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Attachments: 1. Santa Clara Stadium Authority Financial Statements, 2. Internal Controls and Compliance Letter, 3. Independent Auditors' Report (Debt Compliance Letter)

Date	Ver.	Action By	Action	Result
9/28/2021	1	City Council and Authorities Concurrent	Noted and filed	

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Report on the Audited Santa Clara Stadium Authority Fiscal Year 2020/21 Annual Financial Statements

BOARD PILLAR

Ensure Compliance with Measure J and Manage Levi's Stadium

BACKGROUND

The Santa Clara Stadium Authority (Stadium Authority), the Stadium Funding Trust, and Goldman Sachs Bank USA entered into a Credit Agreement on June 19, 2013. Section 5.1(a) of the Credit Agreement requires that the Stadium Authority Annual Financial Statements be audited by independent certified public accountants within 180 days after the end of each fiscal year. On June 25, 2021, the Stadium Authority entered into a professional services agreement with KPMG, LLP (KPMG) to perform the annual financial audit of the Stadium Authority's Fiscal Year 2020/21 Annual Financial Statements.

The Annual Financial Statements include: (1) the Independent Auditors' Report which describes the auditors' responsibility and their opinion of the Financial Statements, (2) Management's Discussion and Analysis which provides an overall review of the Stadium Authority's financial activities, (3) the Basic Financial Statements, and (4) the Notes to the Financial Statements which have additional information pertaining to the Stadium Authority's operations and financial position.

The Audit Committee met with Stadium Authority and KPMG staff on September 16, 2021 to review the draft Stadium Authority Fiscal Year 2020/21 Annual Financial Statements. The role of the Audit Committee is to provide oversight of the Stadium Authority's financial reporting processes, internal controls and independent auditors. At this meeting Stadium Authority staff provided an overview of

the Financial Statements and KPMG discussed the audit process and the audit results. The Audit Committee voted to accept the Financial Statements and recommended that the Stadium Authority note and file the report at the September 28, 2021 Joint Council and Authorities Concurrent and Stadium Authority Meeting. To allow for adequate time to review, the Financial Statements were posted to the Stadium Authority's website on September 21, 2021 at the following link:

<https://www.santaclaraca.gov/our-city/santa-clara-stadium-authority/financial-reports>
<<http://santaclaraca.gov/government/stadium-authority/financial-reports>>.

The Financial Statements being discussed with this report cover the Stadium Authority's 2020/21 fiscal year, which spans from April 1, 2020 to March 31, 2021.

DISCUSSION

On September 17, 2021, KPMG completed the financial audit of the Stadium Authority which resulted in the issuance of the Stadium Authority Fiscal Year 2020/21 Annual Financial Statements (Attachment 1), Internal Controls and Compliance Letter (Attachment 2) as required per the Stadium Authority debt covenants, and Independent Auditors' Report (Attachment 3). KPMG expressed an unmodified (i.e., "clean") opinion on the Financial Statements. An unmodified opinion is when the auditor concludes that the financial condition, position, and operations are fairly presented, and the financial statements are free of material misstatements.

Key financial highlights for the fiscal year ended March 31, 2021 are as follows:

- The carrying value of Levi's Stadium at March 31, 2021, net of depreciation, is \$716,181,316.
- During the fiscal year, there were five National Football League (NFL) games, zero ticketed non-NFL events and smaller special events held at Levi's Stadium. The five regular season games held at Levi's Stadium were absent any fans and, therefore, no tickets were sold.
- The Stadium Authority recognized \$38,373,955 in operating revenue and \$25,937,991 in operating expenses.
- There was no revenue from the non-NFL events and the related expenses were \$509,649 resulting in net non-NFL event loss of \$509,649.
- Debt service payments during the fiscal year totaled \$45,919,033. Overall remaining outstanding debt was reduced by \$28,469,044.
- The City of Santa Clara (City) received \$390,000 for stadium ground rent. The City did not receive any senior and youth fees or parking fees at the Tasman lots this year due to zero fan attendance.

At the September 16, 2021 Audit Committee meeting, KPMG provided a summary of the methodology used to review and validate the financial statements. The Audit Committee inquired further regarding the review of source documentation. KPMG confirmed that they review documentation sufficient to validate the audit process. The Audit Committee also inquired on the background behind the Deferred Rent item under the Liabilities section of the Statements of Net Position and asked staff to provide additional information. The Deferred Rent balance of \$6,571,635, which comprises of the current and non-current (long-term) balances, represents the year-to-date amount of Ground Rent that the Stadium Authority owes the City on an accrual and Generally Accepted Accounting Principles (GAAP) accounting basis. The Stadium Authority's Ground Rent payment is based on a payment schedule that increases annually; this method of rent payment is not recognized on an accounting basis. GAAP requires that the Stadium Authority recognize the Ground Lease liability and expense the rent on a straight-line basis over the term of the Ground Lease. The

difference between these two methods results in an ending Deferred Rent Liability of \$6,571,635 at the end of Fiscal Year 2020/21.

It should be noted that Stadium Authority staff continues documentation review to validate the \$510 thousand non-NFL event loss. Results of this review will be brought to the Board as a separate report.

At the September 28, 2021 Stadium Authority Board meeting, Stadium Authority staff will be providing an overview of the Stadium Authority Fiscal Year 2020/21 Annual Financial Statements including key financial highlights for the quarter and fiscal year ended March 31, 2021.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

Costs associated with the preparation of this report are included in the Stadium Authority Operating Budget.

COORDINATION

This report has been coordinated with the Stadium Authority Counsel’s Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

RECOMMENDATION

Note and file the Santa Clara Stadium Authority Fiscal Year 2020/21 Annual Financial Statements.

Reviewed by: Kenn Lee, Treasurer

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. Santa Clara Stadium Authority Financial Statements
2. Internal Controls and Compliance Letter
3. Independent Auditors’ Report (Debt Compliance Letter)