

**TO THE COUNCIL OF THE  
CITY OF LOS ANGELES**

Your

**BUDGET AND FINANCE**

**Committee**

**reports as follows:**

BUDGET AND FINANCE COMMITTEE REPORT relative to a proposed agreement with Anschutz Entertainment Group (AEG) for the management and operations of the Los Angeles Convention Center.

SUBMITS WITHOUT RECOMMENDATION the following recommendations of the City Administrative Officer (CAO) as amended by Committee Chair Krekorian and Councilmember Blumenfield:

1. REQUEST that the City Attorney prepare and present to Council a revised August 19, 2013 Draft Ordinance amending the Los Angeles Administrative Code (LAAC) 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 LAAC regarding governance structure of the Convention Center Department, incorporating the following changes:
  - 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.
2. REQUEST that the City Attorney prepare and present additional ordinances incorporating the following two amendments:
  - a. Amend Administrative Code Section 5.47 to allow for advance payments to be made to the private operator of the Los Angeles Convention Center.
  - b. 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 Management Agreement between the City and AEG Management LACC, LLC., attached to the Council file, for the operation and management of the Los Angeles Convention Center and authorize the Los Angeles Convention Center Department to execute the Management Agreement.
5. AUTHORIZE the CAO with the assistance of the City Attorney to make non-substantive changes to the Management Agreement as necessary.
6. INSTRUCT the CAO and LACC to report in future Financial Status Reports relative to the implementation of the Management Agreement and its impact on the City budget.
7. INSTRUCT the CAO to notify Council on any use of the LACC Reserve Fund.
8. INSTRUCT the CAO to report to the Personnel and Animal Welfare Committee with details on the transitioning of all LACC employees to positions with AEG and/or other City departments.

Fiscal Impact Statement: The CAO reports that no additional General Fund impact is anticipated 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: The CAO reports that the report has no debt impact on the General Fund.

Community Impact Statement: None submitted.

## SUMMARY

At its regular meeting of October 7, 2013, the Budget and Finance Committee considered a CAO report dated October 3, 2013, relative to a proposed agreement with AEG for the management and operations of the LACC. The CAO reports that over the last several weeks the City team, including the Convention Center, City Attorney, Chief Legislative Analyst, the CAO and the City's consultants, have been meeting with AEG to discuss the transition from public to private management and have been negotiating the Management Agreement (Agreement). 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 the IRS Code. 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. Additional details are included in the CAO report and proposed Agreement, attached to the Council file.

The CAO further reports that the Council previously 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. The CAO states that by adopting the report recommendations, the City would be achieving the first two steps.

During Committee discussion, the CAO and Executive Director of LACC provided an overview of the proposed agreement and responded to related questions from Committee members. The Committee requested an update on the employee transition process and reiterated support for the City's commitment to place all LACC employees. Additionally, a representative of the City Attorney provided clarification on the indemnification provisions in the Agreement and the additional legislative amendments necessary pursuant to the proposed Agreement.

After further consideration and having provided an opportunity for public comment, Committee Chair Krekorian and Councilmember Blumenfield recommended approval of the CAO recommendations as amended in Committee. Councilmember Koretz stated that he was voting no on this matter. Pursuant to Council Rule 69, if a majority of the entire committee is not in agreement on a recommendation, the report is submitted to the full Council without recommendation. Since the three Committee members present at this meeting were not in agreement (Krekorian and Blumenfield - yes; Koretz – no), this matter is now submitted to Council without recommendation.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN:	YES
ENGLANDER:	ABSENT
KORETZ:	NO
BLUMENFIELD:	YES
BONIN:	ABSENT

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