



# City Attorney

August 24, 2023

**Via U.S. Mail and Email**

[jburress@visitanahaheim.org](mailto:jburress@visitanahaheim.org)

[jflores@visitanahaheim.org](mailto:jflores@visitanahaheim.org)

Anaheim/Orange County Visitor & Convention Bureau  
Attn: Jay Burress, President & CEO  
2099 S. State College Blvd., Suite 600  
Anaheim, CA 92806

Re: City of Anaheim's Concerns and Demand For Action

Dear Mr. Burress:

The purpose of this letter is to point out concerns that the City of Anaheim ("City") has regarding some recent revelations of how Visit Anaheim has managed funds provided or administered by the City, and to seek immediate action by Visit Anaheim to help address these concerns. Please note that these concerns are based on what has been revealed thus far, and this letter is not intended to cover other or additional information that may come to light, such as information regarding the past transfer of ATID funds to the Chamber of Commerce or whether the \$5 million in COVID recovery funds not diverted to the Chamber was properly spent, which is the subject of a pending state audit.

**1. The Agreement with Visit Anaheim related to Management of the ATID**

In 2010, the City passed an ordinance (AMC Chapter 2.14) and resolution establishing the Anaheim Tourism Improvement District (ATID), and providing that a 2% assessment to fund the district be imposed on hotel stays within the district. The City concurrently entered into a contract with Visit Anaheim to manage the ATID, in exchange for Visit Anaheim's receiving the 2% assessment (the "ATID Agreement").

Visit Anaheim has a contract with the Chamber -- to which the City is not a party -- where it shares a portion of the ATID funds it receives under the ATID Agreement in exchange for the Chamber's assistance with Visit Anaheim's management of the district. Such a subcontract appears contrary to Section 10 of the ATID Agreement, which requires Visit Anaheim to obtain the City Manager's written consent for any subcontracts, other than those for routine services (defined as services not related to marketing or tourism, but for things like photocopying and

computer services) or services rendered outside of the United States. Visit Anaheim did not obtain the City Manager's written approval to subcontract services under the ATID Agreement.

For now, the City is asking Visit Anaheim to halt all future transfers of ATID funds to the Chamber until the pending state audit of the expenditure of these funds is completed. The City reserves the right to review and assess whether any past payments to the Chamber under the ATID agreement were properly authorized or expended.

## **2. The COVID Recovery Agreement**

In 2020, the City entered into an agreement with Visit Anaheim for Visit Anaheim to assist in the City's COVID recovery efforts in exchange for \$6.5 million of funds the City had dedicated for this purpose (the "COVID Recovery Agreement"). The investigation conducted by the JL Group revealed that Visit Anaheim had surreptitiously transferred \$1.5 million of the \$6.5 million in COVID recovery funds to the Anaheim Chamber of Commerce (the "Chamber").

The transfer appears to violate section 5.3 of the COVID Recovery Agreement, which makes clear that Visit Anaheim is being hired to personally perform the COVID recovery services because of its expertise, and does not allow Visit Anaheim to assign or subcontract for services without written permission from the City. In addition, the alleged scheme to surreptitiously transfer funds to the Chamber identified by the JL Group is an intentional misuse/diversion of City funds.

Accordingly, the City is demanding the immediate return of the \$1.5 million in diverted funds. The City reserves the right to demand the return of the additional \$5 million, depending on the receipt of further information obtained through the state audit or otherwise.

Sincerely,

By: 

Robert Fabela

City Attorney