



Agenda Report

20-399

Agenda Date: 3/24/2020

REPORT TO STADIUM AUDIT COMMITTEE

SUBJECT

Status of Harvey M. Rose Associates Audit Recommendations [Board Pillar: Ensure Compliance with Measure J and Manage Levi's Stadium]

BACKGROUND

On November 27, 2017, staff presented the following to the Ad-Hoc Stadium Audit Committee (Committee): (1) standard audit recommendation tracking matrix listing the thirty-seven audit recommendations, (2) designation for the status of the recommendation (e.g., Complete, Partially Complete, or Not Implemented), and (3) action taken to date. This matrix continues to be used as a tool to track staff's progress and will continue to be presented to the Committee at future meetings.

Since November 2017, staff has provided updates on the status of completing the audit recommendations or identifying barriers to completing them.

DISCUSSION

The attached Harvey M. Rose Audit Recommendations matrix provides the auditor's recommendation and a detailed description of the action taken as of March 2020. The matrix is color coded by status with items that were previously deemed as completed shown in grey, items completed during this reporting period shown in green, and partially complete (items that are in process) shown in orange.

The table below shows that 76% (28 of 37) of audit recommendations are complete and none are in the "Not Implemented" status-a 12% increase in completed audit recommendations since October 2018. Table 1 reflects staff's progress of implementing the audit recommendations from October 2018 to March 2020:

Table 1: Summary of Audit Recommendations Status - March to October 2018

Status	Progress of Audit Recommendations as of March 2018	Progress of Audit Recommendations as of October 2018	Progress of Audit Recommendations as of March 2020	% Change
Complete	18	25	28	12% ↑
Partially Complete	14	12	9	25% ↓
Not Implemented	5	0	0	NA
TOTAL	37	37	37	

It should be noted that during the process of preparing this report staff determined that recommendation 1E (shown below) which was previously stated as "Complete" should be amended

to reflect the current status as “Partially Complete”. This change is due to the fact that SCSA staff continues to be challenged in receiving information at a level that details the exact line item amounts generated for Food & Beverage (F&B) revenue. It should also be noted that there are several on-going litigation matters that may uncover additional facts and financial information that would warrant changing a “complete” or “partially complete” categorization to “not implemented” or otherwise require additional auditing or an accounting.

#	Audit Recommendation
1E	The Stadium Authority Board should direct the Executive Director to renegotiate provisions of the Stadium Lease so that the Stadium Authority receives a share of any concessionaire revenue that exceeds the minimum guaranteed amount from non-NFL events.

Unfortunately, during the last seventeen months, the Stadium Authority has made very little progress in implementing the remaining audit recommendations as several are either in litigation and/or they require cooperation, collaboration, or consent from ManCo and StadCo.

However, overall staff has been successful in implementing many of the audit recommendations thereby strengthening oversight of Stadium Authority operations. One of the key results from the audit is the inclusion of detailed Non-NFL event information in the Stadium Authority’s Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2019 which provided a greater level of transparency and provided the overall financial results of the Non-NFL events by specific event. Table 2 and 3 summarize the ticketed Non-NFL Events Revenue and Expenditure for FY 2018/19 and provide a snapshot of this performance for FY 2020/21

Table 2: FY 2018/19 Ticketed Non-NFL Events Revenue and Expenditure Summary

In Millions \$

Ticketed Events	Revenue	Expenses	Net
Monster Jam	1.4	1.6	(0.2)
Taylor Swift Tour Day 1	5.1	6.9	(1.8)
Taylor Swift Tour Day 2	10.5	7.8	2.7
Stadium Links	0.1	0.0	0.0
Manchester United vs Earthquakes	1.6	1.9	(0.3)
ICC: Barcelona vs AC Milan	4.4	4.0	0.4
High School Football Series	0.1	0.1	0.0
Jay-Z/Beyonce	8.4	7.9	0.5
SJSU vs Army	0.2	0.4	(0.2)
Pac-12	1.3	4.0	(2.7)
Redbox Bowl	4.6	5.2	(0.6)
Mexico vs Paraguay	3.6	4.1	(0.5)
Events to date	41.3	43.9	(2.6)

The above table summarizes ticketed Non-NFL Events revenue and expenditures by event. This table shows that nine of the twelve events operated at a loss or did not make any money. That information alone provides greater transparency about management decisions made with respect to scheduling of Non-NFL events, revenue or losses, and foundational information about future public

policy making decisions relative to neighborhood impacts. Table 3 below shows the same event information based on information to date for FY 2019/20. This information is subject to change as additional revenue and/or expenditure information may be recorded. Table 4 below shows a history of net revenue by event type.

Table 3: FY 2019/20 Ticketed Non-NFL Events Revenue and Expenditure Summary

In Millions \$

Ticketed Events	Revenue	Expenses	Net
Monster Jam	1.6	2.0	(0.4)
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	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
Events to date	22.1	23.9	(1.8)

Table 4: Net Revenue for Non-NFL Events by Event Type as of March 31, 2019

EVENT TYPE	2014/15		2015/16		2016/17		2017/18		2018/19	
	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue	No. of Events	Net Revenue
Ticketed Events										
Concerts	0	\$ -	7	\$ 3,791,985	4	\$ 2,424,572	2	\$ 1,819,099	3	\$ 1,438,848
Sporting events:										
Football (non-NFL)	5	(3,007,907)	4	(2,316,903)	4	(2,946,165)	4	(3,601,827)	4	(3,437,297)
Soccer	2	3,948,144	2	891,300	5	2,414,209	3	3,228,754	3	(267,981)
Miscellaneous events	2	2,504,912	4	(149,392)	5	(159,175)	4	76,379	2	(67,502)
Subtotal Ticketed Events	9	\$ 3,445,149	17	\$ 2,216,989	18	\$ 1,733,441	13	\$ 1,522,405	12	\$ (2,333,932)
Special Events (weddings, corporate events, etc.)	186	\$ 1,762,404	204	\$ 3,862,027	127	\$ 3,583,453	113	\$ 3,640,924	100	\$ 2,352,523
Total Non-NFL Net Revenue	195	\$ 5,207,553	221	\$ 6,079,016	145	\$ 5,316,894	126	\$ 5,163,329	112	\$ 18,591
Total Performance Rent paid to the General Fund		\$ 2,513,777		\$ 2,932,008		\$ 2,533,447		\$ 2,439,164		\$ -

As the next step in completing the audit recommendations, staff intends to return to the Committee when there has been significant progress on the remaining 9 audit recommendations. This will most likely occur once decisions have been made on the current litigation as that will have a direct impact on the majority of the remaining recommendations.

COORDINATION

This report was coordinated with the City Attorney's Office.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environment Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a)(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

There is no fiscal impact to the Stadium Authority with this status update; however, there are

decisions that the Ad Hoc Committee will recommend to the SCSA Board that may have a fiscal impact.

PUBLIC CONTACT

Public contact was made by posting the Ad-Hoc Stadium Audit Committee 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 or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Note and file an update on the Status of the Harvey M. Rose Associates Audit Recommendations.

Reviewed by: Kenn Lee, Treasurer

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. Status of Harvey M. Rose Associates Audit Recommendations