



Meeting Minutes

Wednesday, October 12, 2016 – 5:30 p.m.

**Committee Members present:**

Mayor Lisa M. Gillmor  
Vice Mayor Teresa O'Neill  
Council Member Patrick Kolstad

**Staff present:**

Ruth Shikada, Assistant City Attorney  
Richard Nosky, City Attorney

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

Fred Brousseau gave an update on Status Report #05 for the period of September 26 – October 11, 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 (October 13 – October 26), pending matters and other issues. His report included suggested changes to the City Manager Directive for Stadium and Special Event time reporting and reimbursement for City services. He also included a letter that he sent to the editor of the Santa Clara Weekly Publication, which was dated on October 7, 2016. (Report attached)

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

A discussion was had by Committee Members and Mr. Brousseau. Main themes included the following:

- A. Appropriateness of Public Safety cap per game and the need to possibly revise this amount.
- B. Whether actual documents exist and what the process is to get these documents from the departments or the 49ers and whether there is anything noted in the contracts that limit the access to these documents for the Board Members.
- C. Whether departments are cooperating with requests by Harvey Rose Associates, LLC.
- D. Whether General Fund money continues to be used for the stadium while this audit takes place and when a report will be available documenting the amount paid incorrectly from the General Fund.
- E. Request a date when reports will be available regarding the reports made by the 15-20 city employees who have come forward to discuss issues with their reporting of stadium related hours worked
- F. Importance of having an overall direction for how employees should bill for their hours worked for stadium events and make sure that the revisions to the current City Manager Directive (CMD) 136 is a priority to the Auditors, with the possibility of having assistance from department managers to accomplish this.

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

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

- A. Look at the possibility of an Ad Hoc Audit Committee Member being present when the Auditors have meetings or conference calls with the City Manager, City Attorney, the Finance Director or outside counsel regarding this audit, or the possibility of having these conferences be audio-recorded.
- B. What is the audit team's plan and criteria for sampling evidence for the audit.
- C. Clarification of the 10% indirect cost rate being charged for City staff time spent on Stadium-related activities.
- D. Inquiry regarding whether the Police Department has been compliant with all requests and to clarify how the auditors are reporting that the General Fund money has been used for stadium public safety salaries since time keepers for the Police Department have not been interviewed at this point.
- E. Clarification from the auditors of how the California Constitution Law applies to time for public safety charged after the fact. Need for consensus on chargeable staff time for public safety in order to stop the incorrect billing to the General Fund.
- F. Clarification of the authority of the Executive Director for documents for the Stadium, and provide clarification on the availability of these documents to the Board.
- G. Clarification of the process for interviewing employees who come forward with time reporting issues and whether it can be public knowledge what departments these employee work with.

**4. Adjournment:**

The Mayor adjourned the meeting to the next meeting on Thursday, October 27, 2016 at 5:30 p.m..



**Comprehensive Audit of Stadium Authority Finances**

October 12, 2016

**TO:** Audit Ad Hoc Steering Committee  
**FROM:** Fred Brousseau, Principal-in-Charge  
**SUBJECT:** Status Report #05

**Period covered:** September 26 – October 11, 2016

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**1. Activities and Accomplishments during Reporting Period**

- a. The audit team held additional meetings with the Police and Fire Departments to review all Stadium-related activities and tasks in which they engage and to identify departmental data sources that can be used to document each employee's Stadium-related activities and compare those with payroll records to determine if all staff Stadium-related activities have been correctly recorded and reimbursed by the 49ers entities for NFL events or the Stadium Authority for non-NFL events.
- b. The audit team selected sample NFL and non-NFL events for which City department staff assignment and other records will be reviewed and compared with corresponding payroll records to determine if all staff and related costs were correctly charged and paid for by the 49ers entities or the Stadium Authority. Payroll records for the periods around the events and various staff assignment and related workload records have been requested from the Finance and public safety departments: Police, Fire and Traffic.
- c. The audit team reviewed City Manager's Directive 136: *Stadium and Special Event Time Reporting and Reimbursement for City Services* dated August 5, 2016 and developed ideas for enhancements to the document and City procedures to ensure that all City Stadium-related costs are being correctly captured and paid for by the appropriate sources. The team discussed the proposed changes with the Acting City Manager and prepared draft amendments to the directive, included as Attachment 1 to this report.
- d. The audit team conducted a conference call with the City Attorney and the City's outside counsel to discuss interpretation of Stadium-related activities based on language in the agreements between the City, the Stadium Authority and the 49ers entities, and in the City's Municipal Code.
- e. 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.

- f. Contact was made in the last reporting period with ManCo to arrange an initial meeting and to begin collecting key documents and data. ManCo has not been able to meet as of the writing of this report and a date for such a meeting is still being pursued. The audit team has requested that ManCo provide documents and data needed for our analysis of Stadium Authority operating costs and revenues and expenses for non-NFL events in advance of such a meeting but, to date, none have been provided. We are currently requesting an initial meeting for next week.
- g. 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 team also requested and reviewed the City's indirect cost allocation plan for comparison with the negotiated 10 percent indirect cost rate being charged for City staff time spent on Stadium-related activities.

**Issues/Challenges during Reporting Period**

None to report.

**2. Potential Audit Issues Identified:**

As reported in previous status reports, the audit team has identified two initial issues that will be among the matters investigated as part of the audit. As with all status reports submitted, the issues presented are *preliminary* in nature and still subject to further review and analysis (see Attachment 2 letter).

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 or some staff time may have been incorrectly billed. The audit team will investigate the accuracy of staff time charged to the Stadium Authority or 49ers entities as part of Task 4 in our audit work plan.

The audit team has prepared proposed amendments to the City Manager's Directive 136: *Stadium and Special Event Time Reporting and Reimbursement for City Services* to help clarify activities that should be recorded and charged to the 49ers entities or the Stadium Authority. The draft amendments are attached to this report for consideration of adoption.

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. All budget-related plans and documents have been requested from either City staff (for the Public Safety Plan) or ManCo for the other plans and budgets that they prepare. To date, the audit team has only received the Public Safety Plan from the Police Department.

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 would 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.

**3. Tasks to be Completed during the Next Reporting Period (October 13– October 26):**

Subject to ManCo's availability, the audit team hopes to conduct an initial meeting with ManCo staff and begin receiving and analyzing requested financial data, plans, related budgets and other information that ManCo prepares pertaining to Stadium Authority costs and operations. This information is needed for review and analysis of Stadium operating costs, non-NFL event revenues and costs and parking revenue (Audit Tasks 5-7).

The audit team will proceed with the review of staff activities, payroll and other costs compared to actual reimbursements from the 49ers entities or SCSA. The events selected include for this analysis include: three NFL events and two non-NFL events from 2014-15 and 2015-16, and one non-NFL event from 2016-17, for a total of eleven samples.

The audit team will follow up with City staff on the proposed amendments to the City Manager's Directive #136 to finalize the document, incorporating any input from the Stadium Audit Ad Hoc Steering Committee and City staff.

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 (left over from last reporting period). The current approach to charging for indirect costs will now also be discussed.

Pending receipt of requested documents and data from ManCo, analysis of Stadium operating costs, non-NFL event revenues and expenses, revenues and parking receipts will proceed.

**4. Pending matters**

**5. Other issues**

Audit timing is dependent on receipt of documents and data from ManCo.

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October ###, 2016

TO: Santa Clara Stadium Audit Ad Hoc Steering Committee  
FROM: Fred Brousseau, Stadium Audit Principal-in-Charge *Fred Brousseau*  
SUBJECT: Suggested Changes to City Manager's Directive 136: Stadium and Special Event time Reporting and Reimbursement for City Services

Suggested additions to City Manager's Directive 136 are shown in red below. Proposed deletions are struckthrough.

ADMINISTRATIVE CODE CMD NUMBER 136

Related Issue: Which staff costs are included in indirect cost rate charged to SCSA and 49ers entities?

CITY MANAGER'S DIRECTIVE-  
PROCEDURE DATE: August 5, 2016

SUBJECT : STADIUM AND SPECIAL EVENT TIME REPORTING AND REIMBURSEMENT FOR CITY SERVICES

The purpose of this Directive is to establish standards for the City-wide application of stadium reimbursement procedures to ensure full cost recovery and accurate reporting of City services provided to the San Francisco Forty Niners and to the Santa Clara Stadium Authority. The Stadium has been in operation for two years. There are approximately ten NFL home games and additional about ten large-scale (20,000+) non-NFL events per year. Unless staff is instructed otherwise by the City Manager's office, All enhanced public safety and other City services provided to either entities of the San Francisco Forty Niners or to the Santa Clara Stadium Authority shall be reimbursed consistent with Santa Clara City Code, City Council Ordinances, Resolutions, Agreements, and this policy. It is the responsibility of each employee working on Stadium events or Stadium administration, to code their time appropriately using payroll codes provided by the Finance Department such that the proper amounts can be billed to the relevant entity. Time codes are presented in the Attachment to this Directive. It is the responsibility of the Department Heads to exercise such diligence and foresight as is necessary to review the departmental expenditures to ensure that their employees are properly coding their time so that the City can be reimbursed for Stadium-related expenses.

Those City provided activities include, but are not limited to the following:

- Stadium Event planning, preparation and administrative functions (e.g., event planning meetings prior to event-day, inspecting and replenishing equipment and apparatus, moving apparatus to and from Stadium, mandated report preparation on days after event, Stadium arrest investigations, Stadium arrest-related court appearances, etc.)
- Coordination and communication with the Stadium Manager
- Participation at Levi's Stadium pre-event/post-event briefings and inspections

- Development and review of the Event Action Plan
- Actual event-day deployment of public safety personnel and other City services, including all staff time providing direct service at Stadium before and after events. Arrests, firefighting and emergency medical services shall be considered Stadium-related when they occur within the Stadium footprint or within a ### mile radius for four hours before and after an event
- Usage of special equipment
- Stadium specific personnel training and support

RESPONSIBILITY:

ACTION

Stadium Event Expense Tracking and Reimbursement

Finance Department

1. Provide activity codes to Departments to track time and associated expenses on Stadium administration and events.
2. Annually review existing business processes and reimbursement procedures to analyze labor, public safety contractors and other costs for Stadium and provide updates to Timekeepers and Department Heads.
3. Prepare an indirect cost rate to apply to all direct City service costs charged to 49ers entities or Stadium Authority to cover all citywide indirect costs and department-specific indirect costs.
- 4.3. Unless instructed otherwise by the City Manager's Office. For each large-scale (20,000+) for all stadium events, prepare and submit to affected departments a Stadium Event Expenditure Report which identifies actual event related expenditures.
5. Jointly with Human Resources provide Stadium timekeeping training to all City employees and all timekeepers.
6. Designate an employee(s) in each department to serve as in-house expert on Stadium billing questions.

Employees

7. 4. Track all time spent on Stadium-related events or administration utilizing the payroll codes provided by the Finance Department.

8. 5. Charge all Stadium-related public safety and administrative invoices to codes provided by the Finance Department.

9. 6. Seek guidance from department **staff designated by the Finance Department**-management team or Finance-Accounting when there is any doubt about whether or not time or invoices should be charged to one of these codes.

10. 7. Submit timesheet to timekeepers in a timely manner.

11. **Attend annual mandatory training offered by the Finance and Human Resource Departments on timekeeping for Stadium-related work activities.**

Timekeepers

12. 8. Ensure the timely receipt of employee timesheets and process within the established pay period timelines.

13. 9. Review employee timekeeping submittals to ensure that the proper payroll codes are utilized.

14. **Attend annual mandatory training offered by the Finance and Human Resource Departments on timekeeping for Stadium-related work activities.**

Supervisors

15. Review and approve timekeeping each period ensuring that employees are accurately coding their time spent on Stadium-related activities and that the time accurately reflects the amount of time worked.

Department Head

16. 11. Review Stadium Event Expenditure Reports provided by the Finance Department to **fulfill their accountability for ensuring** ensure that time spent by employees is accurately reflected. It is also expected that the Department Head analyze the data and trends for different types of events to improve operational efficiency, and improve service to the public.



Public Safety Event Equipment and Reimbursement of City owned Resources

Department Head

1. Maintain an inventory of special event equipment utilized during special events held at Levi's Stadium that was purchased by the Stadium Authority or the City. Provide list to Automotive Services Fleet Manager to develop an amortization schedule to ensure that funds are in place for vehicle replacement.

2.-Track City owned resources and supplies utilized at Stadium events and provide to Finance-Accounting for billing share of costs to 49ers entities or Stadium Authority.

Finance-Accounting

3. Add amortization costs of Stadium specialized equipment and daily use rate for city equipment to Stadium Event Expenditure Report.

Personnel Training and Support

Human Resources

1. Annually by April 30 of each year review existing personnel costs to hire and train Special Events Officers, Emergency Medical Technicians, and traffic control personnel and any other Stadium-related positions. These costs shall be reviewed with the Police Chief and Fire Chief.

2. Ensure that time sheets provided to all City employees include cells and codes for Stadium-related work.

3. Jointly with Finance Department provide Stadium timekeeping training to all City employees and all timekeepers.

Finance-Accounting

4. 2. Allocate hiring costs and ongoing Special Event Officers, Emergency Medical Technicians and traffic control personnel costs to invoice for Stadium events.

Director of Finance

5.4. Based on this determination, either reject, and return to issuing department, or certify and forward to City manager for approval.

City Manager

6. 5. Indicate approval or disapproval and return to Finance-Accounting.

Finance-Accounting

7. 6. Prepare necessary budget journal entry to effect transfer of funds.

Santa Clara Stadium Authority (SCSA) Financial Status  
Report

City Manager

1. Reviews SCSA Financial Status Report and present to the Board on a quarterly basis.

**ATTACHMENT**

***Attach List of Time Codes***

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October 7, 2016

Editor, Santa Clara Weekly:

Regarding your recent coverage of the Santa Clara Stadium Authority audit being conducted by our firm and discussed at the Ad Hoc Stadium Audit Committee's September 26, 2016 audit status meeting, I believe the nature of the meeting and some of my comments were misrepresented. ("No Evidence of Deliberate Wrong-Doing" in Stadium Time Reporting, Says Auditor).

I want to emphasize that the audit is not complete and statements that I made do not represent final audit conclusions. Rather, they were presented as part of a periodic status report to the Committee, where we discuss issues being worked on and observations at that point in time. It was not our intent to provide, nor did the Committee expect, a presentation of all evidence and conclusions about City timekeeping practices and management or whether any deliberate employee wrong-doing has occurred. Final audit findings and conclusions on those and other topics will be made and presented only after our review and vetting of appropriate evidence.

A handwritten signature in blue ink that reads "Fred Brousseau". The signature is written in a cursive, flowing style.

Fred Brousseau, Principal  
Harvey M. Rose Associates, LLC