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Title: Action on the Santa Clara Stadium Authority Financial Status Report for Quarters Ending June 30, 2019 and September 30, 2019 and Related Budget Amendments [Board Pillar: Ensure Compliance with Measure J and Manage Levi's Stadium & Enhance Community Engagement and Transparency]

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Attachments: 1. SCSA Financial Status Report for the Quarter Ending June 30, 2019, 2. SCSA Financial Status Report for the Quarter Ending September 30, 2019, 3. POST MEETING MATERIAL

Date	Ver.	Action By	Action	Result
3/24/2020	1	Santa Clara Stadium Authority	Approved	Pass

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Action on the Santa Clara Stadium Authority Financial Status Report for Quarters Ending June 30, 2019 and September 30, 2019 and Related Budget Amendments [Board Pillar: Ensure Compliance with Measure J and Manage Levi's Stadium & Enhance Community Engagement and Transparency]

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's ("City").

These reports provide information covering the Stadium Authority's first (April 1, 2019 - June 30, 2019) and second (July 1, 2019 - September 30, 2019) quarters of the 2019/20 fiscal year.

The Adopted Stadium Authority Budget incorporates the estimated revenues and expenses for all Stadium Authority funds. The attached Financial Status Reports provide 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 reports.

Additionally, staff is recommending amendments to the Fiscal Year 2019/20 Stadium Authority Budget to align revenues and expenditures to actual activity during the fiscal year.

DISCUSSION

The attached financial status reports provide information covering the Stadium Authority's first (April 1, 2019 - June 30, 2019) and second (July 1, 2019 - September 30, 2019) quarters of the 2019/20 fiscal year. The reports summarize 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 since FY 2014/15.

NFL Event Revenue and Expenses

Levi's Stadium hosted three NFL games in the first two quarters of FY 2019/20 with a total of 184,769 tickets sold. This resulted in \$2.4 million in NFL ticket surcharge for the Stadium Authority and \$65,000 of Senior and Youth Program Fees for the City. Public safety costs for NFL games totaled \$1.2 million which is 51% higher than the prior fiscal year due to increases in negotiated salary and benefits costs for the various agencies providing public safety services as well as City costs for providing the appropriate level of public safety services for each game. The Tasman lot parking fee also generated \$7,425 for the City's General Fund.

Non-NFL Event Revenue and Expenses

The Stadium Authority held six ticketed Non-NFL event and 28 special events which are detailed in the report. The Non-NFL event ticket sales generated \$502,000 in ticket surcharge revenue, half of which funded the discretionary fund. Public safety costs for these events totaled \$1 million, of which \$791,000 has been reimbursed to the City as of the end of February 2020.

The table below summarizes ticketed Non-NFL Event revenue and expenditures by event through the end of the fiscal year. This table shows that six of the eight ticketed events operated at a loss or did not make any money. The inclusion of this information is to provide a greater level of transparency and provide the overall financial results of the Non-NFL events. It is estimated that the ticketed Non-NFL Events will lose close to \$2 million in FY 2019/20. It should be noted, however, the financial information provided in the table is draft and subject to change as additional revenue and/or expenditures are recorded. Final performance will be presented to the Board at a later date.

Table 1
Levi's ® Stadium
Ticketed Non-NFL Events Revenue and Expenditure Summary
FY 2019/20

In Millions \$

Ticketed Event	Revenue	Expense	Net
Monster Jam	\$ 1.6	\$ 2.0	\$ (0.4)
Bay Area Wedding Fair	0.0	0.0	0.0
USWNT vs South Africa	0.3	0.1	0.2
ICC: Chivas vs Benfica	1.2	1.4	(0.2)
Rolling Stones: No Filter Tour	11.3	10.5	0.8
High School Football Series	0.1	0.1	0.0
Pac-12 Championship	3.1	5.3	(2.2)
Redbox Bowl	4.5	4.5	0.0
Total Ticketed Non-NFL Net Revenue to date	\$ 22.2	\$ 23.9	\$ (1.8)

When combining ticketed and non-ticketed Non-NFL Revenue to date, Table 2 below shows approximately \$943,000 in net revenue through the end of the second quarter. It should be noted, however, the financial information provided in Table 1 and 2 are draft and subject to change as additional revenue and/or expenditures are recorded. In addition, as presented in Table 1, additional ticketed Non-NFL Events completed in the third quarter and fourth quarter show that the ticketed net revenue is estimated to lose close to \$2 million for FY 2019/20. Final performance for the third and fourth quarter will be presented to the Board at a later date.

Table 2
Net Revenue for Non-NFL Events
by Event Type
FY 2019/20 Quarter 2

Event Type	No. of Events	Net Revenue
Ticketed Events		
Concerts	1	\$ 871,777
Sporting Events		
Football (Non-NFL)	1	30,938
Soccer	2	83,456
Miscellaneous Events	2	(404,883)
Subtotal Ticketed Events	6	\$ 581,288
Subtotal Non-Ticketed Non-NFL Events (weddings, corporate events, etc)	28	\$ 362,074
Total Non-NFL Event Net Revenue	34	\$ 943,362
Total Estimated Performance Rent paid to the General Fund ⁽¹⁾		\$ 294,181

⁽¹⁾ Performance Rent is calculated as 50% of the net revenue from Non-NFL events less

Stadium Builder Licenses ("SBLs")

SBLs account for 35% of the Stadium Authority's annual budgeted revenue in FY 2019/20. SBL proceeds through the second quarter amounted to \$9.4 million, 37% of what was budgeted. There are a total of 58,957 currently active SBLs which is 89% of the 65,879 total sellable SBL seats. The value of the active SBLs amount to \$524.5 million of which \$440.4 million has already been collected.

Stadium Authority Budgets

The detailed analysis of Stadium Authority budget to actual financials is provided in the attached Financial Status Reports. In summary, total operating revenues were \$28.7 million representing 39% of the overall budget for revenues and total operating expenses were \$18.3 million or 25% of the budget. The debt service fund was able to pay down \$13.4 million in debt, bringing total Stadium Authority debt down to \$326.8 million. Lastly, capital expenses amounted to \$61,000 or <1% of the \$14.2 million budget.

FY 2019/20 Stadium Authority Budget Amendments

As mentioned previously, staff is recommending amendments to the FY 2019/20 Stadium Authority Budget. From time to time, budget adjustments may be necessary to align revenues or expenditures to actual or unexpected activity during the course of a fiscal year, known after the adoption of the Stadium Authority Budget. As of the timing of the publication of this report, additional information from activity known through the completion of the majority of FY 2019/20 has resulted in recommended budget adjustments as follows:

- 1) The Stadium Authority, ManagementCo, and BAHC entered into an Assignment and Assumption Agreement (“Agreement”) on October 5, 2018 which in part describes the process by which the City is to be reimbursed for its costs as they relate to the CFP Championship that was held at Levi’s Stadium on January 7, 2019. The process that has been established is to have the Stadium Authority reimburse the City for all costs when incurred and invoice the BAHC for reimbursement. All costs that the City incurs to plan for and staff the CFP Championship as well as any post-event work will be reimbursed by the Stadium Authority within 15 days of being invoiced by the City. Per the Agreement the Stadium Authority will subsequently invoice the BAHC for the costs and be reimbursed within 15 days. City costs were paid by SCSA after the end of FY 2018/19 and subsequently invoiced to BAHC and in line with this process a budget amendment is needed to appropriate the CFP Championship expenses as well as the reimbursement revenue from the BAHC.
- 2) Senior and Youth Program Fees (based on \$0.35 per NFL game ticket) came in \$20,000 higher than the \$230,000 budget. A budget amendment is needed to appropriate the \$20,000 increase in the payment to the City’s General Fund as well as the revenue to the Stadium Authority.
- 3) In addition, the NFL Ticket Surcharge Revenue (10% NFL ticket surcharge on the price of admission) is higher than anticipated by \$270,300, Non-NFL Event Ticket Surcharge (\$4 per ticket) fell below anticipated by \$496,00, and a reimbursement of Shared Stadium Manager Expenses was received for \$115,700. Staff is requesting operating budget amendments to account for these revenue changes.
- 4) Staff is requesting an operating budget reduction to Shared Stadium Manager Expenses and an increase to a Legal Contingency line item. Payments for Shared Stadium Manager Expenses were withheld based on Board direction for the partial suspension of payments at the March 27, 2019 Stadium Authority Board meeting, arising from ManagementCo’s inappropriate use of public funds relative to procurement practices and potential self-dealing/conflicts of interests. At that meeting, the Board directed the Executive Director to only release public funds to the Forty Niners Management Company (ManCo) if all supporting documents have been submitted and adhere to our agreements and State and local laws. As part of that suspension of payment, the Stadium Authority continues to pay for utilities, insurance and costs associated with SBL sales and services. However, rather than provide the Stadium Authority with complete documentation to substantiate proper procurement and/or the absence of self-dealing/conflicts of interests, ManagementCo opted to take out loans and continue to pay itself public funds without demonstrating compliance with State and local laws. Total estimated withheld Shared Stadium Manager Expenses total \$7 million and the Stadium Authority maintains its position that it should not use public funds for violations of public procurement violations, prevailing wage violations, and/or self-dealing/conflicts of interests.

Due to the suspension of payments combined with total invoiced Shared Stadium Manager Expenses falling under budget, staff requests a total reduction of \$7.5 million to Shared Stadium Expenses and an increase to Legal Contingency of \$7 million for the estimated revolving loan/litigation reserve.

- 5) Staff is also requesting an operating budget amendment to the SBL Sales and Service line item for \$1.4 million. This is to incorporate costs associated with providing a complimentary buffet to certain SBL Holders required by Section 4.6.1 of the Stadium Lease. The costs will be partially offset by the increase in NFL Ticket Surcharge Revenue, reimbursement of Shared Stadium Manager Expenses, and Shared Stadium Manager Expenses falling under budget.
- 6) Utility Expenses were invoiced to the Stadium Authority over budget by \$17,000. Staff requests an operating budget amendment to incorporate this increased cost.
- 7) Budget Adjustments that are not offset by increased revenue and expense reduction is considered a reduction to excess revenues that, after meeting the Operating Reserve and the CapEx Reserve requirements (which are already budgeted for in current FY 2019/20 budget) are used to prepay the StadCo Subordinated Loan. The increase in complimentary buffet costs have reduced the Operating Fund's ability to transfer funds for prepayment of the StadCo Subordinated Loan. Therefore, staff is also requesting a debt service budget adjustment for the reduced transfer in from the Operating Fund.

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 detailed in the table below.

	Current	Increase/ (Decrease)	Revised
Operating Fund			
Revenues			
NFL Ticket Surcharge	\$8,142,000	\$270,291	\$8,412,291
Senior & Youth Program Fees	\$230,000	\$20,000	\$250,000
Non-NFL Event Ticket Surcharge	\$1,232,000	(\$496,504)	\$735,496
Bay Area Host Committee Reimb.	\$0	\$4,642	\$4,642
Other Revenue	\$0	\$115,773	\$115,773
Expenses			
Shared Stadium Manager Expenses	\$11,904,000	(\$7,528,847)	\$4,375,153
SBL Sales and Service	\$2,221,000	\$1,393,477	\$3,614,477
Senior & Youth Fees (paid to City)	\$230,000	\$20,000	\$250,000

Utilities	\$1,551,000	\$17,265	\$1,568,265
College Football Playoff Expense	\$0	\$4,642	\$4,642
Legal Contingency	\$0	\$6,996,000	\$6,996,000
Transfers Out	\$51,273,000	(\$988,335)	\$50,284,665
Debt Service Fund			
Revenues			
Transfers In	\$47,795,000	(\$988,335)	\$46,806,665
Expenses			
StadCo Subordinated Loan	\$21,440,000	(\$988,335)	\$20,451,665

COORDINATION

This report was coordinated with the Stadium Manager per section 4.6 of the Management Agreement 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 Reports for the Quarter Ending June 30, 2019 and Quarter Ending September 30, 2019.
2. Approve Budget Amendments to the 2019/20 Santa Clara Stadium Authority Budget.

Reviewed by: Kenn Lee, Treasurer

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. SCSA Financial Status Report for the Quarter Ending June 30, 2019
2. SCSA Financial Status Report for the Quarter Ending September 30, 2019