

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ERIC MCHENRY, CHIEF INFORMATION OFFICER
INFORMATION TECHNOLOGY DEPARTMENT

SUBJECT: TERMINATION OF MEDIA SERVICES AGREEMENT F000682
WITH SANTA ROSA COMMUNITY MEDIA ACCESS CENTER,
INC, (dba CMEDIA).

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Information Technology Department that the Council, by resolution, terminate the January 14, 2014 "Agreement" between the Santa Rosa Community Media Access Center (dba "CMEDIA") and the City to provide for the operation of Public Education and Government ("PEG") access channels and the management of a community media center.

EXECUTIVE SUMMARY

On October 31st, 2016 CMedia notified City staff of a complete layoff of all its staff, including its Executive Director, stating financial and internal control issues prompting a City audit of their operations and financial management. As a result of the audit, discrepancies in accounting and management of PEG funds were identified. The basis for termination of this Agreement is Section 15 of the Agreement, which provides that the unlawful use of funds shall be cause for the immediate termination of the Agreement.

BACKGROUND

- On January 14, 2014, the City entered into the Agreement with CMedia to provide for the operation of PEG access channels and the management of a community media center by CMedia in exchange for funding by the City. The Agreement is scheduled to expire on March 31, 2017.
- CMedia is required to provide for such fiscal control and accounting procedures as are necessary to assure proper disbursement and accounting for funds received from the City. The unlawful use of funds shall be cause for the City to deduct such funds from any payments owed to CMedia and the immediate termination of the Agreement.

- The Agreement requires CMedia to submit to the City an annual proposed budget of capital equipment requirements for the upcoming year for the City's review and consideration. At the City's sole discretion, the PEG capital funding is provided to CMedia up to a maximum amount of \$150,000 per year for the purchase of capital equipment by CMedia.
- In addition to PEG capital funding, the Agreement calls for the City to provide operating funds to CMedia in the amounts of:
 - First Year of Agreement: \$360,000
 - Second Year of Agreement: \$275,000
 - Subsequent Years through the Term of Agreement: \$200,000
- On October 31, 2016 CMedia notified City staff of a complete layoff of all its staff, including its Executive Director, stating financial and internal control issues.
- Following the notification of staff layoffs, on November 9, 2016 the City initiated an internal performance audit of CMedia to determine whether CMedia complied with the accounting, reporting and usage of PEG capital funds; to evaluate CMedia's ability to sustain its operations through March 31, 2017; to determine CMedia's current payroll liability and its ability to pay its employees; and to determine the amount of PEG funds advanced to CMedia.

PRIOR CITY COUNCIL REVIEW

Not applicable.

ANALYSIS

The summary from the internal performance audit performed by the City Internal Audit Unit stated:

Reporting Period: April 1, 2014, through October 31, 2016

Results:

- CMedia incorrectly used and/or accounted for \$329,140.30 in PEG capital funds received from the City, and did not properly account for the PEG capital assets due to the City.
- CMedia does not have any reliable sources of revenue that will enable it to sustain its operations through March 31, 2017 while providing the level and quality of services acceptable to the City. Per available records, as of October 31, 2016 CMedia's total cash in various bank accounts is \$32,093.93 and its current liabilities total is \$51,898.11, including an estimated payroll liability of \$10,000.

- In addition, approximately \$10,000 in credit card purchases were identified that appear to be personal expenses that are not in line with CMedia's tax-exempt purpose.

FISCAL IMPACT

Effective October 31, 2016, the City has hired (4) part-time temporary employees to ensure ongoing public meeting broadcast for City meetings. The cost of the part-time employees is completely offset by funds originally budgeted for the CMedia agreement.

December 6th, 2016 through March 31st, 2017 (remaining term of Agreement)

- Current Balance (originally budgeted for CMedia): \$50,000
- Estimated expenses: \$20,000
 - Meeting production services: \$7,000
 - Live Closed Captioning: \$13,000

Future funding needs, and the PEG services delivery model will be considered at a future council meeting.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Agreement
- Attachment 2 – Internal Performance Audit
- Attachment 3 – Resolution

CONTACT

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