

Agenda Report

April 25, 2011

TO: Honorable Mayor and City Council

FROM: Darryl Dunn, General Manager
Rose Bowl Operating Company

SUBJECT: ROSE BOWL RENOVATION PROJECT UPDATE

RECOMMENDATION:

This report is for information only.

BACKGROUND:

On October 23, 2010, the Pasadena City Council approved the \$152 million Rose Bowl renovation project. This action included 30-year lease agreements with both the Tournament of Roses and UCLA.

Project Objectives

In discussing the renovation project, it is essential to remember the project objectives established by the project partners (City of Pasadena, RBOC, Tournament of Roses and UCLA):

- Improve Public Safety
- Enhance Fan Experience
- Maintain Historic Landmark Status
- Improve Facility Operations
- Establish Long-term Revenue Source

In the daily management of the project progress, it is equally important to be vigilant of the project policy objectives established by the RBOC:

- Transparency
- Economic Impact
- Public Benefit
- Project Value

Project Funding

The issuance of the Rose Bowl bonds was completed on November 23, 2010. The bonds were issued through the Pasadena Public Financing Authority. This is a commonly used method that allows the City to provide credit enhancement without committing to increased taxes in the event of debt service revenue shortfalls. The City's General Fund provided credit enhancement and, therefore, is ultimately responsible. Consequently, a number of measures were incorporated into the bond structure to minimize impact on the General Fund.

Originally, it was estimated that bond proceeds of approximately \$129.4 million would be available for project construction. This combined with an estimated \$15 million of equity contributions would provide approximately \$144.4 million for the \$151.9 million renovation project, leaving a \$7.5 million funding gap. Negative market conditions caused the City to fall short of this estimate. Although presentations to rating agencies were successful and resulted in a better than anticipated AA+ rating for the bonds and a confirmation of the City's AAA general obligation (GO) rating, it was not enough to offset the negative market conditions caused by the large amount of municipal bonds being sold as a result of the nearing expiration of the Build America Bonds (BABs) program and the quantitative easing policy initiated by the Federal Reserve which fueled long-term inflation fears. Consequently, only \$125.6 million in bond proceeds for construction was realized. Additionally, the equity contribution estimate was revised to a more conservative estimate of \$14 million. These factors combined to increase the funding gap from the original estimate of \$7.5 million to approximately \$12.2 million. Pasadena did, however, fare better than other jurisdictions selling bonds during the same period. Staff discussed the option of waiting to sell the bonds to see if market conditions improved, but after consultation with financial advisors and other market experts, it was decided to proceed with the sale. This turned out to be a wise decision. Selling the bonds at a later date prior to the expiration of the BABs program would have reduced bond proceeds by \$1.2 to \$1.4 million and added to the \$12.2 million gap. Staff is currently reviewing a number of approaches to address the funding gap. If gap funding remains unidentified within the next 12 months, reductions in the scope of work will be identified and presented to RBOC, City Council, and tenants for review and approval prior to implementation.

The following table provides a comparison of the pre-sale estimates and the post-sale results.

Rose Bowl Renovation Project Bond Sale Comparison

Gross Bond Details	Pre-Sale	Post-Sale	Difference
BABs/RZED bonds	112,935,000	114,060,000	1,125,000
Tax-exempt bonds	40,401,300	37,322,700	(3,078,600)
Taxable bonds	9,905,000	5,005,000	(4,900,000)
Total Gross Bonds Sold	163,241,300	156,387,700	(6,853,600)
Less:			
D/S Reserve/CAP/COI	33,841,300	30,771,600	(3,069,700)
Net Project Bond Proceeds	129,400,000	125,616,100	(3,783,900)
Equity Contribution	15,000,000	14,000,000	(1,000,000)
Total Sources	144,400,000	139,616,100	(4,783,900)
Project Costs	151,900,000	151,800,000	(100,000)
Project Funding Gap	(7,500,000)	(12,183,900)	(4,683,900)

The anticipated revenue sources for the debt service remain unchanged. They include premium seating, horizon/field memberships, advertising/sponsorships, ticket and parking surcharges/premium ticket revenue, concessions, and miscellaneous revenues.

Approved Project Planning Budget

Refer to Attachment 1 for a full Summary Project Budget as of Sept 30, 2010.

Direct Construction Cost:	\$104,700,000
10% Construction Contingency:	\$10,500,000
PM/OR/General Conditions:	\$8,200,000
Total Construction Cost	\$123,400,000

Total Soft Costs	\$22,400,000
FF&E:	\$3,000,000
Design Contingency	\$3,000,000
Total Soft Costs	\$28,400,000

TOTAL PROJECT COST: \$151,800,000

Updated Project Budget

Refer to Attachment 2 for full Summary Updated Project Budget as of March 31, 2011.

As of this date, the project has bid and awarded nine prime contracts for Phase I work for a total of \$23,804,340 (approximately 20 percent of the project). This work encompasses much of the utility loop, new video board, scoreboards, advertising panels, and press box selective demolition, shoring, earthwork, and concrete foundations. The project team is currently planning on an additional 15 or 16 bid packages to be released within the next 18 months. (Refer to Attachment 3; Bid Package Strategy.)

The project team has tracked the project budget diligently. Although only \$23.8 million has been awarded, the project estimate currently is trending with a \$4 million increase over the initial budget; however, there has been an offset of these additional expenses which has kept the projected total at \$152 million. The primary reason for this increase is the increased shoring and concrete costs for the press box foundations.

Late last fall while the foundations were under design, there was an increased concern about the unstable soil conditions on the west berm which forced the project team to reevaluate the press box foundation system. The decision was made to bring the foundation all the way down to the concourse level in lieu of setting the new structure up on the berm on a series of deep and large piles, which significantly raised the cost of the shoring, earthwork, and concrete necessary for the new foundations. Although the cost increase was significant to the project; the decision by the project team for a more common construction technology and less risky long-term solution was the right decision for the project. The necessary revisions were discussed with the RBOC Operations Committee. At this time the project team was still hopeful that the project could mitigate some, if not all, the increased cost by way of a favorable bidding climate. The anticipated 'bid savings' for the press box structural steel, along with the remainder of the outstanding project elements, has been diminished with the recent increase of gas prices and Japan's tsunami, which will likely dramatically increase demand and corresponding pricing.

At this time the design team discussed with the RBOC the following items to offset the foundation increases and bring the project back within the approved project budget.

Reduction in soft costs	\$2,000,000
Lease instead of buy field level LED signage	\$2,000,000

Although the project's \$12 million funding gap has not been satisfied, it remains a focus for the project team. Potential funding sources continue to be tracked.

The list of potential gap fillers has not changed significantly from prior discussions.

Continued evaluation and distribution of available soft costs	1,500,000
Interest on Bond Proceeds	1,200,000
Projected 2014 BCS Revenue	3,000,000
Legacy Campaign (<i>as of April 1, 2011</i>)	3,000,000*
Legacy Campaign (<i>projected contribution</i>)	2,800,000*

* *Legacy goal is \$25 million for project contribution*

In addition, if it becomes necessary to contemplate any project scope reduction, it is the intention of the project team to return to the RBOC, City Council, and tenants within one year with an itemized list for evaluation and approval prior to any implementation of such reductions.

Project Construction Schedule

Phase I Construction started on January 10, 2011 and has continued on schedule over the past 90 days. Although the project has successfully held two flea markets without incident, the next true milestone date for the project schedule is the June 25, 2011 Internal Gold Cup Final Soccer Match. Depending on the teams scheduled to play, the stadium staff and project team are preparing for a sell-out crowd. Refer to Attachment 3 for full Summary Construction Schedule.

- Three of the seven sections of the new utility loop have been completed. (*Scheduled complete date August 2011.*)
- Two new switch gear buildings at the east side of the stadium are in progress. (*Scheduled complete date August 2011.*)
- Four stadium tunnels on the south side are in progress (tunnels 24, 25, 26, and 27). (*Scheduled complete date June 20, 2011.*)
- South end zone field wall reconstruction has been completed.
- South end zone concrete repair work and new exit aisles are in progress. (*Scheduled complete date June 20, 2011.*)
- Exiting video board, scoreboard, and advertising panels have been removed.
- New video board, scoreboards, and advertising panels are in progress. (*Scheduled complete date June 20, 2011.*)
- Press box foundations (*Scheduled complete date August 2011.*)
- Selective demolition of north and south existing stair towers complete.
- Berm landscaping and arroyo stone walls demolition and salvage complete.
- Temporary utility rerouting and re-feeding under construction.
- Shoring and mass excavation of berm below existing press box under construction.

- Concrete for new press box foundations bid and shop drawings in progress.
- Press box structural steel bid package scheduled to be released in May 2011 with steel erection beginning in September 2011.

Local Business Participation and Local Hiring Program

A Local Participation Plan (Plan) calling for 15 percent local subcontracting and 15 percent of new and replacement hires was adopted by the RBOC on February 17, 2011 and requested Pasadena First Buy Local assistance with outreach and referrals. The strengths of the plan rest in its outreach, intake, screening, and referral of Pasadena residents. Additionally, for the City, it allows Pasadena First Buy Local to accelerate various plans for outreach with local unions and further establish labor and contract compliance review modules.

Through the City's Workforce Utilization Forms (AA-2) the current awarded prime contractors have indicated an additional potential 10 new and replacement positions for the project. Currently four of these positions have been filled and satisfied by Pasadena residents.

Pasadena Residents Working on the Project within the Construction Trades

Existing Staff	New Hires	Total Pasadena	Total Monthly Average Number of Workers	Percentage to Date
8	4	12	36	33.3%

Pasadena Residents Working on the Project in Various Professional Jobs

Existing Staff	New Hires	Total Pasadena	Total Professionals	Percentage to Date
19	0	19	99	19.1%

Currently, the project has employed 31 Pasadena residents in various professional and construction trades.

Pasadena First Buy Local currently has a database of over 700 people requesting construction job referrals. So far, over 200 have been confirmed as Pasadena residents. These individuals have been referred to every contractor on the site according to work trade. Additionally, the plan integrates and coordinates the assistance of existing local support mechanisms including: community centers; non-profits; job development programs; and technical assistance programs to prepare and reach out to more local businesses and Pasadena residents.

The Plan also calls for the use of technology to track certified payrolls and payments between prime and sub-contractors. This tool will be used on the project by May 2011. Additionally, an opportunity fair will be offered to local businesses and Pasadena residents to create introductions with prime and sub-contractors working on the project and strategic partners that offer technical assistance.

Update on Specific Tasks:

- Conducting additional outreach with many of the unions
- Conducted compliance reviews for bidders
- Continue discussions with local labor sources to facilitate hiring (sourcing) through a third party.
- Facilitated ongoing weekly meetings with prime contractors
- Began preparations of a Project Labor Training Module
- Participated in a community meeting to provide a general presentation of the Local Participation Plan.
- Sent outreach procedures and instructions to over 600 Pasadena residents to prepare them for referrals.
- Conducted outreach to Local 506 Interior Framing and Drywall and Local 409 (Concrete).
- Began negotiations outreach to Local 300.
- Executed an MOU Labor Ready to process and refer Pasadena residents, when requested.
- Executed contract with "LCPTTracker/B2G Now" to establish the Labor and Contract Compliance Software.
- Executed Contract with "A-Check America" to facilitate Pasadena residency verification.
- Conducted follow-up with the general contractors regarding the Workforce Utilization Plan.
- Conducted outreach and referrals for over 300 local businesses in various construction trades.

A local hire advisory committee has also been established to advise the Rose Bowl General Manager on local hiring efforts.

Premium Seating Marketing and Sales Update (Legends)

Half of the projected revenue for the project is based on the success of premium seating in the renovated facility. To date, premium seating sales have exceeded expectations with 24 of the 54 suites sold. Please refer to Attachment 4 for more detailed financial updated information concerning the premium seating sales progress.

In addition, Legends new sales marketing center is complete and being utilized on site daily with their marketing and sales staff. Feedback from those who have

seen the renderings of the premium seating have been excellent and there is a high degree of confidence from Legends representatives that the premium seating sales effort will be successful.

Sponsorship and Advertising Update (IMG)

IMG entered into a 15-year agreement as part of the renovation project. They provided the RBOC with a rights fee of \$1.6 million annually (increases by 3 percent annually).

Paul Engl is the lead staff person for IMG at the Rose Bowl, and they are currently entering into new agreements with sponsors of the stadium.

Philanthropic Effort (Legacy)

Legacy Connections received approval of its tax exempt status in late December 2010 and officially began the Rose Bowl Legacy campaign. The Board of Directors is chaired by James W. Hirschmann, President and CEO of Western Asset Management Company. Andrea Van de Kamp is Campaign Director. The board of directors has grown to thirteen members with plans to add an additional five members.

To date, the Rose Bowl Legacy Campaign has received over \$3 million in gifts and pledges including the purchase of the first naming opportunity (Tunnel 19), with a gift of \$500,000 from Carolyn and Charles Miller.

Rose Bowl Legacy is working closely with RBOC staff, the Tournament of Roses, UCLA, Legends, and IMG to make sure all philanthropic fundraising is coordinated with and supportive of the ongoing efforts to market stadium seating and corporate advertising.

Community Outreach

The RBOC continues to focus extensively on community relations.

A Memorandum of Understanding (MOU) has been entered into between the RBOC and representatives of: East Arroyo Residents Association, Linda Vista Annandale Association, and West Pasadena Residents Association. Meetings occur regularly with representatives of these groups and the project team leadership. In addition, "*Rose Bowl Round-up*," a monthly newsletter has been established and two issues have been circulated throughout the community to provide information and keep them updated concerning the status of the renovation.

Project Organizational and Coordination Meetings

There are so many independent elements and/or organizations that comprise the project planning effort. Meetings with all of the specific groups are organized and held regularly for coordination purposes. Copies of these meetings are circulated regularly to the RBOC and City Council. (Refer to Attachment 5 – Project Planning Schedule.)

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goals to improve, maintain, and enhance public facilities and infrastructure and to ensure public safety.

FISCAL IMPACT:

All items related to this report, related to fiscal impact, are part of the \$152 million renovation project budget.

Respectfully submitted,



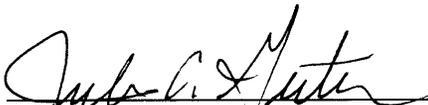
DARRYL DUNN
General Manager
Rose Bowl Operating Company

Concurred by:



ANDREW GREEN
Director of Finance
Department of Finance

Approved by:



^{For} MICHAEL J. BECK
City Manager

Attachments:

- Attachment 1 – Summary Project Budget
- Attachment 2 – Summary Update Project Budget
- Attachment 3 – Summary Construction Schedule
- Attachment 4- Premium Seating Sales Update
- Attachment 5 – Project Planning Schedule

Attachment 1
SUMMARY PROJECT BUDGET
Dated September 30, 2010



Estimate Summary

The Rose Bowl
Pasadena, California
D'Agostino Izzo Quirk Architects

CONTROL ESTIMATE

September 30, 2010

Project Component Summary	Amount
Concourse Site Work	\$ 13,800,000
Entry Gates	1,200,000
Concession Buildings	5,700,000
Restroom Buildings	2,400,000
Scoreboards and Displays	11,900,000
Bowl Egress, Aisles and Field Walls	5,100,000
Stadium Tunnels	11,500,000
Press Box	53,100,000
Total Direct Cost	104,700,000
Construction Contingency, Including Escalation	10.00% 10,500,000
Project Management, Owner's Rep and Project Management Facilities	8,200,000
TOTAL CONSTRUCTION COST	123,400,000
Soft Costs	
Soft Cost	22,400,000
Furniture, Fixtures and Equipment	3,000,000
Design Contingency	3,000,000
TOTAL PROJECT COST	\$ 151,800,000

Attachment 2
SUMMARY UPDATED PROJECT BUDGET
 As of March 31, 2011

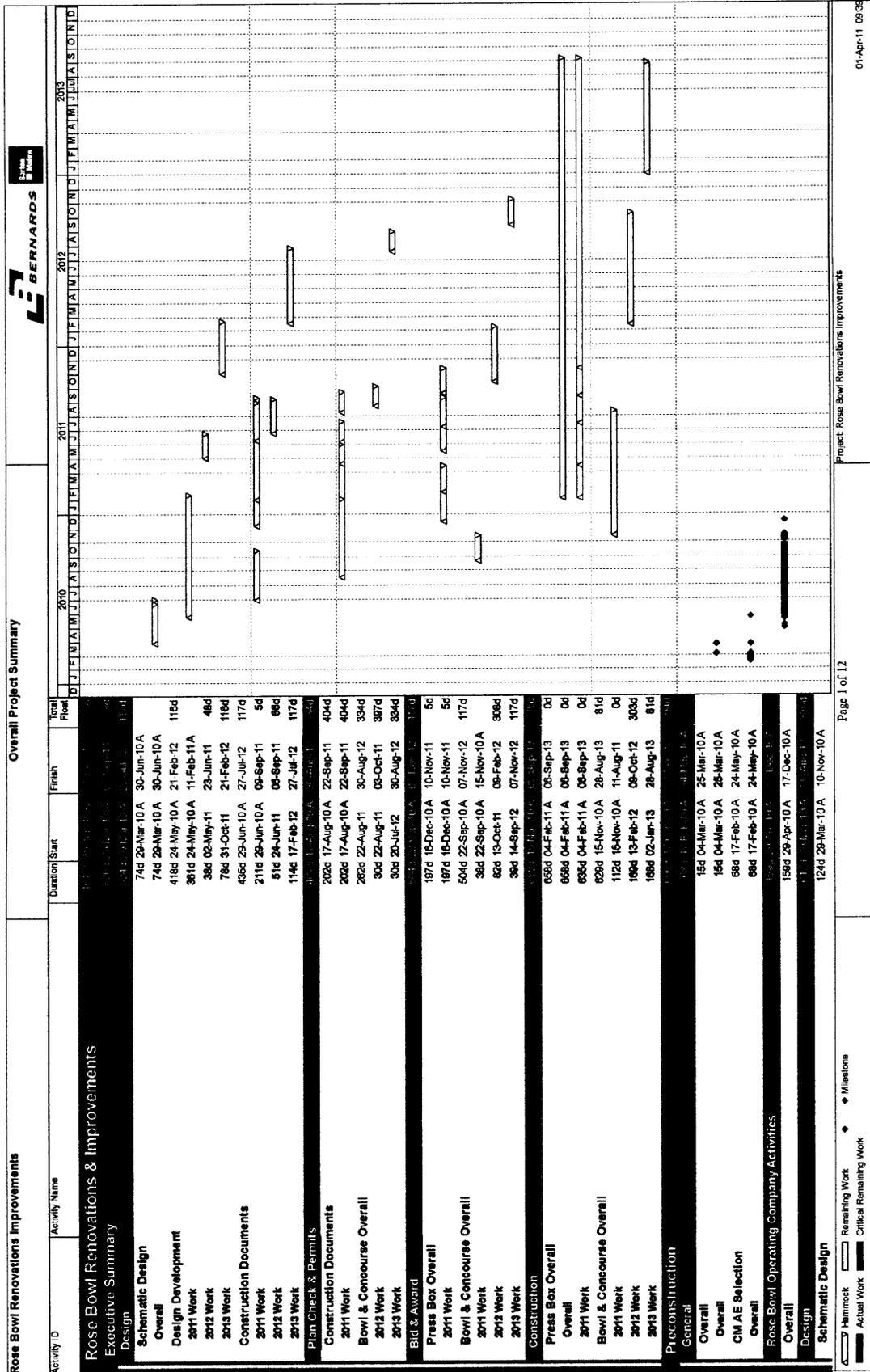


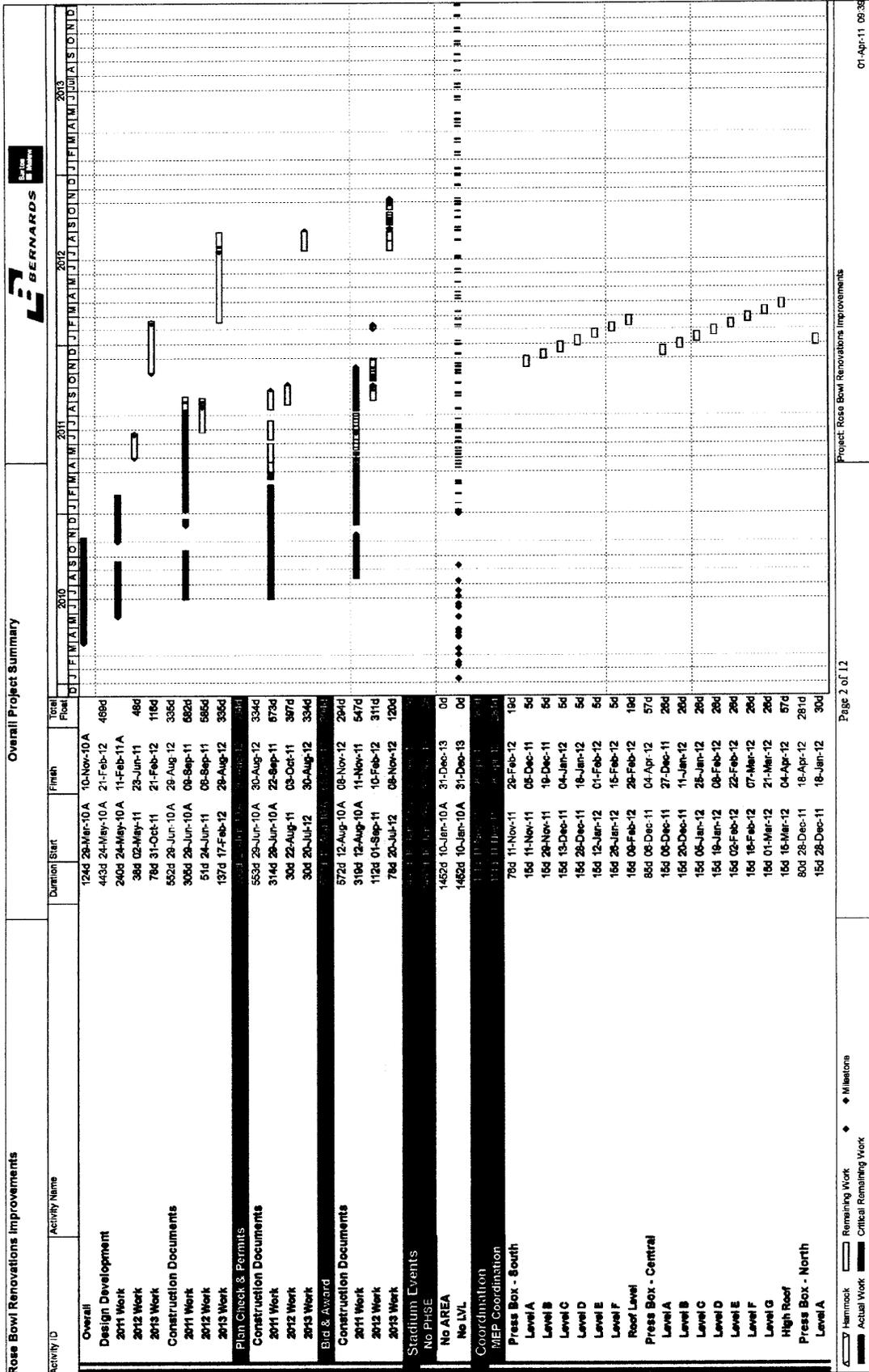
Estimate Summary
 The Rose Bowl
 Pasadena, California
 D'Agostino Izzo Quirk Architects

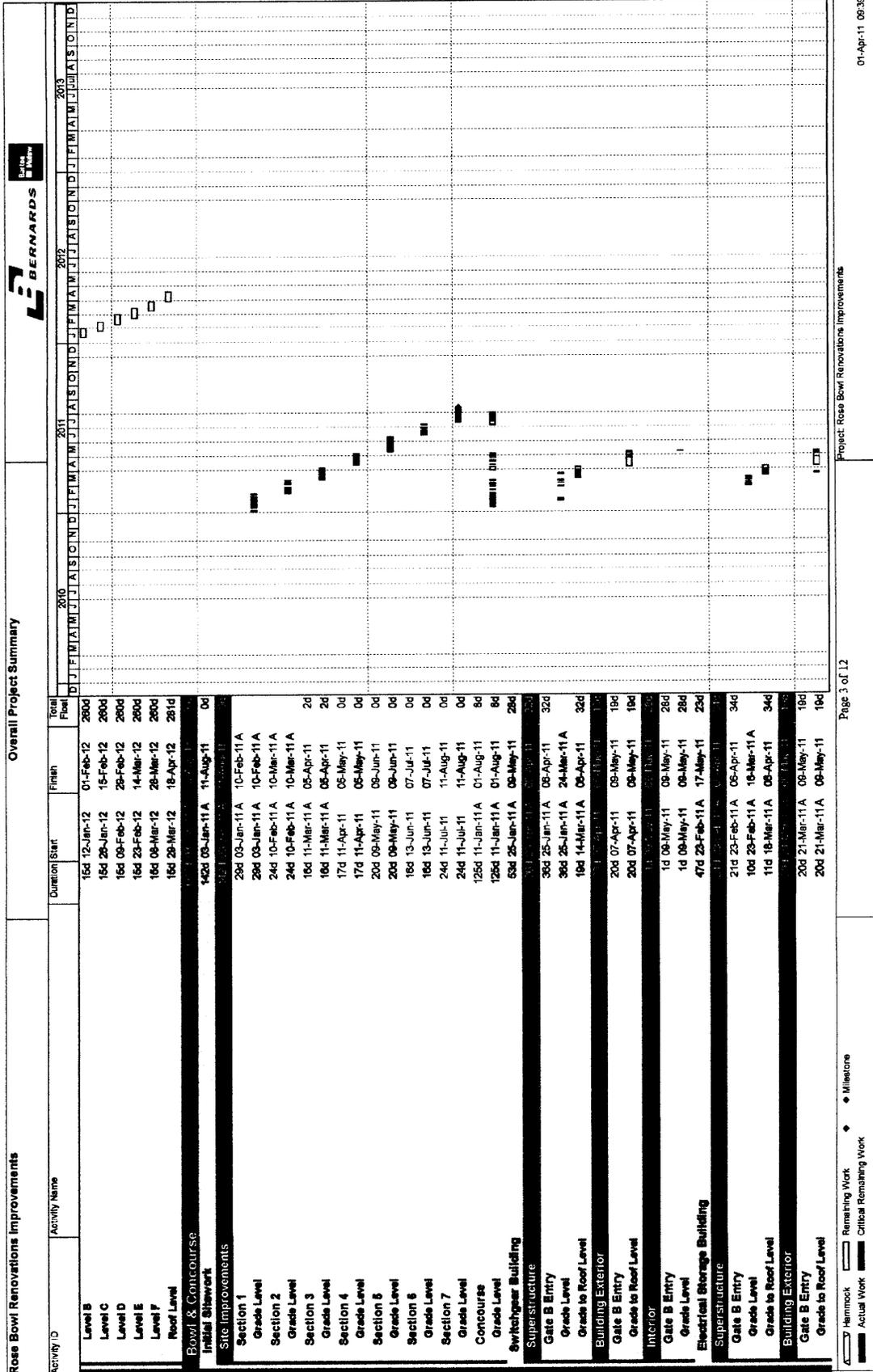
Estimate Update #5A
 March 31, 2011

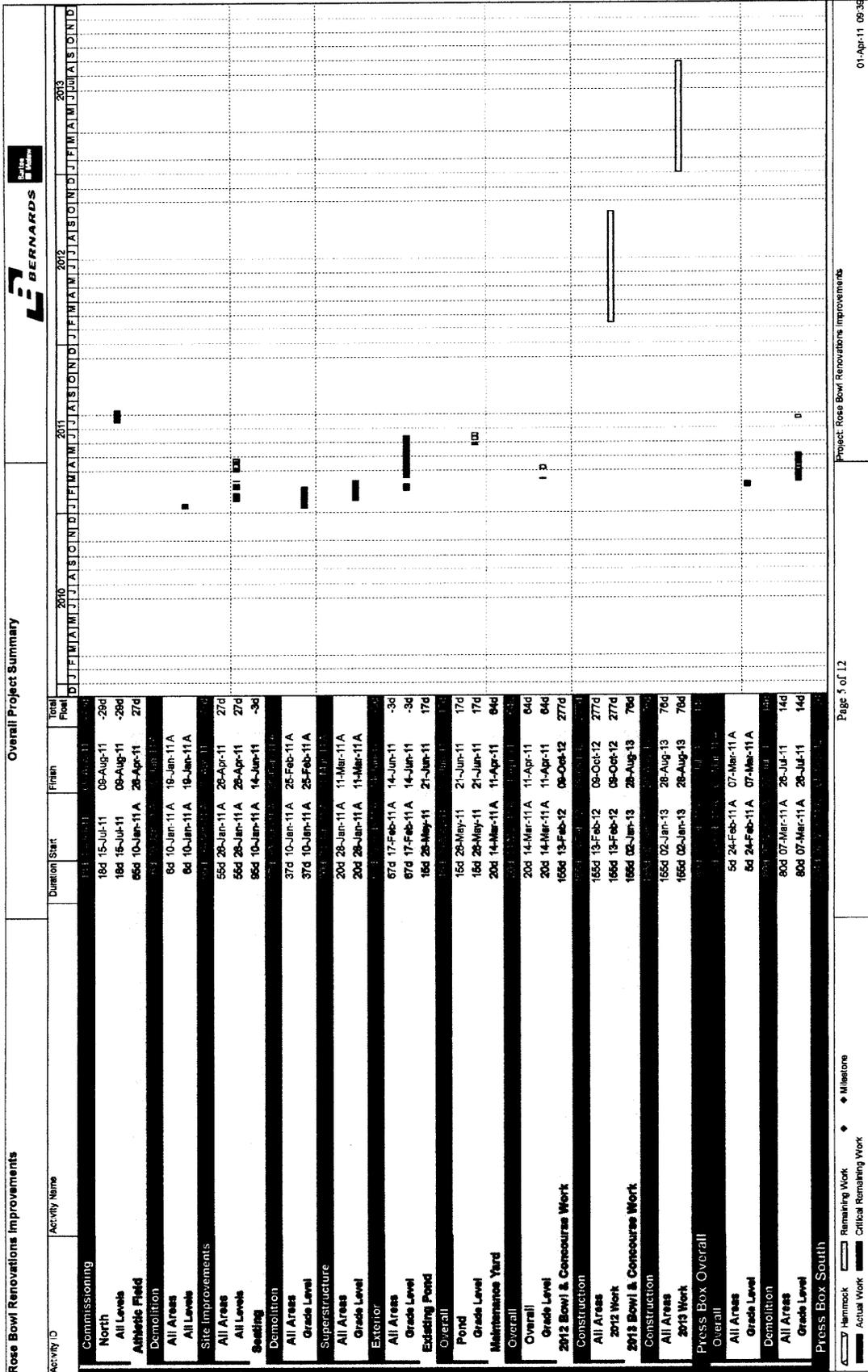
Project Component Summary	Approved Budget 9/30/2010	Estimate Update #5A 3/31/2011	Anticipated Deducts	
			Description	Amount
Concourse	\$ 12,590,000	\$ 13,760,000	North Fence Line Reduction	\$ (60,000)
Entry Gates	1,160,000	1,160,000		
Concession Buildings	5,690,000	6,070,000		
Restroom Buildings	2,350,000	3,250,000		
Scoreboards and Displays	11,910,000	9,120,000	Field Level LED	(1,860,000)
Bowl Egress, Aisles and Field Walls	5,020,000	5,400,000		
Stadium Tunnels	11,500,000	11,560,000		
Press Box	53,090,000	58,070,000		
Total Direct Cost	103,310,000	108,390,000		(1,920,000)
Construction Contingency on Work Not Yet Bid		8,460,000		(192,000)
Contingency on Work in Progress		2,380,000		
Project Management, Owner's Rep and Project Management Facilities		8,110,000		
TOTAL CONSTRUCTION COST	113,640,000	127,340,000		(2,112,000)
Soft Costs	34,640,000	25,410,000	Soft Cost Reductions	(2,000,000)
Design/Soft Cost Contingency	10.00%	3,460,000		
TOTAL PROJECT COST	\$ 151,740,000	\$ 155,750,000	SUBTOTAL	(4,112,000)
			TOTAL COST	\$ 151,638,000

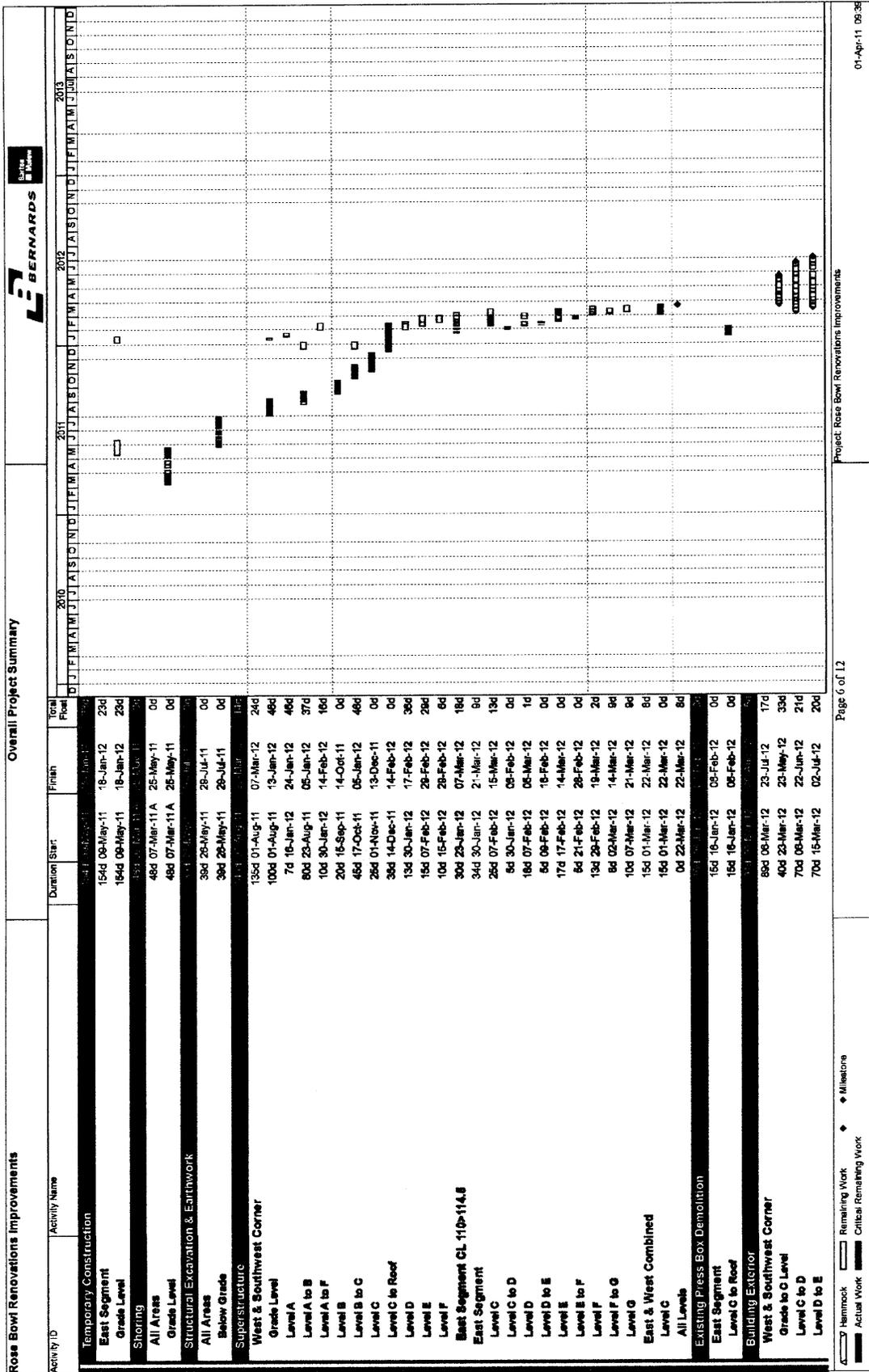
Attachment 3 SUMMARY CONSTRUCTION SCHEDULE As of April 1, 2011

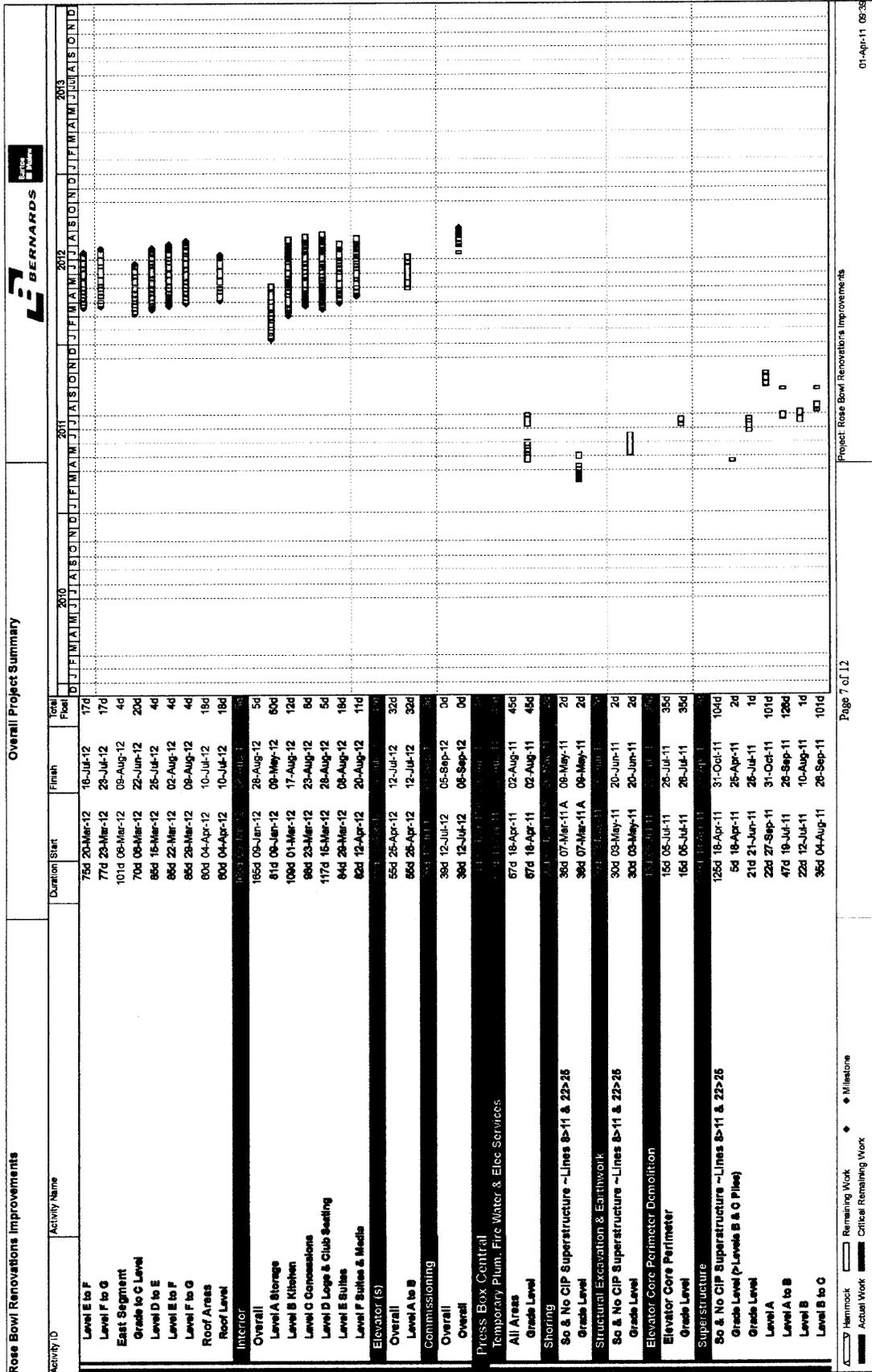


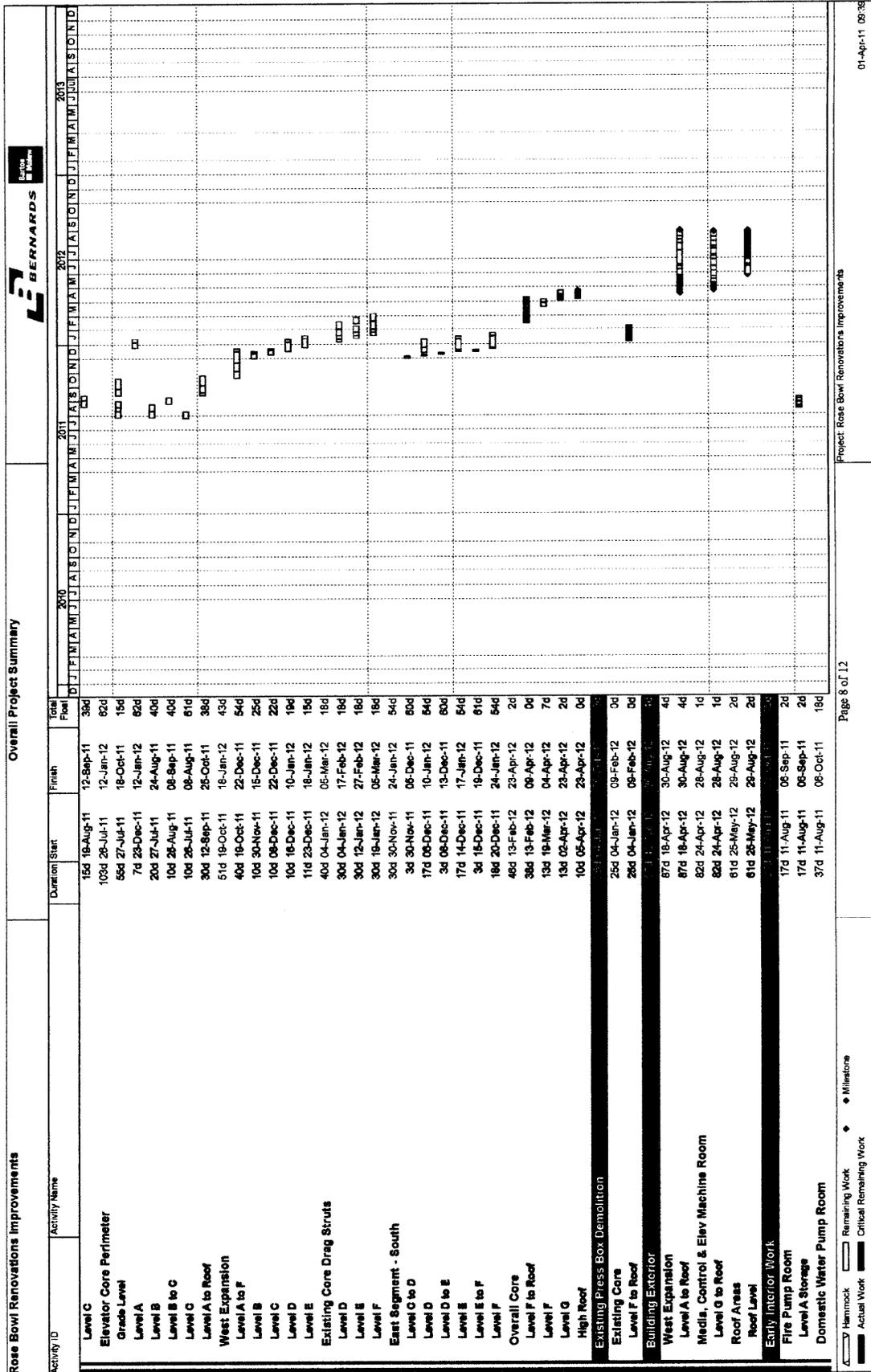


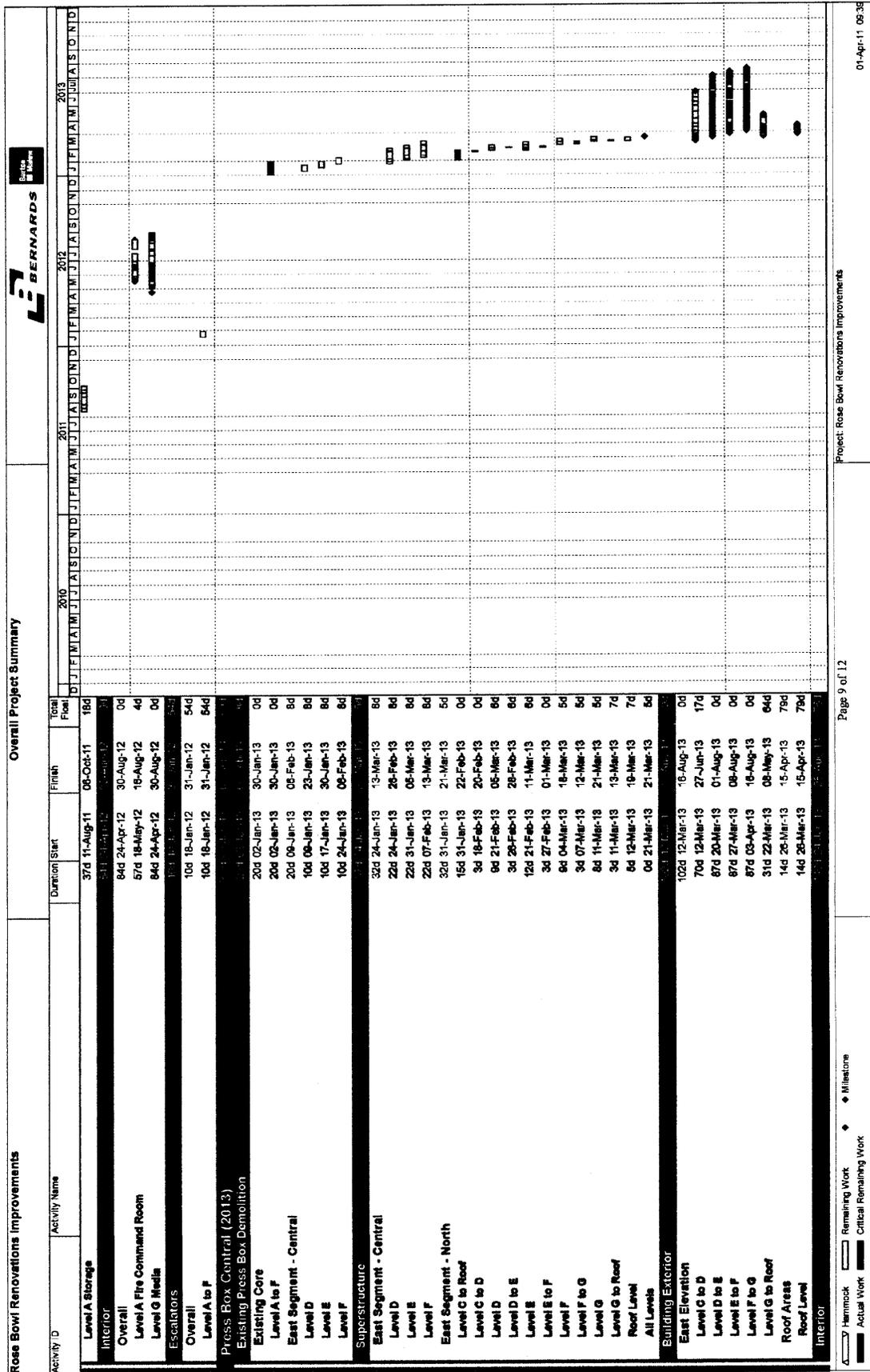


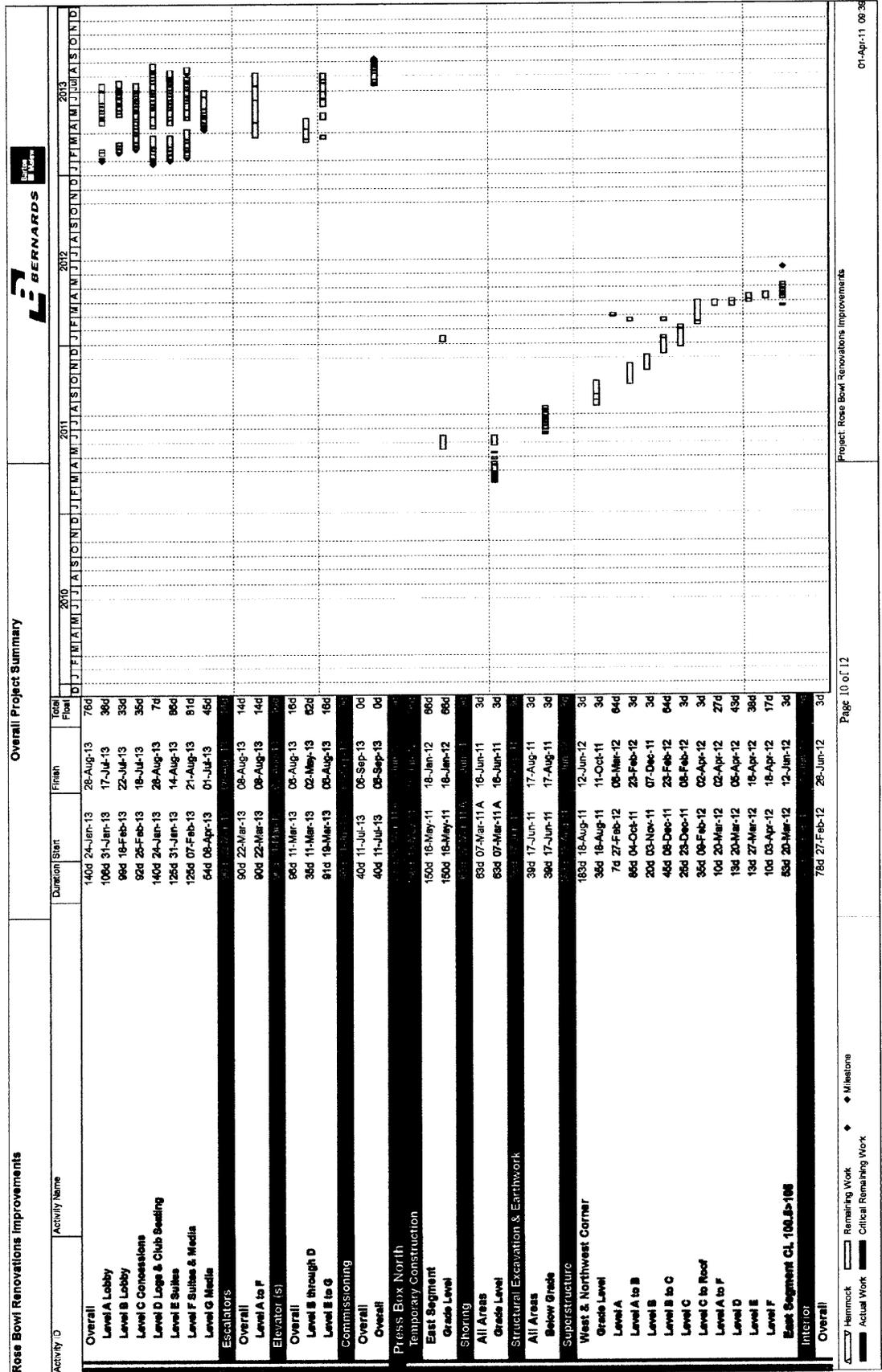


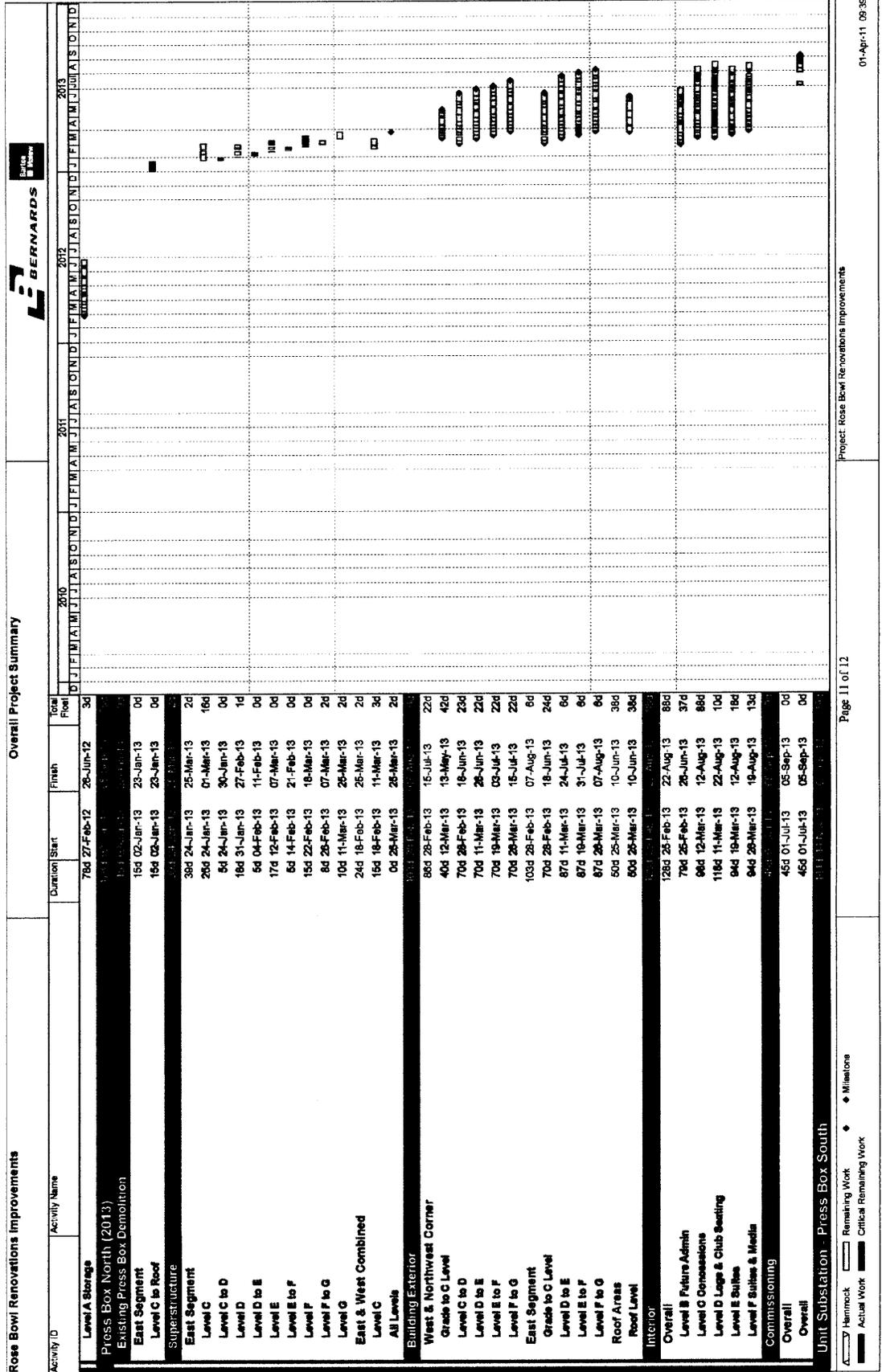


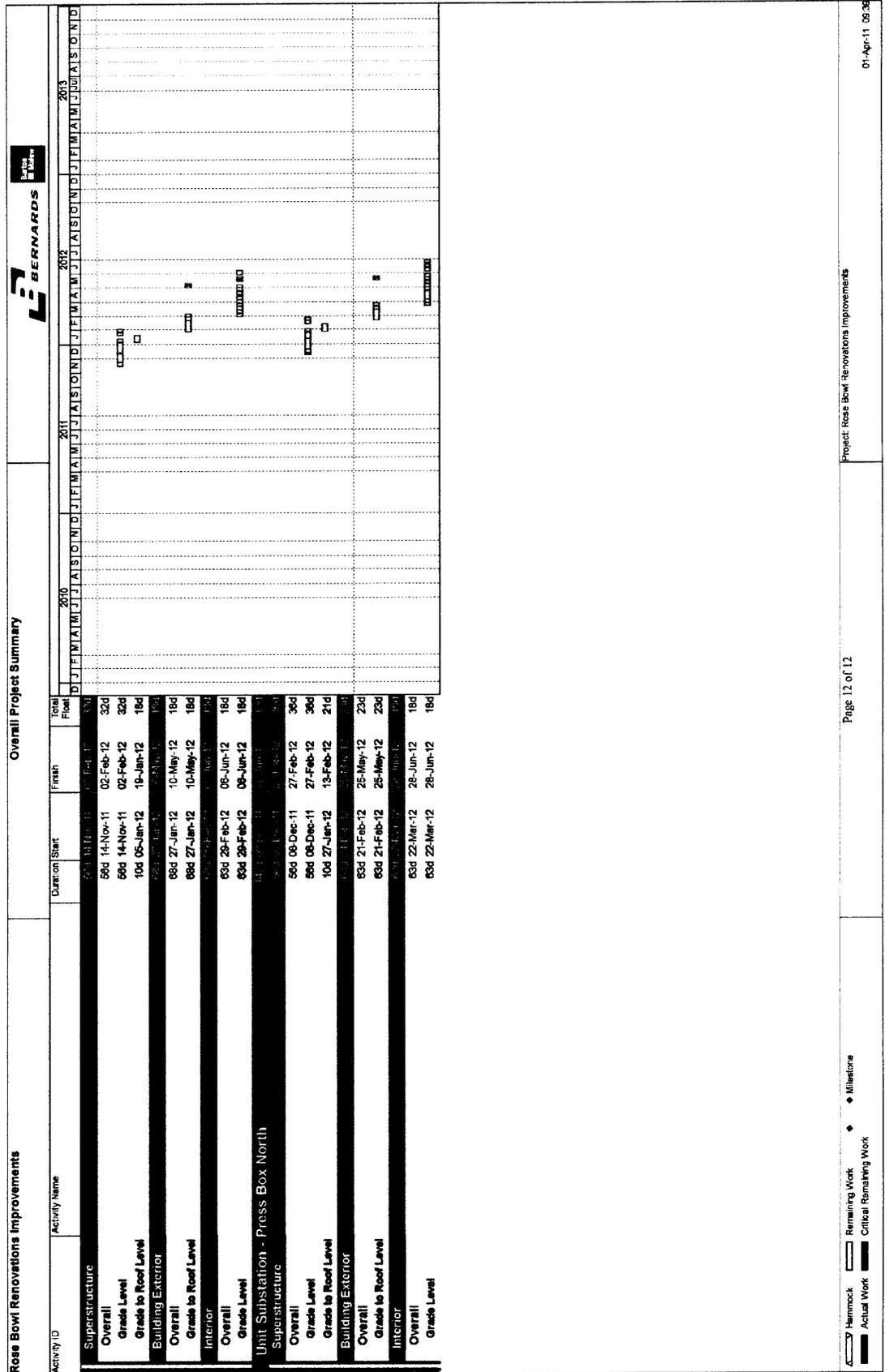












Attachment 4
PREMIUM SEATING SALES UPDATE
 As of April 1, 2011

DRAFT - RBOC Financial Report

DRAFT

Closed and Pending Sales

Product	Quantity Built	Quantity Sold	2013 Fiscal Revenue	COI Revenue ¹
Suites (sold/contract received)	54	13.5	\$ 1,298,000	\$ 9,000,000
Suites (pending)		10	\$ 935,000	\$ 2,910,000
Total		23.5	\$ 2,233,000	\$ 11,910,000
Loge Box (sold/contract received)	48	2	\$ 48,000	\$ 480,000
Loge Box (pending)		3	\$ 72,000	\$ 720,000
Total		5	\$ 120,000	\$ 1,200,000
Club Seats (sold/contract received) ²	1,132	0	\$ -	\$ -
Club Seat (pending)		0	\$ -	\$ -
Total		0	\$ -	\$ -
Grand Total			\$ 2,353,000	\$ 13,110,000

Sales Projections ³ Date/Product	Suites	Club Seats	Loges	2013	
				2013 Fiscal Revenue	2013 Revenue @ 80% Sold
June 15, 2011	30	0	12	\$ 3,008,500	\$ 9,262,000
September 15, 2011	36	200	18	\$ 4,202,500	\$ 7,409,600
December 15, 2011	42	400	24	\$ 5,396,500	
March 15, 2012	48	600	32	\$ 6,638,500	
June 15, 2012	52	800	38	\$ 7,682,500	
September 15, 2012	54	1000	42	\$ 8,528,500	
December 15, 2012	54	1000	48	\$ 8,672,500	
March 15, 2013	54	1200	48	\$ 9,272,500	

Notes:

- COI Revenue is calculated straight line with no escalators actual revenue will be higher
- Club Seats are not available for purchased at this point - if a buyer is interested we will place them on a waiting list - still determining final product offering
- Sales Projections are based on contracts received at stated date

Attachment 5
PROJECT PLANNING SCHEDULE
 As of April 20, 2011

2011

April							May							June						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
					1	2	1	2	3	4	5	6	7				1	2	3	4
3	4	5	6	7	8	9	8	9	10	11	12	13	14	5	6	7	8	9	10	11
10	11	12	13	14	15	16	15	16	17	18	19	20	21	12	13	14	15	16	17	18
17	18	19	20	21	22	23	22	23	24	25	26	27	28	19	20	21	22	23	24	25
24	25	26	27	28	29	30	29	30	31					26	27	28	29	30		

April 25, 2011	Core Project Planning Meeting (7:30 p.m./Brookside Clubhouse)
April 25, 2011	IMB Coordination Meeting (2 p.m./Sales Trailer)
April 25, 2011	City Council Meeting-Project Update (6:30 p.m./Council Chambers, Rm S249)
April 26, 2011	Legends Coordination Meeting (10 a.m./Sales Trailer)
April 26, 2011	Contractor Construction Progress Meeting (10 a.m./Project Trailer)
April 26, 2011	PFBL Meeting (4 p.m./City Hall-Finance Conference Room)
April 28, 2011	Tentative Advertise Bid Package RB-11 Super Structure (Steel); Conveying Systems; Fire Proofing Seating (fixed press box seating).
April 27, 2011	RBOC Finance Committee Meeting (8 a.m./Admin Conference Room)
April 28, 2011	Project Team Coordination Meeting (1 p.m./Project Trailer)
April 28, 2011	RBOC Operations Committee Meeting (5:30 p.m./Administration Conference Room)
April 30/May 1	UCLA Pick A Seat
May 2, 2011	Core Project Planning Meeting (7:30 a.m./Brookside Clubhouse)
May 2, 2011	IMG Coordination Meeting (2 p.m./Sales Trailer)
May 3, 2011	Legends Coordination Meeting (10 a.m./Sales Trailer)
May 3, 2011	Contractor Construction Progress Meeting (10 a.m./Project Trailer)

May 3, 2011	PFBL Meeting (4 p.m./City Hall-Finance Conference Room)
May 4, 2011	Stadium Exiting and Fire Life Safety (1 p.m./Project Trailer)
May 4, 2011	Tenant Update Meeting (2 p.m./Project Trailer)
May 5, 2011	Project Team Coordination Meeting (2 pm/Project Trailer)
May 5, 2011	RBOC Meeting (6:30 p.m./Brookside Clubhouse)
May 8, 2011	Flea Market
May 9, 2011	Core Project Planning Meeting (7:30 a.m./Brookside Clubhouse)
May 9, 2011	IMG Coordination Meeting (2 p.m./Sales Trailer)
May 10, 2011	Legends Coordination Meeting (10 a.m./Sales Trailer)
May 10, 2011	Contractor Construction Progress Meeting (10 a.m./Project Trailer)
May 10, 2011	PFBL Meeting (4 p.m./City Hall-Finance Conference Room)
May 11, 2011	City Staff Update Meeting (2 p.m./Project Trailer)
May 12, 2011	Neighborhood Construction Update Meeting (7:30 a.m./Brookside Clubhouse)
May 16, 2011	Tentative Bid Package RB-1 Super Structure (Steel); Conveying Systems; Fire Proofing; Seating (fixed press box seating) released
May 23, 2011	MANDATORY – Pre-Bid Job Walk Tentative Bid Package RB-11 Super Structure (Steel); Conveying Systems; Fire Proofing; Seating (fixed press box seating) released
June 16, 2011	Tentative Bid Package RB-11 Superstructure (Steel); Conveying Systems; Fire Proofing; Seating (fixed press box seating) Bids Due