Draft

# SANTA CLARA STADIUM AUTHORITY

(a Component Unit of the City of Santa Clara, California)

Financial Statements

March 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)

**Table of Contents**


| | Page |
|---|---|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis (Unaudited) | 3 |
| Basic Financial Statements: | |
| Statements of Net Position | 8 |
| Statements of Revenues, Expenses, and Changes in Net Position | 9 |
| Statements of Cash Flows | 10 |
| Notes to Financial Statements | 11 |


Draft

# Independent Auditors' Report

The Board of Directors
Santa Clara Stadium Authority:

## Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of the Santa Clara Stadium Authority (the Stadium Authority), a component unit of the City of Santa Clara, as of and for the years ended March 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Stadium Authority's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Stadium Authority as of March 31, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Stadium Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Stadium Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a

Draft

substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stadium Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Stadium Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated _____ __, ____ on our consideration of the Stadium Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Stadium Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Stadium Authority's internal control over financial reporting and compliance.

*(signed) KPMG LLP*

Sacramento, California
Date

Draft

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)

Management's Discussion and Analysis (Unaudited)

March 31, 2024 and 2023

The management's discussion and analysis of the Santa Clara Stadium Authority (Stadium Authority) provides an overall review of the Stadium Authority's financial activities for the fiscal years ended March 31, 2024 and 2023. The intent of this discussion and analysis is to look at the Stadium Authority's financial performance as a whole. Readers should review the discussion and analysis in conjunction with the basic financial statements, including the notes to the basic financial statements to enhance their understanding of the Stadium Authority's financial performance.

The Stadium Authority has elected to provide comparative financial statements to better assist the reader. The Stadium Authority's fiscal year runs from April 1 through March 31 to conform to the fiscal year of the Stadium Funding Trust (FinanceCo). The Stadium Authority is a component unit of the City of Santa Clara, California (City) whose fiscal year is July 1 through June 30.

The Stadium Authority exists as a public body, separate and distinct from the City. It was established to provide for development and operation of Levi's Stadium.

**Financial Highlights**

Key financial highlights for the fiscal year ended March 31, 2024 are as follows:

- The carrying value of Levi's Stadium, net of depreciation, is $670,543,336.
- During the fiscal year, there were twelve National Football League (NFL) games, seven ticketed Non-NFL events, and fifty-three smaller special events held at Levi's Stadium.
- The Stadium Authority recognized $81,107,805 in operating revenue and $79,659,943 in operating expenses.
- The revenues from the Non-NFL events were $24,935,722 and the related expenses were $16,669,037 resulting in net Non-NFL event profit of $8,266,685.
- Debt service payments during the fiscal year totaled $28,683,618. Overall remaining outstanding debt was reduced by $16,606,911.
- The assets of the Stadium Authority exceeded its liabilities by $129,654,706 due to income from the operation of Levi's Stadium.
- The City received $495,000 for stadium ground rent. Additionally, the City is required to be fully reimbursed for all of its administration and public safety costs by either the Stadium Authority for Non-NFL events or Forty Niners SC Stadium Company LLC (StadCo) for NFL events.

**Overview of the Financial Statements**

This annual report consists of a series of financial statements and the notes to those statements. These statements are organized so the reader can understand the Stadium Authority as a financial whole. The basic financial statements provide both a short-term and long-term view of the Stadium Authority's financial activities and financial position.

The basic financial statements comprise the statements of net position, the statements of revenues, expenses, and changes in net position, the statements of cash flows, and the notes to the financial statements. The statements of net position provide information about the financial position of the Stadium Authority as a whole, including all of its long-term liabilities on the full accrual basis. The statements of revenues, expenses, and



Draft

changes in net position provide information about all revenue and expenses. The statements of cash flows provide information about cash activities for the period.

During the fiscal year ended March 31, 2023, the Stadium Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 87 (GASB 87), *Leases*, which requires the Stadium Authority to recognize leases receivable and deferred inflows of resources related to lease arrangements where the Stadium Authority is a lessor. Further, the Stadium Authority is required to recognize a lease liability and an intangible right-to-use leased asset for lease arrangements where the Stadium Authority is a lessee.

### Financial Analysis of the Stadium Authority as a Whole

The Stadium Authority's net position at March 31, 2024, March 31, 2023, and March 31, 2022 is as follows:

| | FY 2024 | FY 2023 | FY 2022 | FY 2024 increase (decrease) | FY 2023 increase (decrease) |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Capital assets | $ 678,569,448 | 689,075,880 | 702,507,201 | (10,506,432) | (13,431,321) |
| Other assets | 765,846,369 | 755,730,577 | 755,573,350 | 10,115,792 | 157,227 |
| Total assets | $ 1,444,415,817 | 1,444,806,457 | 1,458,080,551 | (390,640) | (13,274,094) |
| Liabilities: | | | | | |
| Current unearned revenue | $ 16,900,628 | 16,374,980 | 15,076,480 | 525,648 | 1,298,500 |
| Other current liabilities | 37,184,066 | 22,962,052 | 27,177,126 | 14,222,014 | (4,215,074) |
| Long-term unearned revenue | 431,418,058 | 432,484,579 | 425,271,742 | (1,066,521) | 7,212,837 |
| Other long-term liabilities | 250,689,036 | 259,136,843 | 290,000,476 | (8,447,807) | (30,863,633) |
| Total liabilities | $ 736,191,788 | 730,958,454 | 757,525,824 | 5,233,334 | (26,567,370) |
| Deferred inflows of resources: | | | | | |
| Deferred inflows leases related | 578,569,323 | 595,586,067 | 612,602,812 | (17,016,744) | (17,016,745) |
| Total deferred inflows of resources | $ 578,569,323 | 595,586,067 | 612,602,812 | (17,016,744) | (17,016,745) |
| Net position: | | | | | |
| Net investment in capital assets | $ 456,438,951 | 449,951,997 | 422,193,509 | 6,486,954 | 27,758,488 |
| Restricted for: | | | | | |
| Debt service | 12,298,802 | 20,844,381 | 21,453,314 | (8,545,579) | (608,933) |
| Capital projects and other agreements | 81,938,065 | 52,822,516 | 47,055,671 | 29,115,549 | 5,766,845 |
| Unrestricted deficit | (421,021,112) | (405,356,958) | (402,750,579) | (15,664,154) | (2,606,379) |
| Total net position | $ 129,654,706 | 118,261,936 | 87,951,915 | 11,392,770 | 30,310,021 |

*Fiscal Year 2023-24 Analysis*

Capital assets decreased when compared to the prior year by $10,506,432 due to annual depreciation, partially offset by equipment and buildings additions. Other assets increased when compared to the prior year by $10,115,792. This was due to increases in cash deposits from excess revenue distributions at year-end and naming rights accounts receivable resulting from a naming rights agreement extension offset by a reduction in lease receivables. Liabilities increased by $5,233,334 compared to the prior year. This is primarily due to the recognition of public safety costs and performance-base rent (notes 7 and 8), partially offset by decreases in long-term debt and unearned Stadium Builder License (SBL) revenue. Total net position for the Stadium Authority, as a whole, increased between March 31, 2023 and March 31, 2024 to $129,654,706. This increase of $11,392,770 is primarily due to a decrease in long-term liabilities and deferred inflows of lease resources.

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)
Management's Discussion and Analysis (Unaudited)
March 31, 2024 and 2023

*Fiscal Year 2022-23 Analysis*

Capital assets decreased when compared to the prior year by $13,431,321 due to annual depreciation, partially offset by equipment and building additions. Other assets increased when compared to the prior year by $157,227. This was due mainly to the implementation of GASB 87 for leases, offset by increases in accounts receivables for Non-NFL event revenues and cash deposit from excess revenue distributions at year-end. Liabilities decreased by $26,567,370 compared to the prior year. The decrease was due to principal prepayment of long-term debt and implementation of GASB 87 for leases, partly offset by an increase in unearned SBL revenue due to collection of SBL principal that is amortized over the life of the SBL. Total net position for the Stadium Authority, as a whole, increased between March 31, 2022 and March 31, 2023 to $118,261,936. This increase of $30,310,021 is primarily due to the payoff of the StadCo Subordinated Loan that financed the construction of the Stadium as well as decreases in other long-term liabilities and deferred inflows of lease resources.

The Stadium Authority's revenues, expenses, and changes in net position for the fiscal years ended March 31, 2024, March 31, 2023, and March 31, 2022 are as follows:

| | FY 2024 | FY 2023 | FY 2022 | FY 2024 increase (decrease) | FY 2023 increase (decrease) |
|---|---|---|---|---|---|
| Operating revenues | $ 81,107,805 | 71,693,423 | 51,123,882 | 9,414,382 | 20,569,541 |
| Operating expenses | (79,659,943) | (48,086,779) | (50,656,419) | (31,573,164) | 2,569,640 |
| Operating income | 1,447,862 | 23,606,644 | 467,463 | (22,158,782) | 23,139,181 |
| Nonoperating revenues | 18,819,490 | 18,775,223 | 17,108,002 | 44,267 | 1,667,221 |
| Nonoperating expenses | (12,342,207) | (14,198,663) | (14,949,670) | 1,856,456 | 751,007 |
| Income before contributions and other revenues | 7,925,145 | 28,183,204 | 2,625,795 | (20,258,059) | 25,557,409 |
| Contributions and other revenues | 3,467,625 | 2,126,817 | 1,085,574 | 1,340,808 | 1,041,243 |
| Increase in net position | 11,392,770 | 30,310,021 | 3,711,369 | (18,917,251) | 26,598,652 |
| Total net position – beginning of fiscal period | 118,261,936 | 87,951,915 | 84,240,546 | 30,310,021 | 3,711,369 |
| Total net position – end of fiscal period | $ 129,654,706 | 118,261,936 | 87,951,915 | 11,392,770 | 30,310,021 |

*Fiscal Year 2023-24 Analysis*

Stadium Authority operating revenues increased by $9,414,382 when compared with the prior year. This was mainly due to increases in revenue from ticketed Non-NFL events, rents and licenses and NFL ticket surcharge. The operating expenses increased by $31,573,164 compared to the prior year. This increase is primarily due to the 2024 Settlement Agreement (note 8), which resulted in an increase in buffet costs, performance-based rent and public safety costs. Non-NFL event expenses also increased due to larger ticketed Non-NFL events.

Draft

Nonoperating revenues increased by $44,267 mainly due to an increase in interest revenue offset by a decrease in miscellaneous other revenue. Nonoperating expenses decreased by $1,856,456 due to a decrease in interest expense resulting from lower debt balances.

Contributions and other revenues were $3,467,625, an increase of $1,340,808 over the prior fiscal year. These represent special hotel tax revenues collected to pay the CFD Advance Loan.

*Fiscal Year 2022-23 Analysis*

Stadium Authority operating revenues increased by $20,569,541 when compared with the prior year. This was mainly due to the implementation of GASB 87 and increases in rents and licenses, and charges for services from NFL Games, ticketed Non-NFL events and smaller special events being held. The operating expenses decreased by $2,569,640 compared to the prior year. This decrease is primarily due to higher Stadium Manager expenses and Non-NFL events expenses offsets by zero settlement expense true-up. The Stadium Authority recognized additional expenses for the unpaid shared stadium expenses and other expenses in fiscal year 2021-22 as part of a previous August 31, 2022 settlement agreement.

Nonoperating revenues increased by $1,667,221 mainly due to the implementation of GASB 87. Nonoperating expenses decreased by $751,007 mainly due to a decrease in interest expense.

Contributions and other revenues were $2,126,817, an increase of $1,041,243 over the prior fiscal year. These represent special hotel tax revenues collected to pay the CFD Advance Loan.

**Capital Assets**

The capital assets of the Stadium Authority are those which are used in the performance of the Stadium Authority's functions, including but not limited to infrastructure-related assets. These assets do not include StadCo's tenant improvements. At March 31, 2024, capital assets totaled $678,569,448.

Further detail may be found in note 4 to the financial statements.

**Debt Administration**

At March 31, 2024, the Stadium Authority had total debt outstanding of $228,667,826, as shown in detail in note 5 to the financial statements. Stadium Authority's debt comprised Stadium Funding Trust Term A loan of $199,956,240 and the CFD Advance Loan of $28,711,586.

Draft

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)

Management's Discussion and Analysis (Unaudited)

March 31, 2024 and 2023

## Economic and Financial Overview

Over the last few years, the local economy continued to improve during the recovery from COVID-19. Unemployment rates are near prepandemic rates and there continues to be commercial and residential development, including several projects in the vicinity of Levi's Stadium. Large ticketed and small-scale Non-NFL events have recovered and are producing higher net revenues than prepandemic levels. The past few years have also seen increases in hotel nights resulting in increases to Community Facilities District (CFD) taxes that flow to the Stadium Authority to pay down debt. Major financial factors impacting the Stadium Authority are:

- In May 2013, a Naming Rights Agreement with Levi Strauss & Co. (Levi's) was approved naming the Stadium "Levi's Stadium" for a term of 20 years. In January 2024, the First Amendment to Naming Rights Agreement with Levi's was approved extending the initial term an additional 10 years. The naming rights agreement and its first amendment calls for Levi's to pay a total of $273.1 million to the Stadium Authority over the 30-year period. The agreement requires the Stadium Authority to hold at least 36 "Major Events" (with 25,000+ attendees) every three contract years. The Second Amendment to the Stadium Management Agreement states that Forty Niners Stadium Management Company, LLC (ManagementCo) would pay the Stadium Authority as liquidated damages the amount owed by the Stadium Authority to Levi's in the event the required number of events is not met. As of March 31, 2024, the Stadium Authority has received $69.7 million in naming rights revenue.
- Stadium Builders Licenses (SBLs) entitle the license holder to priority rights to buy tickets for events at Levi's Stadium. The total value of the currently active SBL holders' licenses is $555 million. Through March 31, 2024, $558.1 million in SBL principal payments have been collected since inception. This is due in part to a number of SBL holders paying off or prepaying a large portion of their SBL, and defaulted SBLs being resold at full price. In addition to SBL collections, the Stadium Authority has collected $70.8 million in interest from license holders who financed their SBLs since inception.
- The Stadium Authority collected $24.8 million in lease revenue during the NFL season and $8.3 million net revenue associated with hosting Non-NFL events for the fiscal year ended March 31, 2024.
- The Stadium Authority collects a 10% surcharge on the price of admission to all regular season NFL games and a $4 per ticket surcharge for all ticketed Non-NFL events. There were ten regular season NFL games held at Levi's Stadium and two play-off games during fiscal year March 31, 2024, which resulted in $12.7 million in NFL ticket surcharge revenues. The Stadium Authority also recognized $1.6 million in Non-NFL event ticket surcharge revenues from the eight ticketed events held at the Stadium.

## Contacting the Stadium Authority's Financial Management

This financial report is designed to provide our residents, taxpayers, investors, and creditors with a general overview of the Stadium Authority's finances and to demonstrate the Stadium Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Santa Clara Finance Department at 1500 Warburton Avenue, Santa Clara, CA 95050-3796.

DRAFT

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)

Statements of Net Position

March 31, 2024 and 2023

| **Assets** | | **2024** | **2023** |
|---|---|---|---|
| Current assets: | | | |
| Cash | $ | 18,485,558 | 11,286,692 |
| Restricted cash | | 78,573,023 | 54,725,592 |
| Restricted cash with fiscal agent | | 15,909,843 | 24,265,375 |
| Accounts receivable | | 19,453,027 | 20,094,954 |
| Lease receivable | | 11,926,763 | 11,669,804 |
| Total current assets | | 144,348,214 | 122,042,417 |
| Capital assets: | | | |
| Buildings, net | | 670,543,336 | 683,106,548 |
| Machinery and equipment, net | | 3,823,782 | 3,873,939 |
| Construction in progress | | 4,202,330 | 2,095,393 |
| Total capital assets | | 678,569,448 | 689,075,880 |
| Right-to-use leased assets | | 27,136,529 | 27,934,663 |
| Long-term restricted cash with fiscal agent | | 11,536,235 | 11,536,235 |
| Long-term lease receivable | | 582,290,499 | 594,217,262 |
| Long-term accounts receivable | | 534,892 | — |
| Total noncurrent assets | | 1,300,067,603 | 1,322,764,040 |
| Total assets | $ | 1,444,415,817 | 1,444,806,457 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | $ | 23,637,965 | 1,357,581 |
| Interest payable | | 5,773,075 | 6,002,575 |
| Due to other City of Santa Clara funds | | 473,130 | 142,896 |
| Term A loan payable, current portion | | 7,299,896 | 15,459,000 |
| Unearned revenue, current portion | | 16,900,628 | 16,374,980 |
| Total current liabilities | | 54,084,694 | 39,337,032 |
| Lease liability | | 29,321,106 | 29,321,106 |
| Term A loan payable | | 192,656,344 | 199,956,240 |
| CFD advance loan payable | | 28,711,586 | 29,859,497 |
| Unearned revenue | | 431,418,058 | 432,484,579 |
| Total noncurrent liabilities | | 682,107,094 | 691,621,422 |
| Total liabilities | $ | 736,191,788 | 730,958,454 |
| **Deferred Inflows of Resources** | | | |
| Deferred inflows leases related | $ | 578,569,323 | 595,586,067 |
| Total deferred inflows of resources | $ | 578,569,323 | 595,586,067 |
| **Net Position** | | | |
| Net investment in capital assets | $ | 456,438,951 | 449,951,997 |
| Restricted for: | | | |
| Debt service | | 12,298,802 | 20,844,381 |
| Capital projects and other agreements | | 81,938,065 | 52,822,516 |
| Unrestricted deficit | | (421,021,112) | (405,356,958) |
| Total net position | $ | 129,654,706 | 118,261,936 |

See accompanying notes to financial statements.

Draft

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended March 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| Operating revenues: | | |
| Charges for services | $ 40,611,283 | 33,161,155 |
| Rents and licensing | 40,496,522 | 38,532,268 |
| | 81,107,805 | 71,693,423 |
| Operating expenses: | | |
| Leases | 7,574,722 | 250,000 |
| Materials, services, and supplies (note 3a and 8) | 51,815,537 | 28,308,133 |
| Selling, general, and administrative expenses | 2,033,263 | 1,522,695 |
| Depreciation | 18,236,421 | 18,005,951 |
| | 79,659,943 | 48,086,779 |
| Operating income | 1,447,862 | 23,606,644 |
| Nonoperating revenues (expenses): | | |
| Interest revenue | 18,819,490 | 18,157,312 |
| Other revenue | — | 617,911 |
| Interest expense | (12,342,207) | (14,198,663) |
| Income before contributions and other revenues | 7,925,145 | 28,183,204 |
| Contributions and other revenues: | | |
| Contribution from Community Facilities District | 3,467,625 | 2,126,817 |
| Change in net position | 11,392,770 | 30,310,021 |
| Net position – beginning of period | 118,261,936 | 87,951,915 |
| Net position – end of period | $ 129,654,706 | 118,261,936 |

See accompanying notes to financial statements.

Draft

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)

Statements of Cash Flows

Years ended March 31, 2024 and 2023

| | | 2024 | 2023 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Receipts from customers | $ | 41,368,043 | 32,312,422 |
| Payments to suppliers | | (38,995,500) | (29,604,398) |
| Rents and licensing received | | 47,106,805 | 49,487,986 |
| Net cash provided by operating activities | | 49,479,348 | 52,196,010 |
| Cash flows from noncapital financing activities: | | | |
| Net borrowings from other City of Santa Clara funds | | 330,234 | 629,529 |
| Net cash provided by noncapital financing | | 330,234 | 629,529 |
| Cash flows from capital and related financing activities: | | | |
| Contribution from Community Facilities District | | 2,840,331 | 2,248,478 |
| Acquisition and construction of capital assets | | (7,079,493) | (3,108,564) |
| Principal payments on capital debt | | (16,615,923) | (35,038,955) |
| Interest paid on capital debt | | (12,067,695) | (13,918,397) |
| Net cash used in capital and related financing | | (32,922,780) | (49,817,438) |
| Cash flows from investing activity: | | | |
| Interest and dividends | | 5,803,963 | 4,503,381 |
| Net cash provided by investing activity | | 5,803,963 | 4,503,381 |
| Net increase in cash and restricted cash | | 22,690,765 | 7,511,482 |
| Cash and restricted cash, beginning of period | | 101,813,894 | 94,302,412 |
| Cash and restricted cash, end of period | $ | 124,504,659 | 101,813,894 |
| Reconciliation of operating income to cash provided by operating activities: | | | |
| Operating income | $ | 1,447,862 | 23,606,644 |
| Depreciation | | 18,236,421 | 18,005,951 |
| Lease revenues | | 7,250,256 | 7,285,255 |
| Change in operating assets and liabilities: | | | |
| Accounts receivable | | 657,660 | (5,689,607) |
| Accounts payable and accrued liabilities | | 22,428,022 | (539,569) |
| Prepaid expenses | | — | 1,015,999 |
| Unearned revenue | | (540,873) | 8,511,337 |
| Net cash provided by operating activities | $ | 49,479,348 | 52,196,010 |
| Noncash operating and capital financing activities: | | | |
| Equipment purchases included in accounts payable and accrued expense | $ | (147,638) | 667,933 |

See accompanying notes to financial statements.

Draft

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)

Notes to Financial Statements

March 31, 2024 and 2023

## (1) Organization and Reporting Entity

### *(a) Organization*

On June 8, 2010, residents of Santa Clara voted to adopt Measure J, the Santa Clara Stadium Taxpayer Protection and Economic Progress Act, resulting in the approval to construct a new 68,500-seat football stadium (the Stadium) to be leased to the San Francisco 49ers (49ers). In addition, Measure J called for the creation of the Santa Clara Stadium Authority to own, develop, construct, operate, and maintain the Stadium project. The City of Santa Clara, California (City) and the City of Santa Clara Redevelopment Agency (Agency) entered into a Joint Exercise of Powers Agreement (JPA Agreement) establishing the Santa Clara Stadium Authority (Stadium Authority). The JPA Agreement was later amended to add the Bayshore North Project Enhancement Authority as a member of the Stadium Authority. On June 28, 2011, the Governor signed into law Assembly Bill No. X1 26 (ABX1 26), which called for the dissolution of Redevelopment Agencies throughout the State. The California State Supreme Court upheld ABX1 26, and as a result, on February 1, 2012, all California Redevelopment Agencies were dissolved. The Successor Agency of the City of Santa Clara (Successor Agency) then assumed the obligations of the Agency under the JPA Agreement.

### *(b) Financial Reporting Entity*

As defined by US generally accepted accounting principles (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

2) Fiscal dependency on the primary government.

Based upon the application of these criteria, the Stadium Authority has no component units. However, the Stadium Authority is a component unit of the City due to the Mayor and City Council serving as the Board of the Stadium Authority and therefore meeting the financial accountability criteria. The City Manager serves as the Executive Director. The debt which was incurred for the construction of the Stadium is the responsibility of the Stadium Authority. The City is not a party to the debt nor has the City guaranteed such debt.

## (2) Summary of Significant Accounting Policies

### *(a) Basis of Presentation*

The financial statements of the Stadium Authority have been prepared in conformity with GAAP, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing government accounting and financial reporting principles. The Stadium Authority is included as an enterprise fund in the City's Annual Financial Report, and therefore, these financial statements do not purport to represent the financial position and changes in financial position of the City.

### *(b) Basis of Accounting and Measurement Focus*

The Stadium Authority reports its activities as a business-type activity. The financial statements include statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows, and are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statements of net position. Reported net position is segregated into three categories – net investment in capital assets, restricted, and unrestricted. The statements of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

Operating revenues are those revenues that are generated from the primary operations of the Stadium Authority. All other revenues are reported as nonoperating. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

### *(c) Year-End*

An amendment was made to the JPA Agreement on November 13, 2012 in part to change the fiscal year of the Stadium Authority from a July 1 through June 30 fiscal year to an April 1 through March 31 fiscal year to conform with the fiscal year of Stadium Funding Trust.

### *(d) Cash, Restricted Cash, and Restricted Cash with Fiscal Agent*

The Stadium Authority's cash is not pooled with the City but is held in separate bank and trust accounts.

#### *(i) Composition of Cash, Restricted Cash, and Restricted Cash with Fiscal Agent*

Cash, restricted cash, and restricted cash with fiscal agent at March 31, 2024 and 2023 consist of cash deposits in banks.

Restricted cash includes revenue that has not yet been transferred to Stadium Funding Trust accounts. On the fifteenth of the following month, all revenue is swept into the Stadium Funding Trust accounts as required by the Deposit and Disbursement Agreement and becomes restricted cash with fiscal agent. It also includes cash dedicated to construction and the capital expenditure, operating, and renovation/demolition reserve accounts.

Restricted cash with fiscal agent consists of stadium deposits pledged to a syndicate of lenders and deposits for stadium construction. The application of these deposits is restricted to fund stadium construction and Stadium Authority operations and debt service.

#### *(ii) Investments Authorized by Debt Agreements*

Stadium Authority maintains required amount of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if Stadium Authority fails to meet its obligations under these debt



Draft

issues. The California Government Code 53601 (L) allows these funds to be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, other arrangements, or certificates of participation in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

*(iii) Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 105% to 150% of the Stadium Authority's cash on deposit. All of the deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions.

***(e) Accounts Receivable***

Accounts receivable are recorded in the Stadium Authority's accounts at the amounts that are contractually due. Accounts receivable include payments due from ManagementCo as a result of the operations of non-National Football League (NFL) events held at the Stadium and the overpayment of stadium manager expenses. Naming Rights revenue due from Levi's Strauss & Co., special tax proceeds collected by the Community Facilities District (CFD) and not yet paid to Stadium Authority pursuant to the CFD Reimbursement Agreement, and other miscellaneous receivables are also included as accounts receivable in the statements of net position.

***(f) Capital Assets***

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets with a value over $5,000 and is charged as an expense against operations.

| | **Useful lives (years)** |
|---|---|
| Buildings | 20–50 |
| Machinery and equipment | 2–25 |

The cost of maintenance, repairs, minor replacements, and renewals are charged to operations as incurred. Major replacements, renewals, and betterments are capitalized. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in the statements of revenues, expenses, and changes in net position.

### *(g) Unearned Revenue and Revenue Recognition*

Stadium Builder License (SBL) proceeds and payments received for other license agreements are initially recorded as unearned revenue and are recognized as revenue over the term of the contracts. Rental income is recognized as revenue based on GASB 87 over the term of the Stadium Lease (note 2(k)).

Non-NFL event revenue, NFL ticket surcharge, Non-NFL ticket surcharge, and other operating revenues are recognized as they are earned.

### *(h) Risk Management*

Per the terms of the Stadium Lease, during operations, the Forty Niners SC Stadium Company LLC (StadCo) procures insurance and the Stadium Authority pays a proportionate share to StadCo.

### *(i) Income Taxes*

The Stadium Authority falls under the purview of Internal Revenue Code, Section 115 and corresponding California Revenue and Taxation Code provisions. As such, the Stadium Authority is not subject to federal or state income taxes.

### *(j) Use of Estimates*

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### *(k) Lease Agreements*

The Stadium Authority implemented GASB 87, *Leases*, during the year ended March 31, 2023. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Lessee – The Stadium Authority is a lessee for a noncancelable ground lease. The Stadium Authority recognizes any lease liability with an initial and individual value of $100,000, and an intangible right-to-use lease asset (lease asset) in the statement of net position financial statements.

At the commencement of a lease, the Stadium Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as



Draft

the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Stadium Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments as follows:

- The Stadium Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Stadium Authority generally uses its estimated incremental borrowing rate as the discount rate for leases. The Stadium Authority used a 2.18% discount rate for the expected lease payments to present value.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Stadium Authority is reasonably certain to exercise.

The Stadium Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. The Stadium Authority has the Ground Lease with the City (note 6). As of March 31, 2024, the balances related to the lease liability and right-to-use were $29.3 million and $27.1 million respectively. The lease has remaining terms of 35 years as of April 1, 2023. As of March 31, 2023 and March 31, 2024, the Stadium Authority recognized $798 thousand in lease amortization expense and $652 thousand in interest expense related to this lease.

A summary of lease liability activity during the year ended March 31, 2024 is as follows:

| | March 31, 2023 | Additions | Reductions | March 31, 2024 |
|---|---|---|---|---|
| Lease liability | $ 29,321,106 | — | — | 29,321,106 |
| Total lease liability | $ 29,321,106 | — | — | 29,321,106 |

A summary of lease liability activity during the year ended March 31, 2023 is as follows:

| | March 31, 2022 | Additions | Reductions | March 31, 2023 |
|---|---|---|---|---|
| Lease liability | $ 29,321,106 | — | — | 29,321,106 |
| Total lease liability | $ 29,321,106 | — | — | 29,321,106 |

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)
Notes to Financial Statements
March 31, 2024 and 2023

Right-to-use leased assets for the years ended March 31, 2024 is as follows:

| | March 31, 2023 | Additions | Reductions | March 31, 2024 |
|---|---|---|---|---|
| Right-to-use leased assets being depreciated: | | | | |
| Land | $ 29,530,929 | — | — | 29,530,929 |
| Total right-to-use leased assets | 29,530,929 | — | — | 29,530,929 |
| Less accumulated depreciation for: | | | | |
| Land | (1,596,266) | (798,134) | — | (2,394,400) |
| Total accumulated depreciation | (1,596,266) | (798,134) | — | (2,394,400) |
| Total right-to-use leased assets, net | $ 27,934,663 | (798,134) | — | 27,136,529 |

Right-to-use leased assets for the years ended March 31, 2023 is as follows:

| | March 31, 2022 | Additions | Reductions | March 31, 2023 |
|---|---|---|---|---|
| Right-to-use leased assets being depreciated: | | | | |
| Land | $ 29,530,929 | — | — | 29,530,929 |
| Total right-to-use leased assets | 29,530,929 | — | — | 29,530,929 |
| Less accumulated depreciation for: | | | | |
| Land | (798,133) | (798,133) | — | (1,596,266) |
| Total accumulated depreciation | (798,133) | (798,133) | — | (1,596,266) |
| Total right-to-use leased assets, net | $ 28,732,796 | (798,133) | — | 27,934,663 |

Draft

Future principal and interest payments on the lease liability are as follows as of March 31, 2024:

| | | Principal | Interest |
|---|---|---|---|
| Year ending March 31: | | | |
| 2025 | $ | 6,542 | 993,458 |
| 2026 | | 354,518 | 645,482 |
| 2027 | | 362,325 | 637,675 |
| 2028 | | 370,303 | 629,697 |
| 2029 | | 378,456 | 621,544 |
| 2030–2034 | | 2,543,522 | 2,956,478 |
| 2035–2039 | | 3,358,669 | 2,641,331 |
| 2040–2044 | | 4,267,600 | 2,232,400 |
| 2045–2049 | | 5,281,106 | 1,718,894 |
| 2050–2054 | | 6,411,217 | 1,088,783 |
| 2054–2058 | | 5,986,848 | 333,152 |
| Total | $ | 29,321,106 | 14,498,894 |

*Lessor* – The Stadium Authority is a lessor for noncancelable leases of land and building. The Stadium Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Stadium Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue on a straight-line basis over the life of the lease term.

Key estimates and judgments include how the Stadium Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The Stadium Authority uses its estimated incremental borrowing rate as the discount rate for leases. The Stadium Authority used a 2.18% discount rate for the expected lease payments to present value.
- The lease term includes the noncancelable period of the lease.
- Lease receipts included in the measurement of the lease receivable comprises fixed payments from the lessee.

The Stadium Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. The Stadium Authority has the Stadium Lease with StadCo (note 6). As of March 31, 2024, the balances related to



Draft

the lease receivable and deferred inflow of resources were $594.2 million and $578.6 million, respectively. As of March 31, 2023, the lease receivable and deferred inflow of resources were $605.9 million and $595.6 million, respectively. The lease has remaining terms of 35 years as of April 1, 2023. As of March 31, 2024, the Stadium Authority recognized $17.0 million in lease revenue under rents and licensing revenue category and $13.1 million in interest revenue. Similarly, as of March 31, 2023, the Stadium Authority also recognized $17.0 million in lease revenue under rents and licensing revenue category and $13.3 million in interest revenue.

A summary of lease receivable activity during the year ended March 31, 2024 is as follows:

| | | March 31, 2023 | Additions | Reductions | March 31, 2024 |
|---|---|---|---|---|---|
| Lease receivable | $ | 605,887,066 | — | (11,669,804) | 594,217,262 |
| Total lease receivable | $ | 605,887,066 | — | (11,669,804) | 594,217,262 |

A summary of lease receivable activity during the year ended March 31, 2023 is as follows:

| | | March 31, 2022 | Additions | Reductions | March 31, 2023 |
|---|---|---|---|---|---|
| Lease receivable | $ | 617,305,447 | — | (11,418,381) | 605,887,066 |
| Total lease receivable | $ | 617,305,447 | — | (11,418,381) | 605,887,066 |

A summary of deferred inflows of resources activity during the year ended March 31, 2024 is as follows:

| | | March 31, 2023 | Additions | Reductions | March 31, 2024 |
|---|---|---|---|---|---|
| Deferred inflows leases related | $ | 595,586,067 | — | (17,016,744) | 578,569,323 |
| Total deferred inflows leases related | $ | 595,586,067 | — | (17,016,744) | 578,569,323 |

Draft

A summary of deferred inflows of resources activity during the year ended March 31, 2023 is as follows:

| | March 31, 2022 | Additions | Reductions | March 31, 2023 |
|---|---|---|---|---|
| Deferred inflows leases related | $ 612,602,812 | — | (17,016,745) | 595,586,067 |
| Total deferred inflows leases related | $ 612,602,812 | — | (17,016,745) | 595,586,067 |

Future principal and interest receipts from the lease receivable are as follows as of March 31, 2024:

| | Principal | Interest |
|---|---|---|
| Year ending March 31: | | |
| 2025 | $ 11,926,763 | 12,835,237 |
| 2026 | 12,189,380 | 12,572,620 |
| 2027 | 12,457,780 | 12,304,220 |
| 2028 | 12,732,090 | 12,029,910 |
| 2029 | 13,012,439 | 11,749,561 |
| 2030–2034 | 69,488,321 | 54,321,679 |
| 2035–2039 | 77,483,097 | 46,326,903 |
| 2040–2044 | 86,397,688 | 37,412,312 |
| 2045–2049 | 96,337,921 | 27,472,079 |
| 2050–2054 | 107,421,800 | 16,388,200 |
| 2054–2058 | 94,769,983 | 4,278,017 |
| Total | $ 594,217,262 | 247,690,738 |

### *(l) Prior Period Correction of an Error*

During the financial reporting process for March 31, 2024, the Stadium Authority reviewed the accounting and reporting for the GASB 87, *Leases*, implementation for the ground lease and the stadium lease as of April 1, 2022 and identified errors related to the accumulated deferred rent liability and interest expense and interest revenue calculations as of March 31, 2023. The Stadium Authority determine these to be immaterial corrections of prior year errors and has restated the March 31, 2023 applicable accounts. The beginning net position for fiscal year 2022-23 was increased by $8.2 million from $79.8 million to $88.0 million.

Draft

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)
Notes to Financial Statements
March 31, 2024 and 2023

The statements of net position for fiscal year 2022-23 was adjusted as follows:

| | | FY 2023 previously reported | GASB 87 correction | FY 2023 as corrected |
|---|---|---|---|---|
| Current assets: | | | | |
| Accounts receivable | $ | 18,994,260 | 1,100,694 | 20,094,954 |
| Total change in assets | $ | | 1,100,694 | |
| Current liabilities: | | | | |
| Interest payable | $ | 5,948,285 | 54,290 | 6,002,575 |
| Deferred rent, current portion | | 495,000 | (495,000) | — |
| Noncurrent liabilities: | | | | |
| Deferred rent | | 7,149,723 | (7,149,723) | — |
| Total change in liabilities | | | (7,590,433) | |
| Net position: | | | | |
| Unrestricted deficit | | (414,048,085) | 8,691,127 | (405,356,958) |
| Total changes in liabilities and net position | $ | | 1,100,694 | |

Draft

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)
Notes to Financial Statements
March 31, 2024 and 2023

The statements of revenues, expenses and changes in net position for fiscal year 2022-23 was adjusted as follows:

| | | FY 2023 previously reported | GASB 87 correction | FY 2023 as corrected |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Rents and licensing | $ | 38,992,268 | (460,000) | 38,532,268 |
| Operating expenses: | | | | |
| Leases | | 1,229,044 | (979,044) | 250,000 |
| Total change in operating income | | | 519,044 | |
| Nonoperating revenues (expenses): | | | | |
| Interest revenue | | 17,530,057 | 627,255 | 18,157,312 |
| Interest expense | | (13,550,322) | (648,341) | (14,198,663) |
| Total change in net position | | | 497,958 | |
| Net position – beginning of period | | 79,758,746 | 8,193,169 | 87,951,915 |
| Net position – end of period | $ | 109,570,809 | 8,691,127 | 130,192,832 |

## (3) Stadium Development

### *(a) Transaction Overview*

During fiscal year 2011-12, the Stadium Authority and StadCo entered into a series of agreements in connection with the construction of the Stadium. The Stadium was constructed and is owned by the Stadium Authority; certain tenant improvement components are owned by StadCo. Construction on the Stadium began in April 2012 and it was substantially completed in July 2014, in time for the 2014 NFL season.

The City owns the land on which the Stadium was constructed. The City has leased the land to the Stadium Authority under a ground lease, and the Stadium Authority has leased the Stadium to StadCo for the six-month period from August through January (the NFL season) of each year, for an initial lease term of 40 years. The Stadium Lease commenced in August 2014 upon substantial completion of construction.

The Stadium Authority retained a design-build firm to complete the design and construction of the Stadium pursuant to a guaranteed maximum price contract. The Stadium Authority was generally responsible for amounts due to the design-builder, except that StadCo was responsible for payment of costs of tenant improvements. StadCo acted as construction agent for the Stadium Authority, with primary responsibility for administering the design-build contract.

Draft

The Stadium Authority and StadCo have engaged ManagementCo, an affiliate of StadCo, to manage the Stadium on a year-round basis. The Stadium Management Agreement has an initial term of 25 years, plus a 15-year renewal option. The Stadium Authority pays ManagementCo for services related to its operations on behalf of the Stadium Authority. For the years ended March 31, 2024 and 2023, ManagementCo charged the Stadium Authority $8.6 million and $8.1 million in shared expenses, and $8.5 million and $7.4 million in other operating and management expenses, respectively.

***(b) Construction Funding***

Funding for construction of the Stadium, excluding tenant improvements funded by StadCo, falls into three major categories: an initial construction loan from a bank syndicate, which was refinanced during 2013 as described below; funding from the StadCo Subordinated Loan; and construction period and other revenues.

*(i) Stadium Construction Loan Facility*

The initial financing included a delayed draw term loan facility (the Construction Facility) provided by a syndicate of banks (the Lenders) to Stadium Funding Trust (FinanceCo). FinanceCo, a Delaware statutory trust, entered into the Construction Facility with the Lenders and then issued a loan facility to the Stadium Authority in the amount of $450 million (the Authority Loan). The Construction Facility had a maturity date of September 1, 2015. In June 2013, FinanceCo and the Stadium Authority refinanced the Construction Facility, resulting in FinanceCo paying off the Construction Facility and entering into a new debt structure that includes 26-year fixed rate notes and a delayed draw 5-year loan facility. FinanceCo then issued a new loan facility to the Stadium Authority in the amount of $450 million. The Stadium Authority's loan facilities are discussed in note 5.

*(ii) StadCo Subordinated Loan*

In March 2012, StadCo agreed to loan the Stadium Authority up to $500 million (the Subloan) to be used for the construction of Levi's Stadium. During the refinance process in June 2013, the interest rate on the Subloan was fixed and part of the then outstanding Subloan was paid down. The Subloan is discussed in note 5.

*(iii) Construction Period and Other Revenues*

Certain revenues were collected by the Stadium Authority while the Stadium was under construction. These construction period and other revenues primarily consist of SBL and naming rights revenues collected by the Stadium Authority.

Draft

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)
Notes to Financial Statements
March 31, 2024 and 2023

## (4) Capital Assets

Capital asset activity for the year ended March 31, 2024 is as follows:

| | Balance March 31, 2023 | Additions | Reductions | Balance March 31, 2024 |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Construction in progress | $ 2,095,393 | 7,029,295 | (4,922,358) | 4,202,330 |
| Total nondepreciable assets | 2,095,393 | 7,029,295 | (4,922,358) | 4,202,330 |
| Capital assets being depreciated: | | | | |
| Buildings | 826,227,884 | 3,963,548 | — | 830,191,432 |
| Machinery and equipment | 6,141,531 | 861,370 | — | 7,002,901 |
| Less accumulated depreciation for: | | | | |
| Buildings | (143,121,336) | (16,526,760) | — | (159,648,096) |
| Machinery and equipment | (2,267,592) | (911,527) | — | (3,179,119) |
| Net depreciable assets | 686,980,487 | (12,613,369) | — | 674,367,118 |
| Net capital assets | $ 689,075,880 | (5,584,074) | (4,922,358) | 678,569,448 |

Capital asset activity for the year ended March 31, 2023 is as follows:

| | Balance March 31, 2022 | Additions | Reductions | Balance March 31, 2023 |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Construction in progress | $ 468,766 | 1,754,706 | (128,079) | 2,095,393 |
| Total nondepreciable assets | 468,766 | 1,754,706 | (128,079) | 2,095,393 |
| Capital assets being depreciated: | | | | |
| Buildings | 826,227,884 | — | — | 826,227,884 |
| Machinery and equipment | 3,991,661 | 2,149,870 | — | 6,141,531 |
| Less accumulated depreciation for: | | | | |
| Buildings | (126,594,576) | (16,526,760) | — | (143,121,336) |
| Machinery and equipment | (1,586,534) | (681,058) | — | (2,267,592) |
| Net depreciable assets | 702,038,435 | (15,057,948) | — | 686,980,487 |
| Net capital assets | $ 702,507,201 | (13,303,242) | (128,079) | 689,075,880 |

Draft

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)
Notes to Financial Statements
March 31, 2024 and 2023

## (5) Long-Term Debt

### *(a) Long-Term Debt Summary*

Changes in long-term debt for the year ended March 31, 2024 consisted of the following:

| Type of indebtedness | Issue date | Due date | Interest rates | Outstanding as of March 31, 2023 | Additions | Reductions | Outstanding as of March 31, 2024 | Amounts due within one year |
|---|---|---|---|---|---|---|---|---|
| Business type activity debt: | | | | | | | | |
| Stadium Funding Trust loan | | | | | | | | |
| Term A loan | 06/19/13 | 04/01/39 | 5.00 % | $ 215,415,240 | — | (15,459,000) | 199,956,240 | 7,299,896 |
| StadCo CFD Advance | 04/01/13 | 12/31/54 | 5.73 | 29,859,497 | — | (1,147,911) | 28,711,586 | — |
| StadCo Subordinated Loan | 03/28/12 | 03/31/43 | 5.50 | — | — | — | — | — |
| Total | | | | $ 245,274,737 | — | (16,606,911) | 228,667,826 | 7,299,896 |

Changes in long-term debt for the year ended March 31, 2023 consisted of the following:

| Type of indebtedness | Issue date | Due date | Interest rates | Outstanding as of March 31, 2022 | Additions | Reductions | Outstanding as of March 31, 2023 | Amounts due within one year |
|---|---|---|---|---|---|---|---|---|
| Business type activity debt: | | | | | | | | |
| Stadium Funding Trust loan | | | | | | | | |
| Term A loan | 06/19/13 | 04/01/39 | 5.00 % | $ 230,138,239 | — | (14,722,999) | 215,415,240 | 15,459,000 |
| StadCo CFD Advance | 04/01/13 | 12/31/54 | 5.73 | 30,374,503 | — | (515,006) | 29,859,497 | — |
| StadCo Subordinated Loan | 03/28/12 | 03/31/43 | 5.50 | 19,800,950 | — | (19,800,950) | — | — |
| Total | | | | $ 280,313,692 | — | (35,038,955) | 245,274,737 | 15,459,000 |

### *(b) Stadium Funding Trust Loan*

The Restated Credit Agreement by and among FinanceCo, the Stadium Authority and Goldman Sachs Bank was entered into on June 19, 2013. FinanceCo agreed to loan the Stadium Authority up to $450 million. Under the Restated Credit Agreement, the loan from FinanceCo consists of the Term A Loan and the Term B Loan. On March 31, 2016, the Stadium Authority paid the remaining amount due on the Term B Loan.

*(i) Term A Loan*

The Term A Loan was made in the amount of $282.8 million. This loan bears interest at a fixed rate of 5%, payable semiannually, with annual principal payments due beginning in April 2018. It has a maturity date in 2039 and is subject to certain prepayment premiums. The loan was fully drawn at closing. As of March 31, 2024 and 2023, $200.0 million and $215.4 million was outstanding, respectively. Debt service on this loan is secured by a pledge of available SBL revenues of Stadium Authority.

Draft

In the event of default under the loan agreement, FinanceCo has the right, upon written notice to the Stadium Authority, to accelerate and declare the Stadium Authority's obligation to repay the related loan to FinanceCo to be immediately due and payable.

***(c) StadCo CFD Advance***

In May 2010, the City completed the proceedings to establish CFD for the purpose of financing certain publicly owned facilities and public services associated with the Stadium.

On June 11, 2013, the CFD, the Stadium Authority, and StadCo entered into a Reimbursement Agreement under which the CFD would agree to reimburse the Stadium Authority for costs of the publicly owned facilities and public services constructed for the Stadium. The reimbursement can only be made from the special tax generated by the CFD, as and when received by the CFD.

StadCo has agreed to advance to the Stadium Authority funds to pay for the CFD Infrastructure (StadCo CFD Advance). To evidence the Stadium Authority's obligation to repay the StadCo CFD Advance, the Stadium Authority and StadCo also executed a note on June 11, 2013. The StadCo CFD Advance has a maximum principal of $38 million and an interest rate of 5.73%.

During the year ended March 31, 2024, as the special CFD tax was submitted to the Stadium Authority, a number of payments were made on the StadCo CFD Advance. StadCo CFD Advance payments were made midway through each quarter. The interest that accrued between the last StadCo CFD Advance payment and the end of the year is added to principal. The Stadium Authority made $1.7 million in interest and $1.2 million in principal payments. As of March 31, 2024 and 2023, $28.7 million and $29.9 million was outstanding, respectively.

***(d) StadCo Subordinated Loan***

The Restated StadCo Obligations Agreement dated as of June 19, 2013 was entered into by and between StadCo and the Stadium Authority as part of the take-out financing process. Under the Restated StadCo Obligations Agreement, StadCo will loan the Stadium Authority an amount not to exceed $500 million with a fixed 5.50% interest rate. Required principal repayments started in March 2016 and the Stadium Authority may prepay the loan at any time. Debt service on this loan is secured by a pledge of available Stadium Authority revenues on a basis subordinate to outstanding senior loans, if any.

As of March 31, 2024 and 2023, there was no balance outstanding.

In the event of default under the loan agreement, StadCo has the right, upon written notice to the Stadium Authority, to accelerate and declare the Stadium Authority's obligation to repay the related loan to StadCo to be immediately due and payable.

***(e) Management Company Revolving Loan***

The Management Company Revolving Loan dated as of March 28, 2012 was entered into by and between the Stadium Authority and ManagementCo. The Management Company Revolving Loan provides borrowing to the Stadium Authority in an amount not to exceed $25 million through the earlier of the end of the term of the Stadium Lease or the expiration of the Stadium Management Agreement,

with interest at the prime rate payable quarterly. The Management Company Revolving Loan may be used solely for the purpose of enabling the Stadium Authority to pay Covered Stadium Authority Operating Expenses (as defined in the agreement) to the extent, and only to the extent, that funds are not otherwise available.

As of March 31, 2024 and 2023, there was no balance outstanding.

### *(f) Pledge of Future Revenues*

The pledge of future revenues ends upon repayment of the $200.0 million in outstanding principal on the Term A which is scheduled to occur in fiscal year 2039-40. For fiscal year 2023-24, revenues including operating revenues and nonoperating interest earnings amounted to $99.9 million and operating costs including operating expenses, but not interest, depreciation, or amortization amounted to $61.4 million. Net revenues available for debt service amounted to $38.5 million, which represented a coverage ratio of 5.27 on the $7.3 million of debt service to be paid in the coming year.

### *(g) Long-Term Debt Maturities*

Future principal and interest amounts due on long-term debt are as follows as of March 31, 2024:

| | Principal | Interest |
|---|---|---|
| Year ending March 31: | | |
| 2025 | $ 7,299,896 | 11,277,991 |
| 2026 | 7,838,094 | 10,886,086 |
| 2027 | 8,404,934 | 10,465,840 |
| 2028 | 9,001,865 | 10,015,747 |
| 2029 | 9,630,410 | 9,534,226 |
| Thereafter | 186,492,627 | 86,553,218 |
| Total | $ 228,667,826 | 138,733,108 |

## (6) Leases

### *(a) Ground Lease*

On February 28, 2012, the Stadium Authority entered into a lease (the Ground Lease) with the City whereby the City leases the Stadium site to the Stadium Authority. The Ground Lease was amended on June 19, 2013.

The Ground Lease has an initial term of 40 years. The first lease year commenced on the first day following the substantial completion of construction (August 1, 2014) and ended on the next following March 31. The subsequent lease years will start on April 1 and end on the following March 31. The Stadium Authority will have five successive extension options, each four years in duration, which would commence following the initial term expiration date.

The Ground Lease provides that the City will receive a fixed ground rent (Fixed Ground Rent) of $180 thousand for the first year of Stadium operations payable by the Stadium Authority. Beginning in



Draft

the second year of Stadium operations and annually thereafter through the tenth year of Stadium operations, the Fixed Ground Rent will increase annually by $35 thousand. Beginning in the 11th year of Stadium operations, Fixed Ground Rent will be increased to equal $1 million, and thereafter will be increased by $100 thousand every five years through the end of the initial term of the Ground Lease. If the term of the Ground Lease is extended, then, during the first extension term, the Fixed Ground Rent will equal $1.58 million; and if and to the extent the Ground Lease is further extended, the Fixed Ground Rent will be increased by $80 thousand every four years thereafter through the expiration of the term of the Ground Lease. Stadium Authority paid the City $495 thousand and $460 thousand in ground rent in each of the fiscal years ended March 31, 2024 and 2023.

Future minimum payments due under the lease are as follows:

| | Lease payments |
|---|---|
| Year ending March 31: | |
| 2025 | $ 1,000,000 |
| 2026 | 1,000,000 |
| 2027 | 1,000,000 |
| 2028 | 1,000,000 |
| 2029 | 1,000,000 |
| Thereafter | 32,500,000 |
| Total | $ 37,500,000 |

The Ground Lease also provides that the City will receive a performance-based rent equal to 50% of the net income from Non-NFL events, less certain credits including 50% of the Fixed Ground Rent, payable by the Stadium Authority. If certain of the credits are not used within the year incurred or the next five succeeding years, the credits will expire. The Stadium Authority reported a net Non-NFL event profit of $8.3 million and $8.8 million in each of the fiscal years ended March 31, 2024 and 2023, which triggers a performance-based rent payment to the City. However, in the prior fiscal year the Stadium Authority did not pay the City any performance-based rent because there remained disputes and pending arbitration with StadCo as to potential credits that needed to be deducted from a performance-based rent amount due public safety costs in excess of a disputed threshold (note 7). The 2024 Settlement Agreement will resolve those disputes (note 8). The $7.3 million in performance-based rent due to the City for both fiscal years were accrued in fiscal year ended March 31, 2024. However, the payment to the City will not occur until the Final Effective Date of the 2024 Settlement Agreement.

***(b) Stadium Lease***

On March 28, 2012, the Stadium Authority entered into a lease with StadCo whereby the Stadium Authority leases the Stadium to StadCo. On June 19, 2013, the same parties entered into an Amended and Restated Stadium Lease Agreement (the Stadium Lease).

Draft

The Stadium Lease has an initial term of 40 years commencing on the first day following the substantial completion of construction (August 1, 2014) and includes five successive options to extend the term by four years each. The Stadium Lease is divided into two seasons:

- The Tenant Season, which includes the NFL season (including preseason, regular season, and postseason NFL games) and runs from August 1 through January 31; and
- The Stadium Authority Season, which runs from February 1 through July 31.

Pursuant to the Stadium Lease, the Stadium Authority and StadCo will be entitled to receive and collect separate revenues. Initially, rent payable by StadCo to the Stadium Authority was $24.5 million per year. This amount was established pursuant to the Stadium Lease in connection with the take-out financing, which occurred on June 19, 2013. The Stadium Lease allowed for one opportunity to adjust the rent if operating or debt service expenses are either more or less than projected in determining the initial rent. Based on the changes to the projected operating and debt service expenses, the provisions for a one-time rent adjustment were triggered. At the Stadium Authority Board (Board) meeting held on March 22, 2016, the Board disagreed with StadCo's position to reduce the rent amount, and instead passed a motion to pursue the informal dispute resolution procedures and to proceed to the arbitration process if necessary. Thereafter, on May 3, 2016, StadCo filed for arbitration with the Stadium Authority.

On June 18, 2018, the arbitrator entered an Arbitration Award in favor of the Stadium Authority and against StadCo. This award adjusted the facility rent from $24.5 million to $24.8 million, an increase of $262 thousand. This increase is retroactive to the first lease year resulting in a total amount owed to the Stadium Authority of $1.3 million for the first five lease years, through March 31, 2020. In addition to the adjustment to the facility rent, the Stadium Authority was entitled to reimbursement of its legal fees, determined by the arbitrator to be $2.3 million. The lease also provides for a fair market rent adjustment in year 33.

The Stadium Authority received $24.8 million in stadium rent from StadCo in each of the fiscal years ended March 31, 2024 and 2023.

The Stadium Authority may elect to expand the Tenant Season to consist of the entire lease year, from April 1 through the next succeeding March 31 (Stadium Authority Put Right), by delivering written notice to StadCo. The Stadium Authority Put Right may be exercised at any time during lease year 13, or at any time that the Management Company Revolving Loan balance exceeds $20 million. The expansion of the Tenant Season will be effective as of the applicable Tenant Season Expansion Date as set forth in the Stadium Lease. Effective from and after the Tenant Season Expansion Date, and continuing through the remainder of the Stadium Lease term, the Tenant Season will consist of the entire lease year.

## (7) Contingencies

### *(a) Asset Retirement Obligation*

Pursuant to the Ground Lease, the Stadium Authority may be required to demolish the Stadium and other improvements at the end of the lease term, upon written notice from the City. Pursuant to the Stadium Lease, the Stadium Authority will establish reserves to fund the cost of demolishing the

stadium at the end of the lease term. While such reserves are projected to cover the entire demolition cost, StadCo will be responsible for funding any shortfall.

***(b) Historical Complementary SBL Buffet Costs***

On April 30, 2020, the Stadium Authority received an invoice in the amount of $4.4 million for previously unbilled "complimentary" buffet costs associated with certain SBL holders for the NFL seasons from 2014 thru 2018. On May 13, 2020, the Stadium Authority issued a response letter disputing the newly billed costs citing that the costs were not presented in a reasonable manner relative to the financial planning and reporting requirements of the Lease Agreement and Stadium Management Agreement, and there was no justification for delaying presentment and demand for payment. The invoices presented also lacked sufficient supporting documentations in order to confirm the validity of the costs and charges under the Lease Agreement terms. StadCo and ManagementCo initiated arbitration proceedings to collect the buffet costs and dispute the Stadium Authority's position, and Stadium Authority filed cross-claims.

In fiscal year 2021-22, ManagementCo invoiced an additional $902 thousand in new buffet costs to the Stadium Authority through the fiscal year 2021-22 Non-NFL events' net loss. ManagementCo also issued a certificate of loan to the Stadium Authority under the Management Company Revolving Loan for the buffet amount and subsequently paid off the loan through the year-end excess cash distribution. Stadium Authority objected to and disputed ManagementCo's unauthorized payment of these buffet costs through the Revolving Loan, and also the payment of that loan through year-end excess cash. Pursuant to the parties' August 31, 2022 Settlement Agreement, ManagementCo's prior draw under the Revolving Loan would be treated as a timely Stadium Authority payment, under protest, and with a full reservation of Stadium Authority's rights and claims. The Stadium Authority had recorded a receivable from ManagementCo for the loan draw on the buffet costs as of March 31, 2023.

ManagementCo also reported $1.2 million and $1.3 million in buffet costs to be charged to the Stadium Authority for the fiscal years 2022-23 and 2023-24, respectively. The Stadium Authority had not recorded a liability for this cost because the dispute was outstanding and in pending arbitration.

The parties' 2024 Settlement Agreement resolved the buffet arbitration (note 8). Upon the Final Effective Date of the May 2024 Settlement Agreement, first, the parties agreed that the $902 thousand that was drawn from the Management Company Revolving Loan for fiscal year 2021-22 buffet costs would be treated as Stadium Authority's reimbursement of those costs. Therefore, the Stadium Authority reversed the corresponding receivable from Management Co and recorded a $902 thousand complementary buffet operating expense in fiscal year ended March 31, 2024. Second, StadCo waived all other buffet expenses from fiscal year 2014-15 through 2023-24, and the parties confirmed that those were no longer an obligation of the Stadium Authority and that the reimbursement of those expenses was deemed fully satisfied for said lease years.

***(c) Historical NFL Public Safety Costs***

In June 2019, StadCo filed an Arbitration Demand regarding alleged amounts due from the Stadium Authority under the public safety costs terms of the Stadium Lease, for fiscal year 2017-18. According to the Stadium Lease, StadCo is required to reimburse the City for the costs incurred for providing public safety services for NFL events that exceed the revenue from off-site parking permit fees. The



Draft

Stadium Lease contains a provision that creates a "threshold" on the amount of public safety costs that StadCo must pay for each of the NFL seasons. If the total public safety costs exceed the threshold, then the Stadium Lease requires the Stadium Authority to reimburse StadCo the costs above the threshold or provide to StadCo a credit for those amounts in the form of rent credits. The Stadium Lease includes an obligation for StadCo to negotiate a threshold increase in good faith if the total costs amounts are over the threshold for three consecutive years. The Stadium Authority invoked the good faith negotiation process after costs exceeded the threshold for three seasons, which was in advance of the incurred public safety costs for fiscal year 2017-18. StadCo filed several amended Arbitration Demands and formal demand letters for public safety costs damages for the subsequent NFL seasons and fiscal years 2019-20, 2021-22, 2022-23, and 2023-24, and Stadium Authority filed related responses cross-claims in that arbitration.

The Ground Lease contains provisions that provide, in the event that public safety costs exceed the threshold and those amounts are not paid by Stadium Authority's Discretionary Fund, Stadium Authority is entitled to deduct credits from Stadium Authority's performance-based rent payments to the City. Both the performance-based rent credit from the City and rent credit from the Stadium Authority expire in the next five succeeding years if not used within the year incurred. The public safety costs, threshold amount and calculations, and credits were part of the PSC arbitration with StadCo.

The 2024 Settlement Agreement will resolve the public safety cost arbitration (note 8). Upon the Final Effective Date, the parties agreed that approximately $14.8 million of NFL public safety costs over the threshold are owed to StadCo by the Stadium Authority related to fiscal years 2017-18 through 2023-24. This number was approximate in the 2024 Settlement Agreement because, at the time that settlement was signed, the final FY 2023-24 actual NFL public safety costs had not been finalized. Per the 2024 Settlement Agreement, this specific past-due amount of public safety costs will be paid over time and it will not be considered or treated as "Credited Public Safety Costs" that affect performance-based rent and rent calculations going forward. This allows the Stadium Authority to pay the City the full performance-based rent owed for fiscal years 2022-23 and 2023-24 (note 6). Now that the FY 2023-24 NFL public safety costs have been finalized, the Stadium Authority has recorded a $14.7 million "Public Safety Cost 2024 Outstanding Balance" payable and operating expense as of March 31, 2024.

DRAFT

**SANTA CLARA STADIUM AUTHORITY**
(a Component Unit of the City of Santa Clara, California)

Notes to Financial Statements

March 31, 2024 and 2023

## (8) Subsequent Events

On May 23, 2024, the Stadium Authority, the City, StadCo, and ManagementCo entered into the 2024 Settlement Agreement that resolved pending arbitration and disputes regarding the complementary SBL buffet costs and NFL public safety cost arbitration, as well as other miscellaneous terms and matters. The 2024 Settlement Agreement includes amendments to the Ground Lease and Stadium Lease. Those lease amendments, which have already been signed and approved by Stadium Authority Board, City Council, StadCo, and ManagementCo, need to be approved by the NFL and the Lenders. Once the NFL and Lenders approve the lease amendments, the 2024 Settlement Agreement will have a Final Effective Date, and the settlement terms can be implemented. To date, the NFL has approved the lease amendments. As part of the settlement, the Stadium Authority agreed to recognize the $902 thousand complementary SBL buffet expense for fiscal year 2021-22 and $14.7 million of NFL public safety costs over the threshold for fiscal years 2017-18 through 2023-24. The settlement of the NFL public safety cost disputes will also allow for the payment of the performance-based rent from the Stadium Authority to the City in the amount of $7.3 million for fiscal years 2022-23 and 2023-24 after the Final Effective Date of the 2024 Settlement Agreements.

Draft