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REPORT TO COUNCIL

SUBJECT

Action on the Santa Clara Chamber of Commerce/Convention-Visitors Bureau Response to Performance Audit Titled "Santa Clara Convention Center and Convention-Visitors Bureau: Restructuring Operations Can Strengthen Accountability, Performance and Revenue"

BACKGROUND

On September 18, 2018, TAP International made a presentation to the Council regarding its performance audit and findings as documented in "Santa Clara Convention Center and Convention-Visitors Bureau: Restructuring Operations Can Strengthen Accountability, Performance and Revenue."

The Santa Clara Chamber of Commerce/Convention-Visitors Bureau (Chamber) response was originally requested to take place on October 16, 2018, but TAP International could not be in attendance at the Council meeting on that date. The Chamber released a video and companion response document (attached) in mid-October 2018.

A written response from TAP International to the Chamber's October response document is also on the November 27, 2018 Council agenda (#18-699).

DISCUSSION

The Chamber will provide a 10 minute presentation to Council on its response to the performance audit on the Convention Center and Convention Visitors Bureau that was commissioned by the City at the direction of Council.

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 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

There is no fiscal impact associated with this item other than administrative time and expense.

COORDINATION

This report has been coordinated with 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

Action on the Santa Clara Chamber of Commerce Response to TAP International Performance Audit titled “Santa Clara Convention Center and Convention-visitors Bureau: Restructuring Operations Can Strengthen Accountability, Performance and Revenue”

Reviewed by: Ruth Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Santa Clara Chamber of Commerce - Response to Audit Findings and Concerns with City Actions



Santa Clara Chamber of Commerce
Response to Audit Findings and Concerns with
City Actions

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Purpose

The intent of the Santa Clara Chamber of Commerce's response to TAP Internationals audit is not to influence change in City action regarding the Chamber's management and operation of the Santa Clara Convention-Visitors Bureau and Santa Clara Convention Center. The intent is to accurately and factually present the response to inform those who have been misinformed and persuaded by the misleading information used to cast a shadow on the incredible work by the Santa Clara Chamber of Commerce over the last 70 years.

On September 18th, the Santa Clara City Council unanimously voted to Note and File the Audit Findings with the caveat that the Santa Clara Chamber of Commerce will present their response on October 9th to ensure Council had the complete story. This specific and direct Council Action included a date for the presentation without any other contingencies. Unfortunately, City Staff overruled Council Action and postponed the Santa Clara Chamber's presentation until November 13th, over a month past the original agreed upon date and coincidentally after the election.

Executive Summary

The Santa Clara Chamber of Commerce has been an invaluable organization in Santa Clara for over 70 years and a partner to the City of Santa Clara for over 40 years. The Santa Clara City Council voted to audit Santa Clara Chamber of Commerce's management of the Santa Clara Convention Center and the operation of the Santa Clara Convention-Visitors Bureau (CVB). Under this direction, City Staff hired TAP International to conduct this audit.

The Santa Clara Chamber of Commerce found blatant omissions, misleading content, and incomplete content in the Final Audit conducted by TAP International. The Santa Clara Chamber of Commerce is concerned with the independence of this audit and the procedure which the audit was conducted including releasing preliminary information to the public before properly vetting or discussing this information with the Chamber's Board or President/CEO.

The Santa Clara Chamber of Commerce is also concerned with the City's actions surrounding this audit. The City of Santa Clara has misused authority, reach, and public funds with the intent to harm the Santa Clara Chamber of Commerce and interfere with their ability to operate a business in Santa Clara. These actions include:

- Targeting Chamber Customer List with misleading and unsubstantiated material
- Uncharacteristically using Santa Clara Tax dollars to send letters via direct mail including businesses in other cities
- Reporting to FPPC and other agencies knowing it was past the FPPC statute of limitations
- Inserted Misleading Information Not Included in Audit
- Releasing Preliminary Observations made by City Staff and auditor before speaking to Chamber President/CEO or Board Members

- Council Members directing Chamber to remove the Santa Clara Weekly's Publisher from our Board
- Urging TID Advisory Board to stop conducting business with the Santa Clara Chamber
- Meeting with The SVO, formerly known as San Jose Chamber who is now attempting to go regional, for "General Relationship Building"

The Santa Clara Chamber of Commerce had a mutually beneficial and cooperative relationship with the City of Santa Clara for nearly a half a century. The Santa Clara Chamber understands that this is a one place in time and both entities will outlast this blunder and will rebuild a relationship, however, it is the duty of the Santa Clara Chamber, as a Chamber of Commerce and a community organization, to report wrongdoing within our local government. The Chamber feels that a number of issues presented herein amply address some of our concerns of the City's improper behaviors, however, we reserve the right to present additional points as to the actions of City leadership at a future date.

Observations and Concerns with City Action

Staff Reports

Background

On June 26th 2018, the City of Santa Clara voted to defund the CVB after the Chamber operated the CVB for over 40 years. In this action, the Council included 60 days of salaries and salary related expenses for the CVB employees, directed the Chamber to return all reserves for the CVB, transfer the CVB employees to the Convention Center where their salaries would be administered, and directed City Staff to create an agreement for this 60 day period.

Following this Council meeting, City Staff reported to the Chamber that a new agreement would not be possible in the short time period as the City Attorney's Office was busy dealing with the lawsuit surrounding the Elections. The City Staff decided the easiest course of action would be to write the Chamber a check covering the estimated difference between the reserves and the necessary funding needed to cover the 60 days of salaries and salary related expenses.

The City Staff dropped off an \$80,000 check of City funds to the Chamber's receptionist without a contract or agreement detailing the expectations. The Chamber's President/CEO did not feel comfortable accepting \$80,000 of City funds without any expectations so he contacted City Staff for clarification.

In an email thread with City Staff and Chamber Staff, the City Staff clarifies the \$80,000 was for salaries and salary related expenses with no expectations or scope of work. The email also states the Chamber was their employer and could redirect (or let go) the employees and the purpose of the funding was to allow the Chamber and the affected employees the flexibility to determine what might be the best course for their respective futures (Appendix A).

On September 18th 2018, the City Staff released a staff report stating,

It is worth noting that at the June 26,2018 City Council meeting, Council provided a 60-day salary appropriation for CVB staff, from July 1 through August 31, 2018, for the purpose of transitional/close out activities; however, the Chamber released staff in July and did not ensure proper close out of the fiscal year (Appendix B).

Concerns with City Action

The Staff Report issued by City Staff publicly blames the Chamber for not following the City's directive to conduct transitional/close out activities which was clearly not the case. The City of Santa Clara's Code of Ethics and Values supports trustworthy, truthful, and uninfluenced governance. City Staff misstated the circumstances and misrepresented the Chamber leading the public and Council to believe the Chamber was not compliant with City directives. This untruthful and incorrect Staff Report served to the detriment of the Chamber by misrepresenting the Chamber to the public.

Letter to TID Advisory Board

Background

The Santa Clara Chamber of Commerce and the several hotels formed a Tourism Business Improvement District (TBID) which was titled the Tourism Improvement District (TID). The participating TID hotels voluntarily implemented an assessment of \$1 per room night to generate more marketing funds for the CVB with the City as the taxing agency collecting these funds. The TID Bylaws state that all TID funding generated would be administered to the Chamber as the Chamber was serving as the fiscal agent and conducted the operational assignments.

In July 2018, the City of Santa Clara realized the possibility that the City and TID was not in compliance with the law. The City Staff instructed the TID Advisory Board to return the reserves generated by the assessment to the City which the TID objected. The TID Advisory Board and City agreed to freeze the reserves and stop collecting the assessment until the appropriate Council action was taken. The appropriate Council action has since been taken and the TID hotels have now reinstated the \$1 per room night assessment, however, the reserves are still frozen.

In a letter to the TID Advisory Board, the City detailed the concerns brought forth in the audit as well as the City's own insertions related to the Chamber. In this letter, the City "strongly urge[d] the TID to immediately address its governance structure, fiscal agent and operation assignments with the Chamber." (Appendix C).

Concerns with City Actions

The TID Advisory Board's Bylaws states the generated funds must be administered to the Santa Clara Chamber of Commerce and the TID has followed this for over five years. The Santa Clara Chamber of Commerce is concerned that the City has interfered with a contract between the TID Advisory Board and Santa Clara Chamber by urging the TID to stop doing business with the Chamber. This letter to the TID Advisory Board was released prior to the Chamber's response to the audit. The Chamber does not support the City's decision to interfere with the TID Advisory Board and Chamber's agreement. It is also concerning that this letter was released prior to the Chamber having the opportunity to respond to the Audit Findings.

City's Public Communications Regarding Audit

The City of Santa Clara sent two letters via direct mail regarding the audit after releasing the same information on the City's usual communication methods (Press Releases, Nextdoor, Social Media, etc.). These letters were purely informational with no call to actions or reason to stray from the usual communication methods. The estimated cost to the residents of Santa Clara for preparation and mailing of the two letters is over \$20,000.

Who received these letters?

The City of Santa Clara sent the two letters via direct mail to every business license holder in Santa Clara as well as the Chamber's Membership Directory. The Santa Clara Chamber's Membership Directory includes businesses in San Jose, Sunnyvale, Campbell and several other cities. The City of Santa Clara used Santa Clara tax dollars to inform businesses outside of the City of Santa Clara on actions taken at City hall. To further prove the City downloaded and targeted the Chamber's customer list, the Santa Clara Chamber's Membership Directory included a control profile to ensure no one was using their directory to spam their members. Day's Interior Design, the control profile, is not a registered business or business at all. The only way to get this Business Name or private address was through the Chamber's Membership Directory. Day's Interior Design received two letters from the City of Santa Clara. (Appendix D)

Letter #1 – 8/13 (Appendix E)

The City of Santa Clara's first letter, costing the residents of Santa Clara approximately \$10,000, included preliminary observations made by City Staff and TAP International prior to speaking with the Chamber's President/CEO or Board of Directors. The preliminary observations were unfounded and unconfirmed information that painted a negative picture of the Chamber. In two separate conversations with TAP International, the President/CEO of the Chamber, and the Vice-President of Sales, the auditor stated she was unhappy with the City's decision to combine the preliminary observation made by the auditor and the City's observations as it misrepresented the audit information. In a later conversation with TAP International, the auditor retracted this statement and stated she knew the information was going to be sent out and she was fine with it.

Letter #2 – 9/11 (Appendix F)

The City of Santa Clara’s second letter, costing the residents of Santa Clara approximately \$10,000, included many insertions and observations made by the City that were not included in the audit, although the letter stated they were.

The letter sent by the City stated “the auditor found that the City of Santa Clara lost \$20.5 million in revenue and City subsidies over the past 10 years.” This was not stated in the audit but was an abnormal calculation conducted by the City of Santa Clara and inserted as Audit Findings.

The letter also stated “board members engaged in self-dealing, using City assets for their own financial gain...” This statement was not in the audit. The City reported actual self-dealing instead of the appearance of self-dealing with more research needed. This false report defamed the Chamber and Board Members causing harm to the reputation of a valued Santa Clara entity as well as valued Santa Clara businesses.

Lastly, the letter stated the Chamber’s mismanagement resulted in \$37 million in lost funds to the City of Santa Clara. This, again, was not stated in the audit but was an insertion made by the City of Santa Clara.

Table 1: Lost Revenues and City Subsidies Resulting from Chamber’s Mismanagement of Public Funds

Net Lost Revenue and City Subsidies	Amount (in Millions)	Note	Time Period	Audit
Facility Discounts (1,720 events)	(\$16.1)		2011-2018	Pg. 34
Facility Free Rent (353 events)	(\$2.8)	(1)	2011-2018	Pg. 35
Bonus Payments to Convention Center Staff	(\$0.3)	(2)	2014-2017	Pg. 22
City General Fund Capital Expenditures	(\$2.4)	(3)	2007-2017	Pg. 12
City Annual Payments to CVB	(\$14.9)	(4)	2007-2017	Pg. 50
City Paid Management/Administration Fee	(\$0.5)		2007-2017	Pg. 53
TOTAL Lost Revenue and City Subsidies	(\$37.0)			
Positive Direct Convention Center/CVB Financial Impact	\$11.3		2007-2017	Pg. 17
Convention Center Net Income	\$5.2	(5)	2007-2017	Pg. 12
TOTAL Positive Convention Center/CVB Financial Impact	\$16.5			
TOTAL Net Lost Revenue and City Subsidies	(\$20.5)			

When referring to the graph above, one can see the City used unusual accounting practices to draw their desired conclusion.

- The City of Santa Clara counted Bonus Payments to Convention Center Staff twice: once in the Convention Center Net Income and once in the table.
- The City of Santa Clara included City General Fund Capital Expenditures and City Paid Management/Administration Fee as “lost funds” resulting from Chamber’s

Mismanagement of Public Funds. These expenditures were approved by Council each year for the 10 year period.

- The City included the total of 10 years of CVB operating budgets, approved by Council each year, as “lost funds” resulting from the Chamber’s Mismanagement of Public Funds.
- The City included \$18.9 million worth of “Facility Discounts and Facility Free Rent as lost revenue to the City of Santa Clara.
 - The “Facility Discounts” is the difference between the retail price of Convention Center space and the negotiated price. The Santa Clara Convention Center competes with many other Convention Centers for business and the auditor states that negotiating pricing is common in the Convention Center industry.
 - The “Facility Free Rent” includes refunds given to events that hit the food and beverage minimum which is also an industry standard practice. This calculation also includes free space used by the City of Santa Clara. Lastly, this calculation includes space given to community organizations, some of which are run by City Officials.
 - It is an unusual accounting practice to subtract the difference between retail price and the negotiated price from the Net Income to show a Net Loss.

Conclusion

The City of Santa Clara targeted the Santa Clara Chamber’s membership, using approximately \$20,000 of public money, to spread misinformation, misleading calculations, and blatant untruths to harm the reputation of the Santa Clara Chamber of Commerce.

Concern with Audit Findings and City’s Actions

Appearance of Self-Dealing with More Research Needed

Background

The Santa Clara Chamber has managed the Santa Clara Convention Center for over 30 years with the direction to operate the Convention Center as a business. With that said, the Audit mentions the Appearance of Self-dealing three times all regarding the Shipping and Handling Services at the Convention Center. The Shipping and Handling Services mentioned in the Audit is referring to the lease for a UPS Store within the Convention Center.

The existing UPS Store owner, who holds the lease at the Convention Center, was near bankruptcy, past-due on payments, and near closing the store at a loss to the Convention Center. Knowing this, Corporate UPS, with no affiliation to the Chamber, searched and sought out a successful local UPS Franchisee to take over the lease keeping the UPS Store operational.

The current lease states the lease is transferable among private businesses with the approval of Corporate UPS and the Chamber. Corporate UPS proposed OMCO, Inc. as their approved new

owner believing OMCO, Inc. would be the most successful owner of this store not knowing that a Santa Clara Chamber Board Member was a partner at OMCO, Inc. The Board Member disclosed this potential Conflict of Interest prior to its existence and provided the Chamber Management and Executive Committee time to review and mitigate the Conflict. The Chamber mitigated this Conflict of Interest by having the proposed owner abstain from any future decisions regarding the management of the Convention Center including the decision to transfer the lease.

During this transition period which extended past the release of the Final Audit, the proposed owner agreed to operate under a management agreement between the current owner and proposed owner with the proposed owner paying all past due payments including those due to the Convention Center. It is important to note that the Board Member abstained from all decisions regarding the Convention Center while operating under the management agreement.

Concerns with the Audit

Prior to the release of the Final Audit, the lease was not transferred to the Board Member. The Audit states there was the Appearance of Self-Dealing with more research needed because the lease was transferred to a Board Member which was not the case. The Auditor was presented this information but it was misstated in the report to the detriment of the Chamber and the proposed UPS Store Franchisee. TAP International never discussed this with the Board Member in question but made assumptions that led to an error in the Audit.

Concerns with City Actions

The City of Santa Clara reported publically in Press Releases, News Articles, and Direct Mail to businesses and Chamber Members actions of the Chamber were *actual* Self-Dealing instead of the *appearance* of Self-Dealing with more research needed (Appendix F). The City of Santa Clara misled the public by reporting speculations made by the Auditor, which stated that more research was needed, and publically reported them as fact. The Chamber believes the City used public money to harm the reputation of the Chamber by knowingly and publicly dispersing misleading and incorrect information.

Former City Officials Did Not Use the Contracting Process to Change Management Fees Response

Background

The City of Santa Clara and the Santa Clara Chamber of Commerce's interest have traditionally been aligned to stimulate the growth and development of Santa Clara's economy. In the 1970s, the Santa Clara Chamber of Commerce and the Visitors Bureau advocated for the construction of the Santa Clara Convention Center. In 1984, the Santa Clara Chamber of Commerce was granted an evergreen contract (the "Agreement") to manage the Santa Clara Convention Center with a

\$45,000 administrative fee approved annually in the budget.¹ While the administrative fee remained static for 30 years, it was submitted yearly to City Staff and approved in the budget each year. In 2014/15, City Council approved an administrative fee increase to \$47,250 and in 2015/16, the administrative fee increased to \$50,000.

In 2016, with the development of Levi's Stadium and the still pending Redevelopment Agency ("RDA") issue, the Santa Clara Chamber of Commerce found itself spending an inordinate amount of time working to provide solutions to these issues while experiencing an increase of its liabilities. Executive Committee Members Paul Dines, Ravinder Lal, and Joe Siecinski met with Mayor Gillmor and Councilmember Davis to discuss the future management of the Convention Center. Mayor Gillmor and Councilmember Davis instructed the Santa Clara Chamber of Commerce to include an administrative fee of 2% of gross revenue in the 2016/17 budget. A summary of the meeting's outcome was outlined in an email thread between the Executive Committee Members directly following the meeting (Appendix G). For the last 30 years, the Chamber has submitted the budget to City Staff for approval by City Council.² Following this established process, the Chamber submitted their 2016/17 Convention Center budget to City Staff (Appendix H). The fee adjustment was clearly identified and marked in RED to provide City Staff notice of a significant change. The new budget, with the increased management fee, was approved in an open City Council meeting by the Mayor and Council Members.

In April 2017, the Santa Clara Chamber of Commerce submitted their 2017/18 budget which was reviewed by City Staff. During the review, the City acknowledged the prior year's (2016/17) fee adjustment "currently 2% of gross revenues" and tasked the City Manager "to work on getting the letter establishing the C of C Admin Fee" (Appendix I). The Chamber never received this letter, but the budget line item was again clearly identified and approved by Council for the 2017/18 year with the 2% Administrative Fee (Appendix J).

On May 22nd 2018, the Santa Clara City Council suspended the Santa Clara Chamber of Commerce's Administrative Fee until TAP International's final audit was submitted citing the Chamber for not disclosing the increased administrative fee. The Chamber, under reservation of rights to an administrative fee, agreed to uphold their side of the Agreement and continue the management of the convention to avoid a significant negative impact on Santa Clara (Appendix K).

TAP International's final audit has since been released confirming the increased administrative fee was disclosed. While the audit advised that there should have been a contractual amendment, the Chamber properly disclosed the amounts and followed the City's instructions for the fee

¹ "A contract between a governmental body and a private party is to be construed by the same rules which apply to the construction of contracts between private persons [Citation] . . . and the public entity is bound in the same manner as an individual." *Tonkin Constr. Co. v. Cty. of Humboldt*, 188 Cal. App. 3d 828, 831-32 (Ct. App. 1987).

² "As a general proposition of law, it is, of course, true that every commercial contract is entered into with the understanding that usage in regard to the particular matter of the contract becomes a part of the transaction itself." *Lucke v. First Nat. Bank of Marysville*, 193 Cal. 184, 189 (1924).

increase.³ (Section titled “Former City Officials Did Not Use the Contracting Process to Change Management Fees”).

Concerns with Audit

The information stated above was presented to TAP International detailing the circumstances surrounding the increased Management Fee; however, the audit incorrectly reported the information to include the Chamber as a responsible party. The Santa Clara Chamber of Commerce discussed the increased Administrative Fee with Elected City Officials and reported the increase to the appropriate City Staff. Appendix I clearly shows the Santa Clara Convention Center Staff brought the Discussion Point (DP) of the Chamber Board drafting a letter/amendment. The only Action Item (AI) concluding this meeting was the City Manager (CM) to follow up with the Chamber with a letter/amendment which we never received.

The Audit misstates this information declaring the Chamber was to also draft a letter which was clearly not the case. This misstatement is a concern of the Chamber because it puts unnecessary blame on the Chamber when the Chamber followed the City directed procedure.

Concerns with City Action

The City publically stated the Chamber did not disclose the increased Management Fee asserting the Chamber was deceitfully attempting to take more City funds than appropriate.

The Santa Clara Chamber followed the established process to increase the administrative fee with resulted in the City Council approving the Convention Center budget two consecutive years with the increased administrative fee. The miscommunication between City Staff and City Council led to the City Council prematurely suspending the established Management Fee in May 2018 prior to the final results of the Audit.

Conclusion

The Audit misrepresents the information surrounding the circumstances of the increased Administrative Fee. This misrepresentation serves to the detriment of the Chamber misleading the public to believe the Chamber shared responsibility. The City irresponsibly reported to the public stating the Chamber’s intentions to be deceitful and untrustworthy. The City also made the decision to suspend the Administrative Fee, which was an established practice for over 30 years, prior to the conclusion of the Final Audit and without the necessary information.

Conflict of Interest Regarding Advertisements in the Santa Clara Weekly

Background

The Santa Clara Convention-Visitors Bureau’s (CVB) duty was to market the City of Santa Clara

³ “Contractual understanding need not be express, but may be implied in fact, arising from the parties’ conduct evidencing their actual mutual intent to create such enforceable limitations.” *Guz v. Bechtel National, Inc.*, (2000) 24 Cal.4th 317, 336.

stimulating visitor's spending and promoting the Santa Clara economy. As stated in the Audit, the CVB's most lucrative customer-base was corporations. Included in an overall marketing plan, the CVB intended to engage more local corporations to further promote the CVB's most successful industry. Senior CVB Staff, with more than 25 years of Visitors Bureau industry experience, included a minimal appropriation of funds for print media.

The print media industry has severely declined over the course of decades leaving few print media options targeting the local Santa Clara corporations. The Santa Clara Weekly, one of few remaining print media outlets serving Santa Clara, is distributed to up to a 1,000 businesses per week. The Santa Clara Weekly Publisher is on the Chamber's Board of Directors, which most would believe is a beneficial considering the Santa Clara Chamber is a nonprofit organization run by Santa Clara businesses and it is important to have the diverse business community represented including the only print media outlet serving Santa Clara.

CVB Staff, with no influence from the Santa Clara Chamber Board of Directors, contacted the Santa Clara Weekly to run these advertisements. The Santa Clara Weekly offered 6 full-page color advertisements to the CVB for an under market price of \$5,000. This price was over \$2,500 off retail price. The Santa Clara Weekly's competitors offer 6 full-page color advertisements for over \$25,000 (Appendix L).

Being good business people, the Senior CVB Staff Member contracted the print media outlet that better reached the targeted customer-base at a more cost-effective rate. It is also important to note the Staff Member's Direct Supervisor, President/CEO, and Board Chair all separately reviewed and approved the expense. It is also important to note the CVB received leads from local corporations who saw the advertising and were interested in bringing their corporate event to Santa Clara. Unfortunately, the CVB services were defunded prior to these leads substantiating.

Concerns with the Audit

The Audit omits the clear business reasons for deciding to contract the Santa Clara Weekly to run 6 full-page advertisements. The Audit also omits the Staff Member's Direct Supervisor, President/CEO, and Board Chair all separately reviewed and approved the expense. Lastly, the Audit omits the fact that the CVB received leads from local corporations who saw the advertising and were interested in bringing their corporate event to Santa Clara.

Conclusion

The Audit misrepresents the CVB's intention which was to grow their largest customer base. These omissions in the Audit serve to the detriment of the Chamber misleading the public to believe the Chamber was pushing contracts towards its Board when the intention was, and has always been, to best serve the interest of the residents of Santa Clara.

Redevelopment Agency Issue

Background

In 2015, the City of Santa Clara instructed the Chamber to stop booking the Convention Center as the future of the Convention Center was uncertain due to the pending Redevelopment Agency (RDA) issue. The City of Santa Clara's ban on Convention Center bookings lasted seven months and fell within the period that was audited by TAP International.

The uncertainty of the future of the Convention Center and the seven month ban on booking the Convention Center had a severe impact on the success of the Convention Center and CVB which is still being felt today. It is important to note that during this period, the CVB and Convention Center lost many employees including seasoned Sales Managers. There was an estimated 85,000 rooms nights lost due to this seven month ban on booking the Convention Center.

Concerns with Audit

TAP International reported several issues hindering the success of the CVB and Convention Center but did not mention the City's directive for the CVB and Convention Center to stop booking for seven months due to the RDA issue. In fact, the RDA issue was not mentioned in the Audit. When independently evaluating the success of an organization over the course of 10 years, the Chamber feels it necessary to include a period of seven months where there was a ban on booking future business.

This information was provided to the Auditor but was omitted from the Audit. This omission served to the detriment of the Chamber and relieved the City of any negative attention for causing a major negative impact on the tourism industry in Santa Clara.

Santa Clara Chamber PAC

Donations to the Santa Clara Chamber PAC

In 2012, the Santa Clara Chamber PAC, a separate organization from the Santa Clara Chamber of Commerce made up of Chamber members, conducted a fundraiser. Due to infrastructure challenges, the Santa Clara Chamber of Commerce collected \$8,000 of donations for the Santa Clara Chamber PAC with the donors knowingly and intentionally making these donations to the Santa Clara Chamber PAC. The Santa Clara Chamber of Commerce, having \$8,000 of PAC money on their books, made a check out to the Santa Clara Chamber PAC for \$8,000. No Chamber or City funding was donated to the PAC.

Concerns with Audit

This information was presented to TAP International; however, this information was misstated in the report. The auditor reported the CVB conducted the fundraiser and collected the donations. The distinction between the CVB and Chamber is very important because the Chamber is not

subsidized by City funding. The auditor also reported the Chamber donated to the Santa Clara Chamber PAC using public funds which was not the case.

The Chamber informed the auditor on several occasions, but the auditor would not make this change in the report. The City used this misinformation to publicly reprimand the Chamber for using City funds to make political donations painting the Chamber in a negative light.

Free Space Provided to Santa Clara Chamber PAC

In 2012, Santa Clara Chamber PAC held a breakfast fundraiser at the Santa Clara Convention Center during a need period with no other competing events. The Santa Clara Chamber PAC's contract included language where an offset would be applied with the minimum purchase of food and beverage. The Santa Clara Chamber PAC hit the food and beverage minimum for the event and the offset was applied.

The Santa Clara Chamber PAC contributed thousands of dollars to the Santa Clara Convention Center during a need period following offset procedures (Appendix M).

Several Elected City Officials attended this event including Mayor Gillmor.

Concerns with Audit

TAP International misstated the information reporting the Santa Clara Convention Center made gift of public funds to a political organization when this was not the case. It is concerning that the auditor would misstate this information when it was provided to the auditor. The City then used this misinformation to publicly reprimand the Chamber for gifting public funds to a political organization. The misstatements regarding the PAC event were to the detriment to the Chamber.

Recommendation to Report to FPPC and other agencies

TAP International erroneously recommended the City report the Chamber to the FPPC and other agencies for political violations made in 2012. TAP International cited several policies regarding the FPPC and IRS but failed to state the FPPC Statute of Limitation for investigations is 5 years. The City Staff followed the recommendations, with the knowledge of the City Attorney, to use City tax dollars to report the Santa Clara Chamber to the FPPC when it was clearly past the Statute of Limitations.

Along with erroneously reporting the Chamber to the FPPC, the City reported in a press release to the public that the Chamber may have violated state law (Appendix N). Due to the facts stated above, the Chamber believes the City knew these allegations were past the Statute of Limitations, however, used the erroneous FPPC report as an opportunity to publicly harm the reputation of the Santa Clara Chamber of Commerce.

Conclusion

The City of Santa Clara used incomplete and inaccurate audit findings, along with misleading insertions and miscalculations by the City, used in a PR campaign that was detrimental to the Santa Clara Chamber of Commerce, a nonprofit organization run by a volunteer board of Santa Clara businesses and community leaders. The Santa Clara Chamber of Commerce and many other members of the community is left with the question of why?

In any case, the Santa Clara Chamber of Commerce will continue the tradition established over multiple generations of building a vibrant community that benefits all.

Appendix A

Kaspar, Nick

From: Ruth Shikada <RShikada@SantaClaraCA.gov>
Sent: Tuesday, July 03, 2018 8:16 AM
To: Kaspar, Nick; Moreno, Lisa
Cc: Deanna Santana
Subject: RE: Option for Vacation Time

Good morning Nick
Here are responses to your inquiries:

Our understanding was that we were to return the reserves to the City. I am happy to work out another model but just wanted to make sure to request clarification so the Chamber is compliant.

The Council voted to fund salaries for the next 60 days and request return of the reserves. Based upon the time left on the contract and because the City's expense for the cost of salaries was more than what the Chamber had on reserve, we determined that the best course was to apply the reserves to the overall salary expense and provide the Chamber with supplemental funding. We estimated that \$80k plus the reserves was enough for the 60 day salary cost --- but since it was only an estimate, we asked for a reconciliation.

I realize that an agreement for the CVB for the next 60 days might be difficult
Until the audit is done, I don't know that we will have the ability to negotiate meaningful terms. I wouldn't have an expectation of an agreement during this time.

I did want to request clarification about expectations of CVB. Without any funding for operations of the CVB, can you share what the cities expectation and scope of work are from the CVB employees?

Without a contract, the City does not have expectation of any services from CVB. We understand that this will cause a disruption. We also understand that the Chamber, as their employer, may choose to redirect the scope of work (or let go) of the employees previously funded under the CVB contract. Providing the cost of salaries was intended to allow the Chamber and the affected employees with flexibility to determine what might be the best course for their respective futures.

with the termination of the CVB Contract, the Chamber is supposed to close out the City Store. We have the current inventory and can cut a check for the City today. Please let us know who should be the POC to close out the City Store with us.

We'll set an appointment with a staff person to meet with you to determine next steps to handle inventory and accounting matters.

Let me know if you have further questions.

Ruth

Appendix B



City of Santa Clara

1500 Warburton Avenue
Santa Clara, CA 95050
santaclaraca.gov
@SantaClaraCity

Agenda Report

18-995

Agenda Date: 9/18/2018

REPORT TO COUNCIL

SUBJECT

Action on the Santa Clara Convention Center and Convention-Visitors Bureau 4th Quarter and Fiscal Year Ended June 30, 2018 Financial Status Report

BACKGROUND

The purpose of this report is to provide a financial status update for the 4th quarter and fiscal year ending June 30, 2018 for the Santa Clara Convention Center and Convention-Visitors Bureau. The report covers the period of time when the City had two Agreements with the Santa Clara Chamber of Commerce & Convention- Convention Visitors Bureau (Chamber), which required that the Chamber provide the City with a quarterly activity and operations report for the Santa Clara Convention Center (SCCC) and the Convention-Visitors Bureau (CVB) within 30 days after the end of each quarter during the fiscal year. The SCCC-CVB Financial Status Report for fourth quarter and fiscal year ended June 30, 2018 provides current information on the business activities of the Santa Clara Convention Center and Convention-Visitors Bureau. Since that time, the SCCC-CVB agreement for CVB services has expired.

DISCUSSION

Submitted for City Council review and acceptance is the SCCC-CVB Financial Status Report for the 4th quarter and fiscal year ending June 30, 2018, as submitted by the Chamber. Submission of the report is required under the Management Agreement for the operation of the Santa Clara Convention Center and the Agreement for convention and visitor services which expired June 30, 2018. This report is unaudited and therefore, subject to change. The City is simply transmitting to the City Council the Chamber's report for its compliance with its agreement terms.

It should be noted that information included in prior quarterly reports such as room rental nights, convention attendees, and estimated revenues for convention center rental and Transient Occupancy Tax associated with CVB bookings was excluded from this report. The Convention Center submitted the report without this information. The Convention Center stated that these figures were omitted from the report because the Chamber released from employment the CVB staff members, who provided this information and, as a result, the Chamber is not able to obtain this information. It is worth noting that at the June 26, 2018 City Council meeting, Council provided a 60-day salary appropriation for CVB staff, from July 1 through August 31, 2018, for the purpose of transitional/close out activities; however, the Chamber released staff in July and did not ensure proper close out of the fiscal year. As such, the Convention Center General Manager, Lisa Moreno, provided a letter dated September 7, 2018 explaining why this information was not provided with this report (see Attachment 2).

Although the City continues to work with the Santa Clara Convention Center staff to research this

Appendix B Continued

18-995

Agenda Date: 9/18/2018

information, it was not available at the time this report was prepared. As it is unclear when the information might be forthcoming, and should also be noted that the provision of this information to the City is required under both Agreements and even though the CVB Agreement expired on June 30, 2018, all accounting requirements survive the expiration of the Agreement. Staff may require the assistance of an accountant/auditor to reconcile CVB accounts and to obtain a valid close out report.

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)(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

Year-end positive net operating results could be a revenue source to the General Fund, while net operating losses may be require a subsidy by the General Fund.

The financial status of the Convention Center operation as captured in the attached quarterly report is one of several aspects of the City's overall financial obligation related to the Convention Center. In addition to the general management and day-to-day operation of the Convention Center as captured in the quarterly report, in FY 2017/18 the City budgeted funds for the Convention Center's Capital Improvement Program (CIP) in the amount of \$304,000; an annual contribution of \$1,461,601 for the Convention-Visitors Bureau (CVB); a contribution of \$669,941 into Maintenance District 183 (an agreement between the Convention Center, TechMart, and Hyatt for maintenance of shared spaces); and funds of \$145,291 for an annual management fee. (It should be noted that while the management fee was budgeted, payment of the fee was frozen by Council direction as of May 2018.) The budgeted General Fund subsidy for the Convention Center overall was \$2,317,825 for FY 2017/18.

The Convention Center operation shows a net profit of \$2,227,366, compared to \$1,470,826 for fourth quarter YTD 2016/17. As of June 30, 2018, the City contributed \$212,594 and \$669,941 for CIP and Maintenance District expenditures, respectively, and paid \$1,479,956 to CVB operations. ***Based on the final net operating results and capital expenditures for the fiscal year ended June 30, 2018, the actual General Fund subsidy is \$135,125.***

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

Note and file the Santa Clara Convention Center and Convention-Visitors Bureau Financial Status Report for the 4th quarter and fiscal year ended June 30, 2018, as submitted by the Santa Clara Chamber of Commerce & Convention-Visitors Bureau.

Appendix B Continued

18-995

Agenda Date: 9/18/2018

Reviewed by: Angela Kraetsch, Director of Finance
Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. SCCC-CVB Activity Report for Fiscal Year 2017/18 Fourth Quarter
2. Convention Center Letter dated September 7, 2018

Appendix C



**City of
Santa Clara**
The Center of What's Possible

City Manager's Office

September 21, 2018

Mr. Eron Hodges, Chair of Santa Clara Tourism Improvement District
c/o Hyatt Regency Santa Clara
5101 Great America Pkwy
Santa Clara, CA 95054

RE: Response to Mr. Rollet's Correspondence (dated September 10, 2018)

Dear Mr. Hodges:

This letter is in response Mr. Rollet's September 10, 2018 communication to the City concerning the Tourism Improvement District (TID) cash flow and the future management of TID funds. As I stated previously, the City shares the TID's concern with the Chamber of Commerce's (Chamber) terminating its staff working with the TID, our mutual past non-compliance with the proper process to reauthorize the TID levy, and the legal requirement to maintain unexpended for one year the TID reserve of approximately \$600,000. These circumstances have resulted in difficulties for the TID to operate. However, the City must meet the legal requirements and properly authorize levied assessments, regardless of the inconvenience it temporarily presents to correct past improper actions. To alleviate the short-term cash flow issues, I would like to work with the TID Board to figure out a path forward.

At the September 18, 2018 City Council meeting, TAP International, the performance auditor contracted by the City, identified serious misuse and mismanagement of public funds by Chamber through its two Convention Center and CVB contracts. The audit findings include and are not limited to poor management of public funds and financial mismanagement, misuse of government resources (personal gain, inappropriate bonuses/commissions, and political fundraising activities), conflict of interests by Chamber staff and Board members (self-dealing that went uncorrected/undisclosed until the City asked), and problematic accounting and unexplained expenditures. Further, as you know, TAP International is currently auditing TID-related activities as well and references the improper use of TID funds in the audit. A separate TID audit was initiated based on serious preliminary audit findings on the Chamber's management of the Convention Center and CVB.

Due to the significant audit findings of the use of public funds, the City Council has terminated the Management Agreement with the Chamber for the Santa Clara Convention Center and the Council has already allowed for the CVB agreement to expire. Parallel to working with the TID on addressing cash flow issues, I strongly urge the TID to immediately address its governance structure, fiscal agent, and operation assignments with the Chamber. The City Council has terminated any issuance of public funds from its two contracts and has put significant due-diligence measures in place for the expenditure of public funds relative to the Santa Clara Convention Center. We ask that the TID consider the same, as further issuance of public funds to the Chamber for TID purposes, absent the TID staff, presents serious concern and challenges for the City.

Appendix C Continued

Re: Response to Mr. Rollet's Correspondence
September 21, 2018
Page 2

In light of these recent events, I respectfully request to meet with you and other TID Board Members on October 4, or another mutually agreeable date, to discuss the TID's governance structure, fiscal agent, and operation assignments, and short-term cash flow issues.

Kathi McGraw, Executive Assistant to the City Manager, will reach out to you to set up a meeting. If you have any questions please do not hesitate to contact me at dsantana@santaclaraca.gov or 408-615-2210.

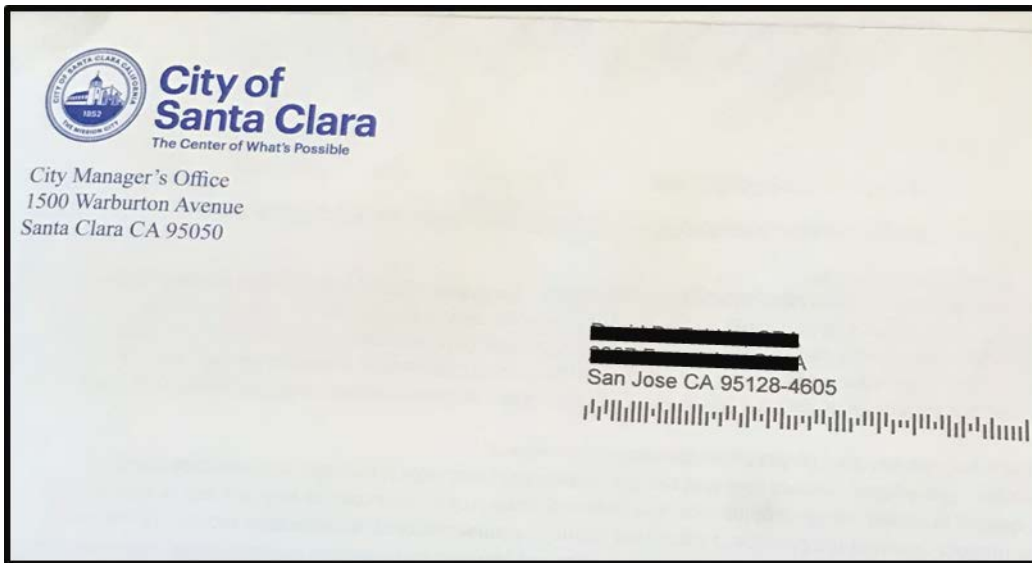
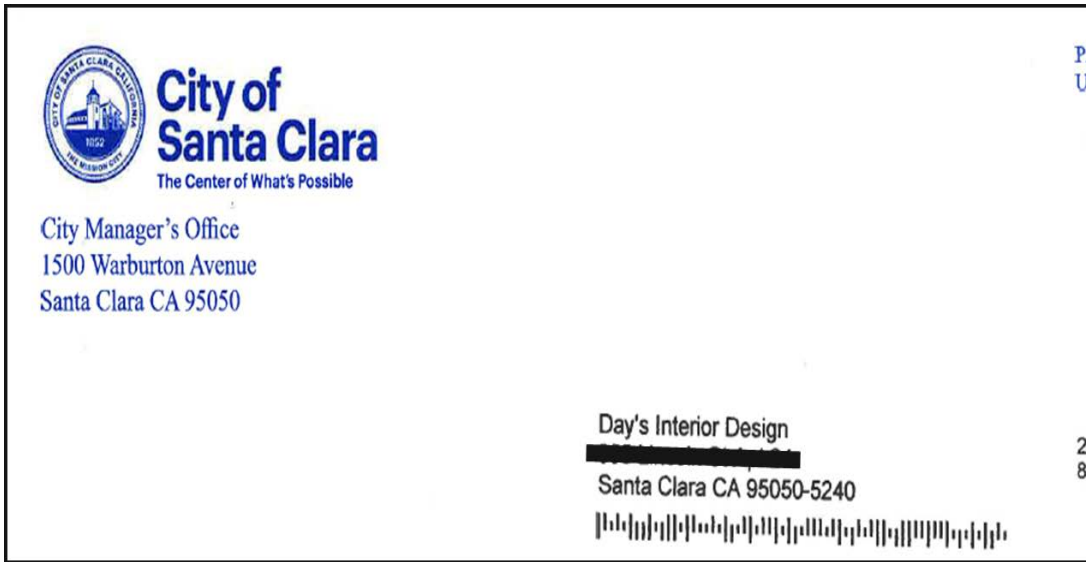
Sincerely,



Deanna J. Santana
City Manager

c: City Council
City Attorney
Finance Department Director
Chamber of Commerce

Appendix D



Appendix E



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.

Appendix E Continued



**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,

A handwritten signature in blue ink that reads "Deanna J. Santana".

Deanna J. Santana
City Manager

Appendix F



September 21, 2018

To Our Valued Santa Clara Business:

On behalf of the City, I recently sent a letter to local businesses about the City Council’s policy priorities and to provide some general information about an independent audit conducted on two City contracts for the Santa Clara Chamber of Commerce’s (Chamber) management of the Santa Clara Convention Center (Convention Center) and Convention-Visitors Bureau (CVB).

The audit findings state that the Chamber mismanaged City facilities and seriously misused public resources. The audit findings revealed the Chamber’s significant financial mismanagement, questionable accounting practices, self-dealing practices, conflicts of interest, and misuse of government resources, as well as a lack of City contract oversight. The Auditor recommends that the City engage state and federal agencies to investigate potential violations of law and the City has taken the appropriate actions.

Further, the auditor found that the City of Santa Clara lost \$20.5 million in revenue and City subsidies over the past 10 years. The mismanagement of the Convention Center and CVB services impacted the City and local businesses alike through loss of potential business opportunities, hotel occupancy, and services provided to our visitors. The full audit and its findings on the Chamber’s management of the Convention Center and CVB are now available online: www.santaclaraca.gov/cvb-chamber. The following table illustrates the financial impact for the time period audited:

Table 1: Lost Revenues and City Subsidies Resulting from Chamber’s Mismanagement of Public Funds

Net Lost Revenue and City Subsidies	Amount (in Millions)	Note	Time Period	Audit
Facility Discounts (1,720 events)	(\$16.1)		2011-2018	Pg. 34
Facility Free Rent (353 events)	(\$2.8)	(1)	2011-2018	Pg. 35
Bonus Payments to Convention Center Staff	(\$0.3)	(2)	2014-2017	Pg. 22
City General Fund Capital Expenditures	(\$2.4)	(3)	2007-2017	Pg. 12
City Annual Payments to CVB	(\$14.9)	(4)	2007-2017	Pg. 50
City Paid Management/Administration Fee	(\$0.5)		2007-2017	Pg. 53
TOTAL Lost Revenue and City Subsidies	(\$37.0)			
Positive Direct Convention Center/CVB Financial Impact	\$11.3		2007-2017	Pg. 17
Convention Center Net Income	\$5.2	(5)	2007-2017	Pg. 12
TOTAL Positive Convention Center/CVB Financial Impact	\$16.5			
TOTAL Net Lost Revenue and City Subsidies	(\$20.5)			

⁽¹⁾ Includes free rentals for Chamber members, staff and other insiders for wedding receptions, birthday parties and other events

⁽²⁾ Reflects bonus payments over four fiscal years only; likely to be higher with completion of more review

⁽³⁾ Includes \$82,039 of City funds paid in 2007 not included in the audit

⁽⁴⁾ \$14.9 million in City payments subsidized the Convention Center/CVB Net Loss of \$9.4 million

⁽⁵⁾ Does not include the City-paid management/administration fee

The audit confirmed the Chamber’s financial and operational mismanagement as well as serious misuse of public resources as summarized below:

- Issued \$18.9 million in undisclosed and improper fee waivers and discounts to Chamber members and others over the past seven fiscal years “which led to a direct financial loss to the City.”

Appendix F Continued

RE: Audit of the Chamber of Commerce's Management of the Convention Center and Convention Visitors Bureau

September 21, 2018

Page 2 of 2

- Issued \$300,000+ in staff bonuses over the past four fiscal years, without any public disclosure or Council authorization, with a portion of these funds paid “without a formal contract or written legal agreement in place.”
- Operated the Convention Center and Convention-Visitors Bureau at a \$9.4 million loss over a decade, while at the same time receiving \$17.3 million in operating and capital subsidies from the City. Direct tax and assessment revenue generated by CVB activities amounted to \$11.3 million during the last 10 years. During the same period, the City subsidized CVB operations with \$14.9 million, with the Chamber's business practices resulting in additional financial loss of \$3.6 million.
- Board members engaged in self-dealing, using City assets for their own financial gain, such as: political fundraising activities, diverting public funds to their personal business, and held personal weddings, birthday parties and more events at a direct loss to the City.
- Managed public assets without transparency, without proper documentation and under a business model rife with personal gain and conflicts of interests.

The audit findings also indicated that these serious fiscal issues might have been discovered sooner if the City had strong agreements in place or implemented effective contract oversight. The audit made a series of recommendations which the City has started to act on:

- Cooperate with California Fair Political Practices Commission and Internal Revenue Service (IRS) on potential violations.
- Utilize a professional consultant to address audit findings and industry best practices into a new management agreement.
- Select a qualified management company through a competitive procurement process.
- Implement contract oversight and reconciliation and close out of contracts based on audit findings.

During the October 9, 2018 Council meeting, the Chamber will be given the opportunity to provide a response to the audit. As directed by the Council, staff will present a Request for Proposal (RFP) procurement framework and business model for future operations of the Convention Center for Council discussion and public input with the goal to contract with an experienced and qualified operator.

The City is committed in the success of the Santa Clara Convention Center and the convention/tourism industry in Santa Clara. Success of the Convention Center and a robust convention/tourism industry in Santa Clara leads to the business community's success and benefits all of us. As such, we are taking the audit findings and recommendations seriously and implementing steps to ensure that the public trust and business community's trust will be restored.

You can stay informed on this topic by visiting the Updates for Santa Clara Chamber of Commerce and Convention-Visitors Bureau Agreement page on the City's website, <http://santaclaraca.gov/cvb-chamber>. For questions, please contact the City Manager's Office at manager@santaclaraca.gov.

Sincerely,



Deanna J. Santana
City Manager

Appendix G

----- Forwarded message -----

From: CEO Mail <rl.store4636@gmail.com>

Date: Thu, Feb 25, 2016 at 4:02 PM

Subject: Re: Meeting This AM

To: "Dines,Paul A" <Paul.Dines@edwardjones.com>

Cc: "undisclosed.for.privacy" <undisclosed.for.privacy@edwardjones.com>



Hi Paul and Joe,

All of that sounds good. The mayor did say put the increased cost into the budget so when I talked to Lisa at the convention center I told her to go ahead and put 2% of the gross as our fee to manage the center. Of course they can negotiate that later if need be.

Ravinder

Sent from my iPhone

On Feb 25, 2016, at 1:59 PM, Dines,Paul A <Paul.Dines@edwardjones.com> wrote:

Hi Joe and Ravinder:

Alright, we need to capture the message from our meeting today with the mayor and Debi D. to report to the full board next TUE. I'd appreciate your help in making sure we get the correct message conveyed back to the board, and that I'm not: a) missing anything important, or 2) misstating anything.

My take is that:

- The mayor understands that the landscape of Santa Clara has changed dramatically since the original Chamber/CVB/Convention Ctr. structure was put together.
- The mayor understands and agrees with the separation of the Chamber from the Convention Ctr and CVB as a logical and needed step to move forward.
- The mayor understands that this will take at least a year, and hence is comfortable with an MOU for the chamber to continue managing the CC and CVB.

Appendix G Continued

- All parties understand that there are many, many details to work out to make this happen.
- The mayor understands that the \$50K annual mgmnt. fee is not enough.
- The mayor expressed that City hall is in a "transition" (Lisa said "dysfunctional") and nothing will happen soon.
- The mayor would like to see a strong chamber and she believes that option A will provide this opportunity to the chamber.

The meeting was meant to be informative, educational and see what level of "partnership" there was between the City and the Chamber of Commerce.

Please feel free to add/edit the crap out of my notes above! I'd like to get this note to Joe Sweeney today so he can put a line item into the Agenda, and then the details will be discussed during the meeting.

Warm regards,

Paul A. Dines

Financial Advisor | **Edward Jones U.S.A**

69 Washington Street , Santa Clara, California 95050

PH: 408-984-4729 | FAX: 866-532-4716

Mail: paul.dines@edwardjones.com

For administrative questions, please contact Naira at 408-984-4729, or naira.masri@edwardjones.com

*Please help us help you protect your account. If you need help making trades, money transfers and check requests, **CALL 408-984-4729** for immediate assistance. Our goal is to provide you with the best and most timely service you deserve. You can also use our secure message center via your on-line account access.*

TAX DISCLOSURE: Edward Jones, its employees and financial advisors cannot provide tax or legal advice. You should consult your attorney or qualified tax advisor regarding your situation.

Appendix H Continued

SANTA CLARA CONVENTION CENTER

GL Acct #s	Proposed Budget 2016/2017	Final Budget 2015/2016	2015/2016 Actual 7/14-01/16	2015/2016 Est. 2/15-6/15	2015/2016 Total Est. 7/15-6/16	2015/2016 Variance Final vs. Est.	Budget % +/-	Notes/Comments
Other Outside Rentals	10,000	10,000	0	4,300	4,300	-5,700	0%	
Parking Fees	50,000	50,000	31,432	50,000	81,432	31,432	0%	
C of C Administration Fee	136,689	50,000	29,167	20,833	50,000	0	173%	
Professional Associations								
Memberships	2,500	2,500	1,288	1,216	2,504	4	0%	
Meeting & Travel	10,000	10,000	1,528	5,900	7,428	-2,572	0%	
Advertising & Promotions								
Printing	1,000	1,000	224	650	874	-126	0%	
Travel, CVB Support	500	500	0	500	500	0	0%	
Telephone Expenses								
Fixed Charges					0	0		
Maintenance Costs					0	0		
Local & Long Distance Calls	5,500	4,840	2,995	2,350	5,345	505	14%	Based on cost of phone services
Office Expenses								
Office Supplies	13,500	13,500	4,724	5,500	10,224	-3,276	0%	
Postage	1,500	1,500	380	300	680	-820	0%	
FedEx, UPS, etc.	500	500	0	220	220	-280	0%	
Copier Lease Expense	6,200	6,000	3,690	2,500	6,190	190	3%	
Office Equipment Maintenance	1,500	1,500	0	1,000	1,000	-500	0%	
Forms Printing	1,500	1,500	0	1,000	1,000	-500	0%	
Computer Software/Hardware	7,000	7,000	1,861	2,917	4,777	-2,223	0%	
Computer System Support	20,000	18,500	11,816	7,708	19,524	1,024	8%	
Legal	40,000	30,000	18,047	10,000	28,047	-1,953	33%	Union Negotiations
Insurance								
Property & Business Interrupt	74,168	63,236	49,474	26,348	75,822	12,586	17%	10% increase over current year actual
General Liability/Fidelity	116,275	117,790	53,136	50,613	103,749	-14,041	-1%	
Employee Expenses								
Uniform Rental	22,000	21,425	13,440	8,927	22,367	942	3%	
Training & Education	8,000	8,000	4,653	3,500	8,153	153	0%	
Employment Advertising	500	500	0	500	500	0	0%	
Payroll Processing	34,100	27,851	14,454	11,604	26,058	-1,793	22%	Increase to add ACA Reporting and Training Modules
Pre-Employment Expenses	500	500	503	500	1,003	503	0%	
Maintenance Expenses								
Elevator & Escalator Maint.	50,800	48,380	26,247	20,158	46,406	-1,974	5%	KONE expected increase
Service Contracts	21,100	24,350	12,654	10,146	22,800	-1,550	-13%	Daktronics no longer covered under contract
Maintenance Supplies	72,750	66,125	49,566	26,029	75,595	9,470	10%	Increased costs/aging building
Interior Landscaping	7,000	7,000	5,624	2,760	11,025	4,401	6%	

Handwritten signature/initials

Appendix H Continued

SANTA CLARA CONVENTION CENTER

GL Acct #s	Proposed Budget 2016/2017	Final Budget 2015/2016	2015/2016 Actual 7/14-01/16	2015/2016 Est. 2/15-6/15	2015/2016 Total Est. 7/15-6/16	2015/2016 Variance Final vs. Est.	Budget to budget % +/-	Notes/Comments
Pest Control	3,884	3,604	2,182	1,502	3,684	80	8%	2016 Increase
Paint & Supplies	3,415	3,250	980	1,352	2,332	-918	5%	Increase cost/aging building
Lighting System	18,000	16,380	6,814	6,825	13,639	-2,741	10%	Change in materials used
Telephone Equipment Supplies					0	0		
Less: Damage Claims	-2,000	-2,000	-2,002	-833	-2,836	-836	0%	
Non-Routine Maintenance	40,000	27,500	32,870	11,451	44,321	16,821	45%	Increased cost/aging outdoor sign
Janitorial & Cleaning								
Dumping Fees	53,424	50,400	33,000	21,000	54,000	3,600	6%	Price Increase
Paper Supplies	40,000	32,000	30,964	13,000	43,964	11,964	25%	Price Increase/Business Increase
Cleaning Chemicals	16,000	14,000	12,555	5,800	18,355	4,355	14%	Price Increase/Business Increase
Janitorial Supplies	25,000	19,000	19,414	7,900	27,314	8,314	32%	Price Increase/Business Increase
Window Washing	6,500	6,000	0	6,000	6,000	0	8%	Price Increase
Utilities								
Electricity	727,200	709,430	439,568	302,213	741,781	32,351	3%	SVF 2.5% increase
Aramark Utilities	(159,920)	(120,000)	(72,524)	(60,325)	(132,849)	-12,849	33%	Based on revenue increase
Gas	84,569	76,188	38,726	28,016	66,742	-9,446	11%	PG&E expected increase
Water & Sewer	53,835	48,941	31,083	17,099	48,182	-759	10%	Estimate per city
Capital Additions	0	0	0	0	0	0		
Total Operation Expenses	1,624,999	1,478,313	913,173	638,980	1,552,152	73,839	10%	
Total Expenses	6,723,225	6,559,833	3,708,425	2,702,729	6,411,155	-148,678	2%	
EXPENSES VS REVENUE	111,748	-534,585	96,447	517,109	613,556	1,148,141	-121%	

Appendix I

From: Feliser Lee
Sent: Thursday, April 06, 2017 12:09 PM
To: Lisa Moreno; 'Fitzgerald, Karen'; Bill Benaderet
Cc: Alita Reinecker; Marcelo Penha
Subject: followup to SCCC/CVB CM Budget Meeting

This email serves as a summary of the major discussion points ("DP"), minor talking points ("TP"), and action items ("AI") from the Operating Budget Review Meeting held with your department. Please review and respond by email to revise, comment, or provide additional major discussion points and action items from the meeting. In addition, please contact Alita or myself to address the Action Items and make changes within Questica, as necessary. Your reply is requested by end of day, Tuesday, 4/11.

Major Discussion Points ("DP") / Action Items ("AI")

SCCC

(DP.1) Discussed drafting an amendment/letter regarding the C of C Admin Fee from board

(AI.1) CM to work on getting the letter establishing the C of C Admin Fee, and asking about the fee amount (currently 2% of gross revenues) in relation to the split of operations of the SCCC/CVB and Chamber

(DP.2) Discussed \$100k increase in computer Software/Hardware and need for an integrated system to replace the current system originating from 1998.

(AI.2) SCCC/CVB to provide current technology platform and requirements to the City to have City IT review and make possible suggestions.

- We are currently using an integrated software called "ConCentrics" which has been in place since 1998 with no upgrades. They have since had four revisions, the latest, is web based. We have also looked at Ungerboeck and Sales Force. Sales Force does not have an accounting component, which is needed. Ungerboeck, is a good program, but expensive. We believe that we will stay with ConCentrics as it is a good system, user friendly and less training.
- As for IT support, we only have the funds to have "on-call" services, on an add needed basis.

(DP.3) Discussed Aramark reserves that City would like to reflect on balance sheet as an asset

(AI.3) SCCC/CVB to provide current reserve balance to year-end reserve balance to the City.

- Current equipment fund balance: \$318,581.52

(DP.4) Discussed staffing levels (42 FTE, 4 PT)

(AI.4) SCCC/CVB to provide position listing with title and FTE count for both SCCC and CVB

CVB

Karen sent yesterday

(DP.5) Discussed current rent, with the use of less space

(AI.5) SCCC/CVB to provide City information obtained on rate and space utilization. The City may look at other options with SCCC/CVB based on market rate being paid.

- I reached out to the Chamber last week and I am waiting for this information. I will inquire again today.

[://mail.google.com/mail/u/0/?ui=2&ik=7be48044cd&jsver=FPvd7uxXULs.en.&cbl=gmail_fe_180508.13_p10&view=pt&msg=16397ffe5849d903&search=inbox](mailto://mail.google.com/mail/u/0/?ui=2&ik=7be48044cd&jsver=FPvd7uxXULs.en.&cbl=gmail_fe_180508.13_p10&view=pt&msg=16397ffe5849d903&search=inbox)

Appendix J

SANTA CLARA CONVENTION CENTER							
	GL Acct #s	Proposed Budget 2017/2018	Final Budget 2016/2017	Total Estimate 2016/2017	Variance Final vs. Est. 2016/2017	Budget to budget % +/-	Notes/Comments
REVENUE							
Space Rental	4110-4200	2,800,000	2,600,000	2,973,964	373,964	8%	
Labor - Miscellaneous	4220	15,000	15,000	10,850	(4,150)	0%	
Equipment Rental	4230	90,000	90,000	103,480	13,480	0%	
Electrical Commissions	4240	213,575	210,000	269,492	59,492	2%	
Electrical Services - In House	4250	128,000	150,000	94,900	(55,100)	-15%	
A/V Commissions	4260	927,052	758,734	779,414	20,680	22%	
Services - Misc.	4270	3,000	3,000	4,039	1,039	0%	
Incoming Freight	4290	6,000	6,000	7,584	1,584	0%	
Cell Site Revenue	4540	30,000	33,039	30,286	(2,753)	-9%	
Telecom Commissions	4560	300,000	300,000	515,033	215,033	0%	
Catering Commissions	4610	2,647,923	2,600,000	2,742,355	142,355	2%	
Insurance Revenue	4620	3,000	3,000	2,365	(635)	0%	
Advertisement Revenue	4640	40,000	40,000	38,325	(1,675)	0%	
Sponsorship Revenue	4645	3,000	3,000	13,050	10,050	0%	
Business Center/UPS	4650	14,000	14,000	10,431	(3,569)	0%	
Other Income	4660-4690	35,000	5,000	3,772	(1,228)	600%	
Interest	4630	9,000	4,200	13,926	9,726	114%	Based on current year actual
TOTAL REVENUE		7,264,551	6,834,973	7,613,265	778,293	6%	
LABOR EXPENSES							
Labor Related							
General Management	5010+5560	917,462	922,404	916,530	(5,874)	-1%	3% + Reduction of Commission Estimate
Non-Exempt	5020	230,680	202,968	208,763	5,795	14%	3% + Add'l for HR
Operations Mgmt & Labor	5100-5410, 5530-5554	2,321,451	2,152,529	2,112,206	(40,323)	8%	3% + 1 staff in each department
PT Bldg. Services/Agency	5520	189,000	150,000	196,053	46,053	26%	3% + add'l labor for increased business
Payroll Total		3,658,594	3,427,901	3,433,551	5,650	7%	
Payroll Overhead							
Employer Paid Taxes	5710	296,412	293,051	270,503	(22,548)	1%	
Workers' Compensation	5730	201,770	176,400	177,997	1,597	14%	Increase in EXP MOD and assumes 10% increase

Appendix J Continued

SANTA CLARA CONVENTION CENTER							
	GL Acct #s	Proposed Budget 2017/2018	Final Budget 2016/2017	Total Estimate 2016/2017	Variance Final vs. Est. 2016/2017	Budget to budget % +/-	Notes/Comments
Medical & Other Insurance	5810-5920	1,091,320	1,090,873	1,022,958	(67,915)	0%	
401k Contribution/Admin Fee	5990	113,431	110,000	99,957	(10,043)	3%	
Payroll Overhead Total		1,702,933	1,670,324	1,571,416	(98,908)	2%	
Labor Related Total		5,361,527	5,098,225	5,004,967	(93,258)	5%	
OPERATION EXPENSES							
Other Outside Rentals	6050	5,000	10,000	3,300	(6,700)	-50%	
Parking Fees	6070	25,000	50,000	23,550	(26,450)	-50%	
C of C Administration Fee	6100	145,291	136,699	136,594	(105)	6%	
Professional Associations							
Memberships	6110	2,500	2,500	1,745	(755)	0%	
Meeting & Travel	6120	10,000	10,000	8,488	(1,512)	0%	
Advertising & Promotions							
Printing	6310	700	1,000	750	(250)	-30%	
Travel, CVB Support	6360	0	500	500	0	-100%	
Telephone Expenses							
Fixed Charges	6410			0	0		
Maintenance Costs	6420			0	0		
Telephone	6430	8,820	5,500	6,933	1,433	60%	Increase in cell phone stipend
Office Expenses							
Office Supplies	6510	14,000	13,500	13,281	(219)	4%	
Postage	6520	860	1,500	1,903	403	-43%	Using less
FedEx, UPS, etc.	6530	0	500	224	(276)	-100%	
Copier Lease Expense	6540	6,300	6,200	6,328	128	2%	
Office Equipment Maintenance	6550	1,500	1,500	1,108	(392)	0%	
Forms Printing	6560	750	1,500	750	(750)	-50%	Using less
Computer Software/Hardware	6570	107,000	7,000	5,769	(1,231)	1429%	Enterprise Software Upgrades
Computer System Support	6590	45,000	20,000	18,646	(1,354)	125%	Support for Upgraded software
Legal	6610	24,000	40,000	57,115	17,115	-40%	No Union negotiations
Insurance							

Appendix J Continued

SANTA CLARA CONVENTION CENTER							
	GL Acct #s	Proposed Budget 2017/2018	Final Budget 2016/2017	Total Estimate 2016/2017	Variance Final vs. Est. 2016/2017	Budget to budget % +/-	Notes/Comments
Property & Business Interrupt	6620	74,168	74,168	69,460	(4,708)	0%	
General Liability/Fidelity	6640	123,208	116,275	103,214	(13,061)	6%	
Employee Expenses							
Uniform Rental	6720	23,100	22,000	26,872	4,872	5%	Service agrmnt increase + new hires (2) Sec & (3) BS
Training & Education	6740	8,000	8,000	14,152	6,152	0%	
Employment Advertising	6750	0	500	575	75	-100%	Using job posting service through ADP
Payroll Processing	6770	33,600	34,100	29,274	(4,826)	-1%	
Pre-Employment Expenses	6780	500	500	1,813	1,313	0%	
Maintenance Expenses							
Elevator & Escalator Maint.	6810	52,553	50,800	53,044	2,244	3%	
Service Contracts	6820	26,786	21,100	21,321	221	27%	Adding Sprinkler Inspection, 3% for Daikin Contract
Maintenance Supplies	6830	76,388	72,750	72,433	(317)	5%	
Interior Landscaping	6840	7,000	7,000	6,795	(205)	0%	
Pest Control	6850	3,884	3,884	3,882	(1)	0%	
Paint & Supplies	6870	3,483	3,415	2,692	(723)	2%	
Lighting System	6920	18,900	18,000	16,944	(1,056)	5%	
Telephone Equipment Supplies	6940			0	0		
Less: Damage Claims	6980	(2,000)	(2,000)	(3,292)	(1,292)	0%	
Non-Routine Maintenance	6990	42,000	40,000	72,282	32,282	5%	
Janitorial & Cleaning							
Dumping Fees	7010	56,629	53,424	55,267	1,843	6%	Updated City Rates
Paper Supplies	7020	40,000	40,000	39,972	(28)	0%	
Cleaning Chemicals	7030	16,800	16,000	16,361	361	5%	
Janitorial Supplies	7040	25,000	25,000	25,582	582	0%	
Window Washing	7050	9,150	6,500	6,500	0	41%	New Vendor
Utilities							
Electricity	7310	741,744	727,200	710,317	(16,883)	2%	Updated City Rates
Aramark Utilities	7315	(148,091)	(159,920)	(153,237)	6,683	-7%	
Gas	7320	93,872	84,569	83,593	(976)	11%	Updated City Rates
Water & Sewer	7330	61,910	53,835	51,829	(2,006)	15%	Updated City Rates

Appendix J Continued

SANTA CLARA CONVENTION CENTER									
	GL Acct #s	Proposed Budget 2017/2018	Final Budget 2016/2017	Total Estimate 2016/2017	Variance Final vs. Est. 2016/2017	Budget to budget % +/-	Notes/Comments		
Capital Additions		0	0	0					
Services - JLL Contract		0	0	0	0		New CC Evaluation Contract		
Total Operation Expenses		1,785,306	1,624,999	1,614,631	(10,369)	10%			
Total Expenses		7,146,833	6,723,225	6,619,598	(103,627)	6%			
EXPENSES VS REVENUE		117,718	111,748	993,668	881,919	5%			

Appendix K



CHAMBER OF COMMERCE & CONVENTION - VISITORS BUREAU

Tuesday, June 12, 2018

City Manager Deanna Santana
Santa Clara City Hall
1500 Warburton Avenue
Santa Clara, CA 95050

Re: Information Requested By City during June 6th Meeting

Dear Mayor, City Council, and City Manager:

On June 6th, representatives from the Santa Clara Chamber of Commerce and Convention-Visitors Bureau, Santa Clara Convention Center, and City Staff met following the direction of City Council 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 and to begin the process to execute a financial and performance audit of the Chamber.

The outcome of this meeting was for the Santa Clara Chamber of Commerce and Convention-Visitors Bureau to provide a response in regards to four topics: Santa Clara Chamber PAC Advertising in Chamber Eblast, Conflict of Interest Policies in regards to the Convention-Visitors Bureau advertising in the Santa Clara Weekly, Response to City's Request of Information regarding the Convention-Visitors Bureau, and Position on Intention to continue management role while the management fee is suspended.

Santa Clara Chamber PAC Advertising

The Chamber PAC is separate from the Santa Clara Chamber of Commerce and is independently funded. The Chamber PAC was created in March of 2010 as a political action committee, formally called the Santa Clara Chamber Political Action Committee.

The purpose of the PAC is to review research and recommend support of and/or any opposition to proposed ballot measures and legislation, ordinances and other actions of local, county and state government bodies. It is also the responsibility of the committee to seek out, evaluate qualifications and endorse those candidates who are running for office at the local, county and state level, who support the free enterprise system, believe in fiscally responsible government and whose views represent the interests of the business community. David D. Tobkin is the Chair of the SCCPAC.

Appendix K Continued

The Santa Clara Chamber PAC is a separately funded organization from the Chamber. No membership dues funds will be utilized for the PAC. All funds collected for the SCCPAC are done through separate donations and gifts. Thus, Santa Clara Chamber PAC does not receive any public funding. Like many other Chamber members the Chamber PAC has the option of advertising in the Chamber's eblasts. The Chamber PAC is provided the same treatment as any other Chamber member and pays for the advertising like many other Chamber members.

Please refer to the FPCC reports filed with the City Clerk's office to find detailed reports of the funding sources of the SCCPAC.

Conflict of Interest Policies in regards to the Convention-Visitors Bureau advertising in the Santa Clara Weekly

As part of the Santa Clara Chamber of Commerce's duty as manager for the Santa Clara Convention Center and Visitor's Bureau ("CVB"), the Chamber has a duty to market the space in order to maximize bookings. As part of this effort, the Chamber has, over the last few years engaged in an aggressive marketing campaign which has led to over a 60% increase in bookings this year alone.

One piece of this aggressive marketing campaign involves direct advertising of the Convention Center space and other Santa Clara venues. The best and most logical place to run advertisements to target the local community is in the Santa Clara Weekly. The Santa Clara Weekly is the only recognized paper of general circulation in Santa Clara and has the widest reach for the local Santa Clara community which is most likely to use the CVB for events.

Chamber Director Miles Barber has a controlling interest in the Santa Clara Weekly. Each Director reads and signs the conflict of interest policy that requires them to, among other things, act in the best interest of the Chamber and subordinate his own interests to that of the Chamber in the event of an interested director transaction, which is also what the California Corporations Code requires of a director.

Chamber Board member, Miles Barber complied with this policy by giving the Chamber a 30% discount on all advertising. Since Mr. Barber always fills his advertising space, this resulted directly in a revenue cut for himself. Given the overall success of the Chamber's marketing program (a 60% increase in bookings) and the discount, the transactions with the Weekly have been more than fair to the Chamber.

Booking the ads was initiated and implemented by Chamber staff as one piece of a broader marketing program. Chamber staff discussed advertising in the Weekly with Mr. Barber briefly when he agreed to give the discount, but there was never any decision made by the Chamber board concerning advertising in the Weekly. The amount paid to the Weekly for the advertisements amounted to less than one third of a percent of the entire CVB budget. The Chamber board approved was the broader marketing program which was then implemented by



Appendix K Continued

staff and has been a great success. As a result of the marketing campaign numerous marketing leads have been generated and attributed directly to the Weekly advertisements.

At one time, there were discussions about the expending of advertising dollars with Harbir Kaur Bhatia who is currently on the Santa Clara Cultural Commission. Those discussions never came to fruition and there was never a conflict of interest in the situation.

Response to City's Request of Information regarding the Convention-Visitors Bureau

When the initial request for certain information came in the Chamber's board, management, and staff needed additional time to review, discuss, and prepare the information the City requested. The Santa Clara Chamber of Commerce and Convention-Visitors-Bureau is prepared to provide the information the City has requested.

Position on Intention to Continue Management Role while the Management Fee is Suspended

The suspension of the management fee is a precautionary measure albeit a mistake. The City has paid the Chamber a management fee for decades. For many years it was \$45,000 and in recent years, was changed to 2% of total revenue. Under reservation of rights, in order to prevent any damage that might occur to the local business community and current employees, the Chamber will continue to manage the Convention Center despite the City's actions, but the management fee has been a substantial part of the parties' agreement as evidenced by the actions of the Chamber and the City for many years.

The Santa Clara Chamber of Commerce and Convention-Visitors Bureau appreciates the equally beneficial partnership to manage the Santa Clara Convention Center and operate a Convention-Visitors Bureau and looks forward to working with the consultant, TAP International, to perform a financial and performance audit on the Santa Clara Convention Center and Convention-Visitors Bureau.

Sincerely,



Nick Kaspar
President/CEO

Santa Clara Chamber of Commerce and Convention-Visitors Bureau

Appendix L

From: [REDACTED]
Sent: [REDACTED]
To: Kaspar, Nick
Subject: Re: Advertisement Rate Sheet

Sorry for the delay Nick, was called into a meeting.

For [REDACTED] we can offer any of the pages but the front page and the back page. I can offer you the following pricing:

For a full page - 10" wide x 21" tall **Color:**

1x - \$5,670

2x - \$5,418 each

3x - \$5,040 each

4x - \$4,788 each

5x - \$4,536 each

6x - \$4,284 each

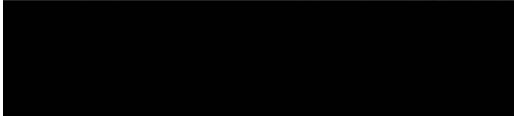
These prices are a pretty big discount off our rate card. I'm happy to be able to offer them to you.

Let me know what other information I can provide.

Thanks,

R-

[REDACTED] Retail Sales Manager | Advertising - Retail



Appendix M

ARAMARK Corporation
 Santa Clara Convention Center
 5001 Great America Parkway
 Santa Clara, 95054
 Phone: (408) 748-7030
 Fax: (408) 748-7047



EVENT CONTRACT

Contract#: 99038206

SANTA CLARA CHAMBER PAC

CUSTOMER	EVENT INFORMATION
Barbara Carlisle 1850 Warburton Ave Santa Clara, CA 95050 Phone: 408-380-1232 Fax: 408-244-7830 Account Number: 8479003128	Event Date: Thursday, April 12, 2012 Description: SC CHAMBER PAC - SIT DOWN BI Guest Count: 270 Guarantee Count: 270 Salesperson: Melanie McCarthy Event Status: Booked Contact Person: Barbara Carlisi Contact Phone: 408-380-1232

LOCATION AND TIMES			
Location	Setup Style	Start Time	End Time
Mission City MR123	Rounds of 10	7:30 am	9:00 am

EVENT TIMES			
Doors Open:	7:30 am	Service Begins:	7:30 am
Program Begins:	8:00 am		

MENU SELECTIONS			
Name	Quantity	Price	Total
== SIT DOWN BREAKFAST ==	270	\$18.50	\$4,995.00
SERVED WATM IN BASKETS w/ Butter (please line basket w/gold or red napkin)			
---PRE-SET--- ~Warm Cinnamon Rolls on Table Served Yogurt Parfait w/ Fresh Berries, Granola, Drizzled Honey (Served in Universal Wine Glass)			
--PLATED MEAL-- ~ Frittata w/ Portobello Mushrooms, Spinach, Roasted Peppers and Gruyere Cheese ~ 2 Applewood Bacon Strips ~ Homestyle Breakfast Potatoes ~ Baked Tomato ~ Chef Choice Additional Garnish			
--BEVERAGE SERVICE-- ~ Peet's Certified Organic Coffee (2 individual carafes per table) ~ Peet's Certified Organic Decaf (served upon request) ~ Peet's Hot Tea (served upon request)			
~ 1 Pitcher of Orange Juice on Each Table ~ Pre-set Iced Water in Glasses at Each Setting			

OTHER CHARGES

Appendix M Continued

EVENT CONTRACT

Contract#: 99038206

SANTA CLARA CHAMBER PAC

STAFFING		PURCHASE MATERIALS	
OUTSIDE SERVICES		ROOM CHARGES	
SPECIAL INSTRUCTIONS		BILLING	
<p>VIP CHAMBER EVENT</p> <p>SPEAKER: JED YORK</p> <p>SET-UP: - ARAMARK TO HAVE ALL THE TABLES FULLY SET BY 7:00 AM - ARAMARK TO SKIRT REGISTRATION TABLES IN FOYER (BLACK ON BLACK) BY 6:00 AM</p> <p>SET-UP INCLUDES MIRRORS WITH 3 BATTERY OPERATED VOTIVES PER TABLE</p> <p>*** SEE DIAGRAM FOR NUMBERS OF GUEST FOR EACH TABLE: SOME TABLE WILL BE SET FOR 11 ATTENDEES</p> <p>LINENS: WHITE (8PT) (2 PER TABLE) NAPKINS: GOLD AND RED (PLEASE ALTERNATE PER TABLE) FAN FOLD ON TABLE</p> <p>HEAD TABLE: BLACK ON BLACK</p> <p>AGENDA: 7:00 AM TO 7:30 AM - REGISTRATION IN MISSION LOBBY 7:30 AM - OPEN DOORS - OFFER COFFEE TO ALL GUESTS AND BEGIN SERVING MEALS AS GUESTS ARE SEATED 7:45 AM TO 8:15 AM - CLEAR PLATES AND REFILL ALL COFFEE THERMALS 8:00 AM - PROGRAM BEGINS 8:15 AM - STAFF TO QUIETLY CONTINUE CLEARING AND DEPART FROM ROOM AS SOON AS POSSIBLE 8:15 AM TO 9:00 AM - 4 STAFF TO REMAIN IN ROOM TO CONTINUE SERVICING GUESTS WITH FILLING COFFEE THERMALS OR ANY OTHER REQUESTS .</p> <p>SERVICE REQUIREMENTS: - PRE-SET WATER GLASSES - OFFER COFFEE SERVICE TO ALL GUESTS AS THEY ARE SEATED - 1 REGULAR COFFEE THERMAL AND 1 DECAF THERMAL ON EACH TABLE</p> <p>PRE-SET THE FOLLOWING: - ORANGE JUICE PITCHER ON TABLES WITH JUICE GLASSES - 2 REGULAR COFFEE THERMALS ON EACH TABLE</p> <p>- JUICE TO BE LABELED WITH SIGN ON EACH TABLE SERVE ENTREES AS GUESTS ARE SEATED. DO NOT NEED TO WAIT FOR A TABLE TO FULLY BE SEATED PRIOR TO SERVING OR CLEARING.</p>		<p>Subtotal: \$4,995.00</p> <p>: -</p> <p>Sales Tax: \$494.51</p> <p>Tax 2 (N/A): -</p> <p>Service Chg: \$999.00</p> <p>: -</p> <hr/> <p>Contract Total: \$6,488.51</p> <p>Total Credits: \$6,488.51</p> <hr/> <p>Adjusted Total: -</p>	

Appendix N



**City of
Santa Clara**
The Center of What's Possible

NEWS RELEASE

FOR IMMEDIATE RELEASE: Thursday, Sept. 20, 2018

CONTACT: Lenka Wright, Director of Communications, 408-615-5515 or lwright@santaclaraca.gov

Santa Clara Terminates Chamber of Commerce's Contract for the Operations of the Santa Clara Convention Center and Prepared to Report Questionable Practices to State and Federal Authorities for Further Investigation

City begins its own internal reforms to address audit findings showing City's lack of contract oversight

SANTA CLARA, Calif. – After the City Council took action this week to terminate the City's management agreement for the operations of the Santa Clara Convention Center (Convention Center), the City is now in the process of reporting questionable practices by the Santa Clara Chamber of Commerce to state and federal authorities for review of potential violations of law.

The City's swift actions were recommended by Principal Auditor Denise Callahan, TAP International, to the City Council as part of the independent [audit](#) of the Convention Center and Convention-Visitors Bureau under the Chamber's management.

The audit findings – which revealed the Chamber's serious financial mismanagement, questionable accounting practices, self-dealing, conflicts of interest and misuse of government resources as well as a lack of City contract oversight - were presented to the City Council at the Tuesday, Sept. 18 meeting. The audit's recommendations state:

- Further legal analysis is needed to determine if the Contractor (Chamber): (1) violated its 501(c)(6) tax exempt status when it provided full facility discounts to its members, and (2) engaged in self-dealing when it used its personal or organizational relationships to offer free use of publicly owned facilities, and allowed the Contractor's Board member to assume SCCC (Convention Center) services without implementing a competitive bid.
- Investigation is needed by the California Fair Political Practices Commission (FPPC) to determine if violation of state law occurred when the Contractor (Chamber) allowed the Santa Clara Chamber Political Action Committee to use SCCC (Convention Center) facilities free of rental charges."

In advance of the Oct. 9 Council meeting, the City fully intends to report these issues to the Internal Revenue Service (IRS) and the California Fair Political Practices Commission (FPPC) concerning the audit's findings. The City [will share with the FPPC](#) that the Chamber apparently allowed for the illegal use of public assets for its Political Action Committee by subsidizing the PAC's political fundraising activities and using CVB administrative resources to raise campaign funds and participate in political activity. Prior to notifying the IRS, the City's pulling in legal experts on 501(c)(6) designation for a thorough review of the \$2.8 million of full facility discounts and findings of board members' self-dealing activities, where their personal businesses profited by the improper use of public assets. Meantime, the City continues to assess what additional actions are necessary in alerting state and federal authorities regarding potential ethical lapses in the Chamber's mismanagement of the Convention Center.

Appendix N Continued

This week, the City already held two sessions of a newly developed contracts training that's designed to assist staff in writing more effective contracts. The training also provides direct procurement and contract management support. More training sessions will be rolled out to the entire organization. The City's procurement and contract reform efforts include:

- Adoption of overall administrative policies and purchasing training;
- Recent involvement in proper surplus property sales;
- Implementation of online bidding tool (*coming soon*) to enhance competitive bidding process and process improvement for vendors bidding on City services and equipment;
- Development of emergency operations procurement guidelines; and
- Hiring of a seasoned procurement manager to ensure best practices in public sector purchasing to increase transparency, maximize competition and equal treatment of all participants in bidding process.

Read the [Sept. 19 news release](#) about the audit. For additional background, visit the [City website](#).

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.

About TAP International

TAP International is a consulting firm that provides performance management evaluation has over 100 years of combined experience conducting performance audits. Principal Consultant [Denise Callahan](#) has an extensive auditing background and has performed performance audits of other convention centers, as well as compliance audits, internal audits and best practices reviews for federal, state and local government agencies. Ms. Callahan has been a lecturer at the University of San Francisco and the University of Southern California. She serves on the Audit Committee for the American Society for Public Administration and has won awards for the quality of completed performance audits.

###

11/27/18

item 6 A-E




City Council

Item #6 (A-E)
Santa Clara Convention
Center/Convention-Visitors
Bureau

November 27, 2018

The seal of the City of Santa Clara, California, featuring a mission building, the year 1852, and the text "CITY OF SANTA CLARA CALIFORNIA" and "THE MISSION CITY".



City of Santa Clara
The Center of What's Possible

Agenda

- Background and Audit Context
- Santa Clara Chamber of Commerce Response
- Auditor Response to Chamber Response
- City Response to Audit Recommendations

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POST MEETING MATERIAL



Background

- Council directed audit of Convention Center and CVB on May 22, 2018
- TAP International (TAP) presented audit to Council on September 18, 2018– *today is a continued discussion*
- Chamber requested opportunity to respond to the audit
- TAP was not available on October 9, 2018

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Audit Context

- **Audit is a normal function of due diligence**
 - City's responsibility to audit per the Convention Center Management Agreement, it did not for 30+ years
 - City never audited the Tourism Improvement District (TID) nor its Fiscal Agent (Chamber) since its inception in 2005
- **City allowed a high-risk environment without any Council oversight, assigned City staff, or management controls.**

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Audit Findings

Tonight's City-Chamber discussion on these two audits has various common denominators:

- **Chamber**
 - Mismanagement of public funds and assets
 - Inadequate financial controls, lack of policies or compliance with them, sloppy record keeping, and no disclosure of how it was managing public resources
 - Lack of understanding of governance (e.g., conflict of interest violations, disclosures to Council, authority of Council with respect to public funds and assets, alignment to role and responsibilities, etc.)
- **City**
 - Lack of proper Governance, Contract Management and Oversight

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Chamber of Commerce Response to TAP Audit (Item 6.A)

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Auditor Response to Chamber of Commerce (Item 6.B)

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City Response to Previous Council Questions (Item 6.C)

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City Council Questions

1. What groups received discounts and/or free facility rentals?
2. What were the commissions and incentives paid to Chamber staff?
3. Review of Santa Clara Chamber of Commerce's Political Action Committee (PAC) Fair Political Practices Commission (FPPC) Filings

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Discounts & Free Rentals

- **Groups receiving partial discounts (Attachment 2)**
 - Data provided by TAP using data provided by the Chamber
 - *The data does not detail the nature of the discount*
- **Groups receiving a free rental (Attachment 3)**
 - Data provided by TAP using data provided by the Chamber
 - *The data does not detail the rationale for the free rental*

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Commissions and Incentives Paid

- During the audit period the Chamber paid
 - over \$300,000 in commissions and
 - \$23,500 in incentive bonus payments
- Commissions/Incentive pay are not offered in publicly funded environments
- Commission structure created incentive to book day events vs. multi-day (economic generators)
- Commissions largely paid to one employee
- Attachment 4 provides commissions and bonuses paid by month, quarter, and calendar year

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Chamber PAC FPPC Filings

- **Appointed City Clerk and City Auditor**
 - reviewed the Santa Clara Chamber PAC FPPC Reports on file with the City Clerk's Office
 - issued two reports/audits on October 29 and October 31, 2018, respectively (Attachments 5 and 6)
 - identified potential violations of FPPC report filings
- **On November 13, the FPPC issued a letter stating that "the Enforcement Division of the Fair Political Practices Commission will investigate the allegation."** (Attachment 7)

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City Response to Audit (Item 6.D)

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City's Response -- TAP's Audit

- Staff concurs with audit recommendations
- Implementation matrix developed (Attachment 3) and staff will report, as necessary, once a new operator is selected
- The majority of recommendations can be resolved by a new Management Agreement and City oversight of it

	RFP Related	Future Management Contract	City Action Related	Total
Complete	0	0	3	5
Partially Complete	11	0	0	11
Not Implemented	0	10	2	12
Total	11	10	5	26

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City Action Related Items

- Council authorized an additional 1.5 FTEs for Convention Center and CVB oversight
- Referrals have been made to FPPC and to IRS
- Establishment of other controls (e.g., accounting and contract performance) will be developed with new staff and SCCC/CVB operators

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City's Response – Chamber's Audit Response

Demonstrates lack of basic understanding of governance, contract requirements, and contract principles, City's response to Chamber's response is focused on four categories:

- Public Sector Governance
- Conflicts of Interest
- TID Audit (Item #7)
- Obligations to Report Preliminary Audit Observations and Respond to Council's Directives

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Public Sector Governance

Chamber's response demonstrates deficiencies with understanding:

- Council – Manager form of government – Council as governing body of public assets and City Manager implements direction
- City's right to communicate broadly with residents and businesses on Council actions
- Oversight and use of a public asset
- Budget appropriation
- Public sector contracting and Contractor responsibilities
- Business and industry oversight

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Use of a Public Asset

- Private sector practices do not apply.
- Use of public facilities (Convention Center) and public funds (Convention Center and CVB) are subject to public sector business practices, e.g., governance, transparency, compliance, and reporting.
- Like SCSA focus, the governing body (Council) and public have a right to know how its resources are being used. Chamber's response does not appropriately account for this requirement.

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Use of a Public Asset

- Fee waivers/discounts must be examined through policies and held to a high level of scrutiny, transparency, fairness.
- Unless authorized by City Council through policy, Chamber did not have authority to waive fees at the public's expense:
 - During the audit period, \$16.1 million in discounts granted (45% of total bookings),
 - During the audit period, **\$2.8 million free use** privileges granted to the Chamber; Chamber employees and members, and SCCC vendor partners. **Public did not have access to this privilege.**
 - Chamber did not follow its own policy, nor report these practices to the Council

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Budget Appropriation

- By an affirmative Council vote, at a properly noticed public Council meeting, Council may establish budget appropriations.
- Budget appropriations do not grant spending authority, unless delegated to the City Manager or approved by Council agreement (e.g., MOUs, CM contract authority, contracts and amendments explicitly stating funds, etc.)
- Expenditures must be consistent with City budget adopted by Council. In this case, staff failed to disclose to Council an increased budget appropriation and subsequent increased payments.

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Budget Appropriation

- Individual members of the Council cannot authorize expenditures, bind the City Council, or direct the City Manager
- Chamber's reference, whether true or untrue, to informal and/or private discussions with two Councilmembers does not bind the City nor does it constitute legitimate action to provide for an increased payment in the Management Fee

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Public Sector Contracting

- City and Chamber had two public contracts, (1) Convention Center management and (2) CVB activities.
- Among other requirements, Chamber obligated to provide Convention Center marketing, reporting, etc. through these two separate contracts which it can not due to its own actions.
- Separately, Chamber signed on as fiscal agent/administrator for the TID which requires various services and obligations—separate fund.
- Chamber's overly broad termination of its staff, regardless of funding source, left it unable to meet contractual obligations for the Convention Center or its TID requirements.

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Public Sector Contracting

- Termination of the CVB contract did not relieve Convention Center contract obligations or TID requirements. Chamber's actions demonstrate a lack of understanding of its separate contract or TID obligations.
- Up to Chamber to determine how it will comply with its public contract (Convention Center).
- However, Council granted City Manager broad authority to work with Chamber to shift funds to Convention Center contract for some staffing and other expenditures for the Convention Center and TID. Publicly stated that this was the only way to fund activities.

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Public Sector Contracting

- Chamber took broad action to terminate its employees, including those funded by the TID for which the Council took no action.
- City's advice (through ACM Shikada) was clearly relevant to CVB public contract and it DID NOT regard Convention Center or TID legal obligations. Demonstrates Chamber's lack of understanding of legal obligations under each role and/or contract.
- Employees are Chamber employees. Chamber makes hiring/termination decisions – City did not terminate them, as often suggested.

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Business and Industry Oversight

- Chamber's public contract to manage a public facility does not allow for private sector practices (see governance).
- Chamber's and City's policy objective for the management of the Convention Center and CVB should have been to protect the General Fund and maximize revenue, unless an explicit public policy decision was made to subsidize it.
- Chamber Board, responsible to the Council for this contract, should have managed the facility, including its own conflicted business practices

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Business and Industry Oversight

- Board meeting minutes reflect shallow management of Convention Center and CVB to keep Santa Clara competitive in the industry through active management; trend analysis; and strategic planning.
- Audit findings of conflicts between CVB multi-day and SCCC single-day bookings went unnoticed or unresolved, at a potential adverse impact to revenues and hotel night bookings. Shows Chamber's lack of management and best industry practices.

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Conflict of Interest

- Chamber Conflict of Interest Policy & Forms
- Chamber Conflict of Interest – Form 990
- Truthfulness at the core of status of Conflict of Interest Policy
- Management of Conflict and Governance

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Chamber's Conflict of Interest Policy

A conflict of interest exists when officers, board members or staff has a direct or indirect business, professional or personal situation or relationship that **may influence or be perceived to influence** the judgment or action of the officer, Board Member or staff when servicing the Santa Clara Chamber of Commerce & Convention-Visitors Bureau ... **All real or perceived conflict of interest will be disclosed to the appropriate level of authority necessary for consideration, resolution and direction.** [emphasis added]

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Chamber Conflict of Interest Policy

- Chamber's Policy requires their avoidance of even a perception of personal or professional conflict, as well as an actual conflict
- Conflicts not actively managed, corrected, or disclosed
 - Timing and date of executive of submittal of Chamber forms to the City surface reasonable questions regarding truthfulness
 - Appears conflicts not discussed or addressed at the Board level and/or brought to the City's attention ("appropriate level of authority necessary for consideration," e.g., the City Council, governing body responsible for these public contracts)

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Lack of Management of Actual Conflicts of Interest

- **Santa Clara Weekly Ads and Boardmember's profit from personal and professional role:**
 - Response provides various versions of profit and discounts
 - Justifies conflict by intent of CVB staff, which is irrelevant for a violation
 - Uses various internal "chain of command" review to justify corrective action and/or management of conflict.
 - Chamber should have rejected ads and required disclosure to the Board. Boardmember should have actively managed his conflict by declining ads and revenue/profits.
 - Chamber's response demonstrates that it can not manage conflicts

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Lack of Management of Actual Conflicts of Interest

- **UPS Store Lease Agreement**
 - Chamber has a Management Agreement to **operate** Convention Center
 - City did not convey any property rights in the Management Agreement.
 - A Lease Agreement conveys property rights. Only Council can approve lease agreements, on behalf of the City, as the owner.
 - Convention Center is not a legal entity with rights to enter into contracts that bind the City to lease agreements.
 - Chamber does not have rights either to bind the City or its property.

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Lack of Management of Actual Conflicts of Interest

- **UPS Store Lease Agreement**
 - Chamber/Convention Center had no authority to sign a lease agreement.
 - Chamber / Convention Center created risk with entering into a lease agreement for which it has no legal authority to execute.
 - City has directed Convention Center General Manager to take no further action, City will need to address.

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Lack of Management of Actual Conflicts of Interest

- **UPS Store Lease Agreement**
 - Putting aside the complete absence of legal authority to enter into a lease agreement, Chamber created an actual conflict when it allowed for a Boardmember to move into this space, without a legitimate contract, to conduct his private business.
 - UPS Store transfer provisions are not relevant--contract is not legal; however, Chamber did not protect public's interest by allowing an individual with no proper legal documentation to conduct his private business in a City owned facility.

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Lack of Management of Actual Conflicts of Interest

- **UPS Store Lease Agreement**
 - Last, the correct manner to allow private business in public facilities is through a public process, with open competition and fair access, similar to the recent SCSA concessionaire contract

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Obligations to Report Audit Observations & Staff Research

- Chamber asserts inappropriateness or politically motivated action of Auditor and Staff relative to June report and has miscommunicated purpose for reporting—demonstrating a lack of understanding of reporting requirements, governance, and proper forum.
- Council directed research of Conflicts of Interest and Review of Form 990s
- Auditor bound to ethics and standards of United States Government Accountability Office Government Auditing Standards (Yellow Book)
- Notification was appropriate to Council in open session and does not qualify for Closed Session, where other matters were heard

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Government Audits – Yellow Book (2011) Section 6.49

Auditors report deficiencies in internal control, fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse. **For some matters, early communication to those charged with governance or management may be important because of their relative significance and the urgency for corrective follow-up action.** Further, when a control deficiency results in noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, early communication is important to allow management to take prompt corrective action to prevent further noncompliance.

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Obligations to Report Audit Observations & Staff Research

- Chamber's response does not professionally acknowledge the governance and professional responsibilities to disclose and report to the governing body, Council, of the Auditor or staff.
- Staff disclosed publically Auditor's statement in July 2018 Information Memo, which stated:

"..when there is preliminary evidence of potential fraud, waste or abuse, it is an audit requirement to immediately report it to the client (City). The Chamber/CVB and CC providing discounts to Chamber members at the Convention enter, including full discounts to Chamber and other entities that use convention Center facilities triggered this requirement."

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Notification to Council -- Open Session

- Council commissioned audit regarding the Chamber's contracts (Council is the client): Convention Center and Convention and Visitors' Bureau
- Council also directed staff to review Conflict of Interest Policy and Form 990-Tax Exempt Filing
- City Manager obligated to report to Council and implement direction
- Not a closed session matter allowable under the Brown Act
- Staff's actions to report to the Council in public were completely appropriate and reflect proper reporting to Council

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TID Audit

- Separate item on the agenda, but the findings reveal the same pattern of Chamber mismanagement of public funds
- New development from this Audit is that Chamber's own independent auditor commissioned to review the TID financial statements surfaced "significant deficiencies" with its fiscal management (dated October 25, 2017).
- Chamber could have been transparent with the City during the course of these audits and our efforts to reform these contracts of its fiscal management shortcomings.
- Further review is needed to understand how long the Chamber has known of its mismanagement, what was corrected, and ignored.

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TID Audit

- Establishment of TID is authorized under State Law through the City's authority
- Governing of the TID is the City Council / TID Advisory Body is advisory only with no legal authority
- The funds collected for the TID are public funds
- Chamber asserts that the City recommended that TID Advisory Board stop doing business with the Chamber
- The TID Advisory Board's role is only advisory
- The Chamber's role has been fiscal agent – responsible for meeting all legal requirements of the administration of these public funds
- TID business is the City's interest and fiscal agent actions are its concern

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Recommendation

- 1.** Note and File Reports 6A, 6B, 6C, 6D and/or 6E and direction to continue to implement the audit recommendations
- 2.** Direct staff to further review credit card expenses
- 3.** Direct staff to further review bonuses and commissions paid
- 4.** Direct staff to return to Council with information and next steps regarding UPS store occupancy, at the appropriate time
- 5.** Partner with the Chamber to successfully transition Convention Center/CVB to a potential new operator
- 6.** Any other action determined by Council