

Agenda Item Details

Meeting	Jan 14, 2020 - Bryan City Council Second Regular Meeting
Category	6. Statutory (Automatic Approval) Agenda - This agenda consists of items previously approved by Council action such as adoption of items that are part of an approved budget or capital improvement projects, first and only readings of ordinances, interlocal agreements, or action that is required by law or delegated to the City Manager. Items may be removed from the statutory agenda for separate consideration at the request of two Councilmembers.
Subject	M. Adoption of a resolution of the City Council of the City of Bryan, Texas, approving budgets for the fiscal year beginning October 1, 2019, and ending September 30, 2020, inclusive, for the Downtown Bryan Association (DBA) with expenditures in the combined total amount of \$1,153,826 and revenues in the combined total amount of \$1,163,901; and approving and authorizing the Mayor to sign a funding agreement with DBA in the amount of \$490,001 for expenses related to the ongoing operation of DBA and the 2020 Texas Reds Steak and Grape Festival
Type	Action (Statutory)
Preferred Date	Jan 14, 2020
Absolute Date	Jan 14, 2020
Fiscal Impact	Yes
Dollar Amount	490,001.00
Budgeted	Yes
Budget Source	\$55,568 from FY2020 General Fund and \$434,433 from FY2020 Hotel Occupancy Tax (HOT) Fund
Recommended Action	Motion to adopt a resolution of the City Council of the City of Bryan, Texas, approving budgets for the fiscal year beginning October 1, 2019, and ending September 30, 2020, inclusive, for the Downtown Bryan Association (DBA) with expenditures in the combined total amount of \$1,153,826 and revenues in the combined total amount of \$1,163,901; and approving and authorizing the Mayor to sign a funding agreement with DBA in the amount of \$490,001 for expenses related to the ongoing operation of DBA and the 2020 Texas Reds Steak and Grape Festival
Goals	Economic Development Quality of Life

Summary: This proposed resolution and annual funding agreement for a total of \$490,001 in FY2020 to Downtown Bryan Association (DBA) includes \$380,001 in operational funding (inclusive of \$324,433 in Hotel Occupancy Tax funds, or "HOT" funds, plus \$55,568 in General Fund funds) and \$110,000 in additional HOT funds for the 2020 Texas Reds Steak and Grape Festival, to be held in late September 2020. These funds were approved by the City Council in the City of Bryan FY2020 Budget.

The DBA FY2020 Operations Budget includes \$563,001 in expenses and \$563,001 in revenues. The FY2020 Texas Reds budget includes \$379,125 in expenses and \$388,500 in revenues. The FY2020 Queen Theatre Budget includes \$211,700 in expenses and \$212,400 in revenues. The combined total for all DBA expenditures in Fiscal Year 2020 is \$1,153,826 and the combined total for all revenues is \$1,163,901.

At the direction of the City of Bryan Audit Committee in June 2019, the City of Bryan's internal auditing firm, Baker Tilly, was tasked with conducting an internal audit of the DBA. On November 11, 2019, Baker Tilly presented the attached final report to the Audit Committee for review. The final report included objectives, procedures, findings, observations, and recommendations related to the DBA. The scope of the audit was to assess internal controls and compliance with key terms of previous FY17 and FY18 funding agreements, as well as the first two quarters of the FY19 funding agreement between DBA and the City. Baker Tilly reviewed the accuracy, completeness, and documentation of DBA financials. Observations and recommendations were provided for 22 process areas within the detailed audit report. Following the presentation, the Audit Committee voted unanimously to accept the Baker Tilly audit report, and provided direction to incorporate findings of the report within the FY20 DBA funding agreement. During the Audit Committee meeting, DBA management was asked to review the audit report findings and was invited to provide a management response, also attached.

As per the observations and recommendations within the Baker Tilly (BT) audit report, the following changes are proposed in the FY20 annual funding agreement:

- Refers to all findings and recommendations in the City of Bryan internal audit of DBA, attached to the agreement as Exhibit "K" (Section 6.2; addressed in all 22 Process Areas of BT Audit).

- Reallocates \$30,000 within the FY2020 DBA Operations Budget that had previously been funded by the City in FY19 to staff a Visitor Center, which never occurred (Exhibit "A"; addressed in Process Area 21 of BT Audit).
- Removes language regarding minor amendments to the approved budget (Section 2.5; addressed in BT Audit).
- Requires any hotel occupancy tax funds not spent during Fiscal Year 2020 to be refunded back to the City (Section 4.3; addressed in Process Area 14 of BT audit).
- Requires all financials and detailed quarterly reports be prepared by a certified public accountant (Section 5.1; addressed in all 22 Process Areas of BT audit).
- Adds quarterly reporting requirements for marketing and advertising activities, including dollars spent for each activity (Section 5.1.4; Exhibit E).
- Requires an outside audit of DBA financials and records performed after every fiscal year, rather than every odd-numbered fiscal year (Section 6:2; addressed in all 22 Process Areas of BT audit).
- Removes requirement to operate a Visitor Center in the Queen Theatre (remove former Section 7.1.6; addressed in Process Area 21 of BT audit).
- Removes provision regarding the lease of Sale Park during First Fridays. Lease payments for use of Sale Park on First Fridays have never been made and are deemed unnecessary (remove former Section 7.2.3).
- Wording added to reflect current practice of City approval of a special event permit with the future closure of public streets during First Fridays (modify new Section 7.2.4).
- Removes language regarding the reallocation of line items associated with Texas Reds (remove former Section 7.3.7; addressed in Process Area 20 of BT audit).
- Modifies Palace Theater provisions, with a 180-day notice of termination (Section 7.4).
- Requires submittal of a DBA Board of Trustees-approved business plan for Queen Theatre operations, including annual mortgage payments and all ongoing operational costs associated with the Queen Theatre (Section 7.9; addressed in Process Area 7 of BT audit).
- Requires DBA to facilitate, encourage and coordinate a new monthly or quarterly recurring event focused on attracting college students to Downtown Bryan (Section 7.10).
- Increases the number of City of Bryan representatives on the DBA Board of Trustees from one (1) voting member to three (3) voting members, and retains the City's one (1) non-voting ex-officio member (Section 8.8).
- Revises the formats of quarterly financial reports (Exhibits B-F; addressed in Process Area 9 of BT audit).

The City of Bryan's funding history to DBA for operational and Texas Reds related costs are:

- Fiscal Year 2004: \$50,000
- Fiscal Year 2005: \$50,000
- Fiscal Year 2006: \$50,000
- Fiscal Year 2007: \$50,000 (City managed Texas Reds)
- Fiscal Year 2008: \$50,000 (City managed Texas Reds)
- Fiscal Year 2009: \$60,000 (City managed Texas Reds)
- Fiscal Year 2010: \$45,000 (City managed Texas Reds)
- Fiscal Year 2011: \$45,000 (City managed Texas Reds)
- Fiscal Year 2012: \$55,000 (City managed Texas Reds)
- Fiscal Year 2013: \$95,000, as amended (City managed Texas Reds)
- Fiscal Year 2014: \$292,000 (\$165,000 in operational expenses; \$127,000 for Texas Reds)
- Fiscal Year 2015: \$275,000 (\$165,000 in operational expenses; \$110,000 for Texas Reds)
- Fiscal Year 2016: \$275,000 (\$165,000 in operational expenses; \$110,000 for Texas Reds)
- Fiscal Year 2017: \$275,000 (\$165,000 in operational expenses; \$110,000 for Texas Reds)
- Fiscal Year 2018: \$425,000 (\$315,000 in operational expenses; \$110,000 for Texas Reds)
- Fiscal Year 2019: \$492,350 (\$382,350 in operational expenses; \$110,000 for Texas Reds)

DBA was created to revitalize and maintain the commercial and aesthetic viability of the historic business district of Downtown Bryan. According to the DBA's Bylaws, the organization's purpose is "to promote the economic development of Downtown Bryan while maintaining and building on the Historic significance of this business corridor through a four-step method..." The four-step method includes organization, design, promotion, and economic growth and retention. Since the early 2000's, DBA has been an active partner in Downtown. A recent significant activity was the completion of the revitalization of the Queen Theatre. Additionally, DBA assists with Downtown events and is a conduit for downtown businesses and property owners.

Staff Analysis and Recommendation: Staff recommends approving the resolution, which results in approving the FY2020 budgets for General DBA Operations, Queen Theatre and the Texas Reds Festival. The resolution also authorizes the Mayor to sign the new FY2020 Funding Agreement for a total funding amount of \$490,001, in accordance with the City of Bryan FY2020 Budget, approved by City Council on September 10, 2019. The total amount of proposed funding to DBA from the City for Texas Reds remains the same as last year (\$110,000 plus in-kind services). FY20 operational funding is a slight decrease of \$2,349 under last year's base funding from the City, which included \$30,000 for DBA to operate a visitors center in the Queen Theatre. A portion of this \$30,000 has been reallocated within the FY20 DBA Operations Budget for additional financial management services (Exhibit "A" to Resolution - line item titled "Accounting Services Per Contract").

The majority of proposed funding agreement changes outlined above are the result of findings and recommendations from the City of Bryan internal audit, completed in October 2019 by the City's internal auditing firm, Baker Tilly, and approved by the City of Bryan Audit Committee on November 11, 2019 (see Exhibit "K"). This new agreement requires more formalized procedures, reports and internal controls for financial management of all operations and activities of the DBA.

Options:

1. Approve the proposed resolution, budgets, and annual funding agreement

2. Modify the proposed resolution, budgets, and/or annual funding agreement, which may require City Council consideration at a future City Council meeting and additional consideration by the DBA Board
3. Do not approve the proposed resolution, budgets, or annual funding agreement and provide direction to staff

Attachments:

1. Resolution for DBA FY2020 Funding
2. Exhibits A, B, C and I to Resolution: FY2020 DBA Operations Budget, FY2020 Queen Theatre Budget, FY2020 Texas Reds Budget, and Designation of HOT Funded Budget Categories in DBA FY2020 Budget
3. DBA FY2020 Funding Agreement (Exhibit D to Resolution)
4. DBA FY2020 Funding Agreement redline 12-27-19
5. Baker Tilly Internal Audit (Exhibit "K" to FY2020 Funding Agreement)
6. DBA Management Response to Audit (Exhibit "L" to FY2020 Funding Agreement)

* **Exhibits A-J to FY2020 Funding Agreement are available for viewing in the City Secretary's Office**

[Res DBA_FUNDING_FY2020.pdf \(17 KB\)](#)

[Exhibits A B C and I to FY2020 DBA Funding Resolution.pdf \(1,468 KB\)](#)

[DBA FY2020 Funding Agreement.pdf \(137 KB\)](#)

[DBA FY2020 Funding Agreement REDLINE 12-27-19.pdf \(165 KB\)](#)

[Exhibit K - Baker Tilly Audit of DBA Oct 2019.pdf \(10,350 KB\)](#)

[Exhibit L - DBA Management Response to Baker Tilly Audit.pdf \(163 KB\)](#)

Motion & Voting

Motion with amendments - eliminate 7.4 and amend 8.8 that city will appoint a majority of the Board of Trustees and one ex officio member to Board and adopting the resolution to adopt the budget. Discussion was that 7.4 relates to the Palace Theatre and will have staff look at net anticipated revenues and come back at next Council meeting so DBA would realize any net value from that piece. Use of Palace Theatre will be coordinated with Parks Department. DBA staff has done a great job. Lots of opportunities that need flexibility. It is understood DBA and City will both bring events to the Palace. DBA done tremendous amount of work to make Queen what it is today and wants staff to work with DBA to have two separate funding agreements next year, one for Queen and one for DBA.

Motion by Prentiss Madison, second by Buppy Simank.

Final Resolution: Motion Carries

Aye: Andrew Nelson, Buppy Simank, Mike Southerland, Prentiss Madison, Reuben Marin, Brent Hairston