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Attachments: 1. SCSA Financial Status Report for the Quarter Ending Dec 31, 2020, 2. POST MEETING MATERIAL

Date	Ver.	Action By	Action	Result
3/23/2021	1	Council and Authorities Concurrent Meeting	Approved	Pass

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Action on the Santa Clara Stadium Authority Financial Status Report for Quarter Ending December 31, 2020 and Related Budget Amendments

BOARD PILLARS

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").

This report provides information covering the Stadium Authority's third (October 1, 2020 - December 31, 2020) quarter of the 2020/21 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.

DISCUSSION

The attached financial status reports provide information covering the Stadium Authority's third

(October 1, 2020 - December 31, 2020) quarter of the 2020/21 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

The San Francisco Forty-Niners ("49ers") played five regular season NFL game at Levi's Stadium as of December 31, 2020. The two pre-season games originally scheduled for August 21, 2020, and September 3, 2020, were cancelled by the NFL due to COVID-19 and the last three games of the regular season were played in Arizona. The five regular season games held at Levi's Stadium were absent any fans and, therefore, no tickets were sold.

Non-NFL Event Revenue and Expenses

There were no Non-NFL events held in the third quarter of the 2020/21 Fiscal Year. Due to the ongoing pandemic, there is no estimated timeframe for Non-NFL events to resume.

Stadium Builder Licenses ("SBLs")

At the time of this report, the third quarter report for Stadium Builder Licenses was not available. The below information is the latest provided as of the second quarter.

SBLs account for 36% of the Stadium Authority's annual budgeted revenue in FY 2020/21. There is a total of 60,917 currently active SBLs which is 92.5% of the 65,879 total sellable SBL seats. The value of the active SBLs amount to \$534.4 million of which \$461.7 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 \$28.5 million representing 42% of the overall budget for revenues and total operating expenses were \$43.5 million or 64% of the budget. The debt service fund was able to pay down \$27.3 million in debt, bringing total Stadium Authority debt down to \$297.9 million. Capital expenses were \$694 thousand representing 5% of the overall CIP budget.

FY 2020/21 Stadium Authority Budget Amendments

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 2020/21 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 reimbursed for its costs as they relate to the CFP Championship that will be 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. 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 in the amount of \$727.

- 2) SBL Proceeds is higher than anticipated by \$721,279. Staff is requesting an operating budget amendment to account for this revenue change.
- 3) Discretionary expenses are lower than anticipated by \$250 thousand. Staff is requesting an operating budget amendment to account for the expense reduction.
- 4) Staff is requesting an operating budget reduction to the Legal Contingency line item in the amount of \$9.2 million. By unanimous Board approval, payments for Shared Stadium Manager Expenses were conditioned 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 (Stadium Manager) 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. ManagementCo has not been able to demonstrate compliance with Board direction and, instead, has inappropriately opted to take out unauthorized loans and continue to pay itself public funds without demonstrating compliance with State and local laws.

The Shared Stadium Manager Expenses are still in litigation and as of the end of the fiscal year the SCSA does not expect to make any payments. However, the SCSA will continue to request the backup documentation from the Stadium Manager and if received will come back to the Board with a request to release payment.

- 5) Staff is requesting reductions to SBL Sales and Service in the amount of \$1.6 million, Utilities in the amount of \$333 thousand and Other Expenses in the amount of \$487 thousand. These reductions are based on the projections received from the Stadium Manager.
- 6) Based on projections for Stadium Authority General and Administrative expenses, staff is requesting a reduction to the budget in the amount of \$1 million.

The following budget amendments are requested as a result of the ongoing COVID pandemic. The NFL games that were held at the stadium were absent any fans resulting in no NFL Ticket Surcharge or Senior and Youth Fees, and a reduction to rent. In addition, there were no Non-NFL Events held at the stadium resulting in no Non-NFL Event Revenue or Non-NFL Event Ticket Surcharge.

- 7) The NFL Ticket Surcharge Revenue (10% NFL ticket surcharge on the price of admission) is lower than anticipated by \$8.7 million. Non-NFL Ticket Surcharge (\$4 per ticket) fell below anticipated by \$572,000. Staff is requesting operating budget amendments to account for these revenue changes.
- 8) Senior and Youth Program Fees (based on \$0.35 per NFL game ticket) came in lower than anticipated by \$230,000. A budget amendment is needed to reflect the reduction in the payment to the City's General Fund as well as the revenue to the Stadium Authority.
- 9) No Non-NFL Events held at the stadium in FY2020/21. Staff is requesting a reduction to the

Non-NFL Event Revenue in the amount of \$1.5 million and an increase to the Non-NFL Event Expense in the amount of \$600 thousand. The projection of the \$600 thousand loss was provided by the Stadium Manager. In addition, this projection would result in no performance rent and no Use of StadCo Tenant Improvements; staff is requesting reductions to the expenses in the amount of \$555 thousand and \$73 thousand, respectively.

- 10) Due to the COVID pandemic, three of the NFL Games were not played at Levi's Stadium and were moved to Arizona. This resulted in a decrease in rent paid to the Stadium Authority by \$7.4 million. Staff is requesting an operating budget amendment to account for this revenue change.

A reduction to the Operating Reserve totaling \$4.5 million is recommended to offset the actions recommended above.

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			
<u>Revenues</u>			
NFL Ticket Surcharge	\$8,665,000	(\$8,665,000)	\$0
SBL Proceeds	\$24,213,000	\$721,279	\$24,934,279
Non-NFL Event Revenue	\$1,500,000	(\$1,500,000)	\$0
Rent	\$24,762,000	(\$7,428,600)	\$17,333,400
Senior & Youth Program Fees	\$230,000	(\$230,000)	\$0
Non-NFL Event Ticket Surcharge	\$572,000	(\$572,000)	\$0
Bay Area Host Committee Reimb.	\$0	\$727	\$727
Total Revenue Adjustments		(\$17,673,594)	
<u>Expenses</u>			
SBL Sales and Service	\$3,610,000	(\$1,643,000)	\$1,967,000
Senior & Youth Fees (paid to City)	\$230,000	(\$230,000)	\$0
Non-NFL Event Expense	\$0	\$600,000	\$600,000
Performance Rent	\$555,000	(\$555,000)	\$0
Discretionary Fund Expense	\$250,000	(\$250,000)	\$0
Utilities	\$1,597,000	(\$333,000)	\$1,264,000
Use of StadCo Tenant Imp.	\$73,000	(\$73,000)	\$0

Stadium Authority G&A	\$4,581,000	(\$1,000,000)	\$3,581,000
Legal Contingency	\$9,231,000	(\$9,231,000)	\$0
College Football Playoff Expense	\$0	\$727	\$727
Other Expenses	\$1,400,000	(\$487,000)	\$913,000
Total Expenditure Adjustments		(\$13,201,273)	
<u>Reserves</u>			
Operating Reserve	\$11,255,088	(\$4,472,321)	\$6,782,767

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>>.

RECOMMENDATION

1. Note and file the Santa Clara Stadium Authority Financial Status Report for the Quarter Ending December 31, 2020; and
2. Approve Budget Amendments to the 2020/21 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 December 31, 2020