

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 3, 2013

CAO File No. 0110-00800-0000

Council File No. 12-0692

Council District: 9

To: The Mayor
The City Council

From: Miguel A. Santana, City Administrative Officer



Reference: C.F. 12-0692

Subject: **PROPOSED AGREEMENT FOR THE MANAGEMENT AND OPERATIONS OF THE CONVENTION CENTER AND PROPOSED AMENDMENTS TO THE LOS ANGELES ADMINISTRATIVE CODE**

SUMMARY

On June 26, 2013, the City Council ("Council") approved the recommendation of Anschutz Entertainment Group ("AEG") as the successful bidder to manage and operate the Los Angeles Convention Center ("LACC"). The Council also instructed the City Administrative Officer ("CAO") and the LACC to execute a Memorandum of Understanding ("MOU") between the City and AEG, to return to Council with a draft Management Agreement, and instructed the Personnel Department to develop a process for placing full-time and half-time LACC employees in other City departments.

Over the last several weeks the City team, including the Convention Center, City Attorney, Chief Legislative Analyst ("CLA"), the CAO and the City's consultants (Peralta Garcia Solutions, Crossroads Consulting and Tubert Consulting) have been meeting with AEG to discuss the transition from public to private management and have been negotiating the attached Management Agreement ("Agreement") for your consideration (ATTACHMENT 1). The Agreement proposes a five-year term with an unfettered ability to terminate by Year Three, with a Base Management Fee amount of \$175,000 and an incentive fee amount not to exceed \$175,000 for a total amount of \$350,000. To maintain the tax-exempt status of the bonds, the Agreement is intended to satisfy certain requirements such that it constitutes a Qualified Management Contract for purposes of IRS Code Sections 141 (b) and (c). Further, the City team has been working closely with the City Attorney and Bond Counsel to ensure that the proposed Agreement complies with applicable laws and City processes.

There is no anticipated additional impact to the General Fund for the First Agreement Year, as there is an understanding that AEG will operate and manage the facility within the 2013-14

ECONOMIC DEVELOPMENT

BUDGET & FINANCE

Adopted Budget. Starting in the Second Agreement Year and each year thereafter, for the entire term of the Agreement, AEG will prepare an Operating Budget and Annual Plan that shall be submitted to the LACC Department and provided to the Board of Los Angeles Convention Center Commissioners ("LACC Board") for review and consideration. Upon approval, the proposed budget shall be submitted for review as part of the City's annual budget process. The City shall monitor AEG's performance on a regular basis through reports and periodic audits by the City to review the performance and finances.

As part of the Employee Transition Process, the City created a working group consisting of the LACC Department, Personnel, and CAO to develop a process for placing 89 full-time employees and 35 half-time employees in other City departments. The City committed to the placement of all full-time and half-time LACC employees in other City departments, at an equivalent or similar classification, without a loss in pay or seniority should those employees choose not to accept employment with AEG. As of October 1, 40 full-time employees and 34 half-time employees remain to be placed. This does not include the 13 positions that will remain as part of the LACC Department. The working group will place all remaining employees by December 2013, during the transition phase. From the group of employees already placed, five have accepted positions with AEG. Prior to the effective date of the Agreement and prior to the beginning of each Agreement Year, AEG is required to submit proof of having entered into a Labor Peace Agreement with unions to ensure that LACC activities will not be interrupted by labor disputes.

At the last Budget and Finance Committee ("Committee") meeting, the Committee instructed that AEG reach out to the City's existing as-needed pool of employees currently utilized by the LACC. In September, AEG hosted a job fair exclusive to LACC employees, in which approximately 210 attendees had an opportunity to submit applications and interact with AEG and its subcontractors for potential employment opportunities. A second job fair is scheduled for the near future and will be open to the public.

On December 12, 2012, the Council requested that the City Attorney work with the CAO and CLA to prepare and present an Ordinance amending the Administrative Code, "The Code", to implement an enhanced governance structure for the LACC. In response, the City Attorney issued a report in August 2013 with an attached draft ordinance amending various sections of The Code. As negotiations have progressed and upon further evaluation, this Office, with the assistance of the City Attorney, has identified additional legislative amendments that are necessary pursuant to the proposed Management Agreement, and for transitioning to a private convention center operator model.

Pursuant to the August 3, 2012 report, the Council adopted a three step plan for making the LACC a first class, top tier convention center facility. The three step plan includes (1) enhancing the governance structure of the LACC; (2) implementing an alternative structure for operating

management services; and (3) expanding the City's hotel room supply to 5,000 rooms within a ½ mile radius. By adopting the recommendations herein, the City would be achieving items 1 and 2.

MEMORANDUM OF UNDERSTANDING

On July 19, 2013, the City and AEG entered into a Memorandum of Understanding (MOU), which memorializes the terms for a transition planning period and provided a framework for negotiations with respect to the Agreement. The term of the MOU is 90 days, including an option to extend the term if mutually agreed upon.

During the MOU Transition Planning Period, AEG agreed to, among other things, assess the current operations status, interview existing staff, assist with customer communication and outreach, identify procedures for transitioning financial and booking systems, and negotiate and enter into a Labor Peace Agreement with unions. Upon execution of the Management Agreement, the 90-day MOU is automatically terminated.

MANAGEMENT AGREEMENT

The City entered into negotiations with the goal of owning a convention center that will become a leading and primary destination of top tier national and international conventions, trade shows and events. The City's first priority is to meet the needs of citywide events including conventions and trade shows, and the second priority is to meet the needs of local events and activities including local trade shows, consumer shows, meetings, filming, entertainment, and community events. In pursuing private management, the City has identified the operational goals for the LACC that include but are not limited to:

- Managing day-to-day operations in a cost efficient, high quality and effective manner;
- Maximizing the generation of hotel room occupancy and transient occupancy taxes;
- Providing superior services to patrons and visitors;
- Maximizing customer satisfaction and maximizing LACC re-bookings;
- Collaborating with stakeholders to develop and implement innovative initiatives to penetrate new markets; and,
- Managing operational expenses within an annual operating budget.

Term

The term of the Agreement is five (5) years commencing on the effective date of the Agreement. The City also has the unfettered ability to terminate this Agreement on or after three (3) years without any constraints or penalties.

Compensation

The compensation to AEG for managing and operating the LACC shall consist of a Base Management Fee and Incentive Fee, the source of which is LACC revenue. The total potential fee amount of \$350,000 will be included as part of AEG's annual operating budget. The following is a description of the two fees:

- (1) Base Management Fee - An annual fixed fee amount of \$175,000 for all services provided pursuant to the Agreement, which shall be adjusted upward annually in accordance with the Consumer Price Index, capped at 2 percent. The fee shall be paid in equal monthly installments in arrears.
- (2) Incentive Fee - An annual incentive fee amount of \$175,000 increasing yearly at CPI, capped at 2 percent, which includes an (a) Earned Incentive Fee and a (b) Discretionary Incentive Fee that is separate from and in addition to the Base Management Fee. The total Incentive Fee (Earned and Discretionary) shall never exceed more than 50 percent of the total fee. The incentive fee shall only be paid when actual Total Operating Revenues exceed budget Total Operating Revenues for an Agreement Year.
 - a. *Earned Incentive Fee:* The Earned Incentive Fee shall be calculated as 75 percent of the amount by which the actual Operating Revenue for an Agreement Year exceeds the budgeted total Operating Revenue. The Earned Incentive Fee would be paid to AEG after the LACC Department accepts the annual audit report prepared by an independent auditing firm.
 - b. *Discretionary Incentive Fee:* Calculation of the Discretionary Incentive Fee is as follows:

If the LACC Department favorably evaluates AEG's performance during the Agreement Year in the categories described below, AEG will be paid a Discretionary Incentive Fee determined by the LACC Board. Categories (1) Implementation of enhanced customer satisfaction, and (2) Implementation of enhanced facility management, are permanent categories and should be evaluated each year. Category (3) Implementation of enhanced public safety shall be evaluated for the first agreement year and may be modified thereafter. The Parties will also annually agree upon the allocation of weight of the three categories. For the First Agreement Year, Categories (1) and (2) are 40 percent and Category (3) is 20 percent.

Other Financial Elements

The following are additional financial elements that AEG has agreed to satisfy.

Business and Marketing Development Fund

Original Offer – An amount of \$500,000 to be expended over the course of the contract term for the purposes of marketing and soliciting events.

Agreed amount – A commitment to budget \$300,000 annually in the LACC Operating Budget, for a total of \$1.5 million over a five-year period, to market and solicit events to the LACC. The source of funds is revenue derived from the management and operations of the LACC, which shall be deposited into and managed from the LACC Operating Account. All LACC revenues of every type are deposited in the Operating Account.

Capital and Working Capital Advances

Original Offer - \$1 million advance towards capital improvement costs.

Agreed Amount - An advance of up to \$1 million loan to fund Capital Improvement Projects or any type of operating expense, "First Capital Advance". A "Second Capital Advance" of up to \$1 million to fund certain revenue-generating projects that is mutually selected and agreed upon by the Parties, and is not contingent on the City having requested or accepted any of the First Capital Advance. The City shall repay advances with interest based on the City's pool rate and amortized for the term of 5 years. The source of funds for repaying any loan amount received is convention center revenue.

Corporate Guarantee for a Performance Bond

During the term of this Agreement, AEG shall provide the City a corporate guarantee from AEG parent, to protect the City against loss due to the inability or refusal of AEG to perform under this Agreement.

Operating Budget and Annual Plan

As the City's private operator, AEG will have authority to manage the revenues collected from Convention Center operations pursuant to an Operating Budget and Annual Plan prepared by AEG, recommended by the LACC Board, and approved by the Council and Mayor as part of the City's annual budget process. The Operating Budget shall include an annual budget and a proposed three-year Operating Budget. The Annual Plan will include a written business plan that addresses such things as AEG's planned operating maintenance activities, input into Capital Improvements and Equipment purchases, anticipated events, and anticipated advertising and promotional activities.

Operating Account

In managing Convention Center revenues, AEG will be collecting revenue directly from clients and other sources engaged in convention center operations. An amendment to The Code is required to enable AEG to collect revenue and deposit money into a separate operating account ("Operating Account"), managed by AEG. It is necessary that AEG be provided the mechanism to collect and deposit revenues to, and expend funds directly from the Operating Account. It is standard practice in the industry for public owners of a convention center to authorize a private operator to have direct control and management of cash to allow the maximum flexibility and financial effectiveness of convention operations.

All revenues collected by AEG arising from operation of the LACC, are the sole property of the City, held in trust by AEG for the benefit of the City. The City shall be a co-signatory to the account and have access to all funds deposited in the Operating Account. Any amounts remaining in the Operating Account upon the expiration or earlier termination of the Agreement, after payment of all LACC Department approved outstanding Operating Expenses shall be promptly remitted by AEG to the City.

AEG is required to maintain complete financial and accounting records and reports of all revenues and expenditures in accordance with generally accepted accounting principles. The LACC Department and the City Controller shall have the right to audit and access all financial records upon request. AEG is required to provide an annual unaudited financial statement of operations and an annual independent auditor's report at the end of each Agreement year. In addition, AEG is required to submit to the City a written monthly report detailing revenues and expenditures. The LACC Department is responsible for reviewing the information provided and for briefing the LACC Board on the LACC's operational activities. A similar report or update will be provided as part of the City's financial status reports.

LACC Reserve Fund

The Agreement requires that AEG budget for a 10 percent reserve fund each year in the event there is an unanticipated expense that may not be covered by the Operating Budget, insufficient cash flow to cover an operating expense, or other LACC Department needs as determined by the Executive Director. As part of the City's annual budget process the LACC Department will request, starting in the Second Agreement Year and each year thereafter, that the Department receives an appropriation for an amount equivalent to 10 percent of the AEG operating budget. The source of the LACC Reserve Fund is convention center operating revenues. Any amount drawn from the LACC Reserve Fund must be reimbursed by AEG to the City as soon as funds are available and no later than 30 days prior to the end of the fiscal year. In the event there are insufficient revenues in the Operating Account for AEG to reimburse the LACC Reserve Fund,

AEG must set aside funds in the following fiscal year's budget to reimburse the Department to make the LACC Reserve Fund whole.

Cash Flow Management Fund

Once AEG has the authority to utilize the Operating Account and begins to manage and expend convention center funds directly from this account, it is likely AEG will need assistance with cash flow management. It is typical for cash to be low during the earlier part of the fiscal year or until a major show occurs to generate the level of revenue sufficient to cover expenditure needs. Until that revenue becomes available, the proposed Agreement provides the Executive Director discretion to transfer an amount up to \$5,000,000 from the LACC Department Budget to the Operating Account managed by AEG. The source of revenue for the \$5,000,000 is convention center revenue. Any sums drawn from the Cash Flow Management Fund for use by AEG shall be reimbursed to the LACC Department as soon as Operating Revenues are available and in no case later than thirty days prior to the end of the Fiscal Year. Any unspent appropriation shall revert back to the General Fund at year-end. The LACC Department is responsible for monitoring whether there is sufficient cash to back the appropriation and will provide updates through the City's financial status reports.

First Agreement Year, 2013-14

Assuming the Council approves the proposed Agreement, the First Agreement Year will commence during the middle of this Fiscal Year. Although AEG did not participate in developing the 2013-14 Budget, AEG has agreed to manage and operate the facility without any additional impact to the General Fund. Aside from day-to-day operational expenses, there are unanticipated costs that AEG will be expected to manage including start-up costs (approximately \$500,000), and costs to cover the new LACC Department (\$800,000 for 6 months). As a measure to offset unanticipated expenses, the surplus in the salaries account as a result of high vacancy rates will help offset these additional costs.

Until The Code is amended to authorize AEG the ability to manage convention center funds directly through the Operating Account, the City will continue to pay vendors directly from city accounts. AEG shall invoice the City for the cost of incurred salaries, which shall be reimbursed through convention center revenues.

For the First Agreement Year, the Management Agreement allows the Executive Director discretion to utilize the First Capital Advance for LACC related expenses not contemplated in the Operating Budget. Any amount borrowed, must be repaid with Convention Center revenues by the end of the five year agreement. This Office will monitor the Operating Budget closely and provide an update in the Mid-Year Financial Status Report.

Forum for Addressing Potential Conflicts of Interest

The Management Agreement provides AEG with the sole, exclusive right and authority to manage and operate the Convention Center as a top tier convention center. In the event an operational matter, either in the City's or AEG's opinion, creates a potential "conflict of interest", the matter shall be referred to LACC personnel or LACC Management Review Staff, who shall be authorized to (i) receive input from AEG on all management and operation matters, (ii) make recommendations to the Executive Director on all input received from AEG and on all booking and contract issues which are beyond the guidelines of the Booking Policy or which the City believes would otherwise create a potential conflict for AEG, and (iii) either resolve or make recommendations to the Executive Director for resolution of all disputes brought to it by means of Joint Review Management.

The LACC Management Review Staff shall review all input provided by AEG and make an independent review or appropriate recommendation to the Executive Director who shall accept, reject or modify the Staff recommendations or make his or her own recommendations to the LACC Board. The LACC Management Review Staff creates a forum for addressing potential conflicts of interest by adding several levels of independent review for the purposes of removing AEG from making a governmental decision or influencing the final decision maker. By entering into this agreement, AEG agrees that they are unaware of any financial or economic interest of any public officer or employee of the City relating to this Agreement.

EMPLOYEE TRANSITION

In approving AEG as the successful bidder to manage and operate the Convention Center, the City pledged to offer placement in other departments for full-time and half-time LACC employees who decide not to seek employment with AEG. Currently, the LACC has 89 full-time employees and 35 half-time employees. While a much smaller number of employees will remain with the newly restructured LACC Department and undetermined number may work for AEG, the City anticipates having to place the majority of employees currently working at the LACC into other City departments.

Since Council's approval of AEG as the successful bidder, a working group consisting of staff from the LACC, CAO and Personnel Department has been working to place LACC employees in other departments. The objectives of this placement effort are to facilitate placement of LACC employees prior to the end of the transition period, achieve the best fit possible for both employees and receiving departments, and produce the optimal financial outcome.

To facilitate the placement process, the working group solicited employment history data from LACC employees and provided access to other departments so they could review the information, contact, interview, and make offers to employees. The CAO also released a memo to

all Council controlled departments to identify funded vacancies so that the working group could proactively find placement opportunities for LACC employees. As part of this effort, the Managed Hiring Committee is prioritizing all requests that include placement of LACC employees. The CAO also sent a memo to the propriety departments and the pension systems requesting that they consider LACC employees for their employments needs.

The information below provides the status of the LACC employee placement effort.

Results of Placement Effort as of 10-1-13			
	Full-Time Employees	Half-Time Employees	Total
Employment Level as of 8-1-13	89	35	124
Confirmed Retirements	(1)	(1)	(2)
Employees on Long-Term Leave	(3)	-	(3)
Employees Remaining with Department Post Transition	(10)	-	(10)
Employees Who Have Accepted Offers from AEG	(5)	-	(5)
Employees Placed in other City Departments	(30)	-	(30)
Remaining Employees to Placed	40	34	74

TRANSITION OF LACC OPERATIONS TO AEG

LACC staff is working with its clients, AEG and the Los Angeles Tourism and Convention Board ("LATCB") to ensure a seamless transition with minimal impact to licensed events at the Convention Center. The transition period will commence upon the execution of the Management Agreement and conclude by the end of December. During this time, the LACC Department will still be responsible for the day-to-day management of the facility while AEG will be hiring staff and will be on site to learn LACC operations.

Staff identified this timeframe for the transition to minimize the impact on the Auto Show, which is a key, long-standing client and the LACC's biggest revenue generator. LACC is negotiating release dates for employees that meet the service needs of its clients through the end of the transition as well as the operational needs of City departments receiving LACC employees. At the end of the Transition Period, AEG will assume day-to-day management responsibilities of the Convention Center including event services; facilities maintenance; sales and marketing; parking; security; information systems; human resources and financial management. Due to contract

termination requirements, AEG's food and beverage sub-contractor will not begin to provide services until early January.

ONGOING ROLE OF THE LACC BOARD AND DEPARTMENT

The new governance structure includes a department that shall be under the control and management of the LACC Board. The LACC Department will continue to operate with 13 positions (ATTACHMENT 2), including an Executive Director. The role of the LACC Department is to administer the Agreement with AEG, in addition to the Agreement with the LATCB. According to the August 19 Draft Ordinance, the Executive Director shall report to the LACC Board and serve as the representative of the Board to the Mayor, Council, other departments, and contractors.

The LACC Board shall advise the Mayor and Council on all policies related to tourism, long-term strategic plan for tourism and hotel growth in the City, marketing the City and convention business. The Board shall administer the AEG and LATCB Agreements through the assistance of the LACC Department.

ADMINISTRATIVE CODE AMENDMENTS

August 19 Draft Ordinance Prepared by City Attorney Amending Relevant Sections to the Administrative Code Regarding Governance Structure of the Convention Center Department

On December 12, 2012, the Council requested that the City Attorney work with the CAO and CLA to prepare and present an ordinance amending the Los Angeles Administrative Code ("The Code") to expand the duties and scope of responsibilities of the existing LACC Commission to instead operate as a Board that advises the Mayor and Council on all policies related to tourism, marketing Los Angeles, convention business and administration of the proposed Management Agreement and LATCB agreement. As a result, on August 19, 2013, the City Attorney released a draft ordinance amending relevant sections of The Code ("August 19 Draft Ordinance"). Upon consideration of the proposed Management Agreement, the CAO has recommendations for additional necessary changes to The Code, which impact the August 19 Draft Ordinance prepared by the City Attorney. We believe these are necessary changes to enable the designated firm to operate in accordance with the duties outlined in the Management Agreement. The recommendations also enable the new LACC Department and Board to operate in a more streamlined manner to add flexibility and efficiency to the overall management operations.

General Comments

The Management Agreement designates AEG as the operator and manager of the Convention Center. Therefore, it is recommended that necessary changes be made to The Code to enable a private operator or designated operator to operate, manage and maintain the Convention Center

facility. This includes enabling the designated operator to book events on the Convention Center's Master Calendar, to negotiate and enter into contracts for the use of the Convention Center facilities in accordance with the Booking Policy.

Approving Discounts - Section 8.149.1 (a), (B) & (C)

In accordance with Council's request, City Attorney revised The Code to reflect current Discount Policy operating practices. According to the August 19 Draft Ordinance, the Executive Director shall inform the Board of each proposed rate reduction or waiver and obtain the Board's approval prior to executing a license agreement, which is an agreement to secure and utilize space at the LACC for a temporary period of time (Subsection B). Further, proposed rate reductions or waivers that do not meet the requirements of The Code shall be submitted to the Mayor, who shall recommend to the Council whether a particular proposed rate reduction or waiver may be granted or denied (Subsection C).

Upon further review, this Office has additional recommendations that impact the August 19 Draft Ordinance. One of the key reasons for changing the model of the LACC governance structure was to add flexibility to management and operations of the Convention Center. To be consistent with this initiative, it is recommended that the Executive Director be enabled to execute license agreements consistent with The Code, without having to obtain prior approval from the Board. It is also recommended that if a proposed rate reduction or waiver does not meet the requirements of The Code, the Board be enabled to approve these exceptions without obtaining Mayor and Council approval. Currently, such exceptions include:

- (1) Industry-wide and Travel Association Events – Meetings of national and regional Industry-Wide and Travel Associations may have a significant impact on future business and tourism.
- (2) Multi-Year Licenses – Events that make a commitment to return their event to the LACC within five years of their first Los Angeles event.
- (3) Exceptional Events – Events that present an exceptional opportunity to generate extraordinary revenue or a significant number of visitors.

Approving the Calculation of Discounts - Section 8.149.1(b) (4)

The August 19 Draft Ordinance addresses the calculation of discounts or reductions and waivers applied to license agreements per the Discount Policy. These are discounts in space rental charges recommended by the LATCB that would otherwise be paid by Convention Center clients. The August 19 Draft Ordinance requires that the CAO approve the calculation of the reduction or

waiver. It is instead recommended that the calculation of such reductions or waivers applied to license agreements be approved by the Executive Director and no longer the CAO.

Establishing an Operating Account

The current City ordinance (Section 8.148) requires that all money derived from the LACC to be deposited into the Convention Center Revenue Trust Fund ("LACC Trust Fund"). Further, the City ordinance (Section 5.47) prohibits a City department from paying any contract amounts in advance of the expense being incurred unless the contract falls within one of the listed exemptions and this Agreement does not currently qualify for an exemption.

Therefore it is recommended that The Code be amended to permit deposits into the LACC Operating Account and to allow payment in advance of AEG incurring the expense. Until The Code is amended, AEG has agreed to deposit all revenues into the City's LACC Trust Fund, pay all AEG employees from AEG's funds and submit invoices to the LACC Department for reimbursement from the LACC Trust Fund.

Amending the Convention Center Conflicts Code

The LACC Department is in the process of amending its Conflict of Interest Code to reflect the new responsibilities of City employees at the LACC Department. The anticipated deadline for completing the amendment is early December, at which time AEG will be preparing to implement its duties as outlined under the scope of work for the management and operations of the LACC.

Additional Amendments

It is anticipated that once the LACC Board and Department have been restructured per the proposed changes to The Code, the new governance body will have a better opportunity to assess additional needs including additional changes to The Code.

TIMELINE

Approval of the recommendations in this report would allow for the next phase, which would result in executing the Management Agreement and beginning the Transition Phase between the LACC and AEG. Approval of the recommendations would also begin the process of amending various sections of The Code.

The following timeline provides a review of the milestones for complete Project implementation, assuming the Council approves this report in October 2013.

October 2013	Execute the Management Agreement and begin Transition Phase
December 2013	All City employees have been placed in other City departments or have accepted employment with AEG.
December/January 2013	AEG will implement duties outlined under scope of work

RECOMMENDATIONS

That the Council:

1. ADOPT the August 19, 2013 Draft Ordinance amending the Los Angeles Administrative Code Sections 8.142, 8.143, 8.144, 8.146, 8.149.1, 8.149.2, 8.149.3, 8.149.4, 8.149.6, and adding a new section 8.149.7 to Chapter 11, Division 8 of the Los Angeles Administrative Code regarding governance structure of the Convention Center Department, subject to the changes listed in Item #2;
2. REQUEST that the City Attorney amend the Los Angeles Administrative Code to:
 - a. Enable a private operator or designated operator to operate, manage and maintain the Convention Center facility. This includes enabling the designated operator to book events on the Convention Center's Master Calendar, to negotiate and enter into contracts for the use of the Convention Center facilities in accordance with The Code and the Booking Policy;
 - b. Enable the Executive Director or designated operator to execute license agreements consistent with the requirements of the Code, without having to obtain prior approval from the Board;
 - c. Enable the Los Angeles Convention Center Board to approve proposed rate reductions or waivers that do not meet the requirements of the Code in the following circumstances: (1) Industry-wide and Travel Association Events, (2) Multi-Year Licenses, and (3) Events that present an exceptional opportunity to generate extraordinary revenue or a significant number of visitors;
 - d. Enable the Executive Director to approve the calculation of discounts or reductions or waivers applied to license agreements;
 - e. Amend Administrative Code Section 5.47 to allow for advance payments to be made to the private operator of the Los Angeles Convention Center; and,
 - f. Amend Administrative Code Section 8.148 to allow for revenues derived from and expenses incurred in, operation and maintenance of the Los Angeles Convention Center to be deposited into, and paid from, an Operating Account under the control of the private operator;
3. INSTRUCT the Los Angeles Convention Center Department, with the assistance of the City Attorney and City Ethics Commission, to amend the Los Angeles Convention Center Department's Conflict of Interest Code to reflect the new responsibilities of City employees

at the Los Angeles Convention Center Department in accordance with procedures for approval by the City Council;

4. APPROVE, Subject to the concurrence of the Mayor, the attached Management Agreement between the City and AEG Management LACC, LLC., for the operation and management of the Los Angeles Convention Center and authorize the Los Angeles Convention Center Department to execute the Management Agreement; and,
5. AUTHORIZE the CAO with the assistance of the City Attorney to make non-substantive changes to the Management Agreement as necessary.

FISCAL IMPACT STATEMENT

This Office anticipates no additional General Fund impact during the 2013-14 Fiscal Year. Starting in the Second Agreement Year and each year thereafter, for the entire term of the Agreement, AEG will prepare an Operating Budget and Annual Plan that shall be reviewed and adopted as part of the City's annual budget process. The LACC Department with the assistance of the CAO will monitor AEG's performance on a regular basis through the financial status report and periodic audits. This report is in compliance with the City's Financial Policies.

DEBT IMPACT STATEMENT

This report has no debt impact on the General Fund.

ATTACHMENTS

MAS: DM: 09140109