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REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Action on the Stadium Authority Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2020 [Board Pillar: Ensure Compliance with Measure J and Manage Levi's Stadium]

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").

This report differs from previous reports in that this is the first year the Non-NFL events have generated a loss. The Stadium Authority first learned of the final amount of the FY2019/20 net loss on June 8, 2020, when Stadium Authority staff received an email from the Vice President/Controller of ManagementCo requesting that the Stadium Authority fund the \$2.7 million loss. A summary of the Non-NFL events is provided below:

- 75% of Non-NFL ticketed events lose money or make zero revenue for the Stadium Authority. In total, six of eight events generated no revenue or operated at a loss to the Stadium Authority totaling \$2.8 million.
- Based on the Stadium Manager's management performance, on average, the Stadium Manager's actions assume that the Stadium Authority will subsidize a non-NFL event in the approximate amount of \$350,000.
- Two Non-NFL ticketed events were revenue generating, resulting in \$1.1 million revenue.

ManagementCo staff notified the Stadium Authority on July 15, 2020, that supporting documentation for the FY2019/20 Non-NFL event net loss was available. Staff was granted access to the Stadium to retrieve the documents on July 29, 2020. KPMG, the Stadium Authority external auditors, have performed procedures on select samples of Non-NFL event documentation. Because the sample selection is limited in nature, the Stadium Authority staff continues to perform a detailed review of the supporting documentation. It is unknown whether any or how much of these expenditures should have been appropriately included in the FY 2019/20 Shared Expenses budget to more accurately provide the Stadium Authority with better financial information when the budget was being deliberated. Any discrepancy, if found, will be brought forward to the Stadium Authority Board at a later date. In addition, because the Management Company does not provide gross revenues and expenses as part of the budget, these expenditures are budgeted in net revenues. This does not align with best budgeting practices for revenues and expenditures and prevents the ability of the Stadium Authority to have transparent or effective appropriation limits established through the budget process. As a result, the increase in actual revenues and expenditures are not and could not have been known until a date significantly past the end of the fiscal year.

Last, the FY 2019/20 public safety costs for NFL and non-NFL costs totaled \$5.4 million and \$1.7 million, respectively. Of these amounts, the Stadium Manager has not reimbursed the City for NFL public safety costs in the amount of \$1 million. For public safety costs for non-NFL events, the Stadium Manager has not reimbursed the City in the amount of \$826,000.

DISCUSSION

The attached fourth quarter financial status report provides information covering the Stadium Authority's 2019/20 fiscal year, which runs from April 1, 2019 to March 31, 2020. The report summarizes 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. The report also 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.

NFL Event Revenue and Expenses

Levi's Stadium hosted 12 NFL games in the Fiscal Year 2019/20 with a total of 804,000 tickets sold. This resulted in \$8.4 million in NFL ticket surcharge for the Stadium Authority and \$250,000 of Senior and Youth Program Fees for the City. Public safety costs for NFL games totaled \$5.4 million which is 81% 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. In addition, the two playoff games contributed to the overall increase in public safety costs. Of these costs, \$3.9 million have been reimbursed to the City, \$0.5 million was offset by parking revenues, with \$1.0 million remaining unpaid and due to the City. The Tasman lot parking fee also generated \$34,000 for the City's General Fund.

Non-NFL Event Revenue and Expenses

The Stadium Authority held eight ticketed non-NFL event and 79 special events which are detailed in the report. The eight ticketed non-NFL events held in FY 2019/20 with an average net loss to the Stadium Authority of about \$350,000 per event. Out of a total of eight ticketed non-NFL events, six non-NFL ticketed events (75%) operated at a loss or generated no revenue for the Stadium Authority. Special Events (such as weddings, corporate events, birthday parties, etc.) generated the largest

revenue for the Stadium Authority. Attachment 1 details a summary of ticketed non-NFL events revenues and expenditures for each event. Table 1 below summarizes revenue and expenditures for the eight ticketed events. Before allowing for adjustments, the eight ticketed events net loss totaled \$2.8 million, with the largest losses occurring in the third quarter of the fiscal year.

Table 1 - Summary of Revenue and Expenses for non-NFL Ticketed Events

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	1.5	(0.3)
Rolling Stones: No Filter Tour	11.4	10.5	0.9
High School Football Series	0.1	0.1	0.0
Pac-12 Championship	3.1	5.7	(2.6)
Redbox Bowl	4.6	5.2	(0.6)
Total Ticketed Non-NFL Net Revenue to date	\$ 22.3	\$ 25.1	\$ (2.8)

*Numbers may vary due to rounding

When comparing revenues and expenditures by event type (Table 2), non-NFL football continues to have the largest net revenue loss. The largest change between last fiscal year and FY 2019/20 fiscal year occurred in non-ticketed events with almost a \$900 thousand change year over year and the inclusion of \$1.2 million in Other Operating Expenses not attributable to specific events. Due to the overall \$2.7 million net loss, the City will not receive performance rent for FY2019/20. Because the projected amount of Performance Rent was included within original determinations of fair market rent to the City for the land, the reduction to zero this fiscal year results in a failure to pay adequate value for the use of City land. This is currently one of the issues that will be litigated in the declaratory relief lawsuit that the 49ers have filed against the Stadium Authority. In addition, because this issue is in litigation the payment of the \$2.7 million loss is not recommended at this time. It should be noted that this payment would require the approval by the Stadium Authority Board, along with an associated budget amendment.

In summary, the \$2.7 million loss resulted from money losing events, primarily related to non-NFL football events. The Pac-12 Championship alone accounted for the majority of the money-losing year-end performance with a loss of \$2.6 million. The Redbox Bowl lost approximately \$0.6 million. These two events accounted for \$3.4 million in net revenue losses to the Stadium Authority.

**Table 2 - Net Revenue for Non-NFL Events by Event Type Comparison
(FY 2018/19 to FY 2019/20)**

EVENT TYPE	2018/19			2019/20			Change	
	No. of Events	Net Revenue ⁽¹⁾	% of Total Net Revenue	No. of Events	Net Revenue ⁽¹⁾	% of Total Net Revenue	No. of Events	Net Revenue ⁽¹⁾
Ticketed Events								
Concerts	3	\$ 1,438,848	7739%	1	\$ 856,583	-31%	(2)	\$ (582,265)
Sporting events:								
Football (non-NFL)	4	(3,437,297)	-18489%	3	(3,170,926)	116%	-	266,371
Soccer	3	(267,981)	-1441%	2	(65,295)	2%	-	202,687
Miscellaneous events	2	(67,502)	-363%	2	(458,609)	17%	0	(391,107)
Subtotal Ticketed Events	12	\$ (2,333,932)	-12554%	8	\$ (2,838,247)	104%	(2)	\$ (504,315)
Subtotal Ticketed Events - Other Expenses ⁽²⁾		\$ -	0%		\$ (167,217)	6%		\$ (167,217)
Subtotal Remaining Non-NFL Events (weddings, corporate events, etc.)	100	\$ 2,352,523	12654%	79	\$ 1,492,331	-54%	(21)	\$ (860,192)
Subtotal Other Operating Expenses		\$ -	0%		\$ (1,227,881)	45%		\$ (1,227,881)
Total Non-NFL Net Revenue	112	\$ 18,591	100%	87	\$ (2,741,014)	100%	(23)	\$ (2,759,605)
Total Performance Rent paid to the General Fund ⁽²⁾		\$ -			\$ -			\$ -
Average General Fund Revenue per Ticketed Event		\$ -			\$ -			\$ -

⁽¹⁾ Does not include non-NFL ticket surcharge revenue

⁽²⁾ Performance Rent is calculated as 50% of the net revenue from Non-NFL events less performance-based credit of 50% of fixed ground rent.

⁽³⁾ Other Expenses not attributable to a specific event

From a review of revenue and expenses by category, as summarized in Table 3 below, revenue totaled \$29.3 million or \$21.7 million lower than FY 2018/19. This drop reflects fewer ticketed and special events, lower attendance at the events that were programmed, and the corresponding ancillary revenue associated with those events such as food and beverage and parking revenue. Revenue and expenditure information was provided by ManagementCo and a detailed review of the source documentation was not performed by the Stadium Authority as of the date of this report. Stadium Authority staff plan to perform a detailed review in the coming weeks. Furthermore, the categorization of the revenue and expense information is determined based on data provided by the ManagementCo. As such, it is difficult to determine sub-elements of each line item (e.g. Food and Beverage revenue is also assumed in Seating Bowl revenue).

Table 3 - Non-NFL Event Results by Category Comparison
(FY 2018/19 to FY 2019/20)

	2018/19	2019/20	Change	
	YTD Total	YTD Total	Amount	%
REVENUE:				
Seating Bowl	\$32,456,558	\$16,826,550	\$(15,630,008)	-48.16%
Ticket Master Fees	1,763,357	742,708	(1,020,650)	-57.88%
Suites	993,706	349,759	(643,947)	-64.80%
Food & Beverage	3,096,509	1,810,989	(1,285,519)	-41.52%
Parking	1,454,646	958,424	(496,222)	-34.11%
Sponsorship	524,800	662,800	138,000	26.30%
Merchandise	186,169	111,724	(74,445)	-39.99%
Miscellaneous ⁽²⁾	10,545,558	7,850,340	(2,695,218)	-25.56%
Total Revenue	\$51,021,303	\$29,313,294	\$(21,708,008)	-42.55%
EXPENSE:				
Public Safety/Security	\$ 3,556,963	\$ 2,781,540	\$ (775,423)	-21.80%
Utilities/Solid Waste	210,090	123,826	(86,264)	-41.06%
Parking	1,481,340	1,053,322	(428,019)	-28.89%
Food & Beverage - Ticketed Events	714,597	528,776	(185,821)	-26.00%
Food & Beverage - Special Events	4,955,338	4,052,646	(902,692)	-18.22%
Operations/Janitorial/Maintenance	5,501,936	3,913,217	(1,588,719)	-28.88%
Miscellaneous ⁽²⁾	34,582,448	19,600,981	(14,981,467)	-43.32%
Total Expense	\$51,002,712	\$32,054,308	\$(18,948,404)	-37.15%
Total Non-NFL Net Revenue	\$ 18,591	\$ (2,741,014)	\$ (2,759,605)	-14843.62%

⁽¹⁾ Includes special event revenue such as corporate events, weddings, holiday parties, etc.

⁽²⁾ Includes rentals, fees & commissions, transportation, marketing, and other expenses

Stadium Builder Licenses (“SBLs”) account for 27% of the Stadium Authority’s annual revenue in FY 2019/20. Annual SBL proceeds amounted to \$26.2 million, 103% of what was budgeted. There is a total of 60,237 currently active SBLs which is 91% of the 65,879 total sellable SBL seats. The value of these SBLs amounts to \$531.7 million of which \$458.9 million has already been collected.

The detailed analysis of Stadium Authority budget to actual financials is provided in the attached Financial Status Report. In summary, total operating revenues were \$97.8 million representing 133% of the overall budget for revenues. The primary reason that revenue is over budget is because non-NFL event revenue is recorded gross while the budget includes the revenue net of expenses. Total operating expenses were \$73.2 million or 100% of the budget. The debt service fund was able to pay down \$15 million in debt, bringing total Stadium Authority debt down to \$325.3 million. Lastly, capital expenses amounted to \$132,000 or 1% of the \$14.2 million budget. The main reasons that this is below budget are (1) there has been little activity on warranty work which makes up 11% of the CIP Budget, and (2) a number of projects are behind schedule due to the ManagementCo not following State procurement and prevailing wage laws so projects had to be halted.

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

Costs associated with the regular preparation of this report are included in the Stadium Authority Operating Budget.

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

Note and file the Santa Clara Stadium Authority Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2020.

Reviewed by: Kenn Lee, Treasurer

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. Ticketed Non-NFL Event Detail Summary
2. SCSA Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2020