



**City of
Santa Clara**
The Center of What's Possible



News Release

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Santa Clara Stadium Authority Prepares to Revoke the Forty Niners Stadium Management Company's Authority to Issue Contracts

Forty Niners have failed to properly manage public funds and comply with State labor laws for the past five years

SANTA CLARA, Calif. – At the Tuesday, April 30, 2019 Santa Clara Stadium Authority meeting, the Stadium Authority's General Counsel Brian Doyle and Executive Director Deanna J. Santana provided details to the Stadium Authority Board on the Notice of Default of the Stadium Management Agreement that was recently issued to the Forty Niners Stadium Management Company (49ers) that serves as Levi's® Stadium manager.

A Notice of Breach was issued March 21, 2019 due to the 49ers' violation of local and state public procurement laws related to their contract with NEx Systems for stadium floor improvements, a contract issued for more than \$600,000 of public funds. In 2012, the 49ers as the stadium manager had been delegated full authority to contract on behalf of the Stadium Authority, subject to all rules pertaining to public procurement including state prevailing wage regulations.

In late October 2018, the 49ers informed the Stadium Authority that it had procured an agreement with NEx Systems on August 1, 2018 in excess of their delegated authority and without Board approval to do so because the amount was over \$250,000. The 49ers then sought the Board's approval. Upon review of the procurement processes administered by the 49ers, it became abundantly clear that the 49ers failed to follow local and state laws, particularly labor laws that are in place to protect worker wages.

"This is not some paperwork problem. This is a wholesale failure to perform the duties of the executive director with regard to procurement at the Stadium for five consecutive years," explained Stadium Authority Counsel Brian Doyle to the Board at the public meeting. "It is the result of my first learning about this approximately 30 something days ago when the Stadium Authority Manager (Jim Mercurio) admitted to the Executive Director that he thought paying prevailing wages meant - or complying with prevailing wage law - meant not going to Home Depot parking lot and picking people up."

The March 21 Notice of Breach allowed the 49ers to cure the apparent breach. The 49ers failed to provide evidence of a cure within that time, and on April 26, 2019, the Stadium Authority Council issued a Notice of Default of the Stadium Management Agreement. The 49ers have not yet provided evidence that demonstrates their procurement of the NEx contract complies with City and State law, including California prevailing wage regulations.

"I think what we have is a bigger issue. And the bigger issue is their (49ers) management ability," said Stadium Authority Board Chair Lisa M. Gillmor, who also serves as Santa Clara's mayor. "We are just finding in terms of getting the details that they do not have the experience to manage the stadium."

Per Doyle's and Santana's joint recommendation, the Stadium Authority Board directed staff to prepare the appropriate legislation that results in revoking the 49ers' delegated procurement authority for any purchases made on behalf of the Stadium Authority. The Board also directed Doyle and Santana to evaluate reducing the 49ers' Management Fee, since they are not carrying out the full duties of the agreement, and to work with State agencies to self-report these serious violations of law.

Background: View [Informational Report](#) from the April 30, 2019 Stadium Authority meeting.

About the City of Santa Clara

Located at the heart of Silicon Valley about 45 miles south of San Francisco, the City of Santa Clara truly is "The Center of What's Possible." Incorporated in 1852, Santa Clara covers an area of 19.3 square miles with a population of 120,000. Santa Clara is home to an extraordinary array of high-tech companies, including Applied Materials, Hewlett-Packard, Intel, Nvidia, Oracle, and Ericsson. The City of Santa Clara is also home to Santa Clara University, California's Great America Theme Park, and Levi's® Stadium, home of the San Francisco 49ers and Super Bowl 50. For more information, go to www.SantaClaraCA.gov.

About the Santa Clara Stadium Authority

Established to provide for the development and operation of Levi's® Stadium, the Santa Clara Stadium Authority exists as a public body, separate and distinct from the City of Santa Clara. The seven elected members of the City Council serve as the governing board for the Stadium Authority. The mayor serves as chair of the Stadium Authority, with the city manager as the executive director and the city attorney as the Stadium Authority's general counsel. The City is not liable for the debts or obligations of the Stadium Authority.

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