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California Legislature



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August 12, 2023

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

Re: Approval of City of Anaheim Audit – Committee Rule 18

Dear Mr. Parks:

In accordance with Rule 18 of the Joint Legislative Audit Committee, I am asking your office to move forward with the enclosed urgent audit request regarding the City of Anaheim. As you are aware, a recent investigation raised serious concerns regarding the City. I hope this audit will provide much needed transparency and accountability. I therefore ask and trust that you will prioritize it appropriately.

Should you have any questions, please contact Committee staff at (916) 319-3300.

Sincerely,

DAVID ALVAREZ, Chair
Joint Legislative Audit Committee
Assemblymember, 80th District

Enclosure

cc: Members, Joint Legislative Audit Committee
Robert Rivas, Speaker, California State Assembly
Toni Atkins, Pro Tempore, California State Senate



Avelino Valencia

ASSEMBLYMEMBER, SIXTY-EIGHTH DISTRICT

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California Legislature

August 4, 2023

The Honorable David A. Alvarez
Chair, Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

RECEIVED 8/4/2023

Re: Request for Urgent Audit of the City of Anaheim.

Dear Chairman Alvarez,

I respectfully request that the Joint Legislative Audit Committee approve an urgent audit of the City of Anaheim to review the public funds they have disbursed to the Anaheim Chamber of Commerce and Visit Anaheim, and ensure that they have fulfilled their contractual obligations to the City.

The Anaheim Chamber of Commerce and Visit Anaheim are two nonprofits the City of Anaheim works closely with to generate economic growth in our community. The City of Anaheim is a member of the Anaheim Chamber of Commerce, and the City has councilmembers on the board of directors for Visit Anaheim. The mission of the Anaheim Chamber of Commerce is to help strengthen the local economy and promote Anaheim's economic development. According to their website, their strategic initiatives for business development include representing business interests in government and political advocacy. Visit Anaheim's objective is to attract tourism to the City of Anaheim to help increase tax revenue. They work with partners and stakeholders in order to advertise the resort district and convention center industry in the City. The Anaheim Chamber of Commerce and Visit Anaheim receive public funds from the City in order to achieve these goals. Recent discoveries have shed a new light on their potential influence in policy making and a lack of bargained exchange for their receipt of public taxpayer dollars.

Visit Anaheim generally receives funding through a City assessment on the room revenue for all hotel facilities within the Anaheim Resort and Platinum Triangle districts. However, in March 2020, the Anaheim City Council approved a \$6.5 million grant for Visit Anaheim so they could use those funds to help the City's hospitality industry as the pandemic had stunted revenue from travel and dining. The Anaheim City Manager at the time expressed concerns with the City giving Visit Anaheim this money and suggested that the tourism bureau should pay back the City for these relief funds, with interest. On April 21, 2020, the Anaheim City Manager was fired. In October of 2020, Visit Anaheim sent out a press release outlining their plans for spending \$2.5-\$3 million of the granted \$6.5 million, but they had yet to spend any money. City councilmembers considered adding an agenda item requesting Visit Anaheim return funds to the City in order to use it for community needs, such as rent relief and city services, but it was never added.

Last year, a Federal Bureau of Investigation (FBI) probe revealed that the former Mayor of Anaheim had attempted to rush a proposal for the sale of the Anaheim Angels stadium in order to receive campaign contributions in return. Additionally, the probe alleged the Mayor leaked confidential information regarding the sale of the stadium, including an appraisal of the property, to the Anaheim Chamber of Commerce and the Angels Baseball organization.¹ In light of these revelations, the mayor resigned and the City of Anaheim tasked an independent investigator to determine the extent of the alleged corruption involving the mayor, City staff, consultants, and lobbyists. On July 31, 2023 the City-commissioned corruption report (July 31 report) was released to the public and detailed that at least \$1.5 million of the \$6.5 million in relief funds that the City appropriated to Visit Anaheim were improperly diverted to the Anaheim Chamber of Commerce.

The July 31 report also highlighted a 2013 audit report of the Anaheim Chamber's Enterprise Zone Program. The City awarded the Anaheim Chamber with a five-year no-bid contract for \$1.8 million in February 2012 to implement the Anaheim Enterprise Zone Program, which was designed to provide tax credits to participating businesses that hired individuals from economically distressed areas. A year into the program the Chamber requested an additional \$1.1 million. Key findings from the audit report noted that the Chamber had inefficient reporting requirements that did not ensure contract compliance and that the labor documentation was vague and did not follow standard practices for reporting staff hours. The investigative report concludes the Chamber took advantage of this opportunity to charge the City for program costs that were not adequately documented and potentially unjustifiable.

Based on the July 31 report's findings, it is clear that we need more oversight over the City of Anaheim's disbursement of public funds to the Anaheim Chamber of Commerce and Visit Anaheim, as they may have directly influenced City officials for personal and political gain at the expense of what was best for the city. Anaheim residents deserve transparency to ensure their taxpayer dollars are spent appropriately. For these reasons, I am requesting the State Auditor conduct an audit of the City of Anaheim to determine if there was a misuse of public funds at the hands of the Anaheim Chamber of Commerce and Visit Anaheim.

In order to comply with Rule 18 of the Joint Legislative Audit Committee that states the cost of urgent audit requests must not exceed \$290,000, this request allows the State Auditor to modify or decrease the scope of this audit to remain within the monetary limit. The scope of the audit request is as follows:

1. Examine all sources of public funds the City dispersed to the Anaheim Chamber of Commerce and Visit Anaheim or their affiliates, over the past 10 years, and how those funds were used.

¹ The sale of the stadium was approved by the Anaheim City Council but subsequently put on hold when the City was sued by the California Department of Housing and Community Development over a violation of the Surplus Land Act. The City disputed it did anything improper, but eventually settled with the state. However, prior to the settlement being approved by the court, state officials learned of the FBI probe into the Mayor and ultimately the sale never went through.

2. For each contract, initiative, project, etc. approved by the City in which the Anaheim Chamber of Commerce or Visit Anaheim were recipients of public funds, identify the source of the money, the parameters on those funds, and how each dollar was ultimately spent. This should include a review of all contracts approved by the Anaheim City Council, City Manager, and City Director in the past 10 years.
3. Examine the City's policies regarding projects, grants, contracts, etc. and identify what went into their decision making process for awarding funds to the Anaheim Chamber of Commerce and Visit Anaheim, and their affiliates. Additionally, review the City's process for monitoring their projects, grants, contracts, etc. with the Anaheim Chamber of Commerce and Visit Anaheim to ensure compliance, and recommend ways they can improve their oversight.
4. Identify COVID funds, such as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), awarded to the City and then given to the Anaheim Chamber of Commerce and Visit Anaheim. For any COVID funds allocated to these entities by the City, identify the amount of money given, the parameters of those funds, and how the dollars were ultimately spent.
5. Identify the number of no-bid contracts the City awarded to the Anaheim Chamber of Commerce and Visit Anaheim, and determine whether the lack of competitively bid contracts were justified and/or complied with the City's policies and practices.
6. Determine if any public dollars allocated to the Anaheim Chamber or Visit Anaheim by the City of Anaheim were used for increases in staff salaries or compensation for professional services (consultants, lobbyists, contractors, etc.) during the COVID shutdown.
7. Identify the public funds the City has spent on negotiations surrounding the sale of the Angels stadium and resolving the Surplus Land Act issue.
8. So long as it does not interfere with litigation or criminal indictment, identify and report any corruption that took place.
9. For the last 10 years, identify any conflicts of interest between the City of Anaheim, Anaheim Chamber of Commerce, and Visit Anaheim.
10. Determine if the City has adequate practices and policies in place to ensure staff, councilmembers, Anaheim Chamber of Commerce, and Visit Anaheim comply with the Brown Act. Identify any violations of the Brown Act.

Thank you for your consideration of this request. Should you have any questions, please contact Katie Guthrie at Katie.Guthrie@asm.ca.gov or by calling 916-319-2068.

In service,

Avelino Valencia
Assemblymember, District 68