



## Agenda Report

18-1267

Agenda Date: 9/18/2018

### REPORT TO COUNCIL

#### SUBJECT

Action to Add Two Positions and Funding to Manage and Support the Implementation of the Audit Recommendations as Described in "Santa Clara Convention Center and Convention Visitors' Bureau (CVB): Restructuring Operations Can Strengthen Accountability, Performance, and Revenue" and Stadium Authority Increased Workload and Approve Related Budget Amendment

#### BACKGROUND

During the January 2018 Council Operational and Strategic Priority Setting Retreat, staff highlighted the management high-risk environment with respect to contract administration and management given the absence of conventional internal controls, oversight, and systems. During the last six months, through several staff reports and public comments I conveyed that the City inadequately managed two significant contracts with the Santa Clara Chamber of Commerce related to the Santa Clara Convention Center (SCCC) and the Convention and Visitors' Bureau services as well as the administration for the City's Tourism Improvement District (TID). The City Council has already been involved in various corrective actions resulting from the internal lack of staff oversight and dedicated resources to these very important functions. Additionally, I have publicly expressed concern for how the City has been resourcing this due diligence effort by absorption between the City Manager and Assistant City Manager. It is anticipated that the corrective actions resulting from the referenced audit will require significant work to reconcile and close out the Chamber's activities with respect to these two contracts, clean up the City's role and participation in the TID activities which has been absent for years, and implement additional corrective action that result in an improved Management Agreement and contract oversight..

Over past years, duties for the management of these contracts and related activities have been either not present or split among several staff members and departments as collateral assignments that were not given high priority. In fact, staff has already shared some of the past practices that resulted from a complete lack of oversight, e.g., open and unmonitored access to the City's general checking account, absence of proper process to levy assessments for decades, lack of public documents on file with respect to these two contracts and the oversight of them, etc. Given the magnitude of services, subsidies, and scale of City assets, this is not an area of management that should go on improperly staffed/resourced. Corrective actions going forward requires dedicated resources and oversight, absent required resources the City will continue to be faced with poor management of this valued City asset and lost opportunities.

It is worth noting that there should be concern about other potential high-risk environments that exist due to poorly resourced projects/initiatives/programs and where we know that the workload exceeds staff capacity. One other such area is the administrative support for Stadium Authority related work and records. As stated in January 2018, staff needs to work better with the City Council with the practice of pacing the organization and that new workload efforts are accompanied by a discussion of

workload and needed resources to ensure proper implementation of Council directives. Moving forward, I will focus on working with the City Council on cultivating an improved dialogue focused on the realities of how work is completed within the organization, resources, and area presenting risk due to under-resourcing. The January 2019 Goal Setting session is a good opportunity to focus on this issue and establish protocols to prevent these internal conditions.

## **DISCUSSION**

As I have stated publicly before, the maintenance of these contracts and audits has been performed by me and an Assistant City Manager. It is common practice in other municipalities to assign a dedicated resource to managing these complex contracts, tracking and reporting on performance, ensuring contract compliance and record keeping, and participating on behalf of the City in managing these types of complex assets and their financial impact to the City organization and community. This has not been the case; in fact, recent efforts discovered that past practices allowed for:

- loose financial oversight resulting in open access to issue unmonitored checks from the City's general checking account;
- incompliance with state law regarding legal requirements to levy assessments to support tourism, event books, and marketing the City, even though the City holds the legal authority to levy assessments;
- unmonitored oversight with the Chamber of Commerce in its management and oversight role of managing public funds and facilities;
- casual fiscal management resulting in millions of public subsidies, undisclosed management fee increases, and lack of detection of actions taken for personal gain; and
- absence of continuous improvement processes, key performance indicators, proper training, and transparency with respect to the management of public assets by a third-party, e.g., Chamber of Commerce.

In review of the significant audit findings, and with an awareness of our internal administrative resources, I determined that there does not exist a readily available staff person that can be reassigned from his or her duties to implement the required corrective action both internally and moving forward with the Santa Clara Convention Center. In fact, the absence of dedicated resources, resulted in the Assistant City Manager and me personally handling this effort, which is not sustainable. I was able to bring in part-time resources to support the audit work by a reputable professional, but that individual terminated his work with the City to become the City Manager of the City of Fremont.

To remedy the lack of "management grip," I recommend adding one Assistant to the City Manager position to the City Manager's Office, 0.5 Office Specialist III position, and \$100,000 in contractual dollars. The requirements of the positions most closely align with the anticipated tasks, including putting structures in place to implement the findings and then manage and oversee the SCCC and CVB functions, and ensuring proper records management and other support staff functions. Additionally, these positions, depending on future Council action, will be tasked with any close-out activities related to the contracts with the Santa Clara Chamber of Commerce and support Council direction on the future SCCC and CVB business model as well as oversee all City activities related to the Tourism Improvement District. The contractual dollars will be used to hire consultants to close out the CVB contract in a timely fashion and perform additional audits, if needed. To expedite this work, as has been approved by Council on other projects requiring timely attention, I also request authority

to amend existing contracts above the City Manager's contract approval authority related to this additional funding.

Similarly, due to the increased workload related to the Stadium Authority, I recommend adding 0.5 Office Specialist III position to the City Manager's Office to ensure proper record keeping, document management, and relieve professional staff of clerical duties.

### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

### **FISCAL IMPACT**

The annual costs for an Assistant To The City Manager position and for the Office Specialist III position are approximately \$343,000 and \$146,000, respectively. The Assistant To The City Manager position and 0.5 Office Specialist III position is recommended to be funded from the Convention Center Enterprise Fund. The remaining 0.5 Office Specialist III position is recommended to be funded in the General Fund fully reimbursed by the Stadium Authority. Staff will monitor the City Manager's Office and Stadium Authority budgets as actual expenditures occur and bring forward a budget amendment at a later date, if necessary. The existing Convention and Visitors' Bureau appropriation in the General Fund will be used to fund the additional contractual services to close out the CVB contract in a timely fashion and perform additional audits, if needed. The budget amendment below allocates funding from the Convention Center Ending Fund Balance to the City Manager's Office to cover an estimated nine months of salaries and benefits for an Assistant to the City Manager and 0.5 Office Specialist III for the remainder of FY 2018/19.

#### **Budget Amendment FY 2018/19**

	<b>Current</b>	<b>Increase/ (Decrease)</b>	<b>Revised</b>
<b>Convention Center Enterprise Fund</b>			
<u>Expenditures</u>			
City Manager's Office - Salaries and Benefits	\$0	\$313,000	\$313,000

#### Reserves

Unrestricted Ending Fund Balance	\$2,234,241*	(\$313,000)	\$1,921,241
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\* Source: Santa Clara Convention Center Balance Sheet preliminary unaudited balance as of June 30, 2018.

### **COORDINATION**

This report was 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) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

### **ALTERNATIVES**

1. Add 1.0 Assistant to the City Manager and 1.0 Office Specialist III positions in the City Manager's Office for Contract Management and Oversight of the Santa Clara Convention Center and Tourism Improvement District and Stadium Authority activities and approve related budget amendment.
2. Do not add 1.0 Assistant to the City Manager and 1.0 Office Specialist III positions in the City Manager's Office for Contract Management and Oversight of the Santa Clara Convention Center and Tourism Improvement District and Stadium Authority activities and do not approve related budget amendment.
3. Authorize the City Manager to amend existing contracts, as needed, above the City Manager's contract approval authority in support of Convention and Visitors' Bureau close-out and other contract management activities not to exceed \$100,000 in total additional funding.
4. Do not authorize the City Manager to amend existing contracts, as needed, above the City Manager's contract approval authority in support of Convention and Visitors' Bureau close-out and other contract management activities not to exceed \$100,000 in total additional funding.

### **RECOMMENDATION**

Alternative 1 and 3:

Add 1.0 Assistant to the City Manager and 1.0 Office Specialist III positions in the City Manager's Office for Contract Management and Oversight of the Santa Clara Convention Center and Tourism Improvement District and Stadium Authority Activities and Approve Related Budget Amendment; and authorize the City Manager to amend existing contracts, as needed, above the City Manager's contract approval authority in support of Convention and Visitors' Bureau close-out and other contract management activities not to exceed \$100,000 in total additional funding.

Approved by: Deanna J. Santana, City Manager