

THE CITY OF SAN DIEGO, CALIFORNIA
MINUTES FOR REGULAR COUNCIL MEETING
OF
MONDAY, APRIL 13, 2009
AT 2:00 P.M.
IN THE COUNCIL CHAMBERS - 12TH FLOOR

Table of Contents

CHRONOLOGY OF THE MEETING	2
ATTENDANCE DURING THE MEETING	2
ITEM-1: ROLL CALL	3
ITEM-10: INVOCATION	3
COUNCIL COMMENT	3
ITEM-200: Fiscal Year 2008 Comprehensive Annual Financial Report (CAFR) and Yellow Book Report 5	
ITEM-201: Wastewater System – Sewer Bonds and Sewer Refunding Bonds Preliminary Official Statement.....	6
ITEM-202: OneSD Project Update Report	9
ITEM-203: First Amendment to Master Lease Agreement with IBM Credit LLC (IBM) Increasing Authorization for the Implementation of the Enterprise Resource Planning (ERP) System Core Project.....	11
REPORT OUT OF CLOSED SESSION	13
NON-DOCKET ITEMS	13
ADJOURNMENT.....	14

CHRONOLOGY OF THE MEETING:

The meeting was called to order by Council President Hueso at 2:00 p.m. The meeting was adjourned by Council President Hueso at 6:57 p.m.

ATTENDANCE DURING THE MEETING:

- (1) Council Member Lightner-present
 - (2) Council Member Faulconer-present
 - (3) Council Member Gloria-present
 - (4) Council Member Young-present
 - (5) Council Member DeMaio-present
 - (6) Council Member Frye-present
 - (7) Council Member Emerald-present
 - (8) Council Member Hueso-present
- Clerk-Maland (dlc)

FILE LOCATION: MINUTES

ITEM-1: ROLL CALL

Clerk Maland called the roll:

- (1) Council Member Lightner-present
- (2) Council Member Faulconer-present
- (3) Council Member Gloria-present
- (4) Council Member Young-not present
- (5) Council Member DeMaio-present
- (6) Council Member Frye-present
- (7) Council Member Emerald-present
- (8) Council Member Hueso-present

FILE LOCATION: MINUTES

ITEM-10: INVOCATION

Invocation was given by Reverend David Fenska of Covenant Presbyterian Church.

FILE LOCATION: MINUTES

ITEM-20: PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Council Member Emerald.

FILE LOCATION: MINUTES

COUNCIL COMMENT:

Council Member Frye announced that Wednesday, April 15, 2009, will be a Natural Resource and Culture Meeting to discuss the water allocation.

FILE LOCATION: MINUTES

COUNCIL ACTION: (Time duration: 2:10 p.m. - 2:11 p.m.)

Conference with Labor Negotiator, pursuant to Government Code Section 54957.6:

CS-1 Agency Negotiators: William Kay, Timothy Davis, Scott Chadwick, Judy von Kalinowski, Thom Harpole, Kim Nguyen, Woo-Jin Shim, Lourdes Silva, Valerie VanDeweghe, Javier Mainar, Brian Fennessy, David Ramirez, Robert Kanaski, Paul Cooper, Jan Goldsmith. Tanya Tomlinson, Joan Dawson, William Gersten, Lori Thacker

Employee organizations: Local 145 International Association of Firefighters AFL-CIO, San Diego Police Officers Association, Municipal Employees Association, AFSCME Local 127 AFL-CIO and Deputy City Attorneys Association

REFERRED TO CLOSED SESSION OF TUESDAY, APRIL 14, 2009

DCA Assigned: J. Dawson

Discussion with the Mayor and City Council regarding pending contract negotiations with employee unions (Police Officers Association, International Association of Firefighters Local 145, Municipal Employees Association, AFSCME Local 127, and the Deputy City Attorneys Association).

FILE LOCATION: AGENDA

COUNCIL ACTION: (Time duration: 4:07 p.m. - 4:09 p.m.)

Council President Hueso closed the hearing.

MOTION BY FAULCONER TO ADOPT THE RESOLUTION WITH DIRECTION TO RECEIVE AND FILE THE CITY'S FISCAL YEAR 2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) WITH THE CORRECTION ON PAGE 20, *POST EMPLOYEMENT RETIREE HEALTH*, THE WORD "UNFUNDED" SHALL BE REMOVED AND INCLUDE A CROSS REFERENCE TO *FUTURE CHALLENGES* ON PAGE 21. Second by Young. Passed by the following vote: Lightner-nay, Faulconer-yea, Gloria-yea, Young-yea, DeMaio-nay, Frye-nay, Emerald-yea, Hueso-yea.

ITEM-201: Wastewater System – Sewer Bonds and Sewer Refunding Bonds Preliminary Official Statement. (Citywide.)

(See Report to the City Council No. 09-047 and memorandas from Lakshmi Kommi dated 4/3/2009 and 3/27/2009.)

STAFF'S RECOMMENDATION:

Adopt the following resolution:

(R-2009-996) ADOPTED WITH DIRECTION AS RESOLUTION
R-304783

Approving the Form and authorizing the distribution of Preliminary Official Statements for Sewer Revenue Bonds Series 2009A and Sewer Revenue Refunding Bonds Series 2009B; authorizing the execution, delivery and distribution of official statements for such Bonds; authorizing the City Attorney to appoint bond counsel and disclosure counsel for the Sewer Revenue Refunding Bonds Series 2009B; authorizing reimbursement of certain capital expenditures; and approving certain other agreements and actions, all in connection with the issuance and sale by the Public Facilities Financing Authority of the City of San Diego of its Sewer Revenue Bonds and its Sewer Revenue Refunding Bonds.

STAFF SUPPORTING INFORMATION:

A comprehensive financing plan for Wastewater System was presented to the City Council on March 9, 2009. The financing plan included the issuance of long-term bonds via public offering, in two or more financings, for the refinancing of the short-term Sewer Revenue Notes, Series 2007 ("2007 Notes"), financing of Wastewater Capital Improvements Program (CIP) construction; and the refinancing of outstanding long-term sewer revenue bonds ("Outstanding Senior Bonds"), if economical. The financing ordinance approving the issuance of Sewer

Revenue Bonds and Sewer Refunding Bonds, in two or more financings, was introduced on March 9, 2009, and was adopted by the City Council on March 24, 2009 (O-19841).

The 2009A Bonds will include (i) the takeout of the outstanding 2007 Notes in an amount of \$223.8 million; and (ii) the financing of the Wastewater System Capital Improvement Projects in an amount totaling \$145 million. It is currently anticipated that the refunding of approximately \$51 million of Outstanding Senior Bonds will also be included in the 2009A Bonds. The 2009B Bonds are expected to be issued to refund approximately \$403 million of Outstanding Senior Bonds, which is expected to yield 3.0% net present value savings.

STAFF SUPPORTING INFORMATION:

The 2009A Bonds are expected to be priced in early May. If current market conditions continue, the 2009B Bonds are anticipated to be issued 2-3 weeks after the 2009A Bonds.

Staff is presenting two Preliminary Official Statements (POS) for the 2009A and 2009B Bonds respectively, for City Council consideration. The Preliminary Official Statements include detailed descriptions of the 2009A and 2009B Bonds, the Wastewater System's financial data and a summary of the pertinent Wastewater System, regulatory, and financial issues.

The feasibility study is as an appendix in each POS and includes a detailed review of the Capital Improvement Program (CIP), operations and maintenance policy, and projected revenues and expenses for Fiscal Years 2009 through 2013. Malcolm Pirnie, the feasibility study consultant, concluded that the Wastewater Department can fund the five-year CIP, meet all cash requirements of the system, comply with debt service coverage requirements and meet the Additional Bonds Test (ABT).

The financing team has conformed to the Controls and Procedures established by the Disclosure Practices Working Group (DPWG) in preparing the preliminary official statements for the 2009A and 2009B Bonds. The DPWG reviewed the documents and authorized the docketing of the material for City Council consideration. DPWG certification to the City Council will be provided prior to the City Council meeting. Consistent with the Kroll Report recommendations, the preliminary official statements for 2009A and 2009B Bonds and related appendices were distributed to the City Council offices two weeks prior to the City Council hearing.¹

FISCAL CONSIDERATIONS:

Based on interest rates as of the week of March 23, 2009, the par issuance of the 2009A Bonds, including approximately \$51 million in refunding bonds, is an estimated \$458 million. The estimated average annual debt service is \$30.4 million with an estimated total debt service of \$913.0 million over a 30-year term. As of the week of March 23, 2009, approximately \$424.2 million in 2009B Bonds are expected to be issued to refund \$403 million in Outstanding

Senior Bonds, resulting in an average annual debt service savings of \$1.5 million. Staff will continue to monitor the movements in the interest rates to identify opportunities to refund the Outstanding Senior Bonds to maximize the debt service savings.

EQUAL OPPORTUNITY CONTRACTING: See attached.

PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:

Ordinance No. O-19841 adopted by City Council on March 23, 2009, authorized the issuance of the Sewer Revenue Bonds and Sewer Revenue Refunding Bonds, and the related legal documents.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The Wastewater Department conducted Proposition 218 noticing process as part of the approval for the rate increases necessary to support bond issuances projections from FY 2009 to FY 2011.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Business entities involved in the 2009A Bonds are Banc of America Securities, LLC (Book-running Senior Manager); Citigroup Global Markets, Inc., and Siebert Brandford Shank & Co., LLC (Co-senior managers); Fidelity Capital Market Services and Wedbush Morgan Securities (Co-managers); Hawkins Delafield & Wood LLP (disclosure counsel); Nixon Peabody LLP (bond counsel); Stradling, Yocca, Carlson & Rauth LLP (underwriter's counsel); Bank of New York Mellon (trustee); Malcolm Pirnie, Inc. (feasibility consultant), and Montague DeRose and Associates LLC (financial advisor). Business entities involved in the Underwriter Syndicate for the 2009B Bonds are - Citigroup Global Markets, Inc. (Book-running Senior Manager); JP Morgan and Banc of America Securities, LLC (Co-senior managers); and, Fidelity Capital Market Services and Wedbush Morgan Securities (Co-managers).

¹ Report of the Audit Committee of the City of San Diego, August 8, 2006.

Kommi/Lewis

Staff: Lakshmi Kommi - (619) 236-6928
Brant C. Will - Deputy City Attorney

FILE LOCATION: MEET

COUNCIL ACTION: (Time duration: 3:33 p.m. – 5:12 p.m.)

MOTION BY DEMAIO TO ADOPT THE RESOLUTION WITH DIRECTION TO INSERT, ON PAGE 76 OF THE POS, THE FIRST FULL PARAGRAPH AND AFTER THE SENTENCE THAT READS, “THE SEWER REVENUE FUND’S PROPORTIONATE SHARE OF THE CONTRIBUTION TO CALIFORNIA EMPLOYMENT HEALTH TRUST PROGRAM (CERBT) WAS APPROXIMATELY \$2.2 MILLION. THE CITY IS CURRENTLY NOT FULLY FUNDING ITS ANNUAL POSTEMPLOYMENT BENEFITS ANNUAL REQUIRED CONTRIBUTION (OPEB ARC). THE CITY HAS NOT ESTIMATED THE FUNDING AMOUNT OF THE ANNUAL OPEB ARC BEYOND ITS CURRENT FIVE-YEAR FORECAST PERIOD. FURTHERMORE, THE CITY CONTINUES TO RE-EVALUATE ITS FUNDING CONTRIBUTIONS TOWARDS ITS OPEB ARC AS OUTLINED IN ITS FIVE-YEAR FINANCIAL PLAN.” Second by Faulconer. Passed by the following vote: Lightner-nay, Faulconer-yea, Gloria-yea, Young-yea, DeMaio-yea, Frye-nay, Emerald-yea, Hueso-yea.

ITEM-202: OneSD Project Update Report.

(See Report to the City Council No. 09-044.)

STAFF’S RECOMMENDATION:

NOTED AND FILED

Request that the City Council hear the OneSD Project Update Report.

STAFF SUPPORTING INFORMATION:

This report provides the City Council with an overview of the OneSD Project, including the Project background, scope and vision. The report presents the current status of the Project, an overview of the SAP Contract and Fiscal Considerations, and further provides the context of the Citywide program to integrate data and business processes, of which the OneSD Project is the first step.

FISCAL CONSIDERATIONS:

A Request for Council Action Lease Purchase Agreement with IBM Credit, LLC companion report discussing fiscal considerations is docketed for the City Council Meeting of April 13-14, 2009.

PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:

The Project to implement the ERP System is described in Report No. 07-027, and was approved in concept, by the City Council on February 5, 2007.

The Project's financing requirements are described in Report No. 07-060. Through OO-19618, introduced on April 24, 2007, and adopted on May 15, 2007, City Council authorized the Mayor to enter into a Lease-Purchase Agreement with IBM Credit LLC for the financing required to implement the ERP Core Project. In addition, City Council authorized establishment of an ERP Fund (50071) and the transfer of up to \$3.5 million from the City's A-List Fund (50066) to the ERP Fund.

On June 11, 2007, City Council passed Resolution No. R-302710 authorizing the Mayor to draw against the IBM Credit Facility for the purpose of acquiring the equipment, software, and services selected by SDDPC for the implementation of the City's ERP Project, and to add CIP-92-000.0, Enterprise Resource Planning ("ERP") Core Capital Project, Fund 500711, to the Fiscal Year 2007 Capital Improvements Program.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Citywide, all departments and City employees.

Tirandazi/Lewis

Staff: Nader Tirandazi - (619) 235-5880

FILE LOCATION: MEET

COUNCIL ACTION: (Time duration: 5:15 p.m. – 6:55 p.m.)

ITEM-203: First Amendment to Master Lease Agreement with IBM Credit LLC (IBM) Increasing Authorization for the Implementation of the Enterprise Resource Planning (ERP) System Core Project. (Citywide.)

(See Report to the City Council No. 09-045.)

STAFF'S RECOMMENDATION:

Introduce the following ordinance:

(O-2009-114) CONTINUED TO TUESDAY, APRIL 28, 2009

Introduction of an Ordinance authorizing the Mayor, or the Chief Financial Officer to execute, for and on behalf of the City of San Diego, an Amendment Contract No. OO-19618, in substantially the form presented to this Council, with such additions and changes therein as the Mayor or the Chief Financial Officer, in consultation with the City Attorney, shall approve as being in the best interest of the City; provided however that (i) the acquisition cost of the equipment and services under the Master Lease Agreement shall not exceed \$37 million, (ii) the term of any equipment lease shall not exceed seven (7) years, and (iii) the interest rate on any such equipment shall not exceed the legally permissible rate.

NOTE: 6 votes required pursuant to Section 99 of the City Charter.

STAFF SUPPORTING INFORMATION:

A Master Lease Agreement (the "Agreement") with IBM Credit LLC (IBM) was authorized by the City Council on May 21, 2007, under Ordinance O-19618 to finance a portion of the implementation of the enterprise resource planning system core project, the OneSD Project. The OneSD Project was originally estimated to cost \$36.5 million of which \$29.5 million was to be financed via the Agreement, which is scheduled to expire on June 30, 2009. Currently the OneSD Project is projected to increase by \$10.5 million as a result of proposed changes that require funding and the increased labor costs in the City and DPC due to the extended go-live dates, of which \$7.5 million is proposed to be financed (refer to Report 07-060 - Rules, Open Government and Intergovernmental Relations Committee). The proposed First Amendment to the Master Lease Agreement ("Amendment") with IBM will increase the authorization for the implementation of the OneSD Project from \$29.5 million to an amount not to exceed \$37 million and extend the Agreement through June 30, 2010.

FISCAL CONSIDERATIONS:

The current Agreement with IBM is for an amount not to exceed \$29.5 million. The amount yet to be drawn down from the \$29.5 million line of credit is \$14.2 million. As of March 2009, \$15.3 million has been drawn down. Based on the current rate structure per the Agreement, the projected draw down schedule for reimbursement expenditures, approximately \$10.9 million is expected to be reimbursed under the current Agreement. As of March 2009, the remaining amount of approximately \$10.9 million is anticipated to be funded under the Amendment at the increased rate by or before June 30, 2009. There is no projected fiscal impact in FY09 as a result of this proposed Amendment.

Draw Downs	Amount Financed	TOTAL LEASE PAYMENTS				TOTAL
		FY08-09	FY2010	FY2011-2016	FY2017	
Current Draws						
#1-#4	\$15,290,693	\$1,444,954	\$2,482,658	\$13,450,994	---	\$17,378,606
Under Current Agreement ¹ (estimates)						
#5	\$915,395	---	\$143,781	\$862,686	---	\$1,006,467
#6	\$4,983,973	---	\$782,830	\$4,696,980	---	\$5,479,810
#7	\$4,957,343	---	\$389,707	\$4,676,484	\$389,707	\$5,455,898
Under Proposed Amendment ² (estimates)						
#8	\$3,352,596	---	\$291,649	\$3,499,791	\$291,649	\$4,083,090
#9	\$4,032,415	---	\$350,788	\$4,209,458	\$350,788	\$4,911,034
#10	\$2,476,498	---	\$210,688	\$2,528,259	\$210,688	\$2,949,636
#11	\$476,240	---	---	\$497,194	\$82,858	\$580,007
#12	\$40,000	---	---	\$2,585,228	\$430,871	\$3,016,100
#13	\$474,847	---	---	\$2,585,228	\$430,871	\$3,016,100
Subtotal (estimates)	\$21,709,307	\$1,444,954	\$2,169,444	\$26,141,265	\$2,187,434	\$30,498,142
(estimates)	\$37,000,000	\$1,444,954	\$4,652,102	\$39,592,259	\$2,187,434	\$47,876,748

¹ Draw downs subject to rates under current Agreement, i.e. 100% of the 7-Year Treasury. As of week end March 27, effective rate is 2.30%. For the purpose of budgeting lease payments, a 25 basis point cushion was added resulting in an effective rate of 2.55%.

² Draw downs subject to increased rate based off the LIBOR swap Index using the average of the 3- and 4-year swap rates plus spread of 3.20%. As of week end March 27, effective rate 5.17%. For the purpose of budgeting lease payments, a 25 basis point cushion was added resulting in an effective rate of 5.42%. Annual Lease Payments for FY 2011-2016 total \$4.77 million.

EQUAL OPPORTUNITY CONTRACTING:

This Agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. O-18173, Sections 22.2701 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:

The current Agreement with IBM Credit LLC was authorized by the City Council on May 21, 2007, under Ordinance O-19618 and R-302567. The amount financed was for the ERP system in an amount not to exceed \$29.5 million.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS: N/A

Kommi/Lewis

Staff: Jyothi Pantulu - (619) 236-6917
Brant C. Will - Deputy City Attorney

FILE LOCATION: NONE

COUNCIL ACTION: (Time duration: 5:15 p.m. – 6:55 p.m.)

MOTION BY DEMAIO TO CONTINUE TO TUESDAY, APRIL 28, 2009, FOR FURTHER REVIEW. Second by Faulconer. Passed by the following vote: Lightner-yea, Faulconer-yea, Gloria-yea, Young-yea, DeMaio-yea, Frye-yea, Emerald-yea, Hueso-yea.

REPORT OUT OF CLOSED SESSION:

None.

NON-DOCKET ITEMS:

None.

ADJOURNMENT:

The meeting was adjourned at 6:57 p.m. in honor of the memory of:

Walter Odening as requested by Council Member Emerald; and
Mayor Mickey Cafagna as requested by City Attorney Jan Goldsmith.

FILE LOCATION: MINUTES

COUNCIL ACTION: (Time duration: 6:55 p.m. – 6:57 p.m.)

Elizabeth S. Maland, City Clerk
City of San Diego