

Attachment C



Dear Monterey County Supervisors,

I am writing relative to the matter of whether the County of Monterey retains ownership of the Rolex Monterey Motorsports Reunion or outsource the event and dates to an independent organization as a facility rental. It is my professional opinion that the event remains a vital asset of the County, which is the most profitable and successful event annually held at WeatherTech Raceway Laguna Seca as historically noted.

The submitted five-year proforma evaluates both business models. Given the available financials, there is a \$4.45 million reduction (-53.2%) in NOI after county allocations if the event is outsourced. NOI generated if outsourced is \$3,916,403 compared to \$8,368,397 with Monterey County maintaining ownership with the event managed under A&D. Velocity's proposed \$2 million in the first year offers no commitment of capital improvement projects, only a commitment to the event itself.

From 2017-2019 and 2021, total gross revenue generated by the Rolex Reunion was \$14.5 million. Based on the negative impact of outsourcing, the financial stability of the Laguna Seca Recreation Area business model presented to the Board of Supervisors on Dec. 8 supporting the two major projects could be in jeopardy.

The Rolex Reunion is the County's number one event revenue generator at Laguna Seca. Over the years, revenue has been used to offset less profitable events and the business in general. Per historical financials available, the Rolex Reunion has never been a financial risk to the county.

Projected 2022 revenue for car entries is currently \$850,000. Event-specific sponsorship for 2022 is \$1,188,738. There are pending three-to-five-year commitments from such companies as Rolex, MOTUL, Hagerty and automakers that are close to being finalized. Combined, this accounts for an additional \$6,371,428 in sponsorship revenue. Moreover, year-round sponsors are engaged with the Rolex Reunion, such as WeatherTech and Lexus, and place significant value of their brands' exposure because of the event and association with the title sponsor.

The implications of any change in the business model will negatively affect not only sponsors, but also the investment into the County-owned registration portal that ITD designed and manages; HSR, the event's sanctioning body; Rolex; Advisory Council members; Laguna Seca Volunteer Association and service clubs; and Laguna Seca's local business partnerships. After rebuilding brand credibility in 2021, the potential for negative exposure is high.

In cooperation with the volunteer Advisory Council, planning for 2022 Reunion began in June 2021. Our management team with support from the advisory council approached the owners of the 24 Hours of Le Mans to serve as the kickoff to its upcoming 100th anniversary celebration. The Rolex Reunion is one of very few international events embraced to serve in such a capacity. This is a rarefied honor and speaks to the significance and prestige of the Rolex Reunion's reputation earned over several years. As such, enthusiasts worldwide and sponsors have taken notice of the rebuilding of the Rolex Reunion which began in 2021 and will continue for 2022 and into the future.

Unlike Sea Otter Classic's facility rental, this past November's Velocity Invitational consumed valuable staff hours. For example, the Operations department scrambled 48 hours before the event opened to retain SCCA safety crews. Paddock volunteers were pressed into duty during move-in and took the lead. The many facets of this facility make it difficult for an outside organization to organize and execute an event, particularly on the scale of the Rolex Reunion.

While the Velocity event looked spectacular in terms of layout and presentation, it is nearly half the size (in terms of cars and footprint, and approximately 40,000 fewer spectators) of the Rolex Reunion, which attracts the same participant clientele. For the 2022 Rolex Reunion, upgrades are being implemented to include a Laguna Seca Museum to celebrate its 65th anniversary, a large Le Mans Legends Heritage display with rare race cars not regularly seen, significantly upgraded food options from local restaurants and caterers, a rebranded Legends Club for VIP service, and family activities.

There is significant brand equity in the Rolex Reunion, with direct financial benefits. The economic impact of Car Week exceeds any other event held in the County. A 2018 independent report from CSUMB attributed direct economic spending of just the Rolex Reunion at \$24,228,811. The big three attractions: Pebble Beach Concours, Quail Motorsport Gathering and the Rolex Reunion are the primary drivers of the week, and each one has its own niche. The Rolex Reunion's place is showcasing authentic historic race cars on track for a full sensory experience. It also is the most affordable and approachable event for Monterey County residents to attend. Our admission price ranges from \$30 to \$100 for individual day tickets, and up to \$650 for three-day VIP hospitality packages.

Over several years, the Rolex Reunion has earned and built a solid brand equity value, international respect, and recognition as one of the world's preeminent historic race car gatherings. To sell the County's number one brand, is not a sound business decision that is supported by financial projections.

In the two years of managing Laguna Seca Recreation Area, management has embarked on running the business with sound fiscal responsibility that has resulted in positive revenue for the County. This is true despite enduring a pandemic and closures, and unable to sell tickets until two months prior to the 2021 Rolex Reunion, which was profitable.

The Rolex Monterey Motorsports Reunion has long been the crown jewel of Laguna Seca events. With Advisory Council and management teams working in unison, there is only continued upside financial and enhanced brand potential with it remaining under the County of Monterey's ownership and current management firm.

Thank you.

Respectfully,



John V. Narigi
President and General Manager