



Rose Bowl Operating Company

May 1, 2008

TO: Rose Bowl Operating Company Golf

FROM: Darryl Dunn, General Manager

SUBJECT: Amendment to Agreement Number 12,651 between American Golf Corporation and the Rose Bowl Operating Company.

RECOMMENDATION:

It is recommended that the Rose Bowl Operating Company (RBOC) authorize an amendment to Agreement Number 12,651 between American Golf Corporation (AGC) and the RBOC which modifies the current Fee Schedule.

BACKGROUND:

American Golf Corporation (AGC) entered into Agreement Number 12,651 with the City of Pasadena (City) for the exclusive right to operate and maintain the Brookside Golf Courses for a period of ten years, beginning February 1, 1986, and ending January 31, 1996. AGC agreed to pay the City for the right, license and privilege of operating and maintaining the Golf Courses a minimum yearly amount or by a sum of percentages of annual gross receipts, whichever is greater. In 1992, AGC entered into Amendment No. 12,651-1 with the City for the exclusive right to operate and maintain the Golf Courses for a period of twenty years, beginning February 1, 1986, and ending January 31, 2006. The City further granted AGC an option to renew this Agreement for one additional term of five years which would expire on January 31, 2011. In 2006, AGC exercised its five-year option with the City/RBOC.

AGC's agreement with the City/RBOC states that AGC has the right to annually file for a fee increase with the City/RBOC which approval shall not be unreasonably withheld. The last fee increase was May 2006. AGC is requesting a fee increase to help off-set rising expenses associated with the operation of the two courses. Since 2002, AGC's expenses in operating the two courses, has increased over \$500,000. The majority of the increase is for payroll and utilities, specifically water. It is anticipated that these expenses will continue to increase in 2008. Staff has been informed by Pasadena Water and Power that water can see a hike in rates by as much as 15% over the next twelve months. It should be noted that AGC spent over \$850,000 for irrigation water in 2007.

In addition RBOC’s expenses, for the overall management of Brookside has increased since 2002 as well as the RBOC has invested over \$3,000,000 in capital improvements on the courses since that time. Included in the improvements are upgrades to the irrigation system, new tee boxes on all 36 holes, renovated driving range, and currently we are completing the renovation of all fairway bunkers. In the FY 2009 budget, the RBOC plans to spend an additional \$200,000, on the 40-year old clubhouse that is in need of capital repairs including HVAC, plumbing, electrical and roof.

In order to off-set rising expenses and future improvements to the clubhouse, golf fees need to be increased. AGC and staff are sensitive to increasing fees that could eventually reduce utilization (rounds played). Since 2002, weekday rounds have slipped almost 18% while weekend rounds have remained constant and in demand. Staff is confident that utilization will not be impacted by increasing fees on weekend rounds only and all cart fees. It is anticipated that a weekend fee increase, along with a cart fee increase, would result in an additional \$250,000 annually.

Below are the proposed golf rate changes for Brookside:

<u>Weekend Green Fees</u>	<u>Current</u>	<u>Proposed</u>
Non-Resident 18	\$50	\$55*
Resident 18	\$38	\$40
Non-Resident Twilight	\$32	\$34
Resident Twilight	\$24	\$26
Super Twilight	\$16	\$17
Tournament Course #1	\$75**	\$80**
Tournament Course #2	\$65**	\$75**

Weekday Green Fees **Current** **Proposed**

No Proposed Fee Increase

<u>Weekend & Weekday Cart Fees</u>	<u>Current</u>	<u>Proposed</u>
18 Holes	\$28	\$30
Twilight	\$20	\$22
Super Twilight	\$14	\$16

*Option to increase rate up to \$60, upon AGC periodic review, and with the approval of the RBOC General Manager.

**Includes Cart Fee

As mentioned earlier in the report, there is no proposed weekday green fee increase, which is when the majority of Brookside's Pasadena residents, senior and junior rounds are played. Also, staff believes increasing green fees for weekday play could reduce the number of rounds played at Brookside during the week.

Staff believes that the proposed increase will still keep Brookside competitive in today's challenging golf market. There is still great demand for quality golf in Southern California, especially in Los Angeles County, during the weekends. Currently, due to the demand to play golf on weekends, Brookside can not accommodate all the golfers that are requesting to play. Attachment A is a sampling of municipal owned golf courses in Southern California and Los Angeles County, and how they compare to Brookside's proposed rates.

It is anticipated, should the proposed rates be approved, they would be effective on July 1, 2008. Attachment B would replace the current Fee Schedule (Attachment C).

FISCAL IMPACT:

It is anticipated that a proposed weekend fee increase would generate an additional \$250,000 annually, of which the RBOC/City would receive \$106,500. Included in the \$106,500 are:

Rent	\$84,400
10% set aside for the Arroyo Seco CIP Fund	\$12,100
4% set aside for the golf course CIP Fund	\$10,000

The increased revenues would help off-set rising RBOC operation costs as well as much needed repairs to the existing clubhouse. In FY 2007, the RBOC/City received over \$2,550,000 total in rent, 10% set aside for Arroyo Seco, and 4% set aside for golf course CIP.

Respectfully submitted,

Darryl Dunn
General Manager