

**AUDIT COMMITTEE
OF THE CITY OF SAN DIEGO**

**Council President Pro Tem Kevin Faulconer, Chair
Councilmember Carl DeMaio, Vice Chair
Committeemember Wade McKnight
Committeemember Charles Sellers
Committeemember Steve Grant**

**ACTIONS FOR
MONDAY, FEBRUARY 1, 2010, AT 9:00 A.M.**

**COUNCIL COMMITTEE ROOM (12TH FLOOR),
CITY ADMINISTRATION BUILDING
202 C STREET, SAN DIEGO, CALIFORNIA**

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All Committee members present.

NON-AGENDA PUBLIC COMMENT: None.

COMMITTEE COMMENT: Chair Faulconer thanked Chris Cate for his work with the Audit Committee and introduced new Committee Consultant Matt Awbrey.

Councilmember DeMaio discussed his January 25, 2010, joint memo with Councilmember Frye regarding calculation of the City's annual pension contribution and suggested that the Audit Committee take up this issue in the future.

CITY ATTORNEY, IBA, AND MAYORAL STAFF COMMENT: None.

ADOPTION AGENDA

Approval of the Record of Action Items for January 25, 2010

ACTION: Motion by Committee member Grant, second by Chair Faulconer,
to approve.

VOTE: 5-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-yea,
Sellers-yea

INFORMATION ITEMS

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ITEM-1: Report from the City Auditor regarding AUDIT ACTIVITY

(See City Auditor's February 1, 2010, PowerPoint)

ACTION: Information only. No action taken.

ACTION ITEMS

ITEM-2: Review of the REDEVELOPMENT AGENCY FISCAL YEAR 2009
FINANCIAL STATEMENT AUDIT

(See Macias Gini & O'Connell's December 23, 2009, report; Macias Gini & O'Connell's February 1, 2009, report; City Comptroller's January 12, 2010, memorandum; Certification of Disclosures Practices; Redevelopment Agency's June 30, 2009, Annual Financial Report; AFR Review Questions dated June 23, 2009)

ACTION: Motion by Councilmember DeMaio, second by Committee member Sellers, to:

1. Recommend the City Council sitting as the Redevelopment Agency receive and file the Redevelopment Agency Fiscal Year 2009 Financial Statement Audit; and
2. Direct staff to prepare a separate statement detailing the total debt of each Redevelopment Project Area and ability to satisfy that debt to be concurrently presented to the City Council sitting as the Redevelopment Agency for their review.

VOTE: 5-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-yea, Sellers-yea

ITEM-3: Review of the HOUSING COMMISSION FISCAL YEAR 2009 FINANCIAL
STATEMENT AUDIT

(See CAFR dated June 30, 2009; Reznick Group's June 30, 2009, reports one through three; Financial Management Department's questions)

ACTION: Motion by Councilmember DeMaio, second by Committee member Sellers, to receive and file the Housing Commission Fiscal Year 2009 Financial Statement Audit and forward to the City Council sitting as the Housing Authority.

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VOTE: 5-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-yea,
Sellers-yea

ITEM-4: Report from the City Auditor: Quarterly Report regarding HOTLINE ACTIVITY
FROM OCTOBER 1, 2009, TO DECEMBER 31, 2009

(See City Auditor's February 1, 2010 PowerPoint and reports dated November 23,
2009 and January 29, 2010)

ACTION: Motion by Councilmember DeMaio, second by Committee
member McKnight, to forward the Quarterly Hotline Activity Report to the City
Council for discussion of the City Auditor's hotline investigation of a City
Comptroller employee and management's response.

VOTE: 5-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-yea,
Sellers-yea

ITEM-5: Report from City Attorney regarding UPDATING THE DISCLOSURES
ORDINANCE

(See City Attorney's November 13, 2009, report and draft Disclosure Ordinance)

ACTION: Motion by Councilmember DeMaio, second by Chair Faulconer,
to recommend the City Council adopt the Disclosures Ordinance.

VOTE: 5-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-yea,
Sellers-yea

ITEM-6: Report from the Streets Division Department and Independent Budget Analyst
regarding PERFORMANCE AUDIT OF CITY'S STREET MAINTENANCE
FUNCTIONS

(See Independent Budget Analyst's PowerPoint and Report Number 10-09 dated
February 1, 2010; City Auditor's October 26, 2009, audit report; City Auditor's
November 6, 2009, memorandum)

ACTION: Motion by Councilmember DeMaio, second by Chair Faulconer,
to:

1. Adopt the recommendations from IBA Report Number 10-09 and refer
the performance audit to the City Council after the Auditor has completed
his second and third reports regarding street maintenance functions;

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2. Recommend the City Council adopt IBA Structural Budget Deficit Elimination Principle #11 from IBA Report Number 10-01; and
3. Recommend the City Council direct City staff and the IBA to:
 - a. Work together to draft a Council Policy for producing deferred maintenance calculation and budgeting for all asset categories as described on page 5 of IBA Report Number 10-09; and
 - b. Identify necessary policy decisions that must be made by the City Council to facilitate these calculations, which should include:
 - i. Identification of the entire maintenance and infrastructure backlog;
 - ii. Identification of the annual cost of routine maintenance;
 - iii. Verifying that routine asset maintenance is no longer being deferred and added to the backlog; and
 - iv. Identifying the required funding and time horizons for reducing the backlog to desired levels.

VOTE: 5-0; Faulconer-yea, DeMaio-yea, Grant-yea, McKnight-yea,
Sellers-yea

Kevin Faulconer
Council President Pro Tem