



Anaheim's Lease Agreement With Angels Ownership

Unclear Terms Have Hindered the City From Ensuring
That Its Own Stadium Is Properly Maintained, While
Revenue Sharing Provides Limited Funding

March 2025

REPORT 2024-128





CALIFORNIA STATE AUDITOR

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March 27, 2025
2024-128

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As directed by the Joint Legislative Audit Committee, my office conducted an urgent audit, which limits the amount of work we can perform, of the city of Anaheim (Anaheim). Our audit focused on Anaheim's stadium lease agreement with the Los Angeles Angels Major League Baseball team (Angels ownership). We found that the lease agreement does not clearly provide Anaheim with a right to inspect its publicly-owned stadium to verify its upkeep and maintenance, and the terms do not require any public reporting of the stadium's physical condition or deferred maintenance.

Further, the lease agreement's revenue-sharing provisions limit revenue to the city. For example, baseball revenue sharing is limited to \$2 per ticket on only those tickets sold in excess of 2.6 million tickets in a year. Low attendance meant that Anaheim did not receive a share of baseball revenue between fiscal years 2020–21 and 2022–23. In the nearly 30 years between fiscal years 1997–98 and 2024–25, Anaheim received revenue of \$30.6 million from baseball ticket sales, parking, and other events while incurring \$30.2 million in expense for debt service and stadium maintenance, resulting in a net total of just \$415,000 for Anaheim over this period, excluding rent revenue and stadium renovation costs. Anaheim returned to Angels ownership the \$76 million that ownership had prepaid for rent in 1997—along with providing an additional \$20 million—to contribute towards the Angels' stadium renovation efforts. Angels ownership pays no ongoing rent, and will pay no ongoing rent, despite its option to extend the lease with Anaheim multiple times, including the three-year extension option it exercised in February 2025. The current lease runs through December 2032, and the Angels can extend the lease for up to six additional years. Anaheim officials told us that generating revenue from its lease agreement with Angels ownership was not a priority during the original negotiations.

We did not uncover any instances in which Angels ownership violated the terms of the lease agreement. However, some of the terms stand in contrast to lease agreements we reviewed between other jurisdictions and professional sports organizations, which at times provided those jurisdictions with clearer access rights to monitor the maintenance of their stadiums and additional means to share in the revenue generated from stadium events.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grant Parks", is written over a white background.

GRANT PARKS
California State Auditor

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Contents

Summary	1
Introduction	5
Audit Results	
Anaheim's Lease Agreement Limits the City's Ability to Monitor the Maintenance and Condition of Its Own Stadium	11
The Lease Agreement's Revenue-Sharing Provisions Limit the Revenue Owed to Anaheim	21
Other Areas We Reviewed	31
Recommendations	35
Appendix A	
Anaheim's Annual Revenue and Expenses Related to the Lease Agreement	37
Appendix B	
Key Terms From Lease Agreements We Reviewed	39
Appendix C	
Scope and Methodology	49
Response to the Audit	
City of Anaheim	51

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Summary

Key Findings and Recommendations

The city of Anaheim (Anaheim) owns Angel Stadium (stadium), a Major League Baseball (MLB) stadium that is the home stadium of the MLB team, the Los Angeles Angels (Angels). Anaheim leases the stadium and the land around it to the team's ownership (Angels ownership). The parties signed a lease agreement in 1996 that describes each party's rights and responsibilities in areas that include maintenance, revenue sharing, and right of use. This agreement is in effect until December 31, 2032, with an option for Angels ownership to extend it by up to six more years. The lease agreement requires Angels ownership to maintain the stadium at its own expense subject to certain conditions. However, both the city and Angels ownership annually contribute to a capital reserve fund based on a formula, which Angels ownership may use for improvements. Under certain conditions, the lease also requires Angels ownership to provide Anaheim with a share of the revenue from ticket sales for baseball games, parking, and other events using specified formulas.

Anaheim's Lease Agreement Limits the City's Ability to Monitor the Maintenance and Condition of Its Own Stadium

Page 11

Because of the stadium lease agreement's terms and Anaheim's general inaction, the city does not know the physical condition of Angel Stadium, which could need hundreds of millions of dollars in maintenance and repairs. Anaheim's lease agreement with the Angels ownership requires ownership to maintain the stadium in good condition and repair, subject to ordinary wear and tear, with a standard of maintenance at least equal to first class professional baseball stadiums. The city and Angels ownership last renovated Angel Stadium more than 25 years ago. However, until 2023, Anaheim had not formally inspected the stadium to assess its condition since completing those renovations. Although the lease provided for stadium inspections during renovations, it does not clearly allow the city to conduct periodic inspections, except for limited reasons, after the renovations were completed. As a result, Anaheim and Angels ownership disagree over the city's right to access the stadium to inspect its condition, which has led the city to negotiate an agreement with Angels ownership twice since 2023 to inspect the stadium's condition. Anaheim has planned a follow-up inspection of the stadium's condition in early 2025. Until it completes follow-up inspections, the city will not know the amount of maintenance and repair the stadium needs, and whether Anaheim believes that Angels ownership has met all the maintenance requirements of the lease.

Anaheim and Angels ownership also disagree over whether ownership is entitled to reimbursement for millions of dollars in repair and improvement expenditures. The lease agreement between Anaheim and Angels ownership establishes a capital reserve fund that Angels ownership may use for capital repairs and improvements to the stadium. Both the city and Angels ownership annually contribute to the fund. The lease provides that if Angels ownership spends more on capital maintenance and repair for the stadium and parking area

than what is available in the fund, Angels ownership can credit the additional amount against its next succeeding obligations to fund the capital reserve in future years. As of January 2025, Angels ownership's accounting records, which Anaheim has reviewed, show that ownership has spent \$35.6 million more than was available in the capital reserve fund and ownership claims that Anaheim will owe any excess spending by Angels ownership at the end of the lease. Anaheim rejects these claims as meritless, and states that Angels ownership is only entitled to a credit against the amount the lease requires Angels ownership to contribute to the fund. If Angels ownership continues to make these claims, Anaheim will need to negotiate an agreement to address them, or face the possibility of litigation.

Page 21

The Lease Agreement's Revenue-Sharing Provisions Limit the Revenue Owed to Anaheim

Anaheim's lease agreement with Angels ownership requires ownership to share with the city certain revenue from baseball ticket sales, baseball parking, and other events. From 1996 through March 2025, Anaheim received a total of \$30.6 million in revenue from Angels ownership. Most of this revenue—\$24 million—has come from baseball ticket sales, but that revenue has declined from \$2.2 million in fiscal year 2005–06 to \$44,000 in fiscal year 2024–25. When including the city's annual required contributions to the capital reserve fund, and certain debt costs, Anaheim received \$415,000 in net revenue over the last 29 years from its agreement with Angels ownership. This amount does not include approximately \$76 million in base rent that Angels ownership prepaid in 1997 that the city subsequently returned to Angels ownership to pay for stadium renovations, nor the additional \$20 million that the city contributed to those renovations.

Moreover, Anaheim has made minimal efforts to verify whether Angels ownership's revenue-sharing payments are accurate and comply with the terms of the lease. Angels ownership annually provides the city with letters indicating the revenue due to the city, but the letters do not include any supporting documentation. City staff verify the baseball ticket sales figures that Angels ownership reports by comparing them with figures reported by MLB, but do not take other steps to determine whether the parking or other event revenues appear reasonable. Even though other, non-baseball events have been Anaheim's largest source of stadium revenue in recent years, city staff neither document the other events held at the stadium, nor request any information about other events from Angels ownership. According to city staff, they do not ask Angels ownership for this information because the lease does not require Angels ownership to provide it.

Staff indicated that they instead rely on the city’s periodic audits of the lease agreement to identify any discrepancies in the amounts Angels ownership reports. Although the lease agreement allows Anaheim to audit Angels ownership twice per year, the city’s goal is to audit the lease agreement every three to four years. However, it has not adhered to this goal during the last 12 years, and has only audited the lease agreement twice during that time—once in 2013 and again in 2018. Our review of the revenue for the past 12 years found that the revenue that Angels ownership paid to Anaheim was generally consistent with the requirements of the lease. However, we found that Angels ownership erroneously paid the city almost \$95,000 for baseball game tickets in 2021. Anaheim intends to refund this money to Angels ownership.

Agency Comments

Anaheim agreed with our recommendations and indicated that it will take action to implement them.

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Introduction

Background

Angel Stadium of Anaheim (stadium), formerly known as Anaheim Stadium, is a baseball stadium in the city of Anaheim (Anaheim) in Orange County. Anaheim leases its stadium to Angels Baseball LP (Angels ownership), the owner of the Los Angeles Angels Major League Baseball (MLB) team.¹ The city owns the stadium, the land beneath the stadium (stadium site), and the surrounding land and parking area, totaling approximately 153 acres. The property is located near the intersection of several major freeways, and the stadium itself is located on approximately 20 acres of land near the middle of the property. Most of the land around the stadium—roughly 133 acres—is covered with parking lots that comprise approximately 15,000 surface parking spaces. As Figure 1 shows, the property also includes other structures, including the City National Grove of Anaheim, which is an indoor music venue that Anaheim owns and a vendor operates.

A Lease Agreement Between Anaheim and Angels Ownership Governs the Use of the Stadium

Anaheim and Angels ownership have a lease agreement that governs the use of the stadium and its land. This agreement provides Anaheim with potential revenue and Angels ownership with a long-term home in which to play baseball. The stadium lease agreement between Anaheim and Angels ownership became effective in 1996 and originally ran through the end of 2029. Angels ownership has the option to extend the lease after 2029 for up to three terms of three years each.

In February 2025, Angels ownership notified the city that it was extending the term of the lease through 2032. None of the terms of the lease agreement changed because of this extension. If Angels ownership chooses to extend the lease for the remaining two terms, the lease will be effective for another six years, or through 2038. At present, neither party has the option to terminate the lease without cause before 2032. Further, Anaheim cannot refuse any of the lease extensions should Angels ownership choose to exercise them unless ownership is in default under the lease. Angels ownership must give Anaheim notice by December 31, 2031, if it wishes to extend the lease for the second three-year term. According to the city manager, no negotiations are underway for a new lease agreement. The text box shows the status of the lease.

Status of Lease Agreement as of March 2025

Effective Date: 1996

Original Termination Date: December 31, 2029
(unless extended)

Deadline for Angels Ownership to Exercise Option to Terminate Without Cause: December 2019

Extension Option: Yes
(Three Options, Angels Ownership Only)

Latest Possible Extension Date: December 2038

Angels Ownership Exercise First Extension Option: February 4, 2025

New Termination Date: December 31, 2032
(unless extended)

Second Extension Notice Due: December 31, 2031

Annual Base Rent: Angels ownership prepaid all base rent in 1997.

Annual Revenue Sharing: Varies by paid baseball game ticket sales, parking revenue, and other event revenue.

Capital Reserve Fund: Anaheim and Angels ownership both contribute to the fund. The amounts change each year according to the consumer price index.

Negotiation Status: There are no current negotiations between Anaheim and Angels ownership for a new lease or sale of the stadium.

Source: Lease agreement between Anaheim and Angels, letter from Angels ownership to Anaheim, city audit and finance documents, and interviews with city staff.

¹ Depending on the context, we use the term "Angels ownership" to mean either Angels Baseball LP, the current owner of the Los Angeles Angels, or the team's former owner, The California Angels LP.

Figure 1
Map of the Angel Stadium Property



Source: Google Maps, MLB website, stadium appraisal documents.

The team's ownership changed during the course of the lease. At the start of the lease in 1996, the California Angels LP, owned the team. However, in 2003 Angels Baseball LP purchased the team, and still owns the team today. Similarly, city staff and elected officials who likely negotiated and approved the lease are no longer in those positions at the city. As a result, according to Anaheim's city manager, the individuals and parties who negotiated the lease are different from those currently managing the lease.

Anaheim Receives Revenue From the Lease Agreement

The lease agreement provides Anaheim with revenues from Angels ownership's exclusive use of the stadium. The revenue amounts that ownership owes to the city each year are tied to certain activities and are not guaranteed. Revenue is based on ownership's success in attracting fans to the games and to other events held at the stadium, so the revenue amounts vary. Specifically, Anaheim receives a share of ownership's revenue from baseball ticket sales, from baseball parking revenue, and other event revenue above certain amounts. The city's share of revenue from baseball game ticket sales is based on the number of tickets sold beyond 2.6 million tickets annually, not the price of the tickets themselves. If specified revenue thresholds are met, Anaheim is also entitled to receive a share of parking revenue and a share of revenue from non-baseball events that Angels ownership conducts at the stadium, such as monster truck and motocross events. Although the city may receive a share of revenue from non-baseball events held at the stadium, it cannot conduct events in the stadium itself. Anaheim can, however, conduct up to 10 events per year in the parking area.

In addition to specifying revenue shares from events and parking, the lease agreement also includes provisions for Anaheim to receive revenue in base rent over the duration of the lease. The purpose of the base rent apparently was to fund the stadium renovations, and the lease required Anaheim to contribute any base rent the city received to help pay for those renovations. The lease also allowed Angels ownership to prepay the base rent, and in 1997 ownership elected to prepay all of the base rent then due for the duration of the lease—approximately \$76 million.² Therefore, Angels ownership does not pay any additional base rent annually and will not pay any additional base rent for the duration of the lease, including any extensions. According to city officials, Anaheim's goals when it entered the lease agreement with Angels ownership in 1996 were to keep the Angels in Anaheim, overhaul the stadium at minimal cost to the city, privatize stadium operations and shift operating risk, and recover the city's investment in the stadium.

The stadium generates other revenue for Anaheim through sales tax from the sale of merchandise and concessions sold at the stadium. In 2023, the stadium was one of the top 25 sales tax generators in the city. The stadium also generates revenue from property taxes. Although Anaheim is exempt from paying property taxes, the lease requires Angels ownership to pay the property taxes as the tenant. Orange County levies these property taxes, which totaled approximately \$1.1 million

² Anaheim then returned the \$76 million base rent plus interest to Angels ownership for the stadium renovations.

in fiscal year 2024–25. Moreover, city officials in the past have cited various studies that estimated the stadium’s economic benefit to the city in the form of increased sales at local businesses, such as restaurants and hotels, though others have questioned the accuracy of those estimates. According to the executive director of the city’s convention, sports, and entertainment department (executive director), Anaheim has not attempted to conduct such a study since 2013.

Angels Ownership Is Responsible for Stadium Maintenance and Capital Repairs, and Anaheim Contributes to the Stadium Capital Reserve Fund

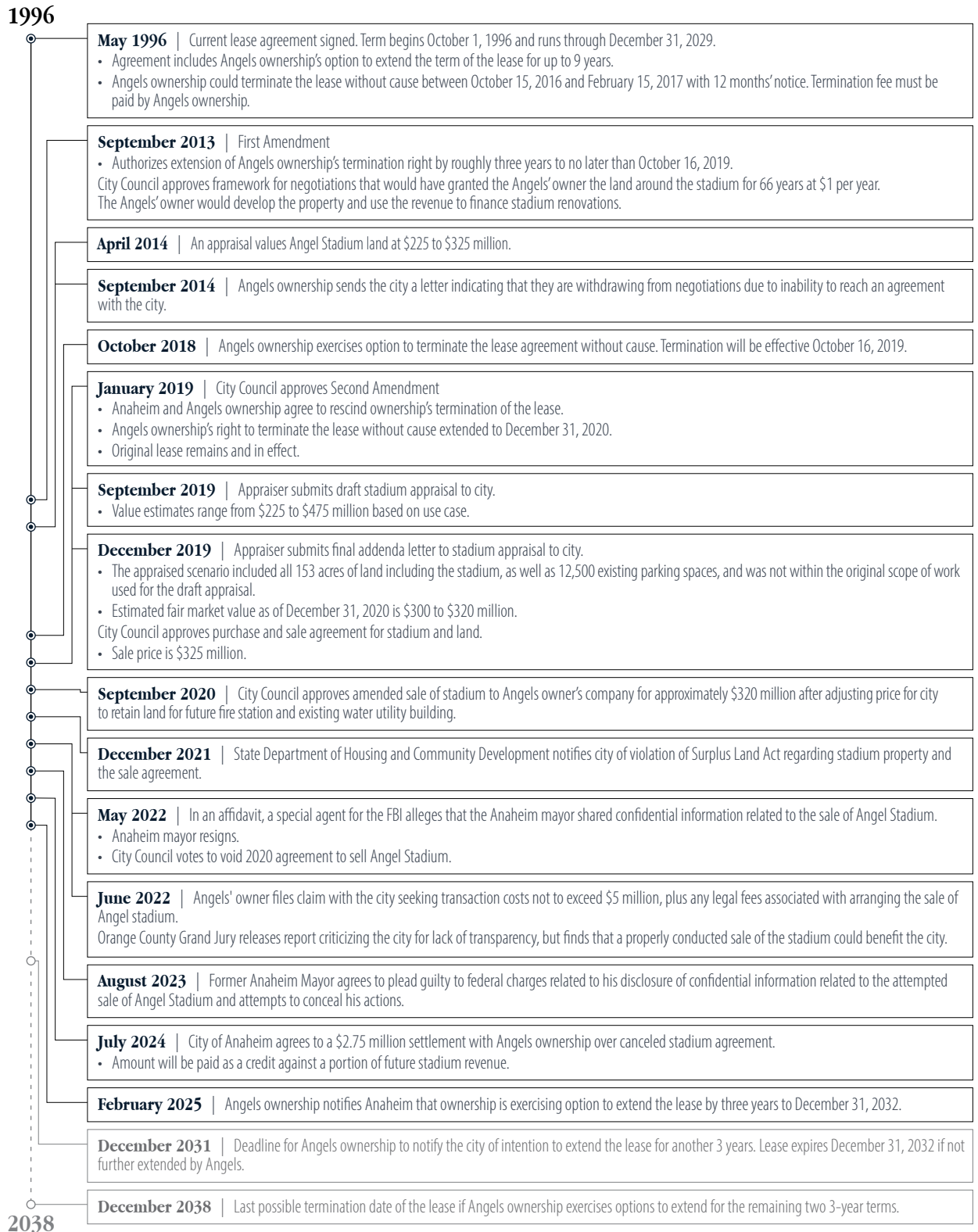
The lease specifies that Angels ownership is responsible for maintaining the stadium at ownership’s expense subject to certain conditions, with the exception of Anaheim’s contributions to a capital reserve fund to which both the city and ownership contribute each year. The amount of these contributions is specified by a formula in the lease. Angels ownership may use funds from the capital reserve fund to pay for capital repairs and improvements to the baseball stadium and the parking area, such as fixtures, furnishings, and equipment, but it may not use capital reserve funds for ordinary maintenance. If Angels ownership spends more money for capital reserve-eligible expenses than exists in the capital reserve fund, ownership may credit the amount of those excess expenditures against the amount of its future obligations to contribute to the capital reserve fund. Until recently, Angels ownership had full discretion and control over using funds from the capital reserve fund for capital repairs and improvements to the stadium. However, the lease agreement allowed Anaheim to approve or deny proposed capital reserve-funded projects starting in 2023.

Anaheim Has Attempted to Negotiate a New Lease or Sale With Angels Ownership

Anaheim attempted unsuccessfully in 2013 and in 2019 to negotiate a new lease agreement with Angels ownership or to sell outright the stadium to Angels ownership. Figure 2 shows a timeline of events related to the lease agreement, including the city’s attempts since 2013 to negotiate a new lease agreement. The first negotiations attempt from 2013 through 2014 did not result in an agreement, ending when Angels ownership withdrew from negotiations. During the second and most recent attempted negotiations from 2019 through 2022, the parties reached an agreement in 2020 for Angels ownership to purchase the stadium and the entire property and then to develop the land. However, complications arose and Anaheim cancelled the sale. The sale had been delayed initially when the California Department of Housing and Community Development (HCD) declared that the property was subject to the Surplus Land Act. The Surplus Land Act requires that public agencies notify certain potentially interested parties of the availability of their surplus land for affordable housing development projects. Anaheim’s negotiations to resolve the matter with HCD delayed the progress of the sale.

According to a city official, before Anaheim and HCD could finalize an agreement, a federal probe implicated the city’s mayor in 2022 for various felony crimes. The mayor served as the city council’s representative on the negotiating team with Angels ownership, and the mayor’s alleged crimes included providing confidential city information regarding stadium negotiations to a consultant for Angels ownership. After the city council became

Figure 2
Timeline of Key Events Related to Stadium Lease and Sale Agreements



Source: Anaheim city council meeting records, lease documents, stadium appraisals, and grand jury report.

aware of the news regarding the mayor's actions it voted in May 2022 to terminate the purchase agreement. The purchase agreement included language that allowed Angels ownership to seek up to \$5 million in damages and legal fees if the city did not go through with the sale, and Angels ownership filed a claim with the city to recover its transaction costs. In July 2024, Anaheim and Angels ownership reached a settlement agreement over the canceled sale. Specifically, Anaheim agreed to provide \$2.75 million as a credit against future revenue that Angels ownership would otherwise owe the city for baseball games, non-baseball events, and parking held at the stadium. No negotiations are currently underway between the city and Angels ownership for a new sale or lease.

We Reviewed Other Similar Lease Agreements

As part of our audit, we compared the terms of the lease between Anaheim and Angels ownership to those of three other stadium lease or use (lease) agreements between public agencies and professional sports teams within California. Specifically, we chose the agreements for the city of San Diego and the Padres L.P. (Padres), the city and county of San Francisco through the San Francisco Port Commission (San Francisco) and the China Basin Ballpark Company LLC (Giants), and the Santa Clara Stadium Authority (Santa Clara) and the Forty Niners SC Stadium Company LLC (49ers).³ Table 1 contains information about the stadiums associated with the four lease agreements we reviewed. As part of our review, we compared the terms and conditions of each lease agreement to those in the lease agreement between Anaheim and Angels ownership to potentially identify best practices and assess whether Anaheim's agreement with ownership reflected those best practices. Throughout this report, we draw comparisons among the terms and conditions of the lease agreements, and note any shortcomings in Anaheim's lease agreement with Angels ownership.

Table 1
Other Stadium Agreements We Reviewed

STADIUM	ANGEL STADIUM	PETCO PARK	ORACLE PARK	LEVI'S STADIUM
City	Anaheim	San Diego	San Francisco	Santa Clara
Team	Angels	Padres	Giants	49ers
Sport	Baseball	Baseball	Baseball	Football
Year Opened	1966	2004	2000	2014
Capacity	45,500	42,000	42,300	68,500
Agreement Date	May 15, 1996	February 1, 2000	November 26, 1997	March 28, 2012
Initial Lease Period	33 years	Up to 30 years (depending on the expiration of bonds financing)	25 years	40 years
Length of Possible Lease Extensions	9 years	10 years	41 years	20 years

Source: Lease and use agreements for Anaheim, San Diego, San Francisco, and Santa Clara, and stadium and stadium sponsor websites.

³ Throughout this report we refer to the parties of these lease agreements using the names of the cities and the names of the teams associated with the agreements.

Anaheim's Lease Agreement Limits the City's Ability to Monitor the Maintenance and Condition of Its Own Stadium

Key Points

- The city of Anaheim (Anaheim) does not know the physical condition of its asset, Angel Stadium (stadium) for two main reasons:
 - » Anaheim's lease agreement for its stadium with the ownership of the Los Angeles Angels baseball team (Angels ownership) lacks clear language allowing Anaheim to inspect the stadium's condition for any reason, nor does it require Angels ownership to provide regular reports on its condition.
 - » Until recently, Anaheim has taken little action to ascertain the condition of the stadium.
- According to the executive director of the city's convention, sports, and entertainment department (executive director), Angels ownership estimated that the stadium could require hundreds of millions of dollars in maintenance and repairs.
- Angels ownership reported that as of January 2025, it had spent \$35.6 million more for stadium repairs and improvements than was available in the capital reserve fund, and it interprets certain provisions in the lease as requiring Anaheim to reimburse ownership at the end of the lease for all such excess spending. Anaheim maintains that this interpretation is baseless, but it has not resolved this issue, and ownership's claim could result in litigation at the end of the lease.

Anaheim Does Not Know Whether the Physical Condition of the Stadium Meets the Requirements of the Lease

Because Anaheim has not inspected the stadium, nor has it received facility reports or other maintenance and repair assessments throughout the term of the lease, the city does not know the condition of the stadium. Without knowing the condition of the stadium, Anaheim can neither determine whether Angels ownership is maintaining the facility as the lease requires, nor can it determine the extent of work that the stadium needs—potentially costing hundreds of millions of dollars—to extend its useful life to at least the expiration date of the lease. This lack of information on the stadium's physical condition and maintenance needs limits Anaheim's ability to oversee its own asset. If Anaheim is unable to verify the condition of the stadium before the lease with Angels ownership expires, it may have to pay the cost of outstanding repairs at the end of the lease or address the matter with Angels ownership through negotiations or in litigation.

Until Recently, Anaheim Had Not Attempted to Inspect the Stadium's Physical Condition

Angels ownership argues that the lease's terms do not permit Anaheim to inspect the stadium. Although the lease agreement includes some provisions regarding Anaheim's right of access to the stadium, Angels ownership disagrees over whether these provisions give the city the right to access the stadium for the purpose of inspecting its condition. The lease agreement states that the "*Landlord shall at all times have a right of access to the Stadium Site for any exercise of its police powers or to exercise any right or remedy provided in this Lease.*" Anaheim believes that these provisions give it the right to inspect the stadium and in May 2023, the city hired an external consultant to perform a property condition assessment of the stadium and provide a report.⁴ However, Angels ownership initially objected to Anaheim's attempts to schedule the inspection, and questioned the city's right to access the stadium for the purpose of an inspection. According to Angels ownership's attorney, Anaheim agreed to limit its right of access by not including in the lease agreement in 1996 the usual and customary provision that allows a landlord to access the premises for inspections and repairs.

Anaheim's lease agreement with Angels ownership does not include clear language allowing for regular inspections of the stadium's condition. The three other stadium lease agreements

that we reviewed for comparison do clearly provide the landlord with rights of stadium access for inspection. For example, as the text box shows, the agreement between San Diego and the Padres allows the city to inspect the stadium quarterly and to hire experts to ensure that the stadium is maintained and repaired as a first-class facility. The other two agreements we reviewed also contain similar provisions. We expected Anaheim's lease agreement with Angels ownership to include similar clear language allowing for regular inspections of the stadium's condition. However, aside from providing for inspections of the progress of stadium renovations in the late 1990s, the lease agreement does not contain clear provisions to allow the city to monitor the condition of the stadium, nor does the agreement set a standard for Angels ownership to provide regular reports regarding the condition of the stadium.

Although Anaheim and Angels ownership disagreed over the interpretation of the lease agreement, they negotiated an access agreement in 2023 so that Anaheim's consultant could perform the inspection. The access agreement related to the type of work the consultant could perform and did not involve any payment by either party. Because the lease agreement does not specifically address Anaheim's right to

The Other Agreements We Reviewed Provide Landlords With Broader Rights of Access Than the Agreement Between Anaheim and Angels Ownership

Inspections

Anaheim: "Landlord shall at all times have a right of access to the Stadium Site *for any exercise of its police powers or to exercise any right or remedy provided in this Lease.*"

San Diego: "... City shall have the right, at its sole cost and expense, to inspect the Ballpark Property and all Improvements, at least quarterly ... the Padres shall cooperate with and assist the City during the course of the inspection...the City shall have the right to inspect the entire Ballpark Property and all Improvements."

San Francisco: "Tenant shall permit Landlord and its Agents to enter the Premises during regular business hours upon reasonable prior notice (and at any time in the event of an emergency which poses an imminent danger to public health or safety) for the purpose of inspecting the same for compliance with any of the provisions of this Lease ..."

Santa Clara: Landlord shall be entitled to uninterrupted access to the Premises ... at all times during the Lease Term except on days on which NFL Events or Tenant Incidental Uses occur (each, a "Tenant Event Day").

Source: Stadium lease agreements. Emphasis added by auditor.

⁴ Anaheim's city attorney administered the agreement with the consultant for the inspection in anticipation of potential litigation. Anaheim's consultant produced a report detailing the results of its visual inspection. However, the city asserted that the report is confidential under the attorney work product privilege, and declined to waive that privilege. Thus, we cannot release or disclose its contents.

conduct such inspections except for limited purposes, and because the parties disagree about how to interpret the language of the lease, Anaheim and Angels ownership may need to negotiate each time the city wants to inspect the stadium, or the parties may resort to litigation. These negotiations are time consuming, and the issues and concerns that an inspection could identify may become worse and more costly to repair as more time passes.

Anaheim's consultant completed its inspection in August 2023, but the city still does not fully know the condition of the stadium or the amount of maintenance and repair that the stadium may need, because the consultant performed only a visual inspection. Anaheim has hired another consultant to perform additional inspections to better understand the stadium's condition and is in the process of negotiating with Angels ownership to gain access to the stadium for the follow-up inspection. Anaheim and Angels ownership have not agreed on a date for the consultant to perform the follow-up inspections, but the city expected the consultant to begin the work in early 2025. The stadium is now nearly 60 years old, and the last major renovations were completed more than 25 years ago, so it is vital that Anaheim completes these inspections and assesses the condition of the stadium as soon as possible. As more time passes, Anaheim could find itself having to pay or negotiate unknown maintenance and repair costs for which it has not yet planned.

Notwithstanding the lack of clear provisions related to inspections, Anaheim missed opportunities to take actions earlier. City staff indicated that Anaheim had not previously tried to inspect the stadium because its efforts to negotiate a new lease or the sale of the stadium to Angels ownership potentially made a stadium property condition assessment irrelevant. However, negotiations would not have prevented Anaheim from trying to ascertain the condition of the stadium. Moreover, there were periods during which Anaheim was not actively negotiating with Angels ownership and could have taken steps to perform an inspection, or it could have otherwise attempted to assess the condition of the stadium. Further, Anaheim could have worked with Angels ownership years ago on an access agreement to conduct inspections or hire experts to conduct such inspections. Because Anaheim did not take such actions sooner, it must now spend months negotiating an access agreement with Angels ownership each time it wants to inspect the stadium.

Anaheim's Lease Agreement Does Not Provide for Independent Reviews of Maintenance and Repair Work That Angels Ownership Performs

Anaheim's lease agreement with Angels ownership does not include provisions for third-party reviews of stadium maintenance and repair work that Angels ownership performs. During stadium renovations during the late 1990s, the agreement provided for "regular progress meetings at which Tenant and Landlord . . . can jointly discuss such matters as procedures, progress, budget and schedule compliance and similar matters," and it required Angels ownership to "record the progress of the work of the Stadium Renovations and provide Landlord with timely reports on such progress." Further, the lease agreement allows Angels ownership to make interior alterations and additions or improvements to the stadium, and it requires Angels ownership to "obtain Landlord's prior approval of any such alterations, additions or improvements

which affect the structural integrity of the Baseball Stadium, or its mechanical, electrical, HVAC, plumbing or other building systems.” However, the lease agreement does not include any other provision in its lease agreement for independent third parties to conduct those reviews.

Even without such a provision, Anaheim and Angels ownership agreed in 2011 to share the cost to hire a third-party consultant to identify the maintenance needs of the stadium before beginning negotiations for a possible lease extension. Although Anaheim contributed money in 2012 for Angels ownership to hire a consultant to perform a maintenance assessment for the stadium, according to the executive director, the report was never finalized and Anaheim never received a copy. The executive director confirmed that in 2012 Anaheim paid Angels ownership half the cost of the report—\$67,500—but did not receive a final work product. The executive director explained that Angels ownership withdrew from the negotiations and Anaheim did not pursue obtaining a copy of the report after negotiations ceased because staff assumed that Angels ownership would be responsible for any required maintenance and repair work.

Other lease agreements that we reviewed include more specific requirements for the team to hire a third party to conduct a review of the condition of the stadium either

periodically throughout the lease term or at the end of the lease, as the text box shows. For example, the lease for San Francisco and the Giants requires the Giants to hire a third-party contractor to prepare a facilities condition report of the stadium. The team must provide a facilities condition report prepared by a qualified contractor to San Francisco every five years during the initial term of the lease, or at least once in each extended term, if the Giants choose to extend the lease. Similarly, the agreement between San Diego and the Padres requires the Padres to hire a city-approved third-party contractor at the end of the lease term to verify that the Padres completed all of its obligations for maintenance, repair, and improvements; that there is no deferred maintenance; and that the stadium is fully functional.

We also found that other lease agreements require the tenant to adhere to maintenance guidelines for the stadium or notify the property owner of any damage. For example, the lease agreement between San Diego and the Padres requires the Padres to create a Maintenance Manual to describe the policies and practices that the Padres intend to use to maintain major

mechanical and electrical equipment within the stadium. The agreement requires the Padres to obtain feedback from San Diego before finalizing the manual. Additionally,

Other Agreements We Reviewed Provide for Third-Party Reviews of Stadium Maintenance and Repairs That Tenants Perform

Anaheim: Does not require independent third-party inspections.

San Diego: “. . . at the conclusion of the Term, the Padres shall ensure through an independent qualified third party maintenance and construction engineer reasonably approved by the City that all obligations regarding Maintenance, Repair and Improvements required to be performed by the Padres under this Agreement have been completed, that there are no deferred Maintenance items and that the Ballpark Property is fully functional for its intended use.”

San Francisco: “Beginning on the fifth anniversary of the first Baseball Home Game played in the Ballpark and continuing every five years thereafter through the remainder of the Initial Term of this Lease . . . Tenant shall deliver to Landlord a copy of facilities condition report prepared by a qualified contractor.”

Santa Clara: Does not require independent third-party inspections.

Source: Stadium lease agreements.

San Diego’s agreement requires the Padres to notify the city promptly of significant damage, destruction, or hazards on the ballpark property. Had Anaheim included similar provisions in its lease, it could monitor the condition of its stadium and begin to determine whether Angels ownership has complied with the lease agreement.

The Lease Agreement Lacks Clearly Enforceable Maintenance Standards

Anaheim’s lease agreement with Angels ownership does not adequately define *stadium maintenance and repair*, so it does not adequately define Angels ownership’s responsibility for paying such costs. The lease agreement states that Angels ownership will “*maintain the stadium in good condition and repair, subject to ordinary wear and tear, at its sole expense,*” with the exception of Anaheim’s annual contribution to the capital reserve fund. However, the lease does not specify what “*maintaining the stadium in good condition*” entails. In contrast, the agreement for San Francisco and the Giants includes clearer and more specific language about the tenant’s responsibilities, as the text box shows.

Further, the Anaheim lease agreement lacks clear standards for stadium maintenance. It states that the standard of maintenance for the stadium must be at least equal to that of first-class professional baseball stadiums, taking into account the age and design of such stadiums, and lists the Kansas City and Dodger stadiums as examples of first-class professional baseball stadiums. However, the condition of those stadiums today could be very different from their condition when the Anaheim lease began in 1996. The Kansas City stadium, for example, which opened in 1973, underwent a \$250 million renovation before the 2009 season, and it is not clear whether Angels ownership is still required to maintain the stadium equal to the renovated Kansas City stadium. The lack of clarity in the agreement may lead to different interpretations about the maintenance that Angels ownership must perform, and the condition of the stadium they must maintain.

This lack of clear maintenance requirements could result in additional cost to the city. According to the executive director, in 2013 Angels ownership’s consultant for the stadium maintenance-needs assessment estimated that the stadium needed up to \$150 million for maintenance, repair, and capital improvements over twenty years. According to the executive director, the city never received a copy of the consultant’s report. As such, it is not clear which of these projected costs applied to maintenance, how the consultant or ownership defined maintenance, or whether

The Agreement for San Francisco and the Giants Includes Clearer Language About Maintenance the Tenant Is Required to Perform.

Required Maintenance

Anaheim: “Tenant will maintain the Baseball Stadium in good condition and repair, subject to ordinary wear and tear, at its sole expense (subject to . . . Landlord’s contribution to the Capital Reserve). The standard of maintenance to which Tenant will adhere in the maintenance of the Baseball Stadium will be at least equal to first class professional baseball stadiums, such as, on the date hereof, Kansas City and Dodger stadiums, taking into account the age and design of such stadiums: provided however, that Tenant will not be required to upgrade equipment and systems (such as scoreboard, public address system, telecommunication facilities, etc.) in order to remain state of the art with other stadiums . . .”

San Francisco: “Tenant shall maintain and repair, at no cost to Landlord, the Premises (including, but not limited to, the bulkhead wall, pier substructure, the Waterfront Promenade and all other Improvements), in first-class condition and repair . . . Tenant shall . . . maintain the Ballpark in safe, clean, attractive and first-class condition and state of repair . . . Tenant shall promptly make (or cause others to make) all necessary or appropriate repairs, renewals and replacements, whether structural or non-structural, interior or exterior, ordinary or extraordinary, foreseen or unforeseen, reasonable wear and tear excepted . . .”

Source: Stadium lease agreements.

ownership performed the specified maintenance and to what standard. Although Anaheim is in the process of inspecting its stadium's condition, the large amount of needed work that Angels ownership cited and the lack of clear maintenance standards increase the risk that ownership may not pay for all stadium maintenance and repair costs and that the city would then have to absorb those unanticipated expenses.

When we discussed the lack of clarity in the lease with the city manager, he said that the lease agreement was created almost thirty years ago and that the individuals and parties who negotiated the lease agreement are different from those who currently manage the lease. The city manager asserted that city staff would recommend to the city council the inclusion in future lease agreements of clearer language for areas of past disagreement between Anaheim and Angels ownership. The city and ownership will need to resolve any disagreements regarding their interpretation of the lease through negotiations, or through litigation.

Anaheim and Angels Ownership Disagree About Whether Angels Ownership Is Entitled to Reimbursement for Millions in Repair and Improvement Costs

The lease between Anaheim and Angels ownership requires each party to make annual contributions to the capital reserve fund, which Angels ownership uses to pay stadium repair and improvement costs. The agreement allows Angels ownership to spend more funds than available in the capital reserve fund for such purpose, and it allows Angels ownership to apply any excess annual spending toward its future obligations to fund the capital reserve fund. Angels ownership believes that it is entitled to receive reimbursement from Anaheim for any excess spending balance at the end of lease term. Although Anaheim disagrees with Angels ownership's interpretation of the lease agreement, it has not resolved this disagreement. Consequently, Anaheim may have to resolve this matter either through negotiations or through litigation. Further, Anaheim has not verified the work for which Angels ownership claimed to have used the capital reserve funds. Verifying this work is critical because Angels ownership claims that such excess spending equals nearly \$36 million.

Angels Ownership Claims That Anaheim Will Owe It Millions at the End of the Lease Term

Anaheim and Angels ownership disagree on how to treat the spending by Angels ownership in excess of its obligation for repair and improvement. The lease agreement between Anaheim and Angels ownership establishes a capital reserve fund that Angels ownership may use for capital repairs and improvements to the stadium, including purchasing fixtures, furnishings, and equipment for the stadium. According to the lease agreement, if Angels ownership has maintained the stadium as required, any sums remaining in the fund at the end of the lease agreement will belong to Angels ownership. If Angels ownership has not maintained the stadium as required, Anaheim may use the sums remaining in the fund to repair and restore the stadium. However, the lease agreement does not address what to do at the end of the lease term if Angels ownership has spent more on capital expenditures than was available in

the capital reserve fund. The city's attorney indicated that he would not expect the lease to address this issue and that its silence is evidence that Angels ownership is not entitled to anything more than the annual credits it received.

The lease agreement defines *capital repairs and improvements* as expenditures for property, components, systems, and structures that will last at least five years and have a unit cost of at least \$5,000. The lease specifically excludes from *capital repairs and improvements* regular maintenance and repairs, as well as damages from events. Regular maintenance generally consists of ordinary activities completed to prevent damage and preserve an asset. The lease agreement requires both Anaheim and Angels ownership to contribute annually to the capital reserve fund. The contribution amount varies according to a formula specified in the lease agreement. In 2024, Angels ownership's obligation was \$820,000 and Anaheim's obligation to the fund that year was \$762,000.

However, Angels ownership has spent more than the balance of the capital reserve fund. The lease does acknowledge that, at times, Angels ownership may spend more money on capital maintenance and improvement for the stadium and parking area than what is available in the capital reserve fund. Under such circumstance, Angels ownership can credit the excess spending against its "*next succeeding obligations to fund the Capital Reserve in future years.*" Angels ownership asserts that the additional amount it spends is cumulative from year to year. Ownership has generally spent significantly more on capital repairs and improvements than was available in the capital reserve fund.

Although Anaheim acknowledges the amount Angels ownership claims so that the city can calculate ownership's obligations to the capital reserve fund each year, the city does not agree with ownership about how to treat this excess spending at the end of the lease term. Angels ownership asserts that the accumulated excess spending represents an obligation of the city to ownership at the end of the lease term. In other words, Angels ownership is claiming that the cumulative excess spending is reimbursable by the city at the end of the lease term. The city rejects this interpretation, and annually informs Angels ownership that the city has no obligation to reimburse the amount Angels ownership claims is due at the end of the lease. Despite these rejections, Angels ownership has repeated its demands.

Anaheim Disagrees Each Year With Ownership's Claim

Although this disagreement has existed since at least 2009, the city has taken few steps to resolve it. City staff explained that they did not do more to resolve the issue with Angels ownership because they believe the claims have no merit, and that Anaheim is not liable for the costs. Additionally, in the past, city staff anticipated that the parties would resolve the issue as part of negotiating a new lease or sale of the stadium. In 2013, the parties intended to discuss the amount of Angels ownership's past stadium capital expenditures as part of negotiations. In 2011, before negotiations, Anaheim also obtained an external legal opinion to get additional

perspective regarding the cumulative excess spending amount. The legal opinion is an attorney work product, and we cannot share its contents. During Anaheim's most recent attempt to negotiate a deal with Angels ownership in 2020, the sale agreement included language that Angels ownership would not pursue reimbursement from the city for the cumulative excess spending amount. However, Anaheim has not done anything else to address this issue because it believes that Angels ownership's claim has no merit.

The cumulative excess spending that Angels ownership claims Anaheim owes will likely continue to exist through the end of the lease, although the final amount is uncertain. Over the last 10 years, the excess spending amount Angels ownership claims Anaheim owes has increased from \$18.9 million in January 2015 to \$35.6 million in January 2025. The city attorney opined to us that ownership's claim for this amount is meritless. Consistent with his opinion, the city is not reporting this amount as a liability or a contingent liability in its annual comprehensive financial report (ACFR) as would be required under applicable accounting standards if it were probable or possible, respectively. The lease will expire between December 31, 2032 and December 31, 2038, with the exact date depending on whether Angels ownership chooses to extend the lease. Even if Angels ownership extends the lease through 2038, there will likely be an amount of excess spending remaining. The parties will need to negotiate an agreement to address the responsibility for paying for the upgrades and repairs that Angels ownership made in excess of the capital reserve fund balance. If unable to reach an agreement, Angels ownership could resort to litigation. If Anaheim does not resolve this matter in its favor, it risks either paying Angels ownership or litigating the issue.

Anaheim Has Done Little to Verify the Repair and Improvement Work Angels Ownership Has Performed

Anaheim gained additional control over the use of capital reserve funds in 2023, although ownership's recent extension of the lease could postpone this change. The lease agreement gave Angels ownership full control over the use of capital reserve funds from the start of the lease until the last seven years of the lease. With the original end date of lease being December 2029, the last seven years began in 2023. During the initial 26 years of the lease agreement, Angels ownership did not have to obtain city approval to spend money from the capital reserve fund as long as ownership used the funds for expenses in eligible categories such as capital repairs and improvements to the stadium. Instead, the lease agreement required Angels ownership to annually provide Anaheim with a written statement and supporting documentation of expenditures from the capital reserve fund it had made during the previous year. As a result, Anaheim did not know how Angels ownership was using the city's capital reserve contributions until after ownership had spent the funds.

Anaheim has done little over the years to verify that Angels ownership completed the capital repair and improvement work ownership reported having done, and the city has not inspected the work for which Angels ownership used the city's capital reserve contributions. The city's financial accounting manager explained that when Anaheim receives the written documentation from Angels ownership, city staff

review the expenses and supporting documentation to confirm that the expenses are an allowable use of the capital reserve funds per the lease. He explained that city staff follow up with Angels ownership for any information about the expenses they need, such as missing supporting documentation, or clarification of invoice discrepancies. However, Anaheim does not inspect the completed work to verify that Angels ownership used the funds as described, and that the work meets the standard of a first-class stadium. Given the large amount of excess spending that Angels ownership has claimed, it would be prudent for Anaheim to ensure that the work is completed as described and meets the city's expectations. Otherwise, Anaheim could find that it is paying for inferior work or unallowable work using the capital reserve funds.

According to the lease agreement, during the last seven years of the lease—originally beginning January 2023—Anaheim will have greater control over expenditures from the capital reserve fund. In these years, the city has the right to review Angels ownership's planned expenditures of capital reserve funds and to direct ownership to use the funds for specific capital repairs and improvements. Although the lease agreement granted Anaheim the authority to review proposed capital expenses beginning in 2023, the city did not do so until 2024. According to the executive director, Anaheim and Angels ownership began discussions about the review of capital reserve fund expenditures in late 2022, but the city and Angels ownership did not reach an agreement on the expenditure approval process until December 2023. As a result, Anaheim did not review the 2023 expenditures before Angels ownership made them.

However, according to the executive director, because Angels ownership has exercised its right to extend the lease term through 2032, the city is uncertain whether it still has the pre-approval right to an advance review and consideration of capital expenditures, or whether it will need to wait until 2026 for that right to be reactivated. The executive director stated that he anticipates that Anaheim will continue to conduct the same amount of review of documents for expenditures as it has in the past, but that city staff will also start going on site to physically see the reported improvements. According to the executive director, post-approval of capital expenditures has always been a provision of the 1996 lease, and a physical verification, regardless of whether it is during the last seven years of the term, is reasonable. Now that Anaheim has, or will soon have, some control over how capital reserve funds are spent, it will be even more important that city staff physically verify that Angels ownership is performing the work the city approves.

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The Lease Agreement's Revenue-Sharing Provisions Limit the Revenue Owed to Anaheim

Key Points

- Between 1996 and March 2025, Anaheim realized approximately \$415,000 in net revenue from its lease agreement with Angels ownership, not including \$20 million in expenses Anaheim incurred to help pay for the stadium's renovations.
- Anaheim has made minimal efforts to verify whether the revenue Angels ownership shared with the city is correct and complies with the terms of the lease agreement. City staff rely on periodic audits to identify any discrepancies, but Anaheim has conducted only two audits of the lease agreement since 2013. Although we found that the revenue provided to the city from baseball ticket sales and parking were generally likely to be accurate and comply with the terms of the lease, we identified \$95,000 that Angels ownership erroneously paid Anaheim in 2021 that the city will need to refund.

Anaheim Has Received Minimal Revenue From the Lease Agreement Because of the Revenue-Sharing Requirements of the Lease

Anaheim receives little net revenue from its agreement with Angels ownership. The city receives no base rent annually because Angels ownership prepaid the rent in 1997. Further, the lease specifies that the event revenue Anaheim receives depends on the Angels' success in reaching certain ticket or revenue thresholds, beyond which revenue-sharing occurs. Anaheim also pays for certain stadium expenses, including annual contributions to the capital reserve fund and debt service, that offset the revenue the city receives from Angels ownership.⁵ As a result, Anaheim's total net revenue from the stadium has been minimal. Other agreements we reviewed include more favorable or consistent terms for a tenant's revenue sharing with the landlord.

Anaheim Used the Base Rent to Renovate the Stadium at the Beginning of the Lease

Anaheim's largest source of revenue from the lease agreement was the approximately \$76 million of base rent Angels ownership prepaid near the beginning of the lease term in 1997, but the lease also required the city to use the base rent to renovate the stadium. Specifically, as we discuss in the Introduction, the lease agreement required Angels ownership to either prepay \$76 million of base rent or amortize this amount and pay it semi-annually with interest over the term of the lease. However, the agreement also allowed ownership to prepay the rent. In January 1997, near the beginning of the lease, Angels ownership paid the city approximately \$76 million in a lump sum, which was the balance of the base rent due for the remainder of the lease. The lease agreement does not

⁵ According to Anaheim's finance director, the stadium debt service represents Anaheim's payments for bonds that the city used to fund various capital projects at the stadium.

require Angels ownership to pay any additional base rent for the remainder of the lease term or for any of the three lease extension periods should Angels ownership choose to exercise its right to use them. Accordingly, Angels ownership does not pay base rent for the stadium annually. None of the other stadium agreements we reviewed include provisions to allow the tenant to prepay all the base rent for the duration of the lease.

Although Anaheim received the lump sum base rent at the beginning of the lease agreement, it used that amount to renovate the stadium. Anaheim explained to us that it never intended to make money from the base rent, and that its goal for the 1996 agreement was to accomplish a major overhaul of the stadium at minimum cost to the city. Specifically, the lease agreement required the city to contribute up to \$80 million from any base rent it received from Angels ownership to fund renovation work on the stadium—work that Angels ownership was responsible for managing. The lease agreement also required Anaheim to contribute an additional \$20 million for the renovation. The lease required Angels ownership to pay for any renovation costs in excess of \$100 million. After taking into account the cost of renovating the stadium for ownership’s use, Anaheim did not receive any direct net revenue from the base rent that Angels ownership paid.

Low Attendance Resulted in a Lack of Revenue From Ticket Sales in Some Years

In addition to base rent, the lease agreement provides Anaheim with a share of revenue from the sale of baseball tickets, from parking at baseball games, and from non-baseball events, but the sharing of revenue happens only after the revenue or ticket sales surpass minimum threshold amounts. Table 2 summarizes the revenue amounts Anaheim received from each of these sources. For baseball games, Anaheim receives money from ticket sales

Lease Agreement Formulas for Revenue Sharing With the City

Baseball Game Ticket Sales: \$2 for each paid admission ticket to a team home game held at the stadium, after 2.6 million tickets per year. Complimentary tickets above 3,000 per game or 100,000 per year shall be counted as paid tickets.

Baseball Parking Revenue: 25 percent of net operating income from parking operations on game days in excess of \$4 million per year, adjusted by the consumer price index.

Other Events Revenue: 25 percent of other event net revenues, including admissions and parking, in excess of \$2 million per year, adjusted by the consumer price index.

Source: Lease agreement between Anaheim and Angels Ownership.

and parking as separate revenue streams. As the text box shows, Anaheim’s share of revenue from baseball ticket sales is based on the number of tickets sold, not the price of the tickets. However, the revenue from baseball ticket sales peaked in fiscal year 2005–06 and has generally been declining since. In fact, beginning with the 2020 baseball season, the Angels did not exceed the threshold of 2.6 million paid tickets for three years. According to Angels ownership, the COVID-19 pandemic and state and county restrictions prohibited fans from attending games at the stadium during the 2020 season. The Angels also did not reach the attendance threshold for the 2021 and 2022 seasons. As a result, Angels ownership did not owe Anaheim revenue from ticket sales for the 2020 through 2022 baseball seasons. We provide year-by-year revenue information in Appendix A.

In addition to revenue from baseball tickets, Anaheim is entitled to receive 25 percent of net parking revenue from baseball games over a revenue threshold amount that is annually adjusted by the consumer price index. Therefore, Anaheim’s share of revenue from

Table 2
Anaheim Received \$415,000 in Net Revenue From Its Lease Agreement With Angels Ownership
Fiscal Years 1997–98 Through 2024–25

	ONE-TIME REVENUE AND EXPENSE	ONGOING REVENUE AND EXPENSES						
	PREPAID BASE RENT AND RENOVATION COSTS	1997–98 THROUGH 2001–02	2002–03 THROUGH 2006–07	2007–08 THROUGH 2011–12	2012–13 THROUGH 2016–17	2017–18 THROUGH 2021–22*	2022–23 THROUGH 2024–25†	TOTAL
Revenue								
Base Rent‡	\$75,997,576							
Baseball Ticket Sales	—	—	\$7,402,193	\$7,981,334	\$5,190,220	\$2,791,374	\$267,886	\$23,633,007
Baseball Parking	—	\$15,153	1,076,181	667,065	—	—	396,164	2,154,563
Other Events	—	—	84,697	251,863	665,475	1,430,412	2,372,242	4,804,689
Total Revenue	\$75,997,576	\$15,153	\$8,563,071	\$8,900,262	\$5,855,695	\$4,221,786	\$3,036,292	\$30,592,259
Expenses								
Renovation Costs	\$95,997,576							
Debt Service	—	\$5,389,972	\$2,312,436	\$2,318,602	\$2,644,232	\$379,432	\$207,457	\$13,252,131
Capital Reserve Expense	—	2,286,677	2,631,935	2,877,832	3,251,663	3,576,314	2,300,734	16,925,154
Total Expenses	\$95,997,576	\$7,676,649	\$4,944,371	\$5,196,433	\$5,895,895	\$3,955,746	\$2,508,192	\$30,177,285
Net Revenue (Expense)‡	\$(20,000,000)	\$(7,661,496)	\$3,618,700	\$3,703,829	\$(40,200)	\$266,040	\$528,100	\$414,974

Source: City of Anaheim accounting records.

Note: The fiscal years are shown as 5-year periods with the exception of fiscal years 2022–23 through 2024–25. Some totals may not add up due to rounding. We do not include the prepaid base rent or city contribution to renovations in our calculations for the fiscal year 1997–98 through fiscal year 2024–25 net revenue and expense. See Appendix A for a year-by-year breakdown of the revenue and expenses.

* Anaheim’s records indicate that it received \$2.9 million revenue from Angels ownership for paid baseball tickets from 2018 through 2022. However, this revenue included nearly \$95,000 that Angels ownership erroneously paid the city for complimentary tickets ownership issued in 2021. We do not include the \$95,000 in the amount shown here.

† Although for fiscal year 2024–25 the city’s share of the revenue from baseball attendance was \$43,948 and from other events was \$742,821, Anaheim did not receive checks for these amounts. Specifically, as part of a settlement agreement between the city and Angels ownership, the city agreed to credit Angels ownership \$2.75 million from revenue-sharing requirements. Anaheim’s fiscal year 2024–25 revenue shares were applied to the \$2.75 million credit.

‡ The Angels prepaid approximately \$76 million of base rent in 1997 for the entire term of the lease. The city subsequently contributed the rental income to renovation costs. The city also contributed \$20 million additional funds toward the renovations. Because of the city’s records retention policy, Anaheim’s records do not show the exact amount the city contributed. However, the finance director indicated that based on the terms of the lease, the amount the city contributed would have been the amount of base rent Angels ownership paid along with any earned interest. We do not include the interest in the table.

baseball parking is based on the parking fee and the threshold amount. This threshold requirement has at times resulted in Anaheim not receiving any revenue from stadium parking. For example, Anaheim did not receive any parking revenue for baseball games for more than a decade after the 2009 season. According to the city’s records, ownership’s baseball parking revenue was below the adjusted threshold amount from the 2010 season through the 2022 season, resulting in no baseball parking revenue for the city. Angels ownership doubled the parking rate in 2023 from \$10 to \$20 per vehicle, and the threshold amount for that season was \$8.2 million. As a result of the parking price increase in 2023, Anaheim received about \$396,000 in parking revenue from baseball games played in 2023. However, due to an increase in the threshold amount to \$8.4 million, and fewer vehicles parked at the stadium, Anaheim did not receive any parking revenue for games played in 2024.

During fiscal year 2024–25, Anaheim’s largest stadium revenue stream came from other, non-baseball events held at the stadium and the parking for those events. Angels ownership conducts or contracts with other entities to conduct events at the stadium such as monster truck and motocross events, and events involving schools. The lease agreement requires ownership to share with Anaheim 25 percent of net revenue for such events in excess of an annual adjusted threshold, which was approximately \$4.2 million in calendar year 2024. As Table 2 shows, the revenue share from the other, non-baseball events has been increasing over the years, likely as the result of ownership holding more of these events.

Agreements by some other public agencies that we reviewed contained more consistent terms for landlords. For example, the agreement for San Francisco and the Giants states that the Giants consent to San Francisco imposing, extending, renewing, or substituting a tax in the amount of \$0.25 per ticket on admissions to baseball home games at the ballpark. The agreement between San Diego and the Padres requires the Padres to share 30 percent of revenue from significant events each fiscal year with San Diego. Although the amount of revenue from these agreements depends on the number of events, the prices for event tickets, and the number of attendees, neither of the other two agreements have any minimum threshold for sharing revenue.

Anaheim staff asserted that the intent of the city’s lease agreement with Angels ownership was to stimulate larger economic activity and to generate economic benefits for the city in the form of increased sales taxes and property taxes. City staff also stated that development of the area near the stadium property, which the city refers to as the *Platinum Triangle*, would also benefit the city. During a 2013 city council meeting, a council member referenced a report that estimated a minimum of \$200 million in economic benefit to the city from the stadium agreement with Angels ownership in the form of increased sales at local businesses, such as restaurants and hotels. Some researchers have concluded that such reports may overstate the financial benefits of stadiums. According to the executive director, Anaheim has not attempted to conduct such a study since 2013.

Anaheim Has Various Costs Associated With the Stadium That Offset Its Revenue

As Table 2 shows, since the inception of the lease agreement between Anaheim and Angels ownership, the city has incurred nearly \$30.2 million in expenses as part of the lease agreement, not including the \$20 million the lease agreement required the city to contribute toward renovation costs. Of this amount, more than \$16.9 million was for contributions to the capital reserve fund, and approximately \$13.3 million was for debt service. In fiscal year 2022–23 the city paid off the debt service, which could result in the city’s lease-related expenses being lower in the coming years.

However, the city may have other stadium-related expenses that are not part of the lease, such as the costs related to the stadium inspections we described earlier, and the settlement agreement between Anaheim and Angels ownership in which the city agreed to credit ownership \$2.75 million from revenue sharing requirements. Although Anaheim earned some revenue from baseball attendance and other events

during fiscal year 2024–25, it did not receive a check for these amounts from Angels ownership because the city and ownership applied the amount to the settlement. These expenses could offset any savings the city achieves from having retired its debt. Table 2 also shows the city’s expenses and net revenue from the lease agreement since its inception.

Anaheim Has Done Little to Verify Whether Ownership’s Payments Are Accurate and Comply With All Lease Terms

Anaheim staff perform some work to determine the reasonableness of the revenue from tickets to home games held at the stadium, but they rely on periodic audits conducted by the city to verify the accuracy of the amounts that Angels ownership provides. However, although the city’s goal is to perform audits of Angels ownership’s records every three to four years, it has not adhered to this schedule. In the last 12 years, it has only performed two audits. Our review and analysis of publicly available attendance data found that revenue Angels ownership shared with Anaheim for baseball tickets and parking were consistent with the requirements of the lease. However, we could not verify the reasonableness of revenue from other events because the city does not request that information from Angels ownership. Nevertheless, regularly verifying the accuracy of the revenue that Angels ownership shares with Anaheim is critical for the city to ensure that ownership has complied with the terms of the lease agreement.

Anaheim Performs Limited Work to Ensure the Accuracy of Revenue That Angels Ownership Provides

Although the lease agreement provides a deadline by which Angels ownership must pay revenue due to Anaheim, it does not provide guidance regarding documentation or other support ownership must include along with the payments. For example, Angels ownership annually provides Anaheim with two letters containing ownership’s calculations of revenue due to the city, and a check for its reported amount due. One letter contains the revenue-sharing amounts for baseball tickets for the preceding baseball season, and the other letter contains the revenue-sharing amounts for baseball parking and other, non-baseball events for the preceding calendar year. In contrast, the agreement between San Diego and the Padres requires the Padres to provide San Diego with a detailed accounting of each event, along with any other financial information the city requests, as the text box shows.

San Diego’s Agreement With the Padres Specifies What Financial Information the Padres Must Report for Each Event

Accounting and Payments for Events: For each Significant Event, within ten Business Days after the conclusion of the Event, the Padres shall calculate the Net Incremental Revenue or Net Incremental Loss for such Event and shall report to the City the results of such calculation . . .

The reports to be made by the Padres to the City . . . shall be in the form of a written statement setting forth in reasonable detail the calculation of the following amounts . . . and . . . shall include the following information, unless otherwise agreed by the parties: all Admission Ticket Proceeds from such Event; all concession commissions payable in connection with such Event; all concession commissions payable from the sale of Padres-related merchandise at such Event; all parking revenues generated through use of the Public Parking Facilities for such Event; any other Incremental Ballpark Revenues not specifically listed above; all fees, operating expenses and other costs paid by the Padres to the parking operators under all applicable parking operator agreements and attributable to the parking revenues generated from such Event; all Incremental Ballpark Expenses incurred for such Event; and [other specified information] . . .

Source: Joint use and management agreement between San Diego and the Padres.

When Anaheim receives the baseball ticket revenue letter, city staff perform some work to verify whether the revenue amount is consistent with the terms of the lease. The financial accounting manager explained that upon receipt of the attendance revenue letter, he compares ownership's reported attendance numbers to MLB attendance numbers to verify that ownership's numbers are reasonable. The city does not perform a reasonableness check for complimentary tickets, but the city compares paid tickets to MLB attendance numbers for some assurance that ownership is providing the appropriate amounts of ticket revenue share.

However, Anaheim does not perform any verification work when it receives the second letter, which contains the revenue shares for parking and other, non-baseball events. According to the financial accounting manager, city staff enter the revenue amounts from the second letter into the city's financial accounting system, but they do not perform any work to verify the accuracy or reasonableness of the amounts Angels ownership reports. We expected staff to compare the figures Angels ownership provides to an estimate of the number of vehicles that park at the stadium or to determine the number of other events Angels ownership conducts at the stadium and estimate their attendance. Instead, according to the accounting manager, Anaheim relies on its internal audit team to review this information during the city's periodic audits of the lease. He explained that historically there have not been major discrepancies between the numbers ownership reported and the numbers identified by the city's internal audit team, so the risk level of a discrepancy is low, and periodic audits of ownership's books and records are a sufficient check.

However, the city has not conducted an audit of Angels ownership's compliance with the financial terms of the lease since 2018. Although the lease agreement gives Anaheim the right to audit Angels ownership's books and records twice each year, the executive director explained that the city's goal is to conduct an audit every three to four years. However, Anaheim has not met its own goal for more than a decade. Before Anaheim's most recent audit in 2018, it last audited the stadium lease agreement five years earlier in 2013. As a result, Anaheim has only audited ownership's records twice in 12 years. According to the acting audit manager, the delay in conducting the next audit is due to multiple factors including the pandemic, other audit priorities, and lack of staffing. Staff also reiterated that past city audits have not identified major discrepancies in ownership's records, so they believe that the risk of incorrect revenue payments is low. Anaheim's most recent audit in 2018 found that Angels ownership generally complied with all the terms of the agreement. The acting audit manager explained that Anaheim prioritizes audits based on importance and urgency and plans to audit the lease in 2025. However, vacancies in its audit department and the need to conduct mandatory audits may affect the city's ability to do so.

Angels Ownership's Revenue Payments Generally Appeared Consistent With the Terms of the Lease, but Ownership Erroneously Paid Anaheim \$95,000 in 2021

Our review of Angels ownership's payments to Anaheim for baseball tickets sold found that the payment amounts were likely consistent with the terms of the lease. We compared the regular season attendance numbers that Angels ownership reported for tickets sold from 2013 through 2024 to the attendance data from the MLB website.

Table 3 shows the results of our comparison. For example, in 2023 Angels ownership reported paid regular season attendance of 2,640,835. For the same year, MLB reported the Angels’ regular season attendance as 2,640,575. We consider the difference of 260 to be immaterial. When including paid pre-season attendance in 2023, Angels ownership reported a total of 2,711,969 paid tickets, which is 111,969 tickets more than the 2.6 million ticket threshold. Ownership paid the city \$223,938, or \$2 for each of the tickets over the threshold, which complies with the lease requirement. Using this methodology, we found that the baseball ticket revenue amounts ownership provided to the city for the 12-year period appeared consistent with the lease agreement’s terms.

Table 3
Anaheim’s Share of Baseball Ticket Revenue Has Generally Declined During the Past 12 Years, but the Amounts Appear Consistent With the Lease
Fiscal Years 2013–14 Through 2024–25

FISCAL YEAR	FROM MAJOR LEAGUE BASEBALL	FROM ANGELS				
	REGULAR SEASON ATTENDANCE	PAID REGULAR SEASON ATTENDANCE (ANGELS)	PAID PRE- & POST-SEASON ATTENDANCE	TOTAL PAID ATTENDANCE	TOTAL EXCESS ATTENDANCE (OVER 2.6M)	TOTAL TICKET REVENUE SHARING WITH CITY (\$2/EXCESS ATTENDANCE)
2024–25	2,577,597	2,577,597	44,377	2,621,974	21,974	\$43,948
2023–24	2,640,575	2,640,835	71,134	2,711,969	111,969	223,938
2022–23	2,457,461	2,457,461	44,401	2,501,862	—	—
2021–22	1,512,033	1,512,014	—	1,512,014	—	—
2020–21*	—	—	—	—	—	—
2019–20†	3,023,010	2,981,031	70,060	3,051,091	451,091	902,182
2018–19	3,020,216	3,022,256	36,149	3,058,405	458,405	916,810
2017–18	3,019,583	3,019,585	66,606	3,086,191	486,191	972,382
2016–17	3,016,142	3,016,142	74,699	3,090,841	490,841	981,682
2015–16	3,012,765	3,007,098	79,034	3,086,132	486,132	972,264
2014–15	3,095,935	3,095,957	134,231	3,230,188	630,188	1,260,376
2013–14	3,019,505	3,019,531	73,632	3,093,163	493,163	986,326
Totals	30,394,822	30,349,507	694,323	31,043,830	3,629,954	\$7,259,908
	<i>45,315 Tickets (or 0.1%) Variance in Reported Attendance</i>			<i>Add: Payment to city in error‡</i>		<i>\$94,694</i>
				Total Revenue Shared With City§		\$7,354,602

Source: Angels ownerships’ ticket attendance letters to the city and MLB.com.

Note: The Angels had three years for which annual baseball attendance was below the 2.6 million threshold needed for revenue sharing. As a result, Angels ownership did not need to share baseball revenue between 2020 through 2022.

* There was no paid attendance in 2020 because of the pandemic.

† The variance in reported regular season attendance for 2019 is primarily the result of a “home game” that was played in Mexico City. The lease does not require Angels ownership to consider attendance at games not played in the city’s stadium.

‡ Angels ownership provided the city with \$94,694 in revenue sharing from the 2021 season in error because of a misunderstanding of the lease’s terms. The city plans to work with Angels ownership to refund the money.

§ Anaheim did not receive a check for revenue shares for baseball tickets for 2024. As part of a settlement agreement between the city and Angels ownership, the parties applied the approximately \$44,000 in revenue toward the \$2.75 million Anaheim owes Angels ownership for canceling the stadium sale agreement in 2022.

However, our review found that Angels ownership erroneously paid Anaheim about \$95,000 for complimentary tickets in 2021. The lease agreement allows ownership to provide up to 3,000 complimentary tickets per game and up to 100,000 complimentary tickets in a year. The lease states that any complimentary tickets ownership provides in excess of the number allowed will be counted as *paid* tickets for such year. In 2021, Angels ownership reported that it issued approximately 143,000 complimentary tickets, which was 43,000 more than the 100,000 annual limit the lease allows. Although ownership did not provide a breakdown, ownership also likely exceeded the 3,000 complimentary tickets per-game limit for some games. As a result, ownership reported that it had issued approximately 47,000 complimentary tickets over the threshold amounts. Angels ownership paid Anaheim \$2 for each of these excess tickets, or about \$95,000 in total. However, even when counting the excess complimentary tickets as paid tickets, the team's paid attendance was well below the 2.6 million revenue-sharing threshold for that year. Therefore, Angels ownership did not owe Anaheim the money that ownership paid for the complimentary tickets. The financial accounting manager said that this error resulted from a misinterpretation of the agreement that occurred because that was the first time ownership had issued more than 100,000 complimentary tickets in a year. The accounting manager said that Anaheim will contact Angels ownership to confirm that the city and ownership agree, and it will then initiate the process to refund ownership.

We also evaluated the likelihood of the accuracy of the parking revenue figures ownership reported in compliance with the lease agreement. We compared those revenue figures to paid attendance figures. Specifically, we used the revenue information to calculate the average number of vehicles that paid fees to park at each game during each year from the 2013 through 2024 baseball seasons. We excluded the 2020 season during which Angels ownership reported no baseball ticket or parking sales because of the COVID-19 pandemic. We used the paid regular season attendance figures to calculate the average number of paid attendees per vehicle to determine whether the parking revenue that ownership reported was reasonably accurate, and that the resulting payments to the city were consistent with the terms of the lease.

We recognize that not all attendees would drive to the stadium or park at the stadium, so the average number of paid attendees per vehicle parked at the stadium—as estimated in Table 4—is likely overstated. Therefore, if we calculated an average of only one or two attendees per vehicle, we would suspect that the parking numbers that ownership reported might not be accurate. At the other extreme, if we calculated an average of seven or eight attendees per vehicle—even considering the likely overstatement inherent in our methodology—we would suspect that ownership might not be reporting all the parking revenue it had received. As Table 4 shows, the average number of attendees per vehicle ranged between just more than three to more than five during the 12 years we reviewed. We noted that Angels ownership increased the parking rate per vehicle in 2023, which could have led more attendees to carpool or find other ways to the stadium. Further, the number of vehicles parked at the stadium each year was generally consistent from year to year. According to our limited analysis, which we based on data available to us during our audit, we believe that the parking revenue that Angels ownership remitted to Anaheim was consistent with the requirements of the lease. Nevertheless, our limited analysis does not substitute for a regular city audit of the stadium parking revenue.

Table 4
The Average Number of Attendees per Vehicle Generally Increased When Paid Regular Season Attendance Increased

YEAR	PAID REGULAR SEASON ATTENDANCE	REGULAR SEASON PARKING REVENUE	STANDARD PARKING RATE PER VEHICLE	NUMBER OF GAMES	NUMBER OF VEHICLES PER GAME	AVERAGE ATTENDEES PER VEHICLE
2024	2,577,597	\$9,328,707	\$20	81	5,758	5.53
2023	2,640,835	10,896,609	20	81	6,726	4.85
2022	2,457,461	6,410,339	10	81	7,914	3.83
2021	1,512,014	4,627,964	10	81	5,714	3.27
2020*	—	—	—	—	—	—
2019†	2,981,031	5,716,299	10	80	7,145	5.21
2018	3,022,256	6,428,383	10	81	7,936	4.70
2017	3,019,585	5,913,342	10	81	7,300	5.11
2016	3,016,142	6,083,585	10	81	7,511	4.96
2015	3,007,098	6,572,805	10	81	8,115	4.58
2014	3,095,957	6,470,383	10	81	7,988	4.78
2013	3,019,531	6,046,736	10	81	7,465	4.99

Source: Angels ownership's parking revenue letters to the city.

* There was no paid attendance or parking in 2020 because of the pandemic.

† The Angels played one "home game" in Mexico City in 2019.

Although other, non-baseball events are currently Anaheim's largest source of direct stadium revenue, the city did not have sufficient documentation for us to determine whether the revenue that Angels ownership reported from such events was consistent with the terms of the lease. Anaheim does not document non-baseball events held at the stadium, such as by recording the type of event, the number of people expected to attend, or the expected event revenue. Anaheim does not request and does not receive a calendar of events from Angels ownership. According to the executive director, Anaheim does not track this information because the lease does not require ownership to provide it. Nevertheless, we expected Anaheim to request or obtain a list of the non-baseball events held at the stadium as a way to determine whether the revenue that Angels ownership reports is likely accurate and complies with the lease. For example, Anaheim could consult websites that list upcoming events at the stadium or request an event list from Angels ownership. By not performing steps to check for the accuracy and compliance of the revenue payments, Anaheim has missed opportunities to ensure that Angels ownership has provided the city with the appropriate revenue in compliance with the terms of the lease.

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Other Areas We Reviewed

To address the audit objectives approved by the Joint Legislative Audit Committee (Audit Committee), we also reviewed the stadium appraisals that Anaheim obtained during negotiations with Angels ownership and whether Anaheim has maximized its revenue from its lease agreement with Angels ownership.

The Appraisals That Anaheim Obtained Were Generally Supported by Detailed Analyses

Anaheim twice appraised the stadium property for redevelopment purposes. The original lease agreement contained a clause that allowed Angels ownership to terminate the lease without cause, subject to repaying a portion of Anaheim's \$20 million contribution to stadium renovations, with an effective termination date between October 15, 2016 and February 15, 2017. As this deadline neared, Anaheim began in September 2013 to negotiate with Angels ownership for an agreement for leasing and developing the stadium property. To support its negotiations, Anaheim obtained an appraisal of the stadium property. However, Angels ownership backed out of those negotiations in September 2014. Although no agreement materialized, Anaheim and Angels ownership agreed to amend the lease to extend to November 2019 Angels ownership's right to terminate the lease without cause. In October 2018, Angels ownership gave notice to Anaheim that it intended to cancel the lease agreement effective October 2019. Subsequently, Anaheim again began in January 2019 to negotiate with Angels ownership, and both the city and ownership agreed to rescind ownership's cancellation notice and extend ownership's right to terminate the lease agreement without cause to an effective date no later than December 31, 2020. Anaheim then obtained another appraisal of the stadium property to help with negotiations.

Although the city hired different appraisers each time, both appraisers appraised the value of the stadium using similar scenarios. In one scenario, the appraisers assumed that the city would renegotiate an agreement to lease the stadium to Angels ownership with either 12,500 or 6,800 parking spaces, and ownership or another developer would redevelop the surrounding land. In a different scenario, the appraisers assumed that Anaheim and Angels ownership would not enter into an agreement to lease the stadium. In this case, the stadium would be demolished, and a developer would redevelop the entire property, including the land on which the stadium is built. Although this scenario assumed that the stadium would be demolished, the cost of demolition was not included in the appraisal. As Table 5 shows, the appraised value in these scenarios ranged from \$225 million to \$325 million in 2014 and from \$225 million to \$475 million in 2019.

Both appraisals contained detailed analyses for each scenario they considered. Both the 2014 appraisal and the 2019 appraisal considered the type of development that would generate the most value for the land and took into account similar factors relevant to the property. Specifically, both appraisals determined that a mixed development with an assortment of houses, apartments, offices, and retail space would be the most profitable type of development for the property. In determining the value of the land for mixed

development, both appraisals also considered the physical, regulatory, and demographic factors surrounding the stadium, such as the proximity to freeways and public transit; applicable zoning regulations; retail businesses near the property; and the demographics of the people in the area, such as age, household income, and household size.

Table 5
Appraised Value of the Stadium Property in Different Scenarios in 2014 and 2019

YEAR OF APPRAISAL	APPRAISED VALUE OF THE PROPERTY IF ANGELS OWNERSHIP ...		
	... CONTINUES TO LEASE THE STADIUM*	... NO LONGER LEASES THE STADIUM†	... PURCHASES THE STADIUM AND SURROUNDING LAND
2014	\$225 Million to \$245 Million	\$300 Million to \$325 Million	N/A
2019	\$225 Million to \$470 Million	\$350 Million to \$475 Million	\$300 Million to \$320 Million

Source: 2014 and 2019 stadium appraisal reports prepared by consultants that Anaheim hired.

Note: Both 2014 and 2019 appraisals assessed market conditions, area demographics, and comparable sales and real estate projects.

* The 2014 appraisal assumed that the city would designate 12,500 parking spaces for Angels ownership's exclusive use as part of the lease term. The 2019 appraisal assumed a scenario in which the city would designate 12,500 parking spaces and another in which the city would designate 6,800 parking spaces for Angels ownership's exclusive use as part of the lease term.

† This scenario did not consider the cost of demolishing the stadium.

For the second appraisal in 2019, the appraiser provided an appraised value late in the negotiation process between Anaheim and Angels ownership using a scenario that the appraiser had not previously considered. According to a letter from the appraiser in December 2019, approximately two weeks before the city agreed to sell the stadium, the city and Angels ownership had agreed that the city would sell the stadium and all surrounding land to Angels ownership. As such, under this scenario, the city would sell the entire property, including the stadium and the land it sits on, to Angels ownership without further modifications to the property. Unlike the previous scenarios, the new scenario included the stadium in the sale price.

However, the appraisal did not include further details on the appraised value in the new scenario. Specifically, the appraiser provided an addendum to the original draft appraisal and noted that the value of the property under the new scenario would range from \$300 million to \$320 million. The addendum did not provide further details about how the appraiser developed the value range, but it noted that the appraiser based the new estimate on his understanding of the present negotiations and his prior analysis of the property. Anaheim staff stated that the addendum more accurately reflected the development potential of the stadium property based on the latest factual information the appraiser had received, rather than the broader assumptions he had to make in previous drafts. However, because the new scenario included the stadium in the sale price, assumed continued use of the stadium, and eliminated Angels ownership as a tenant of the city, we believe that Anaheim should have obtained more details from the appraiser to support the appraised value it ultimately used for negotiations with Angels ownership. Nevertheless, the sale of the property was never completed, rendering the appraised value of the stadium irrelevant.

Anaheim Has Not Used the Stadium Parking Area for Its Own Events as Allowed by the Lease Agreement

The lease grants Angels ownership the exclusive use of the stadium for events that include sporting and athletic events, concerts, and other performances. Anaheim might receive revenue from events that ownership conducts in the stadium, but the lease does not allow Anaheim to conduct its own events inside the stadium. In contrast, other agreements we reviewed provide the public agencies the opportunity to use their stadiums for their own events. For example, San Diego's agreement with the Padres gives San Diego the right to use its stadium for city events for up to 240 days per calendar year. Similarly, the agreement for Santa Clara and the 49ers grants the landlord the right to conduct non-National Football League events in the stadium year-round, including during the football season if certain conditions are met.

Although Anaheim cannot conduct events in the stadium, Anaheim can conduct up to ten events per year in the parking area of the stadium. These events can include boat shows, home shows, auto shows, and exhibits. However, according to the executive director, Anaheim has not conducted such events in more than 10 years. City staff stated that there is no longer a market demand for those types of events. According to the executive director, the Anaheim Convention Center can accommodate any other events that could be held in the stadium parking lot. He noted that the convention center does use the stadium parking lot from time to time for its own event-related needs. As such, he does not believe that Anaheim is missing any additional revenue opportunities by not using the stadium's parking area.

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Recommendations

To protect its interests in the future, Anaheim should ensure that future lease agreements regarding a city-owned stadium include clear language in the following areas:

- Anaheim's right to inspect the stadium periodically for any reason.
- The party responsible for maintenance and repairs, the specific systems covered and exempt, what constitutes normal wear and tear, and what condition Anaheim expects the stadium to be in at the end of the lease.
- Treatment of any funds spent in excess of the capital reserve fund at the end of the lease.

It may also be in Anaheim's best interest to include the following in its future agreements:

- No option for the tenant to terminate the lease early without cause.
- A continuation of base rent for the duration of the lease, including extension periods.
- A requirement for periodic stadium inspection reports by an independent third party.
- The city's right to use the stadium for its own events.

To ensure that the stadium is in good condition and repair, and that Angels ownership is completing required maintenance and repair tasks, Anaheim should negotiate with Angels ownership or seek to obtain a court order allowing it to perform physical inspections of the stadium on an annual or bi-annual basis to verify its condition and to verify the maintenance Angels ownership has performed or needs to perform. Anaheim should post on its public website the results of such inspections to the extent the reports are not privileged or otherwise confidential.

To ensure that Anaheim is receiving the appropriate revenue, it should use its right to audit Angels ownership to obtain and review ownership's records every year to determine if Anaheim received all revenue to which it is entitled. At a minimum, the review should include verifying key information used to calculate revenue from ticket sales, parking, and other events. The review should also include verifying, through physical inspections, if possible, that claimed work was performed. Anaheim should supplement these basic reviews with a complete audit of Angels ownership's compliance with the lease agreement every three to four years. If Anaheim's internal audit department is unable to perform the reviews at this frequency, Anaheim should contract with an external party to perform them.

To ensure that it is aware of how the stadium is being used, and to better track annual revenue, Anaheim should obtain from Angels ownership, or other sources if necessary, a list of non-baseball events happening at the stadium, and their anticipated attendance, parking, and revenue. It should use this information to inform its reviews of revenue that Angels ownership provides each year.

We conducted this performance audit in accordance with generally accepted government auditing standards and under the authority vested in the California State Auditor by Government Code section 8543 et seq. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



GRANT PARKS
California State Auditor

March 27, 2025

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Appendix A

Anaheim's Annual Revenue and Expenses Related to the Lease Agreement

The lease agreement between Anaheim and Angels ownership requires ownership to share certain revenue with Anaheim. Specifically, the agreement required Angels ownership to prepay roughly \$76 million in base rent as a lump sum or amortize this amount and pay it semi-annually over the term of the lease, with a compound interest rate of 7.5 percent. Angels ownership chose to prepay the rent near the beginning of the lease term in 1997. Further, Angels ownership must share with the city \$2 for each paid admission ticket to a team home game held at the stadium for ticket sales in excess of 2.6 million tickets per year. Similarly, Angels ownership must share 25 percent of net operating income from parking operations on game days in excess of \$4 million per year, adjusted each year by the consumer price index. For all other events, Angels ownership must share 25 percent of other event net revenue, including admissions and parking, in excess of \$2 million per year, adjusted each year by the consumer price index. Anaheim also incurs certain expenses related to the lease agreement. Table A shows the annual revenue amounts that Angels ownership paid to the city, as well as Anaheim's annual expenses for contributions to the capital reserve fund and debt service since the inception of the lease agreement in 1996.

Table A
Anaheim's Stadium Revenue and Expenditures
Fiscal Years 1997–98 Through 2024–25

FISCAL YEAR	REVENUES			EXPENSES			NET REVENUE (EXPENSE)	
	BASEBALL TICKETS	BASEBALL PARKING	OTHER EVENTS	TOTAL REVENUES	DEBT SERVICE	CAPITAL RESERVE EXPENSE		TOTAL EXPENSES
1997–98	—	—	—	—	1,239,399	—	1,239,399	(1,239,399)
1998–99	—	7,388	—	7,388	1,212,263	849,535	2,061,798	(2,054,410)
1999–00	—	—	—	—	1,170,354	467,128	1,637,482	(1,637,482)
2000–01	—	—	—	—	1,169,971	478,955	1,648,926	(1,648,926)
2001–02	—	7,765	—	7,765	597,985	491,059	1,089,044	(1,081,279)
2002–03	337,472	119,452	—	456,924	425,039	526,159	951,198	(494,274)
2003–04	1,106,007	95,842	—	1,201,849	464,251	551,879	1,016,130	185,719
2004–05	1,936,930	195,730	—	2,132,660	474,515	629,891	1,104,406	1,028,254
2005–06	2,234,720	372,453	84,697	2,691,870	474,508	388,892	863,401	1,828,469
2006–07	1,787,064	292,704	—	2,079,768	474,122	535,113	1,009,236	1,070,532
2007–08	1,709,158	278,471	—	1,987,629	474,065	547,664	1,021,729	965,900
2008–09	1,795,592	205,029	—	2,000,621	464,480	554,802	1,019,282	981,339
2009–10	1,800,356	183,565	—	1,983,921	464,322	564,671	1,028,993	954,928
2010–11	1,431,994	—	7,302	1,439,296	464,155	592,469	1,056,624	382,672
2011–12	1,244,234	—	244,561	1,488,795	451,580	618,225	1,069,805	418,990
2012–13	989,572	—	62,946	1,052,518	463,360	630,074	1,093,434	(40,916)
2013–14	986,326	—	184,765	1,171,091	463,050	643,195	1,106,245	64,846
2014–15	1,260,376	—	253,759	1,514,135	409,480	646,092	1,055,572	458,563
2015–16	972,264	—	127,388	1,099,652	524,830	657,065	1,181,896	(82,244)
2016–17	981,682	—	36,617	1,018,299	783,512	675,236	1,458,748	(440,449)
2017–18	972,382	—	443,967	1,416,349	23,397	683,287	706,684	709,665
2018–19	916,810	—	385,494	1,302,304	23,397	697,707	721,104	581,200
2019–20	902,182	—	353,481	1,255,663	94,613	715,747	810,360	445,303
2020–21	—	—	247,470	247,470	181,080	732,663	913,744	(666,274)
2021–22	—	—	—	—	56,944	746,910	803,854	(803,854)
2022–23	—	—	847,461	847,461	207,457	756,619	964,076	(116,615)
2023–24	223,938	396,164	781,960	1,402,062	—	766,430	766,430	635,632
2024–25*	43,948	—	742,821	786,769	—	777,685	777,685	9,084
Totals	\$23,633,007	\$2,154,563	\$4,804,689	\$30,592,259	\$13,252,131	\$16,925,154	\$30,177,285	\$414,974

Source: City of Anaheim accounting records.

Note: We excluded \$94,694 that Angels ownership erroneously paid Anaheim for 47,347 complimentary tickets in 2021. Some totals may not add up due to rounding.

* Although Angels ownership notified Anaheim that for fiscal year 2024–25 the city's share of the revenue from baseball attendance was \$43,948 and from other events was \$742,821, Anaheim did not receive checks for these amounts. Instead, as part of a settlement agreement between the city and Angels ownership, the city agreed to credit Angels ownership \$2.75 million from revenue sharing requirements, and Anaheim's fiscal year 2024–25 revenue shares were applied to the \$2.75 million credit.

Appendix B

Key Terms From Lease Agreements We Reviewed

As we discuss in the Introduction, we reviewed three other public agencies' stadium lease agreements. Specifically, we reviewed the agreements for San Diego and the Padres, San Francisco and the Giants, and Santa Clara and the 49ers. Table B provides the language for key terms we identified in Anaheim's lease agreement with Angels ownership and similar terms in the other lease agreements we reviewed. We highlight those terms that we found to be generally similar to the terms in Anaheim's agreement with Angels ownership.

Table B
Key Stadium Agreement Terms for Leases for Four Public Agencies and Four Professional Sports Teams

KEY STADIUM AGREEMENT TERMS FOR LEASES	ANAHEIM AND THE ANGELS	SAN DIEGO AND THE PADRES	SANTA CLARA AND THE 49ERS	SAN FRANCISCO AND THE GIANTS
Extensions	So long as Tenant is not then in default under this Lease, Tenant shall have the right and option upon not less than twelve (12) months written notice to Landlord prior to the end of the then Term, to extend the Term on the same terms and conditions as set forth in this Lease for up to three (3) additional periods of three (3) years each.	The Padres shall have the option to extend this agreement and the Padres’ right to use the Usable City Property for an additional five (5) year term commencing the day after the Initial Expiration Date . . . (the “First Extension Term”); and the Padres shall have the option to extend this Agreement and the Padres’ right to use the Usable City Property for a second additional five (5) year term commencing the day after the expiration of the First Extension Term . . . (the “Second Extension Term”).	Tenant shall have the option to extend the Lease Term for five (5) additional successive periods of four (4) years each . . . Tenant may exercise such options to extend (each, an “Extension Option” and, collectively, the “Extension Options”) by giving written notice to Landlord of the exercise of the Extension Option (“Option Notice”) not later than one (1) year prior to the Lease Expiration Date (as the same may have previously been extended).	At its option, Tenant may extend the Initial Term of this Lease in accordance with all the provisions of this Lease for eight (8) additional successive periods (each, an “Extended Term”). The first seven (7) Extended Terms shall be for successive periods of five (5) years each. The last Extended Term shall be for a period of six (6) years after the expiration of the seventh Extended Term. Tenant may exercise such rights to extend (each such, an “Option”) by giving written notice to Landlord of the exercise of the Option (“Option Notice”) . . .
Right to Terminate Without Cause	Tenant shall have the option to terminate this Lease at any time, without cause, to be effective no later than December 31, 2020. Such termination option shall be exercised by Tenant by giving Landlord not less than twelve (12) months written notice prior to the effective date of such termination . . . *	N/A	N/A	N/A
Base Rent	During the Term, Tenant shall pay Landlord semi-annually a sum (the “Base Rent”) determined as follows the present value (as of the Commencement Date) of the amounts to be contributed by Landlord pursuant to [the lease] (the “Discounted Amount”) shall be computed based on a disbursement schedule prepared by Tenant pursuant to [the lease] and a discount rate of five and one-half percent (5.5%), compounded semi-annually. At that time, the semi-annual amount (the “Level Payment Amount”) required to fully-amortize the Discounted Amount with level (i.e., equal in amount) semi-annual payments in arrears during the period commencing on the Commencement Date up to and including December 31, 2029 shall be computed based upon an interest rate of seven and one-half percent (7.5%), compounded semi-annually . . .	In accordance with the schedule for payments set forth [in the lease], the Padres shall pay the City fixed rent (“Rent”) for the City Property at the rate of five hundred thousand dollars (\$500,000) for each Fiscal Year, as such amount is adjusted from time to time pursuant to [CPI] . . . On the fifth (5th) anniversary of the Commencement Date, and on every fifth (5th) anniversary thereafter during the Term, the Rent then in effect shall be adjusted upward by the amount of the percentage increase, if any, in the CPI . . . Rent shall not under any circumstances be adjusted downward. Rent for each Fiscal Year shall be due and payable in two (2) equal installments . . .	Subject to adjustment as provided [in the lease], for each Lease Year in the Initial Term, Tenant shall pay to Landlord, as fixed rent for the Stadium (“Facility Rent”), an amount equal to TWENTY-FOUR MILLION FIVE HUNDRED THOUSAND DOLLARS (\$24,500,000.00). . . . either Party may, not sooner than the expiration of Lease Year 24, nor later than the expiration of Lease Year 25 (“Market Rent Deadline”), by notice to the other Party, elect to have the fair market rent (“Market Rent”) for the Premises determined by the appraisal process . . . If either Party makes a Market Rent Election prior to the Market Rent Deadline, then, effective as of the commencement of Lease Year 33, and continuing for the remainder of the Initial Lease Term . . . the Facility Rent shall, subject to the provisions of [the lease], equal the Market Rent.	Tenant shall pay to Landlord, as Minimum Rent, the annual sum of One Million Two Hundred Thousand Dollars (\$1,200,000), subject to [CPI] adjustment as provided [in the lease], and subject to Extension Fee Rent Credits . . . Minimum rent shall be payable in advance, in equal quarterly installments . . . At the beginning of the first Extended Term and again at the beginning of the fifth Extended Term, Minimum Rent shall be determined in the manner specified in this Section . . . (subject to subsequent CPI adjustment . . .) Following delivery of Tenant’s Option Notice for the first Extended Term or the fifth Extended Term, pursuant to [the lease], Landlord and Tenant shall attempt in good faith to agree upon the Fair Market Rent for the Property.

KEY STADIUM AGREEMENT TERMS FOR LEASES	ANAHEIM AND THE ANGELS	SAN DIEGO AND THE PADRES	SANTA CLARA AND THE 49ERS	SAN FRANCISCO AND THE GIANTS
	<p>Subject to Tenant's financial obligations contained in this Lease (including, without limitation, Tenant's obligation to make Base Rent payments as provided . . .), Landlord will contribute up to Eighty Million Dollars (\$80,000,000) as set forth in the disbursement schedule [prepared by tenant] from any Base Rent received by Landlord from Tenant prior to such contribution (plus Interest earned thereon . . .)</p> <p>Tenant shall have the right at its option to prepay, in whole or part, and in one or more installments, any unpaid scheduled Base Rent payments, upon prior written notice to Landlord . . .</p> <p>Landlord . . . shall hold such prepaid amounts in interest bearing assets . . . until required to pay for Costs of the Stadium Renovations or otherwise credited or distributed pursuant to this Lease. †</p>			
<p>Ticket Revenue from Games</p>	<p>Tenant will pay Landlord as additional rent each year during the Term Two Dollars (\$2) for each paid admission ticket to a Team home game held at the Baseball Stadium in excess of two million six hundred thousand (2,600,000) paid baseball admissions in such year.</p> <p>Tenant shall be limited in the number of complimentary tickets which Tenant may provide . . . which shall not exceed 3,000 tickets per game and 100,000 tickets per year.</p> <p>Any complimentary tickets made available by Tenant in excess of the foregoing limits . . . will be counted as paid admission tickets for such year.</p>	<p>N/A</p>	<p>Tenant shall collect, on the Stadium Authority's behalf, a fee on each Ticket for NFL Games in the Stadium equal to thirty five cents (\$0.35) per Ticket, up to a maximum amount of Two Hundred Fifty Thousand Dollars (\$250,000.00) per Lease Year (the "City of Santa Clara Senior and Youth Program Fee"). In accordance with the Ground Lease, the Stadium Authority is required to pay the City the annual proceeds from the City of Santa Clara Senior and Youth Program Fee.</p> <p>Effective as of the commencement of Lease Year 24/25, the City of Santa Clara Senior and Youth Program Fee . . . shall be increased to forty cents (\$0.40) per Ticket, up to a maximum amount of Three Hundred Thousand Dollars (\$300,000.00) per Lease Year.</p> <p>Effective as of the commencement of Lease Year 34/35 and every ten (10) Lease Years thereafter, (a) the City of Santa Clara Senior and Youth</p>	<p>Tenant consents to the imposition, extension, renewal, or substitution of a tax on admissions to Baseball Home Games at the Ballpark, in the amount of \$0.25 per ticket (the "Existing Baseball Admissions Tax").</p>

KEY STADIUM AGREEMENT TERMS FOR LEASES	ANAHEIM AND THE ANGELS	SAN DIEGO AND THE PADRES	SANTA CLARA AND THE 49ERS	SAN FRANCISCO AND THE GIANTS
			Program Fee shall be increased by five cents (\$0.05) and (b) the maximum amount of the City of Santa Clara Senior and Youth Program Fee per Lease Year shall be increased by an additional Fifty Thousand Dollars (\$50,000.00).	
Parking Revenue from Games	If in any year the net operating income received by Tenant from all parking operations at the Stadium Site on days of Team home games ("Parking Revenues") exceeds Four Million Dollars (\$4,000,000) (adjusted each year by Increases in the CPI), Tenant will pay to Landlord as additional rent twenty-five percent (25%) of such excess.	N/A	N/A	N/A
Other Events Revenue	If in any year the Other Events Revenues of Tenant exceeds Two Million Dollars (\$2,000,000) (adjusted each year by increases in the CPI), Tenant will pay Landlord as additional rent twenty-five percent (25%) of such excess.	For each Fiscal Year during the Term: . . . subject to adjustment pursuant to <i>[the lease]</i> , the "Net Incremental Revenue" (where Incremental Ballpark Revenues exceed Incremental Ballpark Expenses) from Significant Events for that Fiscal Year shall be allocated thirty percent (30%) to the City, and seventy percent (70%) to the Padres. ... the "Net Incremental Loss" (where Incremental Ballpark Revenues are less than Incremental Ballpark Expenses) from Significant Events for that Fiscal Year shall be allocated thirty percent (30%) to the City, and seventy percent (70%) to the Padres, provided, that, such allocation of loss to the City shall not relieve the Padres of its obligation to make the Minimum Annual Payment pursuant to <i>[the lease]</i> . Beginning in the 2013 Fiscal Year: (a) in no event shall the aggregate amount of Net Incremental Revenue payments made by the Padres to the City pursuant to <i>[the lease]</i> in any Fiscal Year be less than \$300,000 (adjusted upward at the end of the 2013 Fiscal Year, and at the end of every subsequent Fiscal Year thereafter during the Term, but never downward, by the amount of the percentage increase, if any, in the CPI for such period . . .	Stadium Authority Revenue for each Lease Year shall include all Non-NFL Event Revenue for such Lease Year including (a) all revenues from the sale of Tickets for Non-NFL Events conducted during such Lease Year, and (b) all revenues received by the Stadium Authority from the promoter or other sponsor of any Non-NFL Event conducted during such Lease Year, including such amounts paid by the promoter or other sponsor for the right to use and occupy the Stadium for such Non-NFL Event; provided, however, that (i) Tenant shall have the sole and exclusive right to market and authorize the right to occupy Suites for Non-NFL Events upon purchase of Tickets for such Non-NFL Events the Net Incremental Revenue from Small Events for that Fiscal Year shall be allocated thirty percent (30%) to the City, and seventy percent (70%) to the Padres . . . the Net Incremental Loss from Small Events for that Fiscal Year shall be allocated one hundred percent (100%) to the Padres, and the City shall bear no portion thereof.	N/A

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<p>Complimentary Use of Stadium Facilities</p>	<p>Tenant shall provide to Landlord thirty (30) complimentary non-premium tickets for all Team home games at the Baseball Stadium at no cost...</p> <p>Tenant shall provide to Landlord twenty (20) complimentary premium (club) seats for all Team home games at the Baseball Stadium at no cost...</p> <p>Landlord shall have the use of two (2) suites for all Team home games (including playoff, World Series and All-Star games) and other events conducted at the Baseball Stadium at no cost...</p> <p>Landlord shall have the use of forty (40) reserved parking spaces for all events at the Baseball Stadium at no cost, of which 10 will be VIP parking (specific spaces reserved and signed for named users).</p> <p>Landlord will not have the right to license, lease or sell such complimentary [tickets, suites, or parking].</p>	<p>The City shall have a right and option to direct the Padres to set aside one (1) Private Suite for use and occupancy by the City throughout the Term (the "City Suite")...</p> <p>If the City exercises its option to have a City Suite, then the City as an owner shall be entitled to one admission ticket for each seat in the City Suite for each Event at the Ballpark Property, including Padres Games and Events, free of charge.</p> <p>[Effective April 11, 2024 for three years unless either party terminates the agreement], the Padres will market and sell City Suite Tickets to the general public in the same manner as admission tickets for all other Private Suites.</p> <p>... the Padres agree to pay to the City a portion of the City Suite revenue... as follows: For all Padres Games and Events, sixty percent (60%) of the Padres 100% share of Gross Revenue, less City Suite Expenses...</p> <p>For only 70/30 Events, forty-two and eight hundred fifty-seven thousandths percent (42.857%) of the Padres' seventy percent (70%) share of gross revenue, less City Suite Expenses...</p>	<p>... if Tenant charges for any such tours [of the Stadium, including tours of the Hall of Fame], Tenant shall offer a discount to the residents of the City of Santa Clara, and shall provide the Stadium Authority with four hundred (400) complimentary tour tickets per Lease Year...</p>	<p>N/A</p>
<p>Parking Requirements</p>	<p>Not less than 12,500 parking spaces will be reserved for the exclusive use of Tenant during the period of three hours before to one hour after commencement of all Team home games and for a comparable period before, during and after the conduct of all other events by Tenant in the Baseball Stadium, all of which spaces will be located on the Stadium Site...</p>	<p>"Parking Facilities" shall mean the Public Parking Facilities and the Phase I Parking Facilities, which contain approximately 5,000 parking stalls.</p>	<p>... the Stadium Authority shall be responsible for managing and operating the parking for the Stadium for Stadium Authority Events; and Tenant shall be responsible for managing and operating the parking for the Stadium for NFL Events. Stadium parking for Stadium Events shall be located on the Main Lot, the Public Parking Parcels and on private lots in commercial areas that contract with the Stadium Authority, Tenant or, at the discretion of the Stadium Authority (as to Stadium Authority Events) or Tenant (as to NFL Events), the Stadium Manager, to provide parking.</p> <p>Prior to each Lease Year, Tenant shall deliver to the Stadium Authority a Stadium Parking Plan addressing NFL Events for such Lease Year... Parking may be provided through a combination</p>	<p>Tenant shall participate with the [Ballpark Transportation Coordinating Committee] in the development and implementation of a parking monitoring program during the initial five years of operation. The parking monitoring program would be designed to determine the total parking demand generated by the ballpark based on actual use of the ballpark parking, including overflow parking north and south of China Basin Channel. The purpose of the program would be to maximize opportunities for use of existing parking, minimize overflow parking conditions, and develop a long-term plan for permanent parking (which shall avoid locating any permanent parking on piers).</p> <p>The long-term parking plan may include such elements as:</p>

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			<p>of spaces on the Public Parking Facilities and NFL Game Private Parking Spaces . . .</p> <p>Tenant shall, for each Lease Year, solicit commitments from private parking lot owners for the use of NFL Game Private Parking Spaces during . . . NFL Events . . .</p> <p>At the request of either Party, the other party shall cooperate in the solicitation of private parking lot owners for the use of parking spaces for all or certain NFL Events and Stadium Authority Events, and if reasonable to do so, shall contract for such' spaces jointly or through the Stadium Manager.</p>	<p>procurement of parking in public and private garages in the area that are currently closed on weekends and evenings but could remain open on game days; provision of parking spaces that would be available to Giants fans on weekends, particularly on Saturdays, within the area north of China Basin Channel; and provision of parking in parking garages north of Market Street which are closed or under-utilized on weekends and week nights to provide satellite parking for Giants fans with a shuttle to and from the Ballpark.</p>
<p>Capital Expenditures</p>	<p>In order to establish and maintain a capital expenditure fund (the "Capital Reserve") for the purpose of the making of capital repairs and improvements to the Baseball Stadium (including fixtures, furnishings and equipment) and the Parking Area as required to maintain the Baseball Stadium and the Parking Area to the standard set forth <i>[in the lease]</i> . . . commencing with the January 1, 1997 calendar year, and each year thereafter, Landlord shall deposit into the Capital Reserve an amount equal to Landlord's Reserve Obligation computed as set forth <i>[in the lease]</i> . . . and commencing with the January 1st following completion of the Stadium Renovations, and each year thereafter, Tenant will deposit into the Capital Reserve a sum equal to Eight Hundred Thousand Dollars (\$800,000) (adjusted annually for changes in the CPI from the base year . . .) less Landlord's Reserve Obligation . . .</p> <p>Tenant shall have full discretion and control over the expenditure of funds from the Capital Reserve for capital repairs and improvements to the Baseball Stadium (including fixtures, furnishings and equipment) and the Parking Area . . . subject to Landlord's reasonable right of approval of any such expenditures in the final seven (7) years of the Term and to Landlord's right to cause funds</p>	<p>The parties intend that . . . the Ballpark Property shall serve as a complete, functioning facility, and that subsequent Improvements thereto be made only pursuant to an Approved Capital Expenditure Budget mutually approved by the parties . . .</p> <p>Subject to the City's obligation to pay a share of Joint Ballpark Ownership Expenses and its other obligations under this Agreement, the Padres shall be responsible for the payment of the Joint Ballpark Ownership Expenses associated with the Maintenance, Repair, operation, use and ownership of the Ballpark Property, including all fixtures, equipment and systems included therein.</p> <p>Beginning in Fiscal Year 2013, and for the remainder of the Term, the Padres shall make Capital Expenditures, on an average annual basis measured over such remainder of the Term, of not less than \$1,000,000 per year.</p> <p>Pursuant and subject to the terms of <i>[the lease]</i>, for each Fiscal Year, the City shall pay to the Padres the amount (the "City Share of Joint Ballpark Expenses") equal to the lesser of: (a) seventy percent (70%) of the Joint Ballpark Ownership Expenses for such Fiscal Year . . . ; or (b) the City's Joint Expense Cap for such fiscal year.</p> <p>For the Fiscal Year that includes the Commencement Date, the</p>	<p>The Stadium Authority shall establish and maintain the Stadium Capital Expenditure Reserve Account for the purpose of holding, applying, investing and transferring the Stadium Capital Expenditure Reserve . . .</p> <p>The Stadium Authority will deposit, or cause to be deposited, the following amounts into the Stadium Capital Expenditure Reserve: the Annual Capital Reserve Amount applicable to the particular Lease Year . . . <i>[and]</i> . . . For any Lease Year in which the Stadium Authority has Excess Revenues, an amount not to exceed One Million Dollars (\$1,000,000.00) . . .</p> <p>The Stadium Capital Expenditure Reserve shall be used by the Stadium Authority for Capital Expenditures . . . in accordance with an approved Capital Expenditure Plan . . . provided, however, that the Stadium Capital Expenditure Reserve shall not be used for Capital Repairs required to be made to the Tenant Improvements (which shall . . . be performed by Tenant as part of Tenant's O&M Obligations) . . .</p> <p>The Capital Expenditure Plan shall be adopted annually by the Stadium Authority as part of the Stadium Operation and Maintenance Plan, subject to the mutual approval of the Stadium Authority and Tenant.</p>	<p>Throughout the Term of this Lease, Tenant shall maintain and repair, at no cost to Landlord, the Premises (including, but not limited to, the bulkhead wall, pier substructure, the Waterfront Promenade and all other Improvements), in first-class condition and repair and in compliance with all applicable Laws and the requirements of this Lease. Tenant shall promptly make (or cause others to make) all necessary or appropriate repairs, renewals and replacements, whether structural or non-structural, interior or exterior, ordinary or extraordinary, foreseen or unforeseen, reasonable wear and tear excepted, except as otherwise provided <i>[in the lease]</i>.</p> <p>Tenant shall have the right, from time to time during the Term, to perform Subsequent construction in accordance with the provisions of this <i>[section]</i>, provided that Tenant shall not, without Landlord's prior written approval . . .</p> <ul style="list-style-type: none"> (i) Construct additional buildings or other additional structures . . . (ii) Increase the bulk or height of any Improvements . . . (iii) Materially alter the exterior architectural design of any Improvements . . . <p>At least thirty (30) days before commencing any Subsequent Construction which could reasonably be anticipated to</p>

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	<p>in the Capital Reserve to be expended for capital repairs and Improvements during such seven year period.</p> <p>From time to time Tenant may expend funds in the capital maintenance and improvement of the Baseball Stadium and/or the Parking Area . . . and, to the extent such funds exceed the amount then held in the Capital Reserve, Tenant shall be entitled to credit (without interest) such amount against its next succeeding obligations to fund the Capital Reserve in future years. Upon expiration or earlier termination of the Lease . . . if the Baseball Stadium and Parking Area . . . have been maintained to the standard set forth <i>[in the lease]</i>, any sums remaining in the Capital Reserve will be the property of Tenant, and such sums shall be deemed excess rental payments which are reimbursable to Tenant.</p>	<p>City Joint Expense Cap shall be three million five hundred thousand dollars (\$3,500,000) . . . For each subsequent Fiscal Year during the Term, the City Joint Expense Cap in effect for the previous Fiscal Year shall be adjusted upward by the amount of the percentage increase, if any, in the CPI . . .</p>	<p>. . . except for Capital Repairs required to be made to the Tenant Improvements (which shall . . . be performed by Tenant as part of Tenant’s O&M Obligations), if at any time during the Lease Year . . . any Capital Repairs are required to be performed in or to the Premises or the Appurtenant Improvements, then . . . Landlord shall perform (or cause to be performed) such Capital Repairs and, unless such Capital Repairs arise directly from any Stadium Authority Event (in which event, the cost of such Capital Repairs shall constitute Stadium Authority Event Expenses and shall be paid by the Stadium Authority), the reasonable cost of such Capital Repairs shall be paid from funds available in the Stadium Capital Expenditure Reserve, Operating Expense Reserve and, if applicable, Demolition Reserve Excess. The reasonable cost of such Capital Repairs not paid from the Stadium Capital Expenditure Reserve, Operating Expense Reserve or Demolition Reserve Excess shall be a Shared Stadium Expense . . .</p> <p>During the Lease Term, Tenant shall, at its sole cost and expense, operate and Maintain, or cause to be operated and Maintained, Tenant’s Exclusive Facilities, including the Stadium Commercial Areas, and any Tenant Improvements, including those located outside of Tenant’s Exclusive Facilities, in the Required Condition . . .</p> <p>Upon the Lease Expiration Date or any earlier termination of this Lease, the Stadium Authority shall be entitled to retain any then-remaining Stadium Capital Expenditure Reserve and Operating Expense Reserve (collectively, “End of Term Reserves”), provided, however, that, if the Stadium Authority elects to have the Stadium demolished . . . then the Stadium Authority shall use such End of Term Reserves . . . to fund the Demolition Work.</p>	<p>cost more than Five Hundred Thousand Dollars (\$500,000), as Indexed, Tenant shall notify Landlord of such planned Subsequent Construction, and whether or not, in Tenant’s good faith judgment, such Subsequent Construction requires Landlord’s approval.</p>

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<p>Maintenance Standard</p>	<p>Tenant will maintain the Baseball Stadium in good condition and repair, subject to ordinary wear and tear, at its sole expense (subject to <i>[Landlord's contribution to the Capital Reserve]</i>). The standard of maintenance to which Tenant will adhere in the maintenance of the Baseball Stadium will be at least equal to first class professional baseball stadiums, such as, on the date hereof, Kansas City and Dodger stadiums, taking into account the age and design of such stadiums: provided, however, that Tenant will not be required to upgrade equipment and systems (such as, scoreboard, public address system, telecommunication facilities, etc.) in order to remain state of the art with other stadiums, but all such equipment and systems shall be maintained at least to the standard of the Benchmark . . .</p>	<p>Subject to the provisions of this Agreement, the Padres shall be responsible for all Ballpark Management . . .</p> <p>“Ballpark Management” shall mean the planning, supervising and conducting of the year-round, day-to-day management of the Ballpark Property as a First-Class Facility and all activities connected with the operation of the Ballpark Property, including the provision of (or arrangements for third parties to provide): all repairs, maintenance, improvements, and the security the Padres are required to provide . . . including all personnel, materials, supplies, equipment and services necessary therefor and all management and planning in respect thereof, at a level consistent with a First-Class Facility . . .</p> <p>“Maintain” and “Maintenance” shall mean all work (including all labor, supplies, materials and equipment) reasonably necessary for the cleaning and routine upkeep of any property, structures, surfaces, facilities, fixtures (including media plug-ins and cable and all wiring attendant thereto), equipment or furnishings, or any other component of the Ballpark Property, and all Repairs necessary to meet the Repair Standard, in order to preserve such items in their existing condition, ordinary wear and tear excepted; but expressly excluding from the definition of Maintain and Maintenance any work (including labor, supplies, materials and equipment) of restoration or replacement involving a Capital Expenditure for any component of the Ballpark Property, or of construction, installation or upgrading of Improvements to the Ballpark Property.</p> <p>By way of illustration, and without limiting the foregoing, Maintenance shall include:</p> <p>(a) preventive or periodic maintenance procedures for equipment, fixtures, computers or systems; (b) periodic testing of building systems, such as</p>	<p>The Stadium Authority shall, throughout the Lease Term, at its sole cost and expense (but subject to reimbursement by Tenant if a Shared Stadium Expense . . .), operate and Maintain, or cause to be operated and Maintained, the Premises (excluding Tenant’s Exclusive Facilities), as well as the South Lot, the Bridges and the Main Lot Stadium Improvements (collectively, the “Appurtenant Improvements”) in the condition required by the Stadium Operation and Maintenance Plan (the “Required Condition”), which shall establish procedures and policies for operating and Maintaining the Stadium Complex in accordance with good, sound and prudent engineering practices, taking into account the age and the remaining useful life of the Stadium, and the requirements of any Permitted Landlord Financing.</p>	<p>. . . tenant shall, commencing upon completion of construction of the Ballpark and continuing thereafter during the Term of this Lease, maintain the Ballpark in safe, clean, attractive and first-class condition and state of repair . . . In addition, for so long as Major League Baseball continues to be played in the Ballpark, Tenant shall maintain (or cause others to maintain) the Ballpark in a manner that is consistent with all applicable requirements imposed by Baseball Rules and Regulations.</p>

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		<p>mechanical, card-key security, fire alarm, field and building lighting, and sound systems; (c) ongoing trash removal and other custodial, groundskeeping, irrigation and water runoff operations; (d) regular maintenance procedures for HVAC, plumbing, mechanical, electrical and structural systems, such as periodic cleaning, lubrication, and changing of air filters and lights; (e) touch up painting; (f) cleaning prior to, during and following all Events; (g) year-round field maintenance and landscaping; and (h) any other work of a routine, regular and generally predictable nature that is reasonably necessary in order to keep the Ballpark Property in good order and condition as a First-Class Facility.</p>		
<p>Inspections</p>	<p>Landlord . . . shall at all reasonable times have the right to inspect the work performed and materials used in the construction of the Stadium Renovations to assure substantial compliance with the Plans: provided, however, that except with respect to the normal and customary activities and responsibilities of Landlord . . . or otherwise in the case of emergency, this right shall be exercised only upon reasonable prior notice to Tenant and with an opportunity for Tenant to have an employee or agent present.</p>	<p>To ensure that the integrity of the design of the Ballpark Property is maintained, and ensure that the Ballpark Property and all Improvements are properly Maintained and Repaired as a First-Class Facility throughout the Term, the City shall have the right, at its sole cost and expense, to inspect the Ballpark Property and all Improvements, at least quarterly, at times reasonably agreed to by the parties. If any such time cannot be agreed to by the parties, the City shall be entitled to inspect the Ballpark Property and all Improvements upon five (5) calendar days' prior written notice delivered to the Padres, and the Padres shall cooperate with and assist the City during the course of the inspection.</p> <p>During any inspection conducted by the City . . . the City shall have the right to inspect the entire Ballpark Property and all Improvements . . . The Padres shall, as part of such security provisions, provide the City access to conduct inspections, and shall cooperate fully with the City in its conducting such inspections. In the course of any such inspection, the City may hire, at its sole cost and expense, mechanical, structural or electrical engineers, or other</p>	<p>Landlord shall be entitled to uninterrupted access to the Premises and Appurtenant Areas (excluding Tenant's Exclusive Facilities) at all times during the Lease Term except on days on which NFL Events or Tenant Incidental Uses occur (each, a "Tenant Event Day"). On Tenant Event Days, Landlord's reasonably necessary authorized representatives may have access to the Premises, including the Stadium Authority Exclusive Facilities, and the Appurtenant Areas, provided that such authorized representatives have proper credentials issued by Landlord and further provided that such access is for the purpose of (a) the management, operation and Maintenance of the Premises or Appurtenant Areas in accordance with the Stadium Operation and Maintenance Plan, Capital Repairs or Compliance Work . . .</p>	<p>Tenant shall permit Landlord and its Agents to enter the Premises during regular business hours upon reasonable prior notice (and at any time in the event of an emergency which poses an imminent danger to public health or safety) for the purpose of (i) inspecting the same for compliance with any of the provisions of this Lease, (ii) performing any work therein that Landlord may have a right to perform under Section 21, or (iii) inspecting, sampling, testing and monitoring the Premises or the Improvements or any portion thereof . . . as Landlord reasonably deems necessary or appropriate for evaluation of Hazardous Materials or other environmental conditions.</p>

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		<p>experts to assist in making a determination that the Ballpark Property and all Improvements have been Repaired, Maintained and Improved as a First-Class Facility. If the City provides its written consent, the Padres may retain in the Padres' name any engineers or experts designated by the City to assist in the inspection, and the City shall promptly reimburse the Padres for the cost of any such engineers or experts.</p>		
<p>Use of Stadium</p>	<p>Tenant agrees to cause the Team to play all of Its regular Season, playoff and World Series games scheduled for play in the Team's home territory at the Baseball Stadium throughout the Term... During the Term, Tenant will have exclusive control over contracting for, and scheduling and conduct of, any and all sports or athletic events (amateur or professional), contests, concerts, exhibitions, entertainment, performances and other events (including parking associated with such events) in the Baseball Stadium, and, except as otherwise provided [in the lease] the Parking Area.</p> <p>Landlord will retain the right to book and conduct up to ten (10) events per annum for events in the Parking Area... such as boat shows, home shows, auto shows, trade shows and convention and other major exhibits...</p>	<p>... the City desires to provide to the Padres, and the Padres desire to accept from the City, the right to use and occupy the City Property for Padres Games and Events on up to one hundred twenty-five (125) days per calendar year, except for certain City Exclusive Use Areas more particularly described in this Agreement. Similarly, the Padres desire to provide to the City, and the City desires to accept from the Padres, the right to use and occupy the Padres Property for City Events on up to two hundred forty (240) days per calendar year, except for certain Padres Exclusive Use Areas also more particularly described in this Agreement.</p>	<p>During each Tenant Season during the Lease Term, Tenant shall have the sole and exclusive right to use, occupy, possess, enjoy and control the Premises for the purposes... [of the operation of an NFL franchise] and... for the following purposes: Exhibition of NFL Games... NFL events.</p> <p>For each Stadium Authority Season, the Stadium Authority shall have absolute and unconditional first priority preferential scheduling of the Stadium for the purpose of conducting Non-NFL Events and Civic Events. In addition, subject to Tenant's Scheduling priority for NFL Games as provided in [the lease] and subject specifically to any previously Scheduled NFL Games, NFL Events or Tenant Incidental Uses, the Stadium Authority shall have the right to Schedule the Premises for Non-NFL Events during the Tenant Season...</p>	<p>Tenant recognizes that Landlord may wish to use the Ballpark from time to time to provide a venue for civic events, including public ceremonies and protocol events ("Civic Events"). Tenant agrees to negotiate in good faith with City, including Landlord, for the use of the Ballpark for Civic Events, provided that such events do not conflict with the conduct of Permitted Uses, including, without limitation, Baseball Home Games and scheduled Other Events. Tenant may require payment of such rental or other compensation and provision of such insurance and indemnification as Tenant deems appropriate for such use.</p> <p>[Tenant] shall be limited each year to a maximum of fourteen (14) events separately ticketed from any baseball game with attendance of 15,000 or greater, any or all of which may be Outdoor Concerts</p>

Source: Stadium lease and use agreements and amendments for the public agencies and the professional sports teams.

■ = Key agreement term that is similar to terms in the City of Anaheim's stadium lease agreement with the Angels.

* The original lease agreement specified Angels ownership's option to terminate the lease without cause to be effective from no earlier than October 15, 2016, to no later than February 15, 2017. Anaheim and Angels ownership subsequently agreed to modify the option-to-terminate date twice.

† Angels ownership prepaid all the base rent in 1997. The city then contributed the funds to pay for stadium renovation costs.

Appendix C

Scope and Methodology

The Audit Committee directed the California State Auditor to conduct an emergency audit of the city of Anaheim to review the city's lease of Angel Stadium to Angels ownership. Specifically, the Audit Committee asked us to identify, among other things, key terms of the lease, determine whether the two parties complied with the lease, and review the city's process for determining the value of the stadium site. We conducted this urgent audit pursuant to rule 18 of the Audit Committee that states that the cost of an audit resulting from an urgent audit request must not exceed \$290,000, and the approved audit request allows the State Auditor to modify or decrease the scope of this audit to remain within the monetary limit. Table C lists the objectives that the Audit Committee approved and the methods we used to address them. Unless otherwise stated in the table or elsewhere in the report, statements and conclusions about items selected for review should not be projected to the population.

Table C
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
1 Identify the status of leases and any sale negotiations regarding Angels Stadium.	<ul style="list-style-type: none"> • Obtained copies of the stadium lease agreement and amendments. • Obtained and reviewed city council meeting minutes and agendas related to lease statuses and sale negotiations to identify any current or previous developments related to the lease and sale negotiation statuses. • Interviewed city staff to understand the current status of lease and sale negotiations and to identify the city's plan for negotiations in the future.
2 Identify the key terms of current and recent leases, including any extensions, reinstatements, termination clauses and appraisals, between the City and Angels.	<ul style="list-style-type: none"> • Reviewed the city's stadium lease agreement and amendments to identify key terms. • Obtained and reviewed the lease agreements for three additional publicly owned stadiums to compare the terms of these three lease agreements with the key terms of the city's lease agreement. Reviewed the three lease agreements to determine whether there were potential best practices that Anaheim could consider.
3 Identify the process and documents utilized to create estimates of the Fair Market Value/Appraisals of the Stadium in November of 2018 (following the termination of the lease in October and before the reinstatement in January 2019) and 2024. Based on an evaluation of the process and documents, identify how the Fair Market Value/Appraisal value of the stadium has changed during the identified lease periods, including any reasons for identified changes.	<ul style="list-style-type: none"> • Obtained copies of the appraisals of the stadium that were prepared in 2019 and 2014. Interviewed city staff to confirm that the city did not conduct or contract for an appraisal of the stadium in 2024. • Obtained available documentation and interviewed city staff to identify processes used to select the appraisal companies. • Reviewed the methodology and supporting documents that appraisers used for the 2014 and 2019 appraisals. Compared the methodologies and scenarios used in the two appraisals. Reviewed the changes in stadium appraised value between the two appraisals. • Reviewed city council minutes and agendas to identify discussions related to the stadium appraisals and directions given from the city to the appraiser.
4 Determine whether the parties have complied with all terms of the identified leases, including applicable payments, parking revenue, stadium property maintenance obligations, and public property access	<ul style="list-style-type: none"> • Interviewed city staff regarding the city's monitoring of lease compliance and the city's process for reviewing revenue and expenditures related to the stadium. • Obtained city records of revenue payments received from Angels ownership. Reviewed available documentation supporting the amounts. • Performed reasonableness testing for ticket and parking revenue amounts received by comparing revenue data received from Angels with public ticket attendance data. We could not perform reasonableness testing for other events revenue because of the lack of information from the city. • Obtained and reviewed three stadium capital expenditures for four sample years to evaluate the city's review of the documentation and to determine whether the documentation supported the expenditure amounts. • Interviewed city staff to identify the city's process for reviewing stadium maintenance. • Obtained and reviewed documentation related to the city's communication with Angels ownership regarding access to the stadium.
5 To the extent possible, provide an accounting of all total net direct revenue offset by city expenses that the City collected from 1996 to the present from the Stadium in a yearly breakdown.	<ul style="list-style-type: none"> • Obtained available general ledger records from the city showing the city's revenue and expenses from the lease (the city did not have general ledger detail before fiscal year 2006). • Compared general ledger amounts to supporting documentation such as revenue and capital reserve fund letters between the city and Angels ownership.
6 Determine whether sufficient transparency and accountability exists to ensure compliance with the lease terms.	Used the methods and information from the previous five objectives to evaluate the parties' compliance with the lease.

Source: Audit workpapers.



CITY OF ANAHEIM OFFICE OF THE CITY MANAGER

March 10, 2025

Grant Parks
California State Auditor
621 Capitol Mall, STE 1200
Sacramento, CA 95814

Re: State Audit Report 2024-128

Dear Mr. Parks:

The City of Anaheim has received the State Auditor's draft report regarding the City of Anaheim's lease agreement with Angels ownership, and we appreciate the efforts of the State Auditor's Office in exploring this important issue.

I have read the report and shared its draft findings and recommendations with our City Council. While the City leadership team continues to review, clarify and validate all the draft findings contained within the report with the State Auditor team, the City of Anaheim has no objection to and welcomes the recommendations put forward by the State Auditor. The following responses address each of the four general recommendations below:

Recommendation 1: To protect its interests in the future, Anaheim should ensure that future lease agreements regarding a city-owned stadium include clear language in the areas listed in the report.

City Response: The City of Anaheim agrees that all of these listed areas are important and will consider them in any future lease negotiations were they to occur.

Recommendation 2: To ensure that the stadium is in good condition and repair, and that Angels ownership are completing the required maintenance and repair tasks, Anaheim should negotiate with Angels ownership or seek to obtain a court order allowing it to perform physical inspections of the stadium on an annual or bi-annual basis to verify its condition and to verify the maintenance Angels ownership has performed or needs to perform. Anaheim should post on its public website the results of such inspections to the extent the reports are not privileged or otherwise confidential.

City Response: The City of Anaheim agrees that access to the stadium for reasonable periodic inspections should be established either via negotiation or court order, and with public posting as suggested.

State Audit Report 2024-128
March 10, 2025
Page 2

Recommendation 3: To ensure that Anaheim is receiving the appropriate revenues, it should use its right to audit Angels ownership to obtain and review ownership's records every year to determine if Anaheim received all revenue to which it is entitled. At a minimum, the review should include verifying key information used to calculate revenue from ticket sales, parking, and other events. The review should also include verifying, through physical inspections if possible, that claimed work was performed. Anaheim should supplement these basic reviews with a complete audit of Angels ownership's compliance with the lease agreement every three to four years. If Anaheim's internal audit department is unable to perform the reviews at this frequency, Anaheim should contract with an external party to perform them.

City Response: The City of Anaheim generally agrees with the recommendation and will annually review relevant ownership records to confirm revenues and ensure that periodic audits are performed.

Recommendation 4: To ensure that it is aware of how the stadium is being used, and to better track annual revenues, Anaheim should obtain from Angels ownership, or other sources if necessary, a list of non-baseball events happening at the stadium, and their anticipated attendance, parking, and revenue. It should use this information to inform its reviews of revenue that Angels ownership provides each year.

City Response: The City of Anaheim generally agrees with this recommendation and will approach the Angels about obtaining the referenced information.

We appreciate the work of your team on this matter, and we look forward to implementing many of the suggestions made.

Sincerely,



Jim Vanderpool
City Manager