SAN DIEGO CONTINUES TO LOSE MONEY ON STADIUM MANAGEMENT

SUMMARY
The City of San Diego’s Stadium was leased to the Chargers as the primary tenant from 1967 until January 12, 2017, when the Chargers announced their intention to move to Los Angeles. The San Diego State University Aztecs football team’s Stadium lease expires in December 2018, at which time the City plans to close the Stadium. The Holiday Bowl, administered by the San Diego Bowl Game Association (Bowl Association), has one more event in December 2018. The Stadium is managed by the City’s Real Estate Assets Division (READ), with Stadium Staff administering contracts and handling day-to-day operations. In 1997, the City sold the Stadium naming rights to Qualcomm Inc. The Qualcomm agreement expired in May 2017.

The City’s historic loss of revenue at the Stadium was a bone of contention for the City Council for many years. City Council members looked forward to recouping that income under a “Chargers leave” scenario. Yet when the Chargers did leave, the City began exclusive (sole-source) negotiations with Fox Sports College Properties (Fox Sports), a Division of National Advertising Partners1 to sell Stadium advertising and with the Bowl Association to sell the skyboxes and other luxury suites. When it became clear Qualcomm Inc. would not renew its naming rights, READ added the task of issuing a Request for Proposals (RFP) for those rights to the Fox Sports agreement. Those sole-source contracts were signed in September 2017.

The 2017/2018 San Diego County Grand Jury (Grand Jury) found that these contracts did not meet the San Diego Municipal Code requirements for sole-source procurements. Further, the Grand Jury found Stadium staff had the knowledge and experience to issue the RFP for the naming rights, and to sell the Stadium advertising and suites, which would have brought more revenue to the City. Finally, the Grand Jury found the City lacks policies and procedures on:

- Contracting with private parties for issuance of an RFP on the City’s behalf,
- Defining the circumstances in which private parties who issue an RFP on the City’s behalf may help judge the responses to that RFP,
- Valuing revenue-generating contracts covering a range of potential products and/or services, and
- Selling the naming rights for City assets like the Stadium.

The Grand Jury recommends the San Diego Mayor and City Council adopt policies and procedures that regulate these situations.

INTRODUCTION
The Grand Jury learned of the City’s 2017 agreements with Fox Sports College Properties and the San Diego Bowl Game Association. Wanting to learn why the City, with a continuing loss of stadium revenue, had contracted out these functions, the Grand Jury decided to investigate.

1 Fox Sports College Properties is a separate entity from Fox Sports San Diego, which is a regional affiliate of Fox Sports Networks and is a joint venture between Fox Cable Networks, a unit of the Fox Entertainment Group division of 21st Century Fox (which owns a controlling 80%) and the San Diego Padres (which owns the remaining 20%).
PROCEDURE
The Grand Jury interviewed representatives of City government and reviewed the following:
- City Policies and Procedures regarding Stadium management and renaming
- City Policies and Procedures on contracting
- Recordings of City Council and Council Committee meetings regarding the Stadium
- Contracts/agreements for Stadium use
- Minutes of the Stadium Advisory Board meetings
- Stadium budget documents
- Audit reports on the Stadium and its revenues

DISCUSSION
Stadium History
The City of San Diego built the stadium and hosted the first San Diego Chargers football game in 1967. The Chargers announced on January 12, 2017, that they were moving to Los Angeles. Their Stadium occupancy agreement expired July 31, 2017. The San Diego State University (SDSU) Aztecs football team began playing its home games at the Stadium in 1967 with its current Stadium lease expiring after its last regular home game of the 2018 college football season. The Padres played at the Stadium from 1969 to 2004, and the Sockers from 1978 to 1983. It is the only stadium to host the Super Bowl and the World Series in the same year (1998). It has hosted other Super Bowl and World Series games as well as national championships, the Holiday and Poinsettia Bowls, international soccer matches, concerts, conventions, monster truck and moto-cross events, parking lot vehicle sales, etc. During the 2003 and 2007 wildfires, the Stadium served as the primary evacuation center. The City currently plans to close the Stadium at the end of December 2018.  

In 1980, voters approved naming the Stadium after Jack Murphy, the late sports writer who had convinced the Los Angeles Chargers’ owner to move the team to San Diego. For the 1997 Stadium expansion, Qualcomm Inc. paid the City $18 million to finish the remodeling and for the naming rights. The Qualcomm Stadium naming rights expired in May 2017. In September 2017, San Diego County Credit Union (SDCCU) bought the naming rights through December 2018.

The City of San Diego owns and operates the Stadium; it is managed by the city’s Real Estate Assets Department (READ). At the beginning of 2017, the facility had 37 full-time employees. The Stadium manager reports to the READ director. Stadium staff is responsible for marketing the Stadium, booking events, administering contracts (e.g., for parking and concessions), and maintaining the facility.

The City Council established a nine-member Stadium Advisory Board (SAB) in 1998. The Board serves as liaison between the public, stadium tenants, contractors, and the City and is

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2 There has been discussion of leaving the Stadium open until the Aztecs find another venue for football, but no decisions have been made. The fate of two November 2018 ballot measures – “Soccer City” and “SDSU West”, will undoubtedly influence that decision.
supposed to provide recommendations to the Mayor and City Council on actions requiring Council approval, such as leases and renaming.

In 1978, the Holiday Bowl was launched in San Diego. Local business people formed the non-profit San Diego Bowl Game Association (Bowl Association) to promote the game and related events (e.g., a golf tournament). Over the years, the Holiday Bowl has had several title sponsors (e.g., the National Funding Holiday Bowl in 2015 and 2016). In early 2017, SDCCU bought the title sponsorship. Also in 2017, the City contracted with the Bowl Association to sell the luxury suites for all Stadium events.

**The City Has Traditionally Lost Money on the Stadium**
The Stadium historically has not generated enough revenue to cover operations and maintenance (O&M). The deficit is made up primarily through a transfer from the Transient Occupancy Tax Fund. The Chargers paid a minimum annual rent ($3 million a year from 2014 to 2016, with $4 million a year scheduled to begin in 2017). However, decades of re-negotiated use agreements and legal settlements gave the Chargers all or part of advertising, ticket, suite, concession, and parking receipts, as well as other rent credits. As a result, the Chargers profited further from use of the stadium. In FY 2016 (the last budget cycle before the Chargers left), the Transit Occupancy Tax had to contribute $11.6 million to cover the deficit. Beyond annual expenses, the 50-year old Stadium is estimated to have deferred maintenance needs totaling around $80 million.

During the Chargers tenancy, the City’s revenue losses on Stadium operations became an issue for the City Council. So when the Council approved the Aztecs new lease in 2009, Council members asked the READ director whether the City would regain control of revenue from Stadium advertising, suite and ticket sales, etc. under a “Chargers leave” scenario. The then-READ director assured them the City would be able to recover those revenues.

**The 2017 Stadium Contracts**
On January 12, 2017, the Chargers notified the City they would terminate their lease and would vacate the stadium by July 31, 2017. Thus the Chargers’ contract rights to advertising and suite sales would revert to the City at that time. In April 2017, READ informed the SAB that “A meeting will be held with San Diego State and the Bowl Association to discuss newfound opportunities with selling the advertising panel and suite sales that previously belonged to the Chargers.”
Table 1. – Stadium contracts timeline

<table>
<thead>
<tr>
<th>DATE</th>
<th>EVENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/12/2017</td>
<td>Chargers announce they are moving to Los Angeles. The right to sell Stadium advertising and suites reverts to City</td>
</tr>
<tr>
<td>4/13/2017</td>
<td>City Council adopts Policy 900-20, Naming of City Assets, but Policy doesn’t apply to Stadium, Sports Arena, or Ballpark</td>
</tr>
<tr>
<td>5/7/2017</td>
<td>Qualcomm Inc.’s Stadium naming rights expire</td>
</tr>
<tr>
<td>5/11/2017</td>
<td>READ tells SAB that Qualcomm Inc. will not renew its naming rights and that “an RFP will be sent out”</td>
</tr>
<tr>
<td>7/2017</td>
<td>Bowl Association begins selling Stadium suites</td>
</tr>
<tr>
<td>7/13/2017</td>
<td>READ informs SAB:</td>
</tr>
<tr>
<td></td>
<td>• City hired the Bowl Association to sell suites</td>
</tr>
<tr>
<td></td>
<td>• City hired Fox Sports to sell advertising signs</td>
</tr>
<tr>
<td></td>
<td>• Fox Sports will also pursue the naming rights on behalf of the City</td>
</tr>
<tr>
<td>8/1/2017</td>
<td>Fox Sports issues Request for Proposals for Stadium naming rights</td>
</tr>
<tr>
<td>8/16/2017</td>
<td>City Attorney advises READ and the Department of Purchasing and Contracting (P&amp;C) that the Fox Sports and Bowl Association agreements will require a competitive process, not sole-source</td>
</tr>
<tr>
<td>9/1/2017</td>
<td>Responses to the naming rights RFP are due to Fox Sports at its offices at the Aztec Athletic Foundation</td>
</tr>
<tr>
<td>9/14/2017</td>
<td>Effective date of sole-source contract between City and Bowl Association regarding sale of Stadium suites</td>
</tr>
<tr>
<td>9/15/2017</td>
<td>Effective date of sole-source contract between City and Fox Sports regarding Stadium renaming and advertising</td>
</tr>
<tr>
<td>9/19/2017</td>
<td>City Council adopts Resolution 2018-98 renaming the Stadium “SDCCU Stadium”</td>
</tr>
</tbody>
</table>

Coincidently, Qualcomm Inc.’s 1997 Stadium-naming contract expired in May 2017. That contract did not give Qualcomm rights to extend the naming and did not restrict the City’s right to negotiate a new naming sponsor. Therefore, the City had the right to seek a new naming partner at the beginning of May 2017 when over 500 events were scheduled in the Stadium or its parking lot through the end of 2018. These included the Aztecs 2017 and 2018 home football games.

As early as March 2015, Qualcomm executives had informed City officials that the company would not invest any more money in San Diego because they did not believe the City had treated them well in return for their past investments (e.g., the $18 million for Stadium renovations and naming).
schedule (beginning with its 2017 season-opener September 2, 2017), and U2 and Coldplay concerts (on September 22 and October 8, 2017 respectively), plus soccer games, car sales, etc. These known events were the basis for valuing the naming rights.

The City Council adopted Policy 900-20, Naming of City Assets, on April 13, 2017. At the Council hearing on the draft policy, READ clarified that it did not apply to the Stadium, Sports Arena, or Ballpark because those assets typically are leased to a primary tenant, and the naming rights go with the lease. In addition, Policy 900-20 doesn’t discuss requesting bids for naming rights, and there is no requirement for Council review of the underlying contract if it is for less than $3 million. It is awkward to have a class of city assets excluded from a Council Policy on naming those assets but still required to request Council approval of the naming itself. The Mayor and City Council should either amend Policy 900-20 to capture the naming of assets leased to private parties and the contractual procedures to be followed in selling naming rights, or establish a new policy related solely to leased assets like the Stadium.

**The Naming Rights and Advertising**

In May 2017 the Stadium manager told the SAB that a Request for Proposal (RFP) for purchase of the naming rights “would be sent out.” No one consulted the SAB even though renaming the Stadium is an action requiring Council approval. No RFP was prepared by any City agency. Instead, READ negotiated a sole-source contract with Fox Sports to issue that RFP. That contract became effective September 15, 2017, when signed by the city attorney.

On August 1, 2017, Fox Sports published a “Request for Proposal Naming Rights for the Stadium.” This RFP called for responses to be delivered to Fox Sports at its Aztec Athletic Foundation address. It specified that the City and Fox Sports would jointly evaluate the proposals and make the selection. Fox was to receive 25% of the naming-rights revenue.

The City does not usually contract out the issuance of an RFP, and it has no rules covering such a contract. The City’s standard for issuing an RFP is 60 to 100 days. If the City had developed an RFP for the naming rights beginning in April or May 2017, it could have been issued and the bids received on roughly the same schedule as that followed by Fox Sports, with the City retaining all of the naming rights revenue. Nor are there City rules about a private party issuing such an RFP and assisting in the judging of the responses. The Grand Jury recommends the City adopt rules governing the issuance and judging of RFPs by third parties.

READ presented the request to rename the Stadium to the City Council on September 19, 2017. In the normal course of business, that request would have been heard first by a Council committee, allowing time for the members and the Independent Budget Analyst (IBA) to undertake a critical review of issues before a final vote. As this process can take up to four months, time-sensitive requests for Council action can be expedited through a Supplemental Docketing Request. READ used the Supplemental Docketing process and thus the September 19, 2017 Council meeting was the first notice Council members and the IBA had that READ had contracted with Fox Sports to issue an RFP for the naming rights and to help judge responses to that RFP. As a result, the issues the IBA and Council members raised at that hearing about Fox Sports’ role in awarding the naming rights were not discussed in detail, nor were they pursued further.
READ has argued that it could not issue that RFP because the City did not have the expertise to value the naming rights, while Fox Sports is familiar with that market. However, the Stadium staff belongs to professional organizations such as the International Association of Venue Managers and the Stadium Managers Association, and routinely communicates with other stadiums to compare business strategies and gather up-to-date market information. Even without these professional connections, a simple Internet search provides numerous hits on the value of stadium and arena naming rights. Staff could have drawn on these sources of information to determine where the RFP should be publicized and which bids were reasonable. It also may be argued that there was no established market value for the naming rights for a 50-year old decaying stadium with no professional sports anchor tenant. It was a unique item in the American sports world, and Fox Sports’ market familiarity did not offer anything beyond the City’s own resources.

READ also told the City Council that the City had no experience selling advertising, thus it was necessary to contract with Fox Sports for all Stadium advertising. However, Stadium staff knew from the Chargers’ accounts who the advertisers had been and how much each ad was worth. Indeed, the Stadium advertising “Inventory” (a complete list of advertising locations in and around the Stadium and their prices) is appended to the Fox Sports Agreement as Exhibit A (see Table 2).
<table>
<thead>
<tr>
<th>Location</th>
<th>Value</th>
<th>Available</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fascia Panels</td>
<td>$75,000</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Parking Lot Pole Signs</td>
<td>$25,000</td>
<td>4</td>
<td>4 parking lot areas available</td>
</tr>
<tr>
<td>Trivision North Full</td>
<td>$60,000</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Trivision South Full</td>
<td>$60,000</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>West Video Board Permanent Signage</td>
<td>$30,000</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>East Video Board Permanent Signage/lower</td>
<td>$50,000</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>East Video Board Permanent Signage/top</td>
<td>$80,000</td>
<td>1</td>
<td>One 14’ x 50’ backlit ad panel</td>
</tr>
<tr>
<td>East Video Board Permanent Signage (small)</td>
<td>$20,000</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>External Trivision</td>
<td>$100,000</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Street Signs (Friars Road)</td>
<td>$25,000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Concourse Escalator</td>
<td>$15,000</td>
<td>6</td>
<td>Three 20’ x 5’ banners on escalators in main concourse</td>
</tr>
<tr>
<td>Pedestrian Ramp</td>
<td>$10,000</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Ticket Office/Gate C &amp; E</td>
<td>$10,000</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Friars Road Marquee/Primary</td>
<td>$50,000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Friars Road Marquee/Secondary</td>
<td>$30,000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Murphy’s Lounge</td>
<td>$25,000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>West Tunnel Team Entrance</td>
<td>$25,000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Elevator Tower</td>
<td>$20,000</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Elevator Doors</td>
<td>$5,000</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Restrooms</td>
<td>$500</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Game Clocks</td>
<td>$3,333</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Custom Branded Concessions Site</td>
<td>$20,000</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>East Concourse Concessions</td>
<td>$15,000</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Again, READ did not seek the SAB’s advice about contracting out advertising sales, but negotiated a sole-source contract with Fox Sports as the City’s exclusive sales representative for “any and all available multi-media and in-venue marketing, advertising, promotional, naming
and/or sponsorship opportunities” related to the Stadium. In that Agreement, Fox retains 25% of all net advertising revenue up to $1.5 million, and 30% of advertising revenue over $1.5 million. The Fox Sports agreement became effective September 15, 2017, when the City Attorney signed the contract.

The Suite Sales
The Stadium has a variety of luxury suites and press boxes. In the past, the City leased most of them to the Chargers Associates, who “sold” the suites for most Stadium events. When the Chargers terminated their agreement with the City, the right to sell those suites reverted to the City. Stadium staff is familiar with the suites, their size and location, and their past revenue streams to Chargers Associates. Indeed, by February 2017, Stadium staff was in contact with existing suite “owners” to see if they wanted to keep their suites. Stadium staff could have begun selling suites for all Stadium events at that time, retaining most of the revenue and thus offsetting a larger share of the suites’ O&M costs than was possible under the Chargers’ Agreement.

Instead, on August 18, 2017, READ submitted a request for sole-source procurement to the City Department of Purchasing & Contracting (P&C) to award a non-competitive contract to the Bowl Association “to sell all suites for all events held inside the Stadium.” The justifications for using a sole source were the short time available before the Aztecs’ first game on September 2, 2017, and the contractual relationship the City already had with the Bowl Association for the Holiday Bowl.

READ’s agreement with the Bowl Association for suite sales was effective September 14, 2017 (although suites sales began in July 2017). Under that agreement, the City gets 40% of suite-sale revenue, the Bowl Association 30%, and the event sponsor 30%. In addition, the Bowl Association gets 5% of the City’s share of Stadium signage revenue from the Fox Sports contract. From July to December 2017, the City received a total of $152,989.35 from its 40% share of suite sales. However, the Bowl Association’s monthly income statements are so poorly prepared the Grand Jury was unable to verify the accuracy of this number. The City should require the Bowl Association to use standard government accounting practices in their monthly and annual reports.

The Sole Source Process
The Grand Jury finds that the sole-source process was not justified in negotiating either the Fox Sports or the Bowl Association agreements.

Municipal Code §22.3003 defines the City’s agreements with Fox Sports and the Bowl Association as contracts for services. READ and P&C assumed that a competitive process was not required for either of these contracts because they are revenue-generating, a process through which Fox Sports and the Bowl Association would each collect the revenue, retain their share, and send the remainder to the City, rather than be paid by invoice. The city attorney disagreed, and on August 16, 2017 advised READ and P&C that the competitive process under MC §22.3203 was triggered because the contracts were worth more than $25,000 each. Table 3 shows the number of quotes required for different contract values.
<table>
<thead>
<tr>
<th>Value of Goods/Services Contractor Will Provide</th>
<th>Number of Quotes Needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $25,000</td>
<td>1 quote</td>
</tr>
<tr>
<td>$25,000.01 to $50,000</td>
<td>2 quotes</td>
</tr>
<tr>
<td>$50,000.01 to $149,999.99</td>
<td>5 quotes</td>
</tr>
<tr>
<td>$150,000 or more</td>
<td>Formal solicitation (RFP)</td>
</tr>
</tbody>
</table>

The total value of these contracts is difficult to estimate because it is unknown which suites and advertising panels might be sold for Stadium events. The City does not have rules on valuing revenue-generating contracts, and the Grand Jury recommends they develop some.

Under the provisions of MC §22.3208 relevant to this analysis, the only contracts that are not required to be competitively awarded are those for less than $25,000 or necessary to safeguard life, health, or property in an emergency. The City Procurement Manual is based on MC §22.3208 and states that justifications for a sole-source contract also can include continued work on an existing project or system, an exclusive supplier, legacy systems, and operational impact.

The Manual goes on to provide:

“Requests for Sole Sources submitted to P&C with invalid justifications include the following. These justifications will not be approved:
1. Poor planning – ‘We did not have time to go out to bid’;
2. Preference – ‘We like the current provider and do not want to switch’; or
3. Past practices – ‘P&C approved this two years ago, why can’t they approve it now?’”

When a City official requests a sole-source procurement, MC §22.3016 requires that the P&C director certify that it is necessary by showing why a competitive process would be unproductive or would not produce an advantage, and why soliciting bids or proposals would therefore be undesirable, impractical, or impossible.

On August 18, 2017, the READ director submitted a sole-source request for the Fox Sports and Bowl Association contracts. The justifications offered for both requests were, first, insufficient time to undergo a competitive process and still capture the value of Stadium events scheduled in September and October of 2017, and second, the City’s existing contractual relationships with Fox Sports and the Bowl Association. P&C approved the sole-source requests on September 6, 2017.

The Grand Jury does not believe these justifications are sufficient to support use of the sole-source procedure. First, there was no emergency requiring the City to safeguard life, health, or property as required by MC §22.3208(b). Second, the certifications did not describe why strict compliance with a competitive process would be unproductive or would not produce an advantage as required by MC §22.3016(a). Third, the certifications relied on the short time before the Aztecs season began and the U2 and Coldplay concerts, but did not explain why the City had been unable to act more quickly when the suites and advertising had reverted to the City in January and the naming rights in May. Fourth, the certifications relied on prior relationships.
with Fox Sports and the Bowl Association, but did not explain why those relationships justified a sole-source process. The reasons given for sole-source status do not conform to the requirements of the Municipal Code or the City’s Procurement Manual.

**FACTS AND FINDINGS**

**Fact:** The City of San Diego owns and manages the Stadium.

**Fact:** From 1967 to 2017, the Chargers were the Stadium’s primary tenant.

**Fact:** The Chargers’ Stadium Use and Occupancy Agreement (with all amendments) gave the team control of Stadium advertising and suite sales.

**Fact:** On January 12, 2017, the Chargers announced they would be terminating their Stadium Use and Occupancy Agreement.

**Finding 01:** The Chargers’ departure gave the City an opportunity to recoup revenue on Stadium advertising and suite sales.

**Fact:** In May 2017, READ began a sole-source negotiation with Fox Sports for the sale of Stadium advertising.

**Fact:** In May 2017, READ began a sole-source negotiation with the Bowl Association to sell the Stadium suites for future events.

**Fact:** Stadium staff is knowledgeable about the Stadium advertising opportunities and their costs.

**Fact:** Stadium staff is knowledgeable about the Stadium suites and their costs.

**Fact:** Stadium staff is well versed in national standards of stadium management.

**Finding 02:** Stadium staff could have sold the Stadium advertising.

**Finding 03:** Stadium staff could have sold the suites.

**Finding 04:** The City gave away revenue it could have retained.

**Fact:** The City’s contract with Fox Sports to issue an RFP for the Stadium naming rights was effective September 15, 2017.

**Fact:** Fox Sports issued an RFP for the Stadium naming rights on August 1, 2017.

**Fact:** The RFP responses were due to Fox Sports on September 1, 2017.

**Finding 05:** The City allowed work on the contract before its effective date.
Fact: The City’s contract with the Bowl Association to sell the Stadium suites was effective on September 14, 2017.


Finding 06: The City allowed Stadium suites to be sold before it authorized the sales.

Fact: Qualcomm Inc. bought the Stadium naming rights in 1997.

Fact: Qualcomm Inc.’s naming rights expired in May 2017.

Fact: Qualcomm Inc. did not wish to extend its naming-rights contract.

Fact: The City contracted with Fox Sports for Fox to issue an RFP for the Stadium naming rights.

Fact: The City Procurement Manual specifies RFPs are prepared collaboratively by the client department, the Purchasing & Contracting Department, and the city attorney

Fact: Neither City contracting policies nor the Municipal Code discuss contracts to issue RFPs.

Finding 08: The City needs rules on contracts that allow private parties to issue RFPs on the City’s behalf.

Fact: The City’s benchmark for issuing RFPs is 60 to 100 days.

Fact: Stadium Staff is familiar with the RFP process through the contracts for parking and concessions.

Finding 09: The City had the time and expertise to issue its own renaming RFP in time for the Stadium events of September 2017.

Fact: The City’s contract with Fox Sports provided that Fox would issue an RFP for the Stadium naming rights.

Fact: A Fox Sports representative was on the panel that reviewed the RFP responses and selected the winner.

Fact: The City’s contract with Fox Sports gave Fox 25% of the naming-rights revenue.

Fact: The City does not have policies and procedures governing the judging of RFPs by third-parties who have a financial stake in the outcome.

Finding 10: The City needs rules on third parties judging responses to RFPs.
Fact: The contracts with Fox Sports and the Bowl Association are “contracts for services” under MC §22.3003 that require a competitive solicitation under MC §22.3206.

Fact: MC §22.3208 defines a “sole source” contract as one that is not required to be competitively awarded.

Fact: MC §22.3016(a) justifies a sole-source contract when “…strict compliance with a competitive process would be unavailing or would not produce an advantage, and…soliciting bids or proposals would therefore be undesirable, impractical, or impossible.”

Fact: The sole-source certifications for the Fox Sports and Bowl Association contracts are based on the short period of time available to issue RFPs and the prior relationships with Fox Sports and the Bowl Association.

Fact: The City had the opportunity to issue an RFP for advertising and suite sales as early as February 2017.

Fact: The City Procurement Manual provides the official statements of what circumstances justify and what circumstances do not justify sole source contracts.

Finding 11: The Fox Sports and Bowl Association contracts did not conform to the requirements for sole source status.

Fact: The Fox Sports and Bowl Association contracts are revenue-generating.

Fact: The City has no rules on valuing revenue-generating contracts for the purposes of determining the appropriate solicitation process.

Finding 12: The City needs rules on valuing revenue-generating contracts.

RECOMMENDATIONS
The 2017/2018 San Diego County Grand Jury recommends that the Mayor and City Council:

18-16: Establish policies and procedures for City contracts with private parties in which the private party will issue a Request for Proposal on the City’s behalf and include rules on when the private party can participate in judging the responses to that RFP.

18-17: Establish policies and procedures for selling the naming rights for City assets leased to private parties.

18-18: Establish policies and procedures for valuing revenue-generating contracts.

18-19: Require the Bowl Association to follow standard government accounting practices in its monthly and annual income statements.
**REQUIREMENTS AND INSTRUCTIONS**

The California Penal Code §933(c) requires any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the agency. Such comment shall be made no later than 90 days after the Grand Jury publishes its report (filed with the Clerk of the Court); except that in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such comment shall be made within 60 days to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code §933.05(a), (b), (c), details, as follows, the manner in which such comment(s) are to be made:

(a) As to each grand jury finding, the responding person or entity shall indicate one of the following:

1. The respondent agrees with the finding
2. The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) As to each grand jury recommendation, the responding person or entity shall report one of the following actions:

1. The recommendation has been implemented, with a summary regarding the implemented action.
2. The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
3. The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report.
4. The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

(c) If a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the grand jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with the Penal Code §933.05 are required from the:
<table>
<thead>
<tr>
<th>Responding Agency</th>
<th>Recommendations</th>
<th>Date</th>
</tr>
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<tbody>
<tr>
<td>Mayor, City of San Diego</td>
<td>18-16 through 18-19</td>
<td>8/21/18</td>
</tr>
<tr>
<td>San Diego City Council</td>
<td>18-16 through 18-19</td>
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</tbody>
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