

# **BALBOA PARK CELEBRATION LESSONS LEARNED**

## ***SUMMARY***

The City of San Diego likes to dream big and plan bigger. Civic successes in the past include the recent public library, Petco Park, and the redevelopment of the Gaslamp District, not to mention the original Balboa Park event, the 1915 International Exposition. The Balboa Park Celebration, Inc. (BPCI) established on June 3, 2011 failed to live up to its intended mission.

The failure of BPCI, a city-formed, non-profit corporation, to plan, implement and manage the 2015 Balboa Park centennial celebration is an example of government not using proven project management practices. City of San Diego officials had envisioned a noteworthy celebration for the one hundredth anniversary of the 1915 Panama-California Exposition, an event that was the key to putting San Diego on the map as a City on the move. What resulted was a failure of leadership that was embarrassing to San Diego. This resulted in a diminished celebration and a lack of confidence in how future civic efforts would be pursued. City Council must share responsibility for its lack of oversight.

Well-meaning but inexperienced fund-raising volunteers were allowed to run the corporation. They hired and retained personnel lacking in the skills necessary to make the project a success. Up to \$2.8 million in taxpayer and donor money was spent. Little was produced.

Contract oversight by City officials was virtually absent until much too late. Eventually BPCI, also known as the 2015 Committee, witnessed its plans falter and derail. This grand vision came to an unfortunate ending. A successor venture was created to plan a much reduced schedule of activities for the celebration.

## ***INTRODUCTION***

Balboa Park Celebration, Inc. (BCPI) was formed by the City as a 501(c) 3 Corporation. It was authorized to receive private and corporate donations to fund events at various venues within Balboa Park. The board was appointed by the mayor and it included citizens connected to constituencies well represented on city boards. Many had served in other capacities and were called again to lend their expertise to this venture.

This project, however, required skills that neither the volunteer board members nor the CEOs they hired possessed. This included fund raising skills and oversight of a large business enterprise. Run by a board of part-time unpaid volunteers, BPCI spent much of the seed money of \$2.8 million on multiple high-priced consultants. Instead of contracts which stipulated deliverables and milestones, these contracts required almost nothing in terms of scheduled events or subsequent donations.

The Corporation's governing documents were ambiguous. These documents separated the basic operating plan, the Memorandum of Understanding (MOU), from the disbursing responsibilities in the Funding Agreement. These two documents should have supported each other. They did not.

BPCI's first and most important function was securing sponsorship funding. Without major donors there could be no celebration as envisioned when BPCI was conceived. The MOU/Funding Agreement identified neither specific funding sources nor amounts to be allocated. Sponsorships became an early casualty.

Program oversight by City officials was minimal. City Council did not insist that required update reports be delivered until the majority of the seed money had been expended. This was much too late.

Political upheaval in the Mayor's office had its impact. In addition, according to witnesses, almost everything that could go wrong did go wrong.

## ***PROCEDURE***

Members of the 2014/2015 San Diego County Grand Jury interviewed:

- Current and past Elected Officials of the City of San Diego;
- Appointed officials of San Diego City government;
- Staff members of San Diego City Departments;
- Officials of Balboa Park Celebration, Inc. (BPCI).

Members of the Grand Jury reviewed:

- City of San Diego Auditor (OCA) Report dated October 1, 2014;
- Memorandum of Understanding (MOU) between BPCI and City of San Diego;
- Funding Agreement for MOU between BPCI and City of San Diego;
- Communications (e.g. e-mails) between BPCI officials and City agencies;
- MOU deliverables actually received by the City.

## ***DISCUSSION***

### **Visions versus Realities**

Early in 2011 the Balboa Park Cultural Partnership, a coalition of the park's cultural institutions, asked the City of San Diego to consider using the Partnership to oversee a year-long celebration in 2015. It was intended to commemorate the 100<sup>th</sup> anniversary of the 1915 Panama-California Exposition.

Instead, the City chose to form its own 501(c) 3 non-profit corporation, Balboa Park Celebration Inc. commonly known as BPCI. This group was empowered to accept both public monies and private donations to create "... an event of significant magnitude to

generate positive impacts on the local and regional economies, reverberate in the global media ...”<sup>1</sup>

BPCI’s hopes for up to \$30 million in sponsorship proved unrealistically high. The tourism industry relished the prospect of more visitors from across the nation and possibly from around the world. Increased hotel occupancies and associated Transient Occupancy Tax (TOT) revenues seemed implicit.

But difficulties soon became apparent. A number of Grand Jury witnesses stated the fundamental difficulty lay with BPCI’s lack of expertise. One of the applicants for the CEO position had considerable expertise in a comparably sized city directing a similar project. The applicant withdrew from further consideration after stating the project had little prospect for success due to uncertain funding.

BPCI volunteers did not possess sufficient knowledge in program management relative to planning, funding or executing a major cultural event. Ideas and opinions were numerous, but results did not emerge.

Significant financial sponsorship did not materialize which would have been the key to a successful centennial Balboa Park celebration. The solicitation process unraveled with the withdrawal of one major potential donor reportedly on political grounds. In the aftermath of this loss, one-by-one, the broad-based sponsorship disappeared.

BPCI became its own undoing. The committee’s skill-sets were not able to cope with the real-world, gritty economics of program management. The initial Chief Executive Officer (CEO) had international experience, but no connection with Balboa Park itself.

A succession of BPCI CEOs was another factor that contributed to the confusion and a lack of coordination. Universal sharing and responsibility was presumed, but no one was responsible and no one was in charge.

### **Contract Language -- Procedures and Cost Controls**

Preliminary scoping seemed limited or lacking altogether. An early indicator of trouble was an initial calendar of events for the proposed celebration (Ref: MOU, Sec. 1.03 (a).) The resulting document included world-wide celebratory events. But focused items reflecting local events germane to Balboa Park itself were few.

A substantive review of the calendar document as delivered should have raised early questions, such as where and how funding was being expended. Another early clue: Quarterly Expenditure Reports lacked detail and were invariably submitted late. (Ref: Funding, Sec. 2.04 (b))

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<sup>1</sup> Extract from Recital B, Memorandum of Understanding (MOU) between the City of San Diego and Balboa Park Celebration, Inc., approved November 4, 2011, Document No. RR-307074

The MOU and Funding Agreement should have been one detailed and complete document. The MOU did not even reference the Funding Agreement. The stage was set for lack of coordination and confusion. Contracting language lacked specific and definitive guidance for project deliverables.

Authority to spend was liberally distributed. No single official was held accountable for results. Visions of hoped-for success of the project obscured risks that occurred during its execution. A consistent theme prevailed as voiced by a number of witnesses; the self-evident value of the project itself would drive it to a successful outcome. But there was no self-critical apparatus, such as a set of milestones which would have exposed the difficult questions. Designation of a responsible contract manager was never clear.

As envisioned by BPCI this work was largely entrepreneurial, which is to say it was patterned and functioned more as a Start-Up venture. These undertakings have inherent risks and often only particular combinations of expertise, insight, and courage can make them succeed. Part of such success is the ability to make quick changes and course corrections as needed. Interviews revealed once again that passion was in their vision, but passion was not enough.

### **Limited and Ineffective Oversight**

In April 2014 the Office of the City Auditor (OCA) commenced a performance audit of BPCI's work.<sup>2</sup> Although informative and factual, the audit report lacked formal recommendations. The auditor concluded that control safeguards were in place, but oversight bodies failed to exercise their prerogatives. These bodies did not demand substantive accounting at numerous steps along the way. Here are the OCA topics in brief:

- Misuse of Public Funds;
- Compliance with MOU and Funding Agreement;
- Vendors/Consultants Paid without Delivering Services;
- City Oversight; and,
- Other Factors (i.e. Political influence of the Mayor's office, legal issues on use of Tourism Marketing District (TMD) funds, environmental regulations, and lack of sponsorship).

The audit report found no criminal activity in any of these areas. It did find a general lack of competence.

The OCA could have strengthened its report by making recommendations for future projects of this magnitude. If fundraising were deemed vitally important for BPCI's success, was the leadership cadre selected with this in mind? It appears well-intentioned civic leaders who had distinguished themselves in other venues were being called upon to produce extraordinary results when it came to a project of this size.

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<sup>2</sup> City of San Diego Auditor (OCA) Report dated October 1, 2014 (OCA-15-008).

The OCA should have generated recommendations regarding lack of oversight by City Council or its staff. Was anything learned from this experience that might shape future undertakings?

The City Council has never, in any of its open sessions, reviewed the timeline of how BPCI failed its benchmarks to produce the quality project it envisioned.

A more structured and mandatory accounting process could help. Fundamentally however, these guidelines have limited effect when responsible persons lack the resolve to use them.

OCA's audit was delivered to the City Council's Audit Committee but never formally presented to the full City Council. Such a presentation would support public awareness and possible debate over the audit's results with a cautionary view to prevent similar future outcomes. Mistakes will occur; diligent monitoring early on would have identified and corrected potential problems, if possible, before significant financial losses occurred.

### **Politics**

Political events are often unpredictable and uncontrollable. The advent of a new, hands-on, activist mayor brought much needed political attention but caused a shift in focus and planning for BPCI. The new-Mayor wanted more national and international scope. Anticipated donations, even before this point, were not forthcoming. These dynamics led the OCA audit to conclude that these factors contributed to "... a major setback in the celebration planning process."<sup>3</sup>

### **Ongoing Plans**

Current efforts have been characterized as producing a much more "organic" celebration. In many ways this is a local/regional effort without expectations of national/worldwide participation. This has been labeled a celebration organized "by San Diegans for San Diegans." Element-by-element this approach is being implemented during the current 2015 celebration year. The Grand Jury noted that though BPCI's funds were spent with little tangible return, some of this money (approximately \$300,000) is supporting Balboa Park institutions for their current efforts. This in turn may have encouraged some of the volunteer support and sponsorship to become active in the current 2015 celebration.

What can be learned from all this? The Grand Jury's goal is to suggest measures to reduce the likelihood of problems recurring similar to those seen in the initial Balboa Park Celebration project.

## ***FACTS AND FINDINGS***

**Fact:** Balboa Park Celebration, Inc. (BPCI) was created on June 3, 2011.

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<sup>3</sup> City of San Diego Auditor (OCA) Report OCA-15-008, Page 31, paragraph 3.

**Fact:** A Memorandum of Understanding (MOU) dated October 25, 2011 established BPCI's working relationship with the City.

**Fact:** The MOU did not stipulate either funding sources or funding specifications for BPCI's work.

**Fact:** The Funding Agreement for Celebration expenditures was a separate document that incorporated by reference the BPCI/City of San Diego MOU.

**Finding 01:** The Memorandum of Understanding (MOU) between BPCI and the City of San Diego, lacked sufficient detail to define objectives adequately and to identify funding.

**Fact:** BPCI issued more than twenty contracts to different consultants over a two year period, some of which had overlapping deliverables.

**Fact:** BPCI spent over \$2.0 million with little or no benefit to the Balboa Park Centennial Celebration.

**Finding 02:** BPCI did not exercise effective controls over expenditures.

**Finding 03:** A single City contract manager or managing department would have benefited the Balboa Park Celebration.

**Fact:** BPCI's initial funding came as early grants from celebration stake-holders, such as the Tourism Marketing District (TMD).

**Fact:** The MOU/Funding Agreement did not identify funding sources for the Balboa Park Celebration seed money.

**Finding 04:** Special projects of a unique cultural nature such as, the Balboa Park Celebration, would be more successful when their funding sources and schedules are specified prior to the initial start-up.

**Fact:** One of the initial candidates for the CEO position informed board members that they lacked sufficient funding for the project.

**Fact:** BPCI delivered less than half of the required quarterly reports to the City's Natural Resources and Culture Committee and to the Balboa Park Committee.

**Fact:** The BPCI Funding Agreement contained language that empowered City Council member's access to project information.

**Finding 05:** City officials did not adequately monitor the Balboa Park Celebration project.

**Fact:** City of San Diego's Office of the City Auditor (OCA) completed an audit of BPCI's functional performance on October 1, 2014.

**Fact:** The above mentioned audit was delivered to the City's Audit Committee, but never formally presented to the full City Council.

**Finding 06:** Public presentation of the OCA Audit to the full City Council would enhance public exposure to the facts and could stimulate public debate.

### ***RECOMMENDATIONS***

**The 2014/2015 San Diego County Grand Jury recommends the Mayor of the City of San Diego and the San Diego City Council, with regard to future City projects carried out in accordance with a Memorandum of Understanding (MOU) or under contract with a non-profit corporation:**

- 15-24:            Require the MOU or contract to define all objectives of the project and define the means by which they may be achieved.**
- 15-25:            Require the MOU or contract to contain an executable project plan, detailed schedules, and funding agreement(s).**
- 15-26:            Require a single government department be designated with full responsibility and authority for overseeing performance of the contract.**
- 15-27:            Require funding sources or committed funding, be secured for any such corporation for the first year of project operation and identify an ongoing funding stream.**
- 15-28:            Enforce all reporting responsibilities to the Council or designated Council Committee provided under the MOU or Contract.**

**The 2014/2015 San Diego County Grand Jury recommends the San Diego City Council:**

- 15-29:            In the interests of transparency and to document lessons learned, docket before the full City Council a formal public presentation of the City Auditor's Audit Report of Balboa Park Celebration, Inc., dated October 1, 2014. In open session, Council members should discuss how major undertakings in the future would proceed with lessons learned in the face of the BPCI experience.**

## ***REQUIREMENTS AND INSTRUCTIONS***

The California Penal Code §933(c) requires any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the agency. Such comment shall be made no later than 90 days after the Grand Jury publishes its report (filed with the Clerk of the Court); except that in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such comment shall be made within 60 days to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code §933.05(a), (b), (c), details, as follows, the manner in which such comment(s) are to be made:

- (a) As to each grand jury finding, the responding person or entity shall indicate one of the following:
  - (1) The respondent agrees with the finding
  - (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.
- (b) As to each grand jury recommendation, the responding person or entity shall report one of the following actions:
  - (1) The recommendation has been implemented, with a summary regarding the implemented action.
  - (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
  - (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report.
  - (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.
- (c) If a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the grand jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with Penal Code §933.05 are required from:

<b><u>Responding Agency</u></b>	<b><u>Recommendations</u></b>	<b><u>Due Date</u></b>
<b>City Council, City of San Diego</b>	<b>15-24 through 15-29</b>	<b>8/18/15</b>
<b>Mayor, City of San Diego</b>	<b>15-24 through 15-28</b>	<b>8/18/15</b>