



Agenda Report

March 7, 2019

TO: Rose Bowl Operating Company (RBOC)

FROM: Victor Gordo, President

SUBJECT: Approval of Third Amendment to Agreement for Personal Services with Darryl Dunn, Rose Bowl General Manager/Chief Operating Officer.

RECOMMENDATION:

It is recommended that the RBOC:

1. Find that the action proposed herein is not a "project" as defined in the California Environmental Quality Act (CEQA), pursuant to State CEQA Guidelines Section 15378(b)(2);
2. Approve a bonus for the General Manager/Chief Operating Officer Darryl Dunn for the period ending March 31, 2018 as set forth herein;
3. Approve a third amendment to Agreement for Personal Services, contract number 16,858-2, the employment agreement between the RBOC and General Manager/Chief Operating Officer Darryl Dunn, to be retroactively effective as of April 1, 2018, increasing his annual salary and providing additional compensation as set forth herein; and
4. Authorize the President of the Board to execute the amendment and all documents necessary to implement the amendment, including an Administrative Services Agreement with Nova Associates, Inc. related to a 401(a) Plan.

BACKGROUND:

2018 Bonus

The Board of Directors of the RBOC has concluded its annual review of the General Manager's performance, pursuant to the terms of the Second Amendment to the Personal Services Agreement ("Agreement") with General Manager/Chief Operating Officer Darryl Dunn. Based on the results of the review and, consistent with the terms of Amendment No. 2 to the Agreement, the Board approved a bonus in the amount of 20% of base salary, for a bonus of \$53,323. Note that this bonus is for the period ending on March 31, 2018.

Third Amendment to Agreement

The RBOC is an independent non-profit organization serving as an agent for the City of Pasadena for purposes of managing the stadium and the Brookside Golf

Courses. The City created the RBOC in 1994 with its primary purpose to “return economic and civic value to the City”. The City entered into an Operating Agreement with the RBOC in 1995 to “avoid creating another level of bureaucracy” but to “secure the management, operation and maintenance of (the stadium and golf courses) in order to optimize their revenue-gathering capacities while minimizing the net cost to the City and avoiding City exposure to operating loss.” The RBOC has thus far successfully managed the challenging balance between working and operating as an autonomous organization while at the same time adhering to guidelines established by the City, all while operating successfully up against exclusively private sector competition.

Pursuant to the Operating Agreement, the Board of Directors of the RBOC appoints the General Manager. Since 1999, Darryl Dunn has provided this service as the senior member of the RBOC staff. Under Mr. Dunn’s tenure, the RBOC has undergone a significant evolution. The annual Operating Budget has increased from under \$10 million to more than \$50 million annually, which includes an annual bond debt service of more than \$12 million annually and escalating. Mr. Dunn’s title has shifted from General Manager to CEO & General Manager. Mr. Dunn established new positions over the past five years, including leadership positions such as Chief Operations Officer, Chief Revenue Officer and Chief Development Officer. These staff members, along with other key members, have performed exceptionally well, as evidenced by the fact that, during the past two fiscal years, the RBOC’s net income has been more than \$6.5 million. This type of support has enabled Mr. Dunn to focus on more long term needs of the RBOC.

The RBOC has been facing, and will continue to face, unique challenges that require a continuity of leadership. Among these challenges at this time are: the bond refunding recently approved by the Board and the cost impacts of such; the anticipated market competition that will come very shortly from the renovated Los Angeles Coliseum and the new stadium in Inglewood; potential upcoming modifications to the Arroyo Seco Weekend; and a need to respond to changes in the golf industry that are impacting the Brookside Golf Courses. Mr. Dunn has unique skills and experience on which the RBOC relies, for not only the everyday management of its facilities, but for his visionary thinking and leadership necessary to remain relevant in the sports/entertainment/golf industries. As just a few examples of his leadership, Mr. Dunn was the moving force behind the creation of the Arroyo Seco Weekend in an effort to bring another long-term tenant and source of income to the RBOC, as well as the creation of Legacy Connections, which has raised nearly \$32 million to date. Under his watch, minor event revenue has increased five-fold annually, and plans are underway to expand revenue from food and beverage across the campus. While Mr. Dunn has been tasked with creating a succession plan and developing his professional staff, it is imperative that the RBOC retain his services for the next critical period of its constantly changing business.

In order to retain the GM/CEO in a highly competitive industry, the Board approved an increase in the annual salary of the GM/CEO to approximately \$290,000, with additional benefits as set forth below. As a point of comparison, in 2017 the President/CEO of the Los Angeles County Fair Association's salary was \$485,000. Accordingly, the Agreement will be amended as follows:

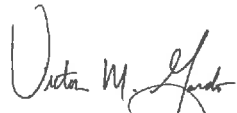
1. Increase the monthly base salary of the GM/CEO to a monthly salary of \$24,167, for an approximate annual salary of \$290,000 with a guaranteed 7.5% annual increase, inclusive of cost of living (contract term of 3 years, may mutually agree to three one year extensions);
2. Create a 401(a) deferred compensation plan through an Administrative Services Agreement with Nova Associates, Inc., and make a \$46,564 annual contribution from the RBOC to the plan on behalf of the GM/CEO;
3. Pay a \$24,500 premium payment each year of employment for a Long-Term Care Insurance policy (or other health/insurance fund) owned and established by the GM/CEO;
4. Authorize the Officers of the Board to approve of outside employment (consulting) for the GM/CEO (note that this policy currently exists for other RBOC employees); and
5. Authorize buyout of up to one year's worth of accrued vacation time.

Given the length of time it took to finalize this matter, some flexibility is necessary to provide Mr. Dunn with the actual benefits back to April 1, 2018. For example, the health/insurance benefit is retroactive, but since it was not used in 2018, it may be used in 2019 along with the 2019 benefit, or it may need to be paid to Mr. Dunn as a one-time cash payment. The same flexibility may be necessary for the deferred compensation contribution.

FISCAL IMPACT:

Funds to pay for these changes will come from the operating budget of the RBOC. Note that this includes an annual contribution from the Legacy Foundation of approximately \$75,000 for this purpose.

Respectfully submitted,



Victor Gordo
RBOC President

Attachment: Amendment No. 3

AMENDMENT #3 TO AGREEMENT FOR PERSONAL SERVICES

DARRYL DUNN

THIS AMENDMENT TO AGREEMENT FOR PERSONAL SERVICES is entered into by and between the ROSE BOWL COMPANY ("RBOC"), as agent for the City of Pasadena, and Darryl Dunn ("EMPLOYEE").

RECITALS:

WHEREAS, RBOC and EMPLOYEE entered into an Agreement for Personal Services on July 1, 2006, amended that agreement on July 1, 2009, and again on August 6, 2015 ("the Employment Agreement"), setting forth the terms of EMPLOYEE'S service as General Manager/Chief Executive Officer of RBOC; and

WHEREAS, it remains the desire of RBOC to continue to retain the services of EMPLOYEE as General Manager/Chief Executive Officer and the desire of EMPLOYEE to serve in that capacity; and

WHEREAS, both parties desire to modify certain terms of the Employment Agreement.

NOW, THEREFORE, the parties hereto agree to further amend the Employment Agreement as follows:

1. Section 1 is amended by adding a new Section 1.1 to read as follows:

"1.1 EMPLOYEE may engage in outside employment if it does not interfere, compete or conflict with the RBOC's interests. Such employment may not hinder in any way EMPLOYEE'S ability to meet the responsibilities and demands of his work for the RBOC or conflict with or adversely affect in any way the image of the RBOC. Any outside employment that is directly or indirectly related to the stadium management industry, the golf management industry, or the RBOC's functions, activities or other similar fields must be approved in advance by the Officers of the Board of Directors, who shall have full authority and discretion to make all determinations relating to the permissibility of outside employment and any such determination will be binding on EMPLOYEE."

2. Section 5.1 is amended by adding a new Section 5.1.3, to read as follows:

"5.1.3 RBOC agrees to pay EMPLOYEE a monthly base salary of \$24,167.00 (an annual salary of \$290,004), to be effective as of April 1, 2018. EMPLOYEE shall receive a 7.5% merit/cost of living adjustment increase to the salary on April 1, 2019, and on April 1, 2020 of the contract amendment term, including any extension of the contract term to which the parties agree. The adjustment increases are to be contingent upon a satisfactory or better performance evaluation for the preceding performance

year as determined by the Board of Directors. The term of this Agreement may be extended by mutual agreement of the parties for three extensions of one year, the agreement to be exercised at least six months prior to expiration of the contract (April 1 of the relevant year).”

3. Section 5.6.1 is deleted in its entirety.

4. A new Section 5.7 is added, to read as follows:

“5.7 EMPLOYEE shall receive an additional \$46,564 annual contribution from the RBOC to a 401(a) deferred compensation plan allowing the EMPLOYEE to defer earnings to the RBOC’s 457 plan at his discretion as permitted under the rules promulgated by the United States Internal Revenue Service which are applicable to the RBOC’s 457 deferred compensation program. The annual contribution to EMPLOYEE’S 401(a) deferred compensation account shall be made in bi-weekly installments, concurrent with the RBOC’s regular payroll, except that, for the time period from April 1, 2018 to the date of execution of this Amendment, a lump sum contribution shall be made that will bring installments current to date. All contributions shall be completed by June 30 of each year or upon termination, and shall be prorated for the number of months or parts of months worked hereunder should the Agreement not be in effect for an entire calendar year. EMPLOYEE’s rights and interests in the amounts contributed by RBOC hereunder shall immediately vest in EMPLOYEE upon payment by RBOC into his deferred compensation account, and EMPLOYEE shall be entitled to payment of the full amount of contributions made on his behalf by RBOC and all earnings thereon under the terms of the RBOC’s Deferred Compensation Plan upon termination of his employment.”

5. A new Section 5.8 is added, to read as follows:

“5.8 Employer shall pay a \$24,500 premium payment each year of employment for a Long Term Care Insurance policy owned and established by EMPLOYEE for his/her sole benefit, or a similar health care savings or investment vehicle, such as additional life insurance or disability insurance.

6. Section 7.3 is amended to read as follows:

“7.3 Any personnel policy or resolution adopted by the Board of Directors of the RBOC allowing employees to convert excess hours to cash shall apply to the EMPLOYEE as of the date of its adoption and, in the event of any inconsistency with this Agreement, EMPLOYEE and RBOC agree that the later adopted policy shall govern. Notwithstanding the prior sentence, EMPLOYEE is allowed to cash out up to one year’s earned but unused vacation once per calendar year at his base hourly rate of pay at EMPLOYEE’s salary at the time.”

7. All other terms and conditions of the Employment Agreement not modified herein shall remain in full force and effect.

8. All provisions are retroactive to April 1, 2018.

ROSE BOWL OPERATING COMPANY,
A California Corporation

DARRYL DUNN, EMPLOYEE

VICTOR GORDO
PRESIDENT

APPROVED AS TO FORM:



THERESA E. FUENTES
ASSISTANT CITY ATTORNEY