



**LOS ANGELES CONVENTION CENTER
BOARD OF COMMISSIONERS**

Regular Meeting Minutes

January 22, 2014

12:30 p.m.

The Los Angeles Convention Center Department Commission (Commission) convened a regular meeting on Wednesday, January 22, 2014 at 12:36 p.m., at the Los Angeles Convention Center (LACC), located at 1201 South Figueroa Street, Los Angeles, CA 90015, in the Executive Board Room.

ITEM NO. 1 CALL TO ORDER / ROLL CALL

The meeting was called to order by President Jon Vein.

Commissioners Present:

President Jon F. Vein

Vice President Ray Bidenost

Commissioner Nicole Duckett Fricke

Commissioner Gillian Zucker

Commissioners Absent:

Commissioner Neal Moritz

Department Staff Present:

Robert R. "Bud" Ovrom, Executive Director

Tom Fields, Assistant General Manager – Operations

Marla Bleavins, Assistant General Manager – Finance & Administration

Cristine Villorante, Recording Secretary

Guests Present:

Glyn Milburn, Business Team Representative – Office of the Mayor

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

Natalie Brill, Chief of Debt Management – Office of the City Administrative Officer

Diana Manguoglu, Sr. Administrative Analyst II - Office of the City Administrative Officer

Barbara Kirklighter, Sr. Director of Research & Revenue Strategy – Los Angeles Tourism & Convention Board

Prior to moving on to the next agenda item, President Vein welcomed Otto Padron, who was recently appointed by Mayor Garcetti to this Commission, pending Council confirmation. President Vein gave the floor to Mr. Padron in order to introduce himself to the Commission.

Mr. Padron was born in Cuba, has lived in Miami, Spain, and Los Angeles. He is the President and COO of Meruelo Media, a multi-media company that specializes in television, radio, and entertainment production. He is also a Lieutenant Colonel in the U.S. Army Reserve, is married to actress Angelica Vale, and has one daughter. Mr. Padron recently moved to Los Angeles, travels often, and gets a chance to meet various convention center operations. As a Commissioner, he believes he can bring a different point of view to the Commission, as an outsider looking in.

ITEM NO. 2 PUBLIC COMMENT

President Vein opened the floor for public comment. Ms. Marilyn Bitner, representing the Location Managers Guild of America, came to solicit the interest of the Commission to partner and join her organization. Ms. Bitner stressed Mayor Garcetti's interest in returning film production to the City and what better place for film production crews to film, but here at the LACC. Ms. Bitner mentioned the loss of 130,000 jobs to New York and the Mayor's passion to return those jobs back to Los Angeles. As a member of the Location Managers Guild of America, the organization can show off the venue to its members, be an active business partner, host events on site, and bring in more film production to the LACC, especially the big feature films.

Commissioner Zucker asked what is involved in becoming a member and how many members her organization has. Ms. Bitner stated that the Commission would apply a business partner, which includes a \$250 annual membership fee. Any businesses that relate to the film industry can apply. The organization keeps members apprised of what goes on nationally, aids in the fight to bring back run-a-way production, and works with all levels of government, particularly City Hall. Currently there are 300 Location Mangers and over 100 vendors and business members. The organization is celebrating its 10th Anniversary this year.

Vice President Bidenost's commented that his company, Chef Robért, has been a member of the organization for a year and what attracted him to the organization is that they are a non-profit group that does a lot of humanitarian work and gives back to the community. Ms. Bitner mentioned the organizations work with Habitat for Humanity and their annual Venice Boardwalk Thanksgiving give-away.

ITEM NO. 3 APPROVAL OF THE JANUARY 8, 2014 MINUTES

The January 8, 2014 Commission Minutes were unanimously approved.

ITEM NO. 4 EXECUTIVE DIRECTOR'S REPORT

Mr. Ovrom and President Vein have discussed rearranging the agenda format, having a more traditional old business/new business configuration. Starting the month of February, the Los Angeles Convention and Tourism Board (LATCB) and AEG will provide a monthly report to the Commission on the second meeting of each month (the 4th Wednesday of the month). Their reports will provide information from the previous month's events and revenues.

a. Operations

Mr. Tom Fields reported that all is going well and highlighted the following events:

- L.A. Art Show was on site last weekend. Mr. Fields stated it's a show that one must see.
- MusiCares and Grammys Celebration are in move-in phase in West Hall. This will be the first time the two entities will use the new business model where there are a variety of electrical and audio/visual contractors to choose from. Mr. Fields met with both production companies and everything is going smoothly.
- L.A. Fitness Expo is in move-in phase in the South Hall.

Mr. Fields' focal points this month are revising the Emergency Procedures, processing the Task Order of Solicitation for Plan B, and pricing of Capital Improvement projects.

b. Administration

Ms. Marla Bleavins informed the Commission that she plans to provide a more formal report on FY 2014 Budget in a future meeting. Ms. Bleavins reported on the general overview of the current fiscal year and the challenges the LACC is trying to mitigate.

For this fiscal year, the LACC had a \$26.1 million budget. To date, the LACC has collected \$12.3 million and have spent \$9.5 million. The LACC is well under the expenditures for the year, however there were expenses that were not budgeted such as the transition costs, payouts for sick leave/vacation time that totaled close to \$450 thousand, and increased security expenses which resulted an additional \$200 thousand.

The initial revenue estimates were aggressive. There were more citywide events this year that were smaller in size, which resulted in less ancillary revenue. The food and beverage revenues were also less than anticipated as events did not request as much food and beverage. In addition, there were not a lot of public events that utilized concessions.

Finally, the biggest challenge that will affect the budget for the remaining six months is the change in the electrical model. Before the transition, the LACC used to provide the electrical services to exhibitors, AEG is now contracting the service out. The LACC is expecting less revenue for this accounting line. Historically, electrical services were the largest revenue line for the LACC.

As a City Department, the LACC reports its budget to the City Administrative Officer (CAO) and City Council in a Mid-year Financial Status Report. Ms. Bleavins is currently working on this report and will update to the Commission in a future meeting.

Mr. Ovrom added that the Commission will be provided a monthly performance report that includes the Mayor's reporting statistics and a financial report in the future.

Commissioner Zucker expressed her concerns with regards to a possible deficit and asked how it will be addressed. Ms. Bleavins stated that the Department is looking at cutting expenses where possible; for example, no work on overtime, cutting the expense budget, not purchasing office supplies, and delaying Capital Improvement projects. If necessary, the LACC will request a budget increase through the City.

Commissioner Zucker requested that the monthly financial report also indicate the deficits in revenue and how the LACC recommends to address and track them. President Vein concurred with Commissioner Zucker and stressed the importance of reporting this information and also to report on what the ramifications are to the LACC.

Vice President Bidenost asked if there was a representative from AEG present. Mr. Ovrom informed the Commission that Mr. Philip Anchutz is at the LA Live office today for a Strategic Planning meeting and it was mandatory for Mr. Gessner to attend. Vice President Bidenost stressed the importance of having a representative from AEG present.

Vice President Bidenost commented that membership to the Location Managers Guild of America may aid in bringing in addition revenue sources, through filming.

Vice President Bidenost inquired on AEG's plans to boost the revenue and if the staffing levels for both LACC and AEG are appropriate or if the departments are overstaffed. Mr. Ovrom stated that AEG has 120 authorized positions and currently running the facility with a little over 80 personnel.

President Vein suggested that the Commission resume discussion after the review of the budget in order to be more productive.

Vice President Bidenost suggested forming a Budget Sub-committee in order to reduce the time of discussion during the Commission meetings.

Ms. Natalie Brill, Chief of Debt Management from the CAO's office, added that the budget was created before the City knew AEG's plan to contract out services. The LACC has to make do with the budget that was allocated. This is a unique budget year because the first half of the year was City, the last half is AEG, and the City is trying to reconcile it. It is unknown at this time if there will be a deficit. The CAO knew from the beginning that there would be difficulties from a budgetary point of view and are working closely with Ms. Bleavins to mitigate the potential of a deficit.

c. Update on Governance Ordinance

Mr. Ovrom reported that the City Council President has referred the Ordinance to the Trade, Commerce and Tourism Committee and the Budget and Finance Committee. Mr. Ovrom met with Councilmember LaBonge, who chairs the Trade, Commerce and Tourism Committee, to request the Ordinance be scheduled through Committee as soon as possible and has drafted a letter to the Trade, Commerce and Tourism Committee with regards to the Department name change.

d. LACC Action Plan

Mr. Ovrom reported that the Action Plan has a few more edits, pending a new photo of the Department Commission, and the possibility of holding publication until City Council makes a decision on the Department's name change.

ITEM NO. 5 NEW HALL / EVENT CENTER / PLAN B

Mr. Ovrom provided a brief summary of Plan A and an overview of the report the Chief Legislative Analyst (CLA) provided to the City Council relative to alternative modernization options. The City Council initiated discussion of development options for the LACC in the event that the New Hall/Event Center project does not come to fruition. The highlights of the report are as follows:

- CLA commissioned a study by Convention, Sports and Leisure to compare convention center facilities around the nation and identify planning needs to ensure that the LACC is competitive in the future. Examples of the planning needs indicated in the study were the need for contiguous space, a ball room, and open space improvements.
- CLA commissioned the Urban Land Institute to form a Technical Panel to evaluate LACC renovation options which included enlivening Gilbert Lindsay Plaza, and incorporating a 1,000 room hotel into the design of the facility.
- Initiate an architectural design competition in February or March 2014. Award the contract to the winning design after October of 2014. City would provide a \$100,000 stipend.

Mr. Ovrom deferred to Ms. Natalie Brill and Ms. Diana Mangioglou, from the CAO's office, who provided the Commission with the financial background on the LACC and an overview of the CAO's report to the City Council relative to financing Plan B.

Ms. Brill informed the Commission on the mechanism in which the LACC was built. The LACC is a General Fund asset and the General Fund pays the LACC's debt service from the General Fund.

In 1968, the City created a joint powers authority with Los Angeles County as a mechanism to build a convention center. The Los Angeles Convention and Exhibition Center Authority Commission (Authority), which consists of ten City appointed Commissioners and five County appointed Commissioners, are the financing authority for the LACC. The City owns the land, but the structure itself is owned by the Authority. The Authority issues the debt under its name. The City staff is the Authority's support and the Authority assigns all the work to the City staff to pay off the debt service, administer the debt, and make lease payments.

The City makes lease payments to pay for the debt because in California municipalities are limited on how they can issue debt. The City pays the lease payments and the Authority pays the debt service. Currently, there is \$329 million outstanding in debt.

President Vein asked how much the original debt was. Ms. Brill stated that the initial debt was approximately \$500 million. At one time, there was \$600 million in debt, part of which built the Staples Center, as a loan, secured by the Convention Center as a lease. The Staples Center loan is paid through Staples Center admissions fee. The City makes the actual debt service payment and the debt service payment is backed by a guarantee provided by the Arena Land Company.

Commissioner Zucker asked how much of the current debt is due to Staples Center. Ms. Brill stated that approximately \$322 million is LACC and \$35 million is Staples Center (originally \$45 million).

Mr. Ovrom asked Ms. Brill if there was a distinction between the West Hall and South Hall debt. Ms. Brill stated that when the City was negotiating Plan A, one of the questions raised was how the City could build a stadium on land that is issued with tax-exempt debt. So, the City did an analysis and concluded that all the debt has been paid off on West Hall. The City segregated the debt, determined the West Hall is free of debt, and can now build on the land. Through the years, several series of debt were issued, the last two being in 2003 and 2008, for the total of \$322 million mentioned previously.

The last time the LACC was fully appraised was in the late 1990s. In 2004, there was a partial appraisal done which estimated the LACC to be worth about \$800 million dollars in equity, which means additional bonds can be issued if the City ends up proceeding with Plan B. Ms. Brill stressed that the City is committed to Plan A and there will be no money spent until the City knows the status of an NFL team coming to Los Angeles. These are all plans.

President Vein asked if the tax-free bonds create restrictions, what the current interest rate is, if it's possible to refinance given the current rates are so low, can the City change from one form of bonds to another, and if it makes sense to issue taxable bonds. Ms. Brill stated that the CAO is currently looking into the options. The 2003 bonds are not callable. The 2008 bonds are what the CAO is reviewing, but will not refund them until the City decides what to do in the grander scale. In 2008, the economy collapsed, and the LACC had variable rate at the time which was saving the City \$10 million a year in debt service. The City lost its Letter of Credit and no one would issue the City a Letter of Credit. The credit was put to the bank and the City had to do a quick refunding which cost the City \$10 million dollars a year more. Since that time, the City

has been looking at refunding and one of the discussions was the use of taxable debt. Even though the municipal auditoriums have a specific carve out in the IRS code, it is still subject to private use, equivalent to 5%-10% depending on a maximum of \$15 million. Private use is any type of business enterprise that the LACC has on site. The taxable bonds may be a little more expensive, but will allow more flexibility on use.

Commissioner Zucker asked if West Hall is free of debt, can it be used to advertise. Ms. Brill stated that technically you may, but there are currently signage agreements with AEG which includes naming the LACC.

There was a brief discussion on how many agreements are currently in place with AEG. Ms. Brill informed that Commission that she has a summary of all rights and agreements the City has with AEG and the Commission requested that Ms. Brill provide the report to the Commission in a future meeting.

Ms. Mangioglou provided the Commission with the financing options for Plan B. When the City Council instructed the CAO to come up with financing options, the CAO had to make assumptions on project costs. The CAO started with a range of \$200-\$300 million, but now the CAO expects the range to be more. The term of the bonds were also based on thirty years. It was also assumed that debt would be issued in 2016. All of these assumptions were used to develop the what the annual payment would be and how much the overall cost would be.

Also addressed in the CAO report is the financing structure that was adopted as part of the stadium project. The New Hall cost, the cost to build and renovate, would be paid for by new revenue streams. The City would collect ground lease payments for leasing the land to AEG, construction sales tax, and parking tax. The challenge is whether Plan B will generate as much revenue as the stadium project. There is also talk about bringing in a hotel. The CAO laid out 5 separate options for the City Council to consider which are listed as follows:

- Variable Rate Debt - The interest rate would be reset based on changing market conditions.
- Postpone Payment of the Debt - Initiating payment in 2023 versus 2016. In 2023, the City's existing debt on the Convention Center goes away, so if the City took on additional debt for Plan B, 2023 looks attractive because it has less impact on the City's General Fund, but it's more expensive because of delaying payments.
- Fixed Rate Debt - Payments beginning in 2016 could cost an additional \$15 million a year or more, depending on the interest rate.
- Taxable Option - More expensive, but gives the Convention Center more flexibility to generate revenue for the facility.

The next steps for the City Council and CAO would be to appraise the Convention Center to determine its equity and work with City staff to process a Request for Proposal for architectural firms to submit their concepts and estimated costs.

Additional discussion ensued on bonds, possible analysis relative to revenue streams, facility improvements, Capital Improvement Projects, and Prop 1C relative to Gilbert Lindsay Plaza.

Ms. Brill commented that the CAO realizes and understands staff levels and the need for improvements that need to be done and the CAO is in tune with LACC's needs.

ITEM NO. 6 AGENDA FORCAST / SPECIAL TOPICS

Mr. Ovrom informed the Commission of plans for a joint meeting for the purpose of AEG to present Plan A to both the Department and Authority Commissions at 10:30 a.m. on February 12, 2014.

President Vein brought up the consideration of changing the start time of the Commission meetings from 12:30 p.m. to 9:00 a.m. and to be mindful that the frequency of meeting will change from twice a month to once a month once the Commission is up to speed on all subject matters relative to the LACC.

ITEM NO. 8 ADJOURNMENT

The meeting was adjourned at 1:49 p.m.