Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2022

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Audit Results

The City of San Diego is in substantial compliance with the requirements of Charter Section 55.2, but departments are still working on implementing recommendations from prior audits.

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The Office of the City Auditor would like to thank staff from the following departments and agencies for their assistance during this audit:

- Department of Real Estate and Airport Management
- Parks & Recreation Department
- Department of Finance
- City Treasurer's Office
- Office of Boards and Commissions
- Engineering & Capital Projects Department

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Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2022

This audit is conducted annually in accordance with the requirements of City of San Diego Charter Section 55.2

Why OCA Did This Study

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 and compliance with the requirements of Section 55.2. To comply with the Charter and in accordance with the City Auditor's Fiscal Year 2023 Annual Audit Work Plan, we have performed an audit of the Mission Bay and the Regional Parks Improvement Funds' financial activity in fiscal year 2022.

Source: Images of Mission Bay Park obtained from Tripadvisor.

What OCA Found

We found the City of San Diego is in substantial compliance with the requirements of Charter Section 55.2, but departments are still working on implementing recommendations from prior audits.

Fiscal Year 2022 Financial Activity:

We found that $5,707,545 was transferred from Mission Bay Lease Revenue to the San Diego Regional Parks Improvement Fund (SDRPIF) for capital improvements and $10,599,726 was transferred to the Mission Bay Improvement Fund (MBIF). Based on these transfers plus interest, the total transfers were $5,774,310 to the SDRPIF and $10,843,520 to the MBIF.

There were SDRPIF expenditures of $3,001,231 and MBIF expenditures of $9,314,621 in FY2022. We found that all the transfers and expenditures complied with the Charter requirements.

What OCA Recommends

There were no additional recommendations made in this year's annual Mission Bay report. However, we reviewed the status of the eight recommendations from the prior year FY2021 Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds report issued August 2, 2022.

We found that four of the eight audit recommendations have been implemented, and four remain outstanding. Improvements can be made by implementing these four recommendations. Management has agreed to implement all four of the remaining recommendations.

For more information, contact Andy Hanau, City Auditor, at (619) 533-3165 or cityauditor@sandiego.gov.

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Background

The City Charter requires that the City Auditor report annually the extent and nature of the Mission Bay and San Diego Regional Parks Improvement Funds' revenues, expenses, and improvements, and compliance with the requirements of Charter Section 55.2. To comply with the Charter, and in accordance with the City Auditor's Fiscal Year 2023 Audit Work Plan, we have performed an audit of the Mission Bay and San Diego Regional Parks Improvement Funds' financial activity in fiscal year (FY)2022.

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.

Annually, beginning in FY2010, Mission Bay Park lease revenues in excess of $23 million have been distributed to the Mission Bay and San Diego Regional Parks Improvement Funds for allowable capital improvement projects. Per the City Charter, in FY2015 and thereafter, revenues in excess of $20 million are transferred. A minimum of $3.5 million or 35 percent of revenues in excess of $20 million (if it is greater) is transferred to the San Diego Regional Parks Improvement Fund (SDRPIF), with the remainder of the excess going to the Mission Bay Improvement Fund (MBIF).

The Mission Bay Park Improvement Fund's Oversight Committee and the San Diego Regional Parks Improvement Fund's Oversight Committee are responsible for carrying out oversight responsibilities on the revenues and expenditures associated with leases and capital projects within the boundaries of Mission Bay Park and San Diego Regional Parks. They use information presented to them to make recommendations to City Council on projects to be funded and any concerns that they believe need further scrutiny. They are also responsible for verifying that the appropriate funds are collected, segregated, retained, allocated, and prioritized in compliance with the City Charter. The audit objectives, scope, and methodology used to perform this audit can be found in **Appendix B** of this report.

Audit Results

The City of San Diego is in substantial compliance with the requirements of Charter Section 55.2.

Fiscal Year 2022 Financial Activity

The fiscal year (FY)2022 activities of the Mission Bay Improvement Fund (MBIF) and San Diego Regional Parks Improvement Fund (SDRPIF) are shown in **Exhibit 1**. Adjusted lease revenue is at the highest level having fully recovered from the two year negative impact of the COVID-19 pandemic. The total increase from FY2021 is 67 percent. Revenue increased $14.5 million, topping out at $36.3 million. The first $20 million remains in the General Fund, which leaves $16.3 million to be distributed to the Improvement Funds—the highest amount since the inception of the funds.

Exhibit 1

Mission Bay Improvement Fund and San Diego Regional Parks Improvement Fund Post Charter Financial Activity (FY2022)

	Mission Bay Improvement Fund	Regional Parks Improvement Fund
Charter 55.2 Beginning Balance as of June 30, 2021	$ 34,574,920	$ 10,141,921
Revenue, excluding unrealized gains and losses	$ 10,843,520	$ 5,774,310
Expenditures, net of depreciation	$ <9,314,621>	$ <3,001,231>
Ending Balance as of June 30, 2022	$ 36,103,819	$ 12,915,000

Source: OCA generated based on general ledger and Department of Finance schedules, amounts rounded to the nearest dollar excluding unrealized gains and losses and depreciation.

The MBIF had expenditures of $9.3 million. The majority of these expenditures continue to be for improvements to playgrounds, comfort stations, and parking lots at various Mission Bay Parks. The balance at June 30, 2022, was $36.1 million, which is an increase of $1.5 million.

SDRPIF had revenues, including transfers and interest, of $5.8 million, and expenditures of $3.0 million. The majority of the expenditures were for Comfort Station improvements at various parks throughout the city, the Bud Kearns Aquatic Center, and for improvements to beach access. The available balance at June 30, 2022, was $12.9 million. Prior fiscal years' financial activity through June 30, 2021, is shown in Appendix C of this report.

Mission Bay Park Lease Revenue

The total adjusted Mission Bay Lease Revenues, including late fees, were $36,307,270. 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 FY2022 distribution from the Mission Bay Lease Revenue was $5,707,545 to the SDRPIF for capital improvements and $10,599,726 to the MBIF. Mission Bay adjusted total Lease Revenues increased by $14,522,902 between FY2021 and FY2022. The increase was mainly due to a 215 percent increase in revenues from SeaWorld from $3,998,167 to $12,595,495, an increase of $8,597,328 from FY2021 to FY2022. The revenue shown in **Exhibit 1** is slightly higher due to interest income.

Exhibit 2

Mission Bay Lease Revenue Allocation to Funds

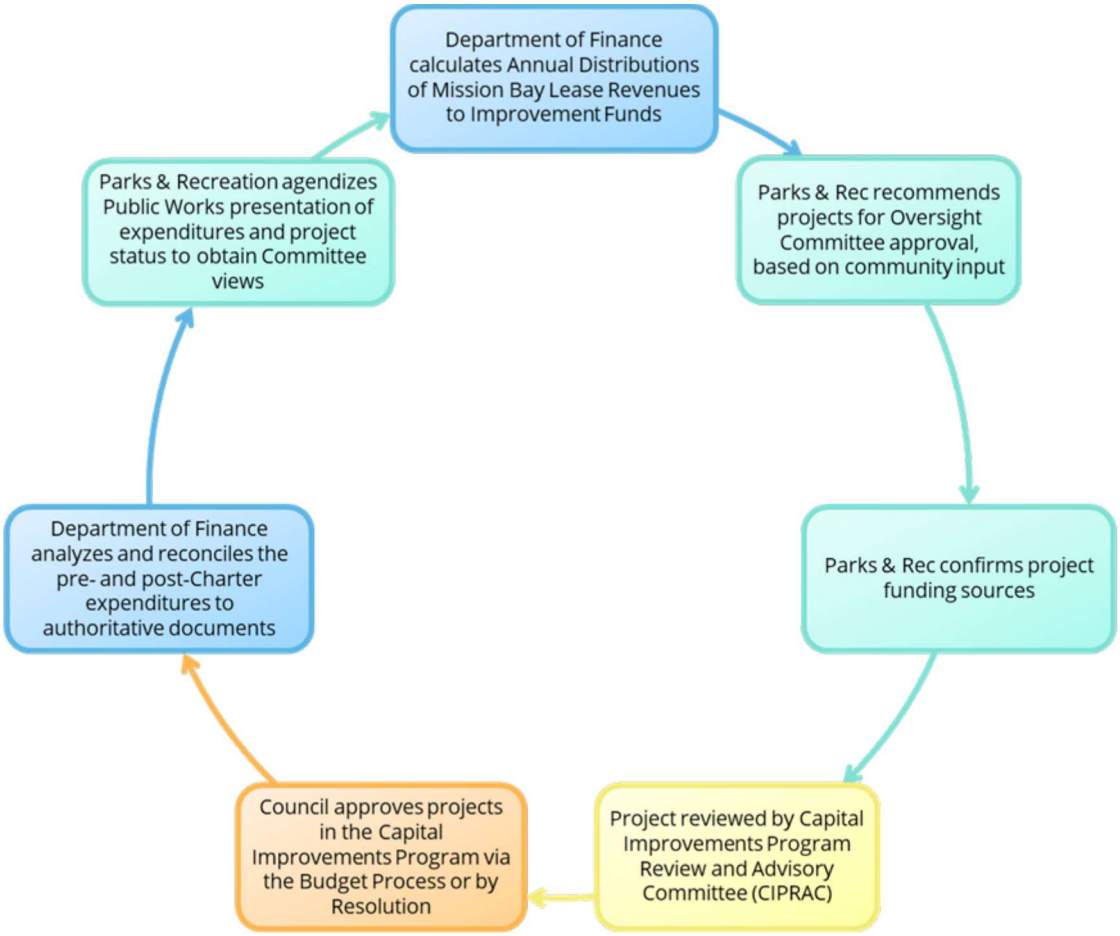
Mission Bay Lease Revenue Allocation to Fund	Allocation Breakdown in excess of the threshold	FY2022 Allocation Amounts
San Diego Regional Parks Improvement Fund	35% or $3.5 million, whichever is greater, of the amount in excess of the $20 million threshold	$5,707,545
Mission Bay Park Improvement Fund	65% of the excess over the $20 million threshold, if less than the 65%, then the remainder after the San Diego Regional Parks minimum allocation	$10,599,726

Source: OCA generated based on San Diego City Charter, Article V, Section 55.2(b).

The processes to approve, monitor, and report Charter revenues and expenditures are shown in **Exhibit 3.**

Exhibit 3

APPROVAL & REPORTING ON CHARTER SECTION 55.2 FUNDED PROJECTS



Source: OCA generated based on interviews with City Staff.

San Diego Regional Parks Improvement Fund expenditures complied with the Charter requirements. During FY2022, SDRPIF project expenditures, subject to the provisions of Charter Section 55.2, totaled $3,001,231, excluding depreciation. The FY2022 SDRPIF Charter expenditures by project are listed in Appendix E of this report. We found that the expenditures complied with the Charter requirements.

Mission Bay Improvement Fund expenditures complied with the Charter requirements. MBIF total expenditures were $9,314,621, excluding depreciation for FY2022. The FY2022 MBIF project Charter expenditures by project are listed in Appendix F of this report. We found that the FY2022 MBIF expenditures complied with the Charter requirements.

Conclusion

We found the following:

- The revenues were properly allocated to the Improvement Funds based on the formula in Charter Section 55.2.
- The expenditures charged to the Improvement Funds were appropriate and in accordance with the provisions of Charter Section 55.2.
- Both Improvement Funds are receiving information necessary to carry out their charge.
- Both Improvement Fund Oversight Committees are meeting regularly and in accordance with Charter Section 55.2

We found that $5,707,545 was transferred from Mission Bay Lease Revenue to the San Diego Regional Parks Improvement Fund (SDRPIF) for capital improvements and $10,599,726 was transferred to the Mission Bay Improvement Fund (MBIF). Based on these transfers plus interest, the total transfers were $5,774,310 to the SDRPIF and $10,843,520 to the MBIF.

There were SDRPIF expenditures of $3,001,231 in FY2022. Allocations to this fund may be expended only for non-commercial public Capital Improvements for the San Diego Regional Parks and only for park uses. See Appendix E for a list of expenditures. We found that the expenditures complied with the Charter requirements.

There were MBIF expenditures of $9,314,621. Allocations to this fund are used to improve the conditions of the Mission Bay Park Improvement Zone for the benefit and enjoyment of residents and visitors, consistent with the Mission Bay Park Master Plan. See Appendix F for a list of expenditures. We found that the expenditures complied with the Charter requirements.

Overall, we found that the City is in substantial compliance with the provisions of Charter Section 55.2. However, we also reviewed the status of the eight recommendations from the prior year FY2021 Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds report issued August 2, 2022. We found that four of the eight audit recommendations have been implemented, and four remain outstanding. Improvements can be made by implementing these four recommendations. See the Recommendation Follow-Up section of this report for details.

Recommendation Follow-Up

We reviewed the status of the eight recommendations from the FY2021 Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds report issued August 2, 2022. **We found that the following four of the eight audit recommendations have been implemented:**

Recommendation 1 (Priority 2)

To enhance the Mission Bay Park Improvement Fund Oversight Committee's and the San Diego Regional Park Improvement Fund Oversight Committee's ability to carry out their oversight responsibilities under Charter Section 55.2, we recommend: The Engineering & Capital Projects and the Parks and Recreation Departments should enhance the detail of capital project information provided to the Improvement Fund Oversight Committees. Whenever a request is made to increase funding/budget of a project that requires committee approval, detailed project estimates, including factors driving cost increases, should be provided to the committees. Additionally, this information should also be provided to the committees once a year for each project requesting new funding in the coming fiscal year.

Implemented

Greatly enhanced reports are now being provided to each oversight committee. The Parks and Recreation Department worked with the Engineering & Capital Projects Department to develop a more comprehensive presentation that expands on key project information, including scope, financials, schedule, and status. The goal is to offer this report at least two times each year. When new funding requests are made, reports will show the project scope, financials, schedule, and status, much like the semi-annual update.

Recommendation 2 (Priority 1)

To ensure proper considerations are given to replenish Improvement Funds, we recommend: The Department of Finance (DoF) present an option to compensate the Improvement Funds for lost revenue to the Mayor for consideration as part of the mid-year budget update.

Implemented

As part of the Fiscal Year 2023 Mid-Year Budget Monitoring process, DoF staff evaluated the option of replenishing the Park Improvement Funds, including the possibility of using the federal and State funds received by the City as discussed in the report. This option was presented to the Mayor as part of a briefing on the Mid-Year report

that occurred on January 31, 2023.

City Management advised that while American Rescue Plan Act (ARPA) funds can be used to replace lost revenue during the COVID-19 pandemic, it must be reported with an eligible expenditure for the provision of Government Services and cannot be supported simply by a loss of revenue. ARPA does have a dedicated reporting category for capital expenditures, separate from the revenue replacement provision, that allows for capital expenditures to support COVID-19 public health or economic response. While there has undoubtedly been an economic impact to the Park Improvement Funds, and there may be long-term financial impacts due to the decreased transfers, the existing fund balance within these special funds calls into question the ability to identify eligible expenditures within the term of the grant to meet reporting requirements. For these reasons, it was ultimately determined by City Management, in consultation with the Mayor, that the use of these funds to support additional allocations as part of the mid-year budget amendment was not recommended.

Recommendation 6 (Priority 3)

To ensure proper representation of Council Districts on the Mission Bay Park Committee, in light of the redistricting, we recommend: The City should amend Municipal Code Section 26.30 to reflect geographic representation of the Mission Bay community.

Implemented

The Office of Boards and Commissions initiated the process of amending the Municipal Code to reflect the redistricting changes. Municipal Code Section 26.30(c)(3)(A) was amended on December 14, 2022, by Ordinance 21580, effective January 13, 2023, to state the following:

(3) "The members shall be appointed by the Mayor and confirmed by the City Council, subject to the following conditions:

(A) The Mayor shall appoint three members from nominations submitted by the Councilmember representing the Council District that contains the largest geographic area of Mission Bay Park, and three members from nominations submitted by the Councilmember representing the Council District that contains the next largest area of Mission Bay Park, or if none, the Council District located in closest proximity to Mission Bay Park;"

Recommendation 8 (Priority 3)

To ensure project expenditure accounting is accurate and supported in the accounting system of record (SAP), we recommend: The Process Narrative for Purchase Order Invoices and Credit Memos (PN-0026) should be updated to ensure that invoices received for multiple projects are supported by reconciliations identifying the allocated amounts to each project. Reconciliations should be uploaded along with the invoices to SAP.

Implemented

The department updated the Process Narrative for Purchase Order Invoices and Credit Memos (PN-0026) to include reconciliations.

The following four audit recommendations from the FY2021 Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds have not been implemented:

Recommendation 3 (Priority 2)

To improve oversight and accountability in lease management practices, we recommend: The Department of Real Estate and Airport Management should conduct and document routine site visits of leased properties on Mission Bay Lands at a minimum frequency of once every 3 years to ensure properties are being well maintained and are being operated in accordance with the lease terms. The documentation should include, but not be limited to:

- Verification that insurance certificates are current;
- Verification that rent adjustments are current;
- Verification that sublease operations are properly approved;
- Condition of the leasehold, based on a visual inspection; and
- Potential safety violations or hazard identified based on a visual inspection.

Should staff identify any violations to lease terms, staff should notify lessees in writing and request they cure the issue.

In Process

The Department of Real Estate and Airport Management will conduct routine site visits with a minimum frequency of once every 3 years for leased properties on Mission Bay Lands. Site visits will include the recommended visual site inspections to ensure lease compliance in accordance with the list included in Recommendation 4, however these inspections will not be technical. The target implementation date for this recommendation is July 2025.

Recommendation 4 (Priority 2)

The Department of Real Estate and Airport Management should require lessees to submit annual rent rolls to the City to allow City staff to reconcile subleases annually and timely identify expiring subleases or non-approved subleases.

In Process

The Department of Real Estate and Airport Management will work with the City Attorney's Office to draft language requiring rent rolls in new leases or amendments to leases, as appropriate. The target implementation date for this recommendation is July 2024.

Recommendation 5 (Priority 2)

The Department of Real Estate and Airport Management should include a Facility Condition Inspection clause in future leases involving in-water improvements to ensure that docks, piers, or marinas are being properly maintained.

In Process

The Department of Real Estate and Airport Management will work with the City Attorney's Office to draft language requiring Facility Condition Inspection clauses, as applicable, to future long-term leases that have in-water improvements. The target implementation date for this recommendation is July 2024.

Recommendation 7 (Priority 3)

To ensure Committees are properly staffed in compliance with the City Charter, we recommend: The Office of Boards and Commissions should bring appointment and reappointment resolutions to City Council on a routine basis and in a timely manner to maintain proper active standing of the members on both the Mission Bay Park Committee and the Park and Recreation Board.

In Process

For the Mission Bay Park Committee, there have been four new appointments and two re-appointment resolutions, but currently there are eight members serving under expired terms. For the Park and Recreation Board, there have been five new appointments and one re-appointment resolution, but currently there is one vacancy, and seven members are serving under expired terms.

Additionally, Municipal Code Section 26.30(c) requires that an interval of four years must pass before a person who has served eight consecutive years on the Mission Bay Park Committee can be reappointed and two members of the Mission Bay Park Committee are currently serving beyond eight consecutive years in violation of the Municipal Code. The Office of Boards and Commissions should ensure appropriate staffing for this committee in compliance with the Municipal Code.

The original target implementation date for this recommendation was November 2022 and the revised target date is November 2023.

Appendix A

Definition of Audit Recommendation Priorities

The Office of the City Auditor maintains a priority classification scheme for audit recommendations based on the importance of each recommendation to the City, as described in the table below. While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration's responsibility to establish a target date to implement each recommendation, taking into consideration its priority. The City Auditor requests that target dates be included in the Administration's official response to the audit findings and recommendations.

PRIORITY CLASS*	DESCRIPTION
1	Fraud or serious violations are being committed. Significant fiscal and/or equivalent non-fiscal losses are occurring. Costly and/or detrimental operational inefficiencies are taking place. A significant internal control weakness has been identified.
2	The potential for incurring significant fiscal and/or equivalent nonfiscal losses exists. The potential for costly and/or detrimental operational inefficiencies exists. The potential for strengthening or improving internal controls exists.
3	Operation or administrative process will be improved.

* The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation that clearly fits the description for more than one priority class shall be assigned the higher priority.

Appendix B

Audit Objectives, Scope, and Methodology

Objective

In accordance with the Office of the City Auditor's Fiscal Year 2023 Audit Work Plan, we conducted a performance audit of the Mission Bay and San Diego Regional Parks Improvement Funds for fiscal year (FY)2022. Our audit objectives were to verify that the FY2022 collection, allocation, and use of Mission Bay Park lease revenues were properly budgeted, authorized, and expended in compliance with City Charter requirements.

Scope

Our scope included lease revenues received during FY2022 from properties located on Mission Bay Park lands, and expenditures recorded during FY2022 to capital projects charged to the Mission Bay Improvement Fund and the San Diego Regional Parks Improvement Fund. In addition, we reviewed the composition and communications during FY2022 of the Mission Bay Improvement Fund Oversight Committee and the San Diego Regional Parks Improvement Fund Oversight Committee. We also reviewed each committee member's Form 700 (Statement of Economic Interest) in order to identify any potential for a conflict of interest.

Methodology

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, and 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, Form 700's, and related bylaws;
- Analyzed the quality and sufficiency of the reporting to the Oversight Committees;
- Verified the calculation and reporting of project expenditures; and
- Followed up on any outstanding recommendations from prior reports.

Data Reliability

We did not test the reliability of the City's financial reporting system as it is the system of record for preparation of the Comprehensive Annual Financial Report and is therefore audited each year by the independent audit firm for those annual statements.

We did make inquiries of management to ensure the systems utilized by the Department of Real Estate and Airport Management have not been updated or changed from prior years. Since this is an annual audit and there were no changes to the systems from prior years, there was no need to conduct data reliability testing.

Internal Controls Statement

Our review of internal controls was limited to those controls relevant to the audit objectives described above. Specifically, we reviewed City Charter and Municipal Code requirements; reviewed policies and procedures documents; interviewed department management; reviewed financial reports and exported data from City systems; and reviewed agendas and minutes from Oversight Committees to ensure compliance with laws and procedures.

Compliance Statement

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.

Appendix C

Prior Year's Mission Bay and San Diego Regional Parks Improvement Funds Financial Activity, As of June 30, 2021

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
2016	$ 10,531,043	$ 3,511,501
2017	$ 6,622,302	$ 3,595,326
2018	$ 8,654,483	$ 4,604,147
2019	$ 8,176,992	$ 4,315,001
2020	$ 3,333,430	$ 3,831,994
2021	$ 646,377	$ 2,000,841
Total as of June 30, 2021	$ 57,346,272	$ 35,474,391
	Expenditures [2]	**Expenditures [2]**
2010	$ -	$ -
2011	$ -	$ -
2012	$ -	$ 313,640
2013	$ -	$ 408,680
2014	$ -	$ 742,897
2015	$ 171,848	$ 1,554,596
2016	$ 73,479	$ 1,250,638
2017	$ 472,168	$ 1,040,585
2018	$ 6,266,591	$ 2,756,468
2019	$ 3,596,424	$ 3,363,902
2020	$ 7,346,290	$ 7,487,376
2021	$ 4,844,552	$ 6,413,688
Total as of June 30, 2021	$ 22,771,352	$ 25,332,470
Available balance June 30, 2021	$ 34,574,920	$ 10,141,921

[1] Excludes unrealized gains and losses. [2] Excludes depreciation.

Source: OCA generated based on SAP financial data

Appendix D

Fiscal Years 2021 and 2020 Mission Bay Park Lease Revenue and Location Map

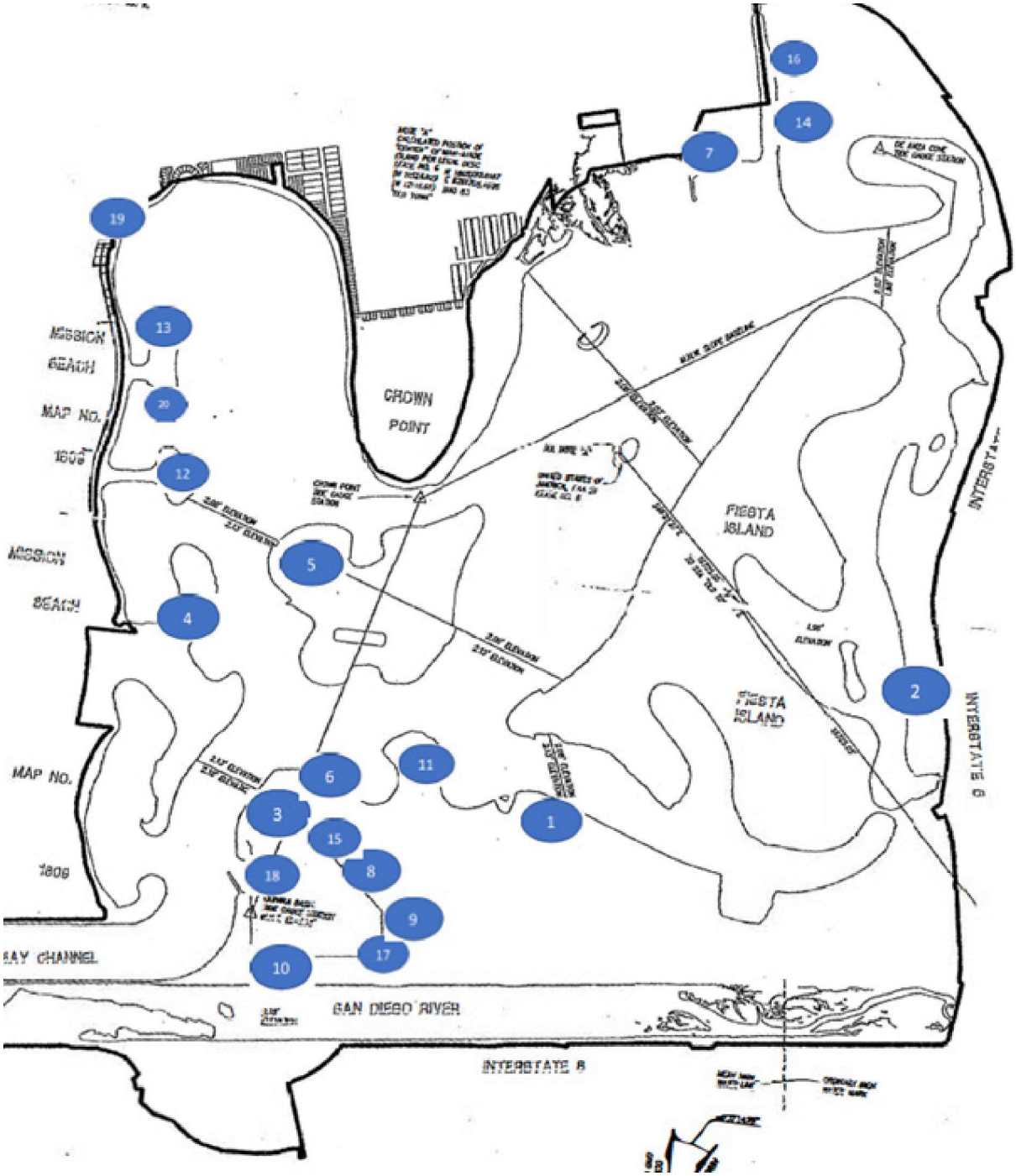
Lessee	Revenue Amount FY2022	Revenue Amount FY2021	Change
1. Sea World Inc	$12,595,495	$3,998,167	$8,597,328
2. LHO Mission Bay Rosie Hotel (SD Mission Bay Resort)	4,118,553	2,892,063	1,226,490
3. CHSP Mission Bay (Hyatt Regency MB Spa and Marina)	3,567,869	2,746,590	821,279
4. BH Partnership (Bahia Resort Hotel)	3,323,032	122,566	3,200,466
5. Pebblebrook Hotel Trust (Paradise Point Resort - New Lease)	2,641,526	2,014,432	627,094
6. Bartell Hotels (The Dana on MB)	1,696,118	805,180	890,937
7. Campland, LLC	1,586,194	1,347,053	239,140
8. Seaforth Sportfishing Corporation	1,473,126	1,308,776	164,350
9. Marina Village	850,379	663,788	186,592
10. Driscoll Mission Bay LLC	786,025	634,501	151,524
11. Wesco Sales Corp (Dana Landing)	550,037	592,285	(42,249)
12. Mission Bay Yacht Club	429,574	443,301	(13,728)
13. Mission Bay Sports Center	390,052	365,929	24,123
14. Northeast MB, LLC (De Anza RV Park - New Lease)	360,483	555,207	(194,725)
15. Sportsmen's Seafood Co Inc	153,773	144,809	8,964
16. Mission Bay Boat & Ski Club (Rose Creek)	146,390	151,950	(5,559)
17. San Diego Parasail Adventures Inc	116,903	100,149	16,754
18. Everingham Bros Bait Co (Quivira Basin)	100,589	89,148	11,441
19. Braemar Partnership (Catamaran Pier & Adjacent Beach area)	92,759	80,813	11,946
20. Associated Students SDSU/Regents Of UCSD	61,787	54,860	6,927
Verizon Wireless - Mission Bay Athletic Area	46,712	45,132	1,580
Sprint PCS - Mission Bay Athletic Area	46,042	44,485	1,557
San Diego Rowing Club/Intercollegiate Rowing	38,819	36,456	2,363
Verizon Wireless VAW (Quiveira Rd & W MB Drive)	12,134	11,781	353
Canoe & Kayak Team (MB Park/Fiesta Island)	6,242	5,615	627
SD Dragon Boat Team	5,653	4,856	797
Shoreline Mission Bay, LLC (Visitor Center)	5,000	0	5,000
SD Alliance for Asian Pacific	2,400	2,460	(60)
Kapolioka' Ehukai Outrigger Canoe Club	2,400	2,460	(60)
Kai Elua Outrigger Canoe Club	1,592	2,296	(704)
5. LHO Mission Bay Hotel, L.P. (Paradise Point Resort - old lease)	0	94,432	(94,432)
14. De Anza RV Park (Old lease)	0	35,289	(35,289)
Grand Total	**$35,207,657 $**	**19,396,829**	**$ 15,810,827**
Adjustments to accruals entries	1,099,614	2,387,539	(1,287,925)
Adjusted total lease revenue	**$36,307,270 $**	**21,784,368**	**$ 14,522,902**
Threshold	(20,000,000)	(20,000,000)	0.00
Revenues exceeding the threshold	**$16,307,270 $**	**1,784,368**	**$ 14,522,902**
Transfer to San Diego Regional Park Improvement Fund	**$5,707,545**	**$1,784,368**	**$ 3,923,176**
Transfer to Mission Bay Improvement Fund	**$10,599,726 $**	**-**	**$ 10,599,726**

Source: OCA generated based on information from the Department of Finance.

Appendix D Continued

Mission Bay Park Land Boundary – Lease Location Map

(Numbers correspond with numbering of leases from the table on previous page)



Note: Numbers correspond with numbering of leases from the table on previous page.

Source: OCA generated based on google map search of lease locations.

Appendix E

San Diego Regional Park Improvement Fund Project Expenditures for Fiscal Year 2022

Projects	Purpose	Expenditures FY2022 [1]
New project expenditures:		
Old Salt Pool Access Stairs	This project is to provide safe and compliant access to the beach. The scope of work of this project includes the design and construction of a new set of access stairs that generally follows the footprint of the previous design.	$112,951.85
Ongoing project expenditures:		
Air & Space Museum Roof Replacement	This project provides for replacement of the Air & Space Museum Roof. The Air & Space Museum Building is located in the Palisades area of Balboa Park.	100,947.96
Demolition of Loma Land Structures	This project provides for the removal of existing houses located on parkland.	23,984.08
Hillside Drainage Improvements	This project provides for drainage improvements at Sunset Cliffs Natural Park, restoration of natural areas to allow water percolation, and installation of site appropriate drainage devices.	14,076.69
Chollas Lake Electrical Service Improvements	The first priority project is to provide electrical service to the park, which will allow extended use of the park and provide a higher level of security.	84,566.17
Narragansett Avenue Access	This project is for Narragansett Avenue Beach Access.	33,398.41
Santa Cruz Avenue Access Stairs and Walkway	This project is for Santa Cruz Avenue Beach Access stairs and Walkway.	41,882.27
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.	5,638.35

Projects	Purpose	Expenditures FY2022 [1]
Balboa Park Comfort Stations Improvements	This project would provide for the design and construction of improvements/replacements for comfort stations located in Balboa Park.	553.26
Orchard Avenue, Capri by the Sea and Old Salt Pool	This project provides for coastal infrastructure improvements.	(108.93)
Bermuda Ave Coastal	This project provides reconstruction of stairway and seawall.	170,509.71
Casa De Balboa Fire Alarm System	This project provides for the replacement of the Fire Alarm System at Casa de Balboa.	60,663.35
Balboa Park Bud Kearns Aquatic Complex Improvements	Complex improvements including pool, mechanisms, fencing, accessibility, etc.	491,442.37
Junipero Serra Museum ADA Improvements	This project provides ADA access to the Junipero Serra Museum within Presidio Park.	5,300.62
EB Scripps Park Comfort Station Replacement	This project provides for a replacement comfort station located in EB Scripps Park adjacent to La Jolla Cove.	1,369,064.32
Balboa Park West Mesa Comfort Station Replacement	This project provides for two replacement comfort stations on the West Mesa of Balboa Park.	49,721.63
Sunset Cliffs Natural Park Ph II Trail & Revegetation	This project will complete improvements to the hillside portion of the Sunset Cliffs Natural Park, consisting of construction of trails, habitat restoration, erosion control, removal of houses within the park, and the removal and return to natural vegetation of the softball field.	292,558.39
Balboa Park Club Renovations	This project provides for improvements at Balboa Park Club, including stucco repairs, and replacement of damaged wood windows and peeler logs.	22,169.76

Projects	Purpose	Expenditures FY2022 [1]
Ocean Beach Dog Beach Accessibility Improvements	The project scope of work calls for the ADA upgrades to primary path of travel: accessibility from the parking lot to the San Diego River Pathway, from there continue path of travel down the beach, sloped sidewalks and high curb walls, and adjust K-rails at existing parking. In addition, a demolition and rebuilding of the existing sidewalk to provide a more robust foundation to prevent movement and to add walls to prevent sand migrating onto the walking surface for pedestrian safety.	34,084.36
Cowles Mountain Comfort Station Access	The project scope of work is for the replacement of a comfort station and the addition of a sewer lateral to eliminate an existing sewer pump.	56,985.37
Balboa Park Botanical Building	The project will restore the existing building to its original 1915 design. This project will also provide a maintenance yard at the North West corner of the Botanical Building.	30,841.18
	Total Fiscal Year 2022 expenditures	**$ 3,001,231.17**

Appendix F

Mission Bay Improvement Fund Project Expenditures for Fiscal Year 2022

Projects	Purpose	Expenditures FY2022 [1]
New project expenditures:		
Bahia Parking Lot and Comfort Station	This project will provide for the slurry seal of Bahia Point and Ventura Cove parking Lots. Existing Restrooms will be replaced with new single family stall comfort station. ADA Path to a fire ring, ADA accessible Table and a path to travel to Bahia Parking Lot.	$106,214.87
Ongoing project expenditures:		
Mission Bay Navigational Safety Dredging	This project provides for dredging of Mission Bay, which is necessary for boat navigation.	33,469.88
Mission Bay Projects EIR	This project is for the Environmental Impact Report for Mission Bay Projects.	152,332.45
Hospitality Point Parking Lot Improvement	Parking lot improvements	178,393.41
Robb Field Parking Lot Improvements	Parking lot improvements	35,714.58
Dusty Rhodes Parking Lot Improvements	Parking lot improvements	81,518.10
Mission Bay Athletic - Comfort Station	Replacement and upgrade of comfort station.	116,177.34
DeAnza North Parking Lot Imp	Parking lot improvements	91,133.09
N Bank SD Riv Bike Path & Park Lot Resur	Parking lot improvements	3,250.04
Robb Field Turf & Irrigation Improvement	Turf & Irrigation Improvements	30,476.88
Adult Fitness Course East Shore	Construct the fitness course improvements.	593,241.91
El Carmel Comfort Station Improvements	Replacement and upgrade of comfort station.	182,804.09
Ventura Comfort Station Improvements	Replacement and upgrade of comfort station.	183,011.99
Bonita Cove West Playground Improvements	Improvements and Replacement of playground equipment	225,255.12

Projects	Purpose	Expenditures FY2022 [1]
Bonita Cove West Comfort Station Improvements	Replacement and upgrade of comfort station.	88,018.22
Tecolote North Parking Lot Improvements	Parking lot improvements	73,549.97
Tecolote North Playground Improvements	Improvements and Replacement of playground equipment	2,327,654.24
Tecolote North Comfort Station Improvements	Replacement and upgrade of comfort station.	1,236,997.19
North Cove Comfort Station Improvements	Replacement and upgrade of comfort station.	71,023.53
Ocean Beach Dog Beach Accessibility Improvements	The project scope of work calls for the ADA upgrades to primary path of travel: accessibility from the parking lot to the San Diego River Pathway, from there continue path of travel down the beach, sloped sidewalks and high curb walls, and adjust K-rails at existing parking. In addition, a demolition and rebuilding of the existing sidewalk to provide a more robust foundation to prevent movement and to add walls to prevent sand migrating onto the walking surface for pedestrian safety.	33,796.08
Tecolote South Comfort Station Improvements	Replacement and upgrade of comfort station.	362,411.41
Tecolote South Playground Improvements	Improvements and Replacement of playground equipment	666,008.23
Tecolote South Parking Lot Improvements	Parking lot improvements	25,712.46
Crown Point Playground Improvements	Improvements and Replacement of playground equipment	78,192.70
Crown Point Parking Lot Improvements	Parking lot improvements	55,146.98
Santa Clara Playground Improvements	Improvements and Replacement of playground equipment	554,980.41
Santa Clara Comfort Station Improvements	Replacement and upgrade of comfort station.	342,506.98
Beautification of Traffic Island Group 1	This project provides for the study of signage (monument and wayfinding) and associated landscaping for Mission Bay Park.	44,252.63
Sunset Point Parking Lot Improvements	Parking lot improvements	79,348.92

Projects	Purpose	Expenditures FY2022 [1]
Santa Clara Pt South Parking Lot Improvements	Parking lot improvements	34,823.03
S De Anza Parking Lot	Parking lot improvements	86,556.93
Rose Marie Starns So Parking Lt Improvements	Parking lot improvements	14,560.29
S De Anza Comfort Station Imp	Replacement and upgrade of comfort station.	59,602.56
Sunset Point Comfort Station Improvements	Replacement and upgrade of comfort station.	133,406.03
Bonita Cove East Comfort Station Improvements	Replacement and upgrade of comfort station.	50,161.03
Bonita Cove East Playground	Improvements and Replacement of playground equipment	64,591.43
Hospitality Point Comfort Station Improvements	Replacement and upgrade of comfort station.	196,243.74
Dusty Rhodes Comfort Station Improvement	Replacement and upgrade of comfort station.	64,824.02
Dusty Rhodes Playground	Improvements and Replacement of playground equipment	115,498.16
S De Anza Basketball Courts and Play Gr	Playground and Basketball Court Improvements	90,318.16
Robb Field Comfort Station Improvements	Replacement and upgrade of comfort station.	37,947.13
Robb Field Playground	Playground Improvements	31,270.26
Robb Field Recreation Center	Replacement of the Recreation Center	42,519.82
Robb Field Gateway Path	Complete the walkway from the NW corner of Sunset Cliffs Blvd. to West Pt Loma Blvd. and the Ocean Beach Athletic Area.	109,824.97
DeAnza North East Parking Lot	Parking lot improvements	129,880.09
	Total Fiscal Year 2022 expenditures	**$ 9,314,621.35**

THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: November 9, 2023

TO: Andy Hanau, City Auditor, Office of the City Auditor

FROM: Eric K. Dargan, Chief Operating Officer

SUBJECT: Management Response to the Office of the City Auditor's Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2022

This memorandum serves as the management response to the Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2022 (Performance Audit). The draft Performance Audit provided to management did not contain any audit findings or recommendations.

Management is pleased with the City Auditor's independent conclusion that the City is substantially complying with the requirements of Charter Section 55.2. Management also acknowledges that City staff continue to implement recommendations from the prior year audit issued August 2, 2022. To date, staff have implemented four of the eight audit recommendations, which have resulted in the following improvements:

- The Parks and Recreation Department worked with the Engineering & Capital Projects Department to develop more comprehensive reporting for the Improvement Fund Oversight Committees that expands on key project information, including scope, financials, schedule, and status.
- As part of a briefing on the Fiscal Year 2023 mid-year budget report, the Department of Finance presented an option to the Mayor to compensate the Improvement Funds for lost revenue.
- Municipal Code Section 26.30 was amended in December 2022 to ensure proper representation of Council Districts on the Mission Bay Park Committee.
- The Process Narrative for Purchase Order Invoices and Credit Memos (PN-0026) was updated to require that invoices received for multiple projects are supported by reconciliations that identify the amounts allocated to each project.

In addition, City staff continue making progress toward implementing the remaining recommendations and look forward to providing the Office of the City Auditor with updates for inclusion in the City Auditor's Recommendation Follow-Up Report for the period ending December 31, 2023.

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Andy Hanau, City Auditor, Office of the City Auditor
November 9, 2023

City staff and management appreciate the work undertaken by the Office of the City Auditor in conducting this review. Thank you for the opportunity to review and provide comments on the draft report. Management appreciates your team's professionalism throughout this engagement.

Thank you,

Eric K. Dargan
Chief Operating Officer

ED/lfb

cc: Paola Avila, Chief of Staff, Office of the Mayor
Charles Modica, Independent Budget Analyst
Matthew Vespi, Chief Financial Officer
Kristina Peralta, Deputy Chief Operating Officer
Alia Khouri, Deputy Chief Operating Officer
Casey Smith, Deputy Chief Operating Officer
Kris McFadden, Deputy Chief Operating Officer
Christiana Gauger, Chief Compliance Officer, Compliance Department
Jessica Anderson, Director of Policy, Office of the Mayor
Penny Maus, Director, Department of Real Estate and Airport Management
Andy Field, Director, Parks & Recreation Department
Rolando Charvel, Director and City Comptroller, Department of Finance
Elizabeth Correia, City Treasurer, Office of the City Treasurer
Chida Warren-Darby, Director of Appointments, Office of Boards and Commissions
Rania Amen, Director and City Engineer, Engineering & Capital Projects Department
Luis Briseño, Program Manager, Compliance Department

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