MEMO

January 31, 2017

TO: Phillip Molina, City Treasurer

FROM: Ingrid Hardy, Director of Cultural and Community Services
Jefferson Billingsley, Assistant City Attorney JBB

SUBJECT: PACC Accounts

Question Presented

The City Treasurer has questioned the validity of several bank accounts associated with the operation of the City's Performing Arts Center Facility ("facility'). These various accounts are discussed below.

Oxnard Performing Arts Center Corp. Accounts

While the City of Oxnard owns the Performing Arts Center, the City Council has contracted with the Oxnard Performing Arts Center Corporation ("PACC"), a California 501(c)(3) corporation for maintenance and operation of the facility. Under the terms of the agreement with the City[1], the PACC is responsible for exclusive management of the facility.[2] This includes the management prerogative to collect proceeds, pay checks and sign agreements. [3] The PACC is also responsible for payments of wages and benefits to its employees. [4] Conversely, the City is responsible for providing the operating subsidy for PACC operations.[5]

The existing PACC accounts provide for the payment of facility payroll and operations obligations, which are direct responsibilities of the PACC. These accounts belong to a separate corporate entity and are necessary for the PACC to continue its obligation to maintain and operate the facility. It also appears that these are the accounts through which the operating subsidy, required under the City agreement, are made. These accounts are replenished through the submittal of reimbursement reconciliation requests completed by PACC staff and processed by the Finance Department. Once the requests are approved, a check is issued to the account in

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[1] City Agreement No. A-5904. This agreement has lapsed but facility operations have continued under these terms and course of business over the last six years. It is recommended that the City & PACC enter into at least an interim operational agreement (or extension or renewal of the prior agreement) pending an in depth review of the City's relationship to the PACC operation and the audit to be conducted once the internal auditor contract is awarded.

[2] Agreement No. A-5904, § 7.

[3] Agreement No. A-5904, § 25.

[4] Agreement No. A-5904, § 4(e).

[5] Agreement No. A-5904, §§ 11 and 15.

question for the amount specified in each request. Both accounts are replenished on a regular basis, in accordance with payroll schedules and PACC operating expenditures.

City of Oxnard Accounts

There are two City of Oxnard accounts associated with the operation of the facility, a money market and box office account. Both of these accounts were opened by the City Treasurer's office. The money market account was opened to capture ticket revenue for a prior facility production and is no longer needed. However, PACC and City staff will need to coordinate with the Treasurer's office to determine an appropriate revenue account for these funds to be deposited into.

The second account under the City of Oxnard is a box office account. This account is necessary for PACC operations to capture box office ticket sales and online sales from the PACC's internet ticket service provider. *A majority of the funds in the box office account do not belong to the PACC (or City) and are contractually obligated to individuals and companies who rent the facility or provide other services.* The closing of this account with no alternative account to transition the revenue and expenses to would dramatically impact facility operations. There would be no place to capture box office sales, all online ticketing services would have to be cancelled or deactivated, and tickets sales for shows tied to existing facility rentals would have to be halted.

Accordingly there should be careful coordination between the PACC, City staff and the Treasurer's office to open a new box office account in PACC's own name and transition the functions and obligations described above. This process cannot take place immediately as it will require approval of the PACC board and take time to properly address the logistical concerns of setting up new banking account information with the facility's online ticket service provider, the point of sale system, and the settling of accounts for any existing shows.

Not previously mentioned in the treasurer's inquiry and memo is the PACC Merchant Services account. This account, housed with Bank of America, serves as the depositary for all credit card transactions at the PACC, including box office and snackbar transactions. Funds from this account are transferred to the box office account for contract settlement, with the remainder deposited with the City Treasurer and posted to its corresponding revenue accounts. These deposits account for PACC ticket sales and snackbar revenues. This account was opened prior to the formation of the nonprofit corporation, so staff believes the account may be a City account. Similar to other operations at the PACC, the necessity of this account is being reviewed and staff will explore other alternatives that may help streamline operations.

Conclusion

The existing payroll and operations accounts are properly managed by the PACC. The money market account associated with the City may be closed consistent with the direction above. The box office account should be carefully transitioned to a PACC account in conjunction with

PACC, staff and the City Treasurer's office in order avoid operational disruptions and potential liabilities to the PACC. The Merchant Services account is necessary for credit card sales. Similar to the box office account, this should be researched further and carefully transitioned to avoid disruptions to the operations of the PACC.

Cc: Jesus Nava, Assistant City Manager
Oxnard Performing Arts Center Corporation Board of Directors
Chelsea Reynolds, Performing Arts Center Manager