



**BOARD OF LOS ANGELES CONVENTION
AND TOURISM DEVELOPMENT**

Regular Meeting
Monday
January 26, 2015
9:00 a.m. – 10:30 a.m.
Los Angeles Convention Center
1201 S. Figueroa Street, L.A. CA 90015
Executive Board Room

1. Call to Order / Roll Call
2. Public Comment
3. Meeting Minutes
 - Approval of Meeting Minutes from December 17, 2014
 - Approval of Amendment to Meeting Minutes from December 3, 2014
(Amendment to meeting date in the first paragraph from Nov. 19, 2014 to Dec. 3, 2014)

ACTION ITEMS:

4. AEG Discretionary Incentive Fee Board Report (Board Report 14-005)

INFORMATIONAL ITEMS:

5. Executive Director's Comments
6. Update on Plan B

REPORTS:

7. Monthly Reports for November 2014
 - a. AEG
 - Update from Brad Gessner, Sr. VP & General Manager
 - 1st Year Anniversary of Managing the LACC
 - b. LATCB
 - Sales Update from Darren Green, Sr. VP of Sales
 - Meeting Publications Update from Jeff Morris, President-HEILBrice
 - LATCB Calendar Year Performance Stats

ADMINISTRATIVE:

8. Agenda Forecast / Special Topics
 - February 4, 2015 - Monthly Reports for December 2014
 - February 18, 2015 - Hotel Strategy Update

Materials related to an item on this agenda submitted to the Board of Los Angeles Convention and Tourism development after distribution of the agenda packet are available for public inspection in the Executive Office of the Los Angeles Convention Center, 1201 S. Figueroa Street, Los Angeles, CA 90015, during normal business hours.

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

DRAFT
**BOARD OF LOS ANGELES CONVENTION
 AND TOURISM DEVELOPMENT**

Regular Meeting Minutes
 December 17, 2014
 9:00 a.m.

The Board of Los Angeles Convention and Tourism Development (Board) convened a regular meeting on Wednesday, December 17, 2014 at 9:06 a.m. at the Los Angeles Convention Center (LACC), located at 1201 S. Figueroa Street, Los Angeles, CA 90015, in the Executive Board Room.

PRESENT:

President Jon Vein
 Vice President Ray Bidenost
 Commissioner Otto Padron

Bud Ovrom, Executive Director –

Los Angeles Department of Convention & Tourism Development (CTD)
 Tom Fields, Assistant General Manager & Chief Operating Officer – CTD
 Marla Bleavins, Assistant General Manager, Finance & Administration – CTD
 Glyn Milburn, Business Team Representative – Office of the Mayor
 John Wickham, Legislative Analyst – Office of the Chief Legislative Analyst (CLA)
 Terry Martin Brown, Assistant City Attorney – Office of the City Attorney
 Deborah Weintraub, Deputy City Engineer – Public Works/Bureau of Engineering
 Brad Gessner, Sr. Vice President & General Manager – AEG Facilities
 Barbara Kirklichter, Vice President, Revenue Strategy –
 Los Angeles Tourism & Convention Board (LATCB)
 Javier Cano, General Manager – JW Marriott
 Brandon Feighner, Vice President – PKF Consulting
 Cristine Villorante, Executive Administrative Assistant – CTD

ABSENT:

Commissioner Nicole Duckett Fricke

Item 1. Call to Order – President Jon Vein called the meeting to order.

Item 2. Public Comment – There was no public comment.

Item 3. President's Comments

President Vein announced the resignation of Commissioner Gillian Zucker. In addition, President Vein and Mr. Brad Gessner provided information about the 2014 L.A. Veterans Stand Down event happening at the LACC on December 20-22, 2014.

Item 4 Approval of the Meeting Minutes from December 3, 2014

Meeting minutes were approved by general consensus.

Item 5 Room Block Agreement

Mr. Bud Ovrom reported on the Room Block Agreement and requested the Board's approval to recommend that CTD staff to work with the CLA, AEG, and LATCB to

review documents in an effort to make the necessary improvements in future agreements.

Upon further discussion, President Vein requested that the item be tabled until the second meeting in February of 2015.

Item 6. CIP Report

Mr. Tom Fields updated the Board on the Capital Improvement Projects. All 14 projects are actively in progress and on target for completion before next year's E3 Expo.

Item 7. LATCB Contract Update

Ms. Marla Bleavins reported that the LATCB contract was approved by the Trade, Commerce, and Tourism Committee and the Economic Development Committee on December 9, 2014 and approved by the City Council the following day without delay.

Item 8 Second Amendment to the New Hall and Event Center Implementation

Mr. Ovrom reported that the second amendment to the New Hall and Event Center Implementation Agreement was approved by the City Council yesterday, December 16, 2014 and introduced Mr. John Wickham from the CLA's office who updated the Board on the schedule for Plan B.

Mr. Wickham informed that Board that there will be a public review process planned for next month, January of 2015, which will help structure the final instruction to the architects. The final implementation will convene next year.

Item 9 Hotel Request for Information (RFI)

Mr. Ovrom reported that CTD will stand down on the RFI at this time and report back to the Board at a future meeting.

Item 10 Draft Annual Report, FY 2013/14

Mr. Ovrom provided the Board with a final mock-up of the Annual Report which is ready to go to press.

Item 11. Agenda Forecast / Special Topics

The next Board meeting is scheduled for Wednesday, January 7, 2015. AEG will present a first year review on January 21, 2015.

ADJOURNMENT

The meeting was adjourned at 9:54 a.m.

**BOARD OF LOS ANGELES CONVENTION
AND TOURISM DEVELOPMENT**

Regular Meeting Minutes
December 3, 2014
9:00 a.m.

The Board of Los Angeles Convention and Tourism Development (Board) convened a regular meeting on Wednesday, ~~November 19~~December 3, 2014 at 9:03 a.m. at the Los Angeles Convention Center (LACC), located at 1201 S. Figueroa Street, Los Angeles, CA 90015, in the Executive Board Room.

PRESENT:

President Jon Vein
Vice President Ray Bidenost
Commissioner Nicole Duckett Fricke

Bud Ovrom, Executive Director –

Los Angeles Department of Convention & Tourism Development (CTD)

Tom Fields, Assistant General Manager & Chief Operating Officer – CTD

Marla Bleavins, Assistant General Manager, Finance & Administration – CTD

Diana Mangioglu, Sr. Administrative Analyst II –

Office of the City Administrative Officer

Terry Martin Brown, Assistant City Attorney – Office of the City Attorney

Brad Gessner, Sr. Vice President & General Manager – AEG Facilities

Keith Hilsgen, Vice President, Finance – AEG Facilities

Ellen Schwartz, Vice President, Sales & Marketing – AEG Facilities

Victoriya Karpilovich, Marketing Specialist – AEG Facilities

Ernest Wooden Jr., President & CEO –

Los Angeles Tourism & Convention Board (LATCB)

Darren Green, Sr. Vice President, Sales - LATCB

Barbara Kirklighter, Vice President, Revenue Strategy – LATCB

Don Skeoch, Chief Marketing Officer – LATCB

Jeff Morris, President - HEILBrice

Cristine Villorante, Executive Administrative Assistant – CTD

ABSENT:

Commissioner Otto Padron

Commissioner Gillian Zucker

Item 1. Call to Order – President Jon Vein called the meeting to order.

Item 2. Public Comment – There was no public comment.

Item 3. Approval of the Meeting Minutes from November 19, 2014

APPROVED

Moved by: President Jon Vein
Seconded by: Commissioner Nicole Duckett Fricke

Ayes: President Vein, Vice President Bidenost,
Commissioner Duckett Fricke

Nays: None

Items were heard out of order to allow time for late arrivals.

Item 7. Monthly Reports for October 2014

Mr. Brad Gessner presented the AEG October 2014 report.

Item 6. Update on LACC Website and Social Media

Ms. Ellen Schwartz and Ms. Victoriya Karpilovich presented the Board with a presentation of the new LACC Website and an update on LACC's use of social media.

Item 7. Monthly Reports for October 2014

Mr. Darren Green presented the LATCB October 2014 report. In addition, Mr. Jeff Morris, President of HEILBrice presented the Board with a presentation on the 2015 Global Media Plan and Communications Strategy.

Requests: President Vein asked for a report on convention center capacity and a copy of the SMARI report.

Item 5. Update on Sister Cities of Los Angeles

Council Member Tom LaBonge reported on the Sister Cities of Los Angeles and commended Commissioner Duckett Fricke for her work as Ambassador on their recent trip to Tokyo, Japan.

Item 4. Approval of E3 Discount Packet (Board Report 14-003)

LATCB requested this item withdrawn. No further action is required by the Board on this issue as the request was previously approved prior to the new governance process.

Item 8. Executive Director's Report – LACC Expansion & Futurization

There are no significant issues to report at this time. An update will be provided at a future meeting.

Item 9. Agenda Forecast / Special Topics

The next Board meeting is scheduled for Wednesday, December 17, 2014.


ADJOURNMENT

The meeting was adjourned at 10:23 a.m.

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: January 21, 2015

To: Board of Los Angeles Convention & Tourism Development Commissioners

From: Robert R. "Bud" Ovrom, Executive Director
Department of Convention and Tourism Development 

Subject: **DISCRETIONARY INCENTIVE FEE FOR FISCAL YEAR 2013-14
APPROVAL REQUEST – REPORT 14-005**

RECOMMENDATIONS:

Staff recommends that the Board of Los Angeles Convention and Tourism Development Commissioners (Board):

1. Approve the payment of the Discretionary Incentive Fee for Fiscal Year 2013-14, as outlined in Section 5.4 of the Management and Operation Agreement between the City of Los Angeles and AEG Management LACC, LLC (Management Agreement) in the amount of \$59,039.

DISCUSSION:

The compensation to AEG Management LACC, LLC (AEG) for the management and operation of the Los Angeles Convention Center (LACC) consist of a Base Management Fee, as well as Earned and Discretionary Incentive Fees. To maintain the tax-exempt status of the LACC bonds, the Management Agreement satisfies certain requirements of Internal Revenue Service (IRS) Code Section 141 (b) and (c). The total annual potential fee amount is \$350,000, will be adjusted annually in accordance with the Consumer Price Index (CPI), capped at 2 percent.

1. **Base Management Fee** – An annual fixed fee in the amount of \$175,000 for all services provided pursuant to the Management Agreement. The Base Management Fee will be adjusted annually in accordance with the Consumer Price Index (CPI), capped at 2 percent. The Base Management Fee is paid on monthly basis upon written authorization from the Executive Director.
2. **Earned and Discretionary Incentive Fees** – The total potential incentive fees are not to exceed the Base Management Fee:
 - a. **Earned Incentive Fee** – The Earned Incentive Fee is calculated as 75% of the amount by which the actual total Operating Revenues exceed budgeted Operating Revenues, capped at 50% of the Base Management Fee. The payment of the Earned Incentive Fee for FY 2013-14 was approved by the Executive Director after the receipt of the Annual Audit report from AEG.

Budgeted Operating Revenues	Actual Operating Revenues	Variance	75% of Variance	Base Management Fee – FY 14	Maximum Earned Incentive Fee
\$10,684,927	\$11,552,449	\$867,522	\$650,642	\$118,078	\$59,039

b. Discretionary Incentive Fee – Pursuant to Section 5.4 of the Management Agreement, the Discretionary Incentive Fee is determined by the Board, and capped at 50% of the Base Management Fee. The maximum Discretionary Incentive Fee for FY 2013-14 is \$59,039. The following categories and weights are used in determining the Discretionary Incentive Fee:

- i. Implementation of enhanced customer satisfaction – 40%
- ii. Implementation of enhanced facility maintenance – 40%
- iii. Implementation of enhanced public safety – 20%

Staff recommends that the Board approve a payment of the Discretionary Incentive Fee for FY 2013-14 in the amount of \$59,039 based on the following:

1. AEG implemented customer satisfaction improvements such as: developed an online post event client survey; revamped the LACC Event Planning Guide; implemented an Estimate of Expenses process to avoid disputes; improved the relationship with LATCB; and established a culture of consistency and transparency with General Service Contractors with all-inclusive quarterly meetings.
2. AEG implemented facility maintenance improvements such as: repaired the hot water boiler system; replaced a significant portion of the fire system pipe in the Kentia Hall dock area; conducted major main switch gear maintenance; completed multiple painting projects; reinstated the use of the AMMS building maintenance management system; replaced irrigation valves to increase efficiency; replaced paper and soap dispensers in the bathrooms; trimmed all the trees in Gilbert Lindsay Plaza; upgraded the Kentia Atrium.
3. AEG implemented public safety improvements such as: increased the security coverage in the building; developed an incident reporting procedure documenting potential liability claims; implemented AEG S.A.F.E – working with Homeland Security to meet and exceed their standards for a safe facility; established a strong working relationship with LA Live Campus Security; developed monthly security meetings; implemented a workplace violence prevention training program (AVADE); developed minimum standards and refined the Approved Security Vendor Program.

CTD Board #14-005

January 14, 2015

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FISCAL IMPACT:

The Discretionary Incentive Fee will be paid from the LACC Operating Account as an operating expense.

RRO:MB:ta

Board Report 14-005

ATTACHMENTS:

1. Article 5 of the Management Agreement
2. Letter from AEG dated November 26, 2014

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

TRANSMITTAL

Date: January 21, 2015

To: Los Angeles Department of Convention & Tourism Development

From: Board of Los Angeles Department of Convention &
Tourism Development Commissioners

**Subject: DISCRETIONARY INCENTIVE FEE FOR FISCAL YEAR 2013-14
APPROVAL REQUEST – REPORT NO. 14-005**

Discretionary Incentive Fee for Fiscal Year 2013-14, as outlined in Section 5.4 of the Management and Operation Agreement between the City of Los Angeles and AEG Management LACC, LLC (Management Agreement) in the amount of \$59,039.

Discretionary Incentive Fee is approved and transmitted for processing.

Jon Vein, President
Board of Los Angeles Department of Convention &
Tourism Development Commissioners

ARTICLE 5 AEG'S COMPENSATION

Section 5.1 Annual Base Management Fee.

For all Services provided by AEG pursuant to this Agreement, including but not limited to, LACC operations and management and food and beverage services, AEG shall be paid an annual management fee (the "Base Management Fee"), subject to the City's budget appropriation process, in the amount of One Hundred and Seventy Five Thousand Dollars (\$175,000.00) subject to the annual CPI-U adjustment as set forth in Section 5.2, and as prorated for any Agreement Year which is less than 365 days. The Base Management Fee shall be payable from the LACC Operating Account, or from funds otherwise made available by City, in 12 equal monthly installments in arrears, upon written authorization by the Executive Director, not to be unreasonably withheld, conditioned or delayed, no later than 10 days after the end of each month. The amount of any Base Management Fee for the First Agreement Year, the Final Agreement Year, or any other partial year shall be prorated to reflect the actual number of days for such Agreement Year.

Section 5.2 CPI Adjustment.

The Base Management Fee described in Section 5.1 shall be adjusted upward on the first day of each Agreement Year by the percentage change in the Consumer Price Index for All Items, All Urban Consumers ("CPI-U") for the Los Angeles-Riverside-Orange-County, California area, 1982-84=100 as published by the U.S. Department of Labor, Bureau of Labor Statistics, or its successor index, provided that such adjustment shall not exceed two percent (2%).

Section 5.3 Earned Incentive Fee.

In the event AEG achieves an actual total Operating Revenues that exceed the Operating Revenues projection in the Approved Annual Operating Budget for an Agreement Year, AEG will be eligible to be paid an incentive fee as described herein ("Earned Incentive Fee"), in addition to the Base Management Fee and the Discretionary Incentive Fee (set forth in Section 5.4 below), if any. AEG will be paid the Earned Incentive Fee in addition to the Base Management Fee as determined below:

(a) *Calculation of Earned Incentive Fee.*

(i) **Maximum Amount.** The Earned Incentive Fee for any given Agreement Year will not exceed fifty percent (50%) of the Base Management Fee for such Agreement Year.

(ii) **Calculation.** The Earned Incentive Fee shall be calculated as 75% of the amount by which the actual total Operating Revenues for an Agreement Year exceeds the budgeted total Operating Revenues as determined using the Approved Annual Operating Budget for that Agreement Year, subject to Section 5.3(a)(i) above.

(b) *Payment.* The Earned Incentive Fee determined pursuant to Section 5.3(a) above will be payable to AEG after the LACC Department's acceptance of the Annual Audit in accordance with Section 7.3(a)(i). AEG's invoice for the Earned Incentive Fee for the Agreement Year will be sent to the LACC Department in connection with the submission of the Annual Audit report, and will be paid from the LACC Operating Account as an Operating Expense, or from funds made available by the City.

Section 5.4 Discretionary Incentive Fee.

In the event AEG achieves an actual total Operating Revenues that exceed the Operating Revenues projection in the Approved Annual Operating Budget for an Agreement Year, AEG shall be eligible for a discretionary incentive fee ("Discretionary Incentive Fee"), in addition to the Base Management Fee and the Earned Incentive Fee, if any. AEG will be paid the Discretionary Incentive Fee in addition to the Base Management Fee as determined below:

(a) Calculation of Discretionary Incentive Fee.

(i) *Maximum Amount.* The Discretionary Incentive Fee will not exceed fifty percent (50%) of the Base Management Fee for any Agreement Year.

(ii) *Calculation.* In the event AEG achieves an actual total Operating Revenues greater than the budgeted total Operating Revenues as determined using the Approved Annual Operating Budget for an Agreement Year, AEG will qualify for the Discretionary Incentive Fee for the Agreement Year. If AEG qualifies and if the LACC Department favorably evaluates AEG's performance during that Agreement Year in the categories described below, AEG will be paid a Discretionary Incentive Fee determined by the LACC Board, in its sole discretion. Categories (1) and (2) below shall be permanent categories to be evaluated each Agreement Year. Category (3) below shall be evaluated for the First Agreement Year and thereafter modified or replaced by mutual agreement to reflect the current circumstances and needs at the LACC. Additionally, the Parties shall annually agree upon the allocation of weight of the three or more categories to determine the amount to be paid for the satisfactory performance in one or more of the categories. For the First Agreement Year the weight shall be forty percent (40%) each for categories (1) and (2) and twenty percent (20%) for category (3). The categories are:

- (1) Implementation of enhanced customer satisfaction;
- (2) Implementation of enhanced facility maintenance; and
- (3) Implementation of enhanced public safety.

(b) *Payment.* The Parties will work together to establish mutually-agreeable standards for the LACC Department's evaluation of the categories described above. The Discretionary Incentive Fee is payable in the sole discretion of the LACC Department, based upon the LACC Department's evaluation of AEG in the above areas and as measured against the specific goals in those areas as determined collectively and cooperatively by the LACC Department and AEG. The Parties intend to the extent

reasonably attainable to establish goals, which are more quantitative than qualitative goals.

Within one month after each Agreement Year, AEG will provide to the Executive Director information required to evaluate AEG's performance for the prior Agreement Year as against the goals previously established, and to provide input to LACC Management Review Staff for its recommendation to the Executive Director the goals for the then current Agreement Year. The Executive Director will, prior to completion of the audit required pursuant to Section 7.3(a)(i) complete its work as set forth herein and report to the LACC Department the Executive Director's recommendations. The LACC Department Board will in its sole discretion determine the amount of the Discretionary Incentive Fee earned for the prior Agreement Year and set the goals for the upcoming Agreement Year. The Executive Director will report this information to AEG in a format to be mutually agreed to by the Parties. The Discretionary Incentive Fee, if any, shall be paid from the LACC Operating Account as an Operating Expense upon approval by the LACC Board and written authorization by the Executive Director or from funds otherwise made available by City.

Section 5.5 Limitation on Earned Incentive Fee and Discretionary Incentive Fee.

Irrespective of the provisions of Sections 5.1, 5.2, 5.3, and 5.4 above, in no Agreement Year will the compensation paid to AEG under this Agreement be based, in whole or in part, on a share of the net profits from the operation of the LACC. Irrespective of the provisions of Section 5.1, 5.2, 5.3 and 5.4 above, in no Agreement Year may the aggregate amount of the Earned Incentive Fee and the Discretionary Incentive Fee, if any, exceed the Base Management Fee. City represents and warrants that the compensation to be paid to AEG complies with applicable statutes, regulations and procedures of the United States Internal Revenue Service, and the Base Management Fee will serve as a cap on the aggregate amount of the Earned Incentive Fee and the Discretionary Incentive Fee, if any, paid for any given Agreement Year. Specifically, the City intends that this Agreement comply with the safe harbor provisions of IRS Rev. Proc. 97-13 meaning this Agreement is not intended to result in private business use of the LACC under Section 141(b) or Section 141(c) of the Internal Revenue Code of 1986, as amended ("Code"). In the event the statutes, regulations or procedures of the United States Internal Revenue Service are modified in a way this Agreement would result in private business use under Section 141(b) or Section 141(c) of the Code or otherwise, then the Parties will revise this Agreement so this Agreement does not result in private business use of the LACC and the City's bonds for the LACC do not become taxable as private activity bonds. If the Parties are not able to agree upon acceptable and required revisions to this Agreement to avoid this Agreement from resulting in private business use and avoid the City's bonds becoming taxable, then either party may terminate this Agreement upon 60 days' advance written notice.



Los Angeles Convention Center™

Managed By **AEG**

Mr. Robert R. "Bud" Ovrom
Executive Director
Los Angeles Department of Conventions and Tourism Development
1201 S. Figueroa Street
Los Angeles, California 90015

November 26, 2014

Dear Bud:

I'm writing this letter to request your consideration for payment of the "Discretionary Incentive Fee" as outlined in Section 5.4 of the Management and Operation Agreement between AEG Management LACC, LLC (AEG) and the City of Los Angeles. Below is the language from the contract.

Section 5.4 Discretionary Incentive Fee.

In the event AEG achieves an actual total Operating Revenues that exceed the Operating Revenues projection in the Approved Annual Operating Budget for an Agreement Year, AEG shall be eligible for a discretionary incentive fee ("Discretionary Incentive Fee"), in addition to the Base Management Fee and the Earned Incentive Fee, if any. AEG will be paid the Discretionary Incentive Fee in addition to the Base Management Fee as determined below:

(a) Calculation of Discretionary Incentive Fee.

(i) **Maximum Amount.** The Discretionary Incentive Fee will not exceed fifty percent (50%) of the Base Management Fee for any Agreement Year.

(ii) **Calculation.** In the event AEG achieves an actual total Operating Revenues greater than the budgeted total Operating Revenues as determined using the Approved Annual Operating Budget for an Agreement Year, AEG will qualify for the Discretionary Incentive Fee for the Agreement Year. If AEG qualifies and if the LACC Department favorably evaluates AEG's performance during that Agreement Year in the categories described below, AEG will be paid a Discretionary Incentive Fee determined by the LACC Board, in its sole discretion. Categories (1) and (2) below shall be permanent categories to be evaluated each Agreement Year. Category (3) below shall be evaluated for the First Agreement Year and thereafter modified or replaced by mutual agreement to reflect the current circumstances and needs at the LACC. Additionally, the Parties shall annually agree upon the allocation of weight of the three or more categories to determine the amount to be paid for the satisfactory performance in one or more of the categories. For the First Agreement Year the weight shall be forty percent (40%) each for categories (1) and (2) and twenty percent (20%) for category (3). The categories are:

- (1) Implementation of enhanced customer satisfaction;
- (2) Implementation of enhanced facility maintenance; and
- (3) Implementation of enhanced public safety.

(b) **Payment.** The Parties will work together to establish mutually-agreeable standards for the LACC Department's evaluation of the categories described above. The Discretionary Incentive Fee is payable in the sole discretion of the LACC Department, based upon the LACC Department's evaluation of AEG in the above areas and as measured against the specific goals in those areas as determined collectively and cooperatively by the LACC Department and AEG. The Parties intend to the extent reasonably attainable to establish goals, which are more quantitative than qualitative goals.

Within one month after each Agreement Year, AEG will provide to the Executive Director information required to evaluate AEG's performance for the prior Agreement Year as against the goals previously established, and to provide input to LACC Management Review Staff for its recommendation to the Executive Director the goals for the then current Agreement Year. The Executive Director will, prior to completion of the audit required pursuant to Section 7.3(a)(i) complete its work as set forth herein and report to the LACC Department the Executive Director's recommendations. The LACC Department Board will in its sole discretion determine the amount of the Discretionary Incentive Fee earned for the prior Agreement Year and set the goals for the upcoming Agreement Year. The Executive Director will report this information to AEG in a format to be mutually agreed to by the Parties. The Discretionary Incentive Fee, if any, shall be paid from the LACC Operating Account as an Operating Expense upon approval by the LACC Board and written authorization by the Executive Director or from funds otherwise made available by City.

As I have reported previously, we have made a number of improvements to the operation and maintenance of the LACC since assuming management responsibility.

Below I have detailed some of our accomplishments in enhancing the Los Angeles Convention Center's customer satisfaction, facility maintenance, and public safety.

1.) Implementation of enhanced customer satisfaction

- Formation of a world-class Event Management team (Four new Event Managers and three seasoned LACC Event Managers) that has consistently delivered excellence in service.
- Developed an online post event client survey that will allow us to track and quantify client feedback. Example post event survey attached in addition to Survey results.
- Created a communication mechanism that gives us the ability to have reciprocal, effective communication on campus-wide event impact by actively participating weekly in the LA Live Events Group.
- Revamped the LACC Event Planning Guide to be a more useful primary resource tool for event/meeting planners, contractors and exhibitors.
- Implemented an Estimate of Expenses process that ensures client's awareness of potential ancillary charges to avoid disputes.
- Improved overall relationship with LATCB Client Services and Sales teams.
- Created successful partnerships with some of the industry's best service providers, including Freeman, GES, Edlen Electric, Levy Restaurants, Smart City, Encore Event Technologies and Image Quest and Business Service Center.
- Established a culture of consistency and transparency with General Service Contractors with all-inclusive quarterly meetings.

2.) Implementation of enhanced facility maintenance

- Repaired Heating Hot Water Boiler System (Concourse MER) flex coupling and isolation valve replacement.
- Replaced a significant portion of fire system pipe in the Kentia Hall dock area that represented a significant potential problem just in time to be completed before E-3.
- Provided new upgraded circuits for the new print and copy machines for all areas (office work areas).
- Conducted major main switch gear maintenance for over 60% of the facility, and all floor boxes for South Hall, along with the majority of floor boxes and all shorts repaired for the West Hall.
- Conducted Infrared inspection under heavy load for all of the West Hall switchgear, and all major switchgear for the South Hall, plus all central plant equipment.

- Multiple painting projects have been completed with a minimum staff that has made a significant contribution to a much improved overall appearance to the facility. Continuous and sustained graffiti removal and prevention has been key to keeping ahead of the vandalism.
- Repaired long broken restriping machine that is being used to repair our safety demarcation lines in multiple areas.
- Worked cooperatively and closely with the City core group to meet all requirements for vehicle, lift equipment, fuel services, inventories, etc... Transitioned to AEG control and management.
- Reinstated the use of the fallen away AMMS building maintenance management system.
- Repair of the critical water softening system, which provides hot water for the main food services area, and make-up water for the low-pressure boiler system.
- Awarded cleaning contract to ABM resulting in a cleaner facility and enhanced cleaning standards.
- Awarded contract for window and high steel cleaning for entire facility.
- Created standards and checks and balances for all outside event cleaning contractors.
- Replace all water valves for better efficiency/ water irrigation- reduced water usage by 10% and cost savings.
- Replaced all dispensers in bathrooms (i.e. towel, paper, and soap) to increase efficiency and cost savings by 10%.
- Trimmed all trees on Gilbert Lindsey Plaza.
- Improved overall landscape maintenance and plantings surrounding the convention center.
- Upgraded Kentia Atrium.
- Added upgraded planters in compass café.
- Upgraded entry areas by elevators.
- Created mandatory quarterly safety training.
- Implemented new and improved pre/post event inspection procedure to ensure damage is reported, repaired and billed to the appropriate responsible party.

3.) Implementation of enhanced public safety

- Security Staffing – All New Security staff hired and trained
- Increase of Security standard coverage of 8 security officers on site from 7:00 am – 11:00 pm and 5 security officers on site from 11:00 pm – 7:00 am. LAPD standard coverage included 4 officers on site from 7:00 am – 11:00 pm.
- Development of incident reporting procedure for documenting potential liability claims. Example of the incident report is attached.
- Implementation of AEG S.A.F.E. – Working with Homeland Security to meet and exceed their standards for a safe facility.
- Established strong working relationship with LA Live Campus Security has been successful and continues to grow as campus (LACC, Staples, Nokia and LA Live) wide events are conducted.
- Developed monthly security meetings which are held to ensure clear understanding of roles. Partnered with South Park BID to assist with transient, illegal vendors and skater issues.
- Implemented AVADE Training – Workplace violence prevention training program.

- Emergency Preparedness – Developed an Emergency Preparedness pamphlet for clients and guest.
- CCTV / Radio System Planned upgrades – Worked closely with City Core Team and security vendors to ensure CCTV system is cost effect and efficient. We are in the progress of mapping out the facility for a digital radio upgrade.
- Contract Security – We have developed minimum standards and refined the Approved Security Vendor Program to maintain and uphold the security standards and integrity of the LACC.

As you can see from the accomplishment listed, AEG Facilities has made enhancements to the Convention Center in customer service, building maintenance, and public safety. I am requesting your approval of AEG's discretionary management fee of \$59,039 for the fiscal year ending 6/30/14.

I would also like to establish our discretionary fee categories for FY15. In Section 5.4 of the management agreement, also included on the page one of this letter, the third category can be modified or replaced by mutual agreement to reflect the current circumstances and needs at the LACC. We recommend keeping enhancing public safety as the third category for FY15. While we recognize the accomplishments made in the first seven months of managing the convention center, we still have the opportunity to improve the safety of our guest. Some projects already underway in the current year include: Encore training for all LACC workers (AEG, Levy, Classic Parking, Edlen, and Smart City), coverage of the Docks is now performed by our in-house security team, purchase of an automated incident reporting system, and further development and training of our security team. Additionally, I am requesting the addition of assisting with the implementation of the Capital Improvement Projects (CIP). We have already begun the process of assisting the City Core Team with the \$10 million in CIP for the LACC, and feel this would be another important category to add.

We are very proud of what we have accomplished thus far and the enhancements made to the LACC in the first seven month of management. We look forward to working with your team and the City of Los Angeles in continuing to make the Los Angeles Convention Center truly "World Class".

Thank you for your support Bud!

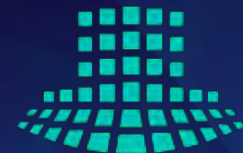
Sincerely,



Brad Gessner
Sr. Vice President and General Manager
Los Angeles Convention Center
1201 S. Figueroa Street
Los Angeles, California 90015

Los Angeles Convention Center Monthly Status Report November 2014

Brad Gessner



Los Angeles Convention Center[®]

Managed By 

EMPLOYEE OF THE MONTH – NOVEMBER 2014



**Carlos Castillo
Carpenter**

LACC NOVEMBER EVENTS

<u>EVENT</u>	<u>DAILY REGISTERED</u>	<u>ATTENDANCE</u>
L.A. Auto Show 2014	450,000	987,000
GDC Next & ADC	2,700	2,700
Los Angeles Christmas Cash and Carry Gift Show	2,500	6,000
Los Angeles Chamber of Commerce Foundation "Cash for College"	3,000	3,000

TOTAL EVENTS: 4

TOTAL ATTENDANCE: 998,700

LACC NOVEMBER FILMING AND PHOTO EVENTS

<u>DATE</u>	<u>NAME</u>	<u>AMOUNT GENERATED</u>
Nov. 5 – 6	The New Girl	\$27,505
Nov. 6	Qatar – Still Shoot	\$2,500
Nov. 10 – 12	Anonymous – Coke	\$24,120
<u>TOTAL FILMING:</u>		<u>\$54,125</u>

LACC November 2014 Financials – Profit of \$3.4 million

\$334K above budget for November; \$724K above budget YTD

REVENUES – November \$5.5 million; YTD \$11.9 million
\$464K above November budget; \$943K above YTD budget

- Rental Income - November \$1.5 million (\$87K in rental discounts); YTD \$3.5 million
 - \$12K below November Budget ; \$243K above YTD Budget
- Food & Beverage – November \$617K; YTD \$1.6 million
 - \$57K below November Budget; \$43K above YTD budget
- Utilities Revenue – November \$1.2 million; YTD \$1.9 million
 - \$36K above November budget; \$18K below budget YTD
- Parking Revenue – November \$1.7 million; YTD \$3.4 million
 - \$389K above November budget; \$328K above YTD
- Other (Event Billing, Communications, A/V, Cell Towers, and Sponsorship) – November \$442K; \$1.4 million YTD
 - \$108K above budget November; \$347K above YTD

EXPENSES – \$2.1 million in November ; \$9.6 million YTD
\$130K above November budget; \$218K above YTD

- Wages Salaries and Benefits - \$1.1 million in November; \$4.7 million YTD
 - \$24K above November budget; \$1K below YTD Budget
- Other Expenses - \$1.0 million in November; \$4.823 million YTD
 - \$106K above November budget; \$219K above YTD

2014 U.S. VET STAND DOWN



AEG Management LACC, LLC

Highlights of Accomplishments

1 Year Anniversary



Los Angeles Convention Center[®]

Managed By 

Operations

Facilities (A & I)

- Extensive Interior & Exterior cleaning
- Window and steel beam cleaning
- Trimmed all trees on Gilbert Lindsey Plaza
- Implemented new and improved pre/post inspection procedure
- Waste Management chosen as new waste management provider
- Re-furbished 2000 chairs
- Resolved the long term hazardous waste storage problem

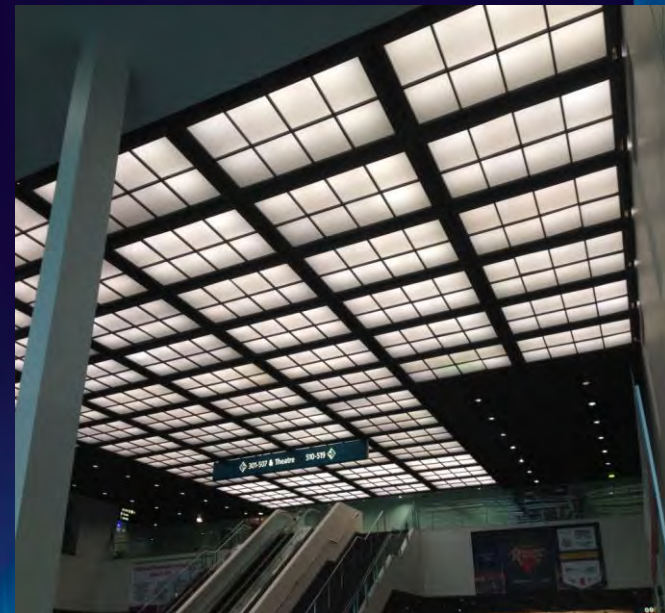
Parking

- Increased Revenue by 7%
- Improved Customer Service
- Re-lamped garages
- Removed plastic plants and replaced with fresh plants

Operations

Alterations & Improvements

- Enhanced electrical main switch gear maintenance
- AMMS building maintenance management system
- Replaced LED lights on the south docks (security purposes and cost savings)
- Repaired and replaced floor outlets in west hall
- Replaced lights in west lobby with cool white lamps
- Hot water heater replacements
- Serviced and cleaned all HVAC ducting system
- Repaired roof leaks in West, Concourse and South Halls



Sales & Marketing

- Completed Marketing Plan – March
- Hired Marketing Specialist – July
- Transition from P/T Salesperson to full time with New Hire – July
- Launch of New Website – September
- Social Media Re-launch – Facebook, Twitter and Instagram
- Press Release generation (5) and follow up
- Developed Newsletter and Offers for City Employees at LACC Events
- Increased revenue of TV and movie Filmings, photo shoots and commercials by \$336,293

Filming
Commission
2013

\$328,995

Filming
Commission
2014

\$665,288

Event Services

- Rolled out comprehensive LACC Event Planning Guide
- Heightened our reciprocal relationship with LA Tourism & Convention Board Client Services Department
- Hosted (5) industry citywide conventions (NTA, GBTA, HITEC, CA Cities, IAEE)
- Outsourced in-house preferred Audio Visual Services (Encore).
- Successfully implemented electronic post-show client survey

90%
Favorable

4.5
Rating

65%
Response
Rate

Levy – Taste of L.A.

- Implemented 2 Groundwork Coffee outlets
- Participating in AEG rebate program (Melissa's Produce - 10%)
- Negotiated favorable terms with local craft brewery (Angel City Brewery)
- Gourmet Food Trucks Program generate a commission of 20% of top line sales
- L.A. Masters Equine event generated \$350,000 in catering with 2 star Michelin rating
- LA Auto Show generated increase in F&B commission by \$382,547

LA Auto Show
Food & Beverage
2013

\$662,000

LA Auto Show
Food & Beverage
2014

\$1,044,547

Human Resources

- (91) FT, (100) PT Employees and continuing to expand as we open new positions in the Convention Center
- Formed Committees (Safety, Green Team, Fun)
- Employee Recognition Program, (Employee of the Month and Leader of the Quarter)
- AEG Encore Customer Service Training Program rollout
- Implemented Star Card Program



Security & Guest Services

- Increased Staffing: (14) FT Officers, (35) PT Officers, (7) Supervisors, (1) Coordinator, (1) Manager, (1) Director
- Increased Security on each shift
- Increased patrol in parking garages, lobbies and entry areas
- Updated LACC Evacuation and Emergency Plan
- Purchased new report writing and dispatch software
- Created new department policies and procedures
- Installed access control in key points of facility



Contract Negotiations

Smart City (Telecom & Data)

- Eliminated charge for managing the Cities phone system \$452,000
- Required Smart City to invest up to \$850,000 on Capital Improvements
- Bottom line impact increase of \$300,000 net income annually

Building Trades Union

- Successfully negotiated a 3 year contract with the LA/OC Building & Construction Trades Council Union to represent our trades (Plumbers, painters, electricians and carpenters)

Cell Site

- T-Mobile – Rent annual increase of \$17,418
- AT&T & Verizon – Started negotiations to increase fee by 15%

Finance

- Completed Financial Statement audit with no material weakness in internal controls
- Completed Financial Statement audit with no financial adjustments
- Completed business plan for 2016
- Completed Operating Procedures Manual
- Completed budget for 2015 and 2016 with convention center operating without City general fund assistance
- Rolled out updated EBMS system from 19.2 to 20.7
- Outsourced Event Utility Services - \$3,800,000 in 1st year commission

CAO's Report to City Council Regarding Three Year Plan to Fiscal Sustainability August 2012

“Phase I advisors (KPMG, KNN Public Financial, Crossroads Consulting) concluded that the privatization of the Los Angeles Convention Center had the potential to reduce City General Fund Costs by approximately \$2M - \$6M in first year.”

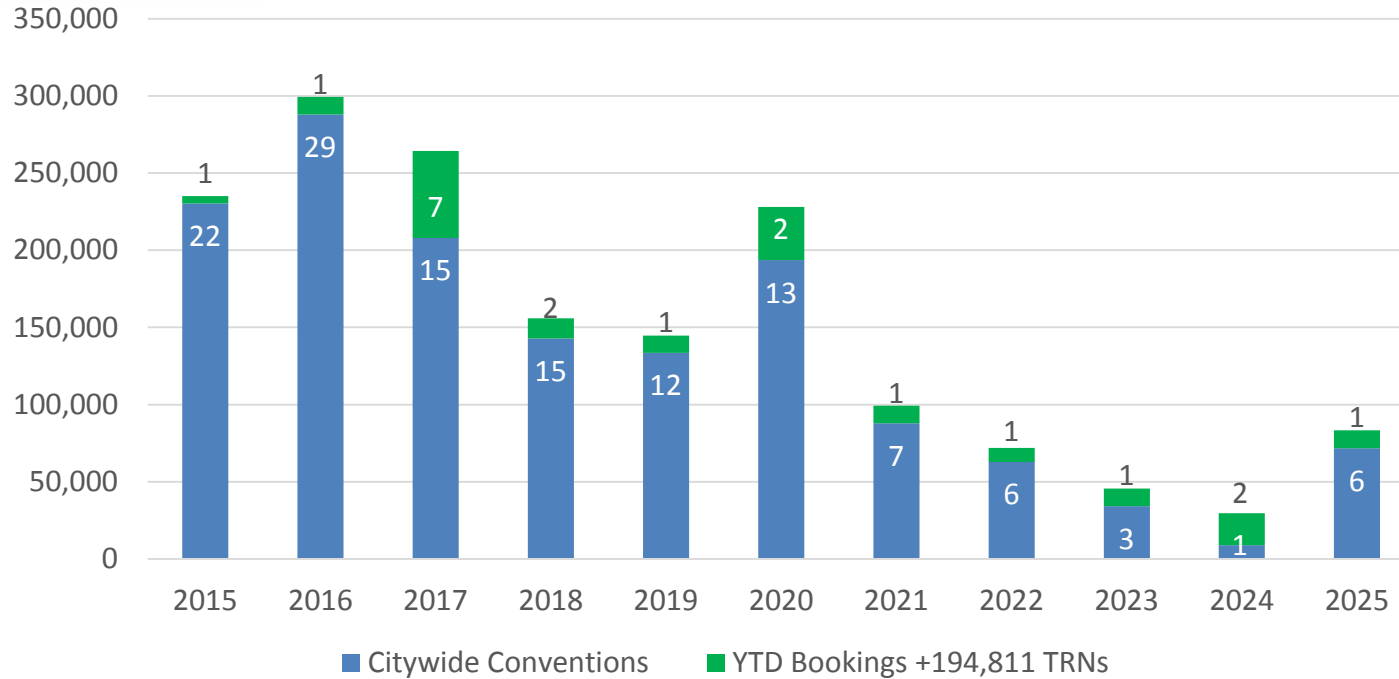
Los Angeles Tourism & Convention Board

LACC Board of Commissioners

January 26, 2015



Citywide Convention Sales Booked Room Nights 2015 to 2025 Calendar Year Arrival Date



Dated January 14, 2015



December 2014 Citywide Bookings- 48,480 TRNs



SOLIDWORKS World
2017
9,050 TRNs



Dwell on Design Conference & Expo
2017
2,945 TRNs



Annual Conference
2020
25,325 TRNs



Annual Conference
2019
11,160 TRNs



January 2015 Citywide Bookings- 57,500 TRNs



MAX
2017, 2021, 2023, 2024, 2025
57,500 TRNs
(11,500 TRNs per event)



MAX 2014 Results
11,441 TRNs
Economic Impact \$10.67 million
DMAI's Event Impact Calculator

Citywide Convention Sales Production

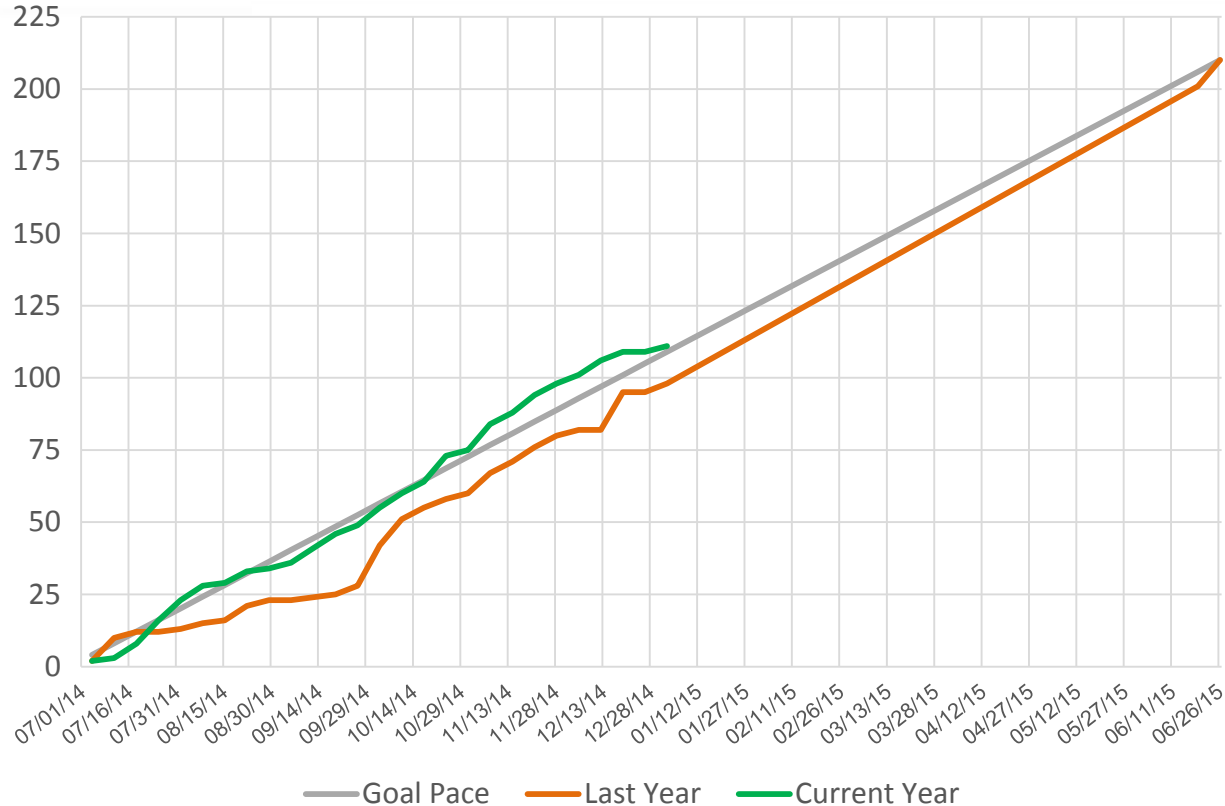
Lead Production	Leads Actual	Booked Room Nights Produced	RNs Actual
FY 14/15 Goal	210	FY 14/15 Goal	351,000
FY 14/15 YTD	115	FY 14/15 YTD	194,811
FY 13/14 STLY	104	FY 13/14 STLY	77,287

Sales Pipeline- Future Years

- YTD 14/15 **119 Prospects**, representing **1,486,894 room nights**
- STLY 13/14 **140 Prospects**, representing **1,950,881 room nights**

Dated January 14, 2015

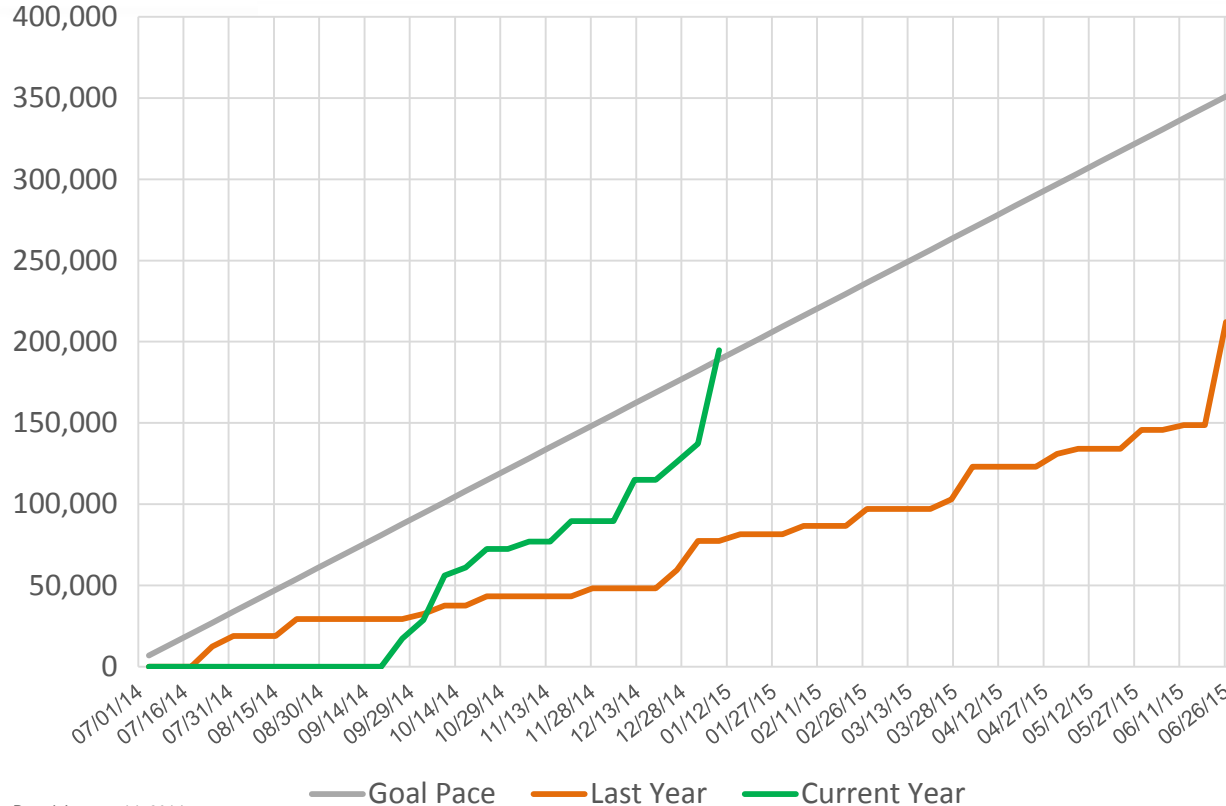
Midyear Sales Production Analysis- 115 Leads



FY 14/15 Goal: 210
FY 14/15 YTD: 115
FY 13/14 STLY: 104



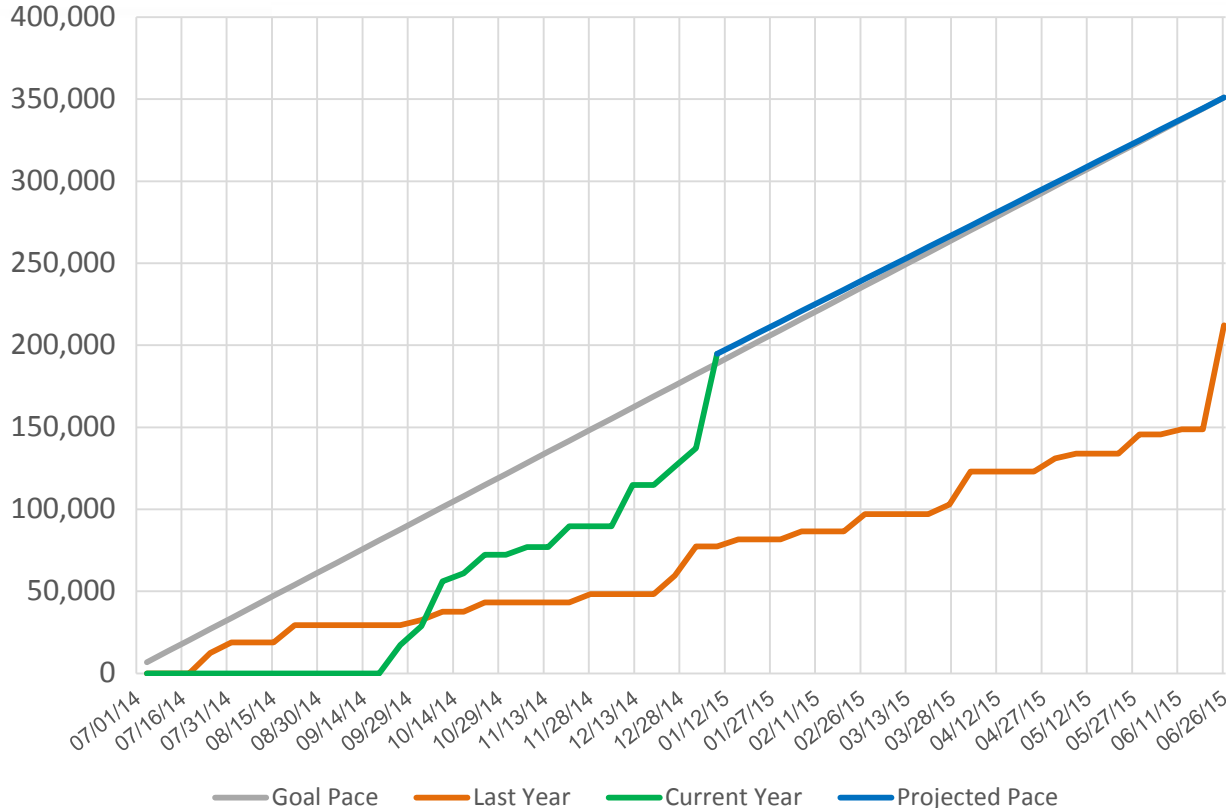
Midyear Sales Production Analysis- Booked 194,811 Room Nights



FY 14/15 Goal: 351,000
 FY 14/15 YTD: 194,811
 FY 13/14 STLY: 77,287



Midyear Sales Production Analysis- Projected Pace



FY 14/15 Goal: 351,000
 FY 14/15 YTD: 194,811
 FY 13/14 STLY: 77,287

FY 13/14 2nd Half Pace +134,772
 FY 14/15 Reach +156,189

Keys to reaching FY 14/15 Citywide production goal:

- Plan A vs. B confirmation in March
- E3 (2017-2019) = 85,000 TRNs
- Room nights from SF Renovation
- Additional confirmed room inventory



December Citywide Prospect Site Inspections- 83,905 TRNs



NACE CARS
2016
7,425 TRNs
December 8



Winter Fancy Food Show
2017, 2018
40,300 TRNs
December 9



Annual Global Congress North America
2018
7,715 TRNs
December 8-9



Inspire
2017
6,845 TRNs
December 17



All-Star Weekend
2017 or 2018
21,620 TRNs
December 17-18

January

Citywide Prospect Site Inspections- 21,245 TRNs



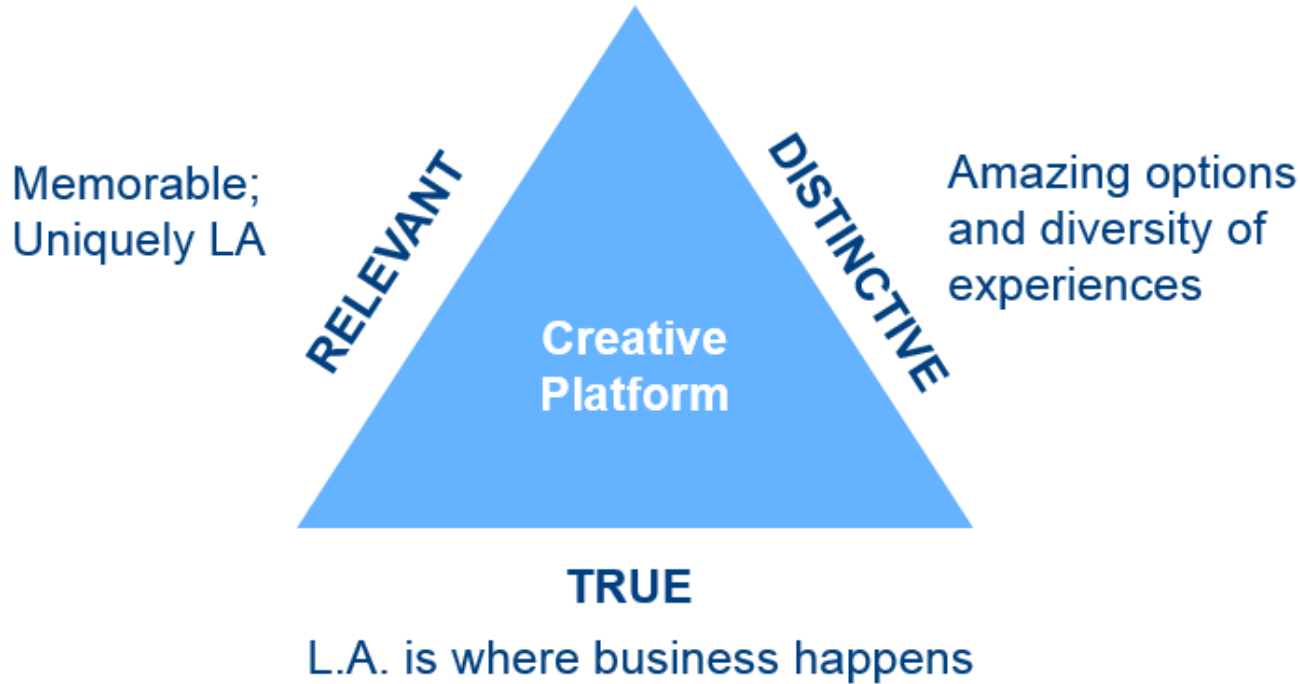
SOLIDWORKS World
2018
9,050 TRNs
January 15-16



Automation Fair
2017
12,195 TRNs
January 27-29

- Build AWARENESS & INTENT amongst Meetings Professionals.
- Drive leads and book new business both LARGE (Citywide = number of conventions) and SMALL (Self-Contained = Lead generation)

1. Differentiate the Los Angeles meetings brand from other destinations like San Francisco, Chicago, Denver and San Diego
2. Dispel the misconceptions and myths planners have about the destination
3. Get the planners “comfortable” with Los Angeles. Show them “it’s easy to do business here”



It All Happens In LA

Meeting in the cultural/entertainment epicenter that is Los Angeles, you can experience things that can only happen here (and you might not expect).

Meet LA

Whether it's a meeting at the Space Shuttle or a workshop at one of the nation's most intriguing and beautiful museums, L.A. leads the charge in offering professionals unique ways to meet and inspire each other.

An invitation - and a bold statement – This concept spotlights the city's most powerful attributes. All of which are sure to make any meeting or meeting planner, an overwhelming success.

MEET L.A.

BECAUSE YOUR PLAN CALLS FOR SPECTACULAR.



meet
L.A. *Los Angeles*
TOURISM & CONVENTION BOARD

This is Downtown L.A. buzzing with new energy and life,
home to L.A. Live, A-list dining and your next amazing event.
Visit discoverlosangeles.com/meetLA today.

MEET L.A.

BECAUSE YOUR PLAN CRAVES STAR POWER.

Studio tours, private movie screenings and celebrity encounters. Just a few ways to make your meeting in L.A. shine. Visit discoverlosangeles.com/meetLA today.

meet
L.A.

Los Angeles
TOURISM & CONVENTION BOARD

TOURCOACH

EXTRA

MEET L.A.

BECAUSE YOUR PLAN REQUIRES VISION.



Los Angeles
TOURISM & CONVENTION BOARD

The J. Paul Getty Museum. Universal Studios Hollywood.
Dodger Stadium. Explore L.A.'s uniquely inspiring meeting
sites at discoverlosangeles.com/meetLA

A large Air Force One aircraft is suspended in a museum. The aircraft is white with blue and red stripes and features the text "UNITED STATES OF AMERICA" and "0000 000 000000" on its side. The museum has a high ceiling with a complex steel structure and large windows. A curved walkway with a metal railing is in the foreground. In the background, there is a sign that says "GALLERY PHOTOS".

UNITED STATES OF AMERICA

MEET L.A.

BECAUSE YOUR PLAN REQUIRES SOMETHING EPIC.

Will Air Force One suffice? Perhaps the Space Shuttle Endeavour?
Connect with us for the complete support, local resources and tools to
make your epic happen. Learn more discoverlosangeles.com/meetLA

MEET L.A.

BECAUSE YOUR PLAN HAS TO BE AN OVERNIGHT SUCCESS.

Making things happen in this town is all about whom you know. Meet L.A. Tourism.
With 24-7 support, timesaving tools and local partners, we can make you a star.
Contact our meeting pros today at discoverlosangeles.com/meetLA

Media Approach

Citywide Events

Key Partners:
PCMA (Convene)
MPI (The Meetings Professional)

Self-contained Events

Key Partners:
Smart Meetings
Meetings & Conventions
Successful Meetings
Meetings Focus

Print: focus on high impact and spectacular units:
INSIDE COVERS, INSIDE COVER SPREADS, BACK COVERS

Digital: focus on highly advanced targeting methods across multiple channels:
OCCUPATIONAL, BEHAVIORAL, CONTEXTUAL, SEARCH & EMAIL TARGETING
Exploring Standard Display, Rich Media, and Pre-Roll across all devices

Outdoor: OOH opportunities around PCMA in Chicago

Media Approach

	Q1 '15															Q2 '15												
	January					February					March					April				May					June			
	29	5	12	19	26	2	9	16	23	2	9	16	23	30	6	13	20	27	4	11	18	25	1	8	15	22		
PRINT																												
Smart Meetings																												
Successful Meetings																												
Meetings & Conventions																												
Meetings Focus																												
MPI																												
Prevue																												
DIGITAL																												
SmartMeetings.com																												
MCMag.com / SMeetings.com																												
MeetingsFocus.com																												
MPIWeb.org																												
Epro Direct																												
PCMA News Junkie																												
Quantcast																												
OOH																												
Chicago O'Hare Airport																												



THANK YOU

