



Agenda Report

August 19, 2024

TO: Honorable Mayor and City Council

THROUGH: Economic Development and Technology Committee (March 19, 2024 and May 9, 2024)

FROM: Rose Bowl Operating Company (RBOC)

SUBJECT: APPROVAL OF AMENDED AND RESTATED OPERATING AGREEMENT BETWEEN THE CITY OF PASADENA AND THE ROSE BOWL OPERATING COMPANY

RECOMMENDATION:

The Board of Directors of the Rose Bowl Operating Company recommend that the City Council:

1. Find that the actions proposed herein are not "projects" subject to the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21065 and Sections 15060(c)(2) and (c)(3), and 15378 of the State CEQA Guidelines;
2. Approve a recommendation of the Finance Director of an exception to the process for disposition of surplus personal property, pursuant to Pasadena Municipal Code Section 4.04.080, for the "valid public purpose" of returning revenue to the RBOC, and authorize the Board of the RBOC to dispose of RBOC personal property upon a finding of "valid public purpose"; and
3. Approve the Amended and Restated Operating Agreement between the City of Pasadena and the Rose Bowl Operating Company consistent with the terms set forth herein.

BACKGROUND:

The Rose Bowl Stadium has been an iconic symbol of the City of Pasadena for the past 100 years. As such, the City of Pasadena recognized the importance of the Stadium as a community asset that must be maintained and operated in a manner in which it could continue to remain viable for the next 100 years. In 1994, the City created the Rose Bowl Operating Company, a California non-profit 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 In order to achieve this goal, the City entered into an Operating Agreement with the RBOC for management of the Stadium and the Brookside Golf Courses, which first became effective May 19, 1995. The Operating Agreement conveyed the legal authority to the RBOC to act as agent on behalf of the City and to manage these significant community assets for the City.

This management structure has served the City well over the past nearly 30 years. During that time the RBOC, as agent for the City, has seen the stadium through successful and life-extending renovation and capital improvement projects such as the locker room renovations, scoreboard updates, modernized lighting projects, and of course, construction of the Terry Donahue Pavilion. The RBOC has managed neighborhood relations on behalf of the City, working over time to keep more and more recreational opportunities open to the public on displacement event days while also working hard to lessen the impacts of events on the surrounding neighborhoods.

Further, the RBOC has showcased Pasadena beyond college football through the staging of numerous high-profile events such as World Cup soccer, world renowned performers such as U-2, Taylor Swift, Coldplay and the Rolling Stones, and the growth of Brookside as a premier music festival venue. These activities have returned great economic value toward the preservation of the Rose Bowl Stadium for the City. The current term of the Operating Agreement expires June 30, 2025. Since the last term extension was approved by City Council in June of 2023, the RBOC formed an Ad Hoc Committee of the RBOC Board of Directors dedicated to the review and revision of the existing Operating Agreement. Among the goals of the Committee were to identify potential modifications to the agreement that would strengthen the ability of the Rose Bowl campus to serve as a successful world class sports and entertainment venue and an important economic driver for the City of Pasadena over the long term.

The Ad Hoc Committee met bi-monthly from July through October of 2023, with RBOC staff and staff from the City Manager's Office in attendance, and identified the areas to be considered and studied for a future amended and restated agreement, including but not limited to the following:

- Structure, authority and jurisdiction of the RBOC;
- Opportunity for efficiency of operations and enhanced relationship with the City;
- Flexibility of business operations including contracting, setting rates and insurance requirements;
- Capital funding to ensure the long-term viability of the Rose Bowl Stadium; and the
- Review of the Arroyo Seco Ordinance to identify areas for greater flexibility in the RBOC's business operations.

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

Specifically, the Committee identified, researched, and discussed the following considerations and changes to the structure, jurisdiction, and operation of the RBOC:

- Expansion of RBOC jurisdiction beyond the presently defined Rose Bowl Area (Area H, Central Arroyo, loop, etc.);
- Creation of a Conservancy District;
- Third-Party Management;
- RBOC/PCOC merger: create Tourism/Sports/Entertainment Authority;
- RBOC authority to create/manage events and/or facilities in other areas of the City;
- Specify RBOC responsibility to identify and advocate for major capital improvements;
- Limit on payment for services outside RBOC area;
- Define RBOC relationship with Legacy, UCLA, Tournament of Roses, and One Arroyo Foundation in the Agreement;
- Expand RBOC authority to set rates within broad city council authorization;
- Specific authorization for Flea Market;
- Number of RBOC displacement events, and the definition of displacement events.

Of the above list, four areas that came to the forefront are the following: (1) term of the agreement; (2) capital funding for future projects; (3) number of displacement events (which will be the subject of a separate action and not discussed further herein); and (4) insurance. The remainder of the items on the list above were set aside for future discussion.

The Ad Hoc Committee provided a detailed report and summary of its work to the RBOC Board on November 2, 2023 and received input from the Board. The Ad Hoc Committee, RBOC staff, and City staff continued to meet through the remainder of 2023 and presented a final action item to the Board on January 11, 2024.

The changes to the Operating Agreement proposed by the Board are of a "light touch" and do not change the structure of the relationship of the parties in any significant way. The minimal changes reinforce that the original concept between the parties has proven to be quite successful. As the parties have in the past, they will manage any new issues that come up through a cooperative and well documented relationship, and if necessary, propose future amendments to the Operating Agreement.

In addition to the four main focus areas discussed above, other proposed changes to note are:

- Allowing for the City to appoint the RBOC as managing agent for other City properties or facilities should the parties so agree.
- Allowing the RBOC to sell/auction off personal property for fund raising purposes only (for example, auctioning off old stadium seats after the anticipated seating renovation project).

- Conforming language regarding coordination between City events and RBOC events in the Central Arroyo to current practices.
- Clean up language regarding RBOC bank accounts, and financial reporting.
- Clean up language regarding RBOC reporting to the City Council on a regular basis.
- Additional clean up efforts to delete historically unnecessary provisions and conform language to current practices of the parties where necessary.

The Ad Hoc Committee also reviewed the Arroyo Seco Lands Ordinance (Pasadena Municipal Code Chapter 3.32) with assistance from RBOC staff and the City Manager's Office, and the Ad Hoc Committee recommended to the City Manager's Office that the City consider (if the City Council wishes to so direct) a more thorough review and update to the ordinance at some near-term future time.

OPERATING AGREEMENT CHANGES OVERVIEW:

Term of Agreement:

The Operating Agreement would not terminate on a set date, as it currently does. Instead, it would be "evergreen" so that the parties have more certainty regarding their relationship. The parties each retain the ability to terminate with notice for an uncured breach of the other party. Without a breach event, however, the City could only terminate the Operating Agreement after a one-year notice and upon wind down and dissolution of the RBOC. This new structure makes sense now that the RBOC has been in existence for almost 30 years and has proven to be the success that the City envisioned when it created the RBOC. Nothing in this structure takes away from rights and remedies the City already has, it simply provides longer notice requirements and more certainty for the RBOC and for content providers and tenants.

Capital Planning:

The Board recognizes that the City is a partner in preserving the Rose Bowl Stadium and the golf courses for generations to come, and should be aware of RBOC's capital planning for the future of the stadium and golf courses. To that end, the Agreement would require that the RBOC present its annual and long-term identified capital needs list to the City on an annual basis, and that those items be included in the City's Capital Improvements Program that is reviewed annually by the City Council, so that the City is apprized at all times of the RBOC's identified capital needs. The Agreement would also continue to recognize that the City should continue to refrain from viewing the RBOC as a "profit center" for the General Fund and therefore delete requirements for the RBOC to pay cost allocations for most City services and an expectation that funds be returned to the City, but instead such funds would be required to be reinvested in the stadium and golf courses.

Insurance and Other Expenses:

As the City and RBOC seek to control expenses, the Operating Agreement will continue to require that the City insure its facilities (with contributions from the RBOC), but makes clear the RBOC's ability to test the market to determine whether it can procure insurance at a savings to both parties. The Operating Agreement would further clarify that the City only charge the RBOC the cost of providing any services it does, without treating the RBOC as a potential profit center.

RBOC as Managing Agent for Other City Properties:

The RBOC has proven to be successful at managing City property and returning revenue to reinvest in and maintain those properties (namely the Rose Bowl Stadium and Brookside Golf Courses). A recent question was raised as to whether the RBOC might be able to assist the City with managing and returning revenue for other City properties. The two examples that come to mind include occasional private use of the open space area in front of City Hall at the intersection of Holly Street and Garfield Avenue, or Pasadena Pavilion for the Performing Arts in Memorial Park. If the City were to acquire ownership of the Eaton Canyon Golf Course, that could be an even better example of a location where the RBOC's experience running golf courses could return revenue to reinvest in and improve public facilities. The Operating Agreement would provide the authority for the City and RBOC to enter into separate agreements to facilitate such management, on terms to be negotiated at the relevant time.

Surplus Property Approval:

Currently the RBOC may not dispose of salvage or scrap personal property without approval of the City Council as required by Pasadena Municipal Code (PMC) Chapter 4.04 (Disposition of Salvage and Scrap Property). The process to dispose of personal property of value is involved, and generally requires disposal of such personal property through a publicly noticed auction, sealed bids, or negotiated sale for items of lesser value. PMC Section 4.04.080 authorizes the Finance Director to recommend to the City Council the disposition of such property without having to comply with the auction/bid/negotiated sale process upon a finding that a "valid public purpose" is served for that exemption. The RBOC is doing its utmost to be creative and find ways to generate revenue. A recent idea is to auction or raffle off RBOC personal property that may have sentimental or memorabilia value at special events. One good example could be to auction off stadium seats as they are replaced during a future bowl seating renovation project. The request to the Finance Director, and then to the Council, would be to approve the exception for all RBOC sales of personal property, so long as the RBOC Board finds, on a case-by-case basis, that the "valid public purpose" to allow the RBOC to avoid the auction/bid/negotiated sale process to return economic value to the RBOC is met. The RBOC would remain unable to dispose of real property.

ENVIRONMENTAL ANALYSIS:

The actions proposed herein are to approve of a recommendation of the Finance Director for an exception to the process for disposition of surplus personal property, pursuant to Pasadena Municipal Code Section 4.04.080, for the "valid public purpose" of returning revenue to the RBOC, and to approve a Restated and Amended Operating Agreement with the City of Pasadena consistent with the terms set forth herein. These two actions will not result in a direct or reasonably foreseeable indirect physical change in the environment, as they are administrative in nature only. Likewise, they are not a "project" as they are organizational and administrative activities that also will not result in direct or indirect physical changes in the environment. Accordingly, they are not "projects" subject to the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21065 and Sections 15060(c)(2) and (c)(3), and 15378 of the State CEQA Guidelines.

FISCAL IMPACT:

While there is no immediate fiscal impact associated with the proposed Restated and Amended Operating Agreement, it cannot be understated that the financial stability of the RBOC and its ability to maintain the historic Rose Bowl Stadium and Brookside Golf Courses is dependent on the support of the City Council and the residents of the City.

Respectfully submitted,



Jens Weiden
Chief Executive Officer
Rose Bowl Operating Company

Attachment: Redlined Operating Agreement