

# San Diego Business Journal

[PRINT](#) | [CLOSE WINDOW](#)

## City Settles With SEC

By - 11/14/2006

San Diego Business Journal Staff

The U.S. Securities and Exchange Commission filed a cease and desist order against the city of San Diego on Nov. 14, which the city has summarily settled under terms accepted by the SEC.

The order stemmed from the city's issuance of \$260 million in municipal bonds in 2002 and 2003.

The city avoided a fine with the settlement.

The commission alleges that city officials knew that San Diego faced financial risks — including a severe under-funding of the city's pension plan to the tune of \$284 million in 2002 that ballooned to \$720 million in 2003 — but did not disclose this information to investors before issuing municipal bonds.

According to the SEC's order, once the city disclosed its financial risks in fiscal 2004, agencies lowered the city's credit rating. It also mentions the city's delinquency in filing audited financial statements for fiscal years 2003 through 2005.

As a result, the city violated the Securities Act by "omitting to state a material fact in the offer or sale of securities."

On Nov. 14, the SEC announced that the city settled with the commission in lieu of being sanctioned, by retaining an independent consultant for three years to "foster compliance with its disclosure obligations under the federal securities laws" and agreeing to cease and desist from future securities fraud violations.

The city was reprimanded but a fine was not levied, according to a release from City Attorney Mike Aguirre's office.

According to the SEC, the city consented to the settlement without admitting or denying the findings of the cease and desist order.

The commission is still conducting investigations into individuals and other economic entities that may have violated federal securities laws.

— Andy Killion

---

**San Diego Business Journal, Copyright © 2006, All Rights Reserved.**