

SONJA K. BERNDT
Pasadena, CA 91107

May 1, 2022

Mayor Victor Gordo
Members of the Pasadena City Council
Members of the Pasadena Finance Committee
By Email

Re: The Need to Exercise Fiscal Restraint and Reject the Proposed 2023-2027 Capital Improvements Program (CIP) Budget Regarding \$9.990 Million of RBOC Unrestricted Reserve Funds for More Rose Bowl Improvements

Dear Members of the City Council and Members of the Finance Committee:

A. Introduction

I submitted a letter to the City Council dated April 25, 2022, urging rejection of the following: (1) \$2 million of our vitally important American Rescue Plan Act (“ARPA”) funds to fund fire station improvements (without a detailed cost analysis); (2) \$200,000 of ARPA funds toward the remodel of the Police Department building; and (3) \$9.990 million from the “RBOC Unrestricted Reserve Funds” to fund more Rose Bowl improvements.

Now that the proposed FY2023 Operating Budget has been made public, this letter further addresses the proposal to allow \$9.990 million of RBOC Unrestricted Reserve Funds to fund what appear to be more non-safety-related upgrades and amenities at the Rose Bowl. This Committee and the City Council should reject using this money to fund any and all non-urgent, non-safety-related improvements, thus ensuring that some or all of these funds are available, if necessary, next year to pay the Rose Bowl’s substantial ongoing debt obligation.

B. Brief History of the Rose Bowl’s Massive Debt

As you know, for several years prior to 2016, the Rose Bowl underwent a massive multi-phase renovation project, financed primarily through bonds. The renovation included 54 luxury suites, 48 loge boxes, 1,200 club seats, state-of-the-art press boxes and a new broadcast center. The cost estimate in 2010 was **\$152 million**. Ultimately, the \$152-million project cost around **\$183 million**. As of May 2021, the stadium had collected a whopping **\$197.72 million** in outstanding debt.

While historically the RBOC has been able to cover this debt obligation with revenues generated through its business operations, the cancellation of events during the pandemic and stiff competition from SoFi stadium and other venues resulted in the RBOC being unable to pay the debt.¹ According to City staff, the City had to step in and pay approximately \$11.5 million of Rose Bowl debt in fiscal year 2021 and approximately \$10 million in fiscal year 2022. Those very substantial debt payments were paid from the City’s General Fund and/or General Fund reserves. Last year, former City Manager Steve Mermell advised the City Council that paying the Rose Bowl debt had exhausted much of the City’s General Fund Operating Reserve. Further, the fiscal year 2022 General Fund 5-Year Financial Forecast showed Pasadenans continuing to pay the Rose Bowl debt, resulting in **deficits for our critical General Fund** absent a solution.

For FY 2023, Ms. Kurtz reports that the City will not have to pay the Rose Bowl debt obligation. This is due in large part because the federal government provided the Rose Bowl with a **one-time** \$10 million Shuttered Venue Grant. But the General Fund Five-Year Forecast shows a substantial increase in debt service for FY2024 and beyond due to having to cover the Rose Bowl debt again. Even worse, according to Ms. Kurtz: **“Additionally, with the forecast of resuming debt service payments related to the RBOC, FY 2024 and beyond are reflecting projected deficits [in the General Fund].”** (C. Kurtz Transmittal Ltr., p. 6, emphasis added.)

C. The RBOC Should Not be Permitted to Spend Down its Unrestricted Reserve Funds, thus Jeopardizing its Ability to Pay Rose Bowl Debt in FY2024 and Beyond

The CIP 2023-2027 budget proposes that \$9.990 million of the RBOC Unrestricted Reserve Funds fund Rose Bowl improvements in fiscal year 2023. The work to be performed in 2023 using this substantial amount of money does not appear to be safety related, for the most part.² Significantly, the proposed CIP budget shows FY2023 Rose Bowl improvements also being funded with \$1.2 million from the Restricted Capital

¹ Even before the pandemic, Rose Bowl revenues were falling quite substantially. “In fiscal year 2020, for instance, net income from the Rose Bowl’s anchor tenants — UCLA football and the Tournament of Roses — fell by more than 30%, with attendance dropping more than 60% compared to five years before, according to the city.” (*Pasadena Star News*, 5/24/21.)

² “SCHEDULE: In FY 2023, the following projects will take place: broadcast & audio/visual control room upgrades, back of house WiFi, campus fiber upgrades, field sideline bench replacement, concession stand upgrades, perimeter pedestrian flow safety improvements, stadium seating replacement, speaker system replacement, Pavilion club upgrades, Loge Lounge outdoor TV replacement and future project studies & assessments.” (Project Schedule.)

Fund (Legacy Contribution), plus another \$1.365 million for FY2023 preventative maintenance from that same restricted fund.

This situation raises a critical question: Can the RBOC Unrestricted Reserve Funds be used to offset RBOC/Rose Bowl debt? If that is the case, why would the City allow the RBOC to spend nearly \$10 million of its unrestricted reserve funds this year rather than exercise fiscal prudence to ensure that it can pay all or most of the Rose Bowl debt obligation next year? According to Mr. Mermell’s budget transmittal letter last year, over the next five-years, the City’s debt payments will CONTINUE due to Rose Bowl revenue gaps of \$5.4-7.7 million PER YEAR. According to the RBOC budget this year “[u]nfortunately, the structural challenges facing the RBOC continue as the FY 2023 Recommended Budget projects a net loss of \$4.6 million, after deducting the preventative maintenance reserves.” (RBOC Proposed FY2023 Operating Budget, p. 7.)

It has been suggested by some in our city government that, to remain competitive, the Rose Bowl may have to spend more money on upgrades and amenities in order to generate increased revenues. **But at what human cost to the residents of this City?** Our leaders cannot have an “open-checkbook policy” when it comes to Rose Bowl debt and yet fail to provide funding for basic shelter and services for our nearly 300 unsheltered residents, fail to provide funding for adequate protections for our renters, and fail to fund critical evidenced-based violence prevention/intervention programs. Our City leaders cannot allow the RBOC to spend down its own reserves, jeopardizing its ability to cover the Rose Bowl debt in 2024 and beyond, thus exposing our own City’s General Fund and reserves next year and beyond.

D. Conclusion

For the stated reasons, the proposed use of the RBOC Unrestricted Reserve Funds to pay for nearly \$10 million in Rose Bowl improvements this year should be rejected. Thank you for your time and consideration of this letter.

Sincerely,

/s/

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Pasadena

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Cynthia Kurtz, Interim City Manager
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