



Legislation Details (With Text)

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Date	Ver.	Action By	Action	Result
5/24/2011	1	City Council	approve recommendation	Pass

Recommendation to receive and file the Queen Mary Capital Improvements Audit Phase III.

In November 2007, the City signed an agreement with Save the Queen (STQ) in which STQ agreed to make \$5,300,000 of capital improvements to the Queen Mary through December 31, 2010 in exchange for the City's waiver of percentage rent under the lease. The agreement required STQ to complete these capital improvements in minimum increments over three years as follows: .

<u>Timeline Benchmarks</u>	<u>Minimum Aggregate Amount of Approved Capital Expenditures</u>
December 31, 2008	\$2,800,000
December 31, 2009	\$4,300,000
December 31, 2010	\$5,300,000

Our previous audits of the Queen Mary Capital Improvements Program, issued in June 2009 and August 2010, covered the first and second incremental periods. The attached audit, dated May 24, 2011, addresses the agreement's final incremental period of April 1, 2010 through December 31, 2010, requiring completion of the final aggregate amount of \$5,300,000 in capital expenditures.

According to our audit, STQ completed \$1,542,000 of capital improvements during the period examined, bringing the total aggregate amount expended to \$5,524,000 through December 31, 2010, thereby exceeding the required amount by \$224,000.

The details of our audit can be found in the attached report, along with the response of STQ and City Management.

We would like to commend STQ for their efforts to enhance the guest experience and improving the Queen Mary while maintaining its historical significance and physical integrity. Furthermore, we appreciate the time, information, and cooperation provided to us by STQ during the audit.

This item is not time-sensitive.

Approving this action would have no fiscal impact.

Approve recommendation.

LAURA L. DOUD
CITY AUDITOR