



September 17, 2004

Letters to the Editor
The New York Times
229 West 43rd Street
New York, NY 10036

The New York Times has recently published stories on San Diego's financial outlook. The article published on September 17 (Budget Use of Pensions Sows Trouble in San Diego by Mary Williams Walsh) states that the City of San Diego is "facing the possibility of a bankruptcy filing." In fact, the City of San Diego has no plans to file, nor has it ever considered filing, for bankruptcy.

With regard to the City of San Diego's shortfall in the pension fund, allow me to state the following:

- 1) The City of San Diego, like so many other cities across the country, is facing pension fund challenges.
- 2) Pension reform is already under way in San Diego.
- 3) Early in July, the City made a \$130 million contribution to the pension system for Fiscal Year 2005.
- 4) The City will make full actuarial payments in 2006 and thereafter.
- 5) The City has assembled a team to evaluate the issuance of at least \$200 million of Pension Obligation Bonds to reduce the pension liability.
- 6) Our City Council has placed on the November ballot, a measure which would require the City to amortize the pension obligation over 15 years.

The article also stated that the City's previous financial disclosures exhibited "significant inaccuracies and omissions." It's important to note the City was aware of this and hired the independent law firm of Vinson & Elkins. We wanted a review of San Diego's financial disclosure procedures and any recommendations the firm might offer. I want to emphasize that the report found no evidence of wrongdoing or the intent to mislead.

Clearly, procedures that were in place in the past no longer work today. Since being appointed City Manager in April 2004, I have taken action to change the culture and the procedures within the City. We are beginning mandatory training to make sure our disclosure procedures meet federal guidelines. More senior staff will be involved in the process, as will I. The City welcomes the creation of a financial reporting oversight board and a disclosure practices working group as recommended in the Vinson and Elkins report. I believe in accountability, not just for myself, but for all City employees. We are committed to resolving these issues and improving the City's financial disclosure process. Our changes will set a new standard, not just for San Diego, but for other cities and counties across the nation.

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