

DATE ISSUED: February 2, 2004

REPORT NO. 04-031

ATTENTION: The Committee on Rules, Finance and Intergovernmental Relations
Agenda of February 4, 2004

SUBJECT: Special Promotional Programs, Social Services Programs and City
Agencies Contract Administration and Monitoring

SUMMARY

Issue - Should the Mayor and City Council adopt the City Manager's recommendations on the administration and monitoring of all organizations receiving City funds, with emphasis on organizations receiving \$1 million or more of City funds annually?

Manager's Recommendation – Adopt the recommendations.

Other Recommendations – None.

Fiscal Impact – None.

BACKGROUND

Recent news items have focused attention on the manner in which City-funded organizations and agencies utilize City of San Diego funding, as well as the level of oversight and monitoring to which the fund recipients are subject. The intent of this report is to clarify some of this information, as well as to make recommendations to the Rules Committee on amendments to Council Policy 100-03, which provides reporting requirements for recipients of Transient Occupancy Tax (TOT) funding, and adoption of a new Council Policy that provides additional reporting requirements for all organizations receiving City funds.

DISCUSSION

Under the provisions of Council Policy 100-03, all recipients of TOT funding are required to provide annual reports on how they spend City funds. Additionally, in the 1990s, the City Council and City Manager, pursuant to Council Policy 100-03, arranged for an annual audit of all TOT recipients of \$35,000 or more. This year-end financial audit is performed by a Certified Public Accountant (CPA) to assure that TOT recipients have expended City of San Diego funding in accordance with their respective agreements. The City of San Diego's Auditor and Comptroller's Office periodically reviews the audit to confirm that organizations are providing the audit results to the City of San Diego's TOT contract administrator as required. The City also retains the right to perform a separate audit, independent of the CPA audit, should it choose to do so.

Council Policy 100-03 currently contains prohibitions on the use of TOT funds for specified purposes; it also contains, however, a waiver option that has enabled the use of City funds for purposes such as travel or entertainment in the past. In addition to eliminating this waiver option, the recommendations in this report are also intended to broaden the disclosure requirements of City-funded organizations, as well as to extend these requirements beyond TOT funding to include all City of San Diego funding sources.

RECOMMENDATIONS

Given that the areas that elicit the highest degree of concern pertain to salaries and wages, including executive salary packages, and expenses related to travel, meals, lodging and entertainment, the following recommendations for additional requirements for not only TOT-funded organizations, but also for any organization or agency receiving City funds, are put before the Mayor and City Council:

1. Amend Council Policy 100-03, "Transient Occupancy Tax", Attachment B, Section B, number 3, to read: "City funds may not be used for travel, meals, lodging, alcohol or entertainment expenses". Remove the waiver option language at the end of this item. (See Attachment "A")
2. Amend Council Policy 100-03, "Transient Occupancy Tax", Attachment B, Section F, adding item 1.d., to read: "Any organization receiving \$1.0 million or more of TOT funding must include in their applications salary and wage ranges for each of their job classifications, including actual executive salaries and benefits packages during the annual budget process each fiscal year."
3. Amend Council Policy 700-02, "Community Development Block Grant Program", adding item number 8 to read: "With the exception of City departments or agencies, CDBG funds may not be used for travel, meals, lodging, alcohol or entertainment expenses for administrative purposes. However, certain of these types of expenses may be pre-approved by the City when they are part of the core purpose of a program, such as a shelter, nutrition program, at-risk youth program, or other eligible program." (See Attachment "B")

4. Amend Council Policy 700-02, "Community Development Block Grant Program", adding item number 9 to read: "Any organization receiving \$1.0 million or more of funding from the City of San Diego must include in their applications salary and wage ranges for each of their job classifications, including actual executive salaries and benefits packages during the annual budget process each fiscal year."
5. Seek amendments to the operating agreements for all City of San Diego agencies and organizational subdivisions to include the following:
 - a. During each annual budget process, each agency must submit salary and wage ranges for each of their job classifications, including actual executive salaries and benefits packages.
 - b. During each annual budget process, each agency must submit to the City Manager's Office the agency's policies on travel, meals, lodging, and entertainment expenses.
 - c. In January of each year, each agency shall submit to the City Manager's Office the actual expenditures for travel, meals, lodging, and entertainment for the last completed fiscal year.
 - d. City funds may not be used for the purchase of alcohol.

The City of San Diego agencies and organizational subdivisions include Convention Center Corporation, Centre City Development Corporation, Southeastern Economic Development Corporation, San Diego Data Processing Corporation, and the San Diego Housing Commission.

ALTERNATIVES

The following are some alternatives that could be imposed on City-funded organizations or agencies. These options are less absolute and do allow for some degree of flexibility and discretion on the part of the Mayor and City Council:

1. Ensure that all allowable travel is clearly tied to the contract scope of work and is consistent with City of San Diego travel guidelines.
2. Negotiate a per-diem rate that would be expected to cover hotel, meals, ground transportation.
3. Allow reasonable and appropriate business meetings involving meals provided there is adequate documentation as to attendees and purpose of meeting.

CONCLUSION

Council Policy 100-03 has sound provisions for ensuring the accountability of recipients of City of San Diego TOT funding, and the City of San Diego has been diligent in its enforcement of the provisions of that policy. However, given the City's obligation to its citizens in ensuring the responsible use of City funds, as well as heightened sensitivity to activities or spending practices that are perceived as extravagant or excessive, it is felt that the additional level of disclosure afforded by the above recommendations is not only warranted but essential.

Respectfully submitted,

Lisa Irvine
Financial Management Director

Approved: Michael T. Uberuaga
City Manager

Attachments: [Attachment "A", Draft revised Council Policy 100-03](#)
[Attachment "B", Draft revised Council Policy 700-02](#)
[Attachment "C", Memorandum from City Manager and City Auditor and
Comptroller to Councilmember Donna Frye \(January 9, 2004\)](#)