CITY OF ANAHEIM
OFFICE OF THE CITY MANAGER

January 11, 2024

Grant Parks
California State Auditor
621 Capitol Mall, STE 1200
Sacramento, CA 95814

Dear Mr. Parks:

The City of Anaheim has received the State Auditor’s draft report regarding tourism-related contracts in the City of Anaheim and we appreciate the efforts of the State Auditor’s Office in exploring this important issue.

I have read the report and shared its draft findings and recommendations with our City Council. While the City leadership team continues to review, clarify and validate all the draft findings contained within the report with the State Auditor team, the City of Anaheim has no objection to and welcomes the recommendations put forward by the State Auditor. The following responses address each of the four recommendations below:

**Recommendation 1:** The Anaheim City Council should designate an advisory board by July 2024 to make recommendations regarding how such funds should be expended. The board should include, at a minimum, some of the owners of the assessed properties within the tourism district, legal counsel, and a person knowledgeable in government finance.

**City Response:** The City of Anaheim will begin exploring the process for establishing an independent advisory board to assist the City in the oversight of ATID expenditures and activities.

**Recommendation 2:** Anaheim should develop a contract management, monitoring, and oversight process that aligns with the practices set forth in the corresponding provision of the State Contracting Manual by January 2025. The city should implement policies and procedures for its professional service contracts that require it to track contract deadlines, deliverables, and contractors’ use of funds, as well as perform periodic compliance audits and reviews of contractors’ financial records.

**City Response:** The City of Anaheim supports the conclusion that there is always room for improvement in our existing contract oversight procedures and will begin work on adopting a set of policies and procedures specifically for professional service contracts.
Recommendation 3: The city should renegotiate the contract with Visit Anaheim by January 2025 to improve oversight and to ensure that it does the following:

- Include key performance indicators to allow the city to better gauge how effectively Visit Anaheim is using tourism assessment funds. These benchmarks should include, at a minimum, hotel occupancy rates, convention center bookings, and the number of presentations made to convention center executives.
- Require Visit Anaheim to track all expenditures related to the contract and prohibit from commingling tourism district assessment funds with other revenue sources.
- Prohibit Visit Anaheim from transferring tourism district assessment funds to another entity without the city’s prior approval and full compliance with the subcontracting provisions of the tourism district assessment contract.
- Require Visit Anaheim to develop a plan for oversight of any subcontractor and provide documentation of this oversight annually to the city.

City Response: The City of Anaheim supports this recommendation and has already started the dialogue with Visit Anaheim in order to improve the management of these funds and the reporting that is necessary to ensure that performance indicators and benchmarks are being properly established and met annually. The City will begin discussions with Visit Anaheim about specific changes to the contract that could be considered in a timely fashion.

Recommendation 4: The city should assess whether it received adequate consideration for the 2019 economic development contract or the 2020 shop and dine local contract. If the city finds that it did not receive adequate consideration, then the city should explore its restitution mechanisms under contract law to obtain a return of those funds.

City Response: The City of Anaheim and our Audit Division will begin exploring the audit provisions within these two agreements to further assess whether restitution is appropriate.

As indicated in the responses above, the City is now preparing an action plan to implement the four recommendations well within the timeframes identified. We appreciate the work of your team on this matter and look forward to continued collaboration as we enhance our existing contract oversight procedures and embrace best practices going forward.

Sincerely,

Jim Vanderpool
City Manager