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Attachments: 1. SCSA Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2022

Date	Ver.	Action By	Action	Result
11/1/2022	1	Council and Authorities Concurrent Meeting	Approved	Pass

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Action on the Stadium Authority Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2022 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 fourth quarter (January 1, 2022 - March 31, 2022) of the 2021/22 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.

Certain operating expense payments were withheld based on Board direction for the partial suspension of payments at the March 27, 2019 Stadium Authority Board meeting, based on the concern that public funds would be used to pay for expenses that were not legally procured, or

compliant with prevailing wage law or self-dealing/conflict of interest laws. At that meeting, the Board directed the Executive Director to only release public funds to Forty Niners Stadium Management Company, LLC (Stadium Manager) when supporting documents have been submitted to show the expenses adhere to our agreements and State and local laws.

On August 31, 2022, Stadium Authority, Forty Niners SC Stadium Company, LLC (StadCo) and Stadium Manager settled the arbitration and disputes regarding the partially suspended Shared Expenses and Operating and Management Expenses. As part of the written settlement agreement, under section 11(b)(iii), Stadium Authority agreed to recognize the \$15.8 million unpaid expenses that Stadium Authority had partially suspended from payment, along with the \$426 thousand interest expenses under the Revolving Loan incurred from fiscal year 2019-20 through fiscal year 2021-22. Stadium Manager's prior unauthorized payments of these unpaid expenses through the Revolving Loan are now treated as timely Stadium Authority payments, but without Stadium Authority agreeing to Stadium Manager's actions or draws under the Revolving Loan. The \$16.3 million in expenses were recorded in fiscal year ending March 31, 2022.

DISCUSSION

The attached financial status reports provide information covering the Stadium Authority's fourth quarter (January 1, 2022 - March 31, 2022) of the 2021/22 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. 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 10 NFL games in the Fiscal Year 2021/22 with a total of 674 thousand tickets sold. This resulted in \$9.8 million in NFL ticket surcharge for the Stadium Authority and \$236 thousand of Senior and Youth Program Fees for the City. Public safety costs for NFL games totaled \$5.3 million which is significantly higher than the prior year because there were only five regular season games, absent of any fans, in Fiscal Year 2020/21. Stadium Manager, on behalf of StadCo, has reimbursed to the City all of these costs, including certain disputed costs that were paid under protest pursuant to the parties' August 31, 2022 Stipulation to Stay the Public Safety Costs Arbitration.

Non-NFL Event Revenue and Expenses

This section provides annual and comparative data for Non-NFL Events categorized as events ranging from high school and college football games, international soccer matches, concerts, wedding fairs, and special events. Due to the pandemic, there were no Non-NFL events held in the FY 2021/22. Non-NFL events resumed in FY 2022/23.

Although there were no Non-NFL events held for FY 2021/22, the net loss totaled \$289 thousand for the year. Stadium Manager has been working with Stadium Authority on establishing a separate financial management system which is intended to provide more transparency with the transactions associated with Stadium Authority activity. Once fully implemented, it will enable ongoing review of documentation on a real-time basis.

As summarized in Table 1 below, on an overall basis, revenue totaled \$1.2 million or \$1.3 million

higher than FY 2020/21. This increase reflects 12 special events hosted at during FY 2021/22. Event specific operating expenses increased by \$842 thousand to \$870 thousand while other operating expenses (non-event specific expenses) increased by \$232 thousand to \$652 thousand. As a result, Non-NFL events net loss decreased by \$188 thousand to \$289 thousand for FY 2021/22. Expenditure information was provided by Stadium Manager, and Stadium Authority staff is in process of performing a detailed review and/or audit of the source documentations received.

Table 1 - Non-NFL Event Results by Category Comparison (FY 2020/21 to FY 2021/22)

	FY 2020/21 YTD Total	FY 2021/22 YTD Total	Change Amount	%
Attendance	-	3,698	3,698	n/a
Non-NFL Event Revenue				
Ticketed Event Revenue	(27,730)	1,123	28,853	n/a
Non-Ticketed Event Revenue	(2,236)	1,231,833	1,234,069	n/a
Total Non-NFL Event Revenue	(29,966)	1,232,956	1,262,922	n/a
Non-NFL Event Expense				
Promoter/Artist Payments	-	-	-	n/a
Public Safety Costs	1,585	1,827	242	15%
Security	-	14,295	14,295	n/a
Event Staff	7,748	36,078	28,330	366%
Food & Beverage Cost	-	702,023	702,023	n/a
Parking Costs	(1,974)	(4,026)	(2,052)	104%
Other Event Expenses	19,943	119,383	99,440	499%
Total Non-NFL Event Expense	27,302	869,580	842,278	3085%
Non-NFL Events Gross Profit	(57,267)	363,376	420,643	n/a
Other Operating Income (Expenses)				
Catered Events Department Labor Costs	(300,635)	(339,220)	(38,585)	13%
Staff Costs - Not Event Specific	(113,572)	(222,124)	(108,552)	96%
Operating Expenses	(7,966)	(16,708)	(8,742)	110%
City of Santa Clara Worker's Comp Claims	(17,847)	(11,694)	6,153	-34%
Interest Income	20,327	551	(19,776)	-97%
Depreciation Expense	-	(62,922)	(62,922)	n/a
Total Other Operating Income (Expenses)	(419,693)	(652,117)	(232,425)	155%
Non-NFL Event Ticket Surcharge	-	-	-	n/a
Net Income (Loss) from Non-NFL Events	(476,960)	(288,741)	188,219	61%

Stadium Builder Licenses ("SBLs")

SBLs account for 36% of the Stadium Authority's annual budgeted revenue in FY 2021/22. There is a total of 61,995 currently active SBLs which is 93.8% of the 66,066 total sellable SBL seats. The value of the active SBLs amount to \$539.3 million of which \$501.4 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 \$67.8 million representing 104% of the overall budget for revenues and total operating expenses were \$59.6 million or 92% of the budget. The debt service fund was able to pay down \$16.5 million in debt, bringing total Stadium Authority debt down to \$280.3 million. Capital expenses were \$1.5 million representing 10% of the

overall CIP budget.

FY 2021/22 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 FY 2021/22 has resulted in recommended budget adjustments as follows:

- 1) Senior and Youth Program Fees (based on \$0.35 per NFL game ticket) came in higher than anticipated by \$4,000. A budget amendment is needed to reflect the increase in the payment to the City's General Fund as well as the revenue to the Stadium Authority.
- 2) Naming Rights Commission came in higher than anticipated by \$244, and staff is requesting an operating budget amendment to account for the additional commission expense incurred.
- 3) CFD Advance interest expenses incurred for the fiscal year exceeded the anticipated contributions by \$1.2 million, and staff is requesting a debt service budget amendment to account for the additional interest expense incurred.

On August 31, 2022, the Stadium Authority entered into a settlement agreement with StadCo and Stadium Manager over disputes regarding the Operating and Management Expenses, Shared Expenses, and Capital Expenditures that were previously withheld. The following budget amendments are request as a result of the settlement agreement:

- 4) As part of the settlement, the Stadium Authority agreed to recognize unpaid Shared Stadium Manager Expenses that were previously withheld. A budget amendment is needed to reflect the additional \$15.4 million of Shared Stadium Manager Expenses recognized.
- 5) As part of the settlement, the Stadium Authority agreed to recognize unpaid Operating and Management Expenses that were previously withheld. A budget amendment is needed to reflect the additional \$139,000 in expenses related to the use of StadCo's Tenant Improvements and \$1.1 million in other expenses related to admin and lender fees, interest expenses, and other general and administrative expenses recognized.

A reduction to the Operating Reserve and Contingency Reserve (Shared Expenses) totaling \$16.6 million and a reduction to the Debt Service Reserve of \$1.2 million are 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)(5) in that it is an administrative activity that will not result in direct or indirect physical changes in the environment.

FISCAL IMPACT

As discussed, staff recommends several budget amendments as detailed in the table below:

	Current	Increase/ (Decrease)	Revised
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Operating Fund			
<u>Revenues</u>			
Senior & Youth Program Fees	\$232,000	\$3,975	\$235,975
Total Revenue Adjustments		\$3,975	
<u>Expenses</u>			
Shared Stadium Manager Expenses	\$7,448,640	\$15,403,455	\$22,852,095
Senior & Youth Fees (paid to City)	\$232,000	\$3,975	\$235,975
Use of StadCo Tenant Improvements	\$26,000	\$138,826	\$164,826
Naming Rights Commission	\$88,000	\$244	\$88,244
Other Expenses	\$514,000	\$1,050,804	\$1,564,804
Total Expenditure Adjustments		\$16,597,304	
<u>Reserves</u>			
Operating Reserve	\$9,693,657	(\$4,405,947)	\$5,287,710
Contingency Reserve (Shared Expenses)	\$13,089,463	(\$12,187,382)	\$902,081
Total Reserve Adjustments	\$22,783,120	(\$16,593,329)	\$6,189,791

Current Increase/ (Decrease) Revised			
Debt Service Fund			
<u>Expenses</u>			
CFD Advance	\$483,000	\$1,207,516	\$1,690,516
Total Expenditure Adjustments		\$1,207,516	
<u>Reserves</u>			
Debt Service Reserve	\$11,536,235	(\$1,207,516)	\$10,328,719
Total Reserve Adjustments	\$11,536,235	(\$1,207,516)	\$10,328,719

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 Report for the Quarter and

Fiscal Year Ending March 31, 2022;

2. Approve various FY 2021/22 Santa Clara Stadium Authority budget amendments based on actual year-end performance in the Operating Fund from reserves and recognizing additional fee revenues; and
3. Approve various FY 2021/22 Santa Clara Stadium Authority budget amendments based on actual year-end performance in the Debt Service Fund from Debt Service Reserve.

Reviewed by: Kenn Lee, Treasurer

Approved by: Rajeev Batra, Executive Director

ATTACHMENTS

1. SCSA Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2022