



Meeting Minutes

Thursday, October 27, 2016 – 5:30 p.m.

**Committee Members present:**

Mayor Lisa M. Gillmor

Vice Mayor Teresa O'Neill

Council Member Patrick Kolstad

**Staff present:**

Rajeev Batra, Acting City Manager

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

Fred Brousseau and Dan Goncher presented an update on Status Report #06 for the period of October 12-26, 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 27 – November 8), pending matters and other issues. (Report attached).

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

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

- A. City Manager expressed a desire to wait for additional revisions to the City Manager Directive (CMD) 136 before finalizing the document.
- B. Vice Mayor expressed concerns regarding concessions for non-NFL events.
- C. Mayor expressed concern that the Council has been requesting Stadium documents for a long time and it appears that according to the Auditor, these documents may not exist as separate documents.
- D. Auditor explained that not all documents have been provided by the Stadium Management Company. Council Member Kolstad offered to assist with requesting the documents from the Stadium Management Company.
- E. Committee moved and seconded the motion to bring the Management Agreement with the Stadium Management Company to the full Stadium Authority for future discussion.

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

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

- A. Concern was expressed as to who signs non-NFL contracts and who reviews these contracts?
- B. What are the Management Company fees to the Stadium Authority?
- C. Concern about the quality of the Management Company and how to ensure the Stadium Management processes in the future.
- D. What is the amount of money that has been taken incorrectly out of the General Fund?
- E. Concern about why the Management Company has not provided the requested documents?

**4. Approval of Minutes**

A. Motion was made and seconded to approve the minutes for the Ad Hoc Stadium Audit Committee meetings on September 26, 2016 and October 12, 2016.

**5. Approval of Meeting Schedule**

A. Motion was made and seconded to approve the future Ad Hoc Stadium Audit Committee meetings:

i. Wednesday, November 9, 2016 - 5:30 pm - Redwood Room at Central Park Library.

ii. Monday, November 21, 2016 - 5:30 pm - City Hall Council Chambers.

iii. Monday, December 5, 2016 - 5:30 pm - City Hall Council Chambers.

iv. Monday, December 19, 2016 - 5:30 pm - Redwood Room at Central Park Library.

v. Monday, January 9, 2017 - 5:30 pm - Redwood Room at Central Park Library.

vi. Monday, January 23, 2016 - 5:30 pm - City Hall Council Chambers.

**6. Adjournment:**

The Mayor adjourned the meeting to the next meeting on Wednesday, November 9, 2016 at 5:30 p.m.



**Comprehensive Audit of Stadium Authority Finances**

October 27, 2016

**TO:** Audit Ad Hoc Steering Committee

**FROM:** Fred Brousseau, Principal-in-Charge

**SUBJECT:** Status Report #06

**Period covered:** October 12 - 26, 2016

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

- a. The audit team conferred with the Acting City Manager regarding City Management Directive 136: *Stadium and Special Event Time Reporting and Reimbursement for City Services* dated August 5, 2016 and distributed to all City employees. The audit team proposed a number of modifications to the directive in the last reporting period and submitted them to the Audit Ad Hoc Steering Committee as part of Status Report #05 (document with suggested changes is also attached to this report). The purpose of the proposed modifications was to more specifically define Stadium-related activities that should be separately accounted for by City staff to avert General Fund coverage of those costs.

The Acting City Manager suggested some refinements to the proposed modifications and raised the question of the best timing for issuing the amended version to City employees.

- b. The audit team held a meeting with the Police Department to establish processes for receiving, analyzing and reporting on Department staff time and expenses incurred for Stadium-related activities. The Department had expressed a concern about releasing sensitive security information along with requested time and other records. The Department and audit team came to an agreement that certain records would only be reviewed by auditors on site at the Police Department and would not be made public in the final audit report if they contain sensitive security information.

Police Department management reviewed the previous Request for Information submitted by the audit team and either provided the requested information or made arrangements to provide it.

- c. The audit team began reviewing Police, Fire and other department time and staff assignment records and related information for our sample of 11 NFL and non-NFL events for which City, Stadium Authority, Stadium Management Company and other records are being 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.

- d. 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.
- e. The audit team continued following up on its September 20, 2016 request for an initial meeting with ManCo and its October 3, 2016 Request for Information to obtain various documents and data needed for the analysis of Stadium operations, non-NFL Event revenue and expenses and parking receipts. An initial meeting with ManCo was held October 21, 2016 at Levi's Stadium. The October 3, 2016 Request for Information was reviewed at the meeting, though no documents or data was provided at this meeting, as follows:
  - i. **Agreement and amendment documents already obtained by auditors:** ManCo reported that there are no other agreements or amendments to the existing amendments between the 49ers entities and the Stadium Authority other than those the audit team has already obtained. These documents were requested to ensure that auditors have a complete and up-to-date set of the agreements between the Stadium Authority and the 49ers entities.
  - ii. **Stadium plan and budget documents:** Various Stadium plan and budget documents required in the Stadium Lease and other agreements and that serve as foundations for certain Stadium Authority, 49ers entities and City revenues and expenses were requested. These included the Stadium Operations and Maintenance Plan, Capital Expenditure Plan, the Shared Expenses Budget, Stadium Parking Plans and others. These documents have reportedly not been separately prepared and/or provided to the Board. ManCo representatives stated they are largely incorporated in the annual Stadium Authority budget.

The audit team previously requested these Stadium plan and budget documents and the Public Safety Plan (also required in the Stadium Lease) from City staff but, other than the Public Safety Plan, which was provided to the audit team by the Police Department, the documents were not available from City staff.
  - iii. **Other Stadium Authority financial reports or documents:** ManCo has not prepared or caused to be prepared any other financial reports or documents pertaining to Stadium finances other than the annual audit and budget documents provided to the Stadium Authority Board. These were requested to ensure that the audit team had all financial documents pertinent to Stadium operations.

Other financial information was requested from ManCo at the October 21 meeting including more detailed Stadium revenue and expense reports for the analysis of Stadium operations expenses and cost allocations between the 49ers entities and the Stadium Authority. For the analysis of non-NFL event revenues and expenses and parking revenue, copies of parking agreements and concession agreements were requested. ManCo directed the audit team to the Stadium Authority, stating that they have most of the detailed financial records requested and



stated that parking and concession agreements would be provided but will first need to be redacted to exclude arrangements pertaining to NFL event revenue. ManCo further represented that they would provide on-site access to non-NFL event documents and financial records but that they are requesting that such records not be disclosed in any public document at the event level. Providing non-NFL event revenue and expense information at the aggregate level should be sufficient for audit reporting purposes.

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

Audit timing and schedule may be affected by the delay in obtaining an initial meeting with ManCo and the lack of documents and data obtained to date.

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

##### ***Direction to City employees***

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 to date, the issues presented are *preliminary* in nature 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 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 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. The Acting City Manager has reviewed the draft and provided comments and brought up the issue of timing the release of an amended directive for discussion by your Committee.

##### ***Absence of key plan and budget documents***

A second potential audit issue also identified in previous audit reporting periods and discussed above is that a number of Stadium-related plans and budget documents required in Stadium Authority agreements with the 49ers entities that serve as the basis for operating procedures and certain SCSA, 49er entity and City revenues and expenses are not individually presented to the Stadium Authority Board or summarized in the Stadium Authority annual budget and financial status reports. Further, it now appears that at least some of these documents are not being individually

produced and/or presented to the Stadium Authority Board to ensure detailed disclosure of all Stadium Authority costs.

- a. **The Stadium Operation and Maintenance Plan:** The Lease Agreement requires that this plan be prepared by the Stadium Manager (ManCo). The Plan is to establish the “Required Condition” for the Stadium and “policies and procedures for operating and maintaining the Stadium Complex in accordance with good, sound and prudent engineering practices...” (Lease Article 7.1.1). ManCo reports that this information is incorporated in the annual Stadium Authority budget but none of the budget documents reviewed by the audit team to date provide the details required in the agreement. The absence of such a document leaves the Stadium Authority without a documented means of measuring the adequacy of current operation and maintenance efforts and costs.
- b. **The Capital Expenditure Plan and Budget:** The Stadium Lease Agreement calls for preparation of a draft capital expenditure plan for mutual approval by the Stadium Authority and the 49ers entities. It is to be adopted as part of the Stadium Operation and Maintenance Plan and is to include both a budget year and five year plan (Lease Article 10.4.1). As stated above, an Operation and Maintenance Plan, detailing the Required Condition of the Stadium, has reportedly not been produced so the Capital Expenditure Plan is not part of such a document. The annual Stadium Authority budgets presented to the Stadium Authority Board for Fiscal Years 2015 and 2016 did include a one-year capital budget, but not a five year plan. For Fiscal Year 2017, the budget also included a five-year capital plan.
- c. **The Annual Shared Stadium Expenses Budget:** The Lease Agreement requires that the Shared Expenses budget detail costs to be shared by the Stadium Authority and the 49ers entities. These are the costs incurred for both NFL and non-NFL events such as landscaping services, stadium insurance and stadium management fees. Non-shared expenses are allocated between the parties depending on whether they are attributable to NFL or non-NFL events.

The Lease Agreement calls for shared expense information to be more particularly described in the Stadium Operation and Maintenance plan, an Annual Shared Expense budget and the Public Safety Plan. As discussed above, a Stadium Operation and Maintenance Plan has reportedly not been produced. A separate Annual Shared Expense budget for Board review is not produced but such information is reportedly incorporated in the annual Stadium Authority budget. However, as currently prepared, the Stadium Authority budget document does not provide details on which costs are being shared, amounts for individual expenses, or total amounts being shared.

Shared expenses appear to be embedded in the Stadium Authority budget line item “Other Expenditures” and/or “Stadium Operating Expenses-Stadium Manager”. For Fiscal Year 2016, the final total budgeted amount for these two line items was \$10,422,089, but detail about the composition of these costs, and to what extent they are shared expenses, is not presented.

The Lease Agreement calls for Stadium Authority review and approval of many of the plan and budget documents discussed above, though such approval is delegated to the Stadium Authority Executive Director for approval, consent, or waiver on behalf of the Stadium Authority rather than requiring approval by the Board. To the extent the required plan and budget documents are actually being produced and provided to the Executive Director, the process is consistent with provisions of the Lease Agreement. However, 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 27– November 8):**

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 financial records maintained and reports provided to the Board. 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

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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. ~~09.~~ 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***