CITY OF BEVERLY HILLS
STAFF REPORT

Meeting Date: August 19, 2008

To: Honorable Mayor & City Council

From: Alison Maxwell, Director Economic Development and Marketing

Subject: Presentation by KH Consulting Group of the "Performance Audit of Contracted Visitor Marketing and Economic Development Programs"

Attachments: 1. Report from KH Consulting Group: "City of Beverly Hills Performance Audit of Contracted Visitor Marketing and Economic Development Programs"

INTRODUCTION

This item presents the final report from KH Consulting Group (KH) on the City's Contracted Visitor Marketing and Economic Development Programs provided primarily by the Beverly Hills Chamber of Commerce and Rodeo Drive Inc. (also referred to as Rodeo Drive Committee).

DISCUSSION

In mid-January 2008, the City Council directed staff to facilitate a comprehensive Performance Audit and a financial audit of the visitor marketing and economic development programs managed by the Chamber of Commerce under contract to the City. The City Council established the Audit Ad Hoc Committee (Mayor Brucker and Council Member Briskman) to oversee the Performance Audit, and tasked the standing Audit Committee (Mayor Brucker and Council Member Fenton) with overseeing the financial audit. The two audits were staggered to fit with the fiscal year schedule:

- Work on the Performance Audit began immediately in late January 2008.
- The financial audit was scheduled to begin at the close of the fiscal year 2007-2008, and is now underway.

The City has been undergoing a series of internal departmental audits to ensure that its own services are being delivered in ways that are efficient and meet current City needs. In the same way and with the same commitment to excellence, it was determined that an external audit of the City's largest service provider of visitor marketing and economic development services (the Beverly Hill Chamber of Commerce) was timely. The

objective of the Performance Audit was to assess the value for dollars invested and ensure that the best management and service delivery models were in place.

In addition to reviewing the Chamber of Commerce contracts, the Performance Audit also reviewed the sponsorship contract with the Rodeo Drive Committee.

To that end, staff members issued a Request for Qualifications (RFQ) to find and retain a consultant group with the qualifications and experience to undertake this important endeavor.

The following is a brief recap of the timeline for the development of the Performance Audit and the coordination with the Audit Ad Hoc Committee:

January	Staff members received direction to begin Performance Audit. Staff developed and issued an RFQ for consultants, which was approved by the Ad Hoc Committee.
February	RFQ responses were received and reviewed, and potential consultants were interviewed by staff. KH Consulting Group (KH) was selected to undertake the Performance Audit.
March 3	The Ad Hoc Committee met KH Consulting, concurred with their selection as the consultants; and, provided guidance on the scope and implementation timeline.
March 4	City Council approved a Formal Agenda Item providing the City Manager with the necessary authority to enter into consultant agreements for the Performance Audit.
March	The KH Consulting Group contract was developed and KH began work in earnest. The attached report by KH Consulting Group gives a thorough outline of the in-depth research, methodology and tasks involved in developing and completing this Performance Audit.
April 28	The Ad Hoc Committee convened to review KH's initial research and approach. The Ad Hoc Committee gave guidance and input on the Performance Audit. It was agreed that the initial draft report and summary findings for review should be completed by mid-June with the final report to be presented to City Council in July.
June 16	The Ad Hoc Committee convened to receive a presentation of key research results, findings and recommendations of the Performance Audit. The Ad Hoc Committee provided feedback and comments to KH. It was agreed that the final report should be presented to the Ad Hoc Committee in July for their review. The planned release and discussion of the report with the City Council was scheduled for August 5, 2008.
July 16	The Ad Hoc Committee convened to review and discuss the complete working draft report from KH.
July 21	The working draft report with edits was emailed to the Ad Hoc Committee for final review.

July 29 The final Performance Audit report was sent to the City Council and made available to the public, with City Council discussion scheduled for August 5, Council Study Session.

August 5 City Council tabled consideration of the item until August 19 to allow Ad Hoc Committee time to discuss Audit findings and recommendations.

August 11 The Ad Hoc Committee met and reviewed recommendations.

The general scope of the Performance Audit is summarized below:

1) Review and audit existing scope of services of Beverly Hills Chamber of Commerce Conference and Visitors Bureau (CVB) and the Chamber of Commerce Economic Development Division (EDD) programs funded by the City in order to verify that programming is being delivered in accordance with the agreement for services.

2) Review Agreements relating to the Beverly Hills Shield License Program.

3) Review Agreements with Rodeo Drive Inc. (Rodeo Drive Committee).

4) Review existing benchmarks, service indicators both qualitative and quantitative used by the Chamber to measure service levels and program effectiveness.

5) Undertake an in-depth review and analysis of marketing and economic development programs provided by the Chamber to establish their effectiveness and value for money.

6) Provide consultation and direction for future program development including:

   - Recommendations on future programming goals, opportunities and structure for a tailored and effective visitor marketing and economic development programs;

   - Recommendations for a comprehensive performance measure structure tailored for Beverly Hills programming;

   - Recommendations for creating standards or methods of evaluating cost effectiveness;

   - Recommendations on programs or projects that should be restructured or discontinued.

7) Provide the City with an understanding of best management models & practice for providing conference and visitor services and economic development services. This is expected to include a comparative review of other CVB, Chamber & City Economic Development programs: how they are funded (source of funding, budgets, overheads etc) and how they are managed (independent organization; in-house at city; under the umbrella of a larger organization or other model).

The full Performance Audit report is attached and KH will provide the City Council with a detailed presentation of the research, findings and recommendations of the report at the August 19, 2008, meeting.

Key recommendations from the Performance Audit are copied below for easy reference; however, they should be read within the complete context of the full report.

Key Recommendations from KH Consulting Group, Performance Audit Report – Executive Summary

KH recommends that the City implement the recommendations of this performance audit in parallel with existing services. Because the ***implementation of the primary recommendations associated with strategy and organizational placement will take up to 2 years to implement***, the City should continue to contract CVB and EDD functions with the Chamber to ensure program continuity. ***KH recommends that the contracts be amended to reflect: a) outcome expectations, b) clarity associated with overhead reimbursement costs, and c) a programmatic approach.***

This report contains detailed information on our findings and the opportunities for improvement. The final recommendations are outlined next, by chapter.

Chapter III – Strategic Direction

1. ***Collaborative approach to strategic planning to develop a Consolidated Strategic Plan.*** The City, EDD, CVB, the business community, and the Chamber should collaborate in defining a Consolidated Strategic Plan for all visitor and business attraction and retention. Progress against the goals in the Consolidated Strategic Plan should be reviewed and the Plan should be updated each year as part of an ongoing strategic planning process. (See page III-7)

Chapter IV – Organizational Placement and Accountabilities

2. ***Organizational structural issues addressed based on the adopted strategy.*** Final decisions associated with organizational placement should ideally be made in the context of the decisions and priorities established in the Consolidated Strategic Plan. (See page IV-11).....

   ..*"Maintaining the CVB in the short term within the Chamber is viable; but ultimately, the City will most likely need to migrate it to an independent entity, depending on its adopted strategy (Recommendation 1.)"* (Chapter IV-12)

3. ***Need to maintain CVB as a non-governmental operation.*** CVB does not belong as part of City Government operations in Beverly Hills. The best CVB options are to either remain within the Chamber or become an independent operation. (See page IV-11)
4. ***New CVB governance structure.*** Regardless of the option selected for the location of CVB, CVB should begin to implement a changed governance structure by establishing a Guiding Council, separate from the Chamber Board, for the CVB. (See page IV-12)
5. ***Coordination between City and Chamber economic development.*** The City should more closely manage EDD functions to ensure coordination with the City's Economic Development and Marketing programs, making independent choices about whether and how to outsource them. (See page IV-15)

6. ***City commitment to a strong Chamber to serve and retain businesses.*** The City and the Chamber should jointly agree on whether support and resources will be necessary to ensure the continued viability of the Chamber. (See page IV-16)

Chapter V – Value for Level of Expenditures

7. ***Minimization of overlapping activities.*** The City contract for EDD services should minimize the overlap with traditional Chamber activities. (See page V-17)
8. ***Program cost accounting.*** City contracts for CVB and EDD services should include programs that support the strategic priorities with associated program costs, delineating what is included in those program costs. (See page V-18)
9. ***Measurable performance outcomes.*** As the strategic direction and assignment of responsibility becomes clearer, any contracts between the City and any of its partners should delineate measurable performance outcomes, as contrasted with initiatives, associated with the programs. (See page V-19)
10. ***Compensation philosophy.*** The Beverly Hills Chamber should develop a compensation philosophy and a standardized approach to compensation. In the event that the CVB becomes an independent organization, it too should have its own compensation philosophy. (See page V-20)Chapter VI – Performance Measurement
11. ***Balanced scorecard to measure success and for public accountability.*** The City should design a balance scorecard, including indicators that match the strategies developed in the Consolidated Strategic Plan. (See page VI-2)
12. ***Monitoring of indicators to track progress in the near term.*** Pending completion of the plan, the City and Chamber should adopt measures that will allow it to track leading indicators, as well as anticipated outcomes, as amendments to the contracts. (See page VI-3)

Chapter VII – Licensing

13. ***Delineation of responsibilities for licensing agreements.*** The City, the Chamber, and BLA (Bradford Licensing Associates) should design procedures and agree on assignment of responsibility for license approval, domestic trademark infringement tracking and management, and international and foreign trademark registration. (See page VII-2)

Chapter VIII – Rodeo Drive

14. ***Definition of measurable outcomes.*** The City of Beverly Hills should establish quantifiable measurements of expected outcomes of City funding for RDC. (See page VIII-2)
15. ***Multi-year planning focused on marketing strategies.*** RDC should embark on a multi-year planning process focusing on marketing strategies. (See page VIII-3)"

As mentioned, a Chapter of the Performance Audit discusses the agreements for funding that the City has with **Rodeo Drive Inc.** (known as the RDC). The purpose of including these contracts in the overall performance audit was to give the City a broader understanding of all the agreements it has for marketing and economic development with each of its business partners. As outlined above, the recommendations relate primarily to creating more strategic contracts that clearly define benchmarks and measurements, and the creation of a longer term marketing strategy.

Ad Hoc Committee Recommendation

The Ad Committee met on August 11, 2008 to further discuss the findings and recommendations of the report. The Ad Hoc Committee members will present their recommendations to Council at the August 19, City Council Study Session.

FISCAL IMPACT

None

RECOMMENDATION

Staff recommends that the City Council receive the report and presentation from KH Consulting Group and provide direction to staff as it relates to the recommendations of the Report.

Approved By:

Alison Maxwell, Director Economic Development and Marketing