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City of Santa Clara's Contract to Publicly Fund Chamber of Commerce's Convention and Visitors Bureau Not Renewed

*Preliminary Observations Surface Concern Over the
Management of Public Funds and Facilities*

Santa Clara, July 3, 2018 - The Santa Clara Chamber of Commerce's contract with the City to promote tourism, marketing, and booking the Santa Clara Convention Center has expired effective June 30, 2018. The City Council allowed for the contract to expire after preliminary observations showed that the Chamber may have given itself and members undisclosed free and reduced rates for the use of the Convention Center, which results in lost revenue to the City. In addition, City staff surfaced inconsistent information between legal documents, conflict of interest issues, and "Return of Organization Exempt From Income Tax" (Form 990) filings.

"I want to stress that these preliminary observations cause significant concern," said Santa Clara Mayor Lisa M. Gillmor. "The City takes the use of public funds and facilities seriously. These observations of the Chamber of Commerce's practices in its management of public funds and facilities for marketing, tourism, and convention center bookings are deeply concerning which caused us to allow the contract to expire."

The Santa Clara City Council voted at its Tuesday, June 26 meeting to not renew the approximately \$1.5 million publicly funded annual contract to promote tourism and market the Santa Clara Convention Center, but did authorize the payment of salaries for 60 days only to Chamber Convention-Visitors Bureau (CVB) employees. The Council also directed the City Manager to determine interim services that the City could secure through the Santa Clara Convention Center.

Earlier this year, in May, the City Council discovered that the Chamber management fee for the Santa Clara Convention Center had been increased to \$145,000 per year without proper disclosure to the public and approval by the City Council. The Council then ordered an audit when it determined that the City needed to better understand the Chamber's fiscal and performance management of these contracts.

The City Council retained TAP International whose preliminary observations were shared with the City Council on June 26, in addition to staff findings from its own administrative review conducted when determining whether to recommend continuing the CVB contract. The initial observations show possible self-dealing by the Chamber of

Commerce, undisclosed free use and reduced-rates for use of a public facility by the organization and its members, and a preliminary observation showing that political fundraising was conducted by the Santa Clara Chamber Political Action Committee at the City-owned Convention Center, a possible violation of Fair Political Practice Commission regulations.

“As it turns out, the preliminary observations show that every time the Chamber of Commerce held an event at the Convention Center, it was most likely held at loss of revenue that went undisclosed to the City. The City has been subsidizing the Chamber for over a decade to manage this city facility and it never disclosed that there was lost revenue resulting from fee waivers and discounts given to itself and its members,” Mayor Gillmor added.

Staff’s review show material conflicts existed on legal documents regarding the Chamber of Commerce’s tax exempt status and whether the organization inappropriately filled out its tax returns to the State and Federal government when it stated that it did not maintain a Conflict of Interest Policy. Specifically, while the Chamber claimed to manage conflicts and maintains a Conflict of Interest Policy, past year’s review of minutes shows no training or management of conflicts during the time when real or perceived conflicts have been raised and inquired about by the City. Additionally, a City’s legal contract includes rental payments of just over \$91,000 per year, but does not show on the federal filings. The City staff will determine next steps relative to public funds and these two findings, but the City has no authority over State or Federal tax filings.

City staff is working on the continuation of services and will announce over the next thirty to forty-five days the interim services that will be put in place. City Manager Deanna J. Santana advised the City Council that there will be disruption in service given that the City was not poised to immediately provide these services and that this was entirely a line of business provided by the Santa Clara Chamber of Commerce. The City has not received any confirmation form the Chamber on whether it will continue these services or not. The City is aware of the existing bookings and will work with Santa Clara Convention Center staff to operate and support existing bookings.

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About the City of Santa Clara:

Located at the heart of Silicon Valley about 45 miles south of San Francisco, the City of Santa Clara truly is “The Center of What’s Possible.” Incorporated in 1852, Santa Clara covers an area of 19.3 square miles with a population of 120,000. Santa Clara is home to an extraordinary array of high-tech companies, including Applied Materials, Hewlett-Packard, Intel, Nvidia, Oracle, and Ericsson. The City of Santa Clara is also home to Santa Clara University, California’s Great America Theme Park, and Levi’s® Stadium, home of the San Francisco 49ers and Super Bowl 50. For more information, go to www.SantaClaraCA.gov.