

Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2023

November 2024 | OCA-25-04

Audit Results

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

Other Pertinent Information: Capital Improvement Program

The City is completing projects funded by Mission Bay lease revenues as managed by the Parks and Recreation Department and the Engineering & Capital Projects Department.

The Improvement Fund Oversight Committees often have members that are serving on expired terms or have vacant positions.

Andy Hanau, City Auditor

Matthew Helm, Assistant City Auditor

Kyle Elser, Principal Performance Auditor

Rod Greek, Performance Auditor

CITY OF SAN DIEGO



OFFICE of the CITY AUDITOR

independent. objective. accurate.

The Office of the City Auditor is an independent office that reports to the City's Audit Committee. Our mission is to advance open and accountable government through independent, objective, and accurate audits and investigations that seek to improve the efficiency, effectiveness, and equity of City government.

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

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



CONTACT US:



Find past audit reports—and sign up to get future reports delivered to your inbox—on our website: sandiego.gov/auditor



twitter.com/sdCityAuditor



cityauditor@sandiego.gov



619-533-3165



Report fraud, waste, or abuse in city operations through our fraud hotline: [866-809-3500](tel:866-809-3500)



600 B Street, Suite 1350, San Diego, CA 92101

Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2023

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 2024 Annual Audit Work Plan, we have performed an audit of the Mission Bay and the Regional Parks Improvement Funds' financial activity in fiscal year 2023.



Source: Image of Mission Bay Park obtained from Microsoft Bing.

What OCA Found

We found that the City of San Diego is in compliance with the requirements of Charter Section 55.2.

Fiscal Year 2023 Financial Activity:

We found that \$6,608,581 was transferred from Mission Bay Lease Revenue to the San Diego Regional Parks Improvement Fund (SDRPIF) for capital improvements and \$12,273,079 was transferred to the Mission Bay Improvement Fund (MBIF). Based on these transfers plus interest, the total transfers were \$6,814,165 to the SDRPIF and \$12,801,956 to the MBIF.

There were SDRPIF expenditures of \$1,507,612 and MBIF expenditures of \$7,678,735 in FY2023. We found that all transfers and expenditures complied with the Charter requirements.

Other Pertinent Information:

The City is completing projects funded by Mission Bay lease revenues as managed by the Parks and Recreation Department and the Engineering & Capital Projects Department.

The Improvement Fund Oversight Committees often have members that are serving on expired terms or have vacant positions.

What OCA Recommends

Management continues to work towards implementation of two of the four remaining recommendations from the FY2021 Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds report issued August 2, 2022. We did not make any additional recommendations in the current audit.

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

Table of Contents

Background	1
Audit Results	
The City of San Diego is in compliance with the requirements of Charter Section 55.2.	2
Other Pertinent Information: Capital Improvement Program	
The City is completing projects funded by Mission Bay lease revenues as managed by the Parks and Recreation Department and the Engineering & Capital Projects Department.	5
The Improvement Fund Oversight Committees often have members that are serving on expired terms or have vacant positions.	9
Recommendation Follow-Up	12
Appendix A Definition of Audit Recommendation Priorities	15
Appendix B Audit Objectives, Scope, and Methodology	16
Appendix C Prior Year's Mission Bay and San Diego Regional Parks Improvement Funds Financial Activity, As of June 30, 2022	18
Appendix D Fiscal Years 2023 and 2022 Mission Bay Park Lease Revenue and Location Map	19
Appendix D Mission Bay Park Land Boundary – Lease Location Map	20
Appendix E San Diego Regional Park Improvement Fund Project Expenditures for Fiscal Year 2023	21
Appendix F Mission Bay Improvement Fund Project Expenditures for Fiscal Year 2023	23
Management Response	25



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 2024 Audit Work Plan, we performed an audit of the Mission Bay and San Diego Regional Parks Improvement Funds' financial activity in fiscal year (FY) 2023.

The Mission Bay and San Diego Regional Parks Improvement Funds have two sources of revenue: (1) transfers from lease revenue collected from tenants in Mission Bay Park; and (2) 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 compliance with the requirements of Charter Section 55.2.

Fiscal Year 2023 Financial Activity

The fiscal year (FY) 2023 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 once again at a new all-time high. The total increase from FY2022 is 7.1 percent. Revenue increased \$2.6 million, topping out at \$38.9 million. The first \$20 million remains in the General Fund, which left \$18.9 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 (FY2023)

	Mission Bay Improvement Fund		Regional Parks Improvement Fund	
Charter 55.2 Beginning Balance as of June 30, 2022	\$	36,103,819	\$	12,915,000
Revenue, Excluding Unrealized Gains and Losses	\$	12,801,956	\$	6,814,165
Expenditures, Net of Depreciation	\$	(7,678,735)	\$	(1,507,612)
Ending Balance as of June 30, 2023	\$	41,227,040	\$	18,221,553

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 \$7.7 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 on June 30, 2023, was \$41.2 million, which is an increase of \$5.1 million.

SDRPIF had revenues, including transfers and interest, of \$6.8 million, and expenditures of \$1.5 million. The largest group of expenditures were for coastal access projects. The available balance on June 30, 2023, was \$18.2 million. Prior fiscal years' financial activity through June 30, 2022, is shown in **Appendix C** of this report.

Mission Bay Park Lease Revenue

The total adjusted Mission Bay Lease Revenues, including late fees, were \$38,881,660. 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 FY2023 distribution from the Mission Bay Lease Revenue was \$6,608,581 to the SDRPIF for capital improvements and \$12,273,079 to the MBIF. Mission Bay adjusted total Lease Revenues increased by \$2,574,390 between FY2022 and FY2023. The increase was mainly due to increases in revenue for all the major hotels located on Mission Bay lands. The revenue shown in **Exhibit 1** is slightly higher due to interest income.

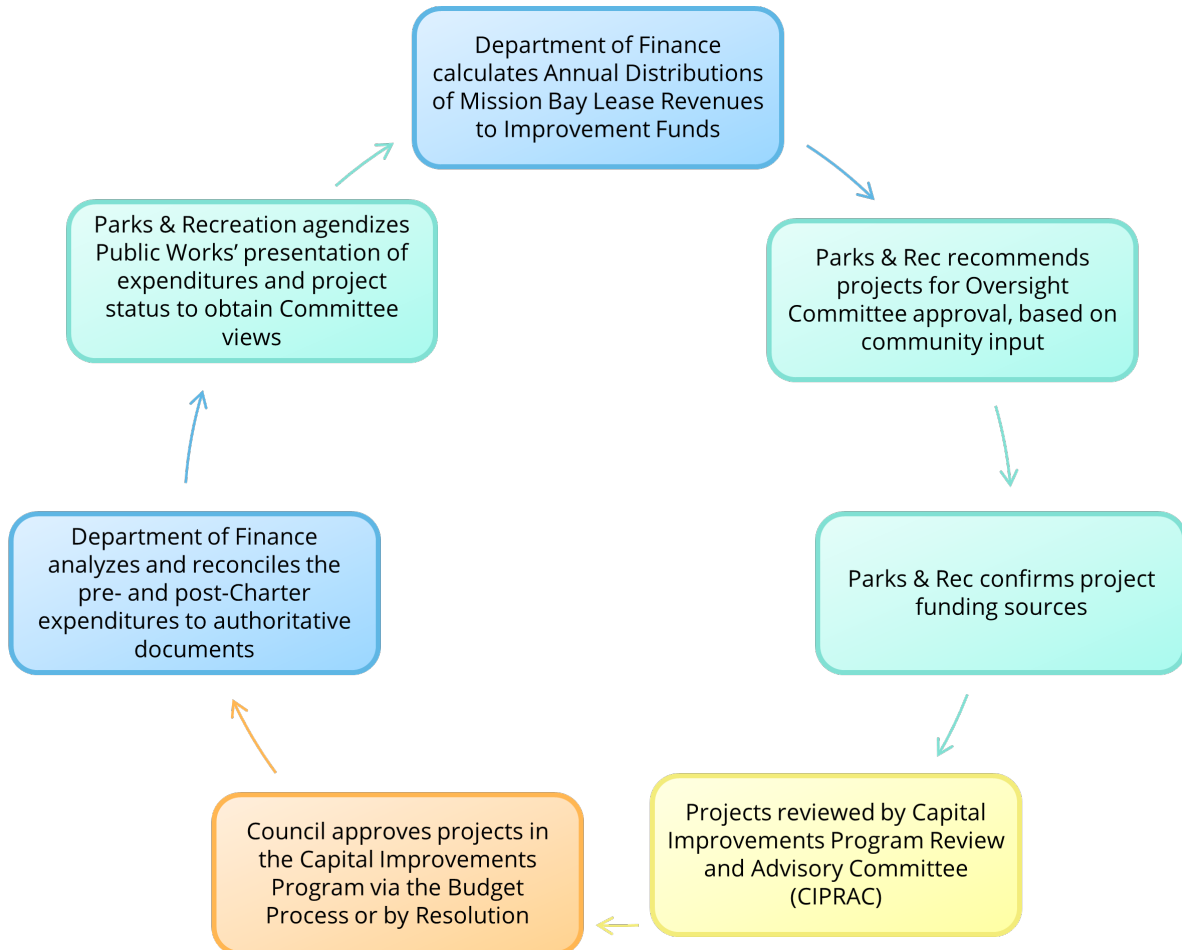
Exhibit 2

Mission Bay Lease Revenue Allocation to Funds

Mission Bay Lease Revenue Allocation to Fund	Allocation Breakdown in Excess of the threshold	FY2023 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	\$6,608,581
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	\$12,273,079

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 FY2023, SDRPIF project expenditures, subject to the provisions of Charter Section 55.2, totaled \$1,507,612, excluding depreciation. The FY2023 SDRPIF Charter expenditures by project are listed in **Appendix E** of this report. We found that the expenditures complied with the Charter requirements.

MBIF total expenditures were \$7,678,735, excluding depreciation for FY2023. The FY2023 MBIF project Charter expenditures by project are listed in **Appendix F** of this report. We found that the FY2023 MBIF expenditures complied with the Charter requirements.

Other Pertinent Information: Capital Improvement Program

The City is completing projects funded by Mission Bay lease revenues as managed by the Parks and Recreation Department and the Engineering & Capital Projects Department.

Summary of Program Execution

This year, our office took a comprehensive look at the use of Mission Bay lease revenues for execution of the Capital Improvement Project Program. Through the end of Fiscal Year 2023, just over \$129 million had been transferred into the two improvement funds: \$69.6 million of this amount has been expended on a total of 98 separate capital projects; 42 of these projects have been completed and are now available for public use; and 15 were already under construction.

Of the remaining funding, 83 percent had already been allocated to specific projects. The \$10 million yet to be allocated to projects is reasonable since funds are not transferred into the improvement funds until after the close of the fiscal year. **Exhibit 4** below shows this information broken out by improvement fund.

Exhibit 4

Capital Improvement Project Post Charter Execution as of June 30, 2023

	Mission Bay Improvement Fund	Regional Parks Improvement Fund	TOTAL
Total Revenue Available	\$ 80,991,749	\$ 48,062,766	\$ 129,054,515
Capital Project Expenditures	39,764,709	29,841,313	69,606,022
Unexpended Revenue Allocated to Specific Projects	35,077,570	14,416,653	49,494,223
Unallocated Revenue	\$ 6,149,470	\$ 3,804,800	\$ 9,954,270
Number of Capital Projects Completed	17	25	42
Number of Capital Projects in Bid/Award Phase or Currently Under Construction	10	5	15
Number of Capital Projects in Planning or Design	17	19	36
Number of Capital Projects Cancelled	3	2	5
Total Number of Capital Projects	47	51	98

Source: OCA generated based on SAP Project to Date Expenditure reports.

One item of note from the above table is that 5 projects initially started were subsequently canceled. A combined \$525,683 had been expended in these 5 projects prior to cancellation. In addition, \$1.5 million of funding still remained in these canceled projects. The Mission Bay Improvement Fund had 11 projects in the Post Construction Phase at the end of fiscal year 2023. There was a combined \$4.6 million still budgeted in these projects. Another \$3.5 million of unexpended revenue is sitting in the Mission Bay EIR project while this project has been averaging just under \$600,000 in expenditures for the past six fiscal years. This project provides updates to the Mission Bay Master Plan as approved and defined under Charter Section 55.2.

Some parks projects also receive funding from other sources. This most often occurs with the San Diego Regional Parks outside the Mission Bay Master Plan area. Below is a list of some of the funds providing resources for parks projects:

- Infrastructure Fund
- Capital Outlay Funds
- Transient Occupancy Tax Funds
- Planning & Development Revenue Funds
- Public/Private Partnership Fund
- Utility CIP Funds
- Debt Funded CIP Funds
- State & Federal Grant Funds

While 36 projects funded by the San Diego Regional Parks Improvement Fund have received funding from other sources, only 6 projects funded by the Mission Bay Improvement Fund have received outside funding. **Exhibit 5** shows the extent to which the projects receiving Parks Improvement Funds have taken advantage of other funding sources. The statistics in this table only relate to the projects actually receiving funding from other sources.

*Exhibit 5***Project Funding from Other Sources**

	Mission Bay Improvement Fund	Regional Parks Improvement Fund	TOTAL
Project Expenditures Funded from Other Sources	\$ 1,390,563	\$ 33,891,591	\$ 35,282,154
Number of Projects Funded from Other Sources	6	36	42
Average Percent of Funded from Other Sources	29.7%	57.4%	54.1%

Source: OCA generated based on SAP Project to Date Expenditure reports.

Completed or Substantially Complete Projects

The City is starting to see the benefits of creating these two improvement funds. The Mission Bay Improvement Funds have resulted in the completion of 5 new playground facilities, including an Adult Fitness Course; 4 new comfort station facilities; improvements to 5 parking lots for access to these facilities; and 2 disability access facility improvements (at Ocean Beach Dog Beach and at Crown Point). In addition, the major dredging project for Mission Bay and Rose Creek was completed.

The San Diego Regional Parks Improvement Funds had been used along with other funds to complete the Bud Kearns Pool, improve beach access from Ocean Beach up through La Jolla, build 3 new comfort stations at City parks, complete improvements to the playground out at Chollas Lake, complete improvements to many trails throughout the City, and complete numerous upgrades to buildings and facilities in Balboa Park.

Examples of completed projects are shown in **Exhibit 6**.

*Exhibit 6***Examples of a Completed Playground and Pool**

Source: City of San Diego Website.

The Improvement Fund Oversight Committees often have members that are serving on expired terms or have vacant positions.

When citizen committees and boards are not fully staffed, City Council may not receive the desired level of oversight and input it needs to thoughtfully serve its constituency. The Municipal Code dictates the requirements for the qualifications required to serve in a position and also for the duration of terms. It is incumbent upon the department that manages this process to adhere to the Municipal Code requirements as much as possible.

The role of the Mission Bay Improvement Fund Oversight Committee is fulfilled by the Mission Bay Park Committee. Per Municipal Code Section 26.30(c), each committee member shall serve two-year staggered terms for a maximum of eight consecutive years. Similarly, the role of the San Diego Regional Parks Improvement Fund Oversight Committee is fulfilled by the Parks and Recreation Board. Per Municipal Code Section 26.30(a), committee members shall serve two-year terms and each member shall serve until their successor is duly appointed and qualified. Each committee has 11 members who serve without compensation.

The Office of Boards and Commissions is responsible for supporting the day-to-day operations of the City's 49 boards and commissions (committees), including the 2 mentioned above, and serves as an access point to the volunteer members appointed by the Mayor and City Council.

These 49 committees all serve in a fiduciary, regulatory, policy-setting, and/or advisory capacity. Each committee has specific requirements in the Municipal Code regarding number of positions, qualifications to serve, and duration of appointment. The Office of Boards and Commissions maintains a detailed tracking website for each committee that identifies the status, start date, and term for each entity position. **Exhibit 7** shows an example of the webpage for the Mission Bay Park Committee as of July 30, 2024.

*Exhibit 7***Mission Bay Park Committee as of July 30, 2024**

Board Seats				Enabled Seats	All Seats	History	Timeline
Member Name	Appointed By	Seat Name	Apply	Status	Start Date	Calculated Term	
Julie Roland	Mayor with Council Approval	District 1 Representative	Apply	Active	7/14/2023	6/30/2023 - 6/30/2025	
Cynthia Adams	Mayor with Council Approval	District 1 Representative	Apply	Expired	6/30/2023	6/30/2022 - 6/30/2024	
Chuck Dunning	Mayor with Council Approval	District 1 Representative	Apply	Expired	5/26/2023	6/30/2022 - 6/30/2024	
Bernadette Butkiewicz	Mayor with Council Approval	District 2 Representative	Apply	Active	5/20/2024	6/30/2023 - 6/30/2025	
Judith Muñoz	Mayor with Council Approval	District 2 Representative	Apply	Expired	1/23/2024	6/30/2022 - 6/30/2024	
Giovanni Ingolia	Mayor with Council Approval	District 2 Representative	Apply	Expired	5/23/2023	6/30/2021 - 6/30/2023	
Ryan Karlsgodt	Mayor with Council Approval	At Large Member	Apply	Active	1/23/2024	6/30/2023 - 6/30/2025	
Catherine Jolley Umemoto	Mayor with Council Approval	At Large Member	Apply	Active	1/23/2024	6/30/2023 - 6/30/2025	
Jeff Johnson	Mayor with Council Approval	At Large Member	Apply	Expired	4/25/2019	6/30/2017 - 6/30/2019	
James Gross	Mayor with Council Approval	Hotel Lessee	Apply	Expired	4/26/2022	6/30/2020 - 6/30/2022	
Steve Pinard	Mayor with Council Approval	Non-Hotel Lessee	Apply	Active	7/16/2024	6/30/2024 - 6/30/2026	

Source: Screenshot of <https://onboard.sandiego.gov/board/3405>.

As the example above shows, the Mission Bay Park Committee has six members serving on expired term status—some for an extended period of time. There are pending actions that have been or will be docketed to remediate the expired terms for four of the members listed as expired in **Exhibit 7**. Even with these expired terms, both improvement fund committees have maintained a quorum for voting purposes.

It is typical for terms to have expired before a suitable replacement has been identified or before a re-appointment resolution has been approved by City Council. This is because there are several steps that must take place before each position can be filled that are not in complete control of the Office of Boards and Commissions. They include, but are not limited to:

- Receiving an application from a qualified citizen;
- Vetting of the qualified candidates by the Mayor's Office;
- Receiving recommendation approval from the Mayor's Office; and
- Docketing of the appointment or re-appointment resolution by the City Council.

The timing to complete these steps is often out of the control of the Office of Boards and Commissions.

As part of the annual Mission Bay audit, we review and report on the number of vacant committee member positions and members serving on expired terms for both Improvement Fund Oversight Committees. In June of 2017, our office issued a performance audit report on the City's management of its advisory boards. As a result of recommendations from that audit, the City Council approved Council Policy 000-13 establishing procedures to be followed for filling expired terms and vacancies in a timely manner. If the Mayor does not receive nominations in a timely manner and is therefore unable to provide a recommended appointee within 45 days to Council, then the Council President may use the procedures in Section C of this policy to nominate and appoint members.

Recommendation Follow-Up

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

Implemented

This recommendation is implemented. The department has completed at least 11 site visits during the past 12-month period. This is on pace to exceed the minimum frequency of once every 3 years for leased properties on Mission Bay Lands. The Property Inspection Reports that document the site visits now include the recommended visual site inspections to ensure lease compliance in accordance with the list included in Recommendation 3.

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.

Implemented

This recommendation is implemented. The department received the revised language for section 2.6 of the standard lease template from the City Attorney's Office. This section requires a Sublease Update Package at least once each Lease Year. The language will be included in all new leases or amendments to leases.

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 recommendation is in process. The department is working with the City's Attorney's Office to draft language requiring Facility Condition Inspection clauses, as applicable, to future long-term leases that have in-water improvements. Draft language has been prepared and this recommendation will be considered implemented once it is incorporated into a lease with in-water improvements. The department is in active negotiations on a lease with in-water improvements.

The target implementation date for this recommendation is revised from July 2024 to January 2025.

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

This recommendation is in process. For the Mission Bay Park Committee, there have been five new appointments and four re-appointments, but currently there are two members serving under expired terms with one of those in excess of the eight-year maximum term. The Park and Recreation Board is fully staffed, and all members are currently in active status.

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 one member of the Mission Bay Park Committee is 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 December 2024.

:

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 2024 Audit Work Plan, we conducted a performance audit of the Mission Bay and San Diego Regional Parks Improvement Funds for fiscal year (FY) 2023. Our audit objectives were to verify that the FY2023 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 FY2023 from properties located on Mission Bay Park lands, and expenditures recorded during FY2023 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 FY2023 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 Annual Comprehensive 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, 2022

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
2022	10,843,520		5,774,310
Total as of June 30, 2022	\$ 68,189,792	\$	41,248,701
Fiscal Year	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
2022	9,314,621		3,001,231
Total as of June 30, 2022	\$ 32,085,973	\$	28,333,701
Available balance June 30, 2022	\$ 36,103,819	\$	12,915,000

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

Source: OCA generated based on SAP financial data.

Appendix D

Fiscal Years 2023 and 2022 Mission Bay Park Lease Revenue and Location Map

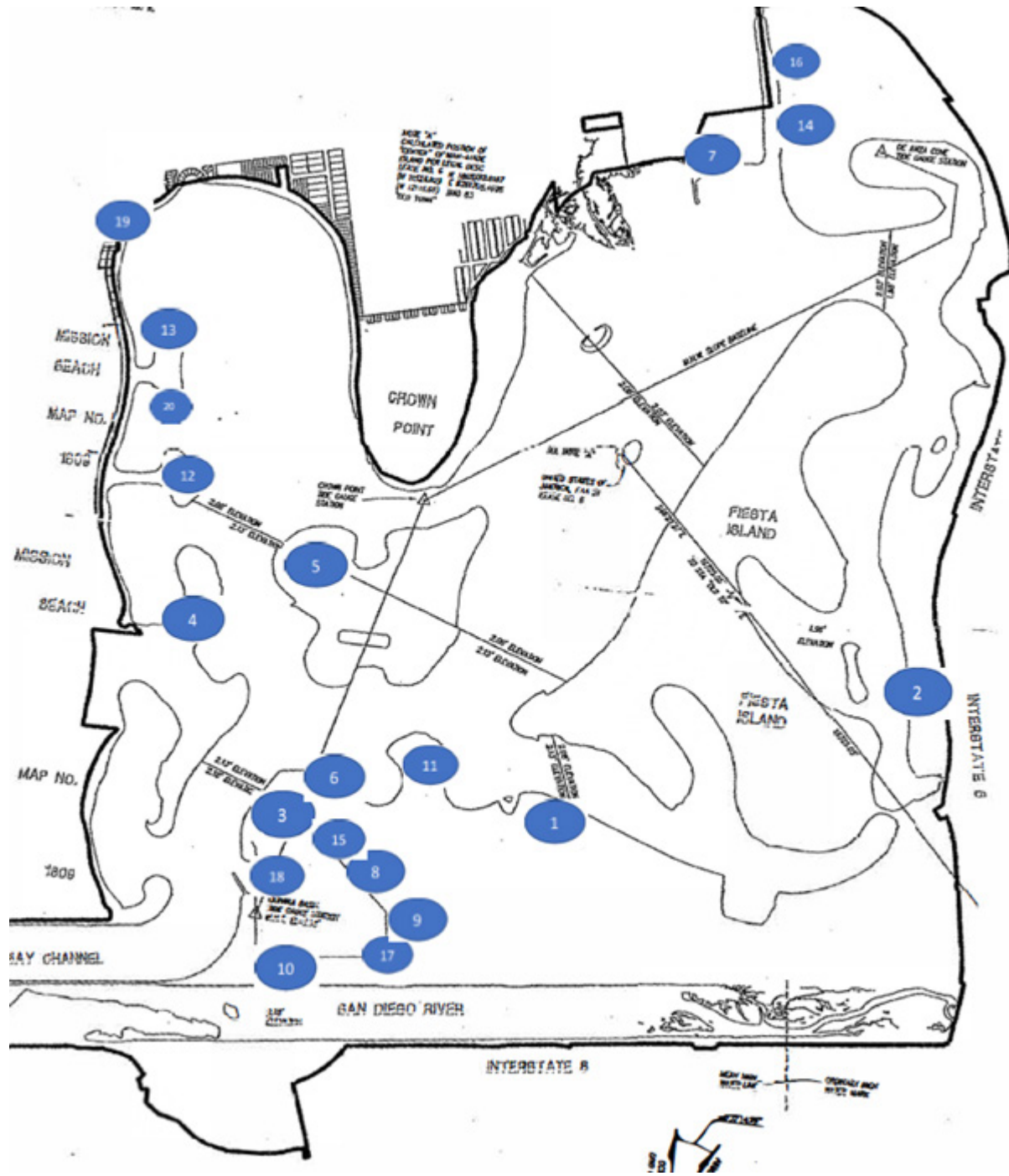
Lessee	Revenue Amount FY 2023	Revenue Amount FY 2022	Change
1. Sea World Inc	\$13,477,617	\$12,595,495	\$882,122
2. LHO Mission Bay Rosie Hotel (SD Mission Bay Resort)	5,149,384	4,118,553	1,030,831
3. CHSP Mission Bay (Hyatt Regency MB Spa and Marina)	4,556,077	3,567,869	988,208
4. BH Partnership (Bahia Resort Hotel)	3,379,330	3,323,032	56,298
5. Pebblebrook Hotel Trust (Paradise Point Resort)	3,327,136	2,641,526	685,609
6. Bartell Hotels (The Dana on MB)	2,022,447	1,696,118	326,329
7. Seaforth Sportfishing Corporation	1,661,551	1,473,126	188,426
8. Campland, LLC	1,588,735	1,586,194	2,541
9. Marina Village	973,571	850,379	123,192
10. Driscoll Mission Bay LLC	713,945	786,025	(72,080)
11. Mission Bay Yacht Club	571,141	429,574	141,568
12. Wesco Sales Corp (Dana Landing)	548,046	550,037	(1,991)
13. Sportsmen's Seafood Co Inc	275,738	153,773	121,965
14. Mission Bay Boat & Ski Club (Rose Creek)	197,967	146,390	51,576
15. Mission Bay Sports Center	151,093	390,052	(238,959)
16. Everingham Bros Bait Co (Quivira Basin)	98,954	100,589	(1,634)
17. San Diego Parasail Adventures Inc	80,502	116,903	(36,401)
18. Braemar Partnership (Catamaran Pier & Adjacent Beach area)	63,810	92,759	(28,948)
19. Associated Students SDSU/Regents Of UCSD	63,786	61,787	1,999
20. Shoreline Mission Bay, LLC (Visitor Center)	60,000	5,000	55,000
San Diego Rowing Club/Intercollegiate Rowing	48,803	38,819	9,984
Verizon Wireless - Mission Bay Athletic Area	48,347	46,712	1,635
Sprint PCS - Mission Bay Athletic Area	47,653	46,042	1,611
Verizon Wireless VAW (Quiveira Rd & W MB Drive)	12,498	12,134	364
SD Dragon Boat Team	6,842	5,653	1,190
Canoe & Kayak Team (MB Park/Fiesta Island)	6,392	6,242	151
SD Alliance for Asian Pacific	3,393	2,400	993
Kapolioka' Ehukai Outrigger Canoe Club	3,143	2,400	743
Kai Elua Outrigger Canoe Club	2,714	1,592	1,122
Northeast MB, LLC (De Anza RV Park)	0	360,483	(360,483)
Grand Total	\$39,140,616	\$ 35,207,657	\$ 3,932,959
Adjustments to accruals entries	(258,955)	1,099,614	(1,358,569)
Adjusted total lease revenue	\$38,881,660	\$ 36,307,270	\$ 2,574,390
Threshold	(20,000,000)	(20,000,000)	0.00
Revenues exceeding the threshold	\$18,881,660	\$ 16,307,270	\$ 2,574,390
Transfer to San Diego Regional Park Improvement Fund	\$6,608,581	\$5,707,545	\$ 901,036
Transfer to Mission Bay Improvement Fund	\$12,273,079	\$ 10,599,726	\$ 1,673,353

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 2023

Projects	Purpose	Expenditures FY2023 [1]
New project expenditures:		
Kellog Comfort Station Improvements	Scope consists of installing a trench drain to prevent water from running across the boardwalk and extending the roof line by 3.5 feet.	\$ 20,791.01
Camino De La Costa Stairs	This project provides for the replacement of concrete sidewalls, handrails, and patching lower steps to restore function and safety to existing stairs. Also includes ADA and adjacent parking improvements.	\$ 65,209.13
Full Pier Replacement	This project is to provide a 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.	\$ 137,431.13
Ongoing project expenditures:		
Old Salt Pool Access Stairs	This project is to provide a 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.	\$ 124,203.89
Air & Space Museum Roof Replacement	This project provides for Comic-Con building roof replacement. The replacement of the Air & Space Museum Roof. The Air & Space Museum Building is located in Palisades area of Balboa Park.	\$ 135,438.53
Demolition of Loma Land Structures	This project provides for the removal of existing houses located on parkland.	\$ 49,917.56
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.	\$ 138,640.99
Narragansett Avenue Access	This project is for Narragansett Avenue Beach Access.	\$ 99,044.42
Santa Cruz Avenue Access Stairs and Walkway	This project is for Santa Cruz Avenue Beach Access stairs and Walkway.	\$ 23,163.26

Projects	Purpose	Expenditures FY2023 [1]
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.	\$ 65,009.22
Bermuda Ave Coastal Access Replacement	This project provides reconstruction of stairway and seawall.	\$ 211,342.88
Casa De Balboa Fire Alarm System	This project provides for the replace the Fire Alarm System at Casa de Balboa.	\$ 7,985.11
Balboa Park Bud Kearns Aquatic Complex Improvements	Complex improvements including pool, mechanisms, fencing, accessibility, etc.	\$ 2,475.00
Junipero Serra Museum ADA Improvements	This project provides ADA access to the Junipero Serra Museum within Presidio Park.	\$ 44,949.58
EB Scripps Park Comfort Station Replacement	This project provides for a replacement comfort station located in EB Scripps Park adjacent to La Jolla Cove.	\$ 47,349.23
Sunset Cliffs Natural Park Ph I Revegetation	This project will complete improvements to the hillside portion of the Sunset Cliffs Natural Park.	\$ 1,785.91
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.	\$ 153,826.77
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.	\$ 501.62
Cowles Mountain Comfort Station Accessibility Upgrades	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.	\$ 178,546.74
Total Fiscal Year 2023 expenditures		\$ 1,507,611.98

[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.

Appendix F

Mission Bay Improvement Fund Project Expenditures for Fiscal Year 2023

Projects	Purpose	Expenditures FY2023 [1]
Ongoing 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.	\$ 35,499.92
Mission Bay Navigational Safety Dredging	This project provides for dredging of Mission Bay, which is necessary for boat navigation.	\$ 14,821.63
Mission Bay Projects EIR	This project is for the Environmental Impact Report for Mission Bay Projects.	\$ 228,239.32
Hospitality Point Parking Lot Improvement	Parking lot improvements	\$ 75,006.64
Robb Field Parking Lot Improvements	Parking lot improvements	\$ 36,676.02
Dusty Rhodes Parking Lot Improvements	Parking lot improvements	\$ 37,343.95
Mission Bay Athletic - Comfort Station	Replacement and upgrade of comfort station.	\$ 179,157.78
DeAnza North Parking Lot Imp	Parking lot improvements	\$ 904,485.50
Robb Field Turf & Irrigation Improvement	Turf & Irrigation Improvements	\$ 77,528.42
Adult Fitness Course East Shore	Construct the fitness course improvements.	\$ 89,352.07
El Carmel Comfort Station Imp	Replacement and upgrade of comfort station.	\$ 95,261.44
Ventura Comfort Station Imp	Replacement and upgrade of comfort station.	\$ 119,064.31
Tecolote North Parking Lot Imp	Parking lot improvements	\$ 385,507.67
Tecolote North Playground Imp	Improvements and replacement of playground equipment	\$ 273,548.84
Tecolote North Comfort Station Imp	Replacement and upgrade of comfort station.	\$ 190,677.23
North Cove Comfort Station Imp	Replacement and upgrade of comfort station.	\$ 53,604.43
Tecolote South Comfort Station Imp	Replacement and upgrade of comfort station.	\$ 992,347.33
Tecolote South Playground Improvements	Improvements and replacement of playground equipment	\$ 1,236,442.61

Projects	Purpose	Expenditures FY2023 [1]
Tecolote South Parking Lot Improvements	Parking lot improvements	\$ 43,581.97
Crown Point Playground Improvements	Improvements and Replacement of playground equipment	\$ 134,600.24
Crown Point Parking Lot Improvements	Parking lot improvements	\$ 50,171.51
Santa Clara Playground Improvements	Improvements and Replacement of playground equipment	\$ 661,665.84
Santa Clara Comfort Station Improvements	Replacement and upgrade of comfort station.	\$ 463,312.54
Beautification of Traffic Island Group 1	This project provides for the study of signage (monument and wayfinding) and associated landscaping for Mission Bay Park.	\$ 123,439.10
Sunset Point Parking Lot Improvements	Parking lot improvements	\$ 152,281.83
S De Anza Parking Lot	Parking lot improvements	\$ 81,476.57
S De Anza Comfort Station Imp	Replacement and upgrade of comfort station.	\$ 128,671.75
Sunset Point Comfort Station Imp	Replacement and upgrade of comfort station.	\$ 92,450.23
Bonita Cove East Comfort Station Imp	Replacement and upgrade of comfort station.	\$ 333.88
Bonita Cove East Playground	Improvements and Replacement of playground equipment	\$ 500.79
Hospitality Point Comfort Station Imp	Replacement and upgrade of comfort station.	\$ 103,718.19
Dusty Rhodes Comfort Station Improvement	Replacement and upgrade of comfort station.	\$ 46,612.96
Dusty Rhodes Playground	Improvements and Replacement of playground equipment	\$ 49,385.99
S De Anza Basketball Courts and Play Gr	Playground and Basketball Court Improvements	\$ 127,573.09
Robb Field Comfort Station Imp	Replacement and upgrade of comfort station.	\$ 75,270.74
Robb Field Playground	Playground Improvements	\$ 25,451.09
Robb Field Recreation Center	Replacement of the Recreation Center	\$ 92,885.94
DeAnza North East Parking Lot	Parking lot improvements	\$ 200,785.70
Total Fiscal Year 2023 expenditures:		\$ 7,678,735.06

[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.

Appendix C



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: October 23, 2024

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 2023

This memorandum serves as the management response to the Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2023 (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 prior audit number 23-002, issued August 2, 2022. In fiscal year 2024 staff have implemented an additional two recommendations from that performance audit (for a total of six recommendations implemented) which have resulted in the following improvements:

- The Economic Development Department conducted and documented routine site visits of leased properties on Mission Bay lands. The Department has completed at least 11 site visits during the past 12-month period.
- The Economic Development Department also revised the standard lease template to require a Sublease Update Package at least once each Lease Year. This change will allow Department staff to reconcile subleases annually and timely identify expiring subleases.

In addition, City staff continue making progress toward implementing the remaining two 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, 2024.

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.

Page 2

Andy Hanau, City Auditor, Office of the City Auditor
October 23, 2024

Thank you,



Eric K. Dargan
Chief Operating Officer

ED/cmg

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, Neighborhood Services
Casey Smith, Deputy Chief Operating Officer, External Services
Christiana Gauger, Chief Compliance Officer, Compliance Department
Matt Yagyagan, Director of Policy, Office of the Mayor
Christina Bibler, Director, Economic Development Department
Andy Field, Director, Parks & Recreation Department
Rolando Charvel, Director and City Comptroller, Department of Finance
Chida Warren-Darby, Director of Appointments, Office of Boards and Commissions



sandiego.gov/auditor