



Erika Pulst <erika.pulst@lacity.org>

Comments to Budget & Finance Agenda No. 4-CF 12-0692 LA Convention Center Privatization

Joyce Dillard <dillardjoyce@yahoo.com>

Mon, Sep 10, 2012 at 1:48 PM

Reply-To: Joyce Dillard <dillardjoyce@yahoo.com>

To: Erika Pulst <erika.pulst@lacity.org>, "The Honorable Dennis P. Zine" <councilmember.zine@lacity.org>, "The Honorable Bernard C. Parks" <councilmember.parks@lacity.org>, The Honorable Bill Rosendahl <councilmember.rosendahl@lacity.org>, The Honorable Carmen Trutanich <CTrutanich@lacity.org>, The Honorable Ed Reyes <councilmember.reyes@lacity.org>, The Honorable Eric Garcetti <Councilmember.Garcetti@lacity.org>, "The Honorable Herb J. Wesson Jr." <councilmember.wesson@lacity.org>, The Honorable Jan Perry <councilmember.perry@lacity.org>, The Honorable Joe Buscaino <councilmember.buscaino@lacity.org>, The Honorable Jose Huizar <councilmember.huizar@lacity.org>, The Honorable Mitchell Englander <councilmember.englender@lacity.org>, The Honorable Paul Koretz <Paul.Koretz@lacity.org>, The Honorable Paul Krekorian <Councilmember.Krekorian@lacity.org>, The Honorable Richard Alarcón <councilmember.alarcon@lacity.org>, The Honorable Tom LaBonge <councilmember.labonge@lacity.org>, The Honorable Tony Cardenas <councilmember.cardenas@lacity.org>

Due diligence has not been exercised on your part to protect the taxpayers from future bankruptcy, swap exposure risk and disqualification by the Internal Revenue Service IRS of non-taxable bonds sold.

The most pressing problem is an answer to resolve the need for more General Funds for the Convention Center for the estimated Debt Service for the years 2012-2021 which is over \$52,000,000 per year.

This means that the Transit Occupancy Tax TOT needs to increase in amounts far beyond any natural growth.

Problem is that the TOT is affiliated with credit deals against development agreements and the CRA/LA, now in liquidation with oversight by the California Department of Finance.

You are not disclosing intent to attract the Olympics to Los Angeles (CF 12-1328 and CF 12-1400) and the need for hotels downtown around the sporting events and its stadiums/arenas existing and planned.

CF 46429-Approved April 12, 1951

Ignored is the Election of April 3, 1951 and Charter Amendment 16 in which the Voters approved bond debt (35 years maximum) for municipal auditorium, arena, or sports center, and the facilities in connection therewith. Jurisdiction was under the Board of Recreation and Park Commissioners with stipulations for leases to:

- Five years approved by Council
- Lessee must operate the property leased so as to furnish the public with the use for which it was acquired, constructed or completed, and, further, that the public must be entitled as of right to use and enjoy the property so leased for the purposes for which it was

acquired, constructed or completed

- Not required to lease, but may, through the Department of Recreation and Parks, operate who is organized as a non-profit corporation under the laws of the State of California, who has a tangible net worth at the time of execution of the lease of at least \$1,250,000.00, and who agrees to lease upon such terms as will be sufficient to insure repayment to the City of Los Angeles

The Revenue was intended for:

1. Operation and Maintenance Expenses for the facilities
2. Payment of Principal and Interest
3. Return and Pay into the General Fund any funds raised from taxation
4. Transfer to Recreation and Parks Fund after debt is paid or a reserve for Debt and Interest exists

The current structure, as a successor to the Department of Recreation and Parks, **has omitted the term arena or sports center** and has set up the governance structure under a General Manager and the Board of Los Angeles Convention Center Commissioners. The Board may submit reports and recommendations as it deems advisable to the Mayor and the City Council.

Parking rates are established.

You have no need for a new governance structure.

The CAO's report states:

Taking into consideration the cyclical nature of citywide convention business from year to year in terms of number of events and attendees, it is recommended that the City establish a goal of hosting between 400,000 and 425,000 citywide convention attendees - an increase of approximately 290% --by 2020.

Comments:

This is a pipe dream not based in reality and impossible to reach based on historic attendance.

The CAO report states:

The framework defined for addressing the fiscal crises was aimed at reducing the size and ongoing cost of the City's workforce, organizing City government to maximize service levels and strengthening the Reserve Fund. Pursuant to this plan, this Office was instructed to present a proposal for an Alternative Model for the Los Angeles Convention Center (LACC) to allow for more flexibility and efficiency, while reducing the City's General Fund burden. While the City chooses to segregate LACC revenue into a special fund, the LACC is a General Fund asset. The CAO believes that a new governance structure will maximize that

asset.

Comments:

Attached is a correspondence from Convention Center General Manager Dick Walsh, dated January 17, 1980 to Mayor Tom Bradley. The story remains the same from 1980 to 2012. The City imagines it will lead in the Convention Center business by expansion. Their report is from Price Waterhouse dated October 31, 1979.

Consolidated Annual Financial Report FY 6/30/1999, page 62 states:

*NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
Year Ended June 30, 1999*

12. LEASES

The City leases a significant amount of property and equipment under operating leases. Total rental expenditures, incurred primarily in the General Fund, on such leases for the fiscal year ended June 30, 1999, were approximately \$34.7 million. The City also leases certain property and equipment under capital leases with the following component units:

Los Angeles Convention and Exhibition Center Authority

*Pursuant to a Facility Lease between the City of the Los Angeles Convention and Exhibition Center Authority (Authority), the Authority issued certificates of participation to provide financing for the acquisition and construction of certain improvements for the Los Angeles Convention Center, and table lease revenue bonds to finance the City's share of the development of The Staples Center. Under the lease, the City is obligated to make rental payment sufficient to pay the debt service requirements on the certificates and bonds. The City's General Fund has made rental payments during fiscal year ended June 30, 1999. **Since the Authority is included within the City's reporting entity, the lease payments by the City are accounted for as operating transfers from the General Fund to the Debt Service Fund.***

Consolidated Annual Financial Report FY 6/30/1999, pages 18-19 states:

1. Summary of Significant Accounting Policies

Blended Component Units

Although the following are legally separate from the City, they are reported as if they are part of the City because their sole purpose is to provide services entirely to or exclusively for the City or the City Council is the governing body.

Los Angeles Convention and Exhibition Center Authority

The Authority was formed under a joint powers agreement between the City and the County of Los Angeles for the purpose of constructing and operating a convention and exhibition hall and related facilities within the City's boundary. The Authority is composed of 15 members, of whom 10 are appointed by the City Mayor and 5 are appointed by the County Board of Supervisors. Certificates of participation debt was issued by the Authority in 1990 to provide funding for the expansion of the existing Los Angeles Convention Center which is owned and operated by the City. The expansion activities are included in the Capital Projects and Debt Service Funds. Completed fixed assets have been contributed to the Convention Center Enterprise Fund. In April 1998, the Authority issued taxable lease revenue bonds to partially finance the City's share of acquiring certain real property adjacent to the Convention Center, by the Community Redevelopment Agency of the City of Los Angeles, for the development of The Staples Center. These financing activities are included in the Special Revenue Funds.

Comments:

The CAO's explanation of the following is disingenuous and does not indicate GASB Government Accounting Standards Board requirements on CAFR reporting:

While the City chooses to segregate LACC revenue into a special fund, the LACC is a General Fund asset.

Consolidated Annual Financial Report FY 6/30/2011, page 124 states:

NOTE 4--DETAILED NOTES ON ALL FUNDS

The City entered into a lease-purchase agreement with the Los Angeles Convention and Exhibition Center Authority, a joint powers authority between the City and the County, for the construction and expansion of the Los Angeles Convention Center. Certificates of participation debt were issued to provide funding for the expansion of the Los Angeles Convention Center which is owned and operated by the City. The Authority also issued lease revenue bonds to partially finance the City's share for the development of the Staples Center.

Bond payments are secured primarily by revenues from base rental payments and revenues earned by the facility. Principal and interest paid for the current year and revenues were \$51.9 million and \$84.4 million, respectively. The Convention Center certificates of participation and lease revenue bonds outstanding at June 30, 2011, and the original amounts issued are as follows (in thousands):

	Final Maturity	Interest Rates	Original Amount	Outstanding Balance
1993 Series A, Refunding	8/15/11	4.600% - 6.125%	\$ 503,870	\$ 26,335
1998 Series A	8/15/24	6.500% - 7.125% 2.000% -	45,580	33,980

2003 Series A, Refunding	8/15/15	5.000%	226,045	137,590
		4.250% -		
2008 Series A, Refunding	8/15/22	5.125%	253,060	253,060
Total			<u>\$1,028,555</u>	<u>\$450,965</u>

Annual debt service requirements to maturity for the Convention Center lease revenue bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2012	\$ 32,040	\$ 20,280	\$ 52,320
2013	33,435	18,833	52,268
2014	34,490	17,710	52,200
2015	35,660	16,463	52,123
2016	36,965	15,082	52,047
2017-2021	207,475	46,794	254,269
2022-2025	70,900	4,082	74,982
Sub-total	<u>\$450,965</u>	<u>\$139,244</u>	<u>\$590,209</u>
Net Unamortized Premium			
and Deferred Charges	<u>(13,741)</u>		<u>(13,741)</u>
Total	<u>\$437,224</u>	<u>\$139,244</u>	<u>\$576,468</u>

Comments:

It is doubtful if the City can maintain Debt Service consistently without a realistic and cautious approach to future revenues.

Consolidated Annual Financial Report FY 6/30/2006, page 120 states:

Convention Center Variable Rate Lease Revenue Refunding Bonds

Objective of the swaps. In May 2003, in order to protect against the potential rising of interest rates, the City entered into two separate pay-fixed, receive-variable interest rate swap agreements on the \$235.5 million Convention Center variable-rate lease revenue refunding bonds. The costs associated with the swaps are less than what the City would have paid to issue fixed-rate debt.

Comments:

Is the city at risk with these swaps. We cannot locate disclosure of their disposition and any mention of them as dropped off the CAFR. Termination date was August 1, 2021.

The CAO's report states:

There are changes the City can make today that would improve the competitiveness of the LACC in the convention marketplace assuming no capital improvements are made to the facility.

First, the City must streamline its goals and objectives for the LACC to improve its business

model by enhancing its government structure. The CAO is recommending the creation of a Board of Commissioners (Board) that would be tasked with implementing the Mayor and Council's policies, directing and managing the LACC on matters related to bookings, operations and finances, and overseeing the LATCB contract on matters related to tourism and bookings.

It is a shared opinion that the booking of large conventions that utilize a significant number of hotel rooms is a priority to the City

Comments:

In 2002 there were 208 employees and in 2011 there were 112. The existing governance structure has streamlined operations into a competitive market. Dreaming is not reality. These statements are irresponsible.

In jeopardy by these statements is the ability to maintain bookings and revenues to pay for the Debt Service. Competitors can use these statements to sell their cities over Los Angeles.

This places the future Revenues and the General Fund in jeopardy.

The design of the Convention and Event Center Project affects the future use of the Convention Center. Storage, a sell for the City of Los Angeles, over other cities is diminished. Meeting rooms and exhibit space is diminished.

Parking is changed substantially and not in the control of the Convention Center.

Gilbert Lindsay Plaza is used as an entry way and barbeque pit for Farmer's Field.

The luxury suites for use with the Convention Center are mostly on the opposite side of the Convention Center and access to them is by a separate parking lot for Luxury Suite holders.

There is no continuity for meeting rooms to attract those lucrative medical conventions.

A ballroom facility, with other event uses, appears to be eliminated from the design.

Trucks for ALL the events is on the Pico Boulevard side, which competes with cars and pedestrians.

In fact, William Delvac, attorney for AEG, mentioned their desire to vacate Chick Hearn Court in the future at the Cultural Affairs Commission meeting.

The future for the Convention Center has changed from the reports presented to you.

This RFP is designed as a gift of public assets of the City of Los Angeles to a private operator. That operator can only be one party-AEG Anshutz Entertainment Group or its fictitious business names. They have set themselves up in the Environmental Impact Report as a Applicants under the names:

L.A. Convention Hall, LLC (Convention Center Applicant) and
L.A. Event Center, LLC (Event Center Applicant)

As public use is diminished, a major concern is Debt Finance and Private Use IRS guidelines for qualified non-taxable bond sales.

Also controversial and not in the Charter is the Mayor's Design Advisory Panel hidden from the public and not legislated. The public is not privy to the Agendas and Minutes of their meetings. This board sits as advisors to the Cultural Affairs Commission.

Members are from companies that may have a Conflict of Interest or Economic Interest. There is not Conflict of Interest Code or disclosure.

Melani Smith, a Melendrez principal, is on that panel and Scott Baker from Melendez is a design team member hired by AEG or its representatives.

This is a Conflict of Interest.

The CAO's report states:

GOALS

1. *Achieve the greatest possible financial returns, consistent with other City objectives, including maximizing the generation of hotel room occupancy and transient occupancy taxes.*
2. *Manage day-to-day operations of the LACC in a cost efficient, high quality and effective manner.*
3. *Manage operational expenses within annual operating budget approved by the City.*
4. *Provide superior services to, patrons and visitors utilizing and attending events at the LACC, thereby maximizing customer satisfaction as exhibited by an industry-wide positive image and maximizing LACC rebookings.*
5. *Develop and implement innovative initiatives to penetrate newmarkets, attract new events and promote the LACC to enhance usage and occupancy within the City's booking policies.*
6. *Work cooperatively with THE LATCB in attracting citywide events including national conventions, tradeshow, and meetings to LACC, to better compete in the national*

marketplace.

7. *Identify and implement initiatives to enhance LACC revenues, while ensuring that the LACC remains economically competitive with other convention centers.*
8. *Procure and negotiate various contracts and agreements involving facilities, products and services related to the LACC, with the assistance of the City.*
9. *Properly maintain and safeguard the City's capital investment in the LACC through the exercise of the highest standards of maintenance and preservation, and, as the need arises, recommend capital improvements.*
10. *Respond to the ever changing needs of the community and users of the facility with recommendations for expansion, renovations and upgrades of services.*
11. *Achieve all objectives in a professional manner, consistent with industry best practices and all applicable laws and ordinances.*

Comments:

Be realistic. Los Angeles is not Santa Monica Beach, Malibu, luxurious Beverly Hills, Disneyland, Sea World or the San Diego Zoo.

You do have residents that desire a Greenway from the Rose Bowl to Downtown, for recreational and cultural tourism purposes. Some fight for the Southwest Museum Collection to be returned to the museum. Others see the Arroyo Seco Scenic Byway as an opportunity to see a country setting near an urban hub.

Cornfields-Arroyo Specific Plan will change the river setting to an area with high buildings and more density.


City of Los Angeles is a concrete jungle not a tourist attraction.


Joyce Dillard
P.O. Box 31377
Los Angeles, CA 90031


Attachments:


- 1.17.1980 Dick Walsh Correspondence to Mayor Tom Bradley Part 1
- 1.17.1980 Dick Walsh Correspondence to Mayor Tom Bradley Part 2
- 1.17.1980 Dick Walsh Correspondence to Mayor Tom Bradley Part 3
- 1.17.1980 Dick Walsh Correspondence to Mayor Tom Bradley Part 4

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