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Attachments: 1. SCSA Financial Status Report for the Quarter Ending December 31, 2018, 2. POST MEETING MATERIAL

Date	Ver.	Action By	Action	Result
4/30/2019	1	Santa Clara Stadium Authority	Approved	Pass

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Action on the Santa Clara Stadium Authority Financial Status Report for Quarter Ending December 31, 2018 and Related Budget Amendments

BACKGROUND

In Fiscal Year 2014/15 the Stadium Authority Board ("Board") requested that staff prepare quarterly Santa Clara Stadium Authority ("Stadium Authority") Financial Status Reports. These reports provide an update on the events held at Levi's® Stadium, Stadium Authority finances, and the impact of Stadium Authority activity on the City of Santa Clara ("City").

DISCUSSION

This report provides information covering the Stadium Authority's first three quarters of FY 2018/19, which runs from April 1, 2018 to December 31, 2018. The report provides a summary of National Football League ("NFL") and Non-NFL event activity at Levi's® Stadium and describes the financial impact of these events on the Stadium Authority and City.

The Adopted Stadium Authority Budget incorporates the estimated revenues and expenses for all Stadium Authority funds. The attached Financial Status Report provides the budget to actual revenue and expense summaries for the operating, debt service, and capital funds. Analysis of the financial activity through the fiscal year measures the adherence to the budget and allows the Stadium Authority to monitor and project revenues and expenses. Any significant variances are explained in the report.

Additionally, staff is recommending amendments to the FY 2018/19 Stadium Authority Operating Budget and Debt Service Budgets that are described in detail in the attached Financial Status Report. The following sections below summarize financial activity for the third quarter:

NFL Events

The San Francisco Forty-Niners (“49ers”) played ten NFL games in the second and third quarter of FY 2018/19. A total of 651,237 tickets were sold for these ten games resulting in \$8.1 million in NFL Ticket Surcharge for the Stadium Authority and \$228,000 in Senior and Youth Program Fees for the City. Public safety costs for these events totaled \$2.9 million, all but \$2,000 of which have been fully reimbursed to the City by a combination of payments from the Forty Niners Stadium Management Co, LLC (“ManagementCo”) and the offsite parking fees that were collected. The reimbursement invoice of \$2,000 will be due on April 27, 2019.

Non-NFL Events

Eleven ticketed Non-NFL Events and 87 non-ticketed events took place at Levi’s® Stadium during this period, which are detailed in the report. This is slightly higher than the same period in the prior fiscal year with the same number of ticketed Non-NFL Events (11) and 84 non-ticketed events. The Non-NFL Event ticket sales generated \$1.2 million in ticket surcharge revenue, half of which funded the Discretionary Fund. Public safety costs for these events totaled \$1.9 million. Of that amount, \$1.6 million has been reimbursed to the City through a combination of payments from ManagementCo and the offsite parking fees that were collected. There are currently three outstanding reimbursement invoices totaling \$334,000, two of which are past due (\$27,000 was due on March 7, 2019 and \$306,000 was due on March 22, 2019). Staff is in process of determining next steps to effectuate timely collection of payment from the Stadium Manager and assessing compliance with Measure J or any agreements regarding untimely payments.

Stadium Builder Licenses (“SBLs”)

SBLs account for 20% of the Stadium Authority’s annual revenue in FY 2018/19. SBL proceeds for the first three quarters amount to \$9.4 million, or 36% of what is budgeted for the year. This is lower than 75% because the majority of SBL proceeds are collected at the end of the fiscal year (financed SBL payments are due March 1st). There are a total of 60,177 currently active SBLs which is 91.3% of the 65,877 total sellable SBLs. The value of these SBLs amounts to \$531.5 million of which \$425.8 million or 80% has already been collected.

Stadium Authority Budgets

The detailed analysis of Stadium Authority budget to actuals is provided in the attached Financial Status Report. In summary, total operating revenues were \$42.8 million, representing 32% of the overall budget for revenues, and total operating expenses were \$33 million or 25% of the budget. The main reason that activity in the operating budget is lower than 75% is because the Non-NFL Event revenue and expenses are recorded at the end of the fiscal year in accordance with Article 5 of the Stadium Management Agreement.

In January 2019, ManagementCo provided the Stadium Authority with an estimated Net Non-NFL Event Revenue amount of \$750,000 for events held in the current FY 2018/19. Upon receipt of this information, staff requested that ManagementCo provide supporting documentation, given that the fiscal trend information and documentation provided to date did not support this revised net revenue, and ManagementCo has been unable to provide staff with the supporting documentation to determine how such a low value was calculated when compared to prior years. As such, once the event information is received and validated, a budget adjustment may be required if gross Non-NFL expenses are determined to be higher than budget. This due diligence will need to be completed in

FY 2019/20 and does not assume a budget adjustment in this report.

Total debt service expenses were at \$32.5 million or 55% of the budget. Similar to the operating budget, the main reason that activity in the debt service budget is lower than 75% is because a large debt service payment is made at the end of the fiscal year. The Stadium Authority was able to pay down \$18.7 million in debt, bringing total debt to \$364 million.

Lastly, capital expenses amounted to \$1.3 million or 16% of the \$8 million budget. Capital expenses are lower than 75% due to a combination of the following:

- The limited work on warranty related items which makes up 20% of the overall capital expense budget
- CapEx projects planned for completion at or near the end of the fiscal year
- CapEx projects that are in progress and will be carried forward into the 2019/20 Fiscal Year
- CapEx projects coming in under budget

It should be noted that during the third quarter, the Stadium Manager requested corrective action of three procurements that were in violation of delegated authority relative to procurement. In review of the three procurements, Stadium Authority staff determined that the ManagementCo's procurement practices for these procurements (and potentially others) had not been in compliance with State and local laws, especially related to state prevailing wage laws, and a Notice of Breach of Agreement was issued in the fourth quarter. A third party audit firm has been engaged to review ManagementCo's previous procurement practices and as a result of any findings this may impact the CapEx projects and costs.

FY 2018/19 Stadium Authority Budget Amendments

As mentioned previously, staff is recommending several budget amendments to the Fiscal Year 2018/19 Stadium Authority Budget. These amendments are outlined below and described in further detail in the attached Financial Status Report.

- Reimbursement of \$2.3 million in attorney's fees related to the Final Rent Reset Arbitration Award. This is considered additional revenue to the Stadium Authority that is in excess of expenses. In accordance with Article 14 of the Amended and Restated Stadium Lease Agreement, excess revenue is transferred out to debt service to prepay the Forty-Niners SC Stadium Co, LLC ("StadCo") Subordinated Loan.
- Projected increase of \$1.1 million in Stadium Builder License ("SBL") proceeds. According to the Amended and Restated Deposit and Disbursement Agreement, SBL proceeds can only be used for debt service, therefore these funds will also be transferred out to debt service and offered to prepay Term A debt.
- Estimated expenses and offsetting reimbursement of \$1.4 million related to the College Football Playoff ("CFP") National Championship that was held at Levi's® Stadium on January 7, 2019. In accordance with the Assignment and Assumption Agreement that was executed on October 5, 2018 between Bay Area Host Committee ("BAHC") and ManagementCo subject to the approval of the Stadium Authority, BAHC remits payment to the Stadium Authority for all City expenses related to the CFP National Championship Game. Due to the terms of this Agreement, there is zero net impact to the Stadium Authority for the CFP National Championship.

- Projected increase of \$200,000 in contributions from the Community Facilities District (“CFD”) based on the special hotel taxes that have been collected through the first three quarters of the Fiscal Year. All contributions from the CFD are used to pay the CFD Advance according to the CFD Stadium Authority Reimbursement Agreement.

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

As discussed, staff recommends several budget amendments as shown in the table below and described in the attached Financial Status Report.

	Current	Increase/ (Decrease)	Revised
Operating Fund			
Revenues			
SBL Proceeds	\$26,156,000	\$1,058,000	\$27,214,000
BAHC Reimbursement	-	\$1,400,000	\$1,400,000
Other Revenue	-	\$2,281,000	\$2,281,000
Expenses			
CFP Expense	-	\$1,400,000	\$1,400,000
Transfers Out	\$54,001,000	\$3,339,000	\$57,340,000
Debt Service Fund			
Revenues			
Contribution from CFD	\$3,600,000	\$200,000	\$3,800,000
Transfers in from Operating	\$50,624,000	\$3,339,000	\$53,963,000
Expenses			
CFD Advance	\$3,600,000	\$200,000	\$3,800,000
Term A Loan	\$25,644,000	\$1,058,000	\$26,702,000
StadCo Subordinated Loan	\$29,633,000	\$2,281,000	\$31,914,000

COORDINATION

This report was coordinated with the Stadium Manager per the Stadium Management Agreement Section 4.6 Annual Operating Budget as well as 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>> or at the

public information desk at any City of Santa Clara public library.

RECOMMENDATION

1. Note and file the Santa Clara Stadium Authority Financial Status Report for the Quarter Ending December 31, 2018.
2. Approve Budget Amendments to the FY 2018/19 Santa Clara Stadium Authority Budget.

Reviewed by: Angela Kraetsch, Treasurer

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. SCSA Financial Status Report for the Quarter Ending December 31, 2018