



THE CITY OF SAN DIEGO

DATE: August 31, 2017
TO: Audit Committee Members, Honorable Mayor and Members of the City Council
FROM: Eduardo Luna, City Auditor
SUBJECT: Audit of Mission Bay and San Diego Regional Parks Improvement Funds, FY 2016

Results in Brief

The City Charter requires that the City Auditor report annually the extent and nature of the Mission Bay and the San Diego Regional Parks Improvement Funds' revenues, expenses, and improvements. To comply with this requirement and in accordance with the City Auditor's FY 2017 Annual Audit Work Plan, we have performed an audit of the Mission Bay and the Regional Parks Improvement Funds' financial activity in FY 2016.

Annually, beginning in FY 2010, Mission Bay Park lease revenues in excess of \$23 million have been distributed to the San Diego Regional Parks and the Mission Bay Improvement Funds for allowable capital improvement projects. Per the City Charter, in FY 2015 and thereafter, revenues in excess of \$20 million are transferred. In FY 2016:

- **\$2,500,000** was transferred to the Regional Parks Improvement Fund.
- **\$7,158,484** was transferred to the Mission Bay Improvement Fund.
- In FY 2016, a transfer was made to each fund for De Anza RV Park Revenue Less Campland revenue deemed earned outside the 2001 Mission Bay Park Improvement Zone Boundary from FY 2010 through FY 2016 resulting in the following:
 - **\$928,079** was transferred to the Regional Parks Improvement Fund.
 - **\$3,214,032** was transferred to the Mission Bay Improvement Fund.
- **\$1,250,638** was the total post San Diego Regional Parks Improvement Fund expenditures (see Attachment E for a list of expenditures).
- **\$73,479** was the total post Charter Mission Bay Improvement Fund expenditures (see Attachment F for a list of expenditures). Allocations to the fund are to support the dredging of Mission Bay.

OFFICE OF THE CITY AUDITOR
1010 SECOND AVENUE, SUITE 555, WEST TOWER • SAN DIEGO, CA 92101
PHONE (619) 533-3165 • FAX (619) 533-3036

TO REPORT FRAUD, WASTE, OR ABUSE, CALL OUR FRAUD HOTLINE: (866) 809-3500



We found the lease revenue for one lessee was not properly coded to be deposited to the Mission Bay Park Rents account, and one management company contract has not undergone a substantive audit to ensure revenues have been properly reported. This information has been provided to the appropriate administrative departments so a routine substantive audit can be conducted of the management company, the coding can be corrected for the identified lessee, and the approximately \$38,000 previously collected revenue should be transferred to the Mission Bay Park Rents account for FY 2016. We found that the expenditures complied with the charter requirements. We also found that a prior year recommendation was fully implemented.

We made two recommendations to address the issues identified and the Administration agrees with both recommendations. We would like to thank the Office of the City Comptroller, Park and Recreation, City Treasurer, and Real Estate Assets management and staff, as well as representatives from other departments for their assistance and cooperation during this audit. The Audit staff responsible for this audit are Rod Greek, Danielle Knighten, and Kyle Elser.

Background

The Mission Bay and San Diego Regional Parks Improvement Funds have two sources of revenue; transfers from lease revenue collected from tenants in Mission Bay Park and interest. Mission Bay Park lease revenue is deposited to a separate general fund account during the year and allocated to the improvement funds after the fiscal year-end. Prior to the effective date of Charter Section 55.2 on July 1, 2009, there were already cash balances in Mission Bay and the San Diego Regional Parks Improvement Funds. Given that these funds were collected prior to the effective date of Charter 55.2, they are not subject to the expenditure restrictions in this Charter provision according to the City Attorney’s Office. However, all revenues, including interest, earned after the Charter Section 55.2 implementation date of July 1, 2009 are subject to the Charter provisions.

Monies deposited into Mission Bay and San Diego Regional Parks Improvement Funds prior to the implementation of City Charter Section 55.2 are excluded from our audit scope. The audit objectives, scope and methodology used to perform this audit can be found in Attachment B to this memorandum.

Fiscal Year 2016 Financial Activity

The Mission Bay and San Diego Regional Parks Improvement Funds’ financial activity for FY 2016 is shown in Exhibit 1 below. The Mission Bay Improvement Fund (MBIF) had revenues, including transfers and interest, totaling \$10,531,043 and expenditures of \$143,842, of which \$73,479 was post Charter funded. The allocations to the MBIF will support the dredging of Mission Bay as identified as the number one priority per City Charter, Section 55.2. The balance at June 30, 2016 was \$29,667,361. San Diego Regional Parks Improvement Fund (SDRPIF) had revenues, including transfers and interest, of \$3,511,501 and expenditures of \$1,287,683, of which \$1,250,638 was post Charter funded during FY 2016. The available balance at June 30, 2016 was \$12,856,631. Prior years’ financial activity as of June 30, 2015 is shown in Attachment C of this memorandum and summarized in Exhibit 1.

EXHIBIT 1

Mission Bay and San Diego Regional Parks Improvement Funds Post Charter Financial Activity Fiscal Year 2016

| | Mission Bay Improvement Fund | Regional Parks Improvement Fund |
|-------------------------------------------------------------------------|------------------------------|---------------------------------|
| Charter 55.2 revenues exceeding expenditures as of June 30, 2015 | \$ 19,209,797 | \$ 10,595,768 |
| Revenue, excluding unrealized gains and losses | \$ 10,531,043 | \$ 3,511,501 |
| Expenditures, net of depreciation | \$ <73,479> | \$ <1,250,638> |
| Revenue exceeding expenditures as of June 30, 2016 | \$ 29,667,361 | \$ 12,856,631 |

Source: Auditor analysis of general ledger and Comptroller schedules, amounts rounded to the nearest dollar excluding unrealized gains and losses and depreciation.

Mission Bay Park Lease Revenue

Adjusted total Mission Bay Lease Revenues were \$29,658,484¹. The revenues in excess of the \$20,000,000 threshold were distributed to the SDRPIF and MBIF based on the Charter formula for distribution, as shown in [Exhibit 2](#). The FY 2016 distribution from the Mission Bay Lease Revenue was \$2,500,000 to the SDRPIF for capital improvements and \$7,158,484 to the MBIF. Mission Bay Lease Revenues increased by \$132,604 between FY 2015 and 2016. General increases in lessee revenue were offset by continued decreased rents from Sea World. The decrease of \$226,701² for Mission Bay Sports Center in FY 2016 was mainly due to an audit deficiency of \$224,619 that was received in FY 2015.

EXHIBIT 2

| Fund Name | Allocation Breakdown in excess of the threshold | FY 2016 Allocation Amounts |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| San Diego Regional Parks Improvement Fund | 25% or \$2.5 million, whichever is greater, in excess of the \$20 million threshold | \$2,500,000 |
| Mission Bay Park Improvement Fund | 75% of the excess over the \$20 million threshold, if less than the 75% then, the remainder after the San Diego Regional Parks allocation | \$7,158,484 |

Source: San Diego City Charter, Article V, Section 55.2(b)

Revenue generated by the Mission Bay RV Resort near the De Anza Cove Mobile Home Park has been excluded from Mission Bay lease revenues in the past. During the course of the prior audit the Park and Recreation Department issued a Legal Services Request to the City Attorney's Office to determine whether that revenue should be deposited into the Mission Bay Park and San Diego Regional Parks Improvement Funds. The City Attorney determined the Mission Bay RV Resort revenue should be deposited to the Mission Bay Park and San Diego Regional Parks Improvement Funds.

In order to obtain documentation to identify the amount of revenue received by the City for FY 2010 through FY 2016 from the Mission Bay RV Park, the City Comptroller's office requested copies of monthly profit and loss statements (PNL's) from Newport Pacific Capital Company (the management company for the Mobile Home and RV park). Comptroller staff conducted a review of the management company's internal controls for FYs 2014, 2015 and 2016. Staff requested documentation for 24 transactions and was only provided with documentation for three of the 24. This review did not include sufficient substantive testing to provide adequate assurance that the PNL's should be relied upon by the City.

¹ See Attachment D for a detailed list of revenues.

² See Attachment D for a detailed list of revenues.

In addition, Park and Recreation Department staff and Real Estate Assets Department staff conducted a review of the February 2001 boundary survey of Mission Bay Park as defined in Charter Section 55.2. Their review resulted in a determination that a portion of Campland-On-The-Bay leasehold is outside the boundary. Between FY 2010 and FY 2016, 100% of revenue derived from Campland-On-The-Bay had been deposited to the Mission Bay Rents account. As a result, the departments requested the Comptroller reapportion this revenue based on the acreage at the same time as the Mission Bay RV Resort reallocation.

The City Comptroller calculated the related revenue based on the PNL's submitted, and offset it with Campland Revenue that was determined to be associated with lease space outside Mission Bay Park. **Exhibit 3** summarizes the transfers that were made in FY 2016 related to Mission Bay RV Park and Campland.

EXHIBIT 3

Mission Bay RV Park Revenue Less Campland Revenue Adjustment Allocation to Funds

| | RV Park Revenue | Campland Revenue Adjustment | Amount Available Allocate |
|-------------------------|-------------------------------------------|-----------------------------------|---------------------------|
| Amount Available | \$9,263,886 | (\$5,154,795) | \$4,109,091 |
| | San Diego Regional Parks Improvement Fund | Mission Bay Park Improvement Fund | Amount Allocated |
| Amount Allocated | \$895,059 ³ | \$3,214,032 | \$4,109,091 |

Source: City Comptroller, allocated amounts are unaudited

During our last audit of the Mission Bay and Regional Park Improvement Funds for FY 2015, we asked the Park and Recreation Department to work with the City Attorney's office to determine if revenue received from the Mission Bay RV Resort, located on De Anza Cove, was subject to Charter Section 55.2. The City Attorney's Office determined that rents collected from Mission Bay RV Resort were subject to Charter Section 55.2, going back to inception of the Charter (FY 2010). The Comptroller's office reviewed the rents collected and determined the allocation amounts. Comptroller made the allocations during FY 2016 to the respective funds. However, we determined a more robust audit should occur to verify the accuracy of the rent revenues submitted to the City, as all other revenues are that are allocated to these two funds. We determined since the City Treasurer's Revenue Audit Program conducts these types of lease/TOT audits it makes sense to have this location added to the audit rotation.

³ In FY 2017, Comptroller made an additional adjustment of \$33,020 to account for the percentage change on previous years' revenue distributions. This adjustment resulted in a decrease of FY 2016's additional transfer of \$928,079 to \$895,059.

Recommendation #1:

The City Treasurer's office should schedule and conduct routine audits (at least once every 3 years) of Newport Pacific Capital Company similar to the Lease audits they currently perform on all other Lease agreements of Lessees on Mission Bay Park Land subject to Charter Section 55.2 requirements.

(Priority 2)

New Lease Agreement Effective January 1, 2016

During the audit, we found that approximately \$38,000 in lease revenue for Verizon Wireless/Mission Bay Athletic, which is located on Mission Bay Park land, was not deposited into the Mission Bay Park Rents account. This is a 10-year lease effective January 1, 2016.

According to Comptroller's, Real Estate Assets Department deposited these antenna lease revenues in accordance with Council Policy 600-43 - *Wireless Communication Facilities*, which directs staff to deposit one half of the site access fees into the General Fund and the other half into a special fund to be used primarily to benefit the property or adjacent community where the wireless facility is located. Upon further review and consultation with the City Attorney's Office, it was determined that Charter 55.2 supersedes Council Policy 600-43. As such, the revenue related to the antenna lease was redirected to the Mission Bay Park rents account and will continue to be deposited in accordance with the City Charter.

Recommendation #2:

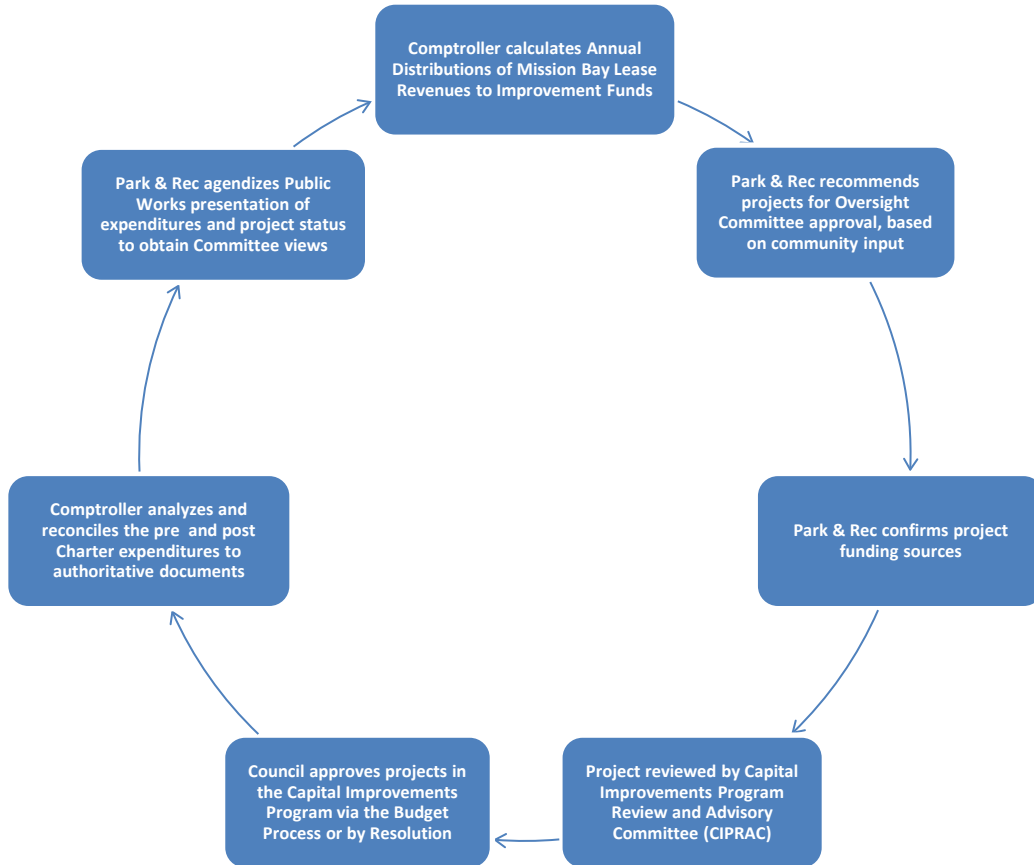
The Real Estate Assets Department in coordination with the City Comptroller's office should ensure the GL account is updated on this lease to deposit funds to the Mission Bay Park Rents account per Charter Section 55.2 requirements. Any previously recorded revenue in FY 2016 and FY 2017 should be transferred to General ledger account 418108 - Mission Bay Park Rents and subsequently transferred to the appropriate Improvement Fund based on Charter 55.2 allocation requirements.

(Priority 2)

The processes to approve, monitor, and report Charter revenues and expenditures are shown in Exhibit 4.

EXHIBIT 4

APPROVAL & REPORTING ON CHARTER SECTION 55.2 FUNDED PROJECTS



Source: Auditor's summary of key processes.

San Diego Regional Parks Improvement Expenditures

During FY 2016, SDRPIF project expenditures, subject to the provisions of Charter Section 55.2, totaled \$1,250,638, of the total \$1,287,683 expenditures excluding a \$1,320 loss on sale of assets. The FY 2016 SDRPIF project Charter expenditures⁴ by project are listed in Attachment E of this memorandum. We found that the expenditures complied with the charter requirements.

⁴ Source: City Comptroller analysis of SDRPIF expenditures for FY 2016

Mission Bay Improvement Fund Expenditures

Mission Bay Improvement Fund total expenditures were \$143,842 for FY 2016, however, MBIF project expenditures, subject to the provisions of Charter Section 55.2, totaled \$73,479. The FY 2016 MBIF project Charter expenditures⁵ by project are listed in Attachment F of this memorandum.

We found that the FY 2016 MBIF first year post charter expenditures of \$73,479 were allowable and appropriate expenditures under the Charter.

Charter 55.2 requires the Mission Bay Park Improvement Fund Oversight Committee and the San Diego Regional Parks Improvement Fund Oversight Committee meet at least quarterly to audit and review, to recommend priorities for expenditures and Capital Improvements and to verify that the appropriate funds are collected, segregated, retained, allocated and spent as prioritized by the Charter.

Project reports are provided to the Oversight Committee on a quarterly basis. The reports are prepared in coordination of both the Engineering Department and the Park and Recreation Department. The Park and Recreation Department has lead responsibility for ensuring all required information is included in the report as the Park and Rec Director signs the report. As such, the Park and Recreation Department should ensure the expenditures are included in either the Report or as part of a Presentation that is provided to the Oversight Committee at a minimum of once per fiscal year.

In the prior audit the following recommendation was made:

The Park and Recreation Department in coordination with the Public Works Department should either modify their quarterly report to include the amount of expenditures by project, or they should modify the PowerPoint presentation that accompanies the report to include this information. This should be done as part of their next project report to the Oversight Committee in the Fall of 2016. (Priority 3)

We have reviewed reports submitted to both the Mission Bay Park Improvement Fund Oversight Committee and the San Diego Regional Park Improvement Fund Oversight Committee in March 2017. Both reports were sufficient and in compliance with Charter Section 55.2 requirements. We determined that this prior recommendation has been implemented (see Attachment A).

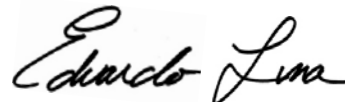
⁵ Source: City Comptroller analysis of MBIF expenditures for FY 2016

Conclusion

We found that initially \$2,500,000 was transferred from Mission Bay Lease Revenue to the Regional Parks Improvement Fund for capital improvements and \$7,158,484 was transferred to the Mission Bay Improvement Fund. A subsequent transfer was made to each fund for Mission Bay RV Resort Revenue Less Campland revenue previously recorded and subsequently determined to be outside the Mission Bay Park Improvement Zone Boundary. Comptroller's made additional transfers totaling \$895,059 and \$3,214,032 to the San Diego Regional Parks Improvement Fund and the Mission Bay Improvement Fund respectively. Based on these transfers and adjustments, the total transfers were \$3,395,059 to the Regional Parks Improvement Fund and \$10,372,516 to the Mission Bay Improvement Fund. The Oversight committees for each fund approved post Charter SDRPIF expenditures of \$1,250,638 and post Charter MBIF expenditures of \$73,479 in FY 2016 and all expenditures were determined appropriate.

The City Attorney's Office determined that revenue from the Mission Bay RV Resort, located on De Anza Cove, is subject to the Charter and should be included in the allocation and retroactive to FY 2010. We recommended that the City Treasurer include this location in their audit rotation to ensure revenues are accurately reported and submitted. We also identified a new lease on Mission Bay Park land and we made a recommendation to ensure all revenue received from this lease is deposited to the Mission Bay Park Rents account.

Respectfully submitted,



Eduardo Luna
City Auditor

cc: Mara Elliott, City Attorney
Scott Chadwick, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Stacey LoMedico, Assistant Chief Operating Officer
Andrea Tevlin, Independent Budget Analyst
Cybele Thompson, Director, Real Estate Assets Department
Rolando Charvel, City Comptroller
Gail Granewich, City Treasurer
Tracy McCraner, Director, Financial Management Department
Herman Parker, Director, Park and Recreation Department
Ken So, Deputy City Attorney

ATTACHMENT A: FOLLOW UP ON PRIOR AUDIT RECOMMENDATIONS

We made the following recommendation in the audit report issued May 26, 2016:

Recommendation #1:

The Park and Recreation Department in coordination with the Public Works Department should either modify their quarterly report to include the amount of expenditures by project, or they should modify the PowerPoint presentation that accompanies the report to include this information. This should be done as part of their next project report to the Oversight Committee in the Fall of 2016.

Status of Recommendation #1 – Implemented: As discussed in the report, the Park and Recreation Department in conjunction with the Public Works Department, have modified the reporting process to ensure expenditure information is included in disclosures to the Oversight Committees at least once per fiscal year.

ATTACHMENT B: AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

Article V, Section 55.2 of the City Charter requires that the City Auditor perform an annual audit of the distribution of Mission Bay lease revenues. Specifically, we are required to establish and oversee a mechanism to ensure public accountability by effectively reporting and communicating the extent and nature of revenues, expenses and improvements generated and in compliance with City Charter requirements. This shall include, at a minimum, an annual audit report to the Mayor, City Council and public. Each annual report shall, at a minimum, contain the following: 1) a complete accounting of all revenues received; 2) the amount and nature of all expenditures; and, 3) a report as to whether in each committee's view the expenditures have been consistent and compliant City Charter requirements.

The audit's objectives were to verify that FY 2016 collection, allocation, and use of Mission Bay Park lease revenues are properly budgeted, authorized and expended in compliance with City Charter requirements.

To accomplish our objectives and test internal controls to determine if they are functioning as intended, we performed the following audit procedures:

- Reviewed pertinent laws, policies and regulations related to Mission Bay Park lease revenues;
- Gathered and analyzed agreements and information related to Mission Bay Park lease revenues;
- Identified, collected, analyzed financial information including transaction adjustments and management reports related to Mission Bay Park lease revenues;
- Made inquiries with management and key staff in charge of managing and monitoring information related to Mission Bay Park lease revenues;
- Reviewed Mission Bay Park and San Diego Regional Parks Improvement Fund Oversight Committee minutes, agendas and related bylaws
- Analyzed the quality and effectiveness of the reporting to the Oversight Committees; and
- Verified the calculation and reporting of project expenditures.
- Followed up recommendation in the last report.

We reviewed data for FY 2016. We performed data reliability testing of the financial data provided to us and which we relied on in this report.

All references in this memorandum focus on post-charter funds related to the Mission Bay and San Diego Regional Parks Improvement Funds exclude the pre-Charter funds unless otherwise referenced.

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.

ATTACHMENT C:

**Prior Years Mission Bay and San Diego Regional Parks Improvement Funds
 Financial Activity, As of June 30, 2015**

| Fiscal Year | Mission Bay Revenues | Regional Park Revenues |
|--------------------------------------------|----------------------|------------------------|
| | Revenues [1] | Revenues [1] |
| 2010 | \$ 115,603 | \$ 1,708,236 |
| 2011 | \$ 40,859 | \$ 1,753,292 |
| 2012 | \$ 2,449,130 | \$ 2,534,109 |
| 2013 | \$ 5,373,254 | \$ 2,525,338 |
| 2014 | \$ 4,302,753 | \$ 2,538,998 |
| 2015 | \$ 7,100,046 | \$ 2,555,608 |
| Total as of June 30, 2015 | \$ 19,381,645 | \$ 13,615,581 |
| | Expenditures [2] | Expenditures [2] |
| 2010 | \$ - | \$ - |
| 2011 | \$ - | \$ - |
| 2012 | \$ - | \$ 313,640 |
| 2013 | \$ - | \$ 408,680 |
| 2014 | \$ - | \$ 742,897 |
| 2015 | \$ 171,848 | \$ 1,554,596 |
| Total as of June 30, 2015 | \$ 171,848 | \$ 3,019,813 |
| Available balance June 30, 2015 | \$ 19,209,797 | \$ 10,595,768 |

[1] Excludes unrealized gains and losses. FY 2011 through FY 2013 previously reported amounts were adjusted to exclude unrealized gains and losses.

[2] Excludes depreciation.

ATTACHMENT D: Fiscal Year 2016 and 2015 Mission Bay Park Lease Revenue

| Lessee | Revenue Amount FY 2016 | Revenue Amount FY 2015 | Change |
|------------------------------------------------------|------------------------|------------------------|------------------|
| Sea World Inc | \$10,899,260 | \$11,425,612 | (\$526,352) |
| LHO Mission Bay Hotel, L.P. | \$3,662,938 | \$3,740,519 | (\$77,581) |
| CHSP Mission Bay | \$3,269,776 | \$3,142,412 | \$127,364 |
| LHO Mission Bay Rosie Hotel | \$2,768,727 | \$2,618,728 | \$149,999 |
| BH Partnership | \$1,954,283 | \$1,946,075 | \$8,208 |
| Campland, LLC | \$1,878,797 | \$1,805,775 | \$73,022 |
| Bartell Hotels | \$1,509,027 | \$1,189,814 | \$319,213 |
| Seaforth Sportfishing Corporation | \$1,096,867 | \$981,140 | \$115,728 |
| Marina Village | \$730,893 | \$709,906 | \$20,986 |
| Driscoll Mission Bay LLC | \$415,738 | \$435,301 | (\$19,563) |
| Mission Bay Yacht Club | \$393,538 | \$358,504 | \$35,034 |
| Wesco Sales Corp | \$382,916 | \$327,083 | \$55,833 |
| Mission Bay Sports Center (Note 1) | \$184,310 | \$411,011 | (\$226,701) |
| Sportsmen's Seafood Co Inc | \$144,563 | \$110,181 | \$34,382 |
| Mission Bay Boat & Ski Club | \$134,037 | \$125,698 | \$8,339 |
| Associated Students SDSU/Regents Of UCSD | \$63,059 | \$48,963 | \$14,096 |
| Braemar Partnership 9th & A LP | \$58,603 | \$62,542 | (\$3,939) |
| Everingham Bros Bait Co | \$51,840 | \$51,840 | \$0 |
| San Diego Parasail Adventures Inc (Note 1) | \$45,402 | \$8,727 | \$36,675 |
| San Diego Rowing Club/Intercollegiate Rowing | \$28,501 | \$26,102 | \$2,399 |
| Verizon Wireless VAW | \$10,162 | \$9,866 | \$296 |
| Hanohano Outrigger Canoe Club | \$5,131 | \$3,494 | \$1,637 |
| Canoe & Kayak Team | \$4,646 | \$952 | \$3,694 |
| Community Rowing of San Diego (Note 2) | \$2,294 | | \$2,294 |
| SD Alliance for Asian Pacific | \$2,200 | \$1,915 | \$285 |
| Kapolioka' Ehukai Outrigger Canoe Club (Note 2) | \$2,194 | \$2,605 | (\$411) |
| Sprint PCS Assets LLC (Note 3) | \$1,867 | \$817 | \$1,050 |
| Kai Elua Outrigger Canoe Club | \$1,752 | \$1,670 | \$82 |
| Braemar Partnership/02 | \$1,250 | \$500 | \$750 |
| | | | \$0 |
| Grand Total | \$29,704,569 | \$29,547,752 | \$156,817 |
| Adjustments to accruals entries | (\$46,085) | (\$21,873) | (\$24,212) |
| Adjusted total lease revenue | \$29,658,484 | \$29,525,879 | \$132,604 |
| Threshold | (\$20,000,000) | (\$20,000,000) | \$0 |
| Revenues exceeding the threshold | \$9,658,484 | \$9,525,879 | \$132,604 |
| Transfer to San Diego Regional Park Improvement Fund | \$2,500,000 | \$2,500,000 | \$0 |
| Transfer to Mission Bay Improvement Fund | \$7,158,484 | \$7,025,879 | \$132,604 |

Source: OCA generated based on information from the Office of the City Comptroller

ATTACHMENT E: Regional Park Improvement Fund Project Expenditures for Fiscal Year 2016

| Projects | Purpose | Expenditures FY 2016 [1] |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| New project expenditures: | | |
| Balboa Park Hall of Nations Foundation Repair | JOC Contract to repair falling foundation at Hall of Nations Building. | \$ 102,627.97 |
| Cowles Mountain Trails-Mission Trails | This project provides for design, engineering, construction, and installation of structures, as well as the rehabilitation and installation of appropriate material to re-establish approximately 2,000 linear feet of existing trail. | \$ - |
| Mission Trails Regional Park Multi Trail System | This project provides for design, engineering, and construction of approximately 5,000 linear feet of new (realignment) trail and rehabilitation of approximately 3,500 linear feet of existing trail. | \$ - |
| Chicano Park Comfort Station Replacement | This project provides for accessibility upgrades at Chicano Park to accommodate persons with disabilities pursuant to State and federal accessibility guidelines and regulations, and for the expansion of Chicano Park by approximately 2 acres. | \$ 20.15 |
| Junipero Serra Museum ADA Improvements | This project provides for the design and construction of improvements to provide Americans with Disabilities Act (ADA) access to the Junipero Serra Museum within Presidio Park. | \$ 52,245.73 |
| EB Scripps Pk Comfort Station Replacement | This project provides for the design and construction of a replacement comfort station located in EB Scripps Park adjacent to La Jolla Cove. | \$ 46,948.09 |
| Balboa Park West Mesa Comfort Station Replacement | This project provides for the design and construction of two replacement comfort stations on the West Mesa of Balboa Park, one north of the children's play area and one near the intersection of 6th Avenue and Nutmeg Street. | \$ 59,478.41 |
| Sunset Cliffs Natural Park Phase I Revegetation | This project will complete improvements to the hillside portion of the Sunset Cliffs Natural Park, consisting of final project design documents, environmental review and construction documents. | \$ 903.58 |

| Projects | Purpose | Expenditures FY 2016 [1] |
|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Sunset Cliffs Natural Park Ph II Trail & Reveg | This project will complete improvements to the hillside portion of the Sunset Cliffs Natural Park, consisting of final project design documents, environmental review and construction documents. | \$ 2,108.37 |
| La Jolla Parkway/Mt Soledad Erosion Control | Erosion control at La Jolla Parkway and Mt Soledad. | \$ - |
| Coastal Beach Access Projects | 202 Coast Blvd Access Stairs | \$ - |
| Continuing Projects Expenditures: | | |
| Seismic System Upgrade | Seismic retrofit of the historic California Tower within Balboa Park. Phase 1 is the relocation of electrical systems housed in the bottom floor of the tower in order to reinforce the walls of the room. Phase 2 is the seismic upgrade of the tower. | \$ 34,482.99 |
| Demolition of Loma Land Structures | This project provides for the removal of existing houses located on parkland, restoration of natural areas to allow water percolation, and installation of site appropriate drainage devices. | \$ 31,504.75 |
| Hillside Drainage Improvements | This project provides for drainage improvements at Sunset Cliffs Natural Park including the removal of existing houses located on parkland, restoration of natural areas to allow water percolation, and installation of site appropriate drainage devices. | \$ 46,391.59 |
| Mohnike Adobe & Barn Restore | This project provides for the rehabilitation/restoration of the historic adobe and hay barn located within the 14-acre Rancho Penasquitos Equestrian Center on the eastern end of the Los Penasquitos Canyon Preserve. | \$ 74,701.98 |
| Beach Access - Pescadero & Diamond Street | This project provides for coastal improvements by stabilizing stairways for beach access. | \$ - |
| Beach Access - Orchard Avenue, Capri by the Sea and Old Salt Pool | This project provides partial funding for coastal infrastructure improvements at 71 sites, from Sunset Cliffs Park to Torrey Pines State Beach that were identified and prioritized in a 2003 Coastal Erosion Assessment Survey. High priority sites are those that present potential public hazards. | \$ 19,435.36 |

| Projects | Purpose | Expenditures FY 2016 [1] |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Palisades Park Comfort Station | The project provides for the removal and replacement of the existing comfort station at Palisades Park at the foot of Law Street in Pacific Beach. | \$ 46,604.66 |
| Sunset Cliffs Hillside Improvements | This project will complete improvements to the hillside portion of the Sunset Cliffs Natural Park, consisting of final project design documents, environmental review and construction documents. | \$ 230,258.21 |
| Trail for All People | This project provides for design and construction of a 1,300 linear foot paved trail to accommodate people of all physical abilities. The trail is located within the Black Mountain Open Space Park off of Miner's Ridge Loop staging area. Associated amenities and support facilities may include a shaded viewing pavilion, wayfinding and interpretive signage/exhibits, information kiosks, and benches. | \$ 182,203.08 |
| Chollas Lake Park Playground Improvements | This project provides for the design and construction of two playgrounds at Chollas Lake Park to replace existing playgrounds which have surpassed their life expectancy and do not meet current Americans with Disabilities Act (ADA) and playground safety requirements. The new playgrounds will be fully ADA compliant and meet all safety guidelines for public playgrounds. | \$ 138,459.84 |
| Los Penasquitos Canyon Preserve Ranger Station | This project provides for an 800-Square Foot Ranger Station with bathroom facilities at the corner of Mercy Road and Black Mountain Road to serve the communities of Mira Mesa, Black Mountain and Rancho Penasquitos. | \$ 149,461.07 |
| California Tower Electric Room | Seismic retrofit of the historic California Tower within Balboa Park. Phase 1 is the relocation of electrical systems housed in the bottom floor of the tower in order to reinforce the walls of the room. Phase 2 is the seismic upgrade of the tower. | \$ 12,762.07 |
| Old Mission Dam Dredging Project | This project provides for dredging behind the Old Mission Dam for the purpose of removing silt buildup, the required mitigation and monitoring program, and obtaining the necessary permits for long term preservation measures. | \$ 20,039.92 |
| Museum of Man Roof Replacement | Repairs to the interior of the Museum of Man caused by roof leakages. Restoration includes repairs to water damaged walls, domes and the entrance doors. | \$ - |
| | Total FY 2016 expenditures | \$ 1,250,637.82 |
| <p><i>[1] The expenditures are for projects funded by Mission Bay rents collected after June 30, 2009. Monies in the fund collected prior to July 1, 2009 and expended on projects are outside the scope of the audit.</i></p> | | |

ATTACHMENT F: Mission Bay Improvement Fund Project Expenditures for FY 2016

| Projects | Purpose | Expenditures FY 2016 [1] |
|----------------------------------|--------------------------------------------------------------------------------------------|-----------------------------|
| New project expenditures: | | |
| Mission Bay Dredging [1] | This project provides for dredging of Mission Bay, which is necessary for boat navigation. | \$ 73,479.43 |
| | Total FY 2016 expenditures | \$ 73,479.43 |

[1] The expenditures are for projects funded by Mission Bay rents collected after June 30, 2009. Monies in the fund collected prior to July 1, 2009 and expended on projects are outside the scope of the audit.



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: August 30, 2017
TO: Eduardo Luna, City Auditor
FROM: Gail R. Granewich, City Treasurer
SUBJECT: Performance Audit of the Mission Bay Improvement Fund, Fiscal Year 2016

The purpose of this memorandum is to provide Management's response to *Recommendation #1* of the Performance Audit of the Mission Bay Improvement Fund for Fiscal Year 2016.

Recommendation #1:

The City Treasurer's Office should schedule and conduct routine audits (at least once every 3 years) of Newport Pacific Capital Company similar to the Lease audits they currently perform on all other Lease agreements on Mission Bay Park Land subject to Charter Section 55.2 requirements.

Management Response:

Agree with Recommendation. The Newport Pacific Capital Company Management Services Agreement will be added to the Office of the City Treasurer Revenue Audit Program's routine audit population. The audit is expected to commence in the fourth quarter of Fiscal Year 2018 and recur every three years thereafter.

A handwritten signature in blue ink that reads "Gail R. Granewich".

Gail R. Granewich
City Treasurer

GG/ec

cc: Scott Chadwick, Chief Operating Officer
Stacy LoMedico, Assistant Chief Operating Officer
Mary Lewis, Chief Financial Officer
Ron Villa, Deputy Chief Operating Officer
Rolando Charvel, City Comptroller
Cybele Thompson, Director, Real Estate Assets Department
Herman D. Parker, Director, Park and Recreation Department
Andrew Fields, Assistant Director, Park and Recreation Department
Sarah Mayen, Deputy Director, Office of the City Comptroller
Robbin Kulek, Deputy Director, Office of the City Treasurer
Elizabeth Correia, Financial Operations Manager, Office of the City Treasurer
Nicole LeClair-Miller, Accounting Program Manager, Office of the City Treasurer



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: August 29, 2017

TO: Eduardo Luna, CIA, CGFM, City Auditor, Office of the City Auditor

FROM: Cybele Thompson, Real Estate Assets Department Director
Rolando Charvel, Comptroller

SUBJECT: Response to Audit of Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2016

The purpose of this memorandum is to provide Management's response to the Audit Report entitled "Audit of Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2016". The Audit identified approximately \$38,000 in lease revenue for the Verizon Wireless/Mission Bay Athletic lease that was required to be deposited into the Mission Bay Park Rents account. This is a 10-year lease effective January 1, 2016.

Below is Management's response to Audit Recommendation No. 2:

Recommendation No. 2:

The Real Estate Assets Department in coordination with the City Comptroller's Office should ensure the general ledger account is updated on this lease to deposit funds to the Mission Bay Park Rents account per Charter Section 55.2 requirements. Any previously recorded revenue in FY16 and FY17 should be transferred to general ledger account 418108 - Mission Bay Park Rents and subsequently transferred to the appropriate Improvement Fund based on Charter 55.2 allocation requirements. (Priority 2)

Management Response:

Management agrees. The Real Estate Assets Department has updated the general ledger account on the Verizon Wireless/Mission Bay Athletic lease revenue to deposit funds in the Mission Bay Park rents general ledger account. Any revenue that was previously recorded in the Antenna Lease general ledger account was transferred to the Mission Bay Park Rents

Page 2

Eduardo Luna, CIA, CGFM, City Auditor, Office of the City Auditor

August 29, 2017

general ledger account and subsequently transferred to the appropriate Improvement Fund per Charter 55.2 allocation requirements

Sincerely,



Cybele Thompson
Director of Real Estate Assets Department



Rolando Charvel
Comptroller

RC/jp

cc: Scott Chadwick, Chief Operating Officer
Stacey LoMedico, Assistant Chief Operating Officer
Mary Lewis, Chief Financial Officer
Ron Villa, Deputy Chief Operating Officer
Kyle Elser, Assistant City Auditor, Office of the City Auditor
Marshal Anderson, Director of Council Affairs
Scott Clark, Deputy Director, Office of the City Comptroller
Sarah Mayen, Deputy Director, Office of the City Comptroller
Jeff Peelle, Principal Accountant, Office of the City Comptroller
Teri Smith, Principal Accountant, Office of the City Comptroller