



FORTY NINERS STADIUM MANAGEMENT COMPANY

March 20, 2024

VIA EMAIL - MayorAndCouncil@santaclaraca.gov

Santa Clara Stadium Authority
1500 Warburton Avenue
Santa Clara, CA 95050

Dear SCSA Board and Chair,

In August 2022, we were able to resolve a major piece of litigation hampering our partnership and set the Stadium on the path for its *most successful year of events ever*. As part of that settlement, both parties agreed to work diligently to resolve the two remaining disputes (buffets and public safety threshold) by December 31, 2022. Although we have had discussions with your staff on that topic, and we submitted a settlement proposal almost two years ago, both of those issues remain unresolved.

Today we are submitting our **best and final offer** to resolve both of those issues. The purpose of this letter is to underscore the advantages to the parties of resolving these matters, describe some of the benefits that the city stands to gain, and to offer our perspective on why certain members of your Board will continue to actively undermine any settlement, no matter the terms. We believe this last point is important because current staff at City Hall may not understand those members' history regarding the stadium, and that trying to secure their support for a settlement would be an unfortunate waste of even more time.

Advantages of Settlement

The proposal before you will deliver \$18M to the City's General Fund in the next 24 months. These fast-tracked resources can be used to address essential priorities for the city's residents.

Our proposal both significantly increases the Public Safety Cost Threshold and creates a system which, based on the future cost estimates provided by SCSA staff, is projected to prevent the build-up of future rent credits. This clears the way for the city to receive distributions from future Non-NFL Event profits each year, as was contemplated in the city's original financial projections when the stadium agreements were signed.

Board Members have, in the past, proposed a number of creative ideas to accelerate funding from the Stadium to the General Fund. You will see several of those concepts featured in our offer, as well as a cap on buffet costs.

In our offer we propose numerous amendments to the stadium contracts to accelerate the flow of stadium revenues to the General Fund. We want to be clear about one point in particular: these amendments are only possible through this settlement, not through litigation. An arbitrator or a

judge has no authority to re-write the existing contracts and would therefore be incapable of creating the new revenue possibilities that we are proposing now.

Mayor Gillmor's Bad Faith Management

Trying to appease the Mayor on stadium issues is futile, as she has repeatedly placed her personal agenda ahead of the interests of Santa Clara residents.

Impedes stadium revenues: Beginning in 2017, Mayor Gillmor and staff who were following her direction actively undermined your Non-NFL Event business, to bolster their narrative that the 49ers were mismanaging the stadium. By unwinding the Mayor's concert ban, the current Board enabled us to return to booking major touring shows at Levi's Stadium. In 2022, we delivered records profits from Non-NFL Events. Over \$10M in net revenue and ticket surcharges was generated from the world-class concerts and sought-after events hosted by the stadium in FY22 alone. In FY23, we are on track to deliver over \$9M for the SCSA in net revenue and ticket surcharges, marking another historic year. This remarkable turnaround can be credited in large part to the policy decisions made by the new leadership on the SCSA Board. After hosting two of the most successful event seasons in the stadium's history, Mayor Gillmor can no longer claim the 49ers don't book profitable events.

Manufactures concerns about financial transparency: Board Member Chahal broke through the bureaucratic roadblocks put in place by the former City Manager and enabled us to implement the Financial Management System that we proposed in 2019. That system has been up and running since April 2022. City Staff now has *direct* access to the contracts, invoices, and supporting documents for stadium transactions, and have publicly confirmed numerous times that this system allows them to more efficiently verify records related to events at Levi's Stadium. This has allowed us to dispel the notion that the 49ers were "hiding" records or that there is something "wrong" with the numbers. There is nothing "wrong" with the numbers, and Mayor Gillmor knows it. The records speak for themselves.

Wastes taxpayer money on doomed litigation: Mayor Gillmor has a track record of choosing to litigate losing efforts, dating back to the CVRA lawsuit when she opted to squander \$6M on numerous legal battles to protect her Council majority against efforts to diversify the city's elected representation.

Conclusion

When looking at the bigger picture, the numbers are clear. The last two years were the most profitable years in the history of Levi's Stadium and exceeded the city's original projections when the stadium agreements were signed. These record profits haven't benefited your residents because the city has parked them in a "Litigation Reserve" until these matters can be resolved.

To resolve these matters, we urge the Board to carefully review our settlement proposal, which will deliver \$18M to the General Fund in the next 24 months and is projected to generate a steady stream of additional revenue in the future. In the upcoming fiscal year alone, the settlement would deliver \$9M to the General Fund, contrasted to directing another \$1.5M to the litigators.

This is our best and final offer. The alternative is years of continued litigation, which will generate millions of additional dollars for the litigators, but zero dollars for the General Fund.

We are partners in Levi's Stadium, and this is a win/win solution for us both. If the Board is seeking to make an immediate and substantial impact on the General Fund and to the Santa Clara community, we respectfully urge you to accept this offer, which will remain open for the next thirty days.

Sincerely,

A handwritten signature in cursive script that reads "Larry MacNeil / T.M." The signature is written in black ink on a white background.

Larry MacNeil

CC: Jovan Grogan
Glen Googins
Chuck Baker