



LOS ANGELES CONVENTION AND EXHIBITION CENTER AUTHORITY

Meeting
Wednesday
May 14, 2014
12:00 p.m.
Los Angeles Convention Center

COMMISSIONERS PRESENT

Susan Rodriguez, President
Andrew Walter, Vice President
Carlos Alfaro
Wayne Avrashow
Candice Choh
Shahiedah S. Coates
David Cunningham, Jr.
Robert R. Mallicoat
Kanchan Mattoo
Sylvia Robledo

COMMISSIONERS ABSENT

Tom Cañas
Florence Chung
Peter Gravett
Donald H. Smith

DEPARTMENT STAFF & GUESTS PRESENT

Bud Ovrom, Executive Director
Tom Fields, Assistant General Manager – Chief Operating Officer
Marla Bleavins, Assistant General Manager – Finance and Administration
Cristine Villorante, Recording Secretary
John Wickham, Chief Legislative Analyst – Office of the Chief Legislative Analyst
Natalie Brill, Chief Debt Manager – Office of the City Administrative Officer
Diana Mangioglu, Sr. Administrative Analyst II – Office of the City Administrative Officer
Brad Gessner, Sr. VP & General Manager of the LACC – AEG
Barbara Kirklighter, Sr. Director of Research & Revenue Strategy – Los Angeles Tourism & Convention Board

Item 1. Call to Order - President Robledo called the meeting to order at 12:14 p.m.

Item 2. Public Comment - Ms. Joyce Dillard expressed her concerns over air rights and Transient Occupancy Tax (TOT). She asked the Authority to take more time to look into the issues of public benefit and tax exempt debt.

President Rodriguez asked that Ms. Dillard's comments be referred to the City Attorney's office, especially with respect to the Authority's jurisdiction.

Item 3. Approval of the Meeting Minutes - The Joint Commission Minutes of February 12, 2014 were unanimously approved.

Item 4. President Comments - President Rodriguez expressed her appreciation for Commissioner Donald Smith's service to the Authority, appreciation to the Commissioners for contributing to today's lunch service in honor of Commissioner Smith, and to Levy Restaurants for a wonderful food service. Regretfully, Commissioner Smith was unable to attend, but will continue his service until such time his replacement is approved by City Council.

Item 5. Commercial Paper Program - Ms. Natalie Brill and Ms. Diana Mangioglu reported on the Commercial Paper Program. The highlights are as follows:

- Plan A – The City is committed to Plan A if a team comes forward. Plan A basically says that the City does not have money to build a Convention Center, but you can use the land on West Hall, which is debt free, to build a stadium and a new Convention Center. Instead of using the General Fund, Incremental Revenue would be used. Incremental Revenue is money that would be made from stadium in property tax, construction sales tax, parking tax, and fair market value rent. All these revenues can be tracked. If there's not enough money in revenues, there is a GAP funding agreement, which states AEG will pay for the debt service.
- Plan B – If an NFL team does not come forward, the City put together a plan to raise money to modernize the Los Angeles Convention Center (LACC). The City currently has Commercial Paper which is a structured debt that rolls over anywhere from a day to 270 days. This is done through the General Fund's, MICLA Program (Municipal Improvement Corporation of Los Angeles) which is secured by properties the General Fund owns. It's similar to a short term construction loan; once the construction is complete, it is refunded into a long term debt.
- It was determined that \$200 million to \$300 million would be needed to rehabilitate the LACC.
- As a first step, for FY 2014-15, \$2 million was put in the General Fund to create a low interest rate, commercial paper program for the LACC. This will allow the LACC to begin the process of making improvements immediately, regardless of Plan A or Plan B. This was approved by the Budget and Finance Committee last week.
- The \$2 million commercial paper equates to \$1 million a year in debt service, and will service \$50 million - \$100 million of debt. The City does not know if a commercial letter of credit for \$50 million - \$100 million of debt can be obtained, so an appraisal of the LACC will need to be done, and documents related to commercial paper will need to be approved by the Authority in the near future.

- Commercial paper program gives us time, at very low interest rate, to keep the LACC going until all the debt is paid off in 2023, at which point the City can issue new long term debt. There a couple of banks interested in giving the City a letter of credit. All together, the program will cost us 1% for \$100 million. There is no lower cost of funding.
- The City will need the Authority to sign documents related to the commercial paper program in the near future.

Item 6. Status of Bonds - Ms. Brill reported on the status of bonds. The highlights are as follows:

- Background: The LACC's bonds were first released in the late 1960s. The LACC established a Joint Powers Agreement (JPA), as a mechanism to do a Lease/Lease Back deal (the City leased the land to the Authority and, in turn, the Authority leased it back to the City). The City owns the land and the Convention Center is owned by the Authority.
- The City has issued \$630 million (new money issuance) to the LACC over the years to build North Hall, West Hall, South Hall, Concourse, and parking structures.
- LACC currently has \$320 million worth of bonds. In addition, there are Staples bonds, which are taxable bonds (not necessarily tied to the Convention Center itself, but are Convention Center bonds).
- There are very few ways to issue bonds in California. One way is a Lease/Lease Back, which is basically a lease. The City is leasing the Convention Center from the Authority, and the Authority is making the debt payment to the bond holders. The bonds are secured by the General Fund. Through the years, the City has told the hotel community that in order for the City to have enough money to pay for the bonds the TOT must increase to 3.5%.
- The debt for 2014-15 is \$48 million. There are two bond series left to pay, the 2003 series which will be paid in FY 2015-16 and 2008 series which will be paid in FY 2022-23.

Item 7. Plan B / Design Competition - Mr. Fields reported on the Design Competition. The highlights are as follows:

- A Task Order Solicitation (TOS) is currently being drafted by the Bureau of Engineering, with the assistance of the LACC and the Office of the Chief Legislative Analyst, and should be completed by next week.
- The TOS will have a list of criteria that needs to be addressed within the design concepts. For example:

- Currently, there is 720 thousand sq. ft. of exhibit space, the goal is to increase the exhibit space to one million sq. ft. of contiguous space.
 - Currently, the meeting room inventory is 102 thousand sq. ft., the goal is to increase the inventory to 180 thousand sq. ft., which will allow two events to run simultaneously (from 55 meeting rooms to 85 meeting rooms).
 - Circulation pass must be good.
 - Must have a sense of flow.
 - Space for a 1,000 room hotel.
- The TOS will go out to a list of pre-approved companies who will submit their proposals. The top three companies will be selected to submit their conceptual designs, given \$200 thousand each to assist in their expenses. The winning concept will be selected to move forward into the schematic design phase.
 - Because there is City expense involved, the time line has been pushed back to see if any news comes from the NFL. There is an NFL owners meeting this month. AEG is committed to bringing an NFL team to Los Angeles and working hard on it.

Item 8. Executive Director's Report -

A. Action Plan

Mr. Ovrom distributed the published Action Plan/Annual Report.

B. Operations

Mr. Fields reported that the transition is going smoothly. There is a great relationship between LACC and AEG. The LACC just had a very successful show, the National Cable Show. E3 is coming up next month, which is a massive show that requires a lot of preparation prior to the actual show and will require everyone's best efforts.

C. Financials

Ms. Bleavins reported that City is in the midst of the budget process. The Mayor proposed his budget last April. The City departments are in the process of their budget hearings, the LACC had its hearing on May 2nd. The full City Council will vote on the budget next week.

The LACC items going before the City Council:

- 1) AEG's budget, \$21 million
- 2) LATCB's contract, \$14.9 million (to market the City and the booking of large citywide conventions)
- 3) Funding for the LACC Department, \$1.7 million
- 4) Funding for Capital Improvement Projects (CIP), \$5.5 million
- 5) Debt Service, \$48 million
- 6) Cash Flow Funding & Reserve Funding for AEG operations, \$7 million

Mr. Ovrom commented that the CIP funding is a really big deal. It's the first time in years that there is funding for long needed repairs. Mr. Fields added that a lot of coordination will be needed between the planning of improvement projects and events.

Item 9. Proposed Future Monthly Meeting Schedule - The meeting of June 11th will be scheduled for 12 p.m. with Vice President Walter to preside as President Rodriguez will not be available to attend. Start time can be discussed at the next meeting.

The meeting adjourned at 1:26 p.m.
