



**LOS ANGELES CONVENTION CENTER
BOARD OF COMMISSIONERS**

Regular Meeting Minutes

**April 23, 2014
10:30 a.m.**

The Los Angeles Convention Center Department Commission (Commission) convened a regular meeting on Wednesday, April 23, 2014 at 10:40 a.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 Otto Padron
Commissioner Gillian Zucker

Commissioners Absent:

Commissioner Nicole Duckett Fricke

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:

Miguel Santana, City Administrative Officer
Robin Engel, Assistant City Administrative Officer
Glyn Milburn, Business Team Representative – Office of the Mayor
Terry Martin Brown, Assistant City Attorney – Office of the City Attorney
Diana Mangioglou, Sr. Administrative Analyst II – Office of the City Administrative Officer
Patti MacJennett, Sr. Vice President, Business Affairs – Los Angeles Tourism & Convention Board

ITEM NO. 2 PUBLIC COMMENT

Ms. Dillard expressed her concerns with regards to asset transfers between the Community Redevelopment Agency and the City of Los Angeles, as it relates to the Los Angeles Convention Center and its future development plans. Ms. Dillard also expressed her concerns with regards to public safety as it relates to public transportation and infrastructure.

At the conclusion of the presentation on Item No. 5, Ms. Dillard commented on the topic of Related Expenses, its reporting requirements by the Government Accounting Standards Board (GASB) Rules, and how the Commission should scrutinize the information placed before them relative to this topic.

ITEM NO. 3 APPROVAL OF THE MARCH 5, 2014 MINUTES

The March 5, 2014 Commission Minutes were unanimously approved.

ITEM NO. 4 EXECUTIVE DIRECTOR'S REPORT

a. Budget Review

Mr. Miguel Santana, City Administrative Officer (CAO), provided the Commissioners an overview of the LACC's budget. The highlights are as follows:

- The City's fiscal crisis provided an opportunity for economic development. Through the collaboration of the Mayor, Chief Legislative Analyst (CLA), and the CAO, the LACC transitioned into a governance structure similar to that of other convention centers across the nation.
- With today's City Council approval of the new Governance Ordinance, the Commission is empowered to manage the LACC, to manage and oversee the AEG and the Los Angeles Tourism and Convention Board (LATCB) contracts, and to expand into the strategic planning of tourism, in partnership with AEG, LATCB, and the City family.
- The relationship between the Commission and the Mayor is critical in achieving the LACC's mission and goals. The City must show a unified front, come together, and work as a team as it moves forward in securing major conventions.
- As a department under the City umbrella, there are various competing interests that the CAO must manage on a daily basis (roof repairs at the LACC verses the Library, staffing issue). Each department has a budget. In addition, there is another budget that every City department must share called "Under the Cap Rate" where each City department is charged for budget items such as the time of the CAO, the City Attorney, pensions, and healthcare (for current and former employees). The City has procurement processes that are cumbersome and not always efficient. There are limitations on labor issues that hamper being flexible in a competitive environment. All of the aforementioned are challenges

associated with being a City department. The CAO will be an asset to this Commission in navigating through these processes.

- The LACC, through its leadership, is primed to excel. The relationship between all of its partners is critical. Yesterday, the CAO, President Vein, Mr. Ovrom and Mr. Wooden met to check in, see how things are going, and how we can all move forward. It is these relationships that become central to the effectiveness of the organization.
- The LACC has a deficit for the current fiscal year which will be presented to the City Council in order to determine how it can be mitigated.
- Another focus is how to start investing back into the LACC so that it is at the minimal standard to compete on a global stage. For the last five years, the goal of the City departments was to survive another year without layoffs, furloughs, and/cuts in major programs. There are deficits projected for the next few years, but they are getting smaller. The City is now transitioning from challenging times to a mode of planning, developing goals, and benchmarking. This is where the Commission's expertise comes in, by developing strategic goals for the Convention Center. Government is not designed to compete in national and international stages, but the Commissioners compete within their respective professional fields and collectively can develop a strategic plan and goals for the LACC's success. In addition, the Commissioners can determine how to reconcile the tension between citywide conventions and tradeshow and develop a Capital Improvement Plan.

Mr. Santana thanked the Commission for taking on the opportunity and offered his support.

Commissioner Zucker inquired on the status of the LATCB contract extension. Mr. Santana stated that it's currently a six month extension, but it's up to the Commission to determine the time frame in which to place it on.

Mr. Ovrom added that the contract will move as quickly as possible. Mayor Garcetti has assigned Bloomberg Associates to work with the LACC on the LACTB contract. He also stated that Commissioners cannot be involved in contract negotiations, but may discuss them publically.

Mr. Santana added that there are two pieces to the contract; a generic manila piece (formal establishment of the relationship between the City and the Commission) and Exhibit E that outlines services to be provided. Exhibit E will determine how success is defined and an accountability that comes with it as well.

Mr. Ovrom recognized and credited Mr. Santana for his lead role in the new governance and privatization of the LACC. And added that all of us are here as a result of his efforts and we need be successful and be an example and a model for other city operations.

b. Update on Governance Ordinance

Mr. Ovrom reported that the Governance Ordinance was approved today, 12-0, upon consent. Technically, it's not effective for 30 days in case someone wants to file a referendum.

Mr. Ovrom also reported that the Action Plan/Annual Report will now go to print. The LACC was waiting on the Governance Ordinance to pass. The cover has changed, but the content remains the same. Mr. Ovrom thanked the LATCB for covering the expenses.

c. LATCB Contract Extension

Mr. Ovrom reported that the LACC is working with Bloomberg and Associates to expedite the contract extension.

Commissioner Zucker asked if benchmarks can be added to the contract. Mr. Ovrom recommended to have a draft contract and exhibit to this Commission by the end of May as one of the benchmarks.

ITEM NO. 5 BUDGET UPDATE

Ms. Bleavins provided a budget report to the Commission. The highlights are as follows:

a. FY 14/15

- Budget Process: Last December the LACC presented to the Commission and submitted to the Mayor's office the LACC's proposed budget. For the last few months, each City department's budget has been reviewed by the Mayor and the CAO in order to put together the City's proposed budget. The result is the City's proposed budget compiled in four documents, totaling 1500 pages (the proposed budget, two volumes of the Blue Book, and detailed information on revenue).
- The LACC department budget is \$1.7 million. \$1.5 million is coming from LACC operating revenues and \$185 thousand is coming from LATCB's Transient Occupancy Tax (TOT) allocation. The LACC requested \$1.8 million, but was reduced during the City's review process.
- The LACC is considered a Special Fund department, so any excess revenue in the operating budget does not revert to the General Fund, but remains in the LACC's budget for subsequent years. The following items were discussed:
 - Cash Flow Management Fund: The City agreed to incorporate \$5 million dollars into AEG's contract for the purpose of assistance with cash flow

deficiencies. At the beginning of the fiscal year, AEG would request how much they would need based on their financial forecast and once AEG is made whole, the funds would be return.

- LACC Reserve Fund: The City agreed to incorporate \$2 million into AEG's contract, for any extraordinary circumstances that may occur. The money would be held by the City and AEG would request the funding, if needed. The LACC has requested that these funds come out of the City's General Fund, which was declined. The funds will come out of the LACC's operating revenues.
- \$40 thousand for Building and Safety expenses. The cost will come out of the LACC's operating revenue.
- AEG's operating budget is \$21.9 million.
- LATCB's operating budget is \$14.9 million, which comes from the TOT.
- LACC expenses:
 - \$48 million paid by General Fund to pay debt service.
 - Commercial Paper Program: Something new, similar to a home equity line of credit for the LACC. It's a Municipal Improvement Corporation of Los Angeles (MICLA) Program through the General Fund, with a \$100 million line of credit. The LACC parking system is part of the planned projects to fund.
 - Related Costs total \$7 million (overhead to pay for pension, retirement, fringe benefits, and other departmental costs such as services from the office of the Controller, CAO, and City Attorney paid through the General Fund)
- Briefly reviewed budget items that LACC requested verses what was approved in the Proposed Budget, as well as Capital Improvement Projects (CIP)
- The LACC's Budget Hearing was announced, scheduled for May 2, 2014.

President Vein asked what the next step is and commented that research is needed on where the LACC fund sources are flowing to and from; and, if they are not going to the LACC, a more accurate report of where the funds are going.

In response President Vein's inquiry on the next step, Ms. Bleavins informed the Commission the LACC is scheduled to appear before the Budget & Finance Committee for a Budget Hearing on May 2, 2014. The Budget Hearing is an opportunity for the City Council to ask the LACC about its budget and get the LACC's feedback and responses to how the department feels about the proposed budget. In addition, Mr. Ovrom distributed copies of the response letters from the LACC to the Budget & Finance Committee which states that the LACC is in support of the Mayor's budget and records that there are still issues with the operating budget and CIP.

Commissioner Zucker commented that she does not have a clear picture on the revenues and if we have a realistic budget. Mr. Gessner responded that he believes their budget is realistic. AEG has met with LATCB to make sure they're aware of everything that LATCB had made promises on thus far.

Commissioner Zucker asked if there's a reporting structure to provide the Commissioners monthly reports of fiscal expectations on a year-to-date. Mr. Keith Hilsgen, AEG's Vice President of Finance, stated that AEG is required by contract to provide such information to the Department on a monthly basis.

b. FY 13/14

- This subject was not discussed due to time limitations.

ITEM NO. 6 AGENDA FORECAST / SPECIAL TOPICS

Mr. Ovrom was informed that the Ethics Training attorney will not be available on May 21st, so Mr. Ovrom suggested that the LATCB Contract be scheduled for May 21st instead.

ITEM NO. 8 ADJOURNMENT

The meeting was adjourned at 12:05 p.m.