21-936 **Agenda Date: 9/28/2021**

REPORT TO STADIUM AUTHORITY BOARD

SUBJECT

Action on the Stadium Authority Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2021

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, 2021 - March 31, 2021) 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.

Certain operating expense payments are 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 ManagementCo when supporting documents have been submitted to show the expenses adhere to our agreements and State and local laws.

DISCUSSION

The attached financial status reports provide information covering the Stadium Authority's fourth quarter (January 1, 2021 - March 31, 2021) 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. 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

The San Francisco Forty-Niners ("49ers") played five regular season NFL game at Levi's Stadium as of March 31, 2021. 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

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 2020/21. Non-NFL events are expected to resume in FY 2021/22

Although there were no Non-NFL events held for FY 2020/21, the net loss totaled $510 thousand for the year. Documentation for non-NFL Events is ongoing and is not complete. Questions regarding expenditures were submitted to the Stadium Manager and are included in Attachment 2. Responses from the Stadium Manager is included in Attachment 3. Based on the response from the Stadium Manager, additional meetings are necessary to complete the review prior to release of payment. A recommendation is included in this report to authorize the Executive Director for disbursement of funds for the loss after the completed review of adequate documentation for costs.

It should be noted as part of the Stadium Manager's response, it states that "Stadium Authority staff is welcome to come to the stadium and review event P&L's [profit and loss statements] and supporting/detailed transactions throughout the fiscal year." We will continue to pursue an ongoing review of documentation on a real-time basis. More recently, efforts are underway to establish a separate financial management system which is intended to provide more transparency with the transactions associated with Stadium Authority activity. It should be noted, however, that the Stadium Manager continues to take the position with regards to Shared Expenses, SBL Sales and Services, Utilities, Insurance, and Other G&A Expenses documents that actual transactions and document review would occur after the end of each fiscal year.

In addition, as part of the FY 2019/20 $2.7 million non-NFL Events loss, public safety costs incurred in that fiscal year still remain unpaid in the total of $1.1 million. ManagementCo requested that the City recoup the funds directly from the Stadium Authority. To ensure compliance of Measure J, a recommendation is included in this report to authorize the Executive Director for disbursement of funds for the unpaid Fiscal Year 2019/20 Public Safety bills related to Non-NFL Events.

Stadium Builder Licenses ("SBLs")

SBLs account for 36% of the Stadium Authority's annual budgeted revenue in FY 2020/21. There is a total of 60,368 currently active SBLs which is 91.4% of the 66,066 total sellable SBL seats. The value of the active SBLs amount to $529 million of which $475.2 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 $49.6 million representing 98%

of the overall budget for revenues and total operating expenses were $66.2 million or 120% of the budget. The overage in expenses is entirely due to the timing of debt service payments. The debt service fund was able to pay down $28.5 million in debt, bringing total Stadium Authority debt down to $296.8 million. Capital expenses were $946 thousand representing 7% of the overall CIP budget.

Board Referral Response

As part of the October 13, 2020 Stadium Authority Board meeting, Vice Mayor Chahal inquired regarding whether any unfunded pension liability would remain if the Stadium Authority were dissolved at the conclusion of the Stadium Lease term. After consulting with the city's pension actuary, Bartel Associates, LLC, no unfunded liability is projected at this time. It should be noted that the long-term funding of retirement costs, and the forecasting of a pension system's long-term funding is dependent on many variables including market performance. Future market performance is unknown at this time.

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.

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, 2021;
2. Authorize the Executive Director to pay the Stadium Manager for the FY2020/21 Non-NFL Event loss after the review of adequate documentation for costs; and
3. Authorize the Executive Director to transfer $1,139,477 from the Stadium Authority to the City of Santa Clara for unpaid FY2019/20 Public Safety invoices related to Non-NFL Events to maintain compliance with Measure J.

Reviewed by: Kenn Lee, Treasurer
Approved by: Deanna J. Santana, Executive Director

ATTACHMENTS

1. SCSA Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2021
2. August 24, 2021 Letter from Treasurer to Stadium Manager - FY 2020/21 Non-NFL Events Document Review
3. September 21, 2021 Response Letter from 49ers Chief Financial Officer to Treasurer