



THE CITY OF SAN DIEGO

City Manager's Office

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City Manager Dismisses Bankruptcy Rumors

SAN DIEGO – City Manager P. Lamont Ewell announced today that any speculations that the City of San Diego is considering bankruptcy are completely false.

“I wish to assure the public, City employees, and retired City employees that the City has no plans to file, and has not even considered filing, for bankruptcy protection,” Ewell said. “Such reporting and speculation in the press is irresponsible and misinformed at best.”

He pointed out that persons quoted in certain media are not City employees and are not in a position to know of the City's plans or current financial position. In addition, several of the persons quoted are running for political office.

“Such speculative and inflammatory statements may unnecessarily impact current holders of the City's bonds, and could cause the City to incur higher borrowing costs,” Ewell added,

The City has delayed the release of its 2003 financial statements so that the information can be properly reviewed so that it is completely accurate. In April 2004, the City hired a new auditor, KPMG LLP, to do a full scope audit of the City of San Diego's 2003 Comprehensive Annual Financial Report, Sewer Utility Financial Report, and Water Utility Financial Report.

In addition to engaging a new audit firm, the City retained the law firm of Vinson & Elkins L.L.P., and specifically Mr. Paul Maco, Esq., former director of the Office of Municipal Securities of the Securities and Exchange Commission, to prepare a report reviewing the City's disclosure practices from 1996 through February 2004, and making any necessary and appropriate recommendations concerning those practices. The Vinson & Elkins report has not yet been completed, but the City expects it to be completed within the next few weeks. Once KPMG receives the Vinson & Elkins report, it is the City's expectation that it will take KPMG at least a few weeks to digest the report and its findings in order to complete its audit.

The City currently plans to engage in a series of financings once the Vinson & Elkins report and KPMG audit are complete, and the City is confident that such financings will be well received by the market.

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