



Agenda Report

June 4, 2018

TO: CITY COUNCIL
FROM: ROSE BOWL OPERATING COMPANY (RBOC)
SUBJECT: 10 YEAR SOCCER EXCLUSIVITY WITH Los Angeles Galaxy/Anschutz Entertainment Group (AEG)

RECOMMENDATION:

It is recommended that the City Council:

1. Find that action proposed herein is exempt from the California Environmental Quality Act because it is not a "project" as defined in the State CEQA Guidelines, Section 15378(b)(2) and therefore is not subject to environmental review; and
2. Approve a ten-year exclusive partnership with AEG for soccer matches held at the Rose Bowl.

BACKGROUND:

The Rose Bowl has a tremendous history of hosting soccer events at our venue, including the finals of both the men's and women's World Cups, the gold medal match of the Olympics in 1984, and COPA America in 2016. Our historic landmark has also hosted games for the national teams of the United States, Brazil, and Mexico. In addition, the stadium was home to Major League Soccer's Los Angeles Galaxy from 1996-2002. In recent years, the Rose Bowl has hosted European club teams, including world-renown Barcelona, Real Madrid, Chelsea, Inter Milan, and Manchester United.

AEG has been an integral part of soccer programming at the Rose Bowl, beginning with the Galaxy playing at the stadium, as AEG is the owner of the franchise. In recent years, AEG has been involved in the marketing, promotion and securing almost every international soccer match held at the Rose Bowl.

With additional venue competition coming into the Los Angeles market (Banc of California Stadium, Coliseum renovation, and new NFL stadium in Inglewood) it is imperative that the RBOC officially align itself with a global force in soccer. As a founding partner in Major League Soccer and operator of dozens of soccer venues throughout the world, AEG is the logical partner for the RBOC.

When soccer match promoters host an event in a market they almost always partner with an in-market Major League Soccer team to help market and execute the match. A partnership with the Galaxy and AEG would insure that when AEG or the Galaxy are involved in high-profile matches in the Los Angeles area, that the Rose Bowl will be the host. Without such a partnership, soccer programming at the stadium (and associated revenues) could be significantly reduced in the next 10 years.

It is recommended that Council approve the framework of an agreement between the RBOC and AEG that would commit AEG to host all soccer matches in the greater Los Angeles market for more than 35,000 attendees at the Rose Bowl. The RBOC would be obligated to partner with AEG in all soccer matches at the stadium (i.e. the Rose Bowl could not host a soccer match that does not involve AEG). The RBOC seeks Council's authorization to finalize negotiations in substantially the same manner as in the past, recognizing that the revenue streams for the RBOC will be:

- License Fee (varies based on attendance – see below)
- Admission Tax
- Concessions
- Parking
- Premium Seating
- Per ticket fee to the RBOC

License Fee Structure (approx.):

- Below 50,000 scanned: \$400,000
- 50,000 – 59,999 scanned: \$350,000
- 60,000 – 69,999 scanned: \$300,000
- 70,000+ scanned: \$250,000

In return for this exclusivity, and additional marketing and operational support, the RBOC will provide AEG with 30% of net revenues from all requisite events (excluding admission tax). It is anticipated that this portion of net revenues will, for the most part, be offset by higher license fees charged to event organizers based on the additional services that AEG will offer (marketing, match management, etc.) to the group promoting the event. However, for some well-attended matches, with lower license fees based on the scale above, the revenue may be equal or less than current deal points. In this scenario the

RBOC would be making well over the standard \$300,000 for the match. It should also be noted that attracting such high profile matches in the future would be difficult without this partnership, resulting in no revenue for the RBOC in this scenario. If the Rose Bowl does miss out on this soccer programming it could represent a loss of over \$3,000,000 in event revenues over the next ten years for the RBOC.

It is anticipated this agreement would significantly increase the chances for the Rose Bowl to host 1-2 soccer matches per year over the next ten years, keeping the Rose Bowl competitive in the soccer market. Without such incentive, and with the increased competition for these events in the coming years from newer venues, the Stadium runs the risk of being shut out from the lucrative soccer market in Los Angeles.

If the number of displacement events exceed 15 in a given year, then the RBOC and City Council will need to vote on the event in question.

FISCAL IMPACT:

It is anticipated that the RBOC will generate in excess of \$300,000 from each event during the 10-year term.

Respectfully submitted,



Darryl Dunn
General Manager