

Office of the City Auditor

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

Presentation to the San Diego Regional Parks Improvement Fund Oversight Committee
March 21, 2024



Background



- In 2002, a City Council ordinance established two special funds:
 - Mission Bay Improvement Fund
 - Regional Park Improvement Fund
- These funds received revenue from the Mission Bay leases in excess of \$20 million.
- Proposition C passed in 2008, bringing new City Charter requirements.
- Measure J passed in 2016, amending Charter Section 55.2 requirements.

Audit Objectives



- The City Charter requires an annual audit. Each audit report must contain:
 - a complete accounting of all revenues received,
 - the amount and nature of all expenditures, and
 - whether expenditures were consistent and compliant with City Charter requirements.

- Audit objectives include verification that the Fiscal Year 2022:
 - collection,
 - allocation, and
 - use of Mission Bay Park lease revenues are in compliance with City Charter requirements.

We found that:

- All Revenue received in FY2022 was properly recorded.
- All Expenditures charged to the improvement funds were consistent and in compliance with the City Charter.
- Both Improvement Fund oversight committees are being provided information to carry out their charge and they are meeting regularly in compliance with the City Charter.

FY 2022 Mission Bay Park Lease Revenue

The adjusted Mission Bay lease revenue totaled \$36,307,271.

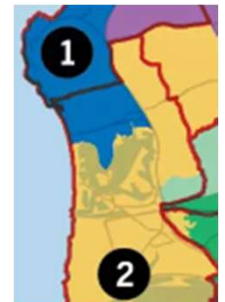
Fund Name	Allocation Breakdown in excess of the threshold	FY 2021 Allocation Amounts
San Diego Regional Parks Improvement Fund	35% or \$3.5 million, whichever is greater, in excess of the \$20 million threshold	\$ 5,707,545
Mission Bay Park Improvement Fund	65% of the excess over the \$20 million threshold, if less than the 65% then, the remainder after the San Diego Regional Parks allocation	\$ 10,599,726

FY 2022 Financial Activity

	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 (Includes Interest & Penalties)	\$ 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

RECOMMENDATIONS IMPLEMENTED:

- Recommendation 1
 - Enhanced reports are now being provided when new funding requests are made, reports will show the project scope, financials, schedule, and status, much like the semi-annual update.
- Recommendation 2
 - City Management, in consultation with the Mayor, determined the use of city funds to replenish the improvement funds for losses during the COVID-19 shutdown was not recommended.
- Recommendation 6
 - The Municipal Code was amended to require Mission Bay Park Committee representatives be appointed based on geographical proximity to Mission Bay.
- Recommendation 8
 - The Process Narrative for Purchase Order Invoices and Credit Memos (PN-0026) was updated to include project level reconciliations.

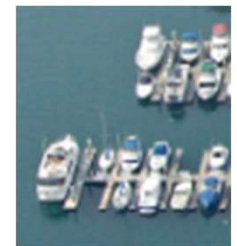


Prior Audit: Recommendation Follow-Up



RECOMMENDATIONS IN PROCESS (Mgt has agreed to implement all of them):

- Recommendation 3
 - The Department of Real Estate and Airport Management will conduct and document site visits of leased properties on Mission Bay Lands at a minimum frequency of once every 3 years.
- Recommendation 4
 - 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.
- Recommendation 5
 - The Office of Boards and Commissions should bring appointment & reappointment resolutions to City Council in a timely manner to maintain active standing of the members.
- Recommendation 7
 - The Department of Real Estate and Airport Management will work with the City Attorney's Office to draft language requiring Facility Condition Inspection clauses to future long-term leases that have in-water improvements.



Conclusion



- Mission Bay Rents were accounted for and appropriately allocated in the amount of \$16,617,830 (including interest and penalties) to the appropriate Improvement Funds.
- We found that the FY 2022 Mission Bay Improvement Fund charter expenditures of \$9,314,621 and Regional Parks Improvement Fund charter expenditures of \$3,001,231 were allowable, appropriate and complied with Charter requirements.
- We found that four of the eight audit recommendations from last year's audit have been implemented, and four remain outstanding. Improvements can be made by implementing these four recommendations.

**We request the Committee
accept the audit report.**


Questions?





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