

Santa Clara Stadium Authority

Financial Status Reports
Item #3 (19-1081)

December 17, 2019



Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2019



Methodology and Limitations

- Reflects best information known at the time provided by ManagementCo.
- Deep review and/or audit of source information is not conducted
- Firm contracted to review and evaluate non-NFL event financial information from prior years
 - Report expected Spring 2020

Financial Status Highlights

- NFL Events experienced improved performance
- Non-NFL Events performance down significantly
- Accelerated payments on outstanding debt
- Capital Improvement Program expenditures fell behind due to ManagementCo. pausing implementation of projects
- Concern over future General Fund impact

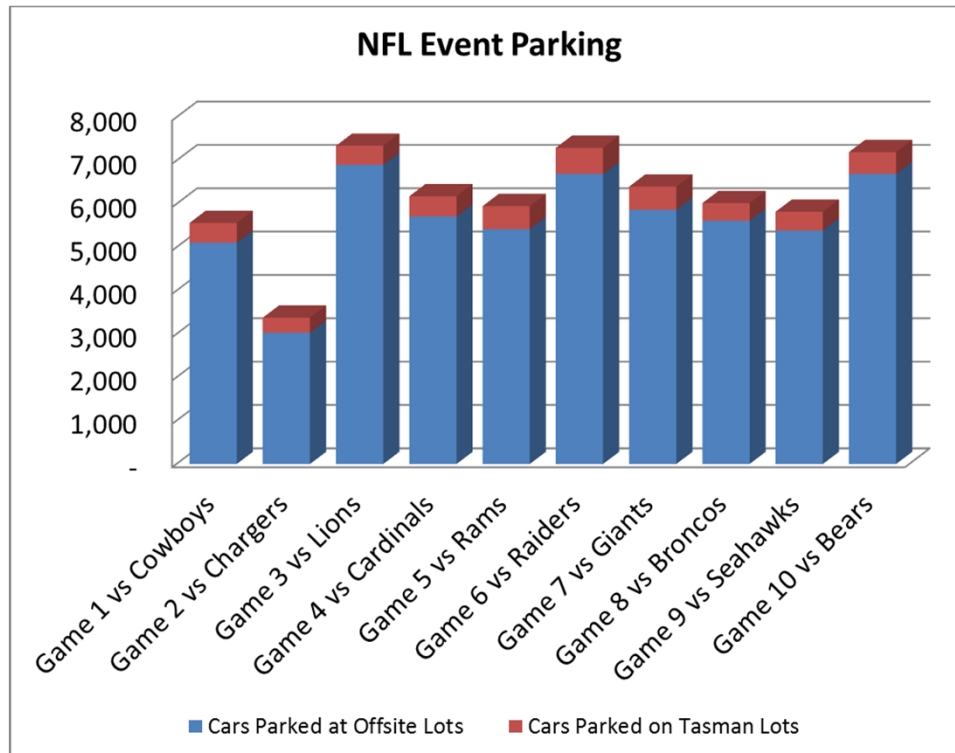
Financial Status Highlights

- Stadium Manager expended \$2.5 million more on expenditures categorized as Miscellaneous and Operations, Janitorial, and Maintenance Expenses
- 75% of Non-NFL ticketed events operated as a loss or made no revenue for the Stadium Authority (-\$6.3 million)
- Three Non-NFL ticketed events were revenue generating (+\$3.6 million)
- Average loss of \$200,000 per event for the Stadium Authority
- Non-NFL ticketed events lost \$2.6 million in total in FY 2018/19. A second concert was added at the last minute by the Management Company; if this event was not added, net revenue would have increased \$1.8 million.

NFL Events Improved Performance

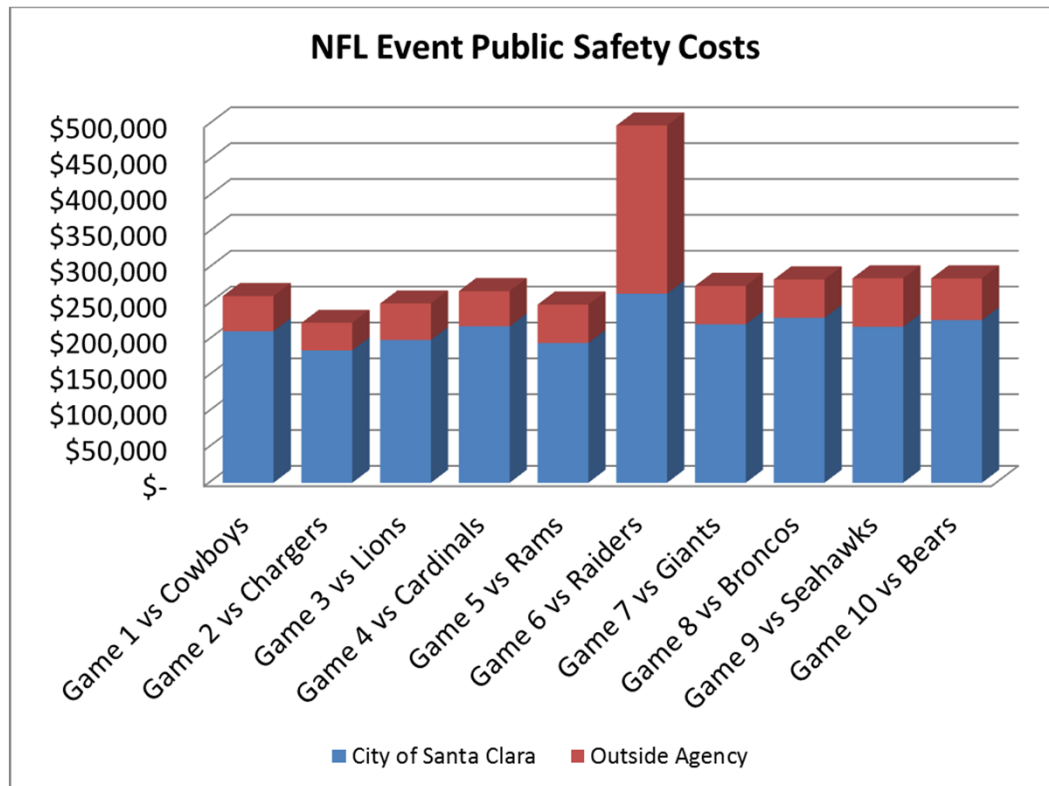
- A total of 651,237 tickets were sold, up 1.3% vs. prior year
 - Stadium Authority received \$8.1 million in NFL ticket surcharge revenue based on 10% of ticket sales to NFL events
 - City of Santa Clara received \$228,000 in Senior & Youth Fees based on \$0.35/ticket to NFL events

NFL Parking Increased



- A total of 56,390 cars were parked in offsite parking lots, up 4.2% compared to prior year
- A total of 4,729 cars were parked in the Tasman Lots, up 2.5% compared to prior year
- Generating \$24,000 in parking fees to General Fund

NFL Public Safety Costs were Reimbursed



Public safety costs amounted to \$3.0 million:

- \$2.3 million (76.4%) are direct City costs
- \$707,000 (23.6%) are outside agency costs
- \$317,000 were covered by the offsite parking fee

Non-NFL Events Down Significantly

- Twelve ticketed Non-NFL events
 - Nine events generated zero revenue or lost the Stadium Authority **\$6.3 million**
 - Three events generated revenue, resulting in **\$3.6 million** revenue
- A total of 332,600 tickets were sold, **down 13.4%**
 - Stadium Authority received \$1.2 million in Non-NFL ticket surcharge revenue based on \$4 per ticket sold to all non-NFL events (one-half for stadium operations and one-half for Stadium Authority Discretionary Fund)
- Total of 100 non-ticketed events with 34,036 attendees, **down 46%**

Non-NFL Events – 75% Lost Money

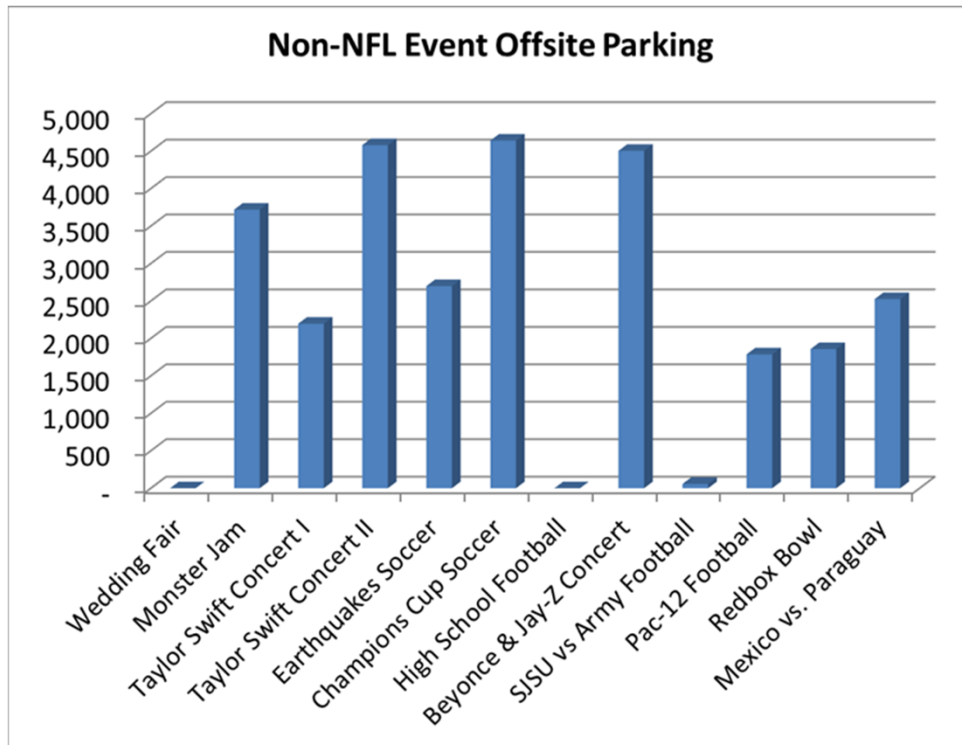
2018/19 Ticketed Non-NFL Events Revenue and Expenditure Summary

In Millions \$

Ticketed Events	Revenue	Expenses	Net
Monster Jam	1.4	1.6	(0.2)
Taylor Swift Tour Day 1	5.1	6.9	(1.8)
Taylor Swift Tour Day 2	10.5	7.8	2.7
Stadium Links	0.1	0.0	0.0
Manchester United vs Earthquakes	1.6	1.9	(0.3)
ICC: Barcelona vs AC Milan	4.4	4.0	0.4
High School Football Series	0.1	0.1	0.0
Jay-Z/Beyonce	8.4	7.9	0.5
SJSU vs Army	0.2	0.4	(0.2)
Pac-12	1.3	4.0	(2.7)
Redbox Bowl	4.6	5.2	(0.6)
Mexico vs Paraguay	3.6	4.1	(0.5)
Events to date	41.3	43.9	(2.6)

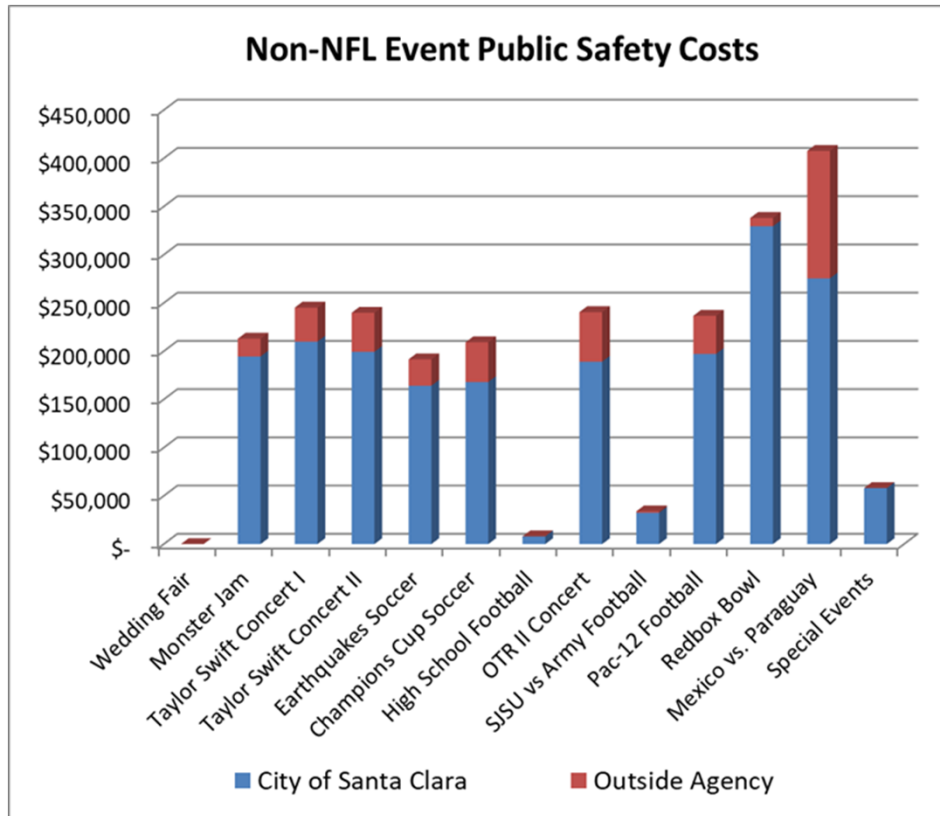
- 9 of 12 ticketed events lost or did not make money
- Largest loss was Pac-12 Championship – anticipated to lose money in FY 2019/20 also
- ManCo expended \$2.5M more this FY to lose more SCSA money

Non-NFL Events – Parking Down



- A total of 28,566 cars were parked in offsite parking lots, down 8%
- Generated \$159,000 in offsite parking fees

Non-NFL Events – Public Safety Costs



- Public safety costs amounted to \$2.4 million:
 - \$2 million (83.6%) are direct City costs
 - \$397,000 (16.4%) are outside agency costs
 - \$159,000 were covered by the offsite parking fee

Operating Budget Summary

- Total Operating Revenues of \$124.7 million or 94% of annual budget
- Total Operating Expenses of \$124.7 million or 94% of annual budget
 - ManagementCo provided to the media, not SCSA Board/Staff, estimate for FY2018/19 Net Non-NFL Event net revenue of \$750,000 without supporting documentation; Actual net revenue of approximately \$18,000.
 - ManagementCo never advised the Board or staff that their expenditures were trending significantly higher.

Stadium Builder Licenses (SBLs)

- Value of currently active SBLs is \$532.4 million (60,259 or 91.4% of 65,877 sellable SBLs)
- A total of 83.1% of principal value has been collected as of March 3, 2019 (\$442.3 million)
- 648 new SBLs were sold with total face value of \$4.2 million

Stadium Builder Licenses (SBLs)

(cont.)

- SBL relocations netted 195 more SBLs
 - Increase of \$1.8 million in SBL face value
- Defaulted SBLs amounted to 1,050 with value of \$6.5 million
 - Defaulted SBLs have either been resold or are available for resale at full price

Growing Discretionary Fund

Discretionary Fund - Accrual Basis				
Fiscal Year	Beginning Balance	Revenue	Expenses	Ending Balance
2014/15	\$ -	\$ 715,770	\$ 714,028	\$ 1,742
2015/16	1,742	1,238,542	699,129	541,155
2016/17	541,155	1,164,698	1,209,342	496,511
2017/18	496,511	768,564	-	1,265,075
2018/19	1,265,075	796,294	101,267	1,960,102

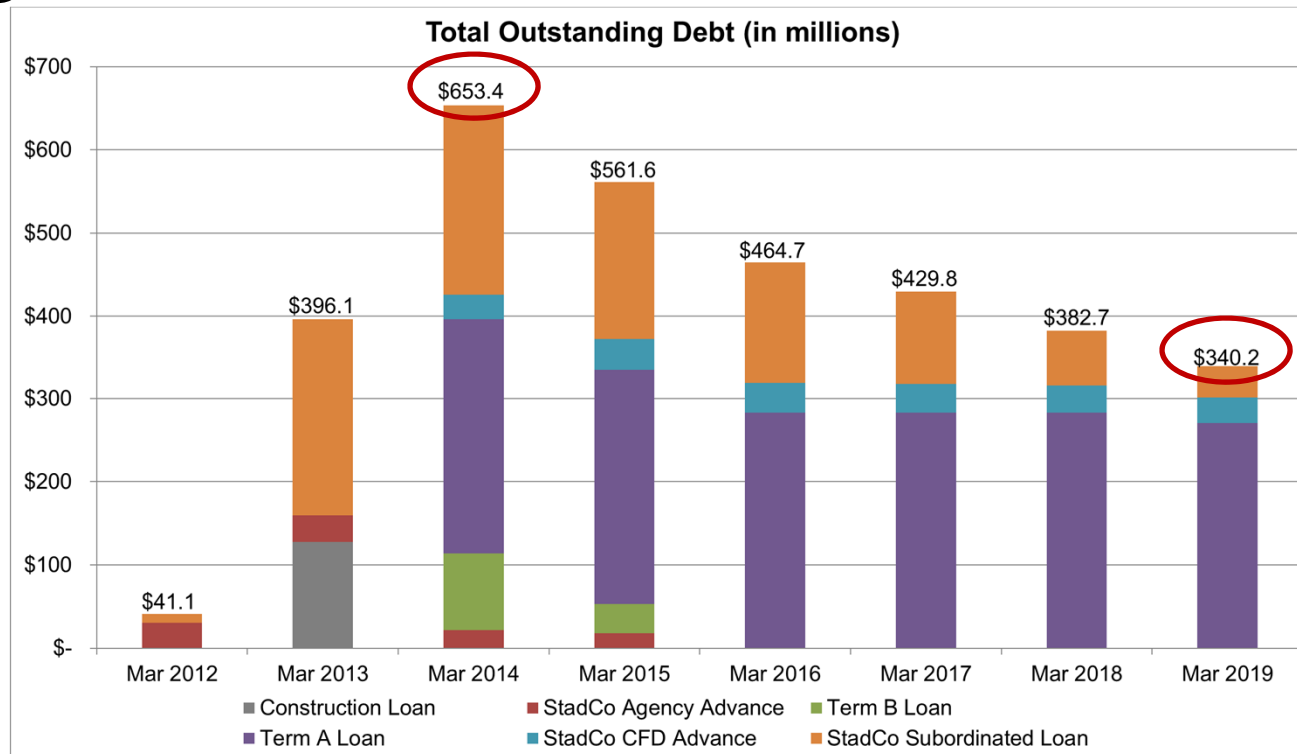
- Current balance is \$2.0 million
- Expenses in FY 2018/19 were for consulting services
- Discretionary fund previously used to pay NFL public safety costs above the public safety threshold for the first three years – this is under litigation

Accelerated Debt Payments

Type of Indebtedness	Interest Rates	Outstanding as of March 31, 2018	Net Change	Outstanding as of March 31, 2019
Stadium Funding Trust Loan:				
Term A Loan	5.00%	\$ 282,794,108	\$ (12,527,696)	\$ 270,266,412
StadCo CFD Advance	5.73%	32,834,885	(1,908,907)	30,925,978
StadCo Subordinated Loan	5.50%	67,032,627	(28,007,794)	39,024,833
Total		\$ 382,661,620	\$ (42,444,397)	\$ 340,217,223

- Total outstanding debt as of March 2019 was \$340 million
- Reduction of \$42.4 million from March 2018

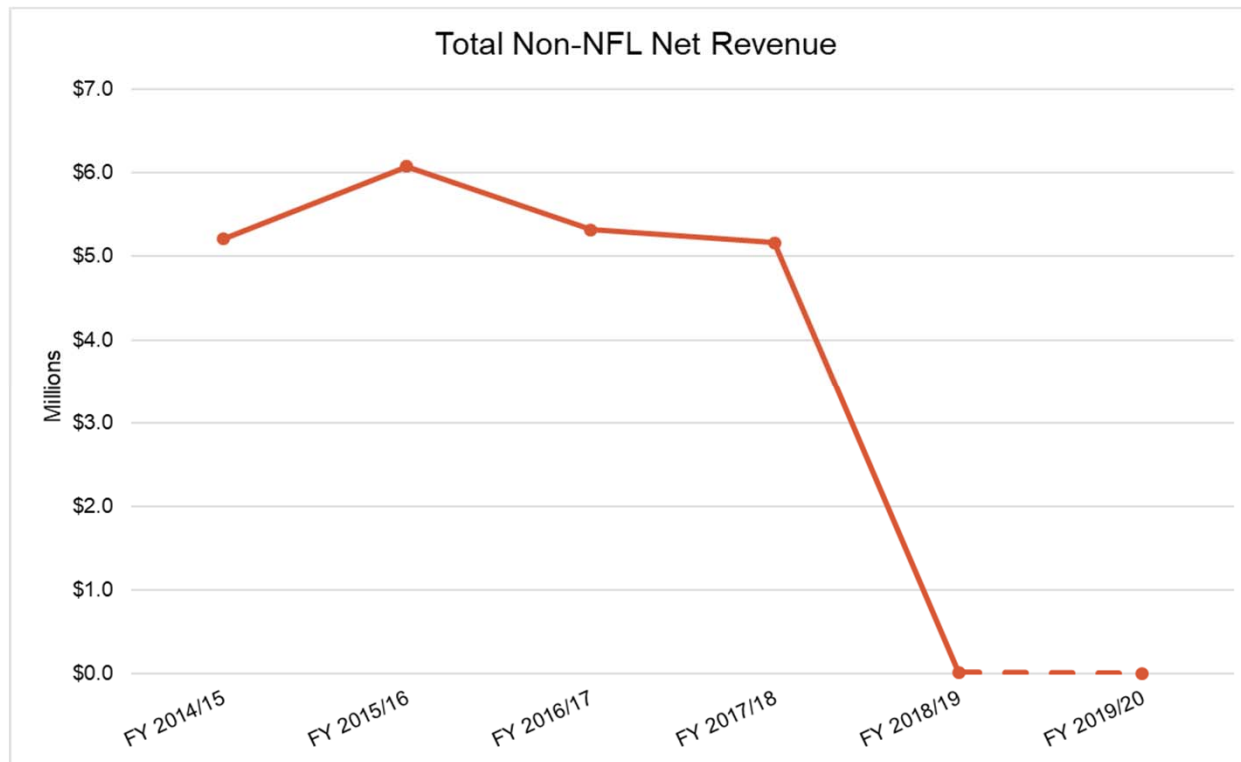
Almost Half of Debt Paid in Five Years



Only 20% of Capital Budget Expended

- Total Capital Budget of \$8 million
- \$1.2 million or 20% spend on Stadium CIP costs
 - Completed fire sprinkler system, terrazzo floor restoration, CAD replacement, field conduits, hot water additions for sump pump
- Projects halted due to State procurement and prevailing wages
- SCSA will need to assess priority projects to maintain asset

Decreased revenue expected to continue



No net revenue projected this fiscal year

Concern over Future General Fund Impact

Net General Fund Impact

For Stadium Authority Fiscal Year to Date Ending March 31, 2019

Ground Rent	\$	320,000
Performance Rent		-
Senior and Youth Fee		227,933
Tasman Lots Parking Fee		23,645
Sales Tax		619,224

Total Net General Fund Impact	\$	1,190,802
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Projected loss of \$5.4 million when including this fiscal year



In Summary

- This detail continues the Board's direction to provide more transparency about the Management Company's performance with managing non-NFL events, e.g., revenue and expenditures per each ticketed event
- No SCSA notice to the Board or staff regarding significant financial term
- SCSA got the draft profit and loss information in Aug/September time frame and, only recently, could make these findings
- Stadium Manager expended \$2.5 million more on expenditures categorized as Miscellaneous and Operations, Janitorial, and Miscellaneous Expenses which include guest services, game day staffing, janitorial maintenance and other stadium operations costs

In Summary

- 75% of Non-NFL ticketed events lose money or make zero revenue for the Stadium Authority. In total, nine events generated zero revenue or lost the Stadium Authority \$6.3 million
- Three Non-NFL ticketed events were revenue generating, resulting in \$3.6 million revenue
- On average, loss of \$200,000 per ticketed event for the Stadium Authority
- Non-NFL ticketed events lost \$2.6 million in total in FY 2018/19. In one example, had a second Taylor Swift concert not been added at the last minute by ManagementCo., net revenue would have increased by \$1.8 million for FY 2018/19

Recommendation

- Note and file the Santa Clara Stadium Authority Financial Status Report for the Quarter and Fiscal Year Ending March 31, 2019

SCSA

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