Agenda Report

DATE: February 3, 2014

TO: Honorable Mayor and City Council

THROUGH: Finance Committee (October 28 and November 18)

FROM: Office of the City Manager

SUBJECT: A review of the Rose Bowl Operating Company (RBOC) Governance

STAFF RECOMMENDATIONS:

It is recommended that the City Council:

1. Receive this review of the Rose Bowl Operating Company (RBOC) Governance;

2. Direct the City Manager to work with the General Managers of the Rose Bowl Operating Company and Pasadena Center Operating Company (PCOC) to develop amendments to their respective Operating Agreements to be considered by the City Council and the boards of the RBOC and PCOC, implementing the following in order to enhance oversight by the City Council of City Operating Companies:

    a. Present information, during the annual operating budget review, regarding anticipated adjustments in salary and benefit line-items (revised recommendation from that presented to the Finance Committee);

    b. Quarterly reporting to the City Council through from General Managers and/or Board Chairs;

    c. Submit monthly financial information to the City's Finance Director to be included in the Quarterly Financial Monitoring Report submitted to the City Council Finance Committee;

3. Direct the City Manager to work with the General Managers to develop a policy for capital project construction management and return to City Council for consideration;

4. Direct City staff and the Rose Bowl Operating Company to jointly undertake an analysis of event coordination in the Arroyo; and,

5. Direct the City Manager to work with the Rose Bowl Operating Company to develop other proposed amendments to update Operating Agreement Number 15,703 between the City of Pasadena and the Rose Bowl Operating Company.

FINANCE COMMITTEE RECOMMENDATIONS:

On November 18, 2013 the Finance Committee voted to recommend to the City Council that it accept staff recommendations 2b, 2c, 3 and 4. In regard to recommendation 2a staff had originally recommended to the Finance Committee that the City Council adopt the practice of formally establishing adjustments to salary ranges and benefit structures for City operating companies similar to that for unrepresented City employees. The Finance Committee did not accept this recommendation, but did indicate a desire to understand the assumptions behind annual amounts budgeted for salaries and benefits in each of the operating companies' operating budget. Staff believes the revised recommendation 2a above is consistent with this approach.

Additionally, the Finance Committee recommends that the City Council direct the City Manager to work with the Rose Bowl Operating Company to develop other proposed amendments to update Operating Agreement Number 15,703 between the City of Pasadena and the Rose Bowl Operating Company. Staff supports this recommendation which is presented as Staff Recommendation 5 above.

EXECUTIVE SUMMARY/KEY FINDINGS:

The operating company structure that has been established to manage the Rose Bowl Stadium and Brookside Golf Course has worked well and is recommended to remain in place. By and large, the goals set forth by the City Council when it established the RBOC have been met. The RBOC operates in a cost-efficient, business-like manner. Decisions regarding events are made in a streamlined fashion within the parameters established by the City Council, and a qualified board of directors possessing a broad skillset provides oversight to the operation.

Where the RBOC has possibly fallen short of original expectations is in the area of revenue generation. Much of the initial analysis regarding the creation of the operating company assumed that through greater entrepreneurship the RBOC would generate increased revenues for the Stadium and by extension, the City. The reality is that Stadium revenues over the years have been dependent on the marketplace i.e., the availability of large-scale events and the corresponding City imposed limit on such events, more than the level of effort directed by the RBOC. Nevertheless, the RBOC has been successful in generating revenue from smaller scale events.

While this report does not recommend changes in the governance of the RBOC, several recommendations aimed at enhancing oversight are provided, which are also recommended to apply to the City's other operating companies; the Pasadena Center

Operating Company (PCOC) and the Pasadena Community Access Corporation (PCAC) as well.

BACKGROUND

This report examines various aspects of the Rose Bowl Operating Company (RBOC) including its creation. The report is intended to assist policymakers in assessing the appropriate governance structure for the Rose Bowl Stadium and Brookside Golf Course. The approach that has been used is to reexamine the benefits that were expected to result from establishing an operating company to determine whether they have been achieved. Where appropriate, this report compares the operating structure to that of a City department. This report does not consider the option of contracting out Stadium management to a third-party, private operator. Although, as discussed below, this option was included in analysis prepared prior to the creation of the RBOC, there's nothing in the record to suggest that such an option was ever seriously considered and it's hard to imagine that the City would ever take such a step. Additionally, this report also touches on various aspects of the operation of other City operating companies; the Pasadena Center Operating Company (PCOC) and the Pasadena Community Access Corporation (PCAC), and concludes with some additional considerations policymakers may wish to consider.

A Brief History of the Rose Bowl Operating Company

The RBOC was established by an ordinance of the City Council in September 1993. Prior to this time the Rose Bowl Stadium had been managed as a City department known as the Arroyo Seco/Rose Bowl Department. A review of historical records indicates that the decision to establish the RBOC appears to have been based on financial and managerial considerations.

In May 1991, an Organization Study of the Arroyo Seco/Rose Bowl Department was completed (Attachment A). The stated purpose of the analysis was "[t]o provide the General Manager of the Arroyo Seco/Rose Bowl Department with an analysis of organizational options to provide effective management of current operations and to prepare for increasing demand for services – including construction of new facilities and managing major events such as the Super Bowl and (potentially) World Cup."

The analysis identified a number of issues and problems with the operation of the Arroyo Seco/Rose Bowl Department, including:

- Lack of appropriate management hierarchy with an excessive amount of issues falling on the General Manager
- Lack of essential business functions
- Lack of accountability and authority

The analysis provided three possible governance structures: 1) Continue to manage as a City department; 2) Manage as a Not-for-Profit Public Enterprise; and, 3) Contract with a management company to operate the Stadium. The analysis did not recommend any particular structure.

In September 1991, an Analysis of Rose Bowl Operating Alternatives (Attachment B) was prepared for the City Manager. This report examined the same three potential governance structures and while it stopped short of recommending any particular structure, it's clear from the language used that continuing to operate as a City department was the least favored of the three options and that establishment of a Not-for-Profit was preferred.

The move towards establishing an operating company appears to have been furthered in November 1991, with the completion of a Financial Operations Review performed by the firm of McGladrey & Pullen (Attachment C). The Review reached the following conclusions in regard to the Rose Bowl Stadium:

- Profits decreased precipitously between 1987 and 1989, during a period when five management changes were made, and have leveled off subsequently at a low volume in the absence of major events like the NFL Super Bowl since 1987.

- Breakeven, to just cover expenses without any provision for capital improvement or refurbishment, is over 22 events per year; more than double that number if refurbishing the facility and park maintenance are also to be funded by operations.

- Increased cash flow is needed to meet existing demands for maintenance and obligations to repay Certificates of Participation; otherwise, additional financing by the City may be needed.

- Revenue shows a positive trend but can be enhanced by better utilization of the facility.

- Cost control procedures are not sufficiently effective to prevent expenses from increasing faster than revenues.

- Management accounting and control improvements are needed to facilitate more profitable operations.

- Administrative improvements will be needed to enhance performance whether operated as a City department or under alternative management approaches. Improvements of the same type will be needed in either case.

The Review also indicated that "[s]ome consideration is currently being given to establishing contract management or a separate agency to improve efficiency and profitability of the Rose Bowl, rather than to operate as a department of City government."

In September 1992, a series of discussions at multiple City Council meetings and the then Business Enterprise Council Subcommittee (today the Economic Development and Technology Subcommittee), focused on the establishment of the Rose Bowl Operating Company including the make-up of its board, mission statement, the number of pre-approved "displacement events" and other details. Ultimately, on September 29, 1992 the City Council voted to approve in concept the establishment of the Rose Bowl Operating Company to operate the Rose Bowl Stadium and Brookside Golf Course. One year later, the City Council approved the ordinance creating the RBOC, and in May 1995, the Operating Agreement between the City and the RBOC was executed.

The primary purpose and function of the RBOC, pursuant to Pasadena Municipal Code Section 2.175.110, is to return economic and civic value to the City of Pasadena by managing a world-class stadium and a professional quality golf course complex in a residential open-space environment.

Notwithstanding the potential for conflict between what is perceived to be *economic value* vs. *civic value*, the charge of the RBOC is fairly straightforward. However, evaluating whether the operating company structure has been and remains an effective approach towards managing the City's assets in the Arroyo is a bit more challenging and has been the subject of City Council discussion on prior occasions.

From August 1999, to August 2000, the RBOC was the subject of several discussions, both within the broad context of City commissions and operating companies, as well as the specific focus of attention. During these discussions, questions were raised similar to those being raised currently as to the benefit of maintaining the RBOC. The attached minutes from the City Council meeting of August 30, 1999 (Attachment D) provide a useful illustration of the tone at the time. The ultimate outcome of those discussions was the addition of the City Manager as a voting member of the RBOC Board and direction to the RBOC to prepare a business plan.

One of the several memorandum prepared on the subject of the RBOC during this period includes the following statement: "Many of the advantages [of an operating company] discussed can only be discussed in a subjective manner (e.g. better management). The financial considerations are the only ones that can actually be measured, yet even here the data is confusing as revenues vary considerably as do the number and types of events from year to year. As a result, judging the difference the governance structure has made is again somewhat subjective." To a certain extent, this statement is as true today as it was in 1999.

In creating the RBOC, the City Council expected that as an operating company, it would enjoy lower overhead costs than a City department, more nimble decision making, that its board would have more time to focus on Rose Bowl and Golf Course specific issues, and that it could generate additional revenues. The following attempts to assess the extent to which these goals have been achieved.

A look at RBOC internal operations; labor costs and overhead
For Fiscal Year 2014 the RBOC has an operating budget of $32.4 million and 24 Full Time Equivalent (FTE) positions. Of the 24 positions, 16 are directly engaged in event management, stadium operations, facility maintenance, pavilion operations and golf course management. The remaining positions are engaged in the various administrative functions of finance, human resources, communications and management. It's worth noting that this compares favorably to several other municipal stadiums, as indicated by the following table:

Stadium	**Total FTE**
Alamodome (San Antonio)	50
Minnesota Metrodome	21
Los Angeles Coliseum	40
University of Phoenix Stadium	31
Angels Stadium	131
Candlestick Park (San Francisco)	10
San Jose Municipal Stadium	20
Qualcomm Stadium (San Diego)	37

Employees of the RBOC are not City employees, are not covered by any collective bargaining agreement(s) and are "at-will". They do, however, participate in CalPERS (2.5% at 55 plan) and pay 4% towards the 8% employee portion of the retirement benefit. The RBOC's Employer PERS rate has trended higher than the City's Employer rate.

CalPERS Employer Rate	FY14	FY13
RBOC	18.379%	17.583%
City	17.331%	16.227%

The RBOC provides employer-paid medical, dental and vision coverage for employees only and not for other dependents. The average cost per employee is $7,600 per year. By contrast, the City provides all full-time employees an allowance that may be used to purchase insurance with any overage being deposited into a deferred compensation account. The average allowance for City non-safety employees is $14,706 per year.

As a stadium and golf course, the job classifications of the RBOC differ somewhat from the City, however, there are some comparative job classifications. The following table provides a comparison between a subset of RBOC classifications and their ostensibly comparable City counterpart:

RBOC Position	Maximum Salary per resolution $	Comparable City Position	Maximum Salary per resolution/ MOU $
Chief Operating Officer	124,800	Deputy Director*	139,758 – 161,274
Chief Financial Officer	104,000	Controller	139,851
Human Resource Manager	88,400	Human Resource Manager	135,704
Office Manager	67,600	Office Support Supervisor	70,335
Project Manager	62,400	Project Manager	112,055
Senior Accounting Manager	83,200	Principal Accountant	100,854
Stadium Architect/Director of Facility Planning & Projects	124,800	City Architect	148,267
Administrative Assistant	26,624	Staff Assistant III	48,214
Accounts Payable Administrator	40,685	Senior Accountant	89,064
Maintenance Worker	26,312	Public Works Maintenance Worker I	46,229

*Deputy Directors: Human Services & Recreation, Library & Information Services, Finance Department

Recognizing that some of the duties and responsibilities differ, based on this cursory level of analysis, it appears that the salaries for RBOC employees are generally in-line and in some cases considerably less than the comparable City positions. It should be noted, however, that employees of the RBOC are eligible for up to a 12% annual bonus, which is not included in the above table. Nevertheless, taken as a whole, the RBOC has a lower overhead cost for personnel and has greater flexibility in labor relations than City departments.

The Rose Bowl uses the services of several City departments as it relates to the staging of events most notably, Police, Fire, and Public Works. The costs of these services are charged to the RBOC's budget and are covered by the revenues associated with the respective events. Beyond that, the RBOC does not utilize nor pay for City support services, such as Finance, Human Resources, Information Technology and Building Maintenance. The notable exception being the City Attorney's Office, for which RBOC currently pays $65,000 annually. Interestingly, neither of the City's two other operating companies pay for services provided by the City Attorney's Office, but receive similar services.

If the RBOC were a City department, unless a decision was made otherwise, it would incur charges for City support services. City support services are charged back to City departments through two mechanisms. Services provided by the General Fund-supported departments of Finance, Human Resources, City Manager's Office, City Attorney/Prosecutor, City Clerk and others are allocated out to non-General Funds through a cost-allocation plan. Services provided by the Department of Information

Technology and Public Works Building Systems Division appear as Internal Services charges for all departments in their operating budget.

The Finance Department's Budget Office estimates that if the RBOC was a City department, its cost-allocation charges would be approximately $684,000 per year. This figure was determined by examining the results of the City's most recent cost-allocation study, which determined that a roughly 3% charge against the City's non-General funds was appropriate to recapture the cost of support services provided by General Fund departments.

The Internal Services charges from the Department of Information Technology and Public Works Building Systems Division would vary based on a variety of factors, but could be expected to easily exceed $1 million annually. By way of example, the Human Services and Recreation Department has an annual budget of $8.8 million and has Internal Services Charges of $1.5 million, of which $310,000 is Information Technology support. By comparison, the RBOC estimates its current Information Technology support costs to be approximately $150,000.

Of course, not all charges would be a net additional cost. Were the RBOC to receive City support services, it may not need as many employees of its own for central administrative functions. The Stadium is also currently incurring costs for such things as utilities and janitorial work that is provided by contract labor. The difference between incurring these costs directly or as a customer of Public Works Building Systems Division is the allocation of Public Works' administrative overhead to the latter and its absence in the former.

It is reasonable to conclude that were the RBOC to become a City department and utilize City central services, its overhead costs would rise considerably. However, a corresponding overall reduction in costs charged to other departments/funds would occur as well, as the cost of central services is spread over a larger base, thus having an overall neutral effect on the City's overall cost structure.

Financial Results

In January 1995, a ten-year financial projection for the RBOC was prepared by an outside consultant, Brian Murray (Attachment E). The purpose of the projection, as stated in the report, was to provide the RBOC with a realistic expectation of the future financial status of the entities which it would be governing.

The table on the following page compares the projected financial results, as developed by the consultant, with the actual financial results of the RBOC over the same time period. The actual results figures come from the City's audited financial statements and exclude transfers made by either the Stadium or Golf Course fund to other City activities such as park maintenance, since the intent is to illustrate how actual performance compared to what was anticipated at the outset of the RBOC.

As indicated by the table, over the course of the ten years covered by the projections, the actual financial results for the Rose Bowl Stadium and the RBOC as a whole were not as robust as projected. In only four of the years covered did the combined operations of the Stadium and Golf Course exceed projections. Nevertheless, overall results were positive with the combined operations of the Stadium and Golf Course averaging over $1 million in net income from FY95-FY04.

Since FY 2005 and through the beginning of the Rose Bowl Renovation in FY11, the combined Stadium and Golf Course operations have been even more profitable, generating no less than $1 million in total net earnings, excluding transfers, annually and reaching as high as $3.6 million in FY06, as indicted by the chart on page 13. The losses which appear in FY11 and FY12 reflect interest expense on bonds issued for the renovation project for which corresponding revenue from premium seating had not yet been received as well as the write-down on the value of the old press box structure of $9.3 million which had not been fully depreciated. The average annual net income, excluding transfers, from FY05-FY10 was $2.1 million. Clearly, through its efforts the RBOC has reversed the negative trend identified in the Financial Operations Review of 1991 and in so doing has implemented the recommendations of that report such as instituting cost-control measures, developing event budgets and enhancing additional revenue opportunities. In sum, the Stadium is being operated better today than it was prior to the establishment of the RBOC.

SUMMARY OF 10 YEAR FINANCIAL PROJECTIONS AS ANTICIPATED IN JANUARY 1995

Rose Bowl	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Operating Revenues	6,307,359	4,548,663	4,796,094	4,933,393	5,129,544	5,897,375	6,010,335	6,176,060	6,407,388	6,589,505
Operating Expenses	4,266,304	3,691,361	3,859,916	4,076,320	4,280,764	4,486,622	4,700,973	4,928,406	5,169,824	5,426,202
Non-Operating Income	(772,000)	(856,000)	(840,000)	(824,000)	(808,000)	(888,000)	(868,000)	(944,000)	(920,000)	(896,000)
NET INCOME	**1,269,055**	**1,302**	**96,178**	**33,073**	**40,780**	**522,753**	**441,362**	**303,654**	**317,564**	**267,303**

Brookside	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Operating Revenues	2,021,875	2,114,531	2,211,567	2,313,194	2,419,634	2,531,119	2,647,894	2,770,214	2,898,347	3,032,576
Operating Expenses	686,351	658,652	614,076	640,409	668,288	697,817	729,108	762,282	797,469	834,809
Non-Operating Income	(60,000)	(54,000)	(47,700)	(41,085)	(34,139)	(26,846)	(19,189)	(11,148)	(2,705)	6,159
NET INCOME	1,275,524	1,401,879	1,549,791	1,631,700	1,717,207	1,806,456	1,899,597	1,996,784	2,098,173	2,203,926
Arroyo Park	(850,000)	(884,000)	(919,360)	(956,134)	(994,380)	(1,034,155)	(1,075,521)	(1,118,542)	(1,163,284)	(1,209,815)
Retained Earnings	**425,524**	**517,879**	**630,431**	**675,566**	**722,827**	**772,301**	**824,076**	**878,242**	**934,889**	**994,111**
Total Earnings	**1,694,579**	**519,181**	**726,609**	**708,639**	**763,607**	**1,295,055**	**1,265,438**	**1,181,896**	**1,252,454**	**1,261,414**

SUMMARY OF 10 YEAR FINANCIAL ACTUALS

Rose Bowl	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Operating Revenues	8,957,850	5,630,591	7,083,482	4,987,853	6,415,570	7,887,747	7,421,594	8,952,301	7,696,738	6,150,303
Operating Expenses	8,037,146	5,929,421	6,934,102	6,377,620	6,776,215	7,437,311	7,244,014	9,356,069	8,771,508	7,512,315
Non-Operating Income	(562,668)	(831,278)	(629,569)	492,230	(595,600)	(650,675)	(590,361)	347,136	462,646	(146,552)
Pre-expansion Expenses										(70,623)
NET INCOME	**358,036**	**(1,130,108)**	**(480,189)**	**(897,537)**	**(956,245)**	**(200,239)**	**(412,781)**	**(56,632)**	**(612,124)**	**(1,508,564)**

Brookside	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Operating Revenues	1,636,404	1,785,712	1,835,360	2,195,001	2,061,981	2,101,074	2,021,940	2,050,443	2,110,248	2,035,192
Operating Expenses	698,702	751,948	685,370	636,660	437,588	587,155	547,102	646,063	441,254	545,629
Non-Operating Income	133,047	164,721	149,693	300,143	394,617	608,670	1,304,925	835,605	618,571	601,326
NET INCOME	1,070,749	1,198,485	1,299,683	1,858,484	2,019,010	2,122,589	2,779,763	2,239,985	2,287,565	2,090,889
Arroyo Park	(664,497)	(551,774)	(588,472)	(534,153)	(525,000)					
Retained Earnings	**406,252**	**646,711**	**711,211**	**1,324,331**	**1,494,010**	**2,122,589**	**2,779,763**	**2,239,985**	**2,287,565**	**2,090,889**
Total Earnings	**764,288**	**(483,397)**	**231,022**	**426,794**	**537,765**	**1,922,350**	**2,366,982**	**2,183,353**	**1,675,441**	**582,325**

ACTUAL FINANCIAL RESULTS FY05-FY12

Rose Bowl	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**	**FY11**	**FY12**
Operating Revenues	7,486,737	7,268,839	7,552,038	8,762,911	9,065,547	14,855,801	10,534,676	9,507,435
Operating Expenses	7,917,326	7,914,837	8,410,884	9,731,968	10,272,415	13,730,417	11,700,629	19,596,338
Non-Operating Income	(469,052)	(725,681)	(404,966)	(797,972)	(1,201,436)	(1,018,899)	(5,887,644)	(5,443,307)
Pre-expansion Expenses	(181,838)	0	0	0	0	0	0	0
Capital Contributions	0	2,651,076	297,530	50,000	2,000,000	724,471	2,359,773	861,337
Net Income	**(1,081,479)**	**1,279,397**	**(966,282)**	**(1,717,029)**	**(408,304)**	**830,956**	**(4,693,824)**	**(14,670,873)**

Brookside	**FY05**	**FY06**	**FY07**	**FY08**	**FY09**	**FY10**	**FY11**	**FY12**
Operating Revenues	2,320,094	2,620,935	2,757,556	2,849,362	2,708,624	2,304,458	2,164,662	2,041,038
Operating Expenses	595,506	604,838	647,690	747,277	773,003	753,575	769,569	717,662
Non-Operating Income	673,940	333,947	510,900	598,093	492,247	341,815	498,635	755,049
Capital Contributions	0	0	0	335,000	0	0	0	0
NET INCOME	**2,398,528**	**2,350,044**	**2,620,766**	**3,035,178**	**2,427,868**	**1,892,698**	**1,893,728**	**2,078,425**

Total Earnings	**1,317,049**	**3,629,441**	**1,654,484**	**1,318,149**	**2,019,564**	**2,723,654**	**(2,800,096)**	**(12,592,448)**

Notes: Excludes transfer to City of 10% Green Fees, transfer from City of $273,137 in FY05 and transfer to City of $265,923 in FY08

Oversight

Pursuant to Pasadena Municipal Code Chapter 2.175.030 The RBOC's thirteen-member board is appointed as follows:

1. Each Councilmember and the mayor shall nominate 1 member of a total of 8 members.
2. The Mayor shall nominate 1 member from persons recommended by the 7 Councilmembers and 1 member who is a voting member of the City Council.
3. The Tournament of Roses Association shall nominate 1 member.
4. The City Manager, or his/her authorized representative at the election of the City Manager by written notice to the City Clerk, shall be appointed.
5. The Chancellor of the University of California, Los Angeles shall nominate 1 member.
6. All nominations, except the City Manager, or his or her authorized representative, are subject to ratification by the City Council.

Initial board members selected by the City Council and Mayor served up to three four-year terms and those appointed subsequently may serve two consecutive four-year terms. However, similarly to city commissions, Council/Mayoral appointed board members may continue to serve until a successor is appointed. Additionally, two years must pass before a Council/Mayoral member may be reappointed to the board unless serving in a different representative capacity (2.175.030[B]).

Any member of the board may be removed by the City Council (2.175.030[D]) and Section 2.45.050 of the Pasadena Municipal Code, allowing the vacating of district appointments by newly elected Councilmembers, also applies to the RBOC.

The qualifications for board members is set forth in Section 2.175.040 subsections A and B, as follows:

A. All seven members nominated by City Councilmembers shall be residents of the city, and the members nominated by Councilmembers from Districts 1 and 6 shall be residents of those districts, respectively.

B. Each member shall have recognized competence and wide experience as evidenced by but not limited to any of the following fields: banking; financial services; venture capital; real estate development or financing; real estate leasing and/or property management; senior management of a business; project management; accounting; business law; economic development; community service. Considered as a whole, the board should reflect experience in all these areas. Appointed members must be willing to serve actively for the full term.

Pursuant to subsection 2.175.040[C] City officials, presumably Councilmembers, are urged to seek outstanding individuals whose commitment and talents will contribute to the purpose and functions of the board and who reflect the ethnic, geographic and gender diversity of the city. Interestingly, this same section states "Priority will be given to residents of the city of Pasadena." The inclusion of this statement seems a bit odd given that section 2.175.040[A] requires all those nominated by City Councilmembers to be City residents. Based on the wording, the only potential for a non-resident to serve on the board in a capacity other than representative of the Tournament of Roses, Chancellor of the University of California, Los Angeles or City Manager is to be the Mayoral nomination from among those recommended by the seven Councilmembers.

In regard to the appointment of tenant representatives, in March 2010 the City Council adopted an ordinance modifying the membership qualifications in order to resolve any appearance of conflict of interest. The language, which is produced below, clarifies that the tenant representatives are representing the economic interests of their respective organizations:

> 2.175.045 Appointment of Tenant Representatives. The City Council finds and declares that tenant representatives appointed pursuant to subsection (A)(3) and (A)(5) of section 2.175.030 of this chapter, are appointed for the express purpose of representing and furthering the interests of the Tournament of Roses Association and the University of California, respectively. As contemplated by California Code of Regulations, Section 18707.4, and to the extent contemplated by any successor provisions, each tenant representative shall have an economic interest in the organization that the representative is appointed to represent, which may include, but without limitation, a position as an employee, or a position as a member of the governing body. To the maximum extent permitted by law, each tenant representative may deliberate and vote on the business of the Rose Bowl Operating Company, except that, just as with all other members of the board, a tenant representative may not deliberate or vote where the board's decision has a reasonably foreseeable material financial effect on any other economic interest held by the tenant representative, other than the economic interest the member was appointed to represent. In addition, a tenant representative may not deliberate or vote on the price and terms of payment for the use of the Rose Bowl stadium by or for the organization the tenant representative is appointed to represent.

In creating the RBOC it was anticipated that members of its Board would have particular expertise in fields that would be of value to the management of the Stadium. It was also anticipated that the Board would have more time than the City Council to focus on the issues affecting the Stadium and golf course.

The current Board, which includes two city managers, a City Councilmember, the former general manager of the Dodgers, three attorneys, an I.T. manager, a professional accountant, and other well-qualified and engaged community members clearly exemplifies the type of expertise the City Council was looking for to oversee the operation of the Stadium and golf course.

The RBOC Board meets monthly. In addition, there are two standing sub-committees of Finance and Operations which also meet monthly. Given the other demands on its time, it's difficult to imagine that the City Council could devote as much time to oversight of the RBOC as its Board does.

Nevertheless, when the City Council established the RBOC, it did not intend to divorce itself entirely from oversight of the operation. As mentioned above, the City Council retains sole authority to approve and amend the RBOC's budget (and those of the other two operating companies), any issuance of debt and any displacement events which exceed the number previously authorized, by the City Council, in the Arroyo Seco Public Lands Ordinance. Moreover, section 7.3.9 of the operating agreement between the City and the RBOC, states:

7.3.9 Joint Meeting. Not less than annually, during the first or second month of the calendar year, RBOC and City shall schedule a joint meeting. During this meeting, the following items will be reviewed:

(a) Annual Goals and Objectives Statement with specific measurable indicators.

(b) Annual Report which documents statements of revenues and expenses and details utilization by type of function.

(c) Annual marketing plans for the RBOC Area which reflect the specific performance goals and objectives of the operation. Other items of discussion will include Economic Impact Report and items of special interest.

Despite this provision in the Operating Agreement, there has not been a joint meeting of the City Council and RBOC board since August 14, 2000.

Recommendations to enhance oversight

The City's three operating companies: RBOC, PCOC and PCAC, have a greater level of independence from the City than do City departments. Their respective boards include Council appointees, but other stakeholders as well. The General Managers of each agency report to the respective boards and not to the City Manager. Through operating agreements with RBOC and PCOC, one is currently being developed for PCAC, the City has established general rules of operation dealing with such matters as accounting, procurement, budgeting, liability and workers compensation insurance. As long as the operating companies remain within the parameters of the respective operating agreement, they are free to establish their own policies and procedures.

As mentioned previously, the operating agreement for the RBOC was executed in May 1995. The Agreement will terminate in the year 2020. Many of the terms of the Agreement relate to the transition from a City department to an operating company and as such are irrelevant today. Consequently, it may be appropriate to review the entire Agreement, with input from the RBOC, to develop terms more applicable to current realities. The Finance Committee agreed with this idea, which is presented as Staff Recommendation number 5.

As discussed in the balance of this report, staff is making a number of recommendations aimed at enhancing oversight of the RBOC and the City's other operating companies. If approved, staff would work with the RBOC and PCOC to develop amendments to their respective operating agreements implementing these recommendations and would incorporate the same into the draft operating agreement with PCOC which is currently under development.

Recommendation: Present information, during the annual operating budget review, regarding anticipated adjustments in salary and benefit line-items for each of the City operating companies. Each of the three operating companies establishes its own job classifications, salary ranges and benefit structures. However, given that the City Council maintains the undelegable duty of approving the budget for each operating company, including the amounts designated for gross salary and benefits, it could be argued that City Council approval of salary and benefit ranges is implied. At one time, prior to 2001 when amendments were made to its operating agreement, City Council approval was expressly required for all employment contracts, salaries, wages and labor agreements for the PCOC.

Given the level of scrutiny public-sector salary and benefits have received over the past few years, staff had originally recommended to the Finance Committee that the City Council adopt the practice of formally establishing adjustments to salary ranges and benefit structures through the budget process for City operating companies.

The Finance Committee did not support this recommendation, as it was viewed as infringing on the purview of the operating companies. However, there was general consensus among Committee members that during the annual budget process, additional attention ought to be brought to the underlying salary and benefit assumptions included in the recommended budgets for the operating companies. Given the benefit of discussions with the Finance Committee, staff has revised its recommendation.

Recommendation: Adopt the practice of regular reporting by City operating companies to the City Council through quarterly reports from General Managers and/or Board Chairs. As outlined above, the current operating agreement between the City and the RBOC calls for annual joint meetings between the City Council and the RBOC Board, however, these have not been occurring in recent history. Staff is recommending that rather than joint meetings, quarterly financial and operating updates from either the General Managers and/or Board Chairs would be an appropriate means of informing the Council and the public regarding the operations of the operating companies.

Recommendation: Direct each of the City's operating companies to submit monthly financial information to the City's Finance Director to be included in the Quarterly Financial Monitoring Report submitted to the City Council Finance Committee. The practice of including the RBOC and the PCOC in the quarterly financial monitoring report presented to the City Council's Finance Committee appears to have discontinued in early Fiscal Year 2010, as a search of records indicated that the last time either operating company was included in the report was the fourth quarter of Fiscal Year 2009. Given that the RBOC has $211 million in General Fund-backed debt, and the PCOC another $173 million and that both entities receive revenues that would otherwise be utilized by the General Fund, it is vitally important that the Council Finance Committee receive quarterly reports on financial performance.

Additional Thoughts & Considerations

Managing Major Capital Projects

The RBOC is currently completing major capital improvements to the stadium. This high-profile project has faced a number of challenges, most notable a project budget that escalated from $152 million to $194 million and was then resized to $181 million. As a result there have been calls to reassess the governance structure of the Rose Bowl Stadium and Golf Course. It is fair to state that but for the issues associated with the Rose Bowl Renovation Project, this report probably would not have been drafted. That said it seems appropriate to touch on the issue of management of major capital projects by the RBOC, which by extension should apply to the City's other operating companies.

The challenges facing the Rose Bowl Renovation Project have been well documented and owe much to the difficulty of undertaking substantial renovations to a historic structure. An independent consultant's review of the project was commissioned by the President of the RBOC last fall. That report, completed by Heery International, Inc., made a number of findings. In summary, the Heery Report concluded that:

1. There are sufficient project controls and procedures in place for construction in-progress to give confidence that the completed Project will be of sound quality and will meet the goals of the Project stated in the master plan.

2. The RBOC is paying fair market value for planned scope of work and that the Project's budgetary gap was not the result of cost overruns.

3. Deficiencies in the original Project budget caused what should have been recognized as an approximately $200 million project from the outset to be undervalued as an approximately $150 million project.

4. Some strategic decisions increased risks such as the use of a multiple-prime project delivery method.

5. The members of the Project Team are professional and committed and they operate like a team. The owner's representative role should be enhanced to the level of a "trusted advisor" to the RBOC.

Additionally, the Report made a number of recommendations in order to assist with the successful completion of the Project. (Attachment F is a report from the RBOC Renovation Ad Hoc Subcommittee Chair).

The RBOC has dealt effectively with the challenges of the Renovation Project; however, as suggested by the Heery Report's findings, were it to do it all over again, it's possible that certain decisions would have been different. One additional consideration that wasn't included in the Heery Report, as it was out of scope, is whether City operating companies should be responsible for managing major capital improvement projects or whether that responsibility should rest with the City's Public Works Department. The RBOC and the PCOC are the City's managing agents for the Rose Bowl Stadium and the Pasadena Center, but the facilities themselves remain City assets and the ultimate responsibility for these assets rests with the City.

Recommendation: Direct the City Manager to work with the General Managers of City operating companies to develop a policy for capital project construction management and return to City Council for consideration. In general, the City's three operating companies are staffed at a level to manage their day-to-day operations and the core-competencies are consistent with their respective operating missions. While it is possible to hire qualified consultants to augment staff, utilizing the experience of the City's Public Works Department, which has managed numerous complex construction projects over the years, may provide additional benefits. It is recommended that the City Manager and the General Managers develop a policy for managing capital improvements, which may take into account various expenditure thresholds.

Managing Events

Recommendation: Direct City staff and the Rose Bowl Operating Company to jointly undertake an analysis of event coordination in the Arroyo. In general, the RBOC hosts two types of events; those which occur inside the stadium such as football, soccer and concerts and those which occur outside such as 5k and other runs and festivals such as the recently completed Autism Speaks event. Given the experience of the RBOC and City support departments such as, Police, Fire and Public Works, managing events inside the Stadium has become routine as has the approach to cost recovery.

By contrast, there are often conflicts and challenges as it relates to the scheduling and coordination of events booked by the RBOC or the City that take place outside the Stadium. The situation becomes even more complex when other groups in the Arroyo, including Kidspace museum and the Rose Bowl Aquatic Center host events. For example, during the weekend of June 1-3 the RBOC hosted the KARE youth circus with an estimated 5,000 people in the Stadium as well as an RV show in Lot K, a private reception inside the locker rooms and filming inside the Court of Champions. Lot F was used for parking with overflow directed to Lot B. Youth Rugby groups were using the playing fields in the area and the Kennel Club of Pasadena hosted an event that occupied all of Brookside Park and Lot I. In addition to the scheduled activities, golf and general recreation activities were occurring at the golf course and around the recreational loop. With more pressure on the RBOC to generate additional revenue, such conflicts are even more likely in the future.

While City and RBOC staffs work in partnership, along with Kidspace and the Aquatic Center, to coordinate events in the Arroyo, there is a sense that the approach remains somewhat fragmented and could be improved. A number of the adjacent neighborhood associations have suggested that there should be a single entity responsible for coordinating events in the Arroyo so as to avoid or at least minimize impacts of staging multiple events. No doubt this sentiment is a primary reason why establishing a conservancy, as suggested by the Urban Land Institutes recent Governors Panel, has received so much interest.

Other Stadiums
Across the country there are a variety of public stadium ownership/management models including direct management by cities, joint powers authorities and private public partnerships. The following section outlines the structure of a number of stadiums across the country.

Los Angeles Memorial Coliseum (Los Angeles, California) - The Coliseum is jointly owned by the state of California, Los Angeles County, and the city of Los Angeles; it is currently managed by the Los Angeles Memorial Coliseum Commission, which has board members drawn from the three ownership interests.

The Los Angeles Memorial Coliseum Commission was formed under the Joint Exercise of Powers Act on September 25, 1945. Although this governing body is comprised of representatives from the city of Los Angeles, the county of Los Angeles and the state of California, no taxpayer funds are used to support the facilities. The complex is supported solely by revenue generated from the Coliseum and Los Angeles Memorial Sports Arena.

Featuring a capacity of over 93,000, the Coliseum is home to the USC Trojan Football Team. The facility is also rented for various events, including international soccer games, musical concerts and other large outdoor events.

Recently, a lease agreement was approved that will pave the way for USC to oversee management of the Los Angeles Memorial Coliseum. Key deal points include:

• USC will sign a 99-year lease to manage the Coliseum and will pay $1 million per year in rent to the state of California.

• USC will put approximately $100 million into improvements over the first half of the contract, with $70 million coming in the first 10 years.

• USC has the right to develop the Sports Arena property.

The university has expressed an interest in putting a soccer stadium at the site and there has been an environmental impact report completed, but right now there is no confirmation on how the site will be used.

Angel Stadium of Anaheim (Anaheim, California) - The Angels Stadium of Anaheim is owned by the City of Anaheim and is operated by Angels Baseball, L.P. The primary tenant of the venue is the Los Angeles Angels of Anaheim franchise.

In 2003, Angels Baseball, L.P., a group headed by advertising magnate Arturo "Arte" Moreno, acquired ownership of the Los Angeles Angels of Anaheim. Angels Baseball, L.P. is structured as a privately run corporation with 131 full-time employees. As part of a prior negotiated deal between the Angels and city of Anaheim, the franchise has committed to staying in Anaheim until 2031, with an option to leave the facility after the 2016 season.

The stadium features a capacity of 45,483 and houses the studios and offices of the Angels' owned and operated flagship radio station, KLAA (830 AM).

In addition to Angels Baseball games, the venues has served host to other sporting events such as high school and college football games. After the Walt Disney Company took a controlling interest in the team in 1996, the facility was designated as a baseball-only facility but still serves host to concerts, 5ks, RV shows and other forms of public assembly. The stadium rents various locations for private events and tours.

Cotton Bowl Stadium (Dallas, TX) - Cotton Bowl Stadium is the former venue of the Cotton Bowl and is the current neutral-home field to the Red River Rivalry match-up between the University of Texas and the University of Oklahoma as well as the State Fair Classic match-up between Grambling University and Prairie View A&M University. The Cotton Bowl is newly renovated with a seating capacity of 92,100 and is the centerpiece of Fair Park, site of the State Fair, concerts and other public assemblies.

The Cotton Bowl Stadium is owned by the city of Dallas, TX and is operated under the management of the Fair Park Administration (FPA), a division of the Dallas Park & Recreation Department. During the period of the State Fair of Texas, management and security is the responsibility of the State Fair Association. Administration of the FPA falls under the purview of an Executive General Manager and Senior Park Manager that report to the city of Dallas, TX. In addition, Cotton Bowl Stadium operations are the responsibility of a Cotton Bowl General Manager.

Alamodome (San Antonio, Texas) - The Alamodome is owned and operated by the city of San Antonio. It serves host to the annual Alamo Bowl, U.S. Army All American Bowl, Arena Football's San Antonio Talons, trade shows, conventions, concerts and other large public assemblies.

Convention, Sports and Entertainment Facilities (CSEF) is a combined City department with oversight of facility management for the Alamodome, Illusions Theater, Henry B. Gonzales Convention Center and the Lila Rockwell Theater. In addition, CSEF managed leases for the Nelson Wolff Stadium, Universidad Nacional Autonoma de Mexico, Instituto Cultural de Mexico and the Grand Hyatt Hotel.

The combined FY2012 revenues of the CSEF totaled $31.1 million. Revenue categories (in millions) contributing to this total included $6.8 from the Alamodome, $11.0 from the Convention Center and $13.3 from Hotel Occupancy Tax.

University of Phoenix Stadium (Glendale, Arizona) - University of Phoenix Stadium is a multi-purpose stadium located in Glendale, Arizona and is home to the National Football League's Arizona Cardinals and hosts the annual Fiesta Bowl. The Stadium is owned and managed by the Arizona Sports & Tourism Authority (AZSTA), a nine-member board appointed by the Governor (5), President of the Senate (2) and the Speaker of the House (2).

The AZSTA is a municipal corporation dedicated to enhancing the economy and community's quality of life through the development of professional and amateur sports facilities, the attraction of entertainment, sporting and business events and through tourism promotion.

The AZSTA is charged with operating the University of Phoenix Stadium, funding tourism promotion in Maricopa County, funding the construction and renovation of Cactus League Spring Training facilities, and funding youth and amateur sports projects and programs.

The annual economic impact of the AZSTA's activities and projects contribute $1.95 billion annually to the area economy (Jobs created = 16,430, Wages = $778 million Direct spending = $1.04 billion, Total economic output = $1.95 billion).

Stadium revenues are also supported by hosting various BCS Games, Super Bowls, soccer games, concerts, conventions, and other large public assemblies.

Soldier Field (Chicago, Illinois) - Soldier Field – "A Stadium in the Park" - is the home field of the Chicago Bears, NIU Huskies Football Program, music concerts and other public assemblies. Soldier Field is owned by the Chicago Park District, the country's oldest and (financially) largest park district in the country with an annual budget of $385 million.

The Chicago Park District is an independent taxing authority as defined by Illinois State Statute and is considered a separate/sister agency of the city of Chicago. The CEO of the Park District is appointed by the Mayor of Chicago.

The Chicago Park District oversees more than 580 parks with over 8,100 acres of municipal parkland as well as 24 beaches, 77 pools, 10 museums, two world-class conservatories, 16 historic lagoons and 10 bird and wildlife gardens that are found within the city limits.

RFK Stadium (Washington, DC) - RFK Stadium is a multi-sport facility designed for both football and baseball and is the current home for Major League Soccer's DC

United. In addition to professional sports, the facility serves host to the Military Bowl presented by Northrop Grumman (DC's first college bowl game), AT&T's National Classic (a football match-up between two historically black colleges and universities), concerts, public assemblies, and an on-site skate park.

RFK Stadium is presently owned and operated by the Washington Convention and Sports Authority. The Washington Convention Center Authority and DC Sports Entertainment Commission were both established in 1994 to operate and manage the convention center as well as to drive sporting and entertainment programming to the nation's capital. Both companies merged in 2009 to form the Washington Convention and Sports Authority and in 2011, unveiled its new brand- Events DC.

Events DC is charged with creating economic and community benefits for the District of Columbia through its attraction and promotion of hospitality, athletic, entertainment and cultural events. Events DC is governed by an eleven member Board of Directors appointed by the mayor, with the exception of two ex-officio members, confirmed by the Council of the District of Columbia. The Board members represent specific business segments of the community.

In addition to managing RFK Stadium, Events DC owns and managed the Walter E. Washington Convention Center, the DC Armory and surrounding Festival Grounds, as well as serving as owner and landlord for Nationals Park.

Century Link Field (Seattle, Washington) - The Washington State Public Stadium Authority (WSPSA) is a public-private partnership that oversees the management of the Century Link Stadium, exhibition center, theater and public parking garage complex. The stadium was built in 2002 after voters approved funding for the construction in a statewide election held in 1997. The vote created the WSPSA to oversee public ownership of the venue while Seattle Seahawks owner Paul Allen formed First & Goal Inc. (FGI) to develop and operate the new facilities.

The WSPSA is overseen by a seven-member board appointed by the state governor. It is committed to maintaining vigilant and cost-effective management of the public-private partnership for developing and operating the stadium. The board is comprised of individuals with relevant experience including real estate law, engineering, construction, architecture and economic strategy.

FGI has a 30-year stadium lease to operate the facility. The WSPSA received $850,000 a year from FGI (adjusted for inflation) and FGI keeps all revenue from the stadium and parking garage. FGI received 80% of the revenue from the exhibition center while the other 20% is allotted to a state education fund. The company is responsible for all operating and maintenance costs, expected to be $6 million a year.

Century Link Field has a capacity of up to 72,000 and is the home field for the Seattle Seahawks of the National Football League and Seattle Sounders FC of Major League Soccer. In addition, it serves host to concerts, public speaking engagements and offroad motorcycle races.

The WSPSA also manages an event center called the WaMu Theater, a parking garage and public plaza which hosts concerts, trade shows, job fairs, pre-game events and boat/RV shows.

Minnesota Vikings Metrodome (Minneapolis, Minnesota) - The Minnesota Sports Facilities Authority (MSFA) was established by the legislature in 2012 and charged with the design, construction and operation of the new multi-purpose stadium. The MSFA consists of five members, appointed by the governor and the city of Minneapolis.

In March 2012, a three-party agreement permitting construction of a new people's stadium was announced pending approval by the state legislature and Minneapolis City Council. The agreement required the Minnesota Vikings to pay more than 50 percent of the construction and operating costs during the stadium's lifecycle, the most any team has invested for its own stadium. Additionally, the Minnesota Vikings committed to playing at the stadium for at least the next 30 years. The new stadium plan was financed using existing convention center and hospitality taxes in Minneapolis, and allowing electronic charitable pull-tabs in bars and restaurants in Minnesota.

Operating revenues of the existing stadium were $16,347,253 for fiscal year 2011. Sources of revenue are comprised of concessions, admission tax, rent, charges for services, advertising, parking, and other revenues. Food and beverage concessions constitute the largest source of revenues and represent 42.8 percent of total operating revenues.

The Metrodome is home to the National Football League's Minnesota Vikings and serves host to a variety of events throughout the year including college sports, concerts, home and auto shows, cultural and religious gatherings, motorcycle racing, and wrestling events. The Stadium opens to the public for seasonal dome running and in-line skating on the concourse.

Heinz Field (Pittsburgh, Pennsylvania) - The Stadium Authority of the city of Pittsburgh, a subset of the Sports & Exhibition Authority of Pittsburgh (SEA), was responsible for the development of Heinz Field for the National Football League's Pittsburgh Steelers. It currently owns the West General Robinson Street Garage and surface parking lots near PNC Park and Heinz Field. The Stadium Authority also leases parking facilities north of PNC Park. The Authority's activities are directed by five board members appointed by the mayor of Pittsburgh.

While the Stadium Authority manages and operates the parking lots surrounding the stadium, the SEA owns and operates several venues for the city of Pittsburgh including Heinz Field, Civic Arena, PNC Park, David L. Lawrence Convention Center, Consol Energy Center, North Shore Riverfront Park and Parking Garage. The SEA is charged with developing first class sports, entertainment, recreational and convention venues to benefit Pittsburgh's economy and improve quality of life.

Pittsburgh's SEA is governed by a seven member Board of Directors appointed by both the county of Alleghany and the city of Pittsburgh. The SEA is also charged with the implementation of the Regional Destination Financing Plan with current projects that include the development of a convention quality hotel and redevelopment of the historic "Lower Hill District."

In addition to Steelers and Panthers games, the venue also hosts other sporting events such as high school football games, soccer games, festivals, concerts and other forms of public assembly.

Lambeau Field (Green Bay, Wisconsin) - Lambeau Field is the home stadium for the National Football League's Green Bay Packers, a team and organization unique in both structure and accomplishment. Lambeau Field is owned by the city of Green Bay and managed by Green Bay Packers, Inc. (GBPI), a non-profit corporation. GBPI is governed by a seven-member Executive Committee, elected from a board of directors. The committee directs corporate management, approves major capital expenditures, establishes board policy and monitor's management's performance in conducting the business and affairs of the corporation.

In November 2000, Brown County voters approved both a sales tax to fund Lambeau Field's renovation as well as a second referendum asking whether naming rights to the renovated stadium should be sold in order to retire earlier the 0.5% sales tax created to cover the construction costs.

GBPI entered talks with the city of Green Bay and both agreed to sell the rights if a price of $100 million could be realized, although no buyer has been found. In light of this, GBPI has sold naming rights to stadium's five entrance gates: Miller Brewing (atrium gate), the Oneida Tribe of Indians of Wisconsin, Mills Fleet Farm stores, Associated Bank and Verizon. Miller Brewing is a sponsor of the atrium and has a section in on end zone called the "Miller Lite End Zone," giving away tickets in that area with various beer promotions.

Ford Field (Detroit, Michigan) - Ford Field is the home field of the National Football League's Detroit Lions and annually serves host to the Little Caesar's Bowl. It is owned and operated by the Detroit-Wayne County Stadium Authority. The authority leases the stadiums to Wayne County, which then subleases them to the Detroit Downtown Development Authority (DDA). In turn the DDA has concession and management agreements with the Tigers and Lions that define how the teams operate the stadiums.

The Detroit-Wayne County Stadium Authority is a six-member politically appointed body that holds the right to assemble and, if needed, condemn land required for the economic development activity associated with the two side-by-side stadiums in downtown Detroit (Comerica Park completed in 2000 for Major League Baseball's Detroit Tigers and Ford Field completed in 2002 for the Detroit Lions).

Each member of the Commission is appointed by the Chief Executive Officer of the county of Wayne, Michigan. Of the six appointed members, three are appointed after being nominated by the Mayor of the city of Detroit. For financial reporting purposes, the Authority is a component unit of the County because the Commission members are appointed by the County's Chief Executive Officer.

In addition to being the home field of the Detroit Lions, Ford Field also serves host to the Little Caesar's Bowl, NCAA Basketball Tournaments, the 2010 NCAA Frozen Four hockey tournament, soccer tournaments, concerts, bull riding and other large public assemblies.

Superdome (New Orleans, Louisiana) - The Mercedes Benz Superdome (Superdome) is the home field of the National Football League's New Orleans Saints and annually serves host to the Allstate Sugar Bowl. The Superdome is owned by the state of Louisiana and managed by SMG, a leader in venue management, marketing and development.

The State of Louisiana charges the Louisiana Stadium & Exposition District (LSED) with the governance of the Superdome as well as six other publicly-owned properties including the Alario Center, Champions Square, New Orleans Arena, New Orleans Saints Training Facility, TPC Louisiana and Zephyr Field. The LSED is a state agency/political subdivision comprised of seven members appointed by the governor. The board's primary objectives are to plan, finance, construct, develop, maintain and operate facilities located within the District for events of public interest.

The Superdome annually serves host to other events including Monster Jam, Essence Jazz Festival, high school and collegiate football games, home and auto shows and the 2013 Super Bowl.

New Approaches/Alternative Structures

As evidenced by the above survey, there are a variety of stadium ownership/management models across the United States and particular governance structures owe much to local conditions and circumstances. For Pasadena the operating company governance model works well and has achieved the goals established by the City Council.

In developing this report staff considered one potential governance change; merging the RBOC and the PCOC into a single sports and tourism agency. Potentially, such a merger could result in several benefits. While maintaining the entrepreneurial spirit of an operating company, a sports and tourism agency could leverage the best of the RBOC and PCOC to support economic development and tourism. For example, since the completion of the Rose Bowl locker room project, numerous events have been hosted there and now that the pavilion project is complete other opportunities will certainly present themselves. Making these spaces more readily available to be booked as meeting space could help make Pasadena a more desirable location to host conferences. Marketing and promotion could also be enhanced.

Combining operations would likely result in economies of scale in the areas of finance, human resources, and information technology as well as support greater consistency in management practices across the broad municipal organization. However, the merger of the two operating companies would also create some real and immediate complications which probably make such a move impractical. For example, each agency has a different salary and benefit model, particularly as it relates to employee retirement. Additionally, the governing boards of the RBOC and PCOC have been carefully designed by the City Council to provide key stakeholder participation. Maintaining similar balance in a combined operation may not be possible. Fortunately, the organizations need not be merged in order for the operating companies to benefit from economies of scale and most recently the respective General Managers have begun discussing areas where they may jointly obtain services as well as combined marketing efforts. This effort should be encouraged.

Conclusion

As stated at the outset, this report is intended to facilitate discussion and assist policymakers in assessing the appropriate governance structure for the Rose Bowl Stadium and Brookside Golf Course. Staff stands ready to undertake any additional analysis or take other actions as directed by the City Council.

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Attachments:

A – Organizational Study of the Arroyo Seco/Rose Bowl Department
B – Analysis of Rose Bowl Operating Alternatives
C – Financial Operations Review
D – Minutes from City Council meeting of August 30, 1999
E – Rose Bowl Operating Company Ten-year Financial Projection – January 1995
F – Report from RBOC Renovation Ad Hoc Subcommittee