



MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: February 14, 2008
AUDIT: Review of RFP for Colony Theatre Cafe
PERIOD: October 1, 2004 through January 31, 2008

This report is a review of the planned Request for Proposal (RFP) submitted for the operation of the Colony Theatre Café.

INTRODUCTION

On January 10, 2008, the Finance and Citywide Projects Committee recommended that an RFP for the Café at the Colony Theatre be moved to the City Commission for consideration.

The Café has been operating since June 2000 and remained open while the Theatre was closed for renovations between July 2002 and January 2006. At that time, the City assumed management responsibility for the Colony Theatre in conjunction with SMG. The Cafe is now operating under a lease renewal (as outlined in the Commission Memo dated February 13, 2008) expiring October 19, 2008.

The current lease extension provides for lease payments based on a sliding scale according to the number of monthly performances. We reviewed the billings prepared by SMG for the Café and found the amounts invoiced agreed with the lease terms. Since January 2007, there was a minimum of 8 scheduled performances at the Colony Theatre per month (with the exceptions of July and August) with the City consistently receiving the highest rent (\$4,848.71 per month).

The City conducted a survey to confirm that 1,534 square feet is available for lease within the Café. In addition, the Café holds an active sidewalk café permit for 48 tables and 183 seats. The City is in the process of conducting an analysis of nearby rental market values to be used for the new lease. A review of the resort tax returns filed by the current tenant supports that a new lease fee structure consisting of rent on fair market values can be supported by a new operator. It is fully expected that the rental terms for the RFP will not be tied to the number of performances, but instead make remuneration more consistent with the rental value of the property.

OVERALL OPINION

Our review of the RFP and subsequent comparison to the current lease's performance confirms that the RFP covers the essential components needed to solicit a reasonable proposal. The number of performances at the Theatre does not have an impact on revenues earned by the Café operator, therefore the RFP's conditions of rental payments based upon current market values and a percentage of gross receipts is well supported. The minimum requirements for proposers specified in the RFP are sufficient to allow for qualified proposers to respond. Finally, the RFP's evaluation criteria are satisfactory to ensure that a successful qualified proposer is selected.

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cc: Hilda Fernandez, Assistance City Manager
Max Sklar, Director of Cultural Arts & Tourism
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