

# Agenda Report

April 8, 2013

**TO:** Honorable Mayor and City Council

**THROUGH:** Finance Committee (March 20, 2013)

**FROM:** Rose Bowl Operating Company

**SUBJECT:** AMENDMENTS TO FISCAL YEAR ENDING JUNE 30, 2013,  
(FY 2013) ADOPTED OPERATING BUDGET

## **RECOMMENDATION:**

It is recommended that the City Council:

Amend the Fiscal Year 2013 Adopted Budget as detailed in the Proposed Budget Amendment section of this report by.

1. Appropriating additional expenditures in the amount of \$2,561,102.
2. Recognizing additional projected revenue in the amount of \$2,449,334.
3. Appropriating an increased amount of \$111,768 from "Unrestricted/Undesignated Retained Earnings to cover the difference and in order to have a balanced budget.

## **BACKGROUND:**

This agenda report details proposed changes to the FY 2013 Operating Budget as adopted by the City Council in June 2012. The proposed amendments are detailed in the following section.

### **Proposed Budget Amendments**

The RBOC's budget for both revenue and appropriations for FY 2013 (July 1, 2012 – June 30, 2013) is \$22,837,751 which would result in a balanced budget.

It is necessary to have a budget amendment outlining the additional expenditures that put the appropriation amount above what was approved by the RBOC and City Council.

There are also actual revenue items that will exceed their budgeted amounts, but overall, they are not enough to offset all of the additional expenses.

**Appropriation of additional Expenditures of \$2,449,334**

1. Debt Service – 2013 Bonds

Appropriate \$174,000 to account principally for new debt service on the new 2013 bonds issued to fund an additional \$30,000,000 for the “Renovation Project”. This was done in conjunction with the refunding of the 2006 bonds.

- \$ 37,019            2013 Tax-Exempt Variable Rate Lease Revenue Bonds
- 136,844            2013 Taxable Fixed Rate Lease Revenue Bonds
- \$173,863            Sub-total

2. Chief Revenue Officer

Appropriate \$40,000 to account for the cost of the newly-created position of Chief Revenue Officer for the last two months of FY 2013.

3. Tours Programs

Appropriate \$70,000 for the start-up costs of a newly-created “Tours Program” which when fully-operational, should generate revenue in excess of its corresponding costs.

4. Utilities – 2<sup>nd</sup> Electric Meter

Appropriate \$217,000 for ten months’ of power costs corresponding to a new, additional electric meter.

The RBOC contracted to build a new Press Box / “Pavilion”. Within that project there were multiple phases, which include expansion of the concourse, gate redesign, restroom upgrades as well as an electrical service upgrades.

Each phase of the project was predicted for certain completion dates, and due to funding restraints, the electrical service transfer phase has been pushed-off until 2014. This in turn, has created the multiple electrical meter conundrum for the RBOC in that it is being billed at a Ratcheted Demand on two different meters supplying essentially the same needs for at least the past 6 months.

5. Flea Market, July 4<sup>th</sup> and Minor Events

Appropriate \$1,312,270 to account for event expenses for the July 4<sup>th</sup>, 2012 Independence Day Celebration and minor events such as Filmings, Car/RV shows and other miscellaneous minor events.

With the exception of July 4<sup>th</sup>, 2012, most of the expenses corresponding to these events tend to be reimbursable by the respective promoters.

In that Minor Events tend to be numerous and booked after the Operating Budget is approved, it is difficult to predict in advance the amount of revenue that will be generated and the expenses that will be incurred for the upcoming fiscal year.

Traditionally with this industry, such events are usually budgeted and then shown at their "Net Event Income" amounts as opposed to having one line each for both gross Revenue and Expense amounts.

6. Miscellaneous

Appropriate \$747,969 for additional expenditures above budget, including such items as expenses related to the new "Pavilion" building including event and premium seat holder costs, much of which has been offset by additional premium seat revenue generated by the January 1, 2013 New Year's Rose Bowl Game. Also, there have been some additional UCLA game and parking related expenses, many of which are reimbursable and have been offset by higher concession revenue numbers.

**Recognition of additional Revenue of \$2,449,334**

1. UCLA – 2012 Season

Recognize \$87,704 in additional revenue for the seven (7) game season. This amount represents the difference in the budget and the actual/estimated amounts and is the aggregate of various revenue line items such as License Fee/Rent, Reimbursable Costs, Concessions, Novelties and Premium Seating income.

2. New Year's Game – January 1, 2013

Recognize \$739,832 in additional Premium Seating revenue.

Two (2) entire levels in the new Pavilion Building became available for this game. Prior to this, one level was only 50% ready and the other 25%.

Also, with Stanford appearing in the Rose Bowl Game for the first time in thirteen (13) years, the RBOC experienced increased sales in this area.

3. Advertising

Recognize \$49,000 in additional revenue.

For FY 2013 IMG, the RBOC advertising affiliate, is paying the RBOC an annual royalty in the amount of \$1,775,000 in three (3) equal installments. The next \$1,375,000 in revenue generated goes to IMG for a total "Revenue Sharing Threshold" of \$3,150,000. IMG is expected to reach and surpass this threshold resulting in approximately \$49,000 in additional royalty income to the RBOC.

4. Flea Market, July 4<sup>th</sup> and Minor Events

Recognize \$1,541,615 in various revenue line items including Ticket Revenue, Reimbursable Costs, Concession and Parking income.

As previously mentioned in the Appropriations section above, traditionally with this industry, such events are usually budgeted and shown at their "Net Event Income" amounts as opposed to having one line each for both gross Revenue and Expense amounts.

5. Miscellaneous

Recognize \$31,184 for additional revenue projected above budget. This amount includes an estimated increase in Sponsorship income and an aggregate increase in Golf, Restaurant and Pro Shop income.

**Request for an increased budget appropriation of \$ 111,768**

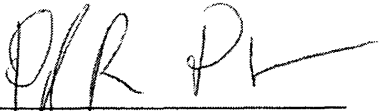
Appropriate an additional \$111,768.

With the approval of the above recommendations, this amount represents the difference between expenditures and revenue. This amount would have to come from "Unrestricted/Undesignated" Retained Earnings.

**FISCAL IMPACT:**

Approval of the proposed budget amendments will increase FY 2013 total authorized appropriations by \$2,561,102. This amount will be mostly offset by additional revenue, approximately \$2,449,334 that is anticipated to be earned in FY 2013. This is comprised of higher income generated by the Flea Market, UCLA, New Year's Day Game and the Golf Course and the grossing-up of the July 4<sup>th</sup>, 2012 and miscellaneous minor events. The balance of \$111,768 is to come from "Unrestricted/Undesignated" Retained Earnings generated in FY 2011 and FY 2012, calculated to be approximately, \$654,142 and \$544,123, respectively.

Respectfully submitted by:

A handwritten signature in black ink, appearing to read 'D/R P', written over a horizontal line.

DARRYL DUNN,  
General Manager