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MARCH 2015 VOLUME 14 NUMBER 3







AEG has successfully filled Los Angeles Convention Center since it took over management.

# PRIVATE PRACTICE

Los Angeles Convention Center thrives after privatization

by MAURA KELLER

It's been a year since the privatization of the Los Angeles Convention Center (LACC) took hold with the goal of improving operation efficiencies and enhancing the facility's aesthetics and service, all while saving the City of Los Angeles millions of dollars. So how has the LACC fared under the new privatization structure? Quite well, say the experts.

## DEFINING ROLES

Since taking the helm of the LACC one year ago, AEG Facilities, which has a five-year contract to manage the facility, has instituted a series of new policies and procedures, which have produced results far surpassing initial expectations.

"Overall, the management of the LACC and the relationship as a whole has been posi-

tive and beneficial for the Convention Center," said Jon Vein, president of the LACC Department Commission. "Positive components of the relationship include more active and open communication and collaboration between all parties including the LATCB, AEG Facilities, and of course the Department of Convention & Tourism Development."

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## GESSNER'S TOP REASONS TO EMBRACE PRIVATIZATION

Brad Gessner, Los Angeles Convention Center senior vice president and general manager, said there are five key reasons to consider privatizing a city-owned venue:

1. Costs savings to the public entity
2. Improving operational efficiency and improved maintenance
3. Improving the organization and staff, attracting and recruiting a professional staff with a variety of levels of experience, solid work ethic and fresh perspectives/ideas
4. Less bureaucratic, more business-oriented
5. Synergistic relationships with stakeholders, improved sales and marketing efforts

### PRIVATE PRACTICE CONTINUED FROM PAGE 28

According to Brad Gessner, Los Angeles Convention Center senior vice president and general manager, financial results AEG Facilities attained were approximately \$6.6-million better than the venue's historical averages.

"Additionally, we achieved an operating surplus of more than \$3 million directly related to increased levels of service options and delivery," Gessner said.

Throughout the year, the AEG Facilities team developed a very positive working relationship with the Los Angeles Tourism & Convention Board (LATCB).

As Darren Green, senior vice president of sales at Los Angeles Tourism & Convention Board, explained, their main focus at LATCB is to book short- and long-term citywide conventions for the Los Angeles Convention Center while the LACC sales team focuses more on short-term bookings such as consumer trade shows.

"Our teams actively work together and collaborate to ensure we are bringing in the best possible business not only for the facility, but for the city of Los Angeles as well," Green said.

"What is very unique about this agreement is that both the City of Los Angeles and AEG recognized that we have many resources between our organizations that can be activated on both operational and sales levels," Gessner said. "We are fully integrated and supportive in all sales efforts to maximize bookings, which has already resulted in very significant increases in future confirmations."

AEG Facilities President Bob Newman said the most important key to the success for the AEG staff is the strong, positive and supportive relationship they have with the City's Department of Convention and Tourism Development (CTD).

"The CTD has created an environment for us and the LATCB that fosters best practices across all levels of sales and operations," Newman said. "Our clients have immediately noticed and benefited from this new culture and ultimately the results have been driven to the Convention Center's financial bottom line

as well as increased hotel tax collections."

### EFFICIENCIES APLENTY

In addition to surpassing the venue's historical average in revenue, AEG Facilities' efforts have also resulted in a myriad of operational efficiencies that everyone is celebrating.

"We implemented the right-sized staffing numbers to bring salaries and wages into alignment with industry standards," Newman said. "Also we renegotiated existing contracts to improve contract terms in addition to bidding and securing new contracts for products, supplies and services resulting in savings."

Becoming more environmentally responsible was also paramount for the LACC. To accomplish this, AEG Facilities has invested in sustainable products to reduce costs while operating in a "green" manner. More than 80 percent of sprinklers were replaced, while the irrigation-watering schedule was reduced by 33 percent. As a result, water use by the facility was reduced by 7 percent for the 2014 calendar year. In August 2014, standardized paper and soap dispensing systems were introduced, improving sustainability and eliminating resource waste, saving the LACC thousands of dollars annually.

AEG also awarded a new contract to the waste hauler, Waste Management, resulting in reduced costs and improved recycling. AEG also negotiated a sponsorship agreement that resulted in new revenue to the bottom line.

With the assistance of AEG ISOURCE (the in-house purchasing arm of AEG), LACC has solicited bids, negotiated and completed over 30 new contracts with service providers, contractors and suppliers improving operations and reducing expenses.

"AEG Facilities also partnered with Levy Restaurants to provide the food and beverage services which improved food and beverage offerings and reduced expenses, driving more flow through to the bottom line," Newman said. Levy provides the LACC with rebates through their volume-purchasing program, which provided over \$200K in rebates in the first year.

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## PRIVATE PRACTICE CONTINUED FROM PAGE 30

"The management fee for food and beverage services was also reduced (through negotiations) compared to when the City operated the LACC," Newman added.

## FACING CHALLENGES

Privatization of a convention center as large as L.A.'s does not come without its challenges.

"We've definitely faced some challenges, especially in the beginning with the transition," Vein noted. "While it was relatively smooth and professionally executed by all parties, we did have to rebuild the staff at the LACC. This included training, the implementation of new processes and protocols, and

ees was received tremendously well and the result is that we have now integrated a staff of former and new team members all of whom have fully embraced the AEG Encore service culture," Gessner said.

While the total number of events, over 300 in 2014, has remained static during the first year of privatized operations, the LACC has seen an increase in revenue brought in from filming and photo shoots, with a 30 percent increase in filming activity—something the City of Los Angeles made clear was important in keeping this industry in Los Angeles.

"The LATCB has the primary responsibility for sales, marketing and booking events, which typically is done years in advance,"

the City of Los Angeles to make improvements to the LACC in addition to building Farmers Field Stadium & Events Center adjacent to the LACC.

"This is provided we are able to secure an NFL team, the efforts of which are ongoing," Gessner added, referring to the National Football League.

Should the efforts to secure an NFL team not materialize, the city will work with AEG to expand and modernize the LACC to add contiguous exhibit space, meeting rooms, and a large ballroom, in addition to enhancing and modernizing all existing space, with the goal of making the LACC the convention center of choice on the West Coast.

"The seamless blend of the two into one cohesive business operation has been a great asset for the LACC. The heartening thing is there has been little to no territorialism — it has been about 'what's best' for the City." — JON VEIN

essentially a blend of the 'new and old.'"

As Vein explained, the city employees that transitioned to AEG provide valuable insight in terms of event experience, building functionality, and more. Meanwhile, AEG provided private business acumen and resources to change the structure and invest in efficient business practices.

"The seamless blend of the two into one cohesive business operation has been a great asset for the LACC," Vein said. "The heartening thing is there has been little to no territorialism—it has been about 'what's best' for the City."

For Gessner, the biggest challenge in any transition is ensuring the employees are considered the first priority. As such, all prior city employees were offered the opportunity to either remain with the city in other areas or were offered positions with AEG at the Los Angeles Convention Center.

"The priority we placed on these employ-

Gessner said. "The real positive effects of the new relationship will materialize in increased citywide bookings for future years, something that we are seeing materialize for 2016 and beyond."


## FULL STEAM AHEAD

With one year under their belt, and four years to go in the established contract, AEG Facilities is eager to continue its efforts to further enhance the LACC's operational efficiencies.

"The City, in collaboration with AEG Facilities, is in the process of executing various Capital Improvement Projects, ultimately making the LACC a better maintained, and more up-to-date facility," Vein said. "I think there's great synergy between all the parties involved and we are all invested in seeing the LACC succeed and the City prosper."

Specifically, AEG has an agreement with

"We are constantly looking for ways to improve operations, client services, increase efficiencies and maintain the city's asset while working closely with the LATCB and our sales team to attract and secure more and bigger citywide business and other events," Gessner said. "This will increase the economic impact to the region, ultimately benefitting our client, the City of Los Angeles and its citizens."

Vein looked to the future. "Many positive improvements have occurred at the LACC, but we've still got a long way to go," Vein said. "The facility needs to be expanded to meet the needs of large conventions and modernized to compete with other top convention centers and to continuously attract new business for the LACC and the city." 

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