

COUNCIL DOCKET OF _____				
<input type="checkbox"/> Supplemental	<input type="checkbox"/> Adoption	<input type="checkbox"/> Consent	<input type="checkbox"/> Unanimous Consent	Rules Committee Consultant Review

R -

O -

City's Fiscal Year 2004 Comprehensive Annual Financial Report.

Reviewed     Initiated    By Audit    On 7/09/07    Item No. 1

RECOMMENDATION TO:

Forward the City's Fiscal Year 2004 Comprehensive Annual Financial Report, including the opinion and report of Macias Gini & O'Connell, each dated May 11, 2007 [the "2004 CAFR"] to the full City Council, with a recommendation by the Audit Committee that the City Council receive and file the 2004 CAFR.

VOTED YEA: Faulconer, Young, Atkins

VOTED NAY:

NOT PRESENT:

CITY CLERK: Please reference the following reports on the City Council Docket:

REPORT TO THE CITY COUNCIL NO.

COUNCIL COMMITTEE CONSULTANT ANALYSIS NO.

OTHER:

COUNCIL COMMITTEE CONSULTANT 

001197

1 98 8

**comprehensive annual financial report**



for Fiscal Year Ended June 30, 2004

RECEIVED  
07 JUN 12 PM 5:09  
CITY CLERK'S OFFICE  
SAN DIEGO, CA

001199

OFFICE OF  
THE CITY ATTORNEY  
CITY OF SAN DIEGO  
MICHAEL J. AGUIRRE  
CITY ATTORNEY

CIVIL DIVISION  
1200 THIRD AVENUE, SUITE 1620  
SAN DIEGO, CALIFORNIA 92101-4178  
TELEPHONE (619) 236-6220  
FAX (619) 236-7215

May 9, 2007

Jim Godsey, Partner  
Macias Gini & O'Connell LLP  
3000 S Street, Suite 300  
Sacramento, CA 95816

Re: *Statement of Economic Interests*

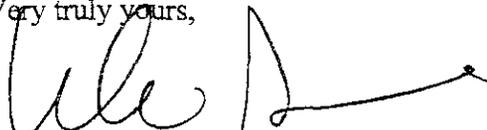
Dear Mr. Godsey:

In light of recent discussions regarding your work as a consultant performing auditing work for the City of San Diego, the question has arisen as to whether you or other principals in your firm should be required to file a Statement of Economic Interests.

Based on a review of the scope of your services, we have concluded that your services do not meet the criteria that would require you to make financial disclosures pursuant to the Conflict of Interest Code for the City Attorney's Office. Your firm does not "make a government decision" or "serve in a staff capacity" as defined by the relevant California statutes. Thus, it is not necessary for any of the principals in your firm to file a statement of economic interests. We base this decision upon our understanding of the scope of work you perform and relevant opinions of the Fair Political Practices Commission.

A copy of the determination form we are providing to the City Clerk's Office is enclosed for your records.

Very truly yours,

  
MICHAEL J. AGUIRRE, City Attorney

MJA:meb

Enclosure

cc: Denise Jenkins, City Clerk's Office

001201

**CONFLICT OF INTEREST CODE:  
DETERMINATION OF APPLICABILITY TO CONSULTANT**

Name of Consultant & Company: Macias Gini & O'Connell LLP  
3000 S Street, Suite 300  
Sacramento, CA 95816

Consultant Duties: Professional auditing services.

Disclosure determination:

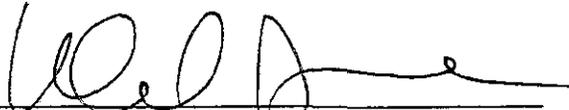
Consultant will not be "making a government decision" or "serving in a staff capacity" as defined in Sections A and B attached. No disclosure required.

Consultant will be "making a government decision" or "serving in a staff capacity" as defined in Sections A and B attached. Consultant is required to file a Statement of Economic Interests with the City Clerk of the City of San Diego in a timely manner as required by law.

Disclosure required to the broadest level (Category 1).

Disclosure required to a limited extent:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

By:   
Michael J. Aguirre, City Attorney

Date: 5/9/07

\*Forward a copy of this form to the Consultant to notify them of the determination.  
\*Forward a copy of this form to the City Clerk's office to go on file for reporting purposes.

**ATTACHMENT TO DETERMINATION FORM - DEFINITION OF "CONSULTANT"**

A "consultant" is an individual who, pursuant to a contract with a state or local government agency:

(A) *Makes a governmental decision whether to:*

1. Approve a rate, rule or regulation;
2. Adopt or enforce a law;
3. Issue, deny, suspend, or revoke any permit, license, application, certificate, approval, order, or similar authorization or entitlement;
4. Authorize the City to enter into, modify, or renew a contract provided it is the type of contract that requires City approval;
5. Grant City approval to a contract that requires City approval and to which the City is a party, or to the specifications for such a contract;
6. Grant City approval to a plan, design, report, study, or similar item;
7. Adopt, or grant City approval of, policies, standards, or guidelines for the City, or for any subdivision thereof; or

(B) Serves in a staff capacity with the City and in that capacity participates in making a governmental decision as defined in Regulation 18702.2 or performs the same or substantially all the same duties for the City that would otherwise be performed by an individual holding a position specified in the City's Conflict of Interest Code.

An individual "serves in a staff capacity" if he or she performs substantially all the same tasks that normally would be performed by staff member of a governmental entity. In most cases, individuals who work on only one project or a limited range of projects for an agency are not considered to be working in a "staff capacity." The length of the individual's service to the agency is relevant. Also, the tasks over the relevant period of time must be substantially the same as a position that is or should be specified in the City's conflict of interest code.

An individual "participates in making a governmental decision" if he or she: (1) negotiates, without substantive review, with a governmental entity or private person regarding the decision; or (2) advises or makes recommendations to the decision-maker, by conducting research or an investigation, preparing or presenting a report, analysis or opinion which requires the exercise of judgment on the part of the individual and the individual is attempting to influence the decision.



001203

ITEM(U)

THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: July 18, 2007 REPORT NO: 07-121  
ATTENTION: City Council Members  
Docket of July 24, 2007  
SUBJECT: Fiscal Year 2004 CAFR  
REFERENCE: Municipal Code Section 22.0710

REQUESTED ACTION:

Recieve and file, the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2004.

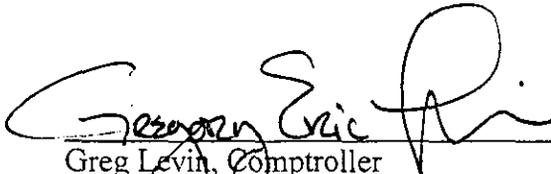
STAFF RECOMMENDATION: As above

SUMMARY: Consistent with the remedial recommendation contained in the Report of the Audit Committee of the City of San Diego (Kroll Report) dated August 8, 2006, staff provided the 2004 CAFR to the City Council for their review two weeks prior to consideration by the Council. Staff simultaneously presented the CAFR to the City of San Diego Audit Committee during two open meetings of the Audit Committee, at the conclusion of the second meeting the Audit Committee unanimously voted to recommend that the full City Council receive and file the 2004 CAFR. At this meeting staff is recommending that it be received by the City Council as final. This document has been approved by the City's Disclosure Practices Working Group (DPWG) and the certificate of approval has been attached to this agenda item.

The public may obtain a copy of the City's 2004 CAFR on the City website at no charge.

FISCAL CONSIDERATIONS: None

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None

  
Greg Levin, Comptroller  
Auditor & Comptroller

  
Jay M. Goldstone  
Chief Financial Officer

The link to the Comprehensive Annual Financial Report (CAFR) is  
<http://www.sandiego.gov/auditor/reports/index.shtml>

001205

The City of San Diego  
CERTIFICATE OF CITY AUDITOR AND COMPTROLLER

Item(2)

CERTIFICATE OF UNALLOTTED BALANCE

AC 2800035

ORIGINATING

DEPT. NO.: 050

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: \_\_\_\_\_

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: \$2,274,540.00

Vendor: Macias, Gini & O'Connell, LLP

Purpose: Authorize the expenditure of funds for agreements with Macias, Gini & O'Connell, LLP for the audit of the Fiscal Year 2006 and 2007 CAFRs.

Date: July 17, 2007 By: *Cerlia Am Pedro*

ACCOUNTING DATA											
ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/ EQUIP	FACILITY	AMOUNT	
Please see attached accounting data											
TOTAL											\$2,274,540.00

FUND OVERRIDE

AC 2800035

001207

MACIAS, GINI & OCONNELL, LLP

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE - JUNE 30, 2006 and JUNE 30, 2007 FINANCIAL STATEMENTS  
AC2800035

Description	Line	CY/PY	Fund	Dept	Org	Account	Job Order	Amount
CAFR/GANN/Single Audit/PFFA%	001	0	100			9544		688,000.00
	002	0	100	601	2450	4151	002450	681,805.00
	003	1	100	50	1106	4151	001106	50,610.31
Water/PFFA %	004	0	41500	760	163	4151	002093	184,887.62
Sewer	005	0	41506	776	455	4151	776260	132,341.00
Open Space	006	0	105051	9321	2004	4151	002004	11,530.00
MTDBA	007	0	10226	918		4151	091811	12,980.00
Public Facilities Authority - Ballpark 9% 1	008	0	102214	102214	300	4151	000303	1,198.91
Public Facilities Authority - Stadium 3.6% 1	009	0	10330	930	2000	4151	200000	483.83
Public Facilities Authority - Sewer 69% 1	010	0	41509	777	445	4151	005023	9,308.33
Abandoned Vehicle Abatement	011	0	630861	630861		4151	630861	9,616.00
Convention Center Expansion	012	0	102211	102211	300	4151	000300	13,467.00
Redevelopment	013	0	98805	97481	1002	4151	001002	212,228.00
Annual Surplus Undistributed	014	0	60011	088	100	4151	008811	18,661.00
SD Medical Services Enterprise	015	0	10246	121	2001	4151	004301	56,650.00
							<b>TOTAL AC</b>	<b>\$ 2,083,767.00</b>

City Agencies

San Diego Convention Center	41,000.00
San Diego Data Processing Corp	39,561.00
Centre City Development Corp	31,522.00
Southeastern Economic Development Corp	25,462.00
City of San Diego – schedule related to Naval Training Center Economic Dev Conveyance	14,694.00
San Diego World Trade Center	38,534.00
	<u>190,773.00</u>

TOTAL CONTRACTS

\$ 2,274,540.00

001208

MACIAS, GINI &amp; OCONNELL, LLP

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE - JUNE 30, 2006 and JUNE 30, 2007 FINANCIAL STATEMENTS  
AC2800035

Description	Line	CY/PY	Fund	Dept	Org	Account	Job Order	Amount
CAFR/GANN/Single Audit/PFFA%	001	0	100			9544		688,000.00
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							<b>TOTAL AC</b>	<b>\$ 2,083,767.00</b>

City Agencies

San Diego Convention Center	41,000.00
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City of San Diego - schedule related to Naval Training Center Economic Dev Conveyance	14,694.00
San Diego World Trade Center	38,534.00
	<u>190,773.00</u>

## TOTAL CONTRACTS

\$ 2,274,540.00





001211

THE CITY OF SAN DIEGO

**REPORT TO THE CITY COUNCIL**

DATE ISSUED: October 18, 2006

REPORT NO. 06- 137

ATTENTION: Honorable Council Members

SUBJECT: *Agreement and Amendments to Agreements for Macias Gini & O'Connell, LLP*

REFERENCE: FY 2003 – FY 2006 Financial Statement Audits

REQUESTED ACTION:

- 1) Increase in the amount of the audit of the FY 2004 basic financial statements of \$135,000 to an amount not to exceed \$850,479.
- 2) Increase in the amount of the audit of the FY 2005 basic financial statements of \$70,000 to an amount not to exceed \$914,977.
- 3) Sole source agreements with Macias in an amount not to exceed \$327,325, to reaudit the FY 2003 financial statements of the Redevelopment Agency (\$75,000); to reaudit the FY 2003 City Single Audit (\$93,600); and, to fund Macias' ongoing fraud investigation in connection with the FY 2003, FY 2004 and FY 2005 financial statement audits (\$158,725).
- 4) A sole source agreement with Macias in an amount not to exceed \$888,634 for the audit of the FY 2006 basic financial statements, which are included in the CAFR.
- 5) Authorize the Auditor and Comptroller to appropriate and to transfer up to \$1,009,229.32 from the Unallocated Reserve to the appropriate fund (see Distribution of Charges) to pay the General Fund portion (\$681,804.32) and the Public Liability portion (\$327,325) of these expenditures.



DIVERSITY  
BRINGS US ALL TOGETHER

001212

STAFF RECOMMENDATION:

Adopt the Resolution

SUMMARY:

On January 27, 2004, the City filed a voluntary financial disclosure concerning, in part, certain errors and correctible statements in the City's FY 2002 Comprehensive Annual Financial Report ("CAFR"). As a result, the FY 2003, FY 2004, and FY 2005 CAFR's have not been finalized and issued.

The City retained Macias, Gini & O'Connell, LLP (Macias) to perform the audits of the City's FY 2004 and FY 2005 basic financial statements, which are included in the CAFR's. Given the continued importance of thorough reviews, the Mayor is requesting that the City Council authorize first amendments to the contracts for the FY 2004 and FY 2005 audits and initial funding in connection with the ongoing fraud investigation, as well as initial funding for reaudits of the FY 2003 Redevelopment Agency and the City of San Diego Single Audit.

The City retained Macias to perform the audit of the FY 2004 basic financial statements, which are included in the CAFR. The retainer was for the amount not to exceed \$715,479. The Mayor is requesting a first amendment for an additional \$135,000 to pay the services of Macias during FY 2007.

The City retained Macias to perform the audit of the FY 2005 basic financial statements, which are included in the CAFR. The retainer was for the amount not to exceed \$844,977. The Mayor is requesting a first amendment for an additional \$70,000 to pay the services of Macias during FY 2007.

The Mayor is requesting that he be authorized and empowered to execute for and on behalf of the City, a sole source agreement with Macias in an amount not to exceed \$75,000 to reaudit the FY 2003 financial statements of the Redevelopment Agency.

The Mayor is requesting that he be authorized and empowered to execute for and on behalf of the City, a sole source agreement with Macias in an amount not to exceed \$78,000 to reaudit the FY 2003 City Single Audit.

The Mayor is requesting that he be authorized and empowered to fund Macias' ongoing fraud investigation in connection with the FY 2003, FY 2004 and FY 2005 financial statement audits in an amount not to exceed \$158,725.

The Mayor is requesting that he be authorized and empowered to execute for and on behalf of the City, a sole source agreement with Macias in an amount not to exceed \$888,634 for the audit of the FY 2006 basic financial statements, which are included in the CAFR.

001213

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The City retained Macias to perform the audit of the FY 2004 basic financial statements. Subsequently the city retained Macias to perform the audit of the FY 2005 basic financial statements.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

To return to the public finance market the City must issue its basic financial statements. In addition, to continue to be eligible for federal grants in excess of a total of \$500,000 the City must complete its federal single audits.



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Jay M. Goldstone  
Chief Financial Officer

001215

City of San Diego  
Office of the Comptroller  
Memorandum

Date: July 18, 2007  
To: Honorable City Councilmembers  
From: Greg Levin, CPA City Comptroller  
Subject: 2004 CAFR and Macias, Gini & O'Connell Sole Source Agreements

Attached is a draft of implementing ordinance for the execution of sole source agreements for Macias, Gini & O'Connell. The ordinance is being provided today because we were unable to complete the draft ordinance prior to the docket deadline. Additionally, I have also attached a revised schedule showing the unallocated reserve/working capital analysis actions that were taken through the close of fiscal year 2007.

The requested approval of the Sole Source agreements will result in the appropriation of \$688,000 from the general fund reserve. Please note that this action was considered by the Audit Committee at its January 29<sup>th</sup> meeting<sup>1</sup> and was recommended for consideration and approval at that time. However, subsequent to that recommendation the scope and nature of the services needed of Macias, Gini & O'Connell have changed. As a result the total value of the contracts for both fiscal years has increased a combined \$455,754.

	Original Estimate	Final Estimate	Change
FY06 Audit	\$ 888,634.00	\$ 1,114,830.00	\$ 226,196.00
FY07 Audit	930,152.00	1,159,710.00	229,558.00
Total	<u>\$ 1,818,786.00</u>	<u>\$ 2,274,540.00</u>	<u>\$ 455,754.00</u>

The primary reasons for the increases to the contract amount relate to findings identified in connection with the City's 2003 and 2004 CAFR Audits. As a result of the numerous findings of material weaknesses, the scope of the 2006 and 2007 audits have increased and therefore, the costs of the audits have increased. The increasing cost of the audit was also realized subsequent to the preparation of the fiscal year 2008 budget and as such, additional appropriations are required. On a final note, this action amends the Fiscal Year 2008 Appropriations ordinance; this presents a unique situation in that the Appropriations Ordinance is being considered during the same City Council Session (Monday Session) as the CAFR and Sole Source Contracts. I have confirmed verbally with the City Attorney's office that this does not present any conflict or render this action null.

In order to ensure that full public disclosure is achieved I have filed this memorandum with the City Clerk's office in connection with the docket item.

<sup>1</sup> See Action Item #4 City Council Audit Committee meeting January 29, 2007.

001216

City of San Diego  
*Office of the Comptroller*  
Memorandum

CC:

Jay Goldstone, CFO  
Andrea Tevlin, IBA  
Jeff Kawar, IBA

Attachment:

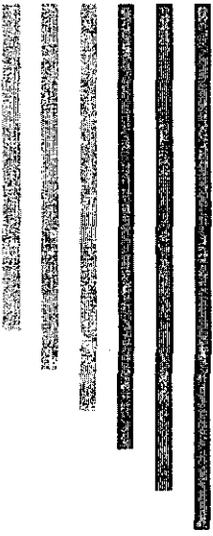
Ordinance for Sole Source Contracts for FY 2006/2007 Audits  
Working Capital Analysis Schedule

001217

**Estimated General Fund Working Capital/Reserve (Unaudited)**  
As of July 18, 2007

2006 Ending Cash or Equity in Pooled Cash and Investments	30,607,930
Receivables (Due Within 60 Days)	59,768,977
Payables	<u>(29,208,156)</u>
Working Capital Beginning Balance	61,168,751
Encumbrances	(19,517,508)
Other Restrictions	<u>(460,741)</u>
	(19,731,581)
Total Working Capital at 07-01-06	<u><u>41,437,170</u></u>
Actions Taken Since 7-1-06	
Additional Contribution included in fy 2007 Budget	7,200,000
Taylor Street Slope Reconstruction - (Advance/Loan)	(1,226,848)
Latham Watkins and Levine Steinberg legal services	(2,000,000)
SEC Investigation Legal costs	(101,260)
Outside Legal Services	(433,000)
SEC Investigation Legal costs	(503,073)
Return of SR-56 Advance	10,410,800
Lobbying Contract	(221,000)
Audit Services - Macias, Gini & O'Connell	(327,325)
Legal Services - SDPOA vs Aguirre & Aaron vs City	(1,000,000)
Legal Services - Otay Acquisition, Natl Enter. & Border Bus Pk	(200,000)
Legal Services - McGuigan vs City of San Diego	(142,620)
Audit Services - KPMG	(1,320,000)
SEC Oversight Consultant	(1,417,400)
Investigation costs - former and current City officials	(534,000)
Settlement of Personnel Claim	(65,000)
Legal Services - Otay Acquisition, Natl Enter. & Border Bus Pk	(200,000)
Parks & Recreation	(1,498,250)
Midyear Budget Adjustments	(5,390,944)
Amendment to Actuary Contract	(292,371)
Proposed Year-end Adjustment	<u>(3,200,000)</u>
Total Actions Taken to Date	<u>(2,462,291)</u>
<b>Working Capital as of July 18, 2007</b>	<u><u><b>38,974,879</b></u></u>
FY06 and FY07 Macias, Gini & O'Connell City Audit Contract	(688,000)
<b>Working Capital Following Proposed Action</b>	<u><u><b>38,286,879</b></u></u>

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2004  
CAFR  
PRESENTATION

**July 24, 2007**

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# Presentation Overview

## □ Today's Presentation

- Overview of the City's Basic Financial Statements for Fiscal Year Ending June 30, 2004.
  - Highlight on Pension Disclosure
  - Single Audit 2003 & 2004
  - Macias Contracts for FY 2006/2007
-

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# Audit Opinion

- Clean Audit Opinion
  - Scope Statement
  - Yellow Book Reference
  - Limited Procedures applied on  
Management's Discussion and Analysis
-

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# Management's Discussion & Analysis

- Changes in Net Assets (Page 32)
    - Total Net Assets for the Primary Government increased by approximately \$68 million.
    - Governmental Activities Net Assets declined by nearly \$3 million.
    - Business Type Activities Net Assets increased by approximately \$71 million.
-

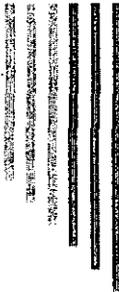
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# Management's Discussion & Analysis

- Changes in Net Assets (Page 32)
    - Unrestricted Net Assets declined significantly for the primary government by approximately \$149 million.
      - Pay as you go Capital Asset Acquisition
      - Probable losses from pending litigation
      - Under - funding the Pension Plan
-

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# Management's Discussion and Analysis

001224

- Changes in Net Assets (Page 33)
    - Total Revenues Increased by approximately \$62 million.
    - Total Expenses increased by approximately \$105 million
-

# Management's Discussion and Analysis

- Changes in Net Assets (Page 33)
  - Presentation Change for Sales Tax and Transient Occupancy Tax

CITY OF SAN DIEGO'S CHANGES IN NET ASSETS  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
<i>Revenues:</i>						
<i>Program Revenues</i>						
Charges for Current Services	\$ 214,101	\$ 203,259	\$ 636,375	\$ 595,137	\$ 850,476	\$ 798,395
Operating Grants and Contributions	95,202	95,882	1,483	3,616	96,685	99,498
Capital Grants and Contributions	91,981	115,748	133,586	143,444	225,567	259,192
<i>General Revenues</i>						
Property Taxes	278,804	248,659	-	-	278,804	248,659
Transient Occupancy Taxes	113,209	105,282	-	-	113,209	105,282
Other Local Taxes	139,748	99,784	-	-	139,748	99,784
Grants and Contributions not Restricted to Specific Programs	339,702	315,150	-	-	339,702	315,150
Revenue from Use of Money and Property	67,537	84,448	10,289	31,760	67,826	116,208
Other	38,476	48,782	5,451	6,141	43,927	52,923
<b>Total Revenues</b>	<b>1,368,780</b>	<b>1,313,973</b>	<b>797,184</b>	<b>780,098</b>	<b>2,155,944</b>	<b>2,094,071</b>

# Management's Discussion & Analysis

- Changes in Net Assets (Page 33 & 34)
  - Significant Items:
    - Shames Lawsuit
    - Mission Trails Regional Park and New Development Projects Districts 1 and 5
    - Underground Surcharge Program

# Management's Discussion and Analysis

- Capital Assets (Page 36):
  - Total Increase of \$341 million
    - Significant Governmental Projects
      - Pt. Loma Library
      - PETCO Park
      - State Route 56
      - Mission Bay Bridge Retrofit
    - Significant Enterprise Projects
      - Alvarado Treatment Plant Extension
      - Otay River Pump Station
      - Point Loma Sludge Pump
      - Digester Upgrades
      - Numerous Sewer Main replacements

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# Management's Discussion and Analysis

001228

## □ Debt (Page 39)

- Citywide Long-term debt (excluding employee benefit obligations) increased approximately \$153 million.

### □ Significant Transactions

- Special Assessment Debt
  - Tax Allocation Bonds
  - Sewer Revenue Bonds (Private Placement)
-

# Pension Disclosure

- The City's UAAL was \$1.45 billion (page 138)
  - The City's NPO for the fiscal year ending 2004 is \$232.5 million (page 110)
    - Anticipated to increase through the end of 2005.
    - Declines will begin in 2006 with the Tobacco Securitization contribution.
-

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# Pension Disclosure

- Other Pension Disclosure:
    - Proposition G (Page 109)
    - Switch to EAN (Page 19)
    - 415 Limits (Page 105)
    - Retiree Health Obligations
-

---

# Single Audit Reports

- Reports for 2003 and 2004 recently issued.
    - 2003 Federal Expenditures: \$61.3 million
    - 2004 Federal Expenditures: \$83.3 million
  - Identified material weaknesses and reportable conditions in Internal Control identified.
  - Qualified report on compliance.
  - Questioned Costs identified.
-

# Single Audit Findings

## □ Financial Reporting Related

### ■ Accounting for Land Held for Resale

#### □ New Controls Include:

- Confirmation process with component unit officers
- New Controls on processing of Developer Disposition Agreements

### ■ Use of Estimates

#### □ New controls Include

- procedures for calculating estimates.

---

# SAS 61 Communication

- Identifies several unique transactions.
  - Identifies difficulties encountered during the audit.
-

---

# 2006/2007 Audit Contracts

- 2 sole source agreements
  - Planned sole source arrangement for 2008
    - Competitive Bid for 2009 and beyond
  - Total Value of 2006/2007: \$2.27 Mil
    - Increases related to increased scope and reporting requirements
-

001235

REQUEST FOR COUNCIL ACTION  
CITY OF SAN DIEGO

1. CERTIFICATE NUMBER  
(FOR AUDITOR'S USE ONLY)

AC 2800035

TO: CITY ATTORNEY

2. FROM (ORIGINATING DEPARTMENT):  
Auditor & Comptroller

3. DATE: 07/12/2007

4. SUBJECT:  
1) Pursuant to Municipal Code Section 22.0710, the City Auditor & Comptroller's Office is hereby requesting a hearing on the City's Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2004.  
2) Consider Sole Source Agreements with Macias, Gini and O'Connell for fiscal year 2006 and 2007 CAFR audits.

5. PRIMARY CONTACT (NAME, PHONE & MAIL STA.)  
Greg Levin, CPA Comptroller X66162 MS6a

6. SECONDARY CONTACT (NAME, PHONE & MAIL STA.)  
Tracy McCraner, Acting Director of Financial Reporting X55821

7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED

8. COMPLETE FOR ACCOUNTING PURPOSES

FUND	
DEPT.	
ORGANIZATION	
OBJECT ACCOUNT	
JOB ORDER	
C.I.P. NUMBER	
AMOUNT	

9. ADDITIONAL INFORMATION / ESTIMATED COST:  
See attachment A

10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPARTMENT		7/17/07	8	DEPUTY CHIEF		
2				9	COO		
3	Comptroller	Cecilia San Pedro	7/17/07	10	CITY ATTORNEY		7/23/07
4	LIAISON OFFICE			11	ORIGINATING DEPARTMENT		7/17/07
5				DOCKET COORD: _____ COUNCIL LIAISON: _____			
6				<input checked="" type="checkbox"/>	COUNCIL PRESIDENT	<input type="checkbox"/> SPOB <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ADOPTION	
7				<input type="checkbox"/>	REFER TO: _____	COUNCIL DATE: 7/24/07	

11. PREPARATION OF:  RESOLUTION(S)  ORDINANCE(S)  AGREEMENT(S)  DEED(S)

1. Direct the City Attorney to prepare the appropriate resolution receive and file the City's 2004 CAFR
2. Approve a sole source agreement with Macias, Gini & O'Connell and expenditure in an amount not to exceed \$1,114,830 for the audit of the Fiscal Year 2006 CAFR.
3. Approve a sole source agreement with Macias, Gini & O'Connell and expenditure in an amount not to exceed \$1,159,710 for the audit of the Fiscal Year 2007 CAFR.
4. Authorize the Auditor & Comptroller to appropriate, transfer and expend up to \$688,000 from the Unallocated Reserve to the appropriate fund to pay the General Fund portion of these expenditures that exceeds previously budgeted amounts.

11A. STAFF RECOMMENDATIONS:

1. Receive and File the CAFR.
2. Direct the City Attorney to prepare the appropriate resolution.
3. Approve the sole source agreements with Macias, Gini and O'Connell

001237

REQUEST FOR COUNCIL ACTION  
CITY OF SAN DIEGO

1. CERTIFICATE NUMBER  
(FOR AUDITOR'S USE ONLY)

TO:  
CITY ATTORNEY

2. FROM (ORIGINATING DEPARTMENT):  
Auditor & Comptroller

3. DATE:  
6/27/2007

4. SUBJECT:  
1) Pursuant to Municipal Code Section 22.0710, the City Auditor & Comptroller's Office is hereby requesting a hearing on the City's Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2004.

5. PRIMARY CONTACT (NAME, PHONE & MAIL STA.)  
Greg Levin, CPA Comptroller X66162 MS6a

6. SECONDARY CONTACT (NAME, PHONE & MAIL STA.)  
Tracy McCraner, Acting Director of Financial Reporting X55821

7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED

8. COMPLETE FOR ACCOUNTING PURPOSES

FUND					9. ADDITIONAL INFORMATION / ESTIMATED COST: No Financial Impact
DEPT.					
ORGANIZATION					
OBJECT ACCOUNT					
JOB ORDER					
C.I.P. NUMBER					
AMOUNT					

10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPARTMENT		7.12.07	8	DEPUTY CHIEF		
2				9	COO		7/12/07
3				10	CITY ATTORNEY		7/12/07
4	LIAISON OFFICE			11	ORIGINATING DEPARTMENT		7/12/07
5					DOCKET COORD: _____	COUNCIL LIAISON: _____	
6					<input checked="" type="checkbox"/> COUNCIL PRESIDENT	<input type="checkbox"/> SPOB	<input type="checkbox"/> CONSENT
7					<input type="checkbox"/> REFER TO: _____	<input checked="" type="checkbox"/> ADOPTION	COUNCIL DATE: 7/24/07

11. PREPARATION OF:  RESOLUTION(S)  ORDINANCE(S)  AGREEMENT(S)  DEED(S)

11A. STAFF RECOMMENDATIONS:

1. Receive and File the CAFR.
2. Direct the City Attorney to prepare the appropriate resolution.

12. SPECIAL CONDITIONS:

COUNCIL DISTRICT(S):  
 COMMUNITY AREA(S):  
 ENVIRONMENTAL IMPACT:  
 HOUSING IMPACT:  
 OTHER ISSUES:

12. SPECIAL CONDITIONS: **001238**

COUNCIL DISTRICT(S):

COMMUNITY AREA(S):

ENVIRONMENTAL IMPACT:

HOUSING IMPACT:

OTHER ISSUES:

001239

REQUEST FOR COUNCIL ACTION  
CITY OF SAN DIEGO

1. CERTIFICATE NUMBER  
(FOR AUDITOR'S USE ONLY)

AC 2700375

TO:  
CITY ATTORNEY

2. FROM (ORIGINATING DEPARTMENT):  
CHIEF FINANCIAL OFFICER

3. DATE:  
OCTOBER 18, 2006

4. SUBJECT:  
AGREEMENTS AND AMENDMENTS TO AGREEMENTS FOR MACIAS GINI & O'CONNELL, LLP

5. PRIMARY CONTACT (NAME, PHONE & MAIL STA.)  
JAY M. GOLDSTONE, CFO 619 236-5941

6. SECONDARY CONTACT (NAME, PHONE & MAIL STA.)

7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED

8. COMPLETE FOR ACCOUNTING PURPOSES

FUND	See Attached		
DEPT.			
ORGANIZATION			
OBJECT ACCOUNT			
JOB ORDER			
C.I.P. NUMBER			
AMOUNT	\$1,420,959		

9. ADDITIONAL INFORMATION / ESTIMATED COST:

The total cost of these actions is \$1,420,959.

10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPARTMENT	<i>[Signature]</i>	10-20-06	8	DEPUTY CHIEF		
2				9	COO		
3	RISK MGMT	<i>[Signature]</i>	11-15-06	10	CITY ATTORNEY		
4	LIAISON OFFICE	<i>[Signature]</i>	11-15-06	11	ORIGINATING DEPARTMENT		
5	AUDITOR	<i>[Signature]</i>	11/16/06				
6							
7							

DOCKET COORD: \_\_\_\_\_ COUNCIL LIAISON: \_\_\_\_\_

COUNCIL PRESIDENT     SPOB     CONSENT     ADOPTION

REFER TO: \_\_\_\_\_ COUNCIL DATE: \_\_\_\_\_

11. PREPARATION OF:  RESOLUTION(S)     ORDINANCE(S)     AGREEMENT(S)     DEED(S)

- 1) Increase in the amount of the audit of the FY 2004 basic financial statements of \$135,000 to an amount not to exceed \$850,479.
- 2) Increase in the amount of the audit of the FY 2005 basic financial statements of \$70,000 to an amount not to exceed \$914,977.
- 3) Sole source agreements with Macias in an amount not to exceed \$327,325, to reaudit the FY 2003 financial statements of the Redevelopment Agency (\$75,000); to reaudit the FY 2003 City Single Audit (\$93,600); and to fund Macias' ongoing fraud investigation in connection with the FY 2003, FY 2004 and FY 2005 financial statement audits (\$158,725).
- 4) A sole source agreement with Macias in an amount not to exceed \$888,634 for the audit of the FY 2006 basic financial statements, which are included in the CAFR.
- 5) Authorize the Auditor and Comptroller to appropriate and to transfer up to \$1,009,229.32 from the Unallocated Reserve to the appropriate fund (see Distribution of Charges) to pay the General Fund portion (\$681,804.32) and the Public Liability portion (\$327,325) of these expenditures.

11A. STAFF RECOMMENDATIONS:

ADOPT THE RESOLUTION

*approved by Council 12/4/06*

**001240**

12. SPECIAL CONDITIONS:

COUNCIL DISTRICT(S): ALL

COMMUNITY AREA(S): ALL

ENVIRONMENTAL IMPACT: NONE

HOUSING IMPACT: NONE

OTHER ISSUES: NONE

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

001241

**CERTIFICATE OF UNALLOTTED BALANCE**

AC 2800035

ORIGINATING

DEPT. NO.: 050

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: \_\_\_\_\_

ACCOUNTING DATA

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

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: \$2,274,540.00

Vendor: Macias, Gini & O'Connell, LLP

Purpose: Authorize the expenditure of funds for agreements with Macias, Gini & O'Connell, LLP for the audit of the Fiscal Year 2006 and 2007 CAFRs.

Date: July 17, 2007 By: *Cecilia San Pedro*

ACCOUNTING DATA

ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/ EQUIP	FACILITY	AMOUNT
Please see attached accounting data										
<b>TOTAL</b>										<b>\$2,274,540.00</b>

FUND OVERRIDE

AC 2800035



001245

Macias Gini & O'Connell, LLP  
Distribution of Expenses

Line	CY/PY	Fund	Dept	Org	Account	Job Order	Amount	
001	2 0	100	50	1106	4151	001106	\$ 681,804.32	✓
002	9A 0	41500	760	163	4151	002093	82,229.00	Water
003	10 0	41506	776	445	4151	776260	64,243.00	Sewer
004	8 0	105051	9321	2004	4151	002004	5,597.00	open sp
005	AB 0	41500	760	163	4151	002093	6,537.00	Felc
006	5 0	10226	918		4151	091811	6,301.00	MTRD
007	11 0	41509	777	445	4151	005023	4,518.33	
008	9C 0	41500	760	163	4151	002093	984.62	
009	4 0	102214	102214	300	4151	000303	581.91	PPFA
011	7 0	10330	930	2000	4151	200000	234.83	
012	13 0	630861	630861		4151	630861	4,668.00	MA
013	3 0	102211	102211	300	4151	000300	6,537.00	SDCE
014	14 0	98805	97481	1002	4151	001002	103,023.00	RAA
015	12 0	60011	88	100	4151	008811	9,059.00	SOLERS
016	6 0	10246	121	2001	4151	004301	27,500.00	EMS
017	15 0	81140	82240		4151	082240	327,325.00	

Total City Funds: \$ 1,331,143.00

City Agencies: \$ 89,816.00

Total Contract: 1,420,959.000

FY04 135,000.00 +  
 FY05 70,000.00 +  
 -----  
 205,000.00 \*  
 CAFR 373,159.00 +  
 Single audit 71,812.00 +  
 Remediation 30,000.00 +  
 GANN 1,616.00 +  
 PPFA 217.31 +  
 -----  
 681,804.31 \*

001247

RESOLUTION NUMBER R- \_\_\_\_\_

DATE OF FINAL PASSAGE \_\_\_\_\_

RESOLUTION OF CITY COUNCIL OF THE CITY  
OF SAN DIEGO REGARDING THE CITY'S FISCAL YEAR  
2004 COMPREHENSIVE ANNUAL FINANCIAL REPORT

WHEREAS, there has been presented to this Council the City's Fiscal Year 2004 Comprehensive Annual Financial Report [CAFR], together with an unqualified opinion of the City's Independent Auditor Macias, Gini & O'Connell LLP [Macias], dated May 11, 2007 and the Report on Audit Procedures dated May 11, 2007, together with the 2004 Single Audit Reports and such documents are on file with the City Clerk as Document No. \_\_\_\_\_ and Document No. \_\_\_\_\_ and Document No. \_\_\_\_\_; and

WHEREAS, the CAFR is the responsibility of the City management and the role of the Council, as part of its legislative oversight responsibilities, is to be satisfied that based on the process followed, including the certifications of certain City officials regarding the CAFR, and applying the knowledge that each Council member has of the City's affairs, there is no reason to conclude that the CAFR should not be made available to investors and the securities markets as an official document of the City; and

WHEREAS, while the Council is not necessarily required to review the CAFR, this Council deems that it is prudent and a best practice for the Council to do so to ensure that appropriate and reasonable processes have been followed in the preparation of the CAFR since it contains the financial statements and other information of the City that will be included in official statements and other disclosure documents used in connection with sale of securities of the City and its related entities that will require approval by the Council and, therefore, it is desirable that the Council act on the CAFR in advance of such offerings; and

001248

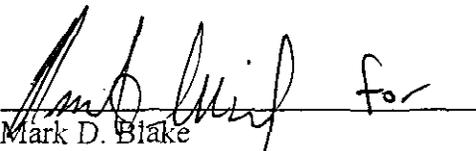
WHEREAS, in accordance with Section 22.4107(a) (1) of the Municipal Code and the Disclosure Controls and Procedures adopted by the DPWG, the draft of the FY 2004 CAFR in the form presented at the DPWG meeting of May 11, 2007 was reviewed, and in the best judgment of the DPWG, such draft was in substantially final form, subject to the receipt of the final opinion letter of Macias and the execution of certifications by City officials, which letter and certificates have now been received [the Certification of the DPWG is attached hereto as Attachment A]; and

WHEREAS, on July 9, 2007 the Audit Committee recommended, in accordance with the procedures of its Charter, the Council receive and file the City's Fiscal Year 2004 Comprehensive Annual Financial Report, together with the Report on Audit Procedures and the 2004 Single Audits; NOW THEREFORE

BE IT RESOLVED, that

1. The City Council hereby receives and files the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004, together with the Report on Audit Procedures.
2. The City Council hereby receives and files the 2004 Single Audit.
3. This Resolution shall take effect immediately on the passage thereof.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By  for  
Mark D. Blake  
Chief Deputy City Attorney

MDB:jdf  
07/10/07  
Or.Dept:Finance  
R-2008-34

001249

(R-2008-34)

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of ~~JUL 24 2007~~

ELIZABETH S. MALAND  
City Clerk

By *Jara Richardson*  
Deputy City Clerk

Approved: 8.1.07  
(date)

*JSA*  
JERRY SANDERS, Mayor

Vetoed: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Mayor

001251

ORDINANCE NUMBER O-\_\_\_\_\_ (NEW SERIES)

DATE OF FINAL PASSAGE \_\_\_\_\_

AN ORDINANCE AMENDING ORDINANCE NO. \_\_\_\_\_  
(NEW SERIES) ENTITLED "AN ORDINANCE ADOPTING  
THE ANNUAL BUDGET FOR THE FISCAL YEAR 2007-2008  
AND APPROPRIATING THE NECESSARY MONEY TO  
OPERATE THE CITY OF SAN DIEGO FOR SAID FISCAL  
YEAR," BY AUTHORIZING THE AUDITOR AND  
COMPTROLLER TO APPROPRIATE AND TO TRANSFER UP  
TO \$688,000 FROM THE GENERAL FUND UNALLOCATED  
RESERVE TO THE GENERAL FUND CITYWIDE PROGRAM,  
DEPARTMENT 601, TO PAY FOR AUDIT SERVICES  
RENDERED BY MACIAS, GINI & O'CONNELL, LLP IN  
CONNECTION WITH AUDITING THE CITY'S FISCAL  
YEARS 2006 AND 2007 COMPREHENSIVE ANNUAL  
FINANCIAL REPORTS AND AUTHORIZING THE MAYOR  
TO ENTER INTO AN AGREEMENT WITH MACIAS GINI &  
O'CONNELL LLP FOR AUDIT SERVICES FOR THE CITY OF  
SAN DIEGO FISCAL YEAR 2006 AND 2007 FINANCIAL  
STATEMENTS

WHEREAS, on January 29, 2007, the Audit Committee of the City Council of the City of San Diego voted unanimously to recommend the retention of Macias Gini & O'Connell, LLP to perform the independent audit of the City's Comprehensive Annual Financial Statements for the fiscal years ending June 30, 2006 and 2007; and

WHEREAS, on June 13, 2007, the Mayor signed into law the City's budget for the fiscal year 2007-2008; and

WHEREAS, on July 30, 2007, the City Council adopted an Ordinance No. \_\_\_\_\_ entitled An Ordinance Adopting The Annual Budget For The Fiscal Year 2007-2008 And Appropriating The Necessary Money To Operate The City Of San Diego For Said Fiscal Year [Appropriation Ordinance]; and

WHEREAS, \$688,000 of additional funding is required to pay Macias for the auditing services, and it is necessary to transfer the amount of \$688,000 to the General Fund Citywide Program, Department 601; NOW, THEREFORE,

BE IT ORDAINED, by the Council of the City of San Diego, as follows:

Section 1. That the Mayor is hereby authorized and empowered to negotiate and to execute, for and on behalf of said City, a sole source agreement in amounts not to exceed \$1,114,830 for fiscal year 2006 and \$1,159,710 for fiscal year 2007, with Macias Gini & O'Connell LLP, [Agreement] for audit services for the City of San Diego fiscal year 2006 and 2007 financial statements.

Section 2. That the expenditure of an amount not to exceed \$1,114,830 for fiscal year 2006 and \$1,159,710 for fiscal year 2007 is authorized for the purpose of providing audit services for the City of San Diego fiscal year 2006 and 2007 financial statements.

Section 3. That the Auditor and Comptroller is authorized to appropriate and to transfer up to \$688,000 from the General Fund Unallocated Reserve to the General Fund Citywide Program, Department 601, to fund the above-referenced audit services.

Section 4. That a full reading of this ordinance is dispensed with prior to its final passage, a written or printed copy having been available to the City Council and the public a day prior to its final passage.

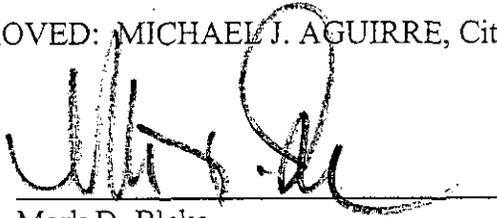
Section 5. That this ordinance is declared to take effect and be in force immediately upon its passage after two public hearings pursuant to the authority contained in sections 71, 275 and 295 of the Charter of the City of San Diego.

001253

Section 6. That the Mayor shall have no veto power over this ordinance pursuant to section 280(a)(4) of the Charter of the City of San Diego.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By



Mark D. Blake  
Chief Deputy City Attorney

MDB:jdf  
07/18/07  
AC2800035  
Or.Dept:Auditor and Comptroller  
O-2008-14

001255

**Sara Richardson - Ordinance needed for Item 334B from 7/24/07**

---

**From:** Sara Richardson  
**To:** Catherine Bradley; Karen Heumann; Kathleen Tenwolde  
**Date:** 7/25/2007 10:48 AM  
**Subject:** Ordinance needed for Item 334B from 7/24/07  
**CC:** Elizabeth Maland; Peggy Rogers; Salam Hasenin

---

Please see attached clerk's memo.

Sara Richardson  
Legislative Recorder  
Office of the City Clerk  
(619) 533-4018

*Rec'd  
Keri  
Ordinance  
8/3/07*

001257

CITY OF SAN DIEGO  
MEMORANDUM  
533-4000

DATE: July 25, 2007  
TO: CITY ATTORNEY  
FROM: Office of the City Clerk/Sara Richardson  
SUBJECT: Item 334b of Tuesday, July 24, 2007, Council Meeting

---

**PLEASE NOTE: ORDINANCE COMING BACK ON TUESDAY,  
SEPTEMBER 4, 2007. TO ENSURE THE ORDINANCE MEETS THE  
DOCKET DEADLINE, PLEASE PROVIDE A.S.A.P.**

ITEM-334: Two actions related to City's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending June 30, 2004 and Considering Sole Source Agreements with Macias, Gini & O'Connell for Fiscal Years 2006 and 2007 CAFR Audits.

(See Report to the City Council 07-121.)

**TODAY'S ACTIONS ARE:**

Adopt the following resolution in Subitem A and introduce the ordinance in Subitem B:

Subitem-A: (R-2008-34) ADOPTED AS RESOLUTION R-302879

Receiving and filing the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004, together with the Report on Audit Procedures;

Receiving and filing the 2004 Single Audit.

Subitem-B: (O-2008- ) INTRODUCED; TO BE ADOPTED  
TUESDAY, SEPTEMBER 4, 2007

Introduction of an Ordinance approving a sole source agreement with Macias, Gini & O'Connell and expenditure in an amount not to exceed \$1,114,830 for the audit of the Fiscal Year 2006 CAFR;

001258

Approving a sole source agreement with Macias, Gini & O'Connell and expenditure in an amount not to exceed \$1,159,710 for the audit of the Fiscal Year 2007 CAFR;

Authorizing the City Auditor and Comptroller to appropriate, transfer, and expend up to \$688,000 from the Unallocated Reserve to the appropriate fund to pay the General Fund portion of these expenditures that exceed previously budgeted amounts;

Directing the City Attorney to prepare the appropriate ordinance in accordance with Charter Section 40.

**AUDIT COMMITTEE'S RECOMMENDATION:**

On 7/9/2007, Audit voted 3 to 0 to forward the City's Fiscal Year 2004 Comprehensive Annual Financial Report, including the opinion and report of Macias Gini & O'Connell, each dated May 11, 2007 (the "2004 CAFR") to the full City Council, with a recommendation by the Audit Committee that the City Council receive and file the 2004 CAFR. (Councilmembers Faulconer, Atkins, and Young voted yea.)

**SUPPORTING INFORMATION:**

Consistent with the remedial recommendation contained in the Report of the Audit Committee of the City of San Diego (Kroll Report) dated August 8, 2006, staff provided the 2004 CAFR to the City Council for their review two weeks prior to consideration by the Council. Staff simultaneously presented the CAFR to the City of San Diego Audit Committee during two open meetings of the Audit Committee, at the conclusion of the second meeting the Audit Committee unanimously voted to recommend that the full City Council receive and file the 2004 CAFR.

At this meeting staff is recommending that it be received by the City Council as final. This document has been approved by the City's Disclosure Practices Working Group (DPWG) and the certificate of approval.

The public may obtain a copy of the City's 2004 CAFR on the City website at no charge.

**FISCAL CONSIDERATIONS:**

None.

001259

PREVIOUS COUNCIL and/or COMMITTEE ACTION:  
Audit Committee on 7/9/2007.

Levin/Goldstone

Aud. Certs. 2800035 and 2700375.

**COUNCIL ACTION WAS:**

Motion by Faulconer to adopt the resolution in Subitem A and introduce the ordinance in Subitem B.

**COUNCIL VOTE WAS:**

Unanimous; Maienschein not present.

ELIZABETH S. MALAND  
City Clerk

By: Sara Richardson, Deputy

001261

**AGREEMENT**  
**BETWEEN THE CITY OF SAN DIEGO**  
**AND**  
**MACIAS GINI & O'CONNELL LLP**  
**FOR AUDIT SERVICES**

001262

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001263

AGREEMENT

THIS AGREEMENT is made between the City of San Diego [the City], a municipal corporation, and Macias Gini & O'Connell LLP [the Firm].

**1. Scope of Work**

- A. The Firm agrees to accomplish the Scope of Work in Attachment "A".
- B. Direction of Audit Services:
  - (1) General Services under this Agreement shall be performed under the direction of the Chief Financial Officer of the City with oversight by the Audit Committee of the City Council of the City of San Diego.
  - (2) The Firm, the Chief Financial Officer and the Audit Committee agree to consult regularly, and at least monthly, as to the level of effort by the Firm which is appropriate in performing the services under this Agreement.
  - (3) General Services under this Agreement are more fully explained in the Engagement Letter between the City and the Firm, Attachment "C".

**2. Compensation**

- A. Maximum Contract Amount:
  - (1) The Firm agrees to accomplish the Scope of Work within the budget contained in the schedule of Financial Statement Audit Fees, Attachment "B".
  - (2) The City shall not be obligated to pay the Firm more than the amounts stated in Attachment "B", Financial Statement Audit Fees, unless the City makes a request for the performance of additional Audit Services under this Agreement. Additional services and compensation must be agreed to in a writing executed by the City and the Firm.

**B. Records:**

The individual disbursement records customarily maintained by the Firm for billing evaluation and review purposes shall be made available to the City, if requested, in support of bills rendered by the Firm.

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C. Invoices:

The Firm agrees to forward to the City a statement of account for each one month period of services under this Agreement, and the City agrees to compensate the Firm on this basis.

The Firm will submit monthly invoices to the City for services rendered the previous month. Invoices shall include a distinct identification number. Both the amount invoiced for the billing period and the total amount then owed (the balance forward) shall be set forth. The parties agree that if the City questions any item on an invoice, the Firm will provide all supporting information to substantiate the billing and will make any appropriate adjustments.

**3. Termination**

This Agreement may be terminated: (1) at any time by mutual consent of both parties, or (2) by either party in its discretion effective on thirty (30) days written notice to the other.

**4. Independent Contractor**

The Firm shall perform services as an independent contractor. It is understood that this contract is for unique professional services. Accordingly, the duties specified in this Agreement may not be delegated by the Firm without the prior written consent of the City. Retention of the Firm is based on the particular professional expertise of the individuals rendering the services required in the Scope of Work.

**5. Acceptability of Work**

City shall decide all questions regarding the quality or acceptability of the services performed and the amount of compensation due. In the event the Firm disagrees with the City's determination, the Firm shall inform the City in writing of the disagreement. Within ten business days of the Firm's notice, the Firm shall prepare a report which supports its position and file it with the City. The City shall then, with reasonable diligence, determine the quality or acceptability of the work, the manner of performance, and/or the compensation payable to the Firm.

**6. Indemnification**

The Firm agrees to defend, indemnify, protect, and hold the City and its elected officials, officers, agents, employees, and representatives harmless from all claims which arise from or are directly connected with the Firm's negligence or failure to perform the work or other obligations under this Agreement, and from all expenses of investigating and defending against same. This duty to defend, indemnify, protect, and hold harmless shall not include any claim based upon the alleged errors or omissions of the Firm related to the rendering of or the failure to render professional services arising from the sole negligence or willful misconduct of the City, its officers, agents, or employees.

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**7. Insurance**

The Firm shall not commence work under this Agreement until it has obtained insurance. At its expense, the Firm shall take out and maintain in full force and effect at all times during the term of this Agreement the following policies of insurance:

- A. Commercial general liability insurance for personal for personal injury, bodily injury, and property damage, with limits of one million dollars (\$1,000,000) per occurrence, subject to an annual aggregate of two million dollars (\$2,000,000) for general liability, completed operations, and personal injury.
- B. For all of the Firm's employees who are subject to this Agreement, Workers' Compensation Insurance as required by the State of California and Employers' Liability Coverage in an amount of not less than one million dollars (\$1,000,000) per occurrence.
- C. Automobile insurance for all of the Firm's automobiles, including owned, hired, and non-owned automobiles, for bodily injury, and property damage providing coverage to a combined single limit of one million dollars (\$1,000,000) per occurrence.
- D. Errors and omissions insurance in an amount not less than one million dollars (\$1,000,000) per claim with an annual aggregate of two million dollars (\$2,000,000).
- E. All insurance required by this Agreement shall be issued only by insurers rated "A-, VII" or better in the most recent edition of the AM Best Key Rating Guide, which are licensed to do business in the State of California and have been approved by the City.

**8. Drug Free Work Place**

The Firm agrees to comply with the City's Drug-Free Workplace requirements. Every person awarded a contract by the City for the provision of services shall certify to the City that it will provide a drug-free workplace. Any subcontract entered into by the Firm pursuant to this Agreement shall contain this provision. The Firm shall certify to the City that it will provide a drug-free workplace by submitting a Certification for a Drug-Free Workplace form attached as Exhibit "B."

**9. Equal Opportunity Program**

The Firm agrees to be bound by and comply with the City's Equal Opportunity Contracting Program [EOCP] set forth in Exhibit "C" of this Agreement. The Firm shall

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complete and submit to the City the Work Force Activity Report, Contract Activity Report, and Subconsultants List attached as attachments AA, BB, and CC to Exhibit "C." The statistical information shall include the amount of subcontracting provided by firms during the period covered by the Report. With the Report, the Firm shall provide an invoice from each subconsultant, if any, listed in the Report. The Firm agrees to issue payment to each firm listed in the Report within 14 days of receiving payment from the City for subconsultant services. The Firm shall ensure that its subconsultants comply with the City's EOCP requirements. Nothing in this section is intended to hold the Firm liable for any discriminatory practice of its subconsultants.

**10. Non Discrimination Ordinance**

The Firm shall not discriminate on the basis of race, gender, religion, national origin, ethnicity, sexual orientation, age, or disability in the solicitation, selection, hiring or treatment of its employees, any applicant for employment, any subcontractors, vendors, or suppliers. The Firm shall provide equal opportunity for subcontractors to participate in subcontracting opportunities. The Firm understands and agrees that violation of this clause shall be considered a material breach of this Agreement and may result in contract termination, debarment, or other sanctions.

**11. Compliance Investigations**

Upon the City's request, the Firm agrees to provide the City, within 60 days, a truthful and complete list of the names of all subconsultants, vendors, and suppliers that the Firm has used in the past five years on any of its contracts that were undertaken within San Diego County, including the dollar amount paid by the Firm for each subcontract or supply contract. The Firm further agrees to fully cooperate in any investigation conducted by the City pursuant to the City's Nondiscrimination in Contracting Ordinance (San Diego Municipal Code sections 22.3501 through 22.3517) [Ordinance]. The Firm understands and agrees that a violation of this Article shall be considered a material breach of this Agreement and may result in remedies being ordered against the Firm up to and including termination of this Agreement, debarment, and other sanctions for violation of the provisions of the Ordinance. The Firm further understands and agrees that the procedures, remedies, and sanctions provided for in the Ordinance apply only to violations of the Ordinance.

**12. Americans with Disabilities Act**

Every person or organization awarded a contract, lease, or grant by the City of San Diego acknowledges and agrees to comply with Council Policy 100-04, adopted by Resolution No. 282153 relating to the federally mandated Americans with Disabilities Act [ADA]. The Firm will be individually responsible for its own ADA program.

**13. Effective Date and Term**

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The Effective Date of this Agreement will be the date on which the last party to execute this Agreement signs it. The Term of this Agreement will be from the Effective Date through completion of the FY2007 audit.

**14. Notices**

In all cases where written notice is to be given under this Agreement, service shall be sufficient if the notice is deposited in the United States mail, postage paid. The notice shall be effective from the date of mailing. The notice shall be addressed as follows:

To the City:

Jay M. Goldstone  
Chief Financial Officer  
City of San Diego  
202 C Street, MS 9  
San Diego, CA. 92101

With a copy to:

Audit Committee Chairperson  
City of San Diego  
202 C Street, MS 10  
San Diego, CA. 92101

To the Firm – Notification:

Jim Godsey, Partner  
Macias Gini & O'Connell LLP  
515 South Figueroa Street, Ste 325  
Los Angeles, CA 90071

To the Firm – Invoice Payment:

Macias Gini & O'Connell LLP  
3000 S Street, Ste 300  
Sacramento, CA 95816

**15. Headings**

All Article Headings are for convenience only and shall not affect the construction or interpretation of this Agreement.

**16. Time of Essence**

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Time is of the essence for each provision of this Agreement.

**17. Municipal Powers**

Nothing contained in this Agreement shall be construed as a limitation upon the powers of the City as a chartered city of the State of California.

**18. California Law**

This Agreement shall be construed and interpreted in accordance with the laws of the State of California. The Firm agrees to submit to the personal jurisdiction of any state court in the City of San Diego, the State of California for any dispute, claim or matter.

**19. Integrated Agreement**

This Agreement including Attachments and/or Exhibits contains all of the Agreements of the parties. This Agreement cannot be amended or modified except by written agreement, mutually agreed upon and executed by the City and the Firm.

**20. Severability**

The unenforceability, invalidity or illegality of any provision of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

**21. Waiver**

The failure of the City to enforce a particular condition or provision of this Agreement shall not constitute a waiver of that condition or provision or its enforceability.

**22. Maintenance of Records**

The Firm shall maintain books, records, logs, documents, and other evidence sufficient to record all actions taken with respect to the rendering of the services described in its Agreement and for a period of three years following completion of the services pursuant to this Agreement. The Firm agrees to allow the City to inspect, copy, and audit such books, records, documents, and other evidence at all reasonable times.

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IT IS AGREED:

CITY OF SAN DIEGO

Date: \_\_\_\_\_

By: \_\_\_\_\_

Jay M. Goldstone  
Chief Financial Officer

Macias Gini & O'Connell LLP

Date: \_\_\_\_\_

By: \_\_\_\_\_

Jim Godsey, Partner

APPROVED AS TO FORM AND LEGALITY:

CITY OF SAN DIEGO

Michael Aguirre, City Attorney

Date: \_\_\_\_\_

By: \_\_\_\_\_

Mark D. Blake  
Chief Deputy City Attorney

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ATTACHMENTS

Attachment "A" Scope of Work

Attachment "B" Financial Statement Audit Fees

Attachment "C" Engagement Letter

EXHIBITS

Exhibit B Drug-Free Workplace Certification

Exhibit C EOCP Requirements and Reports

**City of San Diego**  
**Scope of Work – Fiscal Years 2006 & 2007**  
**Independent Audit of Financial Statements**

The audit period shall encompass Fiscal Years 2005-2006 and 2006-2007, which end on June 30, 2006 and June 30, 2007, respectively. The auditor will conduct the audit of relevant statements and schedules sufficient to enable the certified public accounting firm to express an informed written opinion on:

- 1) The fair presentation of the financial position and changes in financial position of the governmental activities, business-type activities, each major fund, the aggregate remaining other fund information, and fiduciary funds in conformity with Generally Accepted Accounting Principles (GAAP) in the United States for the years ended June 30, 2006 and June 30, 2007 enabling the City to meet the requirements of the Government Finance Officers Association (GFOA) Certificate of Achievement of Excellence in Financial Reporting.
- 2) Financial and compliance audits under the Single Audit Act and OMB Circular A-133. The internal accounting and other control systems as required by the Single Audit. Audits will meet required standards as revised by Generally Accepted Audit Standards (GAAS) guidelines and Generally Accepted Governmental Auditing Standards (GAGAS), issued by the Comptroller General of the United States.
- 3) The Auditor may issue a management letter to the extent considered appropriate, or as requested by the City. The auditor may recommend improvement in any areas brought to its attention during the course of the audit.
- 4) The Auditor will conduct an annual review of the Kroll Report Remediation Plan.

The Auditor will issue its report with respect to the following:

- 1) The City of San Diego Comprehensive Annual Financial Report, which includes the basic financial statements, Management's Discussion and Analysis, other Required Supplementary Information, combined and Individual Fund Statements, and statistical data for the fiscal years ended June 30, 2006 and June 30, 2007.
- 2) The City of San Diego Water Utility Annual Financial Report.
- 3) The City of San Diego Sewerage Utility Annual Financial Report with supplemental separate opinions for the Municipal, Metropolitan, and Clean

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Water Programs, as required, including the allocation for billing Metropolitan System of the City of San Diego Sewer Utility.

- 4) City of San Diego Appropriation Limit Worksheet (GANN Limit).
- 5) The Individual Annual Financial Statements for the following:

- Redevelopment Agency
- Southeastern Economic Development Corporation
- Centre City Development Corporation
- San Diego Convention Center Corporation
- San Diego Data Processing Corporation
- City of San Diego – schedule related to Naval Training Center
- Economic Development Conveyance
- San Diego World Trade Center
- San Diego Open Space Park Facilities District 1
- San Diego Facilities and Equipment Leasing Corporation
- City of San Diego Metropolitan Transit Development Board Authority
- Public Facilities Financing Authority of the City of San Diego
- Abandoned Vehicle Abatement Authority
- San Diego Medical Services Enterprise, LLC
- San Diego Convention Center Expansion Authority

Any additional related entity audits, as required, which would be included as part of the comprehensive Annual Audit (fees to be negotiated).

- 6) The Single Audit Act of 1984, Federal Public Law 98-502 and OMB Circular A-133 for the following:

- City of San Diego
- Redevelopment Agency

- 7) Audit services performed in order for the audit firm to consent to inclusion of the annual financial statement in the official statements of respective debt issues.

The San Diego Housing Commission will be audited by another outside auditor and will not be included in this scope of work.

The audit of the San Diego City Employees Retirement System Annual Financial Report will also be conducted by the Firm, but is the subject of a separate Agreement and not included in this scope of work.

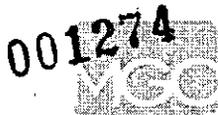
Please contact the Audit Committee Chairperson or Jay M. Goldstone, Chief Financial Officer (619-236-5941, [JGoldstone@sandiego.gov](mailto:JGoldstone@sandiego.gov)) if you have any questions regarding this scope of work for the Fiscal Years 2006 & 2007 Financial Statements.

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Attachment B

CITY OF SAN DIEGO  
 MACIAS, GINI & O'CONNELL, LLP  
 FINANCIAL STATEMENT AUDIT FEES

Fiscal Years Ended June 30		
	2006	2007
Comprehensive Annual Financial Report (including management letter)	\$ 598,159	620,548
Annual Review of Remediation Plan	30,000	20,000
Water Utility	82,229	87,163
Sewer Utility	64,243	68,098
GANN Appropriations Limit	1,616	1,713
San Diego Open Space Park Facilities District 1	5,597	5,933
San Diego Facilities and Equipment Leasing Corp.	6,537	6,930
San Diego Metropolitan Transit Development Board Authority	6,301	6,679
Public Facilities Authority	6,537	6,930
Abandoned Vehicle Abatement Authority	4,668	4,948
San Diego Convention Center Expansion Authority	6,537	6,930
Redevelopment Agency	80,417	85,242
Single Audit - City	71,812	76,120
Single Audit - RDA	22,606	23,963
Single Audit - SDHC	-	-
Single Audit - CCDC	-	-
Single Audit - SEDC	-	-
Annual Surplus Undistributed Earnings Statement	9,059	9,602
SD Convention Center Corp	20,000	21,000
SD Data Processing Center	17,511	22,050
SD Housing Commission	-	-
SD Centre City Development Corp	15,302	16,220
Southeastern Economic Development Corp	12,360	13,102
SD Medical Services Enterprise, LLC	27,500	29,150
San Diego World Trade Center	18,706	19,828
City of San Diego - Naval Training Center Econ Dev Conveyance	7,133	7,561
<b>Total all-inclusive maximum price</b>	<b>\$ 1,114,830</b>	<b>1,159,710</b>



MACIAS GINI & O'CONNELL LLP  
 CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300  
 Sacramento, CA 95816  
 916.978.1600

2175 N. California Boulevard, Suite 645  
 Walnut Creek, CA 94596  
 925.774.0199

515 S. Figueroa Street, Suite 325  
 Los Angeles, CA 90071  
 213.266.6800

402 West Broadway, Suite 400  
 San Diego, CA 92101  
 619.593.1112

April 5, 2007

Mr. Jay Goldstone  
 Chief Financial Officer

Members of the Audit Committee  
 City of San Diego  
 202 C Street  
 City Administration Building  
 San Diego, CA 92101

To Mr. Goldstone and the Members of the Audit Committee:

We are pleased to reconfirm our understanding of the services we are to provide the City of San Diego (City), for the fiscal years ended June 30, 2006 and 2007. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the City's basic financial statements, as of and for the years ended June 30, 2006 and 2007. The San Diego Housing Commission component unit is not audited by our firm. As a result, we will make reference to the work performed by other firms in our audit opinion on the City's basic financial statements. The following supplementary information accompanying the basic financial statements is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis
- Schedule of funding progress
- Budgetary comparison schedule

Our engagement will also include combining and individual fund financial statements and schedules, and our single audit report will include the schedule of expenditures of federal awards that will not be audited, but will be subject to "in-relation-to" procedures applied during the audit of the basic financial statements.

The City's Comprehensive Annual Financial Report (CAFR) will include additional information required by the Government Finance Officers Association that will not be audited by us, including the introductory and statistical sections, which are prepared by the City.

In addition to our audit of the basic financial statements of the City, we will also audit and separately report on the following component unit financial statements;

San Diego Redevelopment Agency (Redevelopment Agency),  
 Southeastern Development Corporation (SEDC),  
 Centre City Development Corporation (CCDC),  
 San Diego Convention Center Corporation,  
 San Diego Medical Services Enterprise LLC,  
 San Diego Data Processing Corporation (SDDPC),  
 San Diego Open Space Park Facilities District 1 (Open Space),

San Diego Facilities and Equipment Leasing Corporation (FELC),  
City of San Diego Metropolitan Development Board Authority (MTDBA),  
Public Facilities Financing Authority (PFFA), and the  
Convention Center Expansion Financing Authority (CCEFA).

Our audit of the Redevelopment Agency financial statements will include the related schedule of expenditures of federal awards that will not be audited, but will be subject to "in-relation-to" procedures applied during the audit of the Redevelopment Agency's financial statements.

We will also audit and separately report on the individual fund financial statements of the City of San Diego Water Utility (Water Utility), the City of San Diego Sewerage Utility and the allocation of costs billed out by the Metropolitan System of the City of San Diego Sewer Utility. We will audit the City of San Diego schedule related to Naval Training Center Economic Development Conveyance, the San Diego World Trade Center and the Abandoned Vehicle Abatement Authority (AVA) which is a related entity audit for the City.

Finally, our engagement will include performing agreed-upon procedures related to compliance with appropriations limit requirements of Section 1.5 of Article XIII B of the California Constitution, procedures related to the Annual Review of the City's Remediation Plan and procedures related to the Annual Surplus Undistributed Earnings Statement.

#### **Audit Objectives**

The objective of our audits is the expression of opinions as to whether the financial statements listed above are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information when considered in-relation-to the financial statements taken as a whole. The objective also includes reporting on:

- Internal control related to the corresponding financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements and grants, noncompliance with which could have a material effect on the corresponding financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the audit committee, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major programs in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements or the Single Audit compliance opinions are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Professional standards require that when the auditor becomes aware of information concerning a possible illegal act, the auditor must perform certain procedures. Specifically, these standards state that when the auditor becomes aware of information concerning a possible illegal act, the auditor should obtain an understanding of the nature of the act, the circumstances in which it occurred, and sufficient other information to evaluate the effect on the financial statements. In doing so, the auditor should inquire of management at a level above those involved, if possible.

If management does not provide satisfactory information that there has been no illegal act, the auditor should –

- a. Consult with the client's legal counsel or other specialists about the application of relevant laws, regulations to the circumstances and the possible effects on the financial statements. Arrangements for such consultation with client's legal counsel should be made by the client.
- b. Apply additional procedures, if necessary, to obtain further understanding of the nature of the acts.

We are also required to and will evaluate the adequacy of disclosure in the financial statements of the potential effect of an illegal act on the City's operations and to consider the implication of the illegal act in relation to other aspects of the audit, particularly the reliability of representations of management.

If we become aware of such information during the course of the audit, we will perform additional procedures as required by professional standards. These procedures will be in addition to the procedures necessary to issue our reports on the financial statements described above and we will provide you with an additional fee estimate prior to performing the additional procedures.

### **Management Responsibilities**

Management is responsible for establishing and maintaining effective internal control and for compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making all financial records and related information available to us, including any significant vendor relationships in which the vendor has the responsibility for program compliance. We understand that the City will provide us with such information required for our audits and that the City's management is responsible for the accuracy and completeness of that information. The City's management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The City is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and the respective changes in financial

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position and, where applicable, cash flows in conformity with U.S. generally accepted accounting principles.

The City's management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud or illegal acts could have a material effect on the financial statements. The City's management's responsibilities include informing us of its knowledge of any allegations of fraud or suspected fraud or illegal acts affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, the City's management is also responsible for identifying and ensuring that the City complies with applicable laws and regulations and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report. With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites, or to consider the consistency of other information in the electronic site with the original document. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. As part of the audit, we will prepare a draft of your schedule of expenditures of federal awards, and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

#### **Audit Procedures- General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the *financial statements*; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violation of laws or governmental regulations that are attributable to the City or to acts by the City's management or employees acting on behalf of the City. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. As required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, our audit of the financial statements will include tests of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of

receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from the City's attorneys as part of the engagement and they may bill the City for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from City's management about the financial statements and related matters.

**Audit Procedures-Internal Controls**

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinions on the City's financial statements and on its compliance with requirements applicable to major programs.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control, and accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls, and accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, we will inform the Audit Committee of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We will also inform the City of any nonreportable conditions or other matters involving internal control, if any, as required by *Government Auditing Standards* and OMB Circular A-133.

**Audit Procedures-Compliance**

Our audit will be conducted in accordance with the standards referred to in the section titled *Audit Objectives*. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of the applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major

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programs. The purpose of those procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

**Audit Administration and Other**

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to your Company in the performance of our services. Any discussions that you have with personnel of our Firm regarding employment could pose a threat to our independence. Therefore, you agree to inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence. In addition, if you hire one of our personnel, you agree to pay us a fee of 20% of that individual's base compensation at your Company 90 days from the first day of employment.

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will provide copies of our reports to the City; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports and a corrective action plan) along with the Data Collection form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits. At the end of the audit, we will provide information to management as to where the reporting packages should be submitted and the number to submit.

The audit documentation for this engagement is the property of Macias Gini & O'Connell LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to United States Department of Housing & Urban Development (HUD) or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Macias Gini & O'Connell LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release or for any additional period requested by the City, HUD or other pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our fees for this engagement are listed in the attached document as appendix A. The fees listed are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

*Government Auditing Standards* require that we provide the City with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2006 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the City and believe this letter accurately summarizes

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the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*Macias Gini & O'Connell LLP*

MACIAS GINI & O'CONNELL LLP  
Certified Public Accountants

By:

Jim Godsey, CPA  
Partner

Attachment 1

cc:  
Mr. Greg Levin

RESPONSE:

This letter correctly sets forth the understanding of the City of San Diego.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

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EXHIBIT "B"

**CONSULTANT CERTIFICATION FOR A DRUG-FREE WORKPLACE**

**PROJECT TITLE: FY2006 AND FY2007 AUDITS**

I hereby certify that I am familiar with the requirement of San Diego City Council Policy No. 100-17 regarding Drug-Free Workplace as outlined in the request for proposals, and that:

MACIAS, GINI & O'CONNELL, LLP

has in place a drug-free workplace program that complies with said policy. I further certify that each subcontract agreement for this project contains language which indicates the Subconsultants agreement to abide by the provisions of Section 4.9.1 subdivisions A through C of the policy as outlined.

Signed \_\_\_\_\_

Printed Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

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CITY OF SAN DIEGO, CALIFORNIA  
**COUNCIL POLICY**

**CURRENT**

SUBJECT: DRUG-FREE WORKPLACE/CITY CONTRACTORS  
POLICY NO.: 100-17  
EFFECTIVE DATE: May 20, 1991

BACKGROUND:

The issue of substance abuse, the misuse of both legal and illegal drugs, has been identified as a major problem. It is well documented that substance abuse in the workplace can negatively impact employee performance, worker safety and the safety of the general public.

PURPOSE:

It is the intent of the City Council that the City of San Diego take a leadership role in addressing the issue of drug abuse in the workplace. It is the purpose of this policy to establish the requirement that all City construction contractors, consultants, grantees and providers of non-professional services agree to comply with this Drug-Free Workplace Policy.

POLICY:

Section 1. Definitions

- A. "Drug-free workplace" means a site for the performance of work done in connection with a contract let by City of San Diego for the construction, maintenance, or repair of any facility or public work by an entity at which employees of the entity are prohibited from engaging in the *unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance* in accordance with the requirements of this section.
- B. "Employee" means the employee of a contractor directly engaged in the performance of work pursuant to a contract as described in Section 2.
- C. "Controlled substance" means a controlled substance in schedules I through V of Section 202 of the Controlled Substance Act (21 U.S.C. Sec. 812).
- D. "Contractor" means the department, division, or other unit of a person or organization responsible to the contractor for the performance of a portion of the work under the contract.

Section 2. City Contractor Requirements

- A. Every person or organization awarded a contract or grant by the City of San Diego for the provision of services shall certify to the City that it will provide a drug-free workplace by doing all of the following:
  - (1) Publishing a statement notifying employees that the *unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited in the person's organization's workplace* and specifying the actions that will be taken against employees for violations of the prohibition.

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CITY OF SAN DIEGO, CALIFORNIA  
**COUNCIL POLICY**

**CURRENT**

(2) Establishing a drug-free awareness program to inform employees about all of the following:

- (a) The dangers of drug abuse in the workplace.
- (b) The person's or organization's policy of maintaining a drug-free workplace.
- (c) Any available drug counseling, rehabilitation, and employee assistance programs.
- (d) The penalties that may be imposed upon employees for drug abuse violations.

(3) Posting the statement required by subdivision (1) in a prominent place at contractors main office. For projects large enough to necessitate a construction trailer at the job site, the required signage would also be posted at the job site.

B. Contractors shall include in each subcontract agreement language which indicates the subcontractor's agreement to abide by the provisions of subdivisions (1) through (3) inclusive of Section 2A. Contractors and subcontractors shall be individually responsible for their own drug-free workplace programs.

HISTORY:

Adopted by Resolution R-277952 05/20/1991

EQUAL OPPORTUNITY CONTRACTING PROGRAM (EOCP)  
CONSULTANT REQUIREMENTS

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I. **City's Equal Opportunity Commitment.** The City of San Diego (City) is strongly committed to equal opportunity for employees and subconsultants of professional service consultants doing business with the City. The City encourages its consultants to share this commitment. Prime consultants are encouraged to take positive steps to diversify and expand their subconsultant solicitation base and to offer consulting opportunities to all eligible subconsultants.

II. **Nondiscrimination in Contracting Ordinance.** All consultants and professional service providers doing business with the City, and their subconsultants, must comply with requirements of the City's *Nondiscrimination in Contracting Ordinance*, San Diego Municipal Code Sections 22.3501 through 22.3517.

A. Proposal Documents to include Disclosure of Discrimination Complaints. As part of its bid or proposal, Proposer shall provide to the City a list of all instances within the past ten (10) years where a complaint was filed or pending against Proposer in a legal or administrative proceeding alleging that Proposer discriminated against its employees, subconsultants, vendors, or suppliers, and a description of the status or resolution of that complaint, including any remedial action taken.

B. Contract Language. The following language shall be included in contracts for City projects between the consultant and any subconsultants, vendors, and suppliers:

Consultant shall not discriminate on the basis of race, gender, religion, national origin, ethnicity, sexual orientation, age, or disability in the solicitation, selection, hiring, or treatment of subcontractors, vendors, or suppliers. Consultant shall provide equal opportunity for subconsultants to participate in subconsulting opportunities. Consultant understands and agrees that violation of this clause shall be considered a material breach of the contract and may

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result in contract termination, debarment, or other sanctions.

- C. Compliance Investigations. Upon the City's request, Consultant agrees to provide to the City, within sixty (60) calendar days, a truthful and complete list of the names of all Subconsultants, vendors, and suppliers that Consultant has used in the past five (5) years on any of its contracts that were undertaken within San Diego County, including the total dollar amount paid by Consultant for each subcontract or supply contract. Consultant further agrees to fully cooperate in any investigation conducted by the City pursuant to the City's *Nondiscrimination in Contracting Ordinance*, Municipal Code Sections 22.3501 through 22.3517. Consultant understands and agrees that violation of this clause shall be considered a material breach of the contract and may result in remedies being ordered against the Consultant up to and including contract termination, debarment and other sanctions for violation of the provisions of the *Nondiscrimination in Contracting Ordinance*. Consultant further understands and agrees that the procedures, remedies and sanctions provided for in the *Nondiscrimination in Contracting Ordinance* apply only to violations of the *Ordinance*.

**III. Equal Employment Opportunity.** Consultants shall comply with requirements of San Diego Ordinance No. 18173, Section 22.2701 through 22.2707, *Equal Employment Opportunity Outreach Program*. Consultants shall submit a *Work Force Report* or an *Equal Employment Opportunity (EEO) Plan* to the Program Manager of the City of San Diego Equal Opportunity Contracting Program (EOCP) for approval.

- A. Work Force Report. If a *Work Force Report* (Attachment AA) is submitted, and an EOCP staff Work Force Analysis determines there are under representation when compared to County Labor Force Availability data, Consultant will be required to submit an *Equal Employment Opportunity Plan*.
- B. Equal Employment Opportunity Plan. If an *Equal Employment Opportunity Plan* is submitted, it must include at least the following assurances that:
1. The Consultant will maintain a working environment free of discrimination, harassment, intimidation and coercion at all sites and in all facilities at which the Consultant's employees are assigned to work;
  2. A responsible official is designated to monitor all employment related activity to ensure the Consultant's EEO Policy is being carried out and to submit reports relating to EEO provisions;
  3. Consultant disseminates and reviews its EEO Policy with all employees at least once a year, posts the policy statement and EEO posters on all company bulletin boards and job sites, and documents every dissemination review and posting with a written record to identify the time, place, employees present, subject matter, and disposition of meetings;

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4. The Consultant reviews, at least annually, all supervisor's adherence to and performance under the EEO Policy and maintains written documentation of these reviews;
5. The Consultant discusses its EEO Policy Statement with subconsultants with whom it anticipates doing business, includes the EEO Policy Statement in its subcontracts, and provides such documentation to the City upon request;
6. The Consultant documents and maintains a record of all bid solicitations and outreach efforts to and from subconsultants, consultant associations and other business associations;
7. The Consultant disseminates its EEO Policy externally through various media, including the media of people of color and women, in advertisements to recruit, maintains files documenting these efforts, and provides copies of these advertisements to the City upon request;
8. The Consultant disseminates its EEO Policy to union and community organizations;
9. The Consultant provides immediate written notification to the City when any union referral process has impeded the Consultant's efforts to maintain its EEO Policy;
10. The Consultant maintains a current list of recruitment sources, including those outreaching to people of color and women, and provides written notification of employment opportunities to these recruitment sources with a record of the organizations' responses;
11. The Consultant maintains a current file of names, addresses and phone numbers of each walk-in applicant, including people of color and women, and referrals from unions, recruitment sources, or community organizations with a description of the employment action taken;
12. The Consultant encourages all present employees, including people of color and women employees, to recruit others;
13. The Consultant maintains all employment selection process information with records of all tests and other selection criteria;
14. The Consultant develops and maintains documentation for on-the-job training opportunities and/or participates in training programs for all of its employees, including people of color and women, and establishes apprenticeship, trainee, and upgrade programs relevant to the Consultant's employment needs;

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15. The Consultant conducts, at least annually, an inventory and evaluation of all employees for promotional opportunities and encourages all employees to seek and prepare appropriately for such opportunities;
16. The Consultant ensures the company's working environment and activities are non-segregated except for providing separate or single-user toilets and necessary changing facilities to assure privacy between the sexes;
17. The Consultant establishes and documents policies and procedures to ensure job classifications, work assignments, promotional tests, recruitment and other personnel practices do not have a discriminatory effect; and
18. The Consultant is encouraged to participate in voluntary associations, which assist in fulfilling one or more of its non-discrimination obligations. The efforts of a consultant association, consultant/community professional association, foundation or other similar group of which the Consultant is a member will be considered as being part of fulfilling these obligations, provided the Consultant actively participates.

**IV. Equal Opportunity Contracting.** Prime consultants are encouraged to take positive steps to diversify and expand their subconsultant solicitation base and to offer contracting opportunities to all eligible subconsultants. To support its Equal Opportunity Contracting commitment, the City has established a voluntary *subconsultant participation level*.

**A. Subconsultant Participation Level**

1. Projects valued at \$25,000 or more have a voluntary Subconsultant Participation Level goal of 15%. Goals are achieved by contracting with any combination of Minority Business Enterprise (MBE), Women Business Enterprise (WBE), Disadvantaged Business Enterprise (DBE), Disabled Veteran Business Enterprise (DVBE) or Other Business Enterprise (OBE) level.
2. While attainment of the 15% Subconsultant Participation Level goal is strictly voluntary, the City encourages diversity in your outreach and selection efforts. Historical data indicates that of the overall 15% goal, 25% to 30% Disadvantaged Business Enterprise (DBE) and 1% to 3% Disabled Veteran Business Enterprise (DVBE) participation is attainable. The remaining percentages may be allocated to Other Business Enterprises (OBE). Participation levels may be used as a tiebreaker in cases of an overall tie between two or more firms.

**B. Contract Activity Reports.** To permit monitoring of the successful Consultant's commitment to achieving compliance, *Contract Activity Reports* (Attachment

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BB) reflecting work performed by subconsultants shall be submitted quarterly for any work covered under an executed contract.

V. **Demonstrated Commitment to Equal Opportunity.** The City seeks to foster a business climate of inclusion and to eliminate barriers to inclusion.

A. Proposers are required to submit the following information with their proposals:

1. Outreach Efforts. Description of Proposer's outreach efforts undertaken on this project to make subconsulting opportunities available to all interested and qualified firms.
2. Past Participation Levels. Listing of Proposer's subconsultant participation levels achieved on all private and public projects within the past three (3) years. Include name of project, type of project, value of project, subconsultant firm's name, percentage of subconsultant firm's participation, and identification of subconsultant firm's ownership as a certified Small Business, Disadvantaged Business Enterprise, Disabled Veteran Business Enterprise, or Other Business Enterprise.
3. Equal Opportunity Employment. Listing of Proposer's strategies to recruit, hire, train and promote a diverse workforce. These efforts will be considered in conjunction with Proposer's *Workforce Report* as compared to the County's Labor Force Availability.
4. Community Activities. Listing of Proposer's current community activities such as membership and participation in local organizations, associations, scholarship programs, mentoring, apprenticeships, internships, community projects, charitable contributions and similar endeavors.

B. Consultant selection panels will consider and evaluate the Proposer's demonstrated commitment to equal opportunity including the following factors:

1. Outreach Efforts. Proposer's outreach efforts undertaken and willingness to make meaningful subconsulting opportunities available to all interested and qualified firms on this project.
2. Past Participation Levels. Proposer's subconsultant participation levels achieved on all private and public projects within the past three (3) years.
3. Equal Opportunity Employment. Proposer's use of productive strategies to successfully attain a diverse workforce as compared to the County's Labor Force Availability.
4. Community Activities. Proposer's current community activities.

VI. **List of Subconsultants.** Consultants are required to submit a *Subconsultant List* with their proposal.

A. Subconsultants List. The *Subconsultant List* (Attachment CC) shall indicate the Name and Address, Scope of Work, Percent of Total Proposed Contract Amount, Dollar Amount of Proposed Subcontract, Certification Status and Where Certified for each proposed subconsultant.

1. Subconsultants must be named on the *Subconsultants List* if they receive more than one-half of one percent (0.5%) of the Prime Consultant's fee.

B. Commitment Letters. Proposer shall also submit subconsultant *Commitment Letters* on subconsultant's letterhead, no more than one page each, from all proposed subconsultants to acknowledge their commitment to the team, scope of work, and percent of participation in the project.

VII. **Definitions.** Certified "**Minority Business Enterprise**" (MBE) means a business which is at least fifty-one percent (51%) owned by African Americans, American Indians, Asians, Filipinos, and/or Latinos and whose management and daily operation is controlled by one or more members of the identified ethnic groups. In the case of a publicly-owned business, at least fifty-one percent (51%) of the stock must be owned by, and the business operated by, one or more members of the identified ethnic groups.

Certified "**Women Business Enterprise**" (WBE) means a business which is at least fifty-one percent (51%) owned by one or more women and whose management and daily operation is controlled by the qualifying party(ies). In the case of a publicly-owned business, at least fifty-one percent (51%) of the stock must be owned by, and the business operated by, one or more women.

Certified "**Disadvantaged Business Enterprise**" (DBE) means a business which is at least fifty-one percent (51%) owned and operated by one or more socially and economically disadvantaged individuals and whose management and daily operation is controlled by the qualifying party(ies). In the case of a publicly-owned business, at least fifty-one percent (51%) of the stock must be owned by, and the business operated by, socially and economically disadvantaged individuals.

Certified "**Disabled Veteran Business Enterprise**" (DVBE) means a business which is at least fifty-one percent (51%) owned by one or more veterans with a service related disability and whose management and daily operation is controlled by the qualifying party(ies).

"**Other Business Enterprise**" (OBE) means any business which does not otherwise qualify as Minority, Woman, Disadvantaged or Disabled Veteran Business Enterprise.

VIII. **Certification.**

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A. The City of San Diego is a signatory to a Memorandum of Understanding (MOU) with the California Department of Transportation (CALTRANS), and therefore has adopted a policy regarding certification of MBE/WBE/DBE/DVBE firms. As a result of the MOU, an MBE, WBE or DBE is certified as such by any of the following methods:

1. Current certification by the City of San Diego as MBE, WBE, or DBE;
2. Current certification by the State of California Department of Transportation (CALTRANS) as MBE, WBE or DBE;
3. Current MBE, WBE or DBE certification from any participating agency in the statewide certified pool of firms known as CALCERT.

B. DVBE certification is received from the State of California's Department of General Services, Office of Small and Minority Business (916) 322-5060.

**IX. List of Attachments.**

- AA - *Work Force Report*
- BB - *Subconsultants List*
- CC - *Contract Activity Report*



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WORK FORCE REPORT - NAME OF FIRM: \_\_\_\_\_ DATE: \_\_\_\_\_

OFFICE(S) or BRANCH(ES): \_\_\_\_\_ COUNTY: \_\_\_\_\_

INSTRUCTIONS: For each occupational category, indicate number of males and females in every ethnic group. Total columns in row provided. Sum of all totals should be equal to your total work force. Include all those employed by your company on either a full or part-time basis. The following groups are to be included in ethnic categories listed in columns below:

- (1) Black, African-American
- (2) Hispanic, Latino, Mexican-American, Puerto Rican
- (3) Asian, Pacific Islander
- (4) American Indian, Eskimo
- (5) Filipino
- (6) White, Caucasian
- (7) Other ethnicity; not falling into other groups

OCCUPATIONAL CATEGORY	(1) Black		(2) Hispanic		(3) Asian		(4) American Indian		(5) Filipino		(6) White		(7) Other Ethnicities	
	(M)	(F)	(M)	(F)	(M)	(F)	(M)	(F)	(M)	(F)	(M)	(F)	(M)	(F)
Management & Financial														
Professional														
A&E, Science, Computer														
Technical														
Sales														
Administrative Support														
Services														
Crafts														
Operative Workers														
Transportation														
Laborers*														

\*Construction laborers and other field employees are not to be included on this page

Totals Each Column														
--------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Grand Total All Employees

Non-Profit Organizations Only:

Board of Directors														
Volunteers														
Artists														



### HISTORY

The Work Force Report (WFR) is the document that allows the City of San Diego to analyze the work forces of all firms wishing to do business with the City. We are able to compare the firm's work force data to County Labor Force Availability (CLFA) data derived from the United States Census. CLFA data is a compilation of lists of occupations and includes the percentage of each ethnicity we track (Black, Hispanic, Asian, American Indian, Filipino) for each occupation. Currently, our CLFA data is taken from the 2000 Census. In order to compare one firm to another, it is important that the data we receive from the consultant firm is accurate and organized in the manner that allows for this fair comparison.

### WORK FORCE & BRANCH WORK FORCE REPORTS

When submitting a WFR, especially if the WFR is for a specific project or activity, we would like to have information about the firm's work force that is actually participating in the project or activity. That is, if the project is in San Diego and the work force is from San Diego, we want a San Diego County Work Force Report.<sup>1</sup> By the same token, if the project is in San Diego, but the work force is from another county, such as Orange or Riverside County, we want a Work Force Report from that county.<sup>2</sup> For example, if participation in a San Diego project is by work forces from San Diego County, Los Angeles County and Sacramento County, we will ask for separate Work Force Reports representing the work forces of

your firm from each of the three counties.<sup>1,2</sup> On the other hand, if the project will be accomplished completely outside of San Diego, we ask for a Work Force Report from the county or counties where the work will be accomplished.<sup>2</sup>

### MANAGING OFFICE WORK FORCE

Equal Opportunity Contracting may occasionally ask for a Managing Office Work Force (MOWF) Report. This may occur in an instance where the firm involved is a large national or international firm but the San Diego or other local work force is very small. In this case, we may ask for both a local and a MOWF Report.<sup>1,3</sup> In another case, when work is done only by the Managing Office, only the MOWF Report may be necessary.<sup>3</sup>

### TYPES OF WORK FORCE REPORTS:

Please note, throughout the preceding text of this page, the superscript numbers one<sup>1</sup>, two<sup>2</sup> & three<sup>3</sup>. These numbers coincide with the types of work force report required in the example. See below:

- <sup>1</sup> One San Diego County (or Most Local County) Work Force – Mandatory in most cases
- <sup>2</sup> Branch Work Force \*
- <sup>3</sup> Managing Office Work Force

*\*Submit a separate Work Force Report for all participating branches. Combine WFRs if more than one branch per county*

### **Exhibit: Work Force Report Job categories**

Refer to this table when completing your firm's Work Force Report form(s).

#### **Management & Financial**

Advertising, Marketing, Promotions, Public Relations, and Sales Managers
Business Operations Specialists
Financial Specialists
Operations Specialties Managers
Other Management Occupations
Top Executives

#### **Professional**

Art and Design Workers
Counselors, Social Workers, and Other Community and Social Service Specialists
Entertainers and Performers, Sports and Related Workers
Health Diagnosing and Treating Practitioners
Lawyers, Judges, and Related Workers
Librarians, Curators, and Archivists
Life Scientists
Media and Communication Workers

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Other Teachers and Instructors
Postsecondary Teachers
Primary, Secondary, and Special Education School Teachers
Religious Workers
Social Scientists and Related Workers

**Architecture & Engineering, Science, Computer**

Architects, Surveyors, and Cartographers
Computer Specialists
Engineers
Mathematical Science Occupations
Physical Scientists

**Technical**

Drafters, Engineering, and Mapping Technicians
Health Technologists and Technicians
Life, Physical, and Social Science Technicians
Media and Communication Equipment Workers

**Sales**

Other Sales and Related Workers
Retail Sales Workers
Sales Representatives, Services
Sales Representatives, Wholesale and Manufacturing
Supervisors, Sales Workers

**Administrative Support**

Financial Clerks
Information and Record Clerks
Legal Support Workers
Material Recording, Scheduling, Dispatching, and Distributing Workers
Other Education, Training, and Library Occupations
Other Office and Administrative Support Workers
Secretaries and Administrative Assistants
Supervisors, Office and Administrative Support Workers

**Services**

Building Cleaning and Pest Control Workers
Cooks and Food Preparation Workers
Entertainment Attendants and Related Workers
Fire Fighting and Prevention Workers
First-Line Supervisors/Managers, Protective Service Workers
Food and Beverage Serving Workers
Funeral Service Workers
Law Enforcement Workers
Nursing, Psychiatric, and Home Health Aides
Occupational and Physical Therapist Assistants and Aides
Other Food Preparation and Serving Related Workers
Other Healthcare Support Occupations
Other Personal Care and Service Workers

Other Protective Service Workers
Personal Appearance Workers
Supervisors, Food Preparation and Serving Workers
Supervisors, Personal Care and Service Workers
Transportation, Tourism, and Lodging Attendants

**Crafts**

Construction Trades Workers
Electrical and Electronic Equipment Mechanics, Installers, and Repairers
Extraction Workers
Material Moving Workers
Other Construction and Related Workers
Other Installation, Maintenance, and Repair Occupations
Plant and System Operators
Supervisors of Installation, Maintenance, and Repair Workers
Supervisors, Construction and Extraction Workers
Vehicle and Mobile Equipment Mechanics, Installers, and Repairers
Woodworkers

**Operative Workers**

Assemblers and Fabricators
Communications Equipment Operators
Food Processing Workers
Metal Workers and Plastic Workers
Motor Vehicle Operators
Other Production Occupations
Printing Workers
Supervisors, Production Workers
Textile, Apparel, and Furnishings Workers

**Transportation**

Air Transportation Workers
Other Transportation Workers
Rail Transportation Workers
Supervisors, Transportation and Material Moving Workers
Water Transportation Workers

**Laborers**

Agricultural Workers
Animal Care and Service Workers
Fishing and Hunting Workers
Forest, Conservation, and Logging Workers
Grounds Maintenance Workers
Helpers, Construction Trades
Supervisors, Building and Grounds Cleaning and Maintenance Workers
Supervisors, Farming, Fishing, and Forestry Workers

**SUBCONSULTANTS LIST**

**INFORMATION REGARDING SUBCONSULTANTS PARTICIPATION:**

1. Subconsultant's List shall include name and complete address of all Subconsultants who will receive more than one half of one percent (0.5%) of the Prime Consultant's fee.
2. Proposer shall also submit subconsultant commitment letters on subconsultant's letterhead, no more than one page each, from subconsultants listed below to acknowledge their commitment to the team, scope of work, and percent of participation in the project.
3. Subconsultants shall be used for scope of work listed. No changes to this Subconsultants List will be allowed without prior written City approval.

NAME AND ADDRESS SUBCONSULTANTS	SCOPE OF WORK	PERCENT OF CONTRACT	DOLLAR AMOUNT OF CONTRACT	*MBE/WBE/ DBE/DVBE/ OBE	**WHERE CERTIFIED

*\*For information only.* As appropriate, Proposer shall identify Subconsultants as:

- |  |      |
|--|------|
| Certified Minority Business Enterprise         | MBE  |
| Certified Woman Business Enterprise            | WBE  |
| Certified Disadvantaged Business Enterprise    | DBE  |
| Certified Disabled Veteran Business Enterprise | DVBE |
| Other Business Enterprise                      | OBE  |

*\*\*For information only.* As appropriate, Proposer shall indicate if Subconsultant is certified by:

- |  |          |
|--|----------|
| City of San Diego                                | CITY     |
| State of California Department of Transportation | CALTRANS |



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ACORD™

**CERTIFICATE OF LIABILITY INSURANCE**

DATE (MM/DD/YYYY)  
4/27/2007

**PRODUCER** (916) 231-1741  
Wells Fargo of California Insurance Services, Inc.  
CA DOI LIC #0352275  
11017 Cobblersrock Drive, Suite 100  
Rancho Cordova, CA 95670

**INSURED** Macias, Gini & O'Connell LLP, Macias Consulting Group and Macias Gini Investments LLC  
3000 S Street, Suite 300  
Sacramento, CA 95816

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE	NAIC #
INSURER A: Associated Indemnity Corporation	
INSURER B: Republic Indemnity of America	
INSURER C: Continental Casualty Company	
INSURER D:	
INSURER E:	

**COVERAGES**

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	GENERAL LIABILITY	AZC80668886	4/30/2007	4/30/2008	EACH OCCURRENCE \$ 2,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000
	<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				MED EXP (Any one person) \$ 10,000
					PERSONAL & ADV INJURY \$ 2,000,000
					GENERAL AGGREGATE \$ 4,000,000
					PRODUCTS - COMP/OP AGG \$ 4,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC				
A	AUTOMOBILE LIABILITY	AZC80668886	4/30/2007	4/30/2008	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000
	<input type="checkbox"/> ANY AUTO				BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident) \$
	<input type="checkbox"/> SCHEDULED AUTOS				PROPERTY DAMAGE (Per accident) \$
	<input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS				
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT \$
	<input type="checkbox"/> ANY AUTO				OTHER THAN EA ACC \$
					AUTO ONLY: AGG \$
	EXCESS/UMBRELLA LIABILITY				EACH OCCURRENCE \$
	<input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE				AGGREGATE \$
	<input type="checkbox"/> DEDUCTIBLE				\$
	<input type="checkbox"/> RETENTION \$				\$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	16553903	4/30/2007	4/30/2008	<input checked="" type="checkbox"/> WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				E.L. EACH ACCIDENT \$ 1,000,000
	OTHER				E.L. DISEASE - EA EMPLOYEE \$ 1,000,000
C	Professional Liability	APL128531429	5/1/2007	5/1/2008	\$7,000,000 - Limit \$250,000 Ded.

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS  
Subject to 10 day notice of cancellatin for non-payment of premium

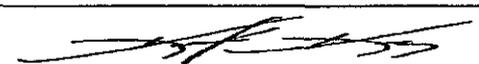
**CERTIFICATE HOLDER**

City of San Diego  
Attn: Angela Means  
202 C Street, MS 8A  
San Diego, CA 92101-

**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE



001298

**IMPORTANT**

If the certificate holder is an **ADDITIONAL INSURED**, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If **SUBROGATION IS WAIVED**, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

**DISCLAIMER**

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.