

Santa Clara Stadium Authority



**PROPOSED
FISCAL YEAR
2020/21**

BUDGET IN BRIEF

**OPERATING,
DEBT SERVICE
AND CAPITAL
BUDGET**

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Dear Santa Clarans:

Each year, the Stadium Authority brings forward a budget and marketing plan provided by the Forty Niners Stadium Management Company LLC (Forty Niners) for Stadium Authority Board consideration. This year, the Forty Niners, who currently manage Levi's® Stadium on behalf of the Stadium Authority under a Management Agreement, provided a budget that failed to project Non-NFL Event revenues for the next fiscal year and a marketing plan that failed to outline strategies for generating net revenue.

As it stands, if the Stadium Authority accepts the Forty Niners' proposal, the Stadium Authority would face three fiscal years of generating no net revenue and losing approximately \$2.7 million per fiscal year to the City of Santa Clara's General Fund based on past projections and trends. These revenues are important to the City because a part of these funds support our fire, police, parks and libraries. In fact, during the first four years of Stadium operations, the Stadium generated approximately \$5.5 million in Net Non-NFL Event Revenue. Starting last year, we received no revenue and without a new approach, this trend will continue for this fiscal year and next.

The Proposed Fiscal Year (FY) 2020/21 Budget totals \$66.7 million, which is \$6.9 million lower than the \$73.6 million FY 2019/20 budget. This lower figure is based on the inability of the Forty Niners to generate income for Non-NFL events. The profit from these Non-NFL events is split between the Forty Niners and the Stadium Authority. The Stadium Authority transfers revenue to the City, which is used to fund City programs. To operate the Stadium and ensure the appropriate fiscal stewardship, the Proposed FY 2020/21 Operating, Debt Service and Capital Budget is summarized in this brief.

At the March 5, 2020 Special Stadium Authority Board meeting, the Board took unanimous action to seek legal and budget options for its consideration on March 24, 2020. The Stadium Authority Board issued several Notices of Breaches and Default of the Management Agreement which prompted issuing a Notice of Termination and Default of the Management Agreement to the Forty Niners. Regardless of how the termination issues are resolved, the Stadium Authority budget must include repayment of the debt, funding an operating budget and capital investment in the stadium. Work on the budget is not intended as a waiver or release of the termination notice or any Stadium Authority rights and claims.

Respectfully Submitted,

Deanna J. Santana
Executive Director

Budget Highlights

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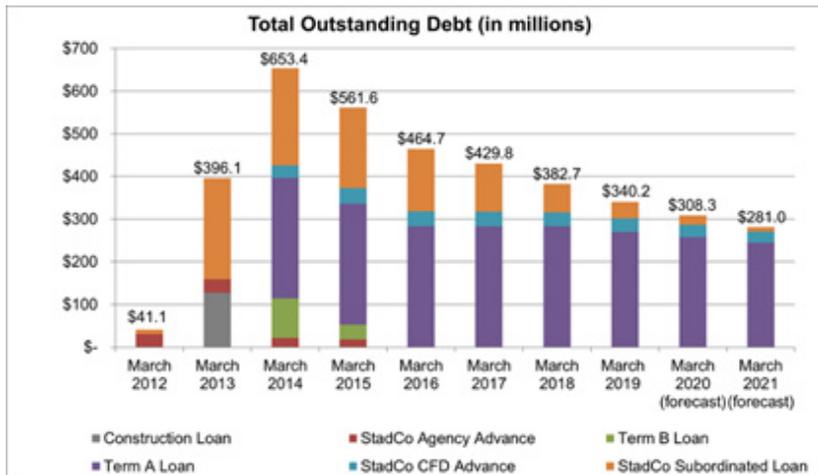
Santa Clara Stadium Authority Operating Budget Summary

	2019/20 Final Budget	2020/21 Proposed Budget
Revenues		
NFL Ticket Surcharge	\$ 8,142,000	\$ 8,665,000
Stadium Builder License (SBL) Proceeds	25,416,000	24,213,000
Net Revenues from Non-NFL Events	5,796,000	-
Naming Rights	6,754,000	6,957,000
Rent	24,762,000	24,762,000
Other Revenues	2,745,000	2,130,000
Total Revenues	\$ 73,615,000	\$ 66,727,000
Expenses		
Shared Stadium Manager Expenses ⁽¹⁾	\$ 11,904,000	\$ 12,132,000
SBL Sales and Service	2,221,000	3,610,000
Performance Rent (paid to City)	2,721,000	-
Utilities	1,551,000	1,597,000
Stadium Authority Staff and Contracts	2,480,000	4,851,000
Transfers Out - Capital Improvement Program	3,478,000	3,582,000
Transfers Out - Debt Service	47,795,000	38,234,000
Other Expenses	1,465,000	2,721,000
Total Expenses	\$ 73,615,000	\$ 66,727,000

⁽¹⁾ Stadium operations, engineering, guest services, groundskeeping, security, insurance, Stadium Management Fee

The Proposed FY 2020/21 Budget:

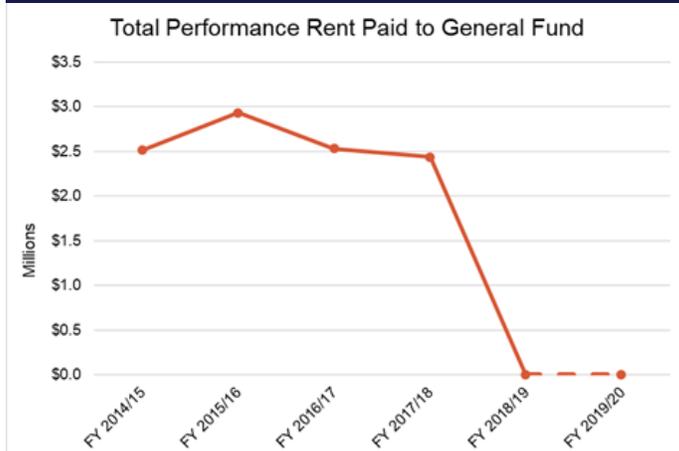
- Totals \$66.7 million, which is \$6.9 million lower than the \$73.6 million FY 2019/20 budget.
- Includes funding for 6.8 full-time Stadium Authority staff positions, which is the necessary level of support for Stadium Authority operations.
- Includes capital expenditures totaling \$13 million for general building, security, furnishings and equipment, and public safety investments.



The Debt Service Budget:

- \$42.3 million includes a principal payment of \$27.3 million and interest of \$15 million.
- Approximately 57% of the debt issued to build the stadium is projected to be paid by March 2021.
- For FY 2019/20, the Stadium Authority will need to slow the pace of paying debt to make up for the Forty Niners' losses.

Performance Rent and Continued Decline in General Fund Revenue



- Forty Niners continue to book events at Levi's® Stadium that lose more money than they make.
- Money-losing events impact the City's ability to collect performance rent and, as a result, there is no money to contribute to the City's General Fund.
- Forty Niners allow for unreported increased costs and award contracts that cost the Stadium Authority money; thus, a loss to the Stadium Authority's revenue.
- Projected revenue loss of nearly \$8 million in Performance Rent to the City's General Fund over three fiscal years due to poor practices with Non-NFL event bookings.

Continued Booking Money Losing Events for FYs 2018/19 & 2019/20

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As part of the Board's unanimous action, it considered:

- 75% of ticketed Non-NFL events lost or made no money (9 of 12 in FY 2018/19).
- Potential self-dealing by the Forty Niners, at the expense of the Stadium Authority, was discovered when examining the Redbox Bowl.
- Risk of investing public funds to continue to lose money and support potentially illegal business practices and violations of the Management Agreement.

2018/2019 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 preliminary FY 2019/20 table below shows that the Forty Niners' losing trend continues, with six out of eight events losing or making no money. All revenue and expenses presented include actual data known to date for FY 2019/20 and is subject to change. Going into the third FY, the Stadium Authority did not believe it is in the best interest of the City to continue without requiring a "turnaround" strategy from the Forty Niners.

2019/2020 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)

Status of Ongoing Workplan Efforts

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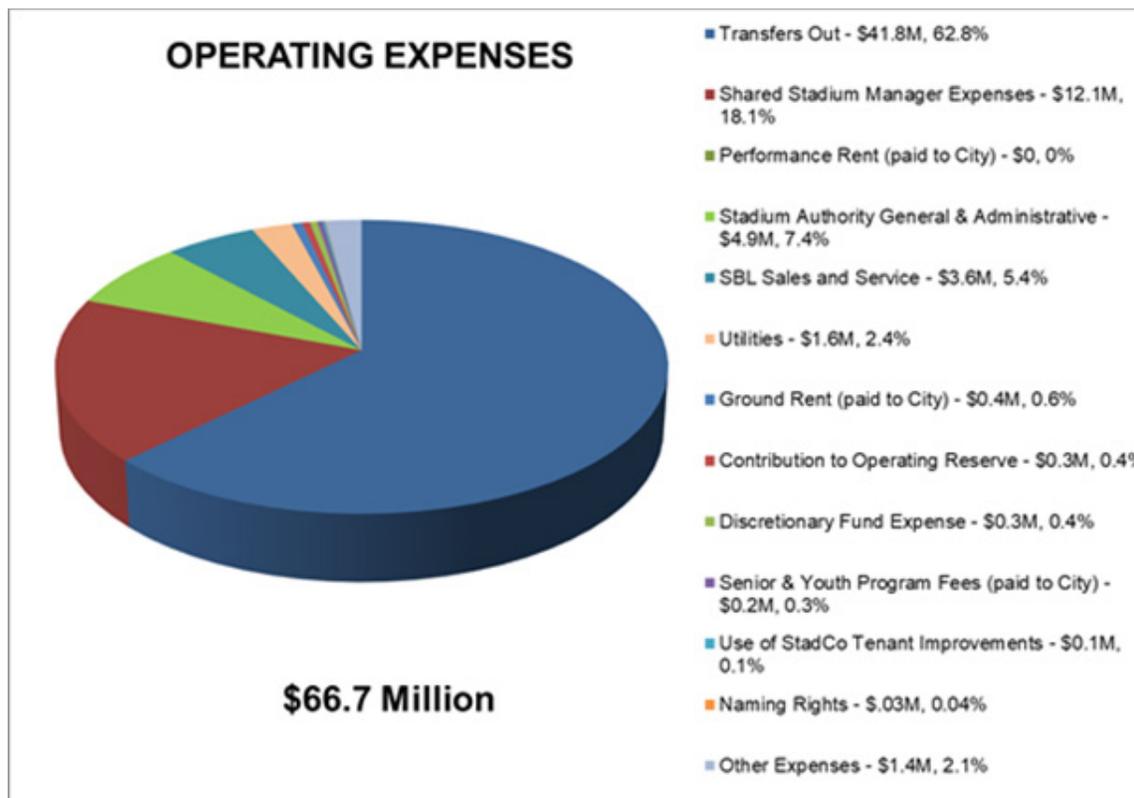
Community Engagement -- Developed a robust Community Outreach and Engagement Workplan, set up a dedicated telephone number for community input, produced “Neighborhood Protection Program” magnets and increased social media presence to announce advance notice for stadium events.

Noise Monitoring -- Setup web-based, publicly available, real-time noise monitoring services.

Audit Recommendations -- Completed 73% of Measure J Compliance Audit recommendations; and partially completed the remaining 27%.

Stadium Authority Coordination -- Set up weekly Stadium Authority staff business meetings to supply a forum to address community issues and increase organizational awareness of required City and Stadium Authority services and assigned a full-time Deputy Fire Marshal to check fire-code compliance.

Community Room & Trail -- Board to consider options, FY 2020/21.



The Budget-in-Brief is an overview of the Stadium Authority’s Proposed FY 2020/21 Operating, Debt Service and Capital Budget.

For more information or questions about this report, contact:

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