



Agenda Report

20-724

Agenda Date: 10/13/2020

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Report on the Audited Santa Clara Stadium Authority Fiscal Year 2019/20 Annual Financial Statements [Board Pillar: Ensure Compliance with Measure J and Manage Levi's Stadium]

BACKGROUND

The Santa Clara Stadium Authority (Stadium Authority), the Stadium Funding Trust, and Goldman Sachs Bank USA entered into a Credit Agreement on June 19, 2013. Section 5.1(a) of the Credit Agreement requires that the Stadium Authority Annual Financial Statements be audited by independent certified public accountants within 180 days after the end of each fiscal year. On June 11, 2019, the Stadium Authority entered into a professional services agreement with KPMG, LLP (KPMG) to perform the annual financial audit of the Stadium Authority's Fiscal Year 2019/20 Annual Financial Statements.

The Annual Financial Statements include: (1) the Independent Auditors' Report which describes the auditors' responsibility and their opinion of the Financial Statements, (2) Management's Discussion and Analysis which provides an overall review of the Stadium Authority's financial activities, (3) the Basic Financial Statements, and (4) the Notes to the Financial Statements which have additional information pertaining to the Stadium Authority's operations and financial position.

The Audit Committee met with Stadium Authority and KPMG staff on September 24, 2020 to review the draft Stadium Authority Fiscal Year 2019/20 Annual Financial Statements. The role of the audit committee is to provide oversight of the Stadium Authority's financial reporting processes, internal controls and independent auditors. At this meeting Stadium Authority staff provided an overview of the Financial Statements and KPMG discussed the audit process and the audit results. The audit committee voted to accept the Financial Statements and recommended that the Stadium Authority note and file the report at the October 13, 2020 Joint Council and Authorities Concurrent and Stadium Authority Meeting. To allow for adequate time to review, the Financial Statements were posted to the Stadium Authority's website on September 29, 2020 at the following link:

<https://www.santaclaraca.gov/our-city/santa-clara-stadium-authority/financial-reports>
<<http://santaclaraca.gov/government/stadium-authority/financial-reports>>

The Financial Statements being discussed with this report cover the Stadium Authority's 2019/20 fiscal year, which spans from April 1, 2019 to March 31, 2020.

DISCUSSION

On September 25, 2020, KPMG completed the financial audit of the Stadium Authority which resulted in the issuance of the Stadium Authority Fiscal Year 2019/20 Annual Financial Statements (Attachment 1), Internal Controls and Compliance Letter (Attachment 2) as required per the Stadium Authority debt covenants, and Independent Auditors' Report (Attachment 3). KPMG expressed an

unmodified (i.e., “clean”) opinion on the Financial Statements. An unmodified opinion is when the auditor concludes that the financial condition, position, and operations are fairly presented, and the financial statements are free of material misstatements.

Key financial highlights for the fiscal year ended March 31, 2020 are as follows:

- The carrying value of Levi’s Stadium at March 31, 2020, net of depreciation, is \$732,686,832.
- During the fiscal year, there were 12 National Football League (NFL) games, 8 ticketed non-NFL events, and 79 smaller special events held at Levi’s Stadium.
- The Stadium Authority recognized \$83,937,765 in operating revenue and \$62,794,043 in operating expenses.
- Revenue from the non-NFL events totaled \$29,313,294 and the related expenses were \$32,054,308 resulting in net non-NFL event loss of \$2,741,014.
- Debt service payments during the fiscal year totaled \$30,143,428. Overall remaining outstanding debt was reduced by \$14,952,620.
- The City of Santa Clara (City) received \$355,000 for stadium ground rent, \$250,000 for senior and youth fees, and \$34,410 for parking fees at the Tasman lots, most of which came from the Stadium Authority.

At the September 24, 2020 Audit Committee meeting, KPMG provided a summary of the methodology used to review and validate the financial statements. The Audit Committee inquired further regarding the review of source documentation. KPMG confirmed that they review documentation sufficient to validate the audit process, including, for example, Ticketmaster reports and attendance reports from the National Football League.

It should be noted that Stadium Authority staff continues documentation review to validate the \$2.7 million non-NFL event loss. Results of this review will be brought to the Board as a separate report.

At the October 13, 2020 Stadium Authority Board meeting, Stadium Authority staff will be providing an overview of the Stadium Authority Fiscal Year 2019/20 Annual Financial Statements including key financial highlights for the quarter and fiscal year ended March 31, 2020.

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 preparation of this report are included in the Stadium Authority Operating Budget.

COORDINATION

This report has been coordinated with 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

Note and file the Santa Clara Stadium Authority Fiscal Year 2019/20 Annual Financial Statements.

Reviewed by: Kenn Lee, Treasurer

Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. Santa Clara Stadium Authority Financial Statements
2. Internal Controls and Compliance Letter
3. Independent Auditors' Report (Debt Compliance Letter)