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Title:	Adopt the Santa Clara Stadium Authority Fiscal Year 2018-19 Recommended Budget, Approve the Stadium Operation and Maintenance Plan, and Approve a Budget Amendment to the FY 2017-18 Santa Clara Stadium Authority Adopted Budget to Reduce the Total Outstanding Debt by \$13.5 Million.				
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Attachments:	1. SCSA Study Session Responses, 2. 2018-19 Draft Marketing Plan dated March 8 2018.pdf, 3. 2018-19 SCSA Proposed Budget.pdf, 4. Annual Public Safety Budget and Capital Expenditure Amortization Schedule, 5. POST MEETING MATERIAL				

Date	Ver.	Action By	Action	Result
3/27/2018	1	Santa Clara Stadium Authority	Approved as amended	Pass

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Adopt the Santa Clara Stadium Authority Fiscal Year 2018-19 Recommended Budget, Approve the Stadium Operation and Maintenance Plan, and Approve a Budget Amendment to the FY 2017-18 Santa Clara Stadium Authority Adopted Budget to Reduce the Total Outstanding Debt by \$13.5 Million.

BACKGROUND

Per the terms of the Amended and Restated Stadium Lease Agreement (Lease) by and Between the Santa Clara Stadium Authority (SCSA, Stadium Authority) and Forty Niners SC Stadium Company LLC (StadCo, Tenant), the Stadium Manager (ManCo) is responsible for preparing the Stadium Operation and Maintenance Plan (SOMP), including the Annual Shared Stadium Expense Budget, Annual Public Safety Budget and the Capital Expenditure Plan, which must be presented annually to the Stadium Authority and Tenant for their consideration and approval (7.2 Stadium Management Company). Additionally, per the terms of the Stadium Management Agreement (Management Agreement), the SOMP is required to include a marketing plan prepared by ManCo which shall be mutually agreed upon by StadCo and SCSA (4.10 Marketing Plan).

At its March 13, 2018 meeting, the SCSA Board held a Study Session to discuss the SOMP for the period of April 1, 2018 through March 31, 2019 (FY 2018-19). The discussion included the proposed SCSA Operating, Debt Service, and Capital Budget (Budget; Attachment 3) in accordance with Article 4 "Records, Accounts, Budgets, and Reports" of the Management Agreement, as well as ManCo's 2018 Marketing and Business Plan for Non-NFL Events (Attachment 2).

During the Study Session, both the Board and the public provided valuable feedback and asked pertinent questions. At the direction of the Board, SCSA staff has included responses as part of this report (Attachment 1).

At the same meeting, the SCSA Board adopted a Budget Policy that states SCSA staff will bring forward budget amendments for Board consideration during the year in order to address unanticipated needs, emergencies, or compliance with Stadium agreements. Consistent with this policy, staff is bringing forward for approval a budget amendment to the current adopted SCSA Budget.

DISCUSSION

The Board has been taking steps to strengthen the SCSA's policies to improve governance, transparency, and responsiveness to the Santa Clara community and Levi's Stadium obligations. For example, on March 13, the Board adopted a budget policy to guide the annual development of the budget. The FY 2018-19 Budget was prepared in alignment with the recently adopted SCSA Budget Policy. This public hearing meets the goal of the budget development process to present the Budget to the Board and the public at one Study Session and one Public Hearing for final approval.

In addition, as part of the City's fiscal year 2018-19 General Fund Budget development, staff will separately present the Public Safety costs related to the support of Stadium Operations as a stand-alone program in order to provide more transparency to the Board and the public.

The SCSA FY 2018-19 Budget includes key components such as the Executive Director's Transmittal Letter; Stadium Operating Budget, which includes a breakdown of the Stadium Authority's General and Administrative costs; Shared Stadium Manager expenses, including the total expenses and the Stadium Authority's share of those expenses; Debt Service budget; and the Capital Budget. In addition, staff included a glossary of financial terms used to facilitate understanding of the types of revenues, expenses, debt, and capital expenses.

In accordance with Sections 4.5 through 4.8 of the Management Agreement, ManCo submitted the operating, capital, and debt budget for the Fiscal Year 2018-19 Stadium Authority Budget.

- In January, SCSA staff met with ManCo representatives and determined the date that ManCo would provide all necessary documents as required by the Stadium Lease and Stadium Management Agreement.
- On February 7th, ManCo provided annual documents as outlined in the Stadium Agreements, which were used in the Budget Development Process:
 - Stadium Operations and Management Plan
(Source: *Stadium Management Agreement*)
 - Annual Shared Expense Budget with Five Year Projection
 - Annual Stadium Operations Budget
 - Annual Public Safety Budget
 - Capital Expenditure Plan with Five Year Projection
 - Non-NFL Event Marketing Plan
(Source: *Stadium Management Agreement*)
- In February and early March, SCSA staff fully analyzed ManCo's budget submission including but not limited to the number of full-time equivalents (FTEs) recommended and related personnel costs as well as non-personnel costs and calculated the budget for Stadium

Authority General and Administrative costs (such as staff costs, consulting, audit, legal, and any reasonable and necessary expenses to uphold its support of the Board) as well as any necessary funding to be used for the Stadium Authority's Discretionary Fund.

Key highlights for the Stadium Authority's FY 2018-19 Budget are as follows:

- **Accrual Basis** - As discussed in the SCSA FY 2017-18 third quarter financial status report, this budget is presented on an accrual basis. This will allow for more accurate budgeting because it will account for when expenses are incurred and revenue is earned, and not when cash is actually paid or received.
- The proposed budget reflects the clear identification of transfers as transfers-in (a revenue source) and transfers-out (an expense) versus showing Net Transfers in the revenue section.
- **Revenues** - The table below summarizes the FY 2018-19 projected revenues:

Gross Receipts from Non-NFL Events	\$62.1 million
Stadium Builder License (SBL) Revenue	\$26.2 million
Stadium Company Facility Rent	\$24.5 million
NFL Ticket Surcharge	\$8.0 million
Naming Rights Revenue	\$6.6 million
Non-NFL Ticket Surcharge	\$1.8 million
Miscellaneous Other Revenues	\$1.6 million
Total Revenues	\$130.8 million

- This is the first year the budget shows the gross receipts from Non-NFL events, which is the primary reason for the revenues increase comparison to the FY 2017/18 Adopted Budget. Previously, only the net Non-NFL revenue number was reflected in the Stadium Authority's budget.
 - Facility rent revenue is contingent on the outcome of the rent adjustment process as outlined in the Amended and Restated Stadium Lease.
- **Expenses** - The table below summarizes the FY 2018-19 proposed operating budget, which is an increase of \$50 million when compared to the prior year.

Gross Non-NFL Event Expenses	\$56.5 million
Transfers Out	\$52.7 million
Shared Stadium Manager Expenses	\$11.2 million
Performance Rent (paid to City)	\$2.7 million
SBL Sales and Service	\$2.3 million

Miscellaneous Other Expenses	\$2.2 million
Stadium Authority General & Administrative	\$1.7 million
Utilities	\$1.5 million
Total Expenses	\$130.8 million

- The primary increase to expenses is due to a change in budgeting by presenting gross Non-NFL event expenses (\$56.5 million) for the first time; previously, these expenses were only shown as net revenue.
- The Stadium Authority General & Administrative expenses include \$695,000 for staff support and Board stipends.
- The transfers out consist of \$3.4 million that will be transferred to the capital reserve for future stadium capital improvements, and the remaining \$49.3 million to the Debt Service Fund.

- Reserves - The table below lists the reserves expected at end of FY 2018-19:

Debt Service Reserve	\$11.5 million
Operating Reserve	\$11.3 million
Capital Expenditure Reserve	\$7.9 million
Discretionary Fund Balance	\$1.1 million
Total Reserves	\$31.8 million

- Debt Service - The proposed FY 2018-19 Debt Service Budget of \$57.6 million (principal and interest) is based on the required debt service payments and anticipated excess cash that can be used towards debt. This is an increase of \$2.6 million from the proposed budget that was considered at the study session on March 13, 2018. This increase is due to additional SBL funds that were received in March 2018 and will be used for debt service in FY 2018-19. Total outstanding debt is projected to decrease by \$38.9 million from \$382.7 million to \$343.8 million.
- Capital Budget - The table below summarizes the FY 2018-19 Capital Budget.

New Capital Improvement Appropriations	\$4.8 million
Prior Year Appropriations Carried Forward to FY 2018-19	\$3.1 million
Total Capital Budget	\$7.9 million

FY 2018-19 SOMP

In addition to adoption of the annual budget, this report is the culmination of information provided to fulfill the Lease and Management Agreement requirements to annually present the SOMP to the SCSA Board for review and approval. The March 13, 2018 Study Session included discussion of the Annual Shared Stadium Expense Budget, Annual Public Safety Budget and the Capital Expenditure Plan, and Marketing Plan. Staff recommends approving the SOMP for FY 2018-19.

FY 2017-18 Budget Amendment

Per the SCSA Budget Policy, staff is recommending the Board approve an amendment to the SCSA FY 2017-18

Adopted Budget to increase SBL proceeds by \$3.7 million due to higher than anticipated SBL proceeds received in March 2018. SBL proceeds can only be used for debt service per Article III of the Amended and Restated Deposit and Disbursement Agreement. In addition, staff recommends increasing the transfers-out from the operating budget fund and a corresponding increase of transfers-in to the debt service fund to pay for additional debt service in the amount of \$13.5 million and, as required by the loan agreements, to be applied to the Subordinated Loan.

FISCAL IMPACT

The proposed SCSEA FY 2018-19 Budget includes \$130.8 million for operating expenses, \$31.8 million in total reserves, \$57.6 million for debt service, and \$7.9 million for capital (includes a \$3.1 million carryforward from the prior year).

FY 2017-18 Budget Modification

Staff is recommending a budget amendment of \$13.5 million to cover debt service requirements:

	FY 2017-18 Current	Increase	FY 2017-18 Revised
Operating Fund			
<u>Revenues</u>			
SBL Revenues	\$28,056,000	\$3,700,000	\$31,756,000
<u>Expenses</u>			
Transfers Out	\$54,817,000	\$3,700,000	\$58,517,000
Debt Service Fund			
<u>Revenues</u>			
Transfers In	\$51,539,000	\$3,700,000	\$55,239,000
<u>Expenses</u>			
StadCo Subordinated Loan	\$38,000,000	\$13,500,000	\$51,500,000
Use of Fund Balance ⁽¹⁾	\$27,730,000	(\$9,800,000)	\$17,930,000 ⁽²⁾

(1) Inadvertently, the fund balance number was not updated during the third quarter fiscal year 2017-18 Financial Status Report when staff changed the budgeting methodology from cash to accrual basis.

(2) Fund balance at 2017-18 fiscal year end will be used for debt service payments that are required at the beginning of the 2018-19 fiscal year.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environment Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a)(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.

PUBLIC CONTACT

On March 14, 2018 a notice of the public hearing was published in the Santa Clara Weekly.

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. Adopt the Santa Clara Stadium Authority Fiscal Year 2018-19 Operating, Debt Service, and Capital Budget.
2. Approve the Santa Clara Stadium Authority Fiscal Year 2018-19 Stadium Operations and Maintenance Plan.
3. Approve a Budget Amendment to the FY 2017-18 Adopted Santa Clara Stadium Authority Budget to Reduce the Total Outstanding Debt by \$13.5 million.
4. Take any other Action the Board deems appropriate.

RECOMMENDATION

Staff recommends Alternatives 1, 2 and 3:

- (1) Adopt the Santa Clara Stadium Authority Fiscal Year 2018-19 Operating, Debt Service, and Capital Budget;
- (2) Approve the Santa Clara Stadium Authority Fiscal Year 2018-19 Stadium Operations and Maintenance Plan; and
- (3) Approve a Budget Amendment to the FY 2017-18 Adopted Santa Clara Stadium Authority Budget to Reduce the Total Outstanding Debt by \$13.5 million.

Prepared by: Angela Kraetsch, Treasurer

Reviewed by: Brian Doyle, Counsel

Reviewed by: Catlin Ivanetich, Assistant to the Executive Director

Reviewed by: Walter C. Rossmann, Chief Operating Officer

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. March 13, 2018 SCSA Budget Study Session Responses
2. Marketing Plan
3. Santa Clara Stadium Authority Proposed Fiscal Year 2018-19 Operating, Debt Service, and Capital Budget
4. Annual Public Safety Budget and Capital Expenditure Amortization Schedule