TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT:CITY MANAGER’S OFFICE

DATE: JULY 23, 2007 CMR:319:07

SUBJECT: APPROVAL OF THE 2008 AMGEN TOUR OF CALIFORNIA CITY PARTICIPATION AGREEMENT WITH AEG AND STANFORD UNIVERSITY IN ORDER TO HOST THE “OVERALL START”

RECOMMENDATION
Staff recommends that Council authorize the City Manager or his designee:

1. Negotiate and execute 2008 Amgen Tour of California City Participation Agreement with AEG and Stanford University in substantially the form as Attachment A; and
2. Negotiate and execute a Memorandum of Understanding between the City, Stanford University and the Local Organizing Committee regarding fundraising efforts for the Tour (Attachment B).

BACKGROUND
The Tour of California (Tour) is an eight day “stage” bicycling race. The race traverses some of the more beautiful locations and cities within California to provide spectators and competitors with a good sampling of the State of California. It is also designed to be a challenging event for the athletes; essentially a shorter, American version of the Tour de France.

The Tour is in its third year and already claims to be the largest sporting event in the United States. AEG estimates the more than 1.6 million spectators watched the event in person last year. Extensive (14 hours) national television coverage is provided for this event on the Versus (formerly Outdoor Life Network) channel. AEG also has international broadcasting agreements in place.

The Tour consists of 18 world class professional cycling teams representing over 24 countries. The number of people who travel with the race is estimated at 800 people including the riders, event staff and the media.

DISCUSSION
AEG solicited the City of Palo Alto and Stanford University in May 2007 to be the “Overall Start” for the 2008 Tour of California. As a result of this solicitation, staff entered into detailed discussions with Stanford and AEG.

On June 18, 2007, Mayor Yoriko Kishimoto, Council Members Bern Beecham, and John Barton submitted a Colleagues’ Memo to the full Council recommending that staff pursue discussions with AEG and Stanford to host the Tour. The Council authorized the Mayor and City Manager to enter into a Letter of Intent with AEG and Stanford to host the Tour subject to approval of a formal agreement.

AEG subsequently selected the City of Palo Alto and Stanford University to be the “Overall Start” for the Tour of California on February 17, 2008. This particular portion of the race begins with a prologue event. This prologue is essentially a time-trial where each athlete rides individually against the clock for the best time possible.

Benefits
The prologue of the Tour of California will draw an estimated 50,000 people to Palo Alto to view the event, the equivalent of a Stanford football game. This will provide an economic benefit to the City as the spectators spend time and money in Palo Alto at various restaurants, hotels, and shops. Since it is the start of the Tour of California, the prologue event will receive approximately two hours of national television coverage featuring Palo Alto and Stanford. Hosting the Tour will help to accelerate the Destination Palo Alto initiative.

Course Route
The prologue route is approximately 2.5 miles in length (Attachment C). The start area will be directly in front of City Hall on Hamilton Avenue. Riders will proceed eastbound on Hamilton Avenue and make a left turn onto Webster Street. The route will immediately turn to the west as riders turn left onto University Avenue to showcase downtown Palo Alto. The riders will continue on University Avenue and continue straight as it turns into Palm Avenue. As riders approach Stanford University, they will ride counter-clockwise around the oval and finish at Museum Drive and Palm Avenue. At the end of the Prologue, a host stage will be placed on a parking lot at Stanford University. A lifestyle festival and other related Tour events will be conducted at the host stage.

Local Organizing Committee
Each host city is required to have a Local Organizing Committee (LOC). According to AEG, “the purpose of the LOC is to plan and execute local tour initiatives of behalf of the host venue.” The LOC will take the lead in raising funds to cover all expenses associate with the Tour.

Currently, the LOC is co-chaired by:
Chris Ewert, Director, Marketing Operations – Adobe Systems Inc.
Frank Scioscia, Associate Director Major Gifts – Stanford Engineering
Joe Manning, Associate Professor, Stanford University  
Glenn Rawlinson, Account Executive Strategic Applications, SAP America

Summary of Key Contract Terms and Cost Sharing Arrangement
Under the proposed contract, City and Stanford University will jointly host the Tour. The hosts will be responsible for providing various goods and services associated with the Tour, including police services, road closure services, EMS/EMT services, portable restrooms, and trash removal. Because the Tour will be jointly hosted by the City and Stanford and because the stage location will be at the Stanford campus, some of these costs include Stanford provided resources. In addition, the Host is expected to recruit and train volunteers to assist local police and Tour personnel. In exchange, AEG will provide various Host benefits, including Host recognition at promotional events, provision of VIP credentials, and participation in ancillary fundraising events. Further, the Agreement allows the Host to raise local revenues through parking programs, food and beverage concessions and other ancillary events associated with the Tour. Under the Agreement, the City and Stanford will be required to indemnify and hold harmless AEG and other related entities for any negligent or willful misconduct, and AEG will indemnify the City and Stanford for any negligent or willful misconduct by AEG.

It is contemplated that the LOC will raise all of the necessary funds to cover local expenses under the Agreement. To the extent there is a shortfall and the local Tour revenues are not adequate to cover the costs, the City, Stanford and AEG will each bear one-third of those costs.

Cost Estimate
The City of Palo Alto and Stanford University are responsible to provide significant support and are responsible for a number of costs associated with the set up and the day of the Tour of California. The preliminary estimate for combined Palo Alto and Stanford costs to host this event is $195,000. This is a conservative estimate. The City and Stanford are in the process of preparing more detailed cost estimates for this event. It is expected that the overall costs will be reduced as additional event planning continues. The brunt of the costs is related to public safety/police services.

As indicated above, Stanford will share responsibility for the total event costs. It is the understanding of all parties involved that the LOC will raise funds to cover the expenses incurred by the City and Stanford University. Any costs not covered by LOC fundraising efforts will be split by the City, Stanford University and AEG by one-third. Any revenue generated from the event, including but not limited to parking fees, concessions, and local sponsorships will be donated to non-profit charities. The City, Stanford, and AEG will each designate which charities will receive up to one-third of that amount.

The Palo Alto Chamber of Commerce and the Palo Alto Downtown Business and Professional Association are supportive of this event, particularly as it relates to the Destination Palo Alto effort.
RESOUC£ IMPACT
This event will require a moderate amount of staff time related to pre-event planning. The planning effort will span multiple departments. These costs will be absorbed by the City. Similarly, it is expected that Stanford University will absorb its administrative costs associated with this event.

A significant amount of additional staff time will be required for set up and the actual race. The major impact will be on public safety and public works. The initial cost estimate for the City of Palo Alto and Stanford University is $195,000. It is anticipated that these costs will be offset by the LOC’s fundraising efforts. In the event that the LOC is unable to meet its fundraising goals, AEG will reimburse one-third of the City and Stanford’s costs associated with this event.

POLICY IMPLICATIONS
This recommendation is consistent with existing City policy.

PREPARED BY: ____________________________
Chris Mogensen, Assistant to the City Manager

CITY MANAGER APPROVAL: ____________________________
Frank Benest, City Manager

ATTACHMENTS
Attachment A: Participation Agreement
Attachment B: LOC Memorandum of Understanding
Attachment C: Course Route