

**CITY OF CORAL GABLES
BUDGET/AUDIT ADVISORY BOARD
Meeting Minutes: Thursday, March 31, 2016**

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

MEMBERS	M	A	M	J	J	A	S	O	N	D	J	F	APPOINTED BY:
	16	15	15	15	15	15	15	15	15	15	16	16	
Jose E. Smith	E	P	P	P	-	P	P	E	-	P	P	P	Mayor Jim Cason
Erin Knight	P	-	-	-	-	P	P	P	-	P	P	P	Commissioner Jeanette Slesnick
Alex Menendez	P	P	P	P	-	P	P	P	-	E	P	E	Commissioner Vince Lago
John Holian	P	A	P	P	-	P	P	P	-	E	P	P	Commissioner Frank C. Quesada
Cheryl Goldstein	P	P	P	P	-	P	P	P	-	P	P	P	Commissioner Pat Keon

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

^- New Member

#- Special meeting

** - Resigned Member

Staff:

Diana Gomez, Finance Director

Keith Kleiman, Budget Director

Sally Ola Ola, Assistant Finance Director

Cathy Swanson-Rivenbark, City Manager

Leonard Roberts, Economic Development Assistant Director

Vanessa Flores, Procurement Department

Minutes preparation and Recording Secretary: Nieves Sanchez, Bailey and Sanchez Court Reporting, Inc.

1 CITY OF CORAL GABLES

2 BUDGET/AUDIT ADVISORY BOARD

3 MEETING: THURSDAY, MARCH 31, 2016, 8:10 A.M.

4 CONFERENCE ROOM FIRST FLOOR, CITY HALL

5 405 BILTMORE WAY, CORAL GABLES, FLORIDA

6
7
8 MEMBERS PRESENT:9 ALEX MENENDEZ, CHAIRMAN
10 CHERYL GOLDSTEIN
11 JOHN HOLIAN
12 ERIN KNIGHT

13 CITY STAFF PRESENT:

14 DIANA M. GOMEZ, FINANCE DIRECTOR
15 KEITH KLEINMAN, BUDGET DIRECTOR
16 SALLY OLA OLA, ASSISTANT FINANCE DIRECTOR
17 CATHY SWANSON-RIVENBARK, CITY MANAGER
18 LEONARD ROBERTS, ECONOMIC DEVELOPMENT ASSISTANT DIRECTOR
19 VANESSA FLORES, PROCUREMENT DEPARTMENT

20 ALSO PARTICIPATING:

21 DONNOVAN MAGINLEY, CPA
22 NEIL HARRIS, CPA
23 OCTAVIO A. VERDEJA, CPA
24 MANNY ALVAREZ, CPA
25 VANESSA GUTIERREZ

1 THEREUPON:

2 (The following proceedings were held.)

3 CHAIRMAN MENENDEZ: Good morning. We'll go
4 on the record. We're going to call the meeting
5 to order. The time is 8:10. It's 3/31. And
6 we'll do a quick roll call.

7 I guess, who is here from the Board?

8 MS. KNIGHT: Erin Knight.

9 MS. GOLDSTEIN: Cheryl Goldstein.

10 CHAIRMAN MENENDEZ: Alex Menendez.

11 That's it for the Board.

12 I guess we have today here with us -- we
13 have Leonard Roberts.

14 Before we get there, we're going to go
15 through the meeting minutes from last month.
16 Do I have a motion? Did everybody have a
17 chance to look at the meeting minutes from last
18 month? Do we have a motion to approve those
19 minutes?

20 MS. GOLDSTEIN: So moved.

21 CHAIRMAN MENENDEZ: Do you second that
22 motion?

23 MS. KNIGHT: Second.

24 CHAIRMAN MENENDEZ: All right. All in
25 favor?

1 MS. GOLDSTEIN: Aye.

2 MS. KNIGHT: Aye.

3 CHAIRMAN MENENDEZ: Here we go. So the
4 minutes have been approved.

5 And we'll start the meeting, unless Diana
6 has something to start with, we'll start with
7 Leonard, who is going to go right into the NRP
8 Acquisition of Passive Parks.

9 MR. ROBERTS: Okay. Great.

10 So I have some additional information that
11 I want to provide. This is a list of existing
12 parks throughout the City, and some map views.

13 MS. GOMEZ: There's two Board Members
14 missing, but if they decide to come --

15 MR. ROBERTS: Okay. All right. Great.

16 Just as additional information. So I'll
17 kind of walk you through the NRP. The NRP
18 project was implemented in 2011 -- I think it
19 was funded in 2012 -- and which its intention
20 was to improve the neighborhoods by, at the
21 time when the market was kind of soft, there
22 was a refinance involved with City bonds,
23 resulting in additional proceeds being pulled
24 out.

25 And projects such as historic --

1 restoration of historic features,
2 beautification of projects, building gate,
3 adulthood senior center, improvement of parks,
4 were all part of the actual project.

5 The NRP was recently amended to include the
6 acquisition of passive parks. And so, as a
7 result of that, right now we have a list of six
8 properties that were considered -- well, it
9 started out with a lot more than six
10 properties. It started out at probably like
11 thirty or forty properties, and we narrowed it
12 down to these properties, based upon
13 conversations with the owners, based upon
14 conversations and a review by Public Service
15 and by the Parks and Recs Department.

16 Now, the requirements that Public Service
17 has and the requirements that Parks and Recs
18 has were independent. So we sat down
19 independently with each department, and of the
20 massive list of locations, came up with these
21 six properties, and we were able to agree on
22 these locations based upon safety and
23 accessibility, the size, and the demand of the
24 area.

25 The six locations you have on your map --

1 you also have a map, right? Yeah, go through
2 the pages there, and you'll see where the
3 actual site is, relative to existing parks. If
4 you don't see an arrow, that means that there
5 are no parks around it, and this is in relation
6 to passive parks.

7 There's a distinction between passive parks
8 and active parks. Active parks are usually
9 open from, you know, a certain time period, to
10 a certain time period, and their intention is
11 to bring people into -- you know, for -- you
12 know, for an active purpose.

13 A passive park is more of a green space,
14 intended just to preserve green space, and so
15 it would be more of an aesthetic component than
16 it is to actually be, you know, activated.

17 So we've looked at these sites, relative to
18 existing passive parks. The yellow arrow,
19 you'll notice in a couple of them, is a
20 comparison to other parks that we're
21 considering as part of this package. So if you
22 see a yellow, that means that this is the
23 proximity of the site we're looking at to
24 another potential park that's on this list.

25 We've put offers on all six properties, and

1 we recently had appraisals. And I apologize I
2 couldn't get them to you earlier, the
3 appraisals just came in yesterday. We're
4 actually missing one appraisal. So the City
5 did an appraisal --

6 CHAIRMAN MENENDEZ: When did you put the
7 offers in?

8 MR. ROBERTS: Like March 21st. Around
9 March 21st or 22nd, around that time period.

10 CHAIRMAN MENENDEZ: I'm sorry, because of
11 the --

12 MR. ROBERTS: Sorry. I apologize. We got
13 accepted offers at that time. That's when the
14 offers were accepted.

15 CHAIRMAN MENENDEZ: March 21st?

16 MR. ROBERTS: The ones that -- yeah.

17 CHAIRMAN MENENDEZ: And you didn't get
18 appraisals until yesterday?

19 MR. ROBERTS: Well, we ordered the
20 appraisals two weeks ago, but it takes time to
21 process, so --

22 CHAIRMAN MENENDEZ: But you put the offer
23 in before?

24 MR. ROBERTS: Yeah. We wanted to make sure
25 that the value is there. So, you know, due to

1 a time component, too, this was -- we wanted to
2 kind of get this done by the end of June, at
3 the latest, and so due to that timing, an
4 appraisal is worth significant dollar, so we
5 felt very comfortable, and we had conversations
6 with the sellers before we actually put those
7 out. They were aware that the appraisals were
8 being done, and they were aware that we were
9 considering purchasing the properties.

10 MS. KNIGHT: The offers were subject to the
11 appraisals?

12 MR. ROBERTS: Yes. Yes. I'll go into the
13 details of the offers, but just to kind of talk
14 about the actual properties, do you guys have
15 any questions related to the location or
16 anything of that nature?

17 And I'll go into the terms of the actual
18 Purchase and Sales Contracts in a second.

19 MS. GOLDSTEIN: Of each one?

20 MR. ROBERTS: Yes.

21 CHAIRMAN MENENDEZ: I'm sorry, the funds
22 for this passive park project, those all came
23 from the 2011, 2012 refinancing of the bonds?

24 MS. GOMEZ: No. It was new money, in 2011,
25 that we took out a new -- as part of the bigger

1 bond sale, we refinanced some other debt, so we
2 had some savings or whatever, in terms of our
3 debt payments, but the 21 or 22 million dollars
4 of NRP dollars was brand new money that we had
5 taken out back in June of 2011.

6 And so those monies, there's still money
7 left over, and those funds are being
8 redirected, to be able to purchase some of
9 these plots of land for passive parks.

10 CHAIRMAN MENENDEZ: And how much is in that
11 fund?

12 MS. GOMEZ: How much is left right this
13 minute? I don't have that number. It was 22.
14 We spent about -- or we spent or encumbered
15 about --

16 MR. KLEIMAN: There's about 12 to 13 left.

17 MS. GOMEZ: Right.

18 CHAIRMAN MENENDEZ: 13 million left?

19 MS. GOMEZ: Yes, but there's projects that
20 have been identified. What we did was, we
21 redirected some of the balances of projects
22 that were not moving forward at all, and so we
23 redirected some of those monies, to make them
24 available for this.

25 CHAIRMAN MENENDEZ: Okay. So there's no

1 recurring like generation of funds for those
2 accounts? So that's a one time thing?

3 MS. GOMEZ: Right. Correct. Correct.

4 MS. GOLDSTEIN: And if my memory serves me
5 correctly, there was some kind of formula, for
6 some evaluation purposes of the City, that also
7 supports increasing park area in the City.

8 MS. GOMEZ: Can you repeat that? I didn't
9 understand you.

10 MS. GOLDSTEIN: There was some presentation
11 that we had maybe a year and a half ago, that
12 supports increasing --

13 CHAIRMAN MENENDEZ: Green space?

14 MS. GOLDSTEIN: -- the green space.

15 MR. KLEIMAN: Well, there's a population
16 formula. There's a set amount.

17 MS. GOLDSTEIN: It's not the population
18 formula. There's some Federal tax -- Federal
19 monies that are available, if your City is a
20 certain size, and you have a certain amount of
21 green space.

22 Diana, am I like not remembering this?

23 MS. GOMEZ: I'm not remembering.

24 MS. GOLDSTEIN: Okay.

25 MR. KLEIMAN: No. No. That's true. The

1 more green space you have, you'll be more
2 eligible for Federal dollars and grants.
3 That's true.

4 MS. GOLDSTEIN: There you go.

5 MS. GOMEZ: Right.

6 MR. KLEIMAN: I can't tell you specific
7 ones, but I know I've heard that from Fred.

8 MS. GOLDSTEIN: Yes.

9 MR. KLEIMAN: Right. So this will help us
10 in the long run.

11 MS. GOLDSTEIN: Yes.

12 MR. KLEIMAN: But then it also counts --
13 not just green space, but the activities on
14 them that you offer. So it all counts.

15 MR. ROBERTS: And it's important to
16 distinguish that when evaluating these sites,
17 we looked at these sites relative to existing
18 passive parks, not relative to active parks.

19 So based upon, you know, discussions and
20 reviews, the first one is 807 Catalonia. That
21 site is actually about 13,500 square feet. We
22 offered -- the property is actually listed for
23 1.1 million dollars. Coincidentally, that
24 happened to be a site we've been looking at.

25 You know, when I started with the City

1 about four years ago, we were considering this
2 site. Now we're actively pursuing it. We put
3 in an offer at 950. They accepted the offer at
4 950.

5 The terms of all of the contracts combined
6 are subject to a 10 percent security deposit.
7 The City will put up an appraisal contingency
8 of a 45-day inspection period, which pretty
9 much gives the City the opportunity to get the
10 Board approvals, to get neighborhood approvals,
11 Commission approvals, and because it is land,
12 there's not really much due diligence in
13 regards -- you know, relative to closing type
14 related costs, like lien searches and things of
15 that nature. We're not really concerned about
16 inspections in regards to -- you know, it is
17 residential property.

18 CHAIRMAN MENENDEZ: We checked the soil
19 before?

20 MR. ROBERTS: We're not doing -- there's no
21 soil testing performed on it. These were
22 reviewed by Parks and Rec. They're all in
23 residential neighborhoods. They're not
24 commercial designated areas.

25 CHAIRMAN MENENDEZ: So there were no

1 contaminants in the area before, a dump site or
2 a toxic site?

3 MR. ROBERTS: Based upon my discussion with
4 Parks and Rec and Public Service, no. Again,
5 these are all within residential. They're not
6 even like blocks from the commercial designated
7 areas.

8 MS. GOLDSTEIN: As Merry Christmas Park is.

9 MR. ROBERTS: Merry Christmas, it's been
10 designated a park. These are all --

11 MS. GOLDSTEIN: Yeah, but I'm just
12 saying --

13 MS. KNIGHT: In terms of the land issue.

14 MS. GOLDSTEIN: In terms of the land,
15 toxicity.

16 MS. KNIGHT: Toxicity.

17 MR. ROBERTS: And that's a very valid
18 question and concern. That's a massive site.
19 That is a large site, and that site was
20 designated as a park by the County, due to that
21 concern, because they filled it up. And that's
22 why there was concern there.

23 Now, the question is, do the surrounding
24 areas have levels of toxins? I'm not sure.

25 CHAIRMAN MENENDEZ: And when you said

1 earlier that it was pending the appraisal, if
2 the appraisal comes below the offer, do you
3 guys actually renegotiate or is there like a --

4 MR. ROBERTS: Well, so we can go back. We
5 do have that right, to go back and renegotiate.
6 Typically, in a deal like this, from my
7 experience, there's no real rule, there's no
8 procurement rule, but, you know, the intention
9 of the appraisal is to have an understanding of
10 value. If it doesn't match the appraisal, it
11 doesn't necessarily mean that we can't go
12 forward with the acquisition.

13 I will tell you, from my real estate
14 experience, that appraisals are not truly a
15 reflection of what people are purchasing
16 properties for in cash necessarily. So, you
17 know, that part of the whole broader issue with
18 real estate, what -- buyers with cash tend to
19 have the upper hand, because of this appraisal
20 contingency.

21 I have done an independent opinion of
22 value. I looked at Zillow also, to kind of get
23 a feel of what the actual value is. I feel as
24 though anything within 10 percent of the
25 appraisal value is a very reasonable number.

1 There is one or two in here that are
2 substantially above that 10 percent, and I will
3 go back to those two for renegotiation. And
4 those two, if you want to just pull them -- let
5 me go over the terms.

6 So it's a 45-day inspection period, which,
7 again, allows the City to pretty much back out
8 for any reason whatsoever. And the intention
9 is to close within 60 days combined. So you
10 pretty much have those 45 days, and we still
11 have 15 days to close on the property.

12 Any questions with regards to the actual
13 closing terms?

14 Okay. So now going through -- do you guys
15 want to go through the appraisal of values
16 independently?

17 The first one is 807 Catalonia. We put an
18 offer in. The property had been listed for
19 like 1.1 million. We put in an offer at 950.
20 And that was based on discussion. We actually
21 had a conversation with the actual property
22 owner. And they had an appraisal that was
23 recently done. And theirs came in around 950.
24 Our appraisal came at 915.

25 We did an independent valuation, just

1 looking at the active comparables in the
2 neighborhood, and looking at closed sales in
3 the neighborhood, and I came with an opinion of
4 value of 996,000.

5 (Thereupon, Mr. Holian entered the conference
6 room.)

7 MR. ROBERTS: 939 Majorca Avenue, a vacant
8 parcel for a while. That property is listed
9 for 990,000. We put an offer in at 900,000.
10 They countered back and forth. And then we
11 accepted -- well, I'm recommending an offer at
12 934. The appraisal came in at 900,000. The
13 opinion of value is about 980.

14 CHAIRMAN MENENDEZ: And, John, we were just
15 going through the first property of the NRP
16 Passive Parks.

17 MR. HOLIAN: Perfect. Sorry about that.

18 CHAIRMAN MENENDEZ: So, before that, he was
19 explaining the process behind it, the bond and
20 approval process, and now we're going through
21 the first property.

22 MR. KLEIMAN: Leonard, do you have another
23 one of these?

24 MR. ROBERTS: Yes, I have one.

25 MR. KLEIMAN: Thank you.

1 MR. ROBERTS: The next one is 1047 Venetia
2 Avenue. We actually put an offer on this one
3 at 700, a 8,250 square foot lot. The actual
4 seller accepted. The appraisal did come in
5 around 575. The opinion of value of that is
6 about 600. We will go back to this person and
7 renegotiate.

8 The 545 San Antonio, this property is
9 actually listed for 1.2 million dollars. It's
10 a pretty large size. It's the largest out of
11 all of the ones that we're considering. We put
12 an offer of one million. We haven't heard back
13 a counter offer yet.

14 We did an appraisal on it. It came in at
15 1.1, so we know we have roughly \$100,000, and
16 then, also, my opinion of value, based upon
17 looking at the existing lots for sale and
18 houses for sale, and the actual ones that have
19 closed, about 1.28 million.

20 There's a lot, and it doesn't have an
21 address, because it's a vacant parcel. It's
22 Sarto and Salzedo. You have a picture. It's
23 the second to last map view that you have.

24 The offer for that was 550. It's a 5,000
25 square foot lot. We haven't -- we actually

1 received an accepted offer yesterday, but it
2 hasn't gone through review yet. The appraisal
3 came in at 400,000. The opinion of value is
4 about 450. So that one, we will go back to
5 renegotiate.

6 MS. GOLDSTEIN: And I'm interested to know
7 what he bought it for.

8 MR. ROBERTS: So this site is an
9 interesting one. He actually paid for a double
10 lot about \$655,000. It was a 10,000 square
11 foot lot. He had it split, re-developed the
12 house on the one adjacent to it, and he sold
13 that house for 859.

14 My understanding, based on conversations
15 with him, strictly conversations, is that he
16 pretty much was at a net on that property, was
17 hoping to get the benefit from the sale of
18 building a new house potentially on that site.

19 I've had, goodness, about probably a dozen
20 or more neighbors, in that neighborhood, that
21 have approached the City, even before-hand, and
22 that's why this one actually came up in the
23 conversations, for wanting an actual passive
24 park. They want to retain that space as green
25 space.

1 There is a Dade County pine on that
2 house -- on that lot. So that's something they
3 want to preserve. And I have a list of
4 e-mails, that's just going to give you an idea,
5 of all of the neighbors, in this one
6 specifically, that have approached the City
7 with the intention of wanting it to be a park
8 versus him developing it.

9 CHAIRMAN MENENDEZ: Isn't it adjacent to
10 like an entire Dade County pine forest, like a
11 rock forest?

12 MR. ROBERTS: This one?

13 CHAIRMAN MENENDEZ: Yeah.

14 MR. ROBERTS: That I'm aware, no.

15 CHAIRMAN MENENDEZ: That's not the one down
16 south?

17 MR. ROBERTS: No.

18 CHAIRMAN MENENDEZ: We're on Sarto and
19 Salzedo?

20 MR. ROBERTS: Yeah. It's the second to
21 last map you have there.

22 CHAIRMAN MENENDEZ: Okay. So we're not on
23 this one?

24 MR. ROBERTS: The one before that.

25 And the last one, which is a unique one,

1 this is further south, this is south of -- a
2 very, very south component of Coral Gables.
3 It's adjacent to the Palmetto Bay area.

4 This property was listed for 679,000. We
5 put in an offer at 605. We countered back and
6 forth. We came to an offer of about 665. And
7 we haven't received the appraisal yet for that
8 site.

9 I have done an opinion of value. I do
10 think it's 615. I do feel comfortable at the
11 665 to go forward, and that value, it does fall
12 within the range of, you know, 10 percent,
13 roughly. I feel it's a comfortable number,
14 inside and outside the appraisal.

15 With that said, the two properties within
16 this list that I'm going to re-consider for
17 negotiation is the one at Sarto and Salzedo,
18 and the one at 1047 Venetia.

19 And my intention is to agree to a purchase
20 price within a 10 percent value that I've
21 determined the property to be.

22 So on a high end, for the one on Venetia,
23 I'm looking at about 660, on the high end, for
24 the City. And then, the one on Sarto and
25 Salzedo, we're looking at about 450 or 490,

1 just under the 500,000 for that one.

2 MS. GOLDSTEIN: But --

3 MR. ROBERTS: I'm going to start off lower,
4 obviously, but that would be the high end that
5 I would consider recommending for the City to
6 acquire. It is very challenging, because green
7 space is very hard. We compete with
8 developers, who could buy these lots, build
9 houses at just four point -- so I'm just going
10 to give you an idea, from a financial
11 perspective, if someone buys a 5,000 square
12 lot, they're allowed to build 2,468 square
13 footage on there.

14 If you take brand new construction, brand
15 new construction ranges anywhere from -- on the
16 very, very low end, which I haven't seen in a
17 long time, about 350, and in some cases 650. I
18 use 500 as the median, so that you can get an
19 understanding of value. You work backwards, it
20 makes it challenging for us to actually compete
21 against developers, who are buying these lots.

22 So, with that said, I do think that the
23 Virtudes lot that you're looking at, and at
24 1047 Venetia, I do feel comfortable going about
25 10 percent above the unit value.

1 MS. KNIGHT: Would anyone, as a builder,
2 have trouble removing that pine?

3 MR. ROBERTS: I don't know if they'd
4 have -- they would have to replace it. I don't
5 understand the details behind what Public
6 Service has to do, but I do know that Public
7 Service is not for them removing that pine.

8 And if they do, they'd have to go through a
9 process. Obviously, they're given the appeal
10 process they're allowed to go through with the
11 City to get that done. It has been done in the
12 past. Will the City go forward with it? I
13 don't know. They have to go through the
14 process.

15 MS. KNIGHT: And how much did you say they
16 can build?

17 MR. ROBERTS: 2,468 of the actual lot size.

18 MR. HOLIAN: When was the last purchases we
19 had prior to these? When were the last parks
20 that were bought or green space, as well?

21 MR. ROBERTS: 1013, 1015 Lisbon. That was
22 more of a settlement of a case. That wasn't an
23 actual outright purchase.

24 MR. HOLIAN: So what about an outright
25 purchase of green space?

1 MR. ROBERTS: Before that one? I don't --

2 MR. HOLIAN: A couple of years ago?

3 MR. ROBERTS: I think what we've done is --
4 it's been -- I would say, it's been several
5 years. Don't quote me on the exact time
6 period, but I do know we have put money into
7 improving some of the parks --

8 MR. HOLIAN: No, strictly purchasing. Can
9 you remember the last time we purchased green
10 space?

11 MR. ROBERTS: I think the latest one, that
12 I'm aware of, is the one on Maggiore, by the
13 old Chinese Village.

14 MR. HOLIAN: Right. How many years? Not
15 exactly, but like two, three, four years?

16 MR. ROBERTS: It was before that.

17 MR. KLEIMAN: It was before my tenure.

18 MS. GOMEZ: Yeah.

19 MR. HOLIAN: I don't remember ever having
20 this conversation. That's why I brought it up.

21 MS. GOMEZ: I mean, it's been at least five
22 years, I think.

23 MR. KLEIMAN: Yeah. Yes.

24 MR. HOLIAN: So just my two cents, whatever
25 the prices, they're probably expensive, but

1 they're probably going to be more expensive
2 down the road for less.

3 MR. ROBERTS: And so we'll get to the three
4 questions that are required by the Board, which
5 I think I'm going to address some of the
6 concerns.

7 So if there's no other questions in regards
8 to this, as part of the Procurement Code -- oh,
9 and also I should give this to you in your
10 package -- just in case you guys wanted to feel
11 comfortable with the appraiser, I got a copy of
12 his resume.

13 MR. HOLIAN: Have we been gifted any green
14 space recently?

15 MR. ROBERTS: I think we've been gifted
16 monies to improve green space, but I don't
17 recall actually being gifted green space.

18 CHAIRMAN MENENDEZ: And one of the
19 questions I had is, some of the other green
20 spaces in the City haven't actually been
21 developed.

22 MR. ROBERTS: There are some, as part of
23 this project and as part of other funding that
24 have been given to the City, they are on the --
25 I would say, the 2015-16, 16-17 projections to

1 be improved.

2 CHAIRMAN MENENDEZ: Because one of the
3 things I asked for before the meeting was a
4 list of the passive parks and which ones
5 actually had anything on them.

6 That's in there?

7 MS. GOMEZ: Yeah, that's the best that we
8 can do, in terms of this list, that tells you
9 what amenities are in each of the parks.

10 CHAIRMAN MENENDEZ: And a passive park, can
11 it qualify as a passive park as long as it's
12 just mowed down and has a scenic view?

13 MR. ROBERTS: Yeah. Well, that's not the
14 City's intention, just to mow it down. They do
15 plan on putting landscaping on the site, to
16 make it more aesthetically appealing, as
17 neighbors are walking by, to kind of enjoy that
18 outdoor experience. We have money in the
19 budget for three parks right now that are
20 passive. It's the Betsy Adams Park and Henry
21 Cepero.

22 CHAIRMAN MENENDEZ: And those are parks
23 that --

24 MR. KLEIMAN: And, actually, Lot 22. I
25 don't know if Lot 22 is on here, but --

1 CHAIRMAN MENENDEZ: There's also other
2 ones, like Alhambra, that hasn't been done. It
3 was at Alhambra and Mercado --

4 MR. KLEIMAN: That's one of the ones that
5 -- of the three, and they renamed it. Is that
6 the Betsy Adams? Is that the one that was
7 renamed? I forget.

8 MS. GOMEZ: It's in the book. I don't
9 know.

10 MR. KLEIMAN: Yeah.

11 CHAIRMAN MENENDEZ: I don't know, I just
12 see a lot of these properties are empty and
13 they have nothing on them. If you look at this
14 list, there's a bunch --

15 MR. HOLIAN: They've got a lot of dog poop
16 on them, is what they've got on them.

17 MR. KLEIMAN: There's four right now.

18 Is Lot 22 the one that was the settlement,
19 the one last year, and we put a million dollars
20 in the budget in this year to develop it?

21 MR. ROBERTS: Do you have a crossroads? I
22 don't have them memorized.

23 MR. KLEIMAN: No, I don't know where it is.

24 CHAIRMAN MENENDEZ: And you guys said you
25 wanted to spend the money before June. Does

1 the money actually -- do we lose the bond
2 money?

3 MS. GOMEZ: We don't lose the bond money.
4 The bond -- whenever you take out bonds, you do
5 have a spend down schedule, and so that spend
6 down schedule is -- by mid June, we should have
7 spent at least 85 percent of the proceeds.

8 Because there has been some change over in
9 the top administration and different visions
10 for what those monies are going to be used,
11 some of it kind of just sat, some of the -- a
12 couple of majors projects or -- not major
13 projects, but large dollar amounts kind of
14 sat --

15 MR. KLEIMAN: Yeah, they're major projects.

16 MS. GOMEZ: -- and didn't move forward.

17 MR. KLEIMAN: Yeah, Ponce Park, the Civic
18 Plaza.

19 MS. GOMEZ: Ponce Circle Park and the Civic
20 Plaza, which is right here, out at Biltmore
21 Way. So we had to re-assign those dollars, and
22 so in order to stay compliant with the bonds
23 and that spend down schedule --

24 CHAIRMAN MENENDEZ: And what happens if
25 you're not complying with the spend down

1 schedule? How much of this money that we're
2 spending right now is part of that money that
3 will be affected by the spend down schedule in
4 June?

5 See, my concern is that we're rushing now
6 to purchase, I don't know, six properties, you
7 know, because the funds won't be usable by
8 June.

9 MS. GOMEZ: No, the money will be usable,
10 but it is -- we just should use the funding
11 prior to then. I think that adding park land
12 has always been a goal of the City. We just
13 really didn't have the funds to acquire the
14 land. So this is kind of just re-shifting it.

15 CHAIRMAN MENENDEZ: But these funds, we've
16 had them, as part of our spend down schedule,
17 since 2011 or no? They just became accessible
18 right now?

19 MS. GOMEZ: No.

20 MR. KLEIMAN: No.

21 MS. GOMEZ: When the NRP was developed back
22 in 2011, there was, I don't know, 15, 20
23 projects that were assigned to it. Two
24 projects, one was Ponce Circle Park and one
25 was --

1 MR. KLEIMAN: The Civic Plaza.

2 MS. GOMEZ: -- Civic Plaza, which is on
3 Biltmore Way --

4 MR. KLEIMAN: We have four million dollars
5 a piece.

6 MS. GOMEZ: Right, each had four million
7 dollars a piece. A couple of years ago, we
8 re-allocated half of --

9 MR. KLEIMAN: Half of each one.

10 MS. GOMEZ: -- half of each one to other
11 projects, because those projects were not
12 moving forward. We still had four million
13 dollars that were assigned to those two
14 projects, that those projects are not moving
15 forward any time soon, so why keep that money
16 assigned to those projects?

17 So we went to the City Commission and added
18 different types of projects that could be --
19 that the City needed, that could use those
20 funds, and they approved the concept of certain
21 types of projects, buying more land for passive
22 parks, you know, other -- you know, development
23 of other parks, development of other areas, a
24 lot of different things that they added to that
25 NRP program, so that we could use those

1 dollars.

2 Now, you know, that is the spend down
3 schedule. We don't lose the money if we don't
4 use it, but we should use the money by then.
5 If not, we're not in compliance with our bond.

6 MR. ROBERTS: And even with that said, if
7 we were to sit and take our time and
8 re-evaluate, we would still recommend these
9 sites at a future date. So it's either do it
10 now or we wait for a future date, and in that
11 future date, they may be gone, which means that
12 we would have to go back and relook at other
13 properties.

14 So these are sites not just pulled out, you
15 know, just randomly. These are actually sites
16 where we sat down and --

17 CHAIRMAN MENENDEZ: No, I understand. You
18 said you started with thirty and you ended up
19 with, I guess, seven.

20 MR. ROBERTS: Yes.

21 CHAIRMAN MENENDEZ: My question is, why all
22 now, why at the same time? And, then, what
23 happens to the funding that was actually meant
24 for those two projects, that was never used?
25 Do we go back and revisit those, where they've

1 asked for more money?

2 MS. GOMEZ: So those projects, at some
3 point in the future, when it's decided what's
4 going to happen with those areas, then the
5 budget will be determined at that point in
6 time.

7 MR. KLEIMAN: Well, I mean, there's a good
8 explanation. The Civic Plaza, which is a piece
9 of land right here on Miracle Mile, that is --
10 just has fallen through the whole concept of
11 buying that and making it this lover's court.
12 It just didn't happen. The property really
13 is --

14 CHAIRMAN MENENDEZ: Oh, so the land was
15 never purchased?

16 MS. GOMEZ: No.

17 MR. KLEIMAN: No. No. No. The goal was
18 to spend four million dollars buying this whole
19 piece of land.

20 CHAIRMAN MENENDEZ: I thought we bought the
21 land and we were going to --

22 MS. GOMEZ: No.

23 MR. KLEIMAN: No. No. No. It's just not
24 happening. So then they decided to change it
25 to Biltmore Way, right over here, and it was

1 determined now that just way too much money was
2 set aside from that. It's just not the biggest
3 need for the City.

4 Vice Mayor Kerdyk asked us to put in the
5 budget four years ago \$300,000. He started the
6 talk of buying park land. And then the Mayor
7 now, it's a priority for him. He's constantly
8 talking about buying land for parks. So I
9 think it's based on great timing, the way, you
10 know, we're re-shuffling the money.

11 The only two projects coming off of the
12 table is the Civic Plaza, and for the time
13 being, Ponce Circle Park, and that, we're just
14 waiting to see what happens with Mediterranean
15 Village.

16 CHAIRMAN MENENDEZ: Right.

17 MR. KLEIMAN: Because we don't want to
18 develop that park, when Mediterranean Village
19 is going to start happening. Then the real
20 need will be assessed of what to do with the
21 park. So we're several years away.

22 MR. HOLIAN: I think this is a different
23 type of purchase, because this is a buy and
24 hold forever type of thing, because I think --
25 you know, we're pretty high in the market,

1 maybe it will correct, maybe it won't correct,
2 but I think it's almost immaterial, because
3 we're just going to buy it and hold it.

4 I mean, basically, if we purchase it --
5 we're probably not going to sell park land for
6 re-development 20 years from now.

7 MR. KLEIMAN: No. No.

8 MS. GOMEZ: No. No.

9 CHAIRMAN MENENDEZ: And are there
10 restrictions against that, because that was my
11 next question?

12 MS. GOMEZ: Yes. Because these are, you
13 know, bond dollars, these are NRP dollars, so
14 it has to be held by the City. It has to be
15 for public use.

16 MR. KLEIMAN: Right.

17 MS. GOMEZ: So it will be a park, and it
18 will end up being a park forever. If not, then
19 we have to find other funds to cover the cost
20 of that and pay back the bond violation.

21 MR. KLEIMAN: Right. The bond program is
22 meant to be an enhancement to the neighborhood.

23 MS. GOMEZ: Exactly. Exactly.

24 MR. ROBERTS: To answer your question, I'm
25 looking back at the sites. The Maggiore site,

1 that was purchased in 2005.

2 MR. HOLIAN: 2005? So that's eleven years
3 ago. I've never seen this come across the
4 table, ever.

5 MS. KNIGHT: And are these in a competitive
6 bid situation or are we the only ones bidding?

7 MR. ROBERTS: Well, the seller has a
8 fiduciary duty -- they have a realtor involved.
9 They have a duty -- the ones that I know for
10 sure are not being considered by others is the
11 1047 Venetia.

12 The Sarto one, I don't know if Mr. Torres
13 is pushing that one out.

14 545, yes, that's being competitively
15 bid.

16 6540 was being competitively bid.

17 939 is also, and 807. So they're all
18 listed.

19 MS. KNIGHT: I don't know if I agree with
20 paying above the appraisal. So you were saying
21 you can build 2,468 and you were saying that
22 they sell for 500 a foot? Is that what you
23 were saying?

24 MR. HOLIAN: Construction costs.

25 MS. KNIGHT: I don't see these are very

1 good projects --

2 MR. ROBERTS: For resale, it would be about
3 \$500 a square foot.

4 Now, the cost of build can range anywhere
5 from -- you know, depending on what type of
6 budget, I would say anywhere from 250 to 350 a
7 square foot.

8 MS. KNIGHT: Right. So, in my opinion,
9 these aren't good projects, at this purchase
10 price, for a developer, especially a 5,000
11 square foot lot right in that little spot.

12 I mean, someone would have to pay a million
13 three -- I don't know, I don't think everything
14 in the Gables goes for 500. That's just my
15 opinion.

16 I'm a banker. So I see this all of the
17 time. We finance buildings looking at this
18 model. I just don't think we need to --
19 especially if they've got to deal with this
20 issue with the tree. It's 5,000 square feet.
21 It's not --

22 MR. ROBERTS: Well, we are going back to
23 the one that you're referring to, the 5,000 --
24 just to clarify, that one, and the one at 1047,
25 I am going back to renegotiate those two.

1 MS. KNIGHT: Right, but it looks like you
2 might renegotiate at 450 instead of four.

3 MR. ROBERTS: Right.

4 To find property in that -- I've looked at
5 properties in the neighborhood. I've actually
6 pulled up listings and had discussions with
7 realtors on what they consider to be of value.

8 And, yeah, because I'm going back to
9 renegotiate with that, I didn't pull up the
10 listings around that one specifically. The
11 other ones, I pulled up listings around it, to
12 kind of get a feel of like, is this a fair
13 price.

14 So the Sarto one, I feel -- if you feel as
15 though 450 -- as you mentioned, it is a land
16 bank. We are planning just putting it aside,
17 not building. That area is in need for a park,
18 especially when Med Village comes into play.
19 So I do feel as though acquiring a property in
20 that area is important.

21 We have a lot of interest from the
22 neighbors, and it doesn't leave us much
23 flexibility. We did pay a lot for 400 --
24 actually, the Lisbon site, we paid up to
25 400,000 relative for those sites, for 5,000

1 square foot lots.

2 MS. GOMEZ: Each.

3 MR. KLEIMAN: Yeah, twice.

4 MR. HOLIAN: What exactly is our role in
5 this conversation?

6 CHAIRMAN MENENDEZ: We have to answer three
7 questions, which is what I'm looking at now.

8 MR. HOLIAN: Okay. Is this conversation
9 that we're having relative to the questions
10 that we need to answer?

11 MR. ROBERTS: Well, let me read them out to
12 you and you guys tell me.

13 MR. HOLIAN: Okay.

14 MR. ROBERTS: In the back of your sheets --
15 I don't know if you guys brought them -- there
16 are three procurement questions.

17 The first one: "Whenever the city
18 purchases, sells or is involved in a lease of
19 real estate and the fee simple value of
20 property being sold, or the annual value of the
21 property being leased is in excess of
22 \$250,000" -- actually, it's important that the
23 actual Chair reads the questions, and you can
24 read the recommended response or suggest a
25 response.

1 CHAIRMAN MENENDEZ: Okay. But what you
2 were reading and what I'm reading are two
3 different things, so I'm going to read from
4 here.

5 "Is the lease consistent with the property
6 appraisal as required under Section 2-2014.

7 Section 2-2014 provides:

8 "Whenever the City purchases, sells or is
9 involved in a lease of real estate and the fee
10 simple value of the property being sold, or the
11 annual value of the property being leased is in
12 excess of \$250,000, the City shall, prior to
13 consummating the purchase, sale or lease, have
14 the property appraised by two real estate
15 appraisers holding the M.A.I. designation in
16 order to determine the estimated market value."

17 Okay. So that is the question that we're
18 asked to answer. The recommended response, as
19 provided to us is, " Due to the sites being
20 residential, the City is obtaining one
21 residential appraisal from an SRA designated
22 appraiser, who is focused on residential, for
23 each property and a real estate broker opinion
24 of value."

25 MR. ROBERTS: You want to read all of the

1 questions first or just go one by one?

2 CHAIRMAN MENENDEZ: No, we'll go one by
3 one, because this one kind of goes against what
4 -- if we could get an explanation on this one.

5 MR. ROBERTS: So the recommendation that
6 we're going to have is to go to Commission for
7 a four-fifth waiver. This is a residential
8 lot. My belief is that the intention behind
9 this was for a City to acquire commercial
10 property.

11 An M.A.I. designation is usually intended
12 for commercial brokers. An SRA is the
13 equivalent of that for residential purposes.

14 MR. HOLIAN: But why wouldn't you get two?

15 MS. GOLDSTEIN: It costs money.

16 MR. HOLIAN: To appraise a piece of
17 property? We're talking about a \$400,000
18 purchase. What does an appraisal cost, \$175?

19 MR. ROBERTS: Well, two components. It's a
20 matter of timing. I didn't really think that
21 it was needed for a residential site. If it
22 were a commercial site, because there are
23 different components of commercial, you can
24 value commercial as an income producing level,
25 reproduction cost or a sales component.

1 MR. HOLIAN: I understand that, but it
2 says, have the property appraised by two real
3 estate appraisers.

4 MR. ROBERTS: In anything over \$250,000.

5 MR. HOLIAN: Right. And what does an
6 appraisal cost, 250, \$500? I have no idea what
7 an appraisal costs.

8 MR. ROBERTS: About 600 bucks each.

9 MR. HOLIAN: 600 bucks? A \$400,000
10 property, and to do one -- I just --

11 MR. ROBERTS: Well, it's a matter of being
12 residential, Number One. Number Two, I do feel
13 comfortable looking at actual comps in the
14 neighborhood, based on sales comparisons, based
15 on my own personal knowledge, based on looking
16 at Zillow and other sites, and then one
17 appraisal, I think, should be sufficient,
18 because we are going to Commission asking for a
19 four-fifth waiver.

20 Because there are other processes involved,
21 that in order to meet a certain time line, that
22 we're going to request for the Commission to do
23 a four-fifth waiver.

24 CHAIRMAN MENENDEZ: So you keep talking
25 about this time line, but I was told that there

1 was no repercussions for missing the time line.

2 MS. GOMEZ: No, that's not necessarily --
3 well, there's no repercussion, except that we
4 are not in compliance with our bond dollars.

5 CHAIRMAN MENENDEZ: So what happens if we
6 violate those?

7 MS. GOMEZ: I don't know. Why would we
8 want to violate and be in bad standing with our
9 bonds?

10 CHAIRMAN MENENDEZ: We don't even know if
11 there's any repercussions.

12 MS. GOMEZ: No, we're not going to have to
13 pay back the money, but we're going to be
14 listed as non-compliant with our bond covenant.

15 MR. ROBERTS: So the question is, so by
16 ordering two appraisals, what would be the
17 concern, let's just say, hypothetically?

18 MR. HOLIAN: The concern is answering the
19 question, quite frankly. Otherwise, in my
20 opinion, well, we were told that we really
21 didn't really need a second appraisal, because
22 it would cost too much, \$600, or --

23 MS. GOLDSTEIN: And the timing.

24 CHAIRMAN MENENDEZ: I mean, the answer,
25 from our point of view, would be real easy, "Is

1 the lease consistent with the property
2 appraisal as required?" No, it's not.

3 MR. HOLIAN: No, it's not.

4 CHAIRMAN MENENDEZ: So we can just say,
5 "No."

6 MR. HOLIAN: Right.

7 CHAIRMAN MENENDEZ: So that would be my
8 opinion. I would say, "No."

9 MR. ROBERTS: Okay.

10 CHAIRMAN MENENDEZ: Because it's not.

11 MS. GOMEZ: Then we know that we're going
12 to the City to ask for a four-fifth waiver.

13 CHAIRMAN MENENDEZ: And if they get a
14 four-fifth waiver, that would --

15 (Simultaneous speaking.)

16 MR. HOLIAN: I completely agree.

17 CHAIRMAN MENENDEZ: Number 2, "What is the
18 immediate impact on the current fiscal budget
19 and the long term effect on future budgets,
20 i.e., the long-term overall effect on the
21 City?"

22 Okay. And the recommended answer is, "The
23 funds have been approved as part of the NRP in
24 2011 and have no impact on the immediate fiscal
25 year. The impact on future budget will be

1 approximately \$5,800 annually per property.
2 The properties will also be taken the tax
3 rolls" --

4 MS. GOMEZ: Off.

5 CHAIRMAN MENENDEZ: --"included off the tax
6 rolls, resulting in a loss of revenue to the
7 City of approximately \$15,000 annually.
8 However, that loss of revenue is expected to be
9 offset by the corresponding increase in
10 surrounding property values as a result of the
11 improved quality of life."

12 MS. GOLDSTEIN: How will that occur, just
13 over time? Is that what you're saying?

14 MR. ROBERTS: Over time.

15 MS. GOLDSTEIN: Really?

16 MR. HOLIAN: If your house is next to a
17 park, it's worth more money. I guess that's
18 what it's saying.

19 MS. GOLDSTEIN: Excuse me, off the record.

20 (Discussion off the record.)

21 MR. ROBERTS: So the basis behind it -- you
22 can look at case studies, but the basis behind
23 it is like, it's supply and demand. The less
24 supply of property you have, you know, you
25 improve your pricing.

1 MS. GOLDSTEIN: I think it's a little
2 stretch.

3 MR. HOLIAN: I have no problem with the
4 second one.

5 CHAIRMAN MENENDEZ: Yeah. If they put a
6 park in my neighborhood, it would improve my
7 value, and I would love it.

8 And so we're saying that we'll spend 5,800
9 annually. I guess that's for taxes,
10 maintenance --

11 MS. GOMEZ: Maintenance.

12 MR. KLEIMAN: Mowing.

13 CHAIRMAN MENENDEZ: Not taxes.

14 MS. GOMEZ: Not taxes; maintenance, mowing.

15 CHAIRMAN MENENDEZ: So anybody want to
16 answer that question?

17 MS. GOLDSTEIN: I think it's fine as you
18 amended it.

19 CHAIRMAN MENENDEZ: It's fine?

20 MR. HOLIAN: Uh-huh.

21 CHAIRMAN MENENDEZ: Perfect.

22 And we're going to move to Number 3.

23 MR. ROBERTS: Sorry, you said, as amended.
24 You amended it. What was the amendment?

25 CHAIRMAN MENENDEZ: I said, "Taken off the

1 tax roll."

2 MR. ROBERTS: Oh, I got it.

3 CHAIRMAN MENENDEZ: Yeah.

4 "Considering the City's mission statement,
5 are there other alternatives to entering into
6 the proposed transaction?"

7 And the recommended answer is, "This
8 transaction is appropriate, in keeping with the
9 City's NRP vision of improving the quality of
10 life by investing in its neighborhood."

11 So the question is, again, "Considering the
12 City's mission statement, are there other
13 alternatives to entering into the proposed
14 transaction?"

15 Anybody want to --

16 MS. GOLDSTEIN: I would like to add
17 something that cautions -- cautions offers in
18 excess of whatever Erin wants to define. You
19 raised this --

20 MS. KNIGHT: Appraised value.

21 MS. GOLDSTEIN: Appraised value.

22 MS. KNIGHT: And to be careful of
23 negotiating against yourself.

24 MR. ROBERTS: I'm not sure I understand the
25 last part.

1 CHAIRMAN MENENDEZ: I'm not sure I
2 understand the question. There's always
3 alternatives. So the question is really vague.

4 "Considering the City's mission statement."
5 What is the City's mission statement?

6 MS. GOMEZ: Well, it's now going be
7 creating a hometown feel.

8 MS. GOMEZ: Right.

9 MR. KLEIMAN: That's the new strategic
10 plan, which you guys haven't seen yet.

11 CHAIRMAN MENENDEZ: Okay.

12 MS. GOMEZ: But, you know, adding park land
13 has always been -- and enhancing the quality of
14 the residents --

15 CHAIRMAN MENENDEZ: The City Beautiful --

16 MR. KLEIMAN: Right. And, remember, you
17 know, because it's NRP dollars and it has to
18 specifically enhance neighborhoods, there are
19 limitations to what we can use it for. And so
20 we did look -- when we came across this, the
21 park was a choice amongst some other things.

22 We are shifting dollars not only to buy
23 parks, but also to pave for more streets. What
24 are some of the other ones?

25 (Simultaneous speaking.)

1 MR. HOLIAN: I kind of like the lover's
2 park thing. I think that was really fantastic.

3 MR. KLEIMAN: Yeah, but unfortunately that
4 was -- the owner of that property didn't want
5 to sell, as far as I know.

6 MR. HOLIAN: I was kidding.

7 MR. KLEIMAN: Yeah, I know, but that was
8 the previous City Manager's vision.

9 But we're doing park furniturings, we're
10 further enhancing the adult activity center.
11 There's a bunch of things that we're doing. We
12 looked at all of our options, and the park
13 being the priority of the Commission, is one of
14 the things that we really zeroed in on.

15 CHAIRMAN MENENDEZ: So this is like a
16 general question, like we're okay with the
17 purchase of parks, which I'm okay with. You
18 know, we may have questions about the exact
19 parks or the exact details with regards to the
20 negotiations, but I feel okay with purchasing
21 the parks. There's always alternatives, but
22 this is --

23 MR. KLEIMAN: And that you have confidence
24 in what I was just saying, that we did look at
25 alternatives, to say what's the best use of the

1 funds.

2 MR. HOLIAN: I would certainly agree, but
3 we found that this statement is a little --

4 MR. KLEIMAN: Vague?

5 MR. HOLIAN: Yes, "the alternatives,"
6 because anything can be an alternative.

7 CHAIRMAN MENENDEZ: Yeah, I don't want to
8 strike the question down.

9 MR. HOLIAN: Right.

10 CHAIRMAN MENENDEZ: No, we're okay with it.

11 MR. ROBERTS: Okay. So let me make sure,
12 the recommended response is fine, but adding
13 the response that the City should proceed with
14 caution in purchasing in excess of appraised
15 value, and then there's a second part to that.

16 MS. KNIGHT: So, for example, just using
17 this Sarto and Salzedo, if we offer 450 and we
18 are saying that a developer is the competitor,
19 and they can build 2,340 square feet, at 250 a
20 square foot, that will cost the developer one
21 million thirty-five thousand to do.

22 If they can sell it for 500 a foot, which I
23 think is a little generous on this little lot,
24 they would be selling it for a million one
25 seventy. So that means a developer would be

1 doing this whole entire thing to make \$135,000.

2 MR. HOLIAN: Less commissions.

3 MS. KNIGHT: Less commissions. So what I'm
4 saying is, let's not negotiate against
5 ourselves. I don't think -- I think that's too
6 much, but that's probably outside of my scope,
7 but I'm just saying, if I'm a developer, I'm
8 not doing this deal. Plus, I have to remove
9 the tree, who knows what else is going to
10 happen.

11 And selling on that corner for 500 a square
12 foot, I think you're selling that for 450.

13 MR. ROBERTS: Well, I'm talking about brand
14 new overall, yeah, but --

15 MS. KNIGHT: Oh, I know, but you have --

16 MR. ROBERTS: One of the things I want you
17 guys to consider is that among the thirty, how
18 we got to this -- it's not exactly thirty, but
19 we just had a lot of properties -- we got to
20 this list, because we had several potential
21 people, who we would like to purchase their
22 sites, who gave us some prices.

23 The one at 1047 Venetia, two houses down
24 from it is a vacant parcel, 5,000 square feet.
25 The guy offered us \$800,000 for 5,000 square

1 feet. I tried to get him down for like about a
2 month, I worked with him, and he would not
3 budge on that price.

4 So we got to this point based upon several
5 factors, including public service reviews, City
6 Parks and Rec review, and looking at the
7 opportunities that are available to us, and
8 then filtering out the ones that were not
9 available based upon price points, too.

10 So, you know, this list is really --
11 because the market is a seller's market, I feel
12 that recommending these acquisitions -- and,
13 you know what, I don't think -- it may be that
14 the one in Sarto doesn't occur, because the
15 seller is unwilling to sell it for less.

16 I've already had verbal conversations with
17 him, nothing in writing, that anything under
18 this price, I don't think he's willing to
19 bulge. So that may fall through.

20 MR. HOLIAN: If I could, Mr. Chair. I
21 don't think price is relevant to us for most of
22 this stuff.

23 MS. KNIGHT: Yeah, it's not. I'm just
24 explaining, as an aside --

25 MR. HOLIAN: I agree completely with the

1 train of thought, completely, but I don't think
2 it's in our scope of what we're supposed to be
3 doing.

4 MS. GOLDSTEIN: No, but I think also we
5 have a responsibility to go back to our
6 Commissioners to discuss.

7 MR. HOLIAN: Oh, absolutely.

8 MS. GOLDSTEIN: So I appreciate the
9 discussion on that.

10 CHAIRMAN MENENDEZ: So with that, we're
11 good on the reply sheet, we're good with the
12 work, and thank you for everything you did. We
13 appreciate it.

14 MR. ROBERTS: I appreciate your time.

15 (Short recess taken.)

16 CHAIRMAN MENENDEZ: So for the next item,
17 we have the presentation of Financial
18 Statements and we welcome here today Donovan
19 Maginley. He's with, I guess, RSM, the CPA
20 firm.

21 MR. MAGINLEY: Yes.

22 Good morning, everyone.

23 MR. HOLIAN: Good morning.

24 MR. MAGINLEY: Just for the record, my
25 colleague, Neil Harris, is also here.

1 And I will be very brief.

2 MR. HOLIAN: Everybody says that, including
3 us.

4 MR. MAGINLEY: Or I can go through every
5 page if you want me to.

6 So the Finance Department had the distinct
7 opportunity to prepare this document. I don't
8 know if you have this in front of you.

9 MS. GOMEZ: Yes.

10 MR. MAGINLEY: Good.

11 And I'll just kind of go through this a
12 little bit.

13 MS. GOMEZ: And, for the record, the
14 Financial Statements were presented to the City
15 Commission on the 15th of March.

16 The Commission Meeting of the 15th, the
17 auditors presented to them, and so we just want
18 to give you the courtesy of the same
19 presentation, and answer any questions you may
20 have to do with the audit.

21 MR. MAGINLEY: Okay. Thank you, Diana.

22 The objective of this document is to give
23 you somewhat kind of a synopsis of the efforts,
24 which this document is a pretty sizable
25 document, so I'll go through it swiftly, and

1 you can stop me, and we'll go through some of
2 the required communications for professional
3 standards.

4 So starting on the first page, it talks
5 about our report, the auditor's report, which
6 is the only document that we have in here. Our
7 opinion, which is what we were engaged to do,
8 perform an audit, to provide an opinion on the
9 financial statements, is what we call an
10 unmodified or a clean opinion, which is good.
11 It's the highest level of assurance that we can
12 provide for any financial statement. The
13 report was dated March 8th, and as Diana
14 mentioned, we presented this to the Commission.

15 The financial statements, the CAFR, which
16 is abbreviated, is organized in different
17 sections. I think one of the first main
18 sections in the financial sections, you'll see
19 what's called the MD&A, Management Discussion
20 and Analysis.

21 The objective of that section, the MD&A, is
22 to give you an overview -- a readable overview
23 of the City and an objective overview of the
24 City, in terms of what's occurred, provide
25 explanations -- an unbiased explanation as to

1 events that occurred and activities throughout
2 the year. And that starts on Page 5 of the
3 financial statements.

4 The next, after the MD&A, you have what's
5 called the Government-Wide Statements. So the
6 financial statements for governments are really
7 unique. So there's basically two sets of
8 financial statements within the document. The
9 first is what we call the Government-Wide
10 Statements, and these statements are presented
11 on what we call a full accrual basis, similar
12 to that of the private enterprise world, and
13 they record all of the assets and most of the
14 liabilities of the City.

15 And I use the word, "Most," because there
16 is still one liability up here, that is not on
17 here, which is called OPEC, but all other
18 liabilities associated with the City are on the
19 Government-Wide Statements.

20 Statement of Net Position is the first. It
21 starts at Page 18. We call it Statement of Net
22 Position. In the commercial world, we call it
23 a balance sheet. Some key things to note here,
24 in the current year, the Net Position decreased
25 by 164 million dollars. This was accounted for

1 as a result of the adoption -- money for the
2 adoption of the pension -- pension statements
3 that the accounting standards issue, we refer
4 to it as GASB 68 and 71.

5 In the year, the City recorded a liability
6 of approximately 213 million dollars as a
7 pension liability on the statements. What that
8 means is that if the City were to close
9 operations on September 30th, 2015, this is the
10 amount of the net liability that the City would
11 need to come up with to fully pay for all of
12 its past employees, current employees or past
13 services. So that was the -- that's the more
14 sizable thing.

15 So all of the numbers on here, in terms of
16 the Net Position -- the Net Position of the
17 statement represents what we call the equity or
18 deficit that's in the City, the
19 Government-Wide.

20 The next page starts, Statement of
21 Activities, which we refer to this as a P&L.
22 Real quickly, some numbers that would be
23 notable to you are, Program Revenues are about
24 71 million; General Revenues are about almost a
25 hundred million. General Revenues consist

1 mainly of property taxes, and that's the main
2 source of revenue for the City, in terms of
3 running its operation; Total Expenses was 140
4 -- approximately 141 million dollars for the
5 year.

6 And, again, these statements are recorded
7 on a full accrual basis, versus the next set of
8 statements that I'm going to go through, which
9 is called The Fund Level Statements. And the
10 Fund Level Financial Statements are somewhat
11 similar to the basis, in terms of how the City
12 budgets its operation.

13 So when you look at this, this is really
14 how the City runs its business. I call it the
15 checkbook theory. You know, mostly cash in and
16 cash out.

17 And the General Fund is the main operating
18 fund of the City. Total assets for the year
19 were 79.3 million. The liabilities were 9.2.
20 Fund Balance, which is the equity, we had
21 approximately -- let me do the math here -- 40,
22 50 -- approximately 53 million dollars in Fund
23 Balance.

24 And the one key numbers to cite on here is
25 what's called Unassigned, which is about 39.3

1 million dollars. What that means is, basically
2 this is the amount of money in the General Fund
3 that the City has at its discretion to spend.

4 MR. HOLIAN: Can I ask you a question?

5 MR. MAGINLEY: Sure.

6 MR. HOLIAN: On the previous page -- I'm
7 not an accountant -- when it says liabilities
8 for the year totaled 9.2 million, the pension
9 -- the annual pension liability doesn't show up
10 on this, obviously?

11 MR. MAGINLEY: No.

12 MS. GOMEZ: No.

13 MR. HOLIAN: That's like a morphyic number
14 that's over here somewhere?

15 MR. MAGINLEY: Right, exactly, which shows
16 up on a previous statement that we talked
17 about.

18 MR. HOLIAN: Yeah, I know. But it doesn't
19 really show on here?

20 MR. MAGINLEY: No. So the current year
21 funding, called the required funding there,
22 somewhat included as an expenditure the
23 liability --

24 MR. HOLIAN: But if we're underfunding the
25 annual pension contribution, it's still not

1 going to show up here?

2 MR. MAGINLEY: It's not going to show up here.

3 MR. HOLIAN: Okay. I have a hard time
4 figuring that out, how that works.

5 MR. MAGINLEY: So the way to view these
6 statements, the Fund Statements, just -- I
7 called it the checkbook. So it's all of the
8 cash that comes in and what you pay out.

9 MR. HOLIAN: Right. But all of the bills
10 don't go into the checkbook?

11 MR. MAGINLEY: Not all of the liabilities,
12 no.

13 MR. HOLIAN: Not all liabilities, okay.
14 Perfect. Thank you.

15 MR. MAGINLEY: So going back again, the
16 Unassigned is, again, about 39 million dollars.
17 This represents the amount of money that the
18 City has at its discretion to spend freely, on
19 its own discretion, on various projects, as it
20 deems necessary.

21 I think one of the other things to point
22 out is that the City has adopted a policy,
23 through a Resolution, to maintain 25 percent of
24 its operating expenditures in this Fund Balance
25 category, and I think the City is proud to say

1 they have met this requirement, which is a very
2 good benchmark.

3 A lot of cities do not have this luxury or
4 have not met this level.

5 MR. HOLIAN: We've just achieved this, in
6 the last five or six years. We've been working
7 towards this, correct?

8 MR. KLEIMAN: It's been two years.

9 MS. GOMEZ: Two or three years that we've
10 been -- two years, and then before there was 20
11 percent, we were making.

12 MR. KLEIMAN: Right.

13 MS. GOMEZ: So we formally adopted a 25
14 percent policy with the City Commission this
15 past year.

16 MR. KLEIMAN: Right. And it's actually of
17 the entire operating budget, not the General
18 Fund Operating Budget. So we put more in there
19 than into the General Fund.

20 MR. MAGINLEY: That's a good point. For an
21 editorial, that's a good thing.

22 The next statement, which starts at Page 24
23 of the CAFR, is what we call the Statement of
24 Revenues, Expenditures. Again, it's a P&L
25 version of the Fund Financial Statements. And,

1 again, this represents or records all resources
2 coming into the City, expenditures -- not
3 expenses, but expenditures that are payouts, so
4 it could include capital and amounts for debt
5 service, related to the -- for operating the
6 City.

7 Big numbers. Total revenues were 137,
8 expenditures were 121. Obviously that's going
9 to provide you with an increase in the Fund
10 Balance, because you have less expenditures
11 than revenues, which is also a good thing, in
12 some aspects. Sometimes in years where we may
13 see the reverse, where the expenditures exceed
14 revenues, I think you planned -- it's a planned
15 mechanism by the City, but obviously the goal
16 is always to have more revenues than
17 expenditures.

18 So there's an increase in Fund Balance of
19 approximately four million dollars, which float
20 into the Fund Balance of the previous -- that I
21 had mentioned in the previous page.

22 So we talked about the General Fund. The
23 City has other funds, which we call Major. The
24 other funds are Debt Service, Capital Projects,
25 and to complicate things even more, then we

1 have what's called Non-Major Funds, which is
2 defined by a quantifiable number of
3 professional standards or GASB has defined it
4 as Non-Major Funds, and these, they are listed
5 here, as to what we call the Non-Major Funds,
6 the Capital, Roadway, General Obligation Fund
7 and Impact Fee.

8 MR. HOLIAN: Is that a relative dollar
9 amount, when we say --

10 MR. MAGINLEY: Yeah. When the City
11 prepares its general ledger system, there's a
12 definition that actually quantifies what's
13 Major and Non-Major.

14 MR. HOLIAN: Okay. And that varies from
15 city to city?

16 MR. MAGINLEY: Varies from city to city,
17 and also varies within the city year to year.

18 MR. HOLIAN: Okay. Perfect.

19 MS. GOMEZ: The General Fund is always
20 considered --

21 MR. MAGINLEY: The General Fund is always
22 Major, but judging based on the activity of any
23 of these funds, this could become a Major Fund
24 in a future year.

25 MR. HOLIAN: Okay.

1 MR. HARRIS: The City can designated any
2 fund as Major, if they need it, for public
3 purposes.

4 MR. MAGINLEY: Yeah. That's true.

5 So the other set of funds is the
6 Proprietary Funds, and this is the true
7 operation, again, just like a private sector,
8 full accrual. There are three major
9 Proprietary Funds, Sanitary, Parking and what
10 we call the Stormwater Utility Fund, and these
11 operate fully on an accrual basis, just like
12 the private sector.

13 CHAIRMAN MENENDEZ: But what defines the
14 fund as a Major or Non-Major is not the amount
15 of dollars in the fund?

16 MR. MAGINLEY: Actually, there is. Yes.

17 And to this point, also, the City
18 Management can designate which fund they want
19 to be Major. And all that means, really it's
20 the presentation in the financial statement.
21 So each fund that's called Major has its own --
22 you see, their own column, so it stands out.

23 The other funds, that are Non-Major, are
24 combined together and they're not distinct.

25 CHAIRMAN MENENDEZ: So would it be safe to

1 assume that a Debt Service Fund, with a total
2 fund balance of 1.7 million has a higher
3 balance than the Capital NRP fund?

4 MS. GOMEZ: No. It's the activity. It's
5 more the activity in the funds that determines
6 it to be Major.

7 MR. MAGINLEY: Right. Yeah.

8 MS. GOMEZ: There is a formula that goes
9 into it.

10 MR. MAGINLEY: There's a formula, yeah.

11 But, again, responding to the
12 Commissioners, the City Manager or Director, it
13 depends on how that authority is designated,
14 can define which fund they want to see
15 presented as Major.

16 MS. GOMEZ: And to your point, the Debt
17 Service, the reason it was considered Major
18 this year is because we had the Streetscape
19 Bonds coming on board, and we have an
20 assessment -- receivable from the assessments
21 that we're placing on the property owners.

22 So that eight million dollar assessment
23 increased the activity in that Fund for the
24 year, which, therefore, made it Major.

25 CHAIRMAN MENENDEZ: Okay.

1 MR. KLEIMAN: NRP will be Major next year.

2 MS. GOMEZ: Perhaps, because we're spending
3 a lot of that money.

4 CHAIRMAN MENENDEZ: So it's like the
5 movement inside the account.

6 MS. GOMEZ: Right. Exactly.

7 CHAIRMAN MENENDEZ: You still want a full
8 accounting of it.

9 MS. GOMEZ: Right. It's just the
10 presentation, too, on the Financial Statements.

11 MR. MAGINLEY: So all of the funds that we
12 have, other than the Proprietary Funds, are the
13 Internal Service Funds, and these funds are
14 mainly used to account for activities or
15 operations that support the City's operation,
16 so like motorpool. These are all services that
17 are designed to provide exclusively for the
18 City's operation.

19 And, again, the Internal Service Fund is
20 accounted for in a full accrual basis, just
21 like the Proprietary Funds.

22 And then we have the Fiduciary Funds, which
23 mostly are made up of the Pension Funds, and
24 then the last part of the Financial Statement
25 is what's called the Statistical Section. This

1 section, similar to the MD&A. that I mentioned,
2 is not audited, and we didn't provide the
3 assurance on this, but the City participates in
4 what's called a Certificate Program, and that
5 requires that this disclosure section be
6 included.

7 So that's the CAFR, in a nutshell.

8 Following, on the next page, is what we
9 have encapsulated as what we call Financial
10 Indicators, Key Financial Indicators, that we
11 thought were -- these are designed by the
12 Auditor General of the State of Florida, and we
13 thought it would be prudent to at least share
14 this with the governments.

15 What this purports to do is to benchmark
16 the City against itself and to benchmark it
17 against other peer like cities, to see how
18 they're doing. And in here, there are about
19 four or five that we picked out, that we
20 thought were relevant to at least discuss, and
21 I'll have Mr. Harris briefly talk about this.

22 MR. HARRIS: Sure.

23 So what we have here on the first chart, as
24 Donovan says, it takes the financial results
25 of the CAFR and now puts it, in a chart form,

1 and it shows the last five years of data. So
2 the chart in the left is showing you that your
3 Fund Balance, your Unassigned and Assigned,
4 which is essentially an unrestricted fund
5 balance, within the General Fund, has been
6 increasing over the last five years.

7 And so towards the right, compared to your
8 benchmark and other benchmark cities, you had
9 40 percent, whereas other cities were at 35
10 percent. And what this really means is, on a
11 year to year basis, there is enough
12 unrestricted fund balance to fund operations
13 and continue to fund operations, and the trend,
14 being that it's improving year over year, is
15 obviously a positive trend.

16 The next slide, similar to the first one,
17 is showing you All Governmental Funds,
18 including the General Fund. And then a similar
19 scenario, you see that the Fund Balance, based
20 on the chart, has been increasing over time,
21 meaning you're building, you're taking in more
22 revenues, spending less monies, so you have
23 more resources available as time is going on.

24 The next page, what is showing you is the
25 Long-Term Debt relative to your population.

1 You're seeing a decreasing trend, which is
2 positive for the City, which means that, per
3 resident, the debt that the City is carrying is
4 decreasing over time, which is -- you know,
5 coupled with the other trends we saw in the
6 first two slides, while your Fund Balance is
7 increasing, your debt is also decreasing, which
8 is a positive trend, obviously.

9 Compared to the benchmark cities, you're a
10 little higher than those cities, but obviously
11 that all depends on their activity. You maybe
12 have more construction going on, investing more
13 in the City, where they may not be. So you may
14 have more debt, but that doesn't necessarily
15 mean a negative.

16 And the last one is showing you Millage
17 Rate. You know, similar to all of the other
18 three graphs, also a positive trend. Your
19 Millage Rate on which you're taxing the
20 citizens is decreasing a little in the last
21 five years, which for any city is a positive
22 trend.

23 With that, I'll turn it back over to
24 Donovan, to cover some of our Compliance
25 Reports.

1 MR. MAGINLEY: Thank you.

2 So going back to these, there are about 17
3 to 18 of these financial indicators that are
4 designed by the AAG. We pulled out four, and
5 not the four best, but the four that we
6 judgmentally thought were good. The City can
7 provide the full entree of all of the
8 indicators.

9 MS. GOMEZ: Yeah. We will be presenting
10 all of them to the City Commission at probably
11 the second April meeting. And so after that or
12 at that same time, we can provide it to this
13 Board, as well.

14 MR. MAGINLEY: So in addition to the
15 financial audit that we just went through and
16 we opined on, the City participates in what we
17 call Federal and State Programs, and under
18 that, we are required to test and to report on
19 compliance as it relates to that.

20 So just as a notation, the City
21 participates about 1.6 million dollars in
22 Federal and State grants combined; 1.3 of
23 Federal monies. Our role in the process is to
24 test to make sure that they have met the
25 required compliance requirements, and we have

1 issued a report, accordingly.

2 I have to say, that report, just submitted
3 with the Financial Statements, is unmodified,
4 and we had no findings as it relates to
5 compliance. We had no observations as it
6 relates to issues on the internal control or
7 compliance, and I think this is like the second
8 or third year in a row that we didn't have any
9 findings, which is a good thing.

10 So, again, usually when there are findings,
11 they are usually at risk for losing funds, so
12 it's a good thing to have no findings, it's
13 always good.

14 We've also issued a management letter, in
15 accordance with the -- and if you want us to go
16 through -- I kind of ran through the
17 numbers already, but we issued a management
18 letter, in accordance with the Rules of the
19 Auditor General, and we had no material
20 weaknesses or significant deficiencies, which,
21 when there's a finding, we are required to
22 categorize the extent of the finding.

23 So a material weakness is the highest or
24 the worst on the list, a significant
25 deficiency. Then there are other observations

1 or control deficiencies.

2 In our work, we noted one observation or
3 what I categorize as an observation, as it
4 relates to user access on the -- for having
5 proper controls over the change of user access
6 for IT applications. And that was included in
7 our management letter that was reported to the
8 City and to the Commission.

9 MS. GOMEZ: The management letter and
10 compliance reports are on the second tab of the
11 Financial Statement book, so that you have the
12 full report in there, as well.

13 MR. MAGINLEY: And inclusive in that is
14 also the management's response, in terms of how
15 they can remediate and address that finding.

16 CHAIRMAN MENENDEZ: So you found a
17 deficiency in like, I guess, the protocol for
18 user access being changed?

19 MR. MAGINLEY: Yes.

20 CHAIRMAN MENENDEZ: But did you find abuse
21 of it?

22 MR. MAGINLEY: No.

23 MR. HARRIS: No. The finding centered
24 around documentation of changes. So they
25 didn't really have a streamline system where

1 it's consistently done the same way. So our
2 recommendation is that they formalize that
3 system, so every time there's a change, it's
4 documented in the same fashion.

5 Not that it wasn't being done, it was just
6 not formulized in a way that every time you
7 pick it up, you can say, "Okay, this changed
8 from here to here."

9 MR. HOLIAN: Is that clear in the
10 description, because when you read it,
11 "Observation regarding user access," oh, my
12 goodness --

13 MS. GOMEZ: This is because they were going
14 to speak about it.

15 MR. HOLIAN: And then, okay, we weren't
16 doing it the same way each time.

17 MS. GOMEZ: Yeah. It's in the report.

18 MR. HOLIAN: Okay. So that clarifies that?

19 MS. GOMEZ: Yes.

20 MR. MAGINLEY: Yes.

21 MR. HOLIAN: It's like watching TV.

22 MR. MAGINLEY: Exactly, tune in.

23 (Discussion off the record.)

24 MR. MAGINLEY: In addition to, there are
25 some required communications, obviously, as

1 part of the auditor's of the City, which is a
2 form of communication that we are required to
3 present. We had full access to the records and
4 to management. We had no disagreements with
5 management in the application of accounting
6 principles or auditing techniques used. That
7 means they didn't influence what we did or tell
8 us what we should do.

9 We had, again, full access to all of the
10 records. We're not aware that they consulted
11 with any other accounting firm about accounting
12 matters. If they did, we would have to notify
13 this body and the Commission about that.

14 And, again, in our required communication,
15 we include in here the management
16 representation, so you can see what they
17 represented to us as part of the audit, and any
18 adjustment entries that were not made or that
19 were noted after the general ledger was
20 provided to us.

21 Also, in this document, which is pretty
22 key, we talked about pension before, but it
23 gives you a little bit of an idea, in terms of
24 some of the significant accounting areas that
25 we identified during the planning process of

1 our audit.

2 MR. HOLIAN: What page are you on?

3 MR. MAGINLEY: On Page 4 of this document.

4 MR. HOLIAN: Okay.

5 MR. MAGINLEY: And why this is highlighted
6 is because the Financial Statements -- these
7 items are usually driven by a lot of estimates
8 and judgments, and part of our role is to
9 assess that the estimates -- the mechanism used
10 to estimate these amounts are reasonable,
11 consistent and are properly applied.

12 MR. HOLIAN: Isn't that the exact reason
13 why we have a pension liability? Historically
14 that's what has been incorrect?

15 MR. MAGINLEY: No.

16 MR. HOLIAN: No?

17 MR. MAGINLEY: No, you always had a pension
18 liability.

19 MR. HOLIAN: From square one?

20 MR. MAGINLEY: From day one.

21 MR. HOLIAN: But if you base your
22 assumptions and you're a little bit more
23 optimistic on your underlying assumptions, and
24 you don't perform to that level, then your
25 pension liability could grow faster than you --

1 MR. MAGINLEY: Right. Any change in any of
2 those estimated assumptions or drivers
3 obviously influence the numbers. And in even
4 the Financial Statements, there is one
5 estimate, in terms of a discount rate, that we
6 have what's called a sensitivity. We have a
7 sensitivity exposure that shows, just within
8 one percent basis point, how that drive -- just
9 that one assumption drives that, and there are
10 so many that are infused in this process, but
11 you've always had a pension liability from --

12 MR. HOLIAN: From day one?

13 MR. MAGINLEY: After year one. Well, from
14 the time you provided a pension.

15 MS. GOMEZ: Right.

16 MR. HOLIAN: Right.

17 MS. GOMEZ: We were just able to fully fund
18 that liability in earlier years, when it was
19 not that expensive. But as the market doesn't
20 agree and --

21 MR. HOLIAN: Or if you assume a higher rate
22 of return, again, then it explodes.

23 MS. GOMEZ: Right.

24 MR. MAGINLEY: Exactly. Exactly.

25 So this shows you the estimates that are

1 pretty sizable and significant in the
2 production of the Financial Statements, and
3 that, as part of our role, we assess and review
4 and provide assurance that these are reasonable
5 in the development of the Financial Statements.

6 So that's it, in a nutshell, and I'll
7 entertain any more questions that you may have.

8 CHAIRMAN MENENDEZ: Thank you for the
9 presentation.

10 Does anybody have any questions about the
11 Financial Statements as presented?

12 MR. HOLIAN: No. I thought it was an
13 excellent presentation.

14 MR. MAGINLEY: Thank you.

15 I have to thank the City and the Financial
16 Director and her staff in terms of getting this
17 done, and helping us through the process.

18 MR. HOLIAN: Perfect.

19 MS. GOLDSTEIN: Is this the first time the
20 outside auditors have come in and presented?

21 MS. GOMEZ: That I am aware of, yes.

22 The last item is Verdejas.

23 CHAIRMAN MENENDEZ: Verdejas.

24 (Discussion off the record.)

25 MS. GOMEZ: Scheduling for the next

1 meeting, I think it's tentatively scheduled for
2 the 28th of April, the last Thursday is what
3 we've been agreeing on.

4 Does that work for everybody, April 28th?

5 MS. GOLDSTEIN: It does. The May date does
6 not work for me.

7 MS. GOMEZ: Well, that's the holiday
8 weekend, so maybe we'll move it.

9 CHAIRMAN MENENDEZ: At the next meeting or
10 do you want to --

11 (Discussion off the record.)

12 MS. GOMEZ: At the next meeting, since we
13 had a pretty packed meeting today, I did not --
14 you had asked about the status of Capital
15 Projects, and so the Public Works Director was
16 going to be here, but I didn't want to make it
17 such a busy meeting, so I've put that one to
18 the April meeting, if that works, and then
19 we'll have the Quarterly Financial Report at
20 that meeting, as well, and maybe the Quarterly
21 Overtime Report, as well.

22 So we'll have a couple of things on that
23 meeting.

24 (Discussion off the record.)

25 CHAIRMAN MENENDEZ: So we are all here, and

1 we're down to our last item, Review of the RFP
2 for Internal Audit SCOPE of Work.

3 And we have Mr. Verdeja and his associates
4 at the accounting firm. We have the City
5 Manager here, as well, with us.

6 Go ahead.

7 MR. VERDEJA: Great. Thank you.

8 So, I guess, maybe -- I'm going to get to
9 the end and then we can backtrack, right? So
10 that makes it easier to know where we're going.

11 All right. So the end is, we're putting
12 out an RFP for internal audit services, that we
13 want to make it as concise as possible and as
14 clear as possible. It's not a typical -- when
15 you put out an RFP, for example, for audit
16 services, just external audit services, it's
17 pretty simple. There's one audit a year. It's
18 done. You give them the Financial Statements.
19 They come back and say, "This is what we can
20 do. These are our fees." And we're done.

21 In this case, because it's internal audit
22 services, there's a lot of moving parts. So
23 the key here is that, when the reader picks
24 this up or the proposer picks this up and says,
25 "Can I really propose on this," is, do I know

1 what I'm proposing on. That's what the reader
2 and the proposer has to focus on.

3 There's a number of departments. It's not
4 just one. Do we want annual audits, do we want
5 two a year for this department and one for this
6 one, do we want it biannual for this other one?
7 So that's the part that I think that -- and I'm
8 not sure we're going to come up to the answers
9 today, but I kind of want you to hone in on
10 that sort of thing.

11 I think the other thing that might be a
12 good idea is, if within this committee you can
13 break it down and have two members, just to say
14 something, maybe somebody in management and
15 somebody in the committee, to be assigned to
16 us, so that we can get through this quicker, in
17 the next week or two or whatever it is, that we
18 can ask questions, as opposed to having to deal
19 with everybody, so that, you know, we can come
20 back and say, "Okay. We've met with these two
21 individuals, the subcommittee of the committee,
22 and here's what we think." And, then, what do
23 you all think?

24 It's just a thought, because, if not, I
25 think that this will be like once a month, and

1 then, "I wanted to do this, and I really think
2 we should do that." So, I mean, I think we can
3 come up with some answers today, but I think
4 maybe it's best, when we start designing this,
5 that we then say, "Okay. Our focus internally
6 is," if it's Diana, it's Diana, and our focus
7 with the committee is somebody else, and then
8 these two people answer our questions and then
9 we come back and present to the group, but
10 that's up to you all.

11 So what you have in front of you is just a
12 piece of the RFP. The RFP is pretty long, and
13 we're not going to go through it, but it's
14 quite a bit of information. This is a piece
15 that really defines or tries to define the
16 scope of services, and then the departments,
17 and then how the responder has to respond and
18 what points he gets for his responses.

19 None of this is edged in stone at this
20 point. This is more a working model so we can
21 go through it. But if you pick it up -- I'm
22 not going to read everything, but if you look
23 at it, the first section is the scope of
24 services, and we've broken it down to four
25 sections, Internal Audit, Basic Services, The

1 Initial Work Plan, the Performance Audits, and
2 then the Implementation and Maintenance.

3 So if we stop at Number 3, which is on the
4 second page, it says, "Scope of Services," and
5 you'll see the Internal Audit departments. So
6 these are the audit departments or the
7 departments, as far as we know, and then the
8 frequency is something that we just put in
9 there, but I think that that's what we have to
10 do either today or at some point, figure this
11 out, with your help.

12 Do we want to look at the Parking
13 Department semi-annually or do we want to look
14 at them every other year? Do we want to look
15 at the Finance Department quarterly or do we
16 want to look at them once a year? That sort of
17 thing -- because there's no way that somebody
18 could respond to this RFP unless they know
19 that, because they can't give you a price.

20 MR. ALVAREZ: And the more bullet points,
21 under like -- Finance is a huge department,
22 right, so we can be very specific there, if we
23 want to look at disbursements quarterly, do we
24 want to look at cash receipts monthly. I mean,
25 we have to be very specific here. We're

1 reporting it annually, but we should have
2 bullet points under that, saying specifically
3 what you want to look at. If not, they're
4 going to see the Finance Department, well, you
5 know, that's 2,000 hours, versus really what
6 you guys want maybe is 200 hours.

7 MR. VERDEJA: Yeah, I think my concern is
8 that when they respond to this, if they don't
9 hone in on it and don't have an idea, you're
10 going to get fees that are going to range from
11 \$30,000 to \$130,000, because nobody really
12 knows what you want. And what you want is
13 really -- if you do a good proposal, all of
14 your fees should really come in -- let's say,
15 if the number is a hundred, so all fees should
16 come in between 90 and 115 or 120. And that
17 way -- there might be the high one and the low
18 one, but they're all coming in.

19 If you have this big disparity, it's
20 because the reader didn't really get what you
21 were asking.

22 CHAIRMAN MENENDEZ: So we don't put an
23 estimated number of hours for the job?

24 MR. VERDEJA: Well, we haven't put it, and
25 that would be a thought, a budget. So if the

1 budget is, for example, in -- the Police
2 Department is twice the size of the Finance
3 Department, then we might put a dollar figure,
4 and say, that's this one. So the person
5 reading it says, "Well, that department is much
6 bigger than this department," and we could put
7 hours. We could say, we want you to, you know,
8 spend 80 hours looking at this department a
9 year or we want you to spend -- or not put it,
10 and then they're going come back.

11 The other option we have, and I'm just
12 throwing this out, is: We could -- and I've
13 seen this a number of times, but it's really an
14 option, is not to put the fees, so that they
15 don't give us the fees as, you know, a
16 criteria. So we just say, here's the most
17 detail we have. We pick the two or three firms
18 that we feel have the most experience, and then
19 come back and talk fees with them. We can do
20 it that way.

21 The only thing with that is that you kind
22 of don't know where we're at, you know, so you
23 don't know whether -- are we looking at a
24 hundred thousand project or are they going to
25 come back with a million dollars, you know.

1 So I think to put the fees is probably the
2 more transparent, in the sense that now you
3 know what everybody is more or less looking at,
4 and then you can weed out the highs and lows or
5 however you want to do it, but for somebody to
6 give you fees -- I guess what I'm saying is, we
7 better be very specific as to what we want and
8 how we want it.

9 Yes.

10 MS. GOMEZ: A question. So I would think
11 that asking the firm to do a risk assessment,
12 that would kind of determine, at least the
13 first year, what they should audit. For us to
14 say, "Well, we need to look" -- and so this is
15 above and beyond what the risk assessment comes
16 back with --

17 MR. ALVAREZ: Well, the risk assessment is
18 going to go further in detail, right?

19 MS. GOMEZ: Uh-huh.

20 MR. ALVAREZ: You have to tell me like
21 stuff that you want them to look at, period,
22 right? "So we want you to touch these
23 departments within the next five years."

24 MS. GOMEZ: Got it.

25 MR. ALVAREZ: The risk assessment is going

1 to say how often. They might have a different
2 opinion. They might say, "It shouldn't be
3 quarterly. It should be monthly."

4 You know, and maybe things swing back and
5 forth between the departments, so you might end
6 up with the same dollar amount, but they're
7 giving you the best guess of what they think,
8 based on their experience.

9 MS. GOMEZ: So then this really would just
10 be kind of like a --

11 MR. ALVAREZ: A guide.

12 MS. GOMEZ: -- a guide or a guess as at
13 what we think -- at a minimum, we'd like to see
14 this.

15 MR. VERDEJA: Exactly.

16 MR. ALVAREZ: Right.

17 MS. GOMEZ: And then the risk assessment --

18 MR. VERDEJA: Right. And I think you may
19 end up saying, okay, we want semi-annual
20 reviews of the Parking Department. And they
21 come back and they say, "Okay, that's going to
22 be \$20,000 per review," right?

23 And you might think, well, twenty and
24 twenty, that's forty, so that doesn't leave
25 room for this other one, and our total budget

1 is \$150,000, so you know what, we don't want
2 semi-annual reviews, we want just annual
3 reviews. And I think we're going to have to
4 figure that out as we go along.

5 Really, I'm not trying to get out of this,
6 I'm just telling you, this is not an easy,
7 standard RFP, where you just procure for one
8 service, once a year, and you're done, you
9 know, like an audit would be.

10 I mean, we respond to audits and we write
11 for audits all of the time, and it is a very
12 simple thing. You know, you give the details
13 and the proposer comes back and he says, "You
14 know, show me your Financial Statements.

15 "Here they are.

16 "Okay. I can do it for \$50,000."

17 And you're done, you know.

18 "And what's your experience?"

19 And you're done.

20 But this is more trying to figure out what
21 is it that we want, so that we can then put it
22 on paper, so that then they can come back and
23 say, "We can do this, this and this for that
24 price."

25 MS. GOMEZ: But if we were to gear it more

1 towards conduct a risk assessment, and, then,
2 based on that, we'll determine what we're going
3 to do, is that also an approach that can be
4 taken?

5 MR. VERDEJA: Sure. The only thing there
6 is that then you're going to have to look at
7 the firms and say -- if you do it like that,
8 which is fine, I guess our first maybe scope of
9 services would be, conduct a risk assessment,
10 right?

11 MS. GOMEZ: Right.

12 MR. VERDEJA: So then that's the first one.
13 I still think you would have to select the firm
14 that you think is best, because, if not, you're
15 going to waste your money three times. You
16 know, they're each going to do a different risk
17 assessment and you're going to say, "Oh, we're
18 going to go with this firm."

19 So, yes, we can conduct a risk assessment.
20 "We chose your firm, because you have the most
21 experience in internal audits. We chose your
22 firm, because you have the most experience in
23 governmental. And after we do this risk
24 assessment, you're going to help us determine
25 whether we should do this two or three times a

1 year, and then you're going to give us a fee
2 for each one of those departments," you know,
3 and that way you kind of just figure out what
4 you really want from them, if they really are
5 the ones with experience, to know what they
6 really should have.

7 You know, so we can go that route, and it
8 might be -- but I think that --

9 MS. GOLDSTEIN: I'm not sure -- this is
10 your best ways of getting apples to apples,
11 because otherwise --

12 MR. ALVAREZ: Right. Some people might say
13 quarterly for this project versus --

14 MS. GOLDSTEIN: Yeah.

15 CHAIRMAN MENENDEZ: But as part of our
16 review, like before we went to the RFP and
17 writing the RFP, we looked at, you know, what
18 are the costs for other municipalities out
19 there. So there has to be a going rate.

20 MR. VERDEJA: Oh, for sure. No, we did
21 look at that. And I kind of know the price
22 that's going to come in. I mean, like in my
23 head, I kind of know where it's going to come
24 in, you know.

25 CHAIRMAN MENENDEZ: And regardless of which

1 departments are doing them, just based on the
2 number of hours that we would have, and if we
3 find something that's a risk factor, we might
4 have to put more hours into it.

5 MR. VERDEJA: And then obviously you can
6 change it as you go. I mean, it's not like
7 it's set in stone. You might decide the second
8 year into it that you're not going to look at
9 the Parking Department for five more years,
10 because it runs so well. That may be a choice.

11 MR. ALVAREZ: One of the things we wrote in
12 here is that the work plan should be done
13 yearly, reevaluated yearly. So if they find
14 something in a specific department, well, that
15 becomes higher risk, and they might do that one
16 more frequently than they anticipated, but it
17 goes the other way, as well.

18 If they don't find something in a different
19 department, maybe they don't touch that
20 department again next year, they leave it
21 alone.

22 MS. GOLDSTEIN: So what you have listed on
23 this page is what you've come up with, the
24 frequency that -- the suggested frequency or
25 was that --

1 MR. ALVAREZ: No. Some of them -- like the
2 Police Department, that's annual, and I think
3 we've spoken in the past or we've heard that
4 you guys are even thinking about outsourcing
5 that to not an accounting firm, but the Chief
6 of Police --

7 MR. SWANSON-RIVENBARK: That was my --

8 MR. ALVAREZ: Your recommendation.

9 MR. SWANSON-RIVENBARK: I'm happy to have
10 that discussion here, but there are Police
11 Executive Research Forums, International
12 Association of Chief of Police, their expertise
13 is police audits. Police audits, in property,
14 number of rape kits, what's happening with
15 those rape kits, the amount of cash in the
16 safe, should there be any cash in the safe,
17 that kind of best practice, intermingled with
18 the inventory, and so it would be -- in
19 consultation with the Assistant City Manager,
20 Director of Public Safety, it would be our
21 strategy to contract with them for that kind of
22 national attentive process of review.

23 MR. VERDEJA: So if that were the case, we
24 would then remove the Police Department, you
25 know, altogether. So that's where that type of

1 thing -- I don't want to give this out to the
2 public or the proposer, for him to tell you, so
3 that they come back with the Police Department,
4 and then you say, "Well, we don't really want
5 it."

6 MS. SWANSON-RIVENBARK: I think it's going
7 to be extraordinarily difficult to find an
8 internal auditor that is expert in everything,
9 and so that police piece of it I think is a
10 really important one to separate out and to
11 contract -- pay for separately, contract
12 separately, still reporting to the Budget
13 Advisory Board, still going to the Commission
14 on that.

15 MR. VERDEJA: Okay. So let's say that we
16 decide that the police is out, we're just not
17 going to do that one, so then we remove it.

18 MS. SWANSON-RIVENBARK: We are going to do
19 it, but we're going to do it --

20 MR. VERDEJA: I'm sorry, for the record,
21 not do it by the internal auditors that are
22 going to do this. It's going to be done by
23 somebody else.

24 Then, I think, within the other
25 departments, probably -- I would probably

1 provide budgets, and say, "Our total budget for
2 the Parks and Recreation is five million
3 dollars or something like that," so they know
4 the scope of the services or the number of
5 employees.

6 MR. ALVAREZ: Or a benchmark, like a number
7 of employees, the total revenue that flows
8 through there. You know, some type of
9 threshold for them.

10 MR. HOLIAN: My first question is, haven't
11 we audited all of these departments over the
12 last several years or most of them? Do we
13 know?

14 MS. SWANSON-RIVENBARK: Yes.

15 MR. HOLIAN: Okay. If we did, can we --
16 and this is just a thought -- can we provide
17 that audit to the people that are going to make
18 a proposal and say, "These are the audits we
19 currently are doing or have done," and that
20 being said, "Can you review it and see, is it
21 being done, you think, properly," and ask them
22 the frequency or is that getting too broad?

23 MR. VERDEJA: No. What I would do is, let
24 them ask for it, because there are those
25 proposers that you may weed out immediately,

1 because, you know, what's the sense of giving
2 everybody every single thing on the City,
3 right?

4 So usually there's a period of time where
5 they come back and ask questions and you
6 respond to them and they give them -- and they
7 ask, "Well, could we see the last internal
8 audit that was done for the Parks Department?"

9 MR. HOLIAN: Okay.

10 MR. VERDEJA: Okay. And then you provide
11 that to them.

12 If you provide it to everybody, then it's
13 just going to have paper all over the place.

14 MR. HOLIAN: No, but if they come back and
15 they want to see it, then they could say, "Oh,
16 this is what they've done."

17 MR. VERDEJA: Right, exactly. You know, no
18 different than when you ask for external audit
19 services. They may come back and say, "Give me
20 your last Financial Statements, so that I can
21 look at it."

22 MR. HOLIAN: Okay. So would that alleviate
23 the concern of what we want in each one of
24 these audits and the scope?

25 MR. VERDEJA: Yes, I think what we have to

1 figure out is, do we want this, you know --
2 this is the way they're going to come back with
3 it. Really, from their side, it's going to be,
4 how many hours do we have to spend in this
5 department? And what's our rates?

6 MR. HOLIAN: I hate that. I hate that. If
7 I went into someone's office and they say, "How
8 much money do you have to spend on a financial
9 advisor and then I'll give you --" I mean --

10 MR. VERDEJA: No, I'm saying, go backwards.
11 I'm saying, what's going to happen is, when
12 they're going to give you the quote, they're
13 going to think, how many hours do we need to
14 spend on the Parking Department, right? Not
15 how many hours you have available to us, but
16 how many hours do we need to spend? So it
17 takes us --

18 MR. HOLIAN: But who knows that? They
19 should be telling us --

20 CHAIRMAN MENENDEZ: They look at the size
21 of the department.

22 MS. GOLDSTEIN: That's what he's saying.

23 MR. VERDEJA: They're going to tell you,
24 "We think these are the hours."

25 MR. HOLIAN: But you're saying, we're going

1 to allocate the number of dollars --

2 MR. VERDEJA: No. No. I'm saying that we
3 give them as a budget, so that they know that
4 the Parking Department is five million dollars,
5 versus a fifty million dollar department,
6 right?

7 MR. HOLIAN: Okay. Got it.

8 MR. VERDEJA: So Parking is much smaller
9 than Human Resources, all right, well, then
10 Parking may only require forty hours or eighty
11 hours.

12 MR. HOLIAN: When you say, "Budget," you
13 mean the scope of the financial budget for each
14 one of the departments?

15 MR. VERDEJA: I think so. I think, a
16 general budget. If we want to put employees,
17 just so they get an idea. You know, like,
18 okay, that department has 10 employees, the
19 other department has 150 employees. Well,
20 that's a big difference.

21 Because if I'm testing the risks
22 associated, well, if I have 150 employees,
23 that's a riskier department than if I only have
24 five employees, and it takes much more time.
25 So I think that maybe it's just a matter of --

1 like within this format, within this chart, we
2 would put the department, we would put the
3 budget, we would put maybe the number of
4 employees, and then we can try to put the
5 frequency, based on what we've done.

6 And then they're going to come back
7 anyways. Guaranteed, that those that are
8 really interested are going to come back and
9 say -- and that's what you want, those that are
10 really interested, that are going to come back
11 and say, "Okay, let me see your last year's
12 Human Resources audit, to see what it was that
13 it entailed," and then they're going to come
14 up -- within their own office, they're going to
15 calculate and they're going to say, "Okay, I
16 think we can do that in 80 hours, at 150 bucks
17 an hour, this is what we're going to quote for
18 that department."

19 And then they're going to put it altogether
20 and then they may show up with a price here,
21 and the total price is, 300,000, and you may
22 say, "No. No. No. That's outside our budget.
23 You know, this can't be, but they're our best
24 pick," and then you negotiate.

25 There's nothing that says that once they

1 give you a fee, that you have to stick to it.
2 It's like you bring them in and say, "Look, our
3 budget is only this. Can you meet it or not?"

4 "No, we can't do that."

5 "Well, then, what can we do? Can we cut
6 this or is it just too expensive? Oh, we're
7 quoting you \$500 an hour. Well, sorry, we
8 don't want that." So I just wanted to bring
9 that to your attention.

10 And, then, if I have you look at -- I think
11 it's the last page, very last page -- and,
12 again, this is kind of made up, but typically
13 when you give an RFP, you tell them, this is
14 how we're going to assess this, and we're going
15 to give you thirty points for -- and I think --

16 CHAIRMAN MENENDEZ: Yeah, I saw the points
17 already, in the last page.

18 MR. VERDEJA: So we would say, you know,
19 we're going to give you thirty points for if
20 you have experience in internal audit. So when
21 your greeters come and do this, they say they
22 have a lot of experience, they get thirty
23 points; they have no experience, they get zero
24 points; they have some experience, we give them
25 fifteen points --

1 MS. GOLDSTEIN: So we're going to ask them
2 how they're going to staff the job?

3 MR. ALVAREZ: One of the things in here was
4 asking the most senior person and partner on
5 the job. It doesn't really provide a lot of
6 relevance, like in the lower level staff,
7 because they just do what they're told,
8 basically.

9 So the point person on the audit, which is
10 probably the manager or the senior, and then
11 the partner, so they're going to have to give
12 you their bios, basically.

13 MR. VERDEJA: So we came up with A through
14 F there, and that's just a suggestion.

15 Yes.

16 MS. GOLDSTEIN: I want to know what
17 percentage of the time that they're allocating,
18 because if -- if, let's say, he's named as the
19 senior partner and he has all of this
20 experience, but he's going to be giving us, you
21 know, five hours of his time, I want to know
22 how is this spread.

23 MS. GUTIERREZ: This is only the scope of
24 the evaluation. So it's in the full RFP --
25 it's in the full one. Yeah, in the full one --

1 MR. HOLIAN: I think we saw that, like "X"
2 number of hours for a senior partner.

3 MS. GUTIERREZ: It's broken up in the
4 format, that one of the sections they have to
5 submit is the staffing, and then the breakdown
6 of each of the staff that's going to be there.

7 MS. GOLDSTEIN: I think, as much detail as
8 we can get for it, for them to start on it,
9 would be preferable, especially knowing with
10 the least experience -- how much experience
11 will the least experienced people or person
12 have.

13 MR. VERDEJA: Right.

14 The only thing I would tell you, to be
15 careful what you wish for is, people will
16 answer it the right way, right? So they're
17 going to tell you the right answer. They're
18 not going say to you, "Oh, that person has no
19 experience." Anybody who they're going to
20 answer is going to have experience, because
21 otherwise they wouldn't give the experience,
22 right.

23 So there's a difference between, I think,
24 the criteria and the points that we're going to
25 assign. Obviously, we did put here,

1 governmental audit experience, for those
2 assigned to the audit, and we give you ten
3 points for that. And they should put in there,
4 the partner has five years, the other one has
5 two years, the other one has one year, and that
6 comes in here.

7 If we give them a point for a senior or a
8 staff having years, then this is going to turn
9 into this --

10 MS. GOLDSTEIN: Right.

11 MR. VERDEJA: You know, and the reviewer
12 is going to go, oh, was that a senior or was
13 that a staff? You know, that sort of thing.

14 So, yes, we do have to have -- "E" is
15 government audit experience for those assigned
16 to the audit. That should suffice. I mean,
17 after that, you know, whether we give them ten
18 points or we give them twenty points for that,
19 needs to be determined, but that's something
20 that needs to be, you know, answered.

21 MR. ALVAREZ: Yeah, the weight we're
22 distributing, the 100 points, could be changed.

23 MR. VERDEJA: Right.

24 MS. GOLDSTEIN: Well, I just want to make
25 sure we're getting --

1 MR. VERDEJA: Experienced people, for sure.

2 MR. ALVAREZ: Of course.

3 CHAIRMAN MENENDEZ: How many years, in an
4 RFP, for an internal audit from like other ones
5 that you guys have seen, this is pretty
6 standard?

7 MR. VERDEJA: Right. And other ones that
8 we have answered ourselves. And the way I
9 always look at this is, "How would I answer
10 this?" You know, if it was me answering this,
11 how would I answer this, you know?

12 And that's the way that I would want to
13 make sure that our RFP goes out in a manner
14 that if I was answering it, could I answer it,
15 and could I get my best points for this.

16 So we put A through F, but if we want to
17 come up with G, H and Q, it's fine. I mean,
18 that's -- or we can remove two or three.
19 Actually, you know, we had two or more there
20 and I just removed them. I thought it was too
21 much.

22 You know, clearly, to me, the most
23 important thing we're going to look at is, the
24 experience in providing internal audit
25 services, which is A; the F, which is the fee,

1 and then everything else in between gets broken
2 down, whether it's five points or ten points,
3 you know.

4 CHAIRMAN MENENDEZ: And you had asked for a
5 subcommittee maybe to work with, right?

6 MS. VERDEJA: Right.

7 CHAIRMAN MENENDEZ: So Lori, do you have a
8 lot -- I apologize.

9 MS. GOLDSTEIN: That's okay.

10 CHAIRMAN MENENDEZ: Cheryl, do you have
11 like a question on this or is this something
12 that interests you, you could be on the
13 subcommittee, I guess? We can make a vote.

14 And I think Diana would be also a person to
15 sit --

16 MS. GOMEZ: I'm not sure that I should be
17 on the subcommittee. That would be the City
18 Manager's --

19 CHAIRMAN MENENDEZ: Oh, okay. He asked for
20 two, a staff and a Board Member.

21 MR. VERDEJA: I think that it should be
22 somebody internal, and somebody within the
23 committee, just --

24 MS. GOLDSTEIN: And you're looking for in
25 the next how many weeks, two weeks?

1 CHAIRMAN MENENDEZ: And that's just to
2 finalize the proposal.

3 MR. VERDEJA: Yeah, that's just so that we
4 could get this pretty much ironed out.

5 MR. ALVAREZ: So that we can move a little
6 quicker.

7 CHAIRMAN MENENDEZ: And I think -- I don't
8 know if you guys are in agreement, but I'm in
9 agreement to get the RFP out and start with it.
10 And you're saying, one internal and one person
11 external?

12 MR. VERDEJA: I'm saying, internal and
13 external. Whether it's one or two, it doesn't
14 really matter. It's just that, you know, I
15 think if we -- Lori?

16 MS. GOLDSTEIN: No, I'm Cheryl. Lori is
17 the other. I'm sorry.

18 MR. VERDEJA: So if it's Cheryl and Diana,
19 I think the good thing about having an internal
20 and external is that Diana may know how many
21 audits we did and Cheryl may not know that off
22 the top of her head, you know, or where to get
23 it.

24 MS. SWANSON-RIVENBARK: But since Diana
25 gets audited, it's better not to have Diana as

1 part of it.

2 MR. VERDEJA: Okay. That's fine.

3 MR. SWANSON-RIVENBARK: It could either be
4 me or Keith, and if Keith has the time, because
5 he's Budget and Strategic Plan, and these are
6 kind of his times, if the Board would agree to
7 that and he's willing to do it, he would be an
8 excellent addition.

9 There are some other pieces in this, and so
10 I don't know if someone is willing to be a
11 partner in that, as another -- you know, as
12 another member, to expedite, but there's
13 also -- the final decision of the proposal
14 that's listed here, I appreciate the fact that
15 you're saying is the City Manager, but
16 anticipating what the dollar amount is, it's
17 actually -- we, the Budget Advisory Board,
18 together with the Manager, would be
19 recommending to the Commission, and the
20 Commission would be the final decision-maker on
21 that. My authority is actually what I would
22 anticipate to be less than what people would
23 want.

24 And then I'm also interested in hearing
25 from the Board, and, you know, we can clean up

1 the departments that are listed here and all,
2 but I'm interested in hearing from the Board,
3 what's the appropriate term and how do we put
4 that term into the RFP.

5 I mean, clearly you can cancel it, if
6 you're not satisfied, but I think we should put
7 there, as a part of that RFP, that the City
8 anticipates that the term will last blank
9 number of years.

10 MR. VERDEJA: So, you mean, we're going to
11 hire the internal audit organization or company
12 for a one year period, with an option that you
13 all renew for a year?

14 MS. SWANSON-RIVENBARK: I don't think one
15 year is really a test, because they're really
16 getting up to speed. They're, you know,
17 contributing, but they're not outperforming at
18 that level, but I'd be interested in hearing
19 from the Board what they believe the
20 appropriate -- you know, the City anticipates
21 contracting with the successful proposer for
22 "X" number of years, although there are
23 cancellation clauses in place.

24 CHAIRMAN MENENDEZ: Is there an industry
25 standard, like three years usually for one of

1 these?

2 MR. VERDEJA: I think, three to five years,
3 but I would say, three years. But the way I
4 would look at it from you all's side is, does
5 three years give you the full loop? Because if
6 we do some of these once a year, and another
7 one every other year, does three years give you
8 the full --

9 MS. GOLDSTEIN: I think it gives you a full
10 indication of whether you want to stay with
11 this company, this particular -- I don't think
12 you want to continue --

13 MR. HOLIAN: Wait five years to figure it
14 out, if it's not working.

15 CHAIRMAN MENENDEZ: I mean, I do a lot of
16 deals that are three years, with an option to
17 extend another three years.

18 MS. GOMEZ: That's what we do. The
19 external auditor, we do three years, with three
20 one year options to renew.

21 MR. ALVAREZ: That's the way I had told
22 them that I wanted it structured, because I
23 thought that would be the best way, because you
24 can just keep extending it, if you want to, and
25 you have a maximum of -- how many years -- six

1 years or nine years or whatever it is.

2 MR. HOLIAN: And then you have to switch,
3 right?

4 MS. GOMEZ: They don't have to switch. We
5 can only make a contract for up to 10 years, I
6 think is the Procurement Code's maximum.

7 MR. ALVAREZ: And that's what I see here.
8 That's what was written here. The way it was
9 written here originally, I guess this was done
10 originally for a 401-K, it was five years, with
11 a few years' extension, but not to exceed ten
12 years.

13 MS. GOMEZ: Right. So, normally, for the
14 auditors, we do three years, with three
15 one-year option renewals. Or we can do it with
16 five optional renewals, one year each.

17 MR. HOLIAN: Well, if we're happy, we can
18 always keep going.

19 MS. GOMEZ: Well, no. After the term is
20 over, then you have to go out for RFP again.

21 And if I could introduce Vanessa Flores.
22 She's from our Procurement Department. So
23 she's going to be the liaison working on this
24 with Verdeja. She's already been working with
25 him.

1 After that period, --

2 MS. SWANSON-RIVENBARK: After the options
3 have been exhausted.

4 MS. GOMEZ: Correct.

5 MS. SWANSON-RIVENBARK: -- you have to go
6 back out, unless you piggy back -- it gets a
7 little complicated, but you should expect to go
8 back out after your stipulated options are
9 exhausted.

10 MS. GOMEZ: Right.

11 MR. VERDEJA: All right. I'm sorry, you
12 asked me a question. So we said three years,
13 with --

14 MS. SWANSON-RIVENBARK: You know, I think
15 we need to follow the input from the Board as
16 to what's the appropriate term.

17 MS. GOMEZ: Yes, absolutely.

18 CHAIRMAN MENENDEZ: Yeah. I mean, I will
19 go with three years, with an option to renew
20 after three.

21 MR. VERDEJA: For what --

22 CHAIRMAN MENENDEZ: -- for three more
23 terms. I mean, I feel comfortable with six.
24 If they want to go nine, that's acceptable.
25 And you see that in the industry, that's okay

1 with me. I would definitely want to take a
2 look after nine.

3 MR. ALVAREZ: I mean, there is language in
4 here that you can cancel at any point.

5 CHAIRMAN MENENDEZ: At any point.

6 MR. HOLIAN: So if we say three, plus six,
7 for the sake of conversation, and we're in year
8 four, we could cancel, for any reason, at any
9 point?

10 MS. GOMEZ: Uh-huh.

11 MR. HOLIAN: So what's the down side? The
12 upside would be, we don't have to go through
13 the RFP process again.

14 MS. GOLDSTEIN: The upside is that they
15 won't have to go through this process again.

16 MR. HOLIAN: Yeah, that's the upside. I
17 got you.

18 MS. FLORES: However, if you don't put it
19 in there and then you do want to do it, you're
20 unable to. If you only put three, and you
21 actually want to do six, you can't. You have
22 to put it on there.

23 MR. HOLIAN: Is there a down side to doing
24 three and six?

25 CHAIRMAN MENENDEZ: To be conservative, we

1 do three and six.

2 MR. HOLIAN: I'll go for three and six.

3 MS. SWANSON-RIVENBARK: I'm sorry, just so
4 that I understand, are you saying three years
5 plus an additional six years or those
6 increments of options that you can continue to
7 elect to extend --

8 CHAIRMAN MENENDEZ: Three years, with two
9 optional three-year periods after.

10 MS. GOMEZ: Or do you want to do one
11 year after --

12 MR. HOLIAN: Six ones.

13 MS. GOMEZ: Yes, six ones.

14 CHAIRMAN MENENDEZ: Okay. Six ones.

15 MR. HOLIAN: Is that all right?

16 MR. VERDEJA: Let me put that down, three
17 years and six ones.

18 MR. HOLIAN: Right. Brilliant math at the
19 Budget Board, three years and six ones. Let's
20 see, that's nine.

21 MS. GOLDSTEIN: I'm happy to assist,
22 although I've been out of the industry for a
23 while, but I am out of town most of the time,
24 but I'm available by phone.

25 MS. SWANSON-RIVENBARK: Are you in?

1 MR. KLEIMAN: Yes.

2 CHAIRMAN MENENDEZ: That works. We have
3 two people. We have Keith and we have Cheryl.

4 Okay. Great. Most of the communication
5 I'm sure will be online for you.

6 Okay. Any other matters with the RFP that
7 we need to look at?

8 MR. ALVAREZ: I think what we'll do is, you
9 know, this is the whole thing. I think it's 90
10 pages long. It's double-sided.

11 So there are things in here that we're
12 still working on, because we wrote things a
13 certain way and used certain language, and
14 maybe somewhere in here the RFP uses a
15 different word for the same thing, so we're
16 trying to work together to simplify those
17 things and kind of make it, you know, exact.

18 MR. VERDEJA: Right. Just to give you an
19 idea, I want to make sure that if we say the
20 word, departments, it's departments throughout,
21 not in one place it's section and in another
22 place it's area and in another place it's -- I
23 mean, it's department, and everybody thinks,
24 okay, the Police Department, the Parking
25 Department, this other department. It's

1 department.

2 Because if not, it's like -- like I was
3 looking at it yesterday, and, you know, it
4 said, "In certain sections," and it's like,
5 "Okay, do sections mean department?" And I
6 just want to make sure that that's, you know,
7 fluid throughout the whole document.

8 MR. HOLIAN: We do have a target date for
9 when we want to try to get this out?

10 MR. KLEIMAN: I'm sorry?

11 MS. GOMEZ: Target date that we want to
12 finish this.

13 MR. KLEIMAN: Yeah. I mean, honestly --
14 actually, before August, and the theory is, we
15 would need it before July. Sometime in June we
16 have to have some idea of how much it's going
17 to cost us, so we can budget correctly for it.

18 (Simultaneous speaking.)

19 MR. VERDEJA: We need to mail it or give
20 them the opportunity, and you need to give to
21 them probably close to a month to respond.
22 It's a heavy-duty RFP.

23 MR. HOLIAN: So May. So that means it
24 needs to be in hands at a minimum by May.

25 MS. GOMEZ: But then you have to evaluate

1 it, which that takes two or three weeks, and
2 then go to Commission. So we're not going to
3 have it June.

4 MR. KLEIMAN: Okay. We're not going to
5 have it. So, honestly, as long as we have in
6 July and August, so we're ready for -- the
7 Budget hearing is in September, because we make
8 changes to the budget.

9 MR. VERDEJA: Okay. Do you think it would
10 be likely, let's say, that we shoot for April
11 30th, a rough draft, with hoping for a final
12 draft by May 31st?

13 MR. KLEIMAN: Uh-huh.

14 MR. VERDEJA: Does that work?

15 MS. GOLDSTEIN: Can't it be quicker?

16 CHAIRMAN MENENDEZ: I think it can be.
17 It's a matter of, you know, everybody approving
18 it.

19 MR. HOLIAN: Well, these guys are going to
20 be important --

21 MS. SWANSON-RIVENBARK: With respect, if
22 you have a subcommittee is, the Board
23 comfortable in authorizing the subcommittee to
24 finalize and issue the RFP or does it need to
25 come back to you?

1 Actually, in the reality of things, I have
2 asked the Board to sit as decision-makers in
3 this process, but I would not have to go back
4 to anybody to issue it. So if the Board is
5 comfortable with their two subcommittee members
6 and if they're comfortable giving them the
7 authorization to finalize the document and
8 distribute, you save time right there.

9 CHAIRMAN MENENDEZ: Yeah. That was my
10 point in the subcommittee. I thought that was
11 the point, we authorize Cheryl to make a
12 decision on our behalf and get it done it
13 quickly.

14 MR. HOLIAN: Fine by me.

15 CHAIRMAN MENENDEZ: So I think we're okay
16 with that.

17 MR. VERDEJA: All right.

18 MS. SWANSON-RIVENBARK: So you just cut off
19 a lot of time right there.

20 I don't think it's quite ready for you yet,
21 but when it is ready, then we need to send it
22 to her in a Word document, so she can track
23 changes, so that she can see what the wording
24 is, but also put comments into the changes
25 that, you know, she believes are appropriate,

1 because that will just facilitate it more.

2 MR. VERDEJA: Okay. So as far as of now,
3 if we decide to put this having dollar amounts
4 and employees, Keith will give us that
5 information?

6 MS. SWANSON-RIVENBARK: He's the budget
7 man. He knows all of that.

8 MR. VERDEJA: Yeah. I think, Cheryl, so
9 that you don't read and then we edit and
10 re-edit and re-edit, after we kind of have an
11 almost finished product, we pass it on to you
12 and that way you only get one shot or two shots
13 at it, versus, you know, crossing out things
14 that we've already changed along the way.

15 So I think, you know, we'll deal with Keith
16 mostly for some of the data here, and then
17 Cheryl will get --

18 MS. GOLDSTEIN: And I'll review it, and
19 I'll work with Keith on things that maybe there
20 should be more detail on.

21 MR. KLEIMAN: Right.

22 MR. VERDEJA: Right.

23 MS. SWANSON-RIVENBARK: And just because
24 it's our job to say this, because you're acting
25 on behalf of the entire Board, you are

1 Sunshined. So any of your comments, any of
2 your e-mails and all, are subject to public --
3 are part of the public record. The same for
4 him.

5 You know, you have appointed a subcommittee
6 to act on your behalf and that makes it
7 Sunshined.

8 CHAIRMAN MENENDEZ: So if there's no other
9 questions or comments, I think we can close the
10 meeting.

11 MR. VERDEJA: Just to be sure I got that,
12 if we send an e-mail to management, is that
13 Sunshined also?

14 MS. SWANSON-RIVENBARK: Uh-huh. Well, you
15 know, we're Sunshining this whole process.

16 MR. VERDEJA: Okay.

17 MS. SWANSON-RIVENBARK: And then we don't
18 have to worry about not having --

19 MR. VERDEJA: Just out of curiosity.

20 MS. SWANSON-RIVENBARK: He's your
21 subcommittee member, so he has to become
22 Sunshined.

23 MR. VERDEJA: Okay. Perfect.

24 All right. Well, thank you very much. Our
25 next step will be to get in contact with Keith,

1 I guess, and get something together, as best as
2 we can.

3 MR. KLEIMAN: Okay. Very good.

4 MR. VERDEJA: Thank you.

5 MS. GOLDSTEIN: Are we adjourned?

6 MS. GOMEZ: You're adjourned.

7 (Thereupon, the meeting was concluded at
8 10:00 a.m.)

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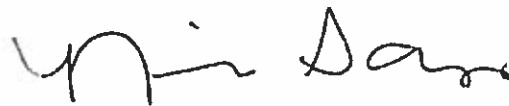
STATE OF FLORIDA:

SS.

COUNTY OF MIAMI-DADE:

I, NIEVES SANCHEZ, Court Reporter, and a Notary Public for the State of Florida at Large, 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 12th day of April, 2016.

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NIEVES SANCHEZ