

MINUTES

SPECIAL MEETING - COMMUNITY REDEVELOPMENT AGENCY BOARD (CRA)

October 7, 2009

Minutes of the Special Meeting of the Community Redevelopment Agency Board of The City of Daytona Beach, Florida, held on Wednesday, October 7, 2009, at 4:00 p.m., in the Commission Chambers, City Hall, 301 South Ridgewood Avenue, Daytona Beach, Florida.

1. Roll Call.

Commissioner Cassandra Reynolds	Present
Commissioner Richard Shiver	Not Present
Commissioner Pamela Woods	Present
Commissioner Shiela McKay-Vaughan	Present
Commissioner Robert Gilliland	Present
Commissioner Derrick Henry	Present
Mayor Glenn Ritchey	Present

Also Present:

James V. Chisholm, City Manager
Marie Hartman, City Attorney
Jennifer L. Thomas, City Clerk

2. Commissioner McKay-Vaughan led the invocation.
3. Commissioner Reynolds led the Pledge of Allegiance to the Flag.

It was moved by Commissioner Woods to excuse Commissioner Shiver from the 10-07-09 Community Redevelopment Agency (CRA) Meeting. Seconded by Commissioner Henry. The motion passed 6-to-0 with the breakdown as follows:

Commissioner Reynolds	Yea
Commissioner Shiver	Not Present
Commissioner Woods	Yea
Commissioner McKay-Vaughan	Yea
Commissioner Gilliland	Yea
Commissioner Henry	Yea
Mayor Ritchey	Yea

- 4. Approval of Minutes of the September 9, 2009 Regular Community Redevelopment Agency Board Meeting, as individually read.

It was moved by Commissioner Gilliland to approve the September 9, 2009 Regular Community Redevelopment Agency Board Meeting Minutes. Seconded by Commissioner Woods. The motion passed 6-to-0 with the breakdown as follows:

Commissioner Reynolds	Yea
Commissioner Shiver	Excused
Commissioner Woods	Yea
Commissioner McKay-Vaughan	Yea
Commissioner Gilliland	Yea
Commissioner Henry	Yea
Mayor Ritchey	Yea

- 5. AGENDA APPROVAL

James V. Chisholm, City Manager read the Agenda changes:

No Changes.

It was moved by Commissioner Woods to approve the Agenda. Seconded by Commissioner Gilliland. The motion passed 6-to-0 with the breakdown as follows:

Commissioner Reynolds	Yea
Commissioner Shiver	Excused
Commissioner Woods	Yea
Commissioner McKay-Vaughan	Yea
Commissioner Gilliland	Yea
Commissioner Henry	Yea
Mayor Ritchey	Yea

- 6. PUBLIC COMMENTS BY PEOPLE ADDRESSING THE COMMUNITY REDEVELOPMENT AGENCY BOARD

No speakers.

7. ADMINISTRATIVE ITEMS

- A. Adopted/CRA Resolution No. 09-13 approving an amendment to the Main Street Redevelopment Area Plan to clarify the goals and objectives of the CRA to rehabilitate and preserve the Daytona Beach Pier. City Clerk Thomas read the Resolution by Title only. A RESOLUTION APPROVING AMENDMENTS TO THE REDEVELOPMENT PLAN FOR THE MAIN STREET REDEVELOPMENT AREA TO CLARIFY GOALS AND OBJECTIVES FOR RESTORATION AND PRESERVATION OF THE DAYTONA BEACH PIER, MAIN STREET ARCH, BANDSHELL, AND CLOCKTOWER; AND PROVIDING AN EFFECTIVE DATE.

Reed Berger, Redevelopment Director reported the City tried to clarify some of its historic publicly owned property to make sure that it was clear in the plan that the City wants to preserve the land. The Pier was not mentioned by word in the plan even though it was placed in the legal description it is there even though it's not mentioned anywhere in the plan. It was important before going any further to clarify that matter. What you have before you is a pretty simple amendment and if you would make a recommendation as the CRA to move this forward to the Commission. There are two meetings scheduled and the second one on October 21st will be the public hearing where hopefully this plan can be put into place if the CRA approves it.

Mayor Ritchey asked the CRA if they had any questions.

Commissioner Woods stated she was just glad to see that it was in there and she did think that the more specific the City could be in the Plan the better it would be for the CRA. She asked Mr. Berger if they had notified the taxing authority and what did they have to do with the plan, did they give input back to the board or was it just notification on their part.

Mr. Berger stated yes it was notification, and if they wanted to they could appear at the public hearing.

Commissioner McKay-Vaughan stated she understood they put this in the plan, but she was still a little concerned that there was not enough description of any of the plans of what was going to be done. Just because we mentioned the Pier in the plan in her opinion does not cover everything. She did feel that where it was to preserve and rehab the historic Pier, and to encourage preservation and rehab of this historic pier, that's a good thing and greater utilization. All of those are good things however; you still need to spell out how we are going to do it because that was what the State wants. It may not be relevant at this particular time, but when it comes down to the next issue you would be using this for justification for paying a man for a lease where she could not see it having any relevance at all. She could see if there was enough detail in the plan, she understood that would be the next issue, her point was just because you mentioned something she did not believe enough information was put into the plan to make it really valuable. This was just her opinion on that and she wished in the future more attention would be paid to that issue. She had more comments to make concerning the Audit.

Mayor Ritchey asked if there were any further comments or questions, hearing none he called for the vote.

It was moved by Commissioner Gilliland to adopt the Resolution. Seconded by Commissioner Woods. The Resolution was adopted 5-to-1 with the breakdown as follows:

Commissioner Reynolds	Yea
Commissioner Shiver	Excused
Commissioner Woods	Yea
Commissioner McKay-Vaughan	Nay
Commissioner Gilliland	Yea
Commissioner Henry	Yea
Mayor Ritchey	Yea

- B. Adopted/CRA Resolution No. 09-14 approving an Agreement for Termination of Lease and Related Agreements and for Sale and Purchase of Business Assets for the Daytona Beach Pier; and approving the expenditure of funds. The Community Redevelopment Agency (CRA) by motion at their September 9, 2009, CRA meeting approved the purchase price for \$1.3 million plus closing costs to terminate the lease. Carlsberg Management Company and Diland Corporation, the Pier tenant, have agreed to the price and to terminate the lease, related agreements, and sell and purchase certain business assets so that the City can obtain exclusive control over the property and operations. City Clerk Thomas read the Resolution by title only. A RESOLUTION APPROVING TERMINATION OF THE MAIN STREET PIER AND OCEAN PARK DEVELOPMENT AGREEMENT, PIER LEASE AGREEMENT, OCEAN PARK MAINTENANCE AGREEMENT, AND RELATED AGREEMENTS OR PORTIONS THEREOF WITH CARLSBERG MANAGEMENT COMPANY, DILAND CORPORATION, AND THE CITY OF DAYTONA BEACH; APPROVING AN AGREEMENT FOR TERMINATION OF LEASE AND RELATED AGREEMENTS AND FOR SALE AND PURCHASE OF BUSINESS ASSETS WITH CARLSBERG MANAGEMENT COMPANY, M AND W PIER, INC., DILAND CORPORATION, AND THE CITY OF DAYTONA BEACH; AUTHORIZING THE CHAIR AND CITY CLERK TO EXECUTE THE AGREEMENT; DIRECTING THE EXPENDITURE OF UP TO \$1,300,000 IN TAX INCREMENT FUNDS FROM THE MAIN STREET REDEVELOPMENT AREA TRUST FUND FOR THE TERMINATION OF INTERESTS AND PURCHASE APPROVED HEREIN, PLUS UP TO \$50,000 FOR CLOSING COSTS; AND PROVIDING AN EFFECTIVE DATE.

Commissioner Woods stated she had asked for an estimate showing the breakdown of the closing costs, which she did not have. Secondly, the motion originally was to pay for closing cost and it did not include Diland's attorney's fees, which she believed should be taken out. She believes the Commission was entitled to see the estimate showing the breakdown of the closing cost before voting on it. She did not feel that the City should pay for their attorney's fees also she did not feel it was the CRA's obligation to pay for that. The CRA said it would give them \$1.3 million for the real-estate and whatever closing cost was related to the lease this is all the Commission is obligated to pay.

Commissioner Gilliland stated he half agreed with Commissioner Woods' comments. He did not feel it was unreasonable to include the attorney's fees because they are related to the closing itself. You are preparing closing statements and documents, etc.; certainly you expect to have a closing statement when this item comes before the Commission in order to have a detailed itemization of what all the costs were that would be incurred. Obviously there are going to be document stamps, title insurance and other miscellaneous fees that are included with this transaction. He was fine with the way that they put the cap into it the way that they did. He proposed that the language be amended to say, "Attorney's fees related to closing as opposed to just saying attorney's fees."

Commissioner Henry asked the City Attorney should there be any fees related to closing.

Marie Hartman, City Attorney replied there would be some fees she wasn't sure exactly where someone would draw the line between closing fees related specifically to the closing cost or those leading up to the closing. She said the City might want to put in there, the time of attorney fees incurred after this date.

Commissioner Henry stated he really didn't think that the City should pay the closing fees as they related to their attorney so any legal closing fees they have that are associated with closing cost, he did not feel the City should be obligated to pay. This was just his opinion.

Mayor Ritchey asked Commissioner Henry, was he to understand what he was saying; was to pay the \$1.3 million, and let everyone pay their own attorney's fees.

Ms. Hartman stated the agreement currently states specifically what is listed on page 8 of the agreement or page 23 of your agenda packet. It states the City should pay at closing Diland's attorney's fees, recording fees, and transfer fees for any instruments. At this point those are believed to be somewhere around \$200, she wasn't certain if the document stamps would be due on this particular transaction.

Commissioner Henry asked Marie Hartman if she was saying the attorney's fee would be somewhere around \$200.

Ms. Hartman corrected him by saying no, she said the second item which were the recording fees and transfer taxes at this point, would be the recording fees would be somewhere around \$200. There won't be any transfers or document stamps at this point.

Commissioner Woods asked Marie Hartman if she saying \$200 for recording fees, and this request was \$50,000. If so this is a very huge amount to pay in fees.

Commissioner Gilliland stated the Title Insurance was going to be thousands of dollars alone.

Ms. Hartman stated to Commissioner Gilliland that the Title Insurance was not included under this amount of the closing cost.

Commissioner Woods asked the CRA to take a look on page 23, it only listed fees that the City should pay, which was only three items. The pro-rated portion of any prepaid flood insurance policies, which obtaining an estimate later should be no problem. She was asking to have Dilands' attorneys fees taken out because the way it currently reads was saying; all of their attorney's fees.

James V. Chisholm, City Manager stated if the CRA had to pay the document stamps it would cost somewhere around \$9,000 to \$10,000. There are more fees associated with the closing cost than the \$200 recording fees. That determination was just made as recently as this afternoon.

Mayor Ritchey stated he would be hard pressed to understand why the City was paying for document stamps in the first place since the City already owns the property.

Ms. Hartman responded when you get into tax law they want to check things out very carefully.

Commissioner McKay-Vaughan asked Ms. Hartman what was her estimate and where does the City stand.

Ms. Hartman responded right now just the \$200 for the recording fees and then the attorney's fees, which at this time were unspecified.

Commissioner McKay-Vaughan stated what about the Title Insurance.

Ms. Hartman stated Title Insurance would be at the option of the City to purchase which could cost somewhere around \$6,000, but it was not listed in the agreement as part of the closing cost.

Commissioner McKay-Vaughan responded that brings her to another point and that was the City does not have a list of all the fees. All the talk concerning \$1.3 million but it was far from \$1.3 million because there is a lot more involved such as the repairs afterwards, there has to be insurance purchased to insure the building, and the list goes on and on. She was very saddened that the CRA has not been able to get a list of all the fees involved with this purchase. She attended the meetings held by the City on this issue and the conversations had gotten turned around so badly. The committee that Jim Chisholm put together to discuss this and they started talking about the value of the lease and that was what the City was paying for; now all of a sudden she felt the value of the lease had greatly decreased because at that time the committee was told it was a seven year lease and it isn't that at all. The lease is a little over 30 years therefore the value of the lease is much less maybe even half, now the CRA is talking about reimbursing him for fees that he's being paid. She has a hard time figuring out why someone who had property doesn't want to have it anymore. The City is talking about whether we should pay his attorney fees as if the City was guilty or had something to prove. She was very opposed to that and did not feel that the City needed to go there at all. She believed that Diland got a lesser rent because he was being required to do the repairs, which was part of the agreement. If he hadn't been doing the repairs she would

have assumed the City would have charged him much higher rent. She was not in favor of paying the attorneys' fees and she was not in favor of the \$1.3 million either at least not at this point. She wanted to discuss the possibility if that went through that the City did not pay it in one lump sum. She felt the \$1.3 million should be looked at again because it was way too high. She suggested paying him \$250,000 the first year and a certain percentage of the profits because there was going to be a discussion when it came time to putting this item into the budget. She stated that the seller had the right to sublet the lease himself which had not been discussed and there were also other options that they could at least talk about. She asked the Commission were they at the point where they do not talk about any of these issues, just go ahead in the manner they are prescribed when they come before the CRA.

Mayor Ritchey replied yes he was ready to go ahead with this issue.

Commissioner Gilliland also stated he was ready to move ahead.

Commissioner Henry stated so was he, and that Commissioner McKay-Vaughan was the exception.

Mayor Ritchey stated the action taken on today was to approve this amendment, it still had to come back before the Commission, during that time there will be an actual breakdown of the fees. He agreed with the Commissioner that the CRA agreed on \$1.3 million and that there would be some kind of closing cost due to be paid from the City at the end however; he was not prone to paying their attorneys fees either. By that he meant \$1.3 million and whatever the City's cost for the closing cost. He stated a breakdown would be coming forth to the City Commission and he wanted to know if it was on the Agenda, if not when was it going to be.

Mayor Ritchey told Mr. Berger to have the breakdown of the fees when this comes before the City Commission, because he was for paying all of the City's fees, but not for paying the attorney's fees, only the \$1.3 million as agreed.

Commissioner Woods asked if they could make a motion to have the attorney's fees removed.

Mayor Ritchey replied yes.

Ms. Hartman replied that the amendment itself needed to be amended, in order to remove the attorney's fees that would be the motion.

Commissioner Gilliland stated he wanted to amend his motion to remove from the Resolution the wording "including Diland's attorney's fees" in the last sentence, and in the agreement on page eight to remove Item (1) Diland's attorney's fees.

Mayor Ritchey stated the cap can stay, because the cap means nothing as long as there is a breakdown of the City's portion agreed upon of the closing cost.

Mayor Ritchey called for the vote by the Commission to Commissioner Gilliland's amended motion.

It was moved by Commissioner Gilliland to adopt the Resolution as amended. Seconded by Commissioner Reynolds. The Resolution was adopted 4-to-2 with the breakdown as follows:

Commissioner Reynolds	Yea
Commissioner Shiver	Excused
Commissioner Woods	Nay
Commissioner McKay-Vaughan	Nay
Commissioner Gilliland	Yea
Commissioner Henry	Yea
Mayor Ritchey	Yea

John Nicholson, 413 North Grandview Avenue, stated there were things that needed clarification. He asked if it was a 35 year lease with a guaranteed renewal of 35 years or if it was for 35 with a possibility of an additional 35 years.

Marie Hartman, City Attorney, stated it was a 35 year lease with an additional 35 years. This was for the submerged land.

Mr. Nicholson stated the pier group never got the lease so they never saw it in print. There was a comment on that supposed lease with the State that they were not to charge for the pier and he believed they were charged a fee to fish. That would determine whether it would be profitable or not.

Mayor Ritchey stated the question was about general admission and not for fishing. They could charge for fishing but not for general admission.

Mr. Nicholson stated there was a comment about the City hiring a second lawyer instead of having City staff look into the pier. The appearance was that they were hiding.

Mayor Ritchey stated anything that came ultimately to the Commission came through Ms. Hartman and she would be able to answer that question. The issue of general admission was confusing to some people.

Commissioner Woods stated she had seen the lease and the submerged land lease but they had not received anything from the Department of Environmental Protection (DEP). It was the indemnification clause.

Ms. Hartman stated they added that provision after they learned that the letter might be coming.

Mayor Ritchey stated they would also clarify the 35 year lease and the option to renew. He didn't want them there for another 35 years or even 15 years.

- C. Adopted/CRA Resolution No. 09-15 directing the Redevelopment Director and the City Manager to send responses to the Preliminary and Tentative findings of the Community Redevelopment Area (CRA) Audit of the State Auditor General. City Clerk Thomas read the Resolution by title only. A RESOLUTION DIRECTING THE CITY MANAGER AND REDEVELOPMENT DIRECTOR TO SUBMIT TO THE STATE OF FLORIDA AUDITOR GENERAL A RESPONSE TO THE DRAFT FOLLOW-UP ON OPERATIONAL AUDIT REPORT DATED SEPTEMBER 1, 2009; AND PROVIDING AN EFFECTIVE DATE.

Paul McKitrick, Deputy City Manager/Administrative Services, asked Ms. Hartman to comment on some legal issues involved with the Community Redevelopment Agency (CRA) Audit and the response.

Marie Hartman, City Attorney, stated the Commission had a copy of the draft response to the CRA follow-up. Her office handled that section of the response and their analysis of Chapter 163 part 3 of the Redevelopment Act, was that it provided a broad grant of authority to the CRA to do "all things necessary and convenient as contemplated in the act and in the redevelopment plan to revitalize or rehabilitate the economically depressed or blighted area." The language in the statute that was repeated in more than one place was that "the municipality shall have all the powers necessary or convenient to carry out and actuate the purposes and provisions of this part." There were several listings throughout the statute of various powers that were very specific; however those listings were all non-exclusive listings of powers. The fact was that the statute authorized broad powers as they were necessary to effectuate the redevelopment and to carry out and implement the redevelopment plan. There was one section of the statute which described prohibited expenditures like spending redevelopment dollars on general government operating expenditures that were unrelated to the redevelopment plan. The staff's review of the expenditures was that they were not general government operating expenditures that were unrelated to the plan.

Mr. McKitrick reviewed the 22 comments and reiterated the situation with each.

Finding 1 – Use of CRA funds. He stated there were several issues there. The determination by the auditor was that they had partially corrected the finding. As he previously stated the City had reimbursed the CRA for over \$784,000 in expenses but the auditor continued to talk about promotional expenditures of approximately \$300,000 and electric bills for enhanced street lighting Downtown of approximately \$82,000. The City continued to argue that those were legitimate CRA expenses. There was some disagreement with the auditor regarding promotional event fees and costs and street lighting and an issue with the payment from the CRA to the Daytona Beach International Festival.

Commissioner Woods stated she was surprised about the \$250,000 because she thought they were coming out of the general fund. She asked where it was on record that it was approved.

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James Chisholm, City Manager, stated he thought it was initially approved to take it out of the general fund and for some reason when they went through the budget it was put into the CRA funds and it should not have been. And that was what the City was saying.

Commissioner Woods asked where in the budget she would find it.

Mr. Chisholm stated probably in promotions.

Mayor Ritchey stated it would have been in more than one account like the Peabody area and the Beach Street area. That aside, it was never approved to come out of CRA funds.

Commissioner Woods stated that was why she thought it was important that they were clear when they voted on things. She asked how other CRAs actually put promotional money in their plans.

Ms. Hartman stated one thing to remember was that no one else had been audited so this was the only plan that had been looked at and reported to be not good enough.

Mayor Ritchey stated it was important for everyone to keep in mind that the audit was requested by the City. It wasn't that a violation had been spotted and the auditors came into check it out. Because of concerns he heard he asked them to come in and give the City a base. When they had the review he asked the auditor for peer comparisons and he was told they had never audited another CRA. He thought that was amazing.

Commissioner Woods stated if there was a way to make it tighter or a way to do it she would like them to find that out.

Mr. McKitrick stated Reed Berger prepared the response on page three, the bottom paragraph that talked about how the auditor hadn't really brought that up as an issue in 2007. The auditor's comment was that promotional event costs were only eligible when they were related to a specific redevelopment project within the CRA area. He believed there was no statutory language that required it be capital project related only. He believed they had much more flexibility.

Ms. Hartman agreed.

Commissioner Woods asked about the police renovation that the auditor said was a general operating expenditure. She asked if it had been defined further would the auditor have had less of an issue.

Mr. McKitrick stated it was his recollection that most of their issues had to do with the way the time cards were done and the way they recorded the enhanced services. There was no argument that crime had gone down in the CRA at a greater rate than throughout the rest of the City. So obviously there was some positive result to the enhanced police services. He thought it was more of an issue on the way they had been processing time cards and handling special operations.

Reed Berger, Redevelopment Director, stated he would add that the Police Department had done a great job. The special operations change frequently in order for the police to be creative and innovation in the fight against crime. Special operations were paid on a reimbursement basis and it had to be overtime. He thought they had answered the auditor the best they could without putting in a special operation each year.

Commissioner McKay-Vaughan stated she thought it couldn't be the same thing every year. It had to be new and it had to be described in the plan. At some point they said it came about after they wrote the plan and before all the details were requested. It was okay to not have the details, but they couldn't charge for it. They can't charge and not amend the CRA plan. She was troubled by the word "traditional" in terms of promotional events. She thought she was being told they couldn't. For example, Delray Beach has four specific events a year. But Daytona Beach had the same event month after month. There were two things, innovation and traditional. She didn't think they were measuring up to either of those. She thought the auditor was saying they needed to be more specific. In order for the auditors to accept it the City needed to follow their rules.

Mayor Ritchey stated it was something that instead of being a bonus it was expected and it then was part of the pay plan. Then it became a general fund issue unless they were identified activities that enhance the economic impact on that area plus he thought they needed to read all the plans and update them. There needed to be more definitive language in there about the pier.

Commissioner McKay-Vaughan stated holiday decorations were listed as a traditional CRA expense. She didn't think that was a very smart way to describe it. They had done a lot of work and she was not at all satisfied with the language in any of it. They needed to have much better definitions and perhaps hear from the auditors in person. Over a year ago they had someone here from a redevelopment agency.

Mayor Ritchey stated the auditor would not come.

Commissioner McKay-Vaughan stated pressure cleaning of the pavers was answered saying it was not a City expense because it was in the CRA. She asked if the CRA had its own street washers. She thought it was a maintenance problem that the City needed to do.

Mayor Ritchey stated the good news was that there was absolutely no money missing and the auditors interpretation was a little more defined than the City's. A lot of it was the opinion of the auditor with no case basis for a justification.

Mr. Chisholm stated he thought they all agreed they needed to be more specific in the plan and the issues that they bring forward to the CRA. However, they need to remember what the City Attorney said earlier, Chapter 163 gave them broad power and broad discretion on how they did things. It didn't say they had to specifically do anything. Deciding that it was a violation of Chapter 163 was not correct. He was not saying they didn't need to do a better job in what they were doing, but for the purposes of the audit it was not a violation.

Mayor Ritchey stated it had to be the City's plan.

Commissioner Reynolds stated as Mayor Ritchey said, this was what a specific auditor said. Next year there might be a different auditor that had an entirely different interpretation. Putting specifics in a plan was a good idea, but if they were going to have different events did that mean they had to go back into the plan and change it every time.

Mayor Ritchey stated he thought that was where Ms. Hartman and the legal staff came into play to use language like "to include" such activities. It didn't say it excluded others; it just identified others they would like to include. He wanted to make sure everyone understood his comments. He was not being critical of the auditor. They came in and did their job. Their interpretation was what it was. The City asked for specifics like give us a pier comparison, show us the model, and show us someone they had already audited, but there was none. It wasn't a confidentiality thing or a public information issue at all. It was the fact they had never done one. There were things the City could tighten up to make them clearer, but they didn't want to lose the flexibility that case law stipulated they had. They don't want to define things to the point where they were stymied from doing creative things. But it should address the blight, the economic impact, and all those issues.

Commissioner Gilliland congratulated staff on doing a very good job defending the City's position. It looked like the auditor was trying to tie their hands and this gave them the flexibility they need to continue to do what was best for the community. They were at the seventh day of a new fiscal year and they don't have plans from Downtown or Main Street on what they are going to do. He had asked for a discussion item on the next agenda so Downtown and Main Street could talk about their achievements with the funding last year. They talked about having goals. He would like to see a five-year plan for all the redevelopment areas that deal with, he didn't want to use the word promotions, the auditors used the term communications, and he preferred rebranding. For this discussion, he was satisfied with the language they had for Finding 1.

Mayor Ritchey stated he thought their promotional activities, whatever they choose in their redevelopment areas, needed to be measurable events. There needed to be some way of saying the money they spend in of the redevelopment funds created and improved something.

Commissioner McKay-Vaughan stated she wanted to comment on how the audit came about. She knew Mayor Ritchey requested it, but the reason was because the State did six test audits. Daytona Beach was one of those and it created a great stir.

Mayor Ritchey stated to his knowledge that was not a fact.

Commissioner McKay-Vaughan stated she had the report at home.

Mayor Ritchey asked her to bring it. He would like to see it. There was never a mention of a preliminary audit or any State audit that precipitated the request he made for the audit.

Commissioner McKay-Vaughan stated the reason she thought they should be very careful with this was because they had talked a lot about mistrust of the government. There was a lot of discontent about how things had been managed. Some of it might not be fact, but the point was it was there. That was why she wanted them to get this done well. She also understood that after the City's response was received there would be another report.

Ms. Hartman stated this was the preliminary. The City would send a response and the auditors would issue the final report. There might be some changes between the preliminary and the final report based on the City's responses.

Commissioner McKay-Vaughan asked if there would be issues the auditors thought the City hadn't come up to. She wanted to know which ones the auditors had accepted.

Ms. Hartman stated yes they would.

Finding 2 – Contents of CRA Plan. Mr. McKitrick stated he thought that they had discussed that thoroughly.

Commissioner Woods stated having read all the plans over the years, if they look at this it lists all the stuff they would have done particularly on infrastructure and they hadn't done any of it. That needed to be addressed. It made them look really bad.

Finding 3 – Appointment of CRA Chair and Vice Chair. Mr. McKitrick stated the finding was that they had adequately corrected this finding.

Finding 4 – Public Notice of Meetings. Again, that was adequately corrected.

Finding 5 – CRA Board Meeting Minutes. Adequately corrected.

Finding 6 – Policies and Procedures. Adequately corrected.

Finding 7 – Tax Increment Funding. That dealt with an issue regarding property values in the Downtown Development Authority (DDA). He understood they had put the property appraiser on notice of the problem with the maps in the DDA. In the auditor's report there was no issue with the dollars because adjustments had been made by the finance department to cover that.

Commissioner Woods asked about the attached letter.

Mr. Berger stated it was the letter to the property appraiser.

Finding 8 – Reporting Taxing Authority Contributions. Adequately corrected.

Finding 9 – Late Tax Increment Payments. Which was actually an issue with Volusia County and the recommendation for staff, the City Manager, and the CRA, was that they put the County on notice of their debt to the CRA of \$109,000 plus penalties.

Finding 10 – Investment of CRA Funds. They worked closely with Michael Robertson the Finance Director. The dollars were always small Finance had accepted responsibility for that and they made adjustments in their procedures.

Finding 11 – CRA Salary Expenses. The finding was partially corrected. As they talked about with the Police Department and Code Enforcement again procedures had been put in place to better record time spent in CRA areas. They felt they had taken appropriate corrective action.

Finding 12 – Qualification of New Hires. The report was adequately corrected.

Finding 13 – Severance Pay. This dealt with one past administrator of the redevelopment program. They had put her on notice of their interest in collecting and they had received no response.

Ms. Hartman stated in the packet they will see that Deputy City Attorney Bob Jagger did some research on it. He provided a memorandum providing case law that bargained for severance packages were for a public purpose and they were valid. That was their response.

Mayor Ritchey stated they had case law, Brown vs. Jacksonville.

Finding 14 – Fringe Benefits. The Auditor said they needed to follow State procedures more closely for the documentation of expenses relating cell phones and car allowances. The Redevelopment Department operated as every other department in the way those costs were documented. That was their response to the auditor. They were doing it in accordance with adopted City policies.

Finding 15 – Disbursement Processing. Some errors were picked up by the auditor and they were working very closely with Purchasing and with Finance to tighten up their processing of purchase orders and making checks available, etc. Looking at the amounts they were all very small. They admit there were some errors and they need to correct them.

Commissioner Woods stated the first one wasn't a small amount; it was over \$1 million. She knew it might not be done internally but when she read through this having dealt with some of this before she agreed they needed to tighten up some of their accounting procedures and how they do things.

Commissioner McKay-Vaughan stated when would they get a report on what has been done. She would like to know what changes would be made.

Mr. McKittrick stated he could do a follow up report on Finding 15.

Finding 16 – Contributions to Other Entities. It was listed as partially corrected. They agree that they need better documentation for the contribution to the Salvation Army for the street team and to the not-for-profit that assists with the maintenance of Pinewood Cemetery so they will make every effort to properly document everything.

Finding 17 – Property Acquisition. That was adequately corrected.

Finding 18 – Competitive Selection Procedures. Listed as not corrected. This was basically a disagreement over best purchasing practices. The auditor had cited procedures from state purchasing regulations. How they handle the bidding, the opening of bids, the documentation of the bid openings, everything done by the CRA was consistent with City ordinances.

Commissioner McKay-Vaughan stated she saw that was cited on several findings. It was okay because that was the way it was done here. Her question was if that was an okay answer.

Ms. Hartman stated one of the actions they had taken and which the auditor earlier in the report found sufficiently addressed was that they did adopt all City policies including the purchasing policies, so she was rather surprised to see that comment there. This was a City policy.

Finding 19 – Contractual Services. Described as partially corrected. They agree that additional work could be done. The instance was with Public Works where there was a form that stated partial inspections had to be clearly documented. They would work with Public Works to tighten that up.

Finding 20 – Boardwalk Mixed Use Project. That was listed as adequately corrected.

Finding 21 – Report of Activities. That was adequately corrected.

Finding 22 – City Internal Auditor. At this point he was talking about something that happened approximately a year ago when Bob Goldberg, the City Internal Auditor, was shifted from one department to another. There was a very clear description of that action. Within the last couple of weeks with the adoption of the 2009-2010 budget it confirmed the Commission's approval of the transfer of the employee from the one department to the City Manager's office. That now was a moot point.

Commissioner McKay-Vaughan asked that this situation be clearly explained to her.

Mr. McKitrick stated he thought the key point was why the internal auditor who was looking at CRAs had come in and started to debate City policies governing the transfer of employees from one department to another.

Mr. Chisholm stated he thought the issue was who the internal auditor was reporting to. The difference was they were a form of government that was different from the form of government where the auditor works. The letter from Brent Millikan said in Daytona Beach's form of government reporting to the City Manager was appropriate. The other factor was he was not really a City auditor in the respect that he was familiar with. They do many more things in evaluating the business opportunities within the organization and the enterprise functions of those operations. It was a little different that the auditor knew of.

Commissioner McKay-Vaughan stated the auditor said he was reporting to the wrong person.

Mr. Chisholm stated they were saying he was reporting to the right person.

Commissioner McKay-Vaughan asked why the name was changed.

Mr. Chisholm stated he didn't change the name. The name was still internal auditor but it probably should be business manager. They needed to evaluate the difference between the two descriptions.

Commissioner McKay-Vaughan stated the reason she questioned this was because there were a lot of people who feel an internal auditor should report to the Commission. She asked if anyone else on the Commission who also felt that way.

Mayor Ritchey stated he thought it was something they should talk about. He was thinking that it might be good to have an oversight committee of citizens for the CRAs. He was referring to Chief Financial Officers (CFOs) from different companies to give an outside perspective of how they were accounting for things. He wouldn't mind also getting into some discussions about who the auditor should answer to.

Commissioner Woods asked if they got the letter previously. It was dated August 28th and she thought this was the first time she had seen it.

Mr. McKitrick stated it came familiar to him last week. He didn't believe it was previously distributed.

Commissioner Woods asked if it was actually received in August.

Mr. Berger stated he didn't know. He got it from the Finance Department.

Commissioner Gilliland stated he didn't think it was necessary for the letter to come to the Commission until staff had taken action. He wanted to see if before it went back to the State because it was justification. There was probably a room full of documentation to support all of this.

Commissioners Woods and McKay-Vaughan stated they would have liked the letter before today.

Mayor Ritchey thanked Mr. McKittrick and Mr. Berger. He asked for a vote on the motion to accept the report and the response.

Commissioner McKay-Vaughan asked what would happen if the response didn't satisfy the State.

Mayor Ritchey stated it was difficult to speculate what that might be, but once they get the response they would take the appropriate action. He saw no reason why they couldn't come into compliance. He thought Ms. Hartman framed it quite well when it indicated that flexibility should be the most rigid policy. They had to maintain some flexibility however they didn't want to be at odds with the State auditors. He thought they had done a great job of responding and clearing up a lot of the findings. They had never done an audit and the City had case law to support its position. The vote was to say they had reviewed the audit, they had seen the response the City Attorney and staff had drafted to send to the State, and they had read it and asked questions.

It was moved by Commissioner Woods to adopt the Resolution. Seconded by Commissioner Gilliland. The Resolution was adopted 6-to-0 with the breakdown as follows:

Commissioner Reynolds	Yea
Commissioner Shiver	Excused
Commissioner Woods	Yea
Commissioner McKay-Vaughan	Yea
Commissioner Gilliland	Yea
Commissioner Henry	Yea
Mayor Ritchey	Yea

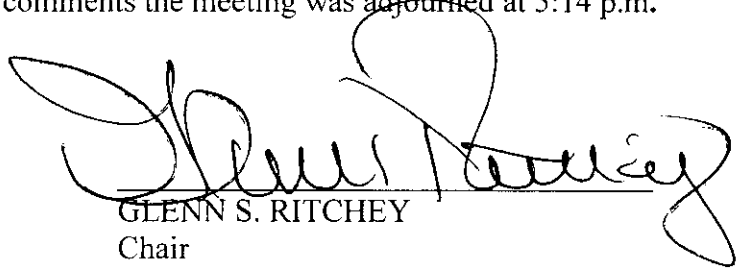
8. COMMENTS AND INQUIRIES FROM THE COMMUNITY REDEVELOPMENT AGENCY BOARD AND CITY MANAGER

No discussion.

10-07-09

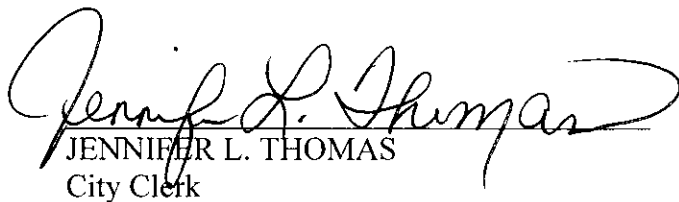
9. ADJOURNMENT

There being no further discussion or comments the meeting was adjourned at 5:14 p.m.



GLENN S. RITCHEY
Chair

ATTEST:



JENNIFER L. THOMAS
City Clerk

Adopted: November 4, 2009

RECORD REQUIRED TO APPEAL: In accordance with Florida Statute 286.0105 if you should decide to appeal any decision the Community Redevelopment Agency Board makes about any matter at this meeting, you will need a record of the proceedings. You are responsible for providing this record. You may hire a court reporter to make a verbatim transcript, or you may buy a tape of the meeting for \$2.00 at the City Clerk's office. Copies of tapes are only made upon request. The City is not responsible for any mechanical failure of the recording equipment.