



WENDY GREUEL
CONTROLLER

September 17, 2009

The Honorable Antonio Villaraigosa
The Honorable Carmen Trutanich
Honorable Members of the City Council

The Los Angeles Convention Center (LACC) is one of the most important and unique economic assets in the City of Los Angeles. A 2007 study estimated that the economic impact of the Convention Center to the Los Angeles region is over \$1 billion a year.

My office recently completed the attached audit, which looks at the revenues and the expenditures of the Convention Center. Part of what makes the Convention Center so unique, is that it is in direct competition with other privately operated Convention Centers around the country. Our goal must be to make the Convention Center more marketable and more efficient, so it becomes a more consistent source of revenue generation. In short, we must look for ways to streamline operations and allow the Convention Center to operate more like a business.

With the City facing such a serious budget crisis, we uncovered several troubling findings of taxpayer money being wasted, and many opportunities for the Convention Center to become more efficient and generate more revenue.

Some of the findings of the audit include:

- A flawed system for using employee overtime with a lack of oversight, which has led to over a million dollars being wasted. LACC uses City employees from other Departments – and pays them overtime, as opposed to expanding its pool of as-needed employees that can provide these services at regular rates.
 - One Convention Center employee made \$146,000 in overtime pay over 18 months, on top of his annual salary of \$72,746.
 - Employees are being paid “overtime” when they are no longer full-time City employees. Employees are required to notify the Convention Center when they are no longer full-time employees at other City Departments, however no oversight is provided. The Convention Center needs to immediately seek to recover the nearly \$34,474 owed to the City.
 - An employee that has been on administrative leave for 3 and a half years and is still being paid a monthly uniform allowance.

Overall, the Convention Center has spent more than \$6 million on overtime during the past two years. If LACC expanded its pool of employees who work at regular rates instead of overtime, they could have saved \$1.4 million

- Opportunities to make the Convention Center more business friendly by instituting a pilot flexible demand-based pricing program. This pilot program will allow management to fill the Convention Center during slower times by reducing rental prices, which are currently fixed by the City's Administrative Code.
- A lack of control over fixed assets. The Convention Center is supposed to have 61,893 fixed assets worth nearly \$11.4 million. We sampled 60 items to verify their existence and could not locate approximately 25% of the items that Convention Center claims to have purchased.
- No clear policy or oversight for fees being waived by the Convention Center. While it might be necessary in certain instances to modify an order, the high number of voided transactions could suggest inappropriate actions occurred. In sampling 5 events, we found \$22,131 in fees reversed or waived without any documentation.
- Complimentary parking cards are not canceled in a timely manner, resulting in unauthorized free parking. For November 2008 alone, we found that 43 parking cards were used by people after the completion or cancellation of their events

The Council and Mayor can take immediate action to implement a flexible demand-based rental policy. I raised this issue as a member of the City Council during our recent budget hearings. Every day the Convention Center sits empty is lost revenue for the City. It is also imperative that the Council and Mayor explore whether a Public Private Partnership is an appropriate step to consider, to help improve efficiency at the Convention Center and to better compete nationally.

The Convention Center – like all businesses – is struggling with the economic downturn. While the Convention Center has covered its expenses the last few years, we anticipate the City having to spend \$13 million in General Fund Dollars to cover LACC's expenses in the current fiscal year, due to increased debt service payments and lower revenue from TOT.

I am pleased to report that the leadership of the Convention Center, including General Manager Pouria Abbassi, has accepted most of these findings and are prepared to help make the necessary changes that I have recommended.

I look forward to working together to implement these recommendations and use them as a road map to make the Convention Center a thriving business and a premier hospitality destination.

Sincerely,



Wendy Greuel
City Controller