



**SANTA CLARA STADIUM AUTHORITY**  
(a Component Unit of the City of Santa Clara, California)

Financial Statements

March 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

**SANTA CLARA STADIUM AUTHORITY**  
(a Component Unit of the City of Santa Clara, California)

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KPMG LLP  
Suite 1400  
55 Second Street  
San Francisco, CA 94105

## Independent Auditors' Report

The Board of Directors  
Santa Clara Stadium Authority:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Clara Stadium Authority, a component unit of the City of Santa Clara, California (the Authority) as of and for the years ended March 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Santa Clara Stadium Authority as of March 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



***Emphasis of Matter***

As discussed in note 2 to the financial statements, the financial statements present only the Santa Clara Stadium Authority and do not purport to, and do not, present fairly the financial position of the City of Santa Clara, California, as of March 31, 2016 and 2015, the changes in its financial position, or, where applicable its cash flows for the years then ended, respectively, in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**KPMG LLP**

San Francisco, California

August 16, 2016

**SANTA CLARA STADIUM AUTHORITY**  
(a Component Unit of the City of Santa Clara, California)  
Management's Discussion and Analysis (unaudited)  
March 31, 2016 and 2015

The management's discussion and analysis of the Santa Clara Stadium Authority (Stadium Authority) provides an overall review of the Stadium Authority's financial activities for the fiscal periods ended March 31, 2016 and 2015. The intent of this discussion and analysis is to look at the Stadium Authority's financial performance as a whole. Readers should review the discussion and analysis in conjunction with the basic financial statements including the notes to the basic financial statements to enhance their understanding of the Stadium Authority's financial performance.

The Stadium Authority has elected to provide comparative financial statements to better assist the reader. In November 2012, the Stadium Authority elected to adjust its fiscal year to April 1 through March 31 to conform to the fiscal year of the Stadium Funding Trust (FinanceCo). The Stadium Authority is a Component Unit of the City of Santa Clara whose fiscal year is July 1 through June 30.

The Stadium Authority exists as a public body, separate and distinct from the City of Santa Clara. It was established to provide for development and operation of the new Levi's Stadium.

**Financial Highlights**

Key financial highlights for the fiscal year ended March 31, 2016 are as follows:

- The carrying value of Levi's Stadium at March 31, 2016, net of depreciation, is \$794,702,050.
- During this fiscal year, there were 10 NFL games, 17 ticketed non-NFL events, and 207 small special events held at Levi's Stadium. The Stadium Authority recognized \$143,191,241 in operating revenue and \$120,993,173 in operating expenses.
- Debt service payments during the fiscal year totaled \$95,519,624. With these payments, the Stadium Authority was able to pay off its variable rate debt, eliminating risk associated with rising interest rates. Additionally, an adjustment to reduce the StadCo Subordinated Loan by \$27,757,723 was recorded due to an allocation true-up to transfer construction related tenant improvement costs from the Stadium Authority to the Forty Niners SC Stadium Company, LLC (StadCo). Overall remaining outstanding debt was reduced by \$96,835,723.
- The assets of the Stadium Authority exceeded its liabilities by \$18,604,669 due to income from the operation of Levi's Stadium.
- The City of Santa Clara (the City) received \$3,388,323 for stadium ground and performance rent, Senior and Youth fees, and parking fees at the Tasman lots, most of which came from the Stadium Authority. This is in relation to the Stadium Authority's 2015-16 fiscal year activities. Additionally, the City is fully reimbursed for all of its public safety and administration costs by either the Stadium Authority or Forty Niners Stadium Management Company, LLC (ManagementCo).

**Overview of the Financial Statements**

This annual report consists of a series of financial statements and the notes to those statements. These statements are organized so the reader can understand the Stadium Authority as a financial whole. The basic financial statements provide both a short-term and long-term view of the Stadium Authority's financial activities and financial position.

**SANTA CLARA STADIUM AUTHORITY**  
(a Component Unit of the City of Santa Clara, California)

Management's Discussion and Analysis (unaudited)

March 31, 2016 and 2015

The basic financial statements comprise the Statement of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows and the notes to the financial statements. The Statements of Net Position provide information about the financial position of the Stadium Authority as a whole, including all of its long-term liabilities on the full accrual basis. The Statements of Revenues, Expenses and Changes in Net Position provide information about all revenues and expenses. The Statements of Cash Flows provide information about cash activities for the period.

**Financial Analysis of the Stadium Authority as a Whole**

The Stadium Authority's net position at March 31, 2016, March 31, 2015, and March 31, 2014 is as follows:

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY2014</u>	<u>FY 2016 Increase (Decrease)</u>	<u>FY 2015 Increase (Decrease)</u>
Assets:					
Capital assets	\$ 795,601,639	836,082,246	753,712,985	(40,480,607)	82,369,261
Other assets	86,730,479	126,964,659	193,756,948	(40,234,180)	(66,792,289)
Total assets	<u>882,332,118</u>	<u>963,046,905</u>	<u>947,469,933</u>	<u>(80,714,787)</u>	<u>15,576,972</u>
Liabilities:					
Current unearned revenue	11,250,852	10,047,335	14,968,302	1,203,517	(4,920,967)
Other current liabilities	15,173,085	30,129,783	63,761,154	(14,956,698)	(33,631,371)
Long-term unearned revenue	373,119,157	362,885,538	230,298,477	10,233,619	132,587,061
Other long-term liabilities	464,184,355	554,470,266	650,942,665	(90,285,911)	(96,472,399)
Total liabilities	<u>863,727,449</u>	<u>957,532,922</u>	<u>959,970,598</u>	<u>(93,805,473)</u>	<u>(2,437,676)</u>
Net position:					
Net investment in capital assets	360,326,889	300,575,889	62,597,914	59,751,000	237,977,975
Restricted for capital projects and other agreements	26,616,791	15,621,808	4,956,504	10,994,983	10,665,304
Unrestricted deficit	<u>(368,339,011)</u>	<u>(310,683,714)</u>	<u>(80,055,083)</u>	<u>(57,655,297)</u>	<u>(230,628,631)</u>
Total net position	<u>\$ 18,604,669</u>	<u>5,513,983</u>	<u>(12,500,665)</u>	<u>13,090,686</u>	<u>18,014,648</u>

***Fiscal Year 2015-16 Analysis***

Capital assets decreased when compared to the prior year by \$40,480,607 due to a small amount of current period construction activity, offset by an entire year of depreciation, as well as an allocation true-up to transfer construction related tenant improvement costs from the Stadium Authority to StadCo (see note 4). Other assets decreased when compared to the prior year by \$40,234,180. This was mainly due to the net effect of (1) a decrease in cash as funds were used to pay down debt, (2) an increase in accounts and interest receivable associated with Stadium Builders License (SBL) payments that were received in April 2016, and (3) a decrease in the Successor Agency receivable which was paid in full in this fiscal year. Liabilities decreased by \$93,805,473 mainly due to the net effect of an increase in unearned SBL revenue offset by principal payments of long term debt, an adjustment to the StadCo Subordinated Loan related to a cost allocation true up (see note 3a and note 5), and reductions in accounts and retentions payable. Total net position for the Stadium Authority, as a whole, increased between

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Management's Discussion and Analysis (unaudited)

March 31, 2016 and 2015

March 31, 2015 and March 31, 2016 to \$18,604,669. This increase of \$13,090,686 is primarily due to a decrease in total liabilities.

***Fiscal Year 2014-15 Analysis***

Capital assets increased by \$82,369,261 due to fiscal year 2015 construction activity. Other assets decreased when compared to the prior year by \$66,792,289 mainly due to a decrease in restricted cash as these funds were used for stadium construction. Liabilities decreased by \$2,437,676 mainly due to the net effect of an increase in unearned SBL revenue offset by principal prepayment of long term debt. Total net position for the Stadium Authority, as a whole, increased between March 31, 2014 and March 31, 2015 to \$5,513,983. This increase of \$18,014,648 is primarily due to an increase in total assets.

The Stadium Authority's changes in financial position for the fiscal years ended March 31, 2016, March 31, 2015, and March 31, 2014 are as follows:

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY2014</u>	<u>FY 2016 Increase (Decrease)</u>	<u>FY 2015 Increase (Decrease)</u>
Operating revenues	\$ 143,191,241	101,374,609	478,333	41,816,632	100,896,276
Operating expenses	(120,993,173)	(77,580,314)	(21,912,380)	(43,412,859)	(55,667,934)
Operating income (loss)	22,198,068	23,794,295	(21,434,047)	(1,596,227)	45,228,342
Non-operating revenue	13,906,565	13,469,697	691,603	436,868	12,778,094
Non-operating expenses	(26,441,624)	(20,782,624)	—	(5,659,000)	(20,782,624)
Income (loss) before contributions and other revenues	9,663,009	16,481,368	(20,742,444)	(6,818,359)	37,223,812
Contributions and other revenues	3,427,677	1,533,280	32,715,586	1,894,397	(31,182,306)
Increase in net position	13,090,686	18,014,648	11,973,142	(4,923,962)	6,041,506
Total net position – beginning of fiscal period	5,513,983	(12,500,665)	(24,473,807)	18,014,648	11,973,142
Total net position – end of fiscal period	\$ 18,604,669	5,513,983	(12,500,665)	13,090,686	18,014,648

***Fiscal Year 2015-16 Analysis***

Stadium Authority operating revenues increased when compared with the prior year by \$41,816,632. This was mainly due to increases in non-NFL events revenue, non-NFL ticket surcharge, and amortization of SBL revenue. Operating expenses increased by \$43,412,859, mainly due to the increase in non-NFL event expenses. Other factors contributing to higher operating expenses were increases in depreciation expense, stadium manager expense, SBL sales and service expense, and utility expense all related to being open for an entire fiscal year whereas Levi's Stadium was only operating for a portion of the prior fiscal year.

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Management's Discussion and Analysis (unaudited)

March 31, 2016 and 2015

Non-operating revenues increased by \$436,868 resulting from increased interest revenue on financed SBLs. Non-operating expenses increased by \$5,659,000 due to increased interest expense. The current fiscal year included an entire year of interest expense whereas in the prior fiscal year, interest accrued prior to substantial completion of the stadium was capitalized as part of the building and not expensed.

Contributions and other revenues were \$3,427,677 in fiscal year 2015-16. These represent special hotel tax revenues collected to pay the Community Facilities District (CFD) advance loan. The increase of \$1,894,397 is primarily due to an entire year of special hotel tax revenues whereas the prior fiscal year only included those revenues for a portion of the year.

***Fiscal Year 2014-15 Analysis***

Stadium Authority operating revenues were \$101,374,609 in fiscal year 2014-15, an increase of \$100,896,276 from the previous fiscal year. The increase is directly related to the opening of the stadium in August 2014 resulting in collection of lease revenues, non-NFL event revenues, and ticket surcharges.

Operating expenses of the Stadium Authority were \$77,580,314 in fiscal year 2014-15. The increase in operating expenses of \$55,667,934 in the current year is primarily due to stadium and event costs and stadium depreciation.

Contributions and other revenues were \$1,533,280 in fiscal year 2014-15. These represent special hotel tax revenues collected to pay the Community Facilities District (CFD) advance loan. These revenues are collected quarterly beginning October 1, 2014. The decrease of \$31,182,306 in collections and other revenue from the previous fiscal year, is due to fiscal year 2013-14 including contributions from the former City of Santa Clara Redevelopment Agency per agreement, which were only collected in that year.

**Capital Assets**

The capital assets of the Stadium Authority are those which are used in the performance of the Stadium Authority's functions, including but not limited to infrastructure-related assets. At March 31, 2016, capital assets totaled \$795,601,639.

Further detail may be found in note 4 to the financial statements.

**Debt Administration**

At March 31, 2016, the Stadium Authority had total debt outstanding of \$464,719,846, as shown in detail in note 5 to the financial statements. Stadium Authority's debt was comprised of Stadium Funding Trust Term A loan of \$282,794,108, the StadCo CFD advance of \$35,986,692, and the StadCo Subordinated Loan in the amount of \$145,939,046. Further detail may be found in note 3a and note 5 to the financial statements.



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Management's Discussion and Analysis (unaudited)

March 31, 2016 and 2015

**Economic and Financial Overview**

Over the last few years, Silicon Valley has seen job growth that has outpaced the rest of the state. This growth has led to rising home prices and a significant increase in commercial and residential development including several projects in the vicinity of Levi's Stadium. Major financial factors impacting the Stadium Authority are:

- In May 2013, a Naming Rights Agreement with Levi Strauss & Co. was approved. The name of the Stadium is "Levi's Stadium". The naming rights agreement calls for Levi's to pay a total of \$154.2 million to the Stadium Authority over a 20-year period. In fiscal year 2015–16 the Stadium Authority collected \$6.00 million in naming rights revenue.
- SBLs entitle the license holder to priority rights to buy tickets for events at Levi's Stadium. Total SBL sales were \$554.6 million; of that \$385.4 million has been collected through this fiscal year. This is due in part to a number of SBL holders paying off or prepaying a large portion of their SBL. In addition to SBL collections, the Stadium Authority has collected over \$20.9 million in interest from license holders who financed their SBLs.
- The Stadium Authority generated \$24.5 million in lease revenue during the NFL season and \$6.0 million net revenue associated with hosting non-NFL events in this fiscal year.
- The Stadium Authority collected a 10% surcharge on the price of admission to all NFL games which totaled \$8.3 million. Also recognized during the fiscal year was \$2.5 million in non-NFL event ticket surcharge, which is calculated based on a \$4 per ticket surcharge for all ticketed non-NFL events.

**Contacting the Stadium Authority's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Stadium Authority's finances and to demonstrate the Stadium Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Santa Clara Finance Department, at 1500 Warburton Avenue, Santa Clara, CA 95050-3796.

**SANTA CLARA STADIUM AUTHORITY**  
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Statements of Net Position

March 31, 2016 and 2015

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Current assets:		
Cash	\$ 3,397,502	2,752,593
Restricted cash	22,113,489	49,936,751
Restricted cash with fiscal agent	29,885,723	37,599,515
Accounts receivable	19,797,530	13,111,971
Total current assets	<u>75,194,244</u>	<u>103,400,830</u>
Capital assets:		
Buildings, net	794,702,050	835,130,830
Equipment, net	899,589	951,416
Total capital assets	<u>795,601,639</u>	<u>836,082,246</u>
Long-term restricted cash with fiscal agent	11,536,235	11,536,235
Long-term accounts receivable	—	12,027,594
Total noncurrent assets	<u>807,137,874</u>	<u>859,646,075</u>
Total assets	<u>\$ 882,332,118</u>	<u>963,046,905</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,846,261	7,029,880
Retentions payable	376,624	6,364,997
Interest payable	7,069,853	7,069,853
Due to other City of Santa Clara funds	68,441	67,379
Deferred rent, current portion	250,000	215,000
Agency advance loan payable, current portion	—	6,006,450
Subordinated loan payable, current portion	3,561,906	3,376,224
Unearned revenue, current portion	11,250,852	10,047,335
Total current liabilities	<u>26,423,937</u>	<u>40,177,118</u>
Deferred rent	3,026,415	2,297,371
Agency advance payable	—	12,027,594
Term A loan payable	282,794,108	282,794,108
Term B loan payable	—	34,768,402
CFD advance loan payable	35,986,692	37,228,389
Subordinated loan payable	142,377,140	185,354,402
Unearned revenue	373,119,157	362,885,538
Total noncurrent liabilities	<u>837,303,512</u>	<u>917,355,804</u>
Total liabilities	<u>\$ 863,727,449</u>	<u>957,532,922</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 360,326,889	300,575,889
Restricted for capital projects and other agreements	26,616,791	15,621,808
Unrestricted deficit	<u>(368,339,011)</u>	<u>(310,683,714)</u>
Total net position	<u>\$ 18,604,669</u>	<u>5,513,983</u>

See accompanying notes to financial statements.

**SANTA CLARA STADIUM AUTHORITY**  
(a Component Unit of the City of Santa Clara, California)  
Statements of Revenue, Expenses, and Changes in Net Position  
Years ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenue:		
Charges for services	\$ 101,394,435	61,643,937
Rents and licensing	41,796,806	39,730,672
	<u>143,191,241</u>	<u>101,374,609</u>
Operating expenses:		
Leases	4,140,303	3,731,554
Materials, services, and supplies	99,605,903	56,671,082
Selling, general, and administrative expenses	698,080	5,786,333
Depreciation	16,548,887	11,391,345
	<u>120,993,173</u>	<u>77,580,314</u>
Operating income	22,198,068	23,794,295
Nonoperating revenue (expenses):		
Interest revenue	13,906,565	13,469,697
Interest expense	(26,441,624)	(20,757,624)
Other expense	—	(25,000)
	<u>9,663,009</u>	<u>16,481,368</u>
Income before contributions and other revenue		
Contributions and other revenue:		
Contribution from Community Facilities District	3,427,677	1,533,280
	<u>13,090,686</u>	<u>18,014,648</u>
Increase in net position		
Net position – beginning of year	5,513,983	(12,500,665)
Net position – end of year	<u>\$ 18,604,669</u>	<u>5,513,983</u>

See accompanying notes to financial statements.

**SANTA CLARA STADIUM AUTHORITY**  
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Statements of Cash Flows

Years ended March 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Receipts from customers	\$ 106,102,435	185,753,110
Payments to suppliers	(104,907,739)	(63,448,190)
Rents and licensing received	41,027,637	37,836,728
Net cash provided by operating activities	42,222,333	160,141,648
Cash flows from noncapital financing activities:		
Increase (decrease) in due to other City of Santa Clara funds	1,062	(45,410)
Net cash provided by (used in) noncapital financing activities	1,062	(45,410)
Cash flows from capital and related financing activities:		
Contribution from Successor Agency	18,034,044	3,957,551
Contribution from Community Facilities District	3,329,821	676,066
Acquisition and construction of capital assets	(11,770,498)	(132,044,744)
Proceeds from debt issuance	—	42,745,022
Principal payments on capital debt	(69,078,000)	(134,556,346)
Interest paid on capital debt	(26,441,624)	(20,835,867)
Net cash used in capital and related financing activities	(85,926,257)	(240,058,318)
Cash flows from investing activities:		
Interest and dividends	8,810,717	13,469,697
Net cash provided by investing activities	8,810,717	13,469,697
Net decrease in cash and restricted cash	(34,892,145)	(66,492,383)
Cash and restricted cash, beginning of year	101,825,094	168,317,477
Cash and restricted cash, end of year	\$ 66,932,949	101,825,094
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 22,198,068	23,794,295
Depreciation	16,548,887	11,391,345
Change in operating assets and liabilities:		
Accounts receivable	(7,498,305)	(6,837,085)
Accrued liabilities	(1,227,497)	1,941,731
Prepaid expenses	—	1,386,220
Unearned revenue	11,437,136	127,666,094
Deferred rent	764,044	799,048
Net cash provided by operating activities	\$ 42,222,333	160,141,648

See accompanying notes to financial statements.

**SANTA CLARA STADIUM AUTHORITY**  
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Notes to Financial Statements

March 31, 2016 and 2015

**(1) Organization and Reporting Entity**

**(a) Organization**

On June 8, 2010, residents of Santa Clara voted to adopt Measure J, the Santa Clara Stadium Taxpayer Protection and Economic Progress Act, resulting in the approval to construct a new 68,500-seat football stadium (the Stadium) to be leased to the San Francisco 49ers (49ers). In addition, Measure J called for the creation of the Santa Clara Stadium Authority to own, develop, construct, operate, and maintain the Stadium project. The City of Santa Clara (City) and the City of Santa Clara Redevelopment Agency (Agency) entered into a Joint Exercise of Powers Agreement (JPA Agreement) establishing the Santa Clara Stadium Authority (Stadium Authority). The JPA Agreement was later amended to add the Bayshore North Project Enhancement Authority as a member of the Stadium Authority. On June 28, 2011, the Governor signed into law Assembly Bill No. X1 26 (ABX1 26), which called for the dissolution of Redevelopment Agencies throughout the State. The California State Supreme Court upheld ABX1 26 and as a result, on February 1, 2012, all California Redevelopment Agencies were dissolved. The Successor Agency of the City of Santa Clara (Successor Agency) then assumed the obligations of the Agency under the JPA Agreement.

**(b) Financial Reporting Entity**

As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the application of these criteria, the Stadium Authority has no component units. However, the Stadium Authority is a component unit of the City of Santa Clara because the Mayor and City Council serve as the Board of the Stadium Authority. The City Manager serves as the Executive Director. The debt incurred for the construction of the Stadium is the responsibility of the Stadium Authority. The City is not a party to the debt nor has the City guaranteed such debt.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The financial statements of the Stadium Authority have been prepared in conformity with GAAP as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing government accounting and financial reporting principles. The Stadium Authority is included as an enterprise fund in the City's Comprehensive Annual Financial Report, and therefore, these financial statements do not purport to represent the financial position and changes in financial position of the City.

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(a Component Unit of the City of Santa Clara, California)

Notes to Financial Statements

March 31, 2016 and 2015

**(b) Basis of Accounting and Measurement Focus**

The Stadium Authority reports its activities as a business-type activity. The financial statements include statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows, and are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statements of net position. Reported net position is segregated into three categories – net investment in capital assets, restricted and unrestricted. The statements of revenue, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

Operating revenues are those revenues that are generated from the primary operations of the Stadium Authority. All other revenues is reported as non-operating. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

**(c) Year-End**

An amendment was made to the JPA Agreement on November 13, 2012 in part to change the fiscal year of the Stadium Authority from a July 1 through June 30 fiscal year to an April 1 through March 31 fiscal year to conform with the fiscal year of Stadium Funding Trust.

**(d) Cash, Restricted Cash, and Cash with Fiscal Agent**

The Stadium Authority’s cash is not pooled with the City of Santa Clara, but is held in separate bank and trust accounts.

**Composition of Cash, Restricted Cash, and Restricted Cash with Fiscal Agent**

Cash, restricted cash, and restricted cash with fiscal agent at March 31, 2016 and 2015 consist of cash deposits in banks.

Restricted cash includes construction period and other revenues that have not yet been transferred to Stadium Funding Trust accounts. On the 15th of the following month all restricted cash is swept into the Stadium Funding Trust accounts as required by the Deposit and Disbursement Agreement and becomes restricted cash with fiscal agent. It also includes cash dedicated to construction and the capital expenditure and operating reserve accounts.

Restricted cash with fiscal agent consists of Stadium deposits pledged to a syndicate of lenders, and deposits for Stadium construction. The application of these deposits is restricted to fund Stadium construction and Stadium Authority operations and debt service after Stadium completion.

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**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 105% to 150% of the Stadium Authority's cash on deposit. All of the deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions.

*(e) Accounts Receivable*

Accounts receivable are recorded in the Stadium Authority's accounts at the amounts that are contractually due. Accounts receivable include cash proceeds due from annual stadium builders license (SBL) payments as well as new SBL sales. SBL proceeds are recorded as unearned revenue and recognized as revenue over the term of the SBL contracts. Accounts receivable also include payments due from the Forty Niners Stadium Management Company, LLC as a result of the operations of non-National Football League (NFL) events held at the Stadium; naming rights revenue due from Levi Strauss & Co.; special tax proceeds collected by the Community Facilities District (CFD) and not yet paid to Stadium Authority pursuant to the CFD Reimbursement Agreement; and other miscellaneous receivables.

*(f) Capital Assets*

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets and is charged as an expense against operations.

	<b>Useful lives (years)</b>
Buildings	20–50
Improvements	20–50
Equipment	3–25
Infrastructure	10–50

The cost of maintenance, repairs, minor replacements, and renewals are charged to operations as incurred. Major replacements, renewals, and betterments are capitalized. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in the statements of revenue, expenses, and change in net position.

Interest is capitalized on construction in progress in accordance with applicable guidance.

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**(g) *Unearned Revenue and Revenue Recognition***

SBL proceeds and payments received for other license agreements are initially recorded as unearned revenue and are recognized as revenue over the term of the contracts. Rental income is recognized as revenue on a straight-line basis over the term of the stadium lease.

Non-NFL event revenues, NFL ticket surcharge, non-NFL ticket surcharge, and other operating revenue are recognized as they are earned.

**(h) *Risk Management***

The Stadium Authority entered into an agreement with Willis Insurance Services of California, Inc. (Willis) under which Willis provides insurance broker services to cover the design and construction of the Stadium. The Willis service includes implementing and monitoring an Owner Controlled Insurance Program (OCIP) throughout the term of the Stadium construction. Policy premiums were recorded as prepaid expenses and amortized to construction in progress over the terms of the policies.

Per the terms of the Stadium Lease (note 6(b)), during operations, the Forty Niners SC Stadium Company LLC (StadCo) procures insurance and the Stadium Authority pays a proportionate share to StadCo. Willis is also the insurance broker for Stadium operations.

**(i) *Income Taxes***

The Stadium Authority falls under the purview of Internal Revenue Code, Section 115 and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to federal or state income taxes.

**(j) *Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(k) *Reclassifications***

Certain reclassifications not affecting change in net position have been made to the 2014–15 financial statements to conform to the 2015–16 presentation.

**(3) *Stadium Development***

**(a) *Transaction Overview***

During fiscal year 2011-12, the Stadium Authority and StadCo entered into a series of agreements in connection with the construction of the Stadium. The Stadium was constructed and is owned by the Stadium Authority; certain tenant improvement components are owned by StadCo. Construction on the Stadium began in April 2012 and it was substantially completed in July 2014, in time for the 2014 NFL season.



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The City owns the land on which the Stadium was constructed. The City has leased the land to the Stadium Authority under a ground lease, and the Stadium Authority has leased the Stadium to StadCo for the six-month period from August through January (the NFL season) of each year, for an initial lease term of 40 years. The stadium lease commenced in August 2014 upon substantial completion.

The Stadium Authority retained a design-build firm to complete the design and construction of the Stadium pursuant to a guaranteed maximum price contract (\$886 million as of March 31, 2016). The Stadium Authority is generally responsible for amounts due to the design-builder, except that StadCo is responsible for payment of costs of tenant improvements. StadCo is acting as construction agent for the Stadium Authority, with primary responsibility for administering the design-build contract. StadCo and the Stadium Authority in consultation with an external advisor have conducted a review of the total construction costs in order to properly allocate final costs between the two entities. Although a finalized allocation has not been completed, a true-up of the allocation has been recorded during the year ended March 31, 2016 based on that review. The true-up resulted in a reduction to capitalized stadium assets by \$27.76 million as well as a corresponding reduction to the StadCo Subordinated Loan.

The Stadium Authority and StadCo have engaged Forty Niners Stadium Management Company LLC (ManagementCo), an affiliate of StadCo, to manage the Stadium on a year-round basis. The Stadium Management Agreement has an initial term of 25 years, plus a 15-year renewal option. The Stadium Authority pays ManagementCo for services related to its operations on behalf of the Stadium Authority.

**(b) Construction Funding**

Funding for construction of the Stadium, excluding tenant improvements funded by StadCo, falls into three major categories: an initial construction loan from a bank syndicate, which was refinanced during 2013 as described below; funding from the StadCo Subordinated Loan; and construction period and other revenues.

**Stadium Construction Loan Facility**

The initial financing included a delayed draw term loan facility (the Construction Facility) provided by a syndicate of banks (the Lenders) to Stadium Funding Trust (FinanceCo). FinanceCo, a Delaware statutory trust, entered into the Construction Facility with the Lenders and then issued a loan facility to the Stadium Authority in the amount of \$450 million (the Authority Loan). The Construction Facility had a maturity date of September 1, 2015. In June 2013, FinanceCo and the Stadium Authority refinanced the Construction Facility, resulting in FinanceCo paying off the Construction Facility and entering into a new debt structure that includes 26-year fixed rate notes and a delayed draw 5-year loan facility. FinanceCo then issued a new loan facility to the Stadium Authority in the amount of \$450 million. The Stadium Authority's loan facilities are discussed in note 5.

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**Construction Period and Other Revenues**

Certain revenues were collected by the Stadium Authority while the Stadium was under construction. These construction period and other revenues primarily consisted of SBL and naming rights revenues collected by the Stadium Authority.

**(4) Capital Assets**

Capital asset activity for the year ended March 31, 2016 was as follows:

	<u>Balance, March 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, March 31, 2016</u>
Capital assets being depreciated:				
Buildings	\$ 846,416,382	3,744,985	(27,757,723) <sup>(1)</sup>	822,403,644
Machinery and equipment	1,071,335	81,018	—	1,152,353
Less accumulated depreciation for:				
Buildings	(11,285,552)	(16,416,042)	—	(27,701,594)
Machinery and equipment	(119,919)	(132,845)	—	(252,764)
Net capital assets	<u>\$ 836,082,246</u>	<u>(12,722,884)</u>	<u>(27,757,723)</u>	<u>795,601,639</u>

<sup>(1)</sup> The reduction in building is the result of an allocation true-up to transfer construction related tenant improvement costs from the Stadium Authority to StadCo (see note 3(a)).

Capital asset activity for the year ended March 31, 2015 was as follows:

	<u>Balance, March 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, March 31, 2015</u>
Nondepreciable assets:				
Construction in progress	\$ 753,055,740	93,360,642	(846,416,382)	—
Total nondepreciable assets	<u>753,055,740</u>	<u>93,360,642</u>	<u>(846,416,382)</u>	<u>—</u>
Capital assets being depreciated:				
Buildings	—	846,416,382	—	846,416,382
Machinery and equipment	671,371	399,964	—	1,071,335
Less accumulated depreciation for:				
Buildings	—	(11,285,552)	—	(11,285,552)
Machinery and equipment	(14,126)	(105,793)	—	(119,919)
Net depreciable assets	<u>657,245</u>	<u>835,425,001</u>	<u>—</u>	<u>836,082,246</u>
Net capital assets	<u>\$ 753,712,985</u>	<u>928,785,643</u>	<u>(846,416,382)</u>	<u>836,082,246</u>

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Interest cost incurred during the years ended March 31, 2016 and 2015 totaled \$26,441,624 and \$31,598,208 respectively. No interest was capitalized for the year ended March 31, 2016 and \$10,840,584 was capitalized for the year ended March 31, 2015.

**(5) Long-Term Debt**

**(a) Long-Term Debt Summary**

Changes in long-term debt for the year ended March 31, 2016 consisted of the following:

Type of indebtedness	Issue date	Due date	Interest rates	Outstanding as of March 31, 2015	Additions	Reductions	Outstanding as of March 31, 2016	Amounts due within one year
Business type activity debt:								
StadCo Agency Advance	3/28/2012	7/1/2017	4.50%-5.50%	\$ 18,034,044	—	(18,034,044)	—	—
Stadium Funding Trust loan:								
Term A loan	6/19/2013	4/1/2039	5.00%	282,794,108	—	—	282,794,108	—
Term B loan	6/19/2013	6/19/2018	LIBOR+2.00%	34,768,402	—	(34,768,402)	—	—
StadCo CFD Advance	4/1/2013	12/31/2054	5.73%	37,228,389	174,284	(1,415,981)	35,986,692	—
StadCo subordinated loan	3/28/2012	3/31/2043	5.50%	188,730,626	22,293	(42,813,873) <sup>(1)</sup>	145,939,046	3,561,906
Total				\$ 561,555,569	196,577	(97,032,300)	464,719,846	3,561,906

<sup>(1)</sup> The reduction in the StadCo subordinated loan includes an adjustment of \$27,757,723 due to an allocation true-up to transfer construction related tenant improvement costs from the Stadium Authority to StadCo (see note 3 (a)).

Changes in long-term debt for the year ended March 31, 2015 consisted of the following:

Type of indebtedness	Issue date	Due date	Interest rates	Outstanding as of March 31, 2014	Additions	Reductions	Outstanding as of March 31, 2015	Amounts due within one year
Business type activity debt:								
StadCo Agency Advance	3/28/2012	7/1/2017	4.50%-5.50%	\$ 21,402,817	588,778	(3,957,551)	18,034,044	6,006,450
Stadium Funding Trust loan:								
Term A loan	6/19/2013	4/1/2039	5.00%	282,794,108	—	—	282,794,108	—
Term B loan	6/19/2013	6/19/2018	LIBOR+2.00%	92,319,767	34,288,117	(91,839,482)	34,768,402	—
StadCo CFD Advance	4/1/2013	12/31/2054	5.73%	29,360,262	7,868,127	—	37,228,389	—
StadCo subordinated loan	3/28/2012	3/31/2043	5.50%	227,489,939	—	(38,759,313)	188,730,626	3,376,224
Total				\$ 653,366,893	42,745,022	(134,556,346)	561,555,569	9,382,674

**(b) StadCo Agency Advance**

Pursuant to a series of agreements (the RDA Funding Agreements) entered into in 2011 among StadCo, the Stadium Authority, and the Agency, the Agency agreed to contribute up to \$41.6 million toward Stadium project costs. As of March 31, 2013, the Agency had funded \$11.4 million of this amount to the Stadium Authority, with the remaining Agency commitment, totaling \$30.3 million, to be paid to the Stadium Authority by the Agency (or its successor) in future years.

Recognizing that this future funding had been pledged to the Stadium Authority, StadCo agreed to fund certain Stadium project costs, in exchange for the Stadium Authority's commitment to repay

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StadCo from the funds the Stadium Authority would receive from the Agency. Accordingly, StadCo funded project costs on behalf of the Stadium Authority in the amount of \$30.3 million.

On September 23, 2013, StadCo, the Stadium Authority, the Agency, and the State of California reached a settlement to StadCo's challenge of certain actions relating to the State's elimination of redevelopment agencies throughout California which included the dissolution of the Agency in 2012. In accordance with the settlement, \$30.3 million would be paid to the Stadium Authority, plus interest at an amended rate of 4.5%. This amount was being paid in installments beginning January 2, 2014 and continuing until July 1, 2017. On January 27, 2016, the Agency funded the remaining amount due in advance of the prescribed installment plan. As of March 31, 2016, the Agency has funded \$34.7 million of the settlement amount, including interest, and the loan has been fully repaid.

**(c) Stadium Funding Trust Loan**

The Restated Credit Agreement by and among FinanceCo, the Stadium Authority and Goldman Sachs Bank was entered into on June 19, 2013. FinanceCo agreed to loan the Stadium Authority up to \$450 million. Under the Restated Credit Agreement, the loan from FinanceCo consists of the Term A Loan and the Term B Loan.

**Term A Loan**

The Term A Loan was made in the amount of \$282.79 million. This loan bears interest at a fixed rate of 5%, payable semi-annually, with annual principal payments due beginning in April 2018. It has a maturity date in 2039 and is subject to certain prepayment premiums. The loan was fully drawn at closing.

As of March 31, 2016 and 2015, \$282.79 million was outstanding.

**Term B Loan**

The Term B Loan is for a maximum amount of \$167.21 million. The Term B Loan may be prepaid without penalty. This loan bears a variable interest rate of LIBOR plus 2% and has a maturity date in 2018. The applicable interest rates on the Term B Loan varied between 2.18% and 2.44% during the fiscal year ended March 31, 2016 and between 2.15% and 2.17% during the fiscal year ended March 31, 2015.

On August 28, 2015 and March 31, 2016 the Stadium Authority made principal prepayments of \$9 million and \$25.77 million respectively, which resulted in the loan being fully repaid as of March 31, 2016, eliminating future interest rate risk.

**(d) StadCo CFD Advance**

In May of 2010, the City of Santa Clara completed the proceedings to establish a CFD for the purpose of financing certain publicly owned facilities and public services associated with the Stadium.

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On June 11, 2013, the CFD, the Stadium Authority, and StadCo entered into a Reimbursement Agreement under which the CFD would agree to reimburse the Stadium Authority for costs of the publicly owned facilities and public services constructed for the Stadium. The reimbursement can only be made from the special tax generated by the CFD, as and when received by the CFD.

StadCo has agreed to advance to the Stadium Authority funds to pay for the CFD Infrastructure (StadCo CFD Advance). To evidence the Stadium Authority's obligation to repay the StadCo CFD Advance, the Stadium Authority and StadCo also executed a note on June 11, 2013. The StadCo CFD Advance has a maximum principal of \$38 million and an interest rate of 5.73%.

During the year ended March 31, 2016, as the special CFD tax was submitted to the Stadium Authority, a number of payments were made on the CFD Advance. These payments totaled \$3.33 million, which included \$1.91 million in interest and \$1.42 million in principal. As of March 31, 2016 and 2015, \$35.99 million and \$37.23 million, respectively, was outstanding which includes \$0.17 million and \$1.28 million of interest added to principal during the years ended March 31, 2016 and 2015, respectively.

**(e) *StadCo Subordinated Loan***

The StadCo Obligations Agreement dated as of March 28, 2012 was entered into by and between StadCo and the Stadium Authority. The StadCo Obligations Agreement provided subordinated borrowing to the Stadium Authority in an amount not to exceed \$500 million through September 1, 2015 with interest at the 90-day LIBOR rate plus the applicable margin.

The Restated StadCo Obligations Agreement dated as of June 19, 2013 was entered into by and between StadCo and the Stadium Authority as part of the take-out financing process. Under the Restated StadCo Obligations Agreement, StadCo agreed to loan the Stadium Authority an amount not to exceed \$500 million with a fixed 5.50% interest rate. Required principal repayments started in March 2016 and the Stadium Authority may prepay the loan at any time.

On March 30, 2016 the Stadium Authority made a payment in the amount of \$24.06 million. This included the required principal payment of \$3.38 million, a \$10.16 million principal prepayment, and \$10.52 million in interest. Additionally, an adjustment was made to reduce the loan by \$27.76 million due to an allocation true-up to transfer construction related tenant improvement costs from the Stadium Authority to StadCo (see note 3 (a)). As of March 31, 2016 and 2015, \$145.94 million and \$188.73 million, respectively, was outstanding including \$22 thousand of interest added to principal during the year.

**(f) *Management Company Revolving Loan***

The Management Company Revolving Loan dated as of March 28, 2012 was entered into by and between the Stadium Authority and ManagementCo. The Management Company Revolving Loan provides borrowing to the Stadium Authority in an amount not to exceed \$25 million through the earlier of the end of the term of the Stadium Lease or the expiration of the Stadium Management Agreement, with interest at the prime rate payable quarterly. The Management Company Revolving Loan may be used solely for the purpose of enabling the Stadium Authority to pay Covered Stadium

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Authority Operating Expenses (as defined in the agreement) to the extent, and only to the extent, that funds are not otherwise available.

As of March 31, 2016 and 2015, there was no balance outstanding.

**(g) Long-Term Debt Maturities**

Future principal amounts due on long-term debt are as follows as of March 31, 2016:

Year ending March 31:		
2017	\$	3,561,906
2018		3,757,822
2019		16,074,502
2020		16,900,550
2021		17,766,590
Thereafter		406,658,476
Total	\$	464,719,846

**(6) Leases**

**(a) Ground Lease**

On February 28, 2012, the Stadium Authority entered into a lease (the Ground Lease) with the City whereby the City leases the Stadium site to the Stadium Authority. The Ground Lease was amended on June 19, 2013.

The Ground Lease has an initial term of 40 years. The first lease year commenced on the first day following the substantial completion of construction (August 1, 2014) and ended on the next following March 31. The subsequent lease years start on April 1 and end on the following March 31. The Stadium Authority will have five successive extension options, each four years in duration, which would commence following the initial term expiration date.

The Ground Lease provides that the City will receive a fixed ground rent (Fixed Ground Rent) of \$180 thousand for the first year of Stadium operations payable by the Stadium Authority. Beginning in the second year of Stadium operations and annually thereafter through the 10th year of Stadium operations, the Fixed Ground Rent will increase annually by \$35 thousand. Beginning in the 11th year of Stadium operations, Fixed Ground Rent will be increased to equal \$1 million, and thereafter will be increased by \$100 thousand every five years through the end of the initial term of the Ground Lease. If the term of the Ground Lease is extended, then, during the first extension term, the Fixed Ground Rent will equal \$1.58 million; and if and to the extent the Ground Lease is further extended, the Fixed Ground Rent will be increased by \$80 thousand every four years thereafter through the expiration of the term of the Ground Lease.

The Ground Lease also provides that the City will receive a performance-based rent equal to fifty percent of the net income from non-NFL events, less certain credits, payable by the Stadium Authority.

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If certain of the credits are not used within the year incurred or the next five succeeding years, the credits will expire.

Future minimum payments due under the lease are as follows:

Year ending March 31:		
2017	\$	250,000
2018		285,000
2019		320,000
2020		355,000
2021		390,000
Thereafter		<u>38,880,000</u>
	\$	<u><u>40,480,000</u></u>

**(b) Stadium Lease**

On March 28, 2012, the Stadium Authority entered into a lease with StadCo whereby the Stadium Authority leases the Stadium to StadCo. On June 19, 2013, the same parties entered into an Amended and Restated Stadium Lease Agreement (the Stadium Lease).

The Stadium Lease has an initial term of 40 years commencing on the first day following the substantial completion of construction (August 1, 2014) and includes five successive options to extend the term by four years each. The Stadium Lease is divided into two seasons:

- the Tenant Season, which includes the NFL season (including preseason, regular season and postseason NFL games) and runs from August 1 through January 31; and
- the Stadium Authority Season, which runs from February 1 through July 31.

Pursuant to the Stadium Lease, the Stadium Authority and StadCo will be entitled to receive and collect separate revenues. Rent payable by StadCo to the Stadium Authority will be \$24.5 million per year. This amount was established pursuant to the Stadium Lease in connection with the take-out financing, which occurred on June 19, 2013. The Stadium Lease allows for one opportunity to adjust the rent if operating expenses or debt service are either more or less than projected in determining the initial rent. This analysis is currently ongoing (note 7(a)). If the analysis yields an adjustment to the rent, it will be adjusted as of April 1, 2015. The lease also provides for a fair market rent adjustment in year 33.

The Stadium Authority may elect to expand the Tenant Season to consist of the entire lease year, from April 1 through the next succeeding March 31 (Stadium Authority Put Right), by delivering written notice to StadCo. The Stadium Authority Put Right may be exercised at any time during lease year 13, or at any time that the Management Company Revolving Loan balance exceeds \$20 million. The expansion of the Tenant Season will be effective as of the applicable Tenant Season Expansion Date as set forth in the Stadium Lease. Effective from and after the Tenant Season Expansion Date, and continuing through the remainder of the Stadium Lease term, the Tenant Season will consist of the entire lease year.

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**(7) Contingencies**

**(a) *Stadium Facility Rent Arbitration – Forty Niners SC Stadium Company, LLC Vs. Santa Clara Stadium Authority***

StadCo has invoked the arbitration provisions of the Stadium Lease between StadCo and the Stadium Authority in order to settle a dispute between the lease parties regarding the amount of rent to be paid by StadCo to the Stadium Authority under the terms of the Stadium Lease. The Stadium Lease calls for a one time rent adjustment after the first full year of operations. StadCo claims that the rent should be adjusted downward from \$24.5 million to \$19.125 million per year. The Stadium Authority has not determined what the appropriate rent should be. Should the rent be adjusted downward, the Stadium Authority may be required to return to StadCo the excess rent collected, if any.

**(b) *Asset Retirement Obligation***

Pursuant to the Ground Lease, the Stadium Authority may be required to demolish the Stadium and other improvements at the end of the lease term, upon written notice from the City. Pursuant to the Stadium Lease, the Stadium Authority will establish reserves to fund the cost of demolishing the stadium at the end of the lease term. While such reserves are projected to cover the entire demolition cost, StadCo will be responsible for funding any shortfall.

**(8) Subsequent Events**

Management has evaluated subsequent events through August 16, 2016, which is the date the financial statements were available to be issued, and determined there are no other items to disclose.