

## **I. Executive Summary**

The City of San Diego (City) is currently evaluating the potential development of a new stadium for the San Diego Chargers (Chargers). Barrett Sports Group, LLC (BSG) was retained by the City to assist the Citizens' Task Force on Chargers Issues (Task Force) in the analysis and evaluation of the feasibility and operations of the proposed project. Specifically, the Task Force is interested in understanding the current market environment for such a stadium, the anticipated operating performance of the facility, the potential financing alternatives, and the potential economic impacts associated with a National Football League (NFL) franchise, in particular, the Chargers. BSG is pleased to submit to the Task Force our preliminary findings regarding the limited market analysis, limited financial analysis, financing alternatives overview, and economic impact in connection with the proposed project. This report has been prepared at the request of the Task Force and is not intended to be a recommendation to construct a new facility.

The proposed stadium will primarily serve as the home field for the Chargers of the NFL. Specifically, the stadium will be designed for use by the Chargers, but will also be able to host collegiate sporting events, amateur sporting events, concerts, and meetings, among others. It is assumed that the proposed facility would be designed to meet the NFL's requirements to host the Super Bowl. A clear understanding of the current market conditions and the expected financial operating performance of such a facility is essential for the proper analysis.

The report is divided into four major phases:

- Limited Market Analysis
- Limited Financial Analysis
- Financing Alternatives Overview
- Economic Impact Study

### **A. Limited Market Analysis**

The market analysis (and resulting financial analysis) has been limited in scope, as BSG has not conducted corporate surveys, focus groups, or promoter/user interviews. The feasibility of the proposed stadium depends upon many factors, including an analysis of the estimated market demand for the facility. Overall, major determinants of market feasibility include:

- Local and Regional Economies
- Market Demographic Characteristics
- Existing and Planned Competing and/or Complementary Facilities
- Type and Mix of Events
- Potential Facility Users
- Potential Premium Seat Purchases

## **General Observations – Demographics**

A comprehensive review of the demographic characteristics of comparable markets was completed based on a Consolidated Metropolitan Statistical Area (CMSA) market definition. In order to evaluate the comparable markets, it was necessary to use the *Claritas – Sales & Marketing Management – 2002 Survey of Buying Power and Media Markets’ (Sales & Marketing)* definition of a CMSA as a guide. *Sales & Marketing* defines a CMSA as “megalopolitan” area made up of two or more component Primary Metropolitan Statistical Areas (PMSAs), which are counties or clusters of counties having an urban center and strong internal links, and lying within a greater metropolitan area of one million or more people. We use this definition of a CMSA to distinguish and characterize the comparable markets of this survey.

Consideration was given to (1) the markets of the NFL and (2) the 10 markets immediately larger than and the 10 markets immediately smaller than the San Diego CMSA in terms of population. In addition, we also evaluated the demographic characteristics of comparable markets based on geographic delineations (please note that these figures do not include demographic statistics for Mexico or Canada). Market demographics have also been adjusted by the number of professional franchises from the NFL, MLB, NBA, and the NHL in each market. It is important to analyze the adjusted market demographics to obtain a clearer understanding of the market demand. Many professional franchises benefit from being one of only a limited number of franchises in the market area, and are able to capture a greater portion of the population, households, EBI, corporate demand, and advertising dollars, among others. CMSAs can become diluted with too many franchises, and thereby, the area may not be able to support a franchise.

### ***NFL Market Area Comparison – CMSA Designation***

- The current total population of the San Diego CMSA is approximately 2.9 million, below the NFL average. Combined with an above average expected growth rate of 6.5% between 2002 and 2007, the 2007 estimated population is expected to approach 3.1 million.
- The San Diego CMSA ranks below average in terms of number of households and number of households with a Median Effective Buying Income (EBI) over \$50,000 relative to other NFL markets.
- The San Diego CMSA ranks below the average total EBI relative to the other NFL markets.
- The San Diego CMSA ranks slightly above average in terms of median EBI, but lower than average in terms of Buying Power Index (BPI), measures that reflect disposable income.

- The San Diego CMSA ranks below average in terms of the number of companies with sales over \$10 million and in terms of the number of companies with over 500 employees.
- The San Diego market ranks above average in terms of the number of companies with sales over \$10 million per luxury suite and in terms of the number of companies with over 500 employees per luxury suite.
- The San Diego market ranks below average in terms of television households and in radio market population.
- The total stadium/arena seat inventory in San Diego is well below the comparable market average. As a result, the population per arena seat ratio is well above the comparable market average.

***NFL Market Area Comparison – Adjusted CMSA Statistics***

- The adjusted total population of the San Diego CMSA is above the comparable market average.
- The San Diego CMSA ranks above average in the adjusted number of households, as well as ranking above the adjusted number of households with a median EBI over \$50,000.
- The San Diego CMSA ranks above average in adjusted total effective buying income relative to the other NFL markets.
- The San Diego market ranks average in terms of adjusted television households and ranks above average in terms of radio market population.

***10 Larger/10 Smaller Comparison – CMSA Designation***

- The San Diego CMSA ranks slightly below average in terms of total population relative to the comparable markets. Combined with a slightly below average growth rate, the San Diego CMSA population is anticipated to approximate 3.1 million in 2007.
- In terms of number of households and the number of households with a median EBI over \$50,000, the San Diego CMSA ranks below the average for the comparable markets.
- The San Diego CMSA ranks below the average of the comparable markets in terms of total effective buying income.
- The San Diego CMSA ranks above average in terms of median effective buying income, but below average in terms of buying power index.

- The San Diego market ranks below average in terms of the number of companies with sales over \$10 million and in terms of the number of companies with over 500 employees.
- The San Diego market ranks above average in terms of the number of companies with sales over \$10 million per luxury suite and in terms of the number of companies with over 500 employees per luxury suite.
- The San Diego market ranks below average in terms of television households and in terms of radio market population.
- The total arena seat inventory in San Diego is well below the comparable market average. As a result, the population per arena seat ratio is well above the comparable market average.

***10 Larger/10 Smaller Comparison – Adjusted CMSA Statistics***

- The adjusted total population of the San Diego CMSA is above the comparable market average.
- The San Diego CMSA ranks above average in the adjusted number of households, as well as ranking above the adjusted number of households with a median EBI over \$50,000.
- The San Diego CMSA ranks above average in adjusted total effective buying income relative to the other NFL markets.
- The San Diego market ranks below average in terms of adjusted television households, but ranks above average in terms of adjusted radio market population.

***NFL Market Area Comparison – 50 Mile Ring Statistics***

- The total population of the San Diego 50 mile ring is approximately 2.9 million, below the market average.
- The San Diego 50 mile ring ranks below average in terms of number of households in 2002 and expected in 2007.
- The number of households with income over \$50,000 also ranks below average relative to other NFL markets surveyed.
- The San Diego 50 mile ring ranks slightly above average in terms of average household income and median household income, but slightly below average in terms of per capita income.
- The average and median age of the San Diego population within the 50 mile ring is younger than the average of the NFL comparable markets.

- The San Diego 50 mile ring has an unemployment rate slightly above the average of the NFL comparable markets.

***NFL Market Area Comparison – 50 Mile Ring Statistics – Adjusted***

- The San Diego 50 mile ring ranks above average in terms of adjusted 2002 population and expected 2007 population, relative to the other markets of the NFL.
- The San Diego 50 mile ring ranks above average in terms of the adjusted number of 2002 households and expected adjusted number of 2007 households.
- The adjusted number of 2002 households with income of \$50,000 or more, relative to the other markets of the NFL, is also above average.

***NFL Market Area Comparison – 75 Mile Ring Statistics***

- The total population of the San Diego 75 mile ring is approximately 4.2 million, below the market average. The population is expected to increase to approximately 4.5 million in 2007, below the market average.
- The San Diego 75 mile ring ranks below average in terms of number of households in 2002 and expected in 2007.
- The number of households with income over \$50,000 also ranks below average relative to other NFL markets surveyed.
- The San Diego 75 mile ring ranks above average in terms of average household income, median household income, and per capita income relative to other NFL markets.
- The average and median age of the San Diego population within the 75 mile ring is younger than the average of the NFL comparable markets.
- The San Diego 75 mile ring has an unemployment rate slightly below the average of the NFL comparable markets.

***NFL Market Area Comparison – 75 Mile Ring Statistics – Adjusted***

- The San Diego 75 mile ring ranks above average in terms of adjusted 2002 population and expected 2007 population, relative to the other markets of the NFL.
- The San Diego 75 mile ring ranks above average in terms of the adjusted number of 2002 households and expected adjusted number of 2007 households.
- The adjusted number of 2002 households with income of \$50,000 or more, relative to the other markets of the NFL, is also above average.

***NFL Market Area Comparison – 100 Mile Ring Statistics***

- The San Diego 100 mile ring ranks above average in terms of 2002 total population and expected 2007 population, relative to the other markets of the NFL.
- The San Diego 100 mile ring ranks above the NFL market average in terms of the number of 2002 households and expected 2007 households.
- The San Diego 100 mile ring ranks above the NFL market average in the number of 2002 households with an EBI over \$50,000.
- The San Diego 100 mile ring ranks above average in terms of average household income and median household income, but slightly below average in terms per capita income.
- In terms of median age and average age, the San Diego 100 mile ring ranks younger than the average of the NFL markets.
- The San Diego 100 mile ring has a higher unemployment rate than the NFL market average.

***NFL Market Area Comparison – 100 Mile Ring Statistics – Adjusted***

- The San Diego 100 mile ring ranks above average in terms of adjusted 2002 population and expected 2007 population.
- Relative to the other NFL markets, the San Diego 100 mile ring ranks above average in adjusted 2002 households and expected adjusted number of 2007 households.
- The number of households with an income of \$50,000 or more ranks above the NFL market average.

**Competitive Facilities – General Observations**

Direct competition from comparable stadiums, as well as indirect competition from stadiums, arenas, amphitheaters, performing arts centers (to a lesser degree) and other entertainment alternatives may impact the operations of the proposed facility. Direct and indirect competitors of the proposed stadium could impact the operations of the stadium in terms of number of events, attendance, advertising/sponsorship revenues, premium seating leasing activity, and overall profitability.

- The San Diego market has a limited inventory of comparable facilities that would provide direct competition to the proposed stadium. PETCO Ballpark will provide the most direct competition.
- Other facilities located outside the San Diego market area, such as facilities in the extended Los Angeles market area, may offer limited competition.

- Given the limited inventory of stadium/arena seats in San Diego, there would appear to be an opportunity to develop a new stadium. However, it is unlikely that the market could support the continued operation of Qualcomm Stadium if a new football stadium were to be constructed.

### **Preliminary Facility Recommendations**

Based on the market analysis documented herein, information gathered from comparable facilities and our additional databases, the market would appear to be able to support a new facility. The future of Qualcomm Stadium will play an integral part in evaluating the demand for a new stadium. We have assumed that Qualcomm Stadium would be demolished upon the development of a new stadium. Please reference Exhibit 1 for a summary of the recommended facility characteristics and expected utilization for the proposed stadium. Please note that the facility must be designed to support special events, such as the Super Bowl.

#### **B. Limited Financial Analysis**

An analysis of the potential financial and operating characteristics of a new stadium was completed to understand the potential net incremental revenues to be generated by the proposed facility. The cash flow model developed for the proposed stadium utilizes assumptions that were developed based on our market analysis, surveys with comparable stadiums, and preliminary terms and conditions detailed in the financial analysis. Although these assumptions appear reasonable based on the current and anticipated market conditions, actual results depend on the actions of the City, Chargers, and other factors both internal and external to the project, which frequently vary. It is important to note that because events and circumstances may not occur as expected, there may be significant differences between the actual results and those estimated in this analysis. BSG has assumed that the current sentiment surrounding the controversial City – Chargers ticket plan would improve with a new deal structure that did not include such a plan. It has been assumed *for analytical purposes only*, that the Chargers would operate the proposed facility, pay all operating and capital expenses, and retain all revenues.

The information obtained from the stadiums contacted was used to develop “benchmark” operating assumptions for the proposed stadium. These assumptions were adjusted to reflect a number of variables, including: local market demographics; number of professional sports franchises and entertainment alternatives in the market area; local market conditions; event mix; climate; and other factors as appropriate for the San Diego market area. The assumptions developed for the proposed stadium are detailed herein. Due to the confidential nature of the information that we obtained, the information presented herein is not specifically identified by the stadium and/or is presented in the form of ranges. BSG gathered data specifically for this engagement and also utilized our internal database. Operating data was gathered for recently constructed comparable facilities. Exhibit 2 and Exhibit 3 summarize the estimated net incremental revenues to be generated by the proposed facility.

**EXECUTIVE SUMMARY**  
**PRELIMINARY FINDINGS - STADIUM CHARACTERISTICS**

<b>Stadium Characteristics</b>	
Capacity	65,000 - 68,000
Luxury Suites	100
Party Suites	4
Club Seats	7,000 - 7,500
Parking	To Be Determined
<b>Event Mix</b>	
<b>Number of Events</b>	
Chargers	10
SDSU	6
Holiday Bowl	1
Thrill/Dirt	2
Concerts	1
Soccer	2
Miscellaneous	<u>6</u>
<b>Total Events</b>	<u>28</u>
<b>Attendance</b>	
<b>Average Per Event Paid Attendance</b>	
Chargers (Regular Season)	58,400
SDSU	26,000
Holiday Bowl	58,200
Thrill/Dirt	54,400
Concerts	42,400
Soccer	30,300
Miscellaneous	27,500
<b>Total Annual Turnstile Attendance</b>	<u>1,200,000</u>
<b>Premium Seating</b>	
<b>Total Luxury Suite Inventory</b>	<u>100</u>
Luxury Suites Not Available For Lease	5
Luxury Suites Available For Lease	95
Luxury Suites Leased	86
Average Gross Luxury Suite Price	\$90,000
<b>Total Club Seat Inventory</b>	<u>7,000 - 7,500</u>
Club Seats Leased	6,750
Average Gross Club Seat Price	\$1,750

Note: Figures presented in current dollars.



**EXECUTIVE SUMMARY  
NET INCREMENT PRIOR TO DEBT SERVICE**

	<b>Chargers</b>		<b>Increment</b>
	<b>2002-03</b>	<b>New Stadium</b>	
<b>Stadium Revenues -(1)</b>			
Gross Ticket Receipts - (2)	\$35,780,000	\$38,410,000	\$2,630,000
Gross Luxury Suite Premium	\$4,560,000	\$6,800,000	\$2,240,000
Gross Club Seat Premium	\$3,650,000	\$6,750,000	\$3,100,000
Advertising	\$3,900,000	\$5,000,000	\$1,100,000
Naming Rights	\$0	\$2,750,000	\$2,750,000
Net Concessions/Novelties	\$2,080,000	\$2,930,000	\$850,000
Net Parking	\$1,380,000	\$410,000	(\$970,000)
Other Events (Net of Expenses)	\$0	\$2,180,000	\$2,180,000
Total Revenues	<b>\$51,350,000</b>	<b>\$65,230,000</b>	<b>\$13,880,000</b>
<b>Stadium Expenses</b>			
Rent - (3)	\$6,930,000	\$0	(\$6,930,000)
Game Day Expenses	\$1,600,000	\$1,750,000	\$150,000
Salaries and Wages	\$0	\$2,750,000	\$2,750,000
Repairs and Maintenance	\$0	\$1,250,000	\$1,250,000
Utilities	\$0	\$1,250,000	\$1,250,000
General and Administrative	\$0	\$500,000	\$500,000
Insurance	\$0	\$1,000,000	\$1,000,000
Supplies and Equipment	\$0	\$400,000	\$400,000
Security	\$0	\$380,000	\$380,000
Capital Reserve	\$0	\$1,500,000	\$1,500,000
Other	\$0	\$500,000	\$500,000
Total Expenses	<b>\$8,530,000</b>	<b>\$11,280,000</b>	<b>\$2,750,000</b>
<b>NET STADIUM INCREMENT PRIOR TO DEBT SERVICE - (4)</b>			<b>\$11,130,000</b>

(1) - Figures prior to visiting team share, existing club seat waiver, and potential G-3 loan arrangements.

(2) - Includes tickets purchased by the City.

(3) - Rent in the proposed new stadium unknown at this time.

(4) - Does not include other non-stadium related incremental revenues to be generated by the franchise.

Note: New stadium figures presented in current dollars based on stabilized operating assumptions.

**EXECUTIVE SUMMARY  
NET INCREMENT PRIOR TO DEBT SERVICE**

	<b>Chargers</b>		<b>Increment</b>
	<b>2002-03</b>	<b>New Stadium</b>	
<b>Stadium Revenues -(1)</b>			
Gross Ticket Receipts- (2)	\$35,780,000	\$38,410,000	\$2,630,000
Less: Tickets Purchased By City	(\$6,100,000)	\$0	\$6,100,000
Gross Luxury Suite Premium	\$4,560,000	\$6,800,000	\$2,240,000
Gross Club Seat Premium	\$3,650,000	\$6,750,000	\$3,100,000
Advertising	\$3,900,000	\$5,000,000	\$1,100,000
Naming Rights	\$0	\$2,750,000	\$2,750,000
Net Concessions/Novelties	\$2,080,000	\$2,930,000	\$850,000
Net Parking	\$1,380,000	\$410,000	(\$970,000)
Other Events (Net of Expenses)	\$0	\$2,180,000	\$2,180,000
Total Revenues	<b>\$45,250,000</b>	<b>\$65,230,000</b>	<b>\$19,980,000</b>
<b>Stadium Expenses</b>			
Rent - (3)	\$6,930,000	\$0	(\$6,930,000)
Game Day Expenses	\$1,600,000	\$1,750,000	\$150,000
Salaries and Wages	\$0	\$2,750,000	\$2,750,000
Repairs and Maintenance	\$0	\$1,250,000	\$1,250,000
Utilities	\$0	\$1,250,000	\$1,250,000
General and Administrative	\$0	\$500,000	\$500,000
Insurance	\$0	\$1,000,000	\$1,000,000
Supplies and Equipment	\$0	\$400,000	\$400,000
Security	\$0	\$380,000	\$380,000
Capital Reserve	\$0	\$1,500,000	\$1,500,000
Other	\$0	\$500,000	\$500,000
Total Expenses	<b>\$8,530,000</b>	<b>\$11,280,000</b>	<b>\$2,750,000</b>
<b>NET STADIUM INCREMENT PRIOR TO DEBT SERVICE - (4)</b>			<b>\$17,230,000</b>

(1) - Figures prior to visiting team share, existing club seat waiver, and potential G-3 loan arrangements.

(2) - Includes tickets purchased by the City.

(3) - Rent in the proposed new stadium unknown at this time.

(4) - Does not include other non-stadium related incremental revenues to be generated by the franchise.

Note: New stadium figures presented in current dollars based on stabilized operating assumptions.

## **Other Financial Considerations**

Consideration should also be given to other financial impacts associated with the development of a new stadium including, the current debt service on Qualcomm Stadium, concessionaire termination payments, and the naming rights agreement, among others. It should be noted that we have not addressed the club license fees paid for multiyear leases at Qualcomm Stadium.

### **C. Financing Alternatives Overview**

BSG evaluated the strengths and weaknesses of various financing methods which have been used for recently completed stadiums by conducting an analysis of some of the key financial aspects of recently completed stadiums and arenas. The purpose was to provide an overview of financing structures utilized for recently completed stadiums and arenas and to illustrate some of the trends in new stadium financing. It should be noted that during the course of this portion of our analysis, it was necessary to rely upon information provided by others, typically representatives of the respective facility, investment banks, and/or the franchise. As a result, the information presented herein is believed to be accurate, but has not been audited or otherwise independently verified. For the purposes of our evaluation, we have relied on the figures provided to us. Please reference our “NFL Stadium Development Case Studies” report for additional detail.

Should the City elect to proceed, the financing plan will require a unique combination of public and private funding sources. The discussion contained herein outlines key components of the sports facility financing structures that may potentially be used to finance the proposed stadium and other costs (e.g. infrastructure, land acquisition, etc.).

### **Trends in Stadium Finance and Construction**

The unique background and political environment surrounding the financing and construction of a facility will play a critical role in developing the appropriate financing structure. Presented below is a summary of some of the major trends in the financing and construction of state-of-the-art stadiums and arenas.

- It has become increasingly difficult to fund the construction of sports facilities primarily due to political and economic challenges.
- The changing economics of major league and minor league professional sports and other events (concerts, family shows, etc.) has led tenants to demand a greater share of facility generated revenue.
- The planning and construction of public facilities can take many years.
- The most traditional approach to stadium and arena financing taken by the public sector has been to issue bonds secured by generally applicable taxes or revenues. The key factors considered by rating agencies, credit enhancers, and investors in analyzing tax-secured debt include:

- Level of Coverage
  - Broadness, Stability, and Reliability of the Revenue Base
  - Historic Performance of Revenue Stream
  - Appropriation Risk (if any)
  - Underlying Economic Strength
  - Political Risk
  - Financial Viability of the Project
- Public participation in financing structures can also come in the form of credit guarantees.
  - Private sector participation in financing structures has typically been through taxable debt secured by the facility's operations and/or corporate guarantees.
  - Private sector participation through other non-traditional sources has become a critical part of financing structures.
  - Franchises (or related entities) and private management firms have increasingly taken over the management and operations of sports facilities. This management structure provides municipalities the opportunity to privatize previously public operations and minimize operating risks.

### **Sources of Funding**

The sources of funding for public assembly facilities may be defined as one-time or recurring contributions. Recurring sources of funds include an array of periodic public or private revenue streams, while one-time sources of funds typically include public or private equity contributions and grants. The following provides a brief overview of some of the public sources of funds that have been used:

#### ***General Public Funding Sources***

- General Sales and Use Taxes
- Hotel/Motel Taxes
- Tourist Development Taxes
- Restaurant Sales Taxes
- Excise/Sin Tax (Liquor, Tobacco)
- Car Rental Tax
- Utility Taxes
- Real Estate/Possessory Interest Taxes
- Admission Taxes
- Ticket Surcharges
- Parking Taxes
- Parking Surcharges

- Lottery and Gaming Revenues
- Player Income Taxes
- Non-Tax Fees (Liquor Sale Permits, etc.)
- General Appropriations
- Land Leases
- Other Public Funds
- University/Other Facility Users

Each of the revenues identified above has unique political and credit risks. The feasibility of introducing, increasing, or redirecting revenue from taxes and fees will depend on the unique political and tax environment.

### ***Private Funding Sources***

The following provides a brief summary of the more commonly used private sources of funds.

- Premium Seating (Luxury Suites and Club Seats)
- Advertising
- Concessions/Novelties
- Pouring Rights
- Naming Rights
- Personal Seat Licenses/Seat Option Bonds
- NFL G-3 Program

### **Public Financing Overview - Stadiums and Arenas**

A brief overview of the primary public funding sources for recently completed stadiums and arenas is provided in Exhibit 4 below. The exhibit is intended to provide an overview of public financing structures utilized for recently completed stadiums. This overview is intended to illustrate some of the trends in new stadium financing. The list is not meant to be comprehensive, rather it is provided only for illustrative purposes. Please reference our “NFL Stadium Development Case Studies” report for additional detail.

### **D. Economic Impact Study**

The ongoing operations of the Chargers generate annual, recurring economic and fiscal impacts as their events are held in the City. This demand results from franchise/facility generated spending (tickets, media, concessions, novelties, etc.), patron spending (restaurants, hotels, gasoline stations, drinking establishments, etc.), visiting team personnel, and media event personnel. Exhibit 5 presents a flow chart of the economic impacts resulting from the operations of the Chargers.

EXECUTIVE SUMMARY  
PRIMARY PUBLIC FUNDING SOURCES OVERVIEW

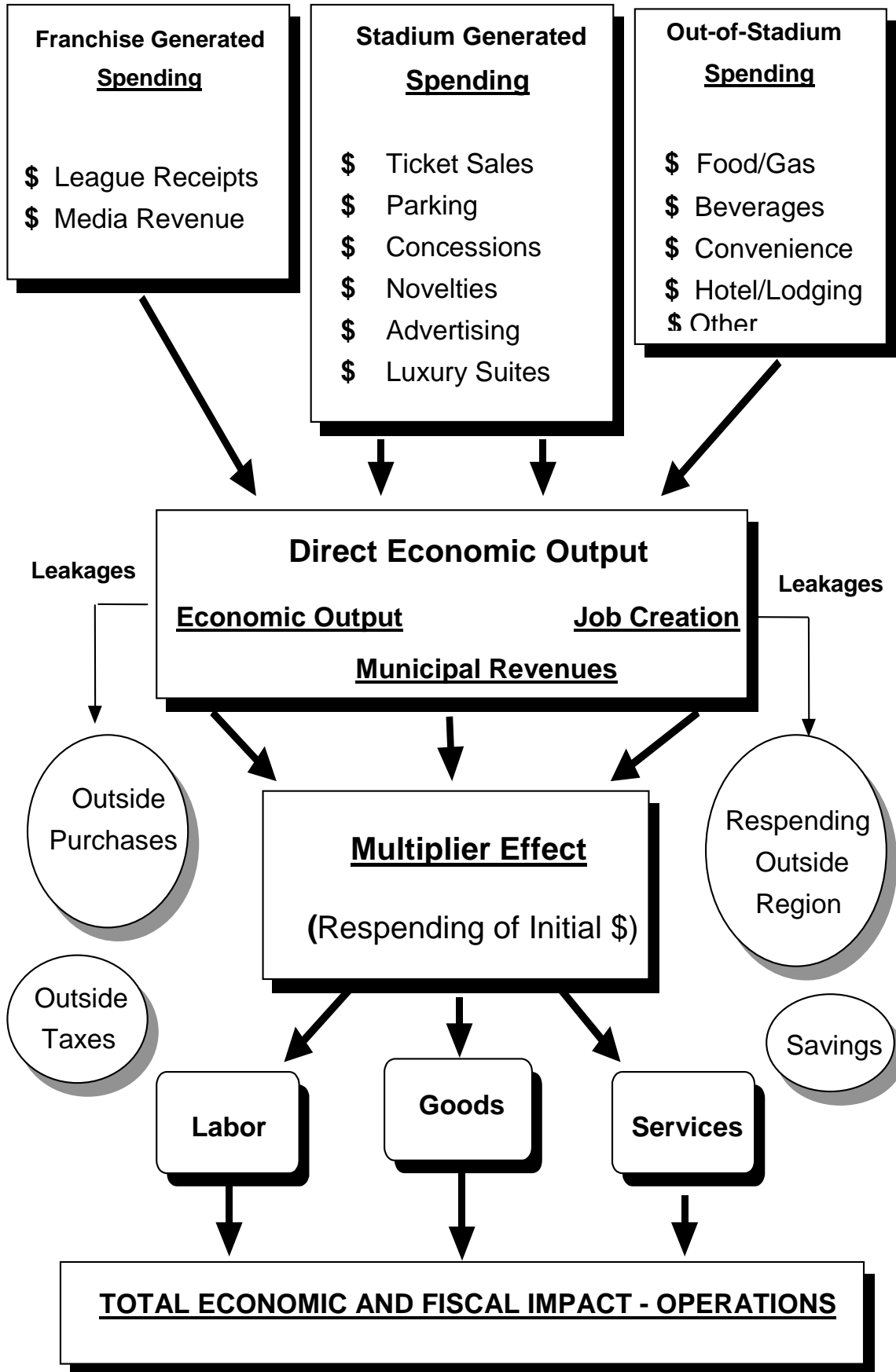
League	Team	Sales Tax	Hotel Tax	Rental Car Tax	Food & Beverage Tax	Entertainment Tax	Sin Tax	Parking Tax	Property Tax	Admission Tax	Lottery Revenues	Sewer & Water Revenues	Gas Tax	General Fund	Income Tax
NFL	Cincinnati Bengals	X												X	
NFL	Denver Broncos	X													
NFL	Cleveland Browns			X			X	X		X					
NFL	Tampa Bay Buccaneers	X													
NFL	Philadelphia Eagles			X						X					
NFL	Atlanta Falcons		X												
NFL	Jacksonville Jaguars	X	X												
NFL	Detroit Lions		X	X										X	
NFL	Green Bay Packers	X													
NFL	St. Louis Rams		X											X	
NFL	Baltimore Ravens										X				
NFL	Seattle Seahawks	X	X	X							X				
NFL	Pittsburgh Steelers	X	X											X	
NFL	Houston Texans		X	X											
NFL	Tennessee Titans											X		X	
NFL	Arizona Cardinals	X	X	X						X					X
NFL	San Diego Chargers							X		X				X	
NFL	Chicago Bears		X											X	X
NFL	Washington Redskins													X	
NFL	Carolina Panthers													X	
NFL	New England Patriots													X	
MLB	Houston Astros		X	X											
MLB	Milwaukee Brewers	X												X	
MLB	Arizona Diamondbacks	X													
MLB	San Francisco Giants								X						
MLB	Cleveland Indians						X								
MLB	Seattle Mariners	X		X	X					X	X				
MLB	Baltimore Orioles										X				
MLB	San Diego Padres		X						X						
MLB	Philadelphia Phillies			X						X				X	
MLB	Pittsburgh Pirates	X	X											X	
MLB	Texas Rangers	X													
MLB	Cincinnati Reds	X												X	
MLB	Colorado Rockies	X													
MLB	Detroit Tigers		X	X										X	
MLB	Chicago White Sox		X											X	
NBA	Cleveland Cavaliers						X								
NBA	Atlanta Hawks			X											
NBA	Miami Heat		X												
NBA	Orlando Magic		X	X									X		
NBA	Dallas Mavericks		X	X											
NBA	Indiana Pacers	X	X	X	X		X			X					
NBA	Houston Rockets		X	X											
NBA	San Antonio Spurs		X	X											
NBA	Phoenix Suns	X													
NBA	Minnesota Timberwolves					X		X	X						
NHL	Phoenix Coyotes	X													
NHL	Carolina Hurricanes		X												
NHL	Tampa Bay Lightning	X	X	X	X			X		X				X	
NHL	Florida Panthers	X	X												
NHL	Nashville Predators													X	
NHL	Buffalo Sabers													X	
NHL	San Jose Sharks													X	
NHL	Dallas Stars		X	X											
NHL	Atlanta Thrashers			X											
NHL	Minnesota Wild	X													

(1) Illustrates only primary public funding sources and not private sources.

**EXHIBIT 5  
EXECUTIVE SUMMARY**

**PRELIMINARY ECONOMIC/FISCAL IMPACT ANALYSIS**

**ECONOMIC AND FISCAL IMPACT SUMMARY - OPERATIONS**



## ***Methodology***

A gross expenditure and economic multiplier approach was used to quantify the economic impacts presented in this section of the report. The initial spending is referred to as “direct” spending and is defined as purchases of goods and services resulting from an economic event over a specified period of time.

Although direct spending has an immediate impact on a regional economy, a portion of each initial dollar is re-spent within the region’s economy, generating additional or “indirect” economic benefits. The result of this process is that one dollar in direct spending increases the final demand for goods and services within an economic region by more than one dollar. This is referred to as the “multiplier effect”.

For our analysis, we have selected the IMPLAN Type SAM multiplier, which accounts for the social security and income tax leakage, institution savings, and commuting. Type SAM uses all social accounting matrix information to generate a model that captures the inter-institutional transfers, and is considered a more conservative approach to estimating overall economic output.

## **Major Study Efforts**

The following major study activities were completed:

- Utilized actual key operating variables to estimate the direct spending generated by the Chargers within the City for use in a regional input/output model. The key operating variables used in this analysis include attendance, average ticket price, parking rates, premium seat pricing, advertising revenue, licensing revenue, media revenue, and per capita spending on concessions and novelties.
- Conducted patron surveys at Chargers games and reviewed previously conducted surveys contained in our database for other professional sporting events throughout the nation. These surveys were designed to understand the amount and distribution of out-of-stadium spending generated by the operations of the Chargers. This spending includes purchases before and after the game by patrons and event personnel at restaurants, bars, gasoline stations, grocery stores, convenience stores, hotels and places of lodging, and other retail establishments. We only considered new spending by non-City residents.
- Customized a national input/output economic model for the City to estimate economic output and employment multipliers based on a regional economic impact model developed by the Minnesota Implan Group (MIG).

This report attempts to take into account the fact that players represent a major portion of an NFL franchise’s operating expenses, and some players do not reside locally in the City. We have adjusted the total direct franchise/facility generated spending because of the high salaries of professional athletes and the fact that approximately 30% of the



Chargers' players live outside of the City. The total facility/franchise generated spending used in the economic model was reduced from \$129.5 million approximately to \$81.0 million after the necessary adjustments were applied. Although this adjustment is somewhat subjective, it is a necessary adjustment in order to account for players' place of residence, savings, and taxes.

It is important to note that we also made necessary adjustments to event patron spending in order to more accurately estimate the economic impact of the Chargers. Residents of the City were not included to estimate patron spending. Also, non-resident expenditures were adjusted based on the significance of the Chargers game on their purchase. "Significant" impacts had the highest value, and in contrast, impacts of "little" or "none" had the lowest impact. Finally, other alternative spending was not included in patron spending. Such spending includes expenditures on the recreational and cultural activities in San Diego (e.g. See World, San Diego Zoo, etc.). As a result, these factors, combined with the MIG model adjustment, resulted in a 40% (or \$7.2 million) adjustment to patron spending.

## **Summary of Results**

### *Definitions*

#### *Direct Spending – Initial Spending*

Direct initial spending represents the first round of quantifiable spending. This includes franchise operations, out-of-stadium spending by fans, visiting team expenditures, and visiting media event personnel.

#### *Economic Output – Ongoing Operations*

Economic output represents the direct, indirect, and induced output generated by the initial first round of quantifiable spending.

#### *FTE Employment – Ongoing Operations*

FTE employment represents the number of full-time equivalent job opportunities generated by the direct, indirect, and induced effects of spending associated with the ongoing operations.

#### *Employee Compensation – Ongoing Operations*

Employee compensation represents the wages earned in connection with the total output generated in the economic model.

***Annual Ongoing Operations***

The following table summarizes the estimated annual economic impacts associated with the ongoing operations of the Chargers:

<b>SUMMARY OF RESULTS - NFL FRANCHISE OPERATIONS</b>					
	<b>Initial Spending</b>	<b>Adjusted Initial Spending</b>	<b>Total Economic Output</b>	<b>FTE Employment</b>	<b>Employee Compensation</b>
<b>City of San Diego</b>	\$138,247,205	\$89,907,989	\$149,207,781	1,303	\$62,746,914

***Fiscal Impacts – Ongoing Operations***

Presented below are the 2001-02 fiscal impacts directly attributable to Chargers use of Qualcomm Stadium.

<b>Fiscal Impacts</b>	<b>FY 2002</b>
Chargers Rental Revenue	\$6,251,972
Direct Tax Revenue	\$21,919
Ticket Guarantee	(\$5,987,363)
Net Rent Credits	(\$231,310)
Police/Fire/Traffic Expense	(\$280,000)
Direct Fiscal Impact	(\$224,782)

Note: Revenues and expenses directly attributable to the operations of the Chargers.

In addition, the Chargers operations results in indirect impacts that are more difficult to quantify and appropriately allocate.

<b>Other Fiscal Impacts</b>	<b>FY 2002</b>
Operating Expenses - (1)	\$8,599,887
Stadium Debt Service - (1)	\$5,350,769
Tax Impacts - (2)	\$9,541,785

(1) - Operating expenses and debt service payments must be allocated, as appropriate, to users of Qualcomm Stadium.

(2) - Tax impacts represent combined state and local tax impacts.

***Other Impacts***

Various community service organizations and non-profit organizations have directly benefited from the Chargers involvement in the City, as well as the County. The Chargers indicated that in the past 12 months the organization (not including the Spanos family, players, or coaches) has given cash contributions of approximately \$1.0 million to local organizations. Details are presented herein.

The operations of the Chargers generate other significant impacts for the City that are less explicit and more difficult to quantify. These impacts include:

- Community pride and identity
- Prestige associated with professional sports teams
- National and international exposure
- Improved quality of life