Los Angeles - The city controller here has ordered an audit of the Los Angeles Convention and Visitors Bureau at the behest of the Los Angeles Convention Center Commission, which has questioned the bureau's performance and fiscal responsibility.

The commission's concerns, said commissioner Lesa Slaughter, stem from two financial practices at the bureau: discounting of convention booking rates, and the spending by bureau representatives to wine and dine VIPs.

"If expenses yield tangible results, then they're justified," Slaughter said. "They don't seem to be producing the results to match expenses."

Bookings are down considerably at the center (Meeting News, May 8), a phenomenon that bureau officials attribute to the downturn in the technology industry and the lack of a convention hotel near the center.

But commissioners have questioned whether the bureau, which gets about $15 million in hotel-tax funding from the city annually, could be doing a better job and spending less money. The latest complaints add fuel to a fire that could lead to major changes when the bureau's contract is up next summer.

A June 16 Los Angeles Times article indicated that the bureau's discounting has violated a regulation that prohibits giving discounts in excess of the hotel bed tax generated by a group. Bureau president George Kirkland said that in some cases the discounts did exceed the amount of tax generated, but never the amount anticipated.

"These conferences drew fewer people than expected," he said. "And the tax receipts were less than the amount forecasted at the time the license agreements were executed."

Michael Collins, executive vice president of the LACVB, added that convention center representatives were involved in any discounting that occurred. Every discount must be signed by three parties, he said - representatives from the bureau and the center, and the city administrative officer. And there was a clause in all of the discount contracts, Collins added, that allowed the center to withdraw the discounts if groups did not meet a certain projected attendance level. This was never done.

On the issue of spending, of particular interest seems to be a trip to London in 2000 -- when the LACVB opened a satellite office there -- to promote the city to travel agents and other potential business.
The trip featured, among other expenditures, $84,000 to host tour operators and their guests at the Wimbledon tennis tournament. The bureau said the expense was justified, as those tour operators bring 90,000 visitors to Los Angeles every year, representing $33.4 million in visitor spending. But the commission questions if such expenses are necessary to promote a city known so well around the world.

Collins responded that while "at first glance, it looks extravagant," the audit will reveal that it was money well spent.

Another expense that has been called into question was incurred as part of the city's role as host of the 1998 American Society of Travel Agents World Congress. At the previous year's convention in Glasgow, Los Angeles threw the final night's party, as the following year's host city always does. L.A. spent $835,000 on the gala night, more than twice the $400,000 Las Vegas spent in 1999.

The Los Angeles bureau noted that the bulk of that tab was picked up by private sponsors, leaving only $186,000 to be covered by city funds.

Groups such as ASTA are difficult to impress, said Collins, and represent enough potential business to justify big spending.

"You really don't want to be perceived as cutting corners with these kinds of things," he said.

Kirkland is not likely to be accused of cutting corners, said Chris White, CEO of Global Events Partners, a network of dozens of destination management companies worldwide. White said Kirkland, in previous jobs, "put Miami Beach and San Francisco on the map," and much of his success has been attributable to a willingness to "spend the big bucks."

"To hire a guy like that, it's a business decision," White said. "Apparently L.A. has been happy with it for years. He did a good job with a tough sell -- the center is downtown, not in a very glamorous area, and there's no hotel. But now that business goes sour, it seems like people are out to get Kirkland."

White added, however, that the city is wise to be scrutinizing how its money is spent and should decide if the bureau's expenditures actually are bringing in business.

PHOTO (BLACK & WHITE): George Kirkland

By Maggie Rauch

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Item Number: 7052572