violations.
- Capital projects have been delayed for multiple years and carried into the proposed FY 2021/22 CapEx Budget. Lack of maintenance and repair can erode the quality of this premier venue.
- **ManCo must adhere to the Management Agreement's Standard of Care requirement to ensure that events can operate in compliance of health and safety codes.**



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## Commercially Reasonable Effort

- Section 3.2 ("Marketing Plan; Contracting Authority") in the Management Agreement requires 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."**
- Contract terms negotiated and executed, or entered into, may not be in the best interest of SCSA, with majority of ticketed events being money-losers.
- ManCo's own documents (e.g., 2019 Redbox Bowl) have surfaced concerns about their questionable business practices of not working exclusively for the SCSA when booking Non-NFL events.
- **As ManCo resumes engaging in negotiations and booking events, full transparency, absence of conflicts of interest/self-dealing, and adherence to Management Agreement requirement must be in place.**



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## **Naming Rights Agreement – Required Major Events**

- Naming Rights Agreement between SCSA and Levi's requires ManCo to hold at least 36 Non-NFL "Major Events" with 25,000+ attendees every 3 contract years.
- There has been 12 Major Events held at the Stadium during current 3-year period.
- Draft 2021 Marketing Plan should include strategy or plan to meet this requirement for the next three contract years.
- As part of proposed budget, Stadium Manager requested a significant investment (approx. \$1 million) from the SCSA to replace Levi's signage, without being truthful and without any authority to make such a payment of public funds.
- Other major venues in the region are continuing to announce 2021 events (e.g., SAP Center, Chase Center, and Oakland Arena). Levi's Stadium has no confirmed Major Events bookings. These venues are indoors, where COVID for large gatherings are more restrictive.



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## **ManCo's March 1 Letter to the Board Regarding the Marketing Plan**



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## Response to ManCo's Letter re Marketing Plan

- SCSA is obligated to provide oversight of ManCo's Non-NFL event activity and report to the Board and community about how this public agency is doing from a fiscal perspective.
- ManCo characterizes SCSA as bureaucratic. However, City's efforts focus on securing health and safety code compliance, e.g., proper building and fire permits, passing inspections, safe pyrotechnics and staging, and other legal requirements. What ManCo, and event promoters, have characterized as burdensome are actions compliant with the law.
- ManCo's attachments confirm Mr. Al Guido's negotiations of non-NFL events, which had been minimized by ManCo's attorneys a couple of meetings ago.
- The Board did not mutually agree to draft 2019 and 2020 Marketing Plan because there was no meaningful discussion or response to SCSA's previous concerns.



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