



BOARD OF LOS ANGELES DEPARTMENT OF CONVENTION AND TOURISM DEVELOPMENT COMMISSIONERS

Commissioners: Jon F. Vein, President; Otto Padron, Vice President;
Ana Cubas; Stella T. Maloyan; David Stone

Members of the public who wish to speak during the meeting must submit a "Request to Speak" form to the Board Secretary prior to the commencement of the public comments for each agenda item of interest. Comments by the public on matters not identified on the agenda, but within the subject matter jurisdiction of the Commission, will be heard only during the item designated as "Public Comment." Public speaking will be limited to two minutes per speaker, unless the presiding officer grants some other amount of time before the commencement of the public comment.

Special Meeting
Wednesday, September 12 2018
9:00 a.m.
Los Angeles Convention Center
1201 S. Figueroa Street, L.A., CA 90015
Executive Board Room

1. CALL TO ORDER / ROLL CALL

2. COMMENTS FROM THE PUBLIC

- a) General Public Comments
- b) Neighborhood Council representatives on any Neighborhood Council Resolution or Community Impact Statement filed with the City Clerk which relate to any agenda item listed or being considered on this agenda for Board of Los Angeles Department of Convention and Tourism Development Commissioners

3. APPROVE MINUTES:

- a) Approval of the special meeting minutes from August 22, 2018

4. REPORTS:

- a) Executive Director Report
- b) Monthly Update – July – AEG Facilities
- c) Monthly Update – July – LATCB
- d) CIP Update - CTD

5. DISCUSSION:

NONE

6. ACTION ITEMS:

- a) Approval of FY 2017-18 AEG Discretionary Incentive Fee Actuals
- b) Approval of proposed FY 2018-19 AEG Discretionary Incentive Fee Goals

7. ADJOURNMENT

Materials related to an item on this agenda submitted to the Board of Los Angeles Convention and Tourism development after distribution of the agenda packet are available for public inspection in the Executive Office of the Los Angeles Convention Center, 1201 S. Figueroa Street, Los Angeles, CA 90015, during normal business hours.

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**BOARD OF LOS ANGELES CONVENTION
AND TOURISM DEVELOPMENT COMMISSION**

Special Meeting Minutes
August 22, 2018

The Board of Los Angeles Convention and Tourism Development Commission (Board) convened a special meeting on Wednesday, August 22, 2018 at 9:00 a.m. at the Los Angeles Convention Center (LACC), located at 1201 S. Figueroa Street, Los Angeles, CA 90015, in the Executive Board Room.

PRESENT:

Vice President, Otto Padron - Presiding
Commissioner Stella T. Maloyan
Commissioner David Stone

ABSENT:

President, Jon F. Vein
Commissioner Ana Cubas

PRESENTERS:

Brad Gessner, AEG
Ellen Schwartz, AEG
Doane Liu, CTD
Diana Mangioglu, CTD
Bruce McGregor, LATCB

Item 1. Call to Order / Roll Call

Vice-President Padron called the meeting to order at 9:05 a.m.

Item 2. Public Comment

None

Item 2b. Neighborhood Council

None

Item 3a. Approval of the regular meeting minutes from July 18, 2018

Vice-President Padron corrected the agenda title of Item 3a from "Special" meeting minutes to "Regular" meeting minutes.

UNANIMOUSLY APPROVED.

Item 4a. Executive Director Report

Mr. Doane Liu provided an overview of his activities since the last Board meeting which included: several meetings with stakeholders in the expansion and modernization of the Los Angeles Convention Center e.g. the offices of the CLA, CAO, and Building and Safety; hosting a site tour with Portraits of Hope project staff to discuss large scale, temporary art installations on the roof of West Hall and the curve of South Hall; meeting with LATCB on tourism; and participated as a panelist at BisNow – Hot Markets. Mr. Liu noted that he participated in the Mayor's Trade Mission to Asia, joining CTD Commission President,

LATCB, and others in promoting the City of Los Angeles and attended meetings in support of direct flights to LAX and other tourism initiatives as well as signing a MOU with the City of Seoul. Mr. Liu also reported that CTD has completed the interview process for a FUSE Fellow and the selected candidate will begin a one year internship on October 1, 2018, focusing on the CTD long term strategic plan process.

Item 4b. AEG Monthly Update – June

Mr. Brad Gessner recognized the employee of the month, Juan Lopez. Mr. Gessner reported that LACC had hosted 6 events that included 3 citywide and over 108 thousand attendees and an additional 2 filmings in the month of June. Mr. Gessner presented the financial data for fiscal year-end 2017-2018, reporting \$34M gross revenue, which included \$13M from citywide events and an impressive \$11M from consumer events; while year-end expenses were \$24M which included \$11M in salaries and benefits, \$7M in maintenance and upgrades, and \$5M in utilities, creating a \$10M operating surplus. Mr. Gessner reported that the surplus allocation since private management was \$15M for CIP and A&I projects, \$13M in City reimbursements, and \$8M in reserve contribution. Mr. Gessner also reported that the fiscal year-end occupancy was 72%, which by industry standards is fully occupied and the economic impact for the year was over \$733M, \$602M from citywide events.

Item 4c. LATCB Monthly Update – June

Mr. Bruce McGregor reported that year to date LATCB processed 20 leads, resulting in 40,261 room nights with a year-end goal of 220 leads and projected 390,000 room nights. Mr. McGregor noted that 2019 conventions and room nights were off pace due to the anticipated construction. Mr. McGregor provided an overview of the LATCB Sales Operations, highlighting the Simpleview CRM system, hotel scoreboard, prospecting tools, sales approach, and the market plan which includes a risk assessment of cancellations during the construction period. Mr. McGregor noted LATCB is data centric as an organization and committed to supporting CTD and clients especially during the expansion.

Item 6a. Pricing Report – Board Report #18-002

Ms. Diana Mangioglu provided a summary of the Report recommendations which included: increasing meeting room rates; implementing flexible pricing for non-citywide events limited to an amount up to 35%; and updating the Administrative Code to correct inconsistencies regarding the building. Ms. Mangioglu noted that there is no recommendation to increase exhibit hall rental rates at this time but the topic will be revisited after construction. Ms. Mangioglu noted the next steps, if approved by the Board, would be consideration by the Economic Development Committee and then to full Council. The target effective date is January 2019.

The report recommendations, 1 through 10, were unanimously approved.

ADJOURNMENT

The meeting was adjourned at 10:29 a.m.

LOS ANGELES CONVENTION CENTER MONTHLY UPDATE

JULY 2018

ELLEN SCHWARTZ



Los Angeles
CONVENTION
CENTER
Managed By 

EMPLOYEE OF THE QUARTER



TORI CHELLIS
EVENT ASSISTANT



LACC JULY 2018 EVENTS



*CITYWIDE



Fate Order

Feat. Mash Kyrielight

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Entertainment Hall Booth #

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LACC JULY 2018 FILMING & PHOTO EVENTS

<u>DATE</u>	<u>Name</u>	<u>Location</u>	<u>Amount</u>
July 9	Train Stop	West Lobby	\$4,880
July 11 - 12	Good Trouble	Venice Garage	\$3,900
July 18	O Positive	South Lobby / Compass Terrace	\$17,997
July 19	Audi Still Shoot	Kentia / Pico Dr.	\$12,040

TOTAL FILMING: \$38,817
(July 2017: \$42,120)



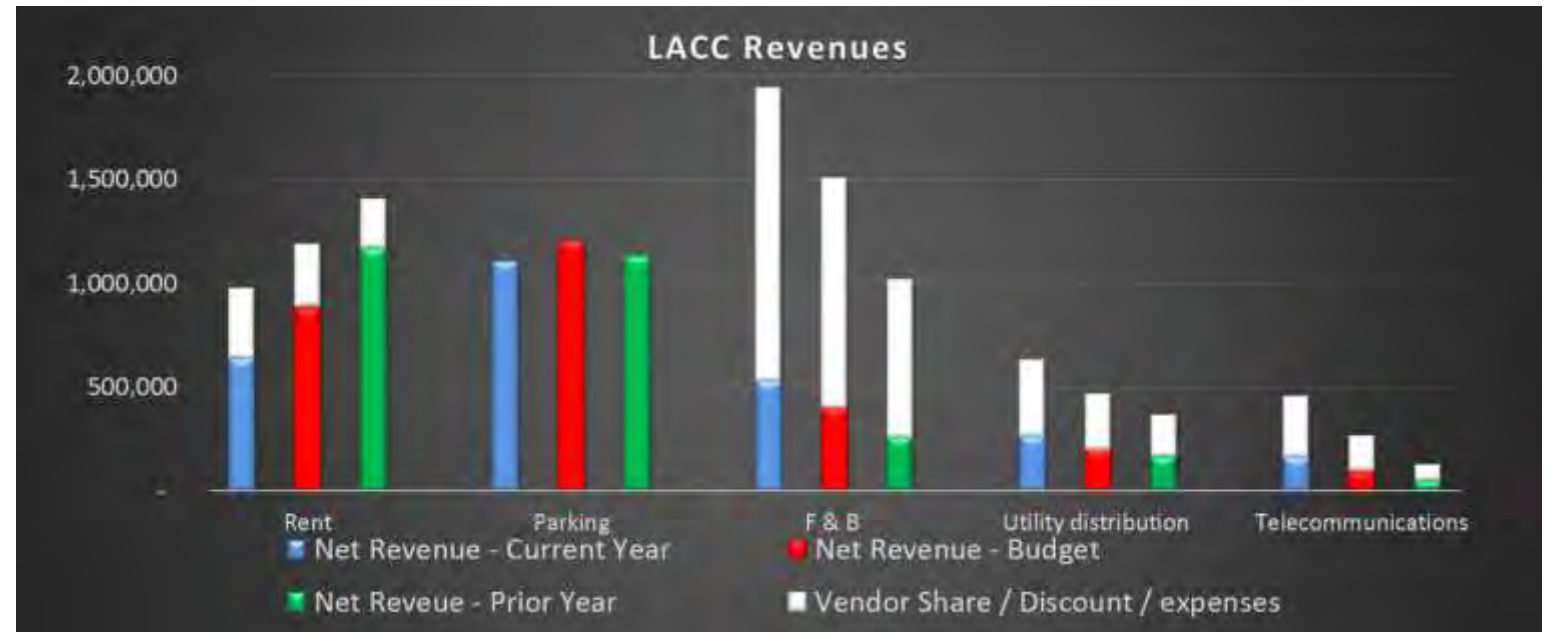
LACC JULY 2018 FINANCIALS

OPERATING SURPLUS:

- \$565K (before approved City Reimbursements, A & I and Capital Projects)
- \$25K above budget
- \$164K below prior year

REVENUES:

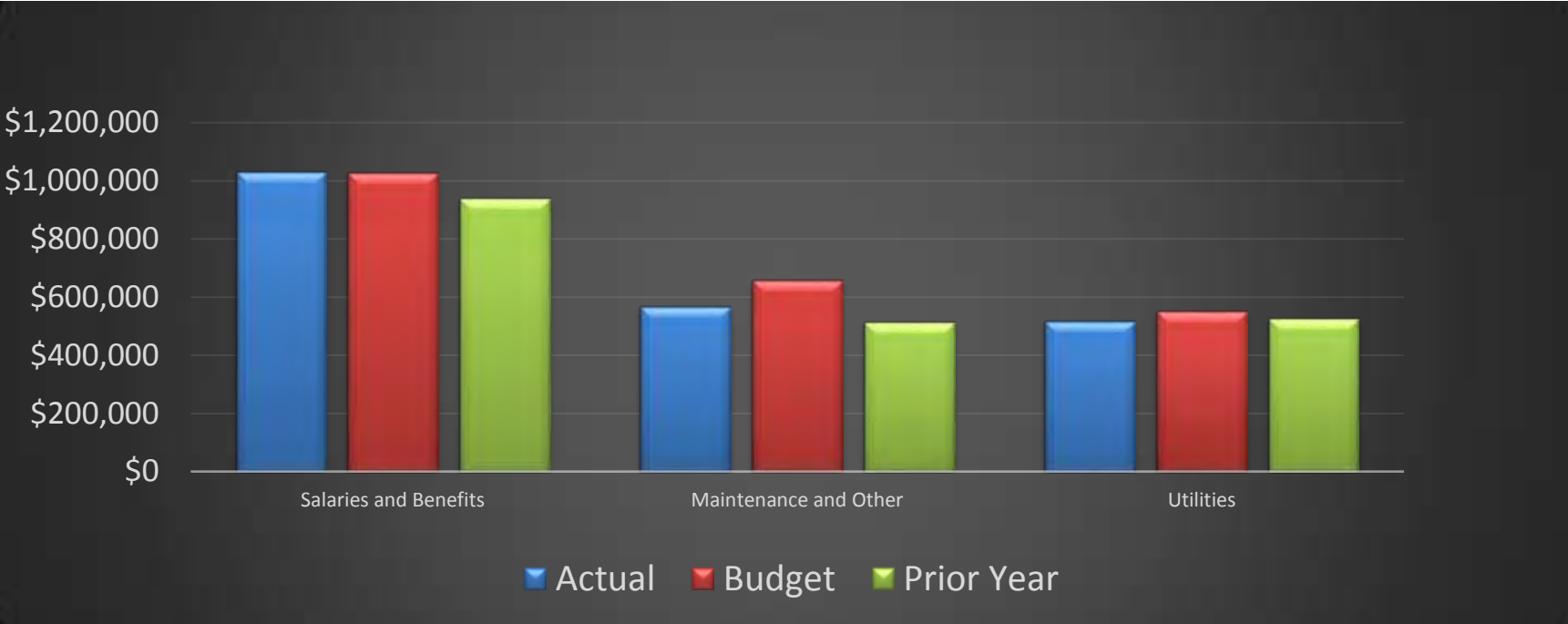
- \$5.6 million gross revenue (before discounts and service provider share)
- \$2.7 million net revenue
- \$95K below budget and \$28K below prior year



LACC JULY 2018 FINANCIALS

OPERATING EXPENSES:

- \$2.1 million (before approved A & I, Capital Projects, and City reimbursement)
- \$120K below budget and \$135K above prior year



CITY REIMBURSEMENT - \$414K

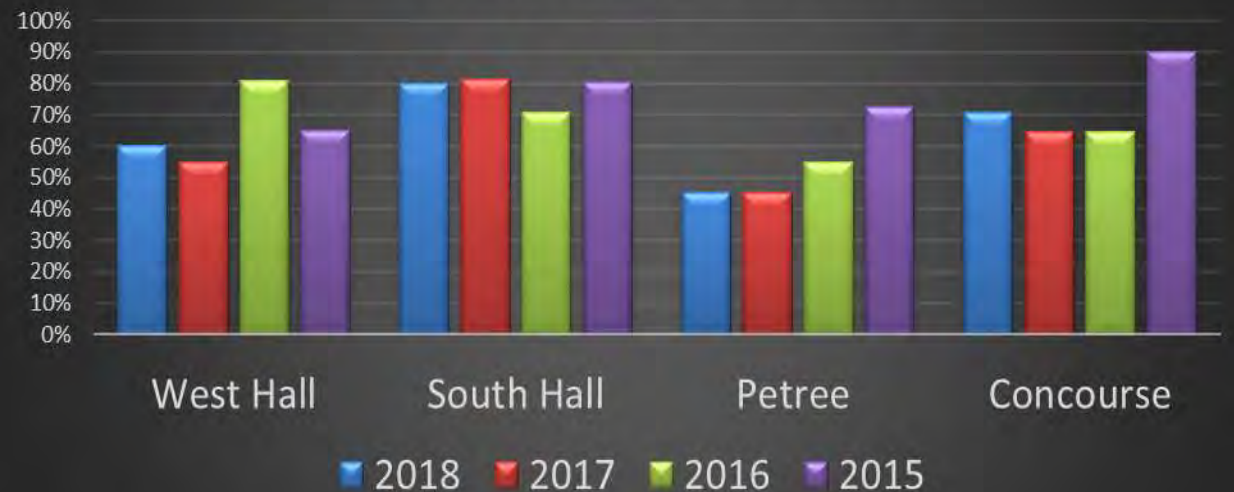
CAPITAL and ALTERATION & IMPROVEMENTS

LACC JULY 2018 OCCUPANCY

Exhibit Hall Occupancy

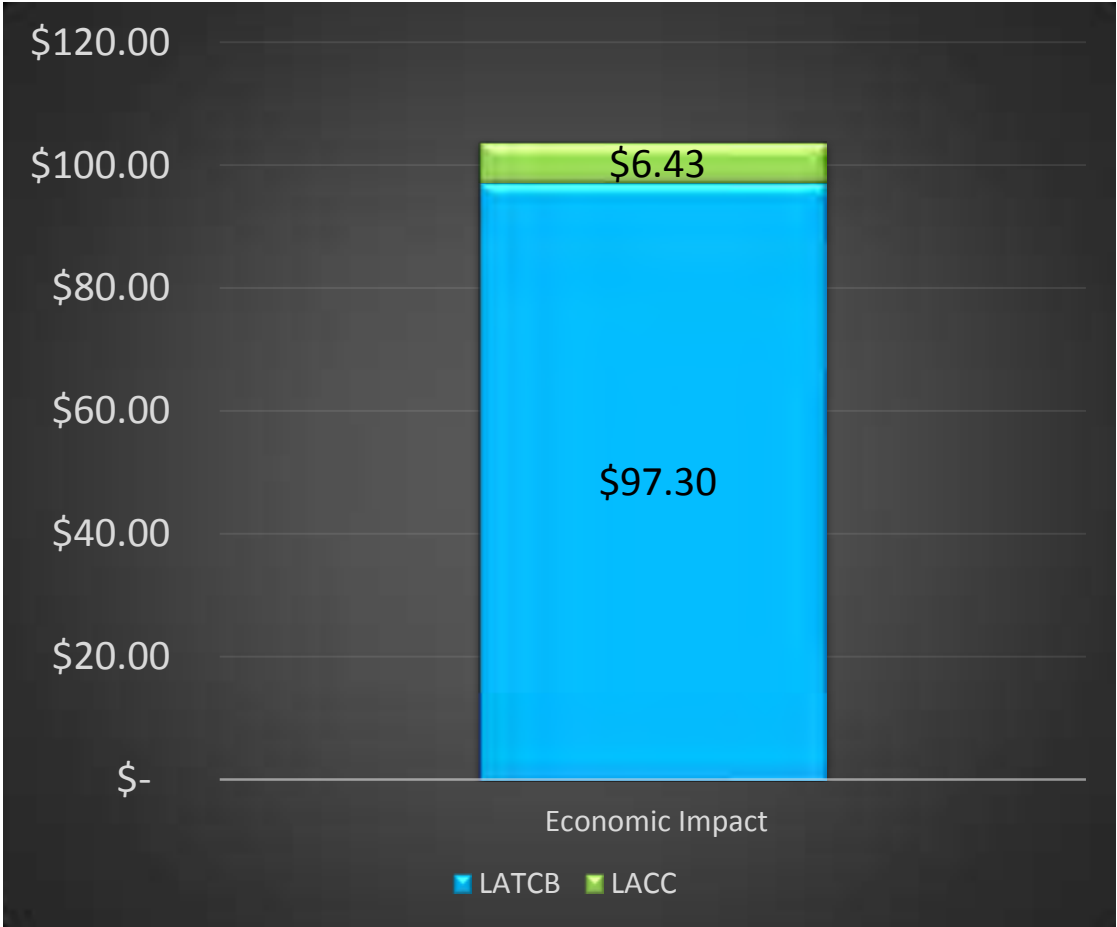


Occupancy by Exhibit Hall



LACC JULY 2018 ECONOMIC IMPACT

\$104 million in Projected Economic Impact



MEET

Los Angeles

CTD Board of Commissioners Meeting

September 12, 2018



FY 17-18 SALES PRODUCTION

	CITYWIDE CONVENTION SALES	SELF CONTAINED HOTEL SALES	COMBINED TEAMS
Leads FY 17-18	222	2,606	2,828
YOY Lead Growth	0%	25%	23%
Booked Room Nights FY 17-18	440,812	325,024	765,836
YOY Booked Room Nights Growth	12%	22%	16%

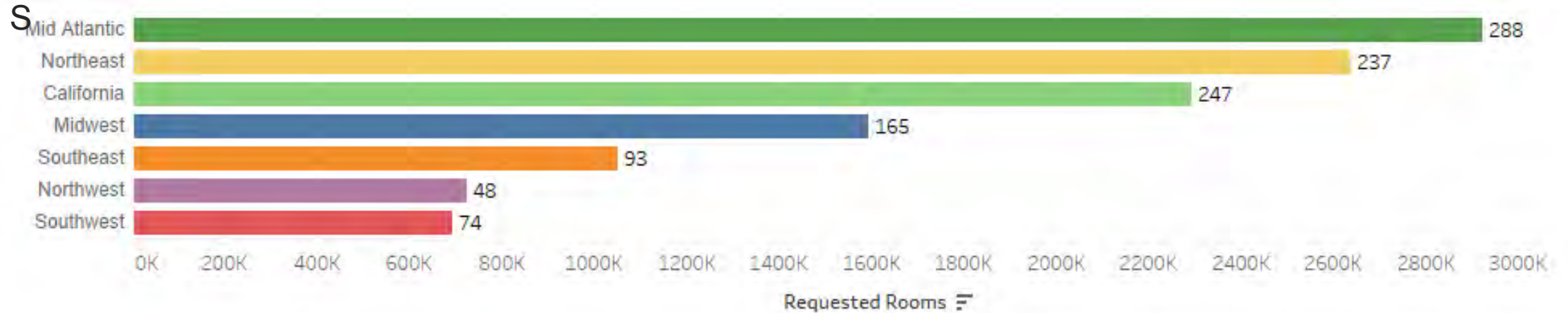
MEET

Los Angeles

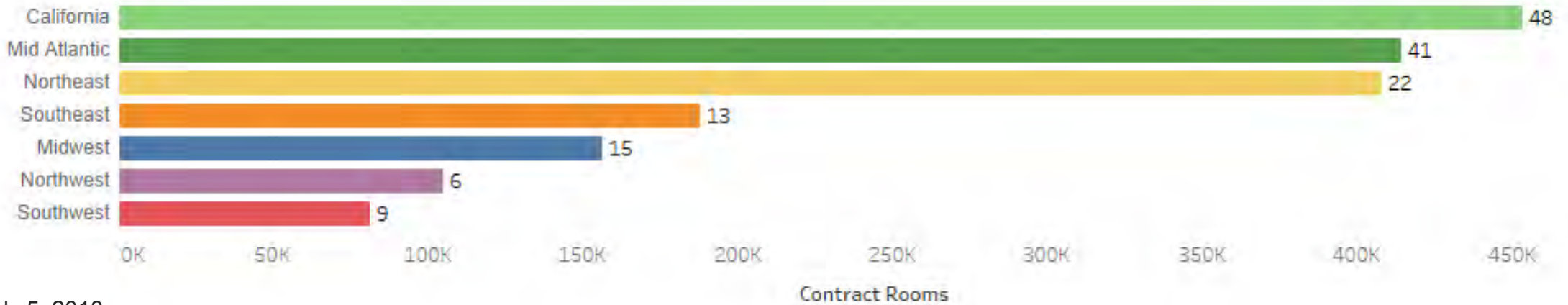
LOS ANGELES TOURISM & CONVENTION BOARD

CITYWIDE CONVENTION SALES FEEDER MARKETS (FY 13-14 to FY 17-18)

LEAD



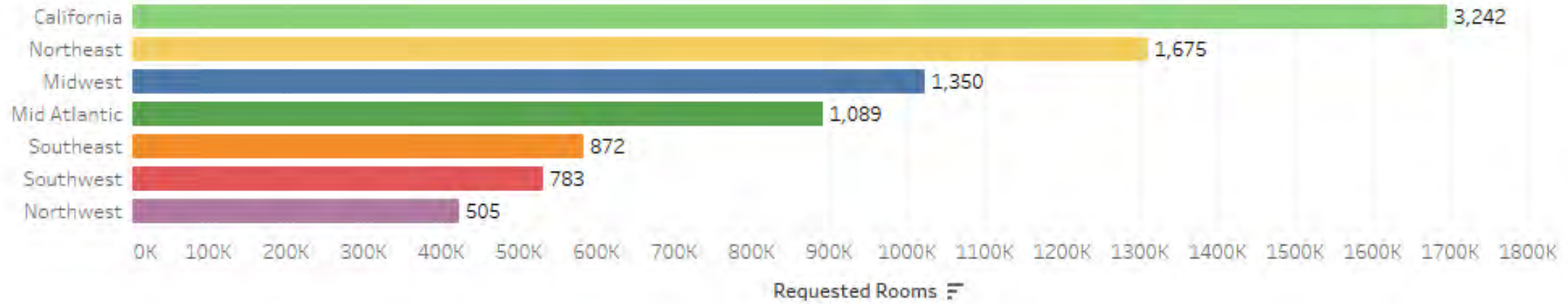
BOOKINGS



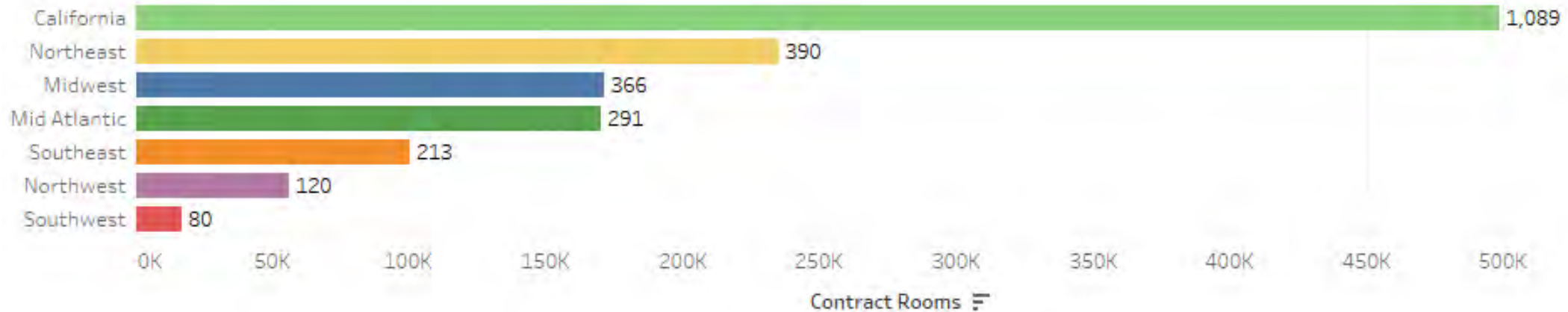
Dated July 5, 2018

HOTELS SALES FEEDER MARKETS (FY 13-14 to FY 17-18)

LEADS



BOOKINGS



Dated July 14, 2018

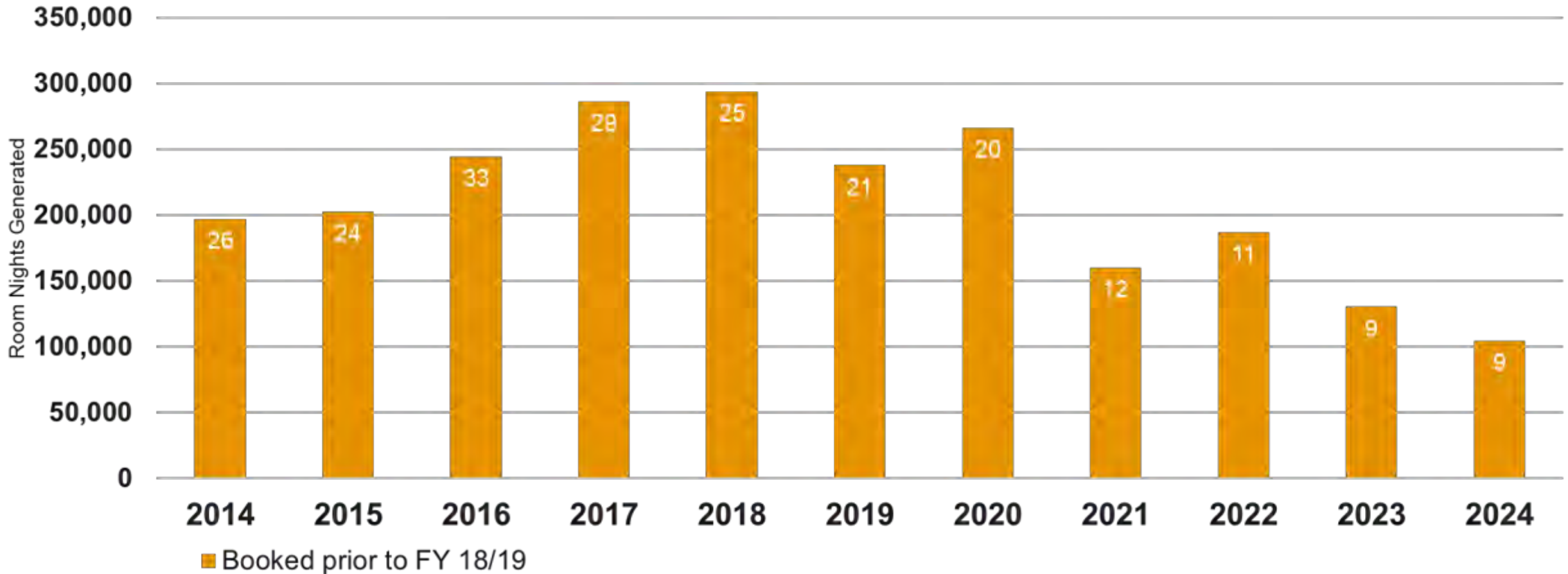
CITYWIDE CONVENTION SALES YTD FY 18/19 PRODUCTION RESULTS

Lead Production	Leads Actual
FY 18/19 Goal	220
FY 18/19 YTD	30
FY 17/18 STLY	31

Booked Room Nights Produced	RNs Actual
FY 18/19 Goal	390,000
FY 18/19 YTD	40,261
FY 17/18 STLY	14,084

Dated September 5, 2018

CITYWIDE CONVENTION BOOKED ROOM NIGHTS 2014-2024 CALENDAR YEAR ARRIVAL DATE



Dated September 5, 2018

PROSPECT SITE INSPECTIONS

The American College of
Obstetricians and Gynecologists
WOMEN'S HEALTH CARE PHYSICIANS



American College of Obstetricians and
Gynecologists
ACOG 2024 Annual Clinical & Scientific Meeting
May 2024
7,950 Room Nights



Asian American Hotel Owners Association
2023 AAHOA Convention & Trade Show
March 2023
8,845 Room Nights

M E E T

Los Angeles

INCENTIVE GUIDE



2 DAYS in The Valley

WILD
The outdoor recreation and art studios to the wide fairways of Woodley Lakes Golf Course near Lake Balboa or Pacific Palms Resort.

NORTH HOLLYWOOD
The North Arto District is filled with eclectic boutiques, unique restaurants and studios, and a thriving performing arts scene. The Valley Performing Arts Center offers shows by renowned artists, dancers and actors.

RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE
This incredible building offers a special view of the surrounding Simi Valley and features a life-size replica of the Oval Office. They offer space for board meetings and sales.

ORCHY RANCH HORTICULTURAL CENTER
An alternative venue for a corporate event, it offers a beautiful setting, surrounded by 24 acres of gardens and a citrus orchard.

PASADENA
Ornate, elegant, traditional. Nowhere is that better used more apparent than in the city of Old Pasadena, where scores of historic brick buildings have been thoughtfully restored. The old buildings house a mix of up-to-date shops and more than 200 bistros, cafes, bars, nightclubs, and restaurants.

ROSE BOWL STADIUM
College football games in the historic Rose Bowl Stadium are popular, too—the stadium and field are available as a unique event venue.

SANTA ANITA PARK
A Thoroughbred racetrack, offering some of the most prominent racing events in the United States.

15 | meethome | 200

FOODIE'S PARADISE

FOODIE'S PARADISE
LOS ANGELES offers one of the most dynamic dining scenes in the country, with local and international cuisine and James Beard Foundation Award-Winning restaurants. News24's Zagat's Most Exciting Food City of 2017, L.A.'s culinary influence can be felt across the country. Food aficionados can experience the restaurants of Wolfson Park, Thomas Keller and a new generation of culinary stars like Top Chef champion, Michael Voltaggio. Global kitchens can be found in culinary neighborhoods across Los Angeles, including the many food trucks that line the streets.

As a melting pot of culture, the cuisine here reflects traditional food with new discoveries and creative dishes exclusive to Los Angeles.

19 | meethome | 200

Try cuisines like Halal from Hummus Grill and Open Sesame, Indian de Deccan from Annapurna and Mayura, Home-style Karwai cooking at Koha and Szechuan Long Upstate Mexican Food at Montezuma Hollywood and Taco Mañana on 3rd Street.

LUXURY GUIDE

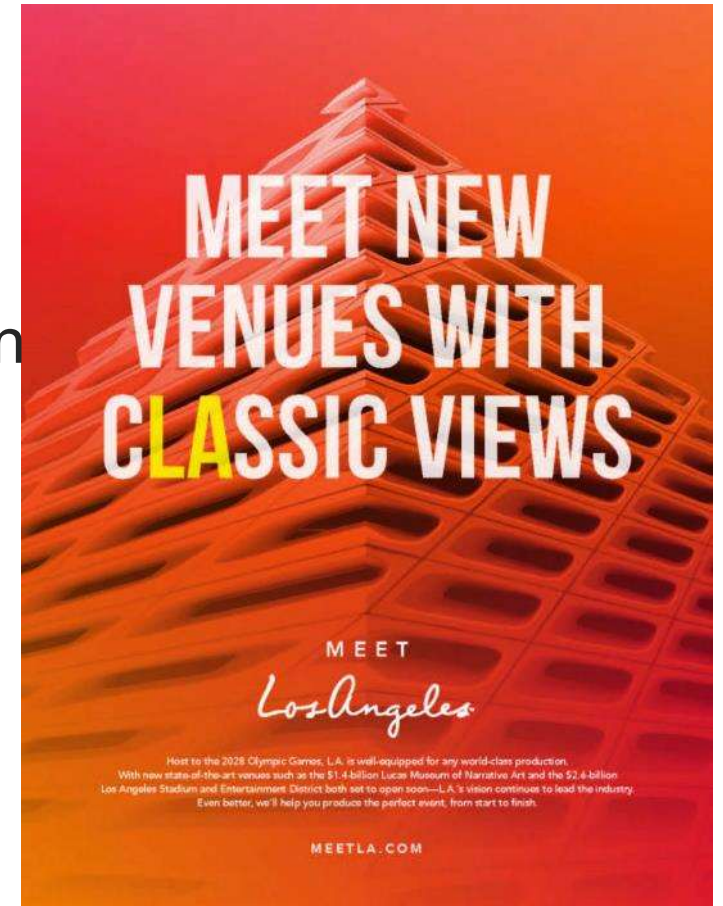


MEET

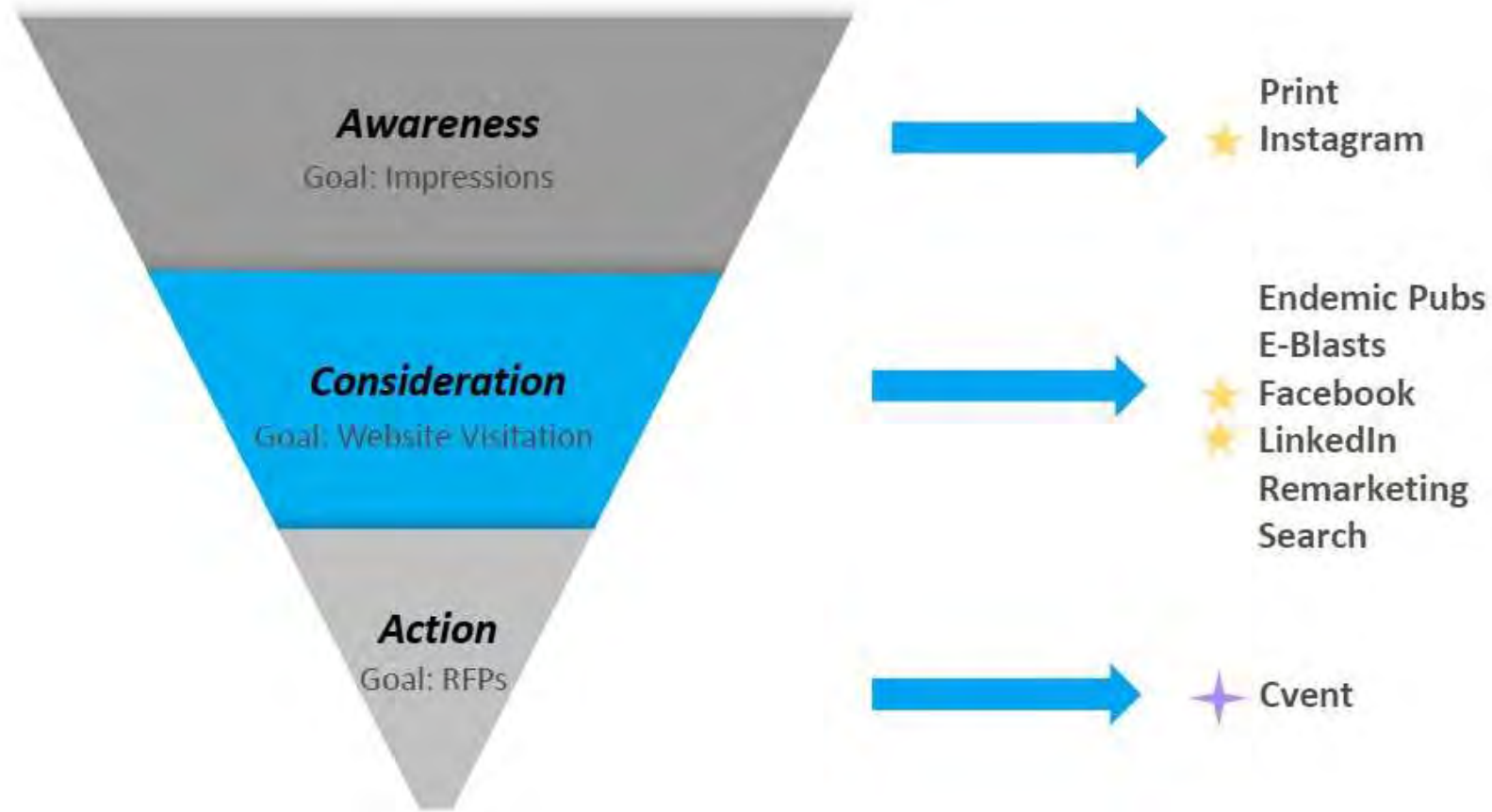
Los Angeles

MEDIA OVERVIEW FY 17/18

- Mentions and substantial coverage in 74 editorial pieces across 25 different publications
- Estimated value of all editorial coverage: \$1.3 million
- 130 total ad placements (digital and print), including 46 full page or two-page spreads and 4 cover placements (inside front or back)



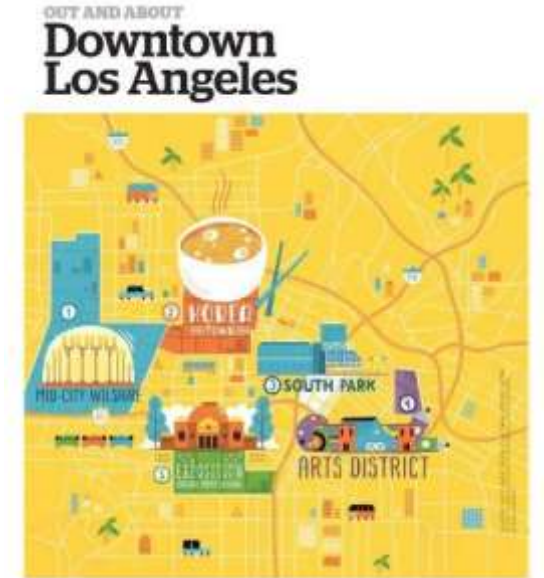
MEDIA STRATEGY: USING AWARENESS TO DRIVE RFPs



MEDIA PARTNERS



NORTHSTAR
TRAVEL GROUP



MEDIA PARTNERS - SOCIAL

MPI Southern California Chapter
February 16 · 🌐

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meet L.A. Terry Atchison, Dana Vance and 17 others

2 Shares

TARGET COMMUNICATIONS STRATEGIES: Vertical One-Pagers



LOS ANGELES is the second largest healthcare market in the country and is at the forefront of major changes taking place in the healthcare industry. The local medical industry in L.A. County includes 103 biopharmaceutical companies, 436 medical device and diagnostic companies and 787 research and lab support institutions. Together, local establishments received over \$890 million in NIH research awards in 2016.



TOP LOS ANGELES MEDICAL INSTITUTIONS

- Cedars-Sinai Medical Center
- L.A. County Univ. of Southern California Medical Center
- Ronald Reagan Univ. of California-Los Angeles Medical Center
- Children's Hospital Los Angeles (pictured left)
- City of Hope

ECONOMIC IMPACTS OF THE LIFE SCIENCES IN LOS ANGELES

- Generates \$40.3 billion in county economic activity (output)
- Adds \$20.5 billion to gross county product
- Supports 162,000 jobs
- Increases labor income by \$11.9 billion/year



RECENT AND UPCOMING MEDICAL MEETINGS IN LOS ANGELES

- Alzheimer's Association
- American Academy of Allergy, Asthma and Immunology
- American Academy of Neurology
- American Academy of Osseointegration
- American Academy of Periodontology
- American Association of Neurological Surgeons
- American Association of Orthodontists
- American College of Chest Physicians
- American College of Physicians
- American Health Information Management Association
- American Heart Association-International Stroke Conference
- American Heart Association-Scientific Session
- American Society for Cataract and Refractive Surgery
- American Society of Colon & Rectal Surgery
- American Society of Human Genetics
- American Society of Plastic Surgeons
- American Speech-Language-Hearing Association
- International Association for Dental Research
- International Society for Stem Cell Research
- North American Spine Society
- Society of Interventional Radiology
- Society of Simulation in Healthcare
- Society of Thoracic Surgeons

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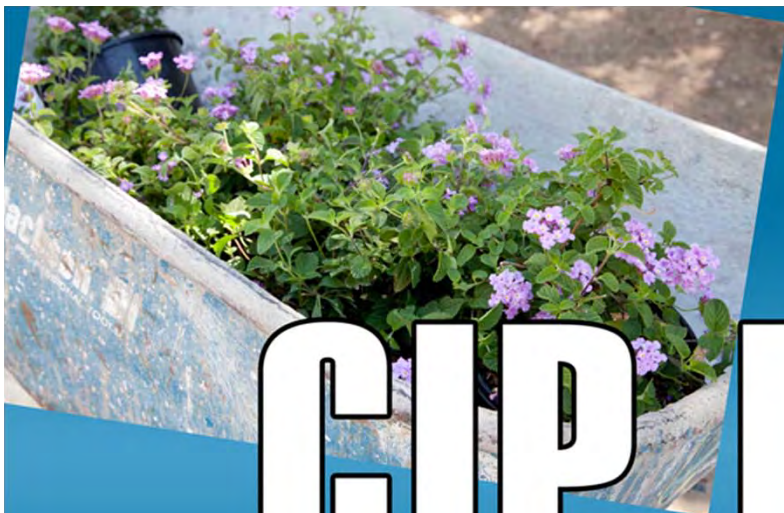






THANK YOU

CIP UPDATE



CIP UPDATE - SUMMARY

IN PROGRESS

Escalator and Elevator Repair/Modernization

Meeting Room Divider Wall Repair/Reconditioning

New Security Command Center A/C

Carbon Monoxide Sensors

Fire Alarm Panel Upgrade

Fire Alarm System Peripheral Devices

Water Heater Replacement

CIP UPDATE - SUMMARY

COMPLETED

Fiber Optic Cable Infrastructure Upgrade	LAN Core Switch Upgrade
Dimming Control System: Phase II	Security Surveillance System: Phase II
Marquee Signage Upgrade: Phase I	Carpet Replacement: Phase I
Parking Emergency Call Boxes	South Hall Entry and Dock Lighting
Carpet Replacement: 300s MR Corridor	Carpet Replacement: Kentia
Compactor Replacement	Marquee Signage Upgrade: Phase II
Exhibit Hall Lighting Retrofit: Phase I	Fire Suppression System for IDF 2.0
Carpet Replacement: 500s + Petree	Exhibit Hall Lighting Retrofit: Phase II & III
Compactor Replacement: Final Phase	South Hall Floor Remediation
Marquee Signage Upgrade: Final Phase	Solar
Cooling Towers Motors & VFD Replacement – South Plant	Security Surveillance System Upgrades*

COMPLETED

Security Surveillance System – Phase III



- New parking arm and gate for Security Lot
- 518 new and 120 reconditioned door contacts throughout exterior perimeter of facility
- 30 new CCTV cameras added, including high-definition cameras in concession/F&B areas and night-vision cameras for exterior

FY 2018-19 SUMMARY

TOTAL FUNDING APPROVED: \$10.5M

MICLA: \$9.4M FUND 725: \$1.1M

CAPITAL IMPROVEMENT PROJECTS

Automatic Transfer Switch Replacement	Carpet Replacement
Escalator and Elevator Repair/Modernization	Painting of Exterior of West Hall
LED Reader Boards for Parking	Roof Replacement – Lower West Hall
Cooling Towers Motors & VFD Replacement	Escalator Replacement
Security Surveillance System – Phase IV	West Hall Elevator
Chiller Plant Modernization	


CAPITAL EQUIPMENT PURCHASE

Replacement Scissor Lift

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: September 10, 2018

To: Board of Los Angeles Department of Convention and Tourism
Development Commissioners

From:  Doane Liu, Executive Director
Department of Convention and Tourism Development

Subject: **2018-19 DISCRETIONARY INCENTIVE FEE GOALS –
BOARD REPORT #18-004**

SUMMARY

As part of the Management Agreement between the City of Los Angeles (City) and the private operator of the Los Angeles Convention Center (AEG-LACC), the Board of the Los Angeles Department of Convention and Tourism Development (Board) shall annually set goals for the Discretionary Incentive Fee. The Discretionary Incentive Fee is one of three fees paid to AEG-LACC, including the Base Management Fee and the Earned Incentive Fee.

The summary for the Discretionary Incentive Fee goals (ATTACHMENT) outlines the 2018-19 Fiscal Year metrics mutually agreed upon by the Department of Convention and Tourism Development (CTD) and AEG-LACC, in accordance with the Management Agreement for operation of the Los Angeles Convention Center (LACC) facility, for your consideration and approval.

DESCRIPTION

There are three categories with defined goals that help assess the performance of AEG-LACC, including: Category 1, Implementation of Enhanced Customer Service, a permanent category; Category 2, Implementation of Enhanced Facility Maintenance, a permanent category; and Category 3, Implementation of Food Services, a non-permanent category which means the subject area may change year to year.

The following summarizes the 2018-19 Discretionary Incentive Fee goals:

Category 1 – Implementation of Enhanced Customer Service

		Goals FY18	Results FY 18	Goals FY 19
1a	Overall client satisfaction (AEG surveys)	4.6	4.7	4.7
1b	Overall client satisfaction (LATCB surveys)	4.0	3.7	4.0
1c	Overall satisfaction with Facility Security (AEG surveys)	4.6	4.5	4.6
1d	Operational improvements that enhanced customer service	Meet Expectations	Expectations Met	Meet Expectations

The CTD utilizes annual customer survey results in developing the quantitative goals for Category 1. AEG-LACC issues performance satisfaction surveys to a majority of its clients after hosting an event. Those clients not surveyed include smaller repeat clients that frequently utilize the building but generate minimal revenue, such as government entities that rent space to proctor hiring exams, to host naturalization events, etc. Other non-surveyed events may include smaller events associated with a single larger event. For example, the Los Angeles Auto Show (Auto Show), one of LACC’s largest clients, has exhibitors that independently manage and sponsor a variety of sub-events throughout the duration of Auto Show. However the client that licenses the space, such as the Auto Show that has the direct contractual relationship with AEG-LACC, is the client that is surveyed.

The CTD and AEG-LACC have agreed that the goal for the rate of return for issued surveys for the purposes of assessing the Discretionary Incentive Fee should be 30 percent. In 2017-18, the rate of return was 46 percent, which included 152 issued surveys, of which 71 were completed and returned to AEG-LACC.

Category 2 – Implementation of Enhanced Facility Maintenance

The following summarizes the 2018-19 Discretionary Incentive Fee goals:

		Goals FY18	Results FY 18	Goals FY 19
2a	Recycling Diversion Rate	75%	67%	70%
2b	Water Reduction Initiatives Completed	Meet Expectations	Expectations Met	Meet Expectations
2c	Execution of Preventative Maintenance Plan (Pass/Fail)	Pass	Pass	Pass
2d	Operational improvements and efficiencies implemented	Meet Expectations	Expectations Met	Meet Expectations

Over the last five agreement years, AEG-LACC's recycling diversion rate, which accounts for the amount of waste diverted from landfills, has remained consistently above 70 percent. Recently, the City executed its Exclusive Franchise system for refuse collection from multifamily and commercial properties in which one primary hauler has been designated to collect waste from a specific area. As a result, the LACC had to switch to the primary hauler for its designated area. There are several factors that are different from the current waste hauler in comparison to the previous waste hauler, including reporting differences, operating practices, and most especially the ability to implement "waste-to-energy", which is a waste management option that includes burning waste to reduce the amount of material that would otherwise be buried in landfills. As AEG-LACC continues to explore more ways for increasing its recycling diversion rate, the CTD is proposing a goal of 70 percent for the 2018-19 fiscal year.

The following were goals mutually agreed upon for the remaining sub-categories.

- Water reduction initiative: Implement a facility wide water reduction project.
- Execution of Preventative Maintenance Plan
 - Perform and complete preventative maintenance tasks outlined in the LACC Preventative Maintenance Plan (PMP). Expectation is that the PMP will be implemented.
 - Submit bi-annual summary reports in December and June indicating the preventative maintenance accomplishments for the six month reporting period. Reports should be generated from MicroMain CMMS Software and present a high level summary of all preventative maintenance activity performed.
- Facility maintenance, operational improvements, and efficiencies
 - Develop/refine operational methods and procedures to increase service quality and operational efficiencies. Report on the benefits achieved by the creation or refinement of methods and procedures.
 - Establish quarterly building inspections with CTD staff to present recent work that has been accomplished, and to collectively evaluate areas in the need of future focus.
 - Develop and implement initiatives to further improve LACC's sustainability and resiliency.
 - Provide bi-annual reports (December and June) outlining sustainability/resiliency accomplishments and respective measured impact of such efforts.

Category 3 – Implementation of Food Services

The following summarizes the 2018-19 Discretionary Incentive Fee goals:

		Goals FY18	Results FY 18	Goals FY 19
3a	Overall satisfaction with food and beverage (AEG surveys)	4.3	4.4	4.4
3b	Overall satisfaction with food and beverage (LATCB surveys)	3.9	4.0	4.0
3c	Quality of food (LATCB surveys)	3.7	4.0	4.0
3d	Food and beverage profit margin	25%	26%	26%

As implemented for Category 1, the CTD utilizes annual customer survey results in developing and assessing the quantitative goals for Category 3. As stated earlier, Category 3 is a non-permanent category and may be subject to change as mutually agreed upon by both parties. The following lists the historical subject areas for Category 3 since the execution of the Management Agreement.

2013-14	Implementation of Enhanced Public Safety
2014-15	Implementation of Enhanced Public Safety
2015-16	Capital Improvement Projects, Alterations & Improvements, Capital Equipment Purchases
2016-17	Capital Improvement Projects, Alterations & Improvements, Capital Equipment Purchases
2017-18	Implementation of Food Services
2018-19	Implementation of Food Services

BACKGROUND

The AEG-LACC's compensation consists of three different fees. The following is a short description of each fee:

- (1) Annual Base Management Fee – The annual base management fee compensates AEG-LACC for all the services provided pursuant to the Management Agreement, including but not limited to operations and management and food and beverage services;
- (2) Earned Incentive Fee – The earned incentive fee is paid when total operating revenues exceed the approved annual operating budget for an agreement year; and,
- (3) Discretionary Incentive Fee – If AEG-LACC qualifies to receive an earned incentive fee, and if the CTD Department favorably evaluates AEG-LACC's

performance based upon the agreed categories and metrics, AEG-LACC shall be paid a Discretionary Incentive Fee determined by the Board.

The CTD Department and AEG-LACC shall annually agree upon the allocation of weight of the three categories to determine the amount to be paid for the satisfactory performance of one or more of the categories. The Management Agreement requires that to the extent reasonable, the goals should be more quantitative based rather than qualitative. There are certain metrics in which a quantitative based goal would not be feasible as it would be difficult to measure or accurately track. As such, qualitative goals were incorporated in the fee proposal as well.

If AEG-LACC qualifies to receive the earned incentive fee for 2018-19, the CTD Department will evaluate AEG-LACC's performance based upon the agreed metrics and goals of the Discretionary Incentive Fee. Staff will provide feedback to the Executive Director, who will provide a final recommendation on the Discretionary Incentive Fee payment amount.

RECOMMENDATION

That the Board adopt the proposed Discretionary Incentive Fee goals for the 2018-19 Fiscal Year, attached to this report.

ATTACHMENT– Summary of 2018-19 Discretionary Incentive Fee Goals

DL:DM

Summary of 2018-19 Discretionary Incentive Fee Goals

Category 1 (40%) - Implementation of Enhanced Customer Service				
		FY18		FY19
		Goals	Results	Goals
1a.	Overall client satisfaction (AEG surveys)	4.6	4.7	4.7
1b.	Overall client satisfaction (LATCB surveys)	4.0	3.7	4.0
1c.	Overall satisfaction with Facility Security (AEG Surveys)	4.6	4.5	4.6
1d.	Operational improvements that enhanced customer service	Meet Expectations	Expectations Met	Meet Expectations
Category 2 (40%) - Implementation of Enhanced Facility Maintenance				
2a.	Recycling diversion rate	75%	67%	70%
2b.	Water reduction initiatives completed	Meet Expectations	Expectations Met	Meet Expectations
2c.	Completion of Preventative Maintenance Plan	Pass	Pass	Pass
2d.	Operational improvements and efficiencies implemented	Meet Expectations	Expectations Met	Meet Expectations
Category 3 (20%) – Food Services				
3a.	Overall satisfaction with food and beverage (AEG surveys)	4.3	4.4	4.4
3b.	Overall satisfaction with food and beverage (LATCB surveys)	3.9	4.0	4.0
3c.	Quality of food (LATCB surveys)	3.7	4.0	4.0
3d.	Food and beverage profit margin	25%	26%	26%

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: September 10, 2018

To: Board of Los Angeles Department of Convention & Tourism Development
Commissioners

From:  Doane Liu, Executive Director
Department of Convention and Tourism Development

Subject: **APPROVAL OF 2017-18 DISCRETIONARY INCENTIVE FEE PAYMENT
– BOARD REPORT #18-005**

RECOMMENDATION:

That the Board of Los Angeles Department of Convention and Tourism Development Commissioners approves the payment of the Discretionary Incentive Fee (DIF) for Fiscal Year 2017-18, as referenced in Section 5.4 of the Management and Operation Agreement (Attachment A) between the City of Los Angeles and AEG Management LACC, LLC in the amount of \$92,913.51.

DISCUSSION:

The compensation to AEG Management LACC. LLC (AEG-LACC) for the management and operation of the Los Angeles Convention Center (Convention Center) consists of a Base Management Fee, and the Earned and Discretionary Incentive Fee payments. The total potential fee amount of \$371,654.06 will be adjusted annually in accordance with the Consumer Price Index (CPI), capped at 2 percent. The following is a breakdown of the total potential annual payment for 2017-18.

Base Management Fee	\$ 185,827.03
Earned Incentive Fee	92,913.52
Discretionary Incentive Fee	92,913.51
TOTAL	\$ 371,654.06

The following is a description and additional information regarding the fees identified in the table above.

1. **Base Management Fee** – An annual fixed fee in the amount of \$185,827.03 for all services provided pursuant to the Management Agreement. The Base Management Fee is paid on a monthly basis upon written authorization from the Executive Director.

2. **Earned and Discretionary Incentive Fees** – The total potential incentive fees are not to exceed the Base Management Fee. The earned incentive fee is paid when total operating revenues exceed the approved annual operating budget for an agreement year.

a. **Earned Incentive Fee** – The Earned Incentive Fee is calculated as 75 percent of the amount by which the actual total Operating Revenues exceed budgeted Operating Revenues, capped at 50 percent of the Base Management Fee.

Budgeted Operating Revenues	Actual Operating Revenues	Variance	75% of Variance	Base Management Fee – FY 17	Maximum Earned Incentive Fee
\$28,301,986	\$34,266,084	\$5,964,098	\$4,473,074	\$185,827.03	\$92,913.52

b. **Discretionary Incentive Fee** – If AEG-LACC qualifies to receive an earned incentive fee, and if the Convention and Tourism Development Department (CTD) favorably evaluates AEG-LACC's performance based upon the agreed categories and metrics, AEG-LACC shall be paid a Discretionary Incentive Fee determined by the Board. The Discretionary Incentive Fee is capped at 50 percent of the Base Management Fee. The maximum Discretionary Incentive Fee for FY 2017-18 is \$92,913.51. The following categories were considered in evaluating AEG-LACC's performance:

- i. Implementation of enhanced customer satisfaction – 40%
- ii. Implementation of enhanced facility maintenance – 40%
- iii. Enhancing Food Services – 20%

The CTD recommends that the Board approve the 2017-18 Discretionary Incentive Fee payment in the amount of \$92,913.51 based on the following results achieved:

1. Implementation of enhanced customer satisfaction:

CATEGORY 1		Goal	Result
1a.	Overall client satisfaction (AEG surveys)	4.6	4.7
1b.	Overall client satisfaction (LATCB/ESG surveys)	4.0	3.7
1c.	Overall satisfaction with facility security (AEG Survey)	4.6	4.5
1d.	Operational improvements with enhanced customer service	Meet Expectations	Expectations Met

The operational improvements implemented to enhance customer service included the following highlights:

Improvements to Food and Beverage

- ✓ Roll out new "Taste of LA" cafes and concessions menu.
- ✓ Expansion of grab & go options to expand food variety options.
- ✓ Introduction of new Taste of LA grill menu options featuring a signature burger and other expanded menu options.
- ✓ Improve existing menus to increase variety, speed of service and quality.
- ✓ Event specific specials that cater to the guest demographic and help increase sales.

Improvements to Security, Guest Services and Safety:

- ✓ Added access control to the entry into facility catwalks.
- ✓ Added 636 door contacts throughout the perimeter of the facility.
- ✓ Added K12 rated security bollards to the South and West Hall exterior entry points.

Improvements to Building Operations

- ✓ Carpet replacement to various spaces.
- ✓ Marquee signage upgrade to sign located on Convention Center Drive and Venice.
- ✓ Painting to West and South Hall interior and exterior areas.
- ✓ Installation of electric vehicle chargers

The results for Category 1 were based on customer surveys conducted by both AEG-LACC and the Los Angeles Tourism Convention Board (LATCB). Surveys conducted by AEG-LACC were based on a 46 percent response rate of approximately 150 surveyed events. Surveys conducted by LATCB were based on a 92 percent response rate for 26 post convention surveys.

2. Implementation of enhanced facility maintenance:

CATEGORY 2		Goal	Result
2a.	Recycling diversion rate	75%	67%
2b.	Water reduction initiatives completed	Meet Expectations	Expectations Met
2c.	Completion of preventative maintenance plan	Pass	Pass
2d.	Operational improvements and efficiencies implemented	Meet Expectations	Expectations Met

- a. Recycling diversion rate - LACC achieved a diversion rate of 72 percent.

Over the last five agreement years, AEG-LACC's recycling diversion rate, which accounts for the amount of waste diverted from landfills, has remained consistently above 70 percent. Recently, the City executed its Exclusive Franchise system for refuse collection from multifamily and commercial properties in which one primary hauler has been designated to collect waste from a specific area. As a result, the LACC had to switch to the primary hauler for its designated area. There are several operating factors of the current waste hauler in comparison to the previous waste hauler that resulted in a lower diversion rate. One of the main factors is that the current waste hauler does not offer "waste-to-energy", which is a waste management option that includes burning waste to reduce the amount of material that would otherwise be buried in landfills.

b. Water reduction initiatives completed:

- ✓ Upgraded to 6-cycle concentrated salt system for cooling towers.
- ✓ Continued installation of 0.5 gallon per minute water misers and aerators to restroom faucets.
- ✓ Began installation of flow control faucets in kitchen and pantry areas.

c. Execution of preventative maintenance plan:

AEG-LACC utilizes MicroMain as a tool to execute its preventative maintenance plan. Key factors in implementation include asset collection and verification, inventory entry, preventative maintenance schedules, access control, routine inspections, tracking work orders, procurement of capital improvement projects, supplies purchases, etc.

d. Highlights of operational improvements and efficiencies implemented:

- ✓ Over \$400,000 in approved capital improvements to accommodate food and beverage demands.
- ✓ South Hall floor remediation project.
- ✓ Completion of phase 1 replacement of eight total water heaters.
- ✓ LED upgrades to various spaces.
- ✓ Lighting retrofit.

3. Implementation of Food Services

CATEGORY 3		Goal	Result
3a.	Overall satisfaction with food and beverage (AEG surveys)	4.3	4.4
3b.	Overall satisfaction with food and beverage (LATCB surveys)	3.9	4.0
3c.	Quality of food (LATCB surveys)	3.7	4.0
3d.	Food and beverage profit margin	25%	26%

As implemented for Category 1, the CTD utilizes annual customer survey results in developing and assessing the quantitative goals for Category 3.

FISCAL IMPACT:

The Discretionary Incentive Fee will be paid from the LACC Operating Account and has no impact on the General Fund.

ATTACHMENTS:

- A. Article 5 of the Management Agreement
- B. Letter from AEG-LACC dated July 31, 2018

DL:DM

ATTACHMENT A

ARTICLE 5 AEG'S COMPENSATION

Section 5.1 Annual Base Management Fee.

For all Services provided by AEG pursuant to this Agreement, including but not limited to, LACC operations and management and food and beverage services, AEG shall be paid an annual management fee (the "Base Management Fee"), subject to the City's budget appropriation process, in the amount of One Hundred and Seventy Five Thousand Dollars (\$175,000.00) subject to the annual CPI-U adjustment as set forth in Section 5.2, and as prorated for any Agreement Year which is less than 365 days. The Base Management Fee shall be payable from the LACC Operating Account, or from funds otherwise made available by City, in 12 equal monthly installments in arrears, upon written authorization by the Executive Director, not to be unreasonably withheld, conditioned or delayed, no later than 10 days after the end of each month. The amount of any Base Management Fee for the First Agreement Year, the Final Agreement Year, or any other partial year shall be prorated to reflect the actual number of days for such Agreement Year.

Section 5.2 CPI Adjustment.

The Base Management Fee described in Section 5.1 shall be adjusted upward on the first day of each Agreement Year by the percentage change in the Consumer Price Index for All Items, All Urban Consumers ("CPI-U") for the Los Angeles-Riverside-Orange-County, California area, 1982-84=100 as published by the U.S. Department of Labor, Bureau of Labor Statistics, or its successor index, provided that such adjustment shall not exceed two percent (2%).

Section 5.3 Earned Incentive Fee.

In the event AEG achieves an actual total Operating Revenues that exceed the Operating Revenues projection in the Approved Annual Operating Budget for an Agreement Year, AEG will be eligible to be paid an incentive fee as described herein ("Earned Incentive Fee"), in addition to the Base Management Fee and the Discretionary Incentive Fee (set forth in Section 5.4 below), if any. AEG will be paid the Earned Incentive Fee in addition to the Base Management Fee as determined below:

(a) Calculation of Earned Incentive Fee.

(i) Maximum Amount. The Earned Incentive Fee for any given Agreement Year will not exceed fifty percent (50%) of the Base Management Fee for such Agreement Year.

(ii) Calculation. The Earned Incentive Fee shall be calculated as 75% of the amount by which the actual total Operating Revenues for an Agreement Year exceeds the budgeted total Operating Revenues as determined using the Approved Annual Operating Budget for that Agreement Year, subject to Section 5.3(a)(i) above.

(b) *Payment.* The Earned Incentive Fee determined pursuant to Section 5.3(a) above will be payable to AEG after the LACC Department's acceptance of the Annual Audit in accordance with Section 7.3(a)(i). AEG's invoice for the Earned Incentive Fee for the Agreement Year will be sent to the LACC Department in connection with the submission of the Annual Audit report, and will be paid from the LACC Operating Account as an Operating Expense, or from funds made available by the City.

Section 5.4 Discretionary Incentive Fee.

In the event AEG achieves an actual total Operating Revenues that exceed the Operating Revenues projection in the Approved Annual Operating Budget for an Agreement Year, AEG shall be eligible for a discretionary incentive fee ("Discretionary Incentive Fee"), in addition to the Base Management Fee and the Earned Incentive Fee, if any. AEG will be paid the Discretionary Incentive Fee in addition to the Base Management Fee as determined below:

(a) Calculation of Discretionary Incentive Fee.

(i) *Maximum Amount.* The Discretionary Incentive Fee will not exceed fifty percent (50%) of the Base Management Fee for any Agreement Year.

(ii) *Calculation.* In the event AEG achieves an actual total Operating Revenues greater than the budgeted total Operating Revenues as determined using the Approved Annual Operating Budget for an Agreement Year, AEG will qualify for the Discretionary Incentive Fee for the Agreement Year. If AEG qualifies and if the LACC Department favorably evaluates AEG's performance during that Agreement Year in the categories described below, AEG will be paid a Discretionary Incentive Fee determined by the LACC Board, in its sole discretion. Categories (1) and (2) below shall be permanent categories to be evaluated each Agreement Year. Category (3) below shall be evaluated for the First Agreement Year and thereafter modified or replaced by mutual agreement to reflect the current circumstances and needs at the LACC. Additionally, the Parties shall annually agree upon the allocation of weight of the three or more categories to determine the amount to be paid for the satisfactory performance in one or more of the categories. For the First Agreement Year the weight shall be forty percent (40%) each for categories (1) and (2) and twenty percent (20%) for category (3). The categories are:

- (1) Implementation of enhanced customer satisfaction;
- (2) Implementation of enhanced facility maintenance; and
- (3) Implementation of enhanced public safety.

(b) *Payment.* The Parties will work together to establish mutually-agreeable standards for the LACC Department's evaluation of the categories described above. The Discretionary Incentive Fee is payable in the sole discretion of the LACC Department, based upon the LACC Department's evaluation of AEG in the above areas and as measured against the specific goals in those areas as determined collectively and cooperatively by the LACC Department and AEG. The Parties intend to the extent

reasonably attainable to establish goals, which are more quantitative than qualitative goals.

Within one month after each Agreement Year, AEG will provide to the Executive Director information required to evaluate AEG's performance for the prior Agreement Year as against the goals previously established, and to provide input to LACC Management Review Staff for its recommendation to the Executive Director the goals for the then current Agreement Year. The Executive Director will, prior to completion of the audit required pursuant to Section 7.3(a)(i) complete its work as set forth herein and report to the LACC Department the Executive Director's recommendations. The LACC Department Board will in its sole discretion determine the amount of the Discretionary Incentive Fee earned for the prior Agreement Year and set the goals for the upcoming Agreement Year. The Executive Director will report this information to AEG in a format to be mutually agreed to by the Parties. The Discretionary Incentive Fee, if any, shall be paid from the LACC Operating Account as an Operating Expense upon approval by the LACC Board and written authorization by the Executive Director or from funds otherwise made available by City.

Section 5.5 Limitation on Earned Incentive Fee and Discretionary Incentive Fee.

Irrespective of the provisions of Sections 5.1, 5.2, 5.3, and 5.4 above, in no Agreement Year will the compensation paid to AEG under this Agreement be based, in whole or in part, on a share of the net profits from the operation of the LACC. Irrespective of the provisions of Section 5.1, 5.2, 5.3 and 5.4 above, in no Agreement Year may the aggregate amount of the Earned Incentive Fee and the Discretionary Incentive Fee, if any, exceed the Base Management Fee. City represents and warrants that the compensation to be paid to AEG complies with applicable statutes, regulations and procedures of the United States Internal Revenue Service, and the Base Management Fee will serve as a cap on the aggregate amount of the Earned Incentive Fee and the Discretionary Incentive Fee, if any, paid for any given Agreement Year. Specifically, the City intends that this Agreement comply with the safe harbor provisions of IRS Rev. Proc. 97-13 meaning this Agreement is not intended to result in private business use of the LACC under Section 141(b) or Section 141(c) of the Internal Revenue Code of 1986, as amended ("Code"). In the event the statutes, regulations or procedures of the United States Internal Revenue Service are modified in a way this Agreement would result in private business use under Section 141(b) or Section 141(c) of the Code or otherwise, then the Parties will revise this Agreement so this Agreement does not result in private business use of the LACC and the City's bonds for the LACC do not become taxable as private activity bonds. If the Parties are not able to agree upon acceptable and required revisions to this Agreement to avoid this Agreement from resulting in private business use and avoid the City's bonds becoming taxable, then either party may terminate this Agreement upon 60 days' advance written notice.

ATTACHMENT B



Mr. Doane Liu
Executive Director
Los Angeles Department of Conventions and Tourism Development
1201 S. Figueroa Street
Los Angeles, California 90015

July 31, 2018

Dear Doane:

Section 5.4 of the Management Agreement between AEG Management LACC, LLC (AEG) and City of Los Angeles provides AEG the ability to earn a Discretionary Incentive Fee in the event total operating revenues exceed operating revenues projected in the approved annual operating budget.

The Discretionary fee for FY17/18 is determined based on the below criteria:

- (1) Implementation of enhanced customer satisfaction
 - a. Overall client satisfaction (AEG Surveys)
 - b. Overall client satisfaction (LATCB surveys)
 - c. Overall satisfaction with facility security (AEG Survey)
 - d. Operational improvements that enhance customer service
- (2) Implementation of enhanced facility maintenance
 - a. Recycling diversion rate
 - b. Water reduction initiatives completed
 - c. Completion of Preventative Maintenance Plan
 - d. Operational improvements and efficiencies implemented
- (3) Food Services
 - a. Overall satisfaction with food and beverage (AEG surveys)
 - b. Overall satisfaction with food and beverage (LATCB surveys)
 - c. Quality of food (LATCB surveys)
 - d. Food and beverage profit margin

Below details AEG's accomplishments related to the established criteria for FY 17/18.

To enhanced customer satisfaction:

Overall client satisfaction on AEG survey results is 4.7 on a five-point scale. Goal for the year was a 4.6. See survey results attached.

Overall client satisfaction on LATCB survey results is 3.7 out of 5. Goal for the year was a 4.0.

Overall client satisfaction with facility security is 4.5 on a 5 five-point scale. Goal for the year was a 4.6.

Operational improvements that enhance customer satisfaction:

Improvements in Food and Beverage

- Roll out of new "Taste of LA" cafes and concessions menu.
- Expansion of grab & go options to expand food variety options to our guests.
- Introduction of new Taste of LA grill menus options featuring a signature burger and other expanded menu options.
- Re-work of our existing menu to increase variety, speed of service, and quality.
- Event specific specials that cater to the guest demographic and help increase sales.
- Redesign of existing café spaces with simple decorations, menu board graphics, and other cosmetic adjustments to update the space.
- Replacement of furniture and upholstery in Galaxy cafeteria
- Further expansion of already established "Taste of LA" beverage program utilizing local wineries and additional craft breweries.
- Expansion of partnership with Food Fleet to provide a dynamic food truck and internal sub-contractor program.

Improvement in Security, Guest Services and Safety:

- Added access control to the 7 points of entry into our catwalks; All catwalk entry points were also rekeyed. In addition, door contacts were added to all hatches that lead to the upper roofs, and an additional 5 cameras were placed to monitor who is coming in and out of the catwalks.
- Added 636 door contacts throughout perimeter of the facility. These door contacts were placed in key areas where the public has access. All alarms tie into our access control systems which alerts our command center.
- Added K12 rated security bollards to both the South and West Hall exterior entry points. Bollards are designed to harden the perimeter by being truck resistant.

Building Operations

- Carpet replacement improving LACC appearance:
 - 300 meeting rooms
 - 500 meeting rooms
 - Petree Hall

- Marquee signage upgrade to sign located on Convention Center Drive and Venice
- Painting to West and South Hall interior and exterior areas & Concourse bridge interior ceiling area
- Installed (13) Level 2 EV chargers in West and South parking garages
- Installed (2) bottle filling stations and (9) Elkay drinking fountain with bottle filling stations throughout the facility
- Restroom renovation South Hall G & H restrooms
- Upgrade of all ADA amenities including signage upgrade, restrooms, and path of travel
- Created a Green Sustainable Rooftop Garden
- Installation of Sustainability Kiosk to Concourse Foyer
- Installation of NuPark parking technology software to enhance all online parking purchases and services

Event Management

- Rolled out a new, enhanced version of the LACC Event Planning Guide incorporating facility guidelines, forms, resources and updated rules/regulations. The new version is a comprehensive and one-stop tool for clients, contractors and exhibitors.

To enhance facility maintenance:

LACC waste diversion rate was 67% (July 2017 – May 2018). Results for June 2018 are still pending.

Below details obstacles in achieving the 75% diversion goal.

- 1.) New waste hauler was assigned to LACC, NASA, as part of City of Los Angeles franchise agreement. NASA diversion reporting is manually inputted. The manual inputting is delaying diversion reporting. LACC diversion reports are not received until 45-60 days after the end of a month. In addition, manual input of waste and diversion increases the likelihood of reporting errors. LACC has been in consistent contact with Judi Gregory, NASA's Zero Waste Director, regarding discrepancies and report timing.
- 2.) Waste to Energy - Prior to the franchise agreement, LACC was sending an average of (4) loads a month to Waste to Energy facilities through Waste Management. We diverted a monthly average of 16 tons from the landfill utilizing waste to energy. Under the franchise agreement, our franchise provider will not haul solid waste to Waste to Energy Facility for diversion credit. Since NASA assumed LACC waste removal, only 11.67 tons of LACC waste has been sent to an energy facility.

LACC water reduction initiatives completed included:

- Upgraded to 6-cycle concentrated salt system for cooling towers
- Continued installation of 0.5 Gallon per minute water misers and aerators to restroom faucets
- Began installation of flow control faucets in kitchen and pantry areas
- Purchase (2) pressure washers to reduce the amount of water and chemicals used to clean the exterior
- Purchase of M30 Scrubber/Sweeper which will reduce the amount of water and chemicals utilized to sweep/scrub exhibit halls.

Completion of preventative maintenance plan:

Attached is LACC's preventative maintenance plan. We continue to utilize Micromain in tracking and recording preventative maintenance. MicroMain is a computerized maintenance management system. Micromain was designed for a large-scale campus like the AEG/ Los Angeles Convention Center.

Implementation and continuous updating of the software is the key component to our success. How carefully and thoughtfully the data is set up in the system relates to the quality of reporting generated from the system. Key factors in implementation include asset collection/verification, inventory entry, preventive maintenance schedules, access control, routine inspections, work request/work orders, scheduling/planning, vendor/contractors, procurement of capital improvement projects, supplies purchases, budgeting, employee labor, establishing processes, and training the team.

LACC is dedicated to implementing, constant updating, and identifying the best use of the system for the AEG/Los Angeles Convention Center.

To accomplish the task and activities outlined in the Preventive Maintenance Plan, LACC is inventorying the entire campus and entering the data into the Micromain system, a process that is an ongoing development. To achieve the data entry task, we've added two part-time CMMS data entry administrative assistants whose primary roles will be to assist with validation of all pertinent information, and data input. Internal team meetings occur weekly to go over all information including vendor/contract preventive maintenance, in house preventive maintenance/schedules, assets, end-user usage, labor, inventory, regulations, routine inspections, procurements, new discoveries, equipment manufacture recommendations, and GL accounts are setup accordingly to industry best practices.

We are committed to excellence and the development/implementation of a world class computerized maintenance management system. Appropriate staff are being trained to

use the system. Training is being provided that encourages all end-users to share in the development and implementation of this much needed technology. As the data is being entered, the team has the ability to use the system to schedule preventive maintenance, routine inspections, work requests, and generate reports.

Below summarizes some of the features and benefits of Micromain:

- Extend the life of assets through a concise planned preventative maintenance.
- Advanced Analytics, which provides data needed to make sound decisions for the center upkeep.
- Paperless, mobilized work force, that can create and update work requests/work orders on the go.
- Optimize communication between those who submit work requests and those involved in work order management.
- Significantly reduce downtime on all equipment.
- Gives LACC the tools to maximize resource allocation and productivity using the report features in the software. You can know where and how each team member is performing, and which assets need the most care or replacing.
- Maintain audit records and logs.
- Ensure compliance with safety, Los Angeles Chief Regulations 4, SCAQMD, local and state regulations.
- Track all sustainability initiatives, including future planning/requirements.
- Customize reports, e.g., assets, inspections, safety, regulations, employee labor, vendor/contractor, asset depreciations, procurements, corrective maintenance, and preventive maintenance.
- Schedule preventative maintenance automatically or manually.
- Daily and monthly utility meter reads.
- Asset management to prolong the life of the assets.
- Parts and inventory management system.
- Projects/Contract management.
- End-user Mobile capabilities.
- Capital Improvement Projects & Alteration and Improvement, tracking/reports.

A demonstration of Micromain and work orders are available upon request.

Operational improvements and efficiencies implemented

- Over \$400K in approved capital improvements to accommodate F&B demands
 - Replacement of the steam line equipment to increase efficiencies during heavy sales events.
 - Food transportation equipment to help assist with distribution of food to ensure quality standards are met.

- Burner range expansion to provide more flexibility with specialty requests.
- Rotating oven expansion to assist with large plated events.
- Vacuum sealing system to help save costs and develop a sous vide menu for high end smaller plated events.
- South Hall floor remediation to South Hall K
- Upgraded to 6-cycle concentrated salt system for cooling towers
- Completion of phase 1 replacement to (8) total Water Heaters:
 - (2) South Hall concession stands #3 & #6
 - (2) Concourse Foyer Men's & Women's restrooms
 - (2) South Hall G
 - (1) Business center men's restroom
 - (1) South Hall lobby.
- Installed (4) 25 HP motors with VFD's and (3) 150 HP motors with VFD's on the chill water loop for the central plant for energy conservation
- LED upgrades to Concourse Hall, Concourse foyer, Concourse corridor & Concourse pre-function areas, including South Hall all men and women restrooms within listed areas, Tradewinds, Gilbert Lindsey Plaza, West and South Hall Lobby
- All Exhibit Halls: lighting retrofitted with 2146 LED lamps
- 300 & 400 Meeting Rooms: Upgraded with new LED lamps
- West Hall Alcove above escalators #23 & #24 retrofitted with 912 LED lamps
- Upgrades to Siemens Controllers and building automation system graphics to enhance the efficiency of building comfort for client experience
- LED Lighting upgrade to all flag poles and exterior arcades
- Installed (4) new compactors to assist in increasing waste diversion
- Implemented new hang tag placard with integrated capabilities to current parking system to prevent manual openings better audit procedures
- Installation of Sentry control entry lane gate arm to Security lot
- Addition of five CCTV cameras on the loading docks. Cameras are equipped with enhances infrared lenses that allow greater visibility on the loading docks at night
- Conducted two separate active shooter training classes with LAPD. AEG/LACC and CTD employees were provided both classroom and live scenario training to have a stronger understanding of the Run, Hide, Fight program.
- New budget and forecasting software implemented resulting in improved efficiency in creating the annual budget and updating monthly forecasts.
- Using eBMS solely for estimates and event settlement. This will allow all eBMS users access to event revenue in order to make sound business decisions on behalf of the Center and the Licensee.
- Developed, executed and trained BOE staff on a new HVAC schedule in eBMS specifically for the Control Room to better manage and schedule air/heat uses.

- Added the ability to order building security staffing, equipment use, water service and other LACC services through eBMS enhancing operations in these departments.
- Added a feature in eBMS that allows all departments heads to enter post-event notes specific to their areas of operations and perspective giving all staff a single, full-picture historical source on events to plan and forecast for the future.
- Implemented exclusive use of iPlan, an online diagram design program. iPlan's interactive and 3-D feature allows Event Manager to share diagrams with clients and allows them to provide real-time feedback and comments.

Food Services

Overall client satisfaction with food and beverage on AEG survey result is 4.4 on a five-point scale. Goal for the year was a 4.3.

Overall client satisfaction on LATCB survey result is 4.0 out of 5. Goal for the year was 3.9.

Quality of Food on LATCB survey result is 4.0. Goal for the year was 3.7.

Food and Beverage profit margin finished at 25.9% per the financials which includes 3rd party and food trucks as part of sales. Per Levy's operating statement (removing 3rd party and food trucks from total sales) operating profit margin is 28.1%. See attached.

We feel the financial accomplishments this year coupled with accomplishments listed in this letter qualify us for 100% of the Management Incentive Fee.

Thank you for your continued partnership and support.

Sincerely,



Brad Gessner
Sr. Vice President
Los Angeles Convention Center