

THE CITY OF SAN DIEGO, CALIFORNIA
MINUTES FOR SPECIAL COUNCIL MEETING
OF
MONDAY, APRIL 9, 2007
AT 9:00 A.M.
IN THE COUNCIL CHAMBERS - 12TH FLOOR

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CHRONOLOGY OF THE MEETING:

The meeting was called to order by Council President Peters at 9:10 a.m. Council President Peters recessed the meeting at 10:33 a.m. for the purpose of a break. Council President Peters reconvened the meeting at 10:39 a.m. with Council Member Madaffer not present. The meeting was adjourned by Council President Peters at 11:40 a.m. to reconvene the Regular Council Meeting at 2:00 p.m.

ATTENDANCE DURING THE MEETING:

- (1) Council Member Peters-present
 - (2) Council Member Faulconer-present
 - (3) Council Member Atkins-present
 - (4) Council Member Young-present
 - (5) Council Member Maienschein-present
 - (6) Council Member Frye-present
 - (7) Council Member Madaffer-not present
 - (8) Council Member Hueso-present
- Clerk-Maland (sr)

FILE LOCATION: MINUTES

ITEM-1: ROLL CALL

Clerk Maland called the roll:

- (1) Council Member Peters-present
- (2) Council Member Faulconer-present
- (3) Council Member Atkins-present
- (4) Council Member Young-present
- (5) Council Member Maienschein-present
- (6) Council Member Frye-present
- (7) Council Member Madaffer-not present
- (8) Council Member Hueso-not present

FILE LOCATION: MINUTES

ITEM-601: Informational Item – Financial Statement Overview Training for the City Council.

INDEPENDENT BUDGET ANALYST’S RECOMMENDATION:

Take the following action:

PRESENTED

Financial Training for City staff and elected officials is recommended in the Kroll Remediation Plan that has been supported by the Mayor and the City Council. On December 6, 2006, the City Council adopted Resolution R-302243 implementing a plan developed by the Independent Budget Analyst to provide financial training to the City Council with support from the CFO and City Attorney as needed. The City Council will receive training with respect to the City’s annual financial statement at 9:00 a.m. on April 9, 2007. The training will be provided by Jim Godsey, a Certified Public Accountant and partner of Macias Gini & O’Connell LLP (MGO). The City currently has a contract with MGO to perform the audits of the City’s financial statements for FY 04 and FY 05. Any written materials will be provided in advance of the training.

FILE LOCATION: MEET

COUNCIL ACTION: (Time duration: 9:10 a.m. – 10:32 a.m.)

ITEM-602: Kroll Remediation Status Report Number 4 and Related Action.

(See memorandums from Mayor Sanders dated 3/2/2007 and 2/21/2007;
and memorandum from Jay Goldstone dated 2/21/2007.)

(Continued from the meeting of March 5, 2007, Item 201, at the request of
Councilmember Atkins, for further review of the DPWG portion.)

MAYOR SANDERS' RECOMMENDATION:

Take the following action:

RETURNED TO THE MAYOR

Directing the City Attorney to prepare an Ordinance amending the
Municipal Code¹ consistent with the following changes:

- The Chief Financial Officer will serve as the Chair of the revised Disclosure Practices Working Group (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.

¹ San Diego Municipal Code, Chapter 2: Government, Article 2, Administrative Code, Division 41: Securities Disclosure.

FILE LOCATION: NONE

COUNCIL ACTION: (Time duration: 11:40 a.m. – 11:40 a.m.)

MOTION BY COMMON CONSENT TO RETURN TO THE MAYOR FOR FURTHER REVIEW. Passed by the following vote: Peters-yea, Faulconer-yea, Atkins-yea, Young-yea, Maienschein-yea, Frye-yea, Madaffer-not present, Hueso-yea.

ITEM-603: Actions Related to the Duties and Responsibilities of the Audit Committee.

COUNCILMEMBER FAULCONER'S RECOMMENDATION:

Introduce the following ordinances:

Subitem-A: (O-2007-122) TRAILED TO TUESDAY, APRIL 10, 2007

Introduction of 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.

Subitem-B: (O-2007-126) TRAILED TO TUESDAY, APRIL 10, 2007

Introduction of an Ordinance amending the San Diego Municipal Code by amending Chapter 2, Article 2, Division 43, titled "Audit Committee", and adding new Section 22.4306, related to the Operating Principles of the Audit Committee.

SUPPORTING INFORMATION:

On January 9, 2007, the City Council approved a resolution adopting temporary rules to establish the Audit Committee. This resolution created the Audit Committee as the Council's sixth standing committee, as reflected in the amended Rule 6.1 ("Creation of Standing Committees") and the new Rule 6.11.6 ("Audit Committee"). Since that time, the Audit Committee has met under these temporary rules. Also, the resolution required that the Audit Committee develop and recommend a Charter containing the duties and responsibilities of the Committee for approval by the City Council within 90 days.

The new permanent rules, the Charter, and the Statement of Operating Principles with the Mayor were drafted by the City's Independent Consultant with the collaboration of the Audit Committee, the Mayor, the City Attorney, and the IBA. The Audit Committee unanimously approved these three items on February 26, 2007.

The requested actions before the City Council are to amend Rule 6.11.6 to reflect the new permanent rules of the Audit Committee and approve the Audit Committee's Charter and Statement of Operating Principles with the Mayor. The Charter outlines the Audit Committee's purpose, membership, resources, procedures, and responsibilities. The Statement of Operating Principles with the Mayor primarily addresses the relationship the internal auditor will have with the Audit Committee during the interim period prior to revision of the City Charter.

As outlined in the Statement, the internal auditor shall be selected by the Mayor with the participation of the Audit Committee. The internal auditor is directed to communicate with the Audit Committee insofar as it relates to the Committee's oversight responsibilities with respect to the internal audit function. The internal auditor shall also have the responsibility to inform the Audit Committee if he or she believes his or her independence is being compromised.

FISCAL CONSIDERATIONS:

These actions will have no fiscal impact.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The City Council adopted temporary rules to establish the Audit Committee on January 9, 2007.

The Audit Committee voted unanimously to approve the Audit Committee's Permanent Rules, Charter, and Statement of Operating Principles with the Mayor on February 26, 2007.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: -

KEY STAKEHOLDERS AND PROJECTED IMPACTS: -

Faulconer

FILE LOCATION: NONE

COUNCIL ACTION: (Time duration: 10:40 a.m. – 11:39 a.m.)

MOTION BY FAULCONER TO TRAIL THIS ITEM TO TUESDAY, APRIL 10, 2007. Second by Frye. Passed by the following vote: Peters-yea, Faulconer-yea, Atkins-yea, Young-yea, Maienschein-yea, Frye-yea, Madaffer-not present, Hueso-yea.

NON-DOCKET ITEMS:

None.

ADJOURNMENT:

The meeting was adjourned by Council President Peters at 11:40 a.m.

FILE LOCATION: MINUTES

COUNCIL ACTION: (Time duration: 11:40 a.m. – 11:40 a.m.)