

Agenda Report

February 5, 2001

TO: City Council (Via the Business Enterprise Committee)

FROM: Rose Bowl Operating Company

SUBJECT: Major League Soccer License Agreement for use of the Rose Bowl with Anschutz Entertainment Group by the Los Angeles Galaxy beginning in March, 2001 to March 2003, Findings for some displacement events and Adoption of Mitigated Negative Declaration for up to 25 events for 2001.

RECOMMENDATION:

It is recommended that the Business Enterprise Committee (BEC) approve and recommend to the City Council:

1. Adopt the Mitigated Negative Declaration, Mitigation Monitoring Program and the de minimis finding of no impact on fish and wildlife prepared for the following composition of events for 2001:
 - a. Athletic events (15):
 - Six football games, including UCLA home games and the annual Rose Bowl Game
 - Six (6) Los Angeles Galaxy Major League Soccer Games
 - Three (3) international soccer games
 - b. Concerts/Shows (8)
 - c. Special Events (2)
 - One (1) July 4th event
 - One (1) Motocross of Racing or similar event
2. Approve a license agreement between the Rose Bowl Operating Company (RBOC) and Anschutz Entertainment Group (AEG) for use of the Rose Bowl beginning in March, 2001 for the presentation of professional soccer for a two year period according to the business points as set forth herein.

3. Adopt a resolution pursuant to P.M.C. Section 3.32.280 (c) Rose Bowl Rental Rates and Charges, limiting AEG's obligation to reimburse the RBOC's and City's combined event day costs of operation to reimbursement based on a financial guarantee of \$65,000 per game, plus a premium of \$2.00 per ticket based on attendance between 20,000 – 34,999 and \$3.00 per ticket based on attendance in excess of 35,000.
4. Authorize the RBOC to negotiate and enter into an agreement with Anschutz Entertainment Group related to international soccer at the Rose Bowl for 2001 and 2002 providing that no less than similar economic conditions to other previous and comparable international games played at the Rose Bowl will be negotiated.
5. Find that up to three (3) Galaxy soccer games meet the conditions for additional displacement events in the Arroyo Seco in excess of twelve per year, for the duration of the agreement with Anschutz Entertainment Group.
6. Direct the City Clerk to file a Notice of Determination regarding the Los Angeles Galaxy 2001 and 2002 seasons and the events that are referenced above.

BACKGROUND:

On September 18, 1995, the City Council approved a two year license agreement with three one year options with Major League Soccer (MLS) in order to permit the Los Angeles Galaxy to play all of its home games at the Rose Bowl.

During contract negotiations, between representatives of the Galaxy (AEG) and RBOC, it has been staff's goal to significantly increase the guarantee to the RBOC for the presentation of Galaxy games. Specifically, staff wishes to insure that the Galaxy pays its way as well as provides other economic benefit to the stadium and the city. The current proposal represents a projected \$337,478 increase in net income before allocating advertising income, to the RBOC and is based on similar attendance to the 2000 season, but with 3 fewer games. It should be noted that the level of attendance will have a significant impact on the amount of net income for the stadium.

The Galaxy inaugural season was in 1996, and Galaxy has led MLS in overall attendance the first five years of the league. Below are the attendance figures to date:

Year	# of Games	Total Attendance	Average	Int'l (part of total)	Games over 20,000 (excluding July 4)
'96	21	419,539	19,692	2	6
'97	20	292,071	14,603	2	3
'98	18	304,374	16,910	0	5
'99	21	252,764	12,036	2	1
'00	19	255,241	13,434	1	2

During the first five years, the Galaxy contract amounts have not covered the RBOC's operational expenses. The Galaxy has proven to be a profit center, however, due to the increased rates the RBOC has been able to charge advertisers. Specifically, prior to 1996, the Rose Bowl had four advertising panels that generated a total of \$300,000. At the completion of the 1996 Rose Bowl Improvements Project, Rose Bowl staff consulted with SFX, who was the RBOC's marketing agency related to advertising sales concerning the value the Galaxy provides related to total advertising revenue to the stadium. According to SFX, the Galaxy should be allocated 50% of the total advertising revenue received by the RBOC (FYE 6/30/2000, net of commission at 100% = \$900,409.11 with 50% allocated to the Galaxy = \$450,205).

It is important to emphasize the importance the Galaxy has had on overall Rose Bowl revenue. Having the Galaxy has enabled the Rose Bowl to be a year round facility, rather than seasonal. In addition, having the Galaxy as a tenant has made the Rose Bowl more appealing to the advertisers due to the significant increase in attendance of the Hispanic marketplace. It should also be noted that the majority of advertising agreements occurred after the initial Galaxy season.

EXPENSES vs. REVENUE

Due to the experience of having the Galaxy as a tenant for multiple years, staff has been able to reduce costs for Galaxy games considerably resulting in a \$95,640 reduction during the 2000 season as compared to the 1999 season. The attached schedule also shows a comparison, applying the deal points from the expiring contract and those of the proposed contract using the 2000 season as a base.

- * Based on a 16 game season comprised of 2 play-off games and 14 regular games including July 4th.
- *** 50% of advertising income is allocated to Galaxy games
- * The breakdown of the guarantee is as follows:
 - \$53,800 for rent plus reimbursable expenses plus suite revenue
 - \$11,200 for concession revenue and net parking revenue

DESCRIPTION	1999 SEASON WITH OLD DEAL POINTS	2000 SEASON WITH OLD DEAL POINTS	2001 SEASON WITH NEW DEAL POINTS (PROJECTED)
# OF GAMES	21	19	16 *
TOTAL ATTENDANCE (TICKET REPORT)	289,433	296,648	250,000
RENT & RECOVERY OF BILLABLE COSTS	\$750,127	\$779,669	\$864,000
\$85,000 DIFFERENTIAL TO REACH MINIMAL GUARANTEE	N/A	N/A	31,714 **
\$2. FOR 20,000, \$3. FOR 35,000 + ATTENDANCE	N/A	N/A	86,215
CONCESSIONS	109,707	101,964	83,580
PARKING	96,351	97,818	86,557
PRESS BOX SUITE RENTAL	35,457	38,355	31,077
PRESS BOX CATERING	4,553	4,960	4,205
TOTAL REVENUE	996,195	\$1,022,766	\$1,187,348
OPERATING EXPENSES	(1,167,726)	(1,072,086)	(929,931)
ALLOCATED EXPENSES	(211,243)	(192,915)	(162,174)
TOTAL EXPENSES	(1,378,969)	(1,265,001)	(1,092,105)
NET INCOME / (LOSS) BEFORE ALLOCATED ADVERTISING INCOME	(382,774)	(242,235)	95,243
ALLOCATED ADVERTISING INCOME	425,119	450,205	528,139 ***
NET EVENT INCOME	\$42,345	\$207,970	\$623,382

Pursuant to Section 3.32.280 (c), "licensee shall be required to pay all costs of operations incurred by city in connection with said licensee's use of the Rose Bowl." As the RBOC and AEG have negotiated a flat amount per game plus a premium based on attendance, it is possible that actual costs may exceed the maximum. However these costs would be paid for out of the Rose Bowl Fund from revenues generated as a result of these activities that will occur multiple times throughout the season.

FUTURE RELATIONS/INTERNATIONAL SOCCER

The Galaxy has stated that its intention is to build a 20,000 – 30,000 seat soccer specific stadium at Cal State Dominguez Hills, which Galaxy expects to be completed after the 2002 season. Therefore AEG is only seeking a two-year license agreement with the RBOC at this time. Due to a two-year commitment, rather than a longer term, the future advertising revenue opportunities at this time are projected to decrease based on the current tenant base at the Rose Bowl. Hence the future allocation of advertising revenue is not a significant factor, unless the RBOC comes to agreements with advertisers on 1-2 year advertising agreements due to the Galaxy's presence at the Rose Bowl (the normal advertising license agreement term is three years). Therefore, it is essential that the RBOC recoup all costs related to the Galaxy operations.

Staff's professional opinion is that having soccer played at the Rose Bowl on a consistent basis is very good for the stadium. The Galaxy would keep the Rose Bowl prominent in the soccer community and the potential for international games is very good. AEG, the parent company of the Galaxy, owns three Major League Soccer teams, in addition to teams in Europe. It is our belief that it is AEG's intent to become the pre-eminent soccer promoter in the United States. Staff's opinion is that it is in both the stadium's and AEG's best interests to develop an alliance with each other that would enable AEG to secure large scale international soccer events and have them played at the Rose Bowl. It is well known that the Rose Bowl is the only stadium in the world to host the men's and women's World Cup Finals, as well as the Olympics Gold Medal match. International soccer events have been profitable events for the Rose Bowl, not to mention the visibility soccer has provided to the Rose Bowl and Pasadena on a world wide basis.

In the near future, it is very unlikely that neither the men's or women's World Cups nor the Olympics (potential 2012) would be coming to the United States. In order to provide the Rose Bowl with the best possible chance to build on the great soccer history of the past 16 years, developing an alliance with a group such as AEG is critical to the success of the Rose Bowl as a soccer venue.

In terms of future opportunities related to international soccer, staff is discussing ways we can formally develop an alliance between the two entities, which would involve providing exclusivity to AEG for such events in return for significant economic return. It is staff's intent to secure some type of formal agreement and return to the RBOC for its ratification. It is staff's recommendation that the City Council provide the RBOC with the latitude to secure this portion of the agreement. It should be noted that in the current agreement between Major League Soccer and the RBOC, MLS retains all rights to all international soccer matches from March 1 – November 1 of each year.

Galaxy utilization of City Areas

Pursuant to the Agreement between RBOC and the City, RBOC may enter into Contracts on behalf of the City for activity within the Rose Bowl Area. The Rose Bowl area as defined within the RBOC Operating Agreement does not include scheduling of Areas "H" or lots "J" and "I", for events that do not have an attendance of 20,000 or greater. Due to the limited amount of parking in Rose Bowl area parking lots (total of 3,456 parking spaces), it is necessary to utilize lot I for all events (1,600 additional parking spaces). The normal ridership (amount of people per car) for Galaxy is games is 3.0, people per car. It should be noted that parking spaces are reserved for other users in the Arroyo, when events are scheduled at the Aquatic Center and/or Brookside Park. Parking lot J is a dirt parking lot that is not utilized by recreation users and holds up to 450 parking spaces. Area H becomes necessary to park when crowds exceed 15,000 people per game. It is the Galaxy's intent to park Area H only when absolutely necessary and convert Area H into a festival area, so patrons of Galaxy games can play soccer and enjoy other recreational activity on Area H.

Business Deal Points

Below is specific deal points proposed for the license agreement with AEG:

1. Rose Bowl rental/Reimbursable costs – A guarantee of \$65,000 per game that is broken down as follows:
\$53,800 for Rose Bowl rental and reimbursable costs
\$11,200 for concession/net parking revenue
2. Parking/concessions – As stated previously, the RBOC will be guaranteed \$11,200 per game in net parking and concessions revenue. AEG and the RBOC will split the RBOC's portion of concessions (35.4%). All parking expenses and revenue will also be split evenly.
3. Suite Sales – In 2000, the RBOC generated \$38,355 in suite sales. The same amount is guaranteed for this license agreement. In addition, the RBOC will have 10 suites to utilize at its sole discretion, the Galaxy will have 20 suites at its sole discretion. Profits from the remaining 16 suites will be split evenly (the incremental increase portion).

4. Soccer Exclusivity – It is proposed for the period beginning one week prior to the first home game and one week following the last home game, the Rose Bowl would not enter into an agreement with any other licensee for use of the Rose Bowl for professional soccer. At the time of the writing of this report, agreement has not been formally agreed to related to international soccer matches.

5. Practice sites – The Galaxy will utilize the Rose Bowl field two times per week from March 1 – August 15 of each year, providing the stadium is available, and one time per week after August 15 of each year, again providing the stadium is available. AEG intends to enter into an agreement with Parks and Recreation related to the utilization of Jackie Robinson Field for additional practice dates throughout the year (it should be noted that the Galaxy has paid for upgraded maintenance of Jackie Robinson Field for the past two years and has practiced in this area).

6. Novelties/Merchandizing – The RBOC is entitled to 50% of a “buyout” fee that is provided to the stadium’s concessionaire, Volume Services America (VSA). According to VSA, the RBOC previously relinquished its rights to novelties. Staff is taking the position now that the old contract is expiring, any past agreement, must include the RBOC receiving 50% of whatever the “buyout” portion is from VSA.

7. Advertising – The RBOC retains 100% of permanent advertising revenue. AEG retains 100% of all temporary advertising revenue.

8. Television – The RBOC does not receive revenues generated from television broadcasting for Galaxy events.

Displacement Events

Section 3.32.270 (A) of the Pasadena Municipal Code states that Rose Bowl events shall not displace recreation programs and accessibility to Arroyo Seco facilities more than 12 times per calendar year without permission of the Council.

On September 18, 1995, the Council authorized an additional three displacement events to be allocated exclusively to the Galaxy for the season. Since the original contract with the Galaxy will be expiring on March 14, 2001, it is requested that the BEC approve and recommend same to the Council similar action for each season of the proposed contract.

In addition, three of the original 12 events are allocated to the Galaxy, as well as July 4th. Based on past attendance, it is likely that the Galaxy will not approach the seven displacement events reserved for the Galaxy, however we hope to reserve these in the event that attendance increases significantly.

The Galaxy reserves the right to request other displacement events, but the RBOC and City Council would consider them on their merits as well as any special mitigation measures for the neighborhoods that might be required pursuant to the Arroyo Seco Ordinance.

Staff recommends permission be granted to stage an additional three (3) displacement events for major league soccer and that the Council make the required findings as follows:

1. "The additional event(s) represents a unique opportunity that will enhance the stature of the Rose Bowl." The use of the Rose Bowl as the home stadium for a professional soccer team carries other important benefits including providing an opportunity to have soccer fans who normally wouldn't come to Pasadena and/or the Rose Bowl visit the facility.
2. "The revenue generating potential from the additional event(s) justifies its consideration." It is estimated that the Rose Bowl will generate approximately \$623,382 (after allocating advertising income) annually for the facility from the agreement. In addition, the economic impact of having the Galaxy as a tenant for Pasadena is significant, particularly if one includes employment opportunities, as well as money generated for the Pasadena Unified School District's Food Service Academy and revenue for local merchants.
3. "It is anticipated that this event will not create undue conflicts with Arroyo Seco activities taking place at the same time." These are primarily evening events and the displacement of other activities in the Arroyo will be very limited. There will be little impact from amplified sound and curfew issues as well.
4. "The event does not impose undue adverse impact on the surrounding residential area." Planning and preparation will attempt to minimize the impact of soccer to the surrounding neighborhoods. The Police Department will develop and manage a traffic plan that will include measures to prevent traffic from congesting neighborhood streets. In addition, neighborhood notification will be mailed at least 30 days prior to the event and will include information related to resident passes, etc.. All event information will also be available on the Rose Bowl web site and distributed through "neighborhood connections." All events will conclude prior to 10:00 p.m.

Environmental Impact

It is required that an Initial Study be prepared to analyze the impact of three additional displacement events for 2001. In addition to the CEQA required process, this matter is currently being considered by the RBOC as a public hearing pursuant to mitigation measure number 10 in the environmental material approving the Rose Bowl Improvement Project.

The Initial Study is completed and it is hopeful that the Initial Study will be subject to public review no later than January 9, 2001. Under this time schedule, City Council will be able to review the environmental impact of the Galaxy at the Rose Bowl at the City Council meeting on January 29, 2001.

FISCAL IMPACT:

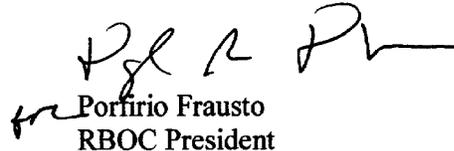
Taking the past season (2000) figures, and using the proposed deal pints for next season, it is anticipated that the RBOC will generate a net increase of \$415,412 per year from the Galaxy playing its home games at the Rose Bowl Stadium. The net value to the RBOC from the Galaxy will be \$95,243 before allocating any advertising income and \$623,382 after allocating advertising income.

Prepared by:



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Respectfully submitted:



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