



August 15, 2018

To Our Valued Santa Clara Business:

Greetings! The City of Santa Clara is fortunate to be a world-class city with a diverse range of businesses from local small businesses to Fortune 500 companies. I recognize the integral role that the business community plays in driving a strong local economy, contributing to the global economy, and playing a key role in making Santa Clara “The Center of What’s Possible.”

As an example of the City's commitment to its strong partnership with the business community, and in order to ensure continuous support for mutual goals, the City Council has established “Promoting and Enhancing Economic and Housing Development” and “Enhance Community Engagement and Transparency” as two of six strategic pillars. The City Council’s strategic pillars have been established to guide policy development, budget appropriations, and strategic focus of the City Council. In addition to strategic pillars, the City Council has been focused on ensuring the efficient use of public funds to achieve improved service delivery in a transparent and cost-effective manner to the public, residents, the business community, visitors, and guests. At the City Council’s request, City staff has been evaluating its contract management, audit, and procurement processes with various City services.

As a valued member of the Santa Clara business community, the City is taking this extra step to provide information and facts surrounding recent actions taken by the City Council relative to its review of the Santa Clara Chamber of Commerce’s two contracts to (1) manage the City-owned Santa Clara Convention Center (Center) and (2) provide convention and visitor services to promote tourism and attract bookings for the Center. Combined, the two contracts were valued annually at over \$1.6 million of public funds, not including additional subsidies that have been needed year-to-year for the past decade. One of two contracts has expired and Council has directed that no payments of public funds be issued for the second contract.¹ Additionally, the City Council directed that City staff initiate a performance and fiscal audit to inform future decision-making. Staff and a professional auditor have made some preliminary observations that were reported publicly on June 26, 2018, which are:

- Material inconsistencies were found between the Chamber’s federal filings (e.g., Form 990: Return of Organization Exempt from Income Tax) and the practices that the Chamber claimed to have in place with the City to protect against conflicts of interest.
- There is a long-standing practice that the Chamber (since the Convention Center opened), on its own initiative, grants 20% discounts to Chamber members that rent Center space without any public disclosure, approval, or reporting of lost revenue to the City.
- There is preliminary evidence that the Chamber grants itself complete discounts on space rental for Chamber events and only pays for food and beverages, including major Chamber fund-raising events, providing significant financial value to the Chamber.
- These discounts were not disclosed to the City and the value of the discounts, which is lost public revenue funds, has not been determined. Analysis is underway to determine whether this is a material conflict of interest and/or self-dealing; whether Board members used their role to benefit each other; and/or, a violation of State law with respect to political fund-raiser(s) held at the City-owned Center.

¹ The Council authorized a payment equal to 60 days of salary expense for the Chamber employees impacted by the expired City contract. We are aware that the Chamber has terminated these services, along with their staff. It is unfortunate that despite the Chamber’s public testimony of providing a minimal “lights on” service level, the Chamber did not continue services for the paid 60-day term provided by the City.



City of Santa Clara

The Center of What's Possible

While the Chamber plays an important role in our community, the City Council has a responsibility to address these contract matters: unfortunately, the City had not evaluated its contractual relationship with the Chamber over the past 30 years, despite it being a good business practice to evaluate expenditure of public funds to determine whether the City is accomplishing the intended purpose. The final audit will be presented publicly in September 2018 and will answer some of these inquires and allow the Council to take informed action. To ensure full transparency, the City has established a webpage that provides background of this matter, which can be found at: <http://santaclaraca.gov/cvb-chamber>.

We are hopeful that the business community will understand the City Council's interest of preserving the appropriate use of public funds and facilities as they relate to the City's strategic pillars of promoting economic benefit for our business community and city. There is a great opportunity to redefine the future of these important Santa Clara assets for the benefit of the community as a whole. Regardless of the outcome of the City Council-directed audit, we will work to ensure that the appropriate remedies are in place to protect our public funds and facilities. The City encourages you to stay engaged and if you have any questions, please contact the City Manager's office at manager@santaclaraca.gov.

Sincerely,

Deanna J. Santana
City Manager