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California State Senate

SENATOR
THOMAS J. UMBERG
THIRTY-FOURTH SENATE DISTRICT



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ELECTIONS AND
CONSTITUTIONAL AMENDMENTS
HOUSING
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July 11, 2024

The Honorable Gregg Hart
Chair, Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95831

RECEIVED 7/11/2024

Dear Chair Hart and Members:

We respectfully request that the Joint Legislative Audit Committee approve an emergency audit of the City of Anaheim to examine their lease agreement with the Los Angeles Angels Major League Baseball team to address concerns regarding the compliance, revenues, and maintenance of the Anaheim Stadium.

In 1996, the City of Anaheim and The California Angels L.P. (now Angels Baseball L.P.) agreed to an amended and restated lease agreement to play baseball at Anaheim Stadium effective October 1, 1996 or the conclusion of the 1996 season. This lease agreement would expire on December 31, 2029 with the option to extend the lease agreement terms on the same conditions for up to three additional periods of three years each. As part of the lease, the Angels were responsible for keeping the stadium in "good condition and repair" and to ensure it remains "at least equal to first class professional baseball stadiums" at "their sole expense" with the City contributing an additional \$700,000 annually. Additionally, the lease states that the City is to receive a portion of sales from tickets.

According to the Angels, the stadium requires nearly \$150 million in maintenance. However, since 2010, the City has received only \$1.6 million in direct revenues after accounting for yearly maintenance spending and bond payments. The Angels claim to have spent nearly \$30 million on the stadium since 2012, but only about \$4.55 million went toward essential maintenance like

concrete and steel beam replacements. The remaining \$17.8 million was allocated to upgrades for the scoreboard display, sound, and control room as well as \$2.1 million for premium seat upgrades in suites and diamond club area. It is worth noting that these upgrades were considered ancillary to the maintenance requirements outlined in the lease.

On September 3, 2013, during a meeting of the Anaheim City Council, an amendment was authorized extending the termination right by an additional three years, pushing the deadline from October 2016 to October 16, 2019. Following this, negotiations between the City and the Angels began for a new lease agreement, set to take effect after the conclusion of the 1996 lease. In February 2014, Angels baseball explored the possibility of relocating the team to a neighboring city and constructing a stadium at the former Marine Corps Air Station.

In September of 2014, the Angels submitted a letter to the City indicating that because they felt unable to reach an agreement with the City, they would begin looking at moving to other nearby cities. On October 16, 2018, the final day they could do so under the "Current Termination Right", the Angels utilized their one-year opt-out provision to avoid being kept under their 1996 agreement until 2029, and negotiations began to take place to create a long-term agreement to keep the team in Anaheim. A one-year extension was approved by Council on January 15, 2019 and the City of Anaheim entered into negotiations with representatives of the Angels baseball team to purchase the rights to the Anaheim Stadium. Concurrently, owner Artie Moreno acknowledged that the team was in talks with another municipality to relocate and construct a new stadium.

Concerns have risen in recent years that the Angels are not living up to their end of the 1996 lease agreement. Specific concerns include but are not limited to:

- Nearly \$150 million in maintenance being required for the stadium and the Angels' ultimatum that the City help cover expenses or they will leave.
- The appearance of a disconnect between attendance numbers of baseball games and resulting ticket sales revenue for the City.
- Exclusivity as to the Angels playing in Anaheim while seeking other locations prior to invoking the notice of termination.
- Whether the 2018 extension agreement and 2013 amendments were proper with regard to the terms authorized under the 1996 agreement.

There is deep concern, that the Angels have not been faithful or compliant to their end of the agreement and have been taking steps to shirk responsibility in maintenance. In addition there is concern that the Angels have denied the City owed revenues from both baseball game attendance and contracts for use of the stadium for ancillary events such as 5Ks, graduations, or other events that may incur a rental cost or staff to be in attendance (such as janitorial or parking enforcement).

In accordance with Rule 18 of the Joint Legislative Audit Committee, this request empowers the State Auditor to modify and decrease the scope of this audit to remain within the \$290,000 limit. We have prioritized the audit objectives we are proposing below, with #1 being the highest priority and #6 being the relatively lowest priority:

1. Identify the status of leases and any sale negotiations regarding Angels Stadium.
2. Identify the key terms of current and recent leases, including any extensions, reinstatements, termination clauses and appraisals, between the City and Angels.
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.
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.

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.
6. Determine whether sufficient transparency and accountability exists to ensure compliance with the lease terms.

Thank you for consideration of this audit request.

Sincerely,



Thomas J. Umberg
Senator, District 34



Avelino Valencia
Assemblymember, District 68