




MEMORANDUM

September 19, 2006

To: Honorable Members of the City Council

From: Mayor Jerry Sanders 

Subject: Transmission of DRAFT FY03 Financial Statements

I am pleased to inform you that we have transmitted the final draft of the City's Comprehensive Audited Financial Report (CAFR) for the 2003 Fiscal Year to the outside audit team at KPMG and the City's Disclosure Practices Working Group (DPWG). The two groups will recommend edits to the document culminating in the release of a formal opinion letter by KPMG on the CAFR in late October.

Earlier today, I held a news conference to announce this progress. By any definition, this is an important milestone that our citizens deserve to know given its relevance to re-accessing the public credit markets.

The draft document itself was not released nor will it be released until it is "complete," meaning that the outside auditors have issued their formal written opinion. The draft document is still a work in progress and is not ready for release as it still may contain errors or be incomplete. Should a document of this type be released, the financial markets, including potential investors, could reach false conclusions based upon incomplete or misleading information. This is clearly something that we should not allow to occur.

The City's CFO, Jay Goldstone, would be happy to brief you individually on the draft financial statements.

Once complete, the FY03 Financial Statements will be docketed, consistent with the Municipal Code.

The delivery of the draft FY03 Financial Statements is consistent with the time table for accessing financial markets that I included in my response to the Kroll report, as follows:

- Today: **Major Milestone: Draft FY03 CAFR sent to KPMG and DPWG**
- By October 27, 2006: KPMG will issue its opinion letter for the City's FY03 CAFR
- Major Milestone: City Staff deliver Draft FY04 CAFR to Macias, Ginni & O'Connell (MGO) and DPWG**
- By November 22, 2006: MGO will issue its opinion letter for the City's FY04 CAFR
- Major Milestone: Audited Financial Statements for FY03 & FY04 completed**
- By November 24, 2006: Audited Financial Statements for FY03 & FY04 will be distributed to all three rating agencies/discussions to begin on ratings
- By February 16, 2007: MGO will issue its opinion letter for the City's FY05 CAFR
- City Council will consider FY05 CAFR shortly thereafter
- Major Milestone: Audited Financial Statements for FY05 completed**
- By February 19, 2007: FY05 Financial Statements sent to all three rating agencies
- By February 28, 2007: Rating expected
- Major Milestone: City can once again access public credit markets**
- June: **Major Milestone: City would expect to have cash in hand for major capital projects**

CC: Independent Budget Analyst, Andrea Tevlin
Chief Financial Officer, Jay Goldstone