



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Gerald Silva

**SUBJECT:** SEE BELOW

**DATE:** 11/21/2005

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**SUBJECT: AMEND THE GENERAL CITY AGREEMENT WITH MACIAS GINI AND COMPANY, LLP TO PROVIDE ANNUAL FINANCIAL AUDITS OF THE SAN JOSE MCENERY CONVENTION CENTER AND THE CULTURAL FACILITIES UNDER THE MANAGEMENT OF TEAM SAN JOSE, INC.**

## RECOMMENDATION

Adoption of a resolution of the City Council authorizing the City Auditor to negotiate and execute an amendment to the General City Audit Agreement with Macias Gini and Company, LLP to add the performance of Annual Financial Audits of the San Jose McEnery Convention Center and the Cultural Facilities under the management of Team San Jose, Inc. for Fiscal Years 2004-05, 2005-06, and 2006-07, and to exercise two (2) one-year extension options for Fiscal Years ended June 30, 2008 and 2009 for a fee not to exceed \$46,140 for Fiscal Year 2004-05 and with annual authorization to proceed and annual increases adjusted by the CPI for each subsequent fiscal year, subject to annual appropriation of funds by the City Council.

## BACKGROUND

On June 22, 2004, the City Council approved an Agreement for the Management of the San Jose Convention Center and Cultural Facilities between the City of San Jose and Team San Jose, Inc. (Management Agreement) for a five-year period, beginning July 1, 2004. The Management Agreement requires that at the end of each contract year, an audit of the books and records of the Facilities shall be performed by the City's independent certified public accountants (External Auditors) at the Facilities' expense.

In October 2005, the City Auditor's Office initiated the Annual Performance Audit of Team San Jose, Inc. in accordance with the City Auditor's approved 2005-2006 Workplan. During the planning phase of the audit, the City Auditor's Office and the Finance Department discussed the audit provisions in the Management Agreement and determined a need to modify the General City Audit Agreement with Macias Gini and Company, LLP, (MGC), which was fully executed on July 19, 2005. Accordingly, the City Auditor's Office is requesting an amendment to the General City Audit Agreement in order for MGC to conduct financial audits as required in the Management Agreement.

Currently in its second engagement term, MGC has provided external auditing services for the City since Fiscal Year 1999-00. MGC is a statewide certified public accounting firm headquartered in Sacramento, with offices in Los Angeles, Fresno, and Walnut Creek.

MGC expects to begin the financial audit on or about December 12, 2005 and to issue its audit report no later than February 15, 2006.

The City Auditor's Office recommends that the City Council authorize the City Auditor to negotiate and execute an amendment to the General City Audit Agreement for financial audit services with a total first-year compensation not to exceed \$46,140.

**COORDINATION**

The City Auditor's Office has coordinated this memorandum with the City Attorney's Office, the City Manager's Budget Office, the Finance Department, and the Planning Department.

**CITY'S FISCAL IMPACT**

The following budget information addresses the compensation to be paid to MGC for the first year of the amended portion of the agreement. The costs of future years' audit services are subject to the City Council's annual appropriation of funds.

Fund #	Acct #	Acct Name	Total	Amount of Amendment to the Contract	2004-2005 Adopted Budget Page	Last Budget Action (Date, Ord. No.)
536	0672	Non-Personal/Equipment-Convention Facilities	\$5,117,047	\$46,140	XI-20, 21	2/21/05 Ord. No. 27474

**CEQA**

Not a project.



GERALD A. SILVA  
City Auditor

## **4 COMMUNITY & ECONOMIC DEVELOPMENT**