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Title:	Action on the Proposed Santa Clara Stadium Authority Fiscal Year 2019/20 Budget and Stadium Operation and Maintenance Plan				
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Attachments:	1. Proposed Santa Clara Stadium Authority Fiscal Year 2019-20 Operating, Debt Service, and Capital Budget, 2. March 19 Draft 2019 Non-NFL Events Marketing Plan for Levi Stadium, 3. March 19 Proposed FY 2019/20 Operating, Debt Service, and Capital Budget, Annual Public Safety Budget, and SA Compliance & Mgmt Policy, 4. March 19, 2019 Stadium Authority Study Session Responses, 5. POST MEETING MATERIAL				

Date	Ver.	Action By	Action	Result
3/27/2019	1	Santa Clara Stadium Authority		

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Action on the Proposed Santa Clara Stadium Authority Fiscal Year 2019/20 Budget and Stadium Operation and Maintenance Plan

BACKGROUND

The Stadium Management Agreement (Management Agreement) defines the Stadium Operation and Maintenance Plan (SOMP) as the plan designed to achieve a safe and well maintained Stadium, and shall include the standards for management and operation of the Stadium, including the required security, staffing, and other required elements of hosting Stadium Events. The Stadium Manager is responsible for preparing the SOMP, each of which shall be presented annually to the Stadium Authority, which has to include the:

1. Annual Shared Stadium Expense Budget,
2. Annual Public Safety Budget,
3. Capital Expenditure Plan, and
4. Marketing Plan.

At its March 19, 2019 meeting, the Santa Clara Stadium Authority Board (Board) held a Study Session to discuss the proposed Santa Clara Stadium Authority Operating, Debt Service, and Capital Budget (Attachment 1) in accordance with Article 4 "Records, Accounts, Budgets, and Reports" of the Management Agreement, as well as ManCo's 2019 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, Stadium Authority staff has included responses as part of this report (Attachment 4).

DISCUSSION

The Stadium Authority FY 2019/20 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 (G&A) 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, ManagementCo submitted the operating, capital, and debt budget for the FY 2019/20 Stadium Authority Budget. Staff followed the budget development process outlined in the [Stadium Authority Budget Policy <http://santaclaraca.gov/home/showdocument?id=57074>](http://santaclaraca.gov/home/showdocument?id=57074) in preparing the Proposed FY 2019/20 Stadium Authority Budget. The goal of the budget development process is that the Budget is presented to the Board and the public at one Study Session and one Public Hearing before its final approval.

Steps that were followed during the budget process are listed below:

- In November, Stadium Authority staff met with ManagementCo to develop the annual budget plan which included the dates that ManagementCo would provide all necessary documents as required by the Stadium Lease and Stadium Management Agreement.
- In January, ManagementCo 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 (*Source: Stadium Management Agreement*)
 - Annual Stadium Authority Operations Budget (*Source: Stadium Management Agreement*)
 - Annual Public Safety Budget (*Source: Stadium Management Agreement*)
 - Capital Expense Plan with Five Year Projection (*Source: Stadium Management Agreement*)
 - Non-NFL Event Marketing Plan (*Source: Stadium Management Agreement*)
 - Public Safety Document Updates (*Source: Stadium Operations Agreement*)
- January through early March, Stadium Authority staff fully analyzed ManagementCo'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 (G&A) 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.

As presented to the Board at the March 19, 2019 Study Session, the proposed budget continues to represent information available to the Stadium Authority as of March 13, 2019 and Board direction provided at the study session. As previously reported, ManagementCo submitted additional budget

information on March 14 that has not been included in this report as staff has not had sufficient time to properly analyze or research the new requests. In addition, based on feedback from the Board, staff has decreased the "Other Expense" budget from \$200,000 to \$110,000. This is consistent with prior year budgets for this line item and is required to pay for the Stadium Authority's bank fees related to the Trust management. Also, staff has withdrawn the Parking Gates at Youth Soccer Park project in the amount of \$97,650 from the Capital Budget. Lastly, the 2018/19 Capital Expense Projected Actuals and 2019/20 Capital Expense Projected Carryover were refined based on updated information.

Key highlights for the Stadium Authority's FY 2019/20 Budget are as follows:

- Revenues - The table below summarizes the FY 2019/20 projected revenues:

Revenue source	Proposed Budget (\$ millions)
Stadium Builder License (SBL) Revenue	\$25.4
Stadium Company Facility Rent	\$24.8
NFL Ticket Surcharge	\$8.1
Naming Rights Revenue	\$6.8
Net Revenue from Non-NFL Events	\$5.8
Non-NFL Ticket Surcharge	\$1.2
Miscellaneous Other Revenues	\$1.5
Total Revenues	\$73.6

- Facility rent revenue reflects the increase from the Rent Arbitration decision
 - Net Revenue from Non-NFL Events is based on the Stadium Marketing and Booking Fee Benchmark for FY 2019/20 as outlined in Section 3.4 of Amendment No. 1 to the Management Agreement
- Expenses - The table below summarizes the FY 2019/20 proposed operating budget, which is a decrease of \$58.5 million when compared to the prior year due to not being able to budget the gross Non-NFL expenses.

Expense Source	Proposed Budget (\$ millions)
Transfers Out	\$51.3
Shared Stadium Manager Expenses	\$11.9
Performance Rent (paid to City)	\$2.7

Stadium Authority General & Administrative	\$2.5
SBL Sales and Service	\$2.2
Utilities	\$1.5
Miscellaneous Other Expenses	\$1.5
Total Expenses	\$73.6

- The Stadium Authority General & Administrative expenses include \$1.2 million for staff support and Board stipends.
- The transfers out consist of \$3.5 million that will be transferred to the capital reserve for future stadium capital improvements and the remaining \$47.8 million to the Debt Service Fund.
- Reserves - The table below lists the reserves expected at end of FY 2019/20:

Reserve Fund	Proposed Budget (\$ millions)
Operating Reserve	\$11.6
Debt Service Reserve	\$11.5
Capital Expense Reserve	\$3.8
Discretionary Fund Balance	\$2.3
Total Reserves	\$29.1

- Debt Service - The proposed FY 2019/20 Debt Service Budget of \$51.6 million (principal-\$34.9 million and interest-\$16.7 million) is based on the required debt service payments and anticipated excess cash that can be used towards debt. Total outstanding debt is projected to decrease by \$34.9 million from \$340.1 million to \$305.2 million.
- Capital Budget - The table below summarizes the FY 2019/20 Capital Budget.

Expense Type	Proposed Budget (\$ millions)
New Capital Improvement Appropriations	\$7.9
Stadium Warranty Related Construction Carry Forward	\$1.5
Prior Year Appropriations Carryover to FY 2019/20	\$4.8
Total Capital Budget	\$14.2

FY 2019/20 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 Board for review and approval. The March 19, 2019 Study Session included discussion of the Annual Shared Stadium Expense Budget, Annual Public Safety Budget and the Capital Expense Plan, and Marketing Plan.

Staff recommends approving the SOMP for FY 2019/20 with the exception of the Marketing Plan which staff is not recommending for approval at this time due to the lack of complete information and because mutual agreement has not been achieved.

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

The proposed SCSA FY 2019/20 Budget includes \$73.6 million for Operating (includes \$51.3 million in transfers-out to Debt Service and Capital); \$51.6 for Debt Service; and \$14.2 million for Capital (includes a \$6.3 million carryover from the prior year).

COORDINATION

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

PUBLIC CONTACT

On March 13, 2019 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 or at the public information desk at any City of Santa Clara public library.

ALTERNATIVES

1. Adopt the Santa Clara Stadium Authority Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget.
2. Approve the Santa Clara Stadium Authority Fiscal Year 2019/20 Stadium Operations and Maintenance Plan (excluding the Marketing Plan).
3. Approve the Stadium Authority Compliance and Management Policy
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 2019/20 Operating, Debt Service, and Capital Budget;
2. Approve the Santa Clara Stadium Authority Fiscal Year 2019/20 Stadium Operations and Maintenance Plan excluding the Marketing Plan; and
3. Approve the Stadium Authority Compliance and Management Policy

Reviewed by: Angela Kraetsch, Treasurer

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. Proposed Santa Clara Stadium Authority Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget
2. March 19, 2019 Agenda Report 19-084-Draft 2019 Non-NFL Events Marketing Plan for Levi Stadium
3. March 19, 2019 Agenda Report 19-1606-Proposed Fiscal Year 2019/20 Operating, Debt Service, and Capital Budget, Annual Public Safety Budget, and Stadium Authority Compliance and Management Policy
4. March 19, 2019 Stadium Authority Budget Study Session Responses