

# CITY OF LOS ANGELES

CALIFORNIA

## LOS ANGELES CONVENTION CENTER COMMISSION

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## LOS ANGELES CONVENTION CENTER

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April 22, 2014

Budget and Finance Committee  
The Honorable Paul Krekorian, Chair  
The Honorable Mitchell Englander, Vice Chair  
The Honorable Paul Koretz, Member  
The Honorable Bob Blumenfield, Member  
The Honorable Mike Bonin, Member  
c/o Erika Pulst, Legislative Assistant  
Office of the City Clerk  
200 North Spring Street  
Room 395, City Hall  
Los Angeles, California 90012

**SUBJECT: DEPARTMENT REPORT ON MAYOR'S PROPOSED BUDGET  
FOR FISCAL YEAR 2014-15**

Dear Chairman Krekorian and members of the Committee:

**The Los Angeles Convention Center Department (LACC) supports the Mayor's  
Proposed FY 14- 15 Budget, as presented.**

This current Fiscal Year has been historic for the Los Angeles Convention Center:

- The new **Governance** ordinance has been recommended by the Trade, Commerce and Tourism and the Economic Development Committees and will go before the City Council on April 23, 2014. This new model reconstitutes the Department as the Convention and Tourism Development Department, with an "authoritative" rather than "advisory" Board, a newly created and empowered Executive Director, management responsibilities for the AEG and Los Angeles Tourism and Convention Board contracts, and a mandate to promote the leisure and hospitality sector citywide.

- The **Privatization** contract with AEG to manage the daily operations of the Convention Center was approved by the City Council on October 9, 2013 and, after a transition period, full implementation was completed on January 1, 2014.
- Plans to **modernize** the Convention Center and develop an adjacent Stadium/Event Center (Plan-A) are in place pending AEG's procurement of an NFL football team. Pursuant to Council direction, contingency plans are currently being developed to modernize and expand LACC in the event AEG is unable to procure a team (Plan-B).
- An energetic hotel Working Group, comprised of representatives of the Mayor's office, Council District 14, the Chief Legislative Analyst, the Planning Department, and the LACC, is moving forward with the very ambitious goal of **promoting the development of 4,000 new** hotel rooms within walking distance (1/2 mile) of the Convention Center by 2020.

One of the key remaining tasks for turning the Convention Center into a better economic engine for the City is to reform the currently dysfunctional financial structure of the LACC. The Mayor's budget proposes two actions which could place the reconstituted Department on a sustainable financial footing:

### **1. Operating Budget**

Under "Required Ordinance Changes and Other Budgetary Actions" (Exhibit H), the Mayor has itemized, "Instruct the Los Angeles Convention Center, with the assistance of the City Administrative Officer, to reevaluate and modify the expiring agreement with the Los Angeles Tourism and Convention Board to better align its budget to benefit the core mission of the Los Angeles Convention Center."

It is our intention to return to the City Council with a report in mid-May, 2014 addressing the related challenges. In the meantime, the Mayor's proposed Budget has, pursuant to the AEG contract, a \$5 million appropriation for a Cash Flow account. That appropriation will provide adequate financing to start the new Fiscal Year and could serve as a building block for a permanent solution to the overall financial structure.

### **2. Capital Improvement Projects Budget**

In anticipation of an NFL stadium and privatization, the City has basically deferred all significant capital improvements over the last five years. The condition of the Convention Center has deteriorated to such an extent that it is difficult to attract new conventions and we run the risk of losing some of the important Citywide Conventions we currently have, including our largest citywide client, the Electronic Entertainment Expo (E3).

Out of a list of \$10 million in critically essential projects, the Mayor's Proposed Budget did appropriate \$1.1 million for an automated parking system and \$900,000 to establish a

new commercial paper program for the Convention Center. This new dedicated financing mechanism for the LACC could help address the Convention Center's long deferred capital needs. Staff will also report back with further details on this program by mid- May, 2014.

The New Los Angeles Convention Center is off to a good start. Finding sustainable mechanisms to resolve these operating and capital improvement financial issues will be critical to turning the L.A. Convention Center into an economic engine for the City.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Bud Ovrom", with a stylized flourish at the end.

Robert R. "Bud" Ovrom  
Executive Director

RRO:cv

Exec Ref 14-060

cc: Rick Cole, Deputy Mayor – Budget & Innovation  
Kelli Bernard, Deputy Mayor – Economic Development  
Miguel A. Santana, City Administrative Officer  
Gerry F. Miller, Chief Legislative Analyst  
LACC Commission