



# QUALCOMM STADIUM ADVISORY BOARD

## Minutes of Regular Scheduled Meeting

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### APPROVED MINUTES

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Thursday, June 25, 2009

STADIUM ADMINISTRATIVE OFFICES

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#### I. CALL TO ORDER / ROLL CALL

Chairman Rudy Castruita thanked everyone for coming on such short notice, and called the meeting to order at 8:15 am.

##### Board Present:

Chairman	Rudy Castruita	Present
Member	Jeff Jeffery	Present
Member	Ben Clay	Present
Member	David Baron	Present
Member	Carlos Vasquez	Present
Member	Les Williamson	Present

**Staff Present:** Mike McSweeney, Stadium Manager, Lauren Griffin, Clerical Assistant II

**Others Present:** Chuck Lang, SDSU – Involved with putting contract together.

#### II. CHAIRPERSON REPORT

Rudy introduced the meeting topic, and purpose of urgency. The advisory board has to review the Aztec contract document to meet the expectation of the municipal code before it goes to council. The council is on hiatus in August. Realizes it was sent late, but it needed to be seen by the attorney before it could be sent out.

### III. STAFF REPORT/ CONTRACT DISCUSSION

#### A. Stadium Manager Mike McSweeney

The new agreement is amicable for both, and leaves room for growth. Thanks to Chuck Lange, Bob Schulz, and other SDSU staff for their input and efforts in the negotiations. Past contracts have been upside down for City. A table of expenses was put together for the 2007 season, and it showed \$187K in above contract expenses incurred by the city. Obvious goal now is to try to rectify that. The mayor's office and council have sent a loud and clear message that full cost recovery is now expected of all departments. This includes the stadium, Petco, Police, Fire and every service the city provides. Approach to agreement was to restore the cost balance but still keep things manageable for State in the face of lower attendance and revenue they have experienced in recent years.

An open format showing stadium expenditures and staffing costs was agreed upon, which State could look at at any time. A solution to evening out the stadium rent and cost inconsistency will be implemented by adding a \$1 Facility Fee to certain ticketing categories, and invoicing for costs above and beyond the contract. The dollar fee would not be assigned for some group sales, alumni, or tickets with sponsorship concerns, it is intended more for the impulse buyer. The impact the extra dollar would have on ticket sales was evaluated. Convenience charges at other venues can be as high as seven or eight dollars. People regularly pay this based on what the demand for the product is, and this fee is not being applied to all ticket categories across the board. Therefore, State is not paying us directly for rent, it is being assessed on the ticket buyers, and they in turn help pay our rent. If State does well, we do well, which seems fair. If they are not doing so well, it is a 10 year agreement, with the option for either side to re-examine in 5 years.

Ben Clay had interest in hearing Jeff, Mike, and State's interpretation of the impact of the clause entailing the scenario of the Chargers leaving the stadium, and where the responsibility would fall. Mike replied that SDSU then enjoys the status of being primary tenant. Right now Chargers control that in their contract. That means they would have the rights to the advertising, which the Chargers currently own. There is date protection, with priorities being given to them. Ben summarized that the Aztecs would get all the rights and privileges that the Chargers enjoy now, but that this is not a particularly good deal for the city. Mike clarified, that if the Chargers left, State would move up in and assume the more important status, but that another contract would be negotiated at that time if it were to happen. Ben wondered if the 5 year window vs. an unexpected Charger leave date could limit when renegotiations could be started in that instance. Chuck Lang responded that a when the Chargers say that they are leaving, a 5 year renegotiation window starts. They would know that if a new agreement is reached, they are guaranteed the facility for 5 more years starting at that point, so this is good for them. The City could start looking at other options if that's what they wanted to do.

Ben questioned if the City would actually react well to the idea of State being primary tenant, due to the much smaller revenue stream. Chuck responded that the City have the ability to make the decision if they want to keep the facility open or not. There are clauses in the contract, if the city decides to demolish the stadium, the contract is null and void. It was felt that it seemed unlikely the city would turn their back on State. The economic value of the remaining games vs. the economic value of the land was then discussed, with Jeff theorizing that there would be a lot of political pressure on the city to decide what to do with the facility. If State's football program started being successful to the tune of attracting 60-70,000 fans, vs. 10-12,000 it will certainly affect how much of an issue that is going to be.

Les had concerns, hoping of course, that State would do well, but if they continue as they have been, it will not support the costs incurred running the facility without the Chargers. Also asked about a bridging agreement that was supposed to cover between the last signed contract and this season. Mike clarified that the bridging agreement was now over. It covered last year to allow them to play here, and was put together 3 years ago. Les did not think the board had seen it or remember hearing about it. Mike was unsure if Les had ever seen the actual document, but asserted that it had been talked about many times. Les questioned how the expenses were handled. The expired bridging agreement entailed that State paid us \$50K in advance for each one of the games. We invoiced them for any expenses they incurred over and above that deposit. The parking was retained as it had been in the old contract.

Ben asked Jeff if he had any information about the contract he could add from his involvement with it. Jeff had not realized the board had not discussed it at the last meeting. State had not approved it yet, and it has been like a ping pong ball between all the parties. Jim Barwick, Bob Schulz, Sally Rosh, possibly Schimmel were some of the parties involved. Hears concerns about the idea of the Chargers leaving. State has been at a severe disadvantage with the Chargers contract. They are locked out of advertising rights, the ability to sell skyboxes, etc, even if they are extremely successful. Jeff feels the primary tenant aspect, and money making opportunities of the new contract reflect what most major colleges would want, while protecting city cost recovery at the same time with the \$1 Facility Fee, and increased profits if the team is successful. He and Les were squarely in the middle of the process. Feels his input was heard, and has received a redlined copy of the agreement. Considered Les's comments about the expense of the facility if the Chargers leave, and raises that this would actually save money. Mike had the figure that having the Chargers here costs the city \$1 million dollars per season, which would be saved if they were not here.

Ben wanted the exact language that opens the contract negotiations upon the Charger's departure pointed out. His main concern is the public seeing another bad deal after the fact, questioning why some wiggle room was not secured. Rudy assured that he had seen the language was in there, and the council would definitely not be satisfied if there were no room for renegotiations.

Rudy stated he wished the purpose of the advisory board's involvement in these contract negotiations be officially declared in the minutes:

The board has sought to protect the financial fiduciary responsibility of the stadium. That is its role. This has been accomplished. Jeff has been present at negotiations and verified the operating and recovery costs. Jeff verbally confirmed that he is very comfortable our costs are correct. We have protected the integrity of this facility. Other items are important, but the fiduciary responsibility is the primary role.

The language, 'Future Primary' was located on page 4, number 4, and read out loud. Subject to the sole discretion of the city, San Diego State may seek primary tenant status if the San Diego Chargers leave. Regardless of primary tenant status, the city shall maintain the right to contract for other events.

Les asked if there was a contract accommodation for Navy or similar games, as he remembered the previous one had been at an unusual time, a Friday at 1 p.m. Navy games come every other year here at the stadium, and the ESPN contract dictates when those are going to happen. Usually before Christmas, the 19<sup>th</sup> or 20<sup>th</sup>. Les clarified it was actually during the regular season. He stopped getting his season tickets to those after that, because they raised the price of his other tickets for not attending that game also.

Ben further clarified that the city does not have to award SDSU primary status just because they seek it and State understands they have to reopen negotiations. Because of the public negative perception of the Charger deal, he wants to be absolutely clear it is understood that SDSU will not automatically slide into the Charger's deal if they leave. Chuck Lang confirmed that even if they became prime tenant, they would not expect to receive the Charger deal.

Ben mentioned the background to his concern stemmed from attending a State event where a young person had exuberantly stated that 'they just want the Chargers deal!', and that this took him aback.

Ben's next area of concern was on page 9, item 2, regarding the contract portion which covers parking. The new parking arrangement clause states that SDSU takes over the cost of parking and keeps all the net profit. They previously received 92% of the net profit, with the remaining 8% going to the city for rent. Ben noted the challenge of the parking lot is the ability to pave and maintain it. That is currently paid out of regular operating funds. Strikes him that we are losing an opportunity to recoup some maintenance fees. We probably have the largest parking lot of any stadium. Ben was concerned if the remaining 8% is now going to SDSU, what did we get in return? Mike replied that there is no specific line item addressing parking lot maintenance in the contract. Jeff interjected that SDSU did not want the Facility Fee, which we insisted upon. There had to be some give and take. They were trying not to hit them too hard after coming off a bad season. SDSU is having tight financial times the same as the city. Their costs have been increased at least the 187K. they were short.

Mike explained the money pot is considerably smaller for both sides, and right now there is just not a lot of money to split. They need to be able to pay their bills. If things start turning around, we will have the opportunity to add some bells and whistles later.

Ben summarized and interpreted that the deal is maybe not as good as we would have liked, but we are giving them the 5 years to show some improvement, and then we have the option to change things. Ben wanted to be sure he understood correctly, and that it be on the record what the logic was, and how the deal was crafted.

Rudy feels Jeff and Mike have protected our operating costs, and that State can now get more traction. Jeff stated that actually, State's position is not improved dramatically unless performance improves. With the current financial climate if they do not improve after 5 years, Division 1 football may have serious problems.

Ben voiced concerns about the Kinder Morgan drilling. He wants to close any loop for contention, that if Kinder Morgan closes a section of parking lot for cleanup, State could get upset over the impact to their revenue. He wanted to be sure that specific paragraph works for, and is understood by everyone. Jeff responded that this was included in the contract specifically to make it clear that this is an event which could occur.

The Kinder Morgan parking lot clause was loosely compared to the Disability Act issue, and some history to that was provided. The Beverly Walker deal started 11 years ago and is coming to a close. The contract modification date is coming next month, and it should finally be finished. The plaintiffs attorney has been repeatedly delaying, but it will be the final walkthrough that will be signed off on. Lawsuit was lobbied against the city in 1997, stating there were not enough ADA guest facilities, and had to retrofit the recent expansion.

Rudy asked if there were any other concerns. David asked if we could add a \$1 parking surcharge. At this point we can't, but they think things will start turning around.

Les asked if there were any provision if the Intercollegiate Athletic Authority penalizes SDSU for any reason, and the program is impacted or discontinued. Mike said there is a clause, if SDSU incurs penalties, fees, infractions, or fouls, the city does not assume responsibility for that. SDSU only contracts with the city for the use of the stadium. Anything else is solely between the university and its governing body and does not affect the stadium. Debra Bevier is not present, but that is his general understanding.

David asked if State would be using their own personnel to work the parking, and Chuck responded that they were still planning to use Ace Parking.

#### **IV. COMMENTS BY BOARD MEMBERS**

Rudy asked Mike what happens next in this process now that the board has reviewed the document. Real Estate Assets is trying to schedule to get it on the docket as soon as possible, hopefully within the next several weeks. Council goes on administrative hiatus for the month of August, so Jim Barwick recognizes the urgency and is working on it. The item needs to go to council committee first. The board would also like a copy of the minutes to go to council with the contract so the committee can take a look at what the board did.

David Baron asked if the Aztecs get all the profits from concessions, who determines prices of the concession products. Mike explained that the stadium and Centerplate mutually decide on the pricing. Ben questioned why the attorney was not there, and was concerned if there might be mixed signals over the contract. She was not able to make it, but she is the one who wrote the contract.

Rudy declares that the board has met their responsibility, and moves to change the next meeting to from Thurs July 9<sup>th</sup> to Monday July 6<sup>th</sup>. He will be in Washington DC to meet with the Secretary of Education on Thursday the 9<sup>th</sup>.

#### **V. TOPICS FOR NEXT MEETING**

At the next meeting the board wishes to discuss issues they have over the fees for the Charger training camp flood damage. The board wants to view everything that affects stadium operating costs. Part of our agreement in maintaining the training facility is that we pay for repairs. Due to the time crunch with organized workouts, it was agreed that the Chargers would pay for repairs, and we would reimburse them. We in turn are reimbursed by our insurance policy. 370K is what we are paying them, but that amount needs to be approved by council. It has become necessary to dig up the circumference of the practice field. We are working on a deal to bring them here in August for two practices. The fan bleachers would normally go in the flooded area, and city engineers have officially stated it would not be safe to put them there. Les asked if that is covered by insurance. Mike responded that it is and we are doing our best to mitigate the claim. Having them come here will bring in some revenue. Anything that is not covered, we will submit to our insurance company.

#### **VI. ADJOURNMENT**

There being no further business, the meeting was adjourned.  
The next Regular meeting will be Monday July 6, at 8:15 am.