
PERFORMANCE AUDIT OF THE MISSION BAY AND SAN DIEGO REGIONAL PARKS IMPROVEMENT FUNDS, FISCAL YEAR 2020

The City of San Diego continues to be in compliance with the requirements of Charter Section 55.2 but should address City and Citizen's Oversight Committee staffing issues.

Office of the
City Auditor

City of San Diego



Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2020

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 2021 Audit Work Plan, we have performed an audit of the Mission Bay and the Regional Parks Improvement Funds' financial activity in fiscal year (FY) 2020.



Mission Bay Park. Source: OCA.

What OCA Found

- All Revenue received in FY2020 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 the necessary information to carry out their charge and they are meeting regularly in compliance with the City Charter.

Finding 1: The Real Estate Assets Department is not properly staffed. They lost a key employee that manages the Mission Bay Leases in March of 2020. This position was cut from the budget in FY2021. On-site visits have not been completed this past year due to this as well as due to COVID-19. In addition, new State requirements became effective January 1, 2021 that will require additional staff time to manage these leases.

Finding 2: One member of the Mission Bay Improvement Fund Oversight Committee is serving beyond 8 maximum consecutive years in violation of the Municipal Code §26.30 (C) (4).

What OCA Recommends

We make two recommendations to help the City better manage the oversight of leased properties on Mission Bay consistent with Charter Section 55.2 and Municipal Code Section 26.30

Key recommendations include:

- The Real Estate Assets Department should put a plan together to properly manage and monitor the leaseholds located on Mission Bay Boundary lands, and reallocate or acquire additional resources to execute the plan.
- The Office of Boards and Commissions should immediately find a replacement for the committee member that has served over 8 consecutive years or modify the Municipal Code to clearly allow members to serve beyond the 8 maximum consecutive years.

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



THE CITY OF SAN DIEGO

June 29, 2021

Honorable Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is the performance audit report on Mission Bay and San Diego Regional Parks Improvement Funds for Fiscal Year 2020. This report was conducted in accordance with the City Auditor's Fiscal Year 2021 Audit Work Plan, and the report is presented in accordance with City Charter Section 39.2. The Results in Brief are presented on page 1. Audit Objectives, Scope, and Methodology are presented in Appendix B. Management's responses to our audit recommendations are presented after page 26 of this report.

We would like to thank staff from the Real Estate Assets Department, Parks and Recreation Department, Department of Finance, City Treasurer's Office, Office of Boards and Commissions, and Engineering & Capital Projects Department. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff members responsible for this audit report are Rod Greek, Danielle Knighten, and Kyle Elser.

Respectfully submitted,

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City Auditor

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Results in Brief

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 2021 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) 2020.

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. In FY2020:

- \$3,500,000 was transferred to the San Diego Regional Parks Improvement Fund.
- \$2,379,922 was transferred to the Mission Bay Improvement Fund.
- \$7,488,807 was the total Charter related San Diego Regional Parks Improvement Fund expenditures. 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.
- \$7,346,290 was the total Charter related Mission Bay Improvement Fund expenditures. 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.

**The City of San Diego
continues to be in**

We found that the FY2020 expenditures complied with the Charter requirements and all revenue was properly recorded. In

compliance with the requirements of Charter Section 55.2.

In addition, we found that both improvement fund oversight committees are being provided the necessary information to carry out their charge and are meeting regularly in compliance with the City Charter. We also verified there were no prior audit recommendations requiring follow-up as all prior recommendations have been implemented.

Finding 1: The Real Estate Assets Department is not properly staffed, impacting its ability to effectively manage leaseholds on Mission Bay Boundary lands.

We found that the Real Estate Assets Department is currently not properly staffed. The department lost a key employee that managed the Mission Bay Leases in March of 2020 and the position was cut in FY2021. As a result of the loss of this position as well as the impact of COVID-19, on-site visits have not been completed this past year. Currently, only one part-time provisional employee is available to manage the leases on Mission Bay. In addition, the State passed Assembly Bill 1486 which adds additional review requirements prior to offering up lease property effective January 1, 2021.

In order to effectively manage the leaseholds on Mission Bay Boundary lands, it is important to have sufficient dedicated staff to manage these leases, including to perform on-site monitoring, which is not currently being done.

For the Real Estate Assets Department to be able to properly manage and monitor the leaseholds located on Mission Bay Boundary lands, we recommend the department put a plan in place to ensure effective management of the leaseholds within the boundary of Mission Bay Park. This may be accomplished by reallocating resources or by acquiring additional resources.

Finding 2: One member of the Mission Bay Improvement Fund Oversight Committee is serving beyond 8 consecutive years in violation of the Municipal Code.

We found that the Mission Bay Park Committee has one member who has served beyond the maximum 8 consecutive years in violation of Municipal Code §26.30 (c) (4). This member is not included on any of the City's Office of Boards and Commissions' vacancy or expired terms lists.

We recommend that either this section of the Municipal Code be reworded to remove the requirement for serving only a maximum of 8 years or the member that is out of compliance be immediately replaced.

Background

The Mission Bay and San Diego Regional Parks Improvement Funds have two sources of revenue: transfers from lease revenue collected from tenants in Mission Bay Park and interest. Mission Bay Park lease revenue is deposited to a separate General Fund account during the year and allocated to the improvement funds after the fiscal year-end.

Charter Section 55.2 was amended effective on December 19, 2016. This amendment increased the allocation to the San Diego Regional Parks Improvement Fund (SDRPIF) from 25 percent of available funds in excess of \$20 million, to 35 percent. A minimum of \$3.5 million or 35 percent (if it is greater) is transferred to the SDRPIF, with the remainder of the excess going to the Mission Bay Improvement Fund (MBIF).

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 continues to be in compliance with the requirements of Charter Section 55.2.

**Fiscal Year 2020
Financial Activity**

The fiscal year (FY) 2020 activities of the Mission Bay Improvement Fund (MBIF) and San Diego Regional Parks Improvement Fund (SDRPIF) are shown in **Exhibit 1**. Adjusted lease revenue for the year was down approximately 18 percent (\$5.6 million) due to the COVID-19 shutdown. The MBIF had revenues, including transfers and interest, totaling \$3,333,430, and expenditures of \$7,346,290. Now that the dredging project has completed the construction phase, the allocations to the MBIF mainly supported improvements at Bonita Cove. The balance at June 30, 2020, was \$38,773,095. SDRPIF had revenues, including transfers and interest, of \$3,831,994, and expenditures of \$7,488,806. The available balance at June 30, 2020, was \$14,553,337. Prior years' financial activity as of June 30, 2019, is shown in **Appendix C** of this report.

Exhibit 1:

Mission Bay Improvement Fund and San Diego Regional Parks Improvement Fund Post Charter Financial Activity (FY2020)

	Mission Bay Improvement Fund	Regional Parks Improvement Fund
Charter 55.2 revenues exceeding expenditures as of June 30, 2019	\$ 42,785,955	\$ 18,210,149
Revenue, excluding unrealized gains and losses	\$ 3,333,430	\$ 3,831,994
Expenditures, net of depreciation	\$ <7,346,290>	\$ <7,488,806>
Revenue exceeding expenditures as of June 30, 2020	\$ 38,773,095	\$ 14,553,337

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.

Mission Bay Park Lease Revenue The total adjusted Mission Bay Lease Revenues, including late fees, were \$25,879,922. 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 FY2020 distribution from the Mission Bay Lease Revenue was \$3,500,000 to the SDRPIF for capital improvements and \$2,379,922 to the MBIF. Mission Bay adjusted total Lease Revenues decreased by \$5,572,281 between FY2019 and FY2020. The decrease was mainly due to a 30 percent decrease in revenues from Sea World from \$11,019,169 to \$7,722,603, a drop of \$3,296,567 from FY2019 to FY2020.¹

Exhibit 2:

Mission Bay Lease Revenue Allocation to Funds

Fund Name	Allocation Breakdown in excess of the threshold	FY 2020 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	\$3,500,000
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	\$2,379,922

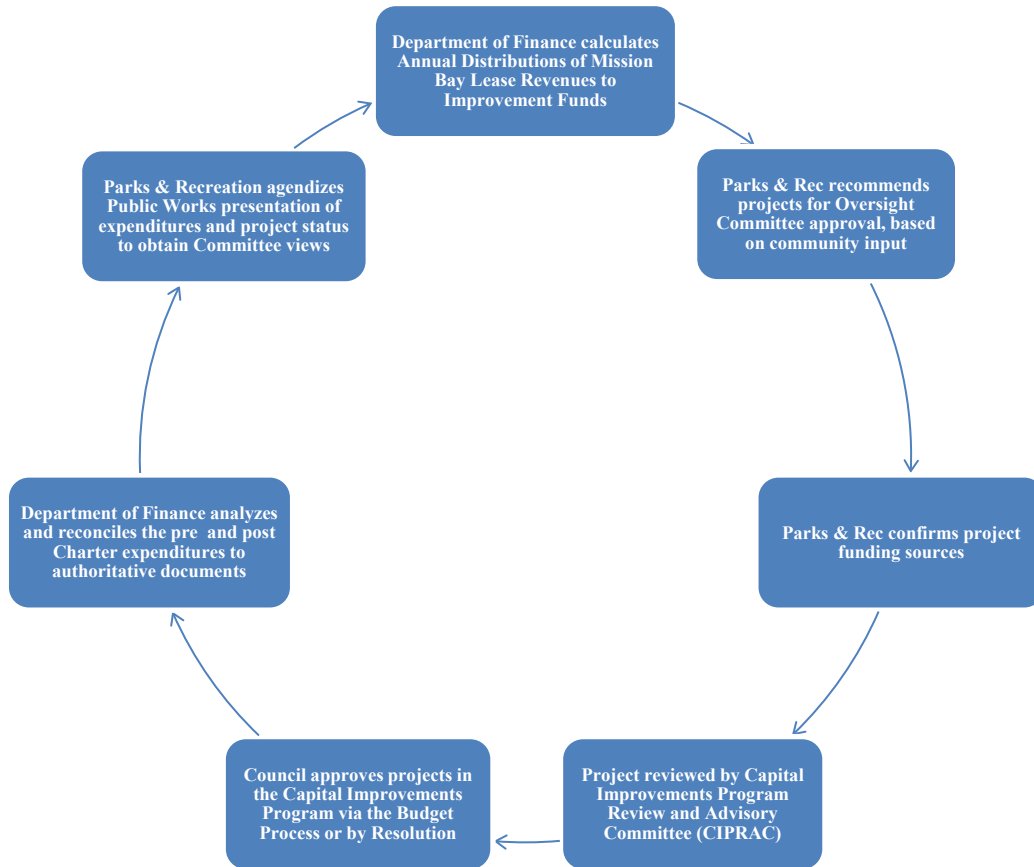
Source: OCA generated based on San Diego City Charter, Article V, Section 55.2(b).

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

¹ See **Appendix D** for a detailed list of revenues.

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 FY2020, SDRPIF project expenditures, subject to the provisions of Charter Section 55.2, totaled \$7,488,806, excluding depreciation. The FY2020 SDRPIF Charter expenditures by project are listed in **Appendix E** of this memorandum.² We found that the expenditures complied with the Charter requirements.

² Source: Department of Finance analysis of MBIF and SDRPIF expenditures for fiscal year 2019.

Finding 1: The Real Estate Assets Department is currently not properly staffed, impacting its ability to manage and monitor the leaseholds located on Mission Bay Boundary lands.

Responsibility for Management of Mission Bay Leases Resides with the Real Estate Assets Department

To effectively manage the leaseholds on Mission Bay Boundary lands, it is important to have dedicated staff in the Real Estate Assets Department as a point of contact for the leases. In March 2020, the person that occupied this position left City employment. The department had expected to fill this position; however, around this same time, the City was impacted by the worldwide COVID-19 pandemic and as part of the FY2021 Budget, this position was eliminated.

The Real Estate Assets Department has historically had one full-time property agent plus one provisional property agent assigned to manage the leases on Mission Bay Boundary lands. When the department's full-time employee that managed the Mission Bay leases left City employment in March of 2020, this left only the one part-time provisional employee to manage the leases.

In addition, as a result of Assembly Bill 1486, which was signed into law in October 2019, there is now a requirement based on this Assembly Bill that all lease renewals be brought forward for State review. This adds additional responsibilities to the management of the Mission Bay leases.

On-site monitoring of the leaseholds on Mission Bay Boundary lands have not been completed this past year due to the loss of the full-time position as well as due to COVID-19 restrictions. These visits are necessary to ensure compliance with lease terms and to ensure the property is being properly maintained. Now that vaccines are being widely distributed, the department will again be able to conduct on-site visits.

To effectively manage the leaseholds on Mission Bay Boundary lands along with the increased level of effort that will be required to comply with Assembly Bill 1486, the department should analyze the level of resources needed and put a plan in place to ensure adequate resourcing. This may include reallocating existing resources, or increasing existing staffing levels, if justified.

Finding 2: One member of the Mission Bay Improvement Fund Oversight Committee is serving beyond 8 consecutive years in violation of the Municipal Code.

The Municipal Code Puts Restrictions on Mission Bay Oversight Committee Membership

The Mission Bay Improvement Fund Oversight Committee is comprised of the same members as the Mission Bay Committee. They are responsible for receiving information on the revenues and expenditures associated with leases and capital projects within the Mission Bay Park boundaries. They use this information to make recommendations up through the committee chain ultimately to City Council on projects to be funded and any concerns that they believe need further scrutiny.

As part of the audit, we reviewed meeting minutes to determine if sufficient information is being provided to the committees and to ensure they are making the initial recommendations of project expenditures to be ultimately approved by City Council. This year we also reviewed the members' Form 700's in order to identify any possible conflicts of interest.

The conclusion of this review is that the meetings are being held with the frequency required by the Charter, there is a sufficient amount of information being provided to the committees so they can properly execute their responsibilities, and they are making appropriate recommendations for future projects with no apparent conflicts of interest identified.

According to Municipal Code Section 26.30 (c) (4), the eleven members of the Mission Bay Committee/Mission Bay Improvement Fund Oversight Committee can only serve a maximum of 8 consecutive years.

The Mission Bay Committee/Mission Bay Improvement Fund Oversight Committee has one member that is currently serving beyond 8 consecutive years in violation of the language in the code. The member exceeding the maximum term is not included on the expiring terms document (a document used by the Office

of Boards and Commissions to track the citizen committee members whose terms expire in the coming year) and is listed in **Exhibit 4** below.

Exhibit 4:

Mission Bay Park Committee Members with Terms Exceeding 8 Consecutive Years

	Appointment Date	Last Meeting Attended	Duration
District 6 Member	12/17/2009	4/6/2021	11.3 Years

Source: OCA generated based on review of the Mission Bay Park Committee Meeting Minutes April 6, 2021.

During past audits, we identified two members as serving beyond the maximum 8 consecutive years. In April 2021, the Office of the Boards and Commissions brought an action to Council that was approved to replace one of the two members.

It should be noted that although this member has exceeded the 8 consecutive year limitation, the City Attorney's Office advised that the Municipal Code and State Law allow for Advisory Board members whose terms have expired to continue serving until a replacement is appointed. However, we note that since Municipal Code Section 26.30 (C)(4) states members shall serve a maximum of 8 consecutive years and an interval of 4 years must pass before being reappointed, the intention was for there to be timely replacement of those serving beyond 8 consecutive years.

Conclusion

We found that \$3,500,000 was transferred from Mission Bay Lease Revenue to the San Diego Regional Parks Improvement Fund (SDRPIF) for capital improvements and \$2,379,922 was transferred to the Mission Bay Improvement Fund (MBIF). Based on these transfers plus interest, the total transfers were \$3,831,994 to the SDRPIF and \$3,333,430 to the MBIF.

There were post Charter SDRPIF expenditures of \$7,488,806 in FY2020 and post Charter MBIF expenditures of \$7,346,290. We found that the expenditures complied with the Charter requirements.

There were no outstanding audit recommendations from prior audits of the improvement funds.

Recommendations

- Recommendation 1** For the Real Estate Assets Department to be able to properly manage and monitor the leaseholds located on Mission Bay Boundary lands, we recommend that at a minimum, Real Estate Assets Department should analyze the level of resources needed and put a plan in place to ensure adequate resourcing. This may include reallocating existing resources, or increasing existing staffing levels, if justified. (Priority 2)
- Recommendation 2** We recommend the City's Office of Boards and Commissions immediately find a replacement for the member of the Mission Bay Committee/Mission Bay Improvement Fund Oversight Committee who is currently serving beyond the maximum 8 consecutive years, or modify the Municipal Code to clearly allow members of the committee to serve beyond the maximum of 8 consecutive years. (Priority 3)

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 ³	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 non-fiscal 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.

³The 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

Audit Objectives In accordance with the Office of the City Auditor’s Fiscal Year 2021 Audit Work Plan, we conducted a performance audit of the Mission Bay and San Diego Regional Parks Improvement Funds for fiscal year (FY) 2020. Our audit objectives were to verify that the FY2020 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 FY2020 from properties located on Mission Bay Park lands, and expenditures recorded during FY2020 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 FY2020 of the Mission Bay Improvement Fund Oversight Committee and the San Diego Regional Parks Improvement Fund Oversight Committee. This year, we included review of 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 Testing

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 Real Estate Assets Department 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 Years Mission Bay and San Diego Regional Parks Improvement Funds Financial Activity

As of June 30, 2019

Fiscal Year	Mission Bay Revenues Revenues [1]	Regional Park Revenues 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	\$ 4,604,146
2019	\$ 8,176,992	\$ 4,315,001
Total as of June 30, 2019	\$ 53,366,465	\$ 29,641,555
	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
Total as of June 30, 2019	\$ 10,580,510	\$ 11,431,406
Available balance June 30, 2019	\$ 42,785,955	\$ 18,210,149

[1] Excludes unrealized gains and losses.

[2] Excludes depreciation.

Source: OCA generated based on SAP financial data.

Appendix D:

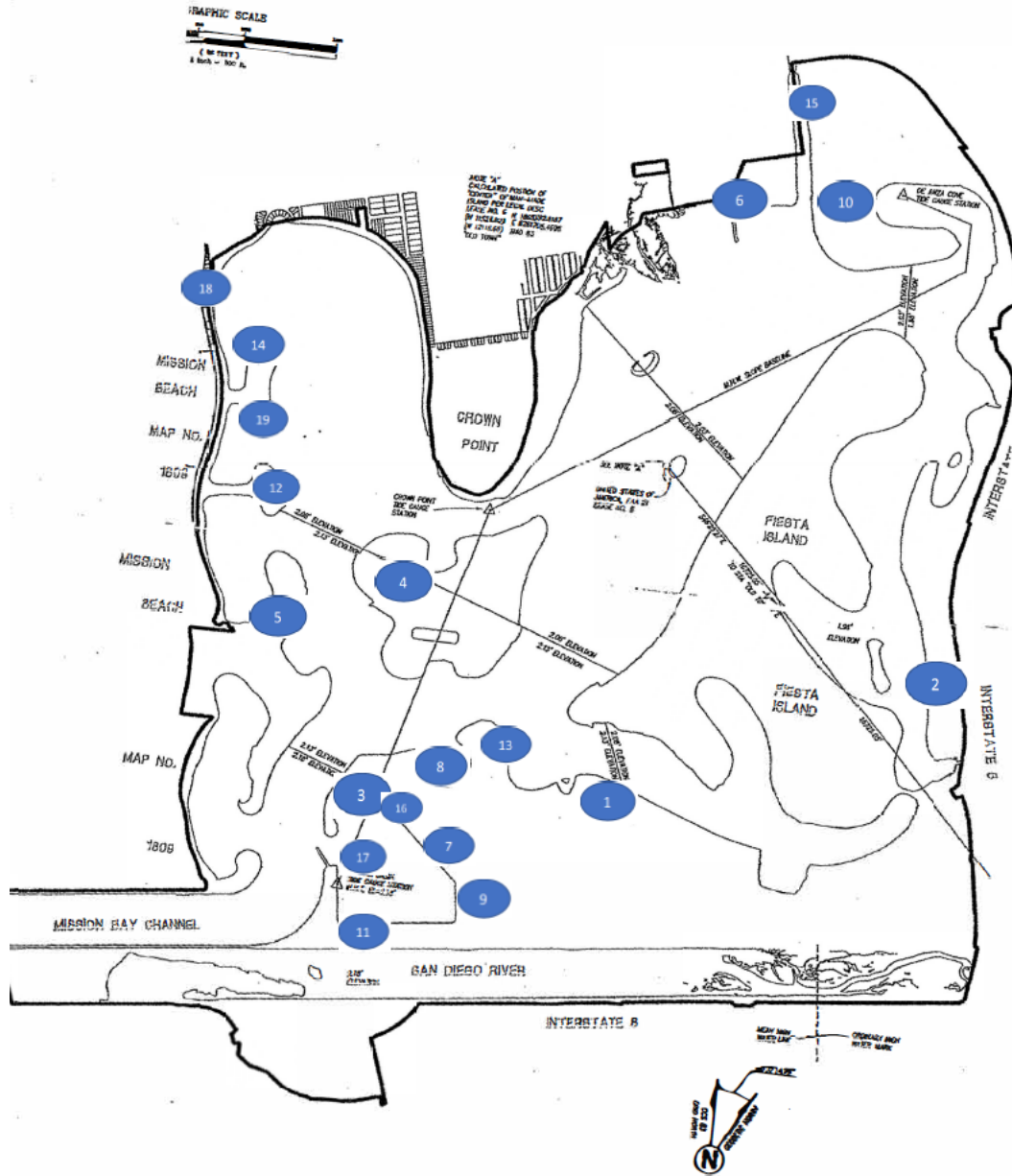
Fiscal Years 2020 and 2019 Mission Bay Park Lease Revenue and Location Map

Lessee	Revenue Amount FY 2020	Revenue Amount FY 2019	Change
1. Sea World Inc	\$7,722,603	\$11,019,169	\$ (3,296,567)
2. LHO Mission Bay Rosie Hotel (SD Mission Bay Resort)	3,627,014	3,199,110	427,904
3. CHSP Mission Bay (Hyatt Regency MB Spa and Marina)	3,553,352	3,586,586	(33,234)
4. LHO Mission Bay Hotel, L.P. (Paradise Point Resort)	3,426,589	4,130,726	(704,137)
5. BH Partnership (Bahia Resort Hotel)	2,004,107	2,355,696	(351,589)
6. Campland, LLC	1,213,096	1,255,286	(42,190)
7. Seaforth Sportfishing Corporation	1,211,692	944,558	267,134
8. Bartell Hotels (The Dana on MB)	1,181,724	1,430,416	(248,692)
9. Marina Village	807,797	817,088	(9,291)
10. De Anza RV Park	759,705	305,411	454,294
11. Driscoll Mission Bay LLC	603,083	513,550	89,534
10. Northeast MB, LLC (De Anza RV Park)	446,542	0	446,542
12. Mission Bay Yacht Club	442,443	435,580	6,864
13. Wesco Sales Corp (Dana Landing)	394,445	446,165	(51,720)
14. Mission Bay Sports Center	349,513	217,095	132,418
2. Pebblebrook Hotel Trust (SD Mission Bay Resort)	158,773	0	158,773
15. Mission Bay Boat & Ski Club (Rose Creek)	151,641	149,170	2,471
16. Sportsmen's Seafood Co Inc	113,174	84,251	28,923
17. Everingham Bros Bait Co (Quivira Basin)	94,850	54,936	39,914
18. Braemar Partnership (Catamaran Pier & Adjacent Beach area)	60,992	59,467	1,525
19. Associated Students SDSU/Regents Of UCSD	58,811	54,773	4,038
San Diego Rowing Club/Intercollegiate Rowing	43,754	40,934	2,820
Verizon Wireless - Mission Bay Athletic Area	43,606	42,131	1,475
Sprint PCS - Mission Bay Athletic Area	42,980	41,527	1,453
San Diego Parasail Adventures Inc	39,908	50,000	(10,092)
Shoreline Mission Bay, LLC (Visitor Center)	35,000	0	35,000
Verizon Wireless VAW (Quiveira Rd & W MB Drive)	11,487	11,105	383
SD Dragon Boat Team	5,744	436	5,308
Canoe & Kayak Team (MB Park/Fiesta Island)	5,204	5,142	62
SD Alliance for Asian Pacific	2,463	2,438	25
Kapolioka' Ehukai Outrigger Canoe Club	2,463	2,438	25
Kai Elua Outrigger Canoe Club	1,160	2,760	(1,600)
Sprint PCS Assets LLC	0	17,367	(17,367)
Hanohano Outrigger Canoe Club	0	4,813	(4,813)
Grand Total	\$ 28,615,713	\$ 31,280,123	\$ (2,664,410)
Adjustments to accruals entries	(2,735,791)	172,080	(2,907,872)
Adjusted total lease revenue	\$ 25,879,922	\$ 31,452,203	\$ (5,572,281)
Threshold	(20,000,000)	(20,000,000)	0.00
Revenues exceeding the threshold	\$ 5,879,922	\$ 11,452,203	\$ (5,572,281)
Transfer to San Diego Regional Park Improvement Fund	\$ 3,500,000	\$ 4,008,271	\$ (508,271)
Transfer to Mission Bay Improvement Fund	\$ 2,379,922	\$ 7,443,932	\$ (5,064,010)

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

Appendix D continued:

Mission Bay Park Land Boundary - Lessee Location Map



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

Source: OCA generated based on Real Estate Assets Revenue report and lease documents.

Appendix E:

San Diego Regional Park Improvement Fund Project Expenditures for Fiscal Year 2020

Projects	Purpose	Expenditures FY 2020 [1]
New project expenditures:		
Cowles Mtn CS Access	The project scope of work is for replacement of a comfort station and addition of a sewer lateral to eliminate an existing sewer pump.	\$54,041.62
Balboa Park Botanical Building	The project will restore the existing building to its original 1915 design, and addition of a maintenance yard at the NW corner of the Botanical building.	181,821.18
Continuing Projects Expenditures:		
La Jolla Parkway/Mt Soledad Erosion Control	This project provides for the replacement of an existing storm water conveyance system constructed on the north side of La Jolla Parkway.	15,954.76
Chollas Lake Improvements (Chollas Lake Electric)	To provide electrical service to the park which will allow extended use of the park and provide a higher level of security.	92,778.96
Narragansett Avenue Access	This project is for Narragansett Avenue Beach Access.	23,690.77
Santa Cruz Avenue Access Stairs and Walkway	This project is for Santa Cruz Avenue Beach Access stairs and Walkway.	32,261.18
Bermuda Ave Coastal	This project provides reconstruction of Stairway and Seawall.	259,856.95
Casa De Balboa Fire Alarm System	Replace the Fire Alarm System at Casa de Balboa.	634,098.00
Balboa Park Bud Kearns	Complex improvements including Pool, mechanisms, fencing, accessibility, etc.	10,991.50

**Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds,
Fiscal Year 2020**

Projects	Purpose	Expenditures FY 2020 [1]
Junipero Serra Museum ADA Improvements	This project provides ADA access to the Junipero Serra Museum within Presidio Park.	174,309.43
EB Scripps Pk Comfort Station Replacement	This project provides for a replacement comfort station located in EB Scripps Park adjacent to La Jolla Cove.	1,047,341.44
Balboa Park West Mesa Comfort Station Replacement	This project provides for two replacement comfort stations on the West Mesa of Balboa Park.	595,718.56
Sunset Cliffs Natural Park Ph I Reveg	This project will complete improvements to the hillside portion of the Sunset Cliffs Natural Park.	18,022.61
Sunset Cliffs Natural Park Ph II Trail & Reveg	This project will complete improvements to the hillside portion of the Sunset Cliffs Natural Park, consisting of construction of trails, habitat restoration, erosion control, and the removal and return to natural vegetation of the softball field.	820,539.22
Coastal Beach Access Projects	202 Coast Blvd Access Stairs	2,983.99
Seismic System Upgrade	Seismic retrofit of the historic California Tower within Balboa Park. Phase 1 is the relocation of electrical systems housed in the bottom floor of the tower in order to reinforce the walls of the room. Phase 2 is the seismic upgrade of the tower.	2,903,411.14
Demolition of Loma Land Structures	This project provides for the removal of existing houses located on parkland.	93,593.92
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.	153,721.41

Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds,
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Projects	Purpose	Expenditures FY 2020 [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 Peñasquitos Equestrian Center on the eastern end of the Los Peñasquitos Canyon Preserve.	15,903.60
Beach Access - Orchard Avenue, Capri by the Sea and Old Salt Pool	This project provides for coastal infrastructure improvements.	127,372.68
Chollas Lake Park Playground Improvements	This project provides for the design and construction of two playgrounds at Chollas Lake Park to replace existing playgrounds which have surpassed their life expectancy and do not meet current ADA and playground safety requirements.	490.78
Seismic Retrofit - Museum of Man	Seismically upgrade the Museum structure. Includes the shotcrete thickening of the walls, stiffening of the columns, and support the stone ornamentation.	82,975.85
OB Dog Beach Access	ADA upgrades to primary path of travel, demolition and rebuilding of the existing sidewalk and, add walls to prevent sand migration onto the walking surface for pedestrian safety.	145,534.06
Ladera St Beach Access	Removal of any potential loose material from the vertical cliff face, and grading back portions of the bluff that overhang the vertical face.	4,376.88
Total Fiscal Year 2020 expenditures		\$ 7,488,806.50
<p><i>[1] The expenditures are for projects funded by Mission Bay rents collected after June 30, 2009. Monies in the fund collected prior to July 1, 2009 and expended on projects are outside the scope of the audit.</i></p>		

Source: OCA generated based on Improvement Fund Oversight Committee Projects approval and SAP expenditure data.

Appendix F

Mission Bay Improvement Fund Project Expenditures for Fiscal Year 2020

Projects	Purpose	Expenditures FY 2020 [1]
New project expenditures:		
ADACA Crown Point	ADA Improvements at Crown Point	\$89,361.07
Hospitality Point Parking Lot Improvements	Parking lot improvements	49,869.28
Robb Field Parking Lot Improvements	Parking lot improvements	43,699.06
Dusty Rhodes Parking Lot Improvements	Parking lot improvements	54,230.44
Robb Field Turf & Irrigation Improvement	Turf & Irrigation Improvements	34,174.61
Playa Pacifica Plygrnd & Basketball Crt	Playground and Basketball Court Improvements	39,316.34
Robb Field Comfort Station Imp	Replacement and upgrade of comfort station	45,292.09
Robb Field Playground	Playground Improvements	29,130.12
Robb Field Recreation Center	Replacement of the Recreation Center	26,709.77
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	46,277.84
De Anza NE Parking Lot	Parking lot improvements	7,216.05

Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds,
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Projects	Purpose	Expenditures FY 2020 [1]
Continuing Projects Expenditures:		
Mission Bay Dredging	Dredging of Mission Bay, which is necessary for boat navigation	\$38,017.82
Mission Bay EIR	Environmental Impact Report for Mission Bay Projects	886,870.70
Mission Bay Athletic - Comfort Station	Replacement and upgrade of comfort station	99,584.91
De Anza North Parking Lot Imp	Parking lot improvements	109,725.46
North Bank SD River Bike Path and Parking Lot Resurfacing (Old Sea World Drive Parking Lot)	Parking lot improvements	360,161.08
Adult Fitness Course East Shore	Construct the fitness course improvements	81,964.96
El Carmel Comfort Station Imp	Replacement and upgrade of comfort station	26,164.28
Ventura Comfort Station Imp	Replacement and upgrade of comfort station	22,801.74
Bonita Cove Playground	Improvements and Replacement of playground equipment	2,170,780.49
Bonita Cove Comfort	Replacement and upgrade of comfort station	1,318,064.62
Tecolote North Parking Lot	Parking lot improvements	69,368.36
Tecolote North Playground	Improvements and Replacement of playground equipment	85,640.84
Tecolote North Comfort Station	Replacement and upgrade of comfort station	77,943.02

Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds,
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Projects	Purpose	Expenditures FY 2020 [1]
North Cove Comfort Station	Replacement and upgrade of comfort station	91,096.82
OB Dog Beach Accessibility	ADA upgrades to primary path of travel, demolition and rebuilding of the existing sidewalk, add walls to prevent sand migration onto the walking surface for pedestrian safety	100.00
Tecolote South Comfort Station	Replacement and upgrade of comfort station	57,096.98
Tecolote South Playground	Improvements and Replacement of playground equipment	90,243.01
Tecolote South Parking Lot	Parking lot improvements	49,459.96
Crown Point Playground	Improvements and Replacement of playground equipment	175,572.12
Crown Point Parking Lot	Parking lot improvements	107,851.32
Santa Clara Playground	Improvements and Replacement of playground equipment	199,638.33
Santa Clara Comfort Station	Replacement and upgrade of comfort station	101,194.21
Beautification of Traffic Island Group 1	This project provides for the study of signage (monument and wayfinding) and associated landscaping for Mission Bay Park	64,838.76
Sunset Point Parking Lot Improvements	Parking lot improvements	94,712.53
Santa Clara Pt South Parking Lot	Parking lot improvements	64,002.35
Playa Pacific No Parking Lot	Parking lot improvements	38,835.32

Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds,
Fiscal Year 2020

Projects	Purpose	Expenditures FY 2020 [1]
Rose Marie Stearns So Parking Lot	Parking lot improvements	33,326.54
Playa Pacifica Comfort Station	Replacement and upgrade of comfort station	38,814.07
Sunset Point Comfort Station	Replacement and upgrade of comfort station	39,464.75
Bonita Cove East Comfort Station	Replacement and upgrade of comfort station	57,335.58
Bonita Cove East Playground	Improvements and Replacement of playground equipment	50,846.58
Hospitality Point Comfort Station	Replacement and upgrade of comfort station	69,860.97
Dusty Rhodes Comfort Station	Replacement and upgrade of comfort station	54,252.26
Dusty Rhodes Playground	Improvements and Replacement of playground equipment	55,382.35
Total Fiscal Year 2019 expenditures		\$ 7,346,289.76
<p><i>[1] The expenditures are for projects funded by Mission Bay rents collected after June 30, 2009. Monies in the fund collected prior to July 1, 2009 and expended on projects are outside the scope of the audit.</i></p>		

Source: OCA generated based on Improvement Fund Oversight Committee Projects approval and SAP expenditure data.




THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: June 28, 2021

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

FROM: Penny Maus, Director, Real Estate Assets Department 

SUBJECT: Management Response to Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2020

The purpose of the memorandum is to provide a response to the City Auditor's Report entitled "Response to Performance Audit of Mission Bay and San Diego Regional Parks Improvement Funds, Fiscal Year 2020."

On behalf of the Park and Recreation Department, Real Estate Assets Department provides oversight and management of leased properties that are located within Mission Bay Park, which are key contributors to the Mission Bay Park Improvement Fund. In 2020 just as the Covid-19 Pandemic hit, the full-time position assigned to the Mission Bay portfolio left employment with the City. Due to the challenging budget and financial situation facing the City, the vacant position was cut from the Real Estate Assets Department budget for Fiscal Year 2021. In December 2020 the Program Manager which supervises the entire lease portfolio also left employment with the City, which created additional impacts. The department has been working diligently since then to provide oversight to the portfolio.

We appreciate the opportunity to provide comments on this audit and thank the City Auditor's team for their cooperation and professionalism throughout the audit process. Our response to the audit recommendation for the Real Estate Assets Department is below.

Recommendation #1. For the Real Estate Assets Department to be able to properly manage and monitor the leaseholds located on Mission Bay Boundary lands, we recommend that at a minimum, Real Estate Assets Department should analyze the level of resources needed and put a plan in place to ensure adequate resourcing. This may include reallocating existing resources, or an increase to existing staffing levels if justified.

Management's Response: Agree. In March of 2021 an Interim Program Manager was brought in to oversee the lease portfolio and supervise staff. Since then this position has been filled permanently and the Program Manager has taken on direct responsibilities for the portfolio. Additionally, the department has received approval to fill an additional agent position to assist with the Mission Bay portfolio and is working with the Personnel Department to fill the position as expeditiously as possible. We appreciate the Auditor's attention to this challenging

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Andy Hanau, City Auditor, Office of the City Auditor
June 28, 2021

situation and for supporting the Department's efforts to provide resources to manage this important portfolio of agreements.

Target Implementation Date: Implemented. Current oversight of the portfolio is assigned to a Program Manager and an additional agent position is in process and is expected to be filled by October 2021.

The Real Estate Assets Department is committed to continue to provide appropriate oversight of the Mission Bay portfolio of agreements and would like to thank the Office of the City Auditor for their work on this audit and for their support in identifying key staffing issues.

PM/KG

cc: Jay Goldstone, Chief Operating Officer
Honorable City Attorney, Mara Elliott
Matt Vespi, Chief Financial Officer
Alia Khouri, Deputy Chief Operating Officer
Kristina Peralta, Deputy Chief Operating Officer
Jeff Sturak, Deputy Chief Operating Officer
Matthew Helm, Chief Compliance Officer
Andrea Tevlin, Independent Budget Analyst
Elizabeth Correia, City Treasurer
James Nagelvoort, Director, Engineering & Capital Projects Department
Rolando Charvel, Director, Department of Finance
Andy Field, Director, Parks and Recreation Department
Mathew Gordon, Director, Office of Boards and Commissions
Kenneth So, Deputy City Attorney
Jeffrey Peelle, Chief Accountant, Department of Finance

Recommendation #2 We recommend the City's Office of Boards and Commissions immediately find a replacement for the member of the Mission Bay Committee/Mission Bay Improvement Fund Oversight Committee who is currently serving beyond the maximum 8 consecutive years, or modify the Municipal Code to clearly allow members of the committee to serve beyond the maximum of 8 consecutive years. (Priority 3)

Department Response: Agree. Our office is aware of the committee member serving on an expired term. OBC will work with Council District 6 on a nomination and appointment per the San Diego Municipal Code Section 26.30(c). Since taking office last December 2020, OBC has worked to overhaul the appointment process to provide a more efficient system by which individuals are appointed or re-appointed to boards & commissions in the city of San Diego. This includes but not limited to a new user-friendly website, simplified application, and a communications plan to spread the information to the general public and stakeholders (council offices, organizations, etc.).

Target Date: To allow time for Council District 6 to identify and nominate possible candidates to submit for appointment, the Office of Boards & Commissions will look to address the recommendation made in this report by Fall 2021.