

CITY OF CORAL GABLES
BUDGET/AUDIT ADVISORY BOARD
Minutes of February 12, 2009
Office of the City Manager
405 Biltmore Way, Coral Gables, Florida

Budget Audit Advisory Board Meeting Minutes

MEMBERS:	M	A	M	J	J	A	S	O	N	D	J	F#	F	APPOINTED BY:
Jorge Villacampa	-	-	P	-	-	E	P	-	-	E	A	P	P	Mayor Donald D. Slesnick, II
Roland Sanchez	-	-	P	-	-	P	P	-	-	P	P	A	P	Vice Mayor William H. Kerdyk, Jr.
Alfredo Balsera	-	-	E	-	-	E	P	-	-	E	P	A	A	Comm. Rafael "Ralph" Cabrera, Jr.
John Lindsey	-	-	E**	-	-	P	E	-	-	P	P	P	P	Comm. Wayne "Chip" Withers
Ofelia Fernandez	-	-	P	-	-	P	P	-	-	P	P	P	P	Comm. Maria Anderson

(Dash indicates either no meeting or board member not yet serving)

Staff:

Dona M. Lubin, Assistant City Manager
Adolfo Sansores, Assistant Finance Director
Catherine Swanson-Rivenbark, Development Director
Lori St. John, Chief Compliance Officer, Internal Audit Department
Carolina McElroy, Internal Auditor

* = Special Meeting
^ = New Member
** = Present via Telephone
= Special Meeting

Recording Secretary: Nancy C. Morgan, Coral Gables Services, Inc.

PROCEEDINGS:

The meeting was called to order at 8:10 a.m. by Chair John Lindsey.

APPROVAL OF DECEMBER 11, 2008 MEETING MINUTES:

Ms. Fernandez made a motion to approve the December 11, 2008 meeting minutes as written. Mr. Villacampa seconded the motion, which passed unanimously.

PRESENTATION OF RUMI LEASE (formerly Karma) and DRAFT OF CG COUNTRY CLUB LEASE:

Ms. Rivenbark reviewed lease provisions and circumstances regarding the current tenant at 2325 Galiano Street (Karma). She explained that both the current tenant and the City have an interest in ending the relationship. It was suggested that the City use the economic terms of Karma's option to enter into an agreement with a new tenant.

The lease with new tenant, Rumi Mediterranean Corp, d/b/a Rumi Mediterranean Kitchen & Bar, is a new form preferred by the City Attorney and the Property Advisory Board. Ms. Rivenbark reviewed economic terms and conditions, and advised that a concept was added to allow the City to enforce specific protections if necessary. The new tenant agreed to the terms and conditions. The lease was reviewed by the Economic Development Board and will be reviewed by the Property Advisory Board prior to being presented to the City Commission. The lease includes a 7-year plus 3-year option, which equals the 10-year option held by the prior tenant and allows the prior tenant to sell its interest in the lease even though the lease is re-issued.

During discussion, Ms. Rivenbark described the new tenant as a family-owned/family-priced restaurant business well established in Fort Lauderdale and Ohio. Coral Gables will be their first Miami-Dade County location.

Regarding Board action, Ms. Rivenbark advised that if the Procurement Code were not waived, the Board would need to answer its specific questions, which she reviewed. The questions were waived.

Mr. Villacampa made a motion to approve the lease as presented. Ms. Fernandez seconded the motion,

which passed unanimously.

Regarding the Country Club of Coral Gables, Ms. Rivenbark reviewed information about the former tenant, the subsequent Request for Proposal (RFP) that was issued, and the review of the one received proposal by the 7-member, inter-disciplinary Evaluation Committee. After review of the proposal, the Committee created several conditions, including a desire to make the facility open to the public. The Commission agreed to this and other conditions created by the Committee, and staff drafted a lease agreement that was submitted to the proposer, Liberty Events, LLC.

Ms. Rivenbark reviewed Liberty Events' background, reputation and excellent recommendations. The Commission requested ongoing oversight to avoid any future negative issues, and a consultant will regularly review the banqueting, restaurant and other components to alert the City of any issues. Oversight is built into the lease.

Ms. Rivenbark reviewed facility uses and quality of operations, regulatory issues and the changed business model (a hybrid, private component for fitness and swimming pool, City residents receiving discounts, past Club memberships honored with discounts, local group meeting discounts and other public provisions). The lease is a 10-year plus two ten-year options and does not include Burger Bob's.

Prior to the start of the lease, the City is responsible for specific improvements, including roof, swimming pool, drain and underground fueling tank repairs and eradication of termites. Through the capital improvement process, funding was set aside to pay for repairs. The property will be delivered to the tenant in excellent working order, consistent with new codes.

Provisions regarding rents, increases, real estate taxes, terms, conditions, maintenance, current repairs and costs and the lessee's responsibilities for future repairs were described and discussed. Ms. Rivenbark cited other properties examined during research for comparisons. Ms. Lubin said it may be possible for the Country Club to qualify for a State of Florida historic grant. Rent begins in December 2009; however, a late September opening is anticipated.

Other discussed issues included membership sales for health and fitness, discount programs that for specific groups of people (including former club members), and amenities available to the public.

Mr. Villacampa made a motion to approve the lease as presented. Ms. Fernandez seconded the motion, which passed unanimously.

UPDATE OF CITY'S RETIREMENT SYSTEM:

Calling attention to a report on the City's retirement system (dated January 22, 2009), Mr. Sansores reviewed retirement investments since June 30, 2008, at which time the total value of assets under management were \$250,216,149. The value as of January 13, 2009 was \$188,634,830, a 25% decrease due to market volatility and economic conditions. He reported current value as approximately \$184 million.

Mr. Lindsey asked if the City was obligated to cover losses and, if so, the schedule for re-funding. Mr. Sansores replied that actuarial issues exist due to assumptions. The actuarial report is prepared annually, and last year the City's obligation was \$21 million; however, \$24 million was budgeted. Even with an anticipated increase, funds will be available to cover the increase. He explained how increases are anticipated and paid over time, similar to the way a mortgage is paid. As the value fluctuates, the amount of the City's obligation fluctuates. The 2009 actuarial report will be issued in May. The retirement system receives money on a quarterly basis, beginning with October.

Mr. Sansores discussed provisions of the defined benefits plan related to general employees and how they qualify to receive benefits. He clarified asset allocations, how they are determined and monitored by the investment committee and consultant, and compared the plan to others throughout the country.

During discussion, Ms. Lubin said she would notify the Board about a workshop being planned regarding the retirement system with investment managers and City staff.

PRESENTATION OF CITY REVENUE REPORT FOR THREE MONTHS ENDED DECEMBER 31, 2008:

Mr. Sansores reviewed the distributed revenue report for the last quarter of 2008, the first three months of the City's fiscal year. Compared to other municipalities, Mr. Sansores indicated the City was "in very good shape." He explained the City's use of cash basis accounting rather than accrual at this time of year, and explained how data grows throughout the year, depending on payments in specific categories.

Ms. Fernandez requested figures for the first quarter of previous years as comparisons, which will be provided. Mr. Lindsey asked if concerns existed about shortfalls in property tax collections. Mr. Sansores responded that if taxes were not paid by April or May, the City sells them. He also discussed timing issues related to revenue collections.

REVIEW OF UNDERCOVER QUARTERLY BANK RECONCILIATIONS:

Ms. St. John reported that a review of bank reconciliations for the quarter ending December 31, 2008 pertaining to police undercover operations revealed that proper bank reconciliations were performed on a timely basis by appropriate staff members and bore required approval signatures.

REVISED AUDIT PLAN:

Ms. St. John presented and reviewed a revised audit plan. She explained that an overview of Finance Department operations was performed, showing that burdened accounting staff, additionally attending to external auditors' needs, had little time to review grant coordination activities. The external auditors' financial statement included comments regarding grant management. To address the comments, the senior auditor was assigned to the position of Grant Coordinator. As a result, only one auditor remains in the department. Ms. Lubin explained how grants were managed in the past, confirming the need for central oversight, and said that the position of Senior Auditor was under consideration. Mr. Villacampa pointed out benefits of additional auditing staff, stating that information improved substantially with two full time auditors. Three items in the revised audit plan are for Police accreditation purposes.

Contract management implementation is excellent with Eden automation. A training session will be held March 2 for all directors and those overseeing contracts.

During a discussion about oversight of City credit card usage, the importance of the perception of transparency was cited. Ms. St. John and Ms. Lubin explained current oversight and personnel policy regarding card use (signed by employees who have P-cards). Ms. Lubin will include a review of the policy on the next meeting agenda.

FOLLOW UP ON STRIKE FORCE:

As follow up to the Board's request for Internal Audit's responsibilities regarding the South Florida Strike Force, Ms. St. John reported her meeting with Major Ginn and David Paulus, the Director of the South Florida Money Laundering Strike Force. The City is a member and fiduciary for the Strike Force and, as such, reports to Mr. Paulus and a committee. Mr. Paulus wanted assurance that the City was comfortable with handling its responsibilities, and asked Internal Audit to review the findings of outside, independent auditors employed by the Strike Force, and to offer limited comments (not an opinion or confirmation of the audit) to ensure transparency. Mr. Villacampa reviewed background that initiated the audit, and said a summary of receipts and expenditures was needed along with a certification from the Chief stating that funds were properly used.

COMMUNICATIONS SERVICES TAX AUDIT:

Ms. McElroy stated the purpose of the audit to examine and evaluate the system of internal controls for adequacy and effectiveness pertaining to the timely update of the address database for the City, and the recording of Communications Services Tax (CST) revenues. The objective was to determine if corrective action was taken regarding audit reports dated March and April 2003, and if corrective action was continuous to ensure that past weaknesses were not repeated. The audit period was from October 1, 2007 to September 30, 2008.

Ms. McElroy reviewed procedures performed, affected departments, documents reviewed, and the background of the CST and those to whom it applied.

Findings and Recommendations:

- In Finance, Building and Zoning and IT departments, a need was found to develop a business process to update the City's address database, and to ensure the Florida Department of Revenue (FDOR) address database is reasonably accurate and complete. Recommendation: The City Manager should work with directors whose staff interfaces with data necessary to maintain an updated address database, and establish a business process related to the City's internal address database and how it is periodically updated. As of the report date, IT began summarizing the business process, and will work with the Finance Director and other directors whose staff has responsibility to enter and maintain address data in the database system. The Eden address table will be the authoritative repository of City site addresses.
- At least once a year, local taxing jurisdictions are required to update their address database maintained by FDOR. In 2004, the Finance Department sent to FDOR a list of addresses in the Kings Bay area to be included in the State database. Of a total 149 addresses, the auditor found three not included in the State database. Recommendation: Finance should re-send the three addresses to FDOR along with competent evidence identified in FDOR regulations, with a deadline for submission of March 3, 2009.
- During the 2003 CST audit, FDOR submitted to the City a list of 1,011 addresses with errors, ranging from either the absence of a street name to an address not being included in the proper jurisdiction. The list of exceptions was to be researched, corrected and updated in the State database. Recommendation: Finance, with the assistance of IT, should research the 1,011 addresses and make necessary changes to ensure that all addresses within City boundaries are properly reflected in the State database. Finance should submit their request with competent evidence as described by FDOR.
- During the 2003 CST audit, 79 addresses were noted as exceptions when testing the State database for accuracy. All 79 addresses were included in the FDOR database except two in Deering Bay. Recommendation: Finance should forward address changes to FDOR with competent evidence to ensure a more accurate and complete recording of City addresses in the State database.
- During the 2003 audit, 13 high-rises were noted as exceptions when testing the State database. Five of the high-rises were physically located within the City. Street ranges where the high-rises are physically located are within City boundaries in the State database, but are included in other jurisdictions. Recommendation: Finance, with the assistance of IT, should research all high-rises in the City to determine if they are included within the City's boundaries in the State database. Special attention should be given to the sample of high-rises listed in this audit's exhibit.

Ms. McElroy concluded that the City is required to provide FDOR with address changes so the State can update its database. The City Manager should work with all relevant directors to develop a business process to facilitate maintaining and updating the City's address database and to ensure timely update and accuracy of reporting to FDOR. The Internal Audit Department acknowledged invaluable services provided by IT in assisting with the audit. Ms. St. John reported that coordination of the activity is in process.

OVERTIME ANALYSIS/FIRST QUARTER 2008/2009:

Overall Citywide overtime shows a favorable variance (decrease) of \$103,790, compared to the same period for FY 2007/2008. Departments that decreased overtime included the City Manager, Human Resources, Building and Zoning, Fire, Parks and Recreation, Development and Parking for a total of \$204,231. Departments with slightly increased overtime included Public Works, IT and Public Service for a total of \$100,441. This resulted in a net Citywide overtime decrease of \$103,790. Ms. St. John reviewed analysis observations and reasons for overtime that resulted in increases and decreases.

Mr. Lindsey suggested recommending that the City Commission consider a freeze on overtime during current economic conditions unless there is an emergency directly related to public safety. Mr. Villacampa observed that the Police and Fire chiefs had done a good job in reducing overtime, and recommended continuing quarterly monitoring.

Ms. Lubin described serious steps taken by the City Manager's office, the meeting with City directors about overtime and expressed concern about the number of IT full-time positions. She said City administration is examining all expenditures, and is also limiting travel to accreditation purposes only. Board members suggested inviting the IT

Director, Police and Fire chiefs to upcoming meetings.

STATUS OF RECOMMENDATIONS:

The Board reviewed the status of audit recommendations. Ms. McElroy cited only one concern regarding the heavy automotive equipment purchases audit presented in May 2008. Ms. Lubin will speak with the appropriate person in the Finance Department and update the Board.

STATUS OF CITY MANAGER POSITION:

Ms. Lubin reported four current candidates for the position, and will forward the list of candidates to Board members.

Next Meeting: March 12, 2009, 8:00 a.m.

ADJOURNMENT:

The meeting adjourned at 10:00 a.m.

Respectfully submitted,

Maria Alberro-Jimenez
Interim City Manager