Acevedo, Gloria

To: Acevedo, Gloria
Subject: Letter to City Council Regarding PCOC Budget Hearing
Attachments: Letter to City Council 6.9.21.docx.pdf

From: Philibosian, Dianne L
Sent: Thursday, June 10, 2021 11:04 AM
To: Jomsky, Mark <mjomsky@cityofpasadena.net>
Subject: Letter to City Council Regarding PCOC Budget Hearing

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Dear Mr. Jomsky

Please find attached a letter for the City Council budget hearing on Monday regarding the PCOC for distribution to the Mayor and Members of the City Council.

Thank you.

Dianne Philibosian

Dianne Philibosian, Ph.D.

June 10, 2021

Honorable Mayor and Members of the City Council
City of Pasadena, California
Via email

Dear Mayor and Members of the City Council:

As former chair of the Pasadena Center Operating Company (PCOC) and a member of the board for 6.5 years, I am pleased to provide a letter in support of the budget submitted by the PCOC. The PCOC is contracted to operate a City owned facility which it does in not only a self-sustaining manner but manages to cover most costs of maintenance and capital improvement projects from its own revenue over cost of operation. Nationally, the PCOC is one of the few convention centers that are profitable-most all others are loss leaders for their cities. Also, as a reminder regarding the history of the development of the convention and conference, the PCOC was never expected to also fund the major expansion project out of operating revenues. It is important to recognize that the Transient Occupancy Tax (TOT) was originally planned to be the mechanism for funding the expansion from the very beginning.

Following are a few bullet points as reminders of how the PCOC expansion was funded and the history of the TOT:

- In 2005-2006, the City Council approved the Pasadena Convention Center expansion with the full knowledge that the new convention center would be paid for through TOT. All of the proformas presented showed the new Center would not pay for itself as no convention centers around the country pay for themselves. As a matter of fact, only a handful cover "operating costs," much less debt service. Convention centers provide significant economic impact to the community where they are located.
- In 2006, the City Council approved the construction of the new Pasadena Convention Center with the understanding that TOT would be the main funding source for the $161 million project. The PCOC is proud the project came in under budget and opened six weeks in advance. The construction of convention centers around the country are funded by TOT and not operating revenue. Currently, the City of Sacramento is expanding the Center and Theater, funded by TOT at $23-27 million a year.
- To add an earlier historical context, in 1983, the City of Pasadena retained Economics Research Associates (ERA) to prepare a management analysis of the Pasadena Center. The need for this effort arose primarily from increasing demands on the City's General Fund revenues in the wake of Proposition 13 at a time when the City's subsidy of Pasadena Center operations had continued to grow. ERA focused much of its funding solution on the City's Transient Occupancy Tax (TOT). ERA also measured the performance of the

Pasadena Center against like-sized centers elsewhere in the state. Stacked up against Sacramento, San Jose, Monterey, Fresno and San Diego. Pasadena's operating deficit (a comparison of expenses to earned revenue) was $347,000 in 1982, compared to a $2.7 million deficit in Sacramento that year and a $600,000 deficit in Fresno. More recently, San Jose Convention Center lost over $4m in operating revenue in 2019. ERA recommended the City should commit 60 percent of its TOT revenues to the Operating Company, thus creating an incentive system for The Pasadena Center and stabilizing its funding sources. The entire Pasadena City Board of Directors (as it was named at that time) approved a 60 percent set aside of TOT in a vote on June 12, 1984 and unanimously reaffirmed during a reconsideration vote in November 1984.

- In May 2016, Interim City Manager Steve Mermell amended the current Operating Agreement No. 12,380-2 between the PCOC and the City of Pasadena, thus capping the PCOC share of TOT to cover the debt service on the 2006A and 2008A bonds for the expansion of the Center plus $500,000 for CIP needs.

As former chair, I am happy to report that for the past 11 years prior to the pandemic, the Pasadena Convention Center has surpassed all expectations in terms of events, revenues and expenses. With the addition of the PCOC-managed Ice Skating Center PCOC has contributed $1.8 million annually to CIP needs.

As the City Council discusses the budget proposal from the PCOC, I hope this clarifies the situation regarding the TOT. I am eager for the public to be aware of the benefits of the PCOC. It is an asset to the City and should be valued as such and recognized for its self-sustaining operations.

Sincerely,

Dianne Philibosian, Ph.D.