PERFORMANCE AUDIT OF DEVELOPMENT IMPACT FEES

The Planning Department, Facilities Financing Section, Has Adequate Controls Over the Administration of Development Impact Fees

Office of the City Auditor

City of San Diego

Independent • Objective • Accurate

June 2018

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THE CITY OF SAN DIEGO

June 5, 2018

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

Transmitted herewith is a performance audit report of the Development Impact Fees (DIF). This report was conducted in accordance with the City Auditor's Fiscal Year 2017 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 A. Management's responses to our audit recommendations are presented after page 19 of this report.

We would like to thank staff from the Planning Department for their assistance and cooperation during this audit. 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 Laura Reyes-Cortez, Chris Kime, and Kyle Elser.

Respectfully submitted,

Eduardo Luna
City Auditor

cc: Kris Michell, Chief Operating Officer
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Results In Brief

Public facilities such as roads, parks, recreation facilities, libraries, and fire and police stations are necessary to meet the needs of a growing city while enhancing quality of life for San Diegans. Development Impact Fees (DIF) are critical for funding public facilities because these projects can be large, expensive, and take years to complete. To raise DIF funds, the City of San Diego (City) assesses impact fees on properties and land being developed within the City. The fee charged is based on the type, size, and location of the development, and the funds may only be used on public facilities that are built within the communities in which the funds were raised. In FY 2016, the City collected nearly $92 million in DIF revenues.

Per the California Mitigation Fee Act, local agencies must also regularly report financial information related to the use of the DIFs. The City reports this information through annual and quarterly DIF reports that summarize fund activity, such as changes in funds budgeted, expended, appropriated, and revenues collected. The City reports this financial information for over 50 separate impact fee funds. The reported information also reflects the progress of DIF-funded projects that are on the City's approved Capital Improvement Plan (CIP) Budget each year.

Based on our review, we found that the internal controls over the assessment, collection, and tracking of impact fee funds are adequately designed and implemented. The City's Planning Department, Facilities Financing Section (Facilities Financing), has been instrumental in the collection of over $1 billion for building public facilities since the inception of the program. While impact fees cannot fix every infrastructure need in the city, Facilities Financing has established a reliable process to secure impact fees for the communities of San Diego and to ensure those funds are assessed, collected, budgeted and spent on the intended purpose for each community.

During our review, we also found two areas of the program that could potentially expose the City to risk. We discuss these issues in a confidential report provided to management.

Background

Introduction

In accordance with the Office of the City Auditor's Fiscal Year (FY) 2017 Audit Work Plan, we conducted a performance audit of the City of San Diego's Planning Department, Facilities Financing Section (Facilities Financing). The overall objective of this audit was to assess the efficiency and effectiveness of Facilities Financing's administration of the Development Impact Fee (DIF) program. A detailed objective, scope, and methodology statement is found in **Appendix A**.

San Diego's Approach to Development Impact Fees

The City of San Diego (City) uses a multi-faceted approach to identify capital needs, raise revenues, build its infrastructure, meet State and local requirements, and report financial information. The lifecycle of a DIF and DIF-funded project can be followed in five official City documents. The documents are the Community Plan, financing plan, fee schedule, Capital Improvements Plan (CIP) Budget, and financial reports. See **Appendix B** for a detailed example.

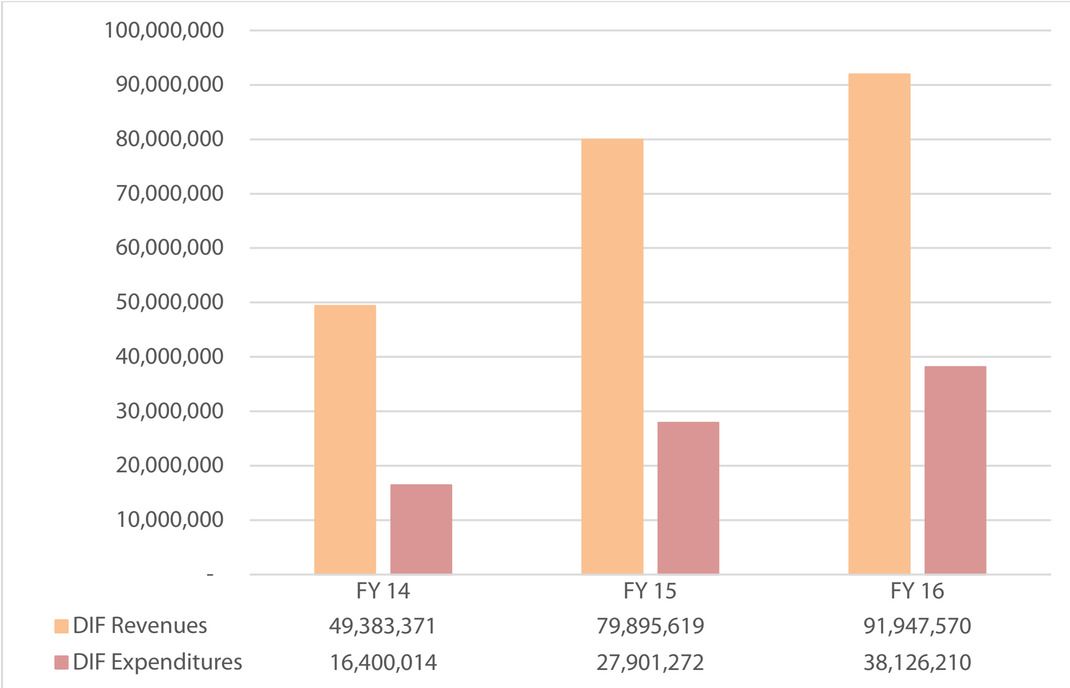
To identify capital needs, the City relies on its General and Community Plans. These documents broadly describe future public facility needs such as parks, streets, fire stations, police facilities, and sewer and water systems. Before the projects can be built, the City must determine general project costs and identify potential funding sources. Special funding sources, such as DIFs, are critical for funding public facilities because the projects are large, expensive, and take years to complete. [1] For example, the City expended over $38 million on DIF-funded projects in (FY) 2016.

To raise DIF funds, the City assesses impact fees on properties and land being developed within the City. The fee charged is based on the type, size, and location of the development, and the funds may only be used on public facilities that are built within the communities in which the funds were raised. In FY 2016, the City collected nearly $92 million in DIF revenues. See **Exhibit 1** for previous revenues and expenditures.

[1] The fees collected from development are known as Development Impact Fees, Facilities Benefit Assessments, and Urban Impact Fees. These fees are collectively identified as Development Impact Fees (DIF).

Exhibit 1:

Annual Development Impact Fee Revenues and Expenditures, FYs 2014 - 2016

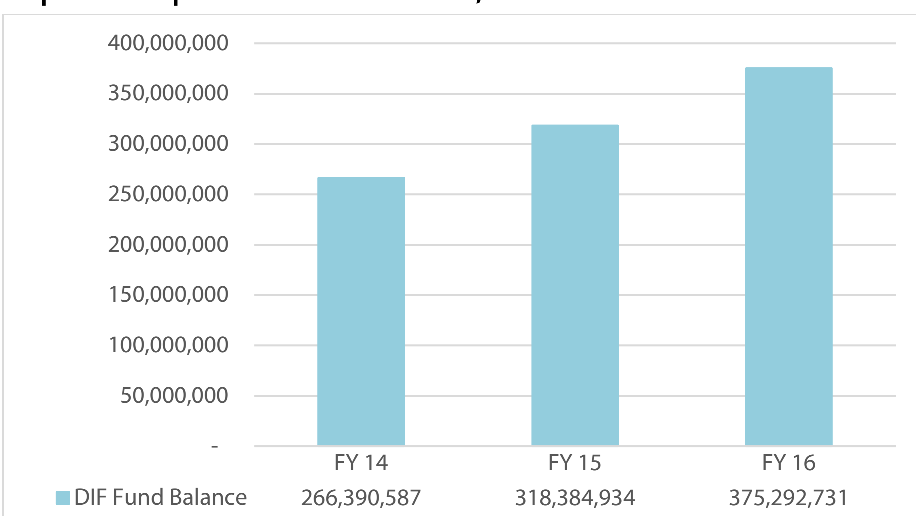


Source: OCA generated based on Annual Development Impact Fee Reports.

Exhibit 2 below shows fund balance has grown from $266 million in FY 2014 to $375 million in FY 2016, indicating that revenues have consistently outpaced expenditures.

Exhibit 2:

Annual Development Impact Fee Fund Balance, FYs 2014 - 2016



Source: OCA generated based on Annual Development Impact Fee Reports.

These public facilities must be identified in a respective community's financing plan. The financing plans must be aligned with the City's General Plan and a respective Community Plan.[2] Financing plans also serve to document legal requirements that are set forth in the California Mitigation Fee Act (Mitigation Fee Act).

California Mitigation Fee Act Requirements

The legal requirements for the establishment and enactment of impact fees are set forth in the Mitigation Fee Act, Government Code §§ 66000-66025. Specifically, local agencies must:

- Identify the purpose of the fee;
- Identify the use to which the fee is to be put;
- Determine and demonstrate a reasonable relationship or connection between the DIF use and the impact that results from the development being assessed the fee;
- Determine a reasonable relationship between the amount of the DIF, and the portion of cost of the public facility attributable to the development on which the DIF is imposed;
- Annually report the purpose of the DIFs, and the specific facilities to be financed with the DIF;
- Annually report the amounts collected, expended, transferred, or loaned; and
- Report additional details for funds that remain unexpended for five years, such as approximate construction start dates and other sources of funding for incomplete projects.

For the fee to be valid and not considered a tax or special assessment, the Mitigation Fee Act requires that the local agency and DIFs meet these requirements.

City Legal Requirements

The State requirements are further defined in the City's Municipal Code, Chapter 14, Article 2, Division 6, Public Facility Regulations. The purpose of these regulations is to establish when private development is required to provide public facilities or pay a fee. The intent of these regulations is to assure that the cost of providing public facilities to serve new development is the

[2] Refer to **Appendix B** for further detail on community planning.

responsibility of that development, and that minimum standards for public facilities are maintained to protect the public health, safety, and welfare. Per Municipal Code, the payment of DIFs shall be required prior to issuance of any Building Permit in areas where DIFs have been established by City Council resolution or ordinance. DIF assessments are collected by the Development Services Department.

Audit Results

Finding 1: Facilities Financing has Effectively Implemented Controls over Assessments and Collections of Development Impact Fees

We reviewed development projects from Fiscal Year (FY) 2016, in which Development Impact Fee (DIF) project assessments of $118 million and DIF collections of $116 million were recorded for the period.[3] We found that the Planning Department, Facilities Financing Section (Facilities Financing), has adequately designed and implemented internal controls over the assessment, collection, and tracking of DIF funds.

We selected a random sample of 80 project assessments and collections from FY 2016 with $17 million of assessments and $13 million of payment receipts.[4] We reviewed the assessments and collections for any discrepancies between:

1. Fee assessments and fee collection;
2. Fee collection amount recorded in FDIS and SAP (the City's financial data system); and
3. Project address collection and community fund deposit.

We reviewed these areas due to the risks of collecting incorrect amounts, recording incorrect amounts, and posting DIFs collected to the incorrect community funds. Our evaluation revealed the following:

- There were only a few immaterial transactions where the assessed amount did not equal the amount collected. One discrepancy was the result of an FY 2017 inflation adjustment made in the Fee Data Information System (FDIS) on June 28, 2016, but the applicant correctly paid the FY 2016 rate on June 30, 2016 before the new rate went into effect. The other discrepancy was the result of project scope changes not originally entered in FDIS. Facilities Financing has corrected FDIS.

[3] Assessments do not exactly match payments in a single fiscal year because some projects are built out over multiple phases and years. These differences are identified when Facilities Financing performs reconciliations of its internal database and the City's financial data, and are resolved once the project has ended.

[4] Our sample was selected from Facilities Financing's Fee Data Information System (FDIS).

- We found that the payment amounts recorded in FDIS were equal to the amounts recorded in SAP.
- We found only a few instances where fee payments had originally been applied to the incorrect fund. However, we learned that the projects were built in an area where a new fund had been established, and the payments were later transferred to the appropriate fund.

Why This Occurred

According to the California Mitigation Fee Act (Mitigation Fee Act), a local agency receiving the fee shall deposit it with the other fees for the improvement in a separate capital facilities account or fund in a manner to avoid any commingling of the fees with other revenues and funds of the local agency. The Mitigation Fee Act requires that the fees are expended solely for the purpose for which the fee was collected. Additionally, Internal Control Standards for Government require that agencies implement controls to ensure the reliability of financial reporting.

Facilities Financing and the City have implemented controls such as an automated fee calculation, supervisory reviews, an internal database tracking system, and a standard operating procedure to ensure impact fees are assessed and collected appropriately. We identified these control points when evaluating Facilities Financing's processes for assessing and collecting DIFs as described below.

When developers apply for a building permit with the Development Services Department (DSD), Facilities Financing will review all projects subject to DIFs. To calculate the assessment, Facilities Financing uses the project plan information and enters it into FDIS. The system automatically calculates the fee based on the project attributes entered, such as type of use for the building, gross floor size, and project location. The fee calculations are regularly reviewed by supervisors, and are subject to random supervisor audits.

Once DIF assessments for a project are calculated, Facilities Financing enters the assessment amount into DSD's Project Tracking System for subsequent payment from the developer. DSD issues building permits to developers upon payment of the fees. Developers may pay project-related fees, including DIFs, at the DSD cashier or online at the OpenDSD website.

Facilities Financing tracks DIF collections in FDIS. To gather collection information, Facilities Financing receives a daily report of cash received from DSD. The cash report includes information that Facilities Financing uses to verify the cash receipt in SAP. Facilities Financing then uses the information in SAP to record payment data in FDIS.

To ensure the data is consistent between the different systems, Facilities Financing has a standard operating procedure to perform reconciliations between FDIS and SAP on a monthly, quarterly, and annual basis. The SAP/FDIS Reconciliation Process became effective as of August 2017. Facilities Financing runs reports for SAP and FDIS to identify differences. If differences in the totals are noted, Facilities Financing researches the reason for the difference, documents relevant information, and resolves the differences as needed.

We make no recommendations on this issue.

Conclusion

Development Impact Fees are used to ease the strain placed on public facilities from accumulated growth. The fees are used for libraries, police stations, fire stations, parks, recreation facilities and the transportation network. While impact fees cannot fix every infrastructure need in the city, the Facilities Financing Section of the Planning Department has established a reliable process to generate impact fees for the communities of San Diego and ensure those funds are assessed, collected and budgeted for community projects. Therefore, we make no recommendations on this issue. However, we found two areas of the Development Impact Fees program that could potentially expose the City to risk. We discuss these issues in a confidential report provided to management.

Appendix A: Objectives, Scope, and Methodology

In accordance with the Office of the City Auditor's Fiscal Year (FY) 2017 Audit Work Plan, we conducted a performance audit of the City of San Diego's Planning Department, Facilities Financing Section (Facilities Financing). The overall objective of this audit was to assess the efficiency and effectiveness of Facilities Financing's administration of the Development Impact Fee (DIF) program.

To assess the efficiency and effectives of the DIF program, we conducted an extensive preliminary review and scoping phase. Specifically, we:

- Performed an analysis of the financial reports for FYs 2013 through 2017;
- Conducted background research on the different types of impact fees collected by the City;
- Limited the scope to Facilities Benefit Assessments, Development Impact Fees, and Urban Impact Fee funds;[5]
- Reviewed Developer Reimbursement Agreements;
- Held focus meetings with other auditors;
- Reviewed quarterly financial reports for the highest fund balances in FY 2017; and
- Traced selected projects from quarterly financial reports to the Capital Improvements Program Budget and respective financing plans.

[5] These funds had the majority of overall impact fee funds. The other funds were scoped out due to some funds no longer being collected, funds with low balances, and another that is not collected in every community.

Objective 1: Determine if the DIFs invoiced by Facilities Financing are collected by the Development Services Department (DSD) and deposited in the applicable community fund

We performed our evaluation of the internal controls in three steps. First, we reviewed Facilities Financing's process of determining the fee to be assessed and collected in each community. Second, we reviewed Facilities Financing's process of calculating and recording assessments. This included reviewing how Facilities Financing works with DSD to collect payments from the developers. Lastly, we reviewed a random sample of impact fee transactions recorded in Facilities Financing's Fee Data Information System (FDIS).

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 reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B: Development Impact Fee Program Overview

Community Planning

San Diego citizens are provided the opportunity for involvement in advising the City Council, Planning Commission, and other decision-makers on development projects, general or community plan amendments, and public facilities through Community Planning Groups (CPGs). The City recognizes CPGs as a formal mechanism for community input in the land use decision-making process. The City currently recognizes 42 CPGs, which represent 50 community planning areas within the City. CPGs, City staff, and the public work in partnership to develop community plans for each of the community planning areas. Community plans identify land use policies and recommendations that guide future development of the communities; there are currently 49 adopted community plans. The community plans are used as a foundation for the projects included in each community's facilities financing plan.

Financing Plans: Identifying Capital Needs and Raising Development Impact Fee Revenue

The Facilities Financing Section (Facilities Financing) of the City's Planning Department is responsible for the management of the Development Impact Fees (DIF) programs. Facilities Financing's responsibilities include project financing, financial reporting, compliance with government requirements, establishment of fee assessments, and the development of community financing plans. The City's policy is to maintain an effective facilities financing program to ensure that the impact by new development on the need for public facilities is mitigated through appropriate fees.

Financing plans for each community identify needed capital facilities, and the extent to which the projects are eligible for DIF funding. Some facilities may be recognized locally as serving the needs of the community and benefiting the public, but may not be identified as eligible for DIF funding due to policy or legal limitation.

The determination of DIFs to be collected from development in each community is supported by the respective financing plan. The overall amount to be assessed and collected is determined based on projects identified in each financing plan, as well as other community attributes, such as expected development activity and projected population. The total estimated project costs are then divided proportionately across the different types of applicable development to determine the fee amount to be collected from developers applying for building permits.

Financing plans may incorporate community-specific criteria to define and locate needed facilities, while considering management, operation, and maintenance requirements. Wherever possible, a financing plan promotes joint-use of facilities, including schools, parks, recreational centers, and libraries. Community-level priority preferences, overall and by category, are included in the financing plan after consultation with CPGs.

DIFs may be evaluated periodically, especially when community plans are updated, to ensure the financing plan is representative of current facility needs and project costs. Financing plans include a variety of facilities to meet the needs of diverse communities and identify a baseline of existing public facilities, as well as those that are needed as the community continues to develop. According to Facilities Financing's website, there are currently 45 adopted financing plans.

City's Capital Improvement Plan

Like many cities, the City has a Capital Improvements Program (CIP) for installing new and replacing or rehabilitating existing infrastructure. Infrastructure includes the basic physical structures, systems, and facilities needed to provide services to residents and for the functioning of a community and its economy, such as sidewalks, streets, parks, fire stations, police facilities, and water and sewer systems. Many of these projects are eligible for and funded in part by DIFs.

Capital projects are budgeted separately from the City's operating costs, and generally require special funding sources, such as DIFs. The City's Fiscal Year (FY) 2018 CIP Budget totals $475.6 million; DIF funds make up over 6 percent of the budget. It should be noted that once projects are incorporated into the City's CIP budget, Facilities Financing does not have influence over how quickly the fees are expended.

Financial Reporting

Annual Reporting

Each year, Facilities Financing publishes a report of DIF-related financial activity, such as annual revenues and expenditures. Specifically, the report provides the following information for each fiscal year:

- A listing and description of the various DIFs;
- Beginning and ending balance of 63 DIF funds[6];
- Revenues and expenditures of the DIF funds during the fiscal year;
- A listing of the projects funded by the DIFs since their respective fund inception;
- Reference to the City's annual CIP Budget, e.g. CIP project numbers;
- Fund details such as cumulative project activity and budget changes;
- The amount in a DIF fund that has been unexpended for longer than five years; and
- The anticipated use of DIF funds that have been unexpended for longer than five years.

The report is meant to provide an annual assessment of the DIFs, as well as satisfy the requirements of the California Mitigation Fee Act.

Quarterly Reporting

Facilities Financing also prepares financial reports for 56 different DIF funds on a quarterly basis. Each of the quarterly reports provides cumulative financial information, such as cumulative revenues, since the respective fund inception. The report includes a listing of each project funded by the DIF fund, and the amounts of funding that have been budgeted and expended on the project. Other project details shown include the CIP project number if available, a reference to the corresponding financing plan, and the completion status of each project. Lastly, each report includes an updated fund balance, which is the total revenues less the total amount budgeted. For some funds, an

[6] Seven of the 63 funds were excluded from the scope of the audit. Five of these funds are Park Development Fees, which are no longer collected and have been replaced by the DIFs. One fund is the Regional Transportation Congestion Improvement Program Fee. The other fund is the Habitat Acquisition Fee, which is collected only from select communities.

adjusted fund balance is shown to reflect anticipated adjustments, such as changes to project costs or newly approved projects.

Tracing a DIF-Funded Project from Community Plan to Financial Report

The lifecycle of a DIF and DIF-funded project can be followed in five official City documents. The documents are the (1) Community Plan, (2) financing plan, (3) fee schedule, (4) CIP Budget, and (5) financial reports. An example of a single project—Golf Course Drive Improvements—within the Golden Hill DIF Community is traced throughout each of these documents as shown below.

(1) Community Plan

Each Community Plan is composed of various elements, such as mobility, public facilities, and recreation. Each of these elements describe the community's desired goals with regard to respective element. In the example of the Golf Course Drive Improvements project, the recreation element of the Community Plan includes a recommendation to "provide a multi-modal bicycle facility and pedestrian walkway along Golf Course Drive," as shown in **Exhibit 3**.

Exhibit 3:

Golden Hill Community Plan Excerpt

D. Provide interpretative, wayfinding and regulatory signage for orientation to park users at view points and park entries.

E. Provide a multi-modal bicycle facility and pedestrian walkway along Golf Course Drive connecting the Golden Hill Recreation Center to the Balboa Park Golf Course Clubhouse and the 28th Street Park entry at the corner of Date Street and 28th Street.

F. Reorganize parking at the Golden Hill Recreation Center to provide approximately 140 spaces; remove parking along Russ Boulevard; and convert 64 park spaces on the west side of Golf Course Drive to temporary, overflow parking only.

G. Plant new trees to replenish the historic landscape and augment those reaching maturity within the Balboa Park Neighborhood Edge adjacent to the Golden Hill community, including date palms as well as Savannah and Garden representative species.

K. Design and construct the proposed Pershing Recreation Complex to serve the North Park, Greater Golden Hill, Uptown and Downtown communities.

The Golden Hill Community Garden located on Russ Boulevard, within Balboa Park, is to be expanded to incorporate amenities such as a stage/gathering area, picnic facilities, potting shed, security lighting and public art.

RE-150 | Recreation Element

Source: Excerpt from Golden Hill Community Plan.

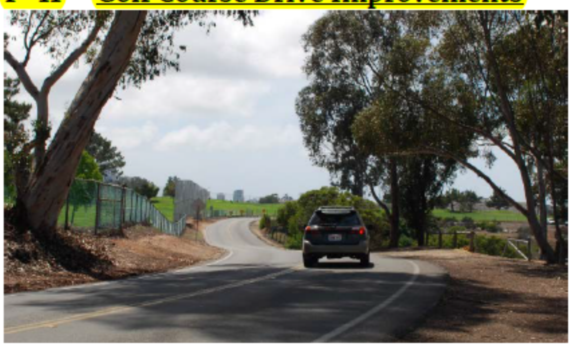
(2) Financing Plan

Like the Community Plans, financing plans include groupings of different asset types, such as transportation and parks facilities. The Golf Course Drive Improvements projects is incorporated in the Parks and Recreation component of Golden Hill's financing plan. Its financing plan project number is P-11, and its CIP project number is S15040. The project is briefly described in the financing plan as shown in **Exhibit 4**. The project description also includes the total estimated project cost, which is $2 million.

Exhibit 4:

Golden Hill Financing Plan Excerpt, Golf Course Drive Improvements Project Description

P-11 Golf Course Drive Improvements **DIF-basis: $2,000,000**



Google Maps: Golf Course Drive

Up to the amount identified above as the P-11 DIF-basis, DIF revenue may provide funding for design and construction of a multi-modal path, including a paved pedestrian pathway and a bicycle facility, along Golf Course Drive connecting Golden Hill Recreation Center to 28th Street.

CIP: S-15040
Total Project Cost Estimate: $2,000,000

Source: Excerpt from Golden Hill financing plan.

At the end of Golden Hill's financing plan, the proposed projects are summarized by the fee component (project type). As shown in **Exhibit 5**, the Golf Course Drive Improvements projects is one of many proposed Parks and Recreation projects. In total, the financing plan proposes 14 Parks and Recreation projects, with an estimated cost of over $160 million.

Exhibit 5:

Golden Hill Financing Plan Excerpt, Parks and Recreation Facilities Summary

Parks and Recreation Facilities

		Cost Estimate	DIF-basis
P-1	Golden Hill Community Park - Expansion	$3,236,000	$3,236,000
P-2	Golden Hill Recreation Area - Expansion	$4,940,000	$4,940,000
P-3	Bud Kearns Aquatic Complex - Expansion	$11,660,000	$2,914,000
P-4	Skate Park/Bike Skills Park - Development	$17,718,000	$8,859,000
P-5	Golden Hill Park - Expansion	$4,315,000	$4,315,000
P-6	Grape Street Park - Expansion	$3,637,000	$3,637,000
P-7	Pershing Recreation Complex - Development	$17,034,000	$1,704,000
P-8	Golden Hill Community Garden - Expansion	$291,000	$291,000
P-9	28th Street Park - Expansion	$3,536,000	$3,536,000
P-10	Golden Hill Pocket Park - Development	$1,363,000	$1,363,000
P-11	Golf Course Drive Improvements	$2,000,000	$2,000,000
P-12	Open Space and Trails	$762,000	$762,000
P-13	ADA Improvements – Parks and Recreation	$1,636,000	$1,636,000
P-14	Parkland Acquisition & Development (22.91 acres)	$88,313,000	$52,874,043
	Current/Future Parks and Recreation Facilities	$160,441,000	$92,067,043
	Completed Parks and Recreation Facilities	$0	$0
	Total Parks and Recreation Cost	**$160,441,000**	**$92,067,043**

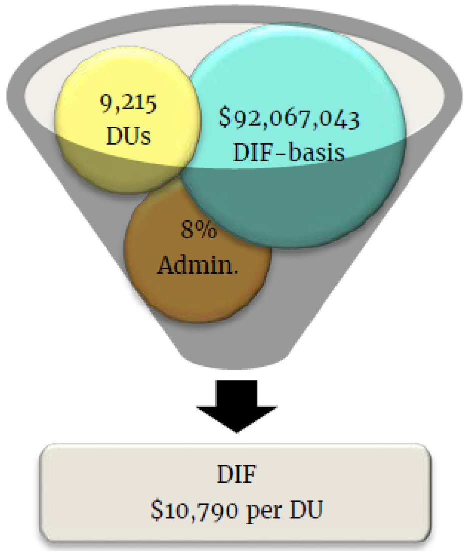
Source: Excerpt from Golden Hill financing plan.

Not all projects may be identified as eligible for DIF funding due to policy or legal limitation. In some cases, a portion of the projects may be eligible for DIF funding. In the case of Golden Hill, approximately $92 million of the estimated costs for Parks and Recreation projects has been identified as DIF-eligible.

To calculate the overall DIF to be collected from developers, DIF-eligible project costs and administrative costs are divided amongst the estimated population at full community buildout. This calculation is done for each project type. In Golden Hill, full community buildout is estimated at 9,215 dwelling units (DU). The fee is calculated as shown in **Exhibit 6**.

Exhibit 6:

Golden Hill Financing Plan Excerpt, DIF Calculation- Parks and Recreation Component Fee



Park component of the Golden Hill DIF

Source: Excerpt from Golden Hill financing plan.

(3) Fee Schedule

In some cases, certain types of development may be assessed a higher DIF basis than other types of development. For example, residential development typically generates a demand for parks and libraries, whereas in some communities, commercial development may not generate as much demand for these types of facilities. In this example, the park asset type of the Golden Hill DIF is only assessed on residential development, i.e. dwelling units.

The fee is assessed by the Development Services Department when a developer applies for a building permit with the City. The fees assessed in each community vary based on the projects included in each financing plan, as well as the estimated populations at buildout. The FY 2017 fee for Golden Hill is shown in **Exhibit 7**.

Exhibit 7:

FY 2017 Fee Schedule Excerpt, Golden Hill

DIF Communities (FY 2017)**							
Community	**Residential Development**					**Non-Residential Development**	
	Transportation	Park	Library	Fire	Per DU	Transportation $/ADT	Fire $/1,000 SF
College Area	$ 2,037	$ 10,958	$ 790	$ 516	**$ 14,302**	$ 291	$ 516
Downtown (f)	$ 1,304	$ 5,426	$ –	$ 1,153	**$ 7,883**	$ 326	$ 807
Encanto Neighborhoods	$ 2,023	$ 6,671	$ 37	$ 436	**$ 9,167**	$ 289	$ 436
Fairbanks Ranch	$ –	$ –	$ –	$ –	**$ –**	$ –	$ –
Golden Hill	$ 1,631	$ 10,790	$ –	$ 252	**$ 12,673**	$ 233	$ 252
Kearny Mesa	$ 490	$ 7,569	$ 475	$ 75	**$ 8,610**	$ 70	$ 75

Source: FY 2017 Fee Schedule Excerpt.

(4) CIP Budget

Projects are added to the City's CIP Budget and funded based on decisions made by City officials and the Capital Improvements Program Review and Advisory Committee (CIPRAC). Typically, the progress of the projects can be seen in each year's CIP Budget.

The Golf Course Drive Improvements project was added to the FY 2016 CIP Budget and was appropriated $170,000 in DIF funds in FY 2015. Design was scheduled to begin in FY 2016, and construction was planned to begin once other funding had been identified. In FY 2017, the City Council added $80,000 in DIF funding to the project for an additional feasibility study. According to the FY 2018 CIP Budget, the feasibility study will be completed in FY 2018, and design will begin once a suitable alternative is identified. The additional $1.7 million dollars to complete the project remains unidentified.

(5) Financial Reports

The Golf Course Drive Improvements project was included as part of the FY 2016 Annual Development Impact Fee Report prepared by Facilities Financing. This report indicates nearly $40,000 had been expended on the project as of June 30, 2016. A more recent quarterly summary indicates that nearly $170,000 have been expended on the project as of December 31, 2017. The summary also shows that $250,000 of the DIF funds have been budgeted for the project. The quarterly summaries are typically the most current source of project activity.

THE CITY OF SAN DIEGO

MEMORANDUM

DATE: May 30, 2018

TO: Eduardo Luna, City Auditor

FROM: Mike Hansen, Director, Planning Department
via David Graham, Deputy Chief Operating Officer

REFERENCE: Management Response to the Performance Audit of Development Impact Fees

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The City acknowledges the Office of the City Auditor Performance Audit of Development Impact Fees. The Planning Department appreciates the conclusion in Finding 1: Facilities Financing has Effectively Implemented Controls over Assessments and Collections of Development Impact Fees.

While there is no audit recommendation associated with this finding, please note that Planning Department staff are committed to continuing process improvements and effective internal controls.

Mike Hansen
Director

cc: Kris Michell, Chief Operating Officer
Stacey LoMedico, Assistant Chief Operating Officer
Rolando Charvel, Chief Financial Officer
Elyse Lowe, Director of Land Use & Economic Development Policy, Office of the Mayor
Tom Tomlinson, Assistant Director, Planning
Marco Camacho, Program Manager, Planning
Andrea Tevlin, Independent Budget Analyst
Mara Elliott, City Attorney
Adam Wander, Deputy City Attorney
Ken So, Deputy City Attorney