



AGENDA REPORT

RBOC_030223_06

March 2, 2023

To: RBOC Board of Directors

From: Jens Weiden, Chief Executive Officer / General Manager

Subject: Operating Agreement Extension

RECOMMENDATION:

It is recommended that the Board of the Rose Bowl Operating Company (RBOC) approve and recommend to the Pasadena City Council the following actions:

1. Find that the action proposed herein is exempt from the California Environmental Quality Act pursuant to CEQA Guidelines Sections 15061(b)(3), the common-sense exemption; and
2. Extend the Operating Agreement between the RBOC and the City of Pasadena through July 1, 2025;
3. Manager to negotiate the license agreement with Ticketmaster for a 5-year term.

EXECUTIVE SUMMARY:

By way of this report, the Chief Executive Officer/General Manager of the RBOC and the City Manager are recommending to the Board of the RBOC and the Pasadena City Council that the Operating Agreement between the City and the RBOC be extended from its current expiration of July 1, 2023, to July 1, 2025, to allow for the continued operation of the Rose Bowl Stadium and Brookside Golf Course by the Rose Bowl Operating Company. During the two-year extension period, the RBOC and City will focus on increasing revenues, the future of college football, and work to identify annual capital funding to maintain and enhance the Rose Bowl's competitive position. In a changing and increasingly competitive environment, the entities must work to preserve the National Landmark stadium, respecting its historic nature and its location in the natural beauty of the Arroyo Seco and residential neighborhoods. Should the RBOC Board agree with the recommendation, the CEO/GM will work with the City Manager to seek approval from the Pasadena City Council.

BACKGROUND:

This is a joint report of the CEO/GM of the RBOC and the Pasadena City Manager given the unique and vital partnership between the RBOC and the City of Pasadena in managing the Rose Bowl Stadium and the Brookside Golf Courses. The City recognizes that the Rose Bowl Stadium and the Brookside Golf Courses are public facilities developed by the City as community assets that should be maintained and operated in a manner consistent with broad economic and social goals.

Accordingly, in 1994, the City created the RBOC as a California Nonprofit Public Benefit Corporation whose purpose 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.”¹ With regard to the Rose Bowl Stadium, this broad economic and social impact extends throughout all of Southern California, and markedly distinguishes Pasadena from every other city in the state. The Stadium has been an iconic symbol of the City for the past 100 years, and hopefully will be for another century if it managed and funded appropriately.

The City of Pasadena first entered into an Operating Agreement with the RBOC for management of the Rose Bowl Stadium and Brookside Golf Courses effective May 19, 1995. The Agreement establishes the legal authority for the RBOC to conduct business and provides the RBOC with the authority to act as the City’s agent and bind the City contractually within the framework set forth in the Agreement. Examples of this authority include, but are not limited to: spending authority within annual budgets approved by the City Council; entering into agreements with event promoters, tenants and vendors; and authorization to enter into public/private partnership agreements with third parties who act as representatives of the RBOC for various purposes including premium seating and sponsorship sales. The Agreement also establishes policies and rules by which the RBOC must conduct its business. An analysis prepared by the City Manager’s Office in 2013 found that the relationship set forth in the Operating Agreement has worked well to further the stated goals of the City Council. The current term of the Operating Agreement ends on July 1, 2023.

To enable the RBOC to continue its management of the important City assets, the RBOC Board and the City Council are requested to extend the term of the Operating Agreement for a period of two years, until July 1, 2025. This short extension will allow the parties to do further work to modernize and revise the original contractual model with a proposal for a much longer term.

The RBOC’s business model had significant challenges even before the worldwide pandemic, including but not limited to decreasing attendance for key Rose Bowl tenants, increased competition from other stadium venues in Southern California, and a rapid decline in interest in golf. However, as a result of innovative thinking and hard work, the RBOC was one of the most successful large venue operators in the country during the pandemic, generating millions in revenue from drive-in movies and concerts, hosting multiple socially distanced events inside the Stadium including local PUSD graduations, and responding successfully to a profound increase in interest in the game of golf. In addition, the Stadium served the community as part of the emergency preparedness plan as a site for COVID-19 testing and housing first responders in partnership with FEMA. Despite these successes, and like all live event venues, the RBOC was not able to generate pre-COVID level revenues during the pandemic because of an inability to host large events. This resulted in the necessity for the City of Pasadena to cover portions of annual bond debt payments.

However, coming out of these challenging times and riding on the successes achieved despite the pandemic, the RBOC is exceeding financial expectations set forth prior to the pandemic. In FY23, the RBOC is positioned to cover all of its bond debt and is forecast to cover all subsequent bond debt payments annually through the final 2044 payment. In addition, net revenues from key business areas are forecast to out-perform prior expectations.

In June of 2022, the RBOC presented the City Council with a five-year financial forecast that showed a negative cash position of approximately \$19.3M. We now anticipate that number to be improved by

¹ Articles of Incorporation of Rose Bowl Operating Company, filed with the Secretary of State of the State of California on March 24, 1994.

\$22.4M in FY27. In addition, we are on a path to show a net operating profit in the same FY27 operating year.

June 2022 Proforma

FY2023 Operating Pro-Forma 06/2022 report	FY2022 Forecast	FY2023 Pro-Forma	FY2024 Pro-Forma	FY2025 Pro-Forma	FY2026 Pro-Forma	FY2027 Pro-Forma
Operating Reserves Balance - Beginning	12,583	12,386	6,533	984	(5,159)	(11,726)
Net Operating Income / (Loss)	3,302	(4,605)	(5,549)	(6,142)	(6,567)	(7,644)
RBOC Reserve Policy	(3,500)	(1,247)	-	-	-	-
Ending Operating Amount Available	12,386	6,533	984	(5,159)	(11,726)	(19,370)

Key factors that have led to this turnaround include:

- Increased interest in golf and revenues from Brookside Golf Course
- Increased revenues from Music Festival activities
- UCLA’s pending move to the Big Ten Conference
- Potential TBID revenues
- The performance of the Flea Market
- The potential revenues from Family Golf
- The continuing ability of Stadium to attract top level soccer and concert programming in a competitive market

February 2023 Proforma

FY2023 Operating Pro-Forma 02/2023 report	FY2022 Actual	FY2023 Forecast	FY2024 Pro-Forma	FY2025 Pro-Forma	FY2026 Pro-Forma	FY2027 Pro-Forma
Operating Reserves Balance - Beginning	12,583	14,531	10,344	5,145	3,402	2,535
Net Operating Income / (Loss)	5,448	(2,940)	(5,199)	(1,742)	(867)	556
Less: RBOC Reserve Policy	(3,500)	(1,247)	-	-	-	-
Ending Operating Amount Available	14,531	10,344	5,145	3,402	2,535	3,091

While this anticipated improvement in RBOC finances is a very positive development for both the RBOC and the City of Pasadena, there are still very real challenges and uncertainty that face the campus. The changes in college football (including the evolution of the Rose Bowl Game and its place in the College Football Playoff) are something that we will all look to understand in the coming months. Dependable annual capital funding must be identified to ensure that the assets, most notably the Stadium, are not only maintained but improved to meet the expectations of clients and attendees. The RBOC is excited to use this two-year extension to not only demonstrate the improved financial performance of the RBOC and better understand the changes in the college football space, but also to work with the City to identify important capital funding sources and projects that will ensure the City’s assets will survive and thrive.

ENVIRONMENTAL:

The action proposed herein is a financial deal only, and does not authorize or approve of any actual event. Therefore, the action is exempt from the California Environmental Quality Act (“CEQA”) pursuant to State CEQA Guidelines Section 15061(b)(3), the “common sense” exemption as it does not have the potential to cause a significant environmental effect.

FISCAL IMPACT:

There is no immediate fiscal impact associated with the proposed extension of the Operating Agreement. The RBOC intends to continue to provide semi-annual updates to the Pasadena City Council that will continue to lay out future fiscal impact projections of the RBOC's business model, particularly focusing on any projected impact to the City and General Fund.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'J. Weiden', written in a cursive style.

Jens Weiden
Chief Executive Officer / General Manager