


MEMORANDUM

CITY OF PASADENA
Department of Finance

May 6, 2005

TO: Cynthia J. Kurtz, City Manager

FROM: Jay M. Goldstone, Director of Finance 

SUBJECT: Financial Impact of the NFL to the Rose Bowl Financial Condition

Last calendar year, as part of the City Council's consideration of a 20 year extension of the UCLA contract, I prepared a pro-forma of the Rose Bowl and Golf Course operations. This pro-forma was presented to both the Rose Bowl Operating Company (RBOC) and the City Council at the time the UCLA contract was considered and has subsequently served as the point of reference for analyzing the financial benefit to the RBOC/City of Pasadena of securing a long term relationship with the National Football League (the Project). While not taking into consideration every benefit, the following represents the key areas worth noting. Please note that many of the benefits are the result of cost avoidance.

Under the current operations of the RBOC, the Rose Bowl loses nearly \$2 million annually on a cashflow basis. This is due to the high level of annual debt service associated with the 1991 and 1996 Certificates of Participation issued for various Rose Bowl improvements. On an annual basis, this deficit is covered by a comparable positive cashflow from the Golf Course.

1. The Project will allow the City to avoid significant costs in connection with the maintenance and operation of the Rose Bowl, thus freeing City funds for other important public purposes.
2. Approval of the Project will mean that the City will no longer be obligated to expend approximately \$12 million towards Stadium improvements required under the current lease agreement with UCLA and will save an estimated \$18 million in debt service costs over a sixteen year period.
3. Approval of the Project will mean that the City will avoid spending approximately \$550,000 per year for ongoing capital maintenance improvements to the stadium.
4. Approval of the Project will ultimately result in a management agreement with the NFL for the Rose Bowl Stadium. The management agreement will allow the City to reduce its annual operating expenses by approximately \$3,000,000 per year. Although these operational costs are offset in part by revenues that currently flow to the City and would now flow to the NFL as stadium manager, it is estimated that the City will save approximately \$1.8 million over a 16 year period as a result of this management agreement.

5. Beyond the contractual obligation to UCLA, there are no current plans to put any additional funding into the Rose Bowl except for routine maintenance dollars and the capital maintenance dollars discussed in item 3, above. The Project calls for the update and modernization of the Rose Bowl to be financed with private funds. The Project provides that the NFL will pay for these improvements as well as other improvements to modernize the stadium and to provide increased amenities for Rose Bowl patrons. Improvements planned by the NFL are expected to result in an investment of between \$500 million and \$600 million in this public facility. Without many of these improvements, it is expected that the City would have to identify other sources or redirect existing resources towards Stadium improvements. While it is not expected that these improvements would be in the \$500 million to \$600 million range, based upon improvements completed or under construction at other older college stadiums, the costs could be in the \$60 million to \$150 million range.
6. Based upon economic projections of the proposed Project, the RBOC/City of Pasadena will see a continual positive cashflow and the Golf Course revenues will be freed up for other needs throughout the City.