



Worldwide Entertainment and
Convention Venue Management

#6

09-0600-S159

February 17, 2010

The Honorable Janice Hahn
Chair, Trade, Commerce and Tourism Committee
200 N. Spring Street, Rm 435
Los Angeles, CA 90012

Date: 2/17/10
Submitted in TCT Committee
Council File No: 09-0600-S159
Item No.: 6
Deputy: Comm from the Public

Re: Agenda Item #6, Convention Center privatization proposal contained in the City Administrative Officer Three-Year Plan to Fiscal Sustainability report.

Dear Councilmember Hahn:

As the City seeks creative and progressive approaches to advancing the interests of the Los Angeles Convention Center (LACC), SMG would like to take this opportunity to express our interest in working with the City to explore the process of privatizing this valuable asset.

Formed in 1977, SMG remains the market leader today with 67 convention centers in our portfolio. More important than sheer size, are our firm's close ties to California, where we have served the cities of San Francisco and Long Beach for over thirty years each, as well as the Cities of Fresno, Ontario, and Palm Springs. This provides us with a knowledge and depth of resources in the California (and national) convention industry that would have immediate benefit to the LACC.

Given our extensive and successful background, recent reports regarding the possible privatization of the LACC have piqued our interest. We strongly believe that your goals to improve the LACC closely align with our own goals and philosophies. To that end, we wish to offer input and suggestions based on working with other municipalities and facilities of similar size and scope. As such, there are three areas of focus that we wish to help you explore:

- Operational efficiencies and service excellence
- Deficit reduction for the Center and the City
- Marketing alliance between the Center, LA, INC. and the hospitality community

Experience has shown us the critical importance of a unified operation that allows the prospective management company the opportunity to leverage all aspects of convention center operations for its host city. This includes the management company's ability to provide both operational and culinary services, versus the current structure, which calls for two separate providers. Having one qualified operator of both services would have two substantial and immediate benefits at the LACC:

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1. Allowing management to negotiate directly with facility users taking the 'total package' into consideration, rather than forcing the client into two separate negotiations with two separate firms
2. Retaining more revenue for the City, thus reducing operating deficits rather than seeing dollars leave the community to the benefit of a third party operator.

SMG first launched its culinary services division (now called **SAVOR...by SMG**) in 1983, when the mayor of San Francisco sought the end of 'institutional feeding' in favor of catering that better reflected the City's reputation for fine dining. Today, this higher level of experience, control and city revenue has expanded to over 30 other convention centers in our care. This approach also allows us to provide uniquely local cuisine in such diverse communities as Honolulu, Hawaii and San Juan, Puerto Rico.

Along with food and beverage, and as pointed out in the City's recent audit of the LACC, there are many other areas of **operational efficiency and service excellence** that can be achieved by a professional management company.

For example, we understand the City is currently reviewing proposals for LACC catering services. However, given that privatization of the entire LACC was not a consideration when the City issued an RFP for catering services in 2009; and given that catering is at the very least a sub-unit of the overall operation, it would be in the City's best interest to re-consider that RFP, and not make any final decisions on this service in isolation. Operational and catering services should be procured together. If procured together, prospective management companies would be able maximize service improvements in both areas, and generate greater value for the City.

While the above is one of the key areas to enhance **deficit reduction** for the Center and City, it is merely one category. In our 30-plus years managing publicly owned facilities, we have recognized the need to provide services that meet the needs of our planners, exhibitors and attendees, at the same time generating revenue streams for the Center. We are also able to institute best practices, benchmarks and metrics that draw on our experience from many other comparable facilities. A thorough review of all revenue categories, as well as benchmarking expenses against our other comparable venues, will invariably lead to an improved financial position for the LACC.

Another critical area for improved performance is the **marketing alliance** that garners the greatest amount of exposure for the destination and LACC, while managing aggregate expenses. Based on our experience across the United States, SMG has developed several models to help municipalities meet their convention-center marketing and sales goals, including the recently created "Denver Alliance." Under this model, we helped Denver Metro Convention & Visitors Bureau accomplish two key objectives for the Greater Denver market:

1. A more streamlined sales force, led by the Denver Metro Convention & Visitors Bureau; and
2. A concisely drafted mission statement and formal roles and responsibilities of the center, the city, and the convention and visitors bureau.

The Denver Model has been successful because it brought all the parties together under an operating structure that aligned their goals with their stated mission and objectives. Other models range from a typical 'partner' relationship with the CVB (such as in Columbus and Pittsburgh) to SMG reporting to the CVB as we do in Atlantic City and Fort Lauderdale.

We are in the best position to help the City of Los Angeles and LA INC. to create a model that best suits the needs and budgetary goals of the region. At the same time, the convention center and city benefit from the best known 'brand' in convention center management. There are a number of current LACC clients with whom we already have a national relationship. More importantly, there are many other SMG clients that have yet to book in Los Angeles. These relationships can only help promote the new offerings of downtown Los Angeles.

Our experience working with other Cities on similar projects uniquely positions SMG to help the City of Los Angeles successfully manage this critical transition. To that end, we look forward to having the opportunity to work together and are available to meet at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gregg Caren', with a long horizontal flourish extending to the right.

Gregg Caren
Senior Vice President

Cc: Member of the Trade, Commerce and Tourism Committee
Miguel Santana, City Administrative Officer