



BOARD OF LOS ANGELES DEPARTMENT OF CONVENTION AND TOURISM DEVELOPMENT COMMISSIONERS

Commissioners: Jon F. Vein, President; Ray Bidenost, Vice President;
Stella T. Maloyan; Otto Padron

Members of the public who wish to speak during the meeting must submit a "Request to Speak" form to the Board Secretary prior to the commencement of the public comments for each agenda item of interest. Comments by the public on matters not identified on the agenda, but within the subject matter jurisdiction of the Commission, will be heard only during the item designated as "Public Comment." Public speaking will be limited to two minutes per speaker, unless the presiding officer grants some other amount of time before the commencement of the public comment.

Regular Meeting
Wednesday, June 17, 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. ACTION ITEMS:

- a. Approval of Meeting Minutes from May 20, 2015
- b. Approval of LATCB Annual FY 2015-16 Appendix E (Board Report No. 15-008)
- c. Discuss Advisory Recommendation Regarding the Los Angeles Convention Center Design Competition

4. DISCUSSION ITEMS:

- a. Monthly Reports for April 2015
 - AEG Report by Brad Gessner, Sr. Vice President & General Manager and Keith Hilsgen, Vice President, Finance
 - LATCB Report by Kathy McAdams, Vice President, Convention Sales
- b. LATCB FY 2015-16 Budget
- c. CTD FY 2014-15 Operating Budget Update
- d. AEG FY 2014-15 Operating Budget Update (Board Report No. 15-007)

5. ADJOURNMENT

AGENDA FORECAST / SPECIAL TOPICS:

- | | |
|---------------|--|
| July 1, 2015 | - Election of Officers |
| | - CIP Update |
| July 15, 2015 | - Update on Convention Center Design Process |
| | - Monthly Reports for May 2015 |

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.

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

Meeting Minutes
May 20, 2015
9:00 a.m.

The Board of Los Angeles Convention and Tourism Development Commission (Board) convened a regular meeting on Wednesday, May 20, 2015 at 9:02 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 F. Vein
Vice President Ray Bidenost
Commissioner Stella T. Maloyan
Commissioner Otto Padron

Bud Ovrom, Executive Director –

Los Angeles Department of Convention & Tourism Development (CTD)
Tom Fields, Assistant General Manager & COO – CTD
Diana Mangioglou, Assistant General Manager, Finance & Administration – CTD
Glyn Milburn, Business Team Representative – Office of the Mayor
Kimberly Miera, Deputy City Attorney – Office of the City Attorney
John Wickham, Legislative Analyst – Office of the Chief Legislative Analyst
Derik Pearson, Management Assistant – Office of the City Administrative Officer
Brad Gessner, Sr. Vice President & General Manager – AEG Facilities
Ellen Schwartz, Vice President, Sales & Marketing – AEG Facilities
Darren Green, Senior VP, Sales -

Los Angeles Tourism & Convention Board (LATCB)
Barbara Kirklighter, Vice President, Revenue Strategy – LATCB
Cristine Villorante, Executive Administrative Assistant – CTD
Adria Ybarra, Executive Administrative Assistant – CTD

Item 1. Call to Order / Roll Call

President Vein called the meeting to order. Commissioner Padron was not present during roll call, but arrived at 9:07 a.m.

Item 2. Public Comment

There was no public comment.

Item 3. Approval of May 6, 2015 Meeting Minutes

APPROVED BY GENERAL CONSENT

Ayes: President Vein, Commissioners Maloyan

Nays: None

Absent: Commissioner Padron (not present during approval of meeting minutes)

Abstain: Vice President Bidenost

Item 4. Comparison of Responsibilities

CTD staff put together a list of responsibilities of the Board and the Los Angeles Convention and Exhibition Center Authority. The document was reviewed by the Presidents of both commissions (Jon Vein and Wayne Avrashow) with consult by Ms. Kimberly Miera, CTD's counsel from the Office of the City Attorney. No formal action is required. The document will be used for reference only.

Item 5. Department of Convention and Tourism Development Budget for Fiscal Year 2015-16

Ms. Diana Mangioglu reported that the City is in the middle of its budget process. The Budget and Finance Committee is scheduled to present its final report on the Mayor's budget to the City Council this Thursday.

There are no changes anticipated to the CTD department budget. The CTD is expecting \$1.3M in operating revenues, most of which will go to salaries. In addition, CTD will receive \$66K in expense revenues which will be used for contracts, office supplies, and other expenses.

CTD is expected to receive the most capital improvement funding of all City departments. This is the third year in a row the CTD received resources since the 1990s. In FY13-14, CTD received \$4M for the South Hall roof replacement. In FY14-15, CTD received a \$5M and in FY15-16, CTD will receive \$9.7M. The entire capital improvement budget is funded through the City's General Fund.

Item 6. CIP Update

Mr. Tom Fields reported on the status of the 14 capital improvement projects, half of which are complete.

A request has been made to add a visit to LACC's Command Center on a future agenda.

Item 7. Hotel Strategy Update

Mr. Bud Ovrom reported on the status of hotel development in close proximity to the LACC. Hotel development is an important component of the City's economic growth. The initial goal was to obtain 3,000 hotel rooms by 2020. The current goal is now 8,000 rooms by 2020. We are currently 2,000 short of the current goal.

All hotels in Los Angeles are doing very well with high occupancy rates.

The Request for Information for a new hotel is still pending to be heard by City Council. There is interest by hoteliers to build an on-site hotel if the opportunity presents itself.

Item 8. Name Architecture/Branding

President Vein reported that LATCB, the agency contracted to promote the City and the region, and the Mayor's City Branding team is working together on several initiatives. President Vein leads the Mayor's City branding team that is working on consistent branding throughout the 88 cities in the Los Angeles region.

President Vein has met with Mayor Garcetti about the use of the signature branding. Discussions will continue within the next 60 days. President Vein will update the CTD Board at a future meeting.

Mr. Ovrom would like permission to use the signature logo for the CTD department and the building. President Vein stated that if it doesn't require any significant costs, there is no credible reason why not; but if it involves expensive signage, the Mayor would probably want a little more deliberation.

Item 9. Expansion and Futurization Update

Mr. Bud Ovrom reported that the three architectural models from the design competition are currently on site for public display through June 4th in Meeting Room 403A. The three architectural teams (Gensler/Lehrer, AC Martin/LMN, and HMC/Populous) will present their designs at a public meeting on Tuesday, June 2nd and at a Joint Commission meeting on June 3rd.

The City's goal is to select one firm before the City Council goes on summer recess.

Note: At 9:51 a.m., the meeting continued in Meeting Room 403A where Mr. Ovrom presented the three models to the CTD Board.


ADJOURNMENT

The meeting was adjourned at 10:22 a.m.

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: June 12, 2015

To: Board of Los Angeles Department of Convention and Tourism Development Commissioners

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

Subject: **Proposed 2015-16 Appendix E of the Management Agreement between the Convention Tourism Development Department and the Los Angeles Tourism and Convention Board – Report 15-008**

SUMMARY

The Los Angeles Tourism and Convention Board ("LATCB") provides a variety of services including marketing the City of Los Angeles as a premiere tourist destination and booking services of citywide events at the Los Angeles Convention Center ("LACC"). The Convention and Tourism Development ("CTD") Department administers the LATCB Agreement ("Agreement"). The Agreement includes a 5 and one-half year term, which began January 1, 2015 and will expire June 30, 2020 (ATTACHMENT I). Appendix E of the Agreement must be approved each fiscal year. Attachment II of this report is the Proposed Appendix E for 2015-16, which is recommended for approval by the Board of Los Angeles Department of CTD Commissioners ("Board").

DETAIL

The primary goal of the City's engagement with the LATCB is to grow the local economy by promoting the City as a site for citywide conventions, business meetings, major tradeshow and as a destination for leisure travel. As such, the LATCB Management Agreement outlines four core objectives to assist with achieving the primary goal, and Appendix E identifies performance metrics that align with each core objective to help the City evaluate how well these objectives are being met. The following are the four core objectives:

OBJECTIVE 1 – Increase the number of people visiting Los Angeles as both a convention and tourist destination in order to increase the economic benefits derived from out-of-town visitors to the City.

OBJECTIVE 2 – Measure the economic impact from citywide conventions and the tourism and hospitality sector.

OBJECTIVE 3 – Facilitate and track engagement with those visiting Los Angeles for both conventions and leisure travel to enhance the visitor experience with the intent of encouraging repeat visitation and longer stays.

OBJECTIVE 4 – Effectively leverage Transient Occupancy Tax funds, with other sources of funds, to promote conventions and tourism to maximize the yield from the City's investment.

The 2014-15 performance metrics were developed in collaboration with the CTD Department and the LATCB, and finalized as part of the Management Agreement, which was executed six months ago. There are a number of factors that help shape the goals for each performance metric outlined in Attachment II including but not limited to historical data, potential business for booking, the ability to obtain more lucrative conventions, and convention rotation schedules. The current process for tracking such performance metrics includes quarterly reports developed and submitted by the LATCB, the information from which is tracked and analyzed by the CTD Department.

As mentioned above, given that the 2014-15 performance metrics were created and adopted six months ago we do not see the need to make significant changes for the 2015-16 fiscal year. However, we are recommending several adjustments including (1) reclassifying several performance metrics as market data, and (2) adding Performance Metric (PM) No. 1.3 "Total Number of Room Nights Booked for Future Years" and No. 3.3 "Overall Client Services Rating: Citywide Client Satisfaction" as new metrics.

The performance metrics and market data items have been distinguished in the Proposed Appendix E for 2015-16 (ATTACHMENT II). The decision to reclassify such items from performance metrics to market data, accounts for whether the metric is directly related to LATCB's performance of the Management Agreement and whether there are any other factors impacting the metric result. For example, PM No. 1.1, "Number of Citywide-Center Events Sales Leads" is a direct result and work product of the Convention & Meeting Sales and Services division of LATCB, unlike Market Data No. 2.a, "Local Business Sales based on Direct Spending from Citywide-Center Events" ("2.a"). Although 2.a may be related to Citywide-Center Events, there are external factors not within the control of LATCB and not at all related to LATCB's work performance that could impact the metric result significantly enough; and therefore such items have been reclassified from performance metric to market data. Albeit, this information is important and relevant to the four objectives identified in the LATCB Management Agreement, and therefore will continue to be tracked and monitored by the CTD Department.

The two new metrics, PM No. 1.3 "Total Number of Room Nights Booked for Future Years" and PM No. 3.3 "Overall Client Services Rating: Citywide Client Satisfaction", were already reported by the LATCB, but had not been included as part of the 2014-15 Appendix E.

RECOMMENDATION

That the Board adopt the recommendation to approve the Proposed Appendix E for 2015-16 of the Management Agreement between the Los Angeles Tourism Convention Board and the Convention and Tourism Development Department.

ATTACHMENTS

RO: dm

ATTACHMENT I

**AGREEMENT TO PARTIALLY FUND ACTIVITIES
BETWEEN THE CITY OF LOS ANGELES
AND
LOS ANGELES TOURISM AND CONVENTION BOARD**

THIS AGREEMENT ("Agreement") is made and entered into as of January 1, 2015, by and between the City of Los Angeles, a municipal corporation ("City") and Los Angeles Tourism and Convention Board, a nonprofit California corporation ("Contractor").

RECITALS

A. City desires to increase the competitiveness of the City of Los Angeles as a convention and tourist destination in the national and international market place so that the City can derive greater economic benefit from out-of-town visitors in the form of job creation, tax revenue and spending at local businesses.

B. City desires to have the Los Angeles Convention Center (LACC) serve as an even stronger economic engine for the City by enhancing the number and quality of citywide conventions that utilize a significant number of hotel rooms.

C. City desires to spread the economic benefits of tourism through the City by leveraging the cultural and geographic diversity of the City.

D. City desires to engage out-of-town visitors to enhance the visitor experience and encourage extended and repeat overnight stays.

E. To accomplish this purpose, it is necessary to develop and execute sales, marketing, advertising and public relations programs designed to apprise individuals, groups and organizations of the commercial, climatic, educational, recreational, and cultural advantages of Los Angeles, as well as its modern and extensive convention facilities.

F. Contractor is a California nonprofit mutual benefit corporation whose members are individuals and businesses engaged in the tourism and convention business, including hotels, restaurants, transportation providers, theme parks and museums. As a Destination Marketing Organization (DMO), contractor engages in activities to promote Los Angeles as an attractive destination for visitors and has assembled comprehensive information relating to housing, recreational, entertainment, transportation and other facilities which are of interest to visitors. Contractor also maintains extensive files and programs relating to groups, organizations and societies which regularly hold meetings and conventions.

G. Contractor is uniquely qualified by virtue of its possession of the foregoing information, its offices in other cities in the United States and around the world, and its relationships with local hotels and carriers, to undertake the promotion and advertisement of Los Angeles as a premier convention or meeting host, and as a destination for tourists and tour groups.

H. Contractor's activities can support and foster the creation and growth of additional employment in Los Angeles through the monies spent by visitors in Los Angeles. The City will also directly benefit from increased Transient Occupancy Tax ("TOT") revenues generated by visitors' stays in hotels and other accommodations in Los Angeles.

I. City has created and established within its Treasury a special trust fund, known as the "The Greater Los Angeles Convention and Visitors Bureau Trust Fund" (the "Trust Fund"). A fraction (as determined in Section 4(a), below) of all amounts of Transient Occupancy Taxes received by the City under the tax imposed by Los Angeles Municipal Code Section 21.7.3 shall be placed in the Trust Fund. Expenditures from the Trust Fund shall be made solely to finance the promotion and advertising of Los Angeles as a destination for the purpose of attracting conventions, trade shows, and tourism to Los Angeles in keeping with the terms of this Agreement.

J. Contractor's activities serve a public purpose from which the City will benefit. Accordingly, the City desires to provide financial assistance to the Contractor.

K. City desires to have the funding it provides in support of promoting the City as a convention and tourist destination spent in such a way that maximizes the return on its investment.

IN CONSIDERATION of the mutual promises, covenants, representations and agreements set forth below, the City and Contractor hereby agree as follows:

1. Definitions

The following terms used in this Agreement shall have the defined meanings set forth below:

Booked Room Nights - (1) Hotel room nights for attendees of a meeting and/or event held at LACC that has confirmed attendance by an executed Letter of Intent with the Contractor for a specific future event, or (2) room nights for self-contained meetings or events, in City hotels, which have been confirmed by an executed contract between the hotel and event sponsor.

Center Events - Events booked by the LATCB that do not meet the definition of a citywide convention.

City - The City of Los Angeles, a municipal corporation.

City Council - The City Council of the City of Los Angeles.

Citywide Convention - An event held at the Los Angeles Convention Center that generates at least 3,000 room nights with 1,500 room nights on peak and utilizes no fewer than 3 hotels.

Council Committee - The City Council policy committee appointed to oversee the functions of the CTD, or such other committee of the City Council as the Council may designate.

Contractor - Los Angeles Tourism and Convention Board also known as LA Tourism.

Controller - The Controller of the City of Los Angeles.

CTD - Convention and Tourism Development Department, City of Los Angeles.

CTD Board - Board of Convention and Tourism Development Commissioners.

LACC - Los Angeles Convention Center, owned by the City of Los Angeles.

LACC Operator - Private company contracted by the City to manage and operate the LACC.

Letter of Intent - Letter signed by the client confirming Los Angeles as the host city for their Citywide Convention and outlining the financial commitments of the Los Angeles Tourism & Convention Board and total room night commitments of the client.

Sales Lead - Citywide Lead also referred to as Prospect is defined as a potential future meeting/convention (event requiring sleeping rooms, meeting space, exhibit space and/or food and beverage, etc.) that could be held in Los Angeles utilizing the Los Angeles Convention Center ("LACC") and a minimum of three Los Angeles hotels and/or 3,000 total room nights.

TOT - Transient Occupancy Tax imposed by Los Angeles Municipal Code Section 21.7.3.

Trust Fund – Greater Los Angeles Visitors and Convention Bureau Trust Fund established in the Administrative Code Chapter 15 Section 5.315.

2. Term

The term of this Agreement shall be from January 1, 2015 to and including June 30, 2020.

3. Services to be Provided by Contractor and other Related Responsibilities

- a. The services and deliverables to be provided by the Contractor as well as the related goals and performance metrics under this Agreement are substantially set forth in Appendix E, "Services to be Provided by Contractor for Contract Year 2014-15". Prior to the start of each fiscal year, CTD and Contractor will establish mutually agreeable goals, objectives and deliverables for the upcoming fiscal year thereby executing a new Appendix E each year. The services and deliverables shall align with the following core objectives:
 - i. Increase the number of people visiting Los Angeles as both a convention and tourist destination in order to increase the economic benefits derived from out-of-town visitors to the City;
 - ii. Measure the economic impact from citywide conventions and the tourism and hospitality sector;
 - iii. Facilitate and track visitor engagement with those visiting Los Angeles for both conventions and leisure travel to enhance the visitor experience with the intent of encouraging repeat visitation and longer stays; and
 - iv. Effectively leverage TOT funds with other sources of funding to promote conventions and tourism to maximize the yield from the City's investment.
- b. To achieve these objectives optimally, the City recognizes and encourages LATCB to leverage these contract funds with other non-TOT funds to drive hotel stays yielding increased TOT revenues and visitor spending that benefits the City's General Fund and the Los Angeles economy. As such, Contractor shall use best efforts to develop other sources of revenue, such as memberships and sponsorships to support the promotion of tourism in Los Angeles.

- c. Contractor shall use its best efforts to promote and utilize hotels and other accommodations in the City of Los Angeles to offer and secure room blocks for conventions and/or events at the LACC.
- d. Contractor shall report to the CTD on the implementation and status of room block agreements that are operational.
- e. Contractor shall use TOT funds to promote the City for the purpose of attracting conventions, tradeshow and tourism to the City and for no other purpose.
- f. Contractor shall be responsible for a post audit of room nights consumed following convention and/or events at the LACC and report the results of such audits to the CTD quarterly. Contractor shall use best efforts to produce these audits within 120 days after the events conclude.
- g. Contractor shall report to CTD board on a monthly basis regarding progress towards meeting goals and performance metrics set forth in Appendix E and on any other topic related to the convention center industry or tourism as reasonably requested by the Board or by the CTD.
- h. Promote Los Angeles in the media. Apprise the CTD Board of major destination advertising and tourism media campaigns, funded by non-TOT funds during the early stages of creative development. Collaborate with City to ensure that media campaigns compliment City's effort to brand itself. Support the City's effort to brand itself if requested to do so. Any specific dollar amounts for such an effort will be determined during the budget process.
- i. Maintain web site and social media platforms to engage potential visitors to Los Angeles in a manner that compliments the City's efforts to brand itself. As part of this effort, Contractor shall provide web analytics to the CTD and CTD shall treat such information as proprietary.
- j. Contractor shall report to City officials on its plan to market Los Angeles to visitors.
- k. Contractor shall use best efforts to leverage the geographic and cultural diversity of the City to drive hotel stays and promote tourism with additional focus on areas of the City that may have been overlooked by traditional tourism efforts.
- l. Contractor shall provide CTD with comprehensive convention and

tourism industry data and analysis to inform the City as to the performance of tourism as a key economic driver and assist CTD with developing special reports for its stakeholders.

- m. Contractor shall meet with CTD staff and the LACC Operator on a regular basis to discuss operational, policy and business issues related to booking events at the Convention Center.
- n. Contractor shall book events into the Convention Center in accordance with the booking and discount policies in the Los Angeles Administrative Code.
- o. Contractor shall use its best efforts in booking the City's convention facilities in a manner that uses rental discounts judiciously and maximizes revenue for the LACC facility while prioritizing the booking of citywide conventions to drive hotel room nights.
- p. Contractor shall provide other mutually agreed upon services to carry out the core objectives of this Agreement as identified in Section 3 including Appendix E and elsewhere in the Agreement.

4. Payments by City

- a. City will credit to the Fund an amount equivalent to a fraction of all TOT received by the City during the term of this Agreement. Said fraction shall have as its numerator the number "1" and as its denominator the number which coincides with the current percentage of TOT imposed by the Los Angeles Municipal Code. By way of example, the current TOT is 14 percent. Therefore, City will credit to the Fund an amount equivalent to one fourteenth (1/14) of all TOT received by the City during the term of this Agreement so long as the 14 percent TOT remains in effect. Five (5) percent of the actual receipts deposited in the Fund shall be held by the City in said Fund for the purpose of offsetting any possible decline in Fund receipts. It is understood and agreed that any and all sums paid to Contractor by City will be used by Contractor only for allowable costs incurred in performing one or more of the services set forth in Section 3 of this Agreement.
- b. The City anticipates appropriating for the purposes of this Agreement, a total of 95 percent of the projected receipts of the Fund during each fiscal year during the term of this Agreement. City shall advance to Contractor on each July 1, October 1, January 1 and April 1, during the term of this Agreement 23.75% of the projected receipts of the fund for each fiscal year.
- c. Approximately thirty (30) days in advance of July 1, October 1, January

1 and April 1 (individually referred to as a "Quarterly Payment Date"), during the term of this Agreement, Contractor shall submit an advance billing ("Advance Billing") in the manner prescribed by the City (substantially as contained in Appendix B, attached hereto), requesting payment by City of allowable costs incurred or to be incurred during the calendar quarter ending on the next Quarterly Payment Date, in an amount not to exceed one fourth (1/4) of the amount appropriated by City for purposes of this Agreement for the applicable fiscal year. After receipt and audit, to the extent deemed necessary by City, and approval of each such Advance Billing, City shall pay Contractor the amount of the Advance Billing ("Advance Billing Payment").

- d. Prior to the payment of the April 1 Advance Billing, if the City's projected receipts to the Fund through the end of the fiscal year will be less than originally anticipated, the amount paid to the Contractor in the April 1 Advance Billing Payment shall be adjusted so that total payments for that fiscal year shall not exceed the amount of receipts projected to be deposited into the Fund.
- e. If, at any time prior to June 30th of each year, the City projects receipts to the Fund through the end of the fiscal year will be greater than originally anticipated, due to actual collections in excess of projections or revised forecasts, the Contractor shall have the right to invoice the City for the increased amount and such excess shall be paid, prior to June 30th of such year.
- f. June of each fiscal year, the Contractor may request payment of any balance of the 5% holdback account remaining on June 30th. Payment of said funds shall be made in a lump sum to the Contractor as soon after July 1 as practicable. If Contractor fails to request payment of said funds, the remaining balance of the 5% holdback account shall be appropriated to the Contractor in accordance with Section 4(b) and paid to the Contractor as soon after July 1 as practicable.
- g. In the event that Contractor requires funds in addition to the budget amount for a legitimate promotional purpose, to perform special studies or to offset a decline in Fund Receipts and to the extent that additional monies may be available in the Fund, Contractor may request such funds from the City Council through the CTD.
- h. Within 30 days after the end of each Quarterly Payment Date, Contractor shall submit to the City Council, by providing copies to the CTD, an interim progress statement of cumulative costs incurred during the fiscal year of the Agreement to that date, prepared in a manner substantially in the form set out in Appendix C, attached hereto ("Interim Progress Statement"). City shall review or audit the Interim

Progress Statement and the supporting books and records to the extent deemed necessary by the City. A final determination of allowability shall be made only after Contractor's submission to the City of a copy of its audited financial statements and completion of the City's audit, as described below in Section 4(i). City shall also informally review Contractor's monthly financial statements, as described in Section 5(a), to ensure general compliance with the provisions of this Agreement.

- i. Contractor shall maintain records as provided in Section 5(d). Within one hundred twenty (120) days following the end of each fiscal year, after Contractor's books have been audited by a certified public accountant and such accountant's independent report has been issued, and after Contractor's books for such period have been closed, Contractor shall submit a copy of its audited financial statements to City. City shall conduct its final year-end audit and issue its final report to Contractor on allowability of costs ("Allowability Report") within 60 days after receipt of Contractor's audited financial statements. Any costs incurred by Contractor using TOT funds which are not specifically incurred for purposes of services to be provided by Contractor under Section 3 of this Agreement shall be unallowable costs for purposes of this Agreement. In the event funds paid to Contractor under Section 4 of this Agreement exceed total expenditures by Contractor for services described in Section 3 for the fiscal year in question, such amount shall be refunded by Contractor to the Fund within 30 days after Contractor's receipt of the Allowability Report. Such Fund reimbursements shall be available for future disbursement to Contractor for allowable costs. If the Contractor does not have sufficient funds to repay such amounts to the Fund, the amount owed shall be deducted from the next quarterly payment from the Fund due to Contractor.
- j. Any cost determined by the City to have been incurred by the Contractor for activities or services not authorized by this Agreement shall be deemed to be unallowable costs and shall be reimbursed by Contractor as provided in Section 4(i). Any disputes which are not resolved by negotiation between Contractor and City's designee for contract administration shall be presented by the CTD to the City Council with recommendations for action by the Council which shall finally determine the matter. Contractor shall be included in the resolution of any such disputes.
- k. All Billings and Statements shall be submitted to the CTD for review and approval. Should the CTD find that any Billings, Statements or Year-End Claims of the Contractor are not in compliance with the provisions of this Agreement, and should efforts to obtain compliance

by the Contractor prove unsuccessful, the CTD shall report thereon to the City Council with recommendations for action by the Council. Contractor shall be included in the resolution of any such disputes.

- l. Should any of the payments provided for under Section 4(c) be less than one fourth (1/4) of the amount appropriated by the City for purposes of this Contract in the applicable fiscal year, any of the subsequent invoices for that year by the Contractor may request payment of the amount for that period plus the difference between the amount paid by City on such prior invoice and one fourth (1/4) of the amount appropriated by the City for purposes of this Agreement in that fiscal year.
- m. Although the term of this Agreement is for five and one-half years funding to the Contractor in each fiscal year is conditioned upon the City Council appropriating funds to the budget for the Agreement and the availability of sufficient monies in the Fund to reimburse the City's general fund for Advance Billings of the Contractor. The failure of the City Council to appropriate funds for this Agreement shall be deemed a termination by the City subject to the provisions of Section 11.
- n. Notwithstanding anything contained in this Agreement to the contrary, the City shall not be obligated to appropriate any particular amount of monies or any monies for funding of this Contract for any fiscal year.
- o. In incurring travel and related expenses, Contractor shall, when practicable, make reasonable efforts to abide by Los Angeles Administrative Code sections 4.242.1-4.242.9 (Policy for Travel Expenses, Non-Travel Expenses and Elected Officials' Contingency Account Expenditures). Notwithstanding the foregoing, Contractor shall not use funds provided under this Agreement for tickets to sporting events or concerts, limousine service, site inspections via helicopter, welcome gifts, alcoholic beverages or memberships in dining or social clubs.
- p. The Contractor may designate monies as part of its annual funding to be used as a reserve fund ("Reserve Fund") and include such monies as part of its Advance Billings. These monies may be held by Contractor and carried over for use in subsequent fiscal years and may be used at the discretion of the Contractor for any purposes permitted under this Agreement. The maximum which may be set aside by the Contractor and held in the Reserve Fund and carried over to subsequent fiscal years may not exceed fifteen (15) percent of the annual budget appropriation for the succeeding year. Any amounts held by Contractor in the Reserve Fund exceeding fifteen (15) percent cannot be carried over by the Contractor, but must be reimbursed to the Fund.

- q. Any funds paid to Contractor under this Agreement not expended at the end of each fiscal year shall augment the Reserve Fund and be carried over for use in subsequent fiscal years in accordance with the provisions of Section 4(p).
- r. Contractor shall use its best efforts to procure goods and services from local businesses in the City of Los Angeles.

5. Financial Reporting Requirements

- a. Contractor shall submit to the CTD copies of its monthly financial statements. Said statements shall include specific information as to all sources of funds and in-kind contributions, amounts received from each such source, and the programs and services for which City and other funds have been expended. With each of its monthly financial statements, Contractor shall provide copies of its computerized check register and general ledger for the period covered by the statement. The Interim Progress Statements, referred to in Section 4(h), shall be accompanied by copies of Contractor's financial statement for the period covered.
- b. Within 120 days following the end of its fiscal year, Contractor shall provide to the CTD a copy of its audited financial statement for such fiscal year.
- c. The Advance Billings shall be prepared in a form substantially as show in Appendix B attached to this Agreement and signed by an authorized official of the Contractor. Interim Progress Statements submitted by the Contractor shall be certified by an authorized official or agent of the Contractor that the costs and expenses, incurred or to be incurred, for which payment is requested are reasonably related to Contractor's performance of services under this Agreement and are true and correct, in the form provided for in California Code of Civil Procedure Section 2015.5.
- d. Contractor shall maintain and preserve books of account and other financial records during the term of this Agreement. Said books and records shall accurately record monies received by source, date and amount; and monies expended by name of vendor, description of goods or services purchased, the nature and purpose of the expenditure and the date of purchase and the amount. The record of amounts paid to vendors shall distinctly separate City Fund expenditures from private transactions of the Contractor. Contractor shall retain such books and records for at least three years following the final payment by City hereunder for the fiscal year in question. At any time during the term of this Agreement or within three years

following the final payment under this Agreement, the City and its authorized representatives shall have the right, on reasonable notice and during regular business hours, to review, inspect and audit the Contractor's books and records. Such information shall be maintained as confidential by the City to the extent permitted under the California Government Code, section 6250 et seq. (California Public Records Act).

- e. Following the end of each fiscal year during the term of this Agreement, Contractor shall submit a report to CTD and the Council Committee describing the services provided and the accomplishments attained from Fund expenditures during such fiscal year.

6. Competitive Bidding

In the interest of economy and to assure the effective use of City funds, for all matters involving the expenditure of City funds over \$25,000, Contractor shall solicit bids by advertising or by request to three or more qualified potential providers of applicable goods or services. Contractor shall make reasonable efforts to obtain bids from at least three different qualified parties and shall select the lowest and best responsible contractor on the basis of such bids as are received; provided that Contractor may reserve the right to reject all such bids. Contractor shall document and maintain all such bids or proposals to enable the City to audit the same. Notwithstanding the foregoing, in instances where Contractor determines that it is not feasible to solicit three bids, Contractor shall, at least ten days before incurring such expense, report to the CTD the basis for said determination.

7. Budget Requirements

Contractor shall provide to the CTD, in a form prescribed by the CTD, information for use in the Mayor's annual budget submission to the City Council. This shall include the Contractor's annual proposed budget, details such as actual expenditures and revenues, estimates on source of funds, revenues, expenditures, major areas of work emphasis, and productivity goals. Contractor and CTD shall develop a schedule each year for the delivery of this information. Contractor shall notify CTD of any major changes in the portion of its budget that is funded by the CVB Trust Fund.

Budget shall include funding to cover the cost of contract administration by the City. The amount of the funding for this purpose shall be determined during the budget process and subject to the agreement of both parties.

Budget shall also include funding to be spent on initiatives specified by the CTD for purposes that are consistent with the goals and objectives of this Agreement, the specifics of which shall be determined during the budget process.

8. Compensation Payment of Sales Staff

Contractor may provide incentive compensation payments to staff in the Director and Manager positions or classifications that are directly involved in the function of selling the City of Los Angeles as a site for business meetings, conventions, trade shows, and other group activities involving the overnight stay in City of Los Angeles hotels. Procedures and criteria utilized for these incentive compensation payments must be approved by the Sales Committee of the Board of Directors of the Los Angeles Tourism and Convention Board and reviewed by the CTD. Except as provided in this paragraph, Contractor shall make no incentive compensation payments from funds provided under this Agreement to executive staff, senior management, or non-sales staff members.

9. Insurance and Indemnity

Contractor agrees to maintain the insurance coverages and limits listed on the Insurance Requirements Sheet, attached to this Agreement as Appendix 'D,' and to comply with the applicable insurance conditions set forth in Appendix A to this Agreement.

10. City Designee for Contract Administration

- a. This Agreement shall be administered on behalf of the City by the CTD. The CTD shall be responsible for receiving and forwarding all Advanced Bills, statements, Year End Claims and other similar documents for approval. Upon approval for payment by the CTD, the CTD will process payments as required under this Agreement. The CTD shall be responsible for reviewing, approving and making recommendations to the City Council as necessary or appropriate as to matters such as requests for additional funds, disputes regarding Advance Billing Payment, or significant changes in the services to be provided by Contractor. The Office of Finance shall conduct the final year-end financial audit of the Contractor, as described in Section 4(i). The Contractor shall reimburse City for the salary expense, including indirect costs, of a City auditor assigned to assist the Office of Finance in administering the Agreement; provided, that in no event shall the total of such reimbursement exceed \$25,000 per year.
- b. City auditor shall, for purposes of auditing any Advance Billing Payment submitted by Contractor, have access to all books and

records of the Contractors for both allowable and unallowable costs incurred under this Agreement and for all Contractor sources of revenue as provided in Section 5.

- c. The Contractor shall give notice of the time and place of meetings of its Board of Directors to the CTD. The CTD shall be entitled to attend all meetings of the Contractor's Board.

11. Termination

Notwithstanding any other provision contained in this Agreement to the contrary, City, on appropriate action by the City Council, or Contractor may terminate this Agreement upon not less than 180 days prior written notice, subject to all provisions for statements, audits, payments or refunds contained in this Agreement. In the event of early termination of this Agreement by City, Contractor shall be entitled to (a) payment under this Agreement up to and including the date of termination and (b) reimbursement for all unavoidable costs associated with such termination.

12. Notices

A notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given (1) on personal delivery, (2) 24 hours after deposit with Federal Express or a comparable express courier, addressed to a party at the address set forth below, or (3) 48 hours after deposit in the United States mail, by certified mail, postage prepaid, addressed to such party. A party may designate another address for notice purposes by giving written notice to the other in the manner provided in the Section.

If to Contractor: Los Angeles Tourism and Convention Board
333 S. Hope Street
18th Floor
Los Angeles, CA 90071

If to City: Los Angeles Department of Convention and
Tourism Development
1201 South Figueroa Street
Los Angeles, CA 90015

13. Incorporation of Standard Provisions, Precedence of Documents

- a. The Standard Provisions for City Personal Services Contracts, attached to this Agreement as Appendix "A" and the appendices referred to in subparagraph (b) below are incorporated into this Agreement.

- b. In the event of an inconsistency between any of the provisions of this Agreement and the appendices to this Agreement, the inconsistency shall be resolved by giving precedence in the following order:
 - i. Provisions of this Agreement.
 - ii. Appendix A, Standard Provisions for City Personal Services Contracts (Rev. 03/09).
 - iii. Appendix B, Advance Billing.
 - iv. Appendix C, Interim Progress Statement.
 - v. Appendix D, Insurance Requirements.
 - vi. Appendix E, Services to be Provided by Contractor, and subsequent annual reports under Appendix E.

14. Miscellaneous Provisions

- a. The subject headings of the paragraphs and subparagraphs of this Agreement are included for convenience only and will not affect the construction or interpretation of any of its provisions.
- b. Unless the context clearly requires otherwise:
 - i. Plural and singular numbers will each be considered to include the other;
 - ii. The masculine, feminine, and neuter genders will each be considered to include the others;
 - iii. "Shall," "will," "must," "agree," and "covenants" are each mandatory;
 - iv. "May" is permissive;
 - v. "Or" is not exclusive; and
 - vi. "Includes" and "including" are not limiting.
- c. All references to sections, paragraphs and subparagraphs are to those in this Agreement, unless the context otherwise requires. Documents attached to this Agreement as exhibits or appendices are incorporated in this Agreement as though set forth in full.

15. Processing of License and Discount Requests

The Contractor is required to submit the license request packets to the LACC Operator within two weeks of executing a Letter of Intent with sales leads for such conventions, meetings and trade shows to be held in the

City of Los Angeles. The license request packet shall include a cover memorandum from the Contractor, a request form for a LACC License with three years of history, a cost analysis form, a pricing discount approval form, the transmittal Convention Center Reservation Form and the signed Letter of Intent.

Contractor shall cooperate with requests by the LACC Operator to expedite the submittal of such license packets if circumstances warrant the submittal within less than the two week time frame referenced above, i.e. competition with another convention center for the business.

Contractor shall submit to the CTD through the LACC operator for prior review and approval all rental discounts to be offered to LACC licensees. Rental discount request requiring CTD Board approval should be submitted at least two weeks prior to the Board meeting date.

16. Personnel

At the written request of the Executive Director of the Convention and Tourism Development Department, delivered by messenger, Contractor shall change or remove Contractor's personnel assigned to perform services on the City's account relating to the Convention Center. Contractor shall take the requested action in the time indicated by the Executive Director, which shall not be less than one business day after delivery of written notice. Contractor's President and Chief Executive Officer ("CEO") shall have the right to meet at a mutually acceptable time to discuss the basis for the requested change or removal and any alternative course of action. If the meeting between the Executive Director and the Contractor's CEO does not resolve the matter, the Contractor's CEO may request a meeting with the Mayor or his representative to discuss the action and any possible alternative course of action. After such a meeting, the decision of the General Manager, after consultation with the Mayor, shall be final.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

THE CITY OF LOS ANGELES
a municipal corporation

By: [Signature]
ROBERT "BUD" OVROM
Executive Director

Dated: 12-11-14

APPROVED AS TO FORM AND
LEGALITY

MICHAEL N. FEUER
City Attorney

By: [Signature]
TERRY MARTIN-BROWN
Assistant City Attorney

Dated: 12/11/14

LOS ANGELES TOURISM AND
CONVENTION BOARD a California
nonprofit corporation

By: [Signature]
ERNEST WOODEN JR.,
President

Dated: 12/11/14

ATTEST: HOLLY WOLCOTT City
Clerk



By: [Signature]

Dated: 12/15/14

C-1249986

ATTACHMENT II

APPENDIX E

Services to be Provided by Contractor In Contract Year FY2015 – 2016

The primary goal of the City of Los Angeles' engagement with the Los Angeles Tourism and Convention Board (LATCB) is to grow the local economy by promoting the City as a site for citywide conventions, business meetings, major tradeshow and as a destination for leisure travel. LATCB will endeavor to achieve this goal by executing the services and deliverables described below that align with the four core objectives identified in Section 3(a) of the Agreement. Performance metrics that align with each core objective will help the City to evaluate how well these objectives are being met. The City recognizes that LATCB's ability to meet annual performance goals can be impacted both positively and negatively by broader economic trends and factors. As such, the City will take this into consideration when assessing LATCB's performance in order to properly attribute accomplishments due to their efforts.

To achieve these objectives optimally the City recognizes and encourages LATCB to leverage these contract funds with other sources of funding to drive hotel stays yielding increased TOT revenues and visitor spending that benefits the City's General Fund and the Los Angeles economy.

OBJECTIVE 1

Increase the number of people visiting Los Angeles as both a convention and tourist destination in order to increase the economic benefits derived from out-of-town visitors to the City

Services and Deliverables Related to Objective 1:

- a. Promote the City of Los Angeles and its facilities and attractions as a desirable location for association and corporate meetings, conventions and major trade shows. Efforts shall include but not be limited to, representing the City in domestic and international convention and tourism industry associations; attending industry trade shows, customer events, and sales missions; and advertising in key industry trade publications
- b. Solicit sales leads for such conventions, meetings and trade shows to be held in the City of Los Angeles with an emphasis on using the Los Angeles Convention Center (LACC) and City of Los Angeles hotels
- c. Book citywide conventions and assisted convention center events at LACC for future years that will produce room nights at hotels within the City of Los Angeles
- d. Provide customary client services to citywide conventions at the LACC
- e. Develop and execute a sales and marketing plan for booking events at the LACC that focuses on leveraging the LACC's strengths and opportunities, mitigating the LACC's

weakness and challenges, and provides specific strategies and tactics for addressing them

- f. Use best efforts to promote the geographic and cultural diversity of the City to drive overnight stays with additional focus on areas of the City that may have been overlooked by traditional tourism efforts with the intent of spreading the economic benefits of tourism throughout the City
- g. Promote Los Angeles in the media. Apprise the CTD Board of major destination advertising and tourism media campaigns, funded by non-TOT funds during the early stages of creative development. Collaborate with City to ensure that media campaigns compliment City's effort to brand itself. Support the City's branding effort if requested to do so. Any specific dollar amounts for such an effort will be determined during the budget process from TOT funds.
- h. Assist the City as requested with efforts related to the expansion and modernization of the Convention Center. Assistance may include, but is not limited to, providing design input and attending design meetings, providing data as requested, which may involve the use of third party consultants, and visiting other convention centers to evaluate competitive designs.
- i. Report to City officials on plans to market Los Angeles to visitors
- j. Maintain close communications and collaboration with CTD and AEG staff regarding proprietary customer information, proprietary sales strategies, conversion rates and other data
- k. Provide the City with a comprehensive collection of convention and tourism industry data that will inform policymakers on the performance of tourism as an economic driver. Data may include research compiled or acquired with non-TOT funds. Research includes, but is not limited to, drivers of decision making for meeting planners and data on competitive centers.

I. Metrics for Objective 1:

Objective 1 Performance Metrics	Frequency of Reporting	FY 2014 Actual	FY 2015 Goal	FY 2016 Goal
CITYWIDE / CENTER EVENTS				
1.1 Number of Citywide/Center Events Sales Leads (track separately)	Month	210	210	225
1.2 Number of Citywide/Center Events Booked for future years (track separately)	Month	26	41	41
1.3 Number of Room Nights Booked for future years	Month	212,059	351,000	Aug
1.4 Number of Citywide/Center Events Hosted (track separately)	Month	23	25	32
1.5 Reported Number of Citywide/Center Event Delegates (track separately)	Quarter	290,418	353,350	439,500
1.6 Total Number of Citywide/Center Events Room Nights (track separately)	Quarter	157,458	202,626	259,725
1.7 Total Visitors to Los Angeles County	Annual	42.6 million	43.6 million	44.0 million
Objective 1 Market Data Source: Tourism Economics Estimates (FY)	Frequency of Reporting	FY 2014 Actual	FY 2015 Estimates	FY 2016 Goal
1.a Total Overnight Domestic Visitors	Annual	22.5 million	23 million	N/A
1.b Total International Visitors	Annual	6.3 million	6.6 million	N/A
1.c Total Day Visitors (FY)	Annual	13.8 million	14 million	N/A

OBJECTIVE 2

Measure the economic impact from citywide conventions and the tourism and hospitality sector

Services and Deliverables Related to Objective 2:

- Report on economic impact of citywide conventions and provide detail on methodology for calculating economic impact
- Produce audits on hotel room nights consumed by conventions
- Provide data on economic impact of tourism and hospitality industry

d. Metrics for Objective 2:

Objective 2 Performance Metrics	Frequency of Reporting	FY 2014 Actual	FY 2015 Goal	FY 2016 Goal
ECONOMIC IMPACT OF CITYWIDE / CENTER EVENTS Sources: Tourism Economics/PKF/LATCB				
2.1 TOT from Hosted Citywide/Center Events 14% (track separately) Source: Hotel Audits	Quarterly	\$4.7 million	\$6.3 million	Sep
2.2 TOT revenue for the City Source: City of Los Angeles	Monthly	\$184.7 million	\$194.1 million	\$216 million
L.A. COUNTY LODGING PERFORMANCE Source: STR				
2.3 Hotel Room Night Demand (Sold)	Monthly	27.6 million	28.4 million	Aug
2.4 Hotel Occupancy Rates	Monthly	78.2%	79.3%	Aug
2.5 Average Daily Rates	Monthly	\$141.26	\$149.49	Aug
2.6 Revenue Per Available Room	Monthly	\$110.47	\$118.55	Aug
2.7 Jobs from Leisure and Hospitality Sector (Fiscal Year Average) Source: CA EDD	Monthly	452,700	464, 600	Aug
Objective 2 Market Data	Frequency of Reporting	FY 2014 Actual	FY 2015 Goal	FY 2016 Goal
2.a Local Business Sales based on direct spending from Citywide/ Center Events (track separately)	Annually	\$132.1 million	N/A	N/A
2.b Local Tax Revenue based on total economic impact from Citywide/Center Events (track separately)	Annually	\$12.1 million	N/A	N/A
2.c Fulltime Equivalent (FTE) Jobs based on total economic impact from Citywide/Center Events (track separately)	Annually	1,420	N/A	N/A
ECONOMIC IMPACT – LA COUNTY Source: Tourism Economics Calendar Year				
		2013	2014	2015
2.d Visitor Direct Spending	Annual	\$18.36 billion	\$19.61 billion	N/A
2.e Visitor Indirect/Induced Spending	Annual	\$9.95 billion	\$10.58 billion	N/A
2.f Local Tax Revenue from LA County Visitors	Annual	\$1.27 billion	\$1.38 billion	N/A
2.g Overnight Visitor Average Trip Spend in LA County (Marketing//Planning Resource)	Annual	\$614	Aug	N/A

OBJECTIVE 3

Facilitate and track engagement with those visiting Los Angeles for both conventions and leisure travel to enhance the visitor experience with the intent of encouraging repeat visitation and longer stays

Services and Deliverables Related to Objective 3:

- a. Survey citywide clients to obtain feedback on specific aspects of the client experience at the LACC (e.g., event services, security, facility condition, food and beverage service, LAX, participating hotels, and other related venues and service providers)
- b. Host and facilitate Customer Advisory Boards as requested by the CTD to obtain feedback from current and potential clients on long-term strategic issues such as designs for the expansion and modernization of the facility, industry trends and client needs
- c. Enhance the visitor experience through an integrated network of visitor centers, digital kiosks, visitor guides, visitors maps (digital or print) providing convenient and relevant destination information and resources
- d. Maintain web site and social media platforms to engage potential visitors to Los Angeles in a manner that compliments the City's efforts to brand itself (non-TOT funding). Provide web analytics to CTD in accordance with the Agreement.
- e. Leverage emerging technology in providing compelling information to LA's visitors
- f. Collaborate with the City to find new options and venues that would expand outreach to LA's visitors
- g. Report on visitor perceptions/satisfaction levels (conducted with non-TOT funding) to inform the City as to how it may improve the visitor experience in the City with the goal of getting visitors to stay longer and return
- h. Maintain and publish L.A. Tourism Calendar of Events
- i. Metrics for Objective 3:

Objective 3 Performance Metrics	Frequency of Reporting	FY 2014	FY 2015 Goal	FY 2016 Goal
3.1 Overall Host City Rating Citywide Client Satisfaction: (5-point scale)	Quarterly	N/A	4.0	4.0
3.2 Overall LACC Rating Citywide Client Satisfaction: (5-point scale)	Quarterly	N/A	4.0	4.0
3.3 Overall Client Services Rating Citywide Client Satisfaction: (5-point scale)	Quarterly	N/A	4.0	4.0

3.4 Number of Visitor Impressions at Visitor Centers, Kiosks and Publications (Track Separately)	Quarterly	1.1 million	0.78 million	0.80 million
3.4 Number of Visits to Discover Los Angeles web site	Quarterly	9 million	10 million	11 million
3.5 Social Media Activity (Facebook, Twitter and Instagram followers)	Quarterly	3 million	3.3 million	3.6 million
Objective 3 Market Data		Frequency of Reporting	FY 2014 Actual	FY 2015 Goal
3.a Visitor Satisfaction Ratings from Visitor Profile Study Source: Destination Analysts 2013 (Funded by non-TOT resources)	Every 3 years or when conducted	49.2% very satisfied 46.8% satisfied	n/a	n/a
3.b Average Length of Stay of Overnight Visitors (Marketing/Planning Resource)	Annually	4.4 Nights	n/a	n/a
3.c Percent of Repeat Visitors from Visitor Profile Study Source: Destination Analyst 2013 (Funding by non-TOT resources)	Every 3 years or when conducted	74%	n/a	n/a

OBJECTIVE 4

Effectively leverage TOT funds, with other sources of funds, to promote conventions and tourism to maximize the yield from the City's investment

Services and Deliverables Related to Objective 4:

- a. Use best efforts to develop other sources of revenue, such as memberships and sponsorships, to support the promotion of tourism in Los Angeles
- b. Use best efforts in booking the City's convention facilities to maximize total revenues for the LACC facility with the priority of booking quality business that drives hotel room nights and spending from out-of-town visitors that stimulates the local economy and generates TOT to the City of Los Angeles
- c. Generate earned media to create awareness and excitement among potential visitors
- d. Submit TOT-funded budget for review by CTD Board and inclusion in the Mayor's proposed budget

- e. Deliver audited financial statements within 120 days after close of fiscal year
- f. Regularly update CTD Board on metrics and sales activity
- g. Submit monthly financial reports to CTD on use of all sources of funds
- h. Metrics for Objective 4:

Objective 4 Performance Metrics	Frequency of Reporting	FY 2014 Actual	FY 2015 Goal	FY 2016 Goal
4.1 Percent of Citywide Rental Income from Citywides Retained After Discounts Source: LACC Operator	Quarterly	18.3%	8.0%	8.5%
4.2 Non-TOT Funds	Quarterly	\$21.8 million	\$28 million	\$28 million
4.3 Total Paid Advertising Value from multiple funding sources	Annual	\$5.9 million	\$6.4 million	\$6.6 million
4.4 Total Earned Media Value from multiple funding sources	Annual	\$36 million	\$40 million	\$44 million
Objective 4 Market Data	Frequency of Reporting	FY 2014 Actual	FY 2015 Goal	FY 2016 Goal
4.a Rental Income Retained from Citywides Source: LACC Operator	Quarterly	\$850,619	N/A	N/A

CTD Approval: _____

Signature
Title

LATCB Approval: _____

Signature
Title

Date: _____

Los Angeles Convention Center Monthly Status Report April 2015

Brad Gessner



EMPLOYEE OF THE MONTH – April 2015



Meredith Gaines
Administrative Assistant
HR and Finance

LACC APRIL EVENTS

<u>DATE</u>	<u>EVENT</u>	<u>DAILY</u>	<u>ATTENDANCE</u>
April 5	Baisakhi 2015	4,000	4,000
April 9- 13	So Cal Volleyball Association	7,000	28,000
April 15 – 19	So Cal Volleyball Association	6,000	24,000
April 17 - 18	CASA	1,000	1,000
April 19 - 24	LA Countywide HR Exams	900	3,500
April 21 - 22	Naturalization Day	16,000	16,000
April 23 - 26	Herbalife Leadership Development	2,600	6,500
April 25	KJLH Annual Women Health Fair	4,000	4,000
April 25 - 26	El Sembrador - Metanoia de Mujeres	7,000	14,000

TOTAL EVENTS: 9

TOTAL ATTENDANCE: 101,000

LACC APRIL FILMING AND PHOTO EVENTS

<u>Date</u>	<u>Name</u>	<u>Amount</u>
April 8 - 11	Supply and Demand	\$31,850
April 13	Agent X	\$3,750
April 14 - 15	Greys Anatomy	\$14,370
April 21 – May 4	Brand New School Ford	\$68,025

TOTAL FILMING: \$117,995

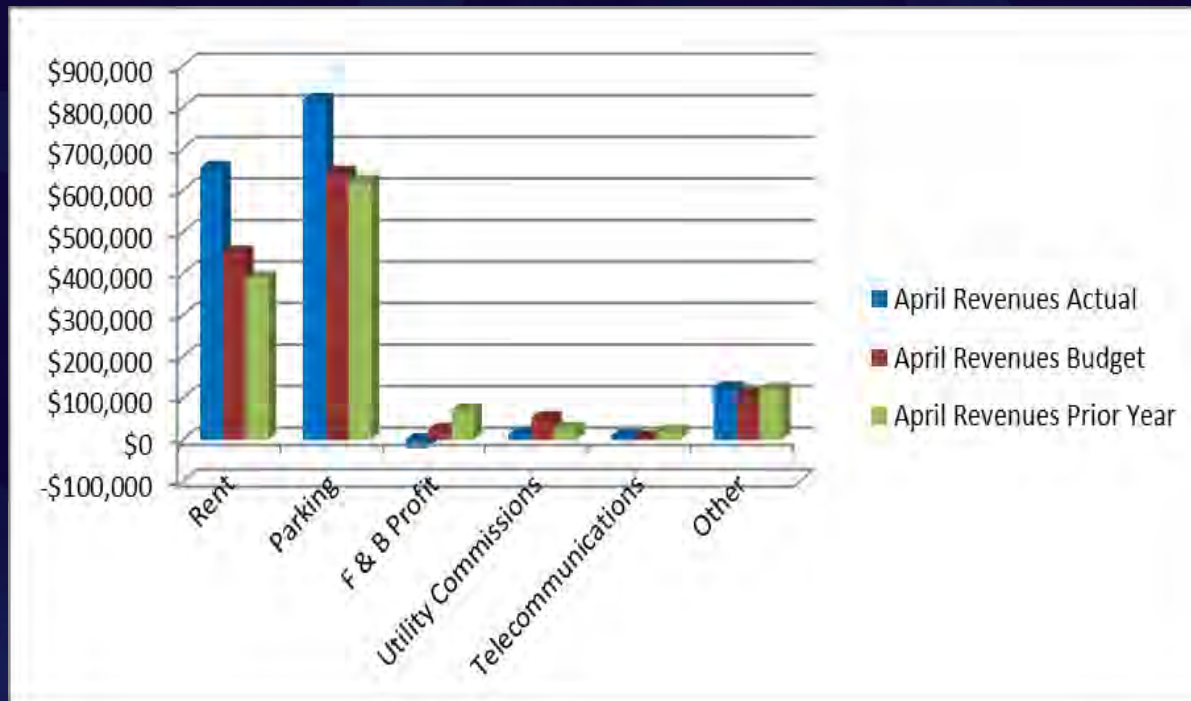
LACC April 2015 Financials

Operating Deficit of \$154K; \$293K above budget

REVENUES

\$1.6 Million for April

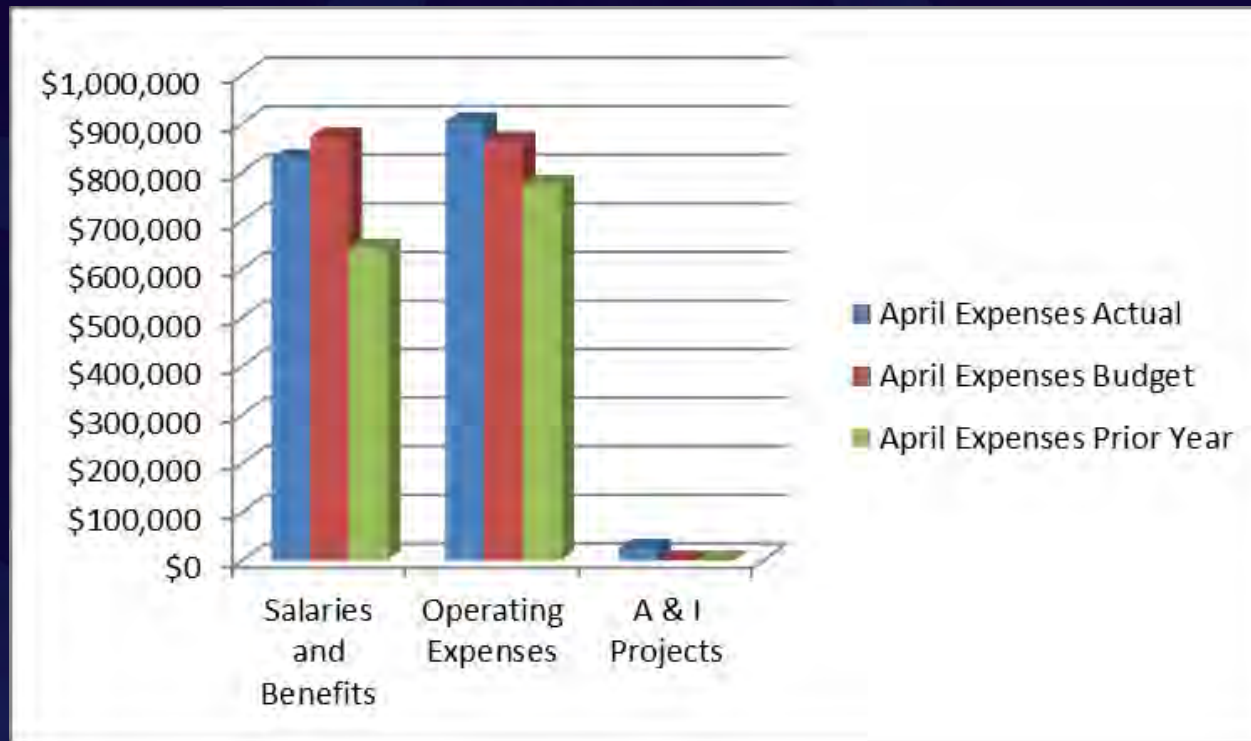
\$313K improvement to Budget



LACC April 2015 Financials

Expenses

\$1.7 million Million for April
\$40K above budget



2015 Facilities & Destinations Prime Site Award Recipients



2015 FACILITIES & DESTINATIONS AWARDS OF EXCELLENCE



The **Los Angeles Convention Center** is Gold LEED EB-certified and houses 867,000 sq. ft. of meeting space (page 129).

Fairplex, Pomona, CA
Fort Worth Convention Center, Fort Worth, TX
George R. Brown Convention Center, Houston, TX
Hawaii Convention Center, Honolulu, HI
Irving Convention Center, Irving, TX
Las Vegas Convention Center, Las Vegas, NV
Long Beach Convention & Entertainment Center, Long Beach, CA
Los Angeles Convention Center, Los Angeles, CA
NRG Center, Houston, TX
Oregon Convention Center, Portland, OR

THE WEST / CALIFORNIA



The Los Angeles Convention Center (LACC) attracts millions of visitors annually and is renowned internationally as a prime site for conventions, trade shows and exhibitions. The AEG Facilities-managed venue offers clients multifunctional event space, advanced technological functionality and first-class service. "Our commitment to excellence is evident by the services we provide and the caliber of events we help our clients produce. Events hosted at the LACC can expect elevated service standards coupled with a stellar location in the heart of the entertainment capital of the world," commented Brad Gessner, Senior Vice President of A&G Facilities and General Manager of the Los Angeles Convention Center.

Multifunction Event Space

With over 3,000,000 sq. ft. of flexible space, the LACC is the ideal backdrop to host incredible events; the Center offers 200,000 sq. ft. of exhibit hall space, 84 column-free meeting rooms totaling 14,000 sq. ft., and a newly renovated 999-seat theater. The Center regularly accommodates a wide array of events, ranging from the LA Auto Show to equestrian competitions to volleyball tournaments to professional examinations. In order to enhance facility functionality and aesthetics, the Los Angeles City Council has approved \$40 million in short-term enhancements; for instance, a new energy-efficient "cool roof" will be installed on South Hall and Convention Hall to protect the building while reducing energy consumption. A large-scale expansion and modernization plan is also currently under way.

Environmental Initiatives

The LACC strives to reduce its environmental impact while providing a positive experience to clients and guests. The Center also works to educate clients, guests and staff about environmental issues and encourages them to engage in sustainable practices. The LACC regularly participates in large-scale, global environmental events such as Earth Hour and Earth Day. The LACC is committed to taking advantage of its position in the community to raise awareness of environmental issues and inspire others to take action. We invest heavily in sustainable products, technology and practices to reduce negative environmental impact; for example, in April

2015 we partnered with a local organization to reuse thousands of gallons of water from the SCVA Volleyball Competition," added Gessner. The facility's commitment to environmental stewardship has been recognized by numerous organizations, including the U.S. Environmental Protection Agency and the United States Green Building Council. The LACC is honored to be a LEED-EB Gold certified facility.

First-Class Service

The LACC team specializes in creating successful events that exceed clients' expectations. In order to achieve this, the facility partners with industry experts to provide clients and guests with superior services. Taste of L.A. by Levy Restaurants is the LACC's signature and exclusive dining experience. Taste of L.A. is committed to sourcing local products, using the freshest ingredients available, and preparing exquisite meals to deliver heartfelt joy to guests. Offering concessions, catering, portable options, food truck alley, exhibit booth service, customized staff meal options and so much more, Taste of L.A. delivers excellent food inspired by the City of Angels. Smart City is the exclusive, in-house telecommunications provider and offers clients and attendees unparalleled expertise and service. The LACC also offers a full-service business center powered by Los Angeles-based Image Quest Plus.

Location

Experience the L.A. Difference; discover the allure of cosmopolitan L.A., where culture, history and innovation fuse to provide clients and guests with an unparalleled experience. Conveniently located in the heart of Downtown Los Angeles, the Los Angeles Convention Center is minutes from nearby airports such as LAX and Bob Hope Airport and is easily accessible by car and public transportation. The Center is also only a short walk away from many downtown L.A. hotels. A perfect blend of historical charm and modernity, this desirable location offers first-class accommodations and attractions, complete with endless dining, shopping, hotel and entertainment options.

Contact the staff today to learn how the LACC can bring your event vision to life.

1201 South Figueroa Street, Los Angeles, CA 90015 • (213) 741-1151 • www.lacclink.com

LOOKING FORWARD

- LEED EB O&M Gold Recertification

(In Whole Numbers)

	Period Actual	Period Budget	Period Budget Variance	Current Year Actual	YTD Budget - Original	YTD Budget Variance - Original	Total Budget	Budget Remaining	Percent Total Budget Remaining - Original
Revenue									
Rent									
Gross Rent	904,001	696,825	207,176	9,503,480	8,697,123	806,357	10,810,952	(1,307,472)	(12)%
Discounts	(249,628)	(245,700)	(3,928)	(3,036,557)	(3,079,270)	42,713	(4,667,699)	1,631,142	(35)%
Total Rent	654,373	451,125	203,248	6,466,924	5,617,854	849,070	6,143,254	323,670	5 %
Food and Beverage									
Food and Beverage Sales	591,841	610,000	(18,159)	10,326,702	10,004,706	321,996	12,679,987	(2,353,285)	(19)%
Food and Beverage Expenses	(611,639)	(586,369)	(25,270)	(9,077,189)	(8,459,604)	(617,585)	(10,474,041)	1,396,852	(13)%
Total Food and Beverage	(19,798)	23,631	(43,429)	1,249,513	1,545,102	(295,589)	2,205,946	(956,433)	(43)%
Utility Services									
Utility Sales	28,680	140,321	(111,641)	7,967,283	7,091,150	876,133	10,073,070	(2,105,787)	(21)%
Service Provider Share	(15,354)	(87,380)	72,026	(5,188,672)	(4,439,281)	(749,391)	(6,444,076)	1,255,404	(19)%
Total Utility Services	13,326	52,941	(39,616)	2,778,611	2,651,869	126,742	3,628,994	(850,383)	(23)%
Parking receipts (net of sales tax)	818,187	643,318	174,870	7,875,593	7,069,095	806,498	8,502,187	(626,594)	(7)%
Telecommunications									
Telecommunications Sales	26,748	16,500	10,248	2,337,894	1,733,327	604,567	2,749,127	(411,233)	(15)%
Service Provider Share	(17,450)	(10,725)	(6,725)	(1,490,609)	(1,126,663)	(363,946)	(1,786,933)	296,324	(17)%
Total Telecommunications	9,298	5,775	3,523	847,285	606,664	240,621	962,194	(114,909)	(12)%
Audio / Visual									
Audio Visual Sales	29,979	34,440	(4,461)	326,789	509,257	(182,468)	687,730	(360,941)	(52)%
Service Provider Share	(33,019)	(25,874)	(7,144)	(211,707)	(384,035)	172,329	(437,730)	226,023	(52)%
Total Audio / Visual	(3,039)	8,566	(11,605)	115,082	125,222	(10,140)	250,000	(134,918)	(54)%
Event Billing	53,474	58,775	(5,301)	806,480	501,545	304,935	620,445	186,035	30 %
Cell Towers	60,047	32,227	27,820	408,224	320,056	88,168	384,855	23,368	6 %
Advertising and Sponsorship	10,569	4,167	6,402	92,506	61,167	31,339	249,500	(156,994)	(63)%
Other Income	3,479	5,689	(2,210)	68,195	48,989	19,206	59,189	9,006	15 %
Total Revenue	1,599,915	1,286,213	313,702	20,708,412	18,547,561	2,160,850	23,006,563	(2,298,152)	(10)%
Expenses									
Personnel									
Salaries and Wages Full Time	543,662	566,691	23,029	5,524,373	5,775,204	250,831	7,252,977	1,728,604	24 %
Salaries and Wages Part Time	84,495	84,442	(53)	803,565	846,128	42,563	1,016,893	213,328	21 %
Parking Labor	67,025	65,219	(1,806)	632,915	720,437	87,522	864,016	231,100	27 %
Overtime	14,442	16,227	1,785	215,269	162,439	(52,831)	195,080	(20,189)	(10)%
Payroll Taxes	41,426	54,403	12,977	443,685	544,027	100,342	652,832	209,147	32 %
Fringe Benefits	75,166	78,565	3,399	697,065	785,752	88,687	944,747	247,682	26 %
Workers Comp	850	5,922	5,072	39,912	59,217	19,305	71,060	31,148	44 %
Total Personnel	827,065	871,468	44,403	8,356,784	8,893,203	536,419	10,997,604	2,640,820	24 %
Operating Expenses									
Event Expenses	94,176	47,366	(46,810)	1,042,463	540,520	(501,944)	674,935	(367,528)	(54)%
Staples Bond Share	83,333	83,333	0	833,333	833,333	0	1,000,000	166,667	17 %
Printing and Binding	3,942	4,895	953	54,841	54,125	(716)	62,130	7,289	12 %
Contracted Services	262,846	264,347	1,501	2,819,703	2,773,325	(46,377)	3,289,019	469,316	14 %
Field Equipment	5,778	2,063	(3,715)	131,644	89,630	(42,014)	102,718	(28,925)	(28)%
Maintenance Supplies	20,773	10,250	(10,523)	222,858	116,500	(106,358)	138,000	(84,858)	(61)%
Transportation Reimbursement	1,002	1,152	150	9,789	11,516	1,727	13,819	4,031	29 %
Parking Expenses	42,668	39,264	(3,404)	420,846	444,564	23,718	574,320	153,474	27 %
Utilities	311,114	323,105	11,991	4,099,014	3,977,336	(121,678)	4,841,146	742,132	15 %
Office and Administration	3,916	2,600	(1,316)	54,423	51,000	(3,423)	56,200	1,777	3 %
Operating Supplies	28,932	24,417	(4,516)	248,013	245,814	(2,200)	294,647	46,634	16 %
Modification and Repairs	0	1,500	1,500	40,330	15,000	(25,330)	18,000	(22,330)	(124)%
Advertising and Promotion	7,829	22,212	14,383	93,201	246,770	153,569	292,443	199,242	68 %
Uniforms	371	1,000	629	19,639	10,000	(9,639)	12,000	(7,639)	(64)%
Recruiting	117	417	299	3,801	4,450	649	5,283	1,483	28 %
Employee Welfare	5,873	300	(5,573)	68,453	48,045	(20,408)	49,345	(19,108)	(39)%
Insurance	10,596	14,843	4,246	143,851	138,585	(5,266)	169,391	25,540	15 %
Start-up Expenses	0	0	0	28,710	0	(28,710)	0	(28,710)	0 %
Management Fee	14,846	15,471	626	148,458	152,912	4,454	364,105	215,647	59 %
Depreciation Expense	4,862	4,167	(696)	47,442	41,667	(5,775)	50,000	2,558	5 %
Total Operating Expenses	902,975	862,700	(40,275)	10,530,813	9,795,092	(735,721)	12,007,501	1,476,688	12 %
Alterations and Improvements	24,250	0	(24,250)	24,250	0	(24,250)	0	(24,250)	0 %
Total Expenses	1,754,290	1,734,169	(20,122)	18,911,847	18,688,295	(223,552)	23,005,105	4,093,258	18 %
Net Income (Loss)	(154,375)	(447,956)	293,581	1,796,565	(140,734)	1,937,299	1,458	1,795,106	123,101 %

CTD Board of Commissioners Meeting

June 17, 2015

Los Angeles
TOURISM & CONVENTION BOARD





Citywide Convention Sales Update

Kathy McAdams
Vice President, Citywide Convention Sales



Citywide Convention Sales

YTD FY 14/15 (July 1, 2014 to June 5, 2015) Lead Production

Lead Production	Leads Actual
FY 14/15 Goal	210
FY 14/15 YTD	206
FY 13/14 STLY	190

Sales Pipeline- Future Years

- YTD 14/15 **121 Leads**, representing **1,540,437 room nights**
- STLY 13/14 **161 Leads**, representing **2,006,498 room nights**

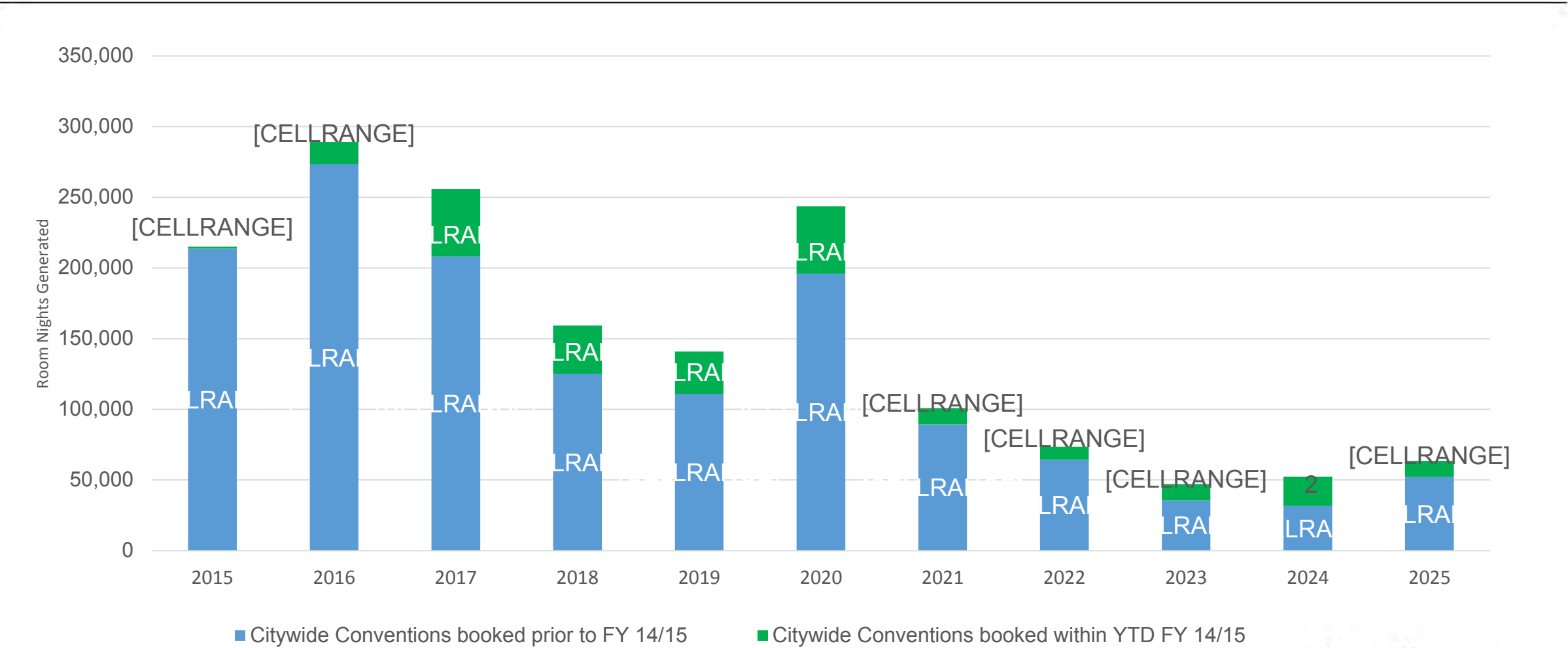
Citywide Convention Sales

YTD FY 14/15 (July 1, 2014 to June 5, 2015) Booking Production

LOI Production	LOIs Actual
FY 14/15 Goal	38
FY 14/15 YTD	26
FY 13/14 STLY	19

Booked Room Nights Produced	RNs Actual
FY 14/15 Goal	351,000
FY 14/15 YTD	240,667
FY 13/14 STLY	139,717

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



26 Events booked during YTD FY 14/15 (July 1, 2014 - June 5, 2015) will generate 240,667 TRNs



Thank You



CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date:

To: Board of Los Angeles Department of Convention and Tourism Development
Commissioners

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



Subject: **AEG 2014-15 Fiscal Year Operating Budget Update – Board Report
#15-007**

SUMMARY

On June 11, 2015, AEG Facilities ("Operator"), the operator of the Los Angeles Convention Center, reported a revised projection for profit of \$2.0 million above the original budget (ATTACHMENT 1). The 2014-15 Original Budget assumed a revenue amount of \$21.9 million (accrual basis). In March, the Operator revised the revenue forecast projecting a surplus of \$1.3 million (ATTACHMENT 2) increasing revenues from \$21.9 to \$23.4, which was approved by the Convention Tourism and Development (CTD) Department and reported to the Commission on April 1, 2015. The latest revised budget increases revenue from the original budget of \$21.9 million to \$24.2 million. The additional revenue between March and June includes an additional \$700,000 and is primarily a result of: (1) An increase in revenues in rent as a result of additional short term bookings in filming events and trade shows; and (2) An increase in parking revenues generated from unanticipated events including the Clippers playoff games, and limited parking options in the area as a result of local development. Further detail of the increase in revenue is provided in the table below.

2014-15 Operating Revenue*

	BUDGET	MARCH FORECAST	MAY FORECAST
Rent	6,373,023	6,898,848	7,255,439
Parking	6,722,727	8,003,166	8,339,514
Utility Services	3,802,610	3,822,845	3,809,732
Food & Beverage	2,231,537	1,751,606	1,754,723
Telecommunication Services	700,413	1,053,899	1,074,260
Other**	2,083,638	1,947,529	1,989,944
TOTAL REVENUE	\$21,913,948	\$23,477,893	\$24,223,612
OPERATING EXPENSES	\$21,912,488	\$22,083,599	\$22,124,375
PROFIT B/F CAPITAL, A & I, and DEPRECIATION	\$ 1,460	\$ 1,394,294	\$ 2,099,237

*Accrual based

**Other revenues include advertising, equipment rental, housekeeping, audiovisual, event billing, and miscellaneous.

The Operator is proposing that a portion of the \$2.0 million surplus be authorized for Alterations and Improvements, Capital Improvement Projects and equipment purchases for a total amount of \$1,284,000. The remainder would be budgeted in the Reserve Account, for a total amount of \$716,000. The Department of Convention and Tourism Development (CTD) approves the proposed expenditure plan as defined in the CTD Department's response to AEG Facilities.

RECOMMENDATION

No action is required by the Board as this report is informational only. It is recommended that the report be received and filed.

ATTACHMENTS

RO: dm

ATTACHMENT I

CITY OF LOS ANGELES
CALIFORNIA

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

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OTTO PADRON



ERIC GARCETTI
MAYOR

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

ROBERT R. "BUD" OVROM
EXECUTIVE DIRECTOR

1201 S. FIGUEROA STREET
LOS ANGELES, CA 90015
(213) 741-1151
FAX (213) 765-4441
TTY (213) 763-5077

June 12, 2015

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

Dear Mr. Gessner:

Thank you for your letter dated June 11, 2015 (ATTACHMENT) regarding a \$2.0 million operating surplus for the 2014-15 Fiscal Year, and your proposed expenditure plan for the surplus. According to the attached the Los Angeles Convention Center, managed by AEG Facilities (AEG), is projecting a \$2.0 million surplus, from the original budget due to an increase in revenues. This includes the March projection of \$1.3 million and the June projection that increased the surplus by an additional \$700,000. According to the Attachment, the \$700,000 difference is mainly due to rental income from additional short term bookings (\$335,000) and parking income (\$365,000) generated from the Clippers playoff games and limited parking options in the area, as a result of nearby lots closing.

In accordance to Section 6.4(c)(iii) of the Management Agreement between the City and AEG, expenditures shall be authorized if approved by the Executive Director " . . .to be expended from any revenues received in excess of the projected revenues in the Approved Annual Operating Budget which are not needed for payment of projected or actual expenses for the Agreement Year." The surplus identified by AEG is an excess of revenue not assumed for planned expenses, therefore increasing the revenue budget from \$21,913,948 to \$24,223,612.

Projects

The latest proposal budgets \$1.284 million of the \$2.0 million for Capital Improvement Projects (\$807,500), Alterations and Improvements (\$317,000), and equipment purchases (\$159,500), and the remaining amount of \$716,000 to the Reserve Account, most recently created. The Convention Tourism and Development (CTD) Department has already approved \$478,500 of the \$1.284 million as follows:

	Description	Type	Estimated Cost
1.	Replacement of Administrative Office Carpet	Capital	\$ 135,000
2.	Proximity Lock Access Control for South Hall Office H&J, South Hall Room 305, West Hall Rooms 508 and 509	A&I	24,000
3.	South Hall Compass Café Concession Stand Fryer	Capital	22,000
4.	South Hall Kitchen Fryer	Capital	27,500
5.	Double Deck Convection Oven	Capital	55,000
6.	Skillet Tilting	Capital	55,000
7.	Trash Receptacles	A&I	50,000
8.	Repair to South Hall air-wall (operable wall)	A&I	15,000
9.	CMS Electronic Message Boards	Capital	30,000
10.	Window Washing Ladders and Platforms	A&I	65,000
TOTAL			\$ 478,500

The remaining \$805,500 is requested for approval, as follows:

	Description	Type	Estimated Cost
11.	Toilet Replacement	Capital	\$ 430,000*
12.	Landscaping upgrades along Convention Center Drive and the southwest corner of 11 th & LA Live Way	A&I	76,000*
13.	Hall H Restroom Urinals	A&I	10,000
14.	Trough replacement in two restrooms in "500" Meeting Rooms	A&I	46,500
15.	Lobby Furniture	Capital	228,000
16.	Window Washing Roof Cars and Platforms	A&I	107,000
17.	Concessions China Inventory	Equipment	150,000
18.	Concession high-top tables	Equipment	9,500
SUB-TOTAL			\$1,057,000
Less Anticipated Rebates for Water Conservation			(251,500)
TOTAL			\$805,500

*Before rebates

The CTD Department approves items 11 through 18.

Reserve

In accordance to Section 6.4(b)(i) the LACC Board shall request that the City Council appropriate as part of the LACC Department Budget, a sum equal to ten percent of the Approved Annual Operating Budget as a reserve fund. As such, the LACC Board approved a budget request including a ten percent reserve as described above, which was submitted on its behalf by the CTD Department for consideration as part of the 2014-15 Budget process. The 2014-15 Adopted Budget did not appropriate General Funds for this purpose. As such, AEG Facilities has proposed setting aside Operating Revenues, when available to build this reserve.

In March, \$500,000 was approved for the Reserve Account. Based on the most recent request, this amount would increase from \$500,000 to \$716,000. The CTD Department approves a total of \$716,000 for the Reserve Account for the 2014-15 Fiscal Year.

I appreciate the hard work and effort by AEG throughout this Agreement Year. This matter will be reported to the Commission as part of the June 17, 2015 meeting. Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bud R. Ovrom', with a stylized flourish at the end.

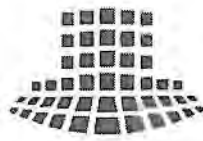
Robert "Bud" R. Ovrom
Executive Director
Convention Tourism and Development Department

RO:dm
Exec. Ref. 15-080

ATTACHMENT

Cc: Keith Hilsen

ATTACHMENT



Los Angeles
CONVENTION CENTER

Managed By  AFC
FACILITIES

June 11, 2015

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

Dear Mr. Ovrom:

FY15 continues to be a banner year at LACC. Based on reviewing results for the first nine month of the year and anticipated revenue and expenses for the remaining three months we are forecasting LACC to finish with an operating surplus in excess of \$2.0 million. I have attached an updated forecast for FY15 for your review. Revenue categories that have exceeded expectations since the last forecast include:

Rent – increase of \$335K - This increase is a result of additional short term booking of filming events (10 event with \$168K in revenue) and two car research trade shows (\$145K in rental revenue). Remaining increase is a result of smaller short term event booking.

Parking – Increase of \$365K – Increase is a result of increased demand for our parking locations as parking lots across from the convention center on Figueroa Street are no longer available.

With the \$2.0 million surplus we will set aside a reserve of \$716K and target the remaining \$1.284 million for special alteration and improvement projects. In our last request we received approval for the following projects:

Description	Estimated Cost
1 Replacement of Administrative Carpet	\$ 135,000
2 Proximity Lock Access Control	\$ 24,000
3 South Hall Compass Café Concession Stand Fryer	\$ 22,000
4 South Hall Kitchen Fryer	\$ 27,500
5 Double Deck Convention Oven	\$ 55,000
6 Skillet Tilting	\$ 55,000
7 Trash Receptacles	\$ 50,000
8 Repair to South Hall Air Wall	\$ 15,000
9 CMS Electronic message Boards	\$ 30,000
10 Window Washing Ladders and Platforms	\$ 65,000

The projects listed account for \$478.5K. With the remaining \$805,500 we are requesting approval for the following alteration and improvement projects:

1.) Toilet Replacement

- a. Estimated cost: \$430K (before rebates); \$255K after rebates
- b. Expense Category: Capital Purchase
- c. Justification: Toilets at LACC currently flushes a high volume of water, approximately 3.5 gallons/usage. Replacement of flush valves with a new dual flush; low water flush unit will reduce water consumption to 1.6 gallons/usage. In addition, we will receive a rebate from DWP for the cost of the flush unit (\$263/unit).

2.) Landscaping upgrades along Convention Center Drive and the southwest corner of 11th & L.A. Live way

- a. Estimated Cost: \$76K (before rebates); \$16K after rebates
- b. Expense Category: Operating Expense
- c. Justification: Replacing 30,000 sq. ft. of lawn with Xeriscape landscaping will reduce irrigation water consumption of up to 400,000 gallons per year.

3.) Hall H restroom Urinals

- a. Estimated Cost: \$10K (before rebates); \$2.5K after rebates
- b. Expense category: Alteration & Improvement
- c. Justification: Will assist in accomplishing the Mayor mission of a 25% reduction in water consumption.

4.) Trough replacement in two restroom in 500 Meeting Rooms

- a. Estimated Cost: \$46.5K (before rebates); \$37.5K after rebates
- b. Expense Category: Alteration & Improvements
- c. Justification: Will assist in accomplishing the Mayor mission of a 25% reduction in water consumption.

5.) Lobby Furniture

- a. Estimated Cost: \$228K
- b. Expense Category: Capital purchase
- c. Justification: The latest trends in Convention Centers is to emulate hotels in having furniture in open spaces for guest to sit and have impromptu meetings, charge their phones, and general networking. Currently, LACC does not have furniture located in the concourses. During events we see guest sitting on the floor and window ledges. In this request we are looking to add outdoor lobby furniture to the West Hall lobby and concourse corridor. We will also use the furniture for outdoor receptions.

6.) Window Washing Roof Cars and Platforms

- a. Estimated Cost: \$107K
- b. Expense Category: Operating
- c. Justification: The current roof cars and platforms are not operable requiring additional labor and equipment for cleaning high exterior glass. Making the roof cars and platforms will reduce the annual cost to clean the high glass.

7.) Concessions China inventory

- a. Estimated Cost: \$150K
- b. Expense category: Operating expense
- c. Justification: Currently LACC incurs \$100K/year to rent china to accommodate large catering events. Purchasing china will begin to reduce this annual expense.

8.) Concessions high-top tables (50)

- a. Estimated Cost: \$9.5K
- b. Expense category: operating expense
- c. Justification: Current inventory of high-top table has been depleted and tables that remain are past their useful life.

We are very anxious to get started on these projects and purchases which will undoubtedly make the Los Angeles Convention Center a truly "World Class" convention center.

Thank you for your continued support, Bud and I look forward to hearing from you.

Sincerely,



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

ATTACHMENT II

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: April 1, 2015

TO: Board of Los Angeles Department of Convention and Tourism Development
Commissioners

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



SUBJECT: **2014-15 OPERATING SURPLUS – BOARD REPORT # 15-005**

SUMMARY

On March 17, 2015, AEG Facilities, the operator of the Los Angeles Convention Center, reported a projected surplus of \$1.3 million for the 2014-15 Fiscal Year due to high revenue projections. As such AEG Facilities is proposing that a portion of the surplus (\$800,000) be authorized for "Alterations and Improvements" and that the remainder (\$500,000) be set aside in a reserve account. The Department of Convention and Tourism Development (CTD) approves the proposed expenditure plan for \$1.3 million as defined in the CTD Department's response to AEG Facilities.

RECOMMENDATION

No action is required by the Board as this report is informational only. It is recommended that the report be received and filed.

RO:dm

ATTACHMENTS:

1. CTD Response Letter to AEG
2. AEG Memo
3. AEG FY 14-15 Financial Report

CITY OF LOS ANGELES

CALIFORNIA

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

NICOLE DUCKETT FRICKE

STELLA T. MALOYAN

OTTO PADRON



ERIC GARCETTI

MAYOR

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

ROBERT R. "BUD" OVROM
EXECUTIVE DIRECTOR

1201 S. FIGUEROA STREET
LOS ANGELES, CA 90015
(213) 741-1151
FAX (213) 765-4441
TTY (213) 763-5077

April 1, 2015

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

Dear Mr. Gessner:

Thank you for your letter dated March 17, 2015 (Attachment) regarding a \$1.3 million operating surplus due to higher revenue projections, and your proposed expenditure plan for the surplus. According to the attached the Los Angeles Convention Center, managed by AEG Facilities (AEG), is proposing that a portion (\$800,000) of the \$1.3 million be budgeted for special projects defined as "Alterations and Improvements" and the remaining amount (\$500,000) be transferred to an account that AEG Facilities will create for the purposes of building a reserve.

In accordance to Section 6.4(c)(iii) of the Management Agreement between the City and AEG, expenditures shall be authorized if approved by the Executive Director " . . .to be expended from any revenues received in excess of the projected revenues in the Approved Annual Operating Budget which are not needed for payment of projected or actual expenses for the Agreement Year." AEG Facilities has identified \$1.3 million in excess revenues for Fiscal Year 2014-15, which is not required for planned expenses of the 2014-15 Agreement Year. As such, the request to spend \$1.3 million based on your attached proposal is approved as discussed below.

Alterations and Improvements (\$800,000)

AEG Facilities has identified projects and project costs in the amount of \$478,500. The Convention Tourism and Development (CTD) Department approves the proposed expenditures in the table below. Upon receipt of an expenditure plan for the remaining \$321,500, the CTD Department will review and consider it for approval. The CTD Department also authorizes AEG Facilities to administer these projects and equipment purchases in consultation and collaboration with designated CTD Department staff.

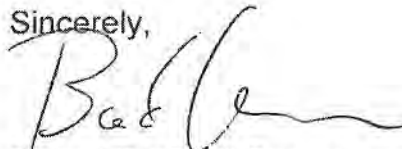
	Description	Estimated Cost
1.	Replacement of Administrative Office Carpet	\$135,000
2.	Proximity Lock Access Control for South Hall Office H&J, South Hall Room 305, West Hall Rooms 508 and 509	24,000
3.	South Hall Compass Café Concession Stand Fryer	22,000
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5.	Double Deck Convection Oven	55,000
6.	Skillet Tilting	55,000
7.	Trash Receptacles	50,000
8.	Repair to South Hall air-wall (operable wall)	15,000
9.	CMS Electronic Message Boards	30,000
10.	Window Washing Ladders and Platforms	65,000
TOTAL		\$478,500

Reserve (\$500,000)

In accordance to Section 6.4(b)(i) the LACC Board shall request that the City Council appropriate as part of the LACC Department Budget, a sum equal to ten percent of the Approved Annual Operating Budget as a reserve fund. As such, the LACC Board approved a budget request including a ten percent reserve as described above, which was submitted on its behalf by the CTD Department for consideration as part of the 2014-15 Budget process. The 2014-15 Adopted Budget did not include a General Fund appropriation for this purpose. As such, AEG Facilities has proposed setting aside Operating Revenues, when available to build this reserve. This includes setting aside \$500,000, if available, from the projected \$1.3 million surplus. The funds for the reserve will be set aside in an account separate from the LACC Operating Account, which will be managed by AEG.

We look forward to receiving additional information on your request as it relates to the remaining \$321,500. Please let me know if you have any questions regarding this matter.

Sincerely,



Robert R. "Bud" Ovrom

RO:DM
Exec. Ref. 15-041

ATTACHMENT

CC: Keith Hilsgen
Tom Fields



March 17, 2015

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

Dear Mr. Ovrom:

We have been working on a reforecast of our fiscal year 2015 (FY15) operations and are excited to share with you and the Convention and Tourism Department (CTD) that we currently anticipate finishing FY15 with an operating profit in excess of \$1.3 million. We have attached the forecast showing projected results for the remainder of the year.

Based on our prior communication and your direction, we will plan to use \$500K of this operating profit toward building the LACC Reserve fund. As you know, the Management and Operating Agreement between AEG Management LACC, LLC and the City of Los Angeles under Section 2.4 lists under "City Responsibilities" that the LACC Board shall annually request an appropriation from the City Council in the amount of 10% of the approved annual operating budget to serve as the LACC reserve fund. As this reserve has not been funded by the City, we will continue to build the reserve from our operating profits.

With the additional \$800K in operating profit we are requesting your authorization to perform the following special projects under "Alterations & Improvements" which will improve the facility and enhance the Convention Center guest experience. Some of the projects below are, by definition of the management agreement, Capital Improvements or Capital Equipment.

Capital improvements are defined as any and all building additions, alterations, renovations, repairs and improvements to the LACC with an initial dollar cost of not less than \$25,000.00 per project. Capital Improvements do not include routine maintenance and repair projects which in the aggregate do not exceed \$25,000.00 per project.

Capital equipment is defined as any and all furniture, fixtures, machinery and equipment to be utilized for the operation of the LACC, either additional or replacement, having a per-item original cost of \$5,000.00 or more, or an expected useful life of more than one year (provided any series of repairs, replacements or purchases that would ordinarily be considered a single project or would ordinarily be effected by entering into a single contract shall be considered a single cost item for purposes of determining whether it is Capital Equipment).

Per section 2.2 (k) of the management agreement the City of LA is responsible for the performance of all Capital Improvements projects, unless otherwise agreed by the City of LA and AEG Management LACC, LLC. We are requesting authorization for AEG to administer these capital projects and equipment purchases, with your department's involvement and final approval of each.

Below and on subsequent pages include a list of proposed projects, justification of the project, estimated cost, and expense category (i.e. Capital Equipment, Capital Improvements, or Operating Expense). With your approval we would like to move forward with the following:

- 1) Replacement of Administrative office Carpet
 - a. Estimated Cost: \$135,000
 - b. Expense Category: Capital Improvement
 - c. Justification: Current carpet in the administrative offices of the Los Angeles Convention Center is over 23 years old. The standard useful life for carpet is 7-10 years. Replacement of the carpet will provide a modern professional look to the administrative offices which will improve the marketability of the Convention Center. This purchase was also included in the CIP submission in October 2014.
- 2) Proximity Lock Access control for South Hall Show Office H & J, South Hall Room 305, West Hall room 508 and 509
 - a. Estimated Cost: \$24,000
 - b. Expense Category: Capital Equipment
 - c. Justification: A security assessment was conducted in March 2014 by the U.S. Homeland Security and access control was a noted security weakness. Adding access control to these show offices will help provide a safe and secured environment for our show managers. This purchase was also included in the CIP submission in October 2014.
- 3) South Hall Compass Café Concession Stand Fryer
 - a. Estimated Cost: \$22,000
 - b. Expense Category: Capital Equipment
 - c. Justification: Current fryers in the South Hall Compass Café concession stand are old and do not operate efficiently. The machine does not heat up oil to properly cook fried foods.
- 4) South Hall Kitchen Fryer
 - a. Estimated Cost: \$27,500
 - b. Expense Category: Capital Equipment
 - c. Justification: Current fryer in the South Hall Kitchen is inoperable. Machine is past its useful life and our mechanics have not been able to repair.
- 5) Double Deck Convection Oven
 - a. Estimated Cost: \$55,000
 - b. Expense Category: Capital Equipment
 - c. Justification: The West Hall kitchen is the primary kitchen for all catering preparation. Currently all 6 Double Deck Convection ovens are past their useful life and require extensive maintenance to operate. We are requesting replacement of two of the six ovens, with a plan to replace the others when funding becomes available in future years.
- 6) Skillet Tilting (2)
 - a. Estimated Cost: \$55,000
 - b. Expense Category: Capital Equipment
 - c. Justification: The West Hall kitchen is the primary kitchen for all catering preparation. There are four tilt skillets in the kitchen area. They are all past their useful life and require extensive maintenance to operate. We are requesting replacement of two of the four skillets, with the plan to replace the remaining two next fiscal year.

7) Trash Receptacles

- a. Estimated Cost: \$50,000
- b. Expense Category: Operating Expense
- c. Justification: In January 2015, thirty trash and recycling bins were purchased providing a more professional appearance in the concourse and halls. There are still many locations using the old trash receptacle which are in disrepair, unsightly and provide an inconsistent look throughout the center. This purchase was also included in the CIP submission in October 2014.

8) Repair to South Hall air-wall (operable wall)

- a. Estimated Cost: \$15,000
- b. Expense Category: Operating Expense
- c. Justification: Operable "Air-wall" in South Hall is in disrepair and subsequently very difficult to move, which requires additional labor to complete installation or removal. This purchase was also included in the CIP submission in October 2014.

9) CMS Electronic Message Boards (2)

- a. Estimated Cost: \$30,000
- b. Expense category: Capital Equipment
- c. Justification: We currently rent two electronic message boards each month from October - June to direct traffic/people to Convention Center parking locations. Cost is \$950/month in rental. Purchasing the boards will result in saving of operating expense after three years.

10) Window Washing Ladders & Platforms

- a. Estimated Cost: \$65,000
- b. Expense Category: Operating expense
- c. Justification: The current ladders are not operable requiring additional labor and equipment for cleaning high exterior glass. Making the ladders operable will reduce annual cost to clean high glass. Further repairs for improving efficiency of cleaning high glass are being explored and will be included in our second request for projects.

These projects listed account for approximately \$480K of the \$800K available for special projects. We are still gathering information on a number of other projects to ensure we are achieving the best use of the funds available. The projects we are still gathering data on are listed below:

- 1) Repairs to the ladders/decks used for washing windows on West Hall and South Hall Towers
- 2) Purchase of furniture for use in the lobbies and concourses
- 3) Replacement of China used for large banquets and catering
- 4) Additional equipment for the West Hall Kitchen

We will present a second round of projects and equipment purchase requests for approval once we have refined the list and associated expenses for the remaining \$320K in funds available. As always, we are available to answer any questions or provide additional supporting information on any of the projects proposed.

We are very pleased and proud of the financial success the convention center will achieve this year, which in part can be attributed to the collaboration and teamwork between the City of LA, AEG Facilities, CTD, and LATCB. We are anxious to get started on these projects and purchases which will undoubtedly help make the Los Angeles Convention Center a truly "World Class" convention center.

Thank you for your continued support, Bud!

Sincerely,

A handwritten signature in black ink, appearing to read "Brad Gessner". The signature is fluid and cursive, with the first name "Brad" being more prominent than the last name "Gessner".

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

cc: Keith Hilsgen
Tom Fields
Diana Manglioglu

AEG Facilities
Los Angeles Convention Center
14/15 Forecast

	Budget 7/1/14 - 6/30/15	Forecast 7/1/14 - 6/30/15
Revenue's (net of event expenses)		
Rent	10,810,952	11,566,003
Less Discounts	(4,687,699)	(4,687,155)
Net Rent	6,143,254	6,898,848
Food and Beverage Sales	12,679,987	12,498,515
F & B expenses	(10,474,041)	(10,746,809)
Net Food and Beverage Revenue	2,205,946	1,751,696
Utility Services Gross Billing	10,073,070	11,212,453
Percent kept by vendor	(6,444,076)	(7,389,608)
Utility Services Commissions	3,628,994	3,822,845
Parking receipts	8,502,187	9,003,166
Staples Center Debt Service	(1,000,000)	(1,000,000)
Net Parking Revenue	7,502,187	8,003,166
Communications	962,194	1,053,899
Cell Towers	384,855	448,694
Event Services	620,445	884,505
Marketing / Advertising	249,500	293,238
AV	250,000	230,859
Other	59,189	90,233
Prior Year carryover & Other		
Total Revenue	22,006,563	23,477,894
Expenses		
Salaries & Wages - Full Time	7,252,977	6,993,613
Salaries & Wages - Part Time	1,016,893	965,273
Overtime General	195,080	275,602
Event Expenses	674,935	1,155,493
Parking Wages	864,016	827,675
Payroll Taxes	652,832	554,872
Fringe Benefits	944,747	899,597
Workers Comp Insurance - Base coverage	71,060	41,612
Total Wages Salaries and Benefits	11,672,539	11,713,938
Printing and Binding	62,130	63,032
Contracted services	3,364,619	3,377,942
Parking Operating expenses and Management Fee	574,320	497,046
Field Equipment	102,718	131,332
Maintenance Materials & Supplies	138,000	228,586
Transportation Reimbursement	13,819	12,593
Utilities	4,765,545	4,920,010
Office & Administration	56,200	72,674
Operating Supplies	294,647	268,560
Modifications / Repairs	18,000	43,838
Advertising / Promotions	292,443	119,889
Uniforms	12,000	24,846
Recruiting	5,283	4,927
Employee Welfare	49,345	64,738
Insurance	169,391	151,509
Subscriptions		
Furniture, Office, and Technical Equipment		
Guest Relations		
Communications		
Startup expenses		28,710
Travel		
Bad Debt & Interest		
Building Operating Expense		
Depreciation	50,000	58,111
Prior Year Adjustment		
Management Fee	364,105	359,430
Total Other Expenses	10,332,565	10,427,772
Appropriations		
Appropriations		
LACC Department		
Total Expenses and Appropriations	22,005,104	22,141,709
Interest Expense		
Net Income (Loss)	1,461	1,336,185