



FORTY NINERS STADIUM MANAGEMENT COMPANY

September 21, 2021

VIA EMAIL- Klee@SantaClaraCA.gov

Kenn Lee
Treasurer
Santa Clara Stadium Authority
1500 Warburton Avenue
Santa Clara, CA 95050

Dear Kenn,

We received your letter of August 24, 2021 regarding the FY 2020/21 Non-NFL Events Document Review. We can provide you with the answers and the requested information on the transactional items (e.g. credit card fees and labor) in a follow up meeting at the Stadium on a mutually agreed upon date. Please coordinate the meeting date and time with our Director of Accounting, Darren Wong.

I would like to address three of the questions in your letter.

First, you asked for the justification for redacting information. In prior years, we have partially redacted supporting documents to protect the confidentiality of names and contact information of customers and employees, as well as account numbers and similar sensitive information. Those redactions do not hinder the ability to review the documentation or assess the veracity of the Non-NFL Event transactions. That said, if there are specific documents you feel are necessary to see without redaction in order to complete your review, we can show you the documents with those requested areas unredacted.

Second, you had a question about depreciation. Please note that the Amortization of Public Safety Capital Expenditures is handled in accordance with the Stadium Operations Agreement, Section 3.2. The calculation has already been explained to the Stadium Authority.

Third, in your letter you stated that Stadium Manager has made it clear that the Stadium Authority would only have access to review of Non-NFL Events supporting documentation over three months after the end of each fiscal year. That is incorrect. We provide quarterly reports throughout the fiscal year. In addition, we have previously stated that Stadium Authority staff is welcome to come to the stadium and review event P&L's and supporting/detailed transactions throughout the fiscal year. This was the normal practice of your predecessors for years, until Ms. Santana decided to end that practice. Most recently, Rachel Copes and Linh Lam met with Caitlin Ritchie and Darren Wong in February 2020 to perform a detailed review of a ticketed event that they selected. No requests from the SCSA for similar meetings have been received since that time.

Finally, with respect to Default interest, you are reminded that the SCSA is required to fund its expenses in advance, not in arrears. We encourage you to fund the Stadium Authority's expenses, including those related to Non-NFL Events, as required under the agreements in order to avoid 12% interest charges.

Sincerely,

V.L. on behalf of

Scott Sabatino
Chief Financial Officer

CC: Deanna Santana, Executive Director
Jim Mercurio, Executive Vice President & General Manager
Larry MacNeil, Compliance Manager
Darren Wong, Director of Accounting

August 24, 2021

Mr. Scott Sabatino, Chief Financial Officer
Forty Niners Stadium Management Company
4900 Marie P. DeBartolo Way
Santa Clara, CA 95054

SUBJECT: FY 2020/21 Non-NFL Events Document Review

Dear Mr. Sabatino:

Stadium Authority staff have been working on reviewing the source documents provided by your office for the FY2020/21 Non-NFL events. Thank you for providing the documentation; in our observation the documents provided were clearer and more detailed than in prior years. We do have questions and additional requests for information based on this review.

Justin Bieber 2020 (canceled event)

- Credit Card Fees
 - If refunds of deposits are made in the same manner as purchases the fees in many cases offset, depending on the provider. Please explain how net fees resulted from the issuances of credit card refunds for this event.

Monster Jam 2020 (canceled event)

- Credit Card Fees
 - If refunds of deposits are made in the same manner as purchases the fees in many cases offset, depending on the provider. Please explain how net fees resulted from the issuances of credit card refunds for this event.

Opex 2020

- Labor Charges from Other Departments
 - For Non-Event Staff Labor, for each position, please provide timecards for the hours charged.
 - For Non-Event Staff Labor, for each position, please provide a description of how these hours support the promotion of Non-NFL Events.
 - For Catered Events Labor, please provide the details supporting the FY 19 allocation of 84%/16% including calculations from the methodology using # of attendees.

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- For Catered Events, please explain the duties of how each of the 7 employees supported catered events during the COVID-19 pandemic when no events were held.
 - For all labor, please provide a description of the methodology used to calculate the benefit rates used.
 - For all labor, please provide the details and methodology used to calculate the 13.86% overhead rate.
- Advertising
 - Provide explanation more detail how the measurement of units by “clicks” benefits the promotion of the event, and the success rates of these “clicks”.
- Depreciation
 - Stadium Authority cash was used to purchase the equipment on the list for depreciation. While depreciation is an accounting entry, the application of this against the Non-NFL Loss would result in a double payment. Please explain how depreciation should be included in the payment due to the Stadium Manager as an expense that further increases the Non-NFL Loss.

Other 2020

- Ticket Sales Revenue
 - Please explain why charges for the 2019 Redbox Bowl and Pac-12 Championship are being booked as revenue.
 - Please explain why charges for events that occurred in FY 19 are being accounted for in FY 20.
- Luxury Suite Ticket Revenue
 - While we appreciate the diligence to reconcile all events to ensure accurate accounting, please explain why events from 2015 and 2016 are being reconciled over five years after the event.
 - For some events, it appears that more tickets are comp’ed than sold. Please explain the practice of comping tickets for Suites for Non-NFL Events and how that maximizes revenue to the Non-NFL events.
- Parking Revenue
 - While we appreciate the diligence to reconcile all events to ensure accurate accounting, please explain why events from 2014 through 2016 are being reconciled over six years after the event.

Other Questions

- Partial redaction of documents – Through review of the backup documents, information was partially redacted. Please explain the legal justification of redacting information pertaining to Non-NFL Events.

Mr. Scott Sabatino, Chief Financial Officer
Re: FY2020/21 Non-NFL Events Document Review
August 24, 2021
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I would also like to note that as I have previously offered, I believe this review could be streamlined with a monthly or quarterly review along with copies of records relied upon, and with live access through a separate financial management system; however, the Stadium Manager has made it clear that the Stadium Authority would only have access for review over three months after the end of each fiscal year. As these documents were received mid-July, the Stadium Authority objects to the timing of the Stadium Manager's invoice for these costs and the demand for payment by August 1. As such, the Stadium Authority disputes the validity of any interest or late charge associated with the FY 2020/21 Non-NFL Events. Please provide this additional information in order to further expedite payment.

Please feel free to contact me if you have any questions.

Sincerely,



Kenn Lee
Treasurer

CC: Deanna J. Santana, Executive Director
Brian Doyle, Stadium Authority Counsel
Mr. Jim Mercurio, Stadium Manager
Mr. Darren Wong, Director of Accounting