



The City of San Diego

# MANAGER'S REPORT

DATE ISSUED: March 3, 1997

REPORT NO. 97-40

ATTENTION: Honorable Mayor & City Council  
Docket of March 4, 1997

SUBJECT: Stadium

CITY CLERK'S OFFICE  
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## SUMMARY Issues:

- 1) Should the City Council authorize the City Manager to enter into an agreement with Qualcomm Incorporated for naming rights?
- 2) Should the City Council authorize the City Manager to enter into the First Supplement to the 1995 Agreement for the Partial Use and Occupancy of the San Diego Jack Murphy Stadium with the Chargers Football Company?
- 3) Should the City Council authorize the City Auditor and Comptroller to transfer \$18 million received from Qualcomm to the Public Facilities Financing Authority?

## Manager's Recommendations:

- 1) Authorize the City Manager to enter into an agreement with Qualcomm Incorporated for naming rights.
- 2) Authorize the City Manager to enter into a supplemental to the 1995 Agreement with the Chargers Football Company for use of the Stadium.
- 3) Authorize the City Auditor to transfer the \$18 million received from Qualcomm to the Public Facilities Financing Authority and authorize any interest earned in the stadium project funds to be appropriated for the purpose of the project.

c) -18398

18397

Other Recommendations - The San Diego County Taxpayers Association has reviewed this proposal and released its report on March 3 endorsing the agreement with Qualcomm.

Fiscal Impact - The agreement with Qualcomm provides \$18 million to complete the improvements at the Stadium. In addition, Qualcomm has agreed to purchase 268 general admission season tickets for a five-year period. The \$18 million contribution from Qualcomm eliminates the need to issue additional debt for the Stadium Improvements and saves the City \$34 million in interest payments.

The agreement with the Chargers provides for the Chargers to pay the City a total of \$3.5 million over the next 10 years. The Chargers also have agreed to waive their rights to the revenue from the naming rights agreement with Qualcomm. This revenue would have been \$19.6 million if the naming rights revenue were paid to the Chargers annually over the next 20 years based upon the current advertising and signage agreements. In addition, the Chargers have agreed to provide a skybox suite to Qualcomm for a 20-year period.

## BACKGROUND

On Tuesday, February 25, 1997, the City Council discussed the offer of Qualcomm Incorporated to purchase the naming rights to the Stadium from the City for a period of 20 years. This purchase provides sufficient funds for the City to complete all the contemplated improvements to the Stadium. The City Council adopted a resolution authorizing the City Manger to negotiate the terms and conditions to implement the purchase of the naming rights with both Qualcomm and the Chargers.

## DISCUSSION

The terms of the Qualcomm Proposal are:

1. Stadium is renamed to Qualcomm Stadium and the stadium area is called Jack Murphy Field.
2. Qualcomm pays the City \$18 million in cash for the naming rights in May.
3. The term of the agreement is 20 years.
4. Qualcomm pays \$50,000 on a matching basis for a statue of Jack Murphy at the stadium.
5. Qualcomm receives a skybox for the term of the agreement.

6. Qualcomm buys 268 general admission season tickets for five years for all Charger home games.
7. Rename Stadium Way to Qualcomm Way.

The current signage and advertising agreements with the major Stadium tenants (Chargers and Padres) provide for these revenues to go to the teams, with the City receiving a small portion of the revenues. The tenants have agreed to waive their rights under these agreements. In return, the tenants have requested the following:

1. The Padres want exclusive rights to bring a major league soccer franchise to the stadium.
2. The Chargers have agreed to:

A \$78 million project.

Payment of \$.50 per ticket for 10 years (FY1998 - FY2007) and additional revenue of \$300,000 over next three years.

Exempt the first two preseason games from the ticket guarantee in FY 1998.

Provide Qualcomm with a suite for 20 years.

Retain the formula cap on rent - the NFL compromise.

Control parking rates at the Stadium for Charger events.

### Fiscal Impact

1. \$34.1 Million Interest Cost Savings

As a result of the Qualcomm Agreement, the City is able to complete \$78 million of improvements to the Stadium. In addition, the City is able to avoid \$34.1 million in interest payments on the \$18 million bond issuance originally anticipated for Phase II.

2. Additional Income from Chargers

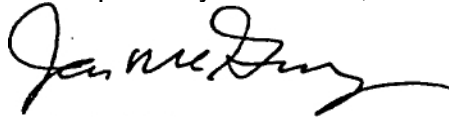
The Chargers have agreed to pay the City an additional \$3.5 million in rent over the next 10 years.

### 3. Additional Income - Taxpayers Association Assumptions

In reviewing the City's projected revenues, the San Diego County Taxpayers Association suggested that revenues could be increased in the special events area after the end of the Padres current lease term. These total \$8.2 million over 10 years.

The impact of these revenue and expenditure changes can be seen on the attached cash flow chart (Attachment A). There are sufficient funds in over the next 10 years to meet the operating expenses, debt service and potential ticket guarantee requirements.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jack McGroary", with a long horizontal flourish extending to the right.

Jack McGroary  
City Manager

JM/PTF

Attachment A: Cash Flow Chart - Jack Murphy Stadium Lease Analysis,  
Renovated Facility

**JACK MURPHY STADIUM LEASE ANALYSIS -  
RENOVATED FACILITY**

Phase I - \$60 million In bond proceeds  
1995 Agreement In Effect, plus \$.50 per ticket for 10 years (FY 1998 - FY 2007) Plus  
\$300,000 additional revenue over 3 years

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
\$ In thousands	SEASON FY 1997	SEASON FY 1998	SEASON FY 1999	SEASON FY 2000	SEASON FY 2001	SEASON FY 2002	SEASON FY 2003	SEASON FY 2004	SEASON FY 2005	SEASON FY 2006	SEASON FY 2007	SEASON FY 2008	
<b>STADIUM REVENUE</b>													
Chargers	3,511	5,718	5,709	6,396	6,649	6,799	6,952	7,110	7,274	7,442	7,615	7,471	
Padres	2,377	3,057	3,269	1,674	0	0	0	0	0	0	0	0	
Aztecs	602	662	682	703	724	745	768	791	814	839	864	890	
Special Events / Super Bowl	1,690	4,457	2,607	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	
Expenses Reimb-Bond Proceeds	1,250	0	0	0	0	0	0	0	0	0	0	0	
Interest Earnings	1,025	150	150	150	150	150	150	150	150	150	150	150	
Midway Sports Arena	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
Taxpayer Assoc Assumptions	0	0	0	500	1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	
Service America Signing Bonus	1,000	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Stadium Revenue</b>	<b>13,455</b>	<b>16,044</b>	<b>14,417</b>	<b>14,423</b>	<b>13,613</b>	<b>13,907</b>	<b>14,209</b>	<b>14,521</b>	<b>14,842</b>	<b>15,172</b>	<b>15,513</b>	<b>15,541</b>	
<b>STADIUM EXPENSE</b>													
Stadium Expense	9,202	9,224	8,926	9,095	5,599	5,767	5,940	6,227	6,414	6,718	6,917	7,239	
Debt Service - Existing Bonds	1,413	0	0	0	0	0	0	0	0	0	0	0	
Debt Service-Phase 1 Improvements	0	5,289	5,424	5,425	5,423	5,426	5,424	5,422	5,425	5,425	5,425	5,425	
<b>Total Stadium Operating Expenses</b>	<b>10,615</b>	<b>14,513</b>	<b>14,350</b>	<b>14,520</b>	<b>11,022</b>	<b>11,193</b>	<b>11,364</b>	<b>11,649</b>	<b>11,839</b>	<b>12,143</b>	<b>12,342</b>	<b>12,664</b>	
<b>Net to City</b>	<b>2,840</b>	<b>1,531</b>	<b>67</b>	<b>(97)</b>	<b>2,591</b>	<b>2,714</b>	<b>2,845</b>	<b>2,872</b>	<b>3,002</b>	<b>3,029</b>	<b>3,171</b>	<b>2,876</b>	
<b>Stadium Fund Balance</b>	<b>1,614</b>	<b>4,454</b>	<b>5,985-</b>	<b>6,052</b>	<b>5,955</b>	<b>8,546</b>	<b>11,260</b>	<b>14,105</b>	<b>16,977</b>	<b>19,979</b>	<b>23,008</b>	<b>26,178</b>	<b>29,055</b>