

Related Entities

Assessment District 4030 (Otay Mesa Industrial Park)  
Assessment District 4096 (Piper Ranch Business Park)  
City of San Diego/MTDB Authority  
Community Facilities District No. 1 (Miramar Ranch North)  
Community Facilities District No. 2 (Santaluz)  
Community Facilities District No. 3 (Liberty Station)  
Community Facilities District No. 4 (Black Mountain Ranch Villages)  
Convention Center Expansion Financing Authority  
Public Facilities Financing Authority of the City of San Diego  
Reassessment District No. 1999-1  
Reassessment District No. 2003-1  
Redevelopment Agency of the City of San Diego  
San Diego Facilities and Equipment Leasing Corporation  
San Diego Housing Commission  
San Diego Open Space Park District No. 1

Related Entity Letter

Pursuant to Ordinance No. O-19320 (the "Ordinance"), the Disclosure Practices Working Group (Group) has the responsibility to review the form and content of information disclosed by the City in connection with securities issued by Related Entities (as defined in the Ordinance). Accordingly, in order to fulfill such responsibility, you must submit this letter for approval by the Group, and you understand and agree that you will not docket the Preliminary Official Statement or other offering document for consideration by the City Council prior to submitting this letter to the Group.

You have received this letter because [name of issuer] is a Related Entity. Please advise, by checking the appropriate box below, whether you are in receipt of any information of the type referenced in the preceding paragraph.

We did not request, and did not receive, any information from a City employee that we intend to include in the Preliminary Official Statement or other offering document that is being prepared in connection with the securities being offered by [name of Related Entity].

We received information from [name of City employee], a copy of which is attached, which we intend to include in the Preliminary Official Statement that is being prepared in connection with the securities being offered by [name of Related Entity]. We understand and acknowledge that we are not authorized to include this information in such Preliminary Official Statement or any other disclosure document until we receive written authorization from a representative of the Group to include such information.

Related Entity: \_\_\_\_\_

Authorized Officer: \_\_\_\_\_

Request for Information from Contributors

The Financing Services Division of the City Treasurer's Office is requesting information from [department or division name] to be included in a detailed disclosure of the City's financial and operating data for an [official statement] [annual report] to be issued by the City in connection with [the sale of bonds or other securities] [federal annual reporting requirements for municipal securities]. This information will be disseminated publicly to the investing public, including bondholders, rating agencies, financial advisors and other members of the investment community.

Federal securities laws require that the information be complete, accurate, and in no way misleading. Please review carefully the information you are providing to be certain, to the best of your knowledge after reasonable inquiry of the appropriate persons, that it is accurate, complete and not misleading. Please be certain that the source documentation is in all ways reliable and auditable, should any future inquiry arise. Please provide a copy of all source documentation. Please describe any exceptions or other caveats to the information you are providing.

Please review the information in its entirety, rather than simply updating that which has already been provided, to determine whether any material changes have occurred or if any new or additional information should be included to make the information you are providing not misleading and as complete and accurate as possible.

Please provide the information by no later than [X date], and please advise of any subsequent changes to such information through [Y date].

If you require additional information regarding this request for information, please contact \_\_\_\_\_, at x\_\_\_\_\_. Thank you for your assistance.

Transmittal by Department Director  
or Deputy City Manager  
to Financing Group

I am the [Department Director/Deputy City Manager] responsible for reviewing the portion of the Disclosure Document that is attached. This disclosure has been reviewed by me and by each identified Contributor, and was discussed at a meeting of the \_\_\_\_\_ department. I have also attached copies of any materials that were a source for all or a portion of this disclosure. I have reviewed and complied with the procedures set forth in subsection C. of Section 4.3 of the Disclosure Controls and Procedures. I have attended the federal securities law training seminar conducted by the City's outside disclosure counsel. In the event of any material change to the attached disclosure between the date of this letter and the scheduled delivery date for the bonds (X date), I shall promptly advise the Financing Group.

[Department director/Deputy City Manager]

Attachments

- reviewed disclosure
- source materials
- list of Contributors

[Underwriter's/Financial Advisor's] Confidentiality Agreement

The [Underwriter/Financial Advisor] acknowledges, represents and warrants to the City that in connection with the preparation for and offering and sale of the Bonds, the [Underwriter/Financial Advisor], its agents, employees and counsel involved in the offering have been and will be provided non-public information by or on behalf of the City, including but not limited to drafts of the Preliminary Official Statement and Official Statement; the [Underwriter/Financial Advisor], its agents, employees and counsel involved in the offering have been and will be provided such information for the purpose of the offering and sale of the Bonds and not for any other purpose; and the Preliminary Official Statement and Official Statement, and any supplements or amendments thereto in accordance with the provisions of the Bond Purchase Agreement, constitute the only documents authorized by the City for dissemination of such information.

The [Underwriter/Financial Advisor] covenants and agrees to protect and maintain the confidentiality of such information and to take appropriate steps to assure that its agents, employees and counsel involved in the offering will not make use of such information for any purpose other than the offer and sale of the Bonds.

Notwithstanding the preceding two paragraphs, the [Underwriter/Financial Advisor] has the right to use or to disclose any information: (i) which is, at the time of disclosure, generally known or available to the public (other than as a result of a breach of this Agreement); (ii) which becomes, at a later date, generally known or available to the public through no fault of the [Underwriter/Financial Advisor] and then only after said later date; (iii) which is disclosed to the [Underwriter/Financial Advisor] in good faith by a third party who, to [Underwriter/Financial Advisor]'s knowledge, has an independent right to such information and is under no known obligation not to disclose it to the [Underwriter/Financial Advisor]; (iv) which is possessed by the [Underwriter/Financial Advisor], as evidenced by such [Underwriter/Financial Advisor]'s written or other tangible evidence, before receipt thereof from the City; (v) to the extent expressly required by any governmental, judicial, supervisory or regulatory authorities pursuant to federal or state law, subpoena or similar legislative, administrative or judicial process; (vi) in connection with the offering and sale of the Bonds if the [Underwriter/Financial Advisor] or its counsel determines that confidential information is material (within the meaning of the federal securities laws) and therefore must be disclosed in connection with the offering and sale of the Bonds, provided, that the [Underwriter/Financial Advisor] shall provide prior written notice thereof to the City (to the extent permitted by law), including a copy of the proposed disclosure or other use, and shall have obtained the City's written consent to such use if the offering has not commenced; or (vii) the use of which is consented to by the express prior written consent of the City.

The [Underwriter/Financial Advisor] shall return all confidential material to the City when the bond transaction is completed or their services are otherwise completed.

Letter from the Human Resources Manager

Financing Group:

I have reviewed the information in the [Official Statement/Offering Memorandum] that relates to employee relations, collective bargaining, pensions and benefits, and litigation concerning current or former employees. I have also read and understand the directions that were provided to me in the letter from the Financing Group. In the event of any material change to the attached disclosure between the date of this letter and the scheduled delivery date for the bonds (X date), I shall immediately advise the Financing Group. [No information concerning the above categories was included./I have no comments./My comments are attached.]

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Human Resources Manager

Letter from SDCERS Representative

Financing Group:

I have reviewed the information in the [Official Statement/Offering Memorandum] that relates to pension benefits and other retirement benefits, pension plan funding, and litigation concerning SDCERS. I have also read and understand the directions that were provided to me in the letter from the Financing Group. In the event of any material change to the attached disclosure between the date of this letter and the scheduled delivery date for the bonds (X date), I shall immediately advise the Financing Group. [No information concerning the above categories was included./I have no comments./My comments are attached.]

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SDCERS Representative

Letter from City Attorney's Office Regarding Litigation

Financing Group:

The litigation section of the Disclosure Document has been reviewed by the appropriate attorneys, and the attached disclosure reflects all material current, pending or threatened litigation, and describes any material settlements or court orders. For purposes of this letter, the term "material" means (i) any litigation threatened, pending or commenced against the City seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, or contesting or affecting the validity or enforceability of, or the power of the Issuer to issue, the Bonds, (ii) any litigation the potential exposure for which is greater than \$5,000,000. In the event of any material change to such information between the date of this letter and the scheduled delivery date for the bonds (X date), I shall immediately advise the Financing Group.

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Deputy City Attorney for Finance and  
Disclosure

Letter from City Auditor and Comptroller

Financing Group:

I have reviewed the information in the [Official Statement/Offering Memorandum], including particularly the financial disclosures, and I have compared the financial disclosures in the Disclosure Document to the City's Comprehensive Annual Financial Report. I have also read and understand the directions that were provided to me in the letter from the Financing Group. To the best of my knowledge, there are no misstatements or omissions in any sections of the Disclosure Document that contain descriptions of information prepared by or of interest to the City Auditor and Comptroller. In the event of any material change to the attached disclosure between the date of this letter and the scheduled delivery date for the bonds (X date), I shall immediately advise the Financing Group. [I have no comments./My comments are attached.]

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City Auditor and Comptroller

Municipal Finance Disclosure Reference Materials

1. Public Finance Criteria, Standard & Poor's (see [www.standardandpoors.com](http://www.standardandpoors.com), click on "Criteria and Definitions" under "Credit Ratings").
2. Questions to Ask Before You Approve a Bond Issue: A Pocket Guide for Elected and Other Public Officials, National League of Cities; National Association of Counties; National Association of State Auditors, Comptrollers, and Treasurers; and the Government Finance Officers Association, Dec. 1996
3. Disclosure Roles of Counsel in State and Local Government Securities Offerings, American Bar Association, State and Local Government Law, and National Association of Bond Lawyers, 1995.
4. Recommended Best Practices in Disclosure, National Federation of Municipal Analysts, 2004.
5. Making Good Disclosure: The Role and Responsibilities of State and Local Officials Under the Federal Securities Laws, Government Finance Officers Association, 2001.
6. Disclosure Guidelines for State and Local Government Securities, Government Finance Officers Association, 1991.

Transmittal of Official  
Statement by Financing Group  
to Disclosure Group

Disclosure Group:

The Financing Group has, with respect to the [Official Statement/Offering Memorandum], (i) performed the responsibilities set forth in subsection B. of Section 4.3 of the Disclosure Controls and Procedures, (ii) obtained all the approvals and source documentation described in said Section 4.3, copies of which are attached, and (iii) in our best judgment, the Disclosure Document is in substantially final form and ready for review by the Disclosure Group.

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Representative of Financing Group

[list names of members of Financing Group]

Transmittal of Official  
Statement by Disclosure Group  
To City Manager and City Attorney

City Manager and City Attorney:

The Disclosure Group has reviewed and approved the [Official Statement/Offering Memorandum] in accordance with the procedures set forth in Section 5.2 of the Disclosure Controls and Procedures. In the best judgment of the Disclosure Group, the Disclosure Document is in final form and the Disclosure Group has complied with the Disclosure Controls and Procedures.

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Representative of Disclosure Group

[list names of members of Disclosure Group]

Certifications by City Attorney and City Manager

City Council:

I have reviewed the [description of Official Statement or Offering Memorandum], and I have met with and asked questions of the Financing Group, the Disclosure Group, any Contributor, any other person who reviewed or drafted any section of the [Official Statement/Offering Memorandum], and any other person that I thought necessary or appropriate. I hereby certify that, to the best of my knowledge, the [Official Statement/Offering Memorandum] does not make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

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City Manager/City Attorney

Certification by City Auditor and Comptroller Regarding Official Statements

City Council:

I have reviewed the [description of Official Statement or Offering Memorandum] and compared the City Financial Statements with the Disclosure Document. In addition, I have reviewed the Disclosure Document in full to identify any misstatement or omission in any sections that contain or omit descriptions of information prepared by or of interest to the City Auditor and Comptroller. I hereby certify that, to the best of my knowledge:

1. the Disclosure Document fairly presents, in all material respects, the financial condition and results of operations of the City;

2. the Disclosure Document does not make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and

3. that the financial statements and other financial information from the City Financial Statements included in such Disclosure Document, if any, fairly present in all material respects the financial condition and results of operations of the City as of, and for, the periods presented in the City Financial Statements.

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City Auditor and Comptroller

Certification by City Auditor and Comptroller Regarding CAFR

City Council:

I hereby certify that, to the best of my knowledge, as of the date of the CAFR:

1. the information contained in the [Fiscal Year] CAFR fairly presents, in all material respects, the financial condition and results of operations of the City as of, and for, the periods presented in the CAFR; and

2. the CAFR does not make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

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City Auditor and Comptroller



DAVID B. WESCOE  
Retirement Administrator

January 31, 2007

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

RE: Status of Kroll Remediation Items Involving SDCERS

Dear Jay:

We are providing you with an update regarding the remediation items contained in Kroll's August 8, 2006 report identified by your tracking number.

97. The Audit Committee concurs with actions being taken by the Retirement Administrator to establish a financial reporting function within SDCERS. (Page M-9)

*My letter to Lynn Turner, dated July 12, 2006 (Attachment 1), describes SDCERS' Financial Reporting and Administration Division, which has been expanded to include four accountants, one management analyst and three support staff—the most experienced and talented financial team in SDCERS' history.*

98. SDCERS should develop a comprehensive methodology to identify, track, and recover overpayments made to deceased pensioners. (Page M-25)

*In January 2005, SDCERS' Benefits Administration Division implemented a comprehensive review of deceased Member and Beneficiary accounts. This review includes identifying, tracking and recovering overpayments to deceased Members and Beneficiaries. In September 2006, SDCERS improved this process by implementing monthly social security number "death matches." As a result, outstanding overpayments have all but been eliminated.*

99. SDCERS should re-bid the contract for the performance of its actuarial valuation every five years and that the actuary not be engaged for more than two five-year terms. (Pages 260 & M-12)

*In 2005, SDCERS contracted with Cheiron for valuation years ending June 30, 2005 through June 30, 2007. While the contract provides for a five-year automatic extension, it may be terminated by SDCERS without cause at any time.*

100. SDCERS should require its investment consultants and fund managers to annually complete a Vendor Disclosure Form that calls for disclosure of all information regarding remuneration paid or received related to funds managed for SDCERS, as well as its business dealings with the SDCERS investment consultant. (Pages 258 & M-10)

*SDCERS' investment consultant discloses any relationship where they receive remuneration from investment managers. In addition, SDCERS requires disclosure from its investment managers of any soft dollar arrangements involving SDCERS' assets.*

101. Investment consultants and managers should be advised that a failure or delay in filing the annual disclosure will result in a penalty, including termination of services. (Pages 258 & M-10)

*Failure by any firm to disclose the information outlined in response to item 100 above can result in penalties up to and including termination of their contract with SDCERS.*

102. The Retirement Administrator and CFO of SDCERS should annually include in the SDCERS' CAFR a signed management report on the financial statements and disclosures which include a statement of SDCERS' responsibility for establishing and maintaining an effective system of internal control over financial reporting and disclosures; a statement setting forth SDCERS' assessment of the effectiveness of the internal controls; a statement that based on their knowledge, the CAFR does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the CAFR not misleading; and a statement that the financial statement and other information included in the CAFR fairly present in all material respects the net assets and activities of SDCERS for the period presented. (Pages 257 & M-9)

*We agree with this recommendation, and we intend to include the report and statements in SDCERS' 2006 CAFR.*

112. To address Board authority and pursue administrative excellence, the controlling documents should be reviewed and, if necessary, modified to ensure that the Board has the necessary tools available to effectively and efficiently carry out its fiduciary duties. (Page M-25)

*The Navigant Consulting report, issued on January 20, 2006 (seven months prior to the issuance of Kroll's report), contained numerous recommendations involving SDCERS' corporate governance, actuarial soundness, benefit payments, staff and internal audit. (A copy of Navigant's report is available on-line at [www.sdcers.com](http://www.sdcers.com).) An ad-hoc SDCERS Board Committee was established in January 2006 to review Navigant's recommendations, and the Committee issued its final report on November 3, 2006. (Attachment 2)*

*Over the next several months, SDCERS' Business and Governance Committee, together with our General Counsel and Chief Compliance Officer, will review all existing SDCERS policies and applicable City ordinances to ensure that all SDCERS policies and City laws reflect best practices in the public pension area.*

113. The controlling legal documents must make the Board's authority clear related to investment policy, actuarial assumptions, system budget and policies, retention of outside professionals, and administrative rules. (Page M-25)

*They do.*

114. The chief accounting officer of SDCERS should have adequate prior experience with investment operations and financial reporting and disclosures. (Pages 258 & M-10)

*As discussed in item 97 above, effective on July 10, 2006, the CFO position was elevated to report directly to SDCERS' CEO. The current CFO, Bob Wilson, has a BS in accounting and has had a long career with the City of San Diego's Auditor and Comptroller Department prior to his appointment as Assistant Administrator at SDCERS on November 1, 2005. Mr. Wilson's resume is attached to the July 12, 2006 letter. (Attachment 1)*

119. SDCERS should have standing committees to address board governance, compensation and evaluation of the Retirement Administrator, investments, and an audit and compliance committee. (Pages 256 & M-9).

*SDCERS' standing committees include Investments, Business and Governance, Executive, Audit and Disability. Sections 3.00 through 3.04 of SDCERS' Board Rules are enclosed. (Attachment 3)*

120. SDCERS should adopt a formal charter for each committee which should be updated no less frequent than every three years. Pages 257 & M-9)

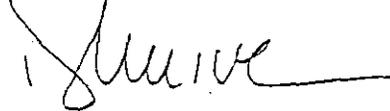
*The Audit Committee's charter is attached. (Attachment 4) Charters are being drafted for the other Board standing committees, and their responsibilities are outlined in SDCERS' Board Rules.*

121. SDCERS must be free to retain its own independent legal counsel. (Pages 260 & M-12)

*It is. SDCERS vigorously asserted its right to retain its own independent counsel in litigation with the City Attorney of San Diego and prevailed. On November 6, 2006, SDCERS hired Christopher W. Waddell, formerly the General Counsel of CalSTRS, as its new General Counsel.*

I hope these answers are satisfactory. If you have additional questions or need any other information, please let me know.

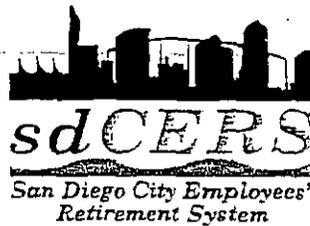
Sincerely,



David B. Wescoe

Enclosures

cc: Council President Scott Peters  
Julie Dubick, Mayor's Office  
John Dyer, CPA



DAVID B. WESCOE  
Retirement Administrator

July 12, 2006

Lynn Turner  
10901 West 120 Avenue  
Suite 335  
Broomfield, CO 80021

VIA DHL

Dear Lynn:

I am writing to follow-up to our recent telephone call discussing Kroll's forthcoming report ("Report"), which will include several "remediation" recommendations concerning SDCERS. Because SDCERS' Board has addressed many, if not all, of the items that you mentioned, I wanted to confirm the Board's actions so that they can be reflected in the Report.

As background, in August 2005, SDCERS' Board unanimously approved the retention, through special fiduciary counsel, of Navigant Consulting Inc. ("Navigant") to conduct an independent investigation. Navigant issued its report on January 20, 2006, and a copy is available on SDCERS' web site: [http://www.sdcers.org/forms\\_newsevents.isp](http://www.sdcers.org/forms_newsevents.isp).

Portions of Navigant's Report focused on SDCERS' corporate governance. After reviewing Navigant's report, the Board voted to modify and improve our governance structure significantly by:

- Consolidating the Business and Procedures Committee with the Rules Committee to form a single, more effective Business and Governance Committee;
- Reconfiguring the Audit Committee to be comprised of two Board members and three independent, financially experienced non-Board member citizens of San Diego. One of the three independent members will serve as Committee Chair, and the SDCERS' Board President will serve on the Committee *ex-officio*. This Committee is being reconstituted now;

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email: [dwescoe@sandiego.gov](mailto:dwescoe@sandiego.gov) • website: [www.sdcers.org](http://www.sdcers.org)

401 B Street • Suite 400 • MS 840 • San Diego, CA 92101 • tel: 619.525.3600 • fax: 619.595.0357

- Hiring a full-time Internal Auditor staff position that will report directly to the Audit Committee. This will be the first time in SDCERS' history that an internal auditor position will report directly to a truly independent Audit Committee;
- Creating a Compliance Officer staff position reporting directly to the Board; and
- Developing a training program to provide Board members with exposure to and knowledge in fiduciary responsibility, Board governance, conflicts of interest, actuarial science, prudent investment policies, SDCERS' operations and finance, and benefit administration.

These are significant steps by SDCERS and reflect the Board's commitment to a "best practices" approach to corporate governance.

You and I also discussed SDCERS' Chief Financial Officer (CFO) position. Most recently, this position was held by Patrick Lane, who reports to Bob Wilson, SDCERS' Assistant Administrator. Effective July 10<sup>th</sup>, Bob Wilson became our CFO with responsibility for all financial management and reporting. This will elevate the CFO position by making it a direct report to the CEO, and it will expand our financial management organization. (Bob, who has a BS in accounting, had a long and distinguished career with the City of San Diego's Auditor and Comptroller Department prior to his appointment as Assistant Administrator here on November 1, 2005.)

In addition, the Financial Reporting and Administration division has been expanded to include four accountants, one management analyst and three support staff. The accountants include Sara Jimenez, who has a BS in Accounting and an MA in Information Systems and is a CPA and Certified Internal Auditor, with over 20 years of accounting and financial management experience, and Stella Kuzukian, who has a BS in Accounting and a certification in Quality Business Practices, with over 15 years of experience, and two positions to be filled. Sussan Johnsen, our management analyst, has two Masters degrees, one in public administration and one in business administration, and over 20 years of financial and budget administration experience. The support staff members include Denise Zent, who has over 18 years operating day-to-day pension payroll administration, Danielle Esquivel, who has over 13 years of experience in accounting operations, and one position to be filled.

This is the most experienced and talented financial team in SDCERS' history.

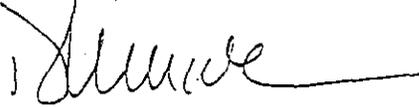
During our conversation, you also suggested that it would be a good idea if SDCERS' financial statements were certified by its CEO and CFO. Peter Preovolos, our Board President, and I agree, and we plan to institute the practice as soon as possible.

Lynn Turner  
July 12, 2006  
Page 3

As these actions make clear, SDCERS is committed to, and well down the path toward, having a corporate governance structure as good as or better than any public company we might invest in.

If you have questions about the issues we discussed or about SDCERS, please call me.

Sincerely,



David B. Wescoe

cc: SDCERS Board of Administration  
Honorable Mayor Jerry Sanders  
Council President Scott Peters  
Ronne Froman  
Jay Goldstone

**Bob Wilson**

B.S. Accounting, San Diego St. University, December 1976

**City of San Diego, Auditor and Comptroller Department**  
**March 1978-October, 2005**

1978 - 1981: Audit Division, Internal Auditor

Performed internal audits in areas including financial statements; departmental operations; efficiency improvement and best practices; payroll and all payables and special investigations.

1981 - 1985: Financial Systems Division, Systems Accountant

Partnered with computer programmers to develop and maintain financial computer systems, including general ledger, payroll, accounts receivable, accounts payable. Documented existing systems, developed requirements and system design, performed system tests through implementation, trained end users.

1985 - 1995: Accounting Division, Accounting Operations Manager

Managed general accounting operations section; responsible for budgetary control and expenditure review, expenditure and revenue projections. Coordinated staff for compilation of City of San Diego CAFR, FY1986 - FY1994.

1995 - October, 2005: Financial Systems Division, Financial Systems Division Manager

Managed Division staff and contracted San Diego Data Processing Corporation staff. Responsible for maintenance and development of Auditor Department financial systems. Coordinated review and development of computer systems of other City departments when fiscal components involved.

**San Diego City Employees Retirement System (SDCERS),**  
**November, 2005 - present**

Joined SDCERS as Assistant Retirement Administrator, to oversee functions including financial reporting, information systems and operations. Led management team and staff in absence of Retirement Administrator, January through April, 2006. Coordinated Board agenda development; oversaw daily operations and current projects; liaison to Board President and Board members.

## EXPERIENCE

Managing accountant with 20+ years of accounting and management experience. Hands-on manager with expertise in accounting, auditing, fiscal management, financial reporting, computer systems, and system development and testing. Strong leadership, analytical, and technical skills.

CITY OF SAN DIEGO – Auditor and Comptroller Department  
June 17, 1985 thru Present

Retirement Accountant

- Prepare monthly financial statements for Retirement Board.
- Prepare annual Comprehensive Annual Financial Report (CAFR) and required supplemental statements and schedules.
- Prepare annual State Controller's Report.
- Compute monthly cash request.
- Supervise pension payroll staff.
- Review and approve payment requests.
- Responded to requests for public information.
- Provide support to SDCERS management & staff.

Payment Services Division – Accounts Payable/Support Services Manager

- Supervised Accounts Payable (AP) and Support Services sections. Both sections required continuous support and decision-making.
- Re-organized the AP section. This included the re-engineering of processing invoices which has resulted in invoice being paid quicker, reduced staff stress, more discounts earned, and overall pulled the section to work together as a team, instead of just individuals who were part of a section.
- Ensured all vendor payments were processed accurately and timely, available vendor discounts were maximized, and customer requests were addressed and followed-up timely.
- Review bi-weekly payroll for accuracy and completeness.
- Coordinated ten interview panels (within 2 years), recommended staff to hire, and instilled disciplinary action.
- Coordinated and participated in staff training.
- Responded to requests for public information.
- Responded to outside auditor inquiries regarding AP and citywide vendor payments.

Audit Division – Internal Audit Manager (highest position held)

- Supervised six internal auditors responsible for performing internal (departmental), compliance, financial, required (fiscal year end cash counts and physical inventories), special investigations, and follow-up audits.
- Reviewed staff audit programs, audit work papers, and audit reports to ensure sufficient, relevant testing was performed to verify appropriate controls were in place to safeguard assets, verify findings, and compliance with pertinent rules, regulations, and accounting pronouncements.
- Prepared audit programs, planned and performed departmental, financial, and compliance audits, including Water Utilities Department (now Water and MWWD), Airports, and Waste Disposal Enterprise Funds. Lead Auditor in the financial statement audit of the Airports Department. Duties included developing worksheet applications and schedules, researching and applying appropriate accounting standards, analytical procedures, statistical sampling tests, documenting findings, formulating recommendations, and preparing audit reports.

Systems Division – Principal Accountant (highest position held)

- Department project manager responsible for the successful testing and implementation of the new pension/payroll system (MBS). Coordinated the efforts of systems programmers, staff, end users, and the Retirement department staff. Responsibilities included development of test plans, conversion data testing, and ensuring interfaces with Auditor systems functioned properly and transmitted accurate and complete data.
- Project leader on teams evaluating new City systems and financial system enhancements including an Equipment Management System (EMS – vehicle and stock inventory management system), the City's first client-server financial system, automation of annual uniform and tool allowance payments to more than 2,000 employees, garnishments payments, and system modifications for the outsourcing of the City's 401K and SPSP (pension plan) to American Express. Responsible for developing test plans, sample test data, and reviewing test results to ensure system modifications functioned as designed.
- Responsible for ensuring proper audit trails were provided during the conversion of existing data in legacy system to new systems. Analyzed errors detected during production processing to determine the reason for the problem and made appropriate and timely decisions to correct these errors. Coordinated programming changes with programmer analysts and tested changes prior to their implementation.
- Prepared operating procedures and conducted several training sessions including for the following: FAMIS (fixed asset system), Attachments, Garnishments and Assignments, and Annual Uniform and Tool Allowance payments.

Accounting Division – Accountant II (highest position held)

- Lead Water Utilities accountant responsible for the training of new staff members, preparing the CAFR and departmental financial statements for the then known as Water and Sewer funds (now MWWD), processing of accounting documents, and prepared various types of account analysis and reconciliations.
- Responsible for monitoring assigned CIP funds. Duties included evaluating and analyzing the financial status of these funds, preparing the related CAFRs, processing accounting documents, preparing spreadsheets supporting the State TransNet/Gas Tax transfer to the City General fund, verifying compliance with the TransNet Maintenance of Efforts requirements.
- Coordinated the updating of the AMRIS Procedure Manual. Duties included updating existing procedures, developing new procedures, and coordinating review sessions with the Accounting Division principals.
- Assisted independent auditors during the CAFR audits.
- Prepared financial statements for Open Space, Planetarium, Stadium and Redevelopment Agencies.

EDUCATION

San Diego State University, May 1985  
B.S. Business Administration, Accounting

Certified Public Accountant, December 1993

San Diego State University, May 1997  
M.S. Business Administration, Information Systems

Certified Internal Auditor, May 2002

STELLA KUZUKIAN

Accountant III

6/26/06

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**OBJECTIVE:** To provide background on my experience and education to the SDCERS Retirement Administrator.

**EDUCATION:**

- San Diego State University - B. S. Degree in Business Administration – Accounting.
- San Diego State University - Quality Business Practices Program professional certification.

**SUMMARY OF EXPERIENCE:**

**City of San Diego - Office of the City Auditor and Comptroller**

**SDCERS Pension Accountant**

10/05-Present

- Perform professional accounting duties, including pension general ledger maintenance, account/fund reconciliations, data compilation, analysis and research.
- Review pension expenditures and fund conditions.
- Perform Pension Gold System functionality testing for pension payroll related processes.
- Supervise and coordinate the Pension Payroll process, staff assignments and related activities.

**Financial Systems Accountant**

09/97 – 9/00

- Project lead for new information systems and enhancement projects, including the coordination of staff efforts for the Auditor's Office and other City departments.
- Responsible for understanding system functionality and provided user support and training for the Auditor's Office major financial /accounting information systems (Accounts Payable, Accounts Receivable, Fixed Assets, General Ledger, and Citywide Payroll) and interfaces.
- Developed system requirements, established proper audit trails and internal controls for new systems.

**Internal Auditor**

01/88 – 09/97

- Performed complex and sensitive financial and operational/performance audits of City departments, including contract reviews, confidential investigations, special studies, and participated on City information system development teams to assess internal controls.
- Reviewed, evaluated, and analyzed operational processes and performed budget and cost analysis of City departments, programs and contracts. Prepared reports with findings and recommendations.
- Participated on cross-functional and multi-jurisdictional teams to ensure fiscal accountability, efficiency and operational improvements.

STELLA KUZUKIAN

Accountant III

6/26/06

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City of San Diego - Water Department - Management Analyst - Special Projects      9/00 - 9/05

**Strategic Business Plan Coordinator - Water Policy & Strategic Planning Division**      02/05 - 9/05

- Developed and implemented the Water Department Strategic Business Plan, including develop, monitor, and report on department performance measures. Prepared reports as needed.
- Coordinated the annual American Water Works Association Performance Indicator process, including research and analysis of inter-departmental and inter-agency benchmarking efforts.
- Supported departmental optimization and process improvement processes.
- Coordinated project efforts with Department and Citywide staff at all levels of the organization.

**Water Reuse Study Administrative Manager - Water Policy & Strategic Planning Division**

3/04 - 01/05

- Managed and provided public involvement activity oversight for a comprehensive, impartial, and science-based review of recycled water opportunities.
- Responsible for Study cost analysis, expenditure monitoring and reporting, including writing and monitoring grant applications and awards for the Study.
- Developed and administered multiple professional services contracts.
- Coordinated public involvement and outreach events regarding recycled water, including educational presentations to business organizations and community groups.

**Optimization Program Project Manager - Water Operations Division**

12/01 - 02/04

- Managed the development of an optimization program, including historical expenditure analysis, expenditure projections, and performance measures and process improvement development.
- Administered a \$1.3 million contract for professional services, which included the managing and monitoring of contract tasks, scope of work, schedules/timelines, costs, contract compliance and status reports to management.
- Conducted presentations to department management, committees and commissions. Prepared reports as needed.
- Coordinated and facilitated the Management Committee and sub-committees' activities.

**Acting Supervising Management Analyst - Water Operations Division**

10/00 - 11/01

- Responsible for the administration and the personnel management of the Administrative Support section. Directly and indirectly overseeing and supervising 24 employees in budget monitoring, special projects, administrative and clerical support for a Division with a \$70 million budget.
- Responsible for budget development, expenditure oversight and reporting for the Administrative Support Program.
- Performed and analyzed complex financial projects and confidential personnel assignments.
- Coordinated personnel issues with Human Resources Office, including new classification development, disciplinary actions, hiring practices and employee performance plans and reviews.

**SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
COMMITTEE REPORT**

**DATE:** November 3, 2006  
**TO:** Business and Governance Committee  
**FROM:** Mark Sullivan, Chair, Navigant Report Committee  
**SUBJECT:** Navigant Report Committee – Final Report

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**BACKGROUND**

On August 30, 2005, the Board of Administration of the San Diego City Employees' Retirement System (SDCERS) retained Navigant Consulting, Inc. (Navigant) to conduct an independent investigation into allegations of illegal or wrongful acts by previous SDCERS Board members.

Navigant, led by Managing Director Amanda Massucci, was charged with making a comprehensive review of prior board actions and practices. Their work was overseen by the law firm of Reish, Luftman, Reicher & Cohen and was conducted independent of direction from the SDCERS Board and staff. Navigant was given complete access to all documents and individuals relevant to the inquiry.

The Navigant delivered their report, on-time and under budget, simultaneously to the Board, SDCERS' staff and the public on January 20, 2006. The Report concluded that there had been a breach of fiduciary duty by former SDCERS Board members by approving the 1996 Manager's Proposal and 2002 Contribution Agreement presented by the City of San Diego. Reish Luftman Reicher & Cohen provided legal analysis of Navigant's findings and concluded that approval of these agreements also violated state and municipal law.

The Board accepted the Report, appointed a special ad-hoc Navigant Report Committee NRC to evaluate each of the recommendations, and thereafter adopted and implemented new policies, procedures and rules within its jurisdiction to strengthen SDCERS' operations, administration and oversight of its assets.

**COMMITTEE MEETINGS**

The NRC led by chairman Mark Sullivan, met for seven months from February to August 2006 to review the Report findings, recommendations and major issues. In an effort to improve transparency and foster public participation in the meetings, special

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non-voting, stakeholder representative positions were created for interested outside parties. In total, there were 10 stakeholder representatives registered for the NRC including:

- Julie Dubick City of San Diego, Mayor's Office
- Michael Aguirre City of San Diego, City Attorney's Office
- Betsy Kinsley City of San Diego, City Council President's Office
- Woo Jin Shim City of San Diego, City Council President's Office
- Penni Takade City of San Diego, Independent Budget Analyst Office
- Judie Italiano Municipal Employees Association (MEA)
- Ed Lehman AFSCME (Local 127)
- Virginia Silverman City of San Diego Retired Employees Association
- James Clem Retired Fire and Police Officers' Association
- Lani Lutar San Diego County Taxpayers' Association

Stakeholder representatives were actively included in committee discussions on agenda items and were given the opportunity to make presentations of their own on any noticed topic. The inclusion of stakeholder representatives in the review and exploration process of the myriad topics covered by the report and the committee was particularly successful as it brought additional perspectives and historical knowledge to the often in-depth discussions.

#### REPORT RECOMMENDATIONS

Navigant's recommendations for improvement were grouped into the five following areas:

1. Governance and Oversight
2. Actuarial Soundness
3. Tax Compliance
4. Training and Education
5. Institutional Independence

On the following pages, you will find each of the 47 recommendations made in the Report with a summary of actions taken for each recommendation. Note that some recommendations were outside the purview of the SDCERS Board and have subsequently been forwarded to the Mayor and City Council for their consideration and action.

NAVIGANT REPORT RECOMMENDATION PROGRESS REPORT

RECOMMENDATION	ACTION TAKEN/NOTES	STATUS
<b>GOVERNANCE &amp; OVERSIGHT</b>		
N1 Review and update Board Rules and Trustee Handbook annually (Page 110 of 115)	Addressed at April 06 NRC Mtg. Annual review to be conducted by General Counsel.	Completed
N2a It is also important for the Board to understand when Board members should recuse themselves from matters where a Board member's constituency or the Board member individually, might be affected by actions of the Board (Page 110 of 115)	* General Counsel and/or Compliance Officer to prepare recusal policy for Board adoption that details the circumstances under which a Board Member should recuse themselves from voting, but not including matters that affect the Board Member's constituency which is why they were appointed to the Board to represent the interests of their constituency.	Dec '06
N2b Legal counsel should assist in the determination of conflicts and development of protocol for recommendation 2a. (Page 110 of 115)	* Addressed by Board adoption of recusal policy in N2a	Dec '06
N3a Board members and Executive staff should set an "Ethical Tone at the Top" (Page 110 of 115)	* Addressed by Board adoption of Code of Conduct in N3b	Dec '06
N3b Adopt a "common English" statement of ethical standards and communicate it to the organization frequently. (Page 110 of 115)	* Created Compliance Officer position (4/06), General Counsel to present Board Rules [1.10 & 1.20] to B&G Committee, then prepare a common English Code of Conduct for the Board's consideration.	Dec '06
N4 Re-evaluate Board committee structure to include: <ul style="list-style-type: none"> <li>♦ Strategic Planning</li> <li>♦ Funding of the pension plan to be based on sound actuarial principles</li> <li>♦ Investment of pension funds</li> <li>♦ Distribution of pension funds in accordance with contractual agreements</li> <li>♦ Assessment of performance of Administrator and approval of executive compensation</li> <li>♦ Assessment of performance of other functions and executive staff</li> <li>♦ Financial reporting, internal controls, and external audit</li> </ul> (Page 111 of 115)	Redesign of committees ADOPTED by the Board April 21, 2006. Board adopted amendments to Board Rule [3.00], with corrections. Staff added corrections and released final rules (Sep'06).	Completed
N5 Create Governance Committee / to conduct annual self-assessment of Board members, Board effectiveness, assignment of Board members to committees, orientation of new Board members, determine need for specific skill training of Board members, and conduct discussions with outgoing Board members on effectiveness of Board (Page 111 of 115)	* B&G Committee was created and its jurisdiction established in Board Rule [3.02]. The implementation of this recommendation should be addressed by the Board President (BP) and its B&G Committee as follows: to conduct annual self-assessment of Board members (B&G); Board effectiveness (B&G); assignment of Board members to committees (BP); orientation of new Board members (B&G); determine specific skill training of Board members (B&G); and conduct discussions with outgoing Board members on effectiveness of Board (B&G).	Ongoing
N6 Establish protocol for the Board and/or committees to receive direct reports from executive staff (Page 111 of 115)	This recommendation related primarily to the actions surrounding the adoption of MP1, a protocol for Executive Staff reporting to the Board was incorporated in the implementation of the new Committees.	Completed

NAVIGANT REPORT RECOMMENDATION PROGRESS REPORT

RECOMMENDATION	ACTION TAKEN/NOTES	STATUS
N7 Establish an open invitation and responsibility to executive staff to bring any concerns they have directly to the Board (Page 111 of 115)	After the Navigant report was completed, an invitation was extended to Exec staff by Board President. The Board has requested staff to make regular update reports in their monthly meetings and to draft whistleblower provisions in the Code of Conduct.	Completed
N10 Board should assess a need for a "facilitator" to evaluate the effectiveness of the Board in its working relationships within the Board and as it relates to others externally (Page 112 of 115)	The Board's Executive Committee should consider as part of their work plan (committee charter), whether this quality control task is already included in its responsibilities or should be added to their charter.	Ongoing
N11 Strengthen process for issues management and resolution to ensure identification, discussion, analysis and resolution of issues in a manner that is a) transparent, b) clearly documented and c) legal (Page 112 of 115)	Creation of new Board Committees implements the first component of this recommendation. The second part is the development of a Board decision-making process which includes the creation of the monthly milestone report which tracks all Board requests and staff action on those requests.	Completed
N13 General Counsel or Compliance Officer should establish a document retention policy to be adopted by the Board and reviewed periodically (Page 113 of 115)	* Resolution passed re: Retention of Member Files 10-18-02, Resolution passed re: Retention of Disability Files 10-18-02, EDMS project requires establishment of document retention policies for all documents. General Counsel in conjunction with staff will prepare a document retention policy for the Board's consideration (part of GC work plan 2006-2007).	Ongoing
N14 Designate a member of executive staff, perhaps General Counsel, as Compliance Officer to assess and report to Board compliance with critical policies and procedures (Page 113 of 115)	A Board Rule amendment was adopted for the Compliance Officer reporting to the Board through the B&G Committee. Board Rule adopted also reserves the right to have the Compliance Officer be a separate position from the General Counsel.	Completed
N17a Board should consider becoming more involved in hiring of future employees and hiring executive staff without prior City employment (Administrator, Asst Administrator, General Counsel, CIO) (Page 114 of 115)	Board directed EFL to expand search for Administrator outside of City of San Diego, new Administrator hired from private sector. General Counsel search was also a nationwide search. New General Counsel was hired from outside of San Diego.	Completed
N17b Board should consider a succession plan for CIO position currently held by employee participating in DROP program (Page 114 of 115)	Recommendation accepted by Administrator, plan in progress.	Completed
R5a The Board should require that the SDCERS general counsel report directly to the Board rather than to the Retirement Administrator. (Page 126 of 127)	The General Counsel has an ethical obligation as a licensed professional, under the State Bar, to the Board as the highest level of authority within their client entity, in this case the System. Therefore the Board felt it was appropriate for organizational effectiveness for the General Counsel to report to the Administrator.	Completed
R5b The Board should conduct formal annual reviews of the Retirement Administrator and General Counsel and annually set their compensation. (Page 126 of 127)	Approved at April 06 NRC and Board Mtgs, Board Rule [3.03] was changed to reflect this new responsibility of the Board.	Completed

NAVIGANT REPORT RECOMMENDATION PROGRESS REPORT

RECOMMENDATION	ACTION TAKEN/NOTES	STATUS
<p>R10 Assessment of Other Issues. To the extent legal conclusions were not expressed in the Report arising out of facts developed by Navigant Consulting in its investigation, the Board should consider what steps, if any, should be taken with respect thereto. (Page 127 of 127)</p>	<p>Board will conduct self-assessment as part of the implementation of recommendation #N5 and engage outside experts when dealing with complex issues as identified in recommendation #N12.</p>	<p>Completed</p>
<p><b>ACTUARIAL SOUNDNESS</b></p>		
<p>N15 Develop a reasonable definition of Actuarial Soundness and an approach for periodic assessment of definition as it applies to SDCERS (Page 113 of 115)</p>	<p>* There is no industry standard or requirement for defining the concept of Actuarial Soundness. SDCERS' actuary and fiduciary counsel have opined that the Board should pursue a formal funding policy (elements to ensure actuarial soundness) once it concludes its Actuarial Funding Study.</p>	<p>Ongoing</p>
<p>N16a Consider treatment of Disability benefit payments in connection with Corbett settlement to include: should disability payments be impacted by Corbett (Page 114 of 115)</p>	<p>The SDCERS Board voted to suspend the practice [May'06] and the question of extending the benefit was referred to the Mayor and the City Council (date of letter)</p>	<p>Completed</p>
<p>N16b Should current practice of adding 10% be altered (are muni code changes necessary?) (Page 114 of 115)</p>	<p>The SDCERS Board voted to suspend the practice [May'06] and the question of extending the benefit was referred to the Mayor and the City Council (date of letter)</p>	<p>Completed</p>
<p>N16c Have disability benefits been overpaid; if so do they need to be recovered (Page 114 of 115)</p>	<p>The SDCERS Board voted [May'06] not to pursue overpayment of disability benefits.</p>	<p>Completed</p>
<p>N16d What additional actions should be taken on the subject? (Page 114 of 115)</p>	<p>The SDCERS Board voted to suspend the practice [May'06] and the question of extending the benefit was referred to the Mayor and the City Council (date of letter)</p>	<p>Completed</p>
<p>N18 Consider eliminating use of "reserves" to fund benefits or employer/employee contributions (Page 114 of 115)</p>	<p>City Attorney to Draft Amendment to Muni Code [24.1502], per City Council request. Navigant Committee reviewed the use of reserves at its May'06 meeting and the SDCERS actuary has included this issue in their Actuarial Funding Study.</p>	<p>Completed</p>
<p>N19 Consider additional areas for internal audit testing (Page 115 of 115)</p>	<p>* The FY 07 Budget included new internal audit position that reports to Audit Committee. When hired, Internal Auditor, at the direction of the Audit Committee, will perform financial and operational audits, e.g. health care administration, processing of DROP applications.</p>	<p>Ongoing</p>
<p>R2 The SDCERS actuary should provide a written Report each year in conjunction with its actuarial valuation which discusses the actuarial requirements under each of the Constitution, State and Municipal law and reports whether each of those laws has been complied with for the preceding year. (Page 124 of 127)</p>	<p>The Actuarial Report adopted by the SDCERS Board [May'06], included 8 recommendations, which make up the Actuarial Funding Study for 2006. The Actuary will be returning to the Board in September, October and November with specific recommendations on each area of further study.</p>	<p>Completed</p>

NAVIGANT REPORT RECOMMENDATION PROGRESS REPORT

	RECOMMENDATION	ACTION TAKEN/NOTES	STATUS
R2a	This Report should also provide for projected assets, liabilities and contributions based on the assumptions then being used by the Retirement System. (Page 124 of 127)	The Actuarial Report adopted by the SDCERS Board (May'06), included 8 recommendations, which make up the Actuarial Funding Study for 2006. The Actuary will be returning to the Board in September, October and November with specific recommendations on each area of further study.	Completed
R2b	The Report should include any benefit increases which have been granted and become effective during the five year period. (Page 125 of 127)	Recommendation accepted by SDCERS Actuary and added as a Board Rule and resolution, July'06.	Completed
R2c	A copy of that Report should concurrently be delivered to the Mayor and the City Council and posted on the SDCERS website for public awareness. (Page 124 of 127).	Report delivered to the Mayor and the City Council (May 06) and it was also posted on the SDCERS website. The same process will be used annually thereafter.	Completed
R2d	The Board rules should be amended to require that the actuary deliver this Report and comment on his conclusions in open session. (Page 125 of 127)	Board Rule adopted to require that the report be made in open session and that on a date certain.	Completed
R2e	The Board should render a formal billing to the City for that amount. The bill should be presented no later than January 31 of each year. (Page 125 of 127)	Board Rule adopted to require that the report be made in open session and that on a date certain.	Completed
R7	We believe it is essential for SDCERS to continue to pursue its declaratory relief action against the City related to the propriety of benefits. (Page 126 of 127)	Court supported SDCERS legal position.	Completed
R8a	We recommend that the Board analyze, with the assistance of its actuary and independent counsel, the best way to recoup that shortfall, and if it is permitted to be amortized, the period over which such amortization be permitted. (Page 126 of 127)	Cross Complaint Filed in Dec Relief re: right to recoup \$ if MPI & II are repealed.	Completed
R9b	To the extent that correction of the failures requires the payment of a correction amount from the City, the Board should initiate discussions with the City for the payment of those amounts. (Page 127 of 127)	Discussed at NRC Mtg and Board Mtg June/July 2006. Board will send bill after final determination is issued by IRS.	Completed
	<b>STRUCTURAL INDEPENDENCE</b>		
N3c	Board members and Executive Staff should create a culture of autonomy from the City of San Diego (Page 110 of 115)	B&G should include in its work plan for 2007 a comprehensive review of structural changes that can create real autonomy from the City, e.g. civil service, payroll, similar to the independence established with it General Counsel.	Ongoing

NAVIGANT REPORT RECOMMENDATION PROGRESS REPORT

RECOMMENDATION	ACTION TAKEN/NOTES	STATUS
R3a The Board recommend to the Mayor and the City Council that the Municipal Code, or if necessary, the Charter, be amended to provide that a Board Member may not resign until a qualified successor has been selected and agreed to serve. (Page 125 of 127)	None. Since no legislative body can compel a Board member to stay on the Board, this recommendation cannot be implemented. However, the Board could advise the Mayor and the City Council that a vacant seat on the SDCERS Board be filled by the City within 60 days of the resignation that created the vacancy. This alternative will be included in the NRC Final Report to the Board.	Completed
R3b The Board recommend that the Municipal Code, or if necessary, the Charter be amended to create a commission to identify and recommend qualified Board candidates to the Mayor to ensure that only qualified and independent individuals serve on the Board. (Page 125 of 127)	None. Given the response to R3a, this recommendation would be unduly burdensome and bureaucratic.	Completed
R6 We recommend that SDCERS continue to have the General Counsel position filled by its employee. (Page 126 of 127)	Court decision on this issue.	Completed
R3c Therefore, the Board should recommend to the City that it amend the Municipal Code, or if necessary, the Charter, to comply with the express intent of Prop. 162 as stated in the following "finding": "The integrity of our public pension systems demands that safeguards be instituted to prevent political 'packing' of retirement boards, and encroachment upon the sole and exclusive fiduciary powers or infringement upon the actuarial duties of those retirement boards." (Page 125 of 127)	* The Board will review this recommendation with the Mayor and the City Council.	2007
R4a The Board Rules should provide that the Board may not be involved in the setting of benefits or engage in any discussions that condition the amount of funding on the setting of benefits. (Page 125 of 127)	* Board Rule [1.20] should be revised to include this prohibition, or alternatively, Rule [1.43] could be amended and either of these changes would need to be adopted by the Board.	Dec '06
R4b The Board should also recommend to the City Council that it amend the Municipal Code (or perhaps send to the voters a proposal to amend the City Charter) to preclude the City from linking benefit increases to actions by the Board. (Page 126 of 127)	* The City Charter [Section 143] created a prohibition on the Board adopting any action to delay funding which removes the incentive for linking benefit increases to actions of the Board. This recommendation is also covered under adoption of an amendment to Board Rule [1.20] under recommendation R4a.	Dec '06
R8b In addition, the Board should analyze the likelihood of the City entering into an arrangement under the U. S. Bankruptcy Code; and if that is deemed likely, determine what steps to protect the Retirement system and its Members. (Page 126 of 127)	Explored at March 8 NRC meeting; no further action was taken.	Completed
<b>Training &amp; Education</b>		
N8 Board should engage an expert to perform a review of the Board orientation process for new Board members to ensure effective orientation and general training (Page 112 of 115)	Addressed at April 06 NRC Mtg, Bd Orientation and training sessions are being developed and will be managed by the new Board Committee, B&G.	Completed

NAVIGANT REPORT RECOMMENDATION PROGRESS REPORT

	RECOMMENDATION	ACTION TAKEN/NOTES	STATUS
N9	Board should engage a consultant with expertise in training programs to develop a training curriculum for Board members with respect to general and specific skills necessary for assignments to committees (Page 112 of 115)	* Staff is reviewing consultant/trainer for seven selected disciplines. Once training disciplines are established, Board members will be scheduled for training sessions. Board Secretary will be tasked with tracking the trainings.	Dec '06
N12	Board, with aide of legal counsel, should obtain the counsel of outside experts when dealing with complex issues; Board should satisfy itself as to expert's objectivity & independence, proper basis for conclusions, analysis, thorough discussion and questioning of experts conclusions. (Page 113 of 115)	Historically, the Board has and will continue to select, where appropriate and in keeping with its fiduciary responsibilities, outside experts e.g. Investment Advisors, Actuary, Fiduciary Counsel.	Completed
R1	Formal Fiduciary Training for Board Members (Page 124 of 127)	* The Board's Fiduciary Counsel has developed an outline of the elements required for the Board's fiduciary training. Staff is reviewing possible training consultants.	Ongoing
<b>Tax Compliance</b>			
R9a	We recommend that SDCERS file an application with the IRS under the remedial correction program to negotiate and make retroactive correction of these failures. (Page 127 of 127)	VCP application with IRS is complete. Corrective action at SDCERS has been taken on the eliminate violations. Board is awaiting approval from the IRS.	Completed
		* Proposed for Further Committee or Board Action	

## RESULTS

Upon completion of the NRC meetings, 40 of the 47 recommendations outlined in the Report had been addressed by the Board or SDCERS staff including: establishing a new committee structure including a Business and Governance committee and an Audit Committee comprised of two Board members and three outside, independent members. An internal audit position was budgeted that reports directly to the Audit Committee, and a Chief Compliance Officer position that reports directly to the Board through the Business and Governance committee. The vacant Administrator and General Counsel positions were filled by independent, outside professionals, following two extensive executive searches (David Wescoe and Christopher Waddell, respectively).

Additionally, the Board embarked on the development of a fiduciary training curriculum for Board members and SDCERS' Executive Staff and re-evaluated the treatment of the Corbett benefit as it relates to non-service eligible disability recipients. The remaining recommendations have been forwarded for assessment by the Business and Governance Committee.

## CONCLUSION

The events involving SDCERS and the San Diego City Council which culminated with the engagement of Navigant and Reish, Luftman, Reicher and Cohen, began more than a decade ago. Since then, many groups and individuals have proffered explanations and allegations as to the origin of the situation, culpability of professionals involved in the decision making process, the severity of the current funding levels, and SDCERS' ability to pay benefits. The current Board of Administration undertook the investigation and review of past plan oversight and management practices in order to identify areas of operation in need of improvement and create a road map for policy reform.

To date, the Board has carefully considered the Report's recommendations and has adopted the majority of proposed changes. It has reviewed and discussed the recommendations in public and with the participation of Plan stakeholders at all times. Implementing these changes will help SDCERS achieve better, more efficient plan operations; more transparency in the decision-making process; more accountability to plan members, beneficiaries and plan sponsors; and, ultimately, to maintain a financially sound and thriving retirement fund.

The Report quantified and articulated the operational and conceptual changes necessary to improve SDCERS. As changes continue to be discussed and implemented, management and actuarial soundness will continue to improve. Not only have past events necessitated a review of all aspects of how SDCERS makes decisions and administers the assets of the trust fund, they have also touched off a cultural shift within SDCERS of increased personal responsibility, open communications and consideration of all actions against a strengthened ethical standard.

Business and Governance Committee  
November 3, 2006

By the signatures below, the Navigant Report Committee Members accept and approve this report.

By: \_\_\_\_\_  
Mark Sullivan  
Committee Chair

By: \_\_\_\_\_  
Tom Hebrank

By: \_\_\_\_\_  
Wayne Kennedy

By: \_\_\_\_\_  
Richard Kipperman

By: \_\_\_\_\_  
William Sheffler

By: \_\_\_\_\_  
Peter E. Prevolos  
President

other employee appointed by the Board under the provisions of Article VIII of the City Charter, may be appointed and may serve as secretary to the Board.

Adopted July 22, 1994

#### **Rule 2.11 Duties of the Secretary**

The Secretary shall do or cause to be done the following:

- (a) prepare the agenda for all meetings of the Board and its committees, as set by the President and Retirement Administrator;
- (b) assure that minutes are taken of all Board and committee meetings;
- (c) issue communications, sign requisitions and reports;
- (d) arrange for and conduct any Retirement System elections required under the Charter or Municipal Code;
- (e) schedule an annual budget for review by the Board; and,
- (f) perform such other duties as directed by the Board.
- (g) The duties of Secretary may be combined with those of the Retirement Administrator.

Amended July 22, 1994

### **Division 3 - Committees**

#### **Rule 3.00 Establishment of Committees**

- (a) The following committees are established:
    - (1) Investment Committee, which consists of at least four Board members;
    - (2) Business and Governance Committee, which consists of at least three Board members, and may also include other Board members;
    - (3) Executive Committee, which consists of the President, the Vice President and the Chairpersons of the Investment, Business and Governance, and Disability Committees;
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- (4) Audit Committee, which consists of two Board members, and three independent members who serve at the pleasure of the Board and must have a minimum of 15 years of accounting, banking or financial management experience; and
- (5) Disability Committee, which consists of five Board Members.
- (b) The Board may establish additional advisory committees to assist with conducting SDCERS business. When an advisory committee is created, the Board must state for the record the committee's: (1) purpose, (2) composition, (3) scope of duties, and (4) duration.
- (c) The Board, the President or any committee of the Board may establish a subcommittee to assist with conducting SDCERS business. When a subcommittee is created, the Board, President or committee chairperson must state for the record the subcommittee's: (1) purpose, (2) composition (3) scope of duties, and (4) duration.
- (d) No more than six Board Members, including the President, may be assigned to any committee or subcommittee of the Board.

Amended June 16, 2006

### **Rule 3.01 The Investment Committee**

The Investment Committee meets monthly, or at other times as needed to:

- (a) develop the investment guidelines, for adoption by the Board;
  - (b) monitor investment transactions for compliance with the investment guidelines;
  - (c) monitor investment performance and market conditions;
  - (d) recommend needed changes to the investment guidelines, as prudently dictated by changing conditions in the financial marketplace;
  - (e) interview and recommend investment managers and consultants to carry out the Board's investment policies; and,
  - (f) develop proxy voting guidelines, for adoption by the Board;
  - (g) review legislative issues and staff recommendations for changes or updates to the proxy voting guidelines;
-

- (h) ensure that the proxy voting agent's votes comply with the proxy voting guidelines; and,
- (i) perform other duties as directed by the Board.

Amended June 16, 2006

**Rule 3.02 The Business and Governance Committee**

The Business and Governance Committee meets monthly, or at other times as needed to:

- (a) review the Retirement System's business and procedures and recommend needed changes;
- (b) review and recommend solutions to specific issues raised by the Administrator or the Board that relate to administering the Retirement System;
- (c) develop strategic planning and performance plans for the Retirement System, for adoption by the Board, and review and update these plans;
- (d) review actuarial valuation reports and make recommendations to the Board;
- (e) review and approve the annual budget;
- (f) develop Board Rules, for adoption by the Board;
- (g) recommend needed changes to the Board Rules;
- (h) evaluate candidates' qualifications for independent non-Board members of Audit Committee;
- (i) facilitate training programs for new Board members; and
- (j) perform other duties as directed by the Board.

Amended June 16, 2006

**Rule 3.03 The Executive Committee**

The Executive Committee meets monthly or at other times as needed to:

- 
- (a) review the Board agendas;

- (b) develop the performance review plan for the Administrator and General Counsel, for adoption by the Board;
- (c) evaluate and review the Administrator's and General Counsel's performance and compensation consistent with their respective performance review plans;
- (d) assist the Board President as needed; and
- (e) perform other duties as directed by the Board.

Amended June 16, 2006

#### **Rule 3.04 The Audit Committee**

The Audit Committee meets monthly, or at other times as needed to:

- (a) oversee the annual audit of the System's Financial Statements and any other internal and external audits of the System;
- (b) refer all audit results to the full Board for further action;
- (c) recommend the issuance and timing of Requests for Proposals for selecting outside auditors, review Requests for Proposals and oversee the selection process;
- (d) ensure the adequacy of internal controls;
- (e) direct investigations, as appropriate; and
- (f) perform other duties as directed by the Board.

Amended June 16, 2006

#### **Rule 3.05 Disability Committee**

The Disability Committee meets monthly, or at other times as needed to:

- (a) hear Staff recommendations and, when refuted, applicant responses in cases where the application for disability retirement has not been heard by an Adjudicator, and to make recommendations to the full Board;
- (b) recommend to the full Board final decisions on adjudicator findings with regard to disability retirement applications;
- (c) recommend needed changes to the disability retirement process; and
- (d) perform other duties as directed by the Board.

Amended June 16, 2006

# San Diego City Employees' Retirement System

## Audit Committee Charter

### PURPOSE

The purpose of the Audit Committee (the "Committee") is to assist the Board of Administration (the "Board") in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the System's process for monitoring compliance with laws and regulations and internal financial policies and procedures.

### AUTHORITY

Primary responsibility for SDCERS' financial reporting, accounting systems, and internal controls is vested in the Chief Executive Officer and Chief Financial Officer and is overseen by the Board. The external auditors are accountable to the Committee and to the Board.

The Committee shall have unrestricted access to SDCERS' personnel, books, records and facilities. The external auditors and the internal auditor shall report directly to the Committee.

The Committee has authority to review any matter within its scope of responsibility, including:

- Resolving disagreements between management and the external auditor regarding financial reporting.
- Recommending to the Board the appointment and establishing the compensation of the external audit firm.
- Approving all auditing and other audit services provided by the external auditor.
- Seeking counsel and advice from the System's fiduciary counsel and the General Counsel, external and internal accountants and auditors, and others to advise the committee or assist in the conduct of any review. The Committee shall not retain any other professional or firm without the approval of the Board.
- Seeking any information it requires from employees—all of whom are directed to cooperate with the Committee's requests—or external parties.
- Meeting with System officers, external auditors, or outside counsel, as necessary.

## COMPOSITION

The Committee shall consist of five members, three of whom shall be independent non-Board members appointed by the Board. Ex-officio Committee members shall not be entitled to vote on Committee items. The Committee shall appoint a chair from the independent, non-Board members. Each Committee member shall be both independent and knowledgeable in financial reporting issues. SDCERS will contractually indemnify the independent, non-Board members.

## MEETINGS

The Committee will meet at least quarterly at the call of the chair. All Committee members are expected to attend each meeting, and the Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and retained by the System. Committee members shall serve without compensation but shall receive reimbursement for their necessary expenses incurred in performance of their duties for the System.

## RESPONSIBILITIES

The Committee has the following responsibilities:

### External Audit

- Review and approve all external audit services.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the System, including any non-audit services, and discussing the relationships with representatives of the external auditing firm.
- Review the planning and results of the external audit including:
  - Appointing the external auditor and signing off on the auditors engagement letter;
  - Defining the scope of the audit, including materiality, areas of risk, timetable, deadlines and co-ordination with internal audit and the accounting section;
  - Reviewing the post-audit management letter together with management's response;
  - Assessing the auditor's objectivity, accountability, effectiveness, and past performance;
- Assessing the working relationship with management;

- Meeting privately with the auditors to discuss pertinent matters, including the quality of personnel and, if necessary, terminating the relationship with the external auditors;
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards; and,
- Communicating with the Board regarding the outcome of the external audit, including identification of any areas of concern.

#### Internal Audit

- Review with management and the internal auditor the audit plan, activities, staffing, resources, budget, reporting relationship, and organizational structure of the internal audit function.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.
- Review internal audit findings and determine that they are being properly followed up.

#### Financial Statements

- Review the financial section of the Comprehensive Annual Financial Report (CAFR) including the annual financial statements, other financial information, and the management discussion and analysis (MD&A) and recommend their approval to the Board. This approval should be granted only after discussing the following topics with management, external auditors, and actuaries:
  - The selection of and/or changes in accounting policies,
  - The quality of accounting principles,
  - Major accounting judgments including complex or unusual transactions,
  - Recent professional and regulatory pronouncements, and
  - Accruals, actuarial assumptions, valuations and estimates.
- The Committee will determine if the financial statements were prepared in accordance with applicable Governmental Accounting Standards Board (GASB) requirements.
- The Committee will determine if the financial section of the CAFR provides adequate and complete disclosure to ensure the financial statements are free of misleading or ambiguous transaction reporting. The Committee will also review any comments submitted by the GFOA Special Review Committee members who review the CAFR for compliance with GFOA's Guidelines for the Preparation of a Comprehensive Annual Financial Report.

TO: Council President  
 2. FROM (ORIGINATING DEPARTMENT): Mayor Sanders  
 3. DATE: February 21, 2006

4. SUBJECT: Kroll Remediation Status Report Number 4 and Related Action

5. PRIMARY CONTACT (NAME, PHONE & MAIL STA.): Goldstone / 236-5941  
 6. SECONDARY CONTACT (NAME, PHONE & MAIL STA.): John Dyer / 533-3978  
 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	6. ADDITIONAL INFORMATION / ESTIMATED COST:

10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPARTMENT	<i>Conrad L. Hance</i>	2/21/07	8	CFO	<i>John Dyer</i>	2/21/07
2				9			
3				10			
4				11			
5							
6							
7							

DOCKET COORD: \_\_\_\_\_ COUNCIL LIAISON: \_\_\_\_\_  
 COUNCIL PRESIDENT     SPOB     CONSENT     ADOPTION  
 REFER TO: \_\_\_\_\_ COUNCIL DATE: 3/5/07

REPARATION OF:  RESOLUTION(S)     ORDINANCE(S)     AGREEMENT(S)     DEED(S)

Please docket the following for discussion at an upcoming City Council meeting:

- fourth informational update report on the Kroll remediation, and
- directing the City Attorney to prepare an Ordinance amending the Municipal Code<sup>1</sup> consistent with the following changes:
  - The Chief Financial Officer will serve as the chair of the revised DPWG.
  - Membership in the DPWG will consists of the following five official voting members: Chief Operating Officer, Chief Financial Officer, City Attorney, Auditor General and Independent Budget Analyst (or designees). Outside disclosure counsel serves as an ex-officio member.
  - No DPWG committee member (including the Chair) can prevent any other committee member from placing an item on the agenda.
  - The DPWG to meet periodically (on an as needed basis) with the City's Audit Committee

11A. STAFF RECOMMENDATIONS:  
 1. Docket the requested items for discussion  
 2. Approve the recommended action

12. SPECIAL CONDITIONS:  
 COUNCIL DISTRICT(S): ALL  
 COMMUNITY AREA(S):  
 ENVIRONMENTAL IMPACT:  
 HOUSING IMPACT:  
 OTHER ISSUES:

<sup>1</sup> San Diego Municipal Code, Chapter 2: Government, Article 2, Administrative Code, Division 41: Securities Disclosure



OFFICE OF MAYOR JERRY SANDERS  
CITY OF SAN DIEGO

MEMORANDUM

Date: April 9, 2007  
 To: Honorable Members of the City Council  
 From: Mayor Jerry Sanders *JSL*  
 Subject: Kroll Remediation Status Report Number 5, prepared for  
 April 23, 2007 Council Meeting

This is the Fifth in a series of status reports regarding Kroll Remediation efforts. To date, approximately 62 or 51% of the 121 Kroll remediation items have been completed, or are substantially complete and more than 35 additional items are in-process. Although the City has made tremendous progress to date, there are still many important items remaining to complete our Kroll remediation efforts. On April 23, 2007 my staff will meet with you to discuss the following:

- Status of remedial items completed or substantially completed as of April 9, 2007
- Status of remedial items in-process as of April 9, 2007
- Timeline modifications

The status of all Kroll remediation items will continue to be provided to Mr. Stanley Keller, Independent Monitor, for observations and comments. Any conclusions made by him will be provided to the City Council.

Cc: City Attorney  
 Chief Operating Officer  
 Chief Financial Officer  
 Stanley Keller, Independent Monitor  
 Independent Budget Analyst  
 SDCERS  
 John Dyer

Attachment A - Greg Levin resume, comptroller functions  
 Attachment B - Tracy McCraner resume, financial reporting functions  
 Attachment C - Kyle Elser resume, internal audit functions

# I. Remedial Items Completed or Substantially Completed

## A. Items Previously Reported Completed or Substantially Completed

Kroll Item #	Kroll Category	Memo Reference	Additional Action Required		
			City Attorney	City Council	Mayor
1-6	Oversight Monitor	2/21/2007			
7-12	Organizational Structure	10/5/2006			
15	Staff Qualifications	2/21/2007			
18	Audit Committee – Formation and Duties (Long-Term Plan)	2/21/2007			Note A
19	Audit Committee – Formation and Duties (Eliminate FROB)	2/21/2007	Note B		
21	Audit Committee – Formation and Duties (Scheduled Meetings)	2/21/2007			
24	Audit Committee – Formation and Duties (whistleblower procedures)	10/30/2006		Note C	
42	Ethics	2/21/2007	Note D		
45	Budget Policies and Practices	10/30/2006			
46-47	City Actuarial Services	10/5/2006			
48(i)	Deferred Maintenance	10/5/2006			
49	Disclosure (DPWG)	11/22/2006		Note E	
51	Disclosure (City Attorney Confirmation)	2/21/2007			Note F
52	Disclosure (City Council Review Period)	2/21/2007			
53	Disclosure (DPWG and Audit Committee)	2/21/2007		Note E	
54-57	Financial Reporting	10/30/2006			
57.1	Financial Reporting	10/5/2006			
66	Forecasting/Projections	11/22/2006			
71	Information Technology – Financial Reporting Systems	2/21/2007			Note G
73	Information Technology – E-Mail Systems	2/21/2007			Note H
74	Interest Allocation	10/30/2006			Note F
82	Procurement	2/21/2007			Note F
84-85	Reconciliation of Accounts	10/30/2006			Note F
89	Risk Management	2/21/2007			
96	Training	2/21/2007		Note I	

## I. Remedial Items Completed or Substantially Completed

Kroll Item #	Kroll Category	Memo Reference	Additional Action Required		
			City Attorney	City Council	Mayor
97	SDCERS Financial Reporting	2/21/2007			
98	SDCERS Internal Controls	2/21/2007			
99	SDCERS Actuarial Services	2/21/2007			
100-101	SDCERS Investment Advisors	2/21/2007			
103	City Funding of SDCERS	2/21/2007			
106	City Funding of SDCERS	2/21/2007		Note J	
107-108	City Funding of SDCERS	11/22/2006			
107.1	City Funding of SDCERS	10/5/2006			
113	SDCERS Organizational Structure	2/21/2007			
114	SDCERS Staff Qualifications	2/21/2007			
119,121	SDCERS Board Structure	2/21/2007			

Notes:

- A. Establishment of a Charter Review Committee; part of the committee's responsibilities include the long-term Audit Committee plan
- B. City Attorney to eliminate Financial Reporting Oversight Board (FROB) as redundant to the new Audit Committee
- C. Audit Committee to assume selected areas of responsibility for "whistleblower" policies and procedures
- D. Improper influence Ordinance was submitted to the City Council by the City Attorney on November 1, 2006; the City Council referred it to the Rules Committee on November 13, 2006; the Rules Committee chair has returned the Ordinance to the City Attorney for clarification
- E. City Council action required to direct the City Attorney to modify the Municipal Code to change the membership of the Disclosure Practices Working Group (DPWG) and have the DPWG report periodically to the Audit Committee
- F. Internal control operating design is complete; operating effectiveness (testing) to be performed or completed
- G. Short-term plan complete; long-term plan to be completed as part of Enterprise Resource Planning (ERP) project
- H. Short-term plan complete; long-term plan scheduled for completion by September 2007
- I. The Mayor's proposed budget for fiscal year 2008 contains adequate funding for training of personnel to ensure that they remain current on financial reporting standards; City Council action required to approve the budget
- J. An amendment repealing the "Waterfall" was introduced to the City Council on March 5, 2007; a second reading of the amended Ordinance is scheduled for April 10, 2007; however, a memo dated April 5, 2007 requested the City Attorney perform additional legal analysis prior to City Council action

## I. Remedial Items Completed or Substantially Completed

### B. Items Completed or Substantially Completed During this Reporting Period

Kroll Item #	Kroll Category	Memo Reference	Additional Action Required		
			City Attorney	City Council	Mayor
13-14 **	Organizational Structure (Comptroller and Director of Financial Reporting)	4/9/2007			
16-17	Organizational Structure (Staff Qualifications)	4/9/2007			
20	Audit Committee, Formation and Duties (written charter)	4/9/2007		Note K	
22	Audit Committee, Formation and Duties (audit requests)	4/9/2007		Note K	
23	Audit Committee, Formation and Duties (independent auditor retention)	4/9/2007		Note K	
104	City Funding of SDCERS	4/9/2007			
109-111	City Funding of SDCERS	4/9/2007			

\*\* Further action is required via a Charter Change

Notes:

K. City Council action is required to approve the Audit Committee Charter

**Remedial Category – Organizational Structure**

13. Establish the position of City Comptroller responsible for accounting and financial reporting, including preparation of the CAFRs and reporting to the CFO. (Pages 245, 246 & M-2)
14. Establish the position of Director of Financial Reporting responsible for the preparation of the City's periodic financial statements. (Pages 246 & M-2)

**Status:** Substantially complete. The City has assigned qualified personnel to serve in the capacity of Comptroller (Deputy Comptroller until the Charter is amended) and Director of Financial Reporting (refer to items 16 and 17 below for staff qualifications). City management believes the establishment of permanent position of Comptroller will require an amendment to the City Charter and perhaps the Municipal Code.

**Remedial Category – Staff Qualifications**

16. The Comptroller should have significant experience in governmental accounting, including in the preparation of CAFRs in accordance with GASB and other applicable accounting and financial reporting standards, rules and regulations; should in particular be familiar with federal rules and regulations applicable to the

## I. Remedial Items Completed or Substantially Completed

receipt of federal assistance and the issuance of public securities; and should also be competent to design, implement and operate an effective system of internal controls over financial reporting and disclosure. (Page M-2)

**Status:** Substantially complete (refer to item 13 above). The City has assigned Mr. Greg Levin the responsibilities of Deputy Comptroller. Mr. Levin has experience in government accounting, including the preparation of CAFRs in accordance with applicable accounting and financial reporting standards. He is familiar with federal rules and regulations applicable to the receipt of federal assistance and the issuance of public securities. Mr. Levin also has experience with internal controls over financial reporting and disclosure. See Attachment A for Mr. Levin's resume.

17. The Director of Financial Reporting would report to the Comptroller and would be responsible for the preparation of the City's periodic financial statements. This person should also have experience in the preparation of the CAFRs in accordance with GASB and other applicable accounting standards, rules and regulations. (Page M-2)

**Status:** Substantially complete (refer to item 14 above). The City has assigned Ms. Tracy McCraner the responsibilities of Director of Financial Reporting. This position reports to the Deputy Comptroller. Ms. McCraner has significant experience in government accounting, including the preparation of CAFRs in accordance with applicable accounting and financial reporting standards. See Attachment B for Ms. McCraner's resume.

### Remedial Category – Audit Committee, Formation and Duties

20. The Audit Committee should establish a written charter. (Pages 251 & M-6)
22. The Mayor, CFO, City Attorney and City Council should have the authority to make requests of the Audit Committee and Auditor General (Internal Auditor) to perform internal audits of material matters they reasonably believe to be warranted. (Page 252)
23. With the assistance of the CFO and Auditor General (Internal Auditor), the City's independent auditors would be retained by, report to and take direction from the Audit Committee. (Page 252)

**Status:** Substantially complete via Audit Committee Charter. The Audit Committee approved a Charter, as well as Standing Rules for the Municipal Code and Mayor's Statement of Operating Principles and forwarded them to the City Council for consideration. City Council approval of these items is required.

Although the intent of items 22 and 23 above are addressed in the Audit Committee's Charter, the Charter does not fully address all Kroll requirements. For example the Audit Committee Charter does not state that the CFO can make requests of the Audit Committee and Internal Auditor to perform certain audits. Additionally, the Charter does not state that the CFO or Internal Auditor have input with the Audit Committee's selection of the City's independent auditors. The Charter states that the Mayor shall provide

## I. Remedial Items Completed or Substantially Completed

appropriate consultation with the Audit Committee's selection of the City's independent auditors.

### Remedial Category – City Funding of SDCERS

104. For purposes of calculating annual funding requirements, the UAAL should reflect a prudent view of economic reality and include within it the costs of the Corbett settlement. (Pages 259 & M-11)

**Status:** Substantially complete. SDCERS Board action approved and directed the actuary to include the costs of the Corbett settlement and 13th check. The Actuary report dated January 2007 contains these components in the UAAL. The Actuarial Valuation Report was presented at the SDCERS board meeting dated January 19, 2007. The link to the SDCERS board meeting agenda follows:

[http://www.sdcers.org/agendas/2007/januarv/bd\\_admin\\_1\\_19\\_07.pdf](http://www.sdcers.org/agendas/2007/januarv/bd_admin_1_19_07.pdf)  
(refer to page 6, item IV.A.1)

The January 2007 Actuarial Report can be accessed on SDCERS website at:

[http://www.sdcers.org/images/pdf/city\\_of\\_san\\_diego\\_actuarial\\_valuation\\_report\\_1\\_12\\_07\\_final.pdf](http://www.sdcers.org/images/pdf/city_of_san_diego_actuarial_valuation_report_1_12_07_final.pdf)  
(refer to pages 29 and 31)

In addition, the SDCERS Board has directed its actuary to complete an experience study which will be presented to the Board in the winter of 2008. This study will provide the Board with information to make further assumption decisions such as the appropriate discount rate and salary growth SDCERS should use.

109. The City, in response to the Report of the Pension Reform Committee, amended the Charter to require net actuarial losses be amortized over a period not longer than 15 years, net actuarial gains over a period not shorter than five years, and that SDCERS use an amortization period no greater than a fixed, straight-line five years for each new benefit improvement. It is recommended that the City use the same period for amortization of both gains and losses. (Pages 261 & M-12)
110. The plan's actuary should be engaged to develop a responsible funding program that considers expected cash distributions and the obligations to new and existing plan members. (Page M-25)
111. The Pension Reform Committee assessed the pension plans under funded status and offered recommendations related to reducing or eliminating the City's UAAL and reducing the ongoing annual costs related to the plan and contingent benefits. The City should re-evaluate the Committee's recommendations and, beyond those previously addressed in our Report, consider enacting those that are appropriate that do not conflict with our Remediation Plan. (Page M-18, M-19 & M-20)

## I. Remedial Items Completed or Substantially Completed

Status: Complete. At its March 16, 2007 Board meeting, SDCERS adopted a 20 year amortization schedule to pay off the current UAAL. As part of the motion, the actuary was instructed to ensure that his calculation did not include any negative amortization. In addition, the SDCERS Board adopted a 15 year amortization schedule for all future gains or losses and a five year amortization schedule for any new pension benefits approved by the City. This will take affect for the June 30, 2007 actuarial valuation which will be reflected in the City's fiscal year 2009 budget.

The Mayor has included a supplemental pension payment in his proposed fiscal year 2008 budget to ensure no negative amortization and the beginning payoff of the existing UAAL.

## II. Remedial Items In-Process

### A. Items In-Process Previously Reported

Kroll Item #	Kroll Category	Memorandum Reference	Updated status?
43 ***	Budget Policies and Practices	February 21, 2007	Yes *
44	Budget Policies and Practices	October 30, 2006	No
52.1, 52.2	Disclosure	October 5, 2006	No
58-59	Financial Reporting	November 22, 2006	Yes **
64-65	Financial Reporting (accruals)	November 22, 2006	No
67	Information Technology, Financial Reporting Systems	February 21, 2007	Yes *
75-78	Internal Controls	November 22, 2006	No
79-80	Internal Controls	November 22, 2006	Yes **
81	Personnel	November 22, 2006	No
83	Redevelopment Authority	November 22, 2006	No
86	Reconciliation of Accounts	October 5, 2006	No
87	Retirement Benefits	October 30, 2006, November 22, 2006	No
88	Risk Management	November 22, 2006	No
90, 95	Training	November 22, 2006	No
102	SDCERS Financial Reporting	February 21, 2007	No
112	SDCERS Organizational Structure	February 21, 2007	No
120	SDCERS Board Structure	February 21, 2007	No

\* see below

\*\* see Section III

\*\*\* Item was previously reported as complete; however, based upon further review and discussions, item was moved back to in-process

#### **Remedial Category – Budget Policies and Practices**

43. In order to maintain current service levels and address issues such as deferred maintenance, the City must reduce expenditures by improving efficiency, increasing the current revenue base, and seeking alternative revenue sources. (Page M-14)

**Updated Status:** In-process. The Mayor's fiscal year 2008 takes the first significant steps towards reducing costs, improving efficiencies and funding the eight significant areas identified in the Five-year Financial Outlook, including deferred maintenance. While the fiscal year 2008 budget is balanced as proposed, and the funding gap in future years has been reduced, the City still has future budget challenges in order to meet its obligations and still provide current service levels.

The City's first five-year financial plan was presented to the Budget and Finance Committee on November 29, 2006. The plan addresses deferred maintenance, reducing expenditures via various methods, such as, elimination of positions; business process engineering and streamlining; employee benefit adjustments; debt refinancing; budget clean-up; release of encumbered funds; transfer of inactive fund

## II. Remedial Items In-Process

balances; establishing a property business improvement district; leveraging city assets and managed competition. Revenues are projected to increase through normal growth.

The Financial Outlook is only a tool to help produce a comprehensive, long-range analysis of the City's general fund revenues and expenditures. The five-year financial outlook will be regularly updated and will be used to assist with the preparation of the City's annual budget. The plan can be accessed on the City's website at:

[http://www.sandiego.gov/mayor/pdf/five\\_year\\_plan\\_11\\_15.pdf](http://www.sandiego.gov/mayor/pdf/five_year_plan_11_15.pdf)

### Remedial Category – Information Technology, Financial Reporting Systems

67. By June 30, 2007, evaluate the information technology needs of the City, including benchmarking of existing systems against available systems suitable for management of the City's finances and the preparation of timely and accurate CAFRs and budgets. (Pages 247 & M-3)

**Updated Status:** In process. On January 5, 2007 San Diego Data Processing Corporation (SDDPC) issued a Request for Proposals (RFP) for the Enterprise Resource Planning (ERP) system software. Two qualified proposals were received by the proposal due date of February 9, 2007. The ERP System Evaluation and Selection Committee are expected to make a vendor recommendation to the ERP System Core Project Executive Steering Committee in the third week of April 2007. Following the selection of the software vendor, a RFP will be issued for a System Integrator. The System Integrator is expected to be selected in June 2007.

### B. Items In-Process During this Reporting Period

#### Remedial Category – Auditor General, Establishment and Responsibilities

25. Create a new position of Auditor General (Internal Auditor) with responsibility for internal audits of the City's internal controls, financial accounting, reporting and disclosure; operations; and fraud, waste and abuse. This person would be nominated by the Mayor and confirmed by the majority of the City Council. (Pages 250 & M-5)
26. The new Auditor General (Internal Auditor) should report to the Audit Committee no less than on a quarterly basis and periodically to the City Council and should submit annually to the City Council a public report of his/her activities. (Pages 250 & M-5)
28. The Auditor General (Internal Auditor) should report to the Audit Committee the results of any investigation and disposition of such complaints. (Page 252)
29. In accordance with the *International Standards for the Professional Practice of Internal Auditing*, the Auditor General (Internal Auditor) should establish risk-based plans to determine the priorities of the internal audit activity. (Page M-17)

## II. Remedial Items In-Process

30. The City should require the Auditor General (Internal Auditor) to adopt a comprehensive risk assessment and planning process that actively addresses financial reporting, accounting activities, and other issues. (Page M-25)
31. The Auditor General (Internal Auditor) should use a systematic and disciplined approach based on a risk assessment to select audits. This risk assessment should be completed at least annually. The department should evaluate and contribute to improving risk management, controls, and governance processes. (Page M-17)
32. The department should base audit plans on both subjective analysis of comments from management and objective analysis of financial and operating data. (Page M-25)
34. Elected officials, their staff, and the City's senior management must be considered by the internal audit function. (Page M-17)

**Status:** In-process. The long-term plan for completion of the Internal Auditor Kroll remediation items will require a City Charter change. In the meantime, the City has implemented an interim solution. On March 26, 2007 the Mayor filled the position of Internal Auditor on an interim basis. This position will be staffed by Mr. Kyle Elser an existing City employee who has internal audit experience and qualifications. Refer to Attachment C for Mr. Elser's resume.

Additionally, the City has an open job announcement for an Internal Auditor to fill this position with an understanding that the reporting responsibilities of the Internal Audit position may change with City Charter amendments. The interim Internal Auditor will report to the Mayor and will meet with the City's Audit Committee no less than on a quarterly basis and periodically with the City Council as needed and will submit annually to the City Council a public report of his/her activities. Additionally, the Internal Auditor will present to the Audit Committee the results of any investigation and disposition of such complaints. Procedures will be established for reporting to the Audit Committee any information that is prohibited from public disclosure. During the interim period, the Internal Auditor will focus on performing a Citywide Risk Assessment in accordance with the *International Standards for the Professional Practice of Internal Auditing*, and develop audit plans based on the assessment. The assessment will include financial reporting and the City's internal controls over financial reporting.

### Remedial Category – Disclosure

50. The City should assign the responsibilities for preparing public documents and filings to the appropriate City employees. Ultimate responsibility for preparing these City documents cannot be assigned to the independent auditor, disclosure counsel, fiduciary counsel, actuary, or other professionals. (Page M-25)
60. City schedules requested by the external auditors should be prepared and internally reviewed before the auditors begin work. As part of a sound financial reporting system, the City should prepare supporting schedules and detail for all major accounts and transactions during the monthly closing process. (Page M-17)

## II. Remedial Items In-Process

61. The City should report as part of its annual CAFR staff's best estimate of material payments it will be required to make for each of the next five years and in aggregate thereafter, as a result of contractual commitments or other commitments the City reasonably intends to fulfill. This includes expected pension payments, retiree health premium payments, capital expenditures resulting from contractual commitments; material contractual commitments in excess of one year; deferred maintenance to extent qualified; and debt and lease obligations. (Page 254 & M-8)

**Status:** In-process. Interviews with process owners and documentation of internal controls are occurring.

### Remedial Category – Training

91. MWWD employees should receive special training directed at ensuring the City complies with all contractual requirements, laws and regulations and reporting any noncompliance to the appropriate individuals or entities. (Pages 247 & M-2)
92. Tailored training for all individuals who are currently employed by the City who were members of the Metropolitan Wastewater Department at any time from 1995 to 2004, the period of the City's noncompliance with its SWRCB grant and loan covenants and its violation of the Federal Clean Water Act should also be developed. The Metropolitan Wastewater Department employees should receive special training directed at (i) ensuring the City complies with all contractual requirements, laws and regulations, and (ii) reporting any noncompliance to the appropriate individuals or entities. (Pages M-2 to M-3)
93. The City should educate the employees responsible for recording sewer invoices on how to identify the appropriate supporting documentation for Municipal and Metropolitan allocations in order to reduce the likelihood of significant misclassifications. (Page M-22 & M-23)

**Status:** In-process. Darlene Morrow-Truver, Deputy Director, MWWD, has initiated efforts on Kroll remediation for items 91-93 and is on schedule to complete the items by the established due date of July 2007.

94. Training of City staff and elected officials regarding their disclosure obligations under federal and state securities should be conducted no less frequently than every two years. (Pages 262 & M-13)

**Status:** In-process. Certain elected officials received disclosure training related to obligations under federal and state securities on March 5, 2007. The training was provided by outside consultant, John McNally of Hawkins DeLafield & Wood LLP. In addition, on April 9, 2007, training will be provided by the City's independent auditors, specifically Jim Godsey of Macias Gini and O'Connell.

For City staff a two-part training session will be conducted by Mr. McNally on April 25 and 26, 2007. The session on April 25, 2007 is for Executive Team and Community & Legislative Services staff. The session on April 26, 2007 is in addition to the training on April 25, 2007. The Executive Team and Community & Legislative Services staff are required to attend both sessions. In addition, the April 26, 2007 training session is also for anyone in the

## II. Remedial Items In-Process

departments that directly or indirectly contribute to preparing or reviewing language that becomes part of the City's or an Agency's disclosure, with a particular focus on offering documents.

Appropriate policies and procedures are in the process of being amended to require that disclosure obligations training under federal and state securities be conducted no less frequently than every two years.

### III. Timeline Modifications

Due to unanticipated Auditor and Comptroller Office resource requirements related to supporting prior year Comprehensive Annual Financial Reports (CAFRs) audits and due to staffing shortages on the Kroll remediation team, some of the important Kroll remediation items related to financial reporting will not be completed by the due dates stated in my memorandum dated August 24, 2006. At the time my memorandum was issued, the City expected that audited CAFRs for fiscal years 2003-2005 would be issued by February 16, 2007.

The 2003 audited CAFR was not issued until mid March 2007 and the 2004-2005 CAFRs have not been issued to date. Auditor and Comptroller staff resources that were planned to assist with Kroll remediation efforts will not be available until the City is current with audited CAFRs.

Some of the more significant Kroll items impacted by timeline modifications are discussed below.

#### Remedial Category – Independent Auditors

36. A reputable independent auditing firm should be retained by the City's new Audit Committee which should in connection with the annual audit of the financial statements of the City for the fiscal year ending June 30, 2008, conduct an audit of the City's internal controls (emphasis added). (Pages 248, M-3 & M-4)

#### Remedial Category – Financial Reporting

58. The Mayor and Chief Financial Officer should annually include in the City's CAFR a signed management report on the financial statements and disclosures which include a statement of the City's responsibility for establishing and maintaining an effective system of internal control over financial reporting and disclosures; a statement setting forth the City's assessment of the effectiveness of the internal controls (emphasis added); a statement that based on their knowledge, the CAFR does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the CAFR not misleading; and a statement that the financial statements and other information included in the CAFR fairly present in all material respects the net assets and activities of the City for the period presented. (Pages 248, 249 & M-4)
59. The chief executive officer and principal accounting officer of each component unit of the City should include annually with its stand alone financial statements a signed management report substantially in the form described for the Mayor and CFO (emphasis added). (Pages 249 & M-4)

**Updated Status:** Updated status relates to the areas of items 36, 58 and 59 that are underlined above. The audit of internal controls by an independent auditing firm is directly related to City management's assessment of the effectiveness of internal controls. City management believes audit of the City's internal controls by a reputable independent auditing firm should not take place until the City's new Enterprise Resource Planning (ERP) system has been

### III. Timeline Modifications

implemented. By the time the ERP system is implemented, the City should be current on audits of its CAFRs and should have sufficient resources to focus on internal controls over financial reporting.

Additionally, the nature and structure of the City's internal controls are anticipated to change (and be enhanced) as a result of ERP implementation. City management believes that documenting and assessing internal controls for the new ERP system will add significantly more value than documenting and assessing internal controls for the current accounting system that is more than 30 years old and is planned to be replaced in the near-term.

#### Remedial Category – Internal Controls

79. The City has taken a number of steps to quantify the impact and correct its financial statements resulting from deficiencies in internal controls related to capital asset accounting. The City should continue to monitor the internal controls over these areas to ensure that potential errors in the future are detected and corrected in a timely manner. (Page M-20)
80. A number of deficiencies in the internal controls related to accounting for accounts receivable were identified. The City should develop and implement policies and procedures to reconcile, support, and review period end accounts receivable balances. (Page M-21 & M-22)

#### Updated Status:

The original completion date of June 2007 will not be met for full remediation of these items. Kroll items 79 (capital asset accounting) and 80 (accounts receivable reconciliations) both contain numerous subprocesses which are being prioritized based upon internal control importance.

The City's capital asset accounting process resulted in 20 restatements to the CAFR for the fiscal year ended June 30, 2003. As a result, this area requires more attention and therefore more documentation than other areas.

The City's accounts receivable balance is comprised of data from many different sub-systems. Each sub-system may require a unique reconciliation process which translates into documenting more subprocesses.

## Experience

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### City of San Diego Auditor & Comptroller, San Diego, CA

#### Financial Operations Manager

5/2006-Present

I am the Principal executive responsible for the operations of the Comptroller division of the Auditor & Comptroller's office. My responsibilities include accounts payable, comptroller systems, capital asset accounting, debt accounting, fund analysis, redevelopment accounting and financial reporting. During this time I have been responsible for direct oversight of the production of City's Comprehensive Annual Financial Report, including the successful completion of the City's 2003 CAFR. This report was delayed as a result of numerous political, legal and compliance challenges facing the City. These challenges were related to the under funding of the City's pension system and misappropriation of enterprise fund assets which took place over a period of approximately 20 years.

- Directly supervise eight Principal Accountants and indirectly supervise 65 employees
- Oversaw the implementation of a financial reporting system.

#### Principal Accountant

5/2005-5/2006

Working under the Auditor & Comptroller, I was responsible for the oversight and management of the Audit and Systems divisions of the City of San Diego. My responsibilities included, revenue auditing, internal auditing, performance auditing and the implementation of a data warehouse. In this capacity, I oversaw the production of the Auditor and Comptroller's First Annual Report on Internal Controls. This report was a comprehensive citywide risk assessment of financial reporting controls using the COSO framework. The report was a foundation for remediation efforts related to correcting the financial reporting irregularities previously experienced by the City.

- Directly supervised three Principal Accountants and indirectly supervised 14 employees.

### Santa Barbara County Auditor-Controller, Santa Barbara, CA

#### Accountant - Auditor 3

3/2004-5/2005

- Overseeing junior staff on audits and reviewing their work.
- Performing financial, operational and compliance audits.
  - Performing internal control reviews.
  - Preparing audit and review reports.
  - Planning and developing audit and review methodologies.

#### Accountant - Auditor 2

9/2003-3/2004

- Performing financial, operational and compliance audits.
  - Performing internal control reviews.
  - Preparing audit and review reports.

#### Accountant - Auditor 1

8/2002-9/2003

- Performing financial, operational and compliance audits.

### UCSB, Santa Barbara, CA

#### Information Systems Analyst

4/2001-4/2002

- Providing technical support to administrative staff.
- Researching and evaluating hardware and software applications.
- Providing technical support for desktops, server applications and hardware.
- Installing network and server components.
- Creating illustrations and schematics of the Facilities Fiber Optic Network.

References and additional experience are available upon request

Korn/Ferry Futurestep, Sherman Oaks, CA

Project Analyst

6/1999-4/2001

- Implementing and Managing communications server and database of 700,000 candidates.
- Working as Community Events Manager (Discussion Boards and Chats).
- Performing quality assurance on corporate and client websites.
- Technical liaison between retention marketing group and IT department.

## Education

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Bachelor of Arts - Business Economics - Accounting

University of California at Santa Barbara

Coursework included Accounting, Monetary Economics, Personnel Economics and Finance.

## Certifications & Other Experience

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Certified Public Accountant, State of California License #90699

CPR certified

Outward Bound

Colorado School of Leadership and Survival Training

- 21-day wilderness leadership course

## Skills

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G/L accounting, Cost Accounting and Compliance Review, Financial Reporting Budget and GAAP, Microsoft Word, Excel, Access, Adobe Photoshop, Paint Shop Pro, Adobe Illustrator, Internet Proficient, MS Outlook Enterprise Email Software, Basic HTML, NT 4.0 Server Management

## Recent Training

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Completed continuing professional education in the following areas:

**Bisk:**

Internal Control and Fraud in Government Engagements 8/2006

**GFOA:**

GASB review 1/2006

Satellite Update 11/2004

Satellite Update 4/2004

**IIA:**

Sarbanes-Oxley: Process Improvement Workshop 8/2005

Sarbanes-Oxley Primer: Charting Your Course 6/2005

TRACY M MCCRANER  
(760)599-0936 tmccraner@sandiego.gov

## OBJECTIVE

A senior management accounting position with a large governmental entity focusing on financial reporting and analysis

## PROFESSIONAL EXPERIENCE

- 2006 – present      City of San Diego-Auditor and Comptroller's Office  
Principal Accountant-CAFR/Accounting Operations
- Assigned as project manager to lead the CAFR team in the completion of the City's 2003 CAFR audit by KPMG, as well as the FY 2004 and 2005 CAFR audits with Macias Gini. Lead approximately 10 professional staff to ensure the completion of the City's 2003 annual report while also maintaining the continued progress of the City's 2004 and 2005 audits.
  - Managed approximately 17 staff within the Accounting Operations and Accounts Payable sections of the Auditors office. This team was responsible for centralizing all payment review and approval processes city-wide, and successfully decreased payment turnaround times from a 5 day average to a 2 day average within 6 months of implementation.
- 2001-2006      City of San Diego-Auditor and Comptroller's Office  
Principal Accountant-Accounting Operations/CIP/Cost
- Managed 8-12 accountants and 4-7 account audit clerks. Reviewed daily, monthly and year end work, financial statements, interim statements, coordinated staff activities, and prepared annual and probationary performance evaluations.
  - Responsible for the coordination and compilation of the City's Comprehensive Annual Financial Report (CAFR) for fiscal years (FY) ending June 30 2003, 2004 and 2005.
  - GASB 34 implementation team member, ensured June 30, 2002 CAFR was in compliance with all GASB 34 requirements related to capitalization of infrastructure, depreciation on governmental assets, and long term liability adjustments to governmental debt. Was responsible for the hiring of outside consultant to assist in the valuation of all city-owned infrastructure and lead a team of City departments to ensure accurate reporting of all infrastructure assets.
  - Supervised the preparation of the General Fund revenue and expenditure analysis, provided monthly reports to the City Manager/Mayor and City Council.
  - Supervised the accountants in charge of General Fund, TOT, Emergency Medical Services, Public Liability, and Capital Improvements Program (CIP) budgets.

- Responsible for the oversight and approval of the calculation of the City's departmental and federal overhead rates, and central service department billings to Enterprise funds for FY 2001 through 2006.
- Oversight of the transportation and park and recreation grant program.
- Oversight and review of the preparation of the Annual Streets, Tidelands and State Controller's Reports for fiscal years 2001, 2002 and 2003.

1999-2001

City of San Diego-Auditor and Comptroller's Office  
Accountant IV-Accounting Operations/CIP/Cost

- Managed 3-4 accountants and one account audit clerk. Reviewed all daily, monthly and year end work, financial statements and interim reports. Prepare staff performance plans and evaluations.
- Managed the compilation of the City's CAFR for fiscal year ending June 30, 1999. Coordinated weekly meetings with outside auditors, managed staff responsible for financials and footnote preparation.
- Responsible for the CIP budgets of all governmental projects city-wide, fund certification, project maintenance, capitalizations, etc.
- Responsible for first line review of the General Fund monthly revenue and expenditure analysis.
- Responsible for the Capital Projects and Debt Service sections of the CAFR for FY 2000 and 2001.
- Responsible for the City's blended component unit financial statements for the Facilities Equipment Leasing Corporation, Open Space Park Facilities District, Convention Center Corporation and Public Facilities Financing Authority.

1995-1999

City of San Diego-Auditor and Comptroller's Office  
Accountant III-CIP Cost Section

- Supervised 2 accountants and one account audit clerk, immediate supervision, daily hands on reviewer, provided input to performance evaluations to Accountant IV.
- Implementation team member for the new Fixed Asset Management System (FAMIS) and was responsible for overseeing the transition and reconciliation of all governmental asset data from the old fixed asset system to FAMIS.
- Responsible for the compilation of the General Fixed Asset Account Group (GFAAG) for CAFR's FY 1995-1999.
- Responsible for the Capital Outlay, Police Decentralization and bond funds for FY 1995-1999.
- Responsible for the buildings and improvements for all City of San Diego governmental projects, and related CIP budgets.
- Responsible for the special assessment debt funds for the City.

1988-1995

City of San Diego-Auditor and Comptroller's Office  
Accountant

- Prepared the General Fund revenue and expenditure analysis.
- Responsible for the General Fund payments, Council Actions, Manager Actions and budget adjustments and year end financial statement preparation.
- Responsible for all Mayor and Council department analysis, data processing projections and special fund budgets.
- Responsible for all out of town travel and in town meetings expense review and monthly and quarterly reports to Council.

### EDUCATION

San Diego State University: Bachelor of Science Degree in Accounting

References available upon request.

Kyle S. Elser, CPA, CIA  
Work (619) 235-5805, Email: KElser@sandiego.gov

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PROFESSIONAL EXPERIENCE

**City of San Diego**

*Payroll Manager (Principal Accountant)* Oct 2005 - Present

- ◆ Supervise eight staff members responsible for administering the City of San Diego's biweekly payroll, quarterly payroll tax returns and annual W-2 Forms.

*Internal Audit Supervisor (Principal Accountant)* Jan 2001 - Oct 2005

- ◆ Assisted in the development of the annual audit plan for the internal audit section.
- ◆ Supervised eight staff members in performing the internal audit plan.
- ◆ Reviewed workpapers and prepare audit reports for the Audit Division Manager's signature.
- ◆ Performed various audits and other projects while supervising internal audit section.

*Internal Auditor (Accountant II, Accountant III)* Aug 1996 - Jan 2001

- ◆ Performed internal audits to determine Departments' compliance with laws and regulations.
- ◆ Reviewed internal controls to ensure City assets were properly utilized and safeguarded.
- ◆ Made recommendations to correct internal control weaknesses identified.
- ◆ Performed contract compliance audits with the various City vendors and City agencies.
- ◆ Performed operational audits and made recommendations to increase process efficiencies.
- ◆ Performed audits to ensure City Departments were accurately reporting annual performance measures.

*External Revenue Auditor (Accountant Trainee, Accountant I)* Jan 1995 - Aug 1996

- ◆ Performed hotel tax, franchise tax, business license tax, and rental unit tax audits.

**Kornfeld & Levy, CPA's**

*Accountant* Feb 1988 - Jan 1995

- ◆ Performed professional accounting work preparing full disclosure financial statements.
- ◆ Prepared corporate, partnership, individual and payroll tax returns.

EDUCATION

Humboldt State University

Graduated May 1987

B. S., Business Administration, Emphasis: Accounting

Special Minor: Speech Communication

CERTIFICATIONS

- ◆ Received Certified Public Accountant certification April 1999.
- ◆ Received Certified Internal Auditor certification May 1998.

Prepared by: Lisa Gordon  
Cell #: (619) 846-4659  
Security Detail: Odie Gallop  
Cell #: (619) 980-0490

**EVENT ADVANCE FORM**

**Retirement Celebration for Scott Fulkerson  
Executive Director, Citizens' Review Board on Police Practices  
Tuesday, August 28, 2007  
6 p.m. – 8 p.m.**

**Mayor Arrives: 6:00 p.m.**

**Mayor Departs: 6:45 p.m.**

<b>EVENT DESCRIPTION:</b> (Provide information about event)	Retirement Celebration for Scott Fulkerson, Executive Director for the Citizens' Review Board on Police Practices (CRBPP), for 22 years of service to the City of San Diego
<b>LOCATION:</b> (Business name & address)	Point Loma/Hervey Branch Public Library – Community Room 3701 Voltaire Street San Diego, CA 92107 (619) 531-1539
<b>POINT OF CONTACT:</b> (Office and Cell)	Jim Dort Home: (858) 274-5189 Cell: (619) 733-1060
<b>MAYOR'S ROLE:</b>	Presenting Proclamation at 6:15 p.m. Lisa Gordon will bring Proclamation.
<b>PROGRAM:</b>	At 6:15 p.m. Jim Dort, Chair of CRBPP, will introduce Mayor. Other speakers will follow including Chief Lansdowne, Bill Nemec (President, Police Officers Assoc.) Patrick Hunter (new Exec. Director of CRBPP), Sandra Arkin (CRBPP Board Member)-Reading of Proclamation from Senator Kehoe. Final speaker: Scott Fulkerson. Reception follows (hors d'oeuvres and beverages).
<b>OTHER INFORMATION:</b>	Ample parking adjacent to building.
<b>ATTIRE:</b>	Business Attire
<b>ATTENDEES/VIP'S:</b>	85 expected. Various Police Captains and Lieutenants will attend.
<b>COST TO ATTEND:</b> (Face value of ticket / Open to public?)	N/A
<b>TABLE/SEAT SPONSOR:</b>	N/A
<b>SEATED WITH:</b>	N/A
<b>STAFF: CELL #:</b>	Lisa Gordon (619) 846-4659
<b>ATTACHMENTS:</b>	Retirement Celebration Invitation, Map

Prepared by: Staci Ignell  
 CC: Kris Michell  
 Cell #: (858) 442-6568  
 Security Detail: Tony Lessa  
 Cell #: (619) 980-4557

**EVENT ADVANCE FORM**

**Unveiling of Governor Pete Wilson Statue and Reception  
 Horton Plaza  
 August 25, 2007**

**Mayor Arrives: 4:00PM**

**Mayor Departs: Approx 7:00PM (or at discretion)**

<b>EVENT:</b>	Unveiling of Governor Pete Wilson Statue and Reception
<b>LOCATION:</b> (Business name & address)	Unveiling: Near NBC Building – Horton Plaza Reception: Westgate Hotel, 3 <sup>rd</sup> Floor
<b>POINT OF CONTACT:</b> (Office and Cell)	Karolyn Dorsee (619) 990-9212 cell Governor Pete Wilson (310) 418-8911 cell
<b>DESCRIPTION/ MAYOR'S ROLE:</b>	The Mayor will be seated on stage during the unveiling program.  The Mayor will give a brief welcome to attendees at reception.
<b>PROGRAM:</b>	<del>3:35PM – Mayor Arrives w/ Governor Wilson (CCDC Showroom)</del> Greeted by Karolyn Dorsee, John Davies & Jim Mulvaney <del>3:55PM – Mayor and Governor take stage</del> 4:00PM – Welcoming Remarks by Roger Hedgecock 4:05PM – Entertainment by Club 33 Rotarians (singing) 4:10PM – Roger Hedgecock introduces elected officials 4:15PM – Steve Williams speaks, followed by Herb Klein 4:25PM – Herb Klein introduces Governor Wilson 4:35PM – Champagne toast by Jim Mulvaney (Committee Chair) 4:45PM – Unveiling of Statue (Gayle Wilson to untie bow)  <del>5:00PM – Travel to Westgate/Reception Begins</del> <del>6:15PM – Mark Larson Introduces Mayor Sanders</del> <del>Mayor to make welcome remarks/leaves stage</del> 6:20PM – Mark Larson introduces Sheriff Bill Kolender Kolender introduces Governor Wilson Gayle leads “Happy Birthday” Cake Ceremony 8:00PM – Event Concludes (approximately) (Mayor is free to leave at his discretion)
<b>OTHER INFORMATION:</b>	<u>Other elected officials on stage:</u> Supervisor Greg Cox, Sheriff Bill Kolender, DA Bonnie Dumanis, Mayor Cheryl Cox, Councilmember Kevin Faulconer

<b>ATTENDEES/VIP'S:</b>	Congressman Darrell Issa Senator Mark Wyland Assemblymember Martin Garrick Assemblymember George Plescia Assemblymember Shirley Horton Supervisor Greg Cox (stage) Supervisor Dianne Jacob Sheriff Bill Kolender (stage) District Attorney Bonnie Dumanis (stage) San Diego Mayor Jerry Sanders (stage) Chula Vista Mayor Cheryl Cox (stage) Escondido Mayor Lori Holt Pfeiler La Mesa Mayor Art Madrid San Diego City Attorney Mike Aguirre San Diego Councilmember Kevin Faulconer (stage) San Diego Councilmember Jim Madaffer Republican Party State Chair Ron Nehring Republican Party of San Diego County Chair Tony Kravaric Mary Buckman, Statue Artist Lane Campbell, Fire Art Foundry for the Statue
<b>STAFF:</b> <b>CELL #:</b>	Kris Michell (858) 232-2380
<b>COST/TICKETED:</b>	\$50.00/ticketed event/mayor speaking

Prepared by: Staci Ignell  
 CC: Kris Michell  
 Cell #: (858) 442-6568  
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## City of San Diego Audit Committee Charter

### Purpose

The purpose of the Audit Committee (the "Committee") of the City Council (the "Council") of the City of San Diego (the "City") is to:

- Provide independent, legislative oversight of the City's accounting and financial reporting processes, financial internal controls, internal financial audit function and audits of the City's financial statements;
- Assist the Council in performing its legislative oversight function in those areas;
- Review the financial reports and other financial information provided by the City, the City's disclosure controls and procedures, and its internal financial controls;
- Consider the reports of and interact with the City's internal auditor in connection with the internal auditor's performance of an independent internal financial audit function;
- Assume direct responsibility, with appropriate consultation with the Mayor or his designee (the "Mayor"), for the appointment, compensation, retention and where appropriate, replacement of the outside auditor to the City in preparing or issuing an audit report or related work;
- Oversee the work and independence of the outside auditor, approve all auditing services and permitted non-audit services provided by the outside auditor, and resolve any disagreements between the Mayor and the outside auditor regarding financial reporting; and
- Carry out the specific responsibilities set forth below in furtherance of this stated purpose.

### Committee Membership and Procedures

Committee members shall be appointed in accordance with the Council Procedures.

The Committee shall be comprised of three voting Council members. The terms of the members, whenever possible, shall be arranged to ensure that there is always at least one experienced member of the Committee.

The Committee shall meet periodically as it determines. It shall conduct its meetings in accordance with this Charter, the procedures of the Council, the requirements of California law and such other lawful procedures as the Committee may adopt. The Committee may, consistent with California law, meet in executive session when determined necessary, including for personnel matters.

### Resources

The Committee shall be advised, from time-to-time, by an ad hoc advisory committee, created and established only for the purpose of advising on questions with clearly defined objectives, and shall be temporary in nature, and shall be dissolved upon the completion of the objectives for which the advisory committee was created. The advisory committee shall consist of three members, one member who shall be appointed by the Mayor, and two members who shall be appointed by the Committee. The advisory committee members shall be citizens selected for their accounting or audit expertise or financial management expertise. Each of the members shall serve without compensation.

The Committee may, from time to time, retain professional consultants as it considers necessary to carry out its functions. The Committee shall be provided with appropriate funding, as determined by the Committee and approved by the City Council, for payment of compensation to any such consultants and advisors and any outside auditor, as well as for any ordinary administrative expenses of the Committee that it determines are necessary or appropriate in carrying out its responsibilities.

### **Complaint Procedures**

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Any issue of significant financial misconduct shall be brought to the attention of the Committee for its consideration. In this connection, the Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the City regarding internal financial controls or financial auditing matters and (ii) the confidential, anonymous submission by employees of the City of concerns regarding questionable financial or auditing matters.

### **Key Responsibilities**

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The Committee's role is one of oversight, and it is recognized that the Mayor is responsible for preparing the City's financial statements and that the outside auditor, which is ultimately accountable to the Committee, is responsible for auditing those financial statements.

The following functions shall be the common recurring activities of the Committee in carrying out its oversight role. The functions are set forth as a guide and may be varied and supplemented from time to time as appropriate under the circumstances.

*Appointment of Outside Auditor.* The Committee shall have direct responsibility, with appropriate consultation with the Mayor, for the appointment, compensation, retention and where appropriate, replacement of any registered public accounting firm selected to be the City's outside auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the City. The Committee shall provide oversight of the work of the outside auditor and, consistent with the requirements of the City Charter and California law, may meet with the outside auditor outside the presence of the Mayor to discuss the audit and the City's fiscal affairs.

*Disclosure Controls and Procedures.* The Committee shall review periodically with the Disclosure Practices Working Group and the Mayor the City's disclosure controls and procedures, and shall review and evaluate the annual report on the City's disclosure controls and procedures made by the Disclosure Practices Working Group and provide to the Disclosure Practices Working Group, the Mayor, and the City Council any comments or recommendations it may have.

*Internal Controls.* The Committee shall discuss periodically with the Mayor and the outside auditor the quality and adequacy of the City's internal controls over financial reporting and internal financial auditing procedures, including any significant deficiencies or material weaknesses in the design or operation of those controls which could adversely affect the City's ability to record, process, summarize or report financial data and any fraud, whether or not material, that involves the Mayor or other employees who have a significant role in the City's financial internal controls, and discuss with the outside auditor how the City's financial systems and controls compare with practices in the municipal sector.

*Internal Auditing.* The Committee shall, in a manner consistent with paragraph 2 of the Statement of Operating Principles issued by the Mayor, make recommendations, along with the City Council, the Mayor, and the City Attorney, for matters to be included in the Annual Audit Work Plan developed by the internal auditor as part of the internal audit function, recognizing the need to prioritize workload according to available resources, budget and critical needs. The Committee shall review and comment on the Annual Audit Work Plan and monitor its progress on at least a quarterly basis. The Committee shall review the results of internal financial audits and monitor the follow-up on recommendations. Consistent with the requirements of the City Charter and California law, the Committee may meet with the internal auditor outside the presence of the Mayor to discuss the internal financial audit.

*Accounting Policies.* The Committee shall review periodically with the Mayor and the outside auditor the quality, as well as acceptability, of the City's accounting policies, and discuss with the outside auditor how the City's accounting policies compare with those in the municipal sector and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Mayor, the ramifications of use of such alternative disclosures and treatments and the treatment preferred by the outside auditor.

*Pre-approval of All Audit Services and Permitted Non-Audit Services.* The Committee shall approve, or establish procedures for representatives of the Committee to approve, in advance, all audit services and all permitted non-audit services to be provided to the City by the outside auditor in order to ensure the outside auditor's independence.

*Annual Audit.* In connection with the annual audit of the City's financial statements, the Committee shall:

- request from the outside auditor a formal written statement delineating all relationships between the outside auditor and the City consistent with Independence Standards Board Standard No. 1 and any other applicable auditing requirements, discuss with the outside auditor any such disclosed relationships and their impact on the outside auditor's objectivity and independence, and take appropriate action to oversee the independence of the outside auditor.
- approve, after appropriate consultation with the Mayor, the selection and the terms of the engagement of the outside auditor.
- review with the Mayor and the outside auditor the audited financial statements to be included in the City's Comprehensive Annual Financial Report, and provide to the Mayor any comments or recommendations it may have, and review and consider with the outside auditor the matters required to be discussed by Statement on Auditing Standards No. 61.
- perform the procedures set forth below in "*Financial Reporting Procedures*" with respect to the annual financial statements to be reported.
- review with the Mayor and the outside auditor the City's critical accounting policies and practices.
- recommend to the Council whether, based on the reviews and discussions referred to above, the annual financial statements should be issued by the City.

*Continuing Reporting.* In connection with the City's preparation of its continuing reporting of financial information, the Committee shall:

- review the City's financial information to be included in the City's continuing reports, and discuss them with the Mayor and, to the extent appropriate, the outside auditor.
- perform the procedures set forth below in "*Financial Reporting Procedures*" with respect to the financial information to be included in the continuing reports.

*Financial Reporting Procedures.* In connection with the Committee's review of each reporting of the City's annual or continuing financial information, the Committee shall:

- discuss with the outside auditor, to the extent appropriate, whether all material *correcting adjustments identified by the outside auditor in accordance with generally accepted accounting principles* are reflected in the City's financial statements.
- review with the outside auditor all material communications between the outside auditor and the Mayor, such as any letter or schedule of unadjusted differences.
- review with the Mayor and the outside auditor any material financial or other arrangements of the City which do not appear on the City's financial statements and any transactions or courses of dealing with third parties that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, and which arrangements or transactions are relevant to an understanding of the City's financial statements.
- resolve any disagreements between the Mayor and the outside auditor regarding financial reporting.

*Securities Law Compliance.* The Committee shall review and evaluate the City's compliance with its obligations under federal and state securities laws with respect to securities issued by the City and by the "related entities," as defined in San Diego Municipal Code section 22.1702, and provide to the Disclosure Practices Working Group, the Mayor, and the City Council any comments or recommendations it may have.

*Coordination.* The Committee shall work to assure maximum coordination between the work of the internal auditor, the Council as legislative body and the outside auditor.

*Charter.* The Committee shall review and reassess at least annually the adequacy of this Charter and recommend any proposed changes to the Council for approval.

4X  
HEET

ORDINANCE NUMBER O- 19612 (NEW SERIES)

DATE OF FINAL PASSAGE MAY 02 2007

AN ORDINANCE AMENDING THE SAN DIEGO MUNICIPAL CODE BY AMENDING CHAPTER 2, ARTICLE 2, DIVISION 1, SECTION 22.0101.5, ENTITLED "PERMANENT RULES OF THE COUNCIL," BY AMENDING RULE 6.1 AND ADDING A NEW RULE 6.11.6; AMENDING CHAPTER 2, ARTICLE 2, BY ADDING NEW DIVISION 43, TITLED "AUDIT COMMITTEE", AND ADDING NEW SECTIONS 22.4301, 22.4302, 22.4303, 22.4304, AND 22.4305; AMENDING CHAPTER 2, ARTICLE 6, BY REPEALING DIVISION 17, TITLED "FINANCIAL REPORTING OVERSIGHT BOARD", AND BY REPEALING SECTIONS 26.1701, 26.1702, 26.1703, 26.1704, 26.1705 AND 26.1706 IN THEIR ENTIRETY; AMENDING CHAPTER 2, ARTICLE 2, DIVISION 41, TITLED "SECURITIES DISCLOSURE", BY AMENDING SECTIONS 22.4101, 22.4105, 22.4106, 22.4109, AND 22.4112; AMENDING CHAPTER 2, ARTICLE 2, DIVISION 3, TITLED "CITY ATTORNEY", BY AMENDING SECTION 22.0304; AMENDING CHAPTER 2, ARTICLE 2, DIVISION 7, TITLED "CITY AUDITOR AND COMPTROLLER", BY AMENDING SECTION 22.0708; ALL RELATED TO A NEW AUDIT COMMITTEE.

WHEREAS, on December 6, 2006 at a special meeting, the City Council established an Interim Audit Committee and directed the City Attorney to draft an ordinance to amend the Permanent Rules of the Council to establish an Audit Committee as a standing committee of the City Council, and directed that the Audit Committee prepare a written Charter; and further directed that the Financial Reporting Oversight Board be eliminated as being redundant to the Audit Committee; and

WHEREAS, on January 9, 2007, the City Council adopted the "San Diego City Council Temporary Rules Establishing the Audit Committee" until such time that the Permanent Rules of the City Council are amended and directed that the Audit Committee develop and recommend a Charter containing the duties and responsibilities of the Audit Committee; and

WHEREAS, on February 26, 2007, the Audit Committee proposed amendments to the

San Diego City Council Temporary Rules Establishing the Audit Committee, discussed and adopted an "Audit Committee Charter", and discussed and received a "Statement of Operating Principles" issued by the Mayor, a copy of which is attached for references purposes only as Exhibit A, and directed that the Audit Committee Charter be added to the Municipal Code; and

WHEREAS, under Charter section 280(a)(1) this ordinance is not subject to veto by the Mayor because this matter is exclusively within the purview of the City Council and not affecting the administrative service of the City under the control of the Mayor; NOW, THEREFORE,

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

Section 1. That Chapter 2, Article 2, Division 1, of the San Diego Municipal Code is hereby amended by amending Section 22.0101.5, Rule 6.1, and by adding Rule 6.11.6, titled "Audit Committee," as follows:

§ 22.0101.5 - Permanent Rules of the Council

Rule 1 through Rule 5.2. [No change in text.]

Rule 6: STANDING AND SPECIAL COMMITTEES

6.1 Creation of Standing Committees (former Rule 10)

The Council hereby creates six standing committees as follows:

(a) through (e) [No change to text.]

(f) Audit Committee

Rule 6.2 through Rule 6.11.5 [No change to text.]

Rule 6.11.6 Audit Committee

- (a) The Audit Committee shall be composed of three voting Council members. Whenever possible, on a going forward basis, the terms of Audit Committee members should be arranged to ensure that

- (b) The Committee shall be comprised of three voting Council members. The terms of the members, whenever possible, shall be arranged to ensure that there is always at least one experienced member of the Committee.
- (c) The Committee shall meet periodically as it determines. It shall conduct its meetings in accordance with this Charter, the procedures of the Council, the requirements of California law and such other lawful procedures as the Committee may adopt. The Committee may, consistent with California law, meet in closed session when determined necessary, including for personnel matters.

§ 22.4303 Resources

- (a) The Committee shall be advised, from time-to-time, by an ad hoc advisory committee, created and established only for the purpose of advising on questions with clearly defined objectives, and shall be temporary in nature, and shall be dissolved upon the completion of the objectives for which the advisory committee was created. The advisory committee shall initially consist of at least three members, one member who shall be appointed by the Mayor and two members who shall be appointed by the Committee. Any additional members shall be appointed jointly by the Mayor and the Committee. The advisory committee members shall be citizens selected for their accounting or audit expertise or financial management expertise. Each of the members shall serve without compensation.
- (b) The Committee may, from time to time, retain professional consultants as it considers necessary to carry out its functions. The Committee shall be provided with appropriate funding, as determined by the Committee and

approved by the City Council, for payment of compensation to any such consultants and advisors and any outside auditor, as well as for any ordinary administrative expenses of the Committee that it determines are necessary or appropriate in carrying out its responsibilities.

§ 22.4304 **Complaint Procedures**

Any issue of significant financial misconduct shall be brought to the attention of the Committee for its consideration. In this connection, the Committee shall establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the City regarding internal financial controls or financial auditing matters and
- (b) the confidential, anonymous submission by employees of the City of concerns regarding questionable financial or auditing matters.

§ 22.4305 **Key Responsibilities**

- (a) The Committee's role is one of oversight, and it is recognized that the Mayor is responsible for preparing the City's financial statements and that the outside auditor, which is ultimately accountable to the Committee, is responsible for auditing those financial statements.
- (b) The following functions shall be the common recurring activities of the Committee in carrying out its oversight role. The functions are set forth as a guide and may be varied and supplemented from time to time as appropriate under the circumstances.
  - (1) Appointment of Outside Auditor. The Committee shall have direct responsibility, with appropriate consultation with the Mayor, for

the appointment, compensation, retention and where appropriate, replacement of any registered public accounting firm selected to be the City's outside auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the City. The Committee shall provide oversight of the work of the outside auditor and, consistent with the requirements of the City Charter and California law, may meet with the outside auditor outside the presence of the Mayor to discuss the audit and the City's fiscal affairs.

- (2) Disclosure Controls and Procedures. The Committee shall review periodically with the Disclosure Practices Working Group and the Mayor the City's disclosure controls and procedures, and shall review and evaluate the annual report on the City's disclosure controls and procedures made by the Disclosure Practices Working Group and provide to the Disclosure Practices Working Group, the Mayor, and the City Council any comments or recommendations it may have.
- (3) Internal Controls. The Committee shall discuss periodically with the Mayor and the outside auditor the quality and adequacy of the City's internal controls over financial reporting and internal financial auditing procedures, including any significant deficiencies or material weaknesses in the design or operation of those controls which could adversely affect the City's ability to record, process, summarize or report financial data and any fraud,

whether or not material, that involves the Mayor or other employees who have a significant role in the City's financial internal controls, and discuss with the outside auditor how the City's financial systems and controls compare with practices in the municipal sector.

- (4) Internal Auditing. The Committee shall make recommendations, along with the City Council, the Mayor, and the City Attorney, for matters to be included in the Annual Audit Work Plan developed by the internal auditor as part of the internal audit function, which shall focus on financial reporting, completion of the City's Comprehensive Annual Financial Reports for fiscal years 2004 through 2007, and the City's internal controls over financial reporting, and which shall recognize the need to prioritize workload according to available resources, budget and critical needs. The Committee shall review and comment on the Annual Audit Work Plan and monitor its progress on at least a quarterly basis. The Committee shall review the results of internal financial audits and monitor the follow-up on recommendations. Consistent with the requirements of the City Charter and California law, the Committee may meet with the internal auditor outside the presence of the Mayor to discuss the internal financial audit.
- (5) Accounting Policies. The Committee shall review periodically with the Mayor and the outside auditor the quality, as well as acceptability, of the City's accounting policies, and discuss with

the outside auditor how the City's accounting policies compare with those in the municipal sector and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Mayor, the ramifications of use of such alternative disclosures and treatments and the treatment preferred by the outside auditor.

- (6) Pre-approval of All Audit Services and Permitted Non-Audit Services. The Committee shall approve, or establish procedures for representatives of the Committee to approve, in advance, all audit services and all permitted non-audit services to be provided to the City by the outside auditor in order to ensure the outside auditor's independence.
- (7) Annual Audit. In connection with the annual audit of the City's financial statements, the Committee shall:
  - (A) Request from the outside auditor a formal written statement delineating all relationships between the outside auditor and the City consistent with Independence Standards Board Standard No. 1 and any other applicable auditing requirements, discuss with the outside auditor any such disclosed relationships and their impact on the outside auditor's objectivity and independence, and take appropriate action to oversee the independence of the outside auditor.

- (B) After appropriate consultation with the Mayor, recommend to the City Council the selection and the terms of the engagement of the outside auditor.
  - (C) Review with the Mayor and the outside auditor the audited financial statements to be included in the City's Comprehensive Annual Financial Report, and provide to the Mayor any comments or recommendations it may have, and review and consider with the outside auditor the matters required to be discussed by Statement on Auditing Standards No. 61.
  - (D) Perform the procedures set forth below in "Financial Reporting Procedures" with respect to the annual financial statements to be reported.
  - (E) Review with the Mayor and the outside auditor the City's critical accounting policies and practices.
  - (F) Recommend to the Council whether, based on the reviews and discussions referred to above, the annual financial statements should be issued by the City.
- (8) Continuing Reporting. In connection with the City's preparation of its continuing reporting of financial information, the Committee shall:
- (A) Review the City's financial information to be included in the City's continuing reports, and discuss them with the Mayor and, to the extent appropriate, the outside auditor.

(B) Perform the procedures set forth below in "Financial Reporting Procedures" with respect to the financial information to be included in the continuing reports.

(9) Financial Reporting Procedures. In connection with the Committee's review of each reporting of the City's annual or continuing financial information, the Committee shall:

(A) Discuss with the outside auditor, to the extent appropriate, whether all material correcting adjustments identified by the outside auditor in accordance with generally accepted accounting principles are reflected in the City's financial statements.

(B) Review with the outside auditor all material communications between the outside auditor and the Mayor, such as any letter or schedule of unadjusted differences.

(C) Review with the Mayor and the outside auditor any material financial or other arrangements of the City which do not appear on the City's financial statements and any transactions or courses of dealing with third parties that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, and which arrangements or transactions are relevant to an understanding of the City's financial statements.

- (D) Resolve any disagreements between the Mayor and the outside auditor regarding financial reporting.
- (10) Securities Law Compliance. The Committee shall review and evaluate the City's compliance with its obligations under federal and state securities laws with respect to securities issued by the City and by the "related entities," as defined in San Diego Municipal Code section 22.1702, and provide to the Disclosure Practices Working Group, the Mayor, and the City Council any comments or recommendations it may have.
- (11) Coordination and Reporting. The Committee shall work to assure maximum coordination between the work of the internal auditor, the Council as legislative body and the outside auditor. The Audit Committee shall report to the City Council at least quarterly, and more frequently as needed, including reporting out of closed session, to assist the City Council in carrying out their legislative oversight duties.
- (12) Charter. The Committee shall review and reassess at least annually the adequacy of this Charter and recommend any proposed changes to the Council for approval, including any changes that may be appropriate or desirable as a result of any revision of the City Charter.

Section 3. That Chapter 2, Article 6, of the San Diego Municipal Code is hereby amended by repealing Division 17, titled "Financial Reporting Oversight Board" and by repealing sections 26.1701, 26.1702, 26.1703, 26.1704, 26.1705, and 26.1706 in their entirety.

Section 4. That Chapter 2, Article 2, Division 41, of the San Diego Municipal Code titled "Securities Disclosure", is hereby amended by amending Sections 22.4101 (b)(6), 22.4105 (b), 22.4105 (c), 22.4106 (a)(3), 22.4109 (b), and 22.4112 by replacing the words "Financial Reporting Oversight Board" with the words "Audit Committee".

Section 5. That Chapter 2, Article 2, Division 3, of the San Diego Municipal Code, titled "City Attorney", is hereby amended by amending the title of Section 22.0304 and Sections 22.0304 (a) and 22.0304 (b) by replacing the words "Financial Reporting Oversight Board" with the words "Audit Committee".

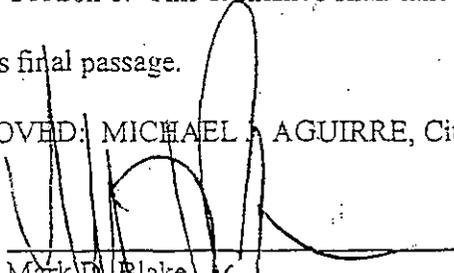
Section 6. That Chapter 2, Article 2, Division 7, titled "City Auditor and Comptroller", is hereby amended by amending Sections 22.0708 (b) and 22.0708 (b)(5) by replacing the words "Financial Reporting Oversight Board" with the words "Audit Committee".

Section 7. That a full reading of this ordinance is dispensed with prior to passage, since a written copy was made available to the City Council and the public prior to the day of its passage.

Section 8. This ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: MICHAEL A. AGUIRRE, City Attorney

By

  
Mark D. Blake  
Chief Deputy City Attorney

MDB:jdf  
03/28/2007  
Or.Dept:Audit Committee  
O-2007-122

'APR 24 2007



**STATEMENT OF OPERATING PRINCIPLES**

(Originally received by the Audit Committee on February 26, 2007, as revised on April 10, 2007)

WHEREAS the City Charter provides for an Auditor and Comptroller to perform those functions related to the City's fiscal affairs specified in the City Charter;

WHEREAS the Auditor and Comptroller is to perform those functions under the direction of the Mayor except as otherwise specified in the existing City Charter;

WHEREAS the Mayor believes that it is important for the financial integrity of the City for the Auditor and Comptroller, consistent with his responsibilities under the existing City Charter, to perform the internal audit function on an independent basis working not only with the Mayor's Office, but also with the Audit Committee recently established by the City Council to provide independent oversight over financial matters (the Auditor and Comptroller or his designee with responsibility over the internal audit function is referred to herein as the "Internal Auditor");

WHEREAS this Statement of Operating Principles shall apply during the interim period prior to revision of the City Charter (the "Interim Period");

Accordingly, the Mayor hereby sets forth the following operating principles:

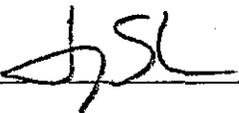
1. The Internal Auditor, in the exercise of his internal audit function, is directed periodically and more frequently as necessary to communicate directly to and consult with the Audit Committee and to be responsive to its requests for information consistent with the Audit Committee's oversight responsibilities with respect to the internal audit function. Such communication shall take place at the initiative of the Internal Auditor or of the Audit Committee. The Internal Auditor shall have the responsibility to inform the Audit Committee if he believes his independence is being compromised.
2. During the Interim Period, the Internal Auditor's internal audit function shall focus on financial reporting, completion of the City's CAFRs for fiscal years 2003 through 2007, and the City's internal controls over financial reporting.
3. The Internal Auditor shall prepare an Annual Audit Work Plan consistent with the foregoing paragraph as part of the internal audit function after consultation with and taking into account the recommendations of the Mayor and the Audit Committee, including prioritization of the workload according to available resources and budget. The Internal Auditor shall resolve any differences through the exercise of his independent professional judgment.
4. The Internal Auditor may consult as appropriate with the City Council or its designees, such as the Independent Budget Analyst, or the City Attorney.

5. The Mayor shall direct the Auditor and Comptroller to select as the Internal Auditor, with the participation of the Audit Committee, a person with professional qualifications as an internal auditor.

6. To the extent that the Internal Auditor is not the Auditor and Comptroller as described in Section 39 of the City Charter, the Internal Auditor may be dismissed by the Auditor and Comptroller, subject only to a right to appeal to the Audit Committee to overturn the dismissal decision.

7. The Auditor and Comptroller, in consultation with the Audit Committee, shall evaluate the performance of the Internal Auditor and shall consult with the Audit Committee with respect to the budget and compensation of the Internal Auditor.

APPROVED: JERRY SANDERS, Mayor



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City of San Diego  
Disclosure Practices Working Group

Disclosure Controls and Procedures

Article I  
*General*

Section 1.1. Purpose. These Disclosure Controls and Procedures are designed to (i) ensure the accuracy of the City of San Diego's disclosures and the City's compliance (including the City Council, City officers, and staff in the exercise of their official duties) with all applicable federal and state securities laws, and (ii) promote best practices regarding disclosures relating to securities issued by the City and the City's disclosure provided to its Related Entities.

Section 1.2. Disclosure Practices Working Group. Pursuant to Sections 22.4101 and 22.4103 of the Municipal Code, the City Manager, the City Attorney, the City Auditor and Comptroller, and the City Treasurer have established the Disclosure Group.

Section 1.3. Responsibilities of the Disclosure Group. The Disclosure Group shall have the responsibilities set forth in (i) subsection (b) of Section 22.4101 of the Municipal Code, (ii) Section 22.4107 of the Municipal Code, (iii) subsection (a) of Section 22.4109 of the Municipal Code, and (iv) such additional responsibilities as are set forth in these Disclosure Controls and Procedures.

Section 1.4. Rules and Regulations. The Disclosure Group may establish such Rules and Regulations as it determines are appropriate to govern the operation of its meetings and other procedural matters. In the event of any conflict between the terms of the Rules and Regulations and the terms of these Disclosure Controls and Procedures, the terms of the Disclosure Controls and Procedures shall govern.

Article II  
*Definitions*

Section 2.1. Definitions. Capitalized terms used in these Disclosure Controls and Procedures shall have the meanings set forth below:

"*CAFR*" means the City's Comprehensive Annual Financial Report.

"*City*" means the City of San Diego, California.

“*City Financial Statements*” means, individually or collectively as the context may require, CAFR, the audited financial statements of the Metropolitan Wastewater Utility, and the audited financial statements of the Water Utility.

“*Contributors*” means those persons contacted by the Financing Group or the Disclosure Group, or assigned by a department director, to assist with the review or preparation of a Disclosure Document as described in Section 4.3.

“*Deputy City Attorney for Finance and Disclosure*” means the attorney designated as such pursuant to Section 22.0302 of the Municipal Code.

“*Disclosure Documents*” means those documents defined as such in Article III.

“*Disclosure Group*” means the Disclosure Practices Working Group that has been established in the manner described in Section 1.2.

“*Financing Group*” means, collectively, those persons identified as such pursuant to subsection A. of Section 4.3.

“*Municipal Code*” means the San Diego Municipal Code, as amended from time to time.

“*NRMSIRs*” means the nationally recognized municipal securities information repositories approved by the Securities and Exchange Commission to accept the filings referenced in Rule 15c2-12 under the federal Securities Exchange Act of 1934, 17 CFR 240.15c2-12.

“*Preparer*” means those persons defined as such in subsection A. of Section 4.4.

“*Related Entities*” means those entities as defined in Section 22.4102 of the Municipal Code. Related Entities include, but are not limited to, those Related Entities as set forth in Exhibit A, as updated from time to time.

“*Rules and Regulations*” means the rules and regulations established by the Disclosure Group, as described in Section 1.4.

### Article III *Disclosure Documents*

Section 3.1. Disclosure Documents. “Disclosure Documents” means (i) the City’s documents and materials prepared, issued, or distributed in connection with the City’s disclosure obligations under applicable federal and state securities laws relating to its securities and (ii) any other disclosure which, pursuant to the Municipal Code, the Disclosure Group has the responsibility to review and approve. Disclosure Documents shall include, but not be limited to, the following:

- A. Preliminary and final official statements, and preliminary and final private placement offering documents, relating to the City's securities, together with any supplements;
- B. the City Financial Statements;
- C. any filing made by the City with the NRMSIRs, whether made pursuant to a continuing disclosure agreement to which the City is a party or made voluntarily;
- D. press releases (to the extent that such releases are or could reasonably be construed to be an intended communication to the financial markets), rating agency presentations, postings on the investor information section of the City's webpage, and other communications, reasonably likely, in the determination of the Disclosure Group, to reach investors or the securities markets;
- E. any disclosure materials requiring, pursuant to the Municipal Code, approval and certification by the City Manager, City Attorney, or City Auditor and Comptroller;
- F. disclosures provided by the City in connection with securities issued by Related Entities, together with all of such documents and materials prepared, issued, or distributed in connection with such securities, to the extent that the City, the City Council, or City officers, or staff are responsible for the form or content of such documents or materials;
- G. offering documents prepared by Related Entities if such documents are subject to the approval of the City Council; and
- H. such portions of the City's published adopted annual budget as the Disclosure Group determines to be appropriate, which shall at a minimum include the executive summary.

#### Article IV *Review Process*

Section 4.1. Determination of "Disclosure Document" status. Whether a particular document or written, posted or other communication is a Disclosure Document shall be determined by the Disclosure Group, including the determination whether a document should be filed voluntarily with the NRMSIRs (see Section 3.1.C.) or whether a communication is reasonably likely to reach investors or the securities markets (see Section 3.1.D.). To assist the Disclosure Group in its determination whether a particular document is a Disclosure Document as described in subsection F. of Section 3.1,

information shall be solicited from the appropriate Related Entity by means of a letter in the form attached as Exhibit B.

Section 4.2. Review of Form and Content of Disclosure Documents. The Disclosure Group shall review the form and content of each Disclosure Document.

Section 4.3. Review of Official Statements. The following procedures shall apply to those Disclosure Documents described in subsections A. or G. of Section 3.1:

A. Financing Group. Financial Services shall timely identify for the Disclosure Group a Financing Group for each financing (the composition of which may differ for each financing), which shall include the Deputy City Attorney for Finance and Disclosure (or such other Deputy City Attorney designated to work on the matter by the Deputy City Attorney for Finance and Disclosure), such manager of Financing Services as the City Treasurer determines to be the appropriate interface with the bond financing team (i.e., bond counsel and/or disclosure counsel, underwriter(s), underwriter's counsel, financial advisors, and appropriate City staff), the City's outside disclosure counsel, and such other members of the Disclosure Group as the Disclosure Group determines to be appropriate.

B. Responsibilities of Financing Group. The Financing Group shall (i) assist the bond financing team in the preparation of the Disclosure Document and (ii) the manager of Financing Services working with the Financing Group shall certify to the Disclosure Group that, to the best of his/her knowledge, these Disclosure Controls and Procedures were followed in such preparation.

1. The Financing Group shall be responsible for soliciting material information from City departments. The Financing Group shall identify Contributors who may have information necessary to prepare or who should review portions of the Disclosure Document. These Contributors should be timely contacted and informed that their assistance will be needed for the preparation of the Disclosure Document, which notification will contain the information set forth in Exhibit C.

2. The Financing Group shall contact the individuals and departments identified as Contributors as soon as possible in order to provide adequate time for such individuals to perform a thoughtful and thorough review or draft of those portions of the Disclosure Document assigned to them.

3. The manager of Financing Services assigned to the financing, together with the Deputy City Attorney for Finance and Disclosure, shall maintain or cause to be maintained an accurate log of all individuals or departments that were requested to review or draft information in connection with a Disclosure Document, including what sections such individuals or department prepared or reviewed. The Deputy City Attorney for Finance and Disclosure shall also be responsible for collecting all transmittal letters, certifications, and lists of sources for incorporation into the minutes maintained by the Disclosure Group.

4. The Financing Group shall confirm to and advise the Disclosure Group that each section of and all financial and operating information contained in the Disclosure Document has been reviewed by an appropriate person, as evidenced by the written material described in 3. above (which shall constitute the "audit trail" referenced in Section 22.4105(a)(4) of the Municipal Code). Of particular import is that the "Appendix A" and other information concerning the City is thoroughly compared for accuracy against the City Financial Statements. The Financing Group shall review the letters and any accompanying information provided pursuant to subsections C. through G. of this Section 4.3 and shall transmit such materials to the Disclosure Group, such letters to be substantially in the form set forth in Exhibit D.

5. The Financing Group shall report any significant disclosure issues and concerns to the Disclosure Group as they are discovered.

6. The Financing Group shall advise the financial advisor and the underwriter(s) and their counsel, that they must execute upon their selection a confidentiality agreement substantially in the form attached as Exhibit E.

C. Responsibilities of Contributors. A Contributor shall assist in reviewing and preparing the Disclosure Document using his or her knowledge of the City and by discussing the Disclosure Document with other members of the department in an attempt to ensure the accuracy of the information and to determine whether any other information should be discussed or disclosed. Once a Contributor is notified of his or her need to participate in preparing a Disclosure Document, the Contributor and the Contributor's department director shall cooperate with Financing Group and Disclosure Group requests.

D. Review by Human Resources Manager. With respect to those Disclosure Documents described in subsection A. of Section 3.1 that relate to securities that are secured directly or indirectly by the City's general fund, the Financing Group shall forward the Disclosure Document to the Human Resources Manager for review by means of a letter substantially similar to Exhibit C. In particular, the Human Resources Manager and the Personnel Director shall review any information in the Disclosure Document relating to employee relations, collective bargaining, pensions and benefits, and litigation concerning current or former employees. The Human Resources Manager shall timely send any comments on the Disclosure Document to the Financing Group after receiving the Disclosure Document, by means of the transmittal letter attached as Exhibit F.

E. Review by San Diego City Employees' Retirement System (SDCERS). With respect to those Disclosure Documents described in subsection A. of Section 3.1 that relate to securities that are secured directly or indirectly by the City's general fund, the Financing Group shall forward the Disclosure Document to the [Retirement Administrator, Head of the Investment Division, Head of the Administration Division and Head of the Legal Division] by means of a letter substantially similar to Exhibit C. Such individuals shall be requested to review any information in the Disclosure

Document relating to pension benefits and other retirement benefits, pension plan funding and litigation concerning SDCERS. Any comments on the Disclosure Document shall timely be sent to the Financing Group after receiving the Disclosure Document, by means of the transmittal letter attached as Exhibit G.

F. Review by City Attorney for Litigation. The Deputy City Attorney for Finance and Disclosure shall transmit the Disclosure Document to the appropriate attorneys in the City Attorney's office who are responsible for identifying any material current, pending or threatened litigation. The responsible attorneys shall timely draft descriptions of any such litigation, and of any material settlements or court orders, for the Disclosure Document after receiving the Disclosure Document. The responsible attorneys shall timely transmit the requested information to the Financing Group after receiving the Disclosure Document, by means of the transmittal letter attached as Exhibit H.

G. Review by City Auditor and Comptroller. The Financing Group shall forward the Disclosure Document to the City Auditor and Comptroller by means of a letter substantially similar to Exhibit C. The City Auditor and Comptroller shall designate one or more employees to assist the Financing Group with comparing and noting any discrepancies between the City Financial Statements and the Disclosure Document. The City Auditor and Comptroller shall also review the Disclosure Document in full to identify any material difference in presentation of financial material from the Financial Statements, any misstatement or omission in any sections that contain descriptions of information prepared by or of interest to the City Auditor and Comptroller. Any comments on the Disclosure Document shall timely be sent to the Financing Group after receiving the Disclosure Document, by means of the transmittal letter attached as Exhibit I.

H. Reference Materials. The Deputy City Attorney for Finance and Disclosure and the City's outside disclosure counsel, in providing advice to the Disclosure Group regarding the contents of those Disclosure Documents described in subsections A. or G. of Section 3.1, shall review and take into consideration the reference materials listed in Exhibit J, as updated from time to time.

Section 4.4. Review of Disclosure Documents other than Official Statements. The following procedures shall apply to those Disclosure Documents that are not addressed in Section 4.3:

A. Determination of Disclosure Document. Any person (each, a "Preparer") preparing any information for release to the public that could be considered a Disclosure Document and that is not otherwise identified as a Disclosure Document in the forward calendar referenced in Section 6.3, shall notify the Disclosure Group of such information. The Disclosure Group shall timely make a determination whether such information is a Disclosure Document pursuant to Section 4.1.

B. Notify Disclosure Group. If it is determined that a document is a Disclosure Document, the Preparer shall inform the Disclosure Group of the (i) expected

completion date of the Disclosure Document and (ii) the expected or required dissemination date of the Disclosure Document.

C. Involvement of Deputy City Attorney. The Deputy City Attorney for Finance and Disclosure, in consultation with the City's outside disclosure counsel, shall assist the Preparer to:

1. identify material information that should be disclosed;
2. identify other persons that may have material information or knowledge of any information omitted from such Disclosure Document; and
3. determine when the Disclosure Document is final and ready for review by the Disclosure Group.

D. Prepare Source List. The Preparer shall keep a list of individuals or groups that have contributed to the preparation of the Disclosure Document and a list of sources from which the information summarized or updated in the Disclosure Document was derived. These lists shall be submitted to the Disclosure Group along with the Disclosure Document.

## Article V *Approval Process*

Section 5.1. General. The Disclosure Group shall review and approve the form and content of each Disclosure Document. Such approval shall be evidenced by the affirmative vote of a majority of a quorum of the Disclosure Group, as determined by the Rules and Regulations. The Disclosure Group may determine that those Disclosure Documents that (i) the City is contractually obligated to file with the NRMSIRs if determined to be a material event or as a result of the failure to file the required annual financial information and (ii) contain no discretionary content (e.g., rating changes), may be filed with the NRMSIRs upon the approval of the City's outside disclosure counsel and at least one other member of the Disclosure Group.

Section 5.2. Submission of Official Statements to Disclosure Group for Approval. The Financing Group shall submit any Disclosure Document described in Section 4.3 to the Disclosure Group when (i) it has obtained all of the approvals and source documentation described in Section 4.3, and (ii) in its best judgment, the Disclosure Document is in substantially final form. Such submission shall be by means of the transmittal letter attached as Exhibit K.

The Disclosure Group shall critically evaluate the Disclosure Document for accuracy, and have the opportunity to ask questions of the Financing Group and of any Contributor or other person who reviewed or drafted any section of the Disclosure Document. The Disclosure Group may send the Disclosure Document back to the Financing Group for revisions. The Disclosure Group shall timely contact the Financing

Group with any comments or questions on the Disclosure Document or the associated financing.

Section 5.3. Submission of Official Statements to City Manager and City Attorney. The Disclosure Group shall submit any Disclosure Document described in Section 4.3 to the City Manager and City Attorney when, in its best judgment, (i) the Disclosure Document is in substantially final form and (ii) the Disclosure Group has complied with these Disclosure Controls and Procedures. Such submission shall be by means of the transmittal letter attached as Exhibit L.

The City Manager and City Attorney shall critically evaluate, or cause to be evaluated, the Disclosure Document for accuracy. The City Manager and the City Attorney shall meet with the Financing Group and the Disclosure Group at a mutually convenient time, and ask questions of the Financing Group, the Disclosure Group, any Contributor, and any other person who reviewed or drafted any section of the Disclosure Document. The City Manager or City Attorney may send the Disclosure Document back to the Financing Group for revisions. Upon satisfaction with the Disclosure Document, the City Manager and City Attorney shall execute the certifications required by Section 22.4111(a) of the Municipal Code, in the form attached as Exhibit M, and provide a copy to the Disclosure Group.

Section 5.4. City Auditor and Comptroller Certification. Upon satisfaction with a Disclosure Document described in Section 4.3 or in subsection F. of Section 3.1, the City Auditor and Comptroller shall execute the certification required by 22.0709(b) of the Municipal Code, in the form attached as Exhibit N, and provide a copy to the Disclosure Group. With respect to each CAFR, the City Auditor and Comptroller shall execute the certification required by 22.0709(a) of the Municipal Code, in the form attached as Exhibit O, and provide a copy to the Disclosure Group.

Section 5.5. Submission of Official Statements to City Council for Approval. As part of the docketing process, the Disclosure Group shall submit any Disclosure Document described in Section 4.3 to the City Council for approval together with the certifications from the City Manager, the City Attorney, and the City Auditor and Comptroller promptly after the receipt of such certifications. The approval of such a Disclosure Document by the City Council shall be docketed on the adoption agenda and **not** be approved as a consent item. The City Council shall undertake such review as they are advised by the Deputy City Attorney advisor to the City Council appointed pursuant to Section 22.0303 of the Municipal Code and the City's outside disclosure counsel to be appropriate to fulfill their responsibilities under applicable federal and state securities laws.

Section 5.6. Approval of Disclosure Documents other than Official Statements. Any Disclosure Document and accompanying source lists described in Section 4.4 shall be submitted to the Disclosure Group for approval when the Preparer, the Deputy City Attorney for Finance and Disclosure, and the City's outside disclosure counsel believe such Disclosure Document is ready for dissemination.

The Disclosure Group shall critically evaluate the Disclosure Document for accuracy and sufficiency, and have the opportunity to ask questions of the Preparer or any other person who reviewed or drafted any section of the Disclosure Document. The Disclosure Group may send the Disclosure Document back to the Preparer for revisions. The Disclosure Group shall contact the Preparer with any comments or questions on the Disclosure Document or the associated financing by no later than (a) in the case of a Disclosure Document scheduled on the forward calendar referenced in Section 6.3., the later of (i) five (5) business days after receiving such Disclosure Document and (ii) the business day immediately succeeding the next regularly scheduled meeting of the Disclosure Group, or (b) in the case of an unscheduled Disclosure Document, as soon as reasonably practicable.

## Article VI *Timelines for Review*

Section 6.1. Timelines for Review of Official Statements. The timeline for any particular bond financing for which a Disclosure Document as described in subsections A. or G. of Section 3.1 will be used will vary depending on the type of bonds being offered (e.g., variable rate, fixed rate, auction rate), the security for the bonds (e.g., general obligation, revenue pledge), the purpose for the financing, and other factors unique to each bond financing. Accordingly, the following timeline has been developed to assist the Disclosure Group, each Financing Group, and each bond financing team in developing a bond financing schedule, but is intended only to provide very general guidance in light of the unique characteristics of each bond financing.

Day 270	Disclosure Group notified of the bond financing by inclusion of the financing on the forward calendar referenced in Section 6.3, and identifies a Financing Group
Days 150-270	Financing Group meets with the bond financing team to understand basics of bond financing; initial draft of Disclosure Document is prepared
Day 150	Financing Group distributes information to Contributors and department directors
Day 150	Financing Group distributes information to Human Resources Manager, SDCERS representative, and City Auditor and Comptroller, as may be applicable
Day 130	Deputy City Attorney for Finance and Disclosure transmits Disclosure Document to appropriate litigation attorneys in City Attorney's Office
Days 110-130	Department directors and Contributors discuss Disclosure Document at departmental meetings

Day 100	Contributors submit requested information to Financing Group
Day 90	Human Resources Manager, SDCERS representative and City Attorney representative transmit any requested information to Financing Group
Days 60-90	Financing Group reviews Disclosure Document and all related materials, and transmits to Disclosure Group
Days 40-60	Disclosure Group reviews Disclosure Document and all related materials, and submits to City Manager and City Attorney
Days 30-40	City Manager and City Attorney meet with Disclosure Group
Day 30	City Manager and City Attorney execute required certifications
Day 29	Disclosure Group submits Disclosure Document and related certifications to City Council as part of the docketing process referenced in Section 5.5
Day 15-29	City Council briefed regarding Disclosure Document by Deputy City Attorney advisor to the City Council and the City's outside disclosure counsel
Day 5	City Council approves Disclosure Document
Day 0	Preliminary Official Statement is mailed
Day 0 – Delivery Date (or such later date through which the City is contractually obligated to advise the bond financing team of material events)	Financing Group advises Disclosure Group of (i) any material changes to Preliminary Official Statement to create the final Official Statement and (ii) any material changes to the final Official Statement up to and including the date of delivery of the bonds. In either such event, the Disclosure Group must review and approve the form and content of the material change disclosure and determine whether it is necessary or appropriate to submit the material change disclosure to the City Council for approval.

Section 6.2. Timelines for Review of Disclosure Documents other than Official Statements. The timeline for preparing any particular Disclosure Document will vary depending on the type of Disclosure Document and whether or not the Disclosure Document was on the forward calendar referenced in Section 6.3. Accordingly, the following timeline has been developed to assist the Disclosure Group and the Preparer in developing a schedule, but is intended only to provide very general guidance in light of the unique characteristics of each Disclosure Document.

Action	Scheduled (measured by days before Disclosure Document dissemination scheduled)	Unscheduled (measured from days after unexpected Disclosure Document revealed)
Disclosure Group notified of the potential Disclosure Document	60 days	ASAP
Disclosure Group makes a determination whether a document is a Disclosure Document	N/A	2 business days
Preparer, Deputy City Attorney for Finance and Disclosure, and the City's outside disclosure counsel identify other persons that may have material information or knowledge of any information omitted from such Disclosure Document	50-60 days	4 business days
Disclosure Document finalized and transmitted to Disclosure Group	25-50 days	4-5 business days
Disclosure Group reviews Disclosure Document and all related materials, and approves Disclosure Document for dissemination	10 days	5-6 business days

Section 6.3. Forward Calendar. The Disclosure Group shall develop a forward calendar that sets forth, to the best judgment of the Disclosure Group, a comprehensive list of Disclosure Documents that are subject to the review and approval of the Disclosure Group over the next twelve months. Such forward calendar shall be revised from time to time, and every effort shall be made to keep such document current. The City Treasurer shall advise the Disclosure Group of all Disclosure Documents originating in Financing Services (being those Disclosure Documents described in subsection A. of Section 3.1, and those Disclosure Documents filed by the City with the NRMSIRs pursuant to continuing disclosure agreements described in subsection C. of Section 3.1) that are expected to be submitted to the Disclosure Group for review and approval over the next twelve months. In addition, the City Treasurer shall advise the Disclosure Group, after soliciting the appropriate information from the Related Entities, of those Disclosure Documents described in subsections F. or G. of Section 3.1 that are expected to be submitted to the Disclosure Group for review and approval over the next twelve months. The City Auditor and Comptroller shall advise the Disclosure Group of the dates that the CAFR, the audited financial statements of the Metropolitan Wastewater Utility, the audited financial statements of the Water Utility, the Disclosure Documents described in subsection B. of Section 3.1, and any other Disclosure Document, are expected to be

submitted to the Disclosure Group for review and approval over the next twelve months. The Deputy City Manager for Finance shall advise the Disclosure Group of the date that the Disclosure Document described in subsection H. of Section 3.1 is expected to be submitted to the Disclosure Group for review and approval over the next twelve months.

## Article VII *Training Policy*

### Section 7.1. Training Sessions.

A. Employees with responsibility for collecting or analyzing information that may be material to the preparation of a Disclosure Document shall attend disclosure training sessions conducted by the City's outside disclosure counsel, with the assistance of the Deputy City Attorney for Finance and Disclosure appointed pursuant to Section 22.0302 of the Municipal Code. New employees shall attend such a session within three months of their first day of employment. Such training sessions shall include education on the City's disclosure obligations under applicable federal and state securities laws and their responsibilities and potential liabilities regarding such obligations, the anonymous and confidential contact information for the Financial Reporting Oversight Board described in Section 9.2, and the contact information for the Deputy City Attorney for Finance and Disclosure. Such training sessions may be conducted by videotape.

B. The determination as to whether or not an employee shall receive such training shall be made by the Deputy City Manager, the City Auditor and Comptroller, or the City Attorney, as appropriate, responsible for such employee. The Disclosure Group may also require training for an employee not specified by any such person.

C. Separate training sessions shall be conducted by the City's outside disclosure counsel, with the assistance of the Deputy City Attorney for Finance and Disclosure and the Deputy City Attorney designated as an advisor to the City Council pursuant to Section 22.0303 of the Municipal Code, for the Mayor and City Council members.

## Article VIII *Document Retention Policies*

### Section 8.1. Official Statements.

A. Materials retained. The Disclosure Group shall retain in a central depository, for a period of five years from the date of delivery of the securities referenced in a Disclosure Document described in subsections A. or G. of Section 3.1, the following materials:

1. the printed copy of the Preliminary and final Official Statement (or Preliminary and final Offering Memoranda);
2. the "deemed final" certification provided by a City official to the underwriter of the securities in accordance with paragraph (b)(1) of Rule 15c2-12;

3. the executed copies of the letters, requests, and certifications, the forms of which are attached as Exhibits B-K, and M;
4. the information and related sources referenced in the materials described in 3. above;
5. the bond purchase agreement; and
6. any written certification or opinions executed by a City official relating to disclosure matters, delivered at the time of delivery of the related securities.

B. Materials not retained. The Disclosure Group shall not retain after the date of delivery of the related securities the drafts of any of the materials referenced in subsection A. above.

Section 8.2. Disclosure Documents other than Official Statements. The Disclosure Group shall retain in a central depository, for a period of five years from the date the respective Disclosure Document is published, posted, or otherwise made publicly available:

1. the final version of the Disclosure Document,
2. all transmittal letters, requests, and certifications relating to information in the Disclosure Document,
3. the information and related sources referenced in the materials described in 2. above.

The Disclosure Group shall not retain the drafts of any such materials.

## Article IX *Confidential Submissions*

Section 9.1. Deputy City Attorney for Finance and Disclosure. The City shall encourage City employees to contact the Deputy City Attorney for Finance and Disclosure with any disclosure questions or concerns. To the extent permitted by law, upon the employee's request, the Deputy City Attorney for Finance and Disclosure shall keep the employee's identity confidential.

Section 9.2. Financial Reporting Oversight Board (FROB) Contact Information. The City shall set up a confidential and anonymous system so that City employees can contact the FROB with any concerns about accounting or financial disclosure issues if they prefer not to contact the Deputy City Attorney for Finance and Disclosure. The FROB will create a procedure for contacting them in an anonymous and confidential manner.

Article X  
*Annual Review*

Section 10.1. Annual Review. The Disclosure Group shall conduct an annual evaluation of these Disclosure Controls and Procedures and prepare an annual report, in accordance with the procedures and the dates established by Section 22.4106 of the Municipal Code.

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## Exhibits

- A. List of Related Entities
- B. Related Entity Letter
- C. Request for Information from Contributors
- D. Transmittal by Department Director or Deputy City Manger to Financing Group
- E. Underwriter's/Financial Advisor's Confidentiality Agreement
- F. Letter from Human Resources Manager
- G. Letter from SDCERS Representative
- H. Letter from City Attorney's Office Regarding Litigation
- I. Letter from City Auditor and Comptroller
- J. Municipal Finance Disclosure Reference Materials
- K. Transmittal of Official Statement by Financing Group to Disclosure Group
- L. Transmittal of Official Statement by Disclosure Group to City Manager and City Attorney
- M. Certifications by City Attorney and City Manager
- N. Certification by City Auditor and Comptroller Regarding Official Statements
- O. Certification by City Auditor and Comptroller Regarding CAFR

**Related Entities**

Assessment District 4030 (Otay Mesa Industrial Park)

Assessment District 4096 (Piper Ranch Business Park)

City of San Diego/MTDB Authority

Community Facilities District No. 1 (Miramar Ranch North)

Community Facilities District No. 2 (Santaluz)

Community Facilities District No. 3 (Liberty Station)

Community Facilities District No. 4 (Black Mountain Ranch Villages)

Convention Center Expansion Financing Authority

Public Facilities Financing Authority of the City of San Diego

Reassessment District No. 1999-1

Reassessment District No. 2003-1

Redevelopment Agency of the City of San Diego

San Diego Facilities and Equipment Leasing Corporation

San Diego Housing Commission

San Diego Open Space Park District No. 1

**Related Entity Letter**

Pursuant to Ordinance No. O-19320 (the "Ordinance"), the Disclosure Practices Working Group (Group) has the responsibility to review the form and content of information disclosed by the City in connection with securities issued by Related Entities (as defined in the Ordinance). Accordingly, in order to fulfill such responsibility, you must submit this letter for approval by the Group, and you understand and agree that you will not docket the Preliminary Official Statement or other offering document for consideration by the City Council prior to submitting this letter to the Group.

You have received this letter because [name of issuer] is a Related Entity. Please advise, by checking the appropriate box below, whether you are in receipt of any information of the type referenced in the preceding paragraph.

We did not request, and did not receive, any information from a City employee that we intend to include in the Preliminary Official Statement or other offering document that is being prepared in connection with the securities being offered by [name of Related Entity].

We received information from [name of City employee], a copy of which is attached, which we intend to include in the Preliminary Official Statement that is being prepared in connection with the securities being offered by [name of Related Entity]. We understand and acknowledge that we are not authorized to include this information in such Preliminary Official Statement or any other disclosure document until we receive written authorization from a representative of the Group to include such information.

Related Entity: \_\_\_\_\_

Authorized Officer: \_\_\_\_\_

### Request for Information from Contributors

The Financing Services Division of the City Treasurer's Office is requesting information from [department or division name] to be included in a detailed disclosure of the City's financial and operating data for an [official statement] [annual report] to be issued by the City in connection with [the sale of bonds or other securities] [federal annual reporting requirements for municipal securities]. This information will be disseminated publicly to the investing public, including bondholders, rating agencies, financial advisors and other members of the investment community.

Federal securities laws require that the information be complete, accurate, and in no way misleading. Please review carefully the information you are providing to be certain, to the best of your knowledge after reasonable inquiry of the appropriate persons, that it is accurate, complete and not misleading. Please be certain that the source documentation is in all ways reliable and auditable, should any future inquiry arise. Please provide a copy of all source documentation. Please describe any exceptions or other caveats to the information you are providing.

Please review the information in its entirety, rather than simply updating that which has already been provided, to determine whether any material changes have occurred or if any new or additional information should be included to make the information you are providing not misleading and as complete and accurate as possible.

Please provide the information by no later than [X date], and please advise of any subsequent changes to such information through [Y date].

If you require additional information regarding this request for information, please contact \_\_\_\_\_, at x \_\_\_\_\_. Thank you for your assistance.

**Transmittal by Department Director  
or Deputy City Manager  
to Financing Group**

I am the [Department Director/Deputy City Manager] responsible for reviewing the portion of the Disclosure Document that is attached. This disclosure has been reviewed by me and by each identified Contributor, and was discussed at a meeting of the \_\_\_\_\_ department. I have also attached copies of any materials that were a source for all or a portion of this disclosure. I have reviewed and complied with the procedures set forth in subsection C. of Section 4.3 of the Disclosure Controls and Procedures. I have attended the federal securities law training seminar conducted by the City's outside disclosure counsel. In the event of any material change to the attached disclosure between the date of this letter and the scheduled delivery date for the bonds (X date), I shall promptly advise the Financing Group.

\_\_\_\_\_  
[Department director/Deputy City Manager]

Attachments

- reviewed disclosure
- source materials
- list of Contributors

**[Underwriter's/Financial Advisor's] Confidentiality Agreement**

The [Underwriter/Financial Advisor] acknowledges, represents and warrants to the City that in connection with the preparation for and offering and sale of the Bonds, the [Underwriter/Financial Advisor], its agents, employees and counsel involved in the offering have been and will be provided non-public information by or on behalf of the City, including but not limited to drafts of the Preliminary Official Statement and Official Statement; the [Underwriter/Financial Advisor], its agents, employees and counsel involved in the offering have been and will be provided such information for the purpose of the offering and sale of the Bonds and not for any other purpose; and the Preliminary Official Statement and Official Statement, and any supplements or amendments thereto in accordance with the provisions of the Bond Purchase Agreement, constitute the only documents authorized by the City for dissemination of such information.

The [Underwriter/Financial Advisor] covenants and agrees to protect and maintain the confidentiality of such information and to take appropriate steps to assure that its agents, employees and counsel involved in the offering will not make use of such information for any purpose other than the offer and sale of the Bonds.

Notwithstanding the preceding two paragraphs, the [Underwriter/Financial Advisor] has the right to use or to disclose any information: (i) which is, at the time of disclosure, generally known or available to the public (other than as a result of a breach of this Agreement); (ii) which becomes, at a later date, generally known or available to the public through no fault of the [Underwriter/Financial Advisor] and then only after said later date; (iii) which is disclosed to the [Underwriter/Financial Advisor] in good faith by a third party who, to [Underwriter/Financial Advisor]'s knowledge, has an independent right to such information and is under no known obligation not to disclose it to the [Underwriter/Financial Advisor]; (iv) which is possessed by the [Underwriter/Financial Advisor], as evidenced by such [Underwriter/Financial Advisor]'s written or other tangible evidence, before receipt thereof from the City; (v) to the extent expressly required by any governmental, judicial, supervisory or regulatory authorities pursuant to federal or state law, subpoena or similar legislative, administrative or judicial process; (vi) in connection with the offering and sale of the Bonds if the [Underwriter/Financial Advisor] or its counsel determines that confidential information is material (within the meaning of the federal securities laws) and therefore must be disclosed in connection with the offering and sale of the Bonds, provided, that the [Underwriter/Financial Advisor] shall provide prior written notice thereof to the City (to the extent permitted by law), including a copy of the proposed disclosure or other use, and shall have obtained the City's written consent to such use if the offering has not commenced; or (vii) the use of which is consented to by the express prior written consent of the City.

The [Underwriter/Financial Advisor] shall return all confidential material to the City when the bond transaction is completed or their services are otherwise completed.

**Letter from the Human Resources Manager**

Financing Group:

I have reviewed the information in the [Official Statement/Offering Memorandum] that relates to employee relations, collective bargaining, pensions and benefits, and litigation concerning current or former employees. I have also read and understand the directions that were provided to me in the letter from the Financing Group. In the event of any material change to the attached disclosure between the date of this letter and the scheduled delivery date for the bonds (X date), I shall immediately advise the Financing Group. [No information concerning the above categories was included./I have no comments./My comments are attached.]

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Human Resources Manager

**Letter from SDCERS Representative**

Financing Group:

I have reviewed the information in the [Official Statement/Offering Memorandum] that relates to pension benefits and other retirement benefits, pension plan funding, and litigation concerning SDCERS. I have also read and understand the directions that were provided to me in the letter from the Financing Group. In the event of any material change to the attached disclosure between the date of this letter and the scheduled delivery date for the bonds (X date), I shall immediately advise the Financing Group. [No information concerning the above categories was included./I have no comments./My comments are attached.]

---

SDCERS Representative

**Letter from City Attorney's Office Regarding Litigation**

Financing Group:

The litigation section of the Disclosure Document has been reviewed by the appropriate attorneys, and the attached disclosure reflects all material current, pending or threatened litigation, and describes any material settlements or court orders. For purposes of this letter, the term "material" means (i) any litigation threatened, pending or commenced against the City seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, or contesting or affecting the validity or enforceability of, or the power of the Issuer to issue, the Bonds, (ii) any litigation the potential exposure for which is greater than \$5,000,000. In the event of any material change to such information between the date of this letter and the scheduled delivery date for the bonds (X date), I shall immediately advise the Financing Group.

---

Deputy City Attorney for Finance and  
Disclosure

**Letter from City Auditor and Comptroller**

Financing Group:

I have reviewed the information in the [Official Statement/Offering Memorandum], including particularly the financial disclosures, and I have compared the financial disclosures in the Disclosure Document to the City's Comprehensive Annual Financial Report. I have also read and understand the directions that were provided to me in the letter from the Financing Group. To the best of my knowledge, there are no misstatements or omissions in any sections of the Disclosure Document that contain descriptions of information prepared by or of interest to the City Auditor and Comptroller. In the event of any material change to the attached disclosure between the date of this letter and the scheduled delivery date for the bonds (X date), I shall immediately advise the Financing Group. [I have no comments./My comments are attached.]

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City Auditor and Comptroller

**Municipal Finance Disclosure Reference Materials**

1. Public Finance Criteria, Standard & Poor's (see [www.standardandpoors.com](http://www.standardandpoors.com), click on "Criteria and Definitions" under "Credit Ratings").
2. Questions to Ask Before You Approve a Bond Issue: A Pocket Guide for Elected and Other Public Officials, National League of Cities; National Association of Counties; National Association of State Auditors, Comptrollers, and Treasurers; and the Government Finance Officers Association, Dec. 1996
3. Disclosure Roles of Counsel in State and Local Government Securities Offerings, American Bar Association, State and Local Government Law, and National Association of Bond Lawyers, 1995.
4. Recommended Best Practices in Disclosure, National Federation of Municipal Analysts, 2004.
5. Making Good Disclosure: The Role and Responsibilities of State and Local Officials Under the Federal Securities Laws, Government Finance Officers Association, 2001.
6. Disclosure Guidelines for State and Local Government Securities, Government Finance Officers Association, 1991.

**Transmittal of Official  
Statement by Financing Group  
to Disclosure Group**

Disclosure Group:

The Financing Group has, with respect to the [Official Statement/Offering Memorandum], (i) performed the responsibilities set forth in subsection B. of Section 4.3 of the Disclosure Controls and Procedures, (ii) obtained all the approvals and source documentation described in said Section 4.3, copies of which are attached, and (iii) in our best judgment, the Disclosure Document is in substantially final form and ready for review by the Disclosure Group.

---

Representative of Financing Group

[list names of members of Financing Group]

**Transmittal of Official  
Statement by Disclosure Group  
To City Manager and City Attorney**

City Manager and City Attorney:

The Disclosure Group has reviewed and approved the [Official Statement/Offering Memorandum] in accordance with the procedures set forth in Section 5.2 of the Disclosure Controls and Procedures. In the best judgment of the Disclosure Group, the Disclosure Document is in final form and the Disclosure Group has complied with the Disclosure Controls and Procedures.

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Representative of Disclosure Group

[list names of members of Disclosure Group]

**Certifications by City Attorney and City Manager**

City Council:

I have reviewed the [description of Official Statement or Offering Memorandum], and I have met with and asked questions of the Financing Group, the Disclosure Group, any Contributor, any other person who reviewed or drafted any section of the [Official Statement/Offering Memorandum], and any other person that I thought necessary or appropriate. I hereby certify that, to the best of my knowledge, the [Official Statement/Offering Memorandum] does not make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

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City Manager/City Attorney

**Certification by City Auditor and Comptroller Regarding Official Statements**

City Council:

I have reviewed the [description of Official Statement or Offering Memorandum] and compared the City Financial Statements with the Disclosure Document. In addition, I have reviewed the Disclosure Document in full to identify any misstatement or omission in any sections that contain or omit descriptions of information prepared by or of interest to the City Auditor and Comptroller. I hereby certify that, to the best of my knowledge:

1. the Disclosure Document fairly presents, in all material respects, the financial condition and results of operations of the City;
2. the Disclosure Document does not make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and
3. that the financial statements and other financial information from the City Financial Statements included in such Disclosure Document, if any, fairly present in all material respects the financial condition and results of operations of the City as of, and for, the periods presented in the City Financial Statements.

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City Auditor and Comptroller

**Certification by City Auditor and Comptroller Regarding CAFR**

City Council:

I hereby certify that, to the best of my knowledge, as of the date of the CAFR:

1. the information contained in the [Fiscal Year] CAFR fairly presents, in all material respects, the financial condition and results of operations of the City as of, and for, the periods presented in the CAFR; and

2. the CAFR does not make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

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City Auditor and Comptroller

**REQUEST FOR COUNCIL ACTION**  
CITY OF SAN DIEGO

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

TO: CITY COUNCIL

2. FROM (ORIGINATING DEPARTMENT):  
Acting Chief Operating Officer

3. DATE:  
8/23/2007

4. SUBJECT:  
City Response to July 23, 2007 Securities and Exchange Commission Letter

5. PRIMARY CONTACT (NAME, PHONE & MAIL STA.)  
Julie Dubick 619-236-5929 MS 11A

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

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:

**10. ROUTING AND APPROVALS**

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPARTMENT		8.23.07	8	DEPUTY CHIEF		
2				9	COO		8/23/07
3				10	CITY ATTORNEY		
4	LIAISON OFFICE			11	ORIGINATING DEPARTMENT		8.23.07
5				DOCKET COORD: _____ COUNCIL LIAISON: _____			
					<input checked="" type="checkbox"/> COUNCIL PRESIDENT <input type="checkbox"/> SPOB <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ADOPTION <input type="checkbox"/> REFER TO: _____		COUNCIL DATE: 9/4/07

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

1. Authorize Mayor to Submit City's Response to July 23, 2007 Securities and Exchange Commission Letter.

11A. STAFF RECOMMENDATIONS:  
Approve the requested action.

12. SPECIAL CONDITIONS:

COUNCIL DISTRICT(S): ALL

COMMUNITY AREA(S): ALL

ENVIRONMENTAL IMPACT: THIS ACTIVITY IS NOT A "PROJECT" AND THEREFORE IS EXEMPT FROM CEQA PURSUANT TO STATE GUIDELINES SECTION 15060

HOUSING IMPACT: NONE

OTHER ISSUES: NONE