



Agenda Report

18-1167

Agenda Date: 8/28/2018

REPORT TO COUNCIL

SUBJECT

Action on Amended and Restated Agreement with TAP International for Audit Services for the Santa Clara Convention Center & Tourism Improvement District

BACKGROUND

On May 22, 2018, staff requested direction from Council on the management fee to the Santa Clara Chamber of Commerce & Convention-Visitors Bureau for the management of the Santa Clara Convention Center. After a detailed staff presentation and Council discussion, Council approved a motion to:

*Direct the City Manager and City Attorney to begin a process of exploring a term sheet for a new agreement with the Chamber of Commerce for their management of the Convention Center; begin the process to **execute a financial and performance audit** of the Chamber; and that the management fee be suspended until such time that we can enter into a new agreement.*

On June 5, 2018, City Manager's Office executed a sole source contract with a not-to-exceed amount of \$83,620 with a highly qualified performance auditing firm, TAP International (TAP), whose principal, Denise Callahan, has expertise in convention center performance audits in accordance with Santa Clara Code Section 2.105.330 General services - Contracting procedures. This section provides for a sole source contract where the service or personnel is unique or the available contractors providing the service are few in number as is the case for performance auditing firms specializing in convention center audits.

The scope of work of the original contract focused on (1) assessing revenues and expenditures for the City's Convention Center and (2) assessing the adequacy of structures, systems, controls, and processes that impact financial management of the Convention Center. On August 10, the City Manager's Office executed the first amendment increasing the contract not-to-exceed amount by \$10,920 to \$94,540 to cover additional work to address some of the financial audit work. The additional audit scope was included in the analysis of the Convention Visitors Bureau given the City's historic \$1.5 million annual investment of public funds in the CVB to support convention and tourism activity.

The Tourism Improvement District (TID) was formed in January 2005 to fund activities such as marketing campaigns to attract additional travelers, tourists, cultural groups, and conventions; print ads in travel publications; outdoor advertising campaign; and fund administrative costs of the program. As part of the initial data gathering for the Convention Center and CVB audit, TAP noted that the Chamber administered and the CVB received funding from the TID. Concurrently, in June 2018 staff became aware and advised Council on July 16, 2018 that the legal procedures required for

the TID to properly levy a \$1.00 per room night fee had not been followed. The public hearing on the August 28, 2018 Council agenda is intended to bring the TID back into compliance with State law effective September 1, 2018.

Following the data gathering and initial review phase of the Convention Center and CVB performance audit, TAP has recommended that a financial audit be performed on the TID. As reported to Council on August 21, 2018, augmentation of the TAP contract is required to include this scope of work.

DISCUSSION

In lieu of amending the previous contract, the attached amended and restated contract comprises of the audit work as described above as well as the recommended financial audit of the TID for a not-to-exceed amount of \$155,020. The TID audit includes an examination of the following questions:

- 1) Have the hotels participating in the TID accurately remitted TID revenue to the City for FY15/16, and FY16/17?
- 2) Are the expenses of the TID consistent with TID bylaws and policies since FY12/13?
- 3) What is the nature and extent of any outstanding bills and payables, if any, that have not yet been recorded in the TID's financial system.

To respond to these audit objectives, TAP will undertake several key activities including: collection of room night data from each of the TID participating hotels; review of the accuracy of the room night data reported; verification of the accuracy of the TID fees remitted to the City; review of the TID's general ledger for the past 5 years; review of TID check registers; and collection and review of bills and other payables scheduled to be paid.

The proposed scope of work would be conducted during September. The presentation of performance audit findings for the Convention Center and CVB is anticipated in September. A presentation to Council on the findings of the financial audit will be targeted for October.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

The current contract with TAP for services related to a performance audit of the Convention Center and CVB has a total not to exceed amount of \$94,540. The proposed scope modification for services related to a financial audit of the TID is for \$60,480 with a total contract amount not to exceed \$155,020. There are funds currently available (from the unfunded CVB contract) for this Services Agreement in the Convention Center Fund.

COORDINATION

This report has been coordinated with the Finance Department and the City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website

and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

1. Approve and authorize the City Manager to execute Amended and Restated Agreement for Services with TAP International for a performance and financial audit related to the Convention Center, Convention-Visitors Bureau and Tourism Improvement District for a total amount not to exceed \$155,020.
2. Authorize the City Manager to make minor, non-substantive modifications if needed.

Reviewed by: Ruth Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Amended and Restated Agreement for Services with TAP International