



CITY TOURISM COMMISSION

Commissioners: Jon F. Vein, President; Otto Padron, Vice President;
Bricia Lopez; David Stone; Germonique Ulmer



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 three minutes per speaker.

Regular Meeting
Wednesday, November 17, 2021
9:00 a.m.

Dial in number:
1-669-254-5252
Meeting ID: 160 661 2026

1. CALL TO ORDER / ROLL CALL

2. COMMENTS FROM THE PUBLIC

- a. General and Agenda Item Public Comments
To make a public comment, dial the number again, enter the meeting ID#, then press *9.
Limit is one minute per speaker, per item.
- 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 the City Tourism Commission.

3. APPROVE MINUTES

- a. Approval of the regular meeting minutes from October 20, 2021

4. REPORTS

- a. Executive Director Report
- b. ASM Update
- c. LATCB Update

5. DISCUSSION ITEMS

- a. Financial Assessment Services – Board Report #21-008

6. ACTION ITEMS

- a. Findings to Continue Teleconference Meetings Pursuant to AB 361
Determination in accordance with AB 361 Section 3(e)(3) that, while the state of emergency due to the Covid-19 pandemic, as originally proclaimed by the Governor on March 4, 2020, remains active and/or state or local officials have imposed or recommended measures to promote social distancing, this legislative body has reconsidered the circumstances of the state of emergency and that the state of emergency continues to directly impact the ability of the members to meet safely in person and/or state or local officials continue to impose or recommend measures to promote social distancing.

Materials related to an item on this agenda submitted to the City Tourism Commission 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.

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.



CITY TOURISM COMMISSION

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7. ADJOURNMENT

NOTICE TO PAID REPRESENTATIVES

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code 48.01 et seq. More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 987-1960 or ethics.commission@lacity.org.

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Item 3a

Approval of the minutes



CITY TOURISM COMMISSION

Regular Meeting Minutes
October 20, 2021

The Board of City Tourism Commissioners (Board) convened a regular meeting on Wednesday, October 20, 2021 at 9:00 a.m. via Zoom.

PRESENT:

President Jon F. Vein
Vice President Otto Padron - arrived 9:10 am
Commissioner Bricia Lopez
Commissioner David Stone

ABSENT:

PRESENTERS:

Ellen Schwartz, ASM
Ben Zarhoud, ASM
Kimberly Miera, City Attorney's Office
Tigran Avetisyan, CTD
Doane Liu, CTD
Kim Nakashima, CTD
Jaques Chargois, LATCB
Darren Green, LATCB

Item 1. Call to Order / Roll Call

President Jon Vein called the meeting to order at 9:01 a.m.

Item 2a. Public Comment

None

Item 2b. Neighborhood Council

None

Item 3a. Receive and file regular meeting minutes from August 18, 2021

UNANIMOUSLY APPROVED

Item 3b. Approval of the regular meeting minutes from September 15, 2021

UNANIMOUSLY APPROVED

Item 4a. Executive Director Report

Mr. Doane Liu provided an overview of his activities since the last Board meeting, which included: meetings with Danielle Brazell of Cultural Affairs, City Planning Commission regarding DTLA 2040 and hotels, Penske Media Group regarding LA3C, introduction meeting with US Open 2023 team, and an introduction of Germonique Ulmer to the Mayor's Office;

attending the college football playoff site visit and a dinner in honor of Secretary of Tourism of Mexico at the Consul General residence; and noted that the LATCB contract amendment and ASM contract extensions were approved in City Council.

Item 4b. ASM Monthly Update

Ms. Ellen Schwartz noted that Otha Johnson was named Leader of the Quarter and Cynthia Romero was named Employee of the Quarter. Ms. Schwartz reported one event and five filmings for the month of August. Mr. Ben Zarhoud presented the financial data for August, reporting an operating loss of \$0.7M, which is \$0.3M above the revised budget projection, noting that filming and the meal programs did well and \$1.0M in gross revenue, 17% from rental, 21% from F&B, and 31% from parking, which was increased due to campus activity, mainly Staples Center event parking. Mr. Zarhoud reported \$1.2M in operating expenses, which was consistent with the revised budget. Mr. Zarhoud reported the August Exhibit Hall occupancy was 6%. Mr. Zarhoud presented the Fiscal Year End 2020-21 financial data noting that 34% was rent from alternative use and filmings and reported that while there was an operating loss of \$3.2M for the year the operating surplus and reserve remained intact. Ms. Schwartz provided an overview of the 2020-21 LACC Annual Report, noting it is available on the LACC website and will not be printed this year.

Item 4c. LATCB Monthly Update

Mr. Darren Green reported that LATCB has processed 32 leads YTD and booked 17,949 room nights, with year-end goals of 176 leads and 225,000 projected room nights, noting that leads are up and that there are 20 citywide conventions booked for 2022 which is near normal numbers. Mr. Green also noted that there are 4 citywide conventions on the books for 2021. Mr. Green provided an overview of the key sales meetings and events attended by LATCB staff. Mr. Jaques Chargois provided an overview of Simpleview CRM which is a sales and client data management system and a resource for: leads and booking, reporting and data, customers and accounts, and events and sites. Mr. Chargois also provided an overview of the strategic goals for their data quality initiative, which included: data cleanse and analysis, segmentation realignment, and competitive destination benchmarking.

TAKEN OUT OF ORDER -

Item 5b. Fiscal Year 2020-21 Discretionary Incentive Fee (DIF) and Earned Incentive Fee (EIF) Payments - Board Report #21-004

Mr. Tigran Avetisyan provided the details for the annual DIF and EIF payments, which included the two categories set by the Management Agreement with ASM as well as the flexible performance goal of "Alternative Uses of Facility." Mr. Avetisyan stated that CTD staff recommend the Board approve the payment of the DIF and EIF for Fiscal Year 2020-21 in the amount of \$195,970.32.

UNANIMOUSLY APPROVED

Item 5c. Fiscal Year 2021-22 Incentive Fee Goals - Board Report #21-005

Mr. Tigran Avetisyan provided an overview of the proposed annual Incentive Fee goals, which included the three categories defined by both the Management Agreement and staff, and the goals and metrics mutually agreed upon by CTD and AEG-LACC. Mr. Avetisyan stated that CTD staff recommend the Board adopt the proposed Discretionary Incentive Fee goals for Fiscal Year 2021-22.

UNANIMOUSLY APPROVED

Item 5d. Fiscal Year 2022-23 Proposed CTD Budget - Board Report # 21-007

Mr. Tigran Avetisyan provided an overview of the Fiscal Year 2022-23 proposed budget including the budget process, AEG-LACC Operating Budget, proposed LACC-related appropriations and expenditures, proposed CTD departmental budget, and proposed Capital Projects. Mr. Avetisyan stated that CTD staff recommend the Board approve the CTD Department budget submission for consideration by the Mayor's Office for the Fiscal Year 2022-23 Proposed Budget.

APPROVED WITH ONE ABSTENTION

Item 5e. FY 2021-22 LATCB Appendix E - Board Report #21-006

Ms. Kim Nakashima provided an overview of the proposed LATCB contract Appendix E noting the primary goal of the contract and the core objectives of Appendix E. Ms. Nakashima also provided the metrics highlights for the objectives. Ms. Nakashima stated that CTD staff recommend the Board of City Tourism Commissioners approve the proposed Appendix E for Fiscal Year 2021-22 to the Agreement between CTD and LACTB.

UNANIMOUSLY APPROVED

Item 5a. Findings to Continue Teleconference Meetings Pursuant to AB 361

Ms. Kimberly Miera informed the Board that the Brown Act included teleconference provisions and that Governor Newsom eased the requirements during the pandemic. Ms. Miera stated that AB 361 allows legislative bodies to consider circumstances that impact the ability of members to meet safely in person and that the item must be considered every 30 days.

THE BOARD UNANIMOUSLY APPROVED CONTINUING THE ABILITY TO HAVE VIRTUAL COMMISSION MEETINGS.

ADJOURNMENT

The meeting was adjourned at 10:22 a.m. without objection.

Item 4a

Executive Director's Report



Item 4b

ASM Update



LOS ANGELES CONVENTION CENTER MONTHLY UPDATE FOR

SEPTEMBER 2021

ELLEN SCHWARTZ

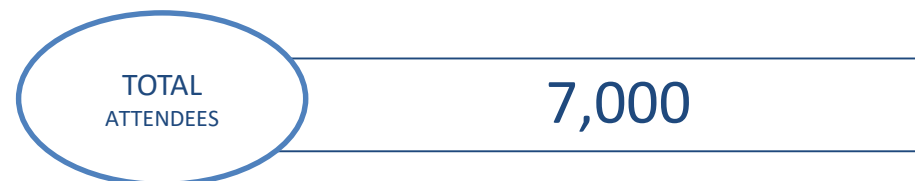
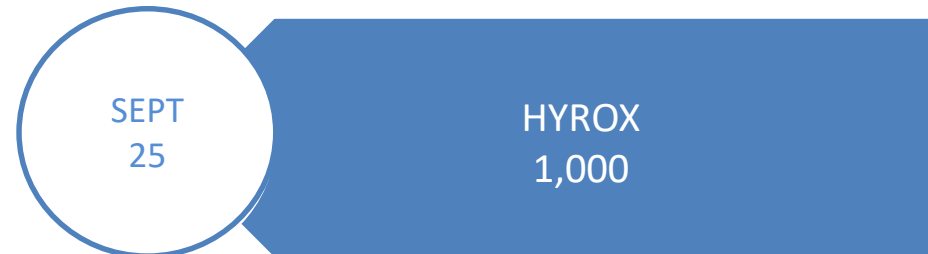


LACC SEPTEMBER 2021 SPECIAL EVENTS

9/11 National Day of Service and Remembrance
September 11
Volunteers: 650



LACC SEPTEMBER 2021 EVENTS



*CITYWIDE

LACC SEPTEMBER 2021 FILMING

<u>DATES</u>	<u>NAME</u>	<u>LOCATION</u>	<u>AMOUNT</u>
Aug. 28 – Sept. 2	Bucket Pictures	South Hall K and Loading Dock	\$53,286
Aug. 30 – Sept. 2	Mercedes Commercial	Kentia Hall, Kentia Dock	\$14,720
September 12 - 24	Westworld	Kentia Hall, Dock and Bond Lot	\$129,449
September 17 - 18	Super Pumped	West Garage	\$4,000
September 24 - 29	This is Us	Bond Lot, Bond St. and Pico Dr.	\$36,850
		TOTAL:	\$238,305

LACC AWARDS & RECOGNITION

- 2021 Global Green Business Award – Best Meeting & Convention Facility – California
- 2022 Center of Excellence - EXHIBITOR Magazine
- 2021 MarCom Gold Award – Social Media Engagement (50th Anniversary campaign)

42 Awards Since Assumed Management

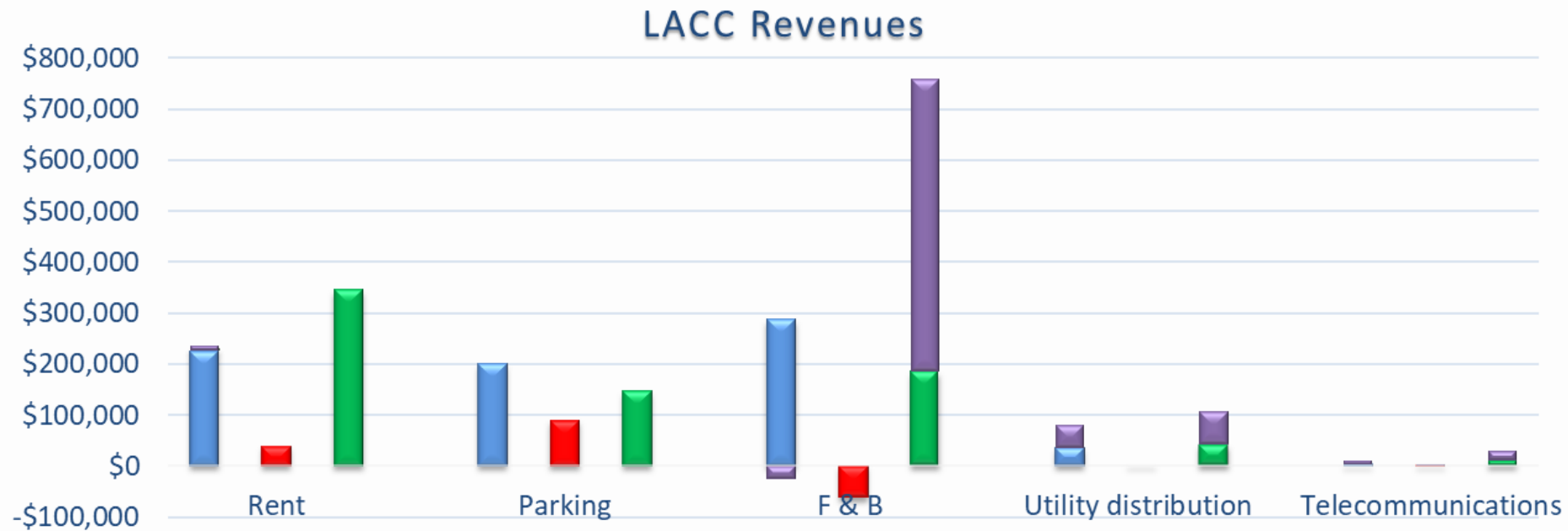
LACC September 2021 FINANCIALS

OPERATING SURPLUS (LOSS):

- (\$0.6) million (before approved City Reimbursements, A & I and Capital Projects)
- \$0.6 million below budget
- \$0.5 million above prior year

REVENUES:

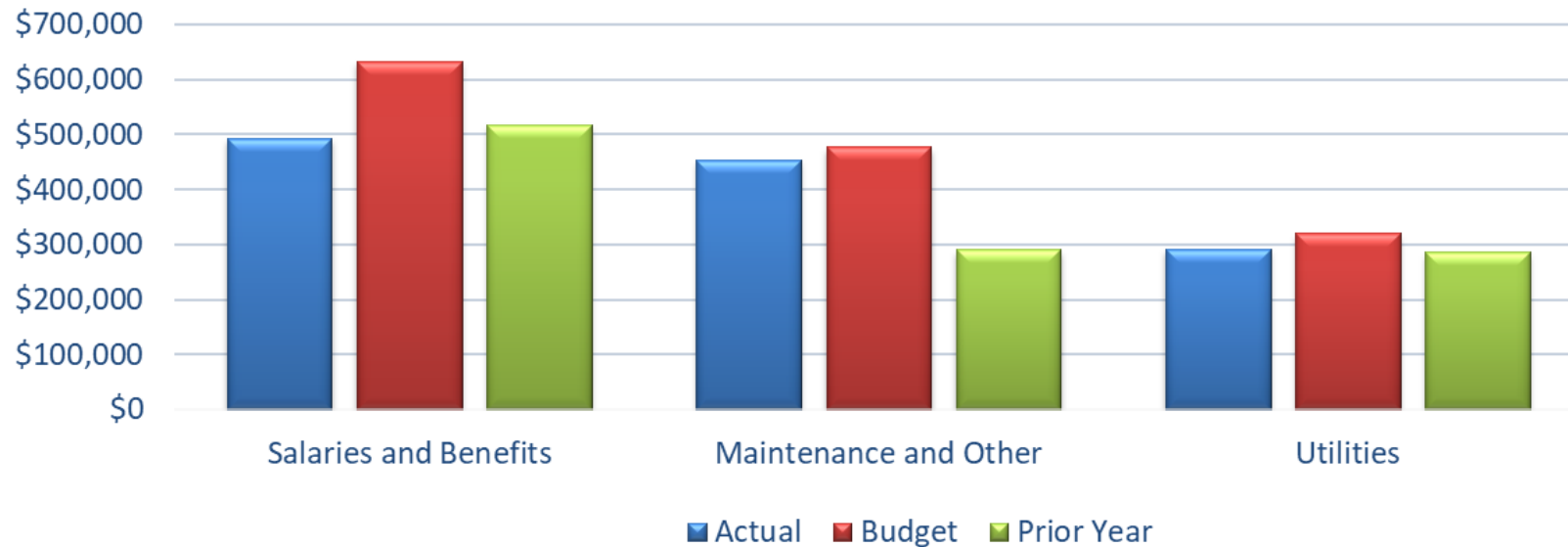
- \$1.0 million gross revenue (before discounts and service provider share)
- \$0.6 million net revenue
- \$0.4 million above budget and \$0.3 million below prior year



LACC September 2021 FINANCIALS

OPERATING EXPENSES:

- \$1.2 million (before approved A & I, Capital Projects, and City reimbursement)
- \$0.2 million below budget and \$0.1 million above prior year



CITY REIMBURSEMENT - \$0.1 million

Capital and Alterations & Improvements

LACC September 2021 OCCUPANCY

Exhibit Hall Occupancy

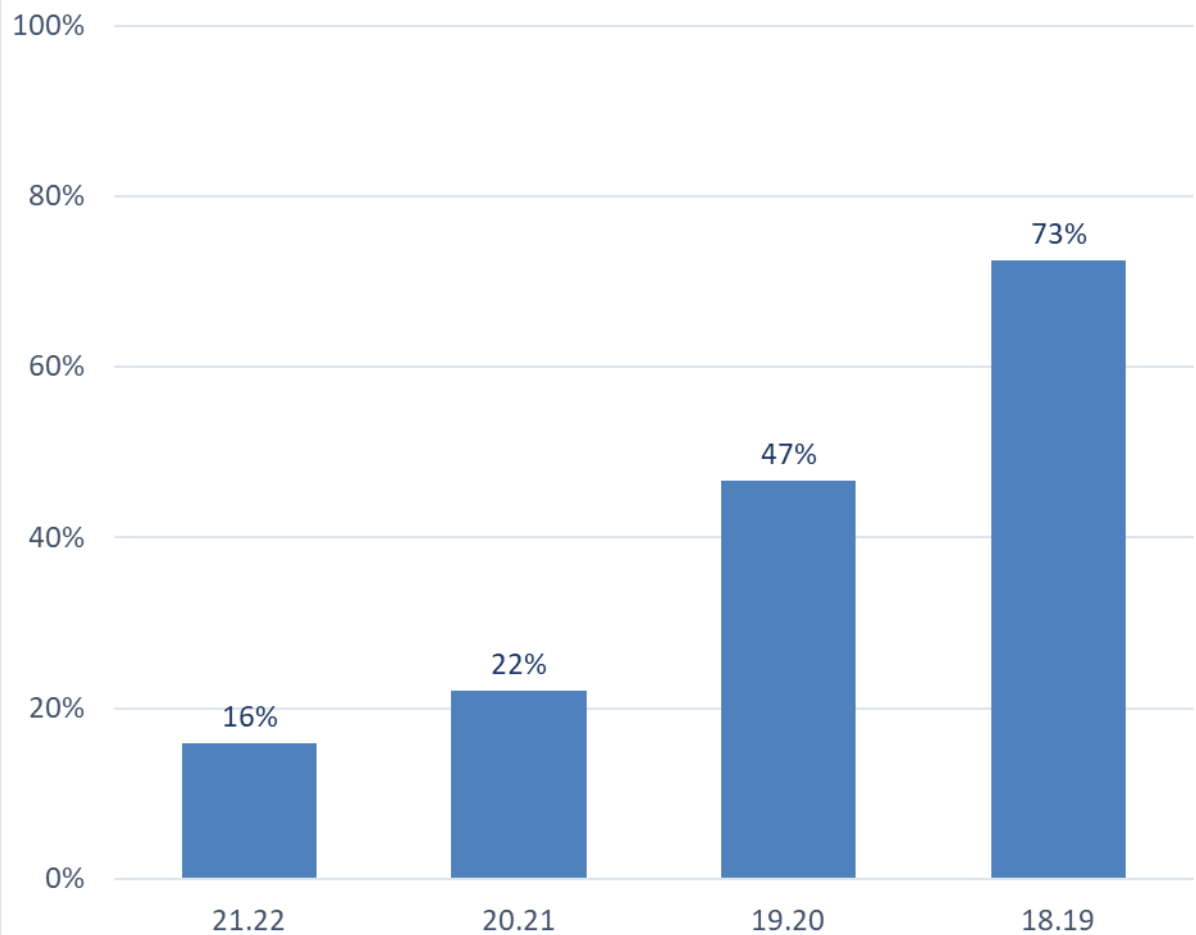
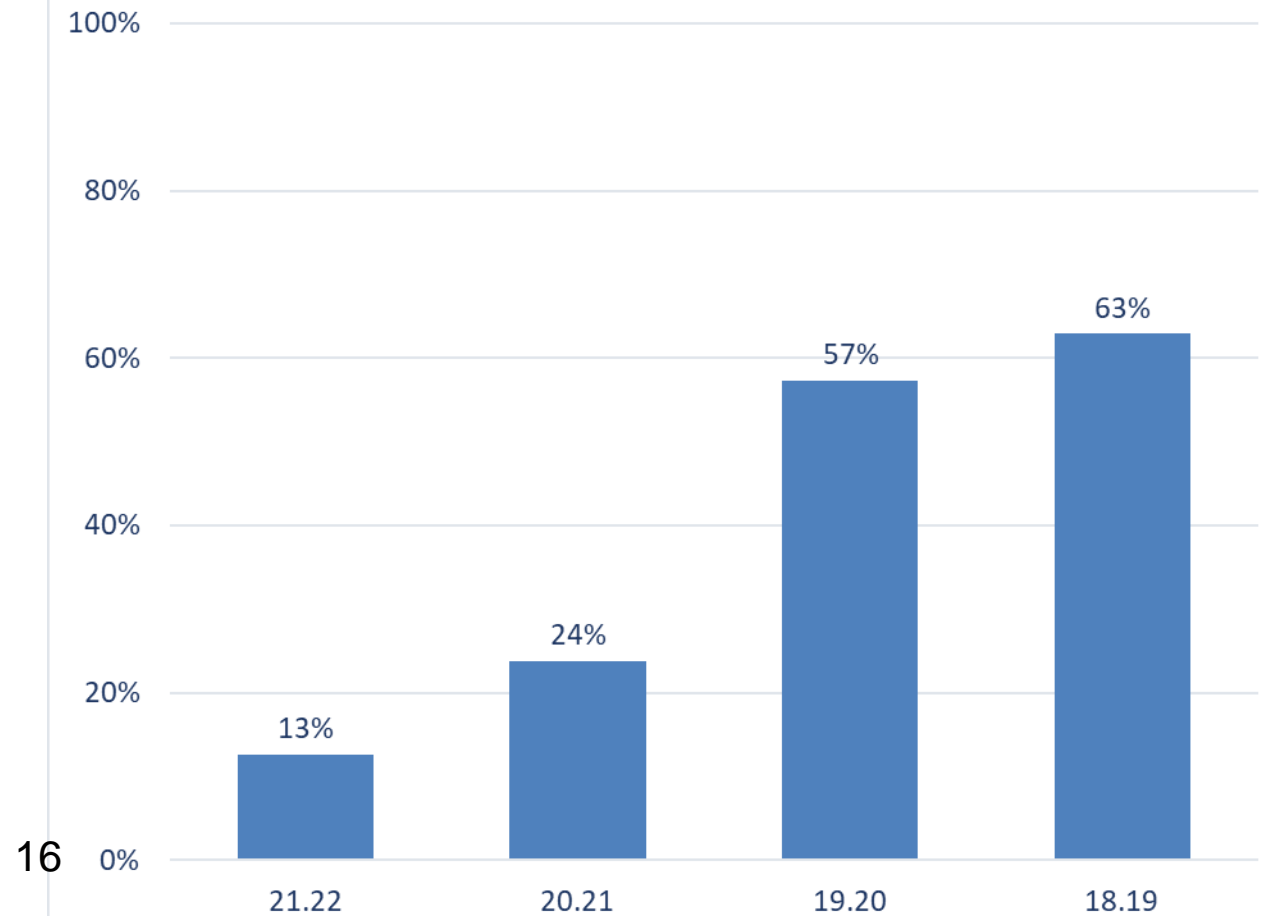


Exhibit Hall Occupancy - (July-September)



Item 4c

LATCB Update



CTD Board of Commissioners

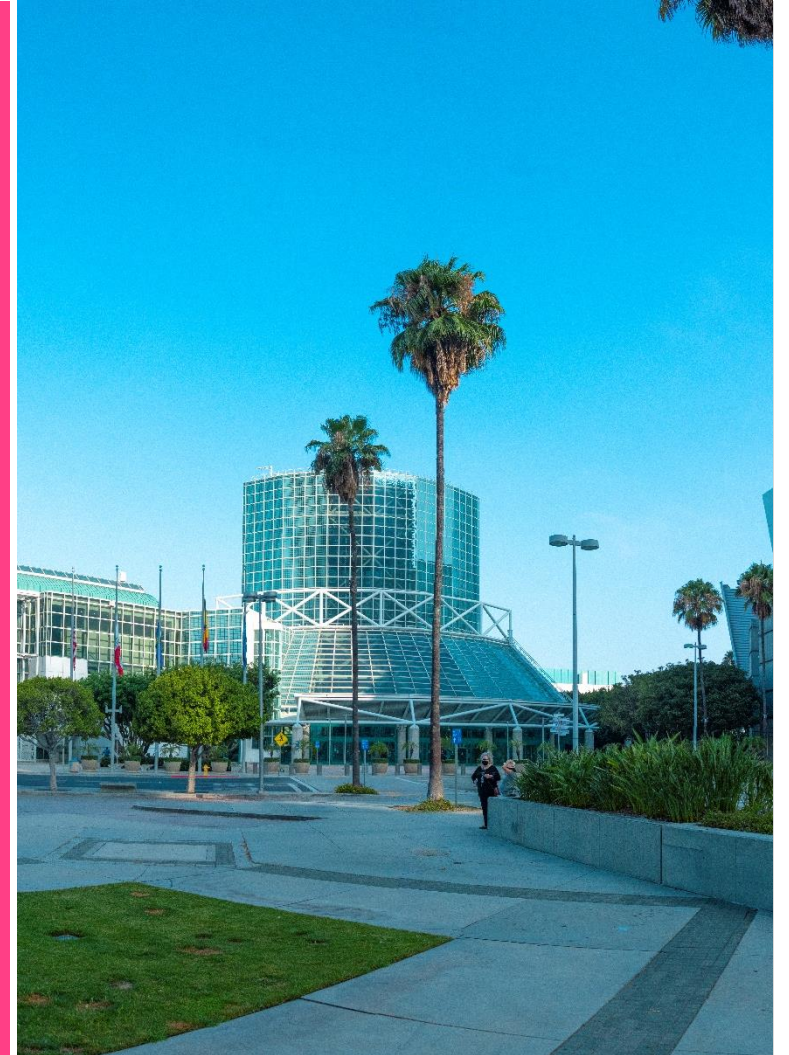
November 17, 2021





SALES UPDATES

Darren K Green
Chief Sales Officer



CITYWIDE CONVENTION SALES

YTD FY21/22 PRODUCTION RESULTS

Lead Production	Leads Actual
FY 21/22 Goal	176
FY 21/22 YTD	34
FY 20/21 STLY	29

Booked Room Nights Produced	RNs Actual
FY 21/22 Goal	225,000
FY 21/22 YTD	18,622
FY 20/21 STLY	105,008

Dated November 9, 2021

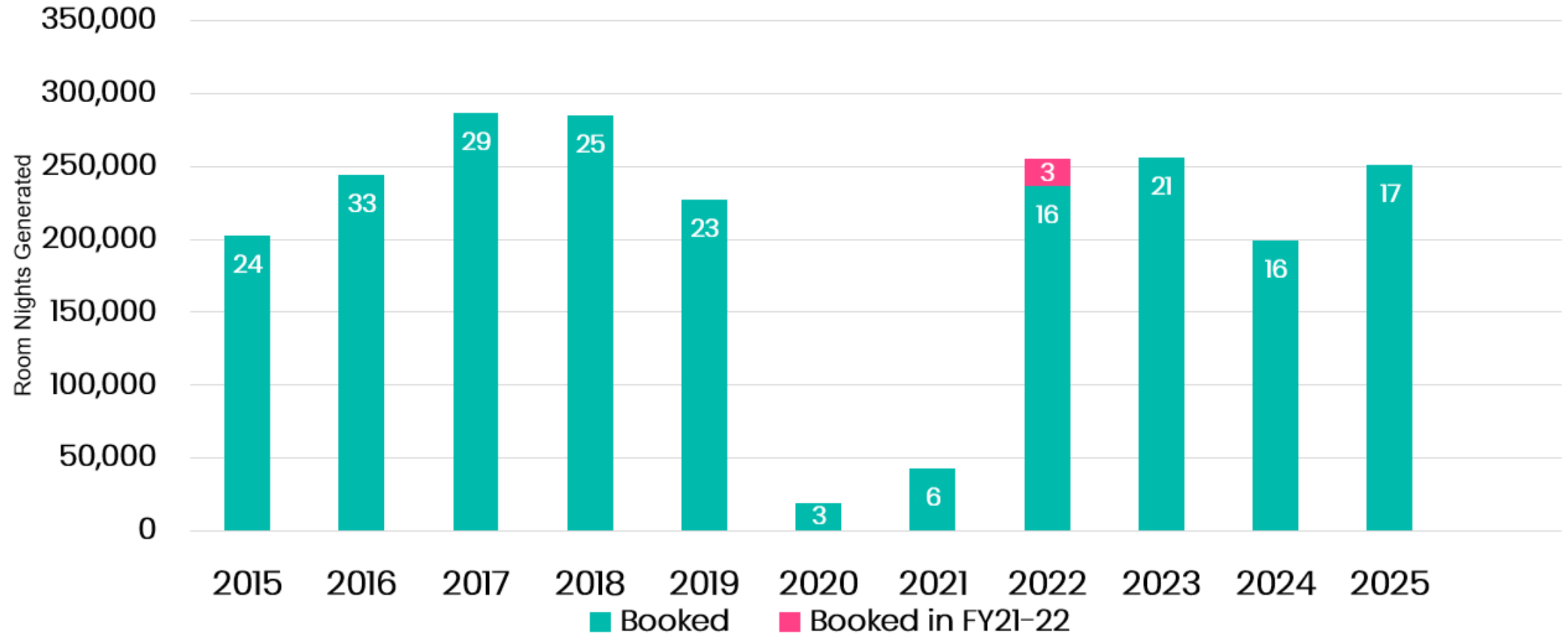
CITYWIDE CONVENTION PIPELINE

YEAR	RNs	STLY Var
2022	73,782	-25,609
2023	89,099	-7,554
2024	154,521	-14,288

YEAR	RNs	STLY Var
2025	133,939	-27,315
2026	118,889	33,389
2027	206,128	24,385

Dated November 9, 2021

CITYWIDE CONVENTION BOOKED ROOM NIGHTS 2015-2025 CALENDAR YEAR ARRIVAL DATE



Dated November 9, 2021

POST CITYWIDE CONVENTION QUOTES

October 3-6, 2021

AAO-HNSF 125th Annual Meeting and OTO EXPO

- This meeting was made possible by the **extraordinary collaboration** we received from the Los Angeles Convention Center and the LA Tourism Bureau throughout the entire process.
- They delivered on all promises and our experience overall was even better than we had hoped for under the fluctuating conditions. Our attendees routinely **praised the facilities, service, and safety** throughout the meeting.
- I would like to offer my sincere thanks to the wonderful individuals associated with planning and executing a most memorable 125th anniversary meeting in Los Angeles. **We look forward to our return in 2029.**



POST CITYWIDE CONVENTION QUOTES

October 26-28, 2021

GSMA Mobile World Congress

- Every year coming to Los Angeles for MWC is a **highlight on my calendar**.
- After moving to a virtual event in 2021, it was incredible to be **back in the city in person**, talking to innovative industry technology leaders and engaging with the North American mobile ecosystem.
- While of course some **things were different** with this year's edition, the overwhelming feeling from the event was that it was great to be back to business.
- "I would like to extend a special thanks to **Mayor Garcetti and the City of Los Angeles** for a warm welcome and providing an inspirational backdrop for MWC." said John Hoffman, CEO of GSMA Ltd.

IMPACT OF JW MARRIOTT EXPANSION DELAY

- Cancellation of American Association for Cancer Research - May 2025 (40,296 total room nights)
- Additional 175K total room nights at risk between 2024-2027
- This would equate to the following negative revenue impact
 - **\$46.8MM** in **hotel revenue***
 - **\$111.2MM** in **direct spending***
 - **\$189.9MM** in **total business sales***

*data from Oxford Economics



IMEX By the Numbers



10,500
Total IMEX
Registrants



4,550
Total Buyers/
Professional Planners



2,300
Total Exhibiting
Companies



249
CA
Delegates



22
CA DMOs

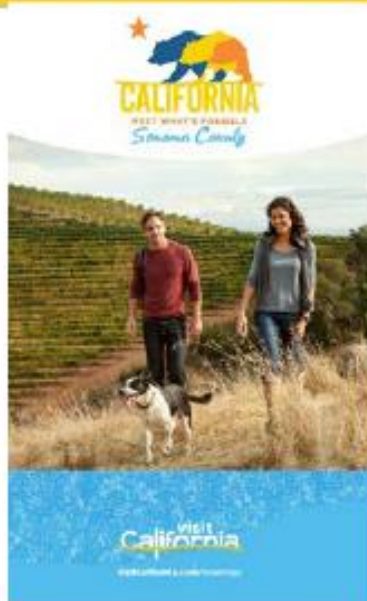
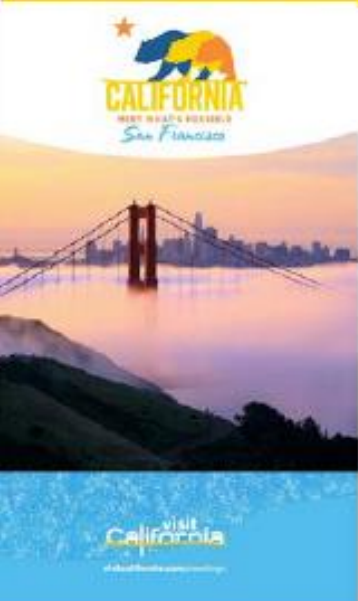


16
CA Booths

Key IMEX Messaging

- California is a leading destination for key event professionals to host meeting, conventions and incentives.
- California is open and ready for business, welcome all meetings and professional planners now.
- Meetings and events will help California stimulate the economy and job recovery now and in the future.

CALIFORNIA ★ MEET WHAT'S POSSIBLE



Branding Exposure

- Map Sponsorship
- Hanging Banner
- IMEX App (Pre Show, On-site, Post Show)
- MPI Foundation Event at Rendezvous
- Tear Drop Flags
- Pillars
- Meetings and Conventions Magazine Spread (Northstar)

**IMEX
LOS ANGELES
ANNUAL PRESS
BREAKFAST**



HEALTH PASS+



VERIFIED[®]

with **Forbes** TRAVEL GUIDE



IMEX VENUE & HOTEL PARTNERS



30



MEETING GUIDELINES

L.A. loves a comeback story.

We're welcoming back groups of any size for meetings and events.

- Guidelines **do not** restrict capacities or require social distancing.
- **Masks are required** for all people regardless of vaccination status **while indoors**, unless actively eating or drinking.
- Starting November 8th, **proof of full COVID-19 vaccination is required** to enter indoor food & beverage establishments, retail stores, gyms/fitness centers, spas/hair salons, museums, entertainment/recreation facilities, and hotel meeting venues.
- Starting November 8th, **proof of full COVID-19 vaccination or negative COVID-19 test** within 72 hours of the event start time is required at outdoor events with 5,000 or more attendees.
- For more details, the current **LA County Health Officer Order** and **City of LA Health Ordinance** can be found at meetLA.com.



INTERNATIONAL UPDATE

Kathy Smits

Senior Vice President, Global
Tourism Development





AGENDA

- Importance of International Visitors
- Strategic Priorities
- Global Team Structure
- Market Timing & Approach
- Recent Initiatives



IMPORTANCE OF INTERNATIONAL VISITORS

- Stay longer and spend more – have an outsized impact on the local economy
- Historically, international visitors represented 22% of overnight visitation and 50% of overnight spend
- While domestic leisure travelers have driven recovery, the local tourism economy cannot fully recover to pre-pandemic levels without international travelers
- It takes over 2.5 domestic travelers to replace an international traveler



STRATEGIC PRIORITIES

- Air service recovery (in conjunction with LAWA)
- Focus on key markets
 - Historically, top 10 markets deliver 80% of international visitation to LA
- Leverage both B2B and B2C opportunities through travel trade
- Continue to pursue domestic opportunities to fuel recovery
- Remain committed to the long game

GLOBAL TEAM STRUCTURE



- Hybrid of Offices and Representation Agencies
- Offices in London, Mumbai, Sydney and China (Beijing, Shanghai, Guangzhou and Chengdu)
- Canada based in HQ
- Representation in Mexico/Latin America, Germany, France, Scandinavia, Middle East, Japan and South Korea
- PR Agencies to be re-established in Key Markets
- Digital/Social Agency in China



MARKET TIMING & APPROACH

Markets

Lead Markets: Mexico and Canada

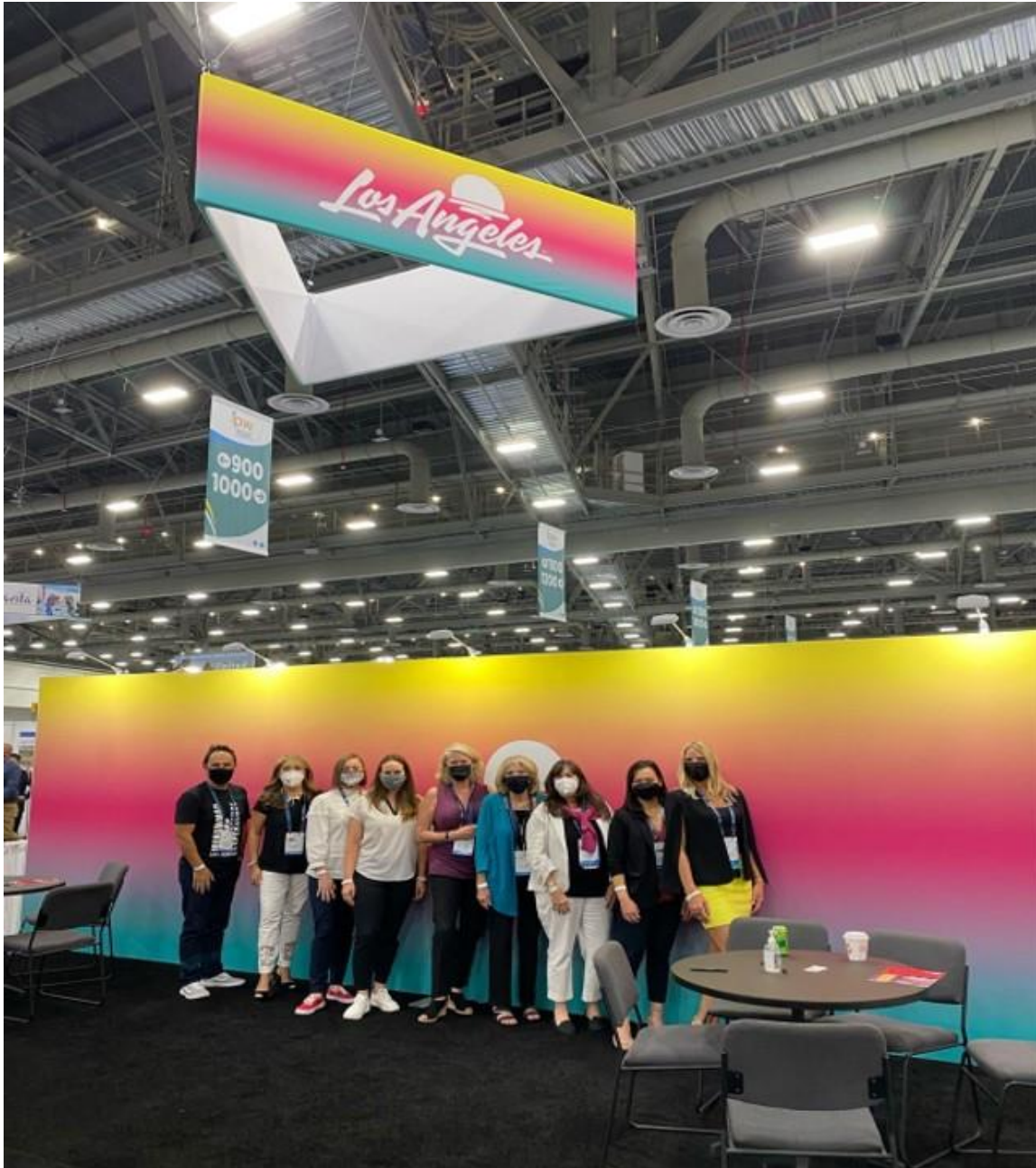
November 8th Markets: United Kingdom, France, Germany

January Markets: Australia, India

2022: South Korea, Japan, China,

Approach

- Air Service Recovery Efforts
- Trade Foundation
- Layered Earned/Owned
- Paid Media
- In-Market Activations (TBD)



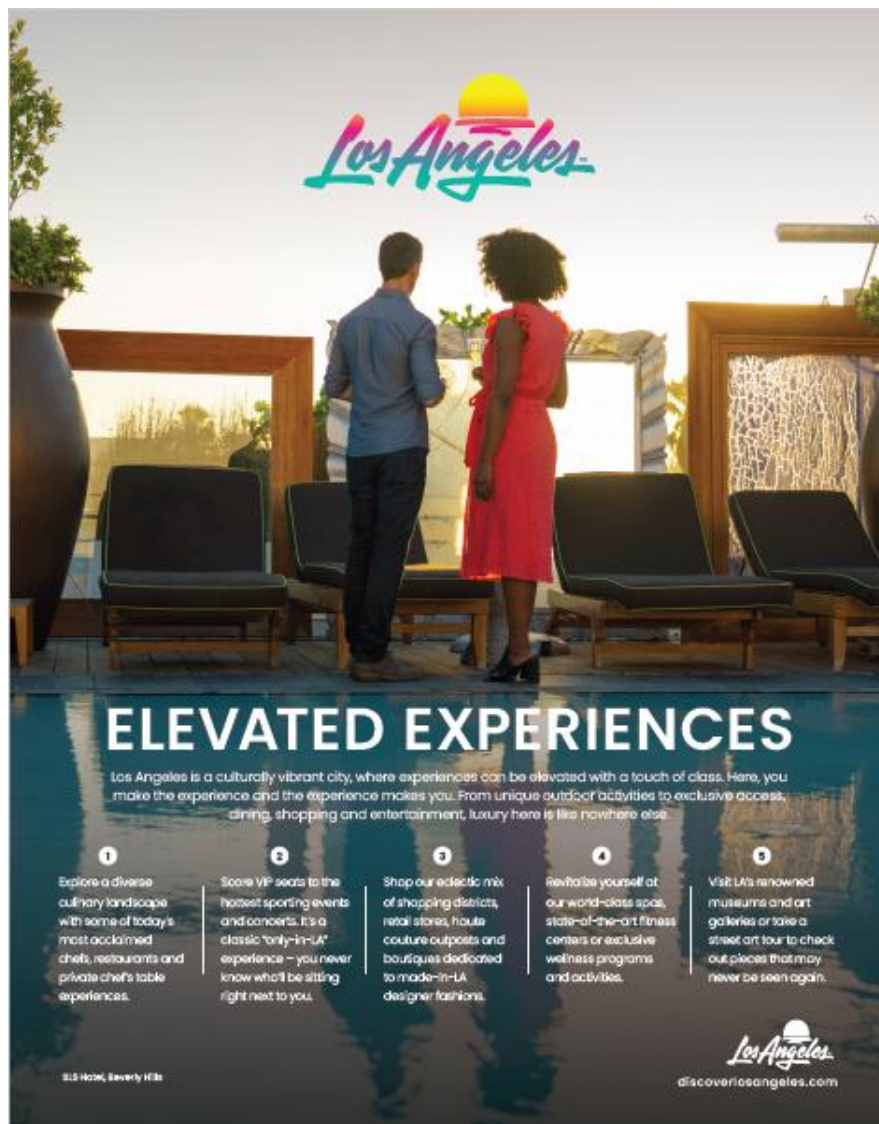
IPW: Powered by U.S. Travel

- Connecting U.S. exhibitors with travel buyers and media
- Past IPWs have generated more than \$5.5 billion in future travel
- FY21/22
 - September 2020 in Las Vegas
 - June 2021 in Orlando
- **May 2024 in Los Angeles**

Brand USA Travel Week Europe

- Reconnected with the European travel industry
- Conducted one-on-one appointments with key buyers
- Participated in BUSA's C-Suite program






Elevated Experiences

- Luxury Consortia
 - Virtuoso on Tour Events – London, Mexico City, Asia (Chengdu)
 - Signature Travel Conference
- VCA's California Connect
- Reimagined Luxury Guide


MEET OUR MEMBERS



Go City | Los Angeles Pass

Join us for a chat with Sarah McCann from Go City to learn why their Los Angeles Pass is one of the best ways travel advisors can book LA sightseeing experiences for clients.

[READ MORE](#)




Ghost City Tours

Hollywood is more than just glitz and glamour; it's also teeming with spooks. Ghost City Tours will guide your clients through the haunted streets of Hollywood for a discovery of our spirits and legends.

[READ MORE](#)

Discover more of Los Angeles with Go City
With 35+ experiences, we've got you covered






LA Sports Fact Sheet


LA is a sports lover's dream come true. In fact, this February, the city will play host to the **Super Bowl**. Use this listing of sports teams and upcoming events as a guide to plan top fan experiences for your clients.

[Download Here.](#)



L.A. Insider Online Training

Congratulations to the following travel advisors who won our July **L.A. Insider \$50 Gift Card** giveaway: @Empirean_Travel-CA; @Diane_@AAA_Travel-CA; Tom @Cruise_Planners-NY; Susan @TravelWize-FL & Celeste @Vacations By Celeste-FL.



Meet The Team

In our Meet the Team series this month, we're introducing you to Seema Kadam, Regional Director, India. Discover Seema's favorite places in LA and top tips for Travel Advisors.

[Read More.](#)

Los Angeles Tourism - Travel Trade Is at Universal Studios Hollywood.

September 22 · 📍

The top 10 must-sees at Universal Studios Hollywood Read the list here: <https://bit.ly/3eDaLYD> #univstudioshollywood

📍 The World-Famous Studio Tour at Universal Studios Hollywood | Photo:Yuri Hasegawa



DISCOVERLOSANGELES.COM
Top 10 Must Sees at Universal Studios Hollywood
From the world famous Studio Tour to thrilling rides and family-friendly...

洛杉矶旅游局天使汇 >

洛杉矶旅游天使成长计划2.0上线, 学完课程领特制迷你冲浪板!

洛杉矶旅游局天使汇 · 1 week ago



洛杉矶是 百变精魂，各个角度，您总能看到不同的一面，令人眼花缭乱，心醉神迷。她仿佛是一个魔术师，能不断变幻出不同的风貌——阳光之城，天使之城，电影之城，文化前驱，让每一帧即逝的游客都留下惊叹，在每一个镜头列入旅行清单的热门目的地榜单。

毋庸置疑，太平洋无法阻隔我们对彼岸的向往，互通往来的人文交流和融合早已让洛杉矶在中国同业

Global Travel Trade B2B Tools

- Training Platforms
 - LA Insider
 - Angels Academy
- Travel Trade Facebook Page
- E-Newsletters (market specific)
- WeChat and WeChat Channel
- Webinars
- Comeback Video



THANK YOU



Item 5a

Financial Assessment Services –
Board Report #21-008



FINANCIAL ASSESSMENT SERVICES

- Background
 - The Los Angeles City Tourism Department (CTD) selected Turner, Warren, Hwang & Conrad AC (TWHC) to provide accounting and audit services from the City Controller's as-needed bench of firms.
 - In 2019 CTD engaged TWHC to provide financial assessment of the private operator of the Los Angeles Convention Center, AEG Management LACC, LLC (AEG-LACC).

Scope of the engagement with TWHC

- Provide internal audit type services to include the following:
 - Review and assessment of the books, internal controls, financial policies, and practices of the AEG-LACC.
 - Explore the CTD management's needs, and expectations for this project, and help guide management through risk assessment to determine priorities.
 - Provide guidance on how CTD can incorporate private operator bank statements in the review process.
 - Discuss the findings and observations with CTD management throughout the project.
 - Upon completion, provide discussion of the items above and recommendations for improvements in a final report.

Observations and Recommendations

1. Management of Concession Services

Observations: AEG-LACC has been delegating its major concession responsibilities to Levy Premium Food Services, LP (Levy). The following observations are noted:

- a. A limited portion of payments to Levy and affiliates were tracked and reported to CTD and in the AEG-LACC financial statements. Such payments can include base and incentive fee, catering fees, inventory (food, beverage, supplies) purchases, and any profit sharing or other possibly unidentified payments.
- b. Amounts due the City per Levy financial reports are not reconciled to amounts paid.
- c. TWHC did not find any formal internal audit oversight by AEG-LACC over Levy, including any risk assessment and audit plan.

Observations and Recommendations

Recommendation: That AEG-LACC institute controls and procedures in accordance with its City agreement, sound business practices, and U.S. GAAP for clearly providing above information to CTD monthly as well as in its annual audited financial statements, and develop a risk assessment and internal audit plan over concession operations.

Observations and Recommendations

2. Related Party Disclosure

Observation: Transactions with the controlled concessionaire, Levy, managed by AEG-LACC were minimally disclosed.

Recommendations:

- a. That AEG-LACC formally report to CTD on the relationship to its parent company and corporate structure including ASM ownership and Levy relationships.
- b. That related party disclosure be presented clearly in the audited financial statements in a single disclosure for all transactions with AEG-LACC and the City and the concessionaire (Levy) and affiliates.

Observations and Recommendations

3. Uncollateralized Deposits

Observation: Bank deposits in AEG-LACC's custody are not collateralized as required by Section 6.7(c) of the agreement and California law.

Recommendation: That custodial bank and financial accounts clearly show CTD as owner and AEG-LACC as agent (and thus be collateralized).

Observations and Recommendations

4. Custody Cash Variance

Observation: There is a variance in custody cash balances compared to the balance in the City's Financial Management System (FMS).

Recommendation: That CTD provide an adjusting entry to correct custody cash reported in the FMS at its next fiscal year end.

Observations and Recommendations

5. Auditor Selection

Observation: As per the management agreement the City has the right to select the auditor (for annual audited financials) of the AEG-LACC.

Recommendation: That CTD develop and implement auditor selection requirements and procedures as well as document its annual approval of auditor selection.

Observations and Recommendations

6. Pension Plan Reporting

Observation: The 2020 audited financial statements of LACC accounts managed by AEG-LACC did not contain complete U.S. GAAP disclosure for its three multiemployer plans (Teamsters, IBEW, and IUOE and if any postretirement benefits/plans) in which, AEG-LACC, as a private sector employer, has employees as participants.

Recommendation: That AEG-LACC report fiscal year financial statement disclosure, which seeks to adequately inform CTD management and to comply with the management agreement and U.S. GAAP.

Conclusion

This Board Report #21-008 is informational only and requires no action by the Board of City Tourism Commissioners. CTD is working closely with AEG-LACC, TWHC, City Controller, and the Office of Finance on recommendations identified in the report from TWHC.

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: November 17, 2021

To: Board of City Tourism Commissioners

From: Doane Liu, Executive Director *Doane Liu*
Los Angeles City Tourism Department

Subject: **FINANCIAL ASSESSMENT SERVICES – BOARD REPORT #21-008**

SUMMARY

As part of the Management Agreement between the City of Los Angeles (City) and the private operator of the Los Angeles Convention Center (LACC), AEG Management LACC, LLC (AEG-LACC), the Los Angeles City Tourism Department (CTD), formerly the Los Angeles Department of Convention and Tourism Development, hired Turner, Warren, Hwang & Conrad AC (TWHC) to provide internal audit type services as described in the attached scope of work (Financial Assessment Services Additional Work for Task Order No. 18-007-0-48).

CTD released a Task Order Solicitation (TOS) to all firms on the City Controller's as-needed bench for audit, accounting, and consulting services on September 11, 2017, and received two proposals by the due date of September 28, 2017. The evaluation committee determined that TWHC is qualified to provide the requested consulting services and was the lowest bidder. CTD, AEG-LACC, and TWHC began working on the financial assessment part of the engagement in 2019 and attached is the final report from TWHC.

CONCLUSION:

This Board Report #21-008 is informational only and requires no action by the Board of City Tourism Commissioners. CTD is working closely with AEG-LACC, TWHC, City Controller, and the Office of Finance on recommendations identified in the report from TWHC.

Attachments

DL:ta

Financial Assessment Services
Additional Work for Task Order No. 18-007-0-48

The City of Los Angeles (CITY), acting through its Department of Convention and Tourism Development (hereinafter referred to as CTD) executed a Task Order (TO) No 18-007-0-48 with Turner, Warren, Hwang & Conrad AC (TWHC) to provide technical assistance to CTD staff in the area of preparing financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB) 34 net asset approach; for technical assistance to CTD staff in the area of preparing the “Cities Annual Report of Financial Transaction to the State Controller”; and to provide additional work in the event CTD and the TWHC mutually agree upon such services. CTD seek to engage TWHC, under the terms of TO No. 18-007-0-48, for the following additional work:

Provide internal audit type services pursuant to the guidelines provided by the Generally Accepted Government Auditing Standards (GAGAS) and report the findings under American Institute of Certified Public Accountants (AICPA) consulting services standards. Services to include the following:

1. Review, and assessment of the books, internal controls, financial policies, and practices of the AEG Management LACC, LLC (AEG), the operator of the Los Angeles Convention Center (LACC).
2. Explore the CTD management’s needs, and expectations for this project, and help guide management through risk assessment to determine priorities. Some of the areas of risk, or where CTD management has insufficient information are:
 - a. AEG’s cash custody arrangement;
 - b. Financial reporting and cash reconciliation with the City’s Financial Management System (FMS);
 - c. Reserve fund review, both on cash and accrual basis;
 - d. Salaries expenditures, and the funding source of salaries for employees who provide company-wide services not related to LACC;
 - e. Travel expenditures;
 - f. Bidding, contracting, and accounts payable practices and controls for contractual services.
 - g. Food services operation reporting controls and the funding source for the food services management fee (paid to Levy).
3. Provide guidance on how CTD can incorporate private operator bank statements in the review process.
4. Discuss the findings and observations with CTD management throughout the project.
5. Upon completion, provide discussion of the items above and recommendations for improvements in a final report.



**LOS ANGELES CITY TOURISM DEPARTMENT
FINANCIAL ASSESSMENT CONSULTATION – LOS ANGELES CONVENTION CENTER
2021**

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**INDEPENDENT ACCOUNTANT'S FINANCIAL ASSESSMENT CONSULTATION REPORT
LOS ANGELES CONVENTION CENTER**

Doane Liu, Executive Director
Los Angeles City Tourism Department (CTD)
Los Angeles, California

On behalf of CTD and the Los Angeles Convention Center (LACC) for which CTD has responsibility, we have performed a financial assessment consulting service of agreed-upon areas of accounting management, internal controls and reporting of LACC and AEG Management LACC, LLC (AEG, the management company for convention center operation), including AEG's compliance with its convention center management and operation agreement (operation agreement) with the City. These consultation services were performed as agreed upon under Task Order No. 18-007-0-48 and as described in this report. The services were conducted in accordance with American Institute of Certified Public Accountants (AICPA) Consulting Services Standards and relevant sections of Institute of Internal Auditors (IIA) standards and Generally Accepted Government Auditing Standards (GAGAS).

The sufficiency of our consulting procedures is solely the responsibility of CTD. Consequently, we make no representation regarding the sufficiency of the procedures described in our report, either for the purpose for which this report has been requested or for any other purpose. Recent disruptions in business conditions, including LACC operations, provided some limitations on our procedures as agreed upon with LACC.

This report is intended solely for the information and use of CTD and the City and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to express our appreciation to you and CTD for your consideration throughout our consulting services. We hope that you will view our comments and recommendations as evidence of our continuing interest in CTD and the City. We also acknowledge the cooperation of the employees of CTD during our review. Should you have any questions, please do not hesitate to contact us.

Respectfully submitted,



Burbank, California
September 22, 2021

LOS ANGELES CITY TOURISM DEPARTMENT
FINANCIAL ASSESSMENT CONSULTATION – LOS ANGELES CONVENTION CENTER
EXECUTIVE SUMMARY

Engagement Summary

We have concluded our financial assessment consultation as described in the accountant's report and further in this report. Our service consisted of document review, inquiries, and analysis for evaluating controls surrounding LACC accounting and reporting and compliance with the operation agreement.

Report Sections and Summary

Our observations are detailed in the *Comments and Recommendations* section of this report.

The areas of coverage are listed in the *Testing Coverage* section of this report.

At the *Appendices* are relevant sections of the operation agreement and generally accepted accounting principles (U.S. GAAP) related to Comment 6.

Report observations were discussed with management during 2021.

We would like to extend our appreciation to the management and staff for their assistance during the completion of this project.

LOS ANGELES CITY TOURISM DEPARTMENT
FINANCIAL ASSESSMENT CONSULTATION – LOS ANGELES CONVENTION CENTER
OBSERVATIONS AND RECOMMENDATIONS

1. Management of Concession Services

AEG Management LACC, LLC (AEG-LACC) as manager of the Los Angeles Convention Center facility (LACC) with operational and financial controls responsibilities in accordance with sound business procedure for the LACC, has been delegating its major concession responsibilities as set by AEG-LACC's agreement with the City of Los Angeles to Levy Premium Food Services, LP (Levy). Manager AEG-LACC retained responsibility over concession operations standards. AEG-LACC's responsibilities and rights included full access to Levy's records and ability to issue reasonable rules and regulations for concession operation. AEG-LACC's responsibilities include maintaining full, accurate and complete financial accounting books, records, and reports of the management, operation and maintenance of the LACC and in accordance with U.S. GAAP, including related party disclosure for AEG-LACC's position of significant influence and control, when competitive, free-market dealings may not exist. AEG-LACC's responsibility includes remedying in a timely manner any control weaknesses identified by the City or outside auditors.

Regarding the above relationships and responsibilities, we noted the following:

- A limited portion of payments to Levy and affiliates were tracked and reported to the management of the LACC division of CTD (LACC-CTD) and in the AEG-LACC financial statements. Such payments can include base and incentive fee, catering fees, inventory (food, beverage, supplies) purchases, and any profit sharing or other possibly unidentified payments.
- Amounts due the City per Levy financial reports are not reconciled to amounts paid to LACC-CTD.
- We did not find any formal internal audit oversight by AEG-LACC over Levy, including any risk assessment and audit plan.

Recommendation: We recommend that AEG-LACC institute controls and procedures in accordance with its City agreement, sound business practices, and U.S. GAAP for clearly providing above information to LACC management monthly as well as in its annual audited financial statements and manager development of a risk assessment and internal audit plan over concession operations.

Management's Response:

LOS ANGELES CITY TOURISM DEPARTMENT
FINANCIAL ASSESSMENT CONSULTATION – LOS ANGELES CONVENTION CENTER
OBSERVATIONS AND RECOMMENDATIONS

2. Related Party Disclosure

Note 4 of the June 30, 2020 audited financial statements disclosed related party transaction amounts without disclosure of the related parties. The disclosure was neither clear nor complete. Other disclosures partially reported information. It is unclear whether information technology services are part of the related party transactions. This is important to present financial transaction information clearly for LACC-CTD management to understand the reasonableness of the transactions and their agreement compliance.

Transactions with the controlled concessionaire, Levy, managed by AEG-LACC were minimally disclosed. (See Comment 1 above for a fuller description regarding Levy.)

Recommendation: (a) We recommend that AEG-LACC formally report to CTD on the relationship to its parent company and corporate structure including ASM ownership and Levy relationships. (b) We recommend that related party disclosure be presented clearly in the audited financial statements in a single disclosure for all transactions with AEG-LACC and the City and the concessionaire (Levy) and affiliates. Clear disclosure includes nature of the relationships and all transactional information between the related parties, including any in the categories noted above.

Management's Response:

3. Uncollateralized Deposits

We informed LACC-CTD that there are large bank deposits in AEG-LACC's custody which were not collateralized as required by Section 6.7(c) of the agreement and California law. In coordination with the City's Office of Finance, we were advised this is in process of being corrected.

Recommendation: We recommended that custodial bank and financial accounts clearly show LACC-CTD as owner and AEG-LACC as agent.

Management's Response:

LOS ANGELES CITY TOURISM DEPARTMENT
FINANCIAL ASSESSMENT CONSULTATION – LOS ANGELES CONVENTION CENTER
OBSERVATIONS AND RECOMMENDATIONS

4. Custody Cash Variance

We advised CTD on the variance in custody cash balances compared to the balance in the City's Financial Management System (FMS) cash accounting system and recommended an entry to correct the variance.

Recommendation: We recommend that CTD provide the Office of Finance with an adjusting entry to correct custody cash reported in the FMS at its next fiscal year end, for both City and LACC-CTD accounting management.

Management Response:

5. Auditor Selection

Section 7.3(i) of the agreement makes it the right of the City to select the auditor of the managed LACC component (AEG-LACC).

Recommendation: We recommend that LACC-CTD, in its role of governance regarding this agreement, develop and implement auditor selection requirements and procedures as well as document its annual approval of auditor selection. (LACC-CTD in its discretion can provide for renewal of the existing auditor relationship as long it is assessed as satisfactory.)

Management Response:

LOS ANGELES CITY TOURISM DEPARTMENT
FINANCIAL ASSESSMENT CONSULTATION – LOS ANGELES CONVENTION CENTER
OBSERVATIONS AND RECOMMENDATIONS

6. Pension Plan Reporting

The June 30, 2020 audited financial statements of LACC accounts managed by AEG-LACC did not contain complete U.S. GAAP disclosure for its three multiemployer plans (Teamsters, IBEW, and IUOE and if any postretirement benefits/plans) in which, AEG-LACC, as a private sector employer, has employees as participants. (See Appendix II for U.S. GAAP references.)

U.S. GAAP disclosure is required under Sections 7.1 and 7.3 of the agreement (Appendix I) and such information can be valuable to LACC-CTD and AEG-LACC for knowing the state of these plans and assessing potential services cost inflation and other impact on LACC operation.

FY 2020 multiemployer draft financial statements disclosure was limited to:

- On December 16, 2014, LACC entered into a Skills Trade Agreement with Los Angeles/Orange Counties Building and Construction Trades Council AFL/CIO and its local unions, which require minimum Plan contributions on behalf of labor union employees. The minimum contributions for union employees are determined on number of hours worked. Plan contributions are \$3.04 to up to \$6.00 an hour depending on the skill level of the union employee. Contributions to the Plan in the amount of \$221,299 were made for the year ended June 30, 2020.

Recommendation: We recommend that AEG-LACC report fiscal year FY 2021 financial statement disclosure, which seek to adequately inform LACC-CTD management and to comply with the agreement and U.S. GAAP.

Management Response:

LOS ANGELES CITY TOURISM DEPARTMENT
FINANCIAL ASSESSMENT CONSULTATION – LOS ANGELES CONVENTION CENTER
SERVICES SCOPE

The areas of coverage on this project were as follows:

1. Review, and assessment of the books, internal controls, financial policies, and practices of the AEG Management LACC, LLC (AEG), the operator of the Los Angeles Convention Center (LACC).
2. Explore the CTD management's needs, and expectations for this project, and help guide management through risk assessment to determine priorities. Some of the areas of risk, or where CTD management has insufficient information are:
 - a. AEG's cash custody arrangement;
 - b. Financial reporting and cash reconciliation with the City's Financial Management System (FMS);
 - c. Reserve fund review, both on cash and accrual basis;
 - d. Salaries expenditures, and the funding source of salaries for employees who provide company-wide services not related to LACC;
 - e. Travel expenditures;
 - f. Bidding, agreements, and accounts payable practices and controls for contractual services.
 - g. Food services operation reporting controls and the funding source for the food services management fee (paid to Levy).
3. Provide guidance on how CTD can incorporate private operator bank statements in the review process.

LOS ANGELES CITY TOURISM DEPARTMENT
FINANCIAL ASSESSMENT CONSULTATION – LOS ANGELES CONVENTION CENTER
APPENDIX I

AGREEMENT EXCERPTS

City – AEG - Section 2.2 excerpt; Section 2.2 Specific AEG Management and Operation Responsibilities.

Without limiting the generality of Section 2.1 above, and subject to all other provisions of this Agreement, AEG, itself or through its designated contractors or vendors, will perform the following services (the "Management Period Services") during the Management Period, which AEG has the sole, exclusive right and authority to perform without (except as otherwise expressly noted in this Agreement) any prior approval by the City:

[Section (a) covers AEG's management execution, including food and beverage. AEG is the manager.]

(m) Food and Beverage Services. AEG, by and through its designated third party vendor, shall provide food and beverage services on an exclusive basis at the LACC generally consistent with the food and beverage plan provisions in the Proposal, attached hereto as Exhibit "H", and subject to modification by mutual agreement of the Parties, shall provide as follows (the "F&B Plan"):

(i) AEG, by and through its designated third party vendor, shall provide food and beverage service at the LACC, on an exclusive basis after termination of the Aramark Agreement, at the highest level of service and product selection and be able to support high-end demand catering functions. In addition, the food and beverage program must reflect the stature of Los Angeles as a leading international city that is committed to environmental stewardship. AEG will upgrade the food services at the LACC to encourage conventioners and other attendees to remain in the LACC for meal functions and use the center's culinary sales locations. AEG may use affiliated companies, joint ventures, or subcontractors to provide consolidated services including food and beverage service.

(q) (iii) Service Agreements. Without limiting the generality of, and subject to, subsection (i) and (ii) above, AEG shall administer, assure compliance with, negotiate and execute, in its name, all service agreements that are required in the ordinary course of business of maintaining the LACC. Such agreements include, without limitations contracts for cleaning, graffiti removal, general maintenance, maintenance and inspection of HVAC systems, utilities, elevators, escalators, stage equipment, fire control panel and other safety equipment. AEG shall use vendors and subcontractors that represent the City and LACC in a professional manner. AEG shall not enter into any Service Agreement that extends beyond the Term of this Agreement.

Section 2.4 Specific City Responsibilities.

The City will undertake the obligations set forth in this Section 2.4 below with respect to the LACC during the Term of the Agreement. The Executive Director will oversee the performance of the City's responsibilities and obligations, as well as the exercise of its rights and obligations under this Agreement. Subject to the terms and conditions of this Agreement, the City shall:

- Monitor AEG's performance on a regular basis through reports and periodic audits by the City to review the performance and finances;

Section 2.5 Joint Management Review and the LACC Management Review Staff.

(a) Joint Management Review. AEG and the LACC Department shall work together to review management issues and other matters related to the smooth, orderly and efficient management, operation and maintenance of the LACC.

LOS ANGELES CITY TOURISM DEPARTMENT
FINANCIAL ASSESSMENT CONSULTATION – LOS ANGELES CONVENTION CENTER
APPENDIX I

AGREEMENT EXCERPTS (CONTINUED)

Section 2.6 Right of Entry Reserved.

(a) City Entry. The City and its authorized representatives and agents shall have the right to enter all portions of the LACC to inspect same, to observe the performance by AEG of its obligations under this Agreement, to install, remove, adjust, repair, replace or otherwise handle any equipment, utility lines, or other matters in, on or about the premises, or to do any act or thing that the City may be obligated or have the right to do under this Agreement or otherwise; provided, however, that such entry is coordinated with AEG and does not unreasonably interfere or disrupt any licensed event activity or AEG's performance of its obligations under this Agreement. The City shall not interfere with the activities of AEG hereunder, and the City's actions shall be conducted in a manner designed to avoid disruption of AEG's work.

ARTICLE 7 RECORDS, AUDITS AND REPORTS.

Section 7.1 Accounting.

AEG shall maintain full, accurate and complete financial and accounting books, records and reports of the management, operation and maintenance of the LACC ("Records"), including all revenues and expenditures in accordance with generally accepted accounting principles under this Agreement. AEG shall use accounting and record systems in accordance with generally accepted accounting principles ("GAAP") in the maintenance of such Records.

Section 7.2 Records

(a) Maintenance of Records. All Records shall be maintained by AEG in accordance with City record retention policies. AEG shall keep and preserve all Records for at least five (5) years following the expiration or earlier termination of this Agreement, including all service orders, work orders, sales slips, rental agreements, purchase orders, sales books, cash register tapes, credit card invoices, duplicate deposit tapes and invoices, bank accounts, cash receipts and cash disbursements, bank books, and other evidence of Operating Revenues and Operating Expenses for such period. AEG's contracts with its vendors, subcontractors and Affiliates will contain a provision requiring the vendors, subcontractors and Affiliates to keep and maintain all such Records in their possession in accordance with this Section 7.2.

(b) Bookkeeping System. AEG shall maintain a system of bookkeeping adequate for its operations hereunder and shall submit such system to the LACC Department at least thirty (30) days before the end of the Transition Period for review and approval. Any changes to such system shall be subject to the approval of the LACC Department. The systems and procedures used to maintain these Records shall also include a system of internal controls that is in accordance with sound business procedures.

(c) Access to Records. The City shall have the right to inspect and/or audit such Records at reasonable times during normal business hours and upon reasonable prior notice to AEG. AEG must agree to allow the City Controller to audit and permit access to all financial and other records of the management, operation and maintenance of the LACC. AEG shall give the City and the City's authorized representatives access to AEG's Records during reasonable business hours and upon reasonable advance notice. Should any of the Records be maintained on a computerized system, AEG shall provide the City with access, during normal business hours upon reasonable notice, to such Records generated by the computerized system. AEG shall maintain their Records in the City of Los Angeles. Additionally, AEG shall give any auditors retained to conduct the Audit (including the Final Audit) the right to review and test any proprietary software and its documentation used by AEG for bookkeeping and the production of the Records.

LOS ANGELES CITY TOURISM DEPARTMENT
FINANCIAL ASSESSMENT CONSULTATION – LOS ANGELES CONVENTION CENTER
APPENDIX I

AGREEMENT EXCERPTS (CONTINUED)

From 7.3 Audits

(b) City Audit Rights.

The City shall have the right at any time, and from time to time, to cause nationally recognized independent auditors to audit all of the books of AEG relating to Operating Revenues and Operating Expenses, including, without limitation, cash register tapes, credit card invoices, duplicate deposit tapes, and invoices. No costs incurred by the City in conducting such audit shall be considered an Operating Expense. Beginning in the second Agreement Year, if any such audit demonstrates that the Operating Revenues or Operating Expenses reflected in any financial statements prepared by AEG and audited as specified in 7.3(a)(i) are understated (in the case of Operating Expenses) or overstated (in the case of Operating Revenues), by more than five percent (5%), AEG shall pay to the City the reasonable cost of such audit and shall promptly refund to the City any portion of the Incentive Fee paid for the Agreement Year which is attributable to the overstatement or understatement, as the case may be. The City's right to have such an audit made with respect to any Agreement Year and AEG's obligation to retain the above records shall expire five (5) years after the expiration or earlier termination of this Agreement.

(c) Remedy of Control Weaknesses. AEG agrees to remedy in a timely manner any control weaknesses identified by the City or outside auditors that contribute or could potentially contribute to reporting variances.

LOS ANGELES CITY TOURISM DEPARTMENT
FINANCIAL ASSESSMENT CONSULTATION – LOS ANGELES CONVENTION CENTER
APPENDIX II

ACCOUNTING REFERENCES

Comment 6 – Pension Disclosure

Financial reporting disclosure requirements are contained in Accounting Standards Codification (ASC) 715-80-50, Compensation – Benefit Plans, Multiemployer Plans Disclosure. Government pension plans requirements are per Government Accounting Standards Series (GASB) Statements 67, Financial Reporting for Pension Plans, and GASB 68, Accounting and Financial Reporting for Pensions.

Requirement standards are too extensive to fully disclose in this report, however. Here is an excerpt from GASB 67 to provide some illustration:

Single-employer and cost-sharing pension plans also should disclose the following information:

- The portion of the actuarial present value of projected benefit payments to be provided through the pension plan to current active and inactive plan members that is attributed to those members' past periods of service (the total pension liability), the pension plan's fiduciary net position, the net pension liability, and the pension plan's fiduciary net position as a percentage of the total pension liability
- Significant assumptions and other inputs used to calculate the total pension liability, including those about inflation, salary changes, ad hoc postemployment benefit changes (including ad hoc cost-of-living adjustments [COLAs]), and inputs to the discount rate, as well as certain information about mortality assumptions and the dates of experience studies.