

Legislation Details (With Text)

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Title:	Status of Harvey M. Rose Associates Audit Recommendations				
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Attachments:	1. Status of Harvey M. Rose Associates Audit Recommendations, 2. Recommendation 1.N - Letter to Stadium Manager, 3. Recommendations 2.A and 2.I - Letter to ManCo, 4. Recommendations 1.F and 4.C - Letter to Stadium Manager, 5. Recommendation 2.D - Overview of Comprehensive Audit Program, 6. POST MEETING MATERIAL				

Date	Ver.	Action By	Action	Result
10/29/2018	1	Ad-Hoc Stadium Audit Committee	Approved Staff Recommendation	Pass

REPORT TO STADIUM AUDIT COMMITTEE

SUBJECT

Status of Harvey M. Rose Associates Audit Recommendations

BACKGROUND

On November 27, 2017, staff presented the following to the Ad-Hoc Stadium Audit Committee (Committee): (1) standard audit recommendation tracking matrix listing the thirty-seven audit recommendations, (2) designation for the status of the recommendation (e.g., Complete, Partially Complete, or Not Implemented), and (3) action taken to date. This matrix continues to be used as a tool to track staff's progress and will continue to be presented to the Committee at future meetings.

On March 19, 2018, staff provided an update to the Committee on the progress towards implementing the thirty-seven audit recommendations.

DISCUSSION

The attached Harvey M. Rose Audit Recommendations matrix provides the auditor's recommendation and a detailed description of the action taken as of October 2018. The matrix is color coded by status with items that were previously deemed as completed shown in grey, new proposed completed items shown in green, and partially complete (items that are in process) shown in orange.

The table below shows that 68% (25 of 37) of audit recommendations are complete and none are in the "Not Implemented" status-a near 40% increase in completed audit recommendations since March. Table 1 reflects staff's progress of implementing the audit recommendations from March to October 2018:

Table 1: Summary of Audit Recommendations Status - March to October 2018

Status	Progress of Audit Recommendations as of March 2018	Progress of Audit Recommendations as of October 2018	% Change
Complete	18	25	39%↑
Partially Complete	14	12	14%↓
Not Implemented	5	0	100%↓
TOTAL	37	37	

During the last seven months, staff has made significant progress in implementing the audit recommendations and other management/oversight improvements of the Stadium Authority. Some of the remaining outstanding audit recommendations are more difficult to implement as they require cooperation, collaboration, and/or consent from ManCo and StadCo as noted in the updates of the attached matrix, for example:

- Recommendation #1.I requires amending the Management Agreement and the Amended and Restated Stadium Lease to correct conflicting language concerning the furnishing of the Annual Statement of Stadium Operations; and
- Recommendation # 1.O requires amending the Management Agreement to require formal and/or informal bidding procedures.

Staff has been successful in implementing the audit recommendations and strengthening oversight of Stadium Authority operations. One of the key results from the audit is the recent inclusion of Non-NFL event information in the Stadium Authority's Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2018 which provided a greater level of transparency and provided the overall financial results of the Non-NFL events while still maintaining the confidentiality related to a specific event.

That information alone provides greater transparency about management decisions made with respect to scheduling of Non-NFL events, revenue or losses, and foundational information about future public policy making decisions relative to neighborhood impacts.

Since presenting the information, staff has completed analyses of the remaining Fiscal Years and the following table reflects the Non-NFL event information for all four years of Stadium operations and is responsive to recommendations 1.M and 2.B:

Net Revenue for Non-NFL Events

EVENT TYPE	2014/15		2015/16		2016/17		2017/18	
	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue
Ticketed Events								
Concerts	0	\$ -	7	\$ 3,791,985	4	\$ 2,424,572	2	\$ 1,819,099
Sporting events:								
Football (non-NFL)	5	(3,007,907)	4	(2,316,903)	4	(2,946,165)	4	(3,601,827)
Soccer	2	3,948,144	2	891,300	5	2,414,209	3	3,228,754
Miscellaneous events	2	2,504,912	4	(149,392)	5	(159,175)	4	76,379
Subtotal Ticketed Events	9	\$ 3,445,149	17	\$ 2,216,989	18	\$ 1,733,441	13	\$ 1,522,405
Special Events (weddings, corporate events, etc.)	186	\$ 1,762,404	204	\$ 3,862,027	127	\$ 3,583,453	113	\$ 3,640,924
Total Non-NFL Net Revenue	195	\$ 5,207,553	221	\$ 6,079,016	145	\$ 5,316,894	126	\$ 5,163,329
Total Performance Rent paid to the General Fund*		\$ 2,513,777		\$ 2,932,008		\$ 2,533,447		\$ 2,439,164
Average General Fund Revenue per Ticketed Event		\$ 184,782		\$ 62,899		\$ 45,887		\$ 55,322

*Performance Rent is calculated at 50% of the net revenue for Non-NFL events less performance-based credit of 50% of fixed Ground Rent

As shown in the table above, the average net income per ticketed event that benefits the City of Santa Clara's General Fund ranges from a high of \$184,782 in 2014/15 (the first year of operations) to a low of \$45,887 in 2016/17. Based on the analysis shown above, it is evident that concerts, soccer, and special events (weddings, corporate events, birthday parties, etc.) are positive revenue generators for the Stadium Authority. However, it is clear that Non-NFL football events (college and high school) have generated substantial losses to the Stadium Authority for all four years. This trend aligns with recent Stadium Authority Board action to establish a separate agreement for the College Football Playoff (CFP) to safeguard the SCSA against the negative fiscal impact relative to this event - which most recently for the Atlanta CFP game resulted in local subsidies of approximately \$12 - \$14 million. The value of this information illustrates that these losses have a direct impact on reducing the Performance Rent that is paid to the City's General Fund.

As the next step in completing the audit recommendations, staff intends to return to the Committee in March 2019 to provide an update on the remaining 12 audit recommendations.

COORDINATION

This report was coordinated with the City Attorney's Office.

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.

FISCAL IMPACT

There is no fiscal impact to the Stadium Authority with this status update; however, there are decisions that the Ad Hoc Committee will recommend to the SCSA Board that may have a fiscal impact. Further, staff is currently analyzing the audit data to determine if any additional reimbursement is due from the Stadium Authority to the City's General Fund.

PUBLIC CONTACT

Public contact was made by posting the Ad-Hoc Stadium Audit Committee 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 or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Note and file an update on the Status of the Harvey M. Rose Associates Audit Recommendations.

Reviewed by: Angela Kraetsch, Treasurer

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. Status of Harvey M. Rose Associates Audit Recommendations
2. Recommendation 1.N - Letter to Stadium Manager
3. Recommendation 2.A and 2.I - Letter to ManCo
4. Recommendation 1.F and 4.C - Letter to Stadium Manager
5. Recommendation 2.D - Overview of Comprehensive Audit Program