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Title: Actions Pertaining to Modification of Audit Requirement in Convention Center Management Contract:
1. Approve the First Amendment to the 2020 Convention Center Management Agreement between the City and ASM Global Fresno, LLC. removing the audit requirement for Fiscal Year 2021's financial results.
2. Accept correspondence from the City's external auditor, Brown Armstrong, in which Brown Armstrong commits to a review of the Convention Center's Fiscal Year 2021 financial results as part of their Annual Comprehensive Financial Report audit.

Sponsors: Finance Department

Indexes:

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Attachments: 1. First Amendment to 2020 Fresno Conv. Ctr Mgmt Agreementpdf, 2. Correspondence from Brown Armstrong

Date	Ver.	Action By	Action	Result
12/9/2021	1	City Council	adopted	Pass

REPORT TO THE CITY COUNCIL

FROM: MICHAEL LIMA, Finance Director/Controller
Finance Department

SUBJECT

Actions Pertaining to Modification of Audit Requirement in Convention Center Management Contract:

1. Approve the First Amendment to the 2020 Convention Center Management Agreement between the City and ASM Global Fresno, LLC. removing the audit requirement for Fiscal Year 2021's financial results.
2. Accept correspondence from the City's external auditor, Brown Armstrong, in which Brown Armstrong commits to a review of the Convention Center's Fiscal Year 2021 financial results as part of their Annual Comprehensive Financial Report audit.

RECOMMENDATION

It is recommended that the Council Approve the First Amendment to the 2020 Convention Center Management Agreement between the City and ASM Global Fresno, LLC. removing the audit requirement for Fiscal Year 2021's financial results and Accept correspondence from the City's external auditor, Brown Armstrong, in which Brown Armstrong commits to a review of the Convention Center's Fiscal Year 2021 financial results as part of their Annual Comprehensive Financial Report audit.

EXECUTIVE SUMMARY

In June 2020, the City entered into a contract with ASM Global Fresno, LLC (ASM) to manage the Fresno Convention Center. As part of that contract, the City and ASM agreed to jointly fund an annual audit of the Convention Center's financial results for each year of the contract's term. Given the minor financial activity that occurred at the Convention Center during Fiscal Year 2021 as a result of the COVID-19 pandemic, both the Administration and ASM management believe that an audit of the Convention Center's financial results is unnecessary. Both the Administration and ASM have reached an agreement to waive the audit requirement only for Fiscal Year 2021. The agreement has been codified into the First Amendment to the 2020 Convention Center Management Agreement, which is recommended for approval. In lieu of a stand-alone audit, the City's external auditor, Brown Armstrong, will conduct a review of the Convention Center's financial results as part of their Fiscal Year 2021 Annual Comprehensive Financial Report audit.

BACKGROUND

In June 2020, the City Council approved a contract with ASM for the management of the Convention Center. In addition to the various provisions on operating responsibilities, the compensation to be paid to ASM for managing the facility, and the budgetary rights of both parties, the contract contains language (Section 6.1) which requires ASM to "...supply to City a complete financial audit in compliance with the Government Accounting Standards Board prepared by a reputable Certified Public Accounting firm." This audit is to be submitted each year of the five-year term of the contract. The section goes on to say that the City and ASM will share the cost of the annual audit, with ASM's share of the cost not to exceed \$15,000.

As a result of the COVID-19 pandemic and the accompanying public health regulations prohibiting large crowds gathering in indoor venues, the Convention Center was closed for virtually all of Fiscal Year 2021. Given the minimal financial activity that occurred at the Convention Center during Fiscal Year 2021 due to the closure, the Administration and ASM entered into discussions regarding the need for a financial audit. Both parties came to the conclusion that a financial audit would not produce meaningful results in light of the minimal financial activity. Thus, the parties then entered into negotiations to eliminate the audit requirement for Fiscal Year 2021. The product of those negotiations is the First Amendment to the 2020 Convention Center Management Agreement. This amendment will eliminate the audit requirement and accompanying cost sharing only for Fiscal Year 2021's financial results. The audit requirement will resume with the Fiscal Year 2022's financial results.

In order to ensure that the Convention Center's Fiscal Year 2021 financial results are reviewed, the City's external auditor, Brown Armstrong, committed to reviewing the Convention Center's financial results as part of its audit of the City's Annual Comprehensive Financial Report. This commitment is memorialized in a letter to the City, which is recommended to be formally accepted by the Council.

Section 6.1 of the 2020 Convention Center Management Agreement also requires ASM to provide the City with unaudited annual financial results. ASM has provided these results. These numbers will be included in the City's Fiscal Year 2021 Annual Comprehensive Financial Report, which is planned for release in January 2022.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act (CEQA) Guidelines Section 15378, this amendment does not qualify as a project as defined by CEQA.

LOCAL PREFERENCE

Local Preference was not implemented because this is an amendment to an existing contract.

FISCAL IMPACT

Under the terms of the 2020 Convention Center Management Agreement, the City and ASM equally share in the cost of the annual audit. ASM's contribution is capped at \$15,000/year. The audit costs approximately \$30,000 each year. Thus, waiving the audit requirement for Fiscal Year 2021's financial result will produce a one-time savings to the General Fund of approximately \$15,000.

Attachments:

First Amendment to 2020 Fresno Convention Center Management Agreement
Correspondence from Brown Armstrong