



Agenda Report

September 6, 2018

TO: Rose Bowl Operating Company (RBOC)
FROM: Darryl Dunn, General Manager
SUBJECT: RBOC At A Glance

RECOMMENDATION

It is recommended that the RBOC Board of Directors:

1. Find that the action proposed herein is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15061 (b) (3) (General Rule); and
2. Approve the "RBOC at a glance" report and forward to the City Council for information

BACKGROUND

With the centennial of the Rose Bowl Stadium approaching in 2022, it is an ideal time for the RBOC to plan how the next century of the Rose Bowl will begin. To initiate that review process, this document provides background and context on the current status of the RBOC, the opportunities and challenges that lie ahead, for both the stadium and Brookside Golf Course, as well as recommended action steps for discussion.

There are several significant challenges that lie ahead for the RBOC, all of which can have a profound impact on its future. Yet the work by RBOC staff over the past several years has positioned the organization to meet these challenges head on. Among the recent successes:

- The iconic stadium underwent a major renovation, mostly completed in 2013
- The Legacy Foundation was created and has been very successful in raising much-needed capital funds for the Rose Bowl
- The use of the Stadium has expanded well beyond college football, as music, international soccer and minor events have all proven to be successful
- A new, first class food vendor is in place, as the RBOC sees the growth of food & beverage as a key initiative going forward

- Brookside Golf Course continues to have an outstanding reputation, and it serves as a venue for other key revenue sources (e.g. music festival) and despite the nationally decline in golf, Brookside is maintaining a significant share of revenue
- Relationships with the Rose Bowl neighbors have improved, a very important step if the RBOC is going to be successful long term
- In the past five years, the fund balance of the RBOC has increased from approximately \$500,000 to approximately \$17 million, while over the same five-year period, \$13 million has been invested in capital improvements on our property (the \$17 million fund balance is due primarily to the success of the Legacy Foundation, as well as significant agreements that provide for capital funding (e.g. AEG for music festival, IMG for sponsorship rights))

The effort to ensure that the Rose Bowl Stadium and Brookside Golf Courses remain great assets to Pasadena will be significant and will take careful planning, vision, consensus building and execution on behalf of various parties. While much attention is paid to the Stadium, the RBOC must also focus on the challenges of Brookside Golf Course, as the decrease in golf's popularity, increasing labor costs, transition to a management agreement, the uncertain supply and increasing costs of water, and the difficulties of running and maintaining a 50-year-old clubhouse, are all pressing concerns.

One underlying theme that is important to recognize is that the business of the RBOC continues to evolve and the organization and its leadership must adapt to changing dynamics in the marketplace. For example, the current approximately \$3 million of major special event revenue realized by the Rose Bowl will soon be threatened by a renovated LA Memorial Coliseum (now United Airlines Memorial Coliseum) and a brand-new state of the art stadium in Inglewood.

SWOT ANALYSIS

Strengths

The Rose Bowl brand is among the most recognizable and admired in all of sports. Its history and unmatched setting put the Rose Bowl Stadium above and beyond virtually every stadium in the world. And there is great value to that brand and that uniqueness.

Sitting close to one of the United States' largest cities, Los Angeles, provides great opportunities as key major sporting and entertainment property must access Los Angeles' large population. With the Rose Bowl Stadium nestled in the Arroyo, there are additional significant advantages, including the perception that the Rose Bowl is safe for families and children, there is plentiful parking (20,000 spaces), and a reputation as one of the great tailgating/festival locations.

The emotional connection that some have to the Rose Bowl has been evident over the past eight years, as generous donors have pledged approximately \$30 million through

the Rose Bowl Legacy Foundation which was founded in 2010, earmarked for much-needed capital improvements.

Other strengths for the RBOC that bode well for the future, are the multiple long-term agreements in place with our partners and tenants including:

- Tournament of Roses (2048) (No termination rights except for breach of the agreement)
- UCLA (2044) (No termination rights except for breach of the agreement)
- Arroyo Seco Weekend (2037) (There are termination rights along the way, including after Years 3 and 10 of the agreement, as well as termination rights if AEG losses hit certain thresholds beginning after Year 3 of the agreement)
- IMG (2027) (Sponsor rights holder)
- Legends (2027) (Premium seating sales)
- American Golf (2028) (Management of Brookside Golf Course)
- Levy Food & Beverage/Best Beverage Catering (2028)
- RG Canning Flea Market (2021)

It is also important to recognize the strengths of Brookside Golf Course, which has been one of the most successful municipal courses in the country over the past 30 years. In addition to its location, the course is considered challenging and desirably long, and has one of the best settings for a public golf course in the region. It should also be noted that the RBOC's use of the golf courses for alternative revenue generating activities (parking, festivals, food events, etc.) is the envy of many other golf course operators in the region.

The Arroyo is also a strength of the organization as the setting and park-like conditions provide an atmosphere that is appealing, and which attracts thousands of daily users. It is also recognized that the other users in the Arroyo, particularly Kidspace and the Aquatics Center, are a draw for the area and enhance the reputation as a safe, family friendly area that is a recreation haven.

Weaknesses

Many of the weaknesses associated with the RBOC have not changed over the decades and, in some cases, have become more evident. Perhaps the most glaring weaknesses faced by the RBOC are

- The lack of stable funding for capital improvements for the Stadium, golf course and clubhouse
- The ever-increasing costs of operations (both the Stadium and Brookside)
- The arrival of new competition for critical events in the Los Angeles region.
- The decline in the golf industry nationwide is a weakness
The aging clubhouse facility.

To focus in on one of the key weaknesses, the increasing operating costs are a significant concern. Related to the Stadium, two of the areas that have seen rising costs have been related to security/public safety as well as neighborhood management. Since 2015, security/public safety costs have increased 40%, while neighborhood management expenses are approximately \$50,000 per major event.

Opportunities

As noted above in *Strengths*, the Rose Bowl Stadium and Brookside Golf Course locations and history provide significant opportunities moving forward, as they have in the past. The opportunity to explore additional long-term tenants, likely in some form of music/entertainment remains, as does the stability of our current ones. It is likely that traditional large sporting events and concerts, given new competition facing the RBOC, will be more challenging to secure, hence it is imperative that a strategy be developed to address how best the RBOC can maximize revenue, both short and long term.

To that end, minor/private events like corporate/social events and film shoots have been a tremendous success. In FY18 alone (period ending June 30, 2018), more than \$1.5 million in net new revenue was created through these events.

The RBOC is also seeking ways to make the Stadium more flexible in terms of its configuration, by exploring ways to eliminate some seating that normally goes unsold, while at the same time being able to increase capacity for large scale concerts.

With the Legacy Foundation now fully functioning and doing tremendous work, there are many opportunities for further revenue generation through private funds. This task is critical, due to the lack of funding and the significant ongoing capital needs for the Stadium, not to mention the golf course and Clubhouse.

If the RBOC can transform the existing Clubhouse, there is ample opportunity for additional revenue from hospitality and food and beverage. The RBOC is beginning to look at the golf course and Stadium as a “campus” and “that can be maximized, while still being respectful and appropriate of our environment. Potentially doing more events on the golf course akin to the Arroyo Seco Weekend, Vegan Festival, and/or food and cultural events, is another opportunity to pursue.

Threats

Despite the recent successes of the RBOC and its inherent strengths, the threats to the current RBOC business model are extensive and should be the focus as the RBOC plans for its future. The reality is that the RBOC has a fragile business model and one or two significant events could significantly cause short and long-term damage.

Major threats include, but are not limited to the following:

- The RBOC is liable for significant debt service obligations (see Attachment 2)

- In order to remain competitive, substantial additional capital is needed for both the Stadium and clubhouse, as well as for the golf course
- Major competition is already in place and more is coming
- As a public entity, the RBOC has disadvantages compared to private entities (e.g. contracts are public information and for recent employees, compensation packages may not be competitive due to changes in CALPERS policies)
- Golf is in decline locally and nationwide, there is high risk on the part of the RBOC in its new management agreement with American Golf, and a long-term stable water supply continues to be needed
- Security expenses continue to rapidly increase
- The College Football Playoff continues to evolve and could have a significant impact on the Rose Bowl Game, which is, by far, the most lucrative event of the year for the RBOC.

Regarding threats to Brookside Golf Course, as previously noted, golf across the country is in decline with fewer participants and lower greens fees, resulting in the closure of many courses. Recently, the RBOC needed to move from a lease to a management agreement with American Golf, our third-party golf course manager. American Golf had previously operated as lessor of the course, but due to the economics, were not in a position to continue as a lessor. The agreement has tremendous risk for the RBOC. Increased expenditures due to minimum wage requirements and the continued uncertainty of the supply and cost of water are continued threats to Brookside. Because of these factors, it is anticipated that in the current fiscal year, the RBOC net revenue from the golf course operations will decrease by more than \$200,000.

One final threat to the business of the RBOC has been—and continues to be—the relationship of the Rose Bowl with the adjacent neighborhoods. The relationship impacts the ability to secure events and causes an increase in operational expenses. Given the Stadium and golf courses' locations, it is critical that community and neighborhood relations remain a top priority for the RBOC and we must strive to minimize neighborhood impacts associated with events in a fiscally responsible manner.

SEGMENTS OF BUSINESS ORGANIZATION

While there are significant challenges that lie ahead, over the last three years, revenue streams for the Stadium have shown significant growth. Much of that growth is attributable to the opening of the Pavilion in the Stadium and the sale of premium seating, as well as adjusting deal structures with our partners.

Ancillary revenue for the Stadium essentially makes up our revenue streams:

- Food and Beverage sales
- Admission Tax

- Parking
- Premium Seating sales
- Sponsorships sales
- Ticket rebates

Through 2023, it is anticipated that food and beverage on a per capita basis will continue to grow incrementally. Premium seating revenue is also expected to grow slightly, although this will be challenged when the competitive venues in Inglewood and the Coliseum are operational. It is expected that the price points in those venues will be significantly greater than the Rose Bowl, so the impact on premium seating revenue may be minimized. Sponsorship revenue will remain steady as the RBOC has a minimum guarantee annually through 2027. The admission tax is currently fixed at \$1.65 per ticket and an increase of the admission tax should be considered, as a \$1 to \$2 per ticket admission tax will unlikely concern promoters. Parking is not a strong revenue producer it once was due to increasing expenses related primarily to protecting the neighborhoods and the common use of ride share (UBER), which has been a source of significant costs without revenue to offset these additional expenses. It is unlikely that the current working model of ride share companies will alter the current financial model without significant operational compromises. The RBOC must continue to identify ways to reduce expenses that it controls, without compromising the integrity of the events and of the facility.

As previously referenced, the RBOC is fortunate to have long-term anchor tenants in the Tournament of Roses (2048) and UCLA (2044). Their successes are critical to the RBOC's success and we must continue to enhance their efforts as it is in our best interests. For example, the RBOC could assist UCLA regarding ticket sales in the Pasadena/San Gabriel area.

One of the great successes of the RBOC over the past few years was securing Arroyo Seco Weekend (ASW). The first two years were a success overall from a community standpoint and while it did not maximize attendance potential, the future is promising. AEG owns the rights to ASW and we will continue to help them be successful, managing expenses and advocating in the Pasadena community. The minimum net income to the RBOC from ASW will increase from approximately \$2 million in FY17 to \$2.5 million in FY18 to \$3.0 million in FY19. After Year Three of the agreement, both the RBOC and AEG have an opportunity to terminate the agreement. It must be a priority of the RBOC to ensure that ASW is successful so as to ensure that AEG does not exercise its option to terminate rights in 2019.

The RG Canning Flea Market is celebrating its 50th year at the Rose Bowl and has proven to be a stable source of revenue for the RBOC at approximately \$1 million per year. The RBOC should examine how the revenue stream can be increased, though limited parking constrains the potential upside. Food and beverage revenue can increase at the flea market, as attendees are much more sophisticated than those at a sporting event crowd with different food and beverage preferences.

As previously mentioned, minor events at the Rose Bowl have passed the \$1.5 million net revenue level, a long-term RBOC goal. Given the likelihood of fewer major events due to facility competition in 2020, it will be imperative that some of the financial loss be lessened by an increase in the number of minor events.

RBOC staff are constantly seeking additional revenue opportunities. Recently, an agreement was reached with AEG on a soccer alliance for a ten-year period, increasing the likelihood that the Stadium will continue to host soccer matches in the years to come. In addition, Brookside Golf Course could host additional events in the food and music areas, taking advantage of one of our greatest strengths—the beauty of the Arroyo.

Operations

The RBOC is widely respected for how we operate our facilities, and we should take pride in the improvements over the past five years, continually learning from events and adjusting.

With the regional competition coming by 2020, the Rose Bowl will be viewed in a different way than it has been for decades. The Rose Bowl is approaching 100 years of age and won't have the same type of infrastructure and amenities as the previously mentioned \$4 billion Inglewood stadium or some of the amenities in the renovated United Airlines Memorial Coliseum, yet the expectations of those attending events at the Rose Bowl will continue to rise given the elevated comparable experience, particularly the new stadium in Inglewood.

The Rose Bowl will have continuous challenges inherent to our location, including traffic management, neighborhood relations, security enhancements, gates, etc. The priority moving forward is to identify and secure new revenue streams, attract new funding and limit expenses to maintain world-class operations and to make long-term reinvestments to the Stadium.

Expense Management

Managing expenses is critical, as it is unlikely that the RBOC will attract all of the funds necessary to meet our goals. For example, one initiative that is under consideration is the issuance of parking permits valid on Rose Bowl event days on the streets and in the areas within one mile of the Stadium, streets currently restricted by barricades and personnel at significant expense to the RBOC (approximately \$50,000 per event). If successful, the implementation of permits could significantly decrease costs and improve operational efficiencies. Balancing the guest experience, public safety and expense management is a challenge and will continue to be a need that must be addressed.

Legacy Foundation

The creation and success of the Legacy Foundation is a key accomplishment for the RBOC, with just under \$30 million already raised by Legacy for capital improvements to the Stadium since its creation in 2010. Legacy provides critical resources and while their work has been tremendous, they plan to add a Director of Major Gifts to further enhance fundraising. Office space at the Rose Bowl is also being developed to serve as Legacy's headquarters. In the short-term (2018), Legacy's goal is \$1.5 - \$2 million, while the overall centennial campaign goal is \$40 million, with \$10 million raised to date. The RBOC must continue to fully support Legacy, as its fundraising efforts are likely the principal, if not the only funding sources for capital improvements going forward for the Stadium.

Capital Improvements

Securing funding for long-term capital improvements is one of, if not the, most important long-term needs for the RBOC. Currently, there are approximately \$50 million in unfunded capital improvements to the Stadium (a number that will only grow over the years due to the age of the Stadium and with new market competition), with \$10.4 million available now to the RBOC (after appropriations for fiscal year 2019). As Legacy continues to have fundraising success, it is hopeful that it can realize its campaign goal in the next five years. In the meantime, the RBOC has prioritized what capital improvements can—and must—be addressed first with limited funding. It is important to recognize that the financial model of the RBOC assumes that the operating budget will essentially break even and the funding for capital improvements will need to come from third parties, the Legacy Foundation and concessionaires.

Community Engagement

As noted earlier, the RBOC relationships with area neighborhoods are critical and, if they falter, could be an impediment to our future success.

There has been significant progress in our community outreach over the past few years, which in large part has been provided by Rose Bowl staff and supported by Legacy. Recent outreach initiatives include: the Honda Field Trip to the Field, which provides each 7th grader in the Pasadena Unified School District with a tour of the Stadium; the Easter egg hunt (Egg Bowl) which enables a 8,000+ Pasadena children and their families to come to the Rose Bowl for a family celebration; flea market tickets to those who live within one mile radius of the Rose Bowl once per year; and the Mayor's Holiday party which allows underprivileged youth to come to the Rose Bowl for a holiday celebration

RBOC staff, along with members of the Pasadena Police Department, have been having regular breakfast meetings with Rose Bowl neighbors to cultivate and strengthen the relationships. Those will continue as will engaging and educating residents on the business and/or operational challenges facing the RBOC. Of course, how Rose Bowl

events themselves are managed will likely be one of the determining factors in neighborhood reaction to the potential expansion of business opportunities for the RBOC.

In addition, the RBOC has an extensive internship program, which has provided primarily college students to gain substantive experience at the Rose Bowl in many facets of the organization. For example, an agreement was reached with Pasadena Community College which provides students with experience primarily in event management and finance.

Public Sector Structure

The looming competition from the Inglewood stadium and from a renovated United Airlines Memorial Coliseum crystalizes a key difference with our competition: the public agency governance structure of the Rose Bowl.

The City of Pasadena is the owner and the RBOC is an agent of the city (essentially a subsidiary) with limited independence. The challenges of this structure for the Stadium are significant, including a lack of confidentiality of business deal points/contracts as well as difficulties in compensating and retaining key employees. For example, the agreements and key financial details entered into with our competitors remain private, while the RBOC's are public, allowing our competitors to have an advantage. It is important that the City continues to provide general support for the RBOC, which can allow the RBOC to take some financial risk and seek non-traditional events and revenue opportunities. The potential for the City to reduce some non-public safety expenses for events could also be very beneficial.

The compensation issue for personnel is a very real challenge. Currently, the RBOC is a CalPERS agency (same as City of Pasadena), which provides benefits for employees. However, due to the CalPERS Reform Act of 2013, all employees hired after 2013 do not realize a similar benefit package and therefore we could lose them in the near future unless significant changes to compensation packages to equalize the differences are implemented. Historically, public-sector employees have a limited base salary, but the retirement packages have been exceptional. This has provided long-term stability for employees. With the CalPERS benefits no longer as advantageous for those hired past 2013, either the base salaries need to significantly increase and/or larger bonuses, which are typically found within the private sector, may need to be enhanced for key employees of the RBOC.

One potential advantage of being a public entity for the RBOC could be additional public financing support beyond Pasadena, particularly from Los Angeles County and/or the State of California. RBOC staff is researching public subsidy options.

Private/public partnerships have proven to be very successful for the RBOC and seeking new ways to enhance public/private partnerships should be explored to mitigate risk and/or to develop additional revenue streams.

Inherent Business Risks

The principal business of the RBOC is the operation of a very large sports and entertainment venue – the Rose Bowl. While we work very hard to minimize the risks of that business in the way we structure long-term contracts and other arrangements there are certain inherent risks that cannot be entirely avoided. For example, the business is heavily revenue dependent upon a relatively small number of events that have large attendance. The loss of any of such events or a significant diminution of attendance for one or more of them has an outsized impact on RBOC revenue. Recent examples are the cancellation of a Justin Bieber concert in 2017 and the decline in attendance at UCLA football games over the last several years.

Significant strides have been made in developing other revenue sources in order to reduce the risks to our total revenue. Private or so-called minor event revenues have grown nicely, and we will continue to seek more such events. The Arroyo Seco Weekend has also become an excellent source of revenue and other events that use the overall “campus” will be sought.

The bottom line, however, is that our main business carries risks that cannot be totally avoided. At the same time, the revenue risks of our principal secondary businesses (operation of a golf course and related clubhouse) are very real. These are discussed elsewhere in this document.

Financial Needs

The financial health of the organization is naturally one of, if not the, primary focus. Challenges are significant as several revenue streams are under attack and could conceivably decrease. UCLA (approximately \$5 million annually), the Tournament of Roses (\$4 million annually), Brookside Golf Course (\$1.5 million annually) and Arroyo Seco Weekend (\$3 million annually) are four of the RBOC’s most important revenue streams and must remain so. Increasing bond debt service, the increasing event operational expenses, and the need for funding of capital improvements put a strain on the RBOC’s financial positioning. Attachment A is a five-year forecast of the RBOC’s fiscal projections, while Attachment B is a schedule and amounts of the bond debt obligations.

ACTION PLAN

Ultimately, the challenges detailed above must be addressed in an action plan to provide direction for the RBOC moving forward.

1. Identify key revenue streams and ensure that they will be maximized

- a. *Premium Seating* – Currently approximately \$8 million annually, which is 95% of maximum revenue based on current inventory and pricing. It is the objective to maintain that percentage with a modest revenue increase annually (e.g. 3%) due to price increases.
- b. *Sponsorships* – Currently, the agreement with IMG provides annual minimum revenue of \$4.3 million. With a recent restructuring of the agreement, the RBOC now receives 53% of gross revenues once a minimum threshold is achieved. It is the RBOC's hope that an increment \$200,000 plus annually will be generated via IMG.
- c. *Food & Beverage* – Currently, the RBOC generates approximately \$9 million gross, or approximately \$3.5 million net annually for the Stadium. A new concessionaire, Levy/Best Beverage, was secured, and perhaps incremental increases in food & beverage revenue can be realized. *(It should be noted that food & beverage opportunities on the golf course could be significant. The opportunity to develop food & beverage on a five-star park must be balanced with maintaining the integrity of a 36-hole golf course).*
- d. *Parking* – One of the most challenging revenue streams with associated operational expenses rising. In addition, the popularity of ride share (Uber, Lyft) having a significant impact in Stadium event parking revenues. At this time, no additional incremental revenue is anticipated, although as referenced above, the RBOC must continue to identify ways to control or reduce expenses.
- e. *Bookings* – The RBOC has been strong at securing long-term agreements recently (UCLA, Tournament of Roses, Arroyo Seco Weekend, AEG soccer). It is important that the trend continues. The current targets for long-term agreements are with AEG (related primarily to soccer and concerts) as well as some lucrative minor events. Examples of minor events include: DCI (approximately \$50,000 annually), NFLPA exhibition games (approximately \$100,000 annually), and the Pasadena Half Marathon (approximately \$100,000 annually).
- f. *Admission Tax/Facility Surcharge* – There may be opportunities, particularly as it relates to special events, to increase the admission tax on tickets to generate an additional \$1 to \$2 per ticket, which would generate an additional \$100,000-\$200,000 annually for the RBOC.
- g. *Increase Net Revenue from UCLA Games* – This largely will be dependent on event attendance, as well as on maximizing food &

beverage revenues. In FY18, due in large part to the team's performance the past few years, the RBOC net revenue declined by more than 15% compared fy15. If attendance can increase 10% - that could equate to approximately \$500,000 annually. Although the sale of beer through the Stadium does not exist in all locations, if it were it could generate a minimum of \$200,000 of incremental revenue annually.

- h. *Retain Special Events* – Retaining large-scale special events is imperative for the RBOC. As referenced above, large-scale special events net approximately \$3 million annually. If the RBOC can retain 50% of the current special events that it hosts, the reduction in net revenue will be closer to \$1.5 million versus the \$3 million annually that could be lost.
- i. *Identify Another Primary Tenant(s)* – The RBOC should seek another major tenant, that could be in the form of another music festival. First and foremost, the RBOC must do all that it can to make sure that Arroyo Seco Weekend becomes a success for both the RBOC and AEG, in order to open up the potential for an additional music festival, that would be compatible with our neighbors and the recreation community.
- j. *Capital Improvements to Enhance Major Events* – Continuing to identify and fund capital improvements that could have a positive revenue impact, such as a south end zone project as well as opportunities for improvements in the Pavilion that could enhance premium seating to maximize revenue (e.g. converting two or three suites to additional loge and/or party suite concepts).
- k. *Capital Priorities* – In order to operate the stadium and make it as competitive as possible given its age and financial limitations, the approach of the RBOC is to prioritize five major capital projects (new lights (funds already allocated), seats, videoboard, south end zone improvements, stadium gates). In addition, planning on spending a minimum of \$1 million annually is scheduled to be spent on future capital improvements for the Stadium, in addition to allocating approximately \$750,000 annually for preventative maintenance items (e.g. many minor repairs such as electrical, painting, HVAC, etc.).

The golf course and clubhouse will also require capital improvements and upgrading Brookside Clubhouse may entail a major investment. Currently the golf course has an approximate \$500,000 annual dedicated fund for capital improvements primarily for the golf course. Realistically, this amount should take care of the current necessities

facing the course, but not if major capital initiatives are undertaken. The Clubhouse will receive a \$1 million investment from new concessionaire Levy/BBC but again, even with this new revenue there will not be nearly enough funds to cover significant clubhouse revisions

- I. *Legacy* – The RBOC must continue to support the ongoing Legacy campaign, as it serves as the RBOC’s sole capital funding source. Short term, the RBOC will need to fund an additional full-time person fundraiser position to help Legacy achieve its \$40 million campaign goal. For the current fiscal year, the goal is to raise \$1.5-\$2 million in commitments. Naming opportunities are a priority. By the end of 2018, offices for Legacy should be in place and the organization will have a greater platform as the 100th birthday of the Stadium approaches in 2022.

- m. *Stabilize Golf Revenues* - The management agreement recently entered into between the RBOC and American Golf was a necessity for the RBOC, as American Golf wasn’t making a profit operating the golf course in recent years and were not going to continue as a lessee. While the management arrangement means more risk for the RBOC, it results in more flexibility and entrepreneurial opportunities. The current revenue forecast shows a decrease in net revenue to the RBOC from the golf course of more than \$200,000 in fiscal year 2019 in this new arrangement mostly due to taking on the losses that used to belong to AGC in the expired lease agreement. Working on stabilizing golf course property revenues is one of the most important immediate priorities for the RBOC. Among the key issues/opportunities that need to be addressed on the golf course property include expense management while maintaining or enhancing the reputation of Brookside.

- n. *Long-Term Staffing* – As referenced previously, the evolving nature of CALPERS, as well as the competitive sports and entertainment facilities in the region put a premium on experienced staffing and securing long-term employment for those deserving should be a priority for the RBOC, specifically for those hired after 2013. The City ownership of the RBOC and the potential political challenges that may occur with higher salaries and benefits for recent key staff members may be obstacles, but they should not deter the RBOC exploring options to secure valuable employees.

FISCAL IMPACT

This report by its very nature addresses fiscal impact

Respectfully submitted

A handwritten signature in black ink, appearing to read 'D Dunn', with a long horizontal flourish extending to the right.

Darryl Dunn
General Manager