



Monterey County

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: PAR 22-008

February 01, 2022

Introduced: 1/26/2022

Current Status: Agenda Ready

Version: 1

Matter Type: Preliminary Analysis Report

Receive a preliminary analysis report in response to **Board Referral No. 2022.01** regarding a proposal by Velocity International for the August Monterey Motorsports Reunion Event at WeatherTech Raceway at Laguna Seca.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a preliminary analysis report in response to **Board Referral No. 2022.01** regarding a proposal by Velocity International for the August Monterey Motorsports Reunion Event at WeatherTech Raceway at Laguna Seca; and,
- b. Direct that staff proceed with completion of referral based on description in this report; or,
- c. Direct that staff:
 - i. Proceed with completion of referral based on modifications by the Board; or,
 - ii. Return to Board with a more comprehensive analysis of referral and anticipated effort for completion; or,
 - iii. Rescind referral.
- d. Provide further direction, as appropriate.

PRELIMINARY ANALYSIS:

Background & Referral Summary:

Historic automobile racing has taken place in Monterey County since 1950, when vintage cars raced through the Pebble Beach pine and cypress forest along 17-Mile Drive. Due to safety concerns, the Pebble Beach races halted in 1956. In 1957, Laguna Seca Raceway was completed and the historic races resumed. In 1974, racing enthusiast Stephen Earle started The Monterey Historic Automobile Races. As an annual event, "The Historics" continued under Earle's licensing and management until 2010, when the Sports Car Racing Association of the Monterey Peninsula (SCRAMP) took over the event and rebranded it as the Rolex Monterey Motorsports Reunion (RMMR). Currently the event is owned and licensed by Monterey County, and produced by the County's contracted management company, A&D Narigi Consulting, LLC (A&D). The event takes place annually in August and kicks off Monterey Car Week with pre-Reunion events the weekend before the RMMR, followed by a week of track activities, and culminating in the RMMR.

Board Referral No. 2022.01 (Attachment A) *"On December 8, 2021, Jeff O'Neill of Velocity International emailed the Board of Supervisors that he submitted a proposal by Velocity International for an August Monterey Motorsports Reunion event that would provide significant benefits and revenue without taking any risk. The proposal would bring \$9,250,000*

over a 10-year contract, invest an additional \$2,000,000 in improvements, and potentially bring other contributors or sponsors to help pay for additional infrastructure and track maintenance costs.

Velocity International just completed a successful event at Weathertech Laguna Seca Raceway on November 14 with over 12,000 in attendance and with an amazing collection of rare cars. The event included high profile participants, including McLaren Racing's CEO Zak Brown, Ford's CEO Jim Farley, Walmart's Rob Walton and Cisco Systems' Executive Vice-President and General Manager Jeetu Patel, among other notable auto and business leaders. The event even brought a younger audience compared to other similar events."

Proposed Project Description:

The proposal brought forth by Jeff O'Neill of Velocity International (Attachment F) outlines the financial offer to Monterey County to manage the RMMR and Pre-Reunion events, however, the proposal does not provide significant detail about how the business would present the events. Discussions have taken place between Velocity International and Public Works, Facilities & Parks (PWFP) staff regarding specifics of the events should Velocity International be the managing firm for the event. Mr. O'Neill has stated that his vision would be for the Reunion events to be similar to other elite Monterey Car Week events such as The Quail, A Motorsports Gathering and the Pebble Beach Concours d'Elegance, while at the same time expanding the event to include family-friendly activities for non-race spectators.

Velocity International has held two events over the past two years; the first at Sonoma Raceway and the second at WeatherTech Raceway at Laguna Seca, however, both events were much smaller in scale than the RMMR events. It is not known at this time if Velocity International has the ability to manage a large-scale event such as RMMR. Velocity International's profit and loss statements and facility use agreements have been requested by staff, but a response was not available at the time this report was drafted.

The RMMR events have historically taken nearly a full year of preparation and the 2022 events are trending consistently with substantial work already being done by A&D, the Monterey Motorsports Advisory Council and the Laguna Seca Volunteer Association; these entities have submitted letters for consideration for keeping the 2022 events under the current management (Attachments C-E). In addition to the management firm planning for facility upgrades for the Reunion events, sponsorship agreements are currently being drafted, vendors are being booked and participants have been contacted and are making arrangements to attend.

Given the above considerations, staff finds that there are three options, each with their own financial and operational issues to be considered:

1. Velocity International manages the RMMR events in their entirety with no support from A&D (lesser risk to County because of proposed payments by Velocity International with potential loss of revenue from previous years events because of Velocity International fully managing the events).

2. Velocity International manages the RMMR events with support services from A&D such as volunteers, track workers and event staff (lesser risk to County because of proposed payments by Velocity International, though potential for revenue loss not as great as Option 1 because of A&D support which Velocity International would be invoiced for).
3. No change - A&D manages the RMMR events (greater risk to County because no guaranteed payment, though potential for greater revenue than Velocity International would provide).

Planning for the 2022 RMMR events are well underway, and A&D has significant plans for the 2022 Reunion events and estimated profit and loss statements show that sales, sponsorships and automobile entries are significantly more than the first-year fee for the Velocity International proposal which is \$550,000. Velocity International is a relatively new entity and staff needs additional time to fully understand their business model and finances. Should A&D continue with the Reunion events for 2022, staff would return to the Board of Supervisors with a detailed financial analysis and a more substantial recommendation for the future of the RMMR.

PWFP staff request that the Board of Supervisors choose one of the above options for the 2022 RMMR and provide further direction to staff.

Estimated Project Cost and Staffing Level Estimate:

Costs are not fully determined at this time but will consist primarily of staff time. Time impacts associated with this request may include staff time from PWFP and County Counsel.

Proposed Response Date:

Staff proposes to return to the Board prior to April 30, 2022 or as directed.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

These events at the Laguna Seca Recreational Area support the Board of Supervisors Economic Development Strategic Initiative. Recreational activities and events support economic development and promote an experience that would encourage repeat customers.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Attachments:

Attachment A - Board Referral No. #2022.01

Attachment B - Velocity International Proposal

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Attachment C - A&D Narigi Consulting, LLC Letter to Board of Supervisors

Attachment D - Monterey Motorsports Advisory Council Letter to Board of Supervisors

Attachment E - Laguna Seca Volunteer Association Letter to Board of Supervisors

Attachment F - Project Description