

RESOLUTION NUMBER R- 300423

ADOPTED ON MAY 10 2005

WHEREAS, pursuant to resolution number R-300139, adopted on February 14, 2005, the City Council authorized and directed that the Mayor, the City Manager, and the City Attorney execute an engagement agreement with Kroll Associates, Inc. ("Kroll") in connection with matters involving the San Diego City Employees' Retirement System; and

WHEREAS, the Kroll engagement letter has been duly signed and acknowledged by the Mayor, the City Manager, and the City Attorney; and

WHEREAS, the Kroll engagement letter provides that Kroll may in its discretion retain legal counsel in connection with its work; and

WHEREAS, pursuant to resolution number R-300203, adopted on March 8, 2005, the City Council, in order for the City of San Diego to achieve the full benefit of Kroll's work, established an Audit Committee of the City of San Diego (the "Audit Committee") as contemplated by the Sarbanes-Oxley Act of 2002; and

WHEREAS, the Sarbanes-Oxley Act of 2002 contemplates that audit committees shall be empowered to engage advisers with appropriate funding being provided "as determined by the audit committee"; and

WHEREAS, the Audit Committee proposes to engage Willkie Farr & Gallagher LLP to serve as its counsel; and

WHEREAS, additional funds also are necessary for the continued services of the Audit Committee; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, that the Audit Committee's Status Report, provided verbally at the Council meeting, is hereby accepted.

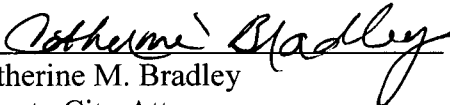
BE IT FURTHER RESOLVED, by the Council of the City of San Diego, that the City Manager be and he is hereby authorized and empowered to execute, for and on behalf of said City, a First Amendment to the Agreement with Kroll Inc., for an additional amount not to exceed \$1,500,000, for continued provision of investigative services in their role as the City's Audit Committee, and consulting assistance in assessing internal control deficiencies affecting matters discussed in the Vinson & Elkins and City Attorney investigation reports, for a total contract amount not to exceed \$1,750,000.

BE IT FURTHER RESOLVED, by the Council of the City of San Diego, that the City Manager be and he is hereby authorized and empowered to execute, for and on behalf of said City, an Agreement with Willkie, Farr & Gallagher LLP, in an amount not to exceed \$500,000, for provision of independent legal counsel to the City Audit Committee and Kroll in connection with the above matters.

BE IT FURTHER RESOLVED, that the expenditure of an amount not to exceed \$1,200,000 from Fund No. 81140, Dept. No. 82240, Object Account No. 4151, Job Order No. 082240; \$400,000 from Fund No. 41506, Dept. No. 776, Org. No 445, Object Account No. 4222, Job Order No. 776260; and \$400,000 from Fund No. 41500, Dept. No. 760, Org. No. 163, Object Account No. 4151, Job Order 000163 is hereby authorized, solely and exclusively for the purpose of providing funds for the above agreements.

BE IT FURTHER RESOLVED, that the City Auditor and Comptroller, upon advice from the administering department, is authorized to transfer excess funds, if any, to the appropriate reserves.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By 
Catherine M. Bradley
Deputy City Attorney

CMB:jab
07/7/2005
Aud.Cert:2500975
Or.Dept:Fin.Mgmt.
R-2005-1222

**The City of San Diego
CERTIFICATE OF CITY AUDITOR AND COMPTROLLER**

CERTIFICATE OF UNALLOTTED BALANCE

AC 2500975

ORIGINATING

DEPT. NO.: 055

I HEREBY CERTIFY that the money required for the allotment of funds for the purpose set forth in the foregoing resolution is available in the Treasury, or is anticipated to come into the Treasury, and is otherwise unallotted.

Amount: _____ Fund: _____

Purpose: _____

Date: _____ By: _____

AUDITOR AND COMPTROLLER'S DEPARTMENT

ACCOUNTING DATA

ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/ EQUIP	FACILITY	AMOUNT
TOTAL AMOUNT										

FUND OVERRIDE

CERTIFICATION OF UNENCUMBERED BALANCE

I HEREBY CERTIFY that the indebtedness and obligation to be incurred by the contract or agreement authorized by the hereto attached resolution, can be incurred without the violation of any of the provisions of the Charter of the City of San Diego; and I do hereby further certify, in conformity with the requirements of the Charter of the City of San Diego, that sufficient moneys have been appropriated for the purpose of said contract, that sufficient moneys to meet the obligations of said contract are actually in the Treasury, or are anticipated to come into the Treasury, to the credit of the appropriation from which the same are to be drawn, and that the said money now actually in the Treasury, together with the moneys anticipated to come into the Treasury, to the credit of said appropriation, are otherwise unencumbered.

Not to Exceed: \$2,000,000.00

Vendors: Kroll, Inc. / Willkie, Farr, & Gallagher LLP

Purpose: Authorizing the expenditure for the first amendment to the agreement with Kroll, Inc. to continue expert services related to the audit of the City's CAFR, in an amount not to exceed \$1,500,000. Authorizing the expenditure for the agreement with Willkie, Farr, & Gallagher LLP to provide independent counsel services in connection with the above matter, in an amount not to exceed \$500,000.

Date: May 10, 2005 By: Leonard J. Alfuentes

AUDITOR AND COMPTROLLER'S DEPARTMENT

ACCOUNTING DATA

ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/ EQUIP	FACILITY	AMOUNT
001	0	81140	82240		4151	082240				\$1,200,000.00
002	0	41506	776	455	4222	776260				\$400,000.00
003	0	41500	760	163	4151	000163				\$400,000.00
TOTAL AMOUNT										\$2,000,000.00

AC-361 (REV 2-92)

FUND OVERRIDE

AC 2500975

R-300423

MAY 10 2005