

BOARD OF LOS ANGELES DEPARTMENT OF CONVENTION AND TOURISM DEVELOPMENT COMMISSIONERS

Commissioners: Jon F. Vein, President; Ray Bidenost, Vice President; Jeremy Bernard; 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 <u>prior</u> 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, October 7, 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 September 16, 2015
- b. Approving the Discretionary Incentive Fee goals for FY 2015-16
- c. Approving the Discretionary Incentive Fee for FY 2014-15

4. DISCUSSION ITEMS:

- AEG Monthly Report for August 2015
 Presented by Brad Gessner, Sr. VP & General Manager
 Keith Hilsgen, VP Finance; and Ellen Schwartz, VP Sales and Marketing
- b. LATCB Monthly Report for August 2015
 Presented by Kathy McAdams, VP Convention Sales
- c. Tourism Economic Forecast Presented by Wendy Kheel, VP of Tourism Insights
- d. Expansion and Futurization Update

5. ADJOURNMENT

AGENDA FORECAST / SPECIAL TOPICS:

October 21, 2015 - Expansion and Futurization Update - CIP Update

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

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

DRAFT BOARD OF LOS ANGELES CONVENTION AND TOURISM DEVELOPMENT COMMISSION

Meeting Minutes September 16, 2015 9:00 a.m.

The Board of Los Angeles Convention and Tourism Development Commission (Board) convened a regular meeting on Wednesday, September 16, 2015 at 9:05 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 Jeremy Bernard Commissioner Stella T. Maloyan Commissioner Otto Padron (arrived at 9:17 am)

Bud Ovrom, Executive Director -

Los Angeles Department of Convention & Tourism Development (CTD) Tom Fields, Assistant General Manager & COO – CTD Diana Mangioglu, Assistant General Manager - CTD Kimberly Miera, Deputy City Attorney – Office of the City Attorney Keith Hillsgen, Vice President, Finance – AEG Facilities Ellen Schwartz, Vice President, Sales & Marketing – AEG Facilities Darren Green, Sr. Vice President, Sales – Los Angeles Tourism & Convention Board (LATCB) Kathy McAdams, Vice President, Convention Sales – LATCB Bill Karz, Vice President, Digital Marketing – LATCB Glyn Milburn – Office of Economic Development – Mayor's Office

Cristine Villorante. Executive Administrative Assistant – CTD

Adria Ybarra, Commission Administrative Assistant - CTD

ABSENT:

Item 1. Call to Order / Roll Call

President Vein called the meeting to order.

Item 2. Public Comment

There was no public comment.

Item 3a. Approval of Meeting Minutes from August 5, 2015

UNANIMOUSLY APPROVED

Item 3a. Approval of Meeting Minutes from September 9, 2015

UNANIMOUSLY APPROVED

Item 3b. Approval of FY 15/16 Capital Improvement Projects – Board Report # 15-009

Item should be a Discussion Item only.

Board Report notes that the Convention Tourism Development (CTD) Department approved two capital improvement projects in the West Hall Garage including sewer repair work (\$57,000) and the repair of a 4000 amp breaker (\$14,725) to be completed as part of the 2015-16 budget. The source of funds for the projects in the amount of \$71,725 will be paid with funds from the 2014-15 reserve

Item was received and filed.

Items 4a. Monthly Reports for July 2015

- a. Mr. Keith Hilsgen, and Ms. Ellen Schwartz presented the LACC/AEG monthly report.
- b. Mr. Darren Green presented the LATCB monthly report and Mr. Bill Karz presented LATCB's B2B website .

Item 4b. CIP

Mr. Tom Fields updated the Board on FY 15/16 CIP projects.

ADJOURNMENT

The meeting was adjourned at 9:47 a.m.

FORM GEN. 160

CITY OF LOS ANGELES

INTER-DEPARTMENTAL CORRESPONDENCE

Date: October 7, 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: 2015-16 DISCRETIONARY INCENTIVE FEE GOALS -BOARD REPORT - #15-010

SUMMARY

As part of the Management Agreement between the City of Los Angeles (City) and the private operator of the Los Angeles Convention Center (LACC), the Board of the Los Angeles Department of Convention and Tourism Development (Board) shall annually set the goals for the Discretionary Incentive Fee. The Discretionary Incentive Fee is one of three fees paid to the LACC, including the Base Management Fee and the Earned Incentive Fee.

The following includes a proposal of metrics and goals for the 2015-16 Fiscal Year that were mutually agreed upon between the Convention Tourism Development (CTD) Department and the LACC, in accordance with the Management Agreement, for your consideration and approval.

	Category 1 (40%)	
	Implementation of Enhanced Cust	tomer Service
1a.	Overall client satisfaction (AEG surveys)	Goal - 4/5
1b.	Overall client satisfaction (LATCB/ESG surveys)	Goal - 4/5
1c.	Overall satisfaction with food and beverage (AEG Survey)	Goal - 4.3
1d.	Overall Satisfaction with Facility Security (AEG Survey)	Goal - 4/5
1e.	Operational improvements that enhanced customer service	Goal - Expectations Met
2a.	Implementation of Enhanced Facilit Recycling Diversion Rate	ty Maintenance Goal - 65%
2a.		
2b.	Water Reduction Initiatives Completed	Goal - Expectations Met
2c.	Completion of Preventative Maintenance Plan (Pass/Fail)	Goal - Pass
2d.	Operational improvements and efficiencies implemented	Goal - Expectations Met
	Category 3 (20%)	
Cap	ital Improvement Projects, Alterations & Improveme	ents, Capital Equipment Purchases
3a.	Assisting CTD with Major CIP Projects	Goal - Expectations Met
3b.	Management of Alterations & Improvements, Assigned CIP & Capital Equipment Purchases	Goal - Expectations Met

BACKGROUND

•

The LACC's compensation consists of three different fees. The following is a short description of each fee:

- (1) Annual Base Management Fee The annual base management fee compensates LACC for all the services provided pursuant to the Management Agreement including but not limited to operations and management and food and beverage services;
- (2) Earned Incentive Fee The earned incentive fee is paid when total operating revenues exceed the approved annual operating budget for an agreement year; and,
- (3) Discretionary Incentive Fee If LACC qualifies to receive an earned incentive fee, and if the CTD Department favorably evaluates LACC's performance based upon the agreed categories and metrics, LACC shall be paid a Discretionary Incentive Fee determined by the Board.

The Management Agreement provides direction for calculating the Discretionary Incentive Fee. Accordingly, the CTD Department and the LACC developed metrics and goals for three categories including (1) Implementation of Enhanced Customer Service; (2) Implementation of Enhanced Facility Maintenance; and (3) Capital Improvement Projects, Alterations & Improvements, Capital Equipment Purchases. Categories 1 and 2 shall be permanent categories to be evaluated each Agreement Year, whereas Category 3 shall be evaluated annually and modified or replaced by mutual agreement to reflect the current circumstances and needs at the Convention Center. The 2015-16 Budget includes funds for capital improvement projects, and alteration and improvements which LACC will be administering based on mutual agreement. As such, both parties believe the metrics for Category 3 should be based on the facility improvements provided by LACC.

The CTD Department and LACC shall annually agree upon the allocation of weight of the three categories to determine the amount to be paid for the satisfactory performance of one or more of the categories. The Management Agreement requires that to the extent reasonable, the goals should be more quantitative based rather than qualitative. There are certain metrics in which a quantitative based goal would not be feasible as it would be difficult to measure or accurately track. As such qualitative goals were incorporated in the fee proposal as well.

At the end of the 2015-16 Fiscal Year, if LACC qualifies to receive an earned incentive fee, the CTD Department will evaluate LACC's performance based upon the agreed metrics and goals. Staff will provide feedback to the Executive Director who will provide a final recommendation on the Discretionary Incentive Fee payment amount.

RECOMMENDATION

That the Board adopt the proposed Discretionary Incentive Fee plan for the 2015-16 Fiscal Year, included in the report herein.

CITY OF LOS ANGELES INTER-DEPARTMENTAL CORRESPONDENCE

Date:	October 7, 2015	
То:	Board of Los Angeles Convention & Tourism Development Commissioners	
From:	Robert R. "Bud" Ovrom, Executive Director Department of Convention and Tourism Development	2

Subject: DISCRETIONARY INCENTIVE FEE FOR FISCAL YEAR 2014-15 APPROVAL REQUEST – BOARD REPORT #15-011

RECOMMENDATIONS:

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

Approve the payment of the Discretionary Incentive Fee for Fiscal Year 2014-15, as outlined in Section 5.4 of the Management and Operation Agreement between the City of Los Angeles and AEG Management LACC, LLC in the amount of \$88,808.45.

DISCUSSION:

The compensation to AEG Management LACC. LLC (LACC) for the management and operation of the Los Angeles Convention Center (Convention Center) consist of a Base Management Fee, as well as Earned and Discretionary Incentive Fees. To maintain the tax-exempt status of the Convention Center bonds, the Management Agreement satisfies certain requirements of Internal Revenue Service (IRS) Code Section 141 (b) and (c). The total annual potential fee amount of \$355,233.80, will be adjusted annually in accordance with the Consumer Price Index (CPI), capped at 2 percent.

- Base Management Fee An annual fixed fee in the amount of \$177,616.90 for all services provided pursuant to the Management Agreement. The Base Management Fee will be adjusted annually in accordance with the Consumer Price Index (CPI), capped at 2 percent. The Base Management Fee is paid on monthly basis upon written authorization from the Executive Director.
- 2. Earned and Discretionary Incentive Fees The total potential incentive fees are not to exceed the Base Management Fee:
 - a. Earned Incentive Fee The Earned Incentive Fee is calculated as 75% of the amount by which the actual total Operating Revenues exceed budgeted Operating Revenues, capped at 50% of the Base Management Fee. The payment of the Earned Incentive Fee for FY 2014-15 will be approved by the Executive Director upon receipt of the final Annual Audit report from LACC.

Budgeted Operating Revenues	Actual Operating Revenues	Variance	75% of Variance	Base Management Fee – FY 15	Maximum Earned Incentive Fee
\$21,330,169	\$25,921,524	\$4,591,355	\$3,443,516.25	\$177,616.90	\$88,808.45

- b. Discretionary Incentive Fee Pursuant to Section 5.4 of the Management Agreement, the Discretionary Incentive Fee is determined by the Board, and capped at 50% of the Base Management Fee. The maximum Discretionary Incentive Fee for FY 2014-15 is \$88,808.45. The following categories and weights are used in determining the Discretionary Incentive Fee:
 - i. Implementation of enhanced customer satisfaction 40%
 - ii. Implementation of enhanced facility maintenance 40%
 - iii. Implementation of enhanced public safety 20%

Staff recommends that the Board approve a payment of the Discretionary Incentive Fee for FY 2014-15 in the amount of \$88,808.45 based on the following:

- LACC implemented customer satisfaction improvements such as: hired a Guest Services Manager to roll out a Guest Services Program; increased Convention Center's presence in LA Live Campus Event meetings to ensure Convention Center is not negatively impacted by street closure plans; added one Event Manager for a total of eight full time event managers; continues to strengthen the relationship with LATCB; and implemented the Encore Recognition Program to develop team building skills for the purposes of enhancing customer service.
- 2. LACC implemented facility maintenance improvements such as: added four full time positions; increased part-time labor hours for electricians, engineers, mechanics, painters, plumbers, carpenters and event attendants; achieved LEED Gold Certification with the USGBC; selected Waste Management as the waste hauler improving efficiency, recycling, sustainability and waste services; implemented an enhanced pre and post inspection facility process for event move in and move outs; and, implemented programs to improve the Convention Center's recycling efforts, water consumption rates, energy conservation and parking operations programs.
- LACC implemented public safety improvements such as: added access control panels to six show offices throughout the facility; and implemented a new incident reporting software system.

DIF FOR FY 14-15 APPROVAL REQUEST BOARD REPORT #15-011

FISCAL IMPACT:

The Discretionary Incentive Fee will be paid from the LACC Operating Account as an operating expense upon receipt of the Final Audit Report for 2014-15.

Ē

¥.

RRO:dm

ATTACHMENTS:

- 1. Article 5 of the Management Agreement
- 2. Letter from LACC dated July 31, 2015

Attachment 1

Article 5 of the Management Agreement

140

ARTICLE 5 AEG'S COMPENSATION

Section 5.1 Annual Base Management Fee.

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

Section 5.2 CPI Adjustment.

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

Section 5.3 Earned Incentive Fee.

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

(a) Calculation of Earned Incentive Fee.

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

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

Management Agreement 10-18-13 final Page 31 (b) *Payment*. The Earned Incentive Fee determined pursuant to Section 5.3(a) above will be payable to AEG after the LACC Department's acceptance of the Annual Audit in accordance with Section 7.3(a)(i). AEG's invoice for the Earned Incentive Fee for the Agreement Year will be sent to the LACC Department in connection with the submission of the Annual Audit report, and will be paid from the LACC Operating Account as an Operating Expense, or from funds made available by the City.

Section 5.4 Discretionary Incentive Fee.

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

(a) Calculation of Discretionary Incentive Fee.

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

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

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

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

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

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

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

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

Attachment 2

Letter from LACC Dated July 31, 2015

Los Angeles CONVENTION CENTER Managed By

July 31, 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:

I am pleased to report that we have finished fiscal year 2015 with an operational surplus of over \$2.6 million!

As you know, Section 5.3 of the Management Agreement between AEG Management LACC, LLC (AEG) and City of Los Angeles provides AEG the ability to receive an Earned Incentive Fee in the event total operating Revenues exceed operating revenues projected in the Approved Annual Operating Budget. Additionally, Section 5.4 provides AEG the ability to also earn a Discretionary Incentive Fee.

The Discretionary fee is determined based on the below criteria:

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

The accomplishments below will provide you with information necessary to evaluate AEG's performance for the agreement year that ended on 6/30/15.

To enhance customer satisfaction we have implemented the following:

- Improved our partnership with LA Tourism Client Services team on citywide conventions by conducting quarterly cross-team meetings and encouraging strong communication with both teams.
- Increased LACC presence and voice in LA Live Campus Event meetings to ensure LACC is not negatively impacted by street closure plans.
- Added 1 Event Manager for a total of 8 Full-time Event Managers.
- Hired a Guest Services Manager to roll out a Guest Services Program in FY16.
- 56% increase of filming and photo shoots through marketing to Location Management Guild of America.
- Implemented the Encore Recognition Program. Encore's mission is to exceed expectations of every guest, every time. The four core values of Encore are:
 - 1.) Safety Consider the safety, security, and well-being of guests & team members in all actions.
 - a. Maintain a safe and clean work environment
 - b. See Something, Say Something Program
 - c. Work accident-free, report all incidents and hazards
 - d. Follow all emergency procedure

- 2.) Smile Create a positive, memory-making moment for guests in my circle of influence
 - a. Take pride in my appearance
 - Proactively engage every guest (welcoming posture, eye contact, smile, greeting and fond farewell)
 - c. Communicate effectively and listen actively
 - d. Assist, direct, and escort
- 3.) Sizzle Be a star! Seek opportunities to enhance the guests' experience
 - a. Make guests feel special
 - b. Be ready & eager to assist
 - c. Personalize the guests' experience
 - d. Add icing on the cake and sizzle to the Steak!
- 4.) Synergy Work together to ensure every guest returns for an Encore
 - a. Collaborate with team members
 - b. Perform my duties with proficient use of time and resources
 - c. Know venue, event & guest
 - d. Own it! Resolve it!

Encore's core values are acknowledged in star cards given to employees when displaying the core values of the encore program. We executed Encore refresher training for Supervisors to discuss with their teams how to continue providing Encore service and how to keep Encore thriving. In the refresher program we expanded Encore recognition to include Star Pins for those team members that have received eight or more star cards.

We successfully conducted a Senior Management team building retreat. The team building helped senior leaders understand their own and other senior leadership members' personalities. Understanding the personality of each member of the senior team has assisted in making each leader more effective in how they react to different situations and how their co-works react. This introspective provides guidance to communicate better and be more effective leaders.

Attached is our customer satisfaction ratings received from Event Show Managers for events that took place in FY15. Scores are on a five point scale.

To enhance facility maintenance we have implemented the following:

- Added 4 Full Time Positions: Assistant Building Superintendent, Painter, Plumber, Parking Manager
- In additional to increased full time staffing, we authorized increasing the following Part-time labor:
 - Building Operating Engineers 820 hours
 - Mechanics 768 hours
 - Electricians 5,769 hours
 - Painters 1,731 hours
 - Carpenters 1,189 hours
 - Plumbers 1,713 hours
 - Event Attendants 25,491 hours
- Completed and submitted LEED Gold Certification to the USGBC for Recertification application review.
- Selected Waste Management as our waste hauler improving efficiency, recycling, sustainability and waste services.

- In an effort to prevent damage to the facility and recoup expenses related to repairing damage, we
 implemented an enhanced pre and post inspection that observes and records all damage before and after an
 event move in and out. Inspection is documented via a video camera, meeting with the onsite contact for the
 event, to accurately track and encourage accountability of any damage to the facility.
- Implemented a data tracking log of all facility repairs and preventative maintenance for the structure.

Recycling program - In an attempt to increase waste diversion rates for the facility, we have implemented the following programs to better collect the waste and recycling streams:

- Purchased and displayed new waste and recycling receptacles for the lobby level which are color coded with
 universal recycling colors and appropriate signage to encourage guests to accurately place recycling and waste
 in proper streams.
- Implement quarterly recycling education training with Waste Management, Levy, ABM, and LACC staff to
 ensure all staff is held accountable when properly diverting waste and recyclable materials.
- Implemented an accountability program with third party cleaning company, ABM, to ensure they comply with
 our recycling and waste program. Instituted period checks on the docks and exhibit halls when ABM is on site
 to ensure proper disposal.

Water consumption – In collaboration with California's water conservation efforts, we have implemented programs to re-use and recycle water that is used during event setup and tear down.

- We recaptured 6,000 gallons of water used for water barrels during the SCVA Tournaments. Water was used for irrigation of plants and foliage on LACC property and used by the local Korean Youth Center to water trees around the City of Los Angeles.
- Installed new state of the art pH/conductivity water and chemical controller for the South Chiller Plant to
 provide accurate control and prevent scale and corrosion, protecting the equipment and providing maximum
 efficiency.
- Continued with inspection and cleaning program for the chiller condenser tubes to assure maximum efficiency and energy conservation.
- Performed annual maintenance on Low Pressure Steam Boilers including acid washing, tube punching, replacement of four burners, and combustion analysis and adjustment for AQMD requirements and maximum efficiency.
- Replaced and repaired three variable frequency drives for air handlers.

Energy Conservation:

- Trained all engineering personnel for proper use of BAS chiller staging and scheduling software to ensure maximum efficiency and energy savings.
- Retrofitted the new Guest Services offices and Meeting Room with LED lighting reducing the electric consumption 60%.
- Replaced 400 65 watt TCP CFL lamps with Plus Right 55 watt CFL lamps in the South Lobby and corridors. Anticipate a 15% reduction in electrical consumption for the South Hall lamps.

- Retrofitted Theatre corridors with T-8 LED fixtures. Will reduce energy consumption, and new product includes an extended warranty.
- Re-lamped the Theatre upgrading 75 lights from 150 watt incandescent to 34 watt dimmable CFLs'. Will
 reduce light electrical consumption in the theatre approximately 77%.
- Retrofitted light standards in Gilbert Lindsey Plaza from 150 watt WHID with ballasts to non-ballasted 34 watt CFLs'. Seven units have been retrofitted to date.

Parking Operations - Added an Assistant Parking Manager. Additional staffing will provide the following:

- Increased oversight evening and weekends
- Improved revenue accountability
- Maximizing traffic patterns
- Maximizing revenues through improved planning and supervision
- Making sure the parking operator (Classic Parking) is complying with all contracted requirements
- Auditing the staff during off hours
- Increased auditing of cashiers
- Reducing staff when necessary
- Overseeing the cleanliness of the facility
- Reporting all discrepancies and any issues related to parking
- Reporting accurate information regarding new parking system

To enhance public safety we have implemented the following:

- Added access control panels to six show offices throughout the facility. This enhancement will improve security and accountability for show management. Security monitors this accessibility through both the administration office and command center.
- Report Writing/CAD System New incident reporting software was implemented to streamline the writing
 and analytical process for all incidents that occur at LACC. The online system has greatly improved the overall
 efficiency of the security department. The system also has the capability of quickly providing analytical data to
 identify crime and incident trends so security resources can be deployed more efficiently.
- Worked with CTD department on installation of new CCTV system. This \$900K CIP project was completed
 along with the remodel of the security command center. One hundred and eighty seven security cameras are
 now operational to monitor LACC property. The upgraded HD digital camera system is state of the art and has
 greatly enhanced overall security and safety at LACC. The command Center went from having once computer
 to observe 35 cameras to three separate monitoring stations (three monitors each) observing 187 cameras.

FY15 was another exceptional year for the LACC. We are very pleased and proud of what we have been able to accomplish and take great satisfaction in each enhancement listed above. Your consideration of awarding AEG the incentive fees will be appreciated.

As always, thank you for your continued partnership and support, Bud.

Sincerely,

Brad Gessner

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

CC: Tom Fields Diana Manglioglu Keith Hilsgen

Date Range: July 1, 2014 - June 30, 2015

Overall Stats	Score
Total Points	185.54
Overall Rating	4.5
Overall Performing percentage	91%
ayana Sanahi	

Category	Weighted Average
Sales Managers	4.7
Event Managers	4.8
Facility / Ops Services	4.4
Food & Beverage	4.2
Overall Customer Service	4.7
Compared to Competitors	4.6
Overall Experience	4.4
LACC Overall Impression	4.5
Data/Telecom (SmartCity)	4.1
Electrical/Utility (Edlen)	4.6
A/V Services (Encore)	4.5
Freeman	4.7

Los Angeles Convention Center Monthly Status Report August 2015

Brad Gessner





EMPLOYEE OF THE MONTH – August 2015



Sandra Lady Sr. Sales Manager

LACC AUGUST 2015 EVENTS

DATE	EVENT	ATTENDANCE
Aug 9 - 13	Association for Computing Machinery	14,800
Aug 13 - 17	2015 World of Dance Tour	3,500
Aug 15	Pandora – Holding Area	2,500
Aug 16 - 27	L.A. County HR Testing	3,500
Aug 19	Naturalization Ceremony	1 <i>5,</i> 000
Aug 21 - 24	Torres Empire Super Car Show	3,000
Aug 22 - 23	BrideWorld Expo	9,000
Aug 23 - 25	Western Food Services & Hospitality Expo	13,000
Aug 26 – 31	Gourmetzia	1,000
Aug 28	YWCA/L.A. Job Corps Graduation	1,030
Aug 28 - 30	Organo Gold International - 2015 Convention	10,000
Aug 29	VRLA Summer Expo	1,900

TOTAL EVENTS: 12

TOTAL ATTENDENCE: 78,230

LACC AUGUST 2015 FILMING AND PHOTO EVENTS

<u>Date</u>	Name	<u>Amount</u>
Aug 17	Stay – ABC Pilot	\$1,500
Aug 19	Supergirl	\$24,290
Aug 21	Lexus Stills	\$4,000
Aug 24	Kia Commercial	\$6,480
Aug 25	NCIS LA	\$12,000

TOTAL FILMING: \$48,270

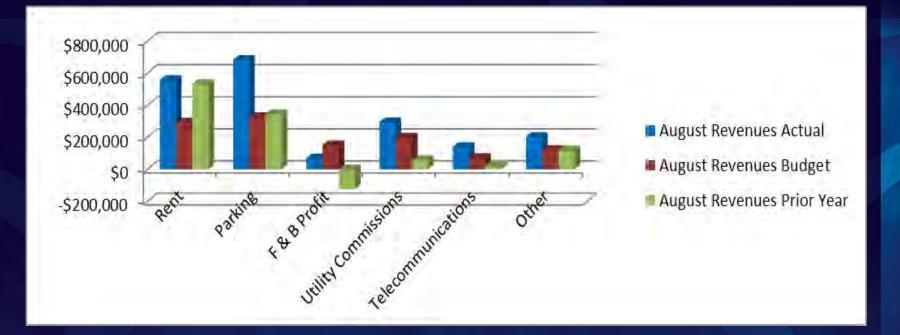
LACC August 2015 Financials

Operating Profit:

\$20K (before prior year approved A & I and Capital Projects)\$1.1 favorable to prior year

REVENUES:

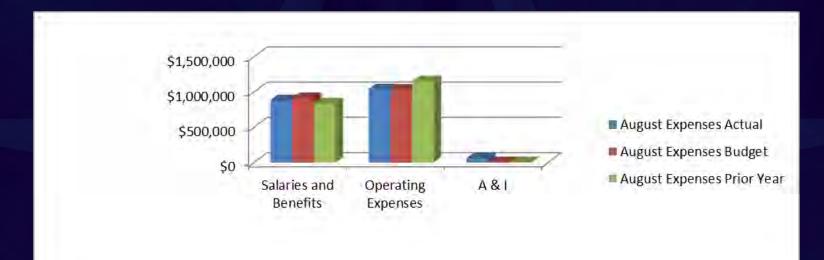
\$1.9 Million\$996K above prior year



LACC August 2015 Financials

Expenses:

\$1.9 million Million for August\$21K below budget



A & I projects:

West Hall Garage Sewer Repairs

Capital Purchases:

Toilet Replacement Project

Occupancy



Overall Exhibit Hall Occupancy



CONGRATULATIONS!!

USGBC RECERTIFICATION

LEADERSHIP IN ENERGY & ENVIRONMENTAL DESIGN FOR EXISTING BUILDING OPERATIONS AND MAINTENANCE

- GOLD -

LOOKING FORWARD

- Unite HERE Culinary Union Negotiations
- International Union of Operating Engineers Local 501, AFL-CIO Negotiations

AEG-LACC Revenue Expense by Category - Revenue Expense From 8/1/2015 Through 8/31/2015

(In Whole Numbers)

			Prior Year Current	Current Year	YTD Budget -		
	Period Actual	Period Budget	Period Actual	Actual	Original	Prior Year Actual	Total Budget
Revenue							
Rent							
Gross Rent	1,538,597	1,415,320	530,877	2,488,622	2,273,947	1,928,052	10,810,952
Discounts	(<u>981,405</u>)	(<u>1,122,305</u>)	<u>0</u>	(<u>1,452,446</u>)	(<u>1,552,456</u>)	(<u>980,678</u>)	(<u>4,667,699</u>)
Total Rent Food and Beverage	557,192	293,015	530,877	1,036,176	721,491	947,374	6,143,254
Food and Beverage Sales	755,953	860,399	156,891	1,971,053	1,666,899	2,264,116	12,679,987
Food and Beverage Expenses	(687,931)	(710,175)	(279,394)	(1,651,613)	(1,375,424)	(1,744,587)	(10,474,041)
Total Food and Beverage	68,022	150,224	(122,503)	319,440	291,475	519,529	2,205,946
Utility Services							
Utility Sales	752,882	521,350	142,089	1,035,803	752,948	930,119	10,073,070
Service Provider Share	(<u>458,777</u>)	(<u>323,195</u>)	(<u>85,270</u>)	(<u>611,701</u>)	(<u>449,645</u>)	(<u>554,761</u>)	(<u>6,444,076</u>)
Total Utility Services Parking receipts (net of sales tax)	294,105	198,155	56,820	424,102	303,303	375,358	3,628,994
Faiking receipts (net or sales tax)	682,010	324,937	344,457	1,655,018	1,019,416	1,005,112	8,502,187
Telecommunications							
Telecommunications Sales	352,177	202,449	44,626	479,804	280,649	515,653	2,749,127
Service Provider Share	(<u>213,706</u>)	(<u>131,592</u>)	(<u>26,018</u>)	(<u>293,013</u>)	(<u>182,422</u>)	(<u>307,701</u>)	(<u>1,786,933</u>)
Total Telecommunications	138,471	70,857	18,609	186,791	98,227	207,952	962,194
Audio / Visual Audio Visual Sales	133,271	39,000	49,654	146,819	49,500	66,321	687,730
Service Provider Share	(110,582)	(29,440)	(47,994)	(121,490)	(37,420)	(47,994)	(437,730)
Total Audio / Visual	22,689	9,560	1,660	25,329	12,080	18,327	250,000
Event Billing	114,052	60,930	66,119	184,612	113,708	132,217	620,445
Cell Towers	42,227	34,886	30,872	79,096	69,772	64,109	384,855
Advertising and Sponsorship	18,950	8,750	8,750	57,600	27,500	52,625	249,500
Other Income Total Revenue	4,896	<u>5,550</u>	<u>10,533</u>	<u>9,602</u>	<u>11,100</u>	<u>16,410</u>	<u>59,189</u>
Total Revenue	1,942,614	1,156,864	946,193	3,977,766	2,668,072	3,339,014	23,006,563
Expenses							
Personnel							
Salaries and Wages Full Time	578,538	601,024	556,608	1,164,403	1,202,048	1,049,255	7,252,977
Salaries and Wages Part Time	89,921	86,394	92,623	171,635	171,079	179,172	1,016,893
Parking Labor Overtime	65,465 20,734	40,197 16,596	50,661 22,182	157,990 61,761	106,578 33,022	114,118 60,883	864,016 195,080
Payroll Taxes	50,852	56,604	41,973	86,277	113,207	84,744	652,832
Fringe Benefits	78,296	105,709	67,946	161,962	211,417	136,358	944,747
Workers Comp	850	5,922	5,922	1,700	11,843	11,844	71,060
Total Personnel	884,656	912,445	837,914	1,805,729	1,849,194	1,636,372	10,997,604
Operating Expenses		=			100 070		
Event Expenses	165,799 0	56,060	66,818	342,026 0	139,278	158,808	674,935
Staples Bond Share Printing and Binding	10,504	83,333 4,836	83,333 2,556	17,226	166,667 20,703	166,667 17,702	1,000,000 62,130
Contracted Services	273,066	351,991	432,707	545,323	677,863	791,602	3,289,019
Field Equipment	20,290	1,000	10,419	28,539	37,500	10,419	102,718
Maintenance Supplies	25,764	10,750	21,184	59,871	52,500	47,475	138,000
Transportation Reimbursement	1,334	1,152	1,093	2,752	2,303	1,915	13,819
Parking Expenses	0	0	35,573	0	0	82,062	574,320
Utilities	453,500	434,997	387,078	1,030,955	967,173	945,899	4,841,146
Office and Administration Operating Supplies	7,487 22,170	3,600 22,400	1,006 64,588	13,447 94,292	15,200 45,450	10,304 69,457	56,200 294,647
Modification and Repairs	7,168	1,500	1,612	23,967	2,500	11,012	18,000
Advertising and Promotion	7,147	17,425	13,412	25,130	52,560	23,466	292,443
Uniforms	5,607	4,167	5,012	5,801	6,133	8,126	12,000
Recruiting	490	417	358	1,118	1,117	944	5,283
Employee Welfare	11,750	2,600	2,017	12,411	11,845	8,634	49,345
Insurance	10,518	19,371	9,658	21,037	38,742	23,484	169,391
Management Fee Total Operating Expenses	<u>15,146</u> 1,037,740	<u>15,471</u> 1,031,070	<u>14,949</u> 1,153,375	<u>30,292</u> 2,254,188	<u>30,943</u> 2,268,476	<u>29,692</u> 2,407,668	<u>364,105</u> 11,957,501
Total Expenses	1,922,397	1,943,515	1,991,289	4,059,916	4,117,670	4,044,041	22,955,105
Operating Profit before Special Projects	20,217	(786,651)	(1,045,095)	(82,151)	(1,449,597)	(705,027)	51,458
		· <u> </u>					
Capital and A&I Projects	54 010	0	0	173 967	0	0	0
Alteration and Improvements Depreciation on Capital Purchases	54,818 6,619	0 4,694	0 4,694	123,867 11,872	0 9,387	0 9,387	0 50,000
Total Capital and A&I Projects	<u>61,437</u>	4,694	4,694	135,739	<u>9,387</u> 9,387	<u>9,387</u> 9,387	50,000
	<u> </u>					<u>- /</u>	<u> </u>
Net Income (Loss)	(<u>41,220</u>)	(<u>791,345</u>)	(<u>1,049,789</u>)	(<u>217,890</u>)	(<u>1,458,985</u>)	(<u>714,414</u>)	1,458

LOS ANGELES CONVENTION CENTER ANNUAL REPORT 2014-2015





1201 South Figueroa Street Los Angeles, CA 90015

> phone: (213) 741-1151 fax: (213) 765-4440

www.lacclink.com



BRAD GESSNER Senior Vice President of AEG Facilities and General Manager of the Los Angeles Convention Center

I am pleased and proud to report that Fiscal Year 2014–15 was a very successful year for the Los Angeles Convention Center on a multitude of fronts.

First, we achieved record financial results with the LACC ending this fiscal year with an operating profit of over \$2.6 million. This was after reimbursing the City of Los Angeles \$1.5 million for the Department of Convention & Tourism Development (CTD) overhead expenses. Our financial achievements included increasing rental revenue by 11% compared to the prior year, increasing filming revenue by 43%, and increasing parking revenue by 4% while keeping operating expenses in check.

Next, and in keeping with convention center management best practices, we set out to build a 10% financial reserve (or \$2.1 million) within the first 5 years of our management agreement.

I am happy to report that we are very close to achieving this goal well before the five year mark as within only 19 months of managing the LACC we have created and funded a \$2 million LACC reserve account.

In addition to building the financial reserve well ahead of schedule, ending the fiscal year with a significant profit allowed us to reinvest in the LACC. A total of \$1.284 million was spent on additional Capital Improvement Projects (CIPs), Alteration & Improvements (A&I), and necessary equipment, which was in addition to the \$10 million in CIP for the LACC funded by the City. A collaborative partnership has been cultivated between the CTD and AEG Facilities staff, which was evidenced by the teams working in tandem to successfully complete the \$10 million in CIPs this fiscal year. These projects were imperative to improving building maintenance, security, and overall efficiency of operations. Critical CIPs successfully completed included improved building security and parking operations. As of June 30, 183 new cameras have been installed throughout the facility and a renovated security command center with stateof-the-art technology has contributed to improved building surveillance. The parking systems in all the garages were also replaced; with the updated system transaction times have been expedited and overall operations have been streamlined.

This year we also continued our efforts to reduce the LACC's environmental footprint by investing in sustainable products and technology to increase overall conservation. For instance, the upgraded lighting system in the newly renovated Theatre has resulted in a 77% savings in energy consumption. We also introduced irrigation systems and watering methods that led to an overall reduction of 5% in water consumption and we participated in a new waste recycling program that resulted in a 60% waste diversion rate for the year.

We are so fortunate to have such a talented, dedicated, and diverse staff here at the Los Angeles Convention Center, which I am convinced is the key ingredient for our current success and will keep us on this path in the future.

Brand Zeromen

from the GENERAL MANAGER

TABLE OF CONTENTS

TABLE OF CONTENTS

MISSION STATEMENT	7
2014-2015 HIGHLIGHTS	8
THE LACC TEAM1	13
FINANCIAL PERFORMANCE1	17
FACILITIES & OPERATIONS2	27
MARKETING	33
PROFESSIONAL DEVELOPMENT & TEAM BUILDING	9
CLIENT FEEDBACK	41



LACC MISSION STATEMENT

To serve the city of Los Angeles by providing exemplary facilities and services to our event producers and attendees and to generate significant economic benefits for the Greater Los Angeles region. Additionally, our goal is to leverage our assets within the Sports and Entertainment District to provide event and entertainment opportunities to our citizens.

2014-2015 HIGHLIGHTS

SIGNATURE EVENTS

Los Angeles Convention Center (LACC) is proud to offer clients and guests versatile, flexible space capable of accommodating a myriad of events ranging from equestrian competitions to special events to the largest Japanese animation convention in the U.S.

Anime Expo

Anime Expo's 23rd year experienced an unprecedented 30% increase in attendance with over 80,000 unique attendees, and a turnstile attendance of over 220,000. On the Anime Expo website, Marc Perez, Chief Executive Officer of SPJA, thanked all attendees for "making Anime Expo 2014 the best event yet." Anime Expo also extended its contract with the LACC and will remain at the venue through at least 2019.

E3

E3 is the world's premier trade show for computer, video and mobile games and related products. At E3, the video game industry's top talent packs the LACC, connecting tens of thousands of the best, brightest, and most innovative professionals in the interactive entertainment industry. With an astounding 6.3 million posts on Twitter alone, E3 2015 broke records for social media numbers across all channels. E3 returns to the LACC in June 2016.

IAEE Expo! Expo! Annual Meeting & Exhibition

For the first time in its history, the International Association of Exhibitions & Events Annual Meeting & Expo! Expo! attracted more than 1,000 show organizers and sold more than \$1 million in exhibit space in 2014. In total, the event, which was held December 9-11 at the LACC, drew more than 2,200 show organizers and industry suppliers who took part in networking, education sessions, and a bustling exhibit floor. "I feel really good about all the great things that our team heard on site," noted David DuBois, president of IAEE in an interview with Trade Show Executive.



Anime Expo





IAEE Expo! Expo! Annual Meeting & Exhibition



Longines Los Angeles Masters Grand Slam



Los Angeles Auto Show



Los Angeles Veteran & Family Stand Down



MusiCares

Longines Los Angeles Masters Grand Slam

2014 saw the premier of this elite equestrian competition in Los Angeles. The South Hall was transformed into a topnotch competition arena, complete with bleacher stands, an art gallery showcase, and designer brand vendors. Meanwhile, Kentia Hall was utilized to quarantine over 100 of the world's best show horses; this was the first ever event to bring horses to the LACC. Due to its successful first year the show will return to the LACC October 2015.

Los Angeles Auto Show

The Los Angeles Auto Show, an LACC staple annual event, is known as the first major auto show of the season. 2014 saw a record number of world and North American vehicle debuts. The event brought together industry, press, and consumers to experience the latest in automotive technology. The LA Auto Show returns November 2015.

Los Angeles Veteran & Family Stand Down

The first annual Los Angeles Veteran & Families Stand Down was the largest ever held in the United States. This unique 3-day event operated as a dual Stand Down event for male veterans and female veterans and families. Services were targeted to serve all populations; fundamental services provided ranged from dental care to legal advice to haircuts. Meals, showers, and sleeping quarters were provided in Kentia Hall. Building on last year's success, the event will return December 2015.

MusiCares

Bob Dylan was honored as the 2015 MusiCares Person of the Year on Friday, Feb. 6, 2015. Former U.S. President Jimmy Carter presented the award to Bob Dylan. Proceeds from the 25th annual benefit gala dinner and concert—held at the LACC during GRAMMY[®] Week two nights prior to the 57th Annual GRAMMY[®] Awards—provided essential support for MusiCares. Established by The Recording Academy in 1989, MusiCares is dedicated to providing confidential emergency health and human services as well as addiction recovery programs to music people in need.

RECOGNITION

- **2014**: The LACC was recognized by the City of Los Angeles for its Good Food Purchasing Program
- 2015: The LACC received the 2015 Prime Site Award

ENVIRONMENTAL INITIATIVES & SUSTAINABILITY

Environmental sustainability is an area of critical importance for the Los Angeles Convention Center. The LACC consistently seeks opportunities to invest in sustainable products, technology, and practices to mitigate negative environmental impact.

America Recycles Day

In honor of America Recycles Day, The LACC, AEG1Earth, GES, and the LA Auto Show collaborated to gather donations in the form of used but clean clothing, shoes, and blankets. Items were donated to Goodwill.

Earth Hour

On March 28th, 2015, the LACC joined millions of people and organizations worldwide in "going dark" for World Wildlife Fund's Earth Hour, an international event in support of the environment. From 8:30 to 9:30 PM, the LACC turned off non-essential lights, primarily focusing on South and West towers as well as additional exterior lighting as a symbolic call to action to protect our planet.

Earth Day

For this year's event, the LACC team (including service providers and CTD) joined together to rededicate the recycling center. Activities included painting of the center and surrounding area, planting trees, and hand-sorting recycling. Ultimately, the center was also renamed as C.U.R.B. (Committed to Using our Resources Better).



Good Food Purchasing Program Award



Earth Hour

NOTABLE ACCOMPLISHMENTS

- Replaced 80% of sprinklers with leak-preventing models
- Decreased water consumption by 5% for fiscal year 2014–2015
- Achieved a 60% waste diversion rate
- Reused 6,000 gallons of water left over after the SCVA Volleyball Tournament by partnering with Korean Youth and Community Center, a local Green LA-affiliated organization
- Upgraded lighting in many areas of the facility with energy efficient bulbs
- Replaced 1,670 dispensers (towel, paper, soap) in restrooms with sustainable, cost-effective products

CASE STUDY: MOTION-SENSOR PAPER TOWEL DISPENSERS

- Paper towel cases purchased decreased by about 1,300 per year with new product
- 19,404 lbs. of paper and cardboard waste diverted with new product
- Cost savings of 29.39% compared to old folded paper towels
- Old dispensers were properly recycled by a processing plant

CORPORATE SOCIAL RESPONSIBILITY

AEG Facilities is committed to operating the LACC in a responsible manner and to giving back to the community in which we operate. As part of a broader mission to end Veteran homelessness throughout Los Angeles, AEG proudly sponsored Los Angeles Veteran & Family Stand Down (held at the LACC), donating \$10k.

AEG's mission, "giving the world reason to cheer," applies to our approach to business, but more importantly, the role we all have as citizens. We provide community outreach and leadership development opportunities to LACC staff through volunteering.



AEG proudly donated \$10,000 during the Los Angeles Veteran & Family Stand Down held at the LACC in December 2014.

Increased the business inclusion program, exceeding the 20% goal put forth by the City by almost 10%.

THIS FISCAL YEAR, LACC EMPLOYEES PARTICIPATED IN A NUMBER OF VOLUNTEER ACTIVITIES

- AEG Service Day-painted murals and beautified the South Park Elementary School campus
- Distributed turkeys during the Thanksgiving Turkey Giveaway
- Recycled used items for America Recycles Day, which were then donated to Goodwill
- Collected toys during December 2014 and donated about 300 toys to Toys for Tots
- Prepared and served meals at the Midnight Mission
- Participated in the Read-to-a-Child program

- Served as mentors to middle school students through the Young Storytellers Foundation
- Wore red in support of American Heart Associations' National Wear Red Day-Go Red for Women
- Wore denim in support of Denim Day in observance of Sexual Assault Awareness & Prevention Month
- Donated items for the LACC Rummage Sale—all unsold items were donated to the Midnight Mission
- 2015 AEG Job Shadow Program-LACC hosted students and Senior Leadership provided insight into their roles and the meetings and conventions industry in general

THE LACC TEAM

EXECUTIVE TEAM



Brad Gessner Senior Vice President & General Manager



Jeff Leidy Director of Operations, Taste of LA by Levy Restaurants



Carisa Malanum, CMP Vice President, Event Services



Keith Hilsgen Vice President, Finance



Ellen Schwartz Vice President, Sales & Marketing



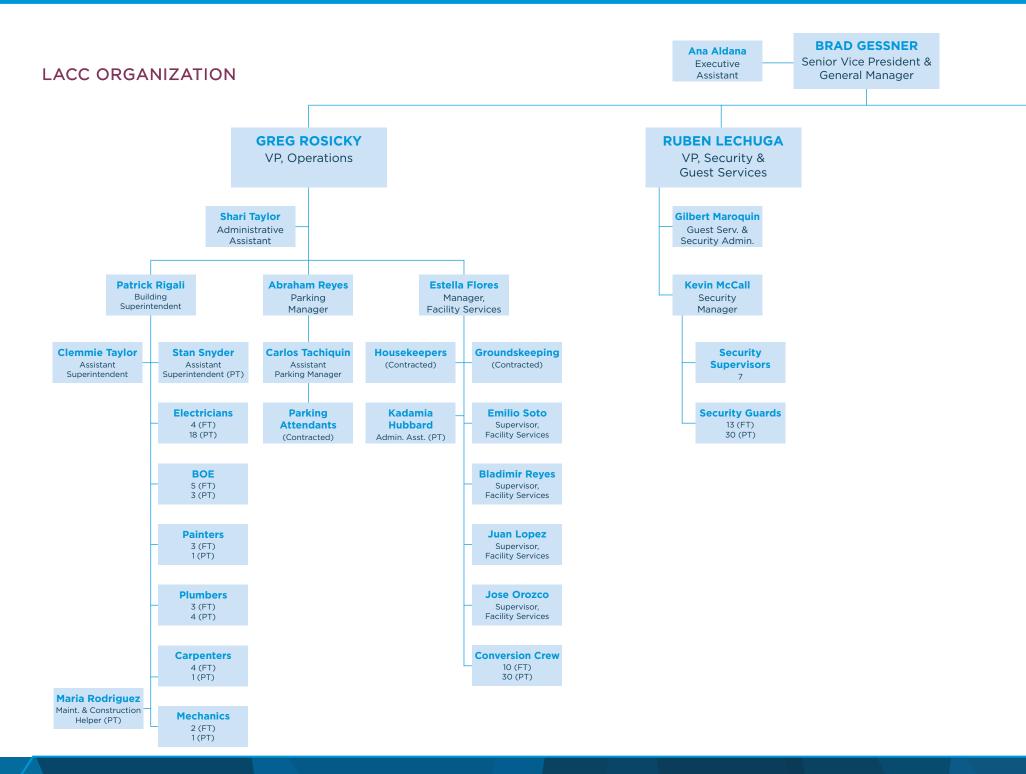
Kesia M. Irvine Director, Human Resources

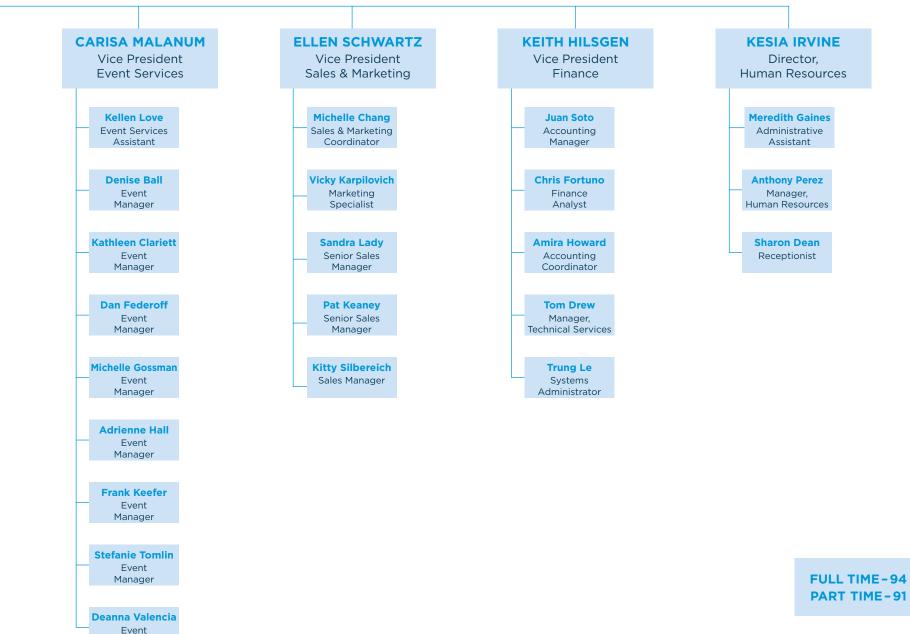


Greg Rosicky Vice President, Operations



Ruben Lechuga Vice President, Security & Guest Services





Manager

FINANCIAL PERFORMANCE

FISCAL YEAR 2014-2015

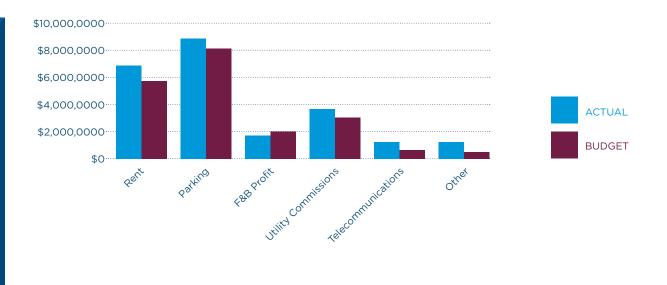
Under AEG Facilities management, the Los Angeles Convention Center (LACC) exceeded revenue and operational expectations for the second consecutive year.

Operating Profit

The LACC concluded the fiscal year with an operating profit of \$4.1 million before reimbursing the City of Los Angeles \$1.5 million for the Department of Convention & Tourism Development (CTD) overhead.

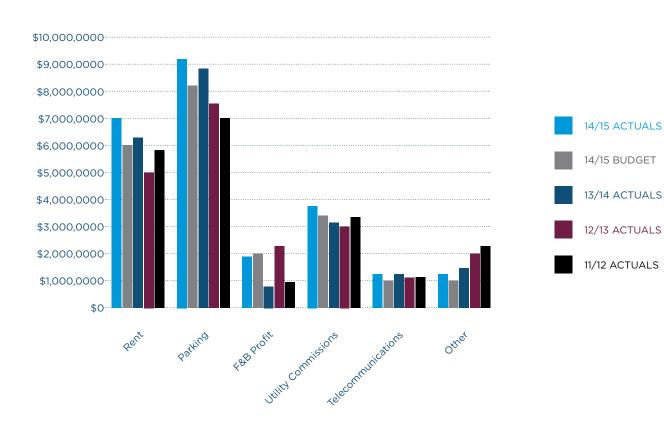
Since taking over management in December 2013, AEG Facilities has generated a total operating profit of approximately \$5 million.

OPERATING PROFIT: ACTUAL VS. BUDGET



20% increase in Electrical Commissions compared to in-house electrical model

OPERATING PROFIT COMPARISON 2011-2015



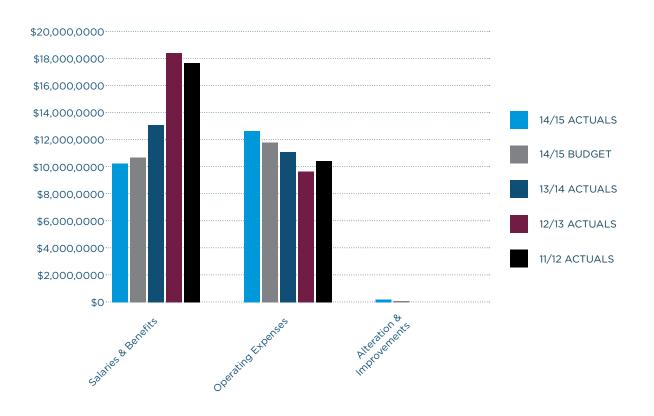
Note: Utility Commissions for 12/13 and 13/14 are projected using same commission % achieved in 14/15.

• **\$369k increase** (or 4%) in parking revenue

• **\$727k increase** (or 11%) in rental revenue compared to the prior year

Expenses finished within **1% of budget**

COMPARISON OF EXPENSES 2011-2015



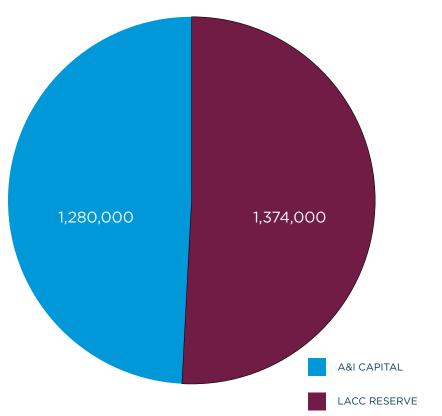
Notes:

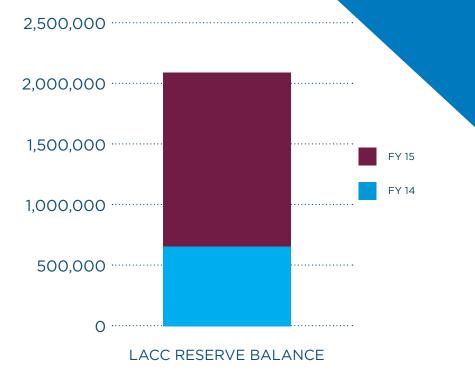
- Benefits expenses for 12/13 and 13/14 are estimated amounts per City's annual financial reports.
- Salaries and Benefits for 13/14 included additional expenses to service exclusive in-house event electrical distribution.

Operating Profit

AEG Facilities concluded the fiscal year with an operating profit of \$2.6M. Of these funds, over \$1.2 million was reinvested in the facility in the form of Alteration & Improvement Projects. The remaining profit was allocated to the financial reserve.

ALLOCATION OF OPERATING PROFIT





Building the Reserve

In keeping with convention center management best practices, AEG Facilities set out to build a financial reserve of \$2.1 million within the 5 years of its initial management agreement.

This goal will be achieved well before the 5 year mark as within only 19 months of managing the LACC, AEG Facilities has added \$2 million to the reserve.

AEG FACILITIES ADDED \$2M TO THE RESERVE IN LESS THAN 2 YEARS

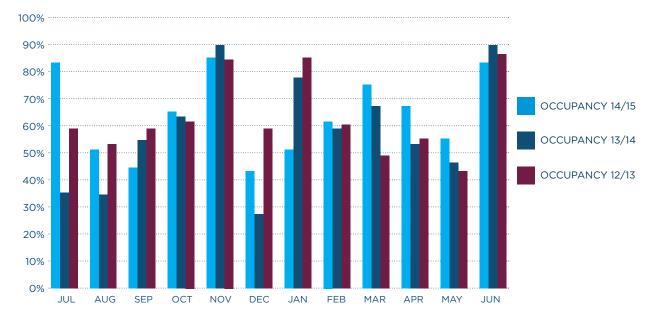
Occupancy Rate

Calculation takes into consideration:

- 365 days of availability
- Number of days of utilization including move-in, event and move out
- Size difference in different available space

According to a report by PriceWaterhouseCoopers, it has been recognized industry-wide that the "practical" maximum exhibit hall occupancy rate is approximately 70 percent and the "efficient" range is considered to be approximately 50 to 60 percent. Based on that, LACC was fully occupied for FY 2014-2015.

OCCUPANCY COMPARISON TO PRIOR YEARS

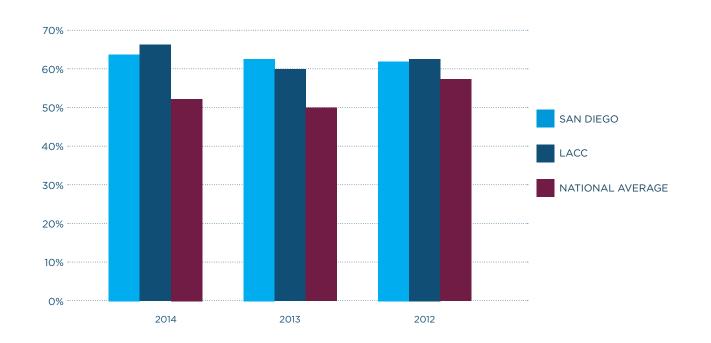


Occupancy rate by fiscal year

- 14/15-64.39%
- 13/14 59.76%
- 12/13-64.35%

INCREASED OCCUPANCY BY 5% IN FY 2014-2015

HOW DOES THE LACC'S OCCUPANCY COMPARE?



LACC SURPASSES COMPETITION



E3

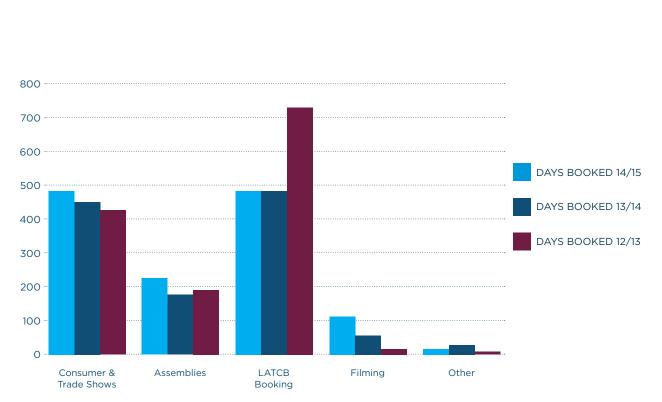


Anime Expo



LA Auto Show

DAYS BOOKED BY EVENT TYPE

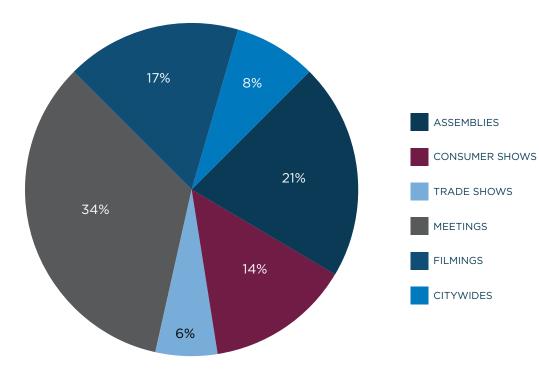


Days Booked

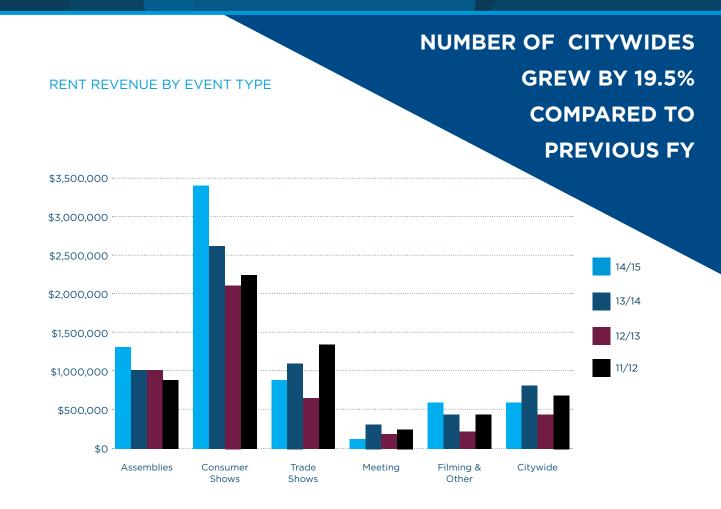
- 14/15-1,302
- 13/14 1,107
- 12/13-1,360

Summary of Market Segments

EVENTS BY TYPE 2015



NUMBER OF FILMINGS GREW BY 56% COMPARED TO PREVIOUS FY



Rent revenue for FY15:

• \$7.3 million – 11% increase over prior year

Citywide revenue includes annual rental discounts

- FY15 rental discounts \$4,616,668
- FY14 rental discounts \$3,819,557
- FY13 rental discounts \$6,318,230
- FY12 rental discounts \$5,231,005



In collaboration with the Korean Youth & Community Center, LACC reused 6,000 gallons of water following the SCVA Volleyball Competition.

80% of sprinklers were replaced in 2014 to assist with leak prevention

FACILITIES & OPERATIONS

Operational efficiencies achieved in the past fiscal year include both facility upgrades and preventative maintenance while reducing the venue's environmental footprint by investing in sustainable products and technology.

Elevated maintenance efficiencies have contributed to conservation; for example, all engineering personnel have been trained on the proper use of the BAS chiller staging and scheduling software to ensure maximum energy savings related to the daily operation of all HVAC and Central Plant

equipment. This software is critical in enabling equipment shutdown at the optimal time for maximum energy savings. Additionally, electric retrofit lighting projects throughout the facility have led to a decrease in energy consumption. For instance, over 400 lamps in South Lobby and other public areas have been replaced, which corresponded to 15% in energy savings as well as cost-savings.

The Facilities Department also spearheaded the replacement of all dispensers (soap, towel, and paper) in restrooms.

- Total dispensers replaced: 1,670
- Overall cost savings of 10% compared to product used in the past
- Annual purchases are significantly reduced resulting in less waste being generated

Additionally, improved irrigation methods have led to a 5% overall decrease in water consumption at the facility.

Following the SCVA Volleyball Tournament, the LACC staff collaborated with local organization, Korean Youth and Community Center (KYCC), to reuse 6,000 gallons of leftover water. KYCC used the water for trees and pressure washers for graffiti removal, and the LACC used it for scrubbers, pressure washers and specific deep-tree watering.

Moreover, to continue our efforts to reduce water consumption in the height of California's drought, we have applied and been granted approval to participate in the City's Turf Removal program.

Through partnership with Waste Management (WM), ABM, and Taste of LA by Levy Restaurants, the LACC was also able to increase the waste diversion rate to 60% by implementing a new recycling program.

RECYCLING PROGRAM FEATURES:

- Adding new waste and recycling receptacles for the lobby areas which are color coded with universal recycling colors
- Quarterly recycling educational training with Waste Management (WM), ABM, and Taste of LA by Levy Restaurants
- Accountability program with 3rd party cleaning contractors

INCREASED WASTE DIVERSION RATE TO 60%





LACC introduced new, easily identifiable recycling bins throughout the facility.

Significant strides have also been made in preventative building maintenance which has improved both facility functionality and aesthetics.

A new pre/post-inspection program has been introduced to prevent repetitive damage to the facility. Contracted space is documented via video camera before move-in and after move-out to track any damage. This process enforces accountability and allows for appropriate measures to be taken in the event that damage is found.

AEG Facilities (LACC) reinvested a total of \$1.284 million of the operating surplus for fiscal year 2014-2015 back into the facility for Alteration & Improvement Projects (A&Is).

ALTERATION AND IMPROVEMENT PROJECTS completed by June 30, 2015:

- Updating concessions equipment, including fryers, convection oven, and skillet tilting
- Adding 60 new recycling and trash receptacles
- Repairing window washing ladders
- Adding 2 new CMS message boards to assist with parking flow

CAPITAL IMPROVEMENT PROJECTS

Through active collaboration between the City and LACC management, \$10 million in City-funded Capital Improvement Projects (CIPs) have also been completed.

Projects funded by the City and spearheaded by the CTD with support from the AEG LACC team included:

- Security surveillance system upgrade—installation of 183 cameras by June 30, 2015 (total of 189 installed after conclusion of FY 2014-2015) & renovation of the command center
- Parking access & control systems upgrade
- Theatre renovation
- Carpet replacement
- Sidewalk replacement
- Meeting room HVAC upgrade
- Cooling tower refurbishment



Theatre 411 before renovation



Theatre 411 after renovation



Newly renovated Security Command Center

As of June 30, 2015, the Security Department nearly doubled in size from 2013

Security Department

Following the transition of the Security Department in-house, security operations have been streamlined and building security has improved.

As of June 30, 2015 the Security Department consisted of 53 staff members (including part-time and full-time employees), nearly doubling numbers from 2013.

In addition to the CIPs (183 cameras being installed and the command center being renovated), other accomplishment include:

- Implementing training requirements
 - All security employees have taken several online FEMA training courses which have included Workplace Security Awareness and Active Shooter Awareness
 - There is an established standardized field training program for officers and leadership orientation program for security supervisors
- Strategic partnerships
 - Partnering with neighboring L.A. LIVE Campus Security, Business Improvement District Security, and Los Angeles Police Department to maximize facility security



LACC Security Officers & Supervisors

Labor Relations

AEG Facilities' goal of maintaining peaceful labor relations and promoting a synergistic relationship among all involved parties has contributed to a productive and amicable working environment at the Los Angeles Convention Center. AEG Facilities successfully completed negotiations with the Los Angeles and Orange Counties Building and Construction Trades Council AFL-CIO, who represent the Convention Center's electricians, painters, plumbers, and carpenters earlier this year. However, while the agreement was ratified on December 16, 2014 the final legal signing took place this summer at the Convention Center. The agreement serves to promote mutually beneficial interests of the employees represented by the union as well as the employer; in this case, the contract specifies the disbursement of AEG benefits for the employees covered by the agreement. Successful negotiations of this agreement highlight the LACC's commitment to creating a positive working environment for all.



SEATED (FROM LEFT): Brad Gessner, SVP (AEG Facilities) and GM (LACC)

Ron Miller, Executive Secretary of Los Angeles/ Orange County Building & Construction Trades Council (LAOCBCTC)

STANDING (FROM LEFT): Kesia Irvine, Director of HR (LACC);

Steve Joudi, VP of Global Support Services (AEG)
Will Fogerty, Division Project Specialist (AEG)
Greg Rosicky, VP of Operations (LACC)
Chris Hanan, Council Representative (LAOCBCTC)
Luis Arida, Business Representative for IBEW Local 11
Vic Marrero, Business Representative for IBEW Local 45
James Richmond, Business Mgr. for Carpenters Local 409

MARKETING

Website Upgrade

Part of our mission in the Sales and Marketing department is to consistently explore opportunities to offer superior services to meeting planners, clients, and guests; we regularly invest in user-friendly, intuitive technology.

In September 2014, we launched a new website offering extensive content and resources for clients and attendees in a streamlined, functionally and aesthetically appealing interface. This technologically advanced tool serves as a major communication platform for LACC's clients, guests, employees and partners.



In order to ensure that the website is accessible from all devices, we upgraded to mobile responsive in mid-June 2015; now the website will adapt to the device being used thus, eliminating the possibility for distortion.

In keeping with industry best practices and staying ahead of the curve we added interactive floor plan software (Event Space Presentation Software powered by iMap) to the website. Interactive floor plans offer the latest in meeting space technology and serve as an effective tool for communication between existing or potential clients and our internal staff. Potential clients can locate space suitable to their needs based on set-up required and number of attendees, view images of meeting spaces, and submit a booking request.

Event Space Presentation Software



WEB ANALYTICS (SEPTEMBER 15, 2014-JUNE 30, 2015):

Average session duration: 02:07

Total users (new & returning): 239,686

Total page views: 981,956

In the time frame of July 1, 2014 – June 30, 2015 all social media channels have consistently grown.

TWITTER FOLLOWERS:

July 1, 2014:	2,600
June 20, 2015:	3,340
GROWTH:	30.8%

FACEBOOK LIKES:

July 1, 2014:	28,952
June 20, 2015:	39,400
GROWTH:	36.1%

INSTAGRAM FOLLOWERS:

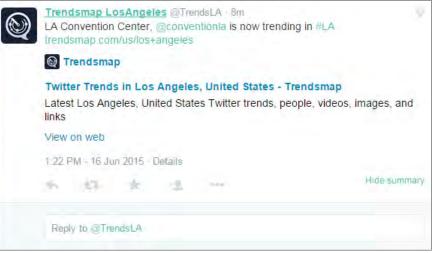
July 1, 2014:	40
June 20, 2015:	200
GROWTH:	400%

Social Media Accomplishments

Developing a social media strategy plan was key to ensuring that our communication is aligned across all channels and is synced with our website.

The LACC primarily utilizes Facebook, Twitter, and Instagram. These channels are used to participate in social conversations such as engaging with LA-focused content posted by Discover LA, responding to feedback/comments, sharing environmental sustainability tips as well as assisting clients with promoting their events.

The LACC regularly collaborates with clients to assist with social media co-promotion, which generates positive exposure for both the event and the facility. Editorial calendars are utilized to ensure accuracy in event-specific messaging and content is approved by the client prior to being disseminated.



LACC trending on Twitter • E3 2015

@CONVENTIONLA WAS TRENDING ON TWITTER DURING E3!

The LACC has also leveraged its positioning and proximity to the L.A. LIVE campus by developing partnerships with AEG organizations including the Team LA Store and the Grammy Museum.[®] When appropriate, cross-promotion has been useful in reaching a wider audience.

Public Relations

Generally, the goal of public relations at the LACC is to highlight interesting, positive news and keep the facility "top of mind" for all constituents. The goal of monthly press release distribution was achieved in FY 2014–2015; **13 press releases** were distributed to appropriate media outlets in that period.

PRESS RELEASES DISTRIBUTED

- Los Angeles Convention Center Starts \$10M Upgrade July 2014
- Image Quest Plus Becomes Newest Vendor for the LACC July 2014
- Los Angeles Convention Center Boosts Sustainability Initiatives August 2014
- Los Angeles Convention Center Achieves Major Milestones Under AEG Facilities' First 7 Months of Management • September 2014
- Los Angeles Convention Center Revamps Social Media Marketing •October 2014
- Butterball, AEG Facilities, and Levy Restaurants Partner to Provide 1,000 Turkeys for Families in Need November 2014
- Embracing the Unconventional at the LACC December 2014
- After One Year, Privatization Proves to be the Right Choice for City Owned LACC • January 2015
- LACC Goes Dark for Earth Hour March 2015
- WonderCon Moves to LA April 2015
- City of Los Angeles Announces 3 Los Angeles Convention Center Design Options
 Now Available for Public Viewing May 2015
- LACC Welcomes Jeff Leidy as Director of Operations for Taste of LA by Levy Restaurants
 June 2015
- Anime Expo Set to Break Records & Signs Long-Term Agreement w/LACC June 2015

Los Angeles is booming right now, especially the Downtown L.A. area.
 In recent years, heavy investment in the area has led to an upswing of businesses and developments, as well as to the consistent addition of hotels surrounding the Convention Center.

-Ernest Wooden Jr. President and CEO of LATCB.

• The synergy created by the partnership between the City, the LATCB, and AEG Facilities has contributed to the overall success and improvement of the city-owned facility and continued collaboration will propel the LACC to be recognized as an industry leader. ? ?

> -Jon F. Vein President, Board of Los Angeles Convention & Tourism Development Commissioners.

6 For the second year in a row,

the LACC has concluded the fiscal year with an operating profit. This is important for the improvement of the facility because it leads to direct spending on vital Alteration & Improvement Projects by AEG Facilities and aligns with our shared goal of transforming the LACC into a truly world-class destination for meetings, conventions, and special events. 2 2

-Bud Ovrom Executive Director of the Los Angeles Department of Convention & Tourism Development In addition to distributing press releases, the LACC also developed partnerships with various news outlets and secured several interviews that translated into a handful of articles being printed in trade publications.

EXCLUSIVES

- Private Practice: Los Angeles Convention Center Thrives After Privatization-March 2015
 Venues Today March 2015
- Earth Day Celebrations Exhibit City News • April 2015
- Los Angeles Convention Center Combats State's Drought Conditions TSNN • May 2015
- MORE THAN ANGELS: Los Angeles is known as a creative capital and sports hub with an entertainment history
 Venues Today • June 2015
- E3 Envelopes LACC Venues Today • June 2015

PROFESSIONAL DEVELOPMENT & TEAM BUILDING

PROFESSIONAL DEVELOPMENT

Conference Participation by Team Members During Fiscal Year 2014-2015

- American Society of Industrial Security (ASIS) Security Management Annual Conference
- Exhibition Services & Contractors Association (ESCA) 2014 Annual Business Meeting
- International Association of Venue Managers (IAVM) Forum
- IAVM-ICCC (International Conference of Convention Centers)
- International Association of Exhibitions & Events (IAEE) Annual Conference
- Los Angeles County Economic Development Corporation (LAEDC) Annual Economic Conference
- Professional Convention Management Association (PCMA)
- Society for Human Resource Management (SHRM)

Senior Leadership Team Building

The Senior Leadership Team completed an assessment of current team dynamics. Peter Barron Stark Companies then interviewed all senior staff and based on the interviews compiled a customized, constructive plan for the training session.

The primary purpose of the interviews was to collect information regarding the leadership team in the areas of teamwork, communication, and trust. During the session, the team reviewed overall strengths, weaknesses, and discussed ways in which overall effectiveness could be improved to contribute to a stronger and more efficient organization.

Performance-based recognition

LACC management strives to create a workplace that rewards excellence, promotes inclusion, and encourages collaboration across departments.

To do so, the Human Resources (HR) department has instituted several programs:

- Employee of the Month Award
- Leader of the Quarter Award

TEAM BUILDING

Committees

Employees can elect to participate in one or more of the following committees: Security, Green, and Fun. Each committee is tasked with different initiatives, which ultimately bring the workforce together. For instance, the Green Team plans Earth Day activities for all employees while the Fun Team plans the end of year holiday party for all to enjoy.

Teamwork and morale boosting activities

Monthly birthday celebrations bring together all departments for a brief yet enjoyable period of desserts, games, and fun! Each month a different department is assigned to plan the birthday celebration. HR provides the department in charge with a \$50 gift card to cover expenses related to purchasing food and activities/games.

Additional events include holiday potlucks and the much anticipated, end-of-calendaryear holiday party!



- Currently, the LACC holds an overall rating of 4.5/5
- When compared to competitors, LACC is viewed as being better by 60% of respondents
- The Event Services staff has an overall favorable rating of 4.8, leading it to being the highest rated department by clients.
- Overall customer service rating of 4.6/5

CLIENT FEEDBACK

Through inter-departmental collaboration, the Post-Event Client Survey was developed to measure client experience, including satisfaction with the venue, customer service received, service providers, and Sales and Events staff.

The survey is administered to all clients at the conclusion of their events and is deployed electronically via Survey Monkey. After thorough review of survey results by the Executive Assistant (Ana Aldana), the General Manager (Brad Gessner) directly addresses any issues with the department(s) involved. Once a plan is devised to mitigate any issues, the client is notified of the resolution and frequently a follow-up meeting is scheduled. The resolution is communicated to the client in order to assure them that a similar issue will not arise and demonstrate that the LACC turns feedback received into measurable actions.

Testimonials

"The LACC staff provided exceptional service and support throughout the entire process. Thank you for the invaluable experience and we look forward to what 2015 has in store for us!"

- Ivan Mason, Stand Down L.A., December 2014

"The Los Angeles Convention Center has upped its game! March 2015 was my third opportunity to use the LACC, and what a difference one year made for both my conference participants and our management team.

The LACC team was good in prior years but this year's LACC team was outstanding. From pre-show to post conference the team was proactive in keeping us up-to-date with communications on the smallest to the largest details and changes happening at the center. That proactive approach in logistics, in catering and in the City itself increased our ability to manage our conference and enhance our participants' conference experience. Well done Los Angeles and the LACC! You've set the bar high for our return to Los Angeles."

- Deborah A. Brice, CMP, OFC, March 2015

"The AEG team, operating the LA Convention Center, is extremely professional, efficient, friendly and is always creative when it comes to implementing our many unique and unusual activation requests. It's refreshing to work with a group of professionals that are as committed to our clients' and attendees' satisfaction as we are."

> - Terri Toennies, Executive Vice President and General Manager, Los Angeles Auto Show and Connected Car Expo, November 2014t

"The support from Mayor Garcetti, LATCB & AEG have helped make our event what it is today, we are proud to call Los Angeles home"!

- Marc Perez, Chief Executive Officer, Society for the Promotion of Japanese Animation

"There is no doubt that E3's ongoing success is in part due to the efforts of the LACC and its wonderful staff."

- Mary Dolaher, Chief Executive Officer, IDG World Expo

Encore

The LACC recognizes the importance of consistently delivering exceptional services in order to both retain existing clients and attract new business. In order to align service standards and expectations, HR administers AEG's Encore Guest Services training to all employees, partners, and contractors. The trainings focus on four major service spotlights:

- 1) Safety: "see something, say something," follow all emergency procedures
- 2) Smile: create positive, memory-making moments for guests
- 3) Sizzle: seek opportunities to enhance the guests' experience
- 4) Synergy: work together to ensure every guest returns for an Encore!

Encore emphasizes exceeding expectations, which complements the LACC's overall commitment to excellence.

Encore also features an incentive program; employees who demonstrate Encore service receive Star Cards from senior staff, which are redeemable for prizes.



CREDITS

WRITTEN AND EDITED BY: Victoriya Karpilovich, Marketing Manager Ellen Schwartz, VP of Sales & Marketing Keith Hilsgen, VP of Finance

> DESIGNED BY: Karen Peck



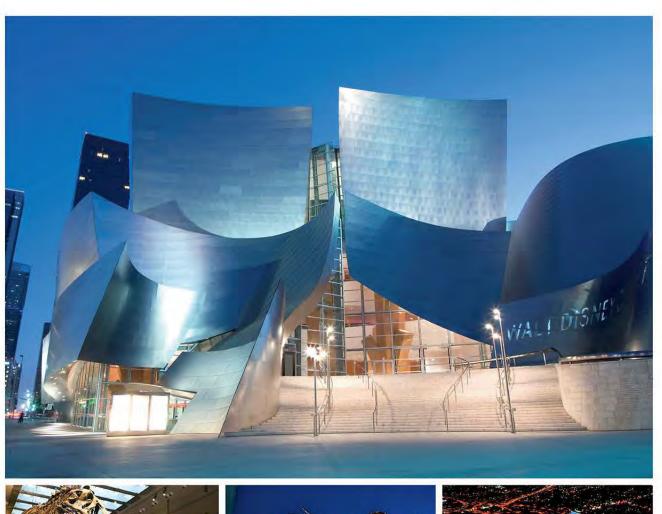
1201 South Figueroa Street Los Angeles, CA 90015

> phone: (213) 741-1151 fax: (213) 765-4440

www.lacclink.com

CTD Board of Commissioners Meeting October 7, 2015

tourism & convention board



Citywide Convention Sales Update

Kathy McAdams Vice President, Citywide Convention Sales

eles TOURISM

Citywide Convention Sales FY 15/16 (July 1, 2015 to September 30, 2015) Lead Production

Lead Production	Leads Actual
FY 15/16 Goal	220
FY 15/16 YTD	60
FY 14/15 STLY	52

Sales Pipeline- Future Years

- FY 14/15 YTD 135 Leads, representing 1,829,090 room nights
- FY 14/15 YTD **155 Leads**, representing **1,972,105 room nights**

Citywide Convention Sales FY 15/16 (July 1, 2015 to September 30, 2015) Booking Production

LOI Production	LOIs Actual	Booked Room Nights Produced	RNs Actual
FY 15/16 Goal	38	FY 15/16 Goal	351,000
FY 15/16 YTD	9	FY 15/16 YTD	152,533
FY 14/15 STLY	3	FY 14/15 STLY	16,475

Citywide Convention Bookings 37,605 TRNs September 2015



Experience & Awards June 2019 4,500 TRNs



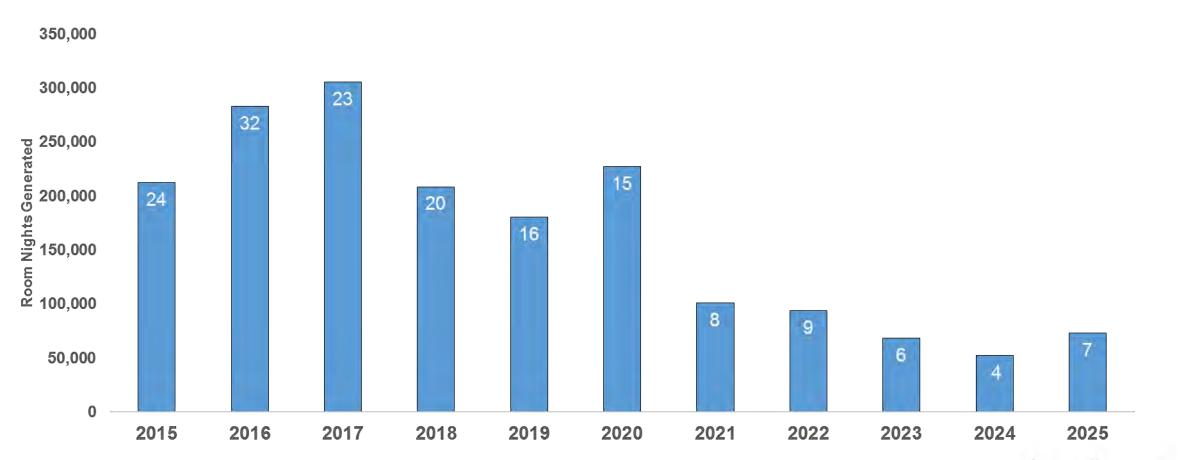
Annual Convention September 2022 9,590 TRNs



MAX October 2022 11,500 TRNs AMERICAN POLITICAL SCIENCE ASSOCIATION

Annual Meeting August 2023 12,015 TRNs

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



Dated September 30, 2015

New Citywide Convention Hot Prospects

ANHEUSER 🧏 BUSCH



Microsoft Minecon May 2016 10,000 TRNs





SAMCOM January 2019 9,715 TRNs

Los Angeles

Recent Prospect Site Inspections

S D L A R POWER INTERNATIONAL

September 2018 20,668 TRNs Site Inspection: September 21





Annual Convention May 2017 25,850 TRNs Site Inspection: September 28 - October 1 NHL All Star Weekend January 2017 6,945 TRNs Site Inspection: October 5



TOURISM INSIGHTS Wendy Kheel Vice President Los Angeles Tourism & Convention Board

SITUATIONAL ANALYSIS

OUTLOOK FOR THE ECONOMY AND TRAVEL INDUSTRY

- Last three years have been a travel industry party
- U.S. economy continues to show signs of strength
- But, global economy is presenting substantial risks

So, is the travel industry after-party coming soon?



U.S. ECONOMY POINTS TO STRONGER MOMENTUM

- GDP gained momentum after Q1, 2015 will led to 2.3% GDP growth for the year
- Solid labor market and wage gains; lowest unemployment rate in seven years
- High consumer confidence + low inflation & low interest rates = increased consumer spending
- Accelerating housing activity
- Fed policy remains supportive of business growth
- Business investment constrained but growing
- Modest pick-up in global trade subdued by a stronger dollar making U.S. exports more expensive

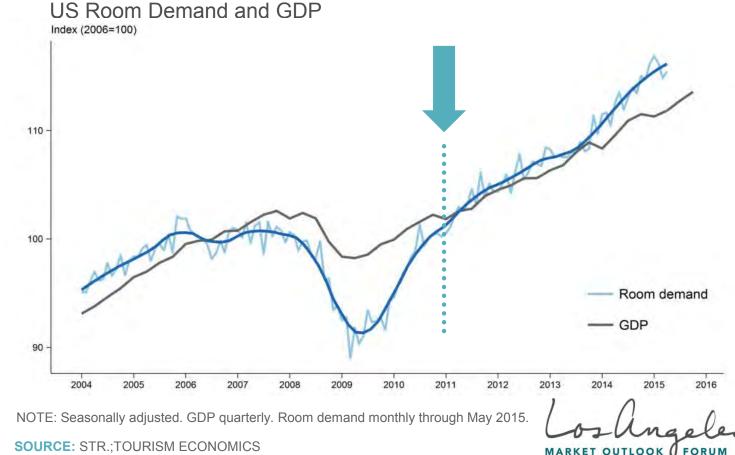
AUGUST 20, 2015 LOS ANGELES TOURISM & CONVENTION BOARD





SITUATIONAL ANALYSIS

U.S. ROOM NIGHT DEMAND EXPECTED TO OUTPACE GDP

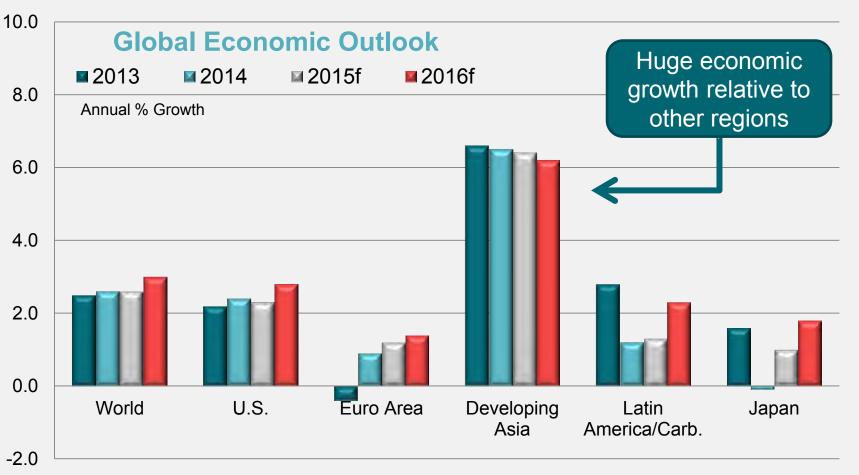


GLOBAL ECONOMIC OUTLOOK

Asia remains the brightest region for economic growth

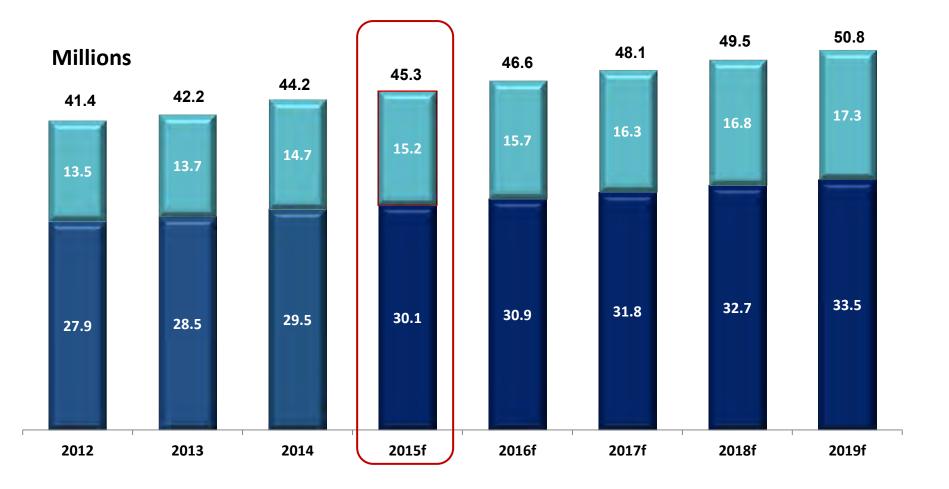
China Overview

- Recent policy induced currency shifts are expected to be a negligible drag on outbound travel
- Baseline forecast is for yuan to depreciate in 2015-2016 and then regain value
- GDP growth will trend down but still remain above 5%



IS THE PARTY OVER?

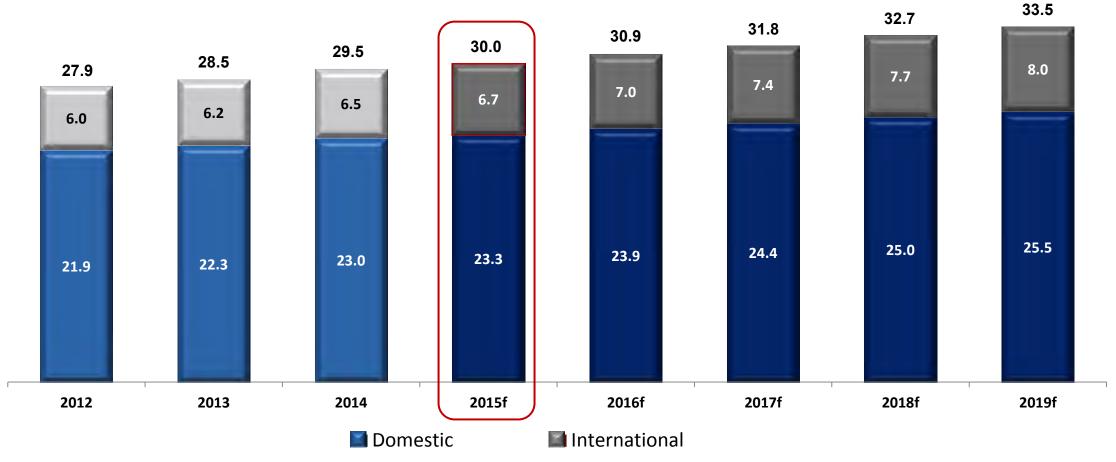
L.A. Visitation 5-Year Forecast



Total Overnight Visits

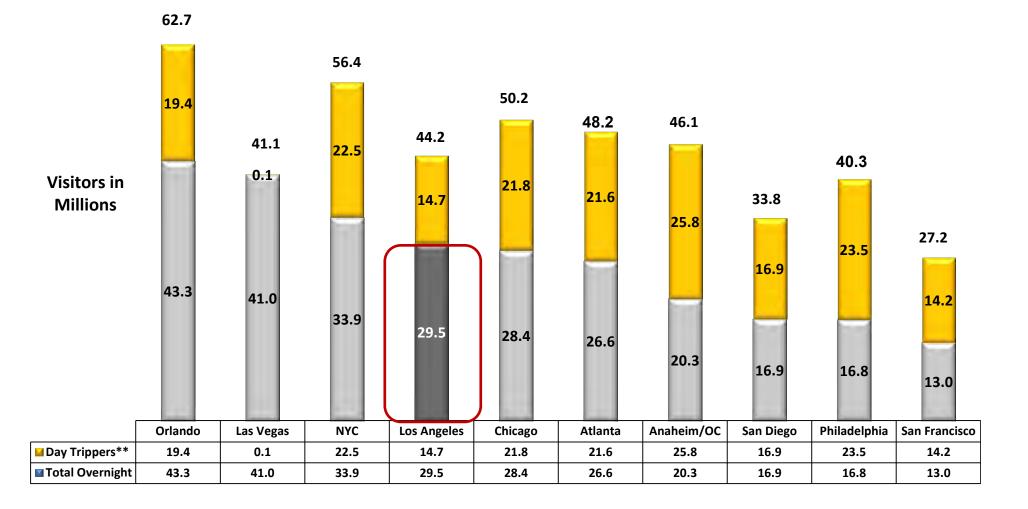
Day Visits

OVERNIGHT VISITORS FORECAST (in millions)



VISITOR MARKETS

In 2014, L.A. ranked 4th after Orlando, Las Vegas, and NYC in Overnight Visitors



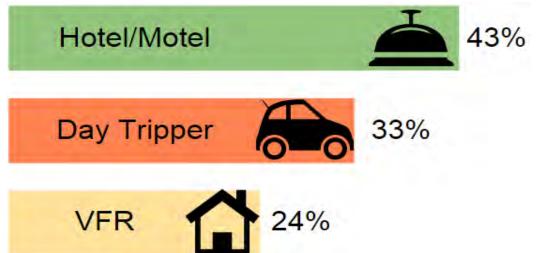
VISITOR ANALYSIS

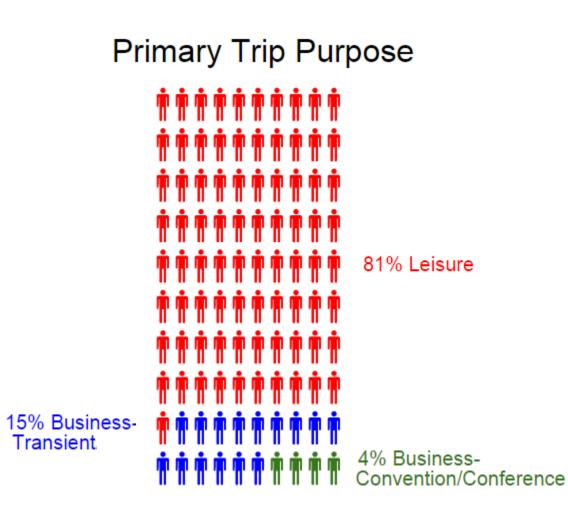
VISITORS



Visitor Origin

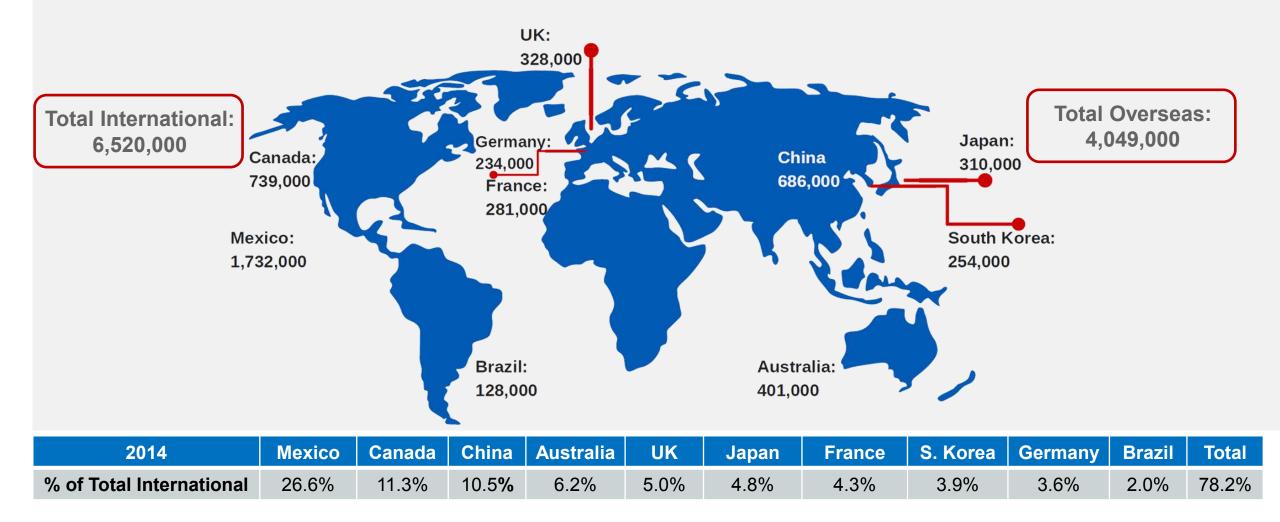
- 85% Domestic
 - 70% In-State
 - 30% Out of State
- 15% International
 - 62% Overseas
 - 38% North America





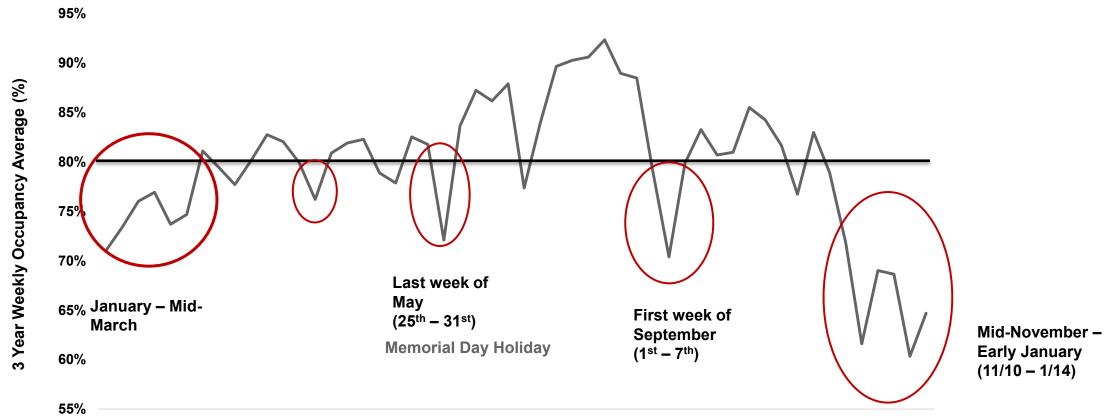
INTERNATIONAL MARKETS

L.A.'s top 10 International markets comprised 78% of total International visitation



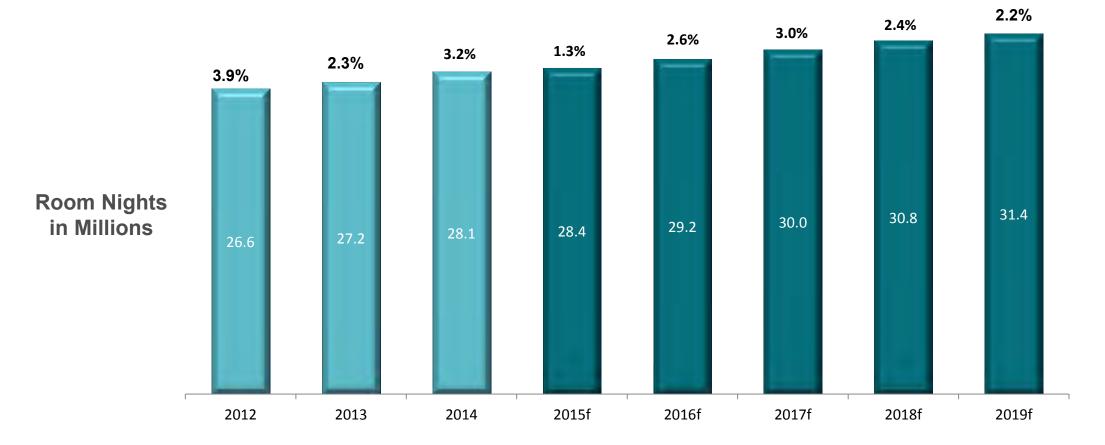
SEASONALITY

3-Year Weekly Occupancy Average 2012-2014



Week # 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 40 12 43 44 45 46 47 48 49 50 51 52

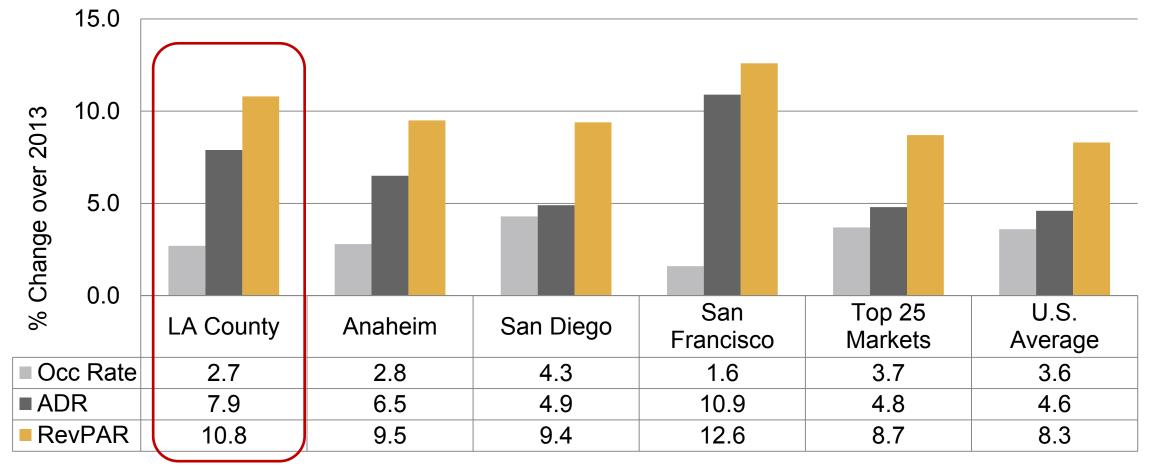
CONTINUED GROWTH IN HOTEL ROOM NIGHTS



SOURCE: TOURISM ECONOMICS

HOTEL MARKETS

In 2014, L.A's hotel RevPar increased 24% more than the Top 25 markets due primarily to 7.9% increase in ADR



SOURCE: STR

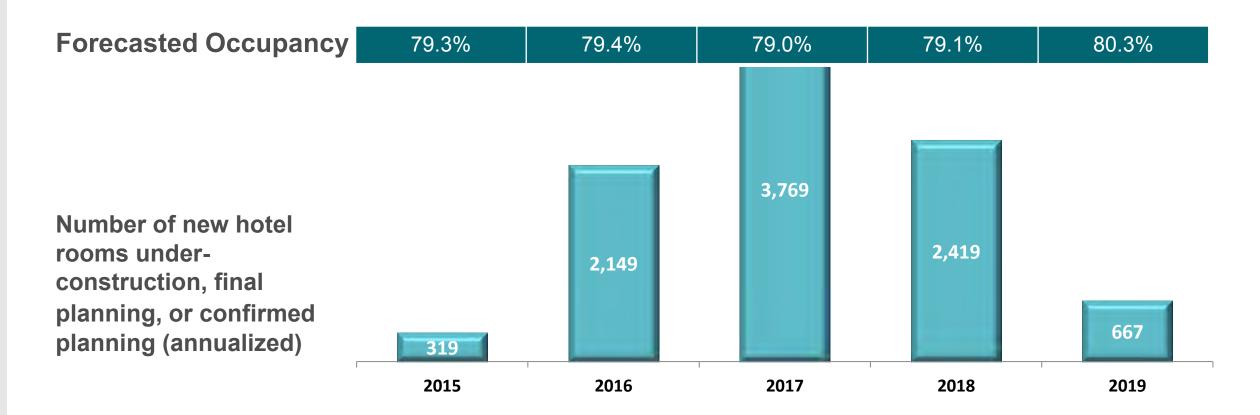
U.S. LODGING SUPPLY

In 2014, L.A. ranked as the 6th largest U.S. market based on room supply

Market (Metro Area)	Properties	Rooms	Average Rooms Per Property
Las Vegas (from LVCVB)	290	150,437	519
Orlando, FL	481	121,427	252
New York, NY	626	112,933	180
Chicago, IL	728	109,627	151
Washington, DC-MD-VA	690	106,925	155
Los Angeles-Long Beach, CA	993	97,895	99
Atlanta, GA	792	94,116	119
Dallas, TX	629	79,045	126
Houston, TX	798	76,754	96
Phoenix, AZ	449	61,503	137
San Diego, CA	474	59,691	126
Anaheim-Santa Ana, CA	433	54,916	127
San Francisco/San Mateo, CA	396	51,419	130
Boston, MA	346	50,821	147
Miami-Hialeah, FL	385	49,859	130

NEW ROOMS SUPPLY

Over 9,300 new hotels rooms will added to L.A. County by 2019 and will be fully absorbed



SWOT ANALYSIS

Strengths

- Great year-round weather
- Beaches
- Culinary excellence
- Wide range of museums and exhibitions
- Theater and performing arts
- Professional sports
- Theme Parks
- Hollywood/Celebrities
- LAX Gateway

Opportunities

- Sharing economy, i.e. Airbnb
- New/enhanced attractions: Warner Bros. Studio Tour, Broad Museum, Petersen Museum
- Disneyland's 60th Anniversary, Wizarding World of Harry Potter
- LAX improvements and increased air lift
- Increased regional marketing synergies
- Millennials...

Weaknesses

- Traffic
- Horizontal city dependent on freeways
- Lack of hotel rooms
- Insufficient mass transit
- Low Marketing spend vs. competitive DMOs

Threats

- El Nino
- Currency devaluation i.e. 2% devaluation of the Chinese Yuan
- Sharing economy, i.e. Airbnb

CATERING TO MILLENNIALS

- 79 million between 18-34 vs. 73 million Baby Boomers
- By 2017, Millennials will have more spending power than any other age group
 - Travel a lot
 - Look for unique travel experiences they can photograph and share immediately on social media, i.e. Instagram, Snapchat, Facebook
 - Very social, spontaneous, and seek personalized interactions
 - Willing to pay premiums for convenience and choice
 - Early adopters of technology and new services, i.e. Uber, Airbnb



Hierarchy of Vacation Needs

MILLENNIAL VACATION NEEDS



NEW HOTEL BRANDS

Legacy hotel brands are launching new lifestyle brands distinctly different from core brand



Similarity of new hotel brands catering to Millennials

- Strong sense of character; unique identity
- Local identify; part of the local neighborhood
- Communal work/play/socialize spaces
- Smaller but chic, comfortable guest rooms
- Limited or no room service
- Latest in technology = free WiFi
- Wellness amenities and menus
- Sustainable practices and building







Thank you

Angeles MARKET OUTLOOK