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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**Date Issued:** November 2, 2010

**IBA Report Number:** 10-84 REV

**City Council Date:** November 8, 2010

**Item Number:** TBD

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# Response to Grand Jury Report Titled “San Diego City’s Financial Crisis – The Past, Present, and Future”

## OVERVIEW

On June 8, 2010, the San Diego County Grand Jury issued a report to the Mayor, City Council, San Diego City Employees Retirement System (SDCER), the City’s Audit Committee, and the City’s Auditor. The purpose of the Grand Jury’s report was to assess the financial issues facing the City and also determine what brought the City to its current financial condition. The report also proposed strategies to mitigate the City’s budgetary deficits.

The Grand Jury Report included twenty seven findings and sixteen recommendations. Of these, the City Council is required to respond to all of the findings and nine of the recommendations. The Mayor, City Council, SDCERs, and the City’s Audit Committee and Auditor are required to provide comments to the Presiding Judge of the San Diego Superior Court on each of their respective findings and recommendations in the Grand Jury Report within ninety days. Due to the demands of the legislative calendar, the Presiding Judge granted an extension to the date for the City’s responses to December 1, 2010. This report presents the City Council’s response as recommended by the IBA.

The IBA has reviewed a copy of the Mayor’s draft responses to each of the findings and recommendations. For each finding and recommendation, the City Council may 1) join the Mayor’s response; 2) respond with a modification to the Mayor’s response; or 3) respond independently of the Mayor.

In responding to each Grand Jury finding, the City is required to either 1) agree with the finding or 2) disagree wholly or partially with the finding. Responses to Grand Jury

recommendations must indicate that the recommendation 1) has been implemented; 2) has not yet been implemented, but will be in the future; 3) requires further analysis; or 4) will not be implemented because it is not warranted or is not reasonable. Explanations for responses are requested when applicable.

Of the 42 items included in the Mayor, Audit Committee, and Auditor’s responses, the IBA recommends that the City Council respond with a modification to the Mayor’s responses for 11 items, and respond independently of the Mayor for 7 items.

The table below provides a summary of the IBA’s recommendations:

Recommendations:	10-128, 10-132, 10-137	<b><i>Join the Mayor’s and/or Audit Committee &amp; City Auditor Response</i></b>
Findings:	01, 02, 05, 06, 08, 09, 11, 13, 14, 15, 16, 17, 20, 21, 23	
Recommendations:	10-125, 10-127, 10-129, 10-131, 10-138, 10-139	<b><i>Respond with a Modification to the Mayor’s Response</i></b>
Findings:	03, 04, 07, 12, 18, 19, 24	
Recommendations:	10-130, 10-140	<b><i>Respond Independently of Mayor</i></b>
Findings:	10, 22, 25, 26, 27	

On October 20, 2010, the Rules Committee voted 5-0 to adopt the IBA’s proposed responses, with the following amendments:

1. Amend the response to Recommendation #10-129 to state that the City has approved and funded a DROP study and it is currently underway;
2. Amend the response to Recommendation #10-131 to state that San Diego Municipal Code §24.1401 states that “DROP is intended to be cost neutral.” In addition, the City will examine several alternatives to the DROP program should the pending cost neutrality study demonstrate that it is not cost neutral.

The full text of the Mayor’s draft responses and the proposed Council responses, including the amendments adopted by the Rules Committee, are provided in Attachment A. It should be noted that the Mayor’s responses to Findings #04, #07 and Recommendation #10-125 have also been amended to be consistent with the Council responses. Changes to the Findings/Recommendation responses presented at the Rules Committee have been highlighted and bold underlined.

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[SIGNED]

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APPROVED: Andrea Tevlin  
Independent Budget Analyst

Attachments:

- A. Recommended City Council Responses to Findings and Recommendations in San Diego County Grand Jury Report entitled “San Diego City’s Financial Crisis – The Past, Present, and Future.” (REVISED)
- B. San Diego County Grand Jury Report entitled “San Diego City’s Financial Crisis - The Past, Present, and Future.”
- C. San Diego City Employees’ Retirement System Responses to the San Diego County Grand Jury Report entitled “San Diego City’s Financial Crisis - The Past, Present, and Future.”