



Agenda Report

18-441

Agenda Date: 7/17/2018

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Action on Agreement related to College Football Playoff 2019 National Championship at Levi's Stadium (Stadium Authority)

BACKGROUND

As announced in November 2015, Levi's Stadium will host the College Football Playoff (CFP) National Championship on January 7, 2019. CFP events in both Santa Clara and San Jose will begin January 4, culminating with the game at Levi's Stadium.

The Forty Niners Football Company LLC (Forty Niners) incorporated the Bay Area Host Committee (BAHC) in January 2018 to take on the rights and obligations of this event. As a California nonprofit mutual benefit corporation (501(c) (6)), the BAHC cannot operate with a deficit. The Forty Niners have agreed to be the Third Party Guarantor to backstop any shortfall associated with the event including pre- and post-event expenditures.

On April 24, 2108, during an informational Study Session on the National Championship and related CFP events, supporting public services, and expected financial losses, staff outlined proposed agreement terms (Attachment 1) that isolate the event's financial losses from current Agreements between the Santa Clara Stadium Authority (SCSA) and Forty Niners Stadium Management Company (ManCo). The SCSA Board directed staff to return for formal approval of the terms in order to isolate the expenses incurred along with CFP hosting duties. The Board also directed staff to return with options so that neither the City's General Fund nor the SCSA budget pre-funds any CFP-related expenses.

On May 8, staff presented to the SCSA Board (i) proposed terms for the assignment and venue agreements and (ii) a recommendation to enter into a four party agreement to allow contracted public service providers to directly invoice the Bay Area Host Committee for all CFP related expenses (Attachment 2). The Board unanimously approved both staff recommendations.

DISCUSSION

SCSA staff and ManCo staff have negotiated terms for the Assignment and Assumption Agreement (Attachment 3) that meet the mutual goal to ensure no financial losses to SCSA. With the recommended agreement, BAHC will:

1. Pay for all CFP-related expenses for all actual public services/workforce costs (including Non-Game Day, and all pre-, during- and after-event costs), and up to double-time pay for public safety costs on event day if there are not sufficient staff supporting public safety activities signed up 60 days prior to game day.
2. Share any net revenues with SCSA, if applicable.

3. Provide (i) a complete accounting of all revenue and expenses, and possession of both soft- and hard- copy supporting documentation, for the CFP event and (ii) BAHC's annual financial audits for the fiscal years that contain Stadium Authority related expenses to the SCSA Executive Director.

As referenced in the June 26, 2018 Note and File Report to the Stadium Authority Board (Attachment 4), additional discussion was needed to further understand the Shared Stadium Expenses within the context of this event and the Assignment and Assumption Agreement. SCSA Executive Director and ManCo staff have discussed and exchanged information and this matter is satisfactorily closed based on ManCo's appropriate response and the audit provision. SCSA staff is in agreement with ManCo's statement that they will not allocate Stadium Manager base expenses because those are incurred regardless of what events are held at the Stadium and sufficient clarification has been surfaced to advance the interest and direction of the SCSA Board. While this posed a slight delay, it was a productive conversation of cost allocation that resulted in greater knowledge of shared expenses and facilitated a solution.

As discussed in the May 8, 2018 Report to the SCSA Board, SCSA is not able to prevent pre-funding of CFP-related expenses by the City General Fund for City personnel costs. These expenses must first be incurred in the City's General Fund to allow for proper accounting of employee benefits. Should the SCSA Board approve the proposed Assignment and Assumption Agreement, SCSA will begin invoicing BAHC for expenses incurred on an ongoing basis, reducing the impact on the City's General Fund as much as possible. SCSA staff and ManCo staff have already begun the process of discussing the procedures and schedule to implement these directives.

For contracted public safety services, SCSA staff initially recommended a four party agreement between the City, SCSA, Forty Niners and BAHC under which the contracted agencies, such as California Highway Patrol (CHP) or Santa Clara County Sheriff's Office (Sheriff), would directly invoice the BAHC for all CFP-related expenses. However, given the tight timeline and in reviewing existing agreements for these services, SCSA staff determined that the Stadium Authority has the ability to directly invoice BAHC without first processing payments through the City's General Fund or SCSA budget and can, therefore, satisfy the Board's direction while not requiring a separate agreement(s). To achieve the Board's direction within the existing agreements terms, the recommended Assignment and Assumption Agreement includes a 15-day payment term upon receipt of a valid invoice. Agreements with both CHP and the Sheriff state that payments are due within 30 days upon receipt of a valid invoice. Upon receipt of a valid invoice for CFP-related expenses from either agency, City/SCSA staff will immediately bill BAHC, receive payment within 15 days, and remit payment to the respective agency in sufficient time to comply with existing agreements and not obligate the General Fund. This approach achieves the direction of the SCSA Board.

Therefore, SCSA will be able to meet the direction from the Board to not pre-fund any CFP related expenses for contracted services. Further, this allows the City to maintain both public safety and full financial oversight over the contracted public services. With this approach, the City's General Fund will not be the source of direct payment for third-party expenditures, nor will it temporarily front funds for future reimbursement.

SCSA staff also provided input to modify the terms in the Levi's Stadium Venue Use Agreement between ManCo and BAHC, referenced in the Assignment and Assumption Agreement, to be consistent with the SCSA Board recommendations.

FISCAL IMPACT

Based on the mutually agreed to terms, there shall be no loss to SCSA or the City for this event and SCSA shall share net income, if available, as determined by SCSA's Executive Director's review of all relevant documents. This includes costs incurred by City staff carrying out the duties of the SCSA and qualifying shared-expenses (split between ManCo and SCSA) in the SCSA Board approved budget for FY 2018/19. SCSA and ManCo Stadium Manager are developing a financial process to ensure this direction.

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(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney'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>> or at the public information desk at any City of Santa Clara public library.

ALTERNATIVES

1. Approve the Assignment and Assumption Agreement for the CFP 2019 National Championship Game Agreement.
2. Any other action by the Stadium Authority Board.

RECOMMENDATION

Alternative 1:

1. Approve the Assignment and Assumption Agreement for the CFP 2019 National Championship Game Agreement.

Reviewed by: Walter C. Rossmann, Chief Operating Officer

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. April 24, 2018 SCSA Study Session
2. May 8, 2018 Report to the SCSA Board
3. Assignment and Assumption Agreement
4. June 26, 2018 Note and File Report to the SCSA Board