



Meeting Minutes

Wednesday, November 9, 2016 – 5:30 p.m.

**Committee Members present:**

Chairperson Lisa M. Gillmor  
Board Member Teresa O'Neill  
Board Member Patrick Kolstad

**Staff present:**

Rajeev Batra, Acting Executive Director

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

Fred Brousseau gave an update on Status Report #07 for the period of October 27 – November 8, 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 (November 10 – November 20), pending matters and other issues. (Report attached)

**2. Approval of Minutes**

A. Motion was made and seconded to approve the minutes for the Ad Hoc Stadium Audit Committee meeting on October 27, 2016.

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

A discussion was had by Committee Members, Acting Executive Director, Mr. Brousseau and Mr. Goncher. Main themes included the following:

- A. Acting City Manager will finalize City Manager Directive (CMD) 136.
- B. Discussion on which documents have not been made available to Harvey Rose Associates, LLC auditors by ManCo.
- C. Clarification was made and confirmed by Mr. Brousseau that the auditors decide what samples of Stadium documents they will examine.
- D. Council Member Kolstad confirmed that he did request the missing documents from ManCo and was informed that they had been deposited in a document dropbox, but he will make another request for the documents that have not been provided.
- E. Vice Mayor O'Neill asked for clarification of revenue and event reporting of scheduling for Non NFL Stadium Events.
- F. Discussion of the need for the Cost Allocation Study to be provided by ManCo.
- G. Mayor Gillmor inquired about the policy for "Whistleblower" protection, and Acting City Manager assured the Committee that action will be taken if retaliation against any employees is reported by anyone who shares information on issues regarding their time worked at the Stadium. Mayor Gillmor reiterated that City Council members will support any employee who comes forward to share information with the auditors.

- H. Mayor Gillmor noted that the Stadium Authority will discuss the job description for the Stadium Manager at the November 15, 2016 City Council meeting.
- I. Mayor Gillmor also noted that she feels that no documents for the Stadium Management should be confidential.
- J. Ad Hoc Stadium Audit Committee members agreed that they, as the Ad Hoc Stadium Audit Committee, do not have the authority to give ManCo notice and that this would be a matter for the Stadium Authority Board to discuss at the upcoming City Council meeting on November 15, 2016.

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

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

- A. Request was made for answers to questions which were noted on the minutes from the October 27, 2016 Ad Hoc Stadium Audit Committee meeting.
- B. Comment regarding the Stadium Audit processes adhering to the Grand Jury recommendations.
- C. Request of a date for when the requested documents will be provided in entirety and clarification of why the security staff at the Stadium knows high level of details for Stadium events, which the Stadium Authority has not been provided.
- D. Comment regarding having the Stadium Authority demand that ManCo comply with all requests within 30 days, and that ManCo be served with 30 day notice if they do not comply; request for clarification as to whether the Ad Hoc Stadium Audit Committee can make the decision to serve notice to ManCo.
- E. Comment on whether financial documents secured from ManCo are actual bank records; confirmation that auditors, Acting Executive Director and the Stadium Authority Board all receive the same documents; clarify who decides what is deemed confidential and what criteria defines a confidential document; clarification of all documents being requested by the auditors from ManCo, with updates on which documents have been received; and record the dates of document review meetings with ManCo, as well as documenting City Staff who will do the review and the time spent on each review.
- F. A handout was distributed with suggestions and questions from the October 12, 2016 Ad Hoc Stadium Audit Committee meeting (Handout attached).

**5. Adjournment:**

The Mayor adjourned the meeting to the next meeting on Monday, November 21, 2016 at 5:30 p.m.



**Comprehensive Audit of Stadium Authority Finances**

November 9, 2016

**TO:** Audit Ad Hoc Steering Committee

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

**SUBJECT:** Status Report #07

**Period covered:** October 27 – November 8, 2016

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

- a. The audit team met 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 Acting City Manager proposed some changes in content, which we have made, and a process that will include vetting by legal counsel and relevant City managers. A revised version of the Directive, incorporating the Acting City Manager's suggestions, is attached to this memo as Version 02 of the document.
- b. The Stadium Management Company (ManCo) provided the audit team with: 1) the concessions operating agreement with Volume Services, which will be used for our analysis of Stadium and non-NFL Event Revenue and Expenses (Tasks 5 and 6 in our work plan), and 2) ManCo's Off-Site Parking Permit applications submitted to the City in 2014 that included operating plans for to be used for Stadium events. Other documents requested October 21 are pending.
- c. We continued our review of City, Stadium Authority, ManCo and other records for comparison with corresponding payroll records to determine if all staff time spent on Stadium-related activities have been recorded and reimbursed by the 49ers entities or the Stadium Authority. Activities included:
  - o Review of various Fire Department documents that track staff time spent on Stadium-related activities on event days and other days, including station log books, Incident Action Plans and Records Management System reports. We will be reviewing data collected with Fire Department staff to ensure correct interpretations of the information collected.
  - o Completion of reviews of Police Department Event Action Plans and event day sign-in sheets for cross-checking with staff time and payroll records. The audit team is now verifying charges to other funds that were used to cover some public safety costs since 2014.
  - o Reviewing Human Resources Department staff time particularly for Stadium-related training.

- 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 met with the Finance Director and his staff to identify more detailed financial records that the Stadium Authority maintains as compared to records that ManCo maintains. The Stadium Authority staff provided detailed revenue and cost information that we are now compiling and analyzing to cross-walk with the Stadium Authority budget and quarterly financial status reports provided to the Stadium Authority Board. Samples of certain revenues and expenditures will be selected for more detailed review and analysis of Stadium operating costs (Task 5 in our audit work plan).
- f. Non-NFL Event revenue and expense details and records are maintained by ManCo and not the Stadium Authority. According to ManCo, those records are confidential, and we will arrange with them for access to samples records for our analysis of Non-NFL Event revenues and expenses (Task 6 in our audit work plan).
- g. We have obtained detailed off-site parking fee revenue information for each Stadium event and parking facility from Finance Department staff and will be working with ManCo and City staff to review and analyze that information (Task 7 in our audit work plan).

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

The audit timing and schedule may be affected by the delay in obtaining an initial meeting with ManCo and receiving documents and data.

#### **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.

As the Stadium was constructed and began operations, 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, previously submitted to the Ad Hoc Committee (see Status Reports 5 and 6). The Acting City Manager has requested some changes and reviews of certain amendments proposed by the audit team, particularly in the areas of specifying what activities and physical locations constitute Stadium-related activities for staff billing purposes. A revised version of the Directive incorporating the Acting City Manager's suggested changes is attached. The Acting City Manager has also proposed review of the changes by legal counsel and other City managers.

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

A second potential audit issue also identified in previous audit reporting periods and status reports 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.

- a. **The Stadium Operation and Maintenance Plan:** The Lease Agreement requires that this plan be prepared by the Stadium Manager (ManCo) 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).

In our last status report, we stated that ManCo had informed the audit team that that information is not in a separately produced document but incorporated in the annual Stadium Authority budget. We reported that none of the budget documents reviewed by the audit team to date provide the details required in the agreement. This representation was based on what the five members of our audit team present heard at our meeting with ManCo representatives on October 21, 2016 and the absence of ManCo or Stadium Authority/City staff providing the document in response to our repeated requests.

Since our last status report, ManCo has informed us that they stated at the October 21, 2016 meeting that the Operation and Maintenance Plan was produced in 2014 and provided to Stadium Authority staff and that it was agreed that it would be a confidential document due to security issues in the document. None of the five members of the audit team present heard this representation. No City staff that we have queried have this document or have informed us of its confidentiality. ManCo has stated they will provide us with a copy but they have not yet done so.

The absence of such a document available to the Stadium Authority and/or its explicit representation in its budget document leaves the Stadium Authority without a 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, the audit team has not yet received a copy of the Operation and Maintenance Plan to determine if it details the Required Condition of the Stadium and we therefore do not know if the Capital Expenditure Plan is 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 did include a five-year capital plan. A ManCo representative has stated that a five year capital plan was not presented in the first two fiscal years as a cost allocation plan was not finalized until November 2015 and the current five year plan, included in the FY 2017 Stadium Authority budget, was based on the final asset allocation in the cost allocation plan.

- c. **The Annual Shared Stadium Expenses Budget:** The Lease Agreement requires that a 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, a draft and final Annual Shared Expense budget and the Public Safety Plan. As discussed above, the audit team has not yet received a copy of the Stadium Operation and Maintenance Plan. We understand that 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 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 (November 10 - November 20):**

The audit team will make arrangements to review confidential non-NFL event revenue and expense details and records at their site.

The audit team will continue 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 both 2014-15 and 2015-16, and one non-NFL event from 2016-17, for a total of eleven samples.

Stadium operating costs and off-site parking revenue will be further analyzed and samples of individual transactions will be selected for review.

The audit team will follow up with City staff on the proposed amendments to the City Manager's Directive #136, as needed and as directed by the Ad Hoc Committee, to further refine the document.

**4. Pending matters**

**5. Other issues**

Audit timing is likely to be affected due to delays in scheduling our initial meeting and obtaining documents and data from ManCo.

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TO: Santa Clara Stadium Audit Ad Hoc Steering Committee

FROM: Fred Brousseau, Stadium Audit Principal-in-Charge

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. Suggested changes by the City Manager are shown in green.

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 available from the Finance Department or the timekeeper in your department 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 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 general vicinity of the Stadium footprint, including parking facilities covered by Stadium parking plans, 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. Annually prepare for Stadium Authority Board consideration compared to current charging methods 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 resource 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 staff 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

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

~~3.~~ 3. Ensure that time sheets provided to all City employees include cells and codes for Stadium-related work.

Director of Finance

~~4.~~ 4. Based on this determination, either reject, and return to issuing department, or certify and forward to City manager for approval.

City Manager

~~5.~~ 5. Indicate approval or disapproval and return to

Finance-Accounting.

Finance-Accounting

6.7. ~~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*

## **Suggestions:**

- Create a running list of "Open Items" that are being worked on. It can be updated as progress happens, linked to documents, and report due dates and status. It would allow members of staff, council, and the public to see what the priorities are and when they are being addressed.
- Create a process to get information from the Police Department.
  - Hire a security expert with security (FBI/NSA/whatever) clearance that understands what the auditors need and what the Police Department has. That individual can then be the "translator" of information to the auditors so that the Police Department can be confident that the sensitive information will not get leaked or misused.
- The City Manager can approve a draft of the documents to be authorized by the board, and that contract would not be valid until it is certified by the board.

## **Questions:**

- Regarding comments about people's statements, especially law enforcement. It was stated that the auditors are trying to "prove" everyone's statements before treating them as fact. What if a statement is not disproven? What credibility will be given to that statement? What if there is no way to disprove a statement of mishandling? How is that going to be treated? Why are you not respecting the sworn officer's statements in context of work duties or activities, especially if you are not getting all the data requested.
- Couldn't you get all CAD data about locations of patrol vehicles and see what the schedules stipulate and how they were deployed? It will take some work, but you could match-up schedules with actual data on GPS locations of patrol vehicles and officer locations. This would help identify where resources were deployed and where they were not deployed.
- Couldn't discretionary funds ultimately go to capital expenses like a new CAD system? If discretionary funds are not maximized, they are basically costing the city money since the city will have to fund capital expenses like CAD for the police department.
- Does StadCo have to pay a fee into the improvement of city services, similar to a development having to pay traffic impact fees that go to "regional improvements" (e.g., VTA)?