

Agenda Report

June 6, 2022

TO: Honorable Mayor and City Council

FROM: Rose Bowl Operating Company (RBOC)

SUBJECT: Consideration of Rose Bowl Operating Company (RBOC) Five-Year Strategic Initiatives

RECOMMENDATION:

It is recommended that City Council:

1. Authorize the General Manager, on behalf of City Council, to
 - a. Diligently pursue the following revenue generating opportunities in a pre-development phase:
 - i. Family Golf Center
 - ii. Campus Marque/Sponsorship Program
 - iii. Sponsorship 210 freeway signage
 - iv. Alignment of interests in contracts with UCLA and Tournament of Roses
 - v. South End Zone seating project
 - vi. Analysis of a potential city-wide parking tax on paid parking spaces
 - vii. A potential increase of Transient Occupancy Tax
 - viii. Third-party funding opportunities related to future capital improvements
 - b. Explore additional opportunities in the Rose Bowl area that would broaden the monetization opportunities while being cognizant of acceptable use within the Arroyo Seco.
2. Direct the Interim City Manager to work together with the Rose Bowl Operating Company (RBOC) General Manager and report to the RBOC and City Council (or designated City Council Committee) quarterly with updates on progress.

BACKGROUND:

The Rose Bowl Stadium is important city asset. The Rose Bowl helps make Pasadena a globally recognized world-class city, attracting millions of tourists, and bringing in new residents from around the world. Clearly, the vision of building a stadium in Pasadena in the early 1920's was one of the most important decisions in the history of Pasadena.

The Stadium is celebrating its centennial in 2022 and while its first 100 years have been a success in every imaginable way, the next 100 will be more challenging, and arguably the next few years are the most critical in the stadium's history. Although over the past twelve months the RBOC has exceeded financial expectations, the well-chronicled long-term challenges facing the stadium are significant and it will take collaboration between the City of Pasadena (the owner), the Rose Bowl Operating Company (its management company), long term stadium partners (UCLA, Tournament of Roses®) and the community, to develop a pathway for future success and sustainability.

Even as the campus continues to rebound from the significant impacts of the COVID-19 pandemic, both the Rose Bowl Stadium and Brookside Golf Course are facing increased operating costs. To cover these rising costs and the annual bond debt, both entities must outperform expectations and even then, will likely need external revenue assistance.

The Rose Bowl Stadium's biggest challenge continues to be in the current business model, with the Stadium's capital demands and an increasingly competitive environment. The Rose Bowl financial model has been primarily driven by hosting large events and smaller enterprise events while balancing the impact on the surrounding neighborhood. As the Stadium celebrates its centennial, investments in capital projects are a necessity. The Rose Bowl Legacy Foundation is a success story and is close to completing a \$40 million capital campaign, having raised more than \$50 million in totality since its inception in 2010. Even with the success of Legacy, the funding for capital projects is a challenge that will require external support. To date, the RBOC and Legacy have led the industry in creative thinking and efforts to support the 100-year-old municipality-owned stadium, but it is no longer enough.

Attendance for large tenant events (UCLA Football, the Rose Bowl Game® and the Music Festival) is still the biggest performance indicator for the Stadium and generating the necessary funds to cover operating expenses and the annual debt service. Recognizing that that event attendance is not within the RBOC's control, it is essential that we work with our tenants to support their success. Ensuring the success of the Music Festival and our partner, AEG, is also not only important financially, but will demonstrate that the RBOC's revenue growth must be based on utilizing the entire campus.

Based on the trends of attendance of college football the past several years, plus the competition in the Los Angeles market with SoFi Stadium, the L.A. Coliseum and Dodger Stadium, developing additional initiatives are essential to the future of the Rose Bowl Stadium. Ultimately, this will require some hard decisions, and a balance between revenue potential and community impacts. However, if additional initiatives are not identified and implemented, then the City, as the owner of the stadium, will have to provide the additional financial support.

Five-Year Operating Proforma

On June 8, 2021, the RBOC presented to City Council with “RBOC At A Glance: Presentation of Five-Year Proforma and Revenue Opportunities Plan.” Since June 2021, the Fiscal 2022 Operating Reserve Balance Ending Balance projection has improved by \$11.6M (from \$800K to \$12.4M).

As part of the June 2021 report, the RBOC reported its projection for Fiscal 2023-2026 was a deficit of \$26.5M to the operating budget. Now, one year later, the projection for the operating proforma (after debt service, preventative maintenance, and capital expenses) is a deficit of \$11.7M, a \$14.8M improvement (in the same timeframe Fiscal 2023-2026). Clearly, it was a very positive year for the RBOC with many accomplishments. However, the financial structure of the RBOC remains uncertain and continues to forecast annual operating budget deficits.

The current proforma projects 21-22 major events per year and a Net loss between \$4.6M to \$7.6M per year between Fiscal 2023-2027. Ending available balance of Fiscal 2024 is forecast to be \$985K and in a deficit as of Fiscal 2025 and moving forward.

	FY 2022 Forecast	FY 2023 Pro-Forma	FY 2024 Pro-Forma	FY 2025 Pro-Forma	FY 2026 Pro-Forma	FY 2027 Pro-Forma
Stadium Net Income / (Loss)	\$3,945,400	\$7,109,347	\$6,406,208	\$6,152,951	\$6,146,404	\$5,484,363
Golf Net Income / (Loss)	\$2,564,521	\$2,395,936	\$2,651,594	\$2,761,933	\$2,796,699	\$2,841,690
Net Income / (Loss) Before Debt Service, PM, and CapEx	\$6,509,921	\$9,505,283	\$9,057,802	\$8,914,884	\$8,943,104	\$8,326,053
Preventative Maintenance and CapEx	(\$681,135)	(\$1,804,110)	(\$1,894,289)	(\$1,941,152)	(\$1,989,423)	(\$2,039,140)
Debt Service (Net of Subsidies)	(\$11,960,717)	(\$12,306,340)	(\$12,712,815)	(\$13,116,184)	(\$13,520,880)	(\$13,930,779)
City Contribution to Debt Service	\$9,434,093	\$0	\$0	\$0	\$0	\$0
Net Income / (Loss)	\$3,302,163	(\$4,605,166)	(\$5,549,302)	(\$6,142,452)	(\$6,567,199)	(\$7,643,866)

	FY 2022 Forecast	FY 2023 Pro-Forma	FY 2024 Pro-Forma	FY 2025 Pro-Forma	FY 2026 Pro-Forma	FY 2027 Pro-Forma
Operating Reserve Balance - Beginning	\$12,584,399	\$12,386,562	\$6,534,179	\$984,877	(\$5,157,575)	(\$11,724,775)
Net Income / (Loss)	\$3,302,163	(\$4,605,166)	(\$5,549,302)	(\$6,142,452)	(\$6,567,199)	(\$7,643,866)
Less: RBOC Reserve Policy	(\$3,500,000)	(\$1,247,217)	\$0	\$0	\$0	\$0
Operating Reserve Balance - Ending	\$12,386,562	\$6,534,179	\$984,877	(\$5,157,575)	(\$11,724,775)	(\$19,368,641)

Capital Forecast

The venue is 100 years old, and with any venue that age, especially one that has challenges in funding its capital needs, the essential needs can be large. The RBOC is investing \$11.2M in this upcoming fiscal year into capital improvements, the largest amount invested in capital since the completion of the renovations more than eight years ago.

Essential items are those that must be code-compliant or may impact safety. There are also repairs that need to be addressed over the next six years that will cost, at minimum, approximately \$54M:

- IT \$3.5M
- Utilities \$6.2M
- Vertical Circulation \$2M

- F&B (food & beverage) \$1M
- Concrete Overlay/Repair \$11M
- Structural \$9.3M
- Seating \$20.5M
- Other \$240K

Out of this \$54M in essential work, the RBOC has already allocated \$8.1M in the FY23 CIP budget, leaving \$46M still to be funded. This equates to an annual CIP spend of \$9.2M between FY24 and FY28. It is anticipated that the Rose Bowl Legacy Foundation will continue to be a funding source for capital improvements, in addition to a focus on third-party opportunities (e.g., concessionaires, sponsorship rights holders, grant opportunities – federal, state, county). However, it is not likely that these sources will be enough to fund the entire \$46M.

Strategic Initiatives

It is imperative that the RBOC have a balanced annual operating budget and reinvest in the Stadium. When the Rose Bowl was built 100 years ago, it served as the home to one event a year, the Rose Bowl Game. Over the past 100 years, America's Stadium has hosted multiple Olympic Games, World Cups, the annual Rose Bowl Game®, UCLA Football, world-class concerts, and has become one of the premier festival sites in America. The RBOC, and Pasadena, must embrace the evolution of this amazing asset to insure it is relevant for another 100 years. In the past ten years alone, the RBOC has attracted new tenants in the Music Festival and AEG Soccer, inked industry leading deals for sponsorship rights fees, and created arguably one of the most impressive Enterprise Event divisions in the country. The culture and process that the Rose Bowl Stadium has built will ensure success over the next decade. Matched with the opportunity to do more in the Central Arroyo and surrounding areas, like the projects being considered in the CAAICON report, may be enough to balance our operating budget.

The key factors considered for Strategic Initiatives:

- Focus on long-term financial stability for the RBOC's operating budget
- Reinvest into the stadium and prioritize safety and code matters, while also investing into revenue generating initiatives
- Continue to host events that will provide direct and indirect economic impact for the community and enhance the brand of Pasadena and the Rose Bowl Stadium
- Focus on third parties for funding of future capital improvements
- Minimize the use of the City's General Fund to financially support the RBOC
- Enable the RBOC to properly monetize the RBOC area
- Seek to collaborate more with Pasadena Center Operating Company, including appropriate measurement of direct and indirect economic impacts
- Prioritize community events and activities as well as neighborhood relations

- Work closely with existing partners and seek additional alliances to enhance efforts

A critical component of the Strategic Plan is to identify incremental revenue opportunities. CAAICON, a consultant to the RBOC and many entertainment venues throughout the country, was engaged to evaluate revenue generating opportunities on the Rose Bowl campus. After initially identifying over 100 possible endeavors (see appendix A) that ranged from adding new uses such as hotel in the Arroyo or an ice-skating rinks on property, to dedicated tax dollars from new sources currently not funding city services, the following nine projects were identified as ones that were most feasible by RBOC staff:

1. Family Golf Center – Potential expansion of driving range and miniature golf designed to attract families to Brookside area*
 - a. Preliminary estimated cost - \$7.5M-\$10M
 - a. Projected annual net surplus after expenses/debt service - \$1M
2. Campus Marque/Sponsorship Program – Have a commercial name associated with the Rose Bowl area, excluding naming of the Stadium
 - a. Preliminary estimated cost – \$4.5M
 - b. Projected annual net surplus after expenses/debt service \$600k-1.5M
3. Sponsorship 210 freeway signage - Similar to other venues in California, have Rose Bowl signage adjacent to the 210 and/or 134 freeways
 - a. Preliminary estimated cost – \$3.0M (210 signage)
 - b. Projected annual net surplus after expenses/debt service – \$1.0M (210 signage)
4. Alignment of interests in contracts with UCLA and Tournament of Roses® – Actions that could enable parties to improve monetization
 - a. Preliminary estimated cost – TBD
 - b. Projected annual revenue – TBD
5. South End Zone seating and in-stadium amphitheater project – Remove seats that are not in demand currently for a majority of events at the Rose Bowl in the South End zone area, create a field level premium seating area and/or provide a smaller venue within the Rose Bowl for performing arts
 - a. Preliminary estimated cost – \$31.8M
 - b. Projected annual net surplus after expenses/debt service – \$1.3M (to be further refined)
6. A parking tax on paid parking spaces in the city that would require a city-wide vote of 66%

- a. Preliminary estimated cost - TBD
 - b. Projected annual revenue – up to \$3 million annually
- 7. Increase of Transient Occupancy Tax of up to 2%
 - a. Preliminary estimated cost – TBD
 - b. Projected annual revenue – up to \$3 million annually
- 8. Third-party funding opportunities related to future capital improvements
 - a. Preliminary estimated cost – TBD
 - b. Projected annual revenue – TBD
- 9. Pursuit of ancillary opportunities for the Rose Bowl area that would complement other uses within the Arroyo Seco (see ancillary opportunities below)
 - a. Preliminary estimated cost – TBD
 - b. Projected annual revenue – TBD

*This excludes using the footprint at Brookside Restaurant for either a new building or renovated space that could better serve the community and provide a more substantive financial return. Coupling the Clubhouse (current, renovated, new) is being explored and could be included in the Family Golf capital and revenue plans.

Ancillary Opportunities

The Rose Bowl area and the Arroyo is arguably the venue's greatest strength. This was made very clear to the RBOC when the decision was made to host a music festival. Going into the discussions, the thought was the music festival was going to be inside the stadium; however, after discussions with AEG, the perspective was that the golf course and Central Arroyo were the most appealing element of the Rose Bowl area. Since that time, more focus has been on the "Rose Bowl Campus," and it has proved to be a very successful approach.

It is important to explore other opportunities that have been successful in other parts of the world to see if any could be adapted and compatible with the Arroyo. For example, any new initiative would enhance the "wellness, good health, and entertainment" mindset which exists in the Central Arroyo and may require a charter and/or municipal code amendment.

Identifying big picture opportunities that would be considered complementary in the Central Arroyo is important. Much of the area is either dedicated or has historical designations and is revered by many residents and recreation users. The RBOC is looking for initiatives that enhance the space adjacent to the Rose Bowl and Brookside Golf Course to be part of the spirit of "wellness, good health and entertainment" which could be embraced by the community.

A few examples are the following:

- **Torrey Pines Golf Course** (Torrey Pines Lodge, boutique hotel)
- **Great Park, Irvine, California** (Youth sports complex that charges usage fees)
- **Yosemite National Park** (The Ahwahnee Hotel within Yosemite)
- **Old Course, St. Andrews** (The storied golf course is regularly closed so residents can use the space as a park and picnic ground, with a hotel on premise)
- **Millennium Park McDonald's Cycling Center** (McDonald's funds a cycling center where people store bicycles and pay to have the space be utilized, akin to a health club in the middle of the park)
- **Gathering Place, Tulsa, Oklahoma** (Park in the middle of Tulsa intended to provide residents a place to feel like they are on vacation while they are at home)
- **Tavern on the Green, New York City** (In the middle of Central Park, an expansive food and beverage experience exists that focuses on private events, an upscale restaurant experience, and outdoor bar)

Community Relations and Impact

The Rose Bowl Stadium is in the heart of the Arroyo Seco. America's Stadium is known as a community stadium and prides itself in giving back to the local community all year long through programming, investment, and educational opportunities.

Examples include:

Providing Community Events and Programming:

- **Annual Egg Bowl at the Rose Bowl** – A free, family-friendly egg hunt hosted in partnership with the City of Pasadena and Rose Bowl Legacy Foundation each spring.
 - Total Impact is 8,000+ residents and families enjoying games, food and beverage and more each year.
- **Cinco de Mayo at the Rose Bowl** – A free, family-friendly event celebrating Cinco de Mayo with an all-day event included music, entertainment, a health and wellness area and marketplace.
 - Total Impact is estimated 6,000 attendees on the Rose Bowl Stadium field in 2022
- **Annual AmericaFest 4th of July Celebration** – As one of the longest-running July 4th celebrations in the nation, AmericaFest at the Rose Bowl welcomes thousands inside and outside the Stadium in the Arroyo Seco for one of Southern California's largest fireworks displays, entertainment, tailgating and more. In association with Legacy Foundation community donors, the Stadium is honored to continue this event's history.
 - Total Impact welcomes 20,000 guests inside its gates and another 50,000 guests outside for the fireworks each year.

- **The Annual Turkey Tussle** – An annual rivalry football game in the Pasadena Unified School District between John Muir High School and Pasadena High School. This event has taken place inside America's Stadium since 1947 to determine who owns the bell.

Investing in the Community:

- **Central Arroyo Community Recreation Loop** – The Legacy Foundation raised \$1.3 million to fully fund a 0.8-mile pathway in Area H as a supplemental option to the 3.2-mile Rose Bowl Loop to benefit the health, wellness and activity of residents and visitors. The pathway features exercise equipment, rest and pet areas in one of the most active recreational areas in Los Angeles County.
 - Total impact is estimated at 3,000-4,000 visitors per day based on recreational activity on the Rose Bowl Loop, which includes the Community Recreation Loop
- **Family/Food Support During the Pandemic** - The Rose Bowl, in partnership with private Legacy Foundation donors and the venue's food supplier, Levy Restaurants, provided 75,000 meals to Pasadena Unified School District (PUSD) students and their families who were affected by the pandemic school closures and job losses. These meals were distributed on the weekends, ensuring that all families who received meals from the district during the week would have no gaps in food.
 - Total Impact was 75,000+ meals over several months to PUSD students and families.
- **COVID-19 Testing Site** - Addressed COVID-19 relief and local needs by hosting, in coordination with the City of Pasadena and Huntington Hospital, a COVID-19 testing site during the height of the pandemic, which is still ongoing today as a resource for the community.
 - Total Impact Performed 9,500+ tests for residents and essential workers during the height of the pandemic.
- **Emergency Preparedness Site and Assistance** - The Federal Emergency Management Agency (FEMA) placed 50 trailers in the parking lots of the Rose Bowl to assist in the housing of public safety personnel who came into contact with and/or who tested positive for COVID-19. The Rose Bowl Stadium is listed in the emergency preparedness plans for the City, Los Angeles County, and the State.
 - Total Impact Throughout the six months in service, the Rose Bowl hosted 54 individuals for a total of 298 days and provided over 900 meals during their quarantine period.

Enhancing Educational Opportunities:

- **Annual PUSD Field Trip to the Field** – In 2016, the Rose Bowl, in coordination with the Legacy Foundation and Honda, worked to develop

an educational opportunity for all seventh-grade students in PUSD to come to America's Stadium. All PUSD seventh graders enjoy a tour of this Historic Landmark, listen to a motivational speaker, play on the famous Rose Bowl field, and eat a healthy lunch sitting underneath the iconic marquee.

- Total impact is 1,700 per year on 10-15 different dates; 8,500 students total.
- **Book Donation and School Visits** – In 2017, through coordination with the Legacy Foundation, 250 books were donated to the (now closed) Cleveland Elementary School – the former school of Jackie Robinson. During the book donation, which focused on readings by UCLA football student-athletes that highlighted topics like confidence and teamwork, a plaque was donated to the school acknowledging the significance of the Robinson Family.
- **PUSD Robotics Rally** – A district-wide robotics rally that moved to the Rose Bowl Stadium in 2018 and takes place on the iconic field. This event involves middle school students from PUSD who compete for the district trophy.
 - Total impact was estimated at 500-750 students and teachers during the competition.

The Rose Bowl Institute (as part of the Rose Bowl Legacy Foundation):

Founded in 2020 during the pandemic, the Rose Bowl Institute is housed in the Legacy Foundation and champions sportsmanship, leadership and citizenship. Through educational programs, focused dialogues and awards, the Institute leverages the power of sports (and the Rose Bowl) to unite people everywhere.

Continuing to grow, the Institute has developed free educational programming funded completely by private donations to the Legacy Foundation. Programs are both virtual (during the pandemic) and in person at the Rose Bowl.

- Total Impact of the Rose Bowl Institute over 13 events since 2020 has engaged over 21,000 students digitally and in person, locally and nationwide in 33 states and seven countries since its launch; has offered 12 scholarships (as of 2022's completion) and is continuing to engage local Pasadena youth through emerging programs. Special free programs include:
 - ***Women's Empowerment Programming***
 - Since 2019, over five dates, the Institute's Women's Empowerment programming has reached 9,000 students virtually and 325 female students in person at the Rose Bowl after pandemic restrictions were lifted, while welcoming over

100 female leaders to mentor and provide perspective to youth.

- ***Race and Sports Programming (in honor of Jackie Robinson)***
 - Since 2020, the Institute's Race and Sports programming has reached over 12,000 participants, including an intimate event focused on Latinos in Sports at the Stadium following the pandemic that welcomed 125 guests to the event.
 - The Race and Sports programming has focused on the legacy of Jackie Robinson, current issues, collective activism, and Latinos in Sports, including a program on the life of former Pasadena resident, Univision creator, former NFL player and L.A. Galaxy owner, Danny Villanueva.
 - Future programming as a part of this platform includes a focus on Native Americans and Asian Americans in sport.
- ***Other Free Institute Programming***
 - Other past RBI programming has included sessions on *The Pandemic and Collegiate Athletics and Sportsmanship as Citizenship*.
 - Coming in 2022-23, the Institute plans to continue growing its free programming including programs on *Mental Health, Sportsmanship in Journalism, The Definition of Competition* and a nationwide story contest focused on *Sportsmanship*.
 - Additionally, the Institute's Athletes in Schools programming is coming in 2022 to target PUSD students, in partnership with the National Constitution Center, the L.A. Galaxy, and the L.A. Sports Council's *Ready, Set Gold!* program.
- ***Scholarship Recipients***
 - Since its launch in 2020, the Rose Bowl Institute has awarded eight scholarships to students, with four more expected to be awarded in 2022. The scholarships, which include a donor-led contribution to the student's educational institution in honor of the student, are awarded in four different categories:
 - Pasadena student
 - California student
 - National student
 - Hispanic student (eligibility from anywhere)
- ***Sportsmanship Award at the Turkey Tussle*** – Starting in 2020, the Rose Bowl Institute has awarded an annual sportsmanship award to two students participating in the annual Turkey Tussle football game at the Rose Bowl Stadium. The award winners are selected by a committee that includes City officials and Rose Bowl

Institute Advisory Board members and is awarded to the students on the field following the game.

- ***Voices for Voting*** – In 2020, the Rose Bowl Institute completed a series of promotional videos as part of a bipartisan campaign that recognized the anniversary of women's right to vote through issuing key celebrity messages to students and the public encouraging them to complete their civic duty – voting.

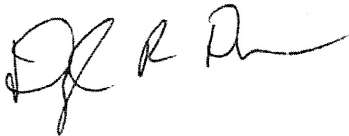
Community Business Partnerships:

- Partnerships with many local non-profit organizations and businesses on charitable events in and around the stadium and Arroyo. The RBOC works with numerous nonprofits walks and runs that generate over \$1 million annually for local non-profit organizations.

FISCAL IMPACT:

Fiscal impacts will be determined on projects or initiatives as they move forward.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'Darryl Dunn', with a stylized flourish at the end.

Darryl Dunn
General Manager of the Rose Bowl Stadium