

ECONOMIC DEVELOPMENT COMMITTEE REPORT and ORDINANCE FIRST CONSIDERATION relative to proposed amendments to the Los Angeles Administrative Code (LAAC), and a proposed agreement with Anschutz Entertainment Group (AEG), for the management and operation of the Los Angeles Convention Center (LACC).

Recommendation for Council Action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. PRESENT and ADOPT the August 19, 2013 Draft Ordinance amending the LAAC Sections 8.142, 8.143, 8.144, 8.146, 8.149.1, 8.149.2, 8.149.3, 8.149.4, and 8.149.6, and adding a new Section 8.149.7 to the LAAC to modify the governance structure of the LACC Department, revise the Discount Policy, and establish a new Booking Policy, subject to the changes listed in Recommendation No. 2 below.
2. REQUEST that the City Attorney amend the LAAC 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 and 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 LACC Board to approve proposed rate reductions or waivers that do not meet the requirements of the Code in the following circumstances: industry-wide and travel association events, multi-year licenses, and 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 LAAC Section 5.47 to allow for advance payments to be made to the private operator of the LACC.
 - f. Amend LAAC Section 8.148 to allow for revenues derived from and expenses incurred in, operation and maintenance of the LACC to be deposited into, and paid from, an Operating Account under the control of the private operator.
3. INSTRUCT the LACC Department, with the assistance of the City Attorney and City Ethics Commission, to amend the LACC Department's Conflict of Interest Code to reflect the new responsibilities of City employees at the LACC Department in accordance with procedures for approval by the City Council.
4. APPROVE the attached Management Agreement between the City and AEG Management LACC, LLC., for the operation and management of the LACC and authorize the LACC

Department to execute the Management Agreement.

5. AUTHORIZE the City Administrative Officer (CAO), with the assistance of the City Attorney, to make non-substantive changes to the Management Agreement as necessary.
6. INSTRUCT the CAO, and the LACC Department, to report in quarterly Financial Status Reports regarding the implementation of the Management Agreement and any impacts it has on the City budget.
7. INSTRUCT the CAO to notify the Council of any use of the LACC Reserve Fund.
8. INSTRUCT the CAO to report in 45 days to the Personnel and Animal Welfare and Economic Development Committees with details on the transitioning of all LACC employees to positions with AEG or other City departments.

Fiscal Impact Statement: The CAO reports that it 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: The CAO reports that this report has no debt impact on the General Fund.

Community Impact Statement: None submitted.

SUMMARY

At a regular meeting held on October, 8, 2013, the Economic Development Committee considered a City Attorney report and Ordinance dated August 19, 2013, and a report from the CAO dated October 3, 2013, relative to proposed amendments to the LAAC regarding a new governance structure for the LACC and a proposed agreement with AEG for the management and operation of the LACC.

The CAO and the Executive Director of the LACC appeared before the Committee to provide a brief report on this matter and respond to related questions. During discussion, the CAO reported that the proposed Ordinance and the Management Agreement with AEG is a comprehensive effort to strengthen the LACC as a City asset, and to increase conventions and visitors to the LACC and to the City thereby resulting in an increase in revenue generated through sales tax, hotel taxes, and other taxes. The draft Ordinance proposes various changes to the LAAC to facilitate the privatization of the operations of the LACC and provide greater flexibility regarding bookings.

The CAO also reported that the CAO, the Chief Legislative Analyst, and the City Attorney have been in negotiations with AEG relative to the operations of the LACC. A five-year contract is proposed with AEG that provides the City the ability to terminate by the third year if necessary. The compensation structure will be \$350,000 which consists of \$175,000 base pay, and an additional \$175,000 of which half will be an earned incentive fee and the other half a

discretionary incentive fee. The earned incentive fee will be based on reaching revenue targets, while the discretionary incentive fee will be based on qualitative goals determined by the oversight committee and the LACC Executive Director. Additional details of the agreement include a \$300,000 marketing fund, a \$2 million loan for transitional and capital costs, and a requirement that AEG maintain a corporate guarantee through a performance bond. Should the Council approve the Ordinance and Management Agreement, the goal would be to have the agreement effective as of October 2013 and for AEG to have full authority over the LACC by the end of this calendar year.

Additionally, the CAO reported that it is working with the LACC Department regarding placement of all staff. There are currently 89 full-time employees and 35 part-time employees. About half of the full-time employees have been placed in positions in other City departments, and of that amount, 8 have been hired by AEG. Should Council approve the draft Ordinance and Management Agreement, a permanent staff of 13 LACC Department employees will remain to work with the oversight committee, provide strategic planning, make decisions on booking, establish goals, submit the annual LACC Department budget, submit annual status reports, and monitor contracts with AEG and the LA Tourism and Convention Board.

During further discussion and consideration of this matter, the Committee moved to amend the CAO's recommendations to also include instructions to the CAO to work with the LACC Department to report in quarterly Financial Status Reports relative to the implementation of the Management Agreement and any impacts on the City budget, to notify the Council of any use of the LACC Reserve Fund, and to prepare a separate report in 45 days to the Personnel and Animal Welfare and Economic Development Committees regarding the transitioning of all LACC Department employees to positions either with AEG or other City departments.

After providing an opportunity for public comment, the Committee recommended approval of the recommendations in the CAO report as amended. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

ECONOMIC DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PRICE:	YES
KREKORIAN:	YES
HUIZAR:	ABSENT
CEDILLO:	YES
MARTINEZ:	YES

-NOT OFFICIAL UNTIL COUNCIL ACTS-