



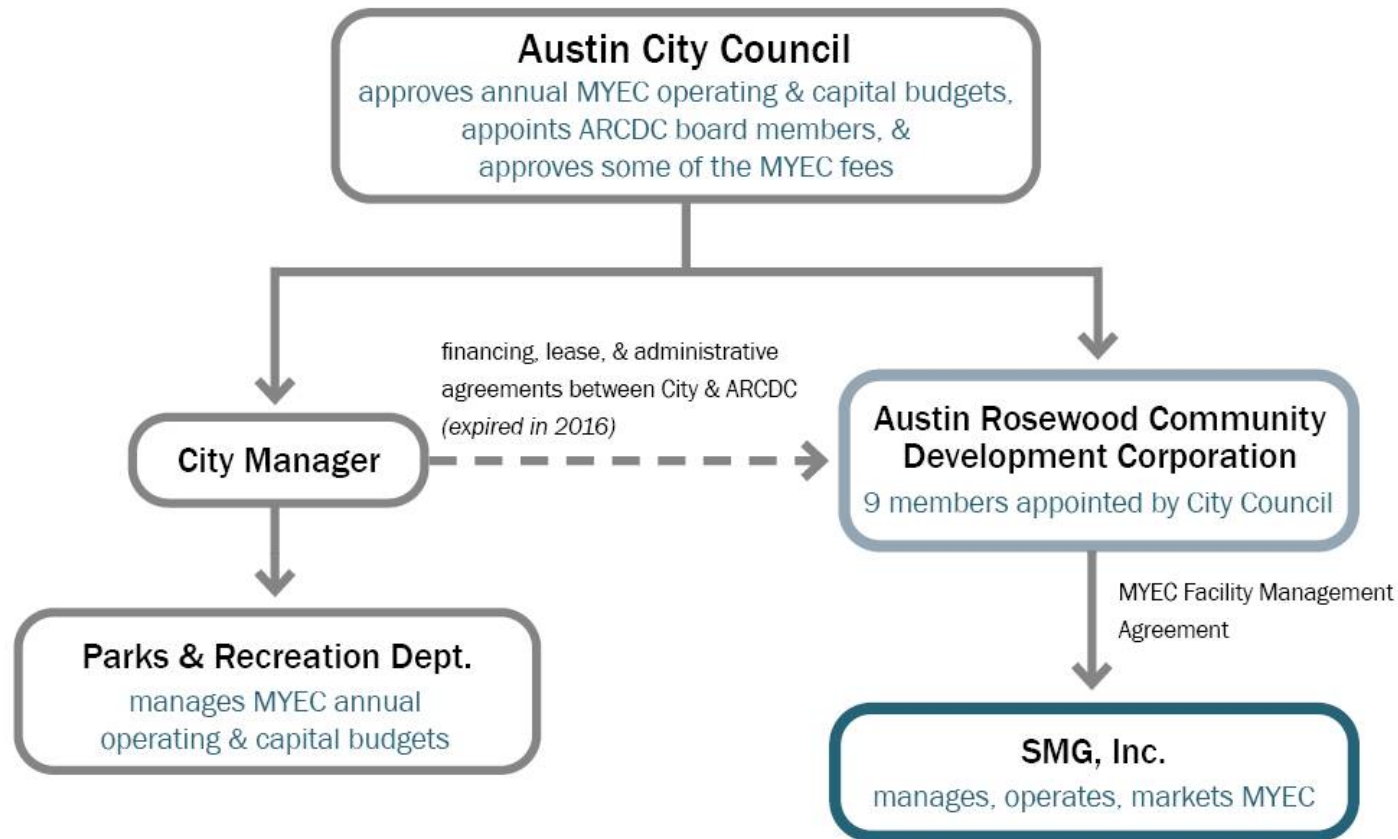
Millennium Youth Entertainment Complex Audit

OFFICE OF THE CITY AUDITOR
AUGUST 20, 2020

Background

- 55,000 sq. ft. City-owned funded facility in East Austin
- Offers activities such as bowling, roller skating, arcade games, and space rental
- Construction funded by U.S. Department of Housing and Urban Development (HUD) loan of roughly \$8.9 million (paid off in FY 2016)
- To receive HUD loan, the City created the Austin Rosewood Community Development Corporation in 1995

Key Players



In 2019, SMG Inc. merged with AEG facilities and formed ASM Global. Currently, ASM Global is managing the Millennium.

What We Found

- Strained relationships and a lack of trust
- Inadequate leadership and oversight
- Unaddressed maintenance needs
- Unmet performance targets
- Barriers impacting access to facility



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

Finding 1: Strained relationships and a lack of trust

- The Board has historically been ineffective and was not operating in a unified manner
- Stakeholders expressed concerns, including lack of transparency and communication from City for Millennium
- Some stakeholders perceptions are influenced by history

Finding 1: Strained relationships and a lack of trust (Cont.)

- City staff, the Board, and the Millennium management company appeared inflexible and unwilling to compromise
 - affecting the ability of key stakeholders to create common vision

Recommendation

The City Manager should:

- facilitate an engagement with all key stakeholders of Millennium, and
- implement strategies for developing and maintaining trust across Millennium internal and external stakeholders

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

Finding 2: Inadequate leadership and oversight

- The City did not effectively manage its agreements with the Board
 - the agreements expired in 2016
 - did not obtain and review the reports
 - annual monitoring meetings not held
- The Board did not effectively carry out oversight responsibilities for Millennium operations
 - did not hold meetings
 - did not verify completeness or accuracy of performance

Finding 2: Inadequate leadership and oversight (Cont.)

- Ineffective oversight
 - unclear roles and responsibilities
 - governance challenges

Recommendation

- The City Manager should evaluate the current governance structure of Millennium. If the current governance structure is maintained
 - the City Manager should work with stakeholders to clarify the expectations, roles and responsibilities of the responsible parties
 - the PARD Director should implement a monitoring system

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

Finding 3: Unaddressed maintenance needs

- Capital expenditure needs: \$500,000
 - In FY 2018, Council approved \$280,630 to address some needs but funds have not been applied
- Americans with Disabilities Act Compliance issues: \$500,000
- Majority of stakeholders believe that Millennium is well-maintained
 - some expressed concerns that facility needs to be upgraded

Finding 3: Unaddressed maintenance needs (Cont.)

- While majority of stakeholders expressed satisfaction with quality of entertainment activities and attractions at the facility:
 - some expressed concerns about outdated technology, broken equipment, and a lack of high-quality entertainment activities

Recommendation

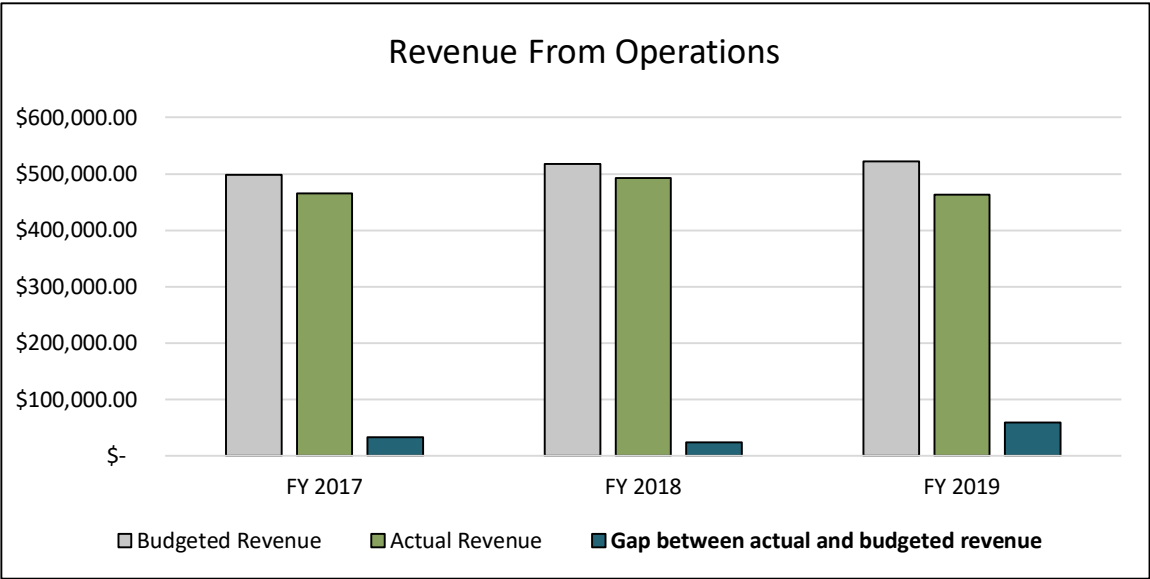
The PARD Director should work with City Manager and Budget Office to identify necessary funding for timely addressing the identified maintenance and technology needs for the facility

Finding 4

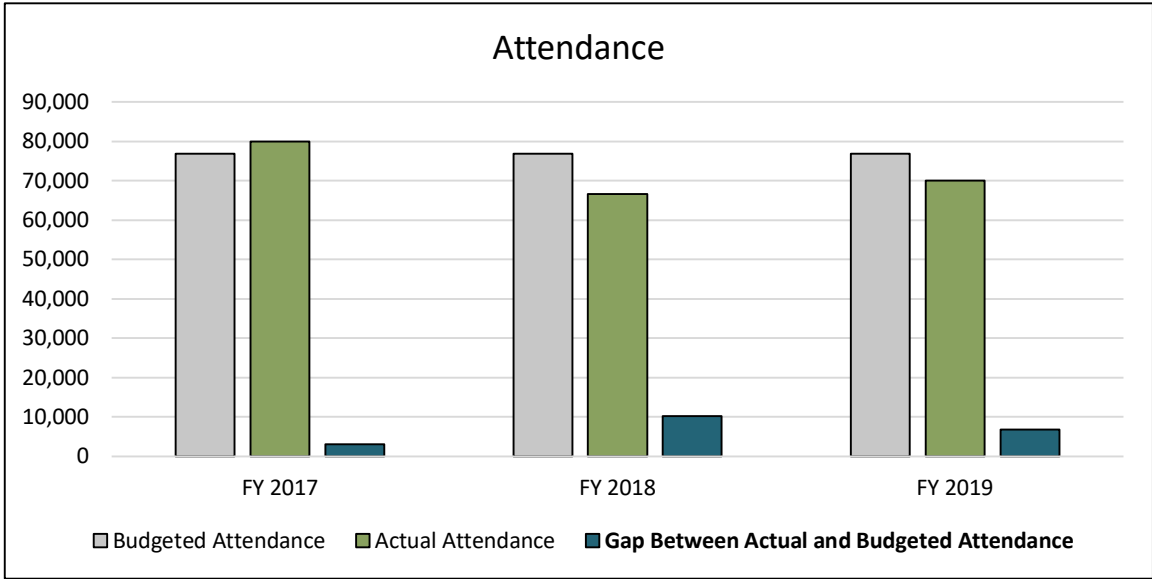
The company managing the Millennium Youth Entertainment Complex did not meet annual performance targets for revenue, attendance, and activity expansions. Some performance expectations were not defined clearly enough to verify success

Finding 4: Unmet performance targets

Revenue less than target



Attendance less than Target



Finding 4: Unmet performance targets (Cont.)

- The Millennium management company did not expand facility activities
 - Lack of funds and community interest
- Some performance expectations are not specific in agreement

Recommendation

- The City Manager should evaluate the current governance structure of Millennium. If the current governance structure is maintained
 - the City Manager should work with stakeholders to clarify the expectations, roles and responsibilities of the responsible parties

Finding 5

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

Finding 5 : Barriers impacting accessibility

- Most community members said fees were affordable, but some expressed concern
 - Fees for local private facilities higher than Millennium
- Most survey respondents said hours meet community needs, though some said they do not
 - Millennium is open Wednesday through Saturday

Recommendation

The City Manager should work with stakeholders to resolve barriers to access the facility.

Additional Observations

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

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

Additional Observations (Cont.)

- Improved relationship between current board and PARD management
 - addressing some critical maintenance needs of the Millennium
 - develop a draft agreement
- We were unable to find a governance structure similar to this center
 - no City owns and operates an entertainment center like Millennium
 - no non-profit sub-contracted management of a center to a for-profit company



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