

**CITY OF CORAL GABLES  
BUDGET/AUDIT ADVISORY BOARD**

**Meeting Minutes: Wednesday, September 6, 2017**

Conference Room First Floor , City Hall, 405 Biltmore Way, Coral Gables, Florida

<b>MEMBERS</b>	<b>O</b>	<b>N</b>	<b>D</b>	<b>J</b>	<b>F</b>	<b>M</b>	<b>A</b>	<b>M</b>	<b>J</b>	<b>J</b>	<b>A</b>	<b>S</b>	<b>APPOINTED BY:</b>
	16	16	16	17	17	17	17	17	17	17	17	17	
Tony A. Rivas			-	-	P	P	-	P	-	P	-	A	Mayor Valdes-Fauli
Erin Knight	P	P	-	-	P	E	-	P	-	-	-	-	Commissioner Jeanette Slesnick
Alex Menendez	O	E	-	-	P	E	-	A	-	P	-	P	Commissioner Vince Lago
John Holian	P	A	-	-	P	P	-	P	-	P	-	A	Commissioner Frank C. Quesada
Cheryl Goldstein	P	P	-	-	A	P	-	P	-	A	-	P	Commissioner Pat Keon
Francisco Paredes										P	-	P	Commissioner Mena

(Dash indicates no meeting; blank space indicate member not yet serving.)

^ - New Member

# - Special meeting

\*\* - Resigned Member

**Staff:**

Diana Gomez, Finance Director

Keith Kleiman, Assistant Finance Director for Management & Budget

Sally Ola Ola, Assistant Finance Director for Reporting & Operations

Minutes Preparation and Recording Secretary Estela Valle, Bailey & Sanchez Court Reporting, Inc.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CITY OF CORAL GABLES

BUDGET/AUDIT ADVISORY BOARD MEETING

WEDNESDAY, SEPTEMBER 6, 2017, 8:03 A.M.

FIRST FLOOR, CITY HALL

405 BILTMORE WAY, CORAL GABLES, FLORIDA

MEMBERS PRESENT:

ALEX MENENDEZ, CHAIR  
CHERYL GOLDSTEIN, VICE CHAIR  
FRANK PAREDES

CITY STAFF PRESENT:

DIANA GOMEZ, FINANCE DIRECTOR  
KEITH KLEIMAN, ASSISTANT FINANCE DIRECTOR for MANAGEMENT and BUDGET  
SALLY OLA OLA, ASSISTANT FINANCE DIRECTOR for REPORTING and OPERATIONS  
ELSA FUENTES, INTERNAL AUDIT and GRANT COORDINATOR  
LEONARD ROBERTS, ASSISTANT DIRECTOR of ECONOMIC DEVELOPMENT/ASSET REAL ESTATE MANAGER

ALSO PRESENT:

JOHN C. WEBER  
JIM SHAVER  
MICHELLE BLACKSTOCK

**COPY**

1 THEREUPON:

2 (The following proceedings were held.)

3 MR. MENENDEZ: It's 8:03, and we have a quorum, so  
4 I'm going to call the meeting to start.

5 Cheryl, would you make a motion?

6 MS. GOLDSTEIN: I make a motion to accept--

7 MR. MENENDEZ: To start the meeting.

8 MS. GOLDSTEIN: We need a motion for that?

9 MR. PAREDES: I second it.

10 MR. MENENDEZ: There we go. No, for the Minutes.

11 MS. GOLDSTEIN: Of the minutes. I make a motion  
12 to approve the Minutes from the last meeting.

13 MR. MENENDEZ: For the May 25th meeting?

14 MS. GOLDSTEIN: Yeah.

15 MR. PAREDES: I wasn't here. I wasn't appointed,  
16 so I don't know what to do with that. But I would  
17 second it, if you guys are okay, for formality aspects  
18 of it, but I wasn't--

19 MR. MENENDEZ: No, I understand. So for right  
20 now, there's only two of us that were actually members  
21 during the time of those Minutes. Frank, maybe you can  
22 make the motion. You make the motion, Cheryl can second  
23 it, and we'll figure out the procedural process later.

24 MR. PAREDES: I make the motion, by all means.

25

1 MR. MENENDEZ: Okay.

2 MR. KLEIMAN: We'll check.

3 MR. MENENDEZ: Cheryl?

4 MS. GOLDSTEIN: I second it.

5 MR. MENENDEZ: All in favor, aye.

6 Now, we're going to look at the minutes from July  
7 6, and approve the July 6, 2007 Minutes.

8 Did everybody get a chance to review them? Did  
9 somebody want to make a motion?

10 MR. PAREDES: I told the stenographer already--  
11 I'll make a motion to approve-- that somewhere in here  
12 it said, "undated," and it should be, "updated," which I  
13 think it's-- even though it's a typo, it's a critical  
14 typo, but I can't find it now.

15 MR. MENENDEZ: Okay. We'll put that on the  
16 record, and we'll hopefully get that corrected for the  
17 next meeting.

18 And, Cheryl, do you second that motion to approve?

19 MS. GOLDSTEIN: I second it.

20 MR. MENENDEZ: Okay. All in favor?

21 MS. GOLDSTEIN: Aye.

22 MR. PAREDES: Aye.

23 MR. MENENDEZ: Aye.

24 All right. The next item on the Agenda-- Keith,  
25 is there a certain order you want to go in based on

1 who's here?

2 MR. KLEIMAN: Well, I'm thinking to go through the  
3 quick ones first, and then we'll get to Crowe, unless  
4 you want to do Crowe first.

5 MR. MENENDEZ: We have Leonard here, he can do his  
6 thing, and then he can go on his way, right? You only  
7 have one issue.

8 MR. ROBERTS: Yeah.

9 MR. MENENDEZ: I think that would make sense.

10 MR. ROBERTS: I wouldn't call it an issue, but--

11 MR. MENENDEZ: Okay, non-issue.

12 MR. ROBERTS: First, let me say, thank you for  
13 being here, under the circumstances. And a little  
14 background on myself. I am the Assistant Director of  
15 Economic Development/Asset Real Estate Manager for the  
16 City of Coral Gables. My background is a CPA in audit,  
17 auditing real estate developers, and I worked for a  
18 residential developer after that, and commercial  
19 developer, and I was hired by the City to manage their  
20 entire real estate portfolio, which includes leasing,  
21 acquisitions, and disposition of properties.

22 Before you is a deal regarding a piece of land  
23 that the City operates, as they call, Lot 24. It's a  
24 lease that was signed in 1987. It was a 30-year deal  
25 that expires at the end of this year, and the tenant,

1 which is Doctors Hospital, owned by Baptist, exercised  
2 their automatic renewal option for another 30 years in  
3 May 2017.

4 Through that time period, they have requested the  
5 potential opportunity to acquire the property. This  
6 is-- because of your previous meetings, the timing--  
7 this actually went to the Commission already, and so the  
8 terms that were proposed were negotiated in regard to  
9 pricing, but we still haven't discussed much in regard  
10 to the actual pricing, but for the terms for the actual  
11 remainder of the terms, which includes due diligence.

12 So we had an appraisal that was done-- two  
13 appraisals. One appraisal came in at 2.35 million.

14 MR. MENENDEZ: Sorry, can I ask a question real  
15 quick?

16 MR. ROBERTS: Sure.

17 MR. MENENDEZ: So I understand procedurally, I  
18 know it was brought up that we had to have a meeting  
19 last time around, and I ended up changing the dates,  
20 because being a quorum, we were trying to move the  
21 meeting to get a quorum-- to have enough members to have  
22 a quorum in order to go over the specific item, and  
23 then, in the end, we were never contacted, and it still  
24 went in front of the Commission.

25 When we review deals that you bring in front of

1 us, is it a requirement that we review them or is it  
2 just a technicality?

3 MR. ROBERTS: It usually requires three Boards,  
4 this Board, the Property Advisory Board, and the  
5 Economic Development Board, from an advisory standpoint,  
6 to come before you, but there is the option to go before  
7 the Commission for a waiver, right. So we actually  
8 requested that waiver. The Commission did waive it.

9 Now, the deal terms-- and let me just back up. I  
10 apologize. I jumped kind of into the terms. So this is  
11 not-- what we went to Commission for is the option to  
12 agree to a price of \$3 million, to further negotiate the  
13 deal, the remaining terms, and then, if the Commission  
14 chooses to come back with a final purchase and sales  
15 agreement, based on that Commission meeting, they were  
16 okay with us going forward as it is. So the original  
17 intent was for us to just bring it to them, let us  
18 negotiate, and then we'll come back you to, but they  
19 said, "We feel comfortable, based on the terms that were  
20 presented, at the \$3 million price."

21 So right now we technically don't have to go back  
22 to Commission, because they waived the procurement  
23 requirements for Board approval and other components.  
24 And the other components include going forth for a  
25 bidding process. And the reason-- my reasoning for

1 that, for bringing it to the Board, is that Baptist has  
2 operated it for 30 years. They have 30 more years  
3 remaining until 2048, and because of the pricing on  
4 this.

5 Have I answered your question?

6 MR. MENENDEZ: Yeah. No, my part wasn't so much  
7 about the details of this deal that concerned me, it was  
8 more about the procedure part, because I misunderstood  
9 how it was presented without us being involved, when it  
10 was pushed on me that it was necessary to have that  
11 meeting before the Commission, in order for business to  
12 take place. And so if the Commission can waive the  
13 Board's approval, it's kind of--

14 MR. ROBERTS: Well, you're an advisory Board to  
15 the Commission. So technically you would go to them  
16 with any questions, but if they're making that decision  
17 on behalf of you, because you would provide that  
18 information, so they have kind of done that.

19 MR. MENENDEZ: So you went straight to the  
20 decision-maker in that case?

21 MR. ROBERTS: In this circumstance, we had to.

22 MR. MENENDEZ: Understood.

23 MR. PAREDES: And the \$3 million is already  
24 accepted?

25 MR. ROBERTS: So let me give you some history



1 about the \$3 million. The appraisals did come down at  
2 2.35 million and 2.2 million. We did a hypothetical  
3 appraisal, and the hypothetical appraisal is based on  
4 the situation in which the City controls the lot. We  
5 operate it as valet, and we charge a fee. I think it  
6 was based upon like roughly \$1200 per parking space for  
7 valet per year.

8 Based upon that, we calculated what they call an  
9 equity capitalization or capitalization rate, and based  
10 on the normal capitalization rate of five percent, the  
11 2.2 was very reasonable. Then-- sorry, it was 2.2 based  
12 on the existing income. We did it based on us operating  
13 it as a valet ourselves, and charging, which we would  
14 not do, because we can't, because we don't control it,  
15 and that came back at \$3.6 million.

16 So the \$3 million price, if you were to calculate  
17 it based on the existing income today, it would be a  
18 3.05 capitalization rate. And in real estate-- you  
19 know, this is an empty lot. In real estate, commercial  
20 properties usually run at about a 5 percent  
21 capitalization rate.

22 MR. PAREDES: Is it an empty lot or is it the  
23 building?

24 MR. ROBERTS: It's the empty lot. It's an empty  
25 parking lot.

1 MR. MENENDEZ: See, I have the same issue as  
2 Frank, when I looked at the map that you guys provided  
3 us in the notes, I couldn't figure it out. But when I  
4 drove to the property, I believe it's the parking lot  
5 parking that runs along the canal.

6 (Simultaneous speaking)

7 MR. PAREDES: Okay. Okay.

8 MR. ROBERTS: Did everyone get a copy of this?

9 MS. GOLDSTEIN: No, I didn't.

10 MR. PAREDES: We got it with the material.

11 MR. ROBERTS: You did.

12 MR. PAREDES: A letter of intent and all of that--

13 MR. MENENDEZ: It was emailed to us, and it had  
14 this document with the picture, as well.

15 Do we have a copy for Cheryl so she can see it?

16 MS. GOLDSTEIN: It's okay. This is fine.

17 MR. PAREDES: I thought it was the building.

18 Okay, my mistake.

19 MR. ROBERTS: No, no, no.

20 MR. PAREDES: Because I was going to ask what was  
21 the construction cost associated with it.

22 MR. ROBERTS: No, it's a vacant parking lot.

23 Now, the parcel is zoned multi-family duplex.

24 What you see with adjacent properties, we looked at what  
25 the going rate was for duplexes in that area, at \$3

1 million, this lot is selling at \$750,000 per unit,  
2 technically, almost. So--

3 MS. GOLDSTEIN: And how many would fit on there?

4 MR. ROBERTS: That's a very good question.

5 Because the lot is so narrow, it's kind of restricted on  
6 what you can build on there. So there really wouldn't  
7 be much room for a developer to build much square  
8 footage on there.

9 MR. MENENDEZ: So how many units?

10 MR. ROBERTS: It could hold four, but with the  
11 setbacks, it would be very challenging for a developer  
12 to build something there, very challenging, especially  
13 for four units.

14 MS. GOLDSTEIN: So they just want it for the  
15 parking?

16 MS. ROBERTS: They want it strictly for parking.  
17 There is-- as I said, the zoning is multi-family--

18 MR. MENENDEZ: It's currently parking now.

19 MS. GOLDSTEIN: Yeah, yeah, yeah.

20 MR. MENENDEZ: But what I didn't understand was,  
21 do they need that parking in order to operate their  
22 facility?

23 MR. ROBERTS: Yes.

24 MR. MENENDEZ: So if you were to take that away  
25 now, they would not be able to operate?

1 MS. GOLDSTEIN: Well, no, no, no. It's valet.  
2 They use it for the valet.

3 MR. MENENDEZ: But is it a requirement as part of  
4 their parking that they need that or no?

5 MR. ROBERTS: They have limited parking. They're  
6 actually looking to increase the amount of parking they  
7 had. They were actually working with-- at one point in  
8 time, working with Dade County Public Schools to  
9 potentially build a parking garage structure at one  
10 point. That is no longer an option, and so, because of  
11 that, they are looking for more parking opportunities.

12 So one of the things they brought before the  
13 Commission was the opportunity to build a second level  
14 to allow further parking. And so they want to have that  
15 right, when they purchase, this to build additional  
16 parking.

17 MS. GOLDSTEIN: Where?

18 MR. ROBERTS: On the same site, above it. So it  
19 would be--

20 MR. PAREDES: A second floor.

21 MR. ROBERTS: --Like a second floor, right. Now,  
22 they would have to go through Planning. This is just  
23 the right to do it.

24 MR. MENENDEZ: And they would have that right  
25 under our contract to build a two-story parking garage?

1 MR. ROBERTS: They would already have a right if  
2 Planning allows them to do it.

3 MR. MENENDEZ: But we're not putting a covenant to  
4 block the ability to put it?

5 MR. PAREDES: There is a covenant. There's just  
6 to be parking.

7 MR. ROBERTS: There's a covenant to be used for  
8 parking, but does not limit it to parking service. It  
9 allows for a parking structure, also.

10 MS.GOLDSTEIN: And it doesn't limit it to two  
11 floors.

12 MR. ROBERTS: No, but there are zoning  
13 requirements that they would have to fulfill, and so  
14 that would require significant--

15 MS. GOLDSTEIN: There's nothing facing that, other  
16 than the hospital. I mean, I don't think that anyone--

17 MR. ROBERTS: Yeah, and they would have to get  
18 approval. So part of the requirements for the deal  
19 terms--

20 MS. GOLDSTEIN: For the sale?

21 MR. ROBERTS: Yeah. They have to get approval  
22 from the-- through the same neighbors who signed the  
23 restrictive covenant, who did this many years ago.  
24 Those same neighbors, they'd have to go back around and  
25 get a new covenant.

1 MR. MENENDEZ: Why wouldn't it be all neighbors?

2 MR. ROBERTS: It is. I mean, it's all of the  
3 surrounding neighbors.

4 MR. MENENDEZ: You said, only the ones who signed  
5 the restricted covenant.

6 MR. ROBERTS: Yeah, there's like 40 or 50 of them.

7 MR. MENENDEZ: Why don't you make it all of them,  
8 if they're living there, and now you only want the ones  
9 that knew about it ahead of time to sign for it.

10 MR. ROBERTS: That's something this Board can  
11 approve.

12 MR. MENENDEZ: Well, I'm just asking. I'm  
13 curious.

14 MS. GOLDSTEIN: Well, why would you restrict it?  
15 Why wouldn't you want to sell the land for \$3 million?

16 MR. MENENDEZ: Well, I'm saying, if you're a  
17 neighbor, and there's a three-story parking garage, and  
18 the only neighbors that need to sign off on it are the  
19 ones that signed the restricted covenant years ago when  
20 this agreement happened, which was maybe in the early  
21 80's, but if I bought the house next door across the  
22 canal, and all--

23 MS. GOLDSTEIN: But you can't see anything.

24 MR. MENENDEZ: From there?

25 MR. KLEIMAN: No, you can't see anything.

1 MR. MENENDEZ: Oh, so this canal, you can't see it  
2 from here?

3 MS. GOLDSTEIN: Well, this weekend. Today, you  
4 can't see anything, after the hurricane.

5 MR. PAREDES: I think-- I'm not a neighbor, but I  
6 think you will get some push back from the neighbors for  
7 a second floor.

8 MR. ROBERTS: Peter Iglesias, which is our  
9 Assistant City Manager, lives in that neighborhood, and  
10 so he's very familiar with what we're going through, and  
11 he's ensuring that Planning reviews this carefully  
12 before-- and it would actually have to go to him,  
13 because of the restricted covenant. So, you know, the  
14 requirement or the City is putting in place was that in  
15 order for this deal to be considered as a structure,  
16 right-- and they have no intention, according to them,  
17 to build a structure on it today. They just want the  
18 opportunity to do this in the future.

19 MR. PAREDES: Could there be a kicker added to the  
20 contract now that if they do come into a second, they  
21 can pay a development fee or something-- an extra fee  
22 for the value, because value of the land right now is 3  
23 million based on today's income stream, but a second  
24 floor adds more to the value. And could there be a  
25 kicker on that or could there be something that is added

1 to it that in the event a second floor is applied for  
2 and paid for, there could be some extra impact fees,  
3 development fees, whatever, some sort of kicker for us--  
4 for the City?

5 MR. ROBERTS: So just to emphasize, the current  
6 income on this is about \$100,000 a year.

7 MR. PAREDES: Right, but with a cap.

8 MR. ROBERTS: But if we were to-- yeah, if the  
9 City were to operate it as a valet and charge their  
10 patrons, the estimated income of 1200 per space a year  
11 would work out to roughly \$3.6 million dollars at the  
12 five percent cap rate. That's a projection. That's a  
13 hypothetical circumstance.

14 The existing income that we're generating on this  
15 is 2.-- it's a cap rate of 2.2 million. So we're  
16 getting about \$800,000 more than the true value of the  
17 site. This site, the only other person who could use  
18 this site would be the City, and that would be 30 years  
19 from now. If a developer were to come in and buy this  
20 site, they would not be paying \$750,000 per space.

21 MR. PAREDES: So you're saying that they're  
22 already funding a little bit of that kicker because of  
23 the 2.2 million versus 3 million.

24 MR. ROBERTS: If we looked at the income, the  
25 income stream on this property-- I actually did an NPV



1 analysis on that present value based upon the income for  
2 the next 30 years, and based on that net present value,  
3 we're looking at about, in a five percent discount rate,  
4 over 30 years, with a sale at the end of that 30 years,  
5 and that sale assumes a \$2.2 million today, with a  
6 one-and-a-half or two percent increase exponentially at  
7 the end of those 30 years, if we were to sell the  
8 property and look at the existing lease terms of what  
9 they're paying now at a five percent NPV, it would work  
10 out to \$2.87 million.

11 What that means is that if we were to receive that  
12 \$3 million, and invest that \$3 million today, and make  
13 over three percent return on that 3 million, we would be  
14 in a better financial situation than holding that  
15 property and generating income from it.

16 MR. PAREDES: The long and the short of it, from  
17 my perspective, is the land right now is worth  
18 two-and-a-half million, let's just say, and if we give  
19 them the right to do a second floor, we're getting  
20 500,000 up front.

21 MR. ROBERTS: Right.

22 MR. PAREDES: As opposed to putting a cost or a  
23 kicker cost if they do that. And we're not committed--  
24 we're not committed to allowing them a second floor.

25 MR. ROBERTS: And that could be a recommendation

1 as part of your motion.

2 MR. MENENDEZ: What were the deal terms-- how did  
3 it change when they signed the new lease extension in  
4 May 2017?

5 MR. ROBERTS: It's an automatic renewal, and this  
6 deal was done in 1987, so, you know, unfortunately for  
7 the-- I wasn't around in 1987. The deal terms would  
8 have been very different. It's just-- right now it's an  
9 automatic renewal, and it's all tied to permit rate  
10 increases. So every time that we increase the permit  
11 rates throughout the City, the rate goes up by the same  
12 proportional percentage.

13 MS. GOLDSTEIN: So what do you need from us?

14 MR. ROBERTS: So part of this Board's requirement  
15 is to look at three questions as part of the Procurement  
16 Code. I have provided three questions on the very last  
17 sheet, but let me just back up before we go there. So  
18 what we're asking is to approve the \$3 million  
19 acquisition price, and to allow the City to go back and  
20 renegotiate the remaining terms.

21 The remaining terms include the due diligence  
22 period. It includes a 30-day close after the due  
23 diligence period. It includes no broker involvement.  
24 We want to make sure there's no broker involved in this  
25 transaction. And this would be obviously an as is

1 transaction. So we want to make sure we renegotiate the  
2 other components, but we believe the \$3 million is truly  
3 a fair value. We started these negotiations at 2.2  
4 million. I presented a \$3.6 million offer. Through the  
5 negotiation process, \$3 million is the highest that  
6 they're willing to go, and I feel that \$3 million is  
7 above the appraised value. I do think that it's a good  
8 use of the City's funds, and take that money and to  
9 reinvest it today.

10 The City does have plans--

11 MS. GOLDSTEIN: Why are we--

12 MR. ROBERTS: And so with that said, this Board's  
13 function is to look at three questions as required by  
14 the Procurement Code. I provided those three questions  
15 for you and suggested responses. Feel free to modify  
16 the responses. And if the Chair would like to read the  
17 questions into the Minutes, and read the suggested  
18 response and/or modify that suggested response.

19 MR. MENENDEZ: This is a 50,000 square foot  
20 property.

21 MR. ROBERTS: Duplex, though. It's not high-rise  
22 or low-rise. It's limited--

23 MR. MENENDEZ: But it could be residential.

24 MR. ROBERTS: It would be residential, yeah.

25 MR. MENENDEZ: So it comes out to about \$50 a

1 square foot? Do I have an option on it? Can I buy it  
2 for my own personal house or no?

3 MR. ROBERTS: You can try to build something on  
4 there.

5 MR. MENENDEZ: Perfect. So we're going to go  
6 through--

7 MS. GOLDSTEIN: We need it all in the Minutes,  
8 even though the Commission has already approved it? I  
9 would just like to make a motion to-- I would like to  
10 make a motion to have the City continue forward as the  
11 Commission approved in their last meeting.

12 MR. ROBERTS: Okay.

13 MR. MENENDEZ: I didn't attend the last meeting.

14 MS. GOLDSTEIN: The Commission's meeting.

15 MR. MENENDEZ: Knowing that I didn't attend the  
16 last Commission meeting-- but I guess-- I guess our  
17 function was waived already so I agree with Cheryl. Why  
18 are we going to make a motion on something that was  
19 already waived.

20 MS. GOMEZ: Because we're coming back for  
21 ratification so you can say that you don't agree with  
22 it, whatever. It's your right to--

23 MR. MENENDEZ: We find it unnecessary to make a  
24 motion if our function was already waived.

25 MR. ROBERTS: Okay. If you don't agree with the

1 terms--

2 MR. MENENDEZ: It's not about the terms of the  
3 deal. It was brought to us after the fact that it was  
4 already looked at, and our function was already waived.  
5 Why would we make a motion retroactively?

6 MR. ROBERTS: This is a Letter of Intent. The  
7 deal terms have not been finalized. If you feel as  
8 though there is some--

9 MS. GOLDSTEIN: He feels--

10 MR. PAREDES: We ratify the Commission's actions.

11 MR. MENENDEZ: So make a motion if you like, and  
12 I'll second it.

13 MS. GOLDSTEIN: I did. I make a motion to ratify  
14 the Commission's actions.

15 MR. MENENDEZ: Second that motion.

16 MR. PAREDES: I agree unanimously.

17 MR. ROBERTS: All right. Well, thank you.

18 MS. GOMEZ: And, again, if it wasn't said before I  
19 walked in, we tried to get this Board to meet in advance  
20 of the meeting, but the calendar just didn't work to get  
21 a quorum.

22 MS. GOLDSTEIN: Did any of the other Boards meet  
23 before the meeting?

24 MR. ROBERTS: Yes. They're scheduled for the  
25 first Wednesday and the second Wednesday of the month.

1 MR. KLEIMAN: This was scheduled for the 24th.

2 MS. GOMEZ: Yeah. And then we tried to do  
3 something else on the 5th. I don't remember. We tried  
4 two times.

5 MS. GOLDSTEIN: Is it possible to do a conference  
6 call if there's something like this that comes up?

7 MS. GOMEZ: No. Well--

8 MR. ROBERTS: You can do a-- if you have a quorum  
9 present, you can have other members attend through  
10 conference call.

11 MS. GOLDSTEIN: But you have to have a quorum for  
12 that.

13 MS. GOMEZ: That's always been the opinion of the  
14 City Attorney's Office.

15 MR. KLEIMAN: Once, during a Budget hearing, they  
16 needed a fourth vote, and Commissioner Lago was on the  
17 phone.

18 MS. GOMEZ: Because they have a quorum in house.

19 A quorum is just to make the meeting. Once you  
20 have enough to make the meeting, then you can add-- you  
21 can vote by phone, but you have to have a quorum in  
22 person.

23 MR. ROBERTS: Thank you very much, guys.

24 MR. MENENDEZ: Thank you, Leonard. We'll move, I  
25 guess, if there's no specific order, to the overtime

1 quarterly report, Keith.

2 MR. KLEIMAN: Okay. There's not a lot to report.  
3 We are down to about ten vacancies right now with  
4 police, so they've really been very, very active. The  
5 biggest use now of overtime has been in the Technical  
6 Services Division, and that's due to the communications  
7 operators. The City is actually hiring at a fairly  
8 rapid rate, but the candidates are not making the  
9 evaluation period. Either they're not up to par or  
10 they're actually just quitting. So HR Recruitment has  
11 now taken it over from the actual Police Department  
12 itself, and HR is now fully in charge of the recruiting  
13 for those positions. So we expect to have a better  
14 percentage of retention.

15 So, now, during the third quarter, they did a  
16 transfer, which we approved, of \$730,000, to cover all  
17 of the excess overtime. Now, just so you know, we are  
18 still never going toward the salary surplus that we have  
19 available. So it's still much less expensive to cover  
20 the overtime than it is to have the position fully  
21 filled. Because, as we've said, we do not have a  
22 staffing problem within police. That's the one thing  
23 that we've been standing by. There's no staffing  
24 problem. There's been a vacancy issue trying to fill  
25 vacancies, but staffing is still sufficient.

1 MS. GOLDSTEIN: Can I ask you a question regarding  
2 that?

3 MR. KLEIMAN: Yes.

4 MS. GOLDSTEIN: So in Janet's journal, she keeps  
5 quoting that the police force is still down 11. So I  
6 understand and agree with, that there's not a staffing  
7 issue from all of the meetings that we've had with the  
8 department; however I would ask you to consider how  
9 you-- how you go about recording this, so that there's  
10 not the misconception to the residents and to others  
11 that there are significant vacancies.

12 You don't have to comment on that. I'm just-- I  
13 keep bringing it up over and over and over again. We  
14 keep meeting on it, because of that issue, and it's how  
15 you-- it's tied to how you go about budgeting and  
16 reporting that.

17 MR. KLEIMAN: So just-- and this, on the record--  
18 so it's fully transparent, going back, now it's been  
19 about five or six years, the Commission approved an  
20 increase of seven or eight positions. They were not  
21 slated to go to any particular place. It was not  
22 something that we knew exactly how they were going to  
23 get assigned, and we had never, ever, ever filled those  
24 positions. So technically, if you think about it, if  
25 those weren't given to us, we'd be down to two or three



1 vacancies.

2 Now, the thing is, once they're in-- right, I  
3 understand the frustration with that, but the problem  
4 is, once they're created, the City looks bad if it  
5 decides to take them away, because then you're cutting  
6 Police. It's not something that we can do. And then--

7 MS. GOLDSTEIN: Put it somewhere else. Categorize  
8 it differently. I mean, it's not-- don't call it the  
9 same thing.

10 MR. MENENDEZ: Yeah, I'm with Cheryl on this. I  
11 read the Minutes from the last meeting. Unfortunately,  
12 I wasn't here, but I read Director Frank Fernandez', I  
13 believe, he gave a really good explanation. He asked  
14 for people's input. And he said it's a political  
15 process; that it's being politicized. But to Cheryl's  
16 point, it's just politics, and removing the number of  
17 vacancies will help, you know, clear things up. I don't  
18 understand why--

19 MS. GOLDSTEIN: Recategorize it.

20 MR. MENENDEZ: And we budget every year based on  
21 the vacancies that are available.

22 MS. GOLDSTEIN: Call it approved and needed-- you  
23 know, approved and put the Commission date and--

24 MR. KLEIMAN: There is a route to that type of  
25 procedure, and I had suggested it, and it's going to

1 have to go higher up. It was just a theory on my part.  
2 You know, there is the national average for the amount  
3 of police officers per area, and we are above that.

4 But, now, what I had suggested-- and, again, it  
5 has never gone to full discussion, so this is just a  
6 theory I had. I talked to Diana. I mentioned it very  
7 lightly to the City Manager. No discussion yet-- was to  
8 meet and decide, what does this City want its ratio to  
9 be, make that determination, and then if it's less  
10 staffing than we have, those just can go away. And then  
11 it's fully transparent that we've made this decision.  
12 This is the staffing level we want, and then your  
13 vacancies become exactly what you need. And if there  
14 are excess vacancies, then they can be revaluated, and  
15 moved elsewhere.

16 But, again, that is just a theory. It hasn't gone  
17 anywhere. So that's just now on record here, but I will  
18 push it.

19 MR. MENENDEZ: I think it's a good point. I've  
20 been here for years now, and that last meeting that I  
21 missed, where I read the report, that's the first time  
22 we've ever talked about that, that I can remember. It's  
23 always been, there's vacancies and we're working on  
24 getting them done. And I've heard that from a few  
25 individuals here, as well, at the table, "We're working

1 on it. We're doing HR. We're changing our standards.  
2 We're actively recruiting. We're putting a sign on  
3 US-1," but I've never been told, "Hey, we're at 3.8--"  
4 to give you a number-- "in the matrix of people per  
5 police officers, and that is above City of Miami and our  
6 neighboring municipalities." So that discussion was  
7 kind of the first time we've ever had it. And I agree  
8 with you, and I think, Cheryl, that's the thing, we  
9 budget based on the vacancies. We don't budget based on  
10 the matrix, which maybe we should.

11 MR. PAREDES: Let me ask a rookie question here.  
12 We budget for overtime?

13 MR. KLEIMAN: Yes.

14 MR. PAREDES: So if I understand this schedule,  
15 right now, we are 76 percent over the budget, so we are  
16 on line for the budget?

17 MR. KLEIMAN: Yes, but the thing you have to  
18 understand is that we added to--

19 MS. GOMEZ: He increased the budget.

20 MR. KLEIMAN: We increased it by \$730,000.

21 MR. PAREDES: Actually, that was not found money,  
22 that was a reclassification?

23 MR. KLEIMAN: Exactly, yes.

24 MR. PAREDES: So the fact that you budget for  
25 overtime, isn't that kind of like saying, "We are going

1 to have overtime, and we're going to pay for it, and no  
2 matter what, they're going to incur it?" Is that a  
3 prudent way? I ask.

4 MR. KLEIMAN: Yes, because, again, the overtime is  
5 mainly budgeted for known absences, like vacations, sick  
6 leave. To a certain extent, it will cover vacancies,  
7 but it's meant for normal operating costs that occur on  
8 a regular basis, because if you have-- let's say-- I'm  
9 just throwing a number out there. I'm just making this  
10 up-- two or three percent of your staff out on vacation  
11 at any time, considering you have 184 police officers,  
12 it's very possible, but those--

13 MR. PAREDES: I'm just looking at administrative.  
14 Why would Administration-- you have the administrators.  
15 You know what your hours are. Why would you budget for  
16 overtime for administrators? And then that kind of  
17 incurs or encourages the administrator, whoever they  
18 are, whatever, you know, to incur that overtime. And  
19 that's money being spent that might be unnecessary.

20 (Simultaneous speaking)

21 MR. KLEIMAN: There are some sworn personnel in  
22 the administration, so it covers them, as well. But if  
23 you take a look at the detail in the footnote here, we  
24 actually reduced their overtime, to spread it, to use it  
25 somewhere else.

1 MR. PAREDES: Yeah, but I'm now just-- overall we  
2 budgeted a million nine for overtime, and we're at 4.9,  
3 so we are at the rate that we're supposed to be.

4 MR. KLEIMAN: Right now, yes, covering the  
5 vacancies.

6 MR. PAREDES: But that million nine, to me, you  
7 know, those are unforeseen costs, in my view, that I  
8 don't know--

9 MR. MENENDEZ: As a business owner, I budget for  
10 zero percent overtime. It's time-and-a-half, and that's  
11 what I look for. I try to have zero. I know that for  
12 Police, it's different, because we have-- they talked  
13 about extended hours; when they start an investigation,  
14 they stay on later. They talked about bringing more  
15 people on to cover it, but I do see what Frank is  
16 saying. We kind of hit the same thing every year. And  
17 to Cheryl's point, it's always been said that it's not a  
18 staffing issue. It was always the hiring issue, and now  
19 it's, "We're fine with the staffing."

20 So if we're fine with the staffing, but we're--

21 MS. GOLDSTEIN: But they've always said they're  
22 fine with their staffing since I've been here, which has  
23 been a lone time, I think. They've always said that  
24 it's not an issue of covering the map with officers and  
25 handling issues out on the streets; that it's not an

1 issue for a resident for safety. So that's not to say  
2 that they aren't trying to fill some of those vacancies,  
3 but I'm just saying-- and I think we can-- I'd like to  
4 put this to rest and move on. And I think it would be  
5 good if the new members got a further orientation to  
6 this, and further understanding on why it's budgeted,  
7 and kind of why it's expected that many officers will  
8 have overtime, and they count on that overtime, and it's  
9 kind of been the way. But I would also like to request  
10 that you consider how you report this, how it's labeled,  
11 so that there's not-- people are not taking the data and  
12 using it in the wrong way. And this isn't the first  
13 time.

14 It happened during the election, and at that time,  
15 I wrote to Commissioner Slesnick and her representative  
16 on this Committee, and after that, I did not see it  
17 happen again, but now it's happening again, so-- and I  
18 have seen it in other places, that I don't think that  
19 our City-- it benefits our City. So I think you should  
20 look at that.

21 MR. PAREDES: I don't mind being introduced or  
22 having an introductory. But on the Fire Department,  
23 we've already overspent the budget, so is that new  
24 money? Where is that going to come from, the fourth  
25 quarter overtime in the Fire Department?

1 MR. KLEIMAN: It's going to come from the salary  
2 surplus. We are managing it. It only comes from the  
3 salary surplus.

4 Mr. PAREDES: It's just a reallocation.

5 MR. KLEIMAN: They had an undue amount of  
6 vacancies. They don't have a lot of overtime there.  
7 The whole budget, I think, is \$410,000 annually. That's  
8 a lot less. But they had ten vacancies for a while.  
9 It's reduced now. There's a few more. And they are  
10 filling them. They are very, very actively filling  
11 them.

12 MR. PAREDES: And is this report required, by the  
13 way?

14 MS. GOMEZ: No, it was something that was  
15 requested a while back.

16 MS. GOLDSTEIN: It's something that we tend to  
17 look at at almost every meeting, because there was an  
18 issue--

19 Mr. PAREDES: Because of the politics surrounding  
20 the whole-- I got it.

21 MS. GOLDSTEIN: Yeah.

22 MR. KLEIMAN: Okay.

23 MS. GOMEZ: But it is a quarterly report once  
24 every three meetings.

25 MR. KLEIMAN: We were looking at the entire City,

1 but it was a non-event in the entire City. The Police  
2 and Fire, we really wanted to zero in on.

3 MR. MENENDEZ: What's next in the agenda?

4 MR. KLEIMAN: And now the internal audit.

5 MR. MENENDEZ: So Crowe's here. I know he would  
6 like to start.

7 MR. WEBER: Good morning. Maybe I'll start with  
8 the Plan, because then we're going to kind of--

9 MR. KLEIMAN: Right. This is really just to go  
10 over this. Do you want to give the history on this,  
11 what happened here?

12 MR. WEBER: Yes. Yes, I will.

13 MS. GOLDSTEIN: Thank you.

14 MR. WEBER: So there's a couple of members who are  
15 aware, we were hired to do an initial risk assessment  
16 for the City, and then develop a recommended internal  
17 audit plan, for a two-year period, of which we did, and  
18 brought to this Committee, which was approved.

19 We started that process with the first audit that  
20 we had discussed, the Information Technology audit,  
21 which we will be discussing that today. And then I  
22 think it was around early May, we were asked by the City  
23 to kind of revisit the plan, due to the City, I guess,  
24 wanting us to look at the cash receipts process  
25 throughout the entire City. The original plan, what we



1 put in place, anything related to cash receipts would  
2 have been involved with a particular audit, okay. So,  
3 for example, the Parks and Recreation audit, we had  
4 built in time to look at cash receipts.

5 Parking Services was a separate audit, you know.  
6 So what we did, after being asked by the City to do  
7 that, was to come up with a revised plan, so that we can  
8 look at all of the cash receipts throughout the entire  
9 City at once, versus doing it in all of the individual  
10 audits. So what I've handed out to you is what came  
11 about from that, and the revised plan with that. So we  
12 basically developed this cash management audit, as we're  
13 calling it, to include approximately 520 hours of the  
14 audit time. And then we also, from discussion with the  
15 City, added an audit called User Access Control. And  
16 this is where we are looking at the personnel and their  
17 accessibility to the financial system. So we added 50  
18 hours into that.

19 So, you know, with that, some of the other audits  
20 for the remainder of year one, and going into year two,  
21 were reduced in their hours. So this is the plan that  
22 was done-- you know, brought back to the City for us to  
23 move forward with.

24 MR. MENENDEZ: So which were the audit functions  
25 that you removed hours from in order to be able to do

1 the cash audits?

2 MR. WEBER: Yeah, I can tell you that. That was  
3 Public Works, and that was reduced by 80 hours. Parks  
4 and Rec was reduced by 60; Development Services, 60  
5 hours. The Settlements audit, we actually reduced that  
6 by 60, because we really felt that was too high to begin  
7 with. We did reduce the year two follow-up by about 20  
8 hours. We had about 30 hours of savings in the IT  
9 audit. So we moved that into the Cash Management. The  
10 Parking Services was originally 140 hours. So that all  
11 140 is put into the Cash Management audit.

12 MR. PAREDES: So you haven't performed these yet?  
13 These are-- or you have performed them already?

14 MR. WEBER: We have performed the Information  
15 Technology, which we're going to discuss with the  
16 results.

17 MR. PAREDES: That 120 hours are done, consumed,  
18 and they're gone?

19 MR. WEBER: Yes, correct.

20 MR. PAREDES: So now the Cash Management, the 520  
21 hours, that's 13 weeks of work. Is that-- does it take  
22 that long? Does the City-- I'm just asking. I'm not  
23 challenging it, please. Does it take-- are there that  
24 many collection points for the City of significance?

25 MR. WEBER: Yes. The City has a number of

1 collection points, which actually Michelle is going to  
2 talk about that audit and where we're at in that  
3 process. But there is significant areas and  
4 decentralized collection processes in the City.

5 MS. GOLDSTEIN: And there was an incident that  
6 sparked their immediate focus on that area.

7 MR. PAREDES: But 13 weeks is almost three months.

8 MS. GOLDSTEIN: I think that going--

9 (Simultaneous speaking)

10 MS. GOLDSTEIN: I think that what has happened in  
11 the past is that when there was confidence that proper  
12 procedures were in place, then it was not a full blown  
13 audit.

14 MS. GOMEZ: Right. They would just do it as part  
15 of another audit.

16 MS. GOLDSTEIN: But I think, as we'll hear,  
17 whatever they did was--

18 MR. PAREDES: But in terms of materiality, 70  
19 percent of the City's revenues come from tax-- ad  
20 valorem taxes, and that--

21 MS. GOMEZ: No, like 45.

22 MR. PAREDES: Well, whatever.

23 MS. GOMEZ: But we do have a lot of cash  
24 collection points and a lot of opportunities--

25 MR. PAREDES: To simplify and--

1 MS. GOMEZ: No, for theft, because a lot of them  
2 are just smaller operations at the, you know, different  
3 parks facilities, different collection points, where  
4 there's not a lot of redundancy, because it's staffed by  
5 one person, because you don't need to have three people,  
6 you know. So there's things like that, that could pose  
7 a problem, I believe.

8 MR. MENENDEZ: And then as part of the audit, you  
9 guys are actually going to recommend procedures and  
10 changes, so we don't have to spend dollars next time  
11 double checking the cash receipts and who's taking cash?

12 MR. WEBER: The majority of the audit is really  
13 focused on the current procedures and policies in place  
14 or lack thereof in certain areas, and we are documenting  
15 the current, you know, processes that are taking place.  
16 And, yes, a large part of our goal with that is for  
17 recommendations to, you know, improve those controls.  
18 But in each area, we are taking samples. They're not  
19 big samples, you know, but we are sampling receipts in  
20 every area that we're looking at to see if the current  
21 policies and procedures were followed, and, you know,  
22 making sure the cash went from point A to point Z  
23 through the process where it should.

24 MR. MENENDEZ: Okay.

25 MR. KLEIMAN: And the reason we're asking for this

1 acceptance by the Board is that we'd like to put this  
2 revised plan on the City's website.

3 MS. GOLDSTEIN: So I move that we accept the new  
4 plan as presented, and put it on the website.

5 MR. MENENDEZ: And that was really it, it was just  
6 reallocation of certain hours from one department to do  
7 a cash audit?

8 MR. WEBER: All we did was, we wanted to stay  
9 within the City's budget, so we did just reallocate the  
10 stay with the hours for year one and the hours for year  
11 two.

12 MR. PAREDES: Okay. So you reallocated 1100 hours  
13 and 900 hours from your original, basically?

14 MR. WEBER: Well, the original had those amounts  
15 of hours. It was just moving them between years and--

16 MR. PAREDES: Reallocation between--

17 MR. WEBER: Yes.

18 MR. PAREDES: And you have decided that, it wasn't  
19 imposed, per se, by Management?

20 MR. WEBER: No, not at all. Management just  
21 approached Crowe and asked us, you know--

22 MR. PAREDES: To think about it.

23 MR. WEBER: To do this, think about this.

24 (Simultaneous speaking)

25 MR. WEBER: Correct. And then I, you know, went

1 through the process and thought about it, and we  
2 reallocated and provided that back to Management.

3 MR. MENENDEZ: Okay. I will second that motion.  
4 All in favor?

5 MS. GOLDSTEIN: Aye.

6 MR. PAREDES: Aye.

7 MR. MENENDEZ: Aye.

8 Okay. Thank you very much.

9 MR. WEBER: Sure.

10 MS. GOLDSTEIN: I just have a question. Have you  
11 been brought up to speed on the history of internal  
12 audit?

13 MR. PAREDES: I read the material that was sent to  
14 me a couple of weeks ago. I'm fine with Crowe. I don't  
15 have any problems, but I just don't think that based on  
16 her response, if there's a guy we're paying \$20,000, and  
17 all his responsibility is to collect \$100, to be quite  
18 honest, I don't care about that. And that's-- and, in  
19 addition, then we're going to incur eight hours of  
20 internal audit, when there's-- to me, it's just a  
21 priority aspects of it. So there may be collection  
22 points that maybe we shouldn't even have collection  
23 points. I'm just-- it's a general discussion. I'm  
24 not-- you know, for \$100, you know--

25 MS. GOLDSTEIN: I also think it would be good to

1 give the history of how we wound up going with an  
2 external/internal audit function.

3 MR. PAREDES: Which I endorse. I don't have a  
4 problem with that. I would endorse that 100 percent.

5 MS. GOLDSTEIN: So this is the first year of that,  
6 and I think that's also why there's a little bit more in  
7 depth in some of these areas. And maybe you can comment  
8 on that.

9 MR. WEBER: Well, yes. When we originally put the  
10 plan together, what we very much emphasized is that an  
11 internal audit plan is very fluid. It needs to be very  
12 fluid. It needs to be able to change based on  
13 circumstances and needs that come up, and that's what  
14 we're able to do.

15 MR. MENENDEZ: And my question to Frank's point  
16 was, this is probably a one time thing. Maybe we look  
17 at those internal controls, we centralize some of the  
18 ideas, and then this will become a little bit neater,  
19 and--

20 MS. GOMEZ: And there were a couple of instances  
21 of theft in the City, that was unknown as to what the  
22 possibility of totals-- you know, the largest one being  
23 \$85,000 of theft. So this was a big deal, and there  
24 were a couple of other ones that were, perhaps, smaller,  
25 but it still kind of prompted the, "Okay, we haven't

1 looked at this in depth. We really should take a look  
2 at it."

3 MR. MENENDEZ: Okay. So we made a motion on that.

4 MR. WEBER: Okay.

5 MR. KLEIMAN: Now, the IT audit.

6 MR. MENENDEZ: Perfect. Now, we'll move on to the  
7 IT audit.

8 MS. GOMEZ: So, for the record, it is a public  
9 record. We are recording. So nothing that may  
10 compromise the City's IT security should be discussed.  
11 It should be high level.

12 MR. SHAVER: Absolutely.

13 MS. GOMEZ: Right. I just wanted to make sure.

14 MR. MENENDEZ: Can we check with the City if  
15 there's a way to do like, I don't know, set some sort of  
16 closed session to discuss those issues?

17 MS. GOMEZ: No. I don't know if--

18 MR. KLEIMAN: On the document itself there's  
19 wording that it is not subject to request information.  
20 So no one can ask for this. We're not going to discuss  
21 anything that's going to put the City at risk.

22 MR. MENENDEZ: Understood, but there's no way of  
23 saying, "Okay. For this portion of the meeting we're  
24 going to discuss a sensitive report."

25 MS. GOMEZ: We can go off the record.



1 MR. MENENDEZ: Can we go off the record for ten  
2 minutes and then speak openly, and then go back on the  
3 record?

4 MR. SHAVER: There's one section of the Executive  
5 Summary that probably would--

6 MR. MENENDEZ: Would warrant that.

7 MS. GOMEZ: Right. So if you would just ask us to  
8 go off the record, and we'll take manual notes to say  
9 this was discussed, which is not subject to public  
10 records in our notes, and then we'll go back on the  
11 record.

12 MR. MENENDEZ: Perfect.

13 MR. SHAVER: So essentially we came in here  
14 earlier in the Spring, we did two separate assessments.  
15 One we call an external penetration assessment, where we  
16 actually try to access the City internally from the  
17 internet, okay. So this is emulating what real  
18 attackers do trying to gain to sort of break into the  
19 City electronically. This is something that many City's  
20 do this testing all of the time. Many other  
21 organizations and companies also do this testing, and  
22 it's a very hands on way of actually practically  
23 assessing the security from the internet basically.

24 The other assessment that we did was a network  
25 security assessment. It's much more of a traditional

1           audit, where we come in and sit down with IT. We do  
2           interviews. We take a look at evidence and discuss how  
3           the configuration of certain IT resources work. And  
4           then after those two audits are done, we make  
5           recommendations-- very detailed recommendations on how  
6           to improve or not. You know, in some cases, we just  
7           say, "Looks good to me."

8                         So those are the two assessments that we  
9           performed. We also rate these-- our findings based on,  
10          you know, high, moderate, low, best practices, and these  
11          help, hopefully, IT prioritizes what is a priority over  
12          the next year or years or immediate in some cases. And  
13          I think, at this point, we probably want to go off the  
14          record, if that's all right.

15                        MS. GOLDSTEIN: Yes.

16                        (Thereupon, a discussion was had off the record.)

17                        MR. SHAVER: We can go back on the record.

18                        MS. GOMEZ: So your overall assessment?

19                        MR. SHAVER: Our overall assessment was, we saw a  
20          lot of really good policies and a team that was very,  
21          you know, I think, interested in securing the  
22          environment. You know, I've been to several cities and  
23          counties within Florida. There's a lot of audits that  
24          IT teams go through. So it was clear that they had been  
25          through the audit process before, and they also, you

1 know, had good policies in place, and we saw willingness  
2 to implement our recommendations, which we don't always  
3 see.

4 MR. KLEIMAN: Just, for the record, also there's  
5 been a change in administration in the IT Department, so  
6 the new Director has only been there six months, and  
7 he's much, much more progressive than past  
8 administrations. So he's actually very anxious to keep  
9 the IT Department and the City very safe.

10 Ms. GOLDSTEIN: What is the procedure for  
11 informing the Commission on the results or have they  
12 already received the report?

13 MS. GOMEZ: No, not yet. So we will report to the  
14 Commission on a quarterly, semiannual basis. We haven't  
15 decided exactly. Once reports are done, they will  
16 report to the Commission directly.

17 MS. GOLDSTEIN: Okay. So when this change in  
18 internal audit was approved, there was a request from  
19 the Commission to have periodic reports. So I think  
20 that maybe the City Manager's Office or you should come  
21 up with a recommendation, and we should move forward  
22 with that, especially since we have--

23 MS. GOMEZ: Right. We have one completed report  
24 and one that's almost complete, I believe.

25 MS. GOLDSTEIN: And there was also the question on

1 whether the City wanted to post the reports on line.

2 MS. GOMEZ: And we will. Of course, we will not  
3 put sensitive information online, but we will provide  
4 information online.

5 MR. KLEIMAN: Right. And the first item that's  
6 going on would be the revised risk assessment, the plan.  
7 There will be a section in the website, and then  
8 starting with the Cash Management, that will go on  
9 there, but we will not go into the IT.

10 MS. GOLDSTEIN: Sounds good.

11 MR. MENENDEZ: Any other questions on the IT or  
12 the Cash Management audits?

13 No.

14 MS. GOMEZ: Cash Management, I think he's going to  
15 talk about it.

16 MR. WEBER: Yes, and Michelle is going to give an  
17 update on the Cash Management.

18 MS. BLACKSTOCK: Okay. I'm just going to give a  
19 real brief overview of where we stand and where we have  
20 been.

21 (Thereupon, a brief interruption was had.)

22 MS. GOMEZ: Okay. There are three vehicles parked  
23 out front that need to be moved. I don't know-- I'll  
24 pass this around to see if it's yours.

25 MR. MENENDEZ: We'll go off the record real quick.

1           (Thereupon, a brief recess was had for the court  
2 reporter, after which the proceedings continued.)

3           MS. GOMEZ: We can go back on the record and  
4 continue with the Cash Management.

5           MS. BLACKSTOCK: Okay. So what we did, as John  
6 had explained, was the City had come back to us and we  
7 had pulled out the cash receipt management portion of  
8 the audit, and the particular departments that we went  
9 into and looked at are included; Development Services,  
10 Parks and Recreation, Public Works, and also Finance,  
11 because this is where we found most of the cash receipts  
12 coming in.

13           In all of those departments, we have currently  
14 gone through the interview process and done walk  
15 throughs and observations. Most of those meetings were  
16 with all of the directors of each department or the  
17 assistant director of those departments.

18           There were particular concerns that were brought  
19 to our attention, and so we kind of put those at the top  
20 of our priority list, and those included the Venetian  
21 pool, some of the parking areas where there was cash.  
22 And although it was not necessarily a lot of the revenue  
23 that was coming in, it was because of that risk that it  
24 was mostly cash that was being handled.

25           In looking at the Parks and Services, because that

1 was quite an issue, I think that the biggest thing there  
2 was, that we had, you know, in depth discussion with  
3 them, and most of the true parking meters where the  
4 collectors go and take the cash out, put it in a cup,  
5 and then take it into the vehicle, those type of meters  
6 are being traded out. So there's going to be very  
7 minimal amount of that type of transaction going  
8 forward. They're actually putting in the parking meters  
9 where you can use cash or credit and such. And they  
10 have locked-- you know, the locked container comes out,  
11 as opposed to them just actually having access to the  
12 cash.

13 MR. PAREDES: Do some of these employees that  
14 handle the cash, are they bondable? Is that a thing to  
15 do or look at?

16 MS. BLACKSTOCK: That's one of our open items that  
17 we have not gone back in. We did do a test of all of  
18 those individuals who are allowed to do cash receipting,  
19 and we went back into their employee files, you know, as  
20 one sample base. It's just to check their background  
21 check and everything, to see if we saw anything that  
22 would be a concern with those particular employees.

23 Some of the other things we kind of looked at,  
24 too, just so you know, very quickly, was, you know, who  
25 are the people that are going out there. Is it always

1 the same people? We actually sent-- our staff went out  
2 and followed behind the individuals when they were doing  
3 their cash collection. So we did make those  
4 observations, as well. So most of those things have  
5 occurred and taken place. Like I said, we did the  
6 employee authorizations, and we went back into their  
7 employee files and looked at the background checks.

8 For most of the revenues, we went in and we tried  
9 to look at revenue strengths in each of those  
10 departments. And then we got the actual receipts that  
11 were coming in from October 1st. Some of them went  
12 through March, and some of them got extended through  
13 April. And then, from those cash receipts that were  
14 coming in, we pulled samples of those transactions, and  
15 we traced it through the existing policies and  
16 procedures that the City has in place, to make sure they  
17 were being followed.

18 Some of those, we have completely gotten through,  
19 you know, some of those transactions in those  
20 departments. Some of it is a little more of a  
21 logistical scheduling kind of issue to get everybody on  
22 board. So we haven't completed all of the documentation  
23 on the transaction-- on the detail transaction sampling,  
24 and we are still waiting on some of the documentation.  
25 We got some of documentation, and we needed to see some

1 other things. So some of those items were still kind of  
2 in the process of completing our testing on. And then,  
3 once we have-- you know, we have preliminary findings of  
4 what we have seen, but after everything is done, we had  
5 started the process of going back in-- and we will be  
6 going back to each of the departments, the directors and  
7 assistant directors, and sitting down with them to  
8 discuss what we have found, to make sure that we're all  
9 on board, and what we feel is an issue or a finding or a  
10 potential issue or finding is truly how they see it, so  
11 there's no confusion and we didn't miss something. And  
12 then we'll finalize our report. And, also, like IT did,  
13 we'll do an at risk buckets of high and moderate and  
14 then low, You know, what we think immediately needs to  
15 be addressed. And I will say that most of it is going  
16 to be the inconsistencies in the policies and  
17 procedures. We're seeing that not a lot of is a formal  
18 policy and procedure that's written. There's probably  
19 not an overall City structure that then flows down to  
20 each of the departments. So that's kind of what we're  
21 seeing. And, once again, we're seeing some issues of  
22 segregation of duties. So we're looking at that, and  
23 how that can be improved, you know, when we come back  
24 with our recommendations for you.

25 Also, in process is our user access controls and



1           that's just taking the listing of all of the users in  
2           the City, their access to the financial reporting  
3           systems, and whether or not we think that they should  
4           have access, and, then, at what detail, you know, if  
5           they can just read it or if they have user or if they  
6           have administrative rights. So we're also looking at  
7           that, and that's still in process.

8                       Next on our list-- beyond the Cash Management,  
9           just quickly so that you know, also in process we have  
10          Public Works, where we're going in to look at their  
11          procedures, other than the cash receipting process, and  
12          that's going to be the permitting process and looking at  
13          that.

14                      Also, we have initially started in on the Payroll  
15          and Human Resources Department, looking at that, and  
16          setting up our initial schedules. And then we've also--  
17          going into the next year, we're also looking into the  
18          October time frame to start the Parks and Recreation,  
19          other than Cash Management. And then, also, November,  
20          we will start looking at Fuel and Fleet.

21                      MR. MENENDEZ: Okay. You said you were going to  
22          do Public Works coming up?

23                      MS. BLACKSTOCK: Yes, but the Public Works outside  
24          of the cash receipting.

25                      MR. MENENDEZ: So just like a general public

1 revenue review, like a plan review or--

2 MS. BLACKSTOCK: Yes.

3 MR. MENENDEZ: Diana, a while back we approved a  
4 certain amount of money to be able to hopefully get the  
5 City to electronic man review in--

6 MS. GOMEZ: That would be in Development Services,  
7 not Public Works, and we're still identifying the  
8 system. I don't believe that--

9 MR. KLEIMAN: Right. We started budgeting for it  
10 in our big capital matrix. We did that starting, I  
11 think, in '17. I think we started already. So '18 is  
12 in the second year where the money-- pieces of it are  
13 going in. So with the ERP that they're doing right now,  
14 which we should have in place within the next two years  
15 or so, we're going to have the e-permitting at the same  
16 time.

17 MR. MENENDEZ: So we're planning to go with one  
18 comprehensive system--

19 MR. KLEIMAN: Or at least something that it'll be  
20 built at the same time, together, and then integrated.

21 MR. MENENDEZ: So we're looking at implementing it  
22 in 2018, that new system?

23 MR. KLEIMAN: I would venture now closer to 2019,  
24 but they're narrowing down the systems and they're  
25 working toward it.

1 MR. MENENDEZ: Okay, thanks.

2 Do you have any other questions about the cash  
3 audit or the future ones that are coming up or concerns?

4 No.

5 Thank you so much for your presentation. We  
6 appreciate you guys coming in and sharing with us.

7 MR. WEBER: Everybody be safe.

8 MS. GOMEZ: Can we switch over and talk about  
9 scheduling, and then get back to that, because I know  
10 Cheryl has to leave?

11 MR. MENENDEZ: Sure.

12 MS. GOMEZ: So the City Manager has changed her  
13 staff meetings to be the second and fourth Thursdays.  
14 They used to be on Mondays before the Agenda. Now she's  
15 kind of doing after the Commission meeting, but prior to  
16 the second meeting. So we usually have our meetings the  
17 fourth Thursday of the month. So that's not going to  
18 work anymore, because it almost always will coincide  
19 with the City Manager staff meeting that myself and  
20 Keith need to attend. So for the next meeting, I was  
21 proposing October 5th, which is the first Thursday of  
22 the month since we had-- this is the first Thursday--  
23 this is the first Wednesday, but they-- the earliest, so  
24 now we're switching from later in the month, switching  
25 to early in the month.

1 MS. GOLDSTEIN: We used to do Wednesdays. I'm  
2 good on Wednesdays, but I need to leave by 9:00.

3 MS. GOMEZ: We can do Wednesdays, and just make  
4 sure that anything that requires a vote be taken up  
5 earlier in the agenda versus--

6 MS. GOLDSTEIN: Or the first Thursday is fine.

7 MR. MENENDEZ: October 5th is good for me.

8 MS. GOMEZ: If we can start trying to do the first  
9 Thursdays--

10 MR. PAREDES: October 5th is fine with me.

11 (Simultaneous speaking)

12 MR. PAREDES: Tuesdays are a bad day for me.

13 MS. GOLDSTEIN: Tuesdays are bad for me.

14 MS. GOMEZ: So we'll do the first Thursday of the  
15 month, and try to see if that schedule works.

16 MR. MENENDEZ: So we're done other than the  
17 quarterly?

18 MS. GOMEZ: The quarterly, and there's really  
19 nothing that-- in terms of the quarterly, there's  
20 nothing that's of note on the quarterly. A little quick  
21 about the general fund. Overall, I'm showing  
22 collections at 87 percent total collections. Obviously  
23 things are due to timing. Some things we receive  
24 quarterly in arrears, several months later.

25 Property taxes as of June 30th, because it's the

1 June 30th quarterly, we have collected about 99 percent  
2 of our property taxes or \$76 million. So we're doing  
3 great with that. We expected some negative-- in  
4 delinquent taxes, we haven't really seen anything being  
5 taken away in our delinquent taxes, so far we're doing  
6 okay, but it could be timing, as well.

7 Construction permits are up. We are at about 103  
8 percent collected at this point, and that's mainly due  
9 to a new building at the Riviera Country Club.

10 Solid Waste Services, we put it on the tax bill  
11 last year. We are at like 99 percent collection with  
12 that. That used to be a lot worse. We're looking at  
13 the expenditures and departmental expenditures.  
14 Majority of the departments are trending at or less than  
15 75 percent of their budget, so it's where we would  
16 expect to be in June.

17 Other than that, there's really nothing of note,  
18 nothing that we feel is going to cause us a problem.  
19 Some things, if they're not coming in, we know of it  
20 already, and we're making other adjustments. If we have  
21 gotten information that something is not going to come  
22 in or if we're going to spend more than what we  
23 initially anticipated, we've been able to make  
24 adjustments through other savings or revenues, that's  
25 come in, that was unexpected.

1 (Simultaneous speaking)

2 MS. GOMEZ: Yes, we would not touch the reserves.

3 MR. PAREDES: Are we going to touch the reserves  
4 because of this emergency that we have now, Irma? Will  
5 Irma cause any extraordinary--

6 MS. GOMEZ: Well, we don't know, okay. So how do  
7 we know what's going to happen with Irma?

8 MR. KLEIMAN: That's what those reserves are there  
9 for, but then we hope to be reimbursed from FEMA and  
10 insurance, so that would go back. But those reserves  
11 are there for catastrophic events.

12 (Simultaneous speaking)

13 MR. PAREDES: Street cleaning and all this other  
14 stuff that's going on, there's no overtime? That was  
15 all planned and budgeted for, and all of that?

16 MS. GOMEZ: Normal City operations that include  
17 cleaning the streets, and clearing the streets, and  
18 trimming the trees, and all of that, all the normal  
19 operations, is budgeted fully.

20 Yes, we will tend to incur overtime now as a  
21 result of preparation, so we will track it separately,  
22 so that way, in the event that a declaration from FEMA  
23 is granted, and the State, we can get reimbursed.

24 (Simultaneous speaking)

25 MR. PAREDES: And the system allows you to

1 accumulate everything in there, and then from there  
2 you--

3 MS. GOMEZ: Yes.

4 (Simultaneous speaking)

5 MS. GOMEZ: And so if it's a non-event and it's  
6 just a little bit of extra overtime or a lot of extra  
7 overtime, we try to cover it with internal funds. It's  
8 just contingencies and things like that that we add for  
9 and any surpluses that we have at the end of the year,  
10 so we try to cover it that way.

11 Like the overtime, we try to cover with vacancy  
12 surpluses. But if it's a catastrophic event, we would  
13 expect that we get insurance and FEMA reimbursement.

14 MR. KLEIMAN: And the President already, I think,  
15 already approved Florida.

16 MS. GOMEZ: Yeah. And the Mayor yesterday already  
17 put us into a state of emergency, delegating the  
18 authority to the City Manager and the Public Safety  
19 Director. So we are, as you see, putting up shutters.  
20 We are making sure we have supplies on hand. We are  
21 most likely activating EOC to full capacity today.

22 MR. PAREDES: I was just thinking about the street  
23 cleaning and the trees, and all of that, because my  
24 street is all full of those. I hope they go through  
25 this today or tomorrow.

1 MS. GOMEZ: Right.

2 MR. PAREDES: And pick it up.

3 MS. GOMEZ: So they are picking up whatever has  
4 already been-- they are picking up normal-- normal trash  
5 and garbage pick up through the time that the winds are  
6 less than 40 or 35 miles an hour. So we should be at  
7 Thursday-- Friday, rather, is what they expect, on  
8 Friday.

9 MR. PAREDES: So it shouldn't have any major  
10 impact on our budget, because FEMA would reimburse us,  
11 if we have-- and, if not, we'll--

12 MS. GOMEZ: And in the meantime, we use cash--

13 MR. PAREDES: The budget for the year wrapping up,  
14 '17, we're in relatively good shape?

15 MS. GOMEZ: Yes.

16 MR. MENENDEZ: Thank you, guys. If there are no  
17 other questions, we'll close the meeting.

18 Thank you.

19 (Thereupon, the proceedings were concluded at 9:15  
20 a.m.)

21

22

23

24

25



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CERTIFICATE

STATE OF FLORIDA        )  
                                  )  
COUNTY OF MIAMI-DADE    )

I, ESTELA L. VALLE, Shorthand Reporter and Notary Public  
for the State of Florida, do hereby certify that I was  
authorized to and did stenographically report the foregoing  
proceedings, and that the transcript is a true and complete  
record of my stenographic notes.

DATED this 18th of September, 2017.

*Estela L. Valle*

\_\_\_\_\_  
Estela L. Valle  
Shorthand Reporter and Notary Public