

October 13, 2022

David Noce
Audit Manager
City of Santa Clara
Email: DNoce@SantaClaraCA.gov

Project: Santa Clara Stadium Authority – Construction Fund
J.S. Held Project Number: 20010651

Dear Mr. Noce,

J.S. Held LLC, a global consulting company, was retained by the Santa Clara Stadium Authority (“SCSA”) to perform an analysis regarding Construction Fund monies used for public safety and operations costs for the period between November 10, 2013 and October 11, 2015. The information contained in this report is to be used by you and your principals involved in this matter and is not intended nor may it be relied upon by any other party. We conducted our work under guidelines established by the American Institute of Certified Public Accountants for consulting and/or forensic services. J.S. Held is not a certified public accounting firm (“CPA firm”) and does not provide audit, attest, or any other public accounting services. J.S. Held is not a law firm and does not provide legal advice. Our analysis is limited to the scope of work outlined by you and to the books, records and other pertinent information made available to us by you and we assume no responsibility or liability for the accuracy or completeness of such. It did not include an independent audit of the SCSA’s books and records; therefore, our findings are based solely on information summarized therefrom. Our analysis included tests and procedures deemed appropriate in the circumstances as described further herein. The attached workbook provides an overview of the claim and our calculations and is herein made part of this report.

Summary of Findings

Period of Analysis: October 19, 2013 to October 11, 2015

Description	Fund Paid From:		Total
	Construction	Operating	
Total Public Safety Costs	\$ 913,256	\$ 58,661	\$ 971,917
<u>Reconciliation to Harvey Rose Report</u>			
Harvey Rose Report (Outside Scope)	(83,214)	-	(83,214)
Harvey Rose Report (Outside Scope - Date Cutoff)	5,525	-	5,526
Harvey Rose Report (Within Scope)	<u>\$ 835,567</u>	<u>\$ 58,661</u>	<u>\$ 894,228</u>

Findings:

1. We documented \$913,256 of development funds used to pay for public safety costs.
2. Harvey Rose stated that \$894,228 of development funds were used for public safety costs in its report. However, this included \$58,661 of public safety costs that were actually paid for from the operating fund. In addition, there were \$83,214 of public safety costs paid for from development funds in periods outside the scope of the Harvey Rose report. Finally, there were \$5,526 in development funds used for public safety costs that appear to have not been included in the Harvey Rose report due to date cutoff issues.

Background

The Santa Clara Stadium Authority ("SCSA") is a separate entity from the City of Santa Clara ("City"). It is governed by the Stadium Authority Board which consists of the City Council and managed by an Executive Director, the City Manager. The SCSA was established to provide for development and operation of the Levi's Stadium ("Stadium") which it now owns and operates. In 2012, the SCSA and Forty Niners SC Stadium Company LLC ("StadCo") entered into a series of agreements in connection with the Stadium development. The SCSA also engaged the Forty Niners Stadium Management Company LLC ("ManCo" as Stadium Manager) to provide management services for the Stadium, including overseeing the day-to-day operations and maintenance of the Stadium as well as the marketing and booking of Non-NFL Events. Stadium construction began in April 2012 and was substantially completed in July 2014. The first ticketed event at the Stadium was a non-NFL event on August 2, 2014. The SCSA's fiscal year is April 1st through March 31st whereas the City's fiscal year is July 1st through June 30th.

The SCSA broadly defines the term public safety to include all police and fire staff, regardless of if they were "field" or "non-field" related positions, and engineering staff that were responsible for

transportation operations such as but not limited to traffic engineers. When the City's public safety staff time is used for the benefit of the Stadium that are not associated with Non-NFL Events or NFL Football Games, these payroll costs are ultimately reimbursed by the SCSA through its Operating Fund. However, for fiscal years ended March 31, 2015 and 2016, monies used to cover such costs were mainly drawn from the Construction Fund.

On a monthly basis, the SCSA would create and submit an invoice for the City to be reimbursed for the City's public safety staff payroll through the Construction Fund draw process on or before the 1st of the following month. Due to the timing of when the City's pay periods ended and were paid, this would generally include staff time spent working on the Stadium in the second half of the prior month and the first half of the current month. Within the first two weeks of each month, SCSA would meet with ManCo, the bank, consultants, and general contractor to walk the site and review all invoices being submitted to the draw for reimbursement. Each of the public safety costs were rolled up in the monthly invoices; the underlying detail was tied-out to the invoices and the invoices were reconciled to the corresponding draw. The final disbursement instructions were reviewed with and signed off by the City Director of Finance. SCSA would receive the wire payment from the Construction Fund draw covering the City's public safety payroll on/around the 20th of the month and would subsequently reimburse the City within a week.

Harvey M. Rose Associates, LLC Report

Harvey M. Rose Associates, LLC (Harvey Rose) issued a report to the Stadium Authority Board dated August 21, 2017. In its report, Harvey Rose concluded that \$894,228 in "construction fund monies" (i.e. development fund) were used for Public Safety Costs that had not been included in budgets. As shown above however, this included some Public Safety Costs that were paid for with Operating Funds. In addition, there were other Development Funds utilized for Public Safety Costs that were not captured by Harvey Rose because they fell outside of the date scope of Harvey Rose's analysis.

We have enjoyed being of service to you and hope the enclosed accounting information will be of assistance to you. If you have any questions or concerns pertaining to this report, please do not hesitate to contact Timothy Gillihan at (510) 740-0386.

Regards,



Timothy Gillihan, CPA, ABV, CFF
Senior Vice President