

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**THE STATE'S EXPENDITURES
FOR LAND AQUISITIONS AND GRANTS
IN THE SANTA MONICA MOUNTAINS**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

P-454

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IN THE SANTA MONICA MOUNTAINS

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Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the State's expenditures for land acquisitions and grants in the Santa Monica Mountains.

Respectfully submitted,

May P Noble

for THOMAS W. HAYES
Auditor General

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SUMMARY

The Santa Monica Mountains Conservancy (conservancy) has acquired land and developed programs to conserve land consistent with its statutory authority. The conservancy was established in January 1980, and, through June 1984, the State has appropriated over \$15.2 million to acquire, protect, and preserve land in the Santa Monica Mountains Zone (zone). The zone includes land in the northwest portion of Los Angeles County and the southern portion of Ventura County. The conservancy has spent almost \$14.7 million, including approximately \$3.1 million to acquire land and \$7.5 million in grants to other government agencies for parks, recreation areas, or the conservation of open space. In addition, the conservancy spent \$2 million to assist the Department of Parks and Recreation in acquiring land for the state park system. The conservancy also spent \$2.1 million for activities such as planning projects and developing park facilities. The conservancy has also negotiated agreements to provide additional recreational land in the zone without expending state funds. While the California Public Resources Code requires the conservancy to submit annual reports to the Governor and to the Legislature, the conservancy has not always complied with the reporting requirements.

Conservancy Expenditures for Land Acquisitions and Grants

From January 1, 1980, through June 30, 1984, the conservancy acquired 1,117.75 acres of land in the zone. The conservancy spent nearly \$3.1 million to purchase 475.27 of the 1,117.75 acres and acquired the remaining 642.48 acres without spending conservancy appropriations. Over 1,100 acres of this land are now available for public use. In addition, the conservancy spent \$2 million of its capital outlay funds to assist the Department of Parks and Recreation in acquiring 931 acres for the state park system.

The conservancy plans to sell or transfer to other government agencies most of the land it has acquired. For example, the conservancy plans to transfer up to 745 acres of its land to the National Park Service. The conservancy plans to transfer other land either to the Department of Parks and Recreation or to the City of Los Angeles.

In addition to acquiring land, state law allows the conservancy to use its funds to provide grants or loans to state and local agencies for parks or recreation areas or for the conservation of open space. The conservancy may also award grants to nonprofit organizations. From January 1980 through June 1984, the conservancy awarded ten grants totaling \$7.5 million to state and local agencies. For example, the conservancy granted nearly \$4.1 million to the City of Los Angeles to purchase 133 acres of undeveloped land for a park in Runyon Canyon in Hollywood. The conservancy has not loaned any of its funds.

State law also allows the conservancy to accept the dedication of land for open space or for trail easements. For example, the conservancy will receive title to 120 acres of open space adjacent to a subdivision in Los Angeles County when the real estate developer completes initial work for his subdivision. Further, state law gives the conservancy the first right to acquire any surplus public land in the zone that is not otherwise scheduled for acquisition as a park. For example, in 1981, the conservancy negotiated an agreement with the Santa Monica-Malibu Unified School District and Los Angeles County to provide community recreation facilities on 46.5 acres of surplus school land in Los Angeles County for 40 years. The school district provided the land, and the county agreed to improve, operate, and maintain the site. As its part of the agreement, the conservancy waived its right to acquire another surplus school site in the district.

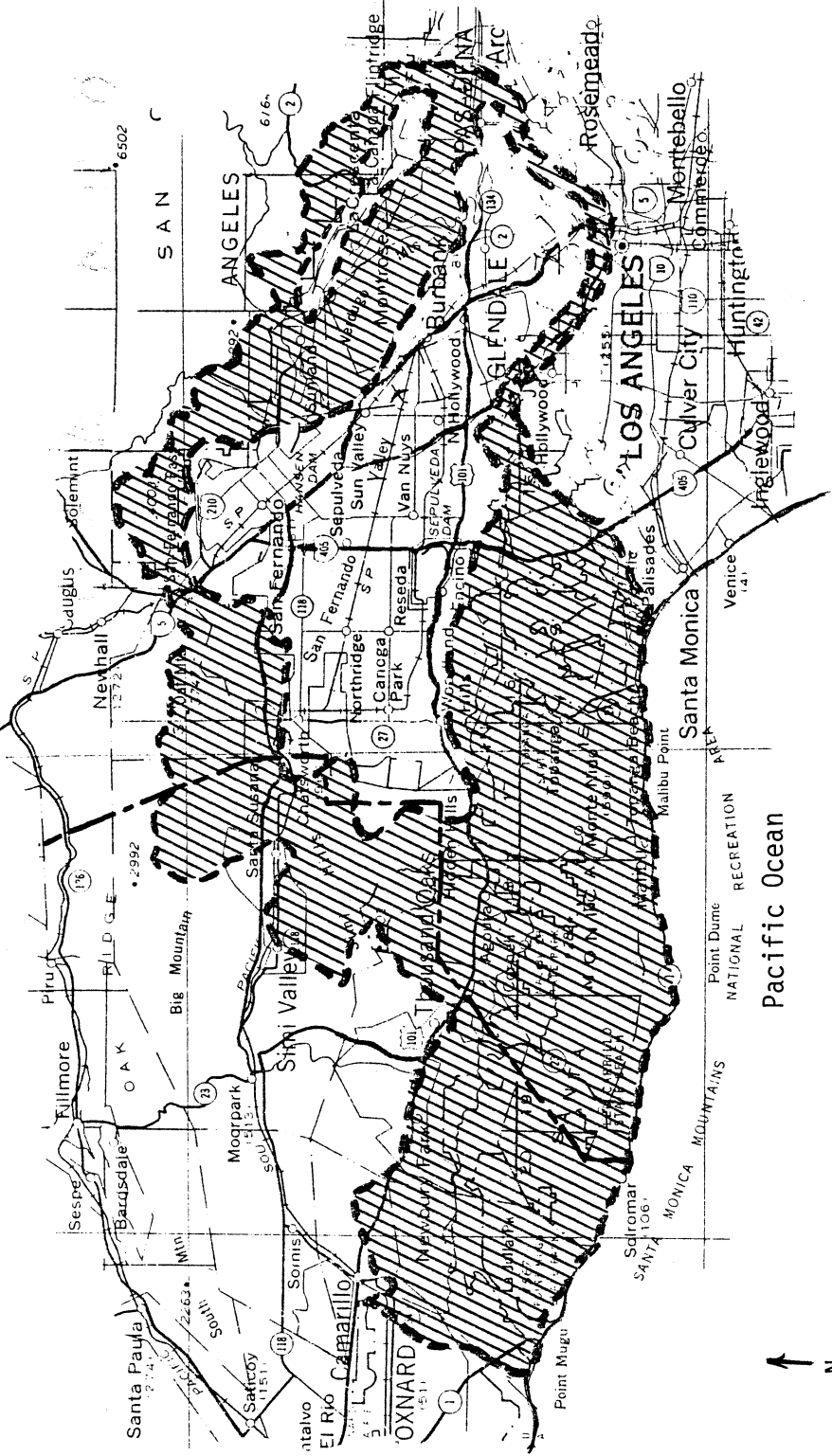
Conservancy Annual Reports

The conservancy has not complied with state law in preparing its annual reports. The conservancy has not identified the disposition of funds appropriated to it by fiscal year, and it has not always clearly identified the actual costs of all projects and the extent to which projects have achieved their goals. As a result, the Governor and the Legislature did not have current and complete information by which to evaluate the results of the conservancy's programs. Such information is important because the conservancy's statutory authority is due to expire on July 1, 1986. In addition, since the conservancy must submit its capital outlay budget proposals for the next fiscal year in September, the Legislature should change the deadline for the annual report from January to October of each fiscal year so that the Governor and the Legislature can evaluate the conservancy's budget proposals along with the results of the conservancy's programs.

INTRODUCTION

Under Chapter 1087, Statutes of 1979, the California Legislature established the Santa Monica Mountains Conservancy (conservancy) as of January 1, 1980, to facilitate implementation of the Santa Monica Mountains Comprehensive Plan (plan). The plan identifies programs to conserve and protect parks, recreation areas, and open space in the Santa Monica Mountains Zone (zone). This zone includes land in the northwest portion of Los Angeles County and the southern portion of Ventura County. (A map on the following page shows the zone, including the "Rim of the Valley Corridor" area that was added to the zone by Chapter 674, Statutes of 1983.) Under Section 33216 of the Public Resources Code, the statutory authority for the conservancy expires on July 1, 1986. Legislation was introduced in January 1985 to extend the authority to 1990.

Ventura County Los Angeles County



SANTA MONICA MOUNTAINS ZONE AND THE RIM OF THE VALLEY CORRIDOR

Before the establishment of the conservancy, the Santa Monica Mountains Comprehensive Planning Commission was responsible for preparing a comprehensive plan for the zone. The plan was to conserve and develop the zone in a manner "consistent with the preservation of the resource." In 1979, the commission adopted the comprehensive plan and submitted it to the United States Secretary of the Interior in response to federal planning requirements for the Santa Monica Mountains Zone. The commission was dissolved in August 1979.

Statutory Authority

The conservancy's statutory authority, under Division 23 of the Public Resources Code, became effective in January 1980. According to the code, the conservancy may, consistent with the comprehensive plan, acquire, restore, or consolidate lands anywhere in the zone for parks or recreation areas or for the conservation of open space. The conservancy has the authority to acquire land, including development rights and easements, and to lease, sell, transfer, or exchange the land for parks. The conservancy also retains the revenue from the sale of its land for use in its programs. The conservancy may acquire land on which property taxes are delinquent and has the first right to acquire any excess land that a public agency is selling in the zone. The code stipulates that the conservancy's authority does not supersede or limit a local government's police power under existing or future law.

The conservancy also has the authority to award grants to state and local agencies for acquiring or restoring land for use as parks, recreation areas, open spaces, or buffer-zones that ensure that development is compatible with the Santa Monica Mountains National Recreation Area. The code gives priority to grants or loans to acquire park and recreation land in danger of immediate development. The conservancy can also award grants or loans to state and local agencies to develop public park and recreation facilities. In addition, the statutes provide the conservancy with the authority to award grants to nonprofit organizations for acquiring, improving, or maintaining lands used for parks, recreation areas, or conservation purposes in programs that directly relate to a conservancy project.

Organization and Budget

The Santa Monica Mountains Conservancy has seven voting members. The Governor, the Senate Rules Committee, and the Speaker of the Assembly each appoint one public member to the conservancy. These three public members must reside in Los Angeles or Ventura counties, and one of the three must reside in the San Fernando Valley area. The remaining four voting members include an employee of the National Park Service, a representative of the City of Los Angeles, an appointee of the Los Angeles County Board of Supervisors, and a representative of either the City of Thousand Oaks or Ventura County. The conservancy also includes two nonvoting members, a representative of the California Coastal Commission and a representative of the State Coastal

Conservancy. The representative of the California Coastal Commission may, however, vote on matters relating to the coastal zone. Four of the voting members constitute a quorum to transact conservancy business if there are no vacancies. The conservancy selects its own chairman and vice-chairman for one-year terms.

The conservancy also has an advisory committee of 12 members: four represent local governments with jurisdictions in the Santa Monica Mountains, six are appointed to represent the State, one is the chairman of the Santa Monica Mountains National Recreation Area Advisory Commission, and one is a representative of the recreation and park districts within the zone. The advisory committee is responsible for reviewing and proposing projects, reviewing amendments to the comprehensive plan, and providing public hearings on the conservancy's projects.

The conservancy appoints an executive director, who is exempt from state civil service and is considered the head of a state department. Presently, the conservancy has a staff of nine persons.

The Governor's Budget for fiscal year 1985-86 proposes staffing costs for the conservancy of \$356,000, operating expenses and equipment costs of \$201,000, and capital outlay of \$6.95 million. The staffing costs will provide 9.2 staff positions for the conservancy, the same level of staffing as for fiscal year 1984-85.

SCOPE AND METHODOLOGY

Our review focused on the conservancy's compliance with its statutory authority and mission in its capital outlay expenditures and grants. We determined the status of land acquired by the conservancy, and we examined the conservancy's plans for land currently under its control. We also reviewed the conservancy's accounting procedures and its compliance with the statutory requirement for its annual reports to the Governor and the Legislature.

To determine the conservancy's expenditures for capital outlay and grants, we reconciled the conservancy's 1983-84 fiscal year financial statements, prepared for the conservancy by the Department of General Services' Contracted Fiscal Services unit, with the conservancy's ledgers and annual reports. We reviewed project records at the conservancy's office in Los Angeles for all completed projects and grants and interviewed staff from the conservancy and from the Contracted Fiscal Services unit. We reviewed the Department of General Services' appraisals, the Public Works Board's approvals of the conservancy's acquisitions, and the comprehensive plan. Finally, we toured the locations of conservancy acquisitions and grant projects.

ANALYSIS

I

THE SANTA MONICA MOUNTAINS CONSERVANCY'S EXPENDITURES FOR LAND ACQUISITIONS AND GRANTS

The Santa Monica Mountains Conservancy (conservancy) has acquired land and developed programs in accordance with its statutory authority. From January 1, 1980, through June 30, 1984, the Legislature appropriated over \$15.2 million to the conservancy for capital outlay. The conservancy has spent almost \$14.7 million, including nearly \$3.1 million to acquire land in the Santa Monica Mountains Zone (zone). In addition, in compliance with Chapter 324, Statutes of 1983, the conservancy spent \$2 million in capital outlay funds to assist the Department of Parks and Recreation in acquiring 931 acres adjacent to Malibu Creek State Park. The conservancy has also awarded grants totaling \$7.5 million to other government agencies for parks, recreation areas, or open spaces. Finally, the conservancy spent almost \$2.1 million for activities such as planning for projects and developing park facilities.

The Conservancy Acquired 1,117 Acres in the Santa Monica Mountains Zone

Consistent with its statutory authority, the conservancy has acquired 1,117.75 acres of land both by purchase and by transfer of title without purchase. Over 1,100 acres of this land are now

available for public use. In accordance with Section 33205.5 of the Public Resources Code, the conservancy may acquire and improve real property anywhere in the zone if the acquisition or improvement is consistent with the 1979 comprehensive plan.

According to Division 23 of the Public Resources Code, the conservancy may acquire real property or any interests in real property in the zone. The conservancy also has the first right to acquire any surplus public land in the zone that is not already scheduled for acquisition as a park or recreation area by a federal, state, or local agency. The conservancy may sell land to a city, county, park and recreation district, state agency, or the National Park Service for its acquisition price plus the conservancy's administrative and managerial costs. The conservancy may also transfer land to the above agencies at a lower price or at no cost, under certain conditions. Section 33205 of the Public Resources Code allows the conservancy to use the revenue from the disposal of its land acquired under specified conditions to support its various programs.

Between 1980 and 1984, the conservancy acquired 1,117.75 acres of land. The conservancy spent nearly \$3.1 million to purchase 475.27 of the 1,117.75 acres. The conservancy spent less than the market value established by the Department of General Services for approximately 474 of the 475.27 acres.

Table 1 on pages 10-11 shows the conservancy's acquisitions through June 30, 1984, the cost of the land to the conservancy, the number of acres acquired, the authority to acquire the land under the Public Resources Code, the current status of the land, and the conservancy's intent for disposing of the land.

TABLE 1

SANTA MONICA MOUNTAINS CONSERVANCY
LAND ACQUISITION AND DISPOSITION
JANUARY 1, 1980 THROUGH JUNE 30, 1984

| Project | Acres | Cost to Conservancy | Date of Acquisition | Authority To Acquire Land Under Public Resources Code | Current Status | Conservancy's Intended Final Disposition* |
|--|-------------------|---------------------|---|---|--|---|
| 1. Wilacre Estate | 132.00 | \$ 0 | June 1981 | Ch 1616/82 (\$11) Transfer Ch 809/80 Acquisition | Conservancy ownership; open to public. | Conservancy plans to transfer to National Park Service. |
| 2. Fryman Canyon | 59.00 | 0 | Aug. 1981 | \$33204.7; \$33204 | Conservancy ownership; open to public. | Conservancy plans to transfer to National Park Service. |
| 3. Tax-Deeded Parcels (41 parcels) | 8.20 | 22,886 | July 1982 | \$33207(a) | Conservancy ownership of 39 parcels; sold .05 acres (two parcels) for \$4,000. Remainder not open to public. | Department of General Services appraised the 41 parcels at a total of \$274,000. Conservancy plans to sell and use revenue for program. |
| 4. NBC Dedication | 48.60 | 0 | Apr. 1982 | \$33207(b) | Conservancy ownership; open to public. | Possible transfer to National Park Service or to City of Los Angeles. |
| 5. Temescal School Site | 20.50 | 845,000 | Aug. 1982 | \$33207.5 \$33207(b) | Conservancy ownership; open to public. | Conservancy plans transfer to National Park Service or Department of Parks and Recreation. |
| 6. Malibu Lake Small Lot Subdivision | a) .55 b) 1.25 | 0 a) 71,000 b) | a) Aug. 1982, Jan. 1984 b) June, Oct. 1983 | a) \$33211 Gift b) \$33204(a) | a) Conservancy ownership. b) Sold to private owners for \$11,000. | a) Sale pending. b) N/A |
| 7. Peter Strauss Ranch (Lake Enchanto) | 64.32 | 1,125,000 | Mar. 1983 | \$33204(d) | Conservancy ownership; open to public. | Conservancy plans transfer to National Park Service for \$635,000. |

| | | | | | | |
|---------------------------|-----------------|----------------------|-----------|--------------------|--|--|
| 8. Reseda Blvd. Surplus | .33 | 0 | June 1983 | \$33207(b) | Sold July 1983, for \$20,000 | N/A |
| 9. Tradewood | 381.00 | 1,000,000 | Mar. 1984 | \$33203.5 | Conservancy ownership; open to public. | Conservancy proposes improvements, then sale or transfer to National Park Service or Department of Parks and Recreation. |
| 10. Upper Temescal Canyon | 362.00 | 0 | Feb. 1984 | \$33207(b) Surplus | Conservancy ownership; open to public. | PRC §33205.5(b) specifies transfer to Department of Parks and Recreation when "Stunt Ranch" transfers from Department of Parks and Recreation. |
| 11. Arroyo Sequit | <u>40.00</u> | <u>0</u> | Feb. 1984 | \$33207(b) Surplus | Conservancy ownership; open to public. | Conservancy plans to transfer to National Park Service. |
| Total | <u>1,117.75</u> | <u>\$3,063,886**</u> | | | | |

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*Conservancy status and intent as of April 1, 1985.

**The conservancy also spent \$2 million to assist the Department of Parks and Recreation in acquiring land for the state park system.

In 1984, the conservancy purchased 381 acres for \$1 million at the Tradewood subdivision next to Mulholland Drive near Topanga State Park. The comprehensive plan included this land in its proposed acquisition program. Under the authority of Section 33203.5 of the Public Resources Code, the conservancy acquired this land to protect the value of the land for use as a park or recreation area. The land was part of a subdivision tract that the City of Los Angeles had approved for development. According to the records in the conservancy's files, the subdivision would have allowed heavy development on the portion of the property that was most valuable for park and recreation purposes. The conservancy's acquisition of the property for \$1 million was below the \$1.14 million to \$1.33 million market value as appraised by the Department of General Services.

In 1982, the conservancy acquired from the Los Angeles Unified School District 20.5 acres of surplus school land called the "Temescal school site" in Pacific Palisades. The conservancy bought this land for \$845,000, one-half the market value of the land according to the Department of General Services' appraisal. Under Section 33207(b) of the Public Resources Code, the conservancy has the first right to acquire surplus public land in the zone, and it can acquire such land at the acquisition price paid by the public agency plus the agency's administrative costs. In the case of the Temescal school site, Chapter 999 of the Statutes of 1981, amended by Chapter 314, Statutes of 1982, made the Los Angeles Unified School District exempt from Section 33207(b) of the Public Resources Code if specific conditions

surrounding the sale of the Temescal school site were met. In return, the statutes provided that the conservancy would waive its right to acquire certain other surplus land owned by the school district. The conservancy plans to transfer the site to the National Park Service or to the Department of Parks and Recreation, although no agreement to secure the transfer had been signed at the time of our review.

Under its authority from Section 33207(a) of the Public Resources Code, the conservancy has also acquired 8.2 acres of land on which property taxes had not been paid. According to the conservancy's executive director, the conservancy expects to sell the land to obtain additional revenue for its programs. The cost of this land to the conservancy was almost \$23,000. The Department of General Services appraised some of the land at approximately \$270,000; at the time of our review, the conservancy had received bids of \$90,900.

Further, the conservancy spent \$2 million of its capital outlay funds to assist the Department of Parks and Recreation in acquiring land for the state park system. The Budget Act of 1983 specified that the conservancy must use \$2 million of its \$4.9 million appropriation from the Santa Monica Mountains Conservancy Fund for acquiring land in Malibu Canyon adjacent to Malibu Creek State Park. In 1984, the Department of Parks and Recreation used the \$2 million from the conservancy and \$2.7 million from its own appropriation to acquire this 931-acre parcel.

Acquisitions Not Requiring
Conservancy Expenditures

The conservancy also acquired 642.48 of its 1,117.75 acres without spending its own appropriations. For example, the Regents of the University of California conveyed to the conservancy 402 acres of surplus land at Arroyo Sequit and Upper Temescal Canyon. Further, the conservancy released its rights to acquire another surplus parcel that the Regents owned. Under terms specified in Chapter 1280, Statutes of 1983, the conservancy will transfer the Upper Temescal Canyon site to the Department of Parks and Recreation when the department transfers land at a site called the "Stunt Ranch" to the conservancy. The conservancy plans to transfer the Arroyo Sequit site to the National Park Service.

Additionally, the Department of Parks and Recreation acquired 59 acres at Fryman Canyon and 132 acres at Wilacre Estate in Los Angeles County for a total of \$6.05 million. The department transferred these acquisitions to the conservancy at no cost. State law allows the conservancy to transfer Fryman Canyon to the National Park Service without compensation.

The conservancy plans to transfer or sell approximately 1,100 acres of the land it has acquired to other government agencies. For example, the conservancy may transfer up to 745 acres to the National Park Service if the Department of Parks and Recreation does not accept the land. Under Chapter 1549, Statutes of 1984, if the conservancy is

transferring land at no cost or at less than its acquisition cost, it must first offer the land to the Department of Parks and Recreation.

The conservancy can hold the land that it has acquired for parks, recreation areas, or conservation purposes for no longer than ten years. After that time, if no state or local agency is willing or able to accept the land for the purposes specified in the law, the conservancy must offer the land for sale at market value subject to specified restrictions. When the conservancy sells land it originally acquired as surplus from a public agency, that agency may reacquire the surplus land at the conservancy's purchase price.

The Conservancy Awarded Grants of \$7.5 Million

Under the authority of Sections 33204 and 33204.2 of the Public Resources Code, the conservancy may award grants or make interest-free loans to state agencies, cities, counties, resource conservation districts, recreation and park districts, and nonprofit organizations. The conservancy may award loans or grants, for example, to acquire buffer zones around the Santa Monica Mountains National Recreation Area, to acquire sites for parks, recreation areas, or open spaces, or to develop public facilities. The conservancy granted \$7.5 million to state and local agencies through June 30, 1984. The conservancy has made no loans to date. Table 2 on the next page shows the grants awarded by the conservancy through June 30, 1984, the amount granted, the purpose of the grant, and the status of the grant at the time of our review.

TABLE 2

**SANTA MONICA MOUNTAINS CONSERVANCY
GRANTS AWARDED
JANUARY 1, 1980 THROUGH JUNE 30, 1984**

| Grantee | Grant Amount | Date Awarded | Term Ends | Purpose | Status |
|--|---------------------------|--------------|---------------------------|--|--|
| Conejo Recreation and Park District | \$ 50,000 | Feb. 1982 | May 1985 (as amended) | Trails at Los Robles and Lake Sherwood. | Completed in 1982. |
| Conejo Open Space Conservation Agency | 50,000 | June 1982 | June 1985 (as amended) | Trails at Los Robles and Rancho Sierra Vista. | Almost complete; delayed by unwilling seller. |
| Conejo Recreation and Park District | 2,000,000 | Aug. 1982 | Apr. 1985 (as amended) | Acquire and improve recreation area at Lake Sherwood or alternate site. | Not complete; \$1 million rescinded due to unwilling seller. |
| State Coastal Conservancy | 100,000 | Dec. 1982 | Dec. 1985 (as amended) | Planning and renovating handicapped facility at Hunter Ranch in Malibu Creek State Park. | Not complete. |
| City of Los Angeles | 4,096,772 | Dec. 1982 | Dec. 1986 | Acquisition of Runyon Canyon. | Acquisition portion complete; revolving fund portion not complete. |
| State Coastal Conservancy | 78,350 | Sept. 1983 | Sept. 1985 | Joint trails program; funds for grant to Mountains Restoration Trust. | Partially complete. |
| Rancho Simi Recreation and Park District | 1,000,000 | Dec. 1983 | June 1985 | Acquire land at China Flats in Upper Palo Comado Canyon. | Not complete; negotiations continuing. |
| County of Los Angeles | 20,000 | Feb. 1984 | July 1984 | Hollywood Bowl Interpretive Museum display. | Completed June 1984. |
| City of Agoura Hills | 50,000 | Feb. 1984 | June 1985 | Zuma Ridge Trail planning (\$300,000 more approved for acquisition under second phase). | Not complete. |
| Conejo Recreation and Park District | <u>65,610</u> | May 1984 | Apr. 1985 | Trail improvements in Rancho Sierra Vista. | Not complete. |
| Total | <u><u>\$7,510,732</u></u> | | | | |

As Table 2 shows, from January 1, 1980, through June 30, 1984, the conservancy awarded ten grants totaling \$7.5 million to two cities, one county, two park and recreation districts, one open space agency, and one state agency. The grants awarded were consistent with the conservancy's statutory authority. The grants range from \$20,000 to Los Angeles County for a display in the Hollywood Bowl museum to almost \$4.1 million to the City of Los Angeles to acquire Runyon Canyon.

The 1979 comprehensive plan listed the acquisition of Runyon Canyon in Hollywood as a high priority for the Santa Monica Mountains Zone. The Legislature first appropriated capital outlay funds for the conservancy to acquire land for a "revolving fund project," that is, a project in which some land can be sold to earn revenue. The conservancy considered Runyon Canyon a revolving fund project. However, the Governor and the Legislature later approved an appropriation for a grant to the City of Los Angeles instead. The appraised value of the land as established by the Department of General Services was over \$5.3 million. The conservancy granted the city almost \$4.1 million to acquire the 133 acres located in Runyon Canyon. In addition, the city agreed to use the sales revenue from certain surplus city land appraised at approximately \$1.1 million to augment the grant amount. The city's total payment to the owner of Runyon Canyon was almost \$5.2 million.

In another grant, the conservancy gave \$50,000 to the City of Agoura Hills to plan the Zuma Ridge Trail within the city in

Los Angeles County. Under the same agreement with the City of Agoura Hills, the conservancy has authorized an additional grant of \$300,000 to acquire and develop the trail. The \$300,000 will be disbursed when the city council and the conservancy approve the city's plan for the trail. The current grant is due to expire in June 1985. The \$300,000 for acquisition and development had not been encumbered at the time of our review.

As Table 2 shows, eight of the ten grantees have not yet completed their projects; the original terms of these eight grants have either not expired or been extended. For example, in February 1985, the conservancy extended for a third time the grant originally awarded for Lake Sherwood. The grantee encountered an owner who was unwilling to sell the land that the grantee proposed to buy for the park. Under the current grant extension terms, the conservancy staff and the grantee are to locate an alternative site for the project.

In its agreement with the City of Los Angeles for Runyon Canyon, the conservancy's grant specifies that the city will transfer to the conservancy 10 of the 133 acres of land that the city acquired in Runyon Canyon, upon the request of the conservancy's executive director. The city will also transfer to the conservancy the development rights to the remaining 123 acres. According to the conservancy's plan for the project, the conservancy will sell either the 10 acres or the development rights to recover the cost of the grant. The city acquired the land in June 1984 but has not yet

transferred the 10 acres to the conservancy. The grant contract does not, however, specify a date by which the city should have made the transfer.

Other Capital Outlay Expenditures

Between 1980 and 1984, the conservancy spent approximately \$2.1 million for activities that were consistent with its authority to acquire and improve land in the zone. These activities include planning for projects, construction of facilities, and options to acquire land. For example, the conservancy spent almost \$67,000 to construct a scenic overlook adjacent to Mulholland Drive near Universal City. In another instance, the conservancy spent \$40,000 for a one-year lease and option to purchase the 94-acre Cold Creek Ranch in Los Angeles County. The conservancy canceled the lease option after eight months when it found that its plans for developing the land were not economically feasible for a revolving fund program.

The Conservancy Negotiated Agreements With Landowners To Provide Land for Parks, Recreation, and Conservation

The conservancy has negotiated agreements with landowners to provide additional land in the zone for parks, recreation areas, and conservation purposes without expending capital outlay funds. Section 33207(a) of the Public Resources Code allows the conservancy to accept title, easements, or development rights to land that is offered

for open space or trail easements. In addition, Section 33207(b) authorizes the conservancy the first right to acquire any excess public land offered for sale in the zone that is not otherwise scheduled for acquisition as a park.

The conservancy has signed three agreements with landowners to conserve land for parks. In 1981, the conservancy signed a three-party agreement with the Santa Monica-Malibu Unified School District and the County of Los Angeles. As its contribution to the agreement, the conservancy agreed to waive its right to acquire an excess school site. In turn, the district agreed to allow another 46.5-acre school site to be used for public recreation for 40 years, and the county agreed to develop, operate, and maintain recreational facilities on the site. Although the original agreement required no expenditure of conservancy funds, the conservancy has also authorized a grant to the county for \$152,000 to develop the site.

In 1982, the conservancy entered into a similar agreement with the Conejo Valley Unified School District. To provide two acres of land for park and recreation purposes, the conservancy agreed to waive its right to acquire certain other excess school sites. In return the district agreed to lease and provide an option to purchase the two-acre site to the Conejo Recreation and Park District. The agreement specifies, however, that the conservancy will waive its right to acquire the excess land only if the district schedules any sites other than the park site for disposal as excess. According to an opinion

from the Attorney General, the conservancy has the power to waive its right and the right may be waived by contract.

Finally, in 1983, at no cost to the State, the conservancy negotiated an agreement in which a developer will transfer the title to 120 acres of open space within a subdivision in Los Angeles County to the conservancy when the developer completes his initial work for the subdivision. The agreement also allows public use of the open space before the developer begins work on the subdivision.

II

THE SANTA MONICA MOUNTAINS CONSERVANCY'S ACCOUNTING PROCEDURES AND ANNUAL REPORTS

The Santa Monica Mountains Conservancy has not met the mandated requirements for its annual reports. Beginning January 1, 1981, Section 33208 of the Public Resources Code required the conservancy to submit to the Governor and to the Legislature an annual report including the projects it undertook, their costs, and the extent to which these projects achieved their goals. The code also requires the conservancy to report the disposition of the funds appropriated to it in the preceding fiscal year. However, the conservancy has not identified the disposition of the funds it spent in the manner required by the Public Resources Code, and it has not always clearly identified the actual costs of projects and the extent to which the projects have achieved their goals.

The Conservancy's Accounting Procedures

The Department of General Services' Contracted Fiscal Services (CFS) unit maintains the conservancy's accounting records and prepares its financial statements for each fiscal year. The conservancy's budget officer maintains expenditure ledgers that contain the details of project expenditures for each appropriation fund. The budget officer sends approved invoices to the CFS unit each week, and the CFS accountant for the conservancy records the expenditures on the

conservancy's expenditure ledgers. The CFS accountant then sends to the State Controller the schedule of expenditure claims to be paid from conservancy appropriations.

After the end of the fiscal year, the CFS accountant reconciles the accounting records with the State Controller's report of appropriation expenditures. The CFS accountant also obtains the amounts that the conservancy reports as accrued for the fiscal year but not yet expended. The CFS unit then prepares the financial statements and the statement of the fund condition as of the end of the fiscal year.

The Conservancy Has Not Prepared Annual Reports as Required

The conservancy has not met the mandated reporting requirements for annual reports. Section 33208 of the Public Resources Code requires the conservancy to submit a report annually to the Governor and to the Legislature on January 1; however, the conservancy has not included in its reports all of the information that is required by the Public Resources Code. This required information provides data that would assist the Governor and the Legislature in evaluating the results of the conservancy's program under the preceding year's appropriations.

The conservancy's annual report must identify the projects, loans, and grants it undertook and explain the extent to which the

projects, loans, and grants achieved their goals. The conservancy also must report the actual costs of its projects, loans, and grants. Finally, the conservancy must report the disposition of the funds appropriated to it during the preceding fiscal year and provide a statement of its fund condition (the revenues to and expenditures from its funds, and the reserves remaining in its funds).

The conservancy's reports did not always clearly state the extent to which the conservancy's projects achieved their goals. For example, in its report submitted in February 1984, the conservancy reported that the "Stunt Ranch" had been transferred to the conservancy from the Department of Parks and Recreation. Although Section 33205.5 of the Public Resources Code stipulates that this property will be transferred to the conservancy under specified conditions, the transfer had not occurred as of March 1, 1985.

In addition, the conservancy has not reported the disposition of the funds appropriated to it during the preceding fiscal year. For example, the report submitted in January 1982 identified project expenditures for each calendar year rather than for the preceding fiscal year. The 1982 report also did not identify the expenditures by appropriation. Furthermore, the 1984 report did not include the conservancy's expenditures for its own projects.

Finally, the conservancy did not report its fund condition based on the fiscal year. The Public Resources Code does not specify

the date for the conservancy's statement of fund condition. However, the CFS accountant prepares the statement based on the fiscal year. The conservancy's 1982 report reflected expenditures for the calendar year rather than for the fiscal year, and its 1983 and 1984 reports listed only the cumulative expenditures since 1980. In addition, the 1984 report did not clearly reflect unencumbered funds; that is, the conservancy reported funds that it had committed for payment (encumbered) together with funds that were merely reserved by the conservancy for future expenditure but were not actually encumbered.

According to the conservancy's executive director, since proposals for the Governor's Budget are due by September, the January deadline for the annual report is too late for the report to be useful to the Governor's and the Legislature's staffs for evaluating the conservancy's budget proposals. Consequently, the conservancy's staff has not placed a high priority on preparing the annual reports as required.

Because of the January deadline and because the conservancy has not included in its annual reports all of the information required by the Public Resources Code, the Governor and the Legislature have not had complete and current information on the results of the conservancy's programs under the preceding year's appropriation with which to evaluate the conservancy's budget proposals. Such an evaluation is particularly useful this year because the Legislature is currently considering a bill to extend the conservancy's statutory

authority from July 1986 to July 1990. In September 1981, the Legislature extended the expiration date of the conservancy's authority from the original date in January 1984 to July 1986.

CONCLUSION

The conservancy has not identified the disposition of the preceding fiscal year's appropriations and has not always clearly reported the actual costs and achievements of all of its projects. The conservancy is required to submit its capital outlay budget proposals for the next fiscal year in September and its annual report the following January. This difference in reporting dates means that the Governor and the Legislature do not have current and complete information with which to evaluate the conservancy's budget proposals based on the results of the conservancy's programs under the preceding fiscal year's appropriations. Such an evaluation is particularly important this year because the statutory authority for the conservancy is due to expire on July 1, 1986, and the Legislature is considering a bill to extend the expiration date to 1990.


RECOMMENDATION

The Legislature should change the deadline for the conservancy's annual report from January 1 to October of each

fiscal year. In addition, in its annual report, the conservancy should identify its expenditures for the preceding fiscal year both by project, grant, or loan and by appropriation. It should also state its fund condition as of the end of the preceding fiscal year. Finally, to describe more clearly the extent to which projects have achieved their goals and the results of its programs under the preceding year's appropriations, the conservancy should report the actual as distinguished from the anticipated status of its projects at the end of the fiscal year.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

for 

THOMAS W. HAYES
Auditor General

Date: April 4, 1985

Staff: Robert E. Christophel, Audit Manager
Margaret E. Vanderkar
Patricia A. Stilwell, CPA
Sherril Jodar

SANTA MONICA MOUNTAINS CONSERVANCY

107 SOUTH BROADWAY, ROOM 7117
LOS ANGELES, CALIFORNIA 90012
(213) 620-2021



April 2, 1985

Mr. Thomas W. Hayes
Auditor General
660 "J" Street, Suite 300
Sacramento, California 95814

Dear Mr. Hayes:

We are happy to concur with your conclusion that the Santa Monica Mountains Conservancy "has acquired land and developed programs to conserve land consistent with its statutory authority."

We have the following additional comments:

More land has been acquired than is shown in the Report.

To date, a total of 2689.71 acres of park, recreation and open space lands are in the public domain, funded entirely or partially by the Santa Monica Mountains Conservancy.

The choice of a June 30, 1984 "cutoff" date for reporting our accomplishments misses several major new parkland acquisitions just completed:

- Deer Creek Ranch: 458 acres acquired in January 1985 for \$2.285 million per authorization in Item 3810-301-722, Budget Act of 1984. The Conservancy has already authorized a lease of this property to Southern California Children's Cancer Services, Inc. for operation of a camp for children with cancer. As part of the lease, the camp will operate and maintain well over 2/3 of the property as a public park and recreation area at no cost to the State of California.
- Arroyo Sequit Ranch: 156 acres acquired in February 1985 for \$1.65 million per authorization in Item 3810-301-036(a) of the Budget Act of 1984. This property will be used for public recreation and special needs camping purposes.

The State Public Works Board has also approved two additional smaller land acquisitions (14.5 acre Richards inholding in Malibu Creek State Park for \$195,000 and 2.5 acre Bickel inholding, also in Malibu Creek State Park, for \$27,000). I might add, that the Richards purchase represents a savings to the State of \$55,000 based on the approved Department of General Services appraisal of the property, a savings

of 28 percent. The Bickel acquisition represents a savings of \$13,000 or 48 percent of the acquisition cost, based on the approved General Services appraisal.

The Conservancy has also accepted a gift parcel of ten acres for the Sunland Trail (recorded February 20, 1985).

One of the Conservancy's major projects is the Malibu Canyon acquisition, done in conjunction with the Department of Parks and Recreation. While your report notes this project in a footnote, the summary of land acquired does not reflect this 931 acre acquisition as a credit to our efforts. In fact, without the \$2,000,000 from the Santa Monica Mountains Conservancy the project could not have been completed, and this is acknowledged by all parties. (1)*

More land dedications have been approved by Conservancy than shown in the Report.

While your report is correct in listing those dedications that have been recorded, much of the Conservancy's work with the private sector over the past several years is not yet reflected in the list of recorded parcels. The Conservancy has, at the request of four land owners, adopted resolutions accepting the dedication of an additional 588 acres of permanent open space that will be open to public recreational use upon recordation of final tract maps.

- Lower Caballero Canyon, 14 acres in the City of Los Angeles shown as part of Phase I Acquisition of the Santa Monica Mountains Comprehensive Plan.
- Bel Air Crest, 336 acres in the City of Los Angeles shown on the "Less-than-Fee Acquisition Program" of the Santa Monica Mountains Comprehensive Plan.
- East Ridge, 142 acres between Kenter and Mandeville Canyons, City of Los Angeles, to be used for a trail connector.
- North Benedict Canyon, 96 acres in the City of Los Angeles to be used for educational purposes as a paleontological preserve.

In addition to this, 574 acres are shown in approved tentative tract maps in the City of Los Angeles to be dedicated to the Conservancy, but for which the Conservancy has not yet adopted resolutions accepting the dedication.

Annual Report

First, we must disagree that the Governor and Legislature did not have fiscal year--as opposed to calendar year--information upon which to make decisions. (2) The Annual Report is not the only official information

* The Auditor General's comments appear on page 33.

Thomas W. Hayes
April 2, 1985
Page 3

available on Santa Monica Mountains Conservancy expenditures. The fiscal year information, in each case, has been regularly displayed in the Governor's Budget, and therefore has been used by both the Governor and the Legislature in consideration of the Conservancy's annual budgets.

Second, some of your format and reporting criticisms are valid, and the Conservancy has already changed the format of its Annual Reports to comply with your suggestions. For example, the "Consolidated Statement of Condition: Capital Outlay and Local Assistance" shown on page 3 of the Annual Report transmitted February 28, 1985 covering 1984, is reported on a fiscal year only basis. Likewise, that same report shows support budget expenditures on a fiscal year basis (page 4).

The reason a calendar year period was chosen is simple: Using fiscal year data only has a tendency to understate the Conservancy's accomplishments and means that the information is at least six months old when the Legislature gets it ③

Finally, your suggestion to change the reporting deadline to October of each year is a policy matter for the Legislature's discretion. We would have no objection to this change. As a practical matter, however, we would want to update the information to January of each year because by the time the budget is considered by the fiscal committees at least 9 months has elapsed since the end of the previous fiscal year.

Conclusion

We appreciate the thorough and professional work of your staff. Please contact me if you have any questions regarding this response.

Attached you will find documentation for the lands acquired since June 30, 1984. ④

Sincerely,



JOSEPH T. EDMISTON
Executive Director

JTE:msb
fpr:be

**AUDITOR GENERAL'S COMMENTS ON THE
SANTA MONICA MOUNTAINS CONSERVANCY'S RESPONSE**

- ① We describe the Malibu Canyon acquisition on page 13 of the report. Table 1 on pages 10 and 11 includes only land that the conservancy has owned.
- ② We do not state that the Governor and the Legislature did not have fiscal year information upon which to make decisions. Instead, on pages 26 and 27 of the report, we state that the Governor and the Legislature do not have current and complete information with which to evaluate the conservancy's budget proposals based on the conservancy's program results under the preceding fiscal year's appropriations. The conservancy's reports did not always clearly state the extent to which projects had achieved their goals or the disposition of funds appropriated to the conservancy in the preceding fiscal year.
- ③ Our recommended October deadline for the annual report will provide current fiscal year data for the Governor and the Legislature.
- ④ This information is available upon request at the Office of the Auditor General.

**SANTA MONICA MOUNTAINS CONSERVANCY
SCHEDULE OF CAPITAL OUTLAY FUND APPROPRIATIONS,
EXPENDITURES, AND FUND BALANCE, BY FUND AND BUDGET ACT
JANUARY 1, 1980, THROUGH JUNE 30, 1984**

| | Santa Monica Mountains Conservancy Fund (Chapter 510/80) | Parklands Fund of 1980 (Chapter 99/81) | Energy and Resources Fund (Chapter 326/82) | Santa Monica Mountains Conservancy Fund (Chapter 324/83) | Parklands Fund of 1980 (Chapter 324/83) | Total |
|---|---|--|--|---|---|---------------------|
| I. <u>APPROPRIATION AMOUNT</u> | <u>\$1,161,700*</u> | <u>\$3,857,412**</u> | <u>\$5,092,000</u> | <u>\$5,000,000</u> | <u>\$130,000</u> | <u>\$15,241,112</u> |
| II. <u>ACQUISITION EXPENDITURES</u> | | | | | | |
| A. Tax-Deeded Acquisitions | | | | | | |
| B. Temescal School Site | 22,886 | | 845,000 | | | 22,886 |
| C. Peter Strauss Ranch | | 1,125,000 | | | | 845,000 |
| D. Malibu Lake Small Lot Subdivision | | 71,000 | | | | 1,125,000 |
| E. Malibu Canyon*** | | 874,000 | 126,000 | 2,000,000 | | 71,000 |
| F. Tradewood | | | | | | 2,000,000 |
| Subtotal for Project Expenditures | <u>22,886</u> | <u>2,070,000</u> | <u>971,000</u> | <u>2,000,000</u> | <u>0</u> | <u>5,063,886</u> |
| III. <u>GRANT EXPENDITURES</u> | | | | | | |
| A. Conejo R&P District | 50,000 | | | 1,000,000 | | 50,000 |
| B. Conejo R&P District | | | | | | 2,000,000 |
| C. City of Los Angeles | | 1,569,772 | 1,000,000 | | | 4,096,772 |
| D. State Coastal Conservancy | 100,000 | | 2,527,000 | | | 100,000 |
| E. Conejo Open Space Agency | 50,000 | | | | | 50,000 |
| F. State Coastal Conservancy | | | | 78,350 | | 78,350 |
| G. Rancho Simi R&P District | | | | 1,000,000 | | 1,000,000 |
| H. City of Agoura Hills | | | | 50,000 | | 50,000 |
| I. County of Los Angeles | | | | 20,000 | | 20,000 |
| J. Conejo R&P District | | | | 65,610 | | 65,610 |
| Subtotal for Grant Expenditures | <u>200,000</u> | <u>1,569,772</u> | <u>3,527,000</u> | <u>2,213,960</u> | <u>0</u> | <u>7,510,732</u> |

| | | | | | | |
|---|------------|--------------|--------------|--------------|------------|---------------|
| IV. <u>PROJECT PLANNING EXPENDITURES</u> | 0 | 171,377 | 240,151 | 100,000 | 130,000 | 641,528 |
| V. <u>CONTRACTUAL SERVICES EXPENDITURES</u> | 186,797 | 29,092 | 27,426 | 20,745 | 0 | 264,060 |
| VI. <u>OTHER EXPENDITURES</u> | | | | | | |
| A. Minor Capital Outlay | | | | 281,826 | | 281,826 |
| B. Acquisition Options | | | 320,000 | | | 320,000 |
| C. Overlook Construction | 301,922 | | | | | 301,922 |
| D. Conservancy Projects-- Related Expenditures | 285,884 | | | | | 285,884 |
| Subtotal Other Expenditures | 587,806 | 0 | 320,000 | 281,826 | 0 | 1,189,632 |
| Total Expenditures for Items II-VI | \$ 997,489 | \$ 3,840,241 | \$ 5,085,577 | \$ 4,616,531 | \$ 130,000 | \$ 14,669,838 |
| VII. <u>REMAINING APPROPRIATION</u> | \$ 164,211 | \$ 17,171 | \$ 6,423 | \$ 383,469 | \$ 0 | \$ 571,274 |

*Original appropriation was \$1 million; an additional \$161,700 was added pursuant to Section 28 of the Budget Act of 1983.

**Original appropriation of \$4,000,000 was subsequently reduced by \$142,588; \$130,000 was reappropriated to chapter 324/83, Parklands Fund of 1980, and \$12,588 was reverted, leaving a balance of \$3,857,412.

***The Department of Parks and Recreation used \$2 million of conservancy appropriations to acquire land in Malibu Canyon.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps