

Memo

Date: Feb 6, 2015

To: Corporate Services Committee
City of London

From: Board of Directors
London Convention Centre

Subject: 2014 London Convention Centre Operational Results

2014 Measured Results:

2014 was a record year for the London Convention Centre. Based on unaudited statements, total revenue grew 15.8% over 2013 results setting a new record at \$5.36 million. The growth in revenue generated an **operational surplus record of \$355,000**. **Total direct economic impact from 336 LCC hosted events was \$17.5 million.**

39% of all event revenue was generated from conventions and conferences with 43% coming from LCC hosted food and beverage events. Total occupancy of the London Convention Centre in 2014 was 45.7% with the ballroom rented 50.4%, salons at 42.5% and the theatre at 16.2%.

LCC Capital Reserve and Special Projects Reserve Background:

Annually, the LCC Board of Directors is to advise Council of the centre's year-end financial results and to request approval to transfer operational surplus funds to reserves. The Auditors, KPMG require written direction of fund transfers from Council to release final audited statements. The London Convention Centre has, for the past 8 years, generated an operational surplus with City funding directed to the capital reserve.

In October 2005, the City approved a recommendation for incremental annual increases of \$50,000 in contribution to the LCC Capital Reserve to avoid a future deficit position. In 2006, the budget capital contribution was \$350,000 however the board recommended that an annual capital contribution of \$500,000 representing an investment of approximately 1% of the building value excluding FFE, was required to avoid a fund deficit position by 2013. In 2011 this annual capital reserve contribution was increased to \$600,000. The capital contribution received from the City of London remained at \$600,000 until 2013. In 2014 the capital contribution was reduced to \$569,000. The LCC Capital reserve is held by the City of London and used for life cycle maintenance, ensuring the facility is maintained and well-functioning.

In 2008, Council approved the establishment of a Special Projects Reserve held by the London Convention Centre. This reserve is used for special projects to enhance the LCC experience. In 2012, this reserve was used to enhance the exterior of the LCC with new LED lighting in support of the “Light up London” World Figure Skating campaign. In 2013, funds from this reserve supported a public art project with the installation of the pedway mural in early 2014. Looking to the future, it is hoped that this fund will support a new public art installation as part of the 1st Floor Renovation Projects of the London Convention Centre in 2015/2016.

London Convention Centre Board of Directors Recommendation:

Based on receiving 2014 Draft Audited Financial statements from KPMG, the LCC Board of Directors recommends City of London Council approve the following transfer of the 2014 LCC operational surplus of \$355,377 (based on unaudited financial statements): 50% to the LCC Capital Reserve, held by the City of London and 50% to the LCC Special Projects Reserve, held by the London Convention Centre.