

Audit Report

Millennium Youth Entertainment Complex

August 2020



Strained relationships and lack of trust between key players affected Millennium Youth Entertainment Complex (MYEC) operations and could impact the facility's ability to meet its intended mission.

The agreements related to the MYEC were not effectively monitored partially due to unclear roles and responsibilities and governance challenges. City staff did not ensure that the board of the Austin Rosewood Community Development Corporation (ARCDC) performed its responsibilities, which included overseeing the agreement with the company managing the MYEC's operations. Agreements between the City and ARCDC were also not timely renewed.

The City has not addressed MYEC facility and technology maintenance needs or accessibility issues, which could result in injury to patrons, increased future maintenance costs, and negative community perception. This is due in part to funding constraints.

SMG, the company managing MYEC, did not meet performance targets for revenue, attendance, and activity expansions. Some performance expectations were not defined clearly enough to verify success. Community members noted additional barriers such as lack of affordability and limited days of operation, which could impact the community's ability to use the MYEC.

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Cover: Entrance of the Millennium Youth Entertainment Complex in East Austin, PARD staff photo.

Objective

Is the Millennium Youth Entertainment Complex operating effectively to meet community needs?

This audit was requested by Council through Council Resolution No. 20190619-086.

Background

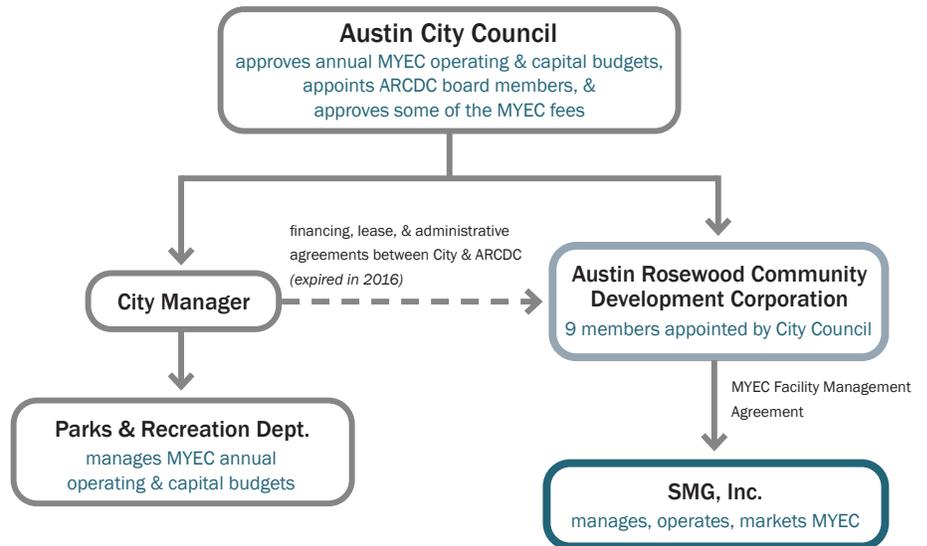
The Millennium Youth Entertainment Complex (MYEC) is a 55,000-square-foot, City-owned and funded facility located in East Austin.

The mission of the MYEC is to provide a safe, secure, and comfortable environment (free from drugs, gangs, crime, and violence) where families can enjoy a wide range of affordable, high-quality recreational and entertainment activities and attractions.

The facility's construction was funded by a \$8,875,000 U.S. Department of Housing and Urban Development (HUD) Section 108 loan. HUD required the City to form a board to manage the construction of the facility in order to receive this funding. To satisfy HUD requirements, the Austin City Council created the Austin Rosewood Community Development Corporation (ARCDC)¹ in 1995. According to City staff, the City fully paid back the loan to HUD in 2016.

There are several key partners involved in the activities of the MYEC: City Council, City staff, the ARCDC, and SMG,² the company managing the MYEC.

Exhibit 1: Key partners involved in MYEC-related activities



SOURCE: Analysis of agreements related to MYEC operations, December 2019

The key players executed four main agreements to manage and guide MYEC construction and operation: a lease agreement, a financing agreement, an administrative agreement, and a facility management agreement.

In July 1996, the City entered into two 20-year agreements with the ARCDC: a lease agreement and a financing agreement. These agreements gave the ARCDC authority to construct the MYEC and oversee its operations.

Exhibit 2: The City entered into two agreements with the ARCDC

Lease Agreement	Financing Agreement
The City leased the land to the ARCDC for the purpose of constructing the MYEC.	The City gave the ARCDC authority to spearhead the construction of the MYEC and oversee operations using a third party.

SOURCE: Analysis of agreements related to MYEC operations, December 2019

As a result of the financing agreement, the ARCDC entered into two additional agreements: an administrative agreement with the City and a facility management agreement with a third-party company, SMG, to serve as the MYEC manager.

Exhibit 3: The ARCDC executed two agreements with the City and a third party to manage MYEC

Administrative Agreement	Facility Management Agreement
The ARCDC contracted with the City, authorizing the Parks and Recreation Department to carry out the administrative responsibilities of the ARCDC.	The ARCDC contracted with SMG to manage, operate, and market the MYEC.

SOURCE: Analysis of agreements related to MYEC operations, December 2019

What We Found

Summary

Strained relationships and lack of trust between key players appear to have affected Millennium Youth Entertainment Complex (MYEC) operations and could impact the facility's ability to continue meeting its intended mission.

The City did not effectively manage and monitor its agreements with the Austin Rosewood Community Development Corporation (ARCDC), resulting in inadequate oversight of operations of the MYEC. Specifically, City staff did not ensure that the ARCDC board performed its responsibilities, which included overseeing the agreement with SMG, the company managing the MYEC's operations. The agreements between the City and the ARCDC were not timely renewed.

Also, the City did not timely address identified facility and technology maintenance needs or accessibility requirements, which could result in reduced use of the facility, negative community perception, injury to patrons, and increased future maintenance costs.

In addition, in fiscal years 2017 through 2019, SMG did not meet performance targets for revenue, attendance, and activity expansions.

Further, some community members noted barriers such as affordability and limited days of operation, which could impact the community's ability to use the MYEC.

Finding 1

Strained relationships and a lack of trust between key players have affected Millennium Youth Entertainment Complex operations and could negatively impact the facility's ability to meet its mission if left unaddressed.

It is important for an organization to build trust with stakeholders. Trust promotes cooperative behavior and enhances commitment and motivation among stakeholders.

As noted above, there are several stakeholders that play a direct or indirect role in the activities related to the MYEC.³

We found a lack of trust among the stakeholders involved in MYEC activities. This appears to be negatively affecting the ability of these stakeholders to create a common vision for the facility's operations, needs, and future. Several factors appear to have contributed to this environment. The City assigned the responsibility for overseeing the operations of the MYEC and ensuring that the facility is effectively managed and maintained to the ARCDC board. However, it appears that the ARCDC has historically been ineffective in this effort and was not operating in a unified manner.

Also, it appears some stakeholders' lack of trust is influenced by history. Some stakeholders perceive that the City has not worked hard enough to stop displacement in East Austin and has consistently underfunded the MYEC.

In 2008, PARD and the ARCDC performed a comprehensive community engagement process to gather feedback from the various stakeholders on MYEC operations and what needed to be improved. This outreach

³ Key stakeholders include City Council, PARD staff, ARCDC, SMG (the facility manager), and community members.

and the results were embraced by various stakeholders. Stakeholders recommended the City periodically perform such community engagement. However, PARD and the ARCDC have not yet done this. Comprehensive community engagement would act as one way to cultivate trust among all involved parties.

In 2010, City Council requested the City Manager hire a consultant to conduct an evaluation of MYEC management performance. This report was intended to provide recommendations on strategies for the City and stakeholders to develop a long-term MYEC strategic plan. The consultant completed the report in 2012 and submitted it with detailed recommendations. However, the report was not used to implement any changes and the MYEC long-term plan was not developed. PARD management believed that the report was useful and was ready to implement the recommendations. However, some stakeholders perceived that it was a move by the City to take over the MYEC and to undermine the authority of the ARCDC.

During this audit, we conducted a survey of community members to gather information about their perceptions of the MYEC. Based on this survey of community members and interviews with other stakeholders, there seems to be a lack of trust between the stakeholders.

Some stakeholders indicated that the City does not care about the MYEC and is not transparent on matters relating to the MYEC. Examples of stakeholder comments:

- “The community’s perception of the future of the MYEC is that the City is planning to sell it, shut it down, or repurpose it. A lack of communication between the City and stakeholders continues to perpetuate this belief.”
- “No one in the City seems to care about the facility and other issues in East Austin populations.”
- “The City is making a plan to further gentrify East Austin and take the MYEC away from the community.”

City staff, the ARCDC, and SMG appear to be inflexible and unwilling to compromise even when it is in the best interests of the facility. For example, it has taken over three years to renew the City’s expired agreements with the ARCDC.⁴ This has resulted in:

- the City funding MYEC operations without an enforceable agreement (the City is not party to the agreement between the ARCDC and SMG);
- the ARCDC executing an agreement in 2018 with SMG while the agreements that authorized ARCDC to contract out operations had expired; and
- the City withholding \$280,630 approved by City Council in fiscal year 2018 for MYEC maintenance due to not having a current contractual relationship.

⁴ As of April 30, 2020, the City and the ARCDC are still negotiating this agreement.

Finding 2

The City and the Austin Rosewood Community Development Corporation did not provide adequate leadership and oversight over the Millennium Youth Entertainment Complex. The City is less able to ensure community needs are met, and this could prevent the facility from achieving its mission.

Good contract administration and regular performance monitoring helps ensure that agreements are developed and managed in a way that protects an organization's best interests, and that the contractor is meeting all agreement requirements.

MYEC-related agreements were not effectively monitored partially due to unclear roles and responsibilities and governance challenges. This includes agreements not being renewed timely or monitored in the best interest of the City by the responsible parties.

The City did not effectively manage its financing and lease agreements with the ARCDC

We found issues with the way the Parks and Recreation Department (PARD) managed its financing and leasing agreements with the ARCDC.

Exhibit 4: Issues relating to the City's agreements with the ARCDC

Lease Agreement	Financing Agreement
The agreement expired in September 2016 and has not been renewed.	The agreement expired in September 2016 and has not been renewed. The City did not establish operating guidelines for the MYEC. The City did not obtain and review the contractual reports that the ARCDC was obligated to submit.

SOURCE: Analysis of agreements related to MYEC operations, December 2019

We found that PARD management did not monitor the performance of the ARCDC according to the financing agreement.

- The financing agreement required the City to establish guidelines that would create policies and procedures for MYEC operations. However, these guidelines were never established.
- The ARCDC was required to submit periodic reports to the City such as operating budgets, performance reports, and inventory reports. PARD did not ensure that the ARCDC submitted these reports.
- The ARCDC was required to schedule and participate in a monitoring meeting with the City at the end of each annual reporting period. However, we did not see evidence that these meetings were held.

Both the financing and lease agreements expired on September 30, 2016. The City has not renewed these agreements as of April 30, 2020. This resulted in the City spending public funds on a facility for over three years without an enforceable contract between the City and the ARCDC.

PARD's lack of clarity about their monitoring responsibilities contributed to inadequate oversight of the financing agreement. While PARD has a contract monitoring unit, the oversight responsibilities for the financing agreement were not assigned to this unit. PARD management indicated that the PARD director was in charge of overseeing the agreement.

The ARCDC's board structure may also have created challenges for PARD in overseeing the financing agreement. PARD management, including the department director, were members of the ARCDC board. PARD was responsible for overseeing the agreement with the ARCDC board while also serving on the board, causing PARD to oversee themselves. During this audit, City Council addressed the issue of having City staff on

the ARCDC board by removing all City staff and appointing community members instead.

Without adequate oversight, the City does not have assurance that the ARCDC is complying with all requirements in the agreement. Also, the City may not be seen as a good steward of limited resources if City funds go to MYEC operations without an enforceable agreement.

The ARCDC did not effectively carry out its oversight responsibilities of MYEC operations

The ARCDC created a facility management agreement with a third-party company, SMG, to manage MYEC operations once the facility was built. The ARCDC was responsible for overseeing the activities of the MYEC manager, SMG, to ensure that they provided the required services and that all submitted performance information was complete and accurate.

In addition, the ARCDC created an administrative agreement with the City in which the City agreed to provide administrative services to the ARCDC.

We found significant gaps in the way the ARCDC monitored the two agreements.

Exhibit 5: The ARCDC did not effectively monitor contracts

Facility Management Agreement with SMG	Administrative Agreement with City
The ARCDC did not hold regular board meetings or document its decisions.	The agreement was not timely renewed. It expired on September 30, 2016.
The ARCDC did not provide adequate oversight or consistently monitor the performance of SMG, the MYEC manager.	<i>During the scope of this audit, the ARCDC did not use the services of PARD to monitor the performance of SMG.</i>

SOURCE: Analysis of agreements related to MYEC operations, December 2019

The ARCDC board did not hold regular meetings to discuss the performance of SMG, the manager of the Millennium Youth Entertainment Complex.

The ARCDC did not consistently hold board meetings or document decisions. ARCDC meeting records showed that from calendar year 2012 to 2019, the ARCDC board held seven meetings.⁵ Only three of these meetings had formal minutes of the discussion. The meeting minutes did not show evidence that the board members discussed the performance of SMG, the MYEC manager. Various stakeholders, including ARCDC board members, noted that the ARCDC did not hold regular meetings and has largely been a non-functional board.

The ARCDC did not verify completeness or accuracy of performance information reported by SMG, the MYEC manager. The Facility Management Agreement authorizes SMG to collect and “exclusively” manage all the revenue from MYEC activities as well as funding provided by the City. This agreement requires SMG to submit periodic reports to the ARCDC, including monthly performance reports, annual operating and capital budgets, and certified annual audit reports. Based on interviews with stakeholders, the ARCDC did not review the reports

⁵ Between January and May 2020, the ARCDC board held four meetings.

submitted by SMG to verify the accuracy and completeness of the information reported. Due to the infrequent ARCDC meetings and lack of documentation, it is not clear if ARCDC used these reports to monitor the performance of SMG.

The vacuum created by ARCDC inactivity and a lack of adequate oversight seems to have created a non-contractual relationship between the City and SMG. The City is not directly a party to the agreement between the ARCDC and SMG. However, due to the lack of an organized oversight structure, SMG has had to deal directly with PARD staff and City Council to articulate MYEC's needs. The ARCDC should have played this role.

Unclear roles and responsibilities and the ARCDC governance structure contributed to the ARCDC's ineffective oversight of the MYEC.

Unclear roles and responsibilities

The ARCDC and the City created an Administrative Agreement in 1996 to give PARD administrative responsibilities for the ARCDC. PARD management indicated that the terms in the Administrative Agreement are not clear and need to be clarified to ensure that all involved parties have a common understanding of their responsibilities. According to PARD management, PARD is not responsible for overseeing MYEC activities or performance. The ARCDC is responsible for providing oversight over MYEC operations, but it does not have staff to carry out this responsibility.

The Facility Management Agreement identified a need for "Authorized Representatives" from the ARCDC and SMG to facilitate coordination. The ARCDC board chair (PARC director at the time) acted as the "Authorized Representative of the Board" responsible for coordinating board activities and decisions with SMG.

SMG did submit performance reports to the PARD director. However, the ARCDC board did not use these reports to monitor SMG's performance. It appears that the ARCDC simply stored these reports as opposed to using them to oversee SMG's performance. Additionally, from March 2018 to September 2019, SMG developed performance reports but did not submit them to the ARCDC, because SMG did not know which ARCDC board member to send them to during that period.

Also, it appears that some ARCDC members are not aware of their monitoring roles. One ARCDC member thought that SMG, the MYEC manager, was the one responsible for verifying the accuracy and completeness of performance reports.

ARCDC governance structure

The governance structure of the ARCDC also presented challenges to effectively monitoring the MYEC by creating coordination issues and the potential for conflicts of interest.

As mentioned above, the ARCDC board included PARD staff, which created potential for a conflict of interest. During this audit, the City

Council addressed the issue of having City staff on the ARCDC board by removing all City staff and appointing community members instead.

While the ARCDC's ineffective oversight does not necessarily mean that SMG did not provide the services included in the Facility Services Agreement, it increases the risk that these services will not be provided. In addition, funding without oversight may lead to a negative public perception that the City is not a good steward of public funds.

Finding 3

The City has not addressed identified facility and technology maintenance needs or accessibility requirements, which could result in injury to patrons, increased future maintenance costs, and negative community perception.

The maintenance issues at the Millennium Youth Entertainment Complex may lead residents to believe that the City does not care about maintaining its facilities.

It is critical to maintain the facility infrastructure and technology to provide effective service to the community. We found that the City faces challenges in funding the identified maintenance needs in a timely manner. In addition, the community expressed concerns related to a lack of maintenance and outdated technology.

Identified maintenance needs were not addressed timely due to insufficient funding

The MYEC manager, SMG, submits a MYEC capital expenditure budget to the ARCDC annually. The budget lists needed capital maintenance and associated cost estimates. Some of this maintenance relates to safety. PARD management indicated the department's inability to address maintenance needs is due to funding constraints and other competing needs.

There was approximately \$500,000 in unmet needs based on the 2019 capital expenditure budget for the MYEC. Unmet needs included HVAC repairs, equipment, technology, lighting, and items related to safety and security.

In fiscal year 2018, City Council approved \$280,630 to address some of the needs in the MYEC manager's 2019 capital budget. This was for upgrading the theater to digital technology (\$129,792) and adding live music equipment for the East End Arena (\$150,836). However, the City did not provide the funds to SMG, the MYEC manager. According to City staff, this is mainly because there is no enforceable agreement between the City and the ARCDC. The previous agreements expired in September 2016.

The City has not addressed Americans with Disabilities Act (ADA) compliance issues

In 2016, City staff identified several issues related to ADA⁶ compliance. According to PARD management, the preliminary estimated cost to address the issues was about \$500,000. Issues included height compliance requirements, lack of accessibility to the projector room, and spaces that were not wheelchair-accessible. These issues have not been addressed, and PARD does not have a timeline as to when the issues will be addressed.

⁶ According to the US Department of Labor, the Americans with Disabilities Act (ADA) prohibits discrimination against people with disabilities in several areas, including employment, transportation, public accommodations, communications, and access to state and local government programs and services.

PARD management said they were not able to address the ADA issues due to a lack of adequate funding and other competing City priorities. Also, PARD does not appear to prioritize ADA requirements.

If ADA issues are not addressed timely, community members with disabilities may not be able to access the facility. Also, facility users could be injured, and the City could be liable for related claims.

While other centers that we reviewed during this audit⁷ received significant funding through the 2018 voter-approved bond to address needed facility enhancements and maintenance issues, the MYEC did not receive any funding.

While a majority of stakeholders believe that MYEC is well-maintained, some expressed concerns related to needed facility upgrades

In the survey of community members conducted during this audit, 61% of respondents rated the maintenance of the facility as “good” or “excellent.” However, some of the survey respondents and other stakeholders expressed concerns related to maintenance of the MYEC and said the City is not doing enough to ensure that the facility is adequately maintained. Examples of stakeholders’ facility maintenance concerns are included in Exhibit 6.

Exhibit 6: Stakeholder concerns relating to facility maintenance

- The facility needs an upgrade. The style and paint are all old and fading. It seems a bit dirty.
- The skating floor needs to be replaced, and the skate zone carpet and floor need to be upgraded.
- The seats in the movie theater need to be enhanced along with the conference room next to the theater.
- Restrooms should be upgraded and kept clean.

SOURCE: Analysis of the community member survey responses and interviews with stakeholders, February 2020

During our visit to the MYEC, we also noted some maintenance issues that need to be addressed. The East End Arena is primarily used as a skating rink. The floor slab had cracks, which could have posed a safety risk to skaters. According to PARD staff, work began in spring 2020 to replace the floor. The kitchen did not have a smoke extractor hood, which also poses a safety risk. Overall, the facility appeared to be clean.

⁷ Centers also reviewed were the Asian American Resource Center; Emma S. Barrientos Mexican American Cultural Center; George Washington Carver Museum, Cultural and Genealogy Center; African American Cultural and Heritage Facility; and Mexic-Arte Museum. The African American Cultural and Heritage Facility also was not allocated 2018 bond funding.

Exhibit 7: Example of a crack in the East End Arena floor slab



SOURCE: OCA observations on the condition of the MYEC during a site visit, October 2019

While a majority of respondents viewed MYEC activities positively, some stakeholders had concerns about outdated technology, broken equipment, and a lack of high-quality entertainment activities

One key component of the MYEC mission is to provide high-quality entertainment activities and attractions. The MYEC provides skating, bowling, video games, and movies to meet this goal.

In the survey of community members conducted during this audit, 54% rated the quality of entertainment activities and attractions at the facility as “good” or “excellent.” However, some survey respondents and other stakeholders noted a need to upgrade the theater technology and improve the quality of video games to attract more kids and meet standards at other facilities.

Exhibit 8: Stakeholder concerns relating to equipment, technology, and activities

Examples of equipment and technology concerns:

- The center has broken equipment. Video game machines are old, slow, and sometimes broken.
- The theater is old and uncomfortable and has been closed for two years due to lack of funding.
- The music system and the acoustics in the skating rink need to be updated.
- The movie theater needs to be upgraded regularly to keep up with technology.

Examples of entertainment activity concerns:

- The games are outdated.
- Provide more varieties of movies.
- Update activities based on the changing needs of the community.

SOURCE: Analysis of the community member survey responses and interviews with stakeholders, February 2020

Finding 4

The company managing the Millennium Youth Entertainment Complex did not meet annual performance targets for revenue, attendance, and activity expansions. Some performance expectations were not defined clearly enough to verify success.

The Facility Management Agreement requires SMG to submit a proposed facility operation budget each year. This budget establishes revenue, performance, and attendance targets for the year. The ARCDC is required to review and approve this budget. However, SMG did not consistently meet revenue and attendance targets approved by the ARCDC from fiscal years 2017 to 2019. The MYEC's revenue averaged approximately \$39,000 less than the approved targets each year. Attendance averaged approximately 4,600 less than the approved targets each year. SMG and ARCDC members indicated that outdated technology and unaddressed maintenance needs may have impacted SMG's ability to meet these target goals.

Exhibit 9: MYEC revenue, attendance were lower than agreed targets

Fiscal year	2017	2018	2019
Revenue from operations			
Budgeted revenue	\$498,799	\$517,249	\$522,234
Actual revenue	\$465,700	\$492,612	\$463,000
Gap between actual and budgeted revenue	(\$33,099)	(\$24,637)	(\$59,234)
Attendance			
Budgeted attendance	76,812	76,812	76,812
Actual attendance	79,847	66,649	70,025
Gap between actual and budgeted attendance	3,035	(10,163)	(6,787)

SOURCE: OCA review of the MYEC Facility Management Agreement, FY17 and FY18 operating budgets and audited financial reports, and MYEC attendance reports for FY17 through FY19, February 2020

SMG has not implemented some performance requirements due to funding constraints and a belief that community needs have changed

The Facility Management Agreement required SMG to expand facility activities within the constraints of available funding. The requirements covered three main areas based on community priorities: activity programming, service feedback, and outreach.

SMG did not fully implement the required changes, citing lack of adequate funding or lack of expressed need for the change by the community.

Exhibit 10: SMG cited lack of revenue, community need for not fully implementing required changes

Required change	Reason why the change was not implemented
“Implement membership incentives”	Lack of funding
“Put on a poetry slam and creative writing contest”	Lack of funding
“Implement an online payment system”	Lack of funding
“Fully meet expansion of entertainment venues to include small-scale performing arts venues”	Barriers such as lack of new roller-skating floor, theater upgrades, and the sound and lighting
“Restore a designated small children area or activities”	No community member expressed a need for a kids playscape

SOURCE: OCA review of the MYEC Facility Management Agreement’s performance tracking report, February 2020

We noted that while the Facility Management Agreement increased SMG’s performance expectations, the facility operating budget and additional funding provided by the City have generally remained the same for many years.

Best practices recommend that contractor performance expectations should be clear and measurable.

Some performance expectations are not clearly stated, making it difficult to determine success

Some of the performance requirements in the Facility Management Agreement were not specific enough to determine if the measures were met. We were unable to determine whether the actions taken by SMG to implement those requirements met the spirit of the specific requirement.

Exhibit 11: Some performance requirements are not specific enough to determine success

Requirement	Implementation	Observation
Resume teen dances	Facility only hosted three dances in FY18 and two dances in FY19	The agreement includes no specific language regarding the number of dances.
Offer competitive game leagues	In FY18 and FY19, only two groups used the facility each year.	The agreement does not indicate the target number of leagues.

SOURCE: OCA review of the 2009 MYEC Facility Management Agreement and SMG performance reports, February 2020

Finding 5

Barriers impacting accessibility at the Millennium Youth Entertainment Complex could lead to reduced community use.

The goal of the MYEC is to serve the community by providing services and entertainment activities. It is important that the facility is accessible to all intended users.

The *Imagine Austin* plan outlines that Austin's buildings and public spaces should be accessible to members of the community. In our community survey for the centers conducted during this audit, we sought community members' input on fee affordability at the MYEC facility as well as facility hours of operation. In addition, the City has not addressed some ADA compliance issues.

While most community members believe fees are affordable, some expressed concerns

To ensure accessibility, the MYEC needs to price services so that community members can access the center. City Council approves an annual fee schedule for activities at the MYEC as part of the budget process. In addition, SMG sets rental fees for special events. The results from our community survey show that most people believe fees are affordable. However, some of the survey respondents expressed concerns about affordability of the fees.

In our community survey, a majority of respondents said skating (77%), bowling (78%), and arcade games (71%) are "affordable" or "very affordable." Also, 61% of the respondents reported the space rental fees are "affordable" or "very affordable."

Exhibit 12: Fee affordability concerns noted by survey respondents

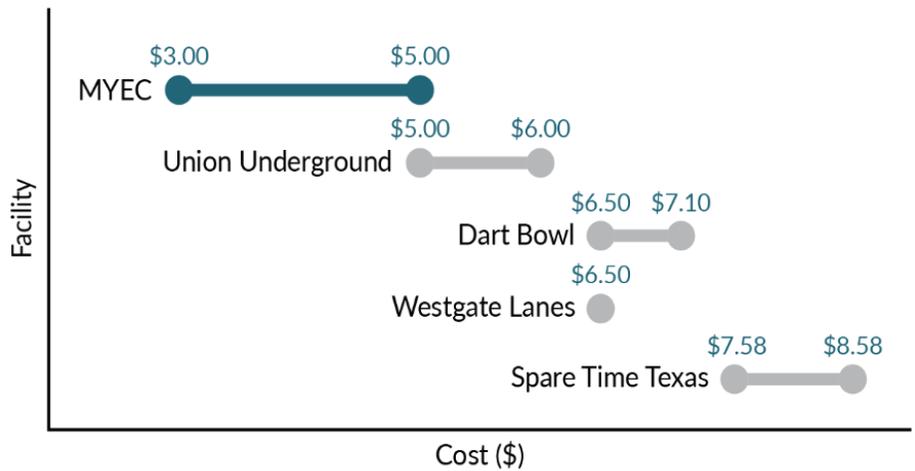
- The center was built to give young people a safe and inexpensive place to go. Most parents cannot afford take their children to the center because of the high fees charged.
- The fees and facility rental charges are still high, especially for some low-income residents in East Austin and organizations that serve young people and people with low incomes.
- The pricing has been prohibitive for nonprofits that would like to use the facility.

SOURCE: Analysis of community member survey responses and interviews with stakeholders, February 2020

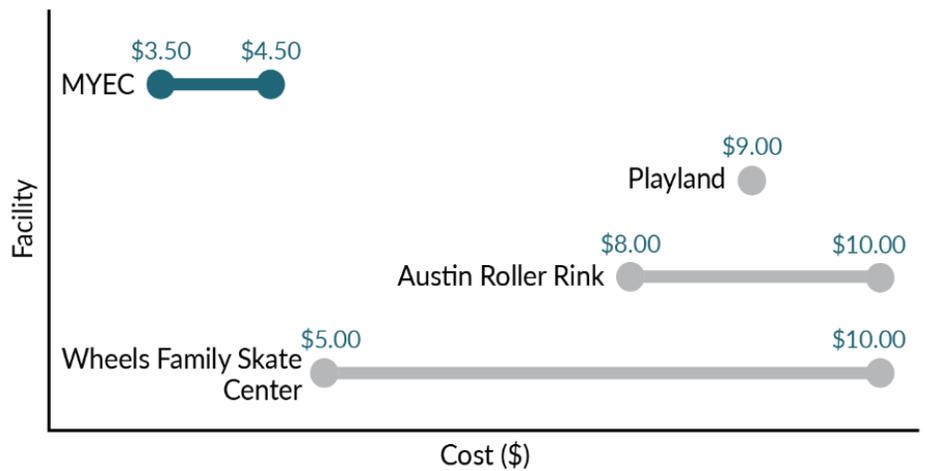
We compared the MYEC fees for skating and bowling to those charged by similar privately owned facilities in Austin, and MYEC fees appeared to be lower. Also, MYEC fees for group rentals were within or below the range of similar group rentals for venues surveyed. However, MYEC fees may still not be affordable to all community members.

Exhibit 13: The MYEC has generally lower fees than similar privately owned facilities in Austin

Cost to Bowl (including shoe rental)



Cost to Skate (including skate rental)



SOURCE: Analysis of MYEC costs and those of similar privately owned facilities, December 2019

While most community members believe that the operating hours of the facility meet their needs, some expressed concerns

The Millennium Youth Entertainment Complex is open four days a week, Wednesday through Saturday.

To ensure accessibility, the operating hours of the facility should be aligned with the community's needs. The MYEC is open to the public four days a week, Wednesday through Saturday. Sometimes, the facility is open outside of these normal operating days to accommodate special events.

In our community survey, 66% of the respondents reported that the MYEC days and hours of operation meet the needs of the community "most of the time" or "always." Some survey respondents and stakeholders believe MYEC operating hours and event scheduling do not meet the needs of all users.

Exhibit 14: Examples of concerns about operating hours from survey respondents

- The hours do not seem to take the AISD school schedule into account. MYEC appeared closed during long stretches of the summer, spring, and winter breaks.
- The MYEC should be open during after-school hours.
- MYEC is not open during the hours convenient for teens, young adults, or parents.
- MYEC will close the building for big events that pay more money any time, even last-minute.
- Sometimes the facility is unexpectedly or inconveniently closed.
- Opening the MYEC from Thursday through Sunday would be a great idea.
- Private parties on Fridays often interfere with family skating.
- Sometimes special events aren't known in advance and shut down the skating.

SOURCE: Analysis of the community member survey responses, February 2020

Also, as noted above the City has not addressed ADA compliance issues. If ADA issues are not addressed timely, community members with disabilities may not be able to access the facility. Also, facility users could be injured, and the City could be liable for related claims.

PARD management said they were not able to address the ADA issues due to inadequate funding and other competing City priorities. Also, PARD does not appear to prioritize ADA requirements.

Additional Observation

Additional funding provided by the City approximately equals the net loss from Millennium Youth Entertainment Complex operations.

The MYEC operations are funded through revenue collected from facility activities as well as contributions from the City. Based on the Facility Management Agreement, SMG is required to submit a proposed annual operating budget to the ARCDC for approval every year. The budget includes the anticipated operating revenue from MYEC activities and associated expenses. If the expenses are greater than the revenue, SMG is required to request additional funding from the City to meet the funding gap.

MYEC financial documents for fiscal years 2017 through 2019 show the facility consistently operated at an average net loss of approximately \$703,000 each year and required an annual operating contribution from the City.

Exhibit 15: The MYEC consistently operated at a loss in recent years

Fiscal year	2017	2018	2019
Operating revenue	\$465,700	\$492,612	\$463,000
Contributions from SMG and other income	\$15,235	\$17,162	\$65,967
Operating revenue, SMG contributions, and other income	\$480,935	\$509,774	\$528,967
Operating expenses	\$1,161,085	\$1,179,591	\$1,287,594
Net loss	\$680,150	\$669,817	\$758,627
Funding from the City	\$663,000	\$678,000	\$680,500

SOURCE: OCA review of the MYEC FY17 through FY19 audited financial reports, February 2020

Additional Observation

Working relationships have improved between PARD and the Austin Rosewood Community Development Corporation, allowing for some improvements at the Millennium Youth Entertainment Complex.

In September 2019, the City Council restructured the ARCDC board by removing all City staff from the board and replacing them with community members and filling some of the vacant positions on the board. Currently, eight of the nine board positions are filled with community members.

Per ARCDC management, the current board has been trying to gain an understanding of the operations, budget, and needs of the MYEC. In addition, the ARCDC board and PARD management noted that under the new board, the working relationship between PARD and the ARCDC board has improved. This new working relationship has allowed the MYEC and PARD to collaborate on needed repairs to the MYEC skating rink and theater. Currently, the work on the theater is in progress, and the renovation of the skating rink was completed in April 2020. Lastly, after three years of legal negotiations between the ARCDC and the City, the parties have drafted a governing agreement to be reviewed by City Council.

Additional Observation

We were unable to find a city-owned facility with a governance structure like the City’s Millennium Youth Entertainment Complex governance structure.

During this audit, we compared the MYEC governance model to 22 city-owned centers in seven other cities.⁸ We did not find a City that owns and operates an entertainment center like the MYEC. While we found that nonprofits run most of the centers in the peer cities, we did not find a center that was run by a for-profit organization.

⁸ These cities are Dallas, New York, Phoenix, San Antonio, San Francisco, San José, and Seattle.

Recommendations and Management Response

1

In order to break down barriers and build trust among the various MYEC stakeholders, the City Manager should:

(a) Facilitate an engagement with all key MYEC stakeholders. Such engagement should ensure that discussion and consideration of key interests and concerns are part of the dialogue or consultation.

(b) Implement strategies to develop and maintain trust across MYEC internal and external stakeholders. These strategies, at a minimum, should ensure:

- I. Periodic comprehensive community engagements similar to the one done in 2008 to obtain feedback from the community on MYEC operations and any desired enhancements; and
- II. Responsibilities of the key stakeholders are clearly identified and communicated to all parties.

Management Response: Agree

Proposed Implementation Plan: (a) Public engagement is a critical component of facility and operational planning throughout the park system. As the City further considers the contractual relationship with the Austin Rosewood Community Development Corporation (ARCDC), the opportunity presents itself to evolve the community input opportunities. The City of Austin in cooperation with the ARCDC will facilitate engagement with MYEC stakeholders to ensure robust opportunities for participation. The goal is to gain trust and garner an understanding of what the community desires for the continued development and oversight of the MYEC. The planned primary input methods are as follows:

- Public/Virtual Open House Events
- Online Surveys
- Focus Groups

Each individual engagement component will play a specific part in the development of the current needs, performance expectations, and future advances for the facility. The City will work cooperatively with the ARCDC to create specific strategies in response to the engagement feedback to implement key interests and operational enhancements.

(b) On September 24, 2009, Austin City Council passed a resolution directing the City Manager to commission an independent program assessment and analysis of the Millennium Youth Entertainment Complex.

I. Pending availability of funding, the department will seek to retain similar service consultation. Industry standards and best practices associated with public assembly facilities will be used as the benchmark for assessment and model for developing improvement strategies.

II. As part of the continued evaluation of the contractual relationship between the City of Austin, the Austin Rosewood Community Development Corporation (ARCDC) and the management company, AMS (formally SMG), roles and responsibilities will be clearly identified and communicated to all parties. The Parks and Recreation Department will conduct a Preperformance Conference, also known as a Kick-off Meeting, as outlined in the City of Austin's Contract Monitoring Manual. The event is a meeting of the minds between the contractor and City staff to assure that the contract is interpreted the same by both parties. It is also designed to bring stakeholders together to review the contract and acknowledge the deliverables, process flow, and answer questions. This meeting may

Recommendations and Management Response

include, but not be limited to, the following:

- Providing notice to proceed; Ensuring the accounting system contains the accurate amounts and renewal periods;
- Going over the Living Wage Requirements-Contractor Orientation Checklist for Compliance with Living Wage Rate Contract Provisions;
- Giving the contractor a copy of the Living Wage and Benefits Employee Certification Form;
- Providing the contractor with the EEO Poster;
- Providing the contractor with the MBE/WBE Requirements-Request - Request for Change Form and Subcontractor Expenditure Report;
- Discussion on contract reporting requirements;
- Review of deliverable deadlines;
- Clarifying the invoice requirements;
- Reviewing payment methods;
- Identifying primary corporate and department contacts;
- Naming the primary contact for escalation procedures;
- Providing vendor access to City facilities if necessary;
- Discussion on safety, confidentiality, and criminal background requirements

Proposed Implementation Date: March 2021

2

To ensure that the MYEC meets its mission and operates effectively, the City Manager should evaluate the current governance structure. If the current structure is maintained, the City Manager should work with stakeholders to:

- (a) Clarify the expectations, roles, and responsibilities of the City, PARD, ARCDC, and the Facility Manager; and
- (b) Communicate the responsibilities to all parties.

Management Response: Agree

Proposed Implementation Plan: The stated mission of the MYEC is to provide a safe, secure and comfortable environment (free from drugs, gangs, crime, and violence) where families can enjoy a wide range of affordable, high-quality recreational and entertainment activities and attractions.

The City Manager work with the Law Department to evaluate the current governance structure and determine if the current governance structure, is conducive or prohibitive to meeting the goals of the facility.

Should the current governance structure be maintained, the City Manager will take the following actions:

- (a) Work with the Austin Rosewood Community Development Corporation (ARCDC) to create

Recommendations and Management Response

performance measures to track the success of the MYEC in meeting the stated mission and goals.

(b) Utilize the following suggested factors to determine:

- Which decisions the board should make, and which should it delegate?
- How much involvement is required for the board to have in the operations of the MYEC?
- How will the reporting relationship between the board and staff be defined and communicated?

Proposed Implementation Date: December 2020

3

To ensure that PARD provides adequate oversight over the agreements between the City and the ARCDC, the Director of PARD should implement a monitoring system. The monitoring system, at the minimum, should:

(a) Clearly assign and communicate monitoring roles and responsibilities; and

(b) Establish accountability for monitoring the agreement(s) between the City and the ARCDC.

Management Response: Agree

Proposed Implementation Plan: Austin Rosewood Community Development Corporation (ARCDC) was established in 1995 as a requirement associated with a HUD Section 109 guaranteed loan for the Millennium Youth Entertainment Center (MYEC). Formation was approved by the Attorney General's Office as a local government corporation under Subchapter D, Chapter 431, Texas Transportation Code. The Corporation was charged with overseeing the construction and operation of MYEC which was completed in 1999. Subsequently, the HUD loan was paid off in 2016.

The members of the ARCDC board are appointed by City Council and PARD has historically acted on behalf of the Board, as the administrative arm, receiving directives from the Board Chair. Should the current governance structure be maintained, the Parks and Recreation Department will follow established City of Austin procedures to monitor the agreement throughout the contract lifecycle. All milestones, tasks, deliverables, measures, and requirements will be identified and documented on the Contract Monitoring Tool and loaded into the City's task tool, known as eCAPRIS, for automated internal monitoring of deadlines or approaching monitoring requirements.

In an effort to clearly establish accountability and provide oversight, the desk review process will be completed and shared with stakeholders to encompass an examination of both routine and special actions. The information derived through desk reviews enables the City to assess performance, identify compliance problems, determine the need to renew or continue the contract. The Desk Review Checklist and the Onsite Review Checklist will be utilized to record and document contract monitoring activities.

Proposed Implementation Date: September 2021

Recommendations and Management Response

4

To ensure that MYEC ADA and maintenance issues are timely addressed, the PARD Director should work with the City Manager and Budget Office to identify the necessary funding.

Management Response: Agree

Proposed Implementation Plan: An ADA assessment of the entire park system, inclusive of the MYEC facility was conducted in 2015. The assessment identified several MYEC non-compliance items. The preliminary estimated cost (in 2016) for the MYEC improvements was \$500K. In PARD's experience the preliminary estimates are significantly lower (two or three times lower) than actual construction bids.

The identified deficiencies, including creating an accessible route (elevator) to the theater's projection room, providing wheelchair accessible theater seating, and reconfiguring the restrooms throughout the facility, would require the services of an architectural consultant. To expedite the implementation process, PARD could utilize the architectural rotation list for the hiring of the consultant. Furthermore, depending on the scope and estimated cost for the modifications, PARD may be able to use the Job Ordering Contract (JOC) program for the construction services. However, this determination will be made at the end of design after PARD receives a reliable estimate for the construction costs.

PARD has not identified the funding for these modifications and improvements, and due to the hiring freeze does not currently have the required personnel to manage this project. Provided that funding for the design phase is identified, PARD will be able to start working on this project within 4 months after the hiring freeze is lifted.

PARD remains committed to complying with the ADA requirements and proceeding with the implementation of the ADA Transition Plan for the MYEC facilities and all facilities within the park system

In addition to the ADA requirements, in 2017 City Council approved \$280,630 to address improvements to the MYEC. Approved improvements included the upgrading of the theater to digital technology (\$129,792) and adding live music equipment for the East End Arena (\$150,836). PARD has assigned a project manager to actively work with the MYEC General Manager to begin the projects, which have been delayed due to contract negotiations between the ARCDC Board and the City of Austin.

As noted in the audit report, approximately \$500,000 was identified in the MYEC 2019 Capital Expenditure budget as an unmet need for facility maintenance. Should the FY 2021-22 annual budget process permit the submission of unmet needs, PARD will solicit a response from the ARCDC to forward to the City of Austin Budget Office for consideration.

Proposed Implementation Date: September 2021

Recommendations and Management Response

5

In order to ensure that the MYEC is accessible to the community, the City Manager should work with stakeholders to resolve barriers to accessing the facility including, at a minimum:

- (a) Evaluate current fees and their impact on the target population to determine how services can be made more affordable and adjust, if needed.
- (b) Evaluate the current operating hours and align them with community needs, if needed.

Management Response: Agree

Proposed Implementation Plan: In cooperation with the ARCDC, a comprehensive fee study will be conducted to evaluate fees based upon either cost recovery pricing; market pricing; or competitive pricing. The City will work with the ARCDC to facilitate the study.

As part of the community engagement plan, stakeholders will be surveyed to assess the MYEC's current operating hours versus the affordability of extending the hours of operations.

Proposed Implementation Date: March 2021

Appendix A - Millennium Youth Entertainment Complex (MYEC) Community Survey

This survey was sent out to community members based on reports from City and Millennium Youth Entertainment Complex staff. The survey opened on December 20, 2019 and closed January 10, 2020. Of the 5,181 individuals invited to complete the survey, 695 responded. Percentages in the tables below may not total 100 due to rounding. The summary dataset is available [here](#) and the open-ended response dataset is available [here](#).

General

Question	Never visited	2-5 years ago	Last year	This year	Last 3 months	This month
When is the last time you visited the MYEC?	15%	23%	19%	17%	18%	8%

Question	Never	Once	A couple of times	At least once a month	Weekly
How many times have you participated in any activity or used the facilities of the MYEC?	18%	9%	60%	12%	1%

Question	Unsatisfactory	Satisfactory	Good	Excellent
How would you describe the programs or activities at the MYEC?	7%	26%	42%	24%
How would you describe the facility (maintenance, appearance, cleanliness)?	8%	31%	35%	26%
How would you describe the safety of the facility?	2%	29%	37%	31%

Community Needs

Question	Does not meet needs	Satisfactorily meets needs	Exceeds in meeting needs
Do you feel the MYEC meets the needs of youth in Austin, particularly East Austin?	18%	60%	22%

Question	Rarely	Sometimes	Most of the time	Always
Do you think the MYEC days and hours of operation meet the needs of the community?	8%	26%	52%	14%

Appendix A - Millennium Youth Entertainment Complex (MYEC) Community Survey

Community Needs (continued)

Open-Ended Response Summary

While many respondents agreed MYEC meets the needs of the community, several areas for improvement were noted in open-ended responses throughout the survey. For example, respondents noted the facility is outdated and worn, and noted several needed updates, including to the arcade, skating rink, and movie theater. Respondents also noted the programs offered may not meet the needs of the community, customer service is not always friendly, and outreach to the community could be better. Respondents also indicated a desire for the center to be open for additional hours and indicated concerns with the center being unexpectedly closed for special or private events.

Customer Service

Question	Not friendly	Somewhat friendly	Friendly	Very friendly
Do you feel that the staff of the MYEC is youth- and family-friendly?	3%	14%	44%	39%

Open-Ended Response Summary

Open-ended responses related to customer service varied. Some respondents acknowledged MYEC staff for being friendly, competent, professional, and dedicated to serving the community, while other respondents indicated concerns with staff being unfriendly, not well-organized, and difficult to reach.

Mission

Question	Unsatisfactory	Satisfactory	Good	Excellent
Do you feel that the MYEC is meeting its mission in the following areas?:				
Providing a safe, secure, and comfortable environment (free from drugs, gangs, crime, and violence)?	4%	30%	40%	25%
Providing affordable entertainment activities and attractions?	8%	31%	35%	26%
Providing high-quality recreational and entertainment activities and entertainment?	16%	30%	32%	21%

Appendix A - Millennium Youth Entertainment Complex (MYEC) Community Survey

Affordability

Question	Not affordable	Somewhat affordable	Affordable	Very affordable
Do you feel the MYEC activities are affordable for the youth?	5%	30%	44%	20%
Do you feel the following activities at the MYEC are affordable?				
Skating	3%	21%	49%	28%
Bowling	3%	20%	51%	27%
Arcade games	7%	22%	49%	22%
Holding special events	9%	22%	44%	25%
Food and drinks at the food court	8%	24%	50%	18%
Facility rental fees	11%	28%	43%	18%

Open-Ended Response Summary

While many respondents agreed activities offered by MYEC were affordable, some concerns were noted in open-ended responses. For example, some respondents noted the fees are too high, especially for low-income community members and organizations serving low-income families.

Outreach

Question (select all that apply)	Friends or word of mouth	Internet	Radio or TV	School, Church, Neighborhood Letter	Newspaper	Other ¹
How do you find out about upcoming youth-oriented activities in your community?	54%	38%	25%	24%	10%	31%
How do you find out about planned activities at the MYEC?	52%	34%	24%	19%	9%	33%

Open-Ended Response Summary

Several open-ended responses indicated better marketing and outreach is needed to keep the community informed about events and activities.

¹ This category includes avenues such as flyers, social media, and an outdoor LED screen, as well as "I don't know" responses.

Scope

The audit scope included activities relating to the City's Financing and Administrative agreements with the Austin Rosewood Community Development Corporation (ARCDC) and the ARCDC Facility Management Agreement with SMG, the manager of the Millennium Youth Entertainment Complex (MYEC), up to September 2019.

Methodology

To complete this audit, we performed the following steps:

- interviewed management and staff from the Parks and Recreation Department (PARC) and Law Department;
- interviewed members of the ARCDC and the African American Resource Advisory Commission;
- analyzed MYEC performance, financial, budgetary, and operational reports;
- reviewed background, historical information, consultant reports, City Council resolutions, and media reports about the MYEC;
- reviewed the City agreements with the ARCDC relating to the MYEC;
- reviewed the Facility Management Agreement between the ARCDC and SMG and compared deliverables to current practices;
- reviewed City budget documents;
- reviewed City Council meeting records;
- reviewed the ARCDC board meeting records;
- evaluated the funding practices for the MYEC;
- researched best practices about contract administration;
- administered a survey of MYEC stakeholders and gathered perceptions of stakeholders on MYEC operations;
- compared MYEC fees for skating and bowling to those of similar facilities in Austin;
- performed a visual inspection of the MYEC;
- surveyed a sample of peer cities regarding their governance structure;
- evaluated the risk of fraud, waste, and abuse with regard to the processes and procedures included in the scope; and
- evaluated internal controls related to oversight of the MYEC.

Audit Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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The Office of the City Auditor was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. We conduct performance audits to review aspects of a City service or program and provide recommendations for improvement.

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