

Office of the City Auditor

Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds for Fiscal Year 2021

Item 201

Presentation to the Regional Park Improvement Fund Oversight Committee
November 17, 2022



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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.

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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 2021:
 - collection,
 - allocation, and
 - use of Mission Bay Park lease revenues are in compliance with City Charter requirements.

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The City of San Diego continues to be in compliance with the requirements of Charter Section 55.2.

We found that:

- All Revenue received in FY2021 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.
 - However, additional information has been requested to enhance committee oversight of project funding and expenditures.

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FY 2021 Mission Bay Park Lease Revenue

The adjusted Mission Bay lease revenue totaled \$21,784,368.

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	\$1,784,368
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	\$ 0

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FY 2021 Financial Activity

	Mission Bay Improvement Fund	Regional Parks Improvement Fund
Charter 55.2 Beginning Balance as of June 30, 2020 as restated	\$ 38,773,095	\$ 14,554,768 ¹
Revenue, excluding unrealized gains and losses	\$ 646,377	\$ 2,000,841
Expenditures, net of depreciation	\$ <4,844,552>	\$ <6,413,688>
Ending Balance as of June 30, 2021	\$ 34,574,920	\$ 10,141,921

1. As restated by the DOF (increase by \$1,430 related to Pre-Charter expenditures)

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Finding 1: More detailed capital project information would be helpful to the Improvement Fund Oversight Committees.

- Both oversight committee Chairs have expressed the need for additional project detail information
- Provide Project Cost information by project phase & delineate between City costs vs Consultant/Contractor costs

RECOMMENDATION 1:

- The Departments should enhance the detail of capital project information provided to the Improvement Fund Oversight Committees.
 - When a request is made to increase funding/budget of a project identify cost drivers
 - Once a year for each project requesting new funding in the coming fiscal year.

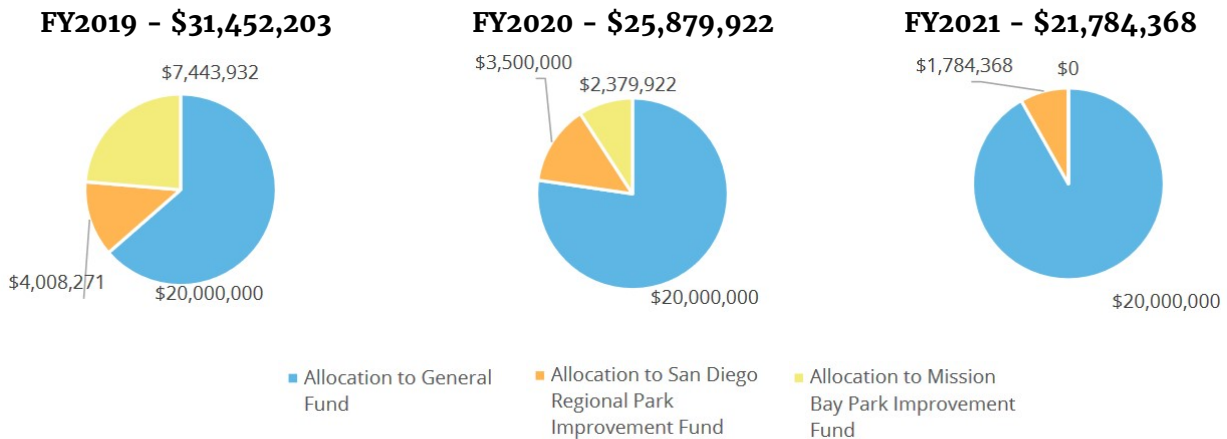


Management Response:

- Management agrees with this recommendation. Project overviews were presented in June 2022 and more detailed reports will accompany funding allocation requests.

Finding 2: The Improvement Funds have been severely impacted by lost lease revenue due to the COVID Shutdown.

- Lost lease revenue between March 2020 and June 2021 is estimated to be in excess of \$15 million.



Finding 2: The Improvement Funds have been severely impacted by lost lease revenue due to the COVID Shutdown.

RECOMMENDATION 2:

- 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.

Management Response:

- Management agrees with the recommendation. The Department of Finance will evaluate replenishing the Park Improvement Funds after considering the Mayor and Council's budgetary priorities and in compliance with the use of COVID-19 federal relief funds. This information will be presented to the Mayor for consideration for a potential Fiscal Year 2023 budget amendment.

Finding 3: Documentation of site visits were not provided.

- Prior to the COVID-19 pandemic, property agents were conducting site visits in the Mission Bay area annually.
 - Without these site visits, the City may be unaware of lease violations or poor maintenance conditions on properties.
 - In addition, there may be instances of change in business operations or unapproved subletting.

RECOMMENDATIONS 3, 4 & 5:

- The Department of Real Estate and Airport Management should conduct and document routine site visits of leased property on Mission Bay Lands at a minimum least once every 3 years.
- Leases should include requirements for lessees to submit annual rent rolls.
- Leases should include Facility Condition Inspection clause in future leases involving in-water improvements



Management Response:

- Management agrees with these recommendations.

Finding 4: Municipal Code Section 26.30 should be amended to ensure proper representation of Council Districts on the Mission Bay Park Committee.

- New Council District boundaries were approved in December 2021 and become effective in November 2022.
- Mission Bay Park is now in Council Districts 1 and 2

RECOMMENDATION 6:

- The City should amend Municipal Code Section 26.30 to reflect geographic representation of the Mission Bay community.

Management Response:

- Management agrees with the recommendation. Office of Boards and Commissions has begun the process of amending the Municipal Code to reflect the impending redistricting changes.



Finding 5: The majority of both Improvement Fund Oversight Committee members are currently serving under expired terms.

- The Mission Bay Park Committee currently has one vacancy and of the 10 remaining members, 6 are serving under expired terms.
 - In addition, 2 members have now served beyond the maximum of 8 consecutive years.
- The Park and Recreation Board is currently fully staffed however, 8 members are serving under expired terms.

RECOMMENDATION 7:

- 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.

Management Response:

- Management agrees with the recommendation.

Finding 6: Some projects are missing reconciliation documentation in the City's financial system of record (SAP).

- Some invoices are for multiple projects making it difficult to identify which charges have been allocated to each project.

RECOMMENDATION 8:

- 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.



Management Response:

- Management agrees with the recommendation. The Department of Finance will update the Process Narrative.

Conclusion

- Mission Bay Rents were accounted for and appropriately allocated \$1,784,368 to the appropriate Improvement Fund (plus interest to both improvement funds).
- We found that the FY 2021 Mission Bay Improvement Fund charter expenditures of \$4,844,552 and Regional Parks Improvement Fund charter expenditures of \$6,413,688 were allowable, appropriate and complied with Charter requirements.
- We had 6 findings and made 8 recommendations for improvement to management processes, documentation and information for oversight of these funds.



We request the Committee
accept the audit report as an information
item.