



**CHARTER REVIEW SUB-COMMITTEE OF THE CITY OF SAN DIEGO
FINANCIAL REFORM SUB-COMMITTEE
CHAIR- DONNA JONES**

**ACTIONS FOR
FRIDAY, JUNE 29, 2007, AT 9:00 A.M.**

**COUNCIL COMMITTEE ROOM (12TH FLOOR),
CITY ADMINISTRATION BUILDING
202 C STREET, SAN DIEGO, CALIFORNIA**

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9:10 Call to Order. Roll Call

Committee Members:

Donna Jones, Chair	Present
John Gordon	Present
Vincent Mudd	Present
Lei-Chala Wilson	Excused
James Milliken	Present

Staff in Attendance:

Jay Goldstone, CFO, City of San Diego
Andrea Tevlin, IBA, City of San Diego
James Ingram, Committee Consultant
Lisa Briggs, Office of the Mayor
Woo-Jin Shim, Office of Council President Peters
Jeff Kavar, Office of the IBA
Brant C. Will, City Attorney's Office
Larry Tomanek, City Attorney's Office

NON-AGENDA PUBLIC COMMENT

There was no non-agenda public comment.

SUB-COMMITTEE COMMENT

There were no non-agenda comments from the subcommittee.

CITY ATTORNEY, COUNCIL INDEPENDENT BUDGET ANALYST AND MAYORAL STAFF COMMENT

There was no staff non-agenda comments.

ITEM – 1: Chief Financial Officer and the City of San Diego’s Financial Organizational Structure: Discussion Item – No Action Taken

Staff handed out draft “straw man” language on the position of CFO. Due to time constraints, this language has not yet been reviewed by the IBA or City Attorney’s office. Mr. Goldstone gave an overview of some of the elements of the proposed language and confirmed that this starting point language did encompass the duties outlined in Kroll as well as the practical duties of a CFO.

Regarding reference to any delegation of authority from the CFO to the City Council, it was reasoned that such delegation made sense under the City Manager form of government, but such language might not make sense in the Strong Mayor form of government.

Discussion then moved to the question of Council’s role in hiring the CFO. Members of the subcommittee commented that Council participation in the hiring process also raised the question of a right to appeal the Manager/Mayor’s decision to terminate the CFO. Such a requirement is not unique in the Charter. Currently, the positions of Treasurer and City Manager need to be confirmed by the City Council. In addition, the positions of Fire Chief and Police Chief have the right to appeal termination to the City Council. Staff was requested to bring all examples of this kind of Council hiring/firing authority contained in the Charter to the next meeting.

On the issue of authority to hire and fire, members of the committee commented that perhaps there should be a distinction established for “cabinet level” appointments. It was recognized that that the Manager/Mayor must have control over the senior management team.

Committee members then asked Mr. Goldstone just how much detail of day to day functions should go into the Charter? The response from Mr. Goldstone, echoed by the IBA and representatives from the City Attorney’s office was less detail on specific practices and functions. However, Mr. Goldstone did emphasize that the Charter should put the responsibility for regular and accurate reports to the Manager/Mayor, Council and public on the finances of the City. Mr. Goldstone will offer more detailed language on this issue at the next meeting.

ITEM – 2: Internal Auditor Function and Audit Committee: Discussion Item – No Action Taken

Staff handed out draft “straw man” language on both the creation of the Audit Committee and establishment of the Office of City Internal Auditor. Due to time constraints, this language has not yet been reviewed by the IBA or City Attorney’s office. Mayor staff and Mr. Goldstone gave an overview of some of the elements of the proposed language and confirmed that this starting point language did encompass the concerns outlined in Kroll as well as some of the comments made by the SEC Monitor, Mr. Stanley Keller.

The first issue addressed was the establishment of the Audit Committee. Ms. Tevlin raised the concern that the proposed language did not identify how the public members of the audit committee would be appointed. Mayor staff responded that, because this was a first draft which did not have the benefit of IBA and City Attorney comment, that element was purposely left out. Mayor staff acknowledged that there will be conflicting points of view on composition of the committee and the appointment process; thus, it made more sense to staff to be silent on that point to allow all points of view to be discussed.

The IBA noted that the Audit Committee language should make clear that the Internal Auditor reports to the Audit Committee and that the Committee can request performance audits, review and comment on audits as well as establish the work plan for the Internal Auditor. The City Attorney noted that the Kroll report relied on an outdated version of GFOA guidelines in its recommendation for composition of the Audit Committee.

Sub-Committee members asked each staff member what their preference for composition might be:

- Mayor’s Staff: As set out in the draft language. Three public members with two Council members. Rationale: Need for financial expertise on the Audit Committee coupled with a concern that too many Council members on the Audit Committee might create a “too political” dynamic.
- IBA: As set out in the IBA report given on June 25, 2007. Two public members with three Council members. Rationale: Need true independence from management and Council is responsible for oversight of the budget.
- City Attorney: Would prefer all Council members, but could go along with the IBA recommendation.

Both the City Attorney and IBA recommended that any public members be appointed solely by the Council. Again, the rationale being full independence from management and Council’s role in approval and oversight of the budget. The IBA did acknowledge that in her initial response to the Kroll recommendations, she put forward the idea of a screening committee. Regardless of the method, the IBA reiterated her concern that the independence from management is key.

The question was raised as to who would appoint the Council representatives on the Committee and who appoints the Chair. The language in silent on this point and all agreed that this issue should be explored.

Discussion then turned to compensation for the Audit Committee members. The IBA and some committee members expressed strong opinions that compensation was not appropriate. The rationale was that payment is contrary to the spirit of public service as well as the practical question of deciding which of the City’s 328 boards, commissions and/or committees are also “worthy” of compensation. Other subcommittee members noted that the Audit Committee

would be doing significant work that is quite time consuming. Given the need for financial expertise, experience and time commitment, compensation is called for.

Due to the complexity and diverse views on this issue, it is anticipated that the subcommittee will continue these discussion over the next few meetings.

10:50 Break

11:10 Reconvene

Discussion began on the issue of creation of the position of City Internal Auditor. The proposed language reflected a dual reporting structure with the Mayor/Manager playing a role in the hiring and termination of the City Internal Auditor. Both the City Attorney and the IBA strongly objected to this idea. Both put forward the position that the approval and removal of the City Internal Auditor should be solely in the hands of the City Council.

At this point, Mr. James Ingram joined the meeting to go over his findings on the question of elected vs. appointed City Auditor. That report is attached to these minutes. In short, the subcommittee had asked the question: Is the fiscal health of a city impacted by whether an auditor is elected or appointed? The data did not indicate a relationship between the two issues.

Discussion then began on the question of elected vs. appointed Internal Auditor. It was noted that the elected City Auditor for the City of Los Angeles had addressed the Rules Committee and that her comments might be helpful on the issue.

Mr. Goldstone was again asked about how much detail of the duties of the Internal Auditor should be outlined in the Charter. He reiterated that day to day functions and/or reference to certain organizations (such as GFOA) was not appropriate. However, he again noted that clearly spelling out that there is a duty to publicly report out findings and results is important.

Members of the Subcommittee then asked about the need for subpoena power for the Internal Auditor. Mr. Goldstone, the IBA and the City Attorney all indicated that such a power was not necessary given the Auditor's ability to go to senior management, the Audit Committee and the public to compel compliance.

Due to the complexity and diverse views on this issue, it is anticipated that the subcommittee will continue these discussion over the next few meetings.

ITEM – 3: Action Item: Approve Minutes from June 15, 2007 and June 29, 2007, Financial Reform Subcommittee Meeting

Regarding the minutes of 6/15/07, staff was directed to correct the language to reflect that the IBA did not submit a report on the CFO issue. Staff was also directed to put more detail into the minutes.

Motion by Committee member Mudd, second by Committee member Gordon to accept the minutes. Passed 3-0.

Adjourn 12:00