
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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City Council Response to SEC Regarding First Annual Report of the Independent Consultant

On April 1, 2008, the City's SEC Independent Consultant, Stan Keller, presented his First Annual Report of the Independent Consultant (Report) to the City Council. The Report contained numerous recommendations for City action. The Independent Consultant noted within his Report that, under the Securities and Exchange Commission (SEC) Order, "the City is to implement those recommendations or alternatives that the Mayor and the City Attorney certify they reasonably believe are expected to achieve the same objectives."

Following receipt of the Report, the Mayor prepared a draft joint response letter to be sent to the SEC on behalf of the Mayor and the City Council. The Chief Operating Officer (COO) identified 36 recommendations from within the Report in his draft response and provided a response to each of them. The IBA provided input to the COO for the draft response and that input was incorporated. The City Council was to consider the draft joint response to the SEC on May 6, 2006.

At the City Council meeting on May 6th, Councilmember Frye made a motion that was unanimously adopted to continue this item until May 20, 2008. The stated purpose of the continuance was to separate out the Council's responses from the Mayor's responses as many of the responses did not directly involve the City Council. It was further mentioned that Council may not be able to independently verify or have direct knowledge of the information contained in some of the Mayor's responses. The Mayor was encouraged to independently send his response to the SEC.

The IBA has developed a draft City Council response to the SEC (attached) commenting on those Report recommendations where the Council has taken an associated action, has a role in responding to the recommendation or has an independent perspective related to

the proposed recommendation. The attached draft SEC letter responds to only 13 of the 36 Report recommendations identified by the Mayor. The IBA has been informed that the Mayor will be sending his response to the SEC this week.

As the Mayor's original draft response to the SEC was reviewed by the Disclosure Practices Working Group (DPWG), the IBA forwarded the attached draft Council response to the DPWG this morning for review. The IBA will apprise the City Council of any substantive feedback received from the DPWG at Tuesday's Council meeting. Additionally, we understand that the City Council may wish to amend or modify this response. Upon receipt of the City Council's feedback, the IBA will make requested changes and circulate a revised draft to the Council/DPWG before sending the final response to the SEC.

[SIGNED]

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[SIGNED]

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Attachment