

Agenda Report

November 8, 2010

TO: City Council

FROM: Rose Bowl Operating Company (RBOC)

SUBJECT: Authorization to enter into a contract with IMG/Legends for professional premium seating sales services for the Rose Bowl Renovation and Improvement Project

RECOMMENDATION:

It is recommended that the City Council:

1. Find that on May 24, 2010, the City Council made findings pursuant to the California Environmental Quality Act ("CEQA"), adopted a Statement of Overriding Considerations, and approved the Rose Bowl Renovation and Improvement Project; and that there are no changed circumstances or new information which would trigger further environmental review; and
2. Authorize the General Manager to enter into a contract, without competitive bidding pursuant to City Charter Section 1002(F), contracts for professional or unique services, with IMG College/Legends for premium seating sales services in the renovated Rose Bowl Stadium for a term of 15 years on a commission-basis with the RBOC responsible for related expenses, as discussed in the Background section of this report.

BACKGROUND:

The financial success of the Rose Bowl Renovation Project will be largely dependent upon the success of the sales of premium seating. For illustrative purposes, it is anticipated that 49% of the revenue needed to pay bond debt service will be generated from premium seating revenue, with the next highest revenue stream anticipated to be 12%.

The RBOC staff has experienced success in selling the current premium seats. The current inventory of premium seating is approximately 526 seats which generates approximately \$1.1 million of revenue annually. The new premium seating inventory will increase that number to approximately 2,400 premium seats. The RBOC staff currently does not have the expertise, time, or personnel to focus on an effort as significant as the sales of the premium seating for the renovated facility.

Based on this, this past July a request for proposals (RFP) process was initiated to identify an experienced firm with a proven track record of success to sell the premium seating.

The RFP was advertised in Sports Business Daily, a relevant trade publication. In response four firms submitted proposals, these included: CSL Marketing/Premier Partnerships, IMG College/Legends, Aspire, and Eident. An evaluation committee was formed which consisted of representatives from the City of Pasadena, Tournament of Roses, UCLA and RBOC staff. As set forth in RFP the initial evaluation included the following elements: (1) the firm's qualifications; (2) the firm's sales strategy; and (3) the experience of the particular staff that would be working on site. Based on this initial evaluation the two highest ranked respondents, CSL Marketing/Premier Partnerships and IMG College/Legends were invited to a panel interview on July 29th to further analyze their qualifications. As a result of these interviews, and follow up discussions with each firm, a consensus was developed by the committee that the IMG College/Legends team would best serve the needs of the City/RBOC.

It should be recognized that during the evaluation process, it was decided not to bring this action forward for contract approval until after approval of the renovation project which occurred on October 11, 2010.

About IMG/Legends

In October of 2009, Legends Hospitality Management and IMG College entered into a joint venture, IMG College/Legends, to provide the college market with premium seating sales representation for new and renovated facilities.

Legends was founded by the New York Yankees, Dallas Cowboys, Goldman Sachs and CIC Partners. Legends has established a premium seating sales division, which encompasses experience in premium seating sales strategy, as well as training execution, to other sports entities. The Legends team was extremely successful in the sales of premium seating for the Dallas Cowboys Stadium, which opened in 2009. Recently Legends signed on to support the premium seating sales efforts of the San Francisco 49ers as they prepare to move into a new stadium in Santa Clara, California.

Operating in 30 countries, IMG Sports & Entertainment's diverse businesses include: product and brand licensing; consulting services; event ownership and management; collegiate marketing; media and licensing; golf course design; and client representation in various international sports. IMG College is one of the leaders in providing marketing and sales services to the collegiate marketplace. The universities included among their client list are: Ohio State, Florida, Nebraska, Texas, Oregon and Michigan.

The joint venture between IMG and Legends was completed to combine the collegiate experience of IMG, with the expertise Legends brings to premium seating sales.

Timeline and Projections of Sales

Phase 1: November 2010 – June 2011 (7 months)

This phase is exclusive to suite selling. Upon completion, IMG/Legends expect to have 65% of the suite inventory sold.

Phase 2: June 2011 – August 2011 (3 months)

In this phase, IMG/Legends is expected to sell 10% of the club seats and loge boxes. It plans to accomplish this goal through the following sources:

- Current suite holders who didn't renew their suites
- Current suite holders who renewed their suites (additional club seats/loge boxes)
- Current UCLA season ticket holders upgrade
- Other event selling campaign begins

Phase 3: September 2011 – October 2011 (1 month)

IMG/Legends is expected to sell 20% of club seats and loge boxes by the end of this phase. During this phase the following two strategies are implemented:

- Waitlist priority begins
- Start to create new business mail piece

Phase 4: November 2011 – September 2013 (23 months)

Upon completion of Phase 4, IMG/Legends is expected to have 100% of all remaining inventory sold. This phase will include suite sales and the implementation of a club seat and loge box new business campaign.

Compensation

The IMG/Legends financial compensation package is based upon the following dealpoints:

1. 10.0% commission rate on new sales, excluding costs of tickets borne by RBOC;
2. 7.75% commission rate on current premium seat holders, excluding costs of tickets borne by RBOC;
3. IMG/Legends covers all personnel, travel and entertainment costs;
4. RBOC to be responsible for out of pocket marketing expenses, which must be approved annually by RBOC. These expenses are anticipated to be included in the soft cost portion of the \$152 million budget for the project. It is estimated to be as follows:

1. Year One - \$350,000

2. Year Two- \$180,000
3. Year Three- \$130,000

Beyond year three, it is anticipated that the budget shall be relatively stable, but will likely increase when a large quantity of contracts are set to expire. It is currently estimated that ongoing marketing expenses will be approximately \$100,000 per year. In addition, the RBOC will likely need to add one or two additional staff to service premium seat holders on an ongoing basis and provide administrative support. Some of this may be accomplished by existing staff. We have estimated that the incremental expenses resulting from additional staffing requirements may be \$150,000 annually. Additional game day staff (ushers, ticket takers, security, etc.) may also be required. These expenses represent a portion of the \$500,000 annual incremental expense included in the budget for the project.

1. RBOC to be responsible for office space;
2. IMG/Legends will receive an annual bonus on the following:
 1. 85% sell through = \$50,000
 2. 90% sell through = \$100,000
 3. 95% sell through = \$150,000
3. IMG/Legends will receive 10% commission (excluding ticket costs) for special events (not to be part of calculation for bonus).
4. 15 year term with RBOC having termination options, only if Legends does not meet 75% of revenue projections, as follows:
 1. 2014- \$1 million
 2. 2018 - \$600,000
 3. 2022 - \$300,000

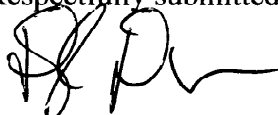
It should be recognized that up until 2014, RBOC can terminate at any time provided that IMG/Legends is reimbursed its expenses, not to exceed \$1 million with no additional termination fee due IMG/Legends, besides fulfillment of commissions due. In addition at the benchmarks (2014, 2018, 2022), if premium seating sales are not at 50% of revenue capacity, RBOC can terminate IMG/Legends with no additional termination fee, besides fulfillment of commissions due.

In addition, IMG/Legends shall not be provided a termination fee if it sells premium seating for a competing venue to the Rose Bowl in the greater Los Angeles area, and the overall revenue to the RBOC is not at a minimum of 85% of capacity, or drops below that number going forward.

Fiscal Impact:

The total cost of the Rose Bowl renovation project is estimated at \$152 million, and over the 30 year term of the bonds, it is anticipated that premium seating will result in approximately 49% of the revenue to support the bonds. Under the proposed contract, IMG/Legends would receive a commission for the sale of premium seating and the RBOC would be responsible for marketing expenses and the provision of office space.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Darryl Dunn', with a long horizontal flourish extending to the right.

Darryl Dunn
General Manager

