

HAYES MANSION CONFERENCE CENTER
(An Activity of the City of San José)

Independent Accountant's Report on
Applying Agreed-Upon Procedures

For the Year Ended June 30, 2015

Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

City Council
City of San José, California

We have performed the procedures enumerated below, which were agreed to by the management of the City of San José (City), solely to assist you in evaluating whether Dolce International/San José Inc. (Dolce) complied with certain requirements stated in the Management Agreement dated December 2, 2003 between the City and Dolce (Management Agreement) for the year ended June 30, 2015. The Hayes Mansion Conference Center (Center) activities covered by the Management Agreement are accounted for in a special revenue fund of the City. Dolce management is responsible for compliance with the Management Agreement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We inquired of Dolce's Director of Finance and Assistant Director of Finance as to the procedures performed by Dolce for recording cash receipts and reporting revenues to the City. We then selected one check and one credit card transaction, and performed walkthroughs of the transactions processed to determine whether these receipts and reporting procedures are operating as described.

Finding: No exceptions were noted as a result of our procedures.

2. We obtained the Dolce Hayes Mansion Trial Balance for the year ended June 30, 2015 and recalculated the gross operating profit (GOP) reported by Dolce for the year ended June 30, 2015 for purposes of complying with the gross profit definitions in the Management Agreement.

Finding: We recalculated Dolce's GOP to be \$2,117,513 for the year ended June 30, 2015. Our recalculation was different than the \$2,114,578 GOP calculated and reported by Dolce. Even though our recalculation increases the GOP by \$2,935, the recalculated amount still meets Dolce's GOP goal for the year.

3. We obtained the performance measure calculations for Gross Operating Profit and Revenue per Available Room (RevPAR) and compared calculations to the Hayes Mansion's Trial Balance and the Smith Travel Research report for purposes of determining whether Dolce is in compliance with the performance measures definition in the Management Agreement. Per the Management Agreement, if Dolce fails to achieve (i) at least 90% of Budgeted Gross Operating Profit or (ii) at least 90% of the RevPAR Penetration Index for the Center's Competitive Set, then Dolce's management fee shall be reduced from 3% of Gross Revenues to 2% of Gross Revenues.

Finding: No exceptions were noted as a result of our procedures.

4. We obtained the Dolce Hayes Mansion Trial Balance Statements and compared amounts reported therein to the financial statements included in the Operations Book, which is submitted to the City's Finance Department each month. We recalculated the following for the purposes of complying with the Management Agreement definitions:
 - (a) Net revenues are computed as the amount equal to the Hayes Mansion Revenue accounts minus the Hayes Mansion Expense accounts during the period.
 - (b) Hayes Mansion Revenues include all revenue accounts received in connection with the operation, use or lease of the Hayes Mansion.
 - (c) Hayes Mansion Expenses include amounts paid by or on behalf of the City in connection with the operation of Hayes Mansion, payments to the Furniture, Fixtures & Equipment (FF&E) Reserve account, addition of FF&E, Hayes Mansion bond expenses, and Hayes Mansion debt service.

Finding: No exceptions were noted as a result of our procedures.

5. We reviewed the certificate of liability insurance covering the year ended June 30, 2015 and determined whether the insurance provisions in the Management Agreement have been met, including types of insurance and coverage.

Finding: No exceptions were noted as a result of our procedures.

6. We reviewed the monthly and the annual reporting packages to determine whether Dolce complied with the reporting requirements and deadlines for the Annual Budget, the Annual Proposed List of Capital Improvements for the Ensuing Five-Year Period, and the monthly Operations Books.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on Dolce's compliance with the Management Agreement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Walnut Creek, California
September 29, 2015