



September 20, 2018

Fair Political Practices Commission
Enforcement Division
1102 Q Street, Suite 3000
Sacramento, CA 95811

RE: Potential Fair Political Practices Commission (FPPC) Violations, Conflicts of Interest, and Misuse of Public Funds and Assets by the Santa Clara Chamber and Santa Clara Chamber Political Action Committee (PAC)

To FPPC Official:

On September 18, 2018, Principal Auditor Denise Callahan, TAP International, publicly presented an audit of two City contracts with the Santa Clara Chamber of Commerce (Chamber) regarding its management of the City's Convention Center and Convention and Visitors Bureau (CVB) services.

The Auditor identified potential Fair Political Practices Commission (FPPC) violations, conflicts of interest, and misuse of public funds and assets by the Chamber and Santa Clara Chamber Political Action Committee (PAC). Per the auditor's recommendation, the City is formally requesting the FPPC to investigate the Chamber and its PAC for the violations identified in the audit and summarized in this letter.

Specifically, the performance audit has found that in 2012 the Chamber (referred to as Contractor in the audit) sponsored a fundraising event for its PAC. The Chamber commingled the administrative resources, funded with public funds for other contract work, with Chamber PAC fundraising activities which resulted in an \$8,000 check improperly issued to the Chamber PAC from CVB (pages 41-42 of the audit). In particular the audit states: "in 2012, the Contractor sponsored a web-based fundraising event for a political action committee. During the campaign, the Contractor received checks that totaled about \$8,000 made payable to the CVB. Rather than returning the political donor's check, the Contractor deposited the checks and recorded the deposit on the CVB's accounting records. The Contractor then recorded and issued a check on May 8, 2012 under the CVB accounting records for about \$8,000 to the Political Action Committee. Contractor management attributed the problem to donor confusion about whom to make the checks payable. When the CVB sent the payment to the Chamber PAC, it provided a gift of public funds by the use of public resources being used for political fundraising purposes that requires further review by the FPPC for potential violation of State law." In addition to this incident, the audit found that the Chamber used the City's publicly owned facility, Convention Center, to host

its PAC events. The audit also states that because the Contractor facilitated the fundraising activity for the Political Action Committee, it may have jeopardized its 501(c)(6) tax exempt status.

The City is taking these potential violations of law very seriously. Should you have any questions and or need additional more information, please do not hesitate to contact me at dsantana@santaclaraca.gov. Also, you may contact Denise Callahan of TAP International Consulting at denise@tapinternational.org.

Sincerely,



Deanna J. Santana
City Manager

cc: City Council
City Attorney
Nick Kaspar, CEO of Santa Clara Chamber of Commerce

Attachment:

- (1) Santa Clara Convention Center and Convention-Visitors Bureau: Restructuring Operations Can Strengthen Accountability, Performance and Revenue