

Agenda Report

August 19, 2002

To: City Council

From: Rose Bowl Operating Company (RBOC)

Subject: Approval of a Contract with Moag & Company to pursue a major, long-term tenant for the Rose Bowl

RECOMMENDATION:

It is recommended that the City Council

- 1) Approve a contract with Moag & Company, the terms of which are set forth in the Background section of this report, to provide professional services related to securing a major, long-term tenant for the Rose Bowl. Competitive Bidding is not required pursuant to City Charter Section 1002(F), contracts for professional or unique services;
- 2) Exempt the proposed contract from the Competitive Selection process of the Competitive Bidding & Purchasing Ordinance, pursuant to Section 4.08.047(B), contracts for which the City's best interests are served;

BACKGROUND:

On February 11, 2002, the City Council approved the 2002-2004 Rose Bowl Business Plan. The key objectives of the Plan are to:

1. Inform Pasadena residents and the City Council of the current status of the Rose Bowl and Brookside Golf Course and the outlook for their future.
2. Provide information and recommendations that will serve as a guide for policy and operational decisions for the Rose Bowl and Brookside Golf Course over the next several years.

Much of the Business Plan focuses on the current and potential future financial condition of the stadium. Included within the Plan are elements such as:

- The current tenant base; including expiration dates of current tenant contracts
- Future business prospects for the stadium
- A bond debt payment schedule – with accompanying annual debt service payment amounts
- Capital Improvements – specifically; the lack of an identifiable funding source(s) for future capital improvements
- Advertising revenue – both historical data, as well as future projections
- The potential of a new football stadium in greater Los Angeles

During the presentations of the Business Plan to the RBOC and City Council, there was considerable discussion about the potential construction of a new football stadium in the greater Los Angeles area and the impact it would have on the Rose Bowl Stadium. As illustrated in the matrix below, construction of a new stadium could be disastrous to the Rose Bowl's future. Also discussed was the possible renovation of the Los Angeles Memorial Coliseum. As the report concluded, such a renovation would negatively impact the Rose Bowl, but not to the degree expected of a new stadium.

**Impact of NFL Franchise in Los Angeles Area
 Generic Future Scenarios and Impacts on RBOC**

SCENARIO	A	B	C	D
NFL TEAM				
Comes to L.A. Area	No	Yes	Yes	Yes
Team Home Stadium	n.a.	Rose Bowl	Coliseum	New Stadium
ROSE BOWL UTILIZATION				
Rose Bowl Game	Yes	Yes	Yes	Yes
Flea Market	Yes	Yes	Yes	Yes
UCLA Football	Yes	Yes	Yes	No
NFL Team	n.a.	Yes	No	No
Other Sports	Good Prospects	Excellent Prospects	Poor Prospects	Poor Prospects
Special Events	Good Prospects	Excellent Prospects	Poor Prospects	Poor Prospects
LONG TERM FINANCIAL IMPACTS				
Rose Bowl Stadium				
Meet Operating Costs	Yes	Yes	Marginal	Marginal to No
Fund Capital Improvements	Marginal	Yes	No	No
Pay Existing Bond Debt	Marginal	Yes	Marginal to No	No
Brookside Golf Course				
Meet Operating Costs	Yes	Yes	Yes	Yes
Fund Capital Improvements	Marginal	Yes	Marginal to No	No

Other Important Factors to Consider

- 1 Impact of NFL schedule on Arroyo and environs
- 2 Ability of City to provide cash infusions to RBOC in future years
- 3 Financial capabilities of Golf Course operator
- 4 Control of type of events booked at Rose Bowl

Faced with these challenges, the RBOC concluded that it should actively pursue acquiring a new major long-term tenant. Important to this effort was the recognition that it must be sensitive to such things as neighborhood concerns, historical preservation of the stadium, and environmental factors. Furthermore, the cost associated with pursuing a major tenant is also an important issue, and the ability to enlist non-public funding was given a high priority.

With this in mind, the RBOC has been actively pursuing several options related to funding pre-development costs associated with attracting a major tenant. The option that appears most viable, and is the subject of this report, is the engagement of a third-party to act as the RBOC/City's agent to attract an NFL franchise to the Rose Bowl.

Moag and Company (Moag LLC) is a sports, media and entertainment investment banking firm. Chairman and CEO, John Moag, has extensive experience in the sports industry, specifically related to the recruitment of an NFL team. Mr. Moag was the chairman of the Maryland Stadium Authority in 1995 and led the effort that brought the Cleveland Browns to Baltimore.

A tentative agreement has been reached that would provide the RBOC with the opportunity to have Moag LLC actively pursue an NFL franchise for the Rose Bowl, with minimal risk to the City/RBOC. Among the business points that are agreed upon are the following:

- John A. Moag and Moag LLC will be appointed special agents of the RBOC, as fiduciaries of the RBOC, to assist the RBOC in its efforts at Tenant Acquisition and in developing a renovated Rose Bowl. Moag LLC will not work or advise the NFL or any entity or individual that would be in conflict with the RBOC's efforts related to tenant acquisition and developing a renovated Rose Bowl.
 - Moag LLC would be responsible for identifying and compensating a team of experts to develop a stadium plan and NFL package, including, but not limited to, architects and designers, traffic planners, tickets/suite/club seat price consultants, and historic preservation consultants, to complete a comprehensive proposal to the NFL.
 - All agreements between Moag LLC and members of the Project team shall be subject to General Manager approval (defined as written approval of the General Manager of the RBOC and City Manager). Agreements of the Project Team, however, are the sole responsibility of Moag LLC and are not agreements of the RBOC/City. Compensation of the Project Team will be by Moag LLC; there shall be no recourse to the City/RBOC for payment.
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- The NFL and/or its member franchise will pay Moag, LLC a development fee of no less than \$2,500,000 if the City of Pasadena/RBOC reach an agreement that would make the Rose Bowl the home stadium for a NFL team for a minimum term of 15 years. In the event that Moag LLC has invested 1000 or more hours and/or incurred financial commitments to other parties of \$1,000,000 or more for the purpose of fulfilling its obligations under this Agreement, the NFL and/or its member franchise will pay Moag LLC a development fee of \$5,000,000
- The term of the contract will be two years, however if the NFL and the City/RBOC reach an agreement to make the Rose Bowl the home stadium for a NFL team for at least 15 years, before August 1, 2007, Moag LLC will be entitled to full compensation.
- The contract has a number of provisions limiting liability to the City and RBOC to a Termination fee of \$250,000, but there is an indemnity provision to Moag LLC in the event that he is sued by a third party for wrongful conduct of the City or RBOC.
- Moag and Company will provide a comprehensive stadium program, with a timeline and deadlines for the following:
 - Stadium Design
 - Budgets and Schedules
 - NFL Revenue Model
 - Stadium Finance Plan
 - NFL Marketing Plan
 - Communication Plan
 - Master Project Schedule

It is anticipated that the RBOC will establish a standing "Tenant Recruitment Committee" related to the pursuit of a long-term major tenant. The RBOC will continue to report periodically to the Economic Development & Technology Committee of the City Council on the progress of the effort.

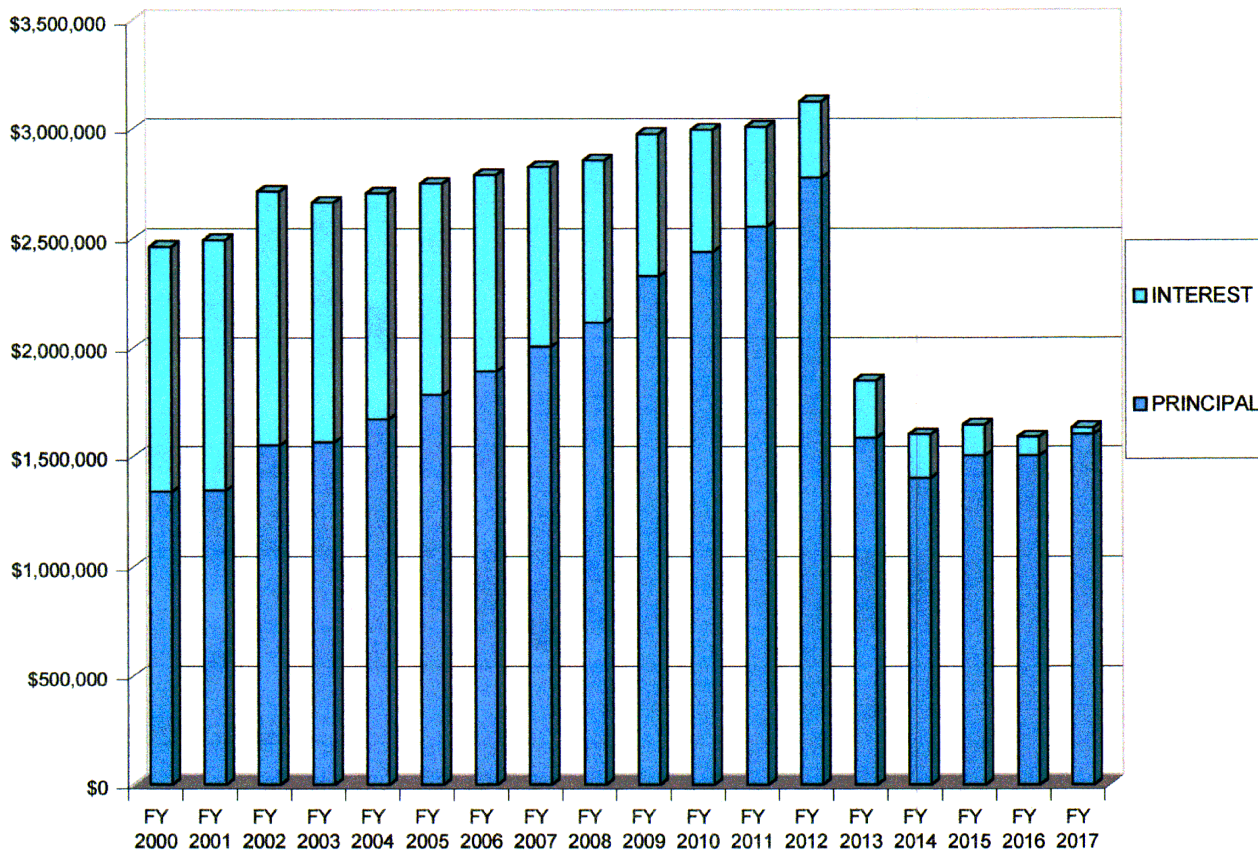
ENVIRONMENTAL IMPACT

Pursuant to 14 C.C.R §§ 15262 and 15306, this action is categorically exempt from CEQA, as it does not involve the approval of a final project, which could impact the environment. Prior to the approval of any such project related to this contract, the RBOC will comply with CEQA's review requirements for such project.

FISCAL IMPACT:

The RBOC is responsible for the fiscal success of the golf course and stadium. To maintain the Rose Bowl as a viable facility, since 1992, the city has approved more than \$32 million in improvements for the stadium. The debt service from the bonds related to these improvements is projected to be \$2.4 million this year and will increase during the next several years (see below).

RBOC BOND DEBT SERVICE FY2000- FY2017

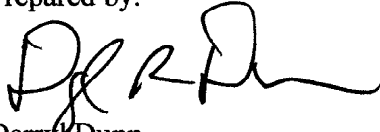


In addition, the Rose Bowl's projected revenue (currently \$8 million) is expected to decline over the next few years. This is based on the Los Angeles Galaxy leaving the Rose Bowl sometime in 2003 and the current decline of advertising revenue for the facility. It is projected that unless there is a new source of revenue, the Rose Bowl will have to reduce its expenses significantly in order for the combined operations to break even.

Due to the age of the stadium and golf course (built in 1922 and 1928, respectively), significant capital improvements will be required in future years to keep both facilities viable. The stadium does not have any significant funding source for major capital improvements. Also, since the majority of the profits from the golf course pay for the bond debt service (golf course annual net income is approximately \$2.0 million) related to the Rose Bowl, the golf course might not have funds available to invest in itself in future years.

Insufficient information exists at this time to determine what the actual fiscal impact would be if Moag LLC is successful in securing an NFL franchise for the Rose Bowl. However, it is anticipated that at minimum, the associated revenue would fund the capital improvements to the facility to accommodate an NFL team, the golf course profits could be re-directed, and the local economy would experience a significant boost.

Prepared by:



Darryl Dunn
General Manager

Respectfully submitted,



Patrick T. Green
RBOC, President