



Meeting Minutes

Monday, September 26, 2016 – 3:00 p.m.

**Committee Members present:**

Mayor Lisa M. Gillmor

Vice Mayor Teresa O'Neill

Council Member Patrick Kolstad

Meeting Minutes – DRAFT

Monday, September 26, 2016 – 3:00 p.m.

**Staff present:**

Rajeev Batra, Acting City Manager

Richard Nosky, City Attorney

**1. Status update from Harvey Rose Associates, LLC**

Fred Brousseau gave an update on Status Report #04 for the period of September 15-23, 2016, which included activities and accomplishments during the reporting period, issues and challenges during the reporting period, potential audit issues that were identified, tasks to be completed during the next reporting period (September 27 – October 4), pending matters and other issues. Fred reported that 15 to 20 city employees have come forward to report issues with reporting their time for stadium related work. (Report attached)

**2. Reports for Committee Information**

Richard Nosky, City Attorney, gave a brief update regarding the Police Department policy regarding officers making public statements in non-criminal investigations.

**3. Questions and Comments by Committee Members**

There was a robust discussion by Committee Members, the City Manager and Mr. Brousseau. Main themes included the following:

- A. Clarification of employee time to Stadium Authority, including an analysis of if the City Manager Directive needs revisions.
- B. Shared expenses between the Stadium Authority and Stadium Manager.
- C. What costs are reasonably attributed to stadium events, including post event issues or occurrences (i.e. police report writing).
- D. Need for employee training for timekeeping for stadium events, per City Manager Directive.
- E. Noted that the construction phase costs were separate and distinct from the costs accrued since the stadium opened.

**4. Questions and Comments by the Public**

Several members of the public addressed the Committee. Main themes included the following:

- A. Inquiry regarding number of employees reporting problems with compliance and how the complaints are investigated.
- B. Inquiry regarding invoices to the 49ers for services and if all issued invoices had been paid to date.
- C. Noted the need for revised guidelines for employees to report their stadium related hours.

- D. Inquiry regarding total possible amount incorrectly billed to the City.
- E. Inquiry regarding staff direction to charge for time for planning events, post event follow up, and what constitutes a stadium related occurrence.
- F. Inquiry regarding whether there was any deliberate wrongdoing, or any direction to not charge correctly.
- G. Concern regarding public safety cap being too low.

5. **Adjournment:**

The Mayor adjourned the meeting to the next meeting on Wednesday, October 12, 2016 at a later meeting time of 5:30 - 6:00 p.m., to allow for more public attendance.

# HARVEY M. ROSE ASSOCIATES, LLC

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## Comprehensive Audit of Stadium Authority Finances

September 26, 2016

**TO:** Audit Ad Hoc Steering Committee  
**FROM:** Fred Brousseau, Principal-in-Charge  
**SUBJECT:** Status Report #04

Period covered: September 15 – 23, 2016

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### 1. Activities and Accomplishments during Reporting Period

- a. The audit team continued its detailed review of Measure J and the core agreements between the City of Santa Clara, the Santa Clara Stadium Authority (SCSA), the Forty Niners Stadium Company LLC and the Forty Niners Stadium Management Company. This review was expanded to include other associated documentation including the Santa Clara Stadium Document and Transaction Overview from March 2012; the Final Draft of the Levi's Stadium in Santa Clara Transaction Guide from October 2013; and, the Outline of the Stadium Public Safety Plan as presented to the City Manager and City Council in March 2012. A key purpose of these reviews was to understand the baseline financial requirements of Measure J and to ascertain how they were translated into the operating agreements and City procedures and practices. Critical to the review was documenting the flows of funds between the entities, formulae used to determine the City's reimbursable costs and the processes by which City costs are budgeted, tracked, reported and billed to the SCSA and the Forty Niners entities.
- b. The audit team communicated with additional City employees who made contact with the audit team pursuant to the Acting City Manager's announcement sent to all City employees informing them that they could contact the audit team to provide input on Stadium Authority audit matters.
- c. The audit team obtained examples of NFL event reimbursement cost reports from Finance Department staff. After reviewing these examples, the audit team conducted a second interview with Finance Department staff responsible for collecting and reporting Stadium Authority citywide staff time and other costs for reimbursement from the Stadium Authority and/or the 49ers Stadium Management Company. The purpose of this interview was to gain a complete understanding of the Finance Department staff's responsibilities, the flow of staff time records and data between City departments, Finance Department staff and the 49ers Stadium Management Company regarding the City's reimbursed costs, and the management of Stadium Authority finances and reimbursement flows. This information is particularly needed for Task 4

of the audit work plan (Analysis of Timekeeping and Staff Cost Allocation Policies, Procedures and Practices, including testing of sample time card and account code records).

- d. The audit team continued to analyze Stadium Authority annual financial statements (audits), and budget documents including the adopted annual operating budgets and quarterly financial status updates provided to the Stadium Authority Board. The two documents present financial information in different formats so the audit team has compiled a set of questions to present to City and/or 49ers Stadium Management Company (ManCo) staff to reconcile the information in the documents. The purpose of this analysis is to review the level of detail and clarity of Board budget presentations and to conduct a detailed review of Stadium Authority operating costs and Non-NFL Event for the two year audit scope period (Tasks 5 and 6 from the audit work plan: Review and Analysis of Stadium Operating Costs and Review and Analysis of Revenues and Expenses for Non-NFL Events, respectively).
- e. The audit team initiated follow up contacts with the Police Department and Fire Department to obtain additional documentation of reimbursable Stadium costs and have requested additional interviews with departmental staff to document the extent of each department's Stadium related activities and the degree to which such activities have been captured as Stadium costs for reimbursement.
- f. In a previous reporting period, the audit team contacted each City department head requesting information on whether any employees in their department have provided Stadium-related services between April 2014 and the present and, if so, to provide copies of written procedures used to instruct staff on how to record their time spent on Stadium activities. If they did not have written procedures, we requested that they describe how time recording instructions were communicated to staff (e.g., staff meetings, individually, etc.). All department heads have provided responses to this inquiry and follow-ups with certain department heads have occurred or are underway.
- g. The audit team made contact with ManCo and requested an initial meeting and interview. A Request for Information is being prepared by the audit team and will be submitted to the organization prior to or at our initial meeting. Confirmation of a meeting time is pending.

## **2. Issues/Challenges during Reporting Period**

None to report.

## **3. Potential Audit Issues Identified:**

As reported in our third status report dated September 14, 2016, the audit team has identified two initial issues that will be among the matters investigated as part of the audit. Please note that these are preliminary issues and still subject to further review and analysis.

The first issue is that the City's Finance Department created time codes and worked with individual City employees to assist them in tracking and recording their time spent on Stadium-related tasks

after Stadium construction was completed. However, until August, 2016, when the Acting City Manager issued a directive to all employees on this topic, the City apparently did not provide central citywide direction to all employees clarifying what work activities are attributable to the Stadium and subject to reimbursement. As a result, some staff time for all relevant activities may not have been billed and reimbursed. The audit team will investigate whether some staff time spent on Stadium-related work was not charged to the Stadium Authority or 49ers entities as part of Task 4 in our work plan.

A second potential audit issue that the audit team is analyzing is that a number of Stadium-related plans and specialized budgets required in the SCSA agreements and that serve as the basis for certain SCSA and City revenues and expenses are not individually presented to the Stadium Authority Board or summarized in the SCSA annual budget and financial status reports. Examples of these documents are the Stadium Operations and Maintenance Plan, the Annual Shared Stadium Expenses Budget and the Public Safety Budget. Elements of the documents are reportedly incorporated in the SCSA budget that is reviewed and approved by the Board, but without the detail of the foundation documents. In contrast, a summary of the Capital Expenditure Plan is presented in the budget and quarterly financial status reports.

While the current approach is consistent with provisions of the Lease Agreement, which delegates authority to the SCSA Executive Director for approval, consent, or waiver on behalf of the SCSA, presentation of these documents or a clear presentation of how they have been incorporated in the SCSA budget might better assist the Board in their role overseeing SCSA's revenues and expenses. Review of this information is occurring as part of Tasks 5 and 6 in our audit work plan.

#### **4. Tasks to be Completed during the Next Reporting Period (September 27 – October 4):**

The audit team will continue its analysis of financial information collected from the Finance Department to analyze compliance with Measure J and the pertinent agreements and to conduct an analysis of Stadium-related revenues and expenses, by line item, for NFL and Non-NFL Events.

The audit team will schedule a follow up interview with the Finance Director to clarify all Stadium Authority finances and reports provided to the Board.

The audit team will interview staff from ManCo to obtain an overview of their functions and to make arrangements for the collection and analysis of financial data, plans, related budgets and other information that ManCo prepares pertaining to Stadium Authority costs and operations.

At the suggestion of the Acting City Manager, the audit team may contact and interview representatives of Keyser Marston, financial adviser to the City and SCSA, who were involved in developing the financial models for the Stadium prior to its opening and in preparation of the agreements between the City, SCSA and the 49ers' entities.

**5. Pending matters**

Schedule for releasing audit findings.

Our analysis is focusing on the following core tasks in our audit work plan. The audit team would like to discuss Committee priorities and sequencing of our work on each of these tasks.

Task 4: Analysis of Timekeeping and Staff Cost Allocation Policies, Procedures and Practices, including testing of sample time card and account code records

Task 5: Review and Analysis of Stadium Operating Costs

Task 6: Review and Analysis of Revenues and Expenses for non-NFL Events

Task 7: Review and evaluate parking receipts from City-owned property and offsite parking

**6. Other issues**

No other issues at this time.