

MINUTES OF A SPECIAL MEETING OF THE CITY COMMISSION OF THE CITY OF FORT PIERCE, FLORIDA, HELD IN THE CITY HALL COMMISSION CHAMBERS, 100 NORTH U.S. #1, FORT PIERCE, FLORIDA, AT 2:00 P.M. ON TUESDAY, JUNE 28, 2005.

Mayor Benton called the meeting to order.

The Pledge of Allegiance was recited.

Upon Roll Call, those present were: Mayor Robert J. Benton; Commissioners Rufus J. Alexander, Edward W. Becht, Christine Coke, and R. Duke Nelson; Deputy City Manager David Recor; City Attorney Robert V. Schwerer; and City Clerk Cassandra Steele. Those absent: City Manager Dennis Beach.

The purpose of the Special Workshop Meeting was Presentations on providing Auditing Services for the City of Fort Pierce.

City Attorney Schwerer said the Auditor Selection Committee is a process that is currently governed by Florida Statute 218.391 in addition to their already existing rules and procedures. There is a set criteria in the Statute that cities are required to follow in looking for the best qualified auditor to perform the City's audit as well as the Utilities Authority audit. Those factors are listed in the report they received as part of the Agenda background materials, in the Request for Proposals (RFP No. 5514 - Auditing Services). There are a number of factors in the evaluation procedure. There are six factors to be considered. It says: "Among the factors to be considered in evaluating the proposals are: 1. Professional ability of personnel; 2. Ability and willingness to meet time and budget requirements; 3. Past performance; 4. Recent, current and projected workloads of proposers; 5. Cost; 6. Location of office." At this time, the Board will hear oral presentations from the auditors. At the end of these presentations, the Commission needs to take some sort of action. One, they need to probably rank these firms. They have been ranked 1, 2, & 3 by the Selection Committee. The Commission is free to rank them as they deem necessary based on these six considerations. Their job at that point of time would be to direct staff to enter negotiations for a binding contract to be negotiated and presented to the Commission at a later date for acceptance. The cost of the services, by Statute and by their rules, is not necessarily to be given any great weight. The Statute and their procedures require them to negotiate for very specific types of services and the auditing firms are to respond to the City with a price for that. And if the staff is unable to meet within a certain range for the services as has been traditionally budgeted or at least approved in the past, they will make that known to the Commission. So with that, they are free to listen to the proposals. And, according to the Statute, a certain amount of weight it to be given to the recommendation that already exists from the Auditor Selection Committee, because those are the people that have spent the greatest amount of time examining the six factors as opposed to the oral presentations that the Commissioners will hear today.

Mayor Benton said in their packet they received, at least with these, they have seen the range of proposed bids that were put in. Knowing that they are not supposed to negotiate that today, but because they have those numbers in front of them, if they rank somebody later on and they come back and change those numbers, that could change things.

City Attorney Schwerer said yes. Typically the price is negotiated in the contract for the types of services that Mr. Bergalis and the Utilities Authority put out as for what they require. Is he on base with that?

Mr. George Bergalis, Director of Finance, said yes. In fact, they will find in at least one of the proposals today and some of the ones that were not submitted where the firms specifically had noted that they were quoting a price based upon their best guestimate of the scope of services that the RFP is requiring; however, they will perform due diligence - and that was the words used in some of these - if they are awarded the contract, and at that point in time they would then arrive at a firm contract price. So those numbers obviously are flexible and subject to change, negotiations, whatever.

Mayor Benton asked any changers per se would come back to the Commission?

Mr. Bergalis said yes. The Commission will make the final decision. Like the City Attorney said, any contract that would be negotiated and decided on would be brought back to them for final approval or disapproval or change or whatever the case may be.

Mayor Benton said if they went out for bids between now and negotiating a price, nothing should change; and if it did, it would be coming back to the Commission for further discussion.

Mr. Schwerer said that is correct. At the end of the day here, if the Commission takes action after these presentations, once they rank the firms their direction then is to Staff to begin negotiations with the number one ranked firm and bring back to the Commission a contract with or without recommendations. So the staff will bring back a contract to the Commission for discussion at that time. If anything has changed with respect to price or terms, it will be in that contract, it will be noted by staff as to what it is, and the Commission will have the opportunity to discuss that. At that point in time, the Commission is free to reject that contract; and then what would happen is Staff would automatically go back to the number two ranked firm and begin the process again to attempt to negotiate a contract acceptable to the Commission.

Mayor Benton said okay.

Commissioner Nelson said as a result of serving on the Florida League of Cities Transportation and Urban Administration Committee and attending one of their conferences, he read an actual report dated 22 June 2005 citing a Bill that was passed relative to the selection of auditors, specifically House Bill 349. It was covered extensively to some extent in the Florida League of Cities magazine, Legislative Report and the Final Report. It basically dictates what auditing services are to be effective 1 July 2005. It is to be specifically a written contract with a provision for citing invoices, specifying the services, the contract period, and other entities that are required to include when it may be renewed. He puts this out primarily to ensure that staff was on board, and the City Manager and each of the Commissioners received a copy of that, as well as the City Attorney and the Finance Director. He hopes that they are prepared to move forward with this selection process. And based on what he has seen on the inputs of each of these selected potential candidates here for this job, he thinks they are prepared to move forward.

Mayor Benton said he agrees.

Commissioner Alexander said his concern, since the FPUA is in so much of in the area of the wording whether they have water and wastewater experience and so forth, why haven't they received any correspondence from the Board of the Fort Pierce Utilities Authority?

Mayor Benton said there was a letter in their packet. All they are doing is getting input from their staff also.

Mr. Bergalis said there is a letter in there from Frank Varella, Director of Corporate Services for the Utilities Authority, and he was part of the Selection Committee as required by the Statutes and the RFP, along with Nina Hurtubise, Controller of the Utilities Authority, who were directed as members and representatives of the Utilities Authority to serve on that Selection Committee along with the City's Chief Accountant and himself. So they were and are representing the Utilities Authority, and Mr. Varella is here today if there is any questions the Commission has of him.

Mayor Benton said he has received input from several people, including Board members of the FPUA who used to work for some of these firms. To him, he likes to keep an open mind on these things. He knows that they have gotten that letter from staff and from the FPUA Finance Director, Frank Varella, who is in the audience.

Commissioner Alexander said that wasn't the question he asked.

Mayor Benton said as far as the FPUA Board, he can't speak for them and neither can Mr. Drummond; but he thinks they are going to get who ever this Commission decides.

Commissioner Alexander said okay.

Commissioner Becht said he needs to make some disclosures here. Berger, Toombs does work for him indirectly through two companies that he is involved in and Gerry DiBartolomeo's firm does work for him through his firm and does his personal account. He just wanted to make sure that he disclosed that. He has also been contacted by members of both firms prior to today. He had not been contacted by Berman nor has he attempted to contact them, but the other two firms have tried to contact him.

Mayor Benton said he also has had contact with Berger, Toombs, Elam, Gaines & Frank, and also DiBartolomeo.

Commissioner Nelson said he has been out of town.

Commissioner Coke said she's had similar contacts.

Commissioner Alexander said he only had contact from Berger and Toombs. He is ready to move forward on this.

Mayor Benton said he agrees. Can they have the representative from **Berger, Toombs, Elam, Gaines & Frank** come in?

Mr. Gary Berger of Berger, Toombs, Elam, Gaines & Frank said good afternoon. For his backup group today he has Jim Elam, his partner, who is the engagement partner on the City audit right now. J.W. Gaines is their technical partner on the audit. The lady is Judy Borland, she is head of their computer consulting department and she is going to run the Power Point presentation. They want to thank the Commission for allowing them to come here and talk about their firm a little bit. Mr. Elam is going to start off.

Mr. Jim Elam said frequently he finds himself reminding his clients that they cannot know everything. And because they can't know everything, they must trust people who know the area that must be resolved. Four individuals - the leaders of the Finance Department of the City and the Utilities Authority - recently reviewed seven proposals. These proposals included experience, expertise, ability, ability to perform, and price of each firm that was seeking this audit contract. The result, they ranked them number one. They are the firm that the Selection Committee is recommending to the Commission for this contact. As Commissioners they have learned to rely on and trust their staff to provide them with information that is needed for decisions that the Commission must make. From a practical standpoint, for an entity the size of the City, there is no other way to function. So today, they ask that the Commission rely and trust the recommendation of the City's staff in awarding this contract.

Mr. J. W. Gaines said Berger, Toombs, Elam, Gaines & Frank is the oldest firm in Fort Pierce. It was established in the late 1940's. The current Directors of their firm have been practicing in Fort Pierce since the mid 1970's. They are also the largest firm in Fort Pierce. They currently have 30 employees, of which 19 are professional accountants. As the largest firm in Fort Pierce, he believes that they can offer the City the best of both worlds - large firm expertise and resources with local firm commitment to service. As a large firm, they offer expertise that other firms cannot offer. For example, they are the only firm on the Treasure Coast with electric utility experience. Their 30 years of experience with electric utilities is unmatched on the Treasure Coast. Additionally, they have had at least one member of their professional staff serve on the Special Review Committee of the Government Finance Officers Association since the mid 1980's, approximately 20 years.

As members of this Committee, they have analyzed selected Comprehensive Annual Financial Reports (CAFR's) submitted to the GFOA to determine if they qualify for their Certificate of Achievement for Excellence in Financial Reporting. Their service on this Committee has helped their firm gain the knowledge that resulted in both the City and the Utilities Authority being granted their Certificates of Excellence every year for over ten years. They believe that what makes Berger, Toombs, Elam, Gaines & Frank unique is that they offer large firm expertise with a local firm commitment to service. In the past year alone, they can provide two examples of how this unique combination has benefitted the City and Utilities Authority. After the hurricanes, they were able to provide the City with assistance with their initial contacts with FEMA representatives. They, along with City staff and other consultants hired by the City, helped the City maximize their FEMA reimbursement. Also, they were able to provide the Utilities Authority with an agreed upon procedures engagement to help the Utilities Authority respond to certain issues raised by their customers concerning their bills during the billing cycles immediately after the hurricanes. They pride themselves in being very responsive to their clients requests and believe that this commitment to service is the cornerstone of the many long term relationships they maintain with their clients. He believes that the Finance Departments of the City and Utilities Authority have already attested to their expertise and service by ranking them first to continue to perform audit services. He is sure that the Commission believes that all three firms making presentations today are qualified to perform audit services for the City. He would like to spend the next few minutes telling what separates them from the others and clearly makes them the most qualified firm. He believes the depth of their experience, the breadth of their experience, and their commitment to their governmental clients separate them from the other firms. First, the depth of their experience. They have been heavily involved in Yellow Book audits of governmental and non-profit entities for over 25 years. In that time, they have performed over 700 audits of governmental and non-profit entities that must comply with the Yellow Book. The Yellow Book is the U.S. Government publication that establishes rules for governmental auditing standards and is to governmental grant accounting what the Internal Revenue Code is to the IRS. This depth of experience is unmatched on the Treasure Coast. Secondly, he would like to talk the Commission about the breadth of their experience. They currently perform over 60 Yellow Book audits each year. In performing these audits, they look at community development districts whose budgets are less than \$50,000 to St. Lucie County whose budget is in excess of \$500 million. As the Commission can imagine, with this broad cross section of clients they deal each year with varying levels of record keeping sophistication, finance department expertise, and varying accounting and auditing issues. This audit cycle alone, they have helped over 40 clients implement the new accounting and auditing reporting requirements of GASB34 (Governmental Accounting Standards Board, Statement Number 34). They previously assisted the City and the Utilities Authority to implement these requirements in 2002 and 2001. The breadth of their experience is unmatched on the Treasure Coast. Now he would like to talk a little bit about their firms commitment to their governmental clients. They currently have approximately 50 different governmental entity clients in the State of Florida. With that many clients, a significant portion of their practice is devoted to their governmental clients. For him as the technical partner, he spends a significant portion of his time each year involved with governmental clients and issues. A good portion of his professional career, sadly to say now over 30 years, has been since spent similarly involved in governmental accounting. He was in practice before the Governmental Accounting Standards Board was created and has been on the cutting edge of all the changes in governmental accounting since the mid 1970's. Recently the Yellow Book has increased the educational requirements for CPA's. With this new education requirement, all members of firms associated with Yellow Book audits must complete 80 hours of continuing education in accounting and auditing subjects, 24 of which must be directly related to governmental issues. As the Commission can see, governmental work not supplemental work for their firm. They have devoted a large part of their firm's practice to their governmental clients; and as such, this work is a priority for their firm. They believe that the depth of their experience, the breadth of their experience, their commitment to their governmental clients, as well as their commitment to service, is

unmatched on the Treasure Coast.

Mr. Elam said when they do a good job, people want them back. However, on jobs that they have done for several years running, they sometimes hear the question, "How long have you done this job?" It is not a bad question; but he thinks sometimes there are concerns associated with longevity and he would like to address those today. First, there may be a tendency that the work should be spread around. Let him address this with an example. Ms. Steele, City Clerk. She has a very responsible position. She does a very fine job. She has been City Clerk for about 20 years and she wants to continue to be City Clerk. Would the Commission consider replacing her just because she has been here for 20 years? They see themselves likewise. They have an important position as independent auditors. The City's Finance Department, by ranking them number one, indicate they are doing a good job. And they definitely want to continue. So is the reason to replace them just because they have done this work for several years? Another possible concern may be, do fresh eyes need to perform the audit? This engagement has two partners: an engagement partner and a technical partner. The engagement partner has the long history with the City, the overall familiarity with the City, and knows the little things that are picked up just from being around. He is the engagement partner. He actually started his career on the Utilities Authority and City audits. The technical partner, together with the manager, designs the audit program. They supervise the work and the workers. They are the ones that are out in the field doing the work. They are the eyes of the audit. So even though their firm has done the audit for several years running, the decisions on how the audit will be done and the supervision of the work changes. Taking for example the past 10 years, because of them rotating personnel and attrition, the technical partner and manager has changed four times. So periodically, there are fresh eyes. Let him mention one other final note on this subject. Auditor longevity is really not that unusual. Locally, the St. Lucie County-Fort Pierce Fire District has had the same auditors since the early 1980's. That is over 20 years. The City of Port St. Lucie, same auditors since the early 1980's. Also over 20 years. So having auditors for several years running is not an uncommon occurrence. When appropriate, he believes the City does business with local vendors. He believes this contract is one where it is appropriate to do business locally since they, the number one ranked firm, have been located in Downtown Fort Pierce for over 30 years. And it may be meaningful for the Commission to know that their plans are to stay in the City. A lot of changes have taken place in the downtown area. One change, there has been an ownership change in the SunBank building which their office has occupied the third floor for over 30 years. They have been notified that they must move by the end of 2006. So they are in process of making a financial commitment to the City adjoining and building a 15,000 square foot building on Citrus Avenue between 6th and 7th Street.

Mr. Berger said in closing, he just wanted to say it is an honor for their firm to be ranked number one by the Finance Departments and they appreciate the trust that the City's staff has placed in them and their continued service. He thanks the Commissioners for letting them come here and talk about their firm a little bit. He knows that the Commissioners have questions.

Commissioner Becht asked what is the current amount of the contract this year, the last year?

Commissioner Nelson said about \$125,000 this year.

Mr. Elam said the current contract was written prior to GASB34, which by all information that they have been able to gather would increase the fee from 25% to 35%, roughly a third. Their total including the GASB, which that provision was written in to the prior contract because they all knew it was coming. At the time though, they did not know how much time it was going to take. And true to form, it was roughly 25% to 35%, which they agreed to do at 80% of their standard fee.

Commissioner Becht said he lost him. What he wanted to know was what the current

contract...?

Mr. Elam said the current contract is roughly \$125,000. But because of the GASB, it is not a stated amount, but they have agreed to do that additional work at 80% of their standard rate.

Commissioner Becht asked their audit contemplates the City, FPUA, CRA (Fort Pierce Redevelopment Agency). Does it include the Pension Fund or not?

Mr. Elam said no.

Commissioner Becht asked but it does include the CRA?

Mr. Elam said yes.

Commissioner Becht said he doesn't want to assume. One of the firms submitted a copy of their liability insurance. Does Berger, Toombs carry liability insurance?

Mr. Elam said yes.

Commissioner Nelson said prior to Berger, Toombs presentation, he had a brief discussion relative to some action that has taken place at the State level concerning the selection of auditors. Have they had a chance to preview or be aware of House Bill 349, which in fact deals with the selection process of auditors? Also, that is in fact currently covered under Florida Statute 218.

Mr. Elam said yes, they have.

Mr. Gaines said he was at a seminar last month that addressed the new requirements of that HB349.

Commissioner Nelson asked that deals primarily with what? And how does it affect their firm?

Mr. Gaines said it changes the term of "Auditor Selection Committee" to "Audit Committee". It provides the fact that now all contracts must be written, which previously the Statutes were silent on that. It also specifically addresses the process that the Audit Committee must go through in selecting. It states that they should look at qualification, experience, and that final decisions should not be predominately or solely based on price. They recognize that price isn't the only factor.

Mr. Elam said the one thing that it has done is, the Florida lawmakers are recognizing that audit services are not a commodity. And it is trying to not treat price as a predominate factor in selecting the auditors; rather, it is emphasizing experience and expertise and the ability to do the work. Price cannot be ignored, obviously. But he thinks that with all the audit failures that occurred in the last few years - the names of Enron, WorldCom and companies like that come to mind - they are trying to remove firms coming in and basically buying audits. Where the cost may have come in low, there is a tendency to take shortcuts in order to make up that time. And shortcuts can lead to audit failure.

Commissioner Nelson said they talked about their experience. Mr. Elam just mentioned the magic word Enron and he didn't mention Anderson. Normally when there is an exodus of people in an organization, a rotation of people in an organization, questions come to his mind. Mr. Elam alluded to the fact of this rotation, that they have a fresh set of eyes, sort of speak. To what extent would Mr. Elam choose to elaborate further on the benefits that someone gains from having these rotations of people through the years. How many have they had?

Mr. Elam said as he mentioned, previously in the past 10 years, the people who really designed the audit and do the supervision have had changes four times. That has been caused by attrition. There was one medical condition beyond their control. Another left the area for family reasons. At that time that is when they entered into negotiations with Mr. Gaines who, in his opinion, is without a doubt the best municipal auditor on the Treasure Coast. Yes, they do have fresh eyes. He knows that sometimes people have wanted to criticize them for doing it a long time. But he will stand by the fact that when they do a good job, people want them back.

Commissioner Nelson said their firm has been around for 30 some odd years or so. He has a thing dealing with this diversity in their community now. Their firm obviously has in fact chose one of the finer sex, this beautiful lady there, as one element of their diversity fulfilment. To what extent do they have minorities in their firm? And what are their plans to acquire some, if they don't have any now?

Mr. Elam said they currently do not have any minorities on their staff. Recently though, during the last 12 months, this person for family reasons moved to Orlando. Quite frankly, they do not have many applications. It is certainly not something they are adverse to; and they have hired in past and they will continue to hire any qualified applicant.

Commissioner Nelson said so they basically will launch an aggressive effort to hire other minorities other than women in the future?

Mr. Elam said certainly.

Commissioner Nelson said women are minorities.

Mr. Gaines said technically they are not, statistically now they are the majority.

Commissioner Alexander said he heard them speak about Enron, that was prior to him becoming a Commissioner and he just wanted to say up front that he wasn't lambasting the auditor of the City of Fort Pierce, it was a question asked of him and he asked the question and he means this is coming from all that, but no not one. The Enron situation, did they make any recommendations to the City of Fort Pierce when dealing with Enron, because they were deep in bed with them?

Mr. Elam said no, they did not.

Commissioner Alexander said they didn't foresee anything with Enron dealing with the City of Fort Pierce and other entities of the City?

Mr. Elam said he's not sure anyone foresaw what was going to happen to Enron or they would have bailed.

Commissioner Nelson said he did.

Commissioner Alexander said he did. His campaign platform was during when that was going on. But he is fine with everything else.

Mayor Benton said the Enron thing turned out to be a blessing with them spending the money they did cleaning up that site. Some things happen for a reason.

Mr. Elam said it was a blessing in disguise.

Mayor Benton said in the 10 years he had been here, they have done an excellent job and their work speaks for itself. He knows their staff and everybody that he has talked with at the FPUA has complimented them. He just wanted to say that if they continue working for

the City, he hopes that they do increase the minority or at least try to. Because he knows that every group that comes in front of the Commission, as far as subcontractors and a lot of development they do and a lot of the work they are doing, that has been a question. In some ways it reflects on the community. It's just one of those things where today they have got to do that.

Commissioner Coke said she just has one thing when it comes to interaction with this Commission. She understands that they are up here with their wonderful recommendations from staff and the FPUA and she thinks that it is great and she does rely heavily on staff. She has concerns though, because the bottom line is the people that answer to the general public is this Commission. When their firm presented the audit report the last time, she read it. She thinks everybody was a little surprised. At one point in there, there was reference to so many millions of dollars being available to spend at the City Commission's discretion and that was a quote, unquote. No one had an answer for her. Mr. Bergalis had to go research it and probably took a lot of hours. But right in their report it said there was \$26 million available for the City Commissioner's to spend at their discretion. She came to the meeting so happy, they have no idea. And no one had an answer for that. Her other concern is, at one point in time she wanted information regarding funding and percentages and things on one of the Boards involved in the City; and Mr. Bergalis referred her to their firm, who sent two people to have lunch with her, and nobody answered her question. It has been two and half years and nobody has yet to get back to her with the answer to her question. Everybody left with pages of notes. So she wants to express that even though they are doing a fine job with this, she thinks it is very important if she has to answer to the general public that she can call them and ask for an answer to her question and not get a run around. Just a simple - yes, this is the answer, or no, they are not going to tell her. She would rather them tell her no, they are not telling her, than tell her that they will get back with her and still two and half years later be waiting.

Mr. Gaines said this is the first time he heard that. Call him up and he will get her the answer.

Mr. Elam said he doesn't think it is their practice to avoid any question that a Commissioner would have or any staff. He is frankly embarrassed that did happen to her because it is certainly not their practice. They make it a habit of prior to the presentation of the report to get in touch, if they can. A lot of times that it is three or four voice mail messages. If the Commissioners have any questions they would like them to address before they present the report, it is a whole lot easier to do that without standing here on their feet hearing the question for the first time and having to answer it. The Commission has seen the CAFR, it is a hundred some pages.

Commissioner Coke said she read it.

Mr. Elam said and it is very difficult from their standpoint, which he is sure the Commissioner can appreciate, to stand here and take questions that they have not heard before and have to come up with the answers. And that is why they try to take care of that prior to the meeting. If she has not gotten her answers, he certainly apologizes. Again, he is embarrassed that happened. It is not their practice.

Commissioner Coke said okay, thank you.

Mayor Benton if there are no other questions, they will hear from **Berman Hopkins Wright & LaHam**.

Mr. Ross A. Whitley, CPA, CVA, Partner with Berman Hopkins Wright & LaHam, said they

are out of Melbourne, Florida. First of all he would like to thank the Commission for the opportunity to talk to them today. The Commissioners should have their formal proposal, and then he handed out a highlight of the Power Point presentation they will be giving today. The one thing he has to say, the City's logo came out very good on this presentation, it is really nice. Just an overview of the presentation that he will be doing today. He is going to go over the profile of their firm and explain to the Commission the extent of their governmental experience, the composition, the audit team they put together for this proposal, a little bit on the approach to the audit, and then the closing. First of, Berman Hopkins Wright & LaHam is a firm that has been around for over 50 years. They were founded in and based in Brevard County. They have two offices in Brevard - one in Melbourne and one in Merritt Island. They also have one in Winter Park. Between all three offices there are over 75 people in the firm. The Melbourne office is the office which he works out of, which would be the office that would handle the audits for the City. That is the largest office out of the three. There is between 35 and 40 people, depending how their hiring is going at the moment. It is by far their largest office. They have plans to combine their two Brevard County offices into one office as soon as they can start breaking dirt and building. He has no idea when that will happen, but hopefully in the next two years. The team that they put together is their most experienced governmental team. Their firm is a little unique in local firms. Most local firms, their tradition and the bulk of their business is tax business. Their firm from the beginning has historically been a heavy audit firm. Over 50% of their total practice is in the audit area and then over 50% of that is in governmental. They have extensive amount of governmental experience in just about every type of government that anyone can think of. The firm has a very long history of doing governments. They have been involved from the beginning, they were actually involved in one of the first single audits that were done in the country. When they did Brevard County, it was a pilot program back in 1981, he believes it was. They have been involved in the cutting edge, not that they think that governmental auditing would have a cutting edge, but they have been involved in it from the beginning. The majority of their staff is involved in governmental auditing. Like he said, the decision making on the engagement will be done by him out of their Melbourne office. It is less than an hour away from this location. One of the things that they have - he is kind of the odd man out, he is not the local guy - but they have an extensive amount of experience dealing with their clients all over this State. They have a very heavy presence in Brevard County, but they do governmental audits from one end of the State to... They have clients all the way down to Miami and they have them all the way up to the Panhandle. They have a real big presence in Jacksonville. They do several large entities in Duval County. So they have a lot of experience dealing with their clients not being right down the road. With communications the way it is with e-mails, voicemails, and telephones, they are always available and they always provide more than one contact person on an engagement. So if the someone has a question or an issue, if he can't be reached or one of the staff people, there will be a hierarchy they will be able to be contact and they will always have someone that they could get hold of and get questions answered. Just to give a little idea of the depth of governmental clients that they have, all types of governmental clients, probably out of this office, out of this firm. He has done school boards before with another firm that he was with. Their office actually has never done a school board, but that is about the only type of governmental entity. They have currently two counties that they do, Brevard County and Okeechobee County. They do several municipalities. A lot of different special districts. One of their big niches that their firm does is Housing Authority. They have got an extensive amount of experience dealing with HUD, which has their own method of accounting, a little bit different than anybody else. He always gauges somebody's governmental experience, if they have a long history dealing with HUD and they can get the jobs done and deal with HUD, they go on his impressed list, because HUD is extremely difficult and has its own way of doing things. One of the Housing Authorities that they do is the City of Fort Pierce Housing Authority. They picked up that engagement about a year ago. They just completed their audit. So they have some experience dealing with this local area. But they do probably the majority of the largest... Miami is the probably the only large Housing Authority in the State that they have not done. They have done Jacksonville, Tampa, Orlando, St. Petersburg, Fort

Lauderdale. The Melbourne one, actually Brevard County, is like four different Housing Authority, but is one of the largest ones when combined. So they have an extensive amount of experience dealing with large entities and with bond issues and everything that is entailed in that. One of the other areas he mentioned that they do a lot of work is in Jacksonville. Linda Crawford, one of their Managers, she isn't actually listed in the proposal. Everybody wanted to take vacation around now. He just wanted to show some versatility that they have. Ms. Crawford is one of their governmental managers. Some of the engagements that she works on, she does the City of Jacksonville Transportation Authority. It is a separate unit, they took that out of the City, so that is probably one of the largest transportation authorities in the southeast. They do the Port Authority in Jacksonville and another Port Authority up there and the Housing Authority in Jacksonville. They have some experience dealing with large entities and small entities. They can handle just about any type of entity. They also do a lot of charter schools, one of the things they are extremely busy on right now. He does charter schools all over the state. There are about 30 different charter schools that they do. They also have an extensive amount of experience doing special engagements with the Auditor General. About five years ago, the State had a program for petroleum clean-up. They were one of thirty firms in the state that they selected to do fraud examinations. They did over 30 different examinations with the Auditor General. They are one of nine firms that continued in the program and they are doing special agreed upon procedures with the DEP on the new program, when they passed legislation, that they have to get pre-approval. They are doing work with the State on that program across the state right now. That is just a little about the experience and the types of clients that they have. He mentioned about their experience doing single audits. They were part of the initial pilot program of the implementation of the single audit when they did Brevard County back in the early 1980's. Their staff is heavily involved in the governmental profession. Ms. Crawford is a member of the Florida Institute of CPA's, which has a Governmental Accounting and Auditing Committee. The manager of that soliciting the program, Brian Nemeroff, is actually the incoming chairman of that committee. Ms. Crawford is going to go on that committee this year. So they are constantly in the loop of new discussions and new pronouncements and their implementations in the State of Florida as it deals with all different types of governmental entities, municipalities, and the things that just went on within the past year with the City's last audit dealing with the hurricanes - how to show the recoveries and FEMA and all that. They were involved in those discussions and helped determine the policies that were transmitted out to all the firms in the State. Brian Nemeroff and himself also serve with the GFOA, Governmental Finance Officers Association, which gives the Certificate of Reporting Excellence that the City received on their Financial Statement. Mr. Nemeroff and himself serve as Reviewers on that Committee, where they get submitted CAFRs from entities all over the Country. Last year, he got to review the City of New York. It was interesting seeing all the different entities. That is one of the programs that they participate in. They send those out to different people across the country and then they get their comments back and decide whether or not they should get their Certificate or not. It is a really good program. They are able to see financial statements from all over the country and see what different trends are and get the input. They give them back input that other people have. They feel like they stay really abreast on the industry. They also put on an annual governmental conference. They bring in a governmental expert once a year, usually April and May, and they invite their clients and their staff and various other people. He doesn't know if they are familiar with Rhett Harold, but he is one of the leading governmental experts in the southeast and was a member of the GASB at one point. He puts on a really good seminar and makes it interesting. That is one of the things that they made a commitment of along time ago to put on. Like he mentioned, their team is highly experienced in doing governmental accounting. All the staff members have worked on some type of governmental entity. Most of them have worked on cities. Ms. Crawford has extensive experience in cities. Mr. Nemeroff also does. And he has been doing municipal audits since the first day out of school. He got stuck doing anything that didn't have a normal debit and credit, and that is what he has pretty much done for the last 25 years. Like he mentioned, they are heavily involved in the profession. They consider it not just to be a summertime or fall portion of their practice. It

is an extremely important part of their practice and they dedicate a lot of resources and time to it. Because of the variety that they do, they have people that do governmental audits the entire year. So there is not a time of the year that they do not have a governmental audit going on or they are not issuing a report. Like he mentioned, they do specialized governmental training. One of the things that they also do is they belong to an association of firms that is an international association, so they are able to bring the national firm resources to a local firm setting. He has served as consultant for numerous different municipalities across the country where some of their association firms have gotten an engagement and they needed an expert. They are actually serving right now, the City of Los Angeles Housing Authority is having some big problems and they contracted with them to be an advisor in helping them in some fraud investigations. They feel like they can handle just about any situation. One other thing that they bring to the table for this engagement is the fact that they are not a local firm. He doesn't think that anybody, he can guarantee nobody from his firm or anybody associated with him has contacted anybody related here and done any politicking. One of the things they decided a long time ago on governmental jobs is that they weren't going to politic to get governmental jobs, they were going to get them on the merit of their qualifications. Because with the way the independents rules have just gone with the audit failures that have gone on in the industry, they just can not be beholden to anybody. One engagement isn't worth impeding their independence or integrity is the way his partners and himself have decided to go on this. If the Commission is looking to make a change... He is not going to talk out of both sides of his mouth and tell his existing clients that change is good for them, that is a decision that every governmental entity has to make. But if the City feels that it is a time to change and want a totally independent... He is not involved in anything as far as the City might feel that he would be influenced one way or another. They will give the City their findings, they will give the City a very thorough audit, and they will be able to deliver their opinion and be totally unbiased. Another thing he forget to mention is that he is also a glutton for punishment as far as being involved in governmental accounting. One way that he kept from having to run for anything in the town that he lives in is that he agreed to be the Chairman for the Finance Committee for his town. He has been that for the last 12 years. He knows what the City is involved in. He is in the budget process right now with his town. He understands and he appreciates the commitment that the Commission members make in serving in an elected position. The audit team that is included in the proposal: Himself, as partner; James Wright is the Technical Review Partner and he would be the Support Partner; John Hopkins is the third Partner who would be available; Brian Nemeroff would be the Senior Manager on the job; and Amanda Habich would be the Senior Accountant on the job. Both of them have significant auditing experience; and unfortunately, both of them are on vacation this week, so they couldn't make the proposal. He is just going to go a little over the audit approach. There really isn't any new science as far as audit approach. All three firms selected are excellent firms and would give the City a quality audit. But the way they approach an audit, the main focus and the most important thing, especially in a brand new engagement is the planning process. One of the things they do at the beginning of a new engagement is they do an extensive amount of interviewing with staffs and building a permanent file and determining the areas of risk that they feel like there are. Because really all they are delivering is their opinion on the financial statements. They are saying whether the financial statements are materially mis-stated according to the generally accepted accounting principles. So what they determine is the areas of risk that may exist in the reporting entity that may cause those risks to be high and focus their energies on that. And they get that by reviewing past audits by interviewing staff. They have always done that process. But with the new SAS on the frauds, SAS No. 99, they are required to look for the potential for fraud. They are not required to find it if it exists, but they are required to establish it if the environment is, if there is more than a reasonable chance of fraud existing. That is one of the things that they do there. Then through that process they determine their audit plan. They will read all the contracts that are existing and determine and make sure if there is any legal and contractual requirements that could have an effect on the financial statements and make sure that they are including that in their test. Obviously there are Federal and State Single Audits, so they would include that in their

testing and determine which grants they would need to test. Then they would go from there, utilizing different accounts that they determine to have risk and test those. They utilize computers exclusively. They have just recently gone through the pain of going paperless in their audit practice. One of the things that they are also looking at, they are going to utilize it in an engagement coming up, is data extraction software. So that gives them an entity like this, especially in the utilities, it has some good application of that technology, where they are able to pull from databases, where the City will provide information and they test different types of variances and occurrences that they may set the program to look for. That would be something that they would like at utilizing in this type of engagement and using analytical procedures. Then the next most important thing after the planning is, they would maintain a constant stream of communication. Before they would begin the audit, they would agree on audit timetable and determine and give them updates on that throughout the whole process. This is just a summary. They believe they are bringing an experienced team of professionals. They belong to a network of Florida governmental auditors. They will understand the City's needs. The biggest problem in audit failure is the expectation gap. They want to make sure that the Commission understands what it is that they are doing and that they understand what the Commission expects them to do and that they are on both on the same playing field. The City would be a very important client to them. He appreciates the opportunity to be here and really looks forward to working with the City staff. He will give them his promise to dedicate his most experienced staff to this engagement and they will be committed to providing a service. He has gotten in a letter of recommendation from the Fort Pierce Housing Authority, so he included that in the proposal. It kind of documents how they can provide and deliver the service that they promised.

Commissioner Coke said he didn't mention in his presentation utilities experience or water/wastewater experience. Do they have any of that?

Mr. Whitley said yes. In Brevard County, they have a significant amount of wastewater experience. They have a couple municipalities that have utility delivery service, although they don't have production. They used to do the City of Cocoa. It has a real large water utility.

Commissioner Alexander said he was speaking about his firm and the other firms having a lot of experience. What does he think that his firm could bring to this community that they don't already have with the auditing firm now?

Mr. Whitley said that he can't really speak for what the City has. As far as what he can bring, he can bring the depth of experience. He feels pretty confident that the City is not going to find too many firms with their depth of governmental experience. He really doesn't know that much details about the other two firms here, so he is not going to speak on that; but he does know that they are quality firms.

Commissioner Nelson said it appears that Berman Hopkins has unique experiences in one governmental agency. Where does he think that their greatest strength lies with respect to auditing governmental agencies? Would they be considered, for example, an expert in Housing Authorities? Because they have about 14 or 15 Housing Authorities under their control.

Mr. Whitley said without a doubt, yes.

Commissioner Nelson asked is that their strong suit?

Mr. Whitley said that is one of their strong suits. The whole breadth of the governmental accounting is their strength. That is just a component of it. Because governmental accounting is governmental accounting. They do Brevard County. Everything they have in the City, they have in the County. Plus, they have the Sheriff. When they do the Sheriff,

they've got law enforcement. They actually have more than in the City, because they have the Tax Collector and they have all the components of a County. They have experience doing cities. He knows municipalities are unique, having being involved in doing municipal audits currently and in the past. And in serving his town, he is aware of the some of the uniqueness do it. He has been doing municipal audits for 25 years. He definitely considers that part of his strong suit.

Commissioner Nelson asked did he say that they have been around about 50 years or so?

Mr. Whitley said yes, in Brevard County.

Commissioner Nelson asked what has been the picture or tone of their rotations over the years and being able to provide a fresh set of eyes, sort of speak, in doing the auditing process?

Mr. Whitley said from a partner level, unless the client requests it, they generally don't rotate the clients that often in a governmental arena. One of the things that he didn't mention is that they are members of the SEC Practice Section. They also do listed SEC companies. So they have another part of their practice that has a whole different set of rules to it and they have to rotate. In the governmental area, it's not a required thing. Their firm has been around long enough where they have had client rotation just because of partners retiring. They are on about on their second and half generation as far as the hierarchy of the firm with their founding partner retiring and other people going on and new partners coming on. So they get some natural rotation on that. As far as the staff level, they generally don't keep people on an audit more than three or four years. It is not a set policy that they have. It is just that in public accounting, it is a constant evolution. If a firm is not evolving their staff, they are going to be stuck doing the same thing every year. The key goal of their managers is to train their junior staff coming up so they can move up to seniors and seniors can move up. In any public accounting firm that has any growth at all, it is an evolution phase. They are real happy with their retention rate. They have people leave, especially in this economy. The money that is being thrown around to accountants right now is way up. If anyone has kids that haven't decided what they want to do, accounting is the place to be right now, because it is a really tough market. So they have some natural rotation. They don't normally keep their seniors and below on the same engagement for more than three or four years. They will evolve from being a senior on the job to running it for a couple of years. They really feel like getting a fresh look at it is important, because it can become stagnant if the same people are looking at it year after year. It is not something that is intentionally done. It is just something that happens because of the familiarity with the client, it is taken for granted, the staff. They think that by rotating staff through natural evolution of the way people progress in their firm, they think they have covered that pretty well.

Commissioner Nelson said during the most recent legislative session they had House Bill 349 affecting Florida Statute 218 relative to the selection of auditors. What is his take on that and to what extent does it affect them? What is his interpretation of it?

Mr. Whitley said it is typical of most legislation. It has a good intent at the beginning and then it caves in at the end because it has a provision in one of the last few lines where it actually allows them to not go out for proposals if they have an existing relationship or an engagement letter, and it lets them renew that without going out. As far as the intent of it, it is something the Auditor General has been pushing for a long time. They wanted the governments to go out for proposals instead of renewing every year with their existing one. Like he said, he thinks he addressed it earlier, he is not going to talk out of both sides of his mouth as far as it... It definitely affects him. He has had engagements for quite a long time. And there is some efficiencies that are brought to the table by having the same auditor for a number of years. But they have to reach a certain point in time where they think that it is going to be good for the governmental entity to decide to get a fresh look. As

far as he is concerned, it is open competition. One of the things that it is going to bring to the table, if it comes to be that it is mandatory auditor rotation, it is going to cause the price of audits to go up. Because when they enter into an audit arrangement and he knows he has the potential for going for more than three years, the fee negotiation is going to be, he is going to be a little looser on what fee he is going to agree to. But if he knows that he is going to lose the engagement in three years and is not going to be able to come back, he is not going to have a few years to make up some extra time because it costs more at the front end or the first year of the audit to develop the permanent file and to develop that information. If they are having to do that every three to five years, it is going to end up costing the governmental entities a little bit more. He is involved in both sides of it. He just went through the debate last week in his finance committee whether they should go out for proposals on their audit and he was out voted and then they decided not to.

Commissioner Nelson said please forgive him, but he forgot the beautiful lady's name over there.

Mr. Whitley said Linda Crawford.

Commissioner Nelson said she represents a very valuable asset to Berman Hopkins firm as a female as well as an accountant of quality. And to some extent she probably represents what some call this diversity group called a minority and she probably fills that role to some extent as well as a being good member. Do they have a program to hire more minorities? What is their program for hiring minorities in their firm?

Mr. Whitley said first off, in their firm males are the minority. In the accounting profession, males are a minority. If they look at the accounting graduates, that is the way it is. They have part of the same problem that the two firms the City is also talking to have. They are not in a big market. Brevard County is a nice market and he loves it. But it is growing too fast, just like this area. But they don't have an accounting school in their county. It is very difficult going to the University of Florida or Florida State and recruiting graduates that are not from Brevard County to come back. Brevard County, like St. Lucie County, is more of a family type of community. There is not a whole lot for single 22 year olds who are not from there to come to, other than the beach. There is not a lot to do. So they key their recruiting on going after Brevard County residents. People who are commuting. They recruit UCF pretty heavily and they are real involved in their accounting program. They have a lot of experience. They do a lot of interns. They don't have a set minority hiring policy. Basically, if someone is an accounting graduate and wants to come to Brevard County and they feel that person would fit into their firm atmosphere... One of the things that they stress real significantly when they interview people is that they feel they can teach them accounting. Accounting has changed a lot. An accounting degree gives someone the tools to do accounting, but it doesn't necessarily mean when they come out of there that they can do accounting. They are a lot smarter than when he came out. But it takes some experience when they first come out of school. Their firm atmosphere and the mood of their firm, they spend so much time with people they work for. One of the most important things that they look for in anybody that they are interviewing is if they feel that their personality will mesh. They like to have fun at work. They want to make it an enjoyable place, because they probably spend more time there then when they do with their families. That is probably the key thing they look at when they are hiring people. When they have a minority candidate and if that person has the qualifications, they will hire him in a heartbeat. Their firm is growing pretty significantly and they are looking for staff constantly.

Commissioner Becht asked do they now audit any electric utilities?

Mr. Whitley said electric, no.

Commissioner Becht asked has he or anybody that is on his staff they are proposing to do this audit have any experience with electric producers?

Mr. Whitley said yes. When he was in Louisiana, every city had its own electrical plant. So he has an extensive amount of experience dealing with utilities. Just about every municipality has their own water/sewer/electrical system in Louisiana. He has done quite a bit of that.

Commissioner Becht asked how long ago was it that he was in Louisiana?

Mr. Whitley said 15 years ago.

Commissioner Becht said the projected number of hours that they have for doing this audit is 890. That unfortunately seems a bit low for them to come in the first year and get up to speed in 890 hours. Is that solid? Is that what he really feels it is going to take?

Mr. Whitley said the fee is solid. It is probably going to take them more than that. They were asked for a quote on fees. It kind of worked a little bit backwards there.

Commissioner Becht asked the annual budget for Malabar or Indian Harbor, for example, what is their annual budgets?

Mr. Whitley said Malabar is a very small city, they have about \$5 million. Indian Harbor Beach is probably about \$13 million.

Commissioner Becht asked does he know what the City's annual budget is?

Mr. Whitley said he does not recall it off the top of his head right now.

Commissioner Becht said the Fort Pierce Housing Authority that they are doing, a couple of them up here have had the pleasure of serving over there. It used to be that the HUD guidelines were completely disjointed from GAAP (Generally Accepted Accounting Principles) concepts.

Mr. Whitley said they changed that three years ago.

Commissioner Becht asked is it pure GAAP now?

Mr. Whitley said it is pure GAAP now. Basically the way they would report a Housing Authority, it is an enterprise fund just like the utilities system is. So the reporting is the same.

Mayor Benton said if there are no more questions, they will now hear from **DiBartolomeo, McBee, Hartley & Barnes**.

Mr. Gerald A. DiBartolomeo, Jr., Managing Partner of DiBartolomeo, McBee, Hartley & Barnes, said he would like to thank the Commission for the opportunity to present their credentials to be the City's auditor and business advisor. With him today is three of the audit partners of their firm: Jay McBee, who has been with them since 1979; Jim Hartley, who has been with them since 1988; and Mark Barnes, who has also been with them since 1988. They have a lot of continuity in their firm with the audit partners. The proposal he has for the audit services, their outline as everyone can see is "Time for a change." It is time for a change. Forty-nine years is a long time. That is almost as old as he is and he's old. Did they know that Eisenhower was President 49 years ago? Gas was \$0.29 a gallon. Seriously, he would like to talk about the audit. It is time for a fresh look and a fresh set of eyes to come in and look. Look at downtown Fort Pierce, it is beautiful. Sometimes change is good. They offer that choice to the City for a change, they offer the City a good choice. He would like to introduce Mark Barnes who is going to discuss their qualifications

at this time.

Mr. Mark Barnes said he is going to talk a little bit about their plan and how they anticipate doing this job. He and Jim Hartley will be the primary partners on the job. They both have 15 years of governmental audit experience. Between them, the last three years they have taken over 200 hours of continuing professional education, specifically for governments. They currently serve 13 public sector client or governmental clients that receive audits in accordance with Governmental Auditing Standards. As a firm, they spend almost 3,000 hours a year on governmental audits. The first point that he wants to make is that it is not a hobby for them. This is a big part of their practice. It is not a part-time deal for them. They do a lot of governmental work. He and Mr. Hartley, probably half of their hours or near half of their hours are spent on governmental clients. That is the first part. The second thing that he wants to jump into a little bit, because he is talking about their qualifications. They decided on this job, they kind of had to separate themselves, what makes them a little bit different. They thought they would bring in someone else who going to work on the job very little, but he is an excellent individual - his name is Dan O'Keefe. Mr. O'Keefe provides something that they can't get locally. They do governmental auditing, but they don't do near as much as he does. They don't see near as much as he does. He just wants to read a little bit of his bio and just explain why they thought they would have him come in. What they would use him for is to just to review the financials and then for any technical issue that they would want a second opinion for. Dan O'Keefe has over 27 years of public accounting, governmental and not-for-profit experience, including services provided to 42 municipalities, 12 counties, four state agencies, and numerous special districts and authorities. He is a nationally recognized speaker and trainer on governmental accounting topics who has developed numerous continuing professional education programs and served four years on the Florida Board of Accountancy CPE Committee. Over the past two years, Mr. O'Keefe has earned over 200 hours of continuing professional education in the area of public sector accounting. He is a member of the AICPA, FICPA, GFOA, and FGFOA, and has held numerous leadership position in these organizations, including past chairman of the FICPA State Legislative Policy Committee and has been a member of the GFOA Special Review Committee since 1984. This guy has been around. He is good. He has been a CAFR reviewer for 20 years. They just thought it would be a great idea to bring someone like this in. They are four partners, so they have four opinions whenever they have ideas, but they have worked together a long time. It is nice to have someone on the outside when they have questions. The City would have a local firm doing the audit, but yet they can attach themselves to some resources from a larger firm outside. Again, what they get out of it is that they get a fresh look at the financials each year. Mr. O'Keefe is a wonderful source for technical questions; and he is a teacher, so he is well versed. He is just a good person to talk to. And he brings additional experience - 42 municipalities he works on. And as an example, they currently perform one audit that has a water/sewer fund. A lot of governments don't have water and sewer. Mr. O'Keefe has nine clients that have water and sewer and three clients that have water, sewer, and electric funds. So he has 12 utility clients. They really don't have the electric experience, so they bring someone with that for questions or if they do have issues. Those are the main things that he wanted to address. Jim Hartley and himself would be handling the audit. He is going to work primarily on the City side while Jim Hartley will work primarily on the utility side. The idea there is that they can do the two simultaneously and get the job done quicker, because he knows the RFP stated that the City would like to have the audit February 1st. So to do that they thought they could run two separate audits in the fall, Mr. Hartley on one side and himself on the other. That would also put two partners on the job. And they spend a considerable amount of time on their jobs. They don't come in at the beginning, say hello, and then leave staff on the job. They are out there on the job supervising and working on the job. Next thing, they brought Jay McBee with them. He has been doing governmental audits for 20 years. Mr. McBee is not going to be directly involved with the audit, but he is really their technical guy. Mr. McBee has a lot of expertise, especially with debt. There are lots of different debt issues now and lots of

compliance requirements along with that, so he will be involved in that if they are issuing debt. He spends a lot of time doing pension audits, that is kind of a specialty area and he works a lot with that. He is going to have Mr. McBee speak a couple of minutes on those two areas and then he will come back up after that.

Mr. Jay McBee said he works both out of the Fort Pierce and Port St. Lucie offices. He would like to bring to their attention some of the experience that the Commission is probably familiar with their firm; and that is, the background experience they have in reporting for debt obligations. This includes not only the financial statement reporting requirements and on-going debt reporting calculations and disclosures, but also assistance with new debt issues. This would include Revenue Bonds for the utility, Special Assessment Debt, Unsecured CBA Debt, COP (Certificates of Participation), General Obligation, and Pledged Revenue Sources also, which would be such as Sales Tax Bonds or Gas Tax Bonds, along those lines. The City may not have all those types of issues out there; but there is items that the City might look into in the future that could be available to them that could provide other sources of funding for some of the projects out there. These are specialized types of issues and his firm familiar with those. They have also worked with the debt issue requirements pertaining to Parity Certificate calculations. These are in regards to stipulated and existing bonds issue whenever they choose to issue additional debt that is pledged by a source that already has an existing bond issue out there. Before they can issue additional debt on a particular source of revenue, they have to normally meet certain requirements that the debt has already covered. They are familiar with Parity Certificate calculations. They have done consent letters, comfort letters, and other information for bond underwriters. They have actually worked with various bond underwriters in regards to some of the debt issues. Going beyond the debt, other concerns that the City may have in regards to their auditing requirements are pensions. They have experience both in defined contribution and defined benefit plans. Defined benefit plans that they work with are the general employees plan, which the City has. Also the defined benefit plan for the Police pension, which is governed under F.S. Chapter 185. They do both work for 185 Plans and 175 Plans which are governed by the Division of Retirement under the State of Florida Statutes. They work with the present actuaries which the City has, Gabriel Roeder Smith & Company out of the Fort Lauderdale office. They also have extensive experience with Defined Contribution Plans. Once again, the City might not have a Defined Contribution Plan, but it is something the City could look into down the road, whether they choose to work with a 401A plan or possibly the Deferred Compensation Plan under Section 457. So there is multiple options and opportunities out there available. The City may be not using all those now, but there are other choices that they have experience in that they could work with the City in regards to expanding those choices. From there, he would like to turn it over to Mr. Hartley.

Mr. James Hartley said he will go over a little bit about how they plan on staffing the audit. The total staff available for this audit, the engagement team, will be comprised of two partners, a senior, and two staff. They estimate this audit will require between 1,000 to 1,200 hours. They currently have these hours available. Last year they staffed a one-time Sarbanes-Oxley compliance engagement. A Sarbanes-Oxley compliance engagement requires public companies to design and test internal controls. They gained valuable knowledge in the areas of cash management, revenue recognition, and safeguarding of assets. This will bring added value to the audit team. They can staff this job and complete this job by February 1st. They have the team approach where Mark Barnes will audit the City and he himself will audit the Utilities Authority.

Mr. DiBartolomeo said he would like to talk about communication. Communication is very important. More than an audit, they believe in the "no surprise" theory. They discuss the issues with the client on an on-going basis as they are performing the audit. They don't wait until the end of the audit and come in and issue a management letter where there are surprises out there and nobody knew about what the problems were. They are also very proactive with their clients. They are open for suggestions for improvement when they see it. They see a lot of issues. They are the auditors for the City of Port St. Lucie. The City of

Port St. Lucie is a growing city, it has a lot of issues because of the growth, and they have a lot of debt. A lot of issues. But DMHB sees a lot at the City of Port St. Lucie and they can bring this to the table, to the City of Fort Pierce. As Fort Pierce grows and comes up with more complex issues with the CRA and so forth. Port St. Lucie has a CRA and DMHB is used to dealing with that. There are a lot of issues that they can bring to the table because of their knowledge in dealing with other municipal governments. Another reason for communication is, when the audit is complete the auditors usually come here with a book. (Mr. DiBartolomeo displayed a Comprehensive Annual Financial Report.) It is 178 pages. And they come up and say "Okay, here it is. Any questions?" His firm does not do that. They try to give the clients something that they can understand. (Mr. DiBartolomeo gave the Commissioners a copy of the City of Port St. Lucie Financial Analysis dated September 30, 2004.) This is an analysis. This is what they provide to the City Council at Port St. Lucie. If they look at the first half of this, which is Pages 2 through 6, they try to make it more understandable and readable than a 178 page document. They compare the prior to the current year with variances, increases, decreases, and percent changes, and they explain these changes or variances to the Council. Why do these things happen? Why do the assets go up? Why do the liabilities go up? Page 3 is the Governmental Fund Revenues. They break it down. They give a five year analysis. They give the population and then they break it down on a per capita basis. So they can see how much the taxes were on a per capita basis. They can see how much Licenses & Permits and so forth and Intergovernmental Revenues are and so forth are on there. Page 4, Governmental Fund Expenditures. Again, they break it down on a five year basis. They can see the population growth and they can see the per capita expenditures. This gives the Council some good tools. They can see where the money is going. It is hard when looking at this CAFR, because this is governed by the rules. They can't do this kind of thing in this book. But they give the client a supplement. With the supplement, they can explain things. Turn to Page 7. What they did, they compared the City of Port St. Lucie to their peers. Various cities that have somewhat of a comparable population. On Page 8, they show revenues on a per capita basis and compare it to cities. They explain this to the Council. Why are there variances? Are those good or bad? Page 9 is the Governmental Fund Type Tax Revenues. They can see the tax revenues for Port St. Lucie returned \$58 per capita compared to the other governments. Page 10 is the Governmental Fund Type Intergovernmental Revenues. Page 11 is City-Wide General Long-Term Debt. They can see that Port St. Lucie has a lot of debt. They explain that. Page 12 is the Enterprise Fund Equity. They can see that some of the more established communities may have more Enterprise Fund Equity. Fort Pierce also gives some of that equity back to the City, so their equity may not build up as much. Page 13 shows the Ad Valorem Taxable Assessed Value on a per capita basis, which is kind of neat because it shows where the values are. If they look at Coral Springs and Cape Coral, those are two high end communities. They can see how the values are there. And they can compare that to their area. They would do that for the City. They would give the City an analysis like this and compare it to cities of comparable size and they try to do the best practices. The City of Port St. Lucie is going to New York City for a bond issue this week. They are taking this analysis with them and using it in the bond presentation. These are the kind of extra add-on values that they try to give their clients. Not just be an auditor and give them a 178 page book. This Financial Analysis is an awesome piece of work. If they look at, they can see all the statistical stuff, but it is easy to read. It is not difficult to read like the 178 page book is. In conclusion, they feel that it is time for a change. They are qualified. They can do the job. They have an office building in the City. They don't rent. They pay taxes. Since 1988, they have paid City taxes. They are very proactive with their clients, as they can see by the handout. As indicated on Page 15 of their proposal, they feel that their fee is very reasonable. They propose a fee of \$100,000 for this year's audit and a 3% increase for next year and a 3% increase for the year after that. They feel that this is a reasonable fee and they feel it is a good fee for the City of Fort Pierce. At this time, he would like to entertain any questions.

Commissioner Becht asked how long have they been doing the Port St. Lucie audit?

Mr. DiBartolomeo said 20 years.

Commissioner Alexander said he asked the other firm the same thing. What do they think that they can bring toward this City that they don't already have with the existing firm?

Mr. DiBartolomeo said they feel that they can save the City with the audit fee. They feel they can give the Commissioners information they are not getting today, where they can better understand the financial statements and better understand where the City stands in relation to the City's peers, the cities comparable to this City.

Commissioner Alexander said he sees that they have five full-time employees versus the firm they have now is 30. What makes DiBartolomeo less qualified than them?

Mr. DiBartolomeo asked where is he getting that statistical information?

Commissioner Alexander asked they have five full-time employees?

Mr. DiBartolomeo said no, they have 20 full-time employees. On Page 4 of their proposal, that is the staff allocated to this job. What they have done is they have allocated seven professionals to this job, of which five will be on a full time basis. Two full-time partners, a senior, and two staff will be on a full-time basis to this job. They are making that commitment to this job. Two full-time partners - Mark Barnes will be on the City audit and Jim Hartley will be on the Utilities Authority audit. They will be doing those two jobs simultaneously so it will be more efficient. Instead of one big job, they have two jobs going, and they will get them done at the same time and it will be a lot more efficient.

Commissioner Coke said he talked about the other gentleman, Mr. O'Keefe, who has utilities experience. Would he, the first year, be in a supervisory capacity or working closely with setting up the audit until they were to get some members of their staff more familiar with it?

Mr. DiBartolomeo said he will try answering this, but he is not the audit guy. They won't have to deal with him after today. Mr. Barnes and Mr. Hartley are the auditors. Dan O'Keefe has a lot of experience. His is out a large local firm in Orlando. They have worked with him in the past. They know him. He is a good guy. And he has a lot of experience in utilities and electric, especially in electric. He has Vero Beach, Winter Park, those cities that have electrical experience. They plan and design the audit. They would be doing that. They would be looking to him to help them and assist them in planning the electric side of the utilities audit. Mr. O'Keefe would step in and help them do the initial planning. They would do the work papers, work with the programs, how they are going to test the electric system. He will be in that kind of capacity. Once they will get in to the audit, if there are any technical questions, they can bounce them off of Mr. O'Keefe. They anticipate using him 20-30 hours during the audit on an as-needed basis. But that gives them that out of town resources.

Commissioner Nelson said he is following up on the statement about Mr. Dan O'Keefe being a lecturer around the State, instructor, and all. He can imagine that Mr. O'Keefe must be quite qualified and would be an asset to their firm. But it disturbs him sometime when these key people are not here and he cannot look at them eyeball to eyeball, like he is looking at Mr. DiBartolomeo eyeball to eyeball. He can get a synergetic effect out of that some kind of way. How often does he feel that Mr. O'Keefe would be available to his firm?

Mr. DiBartolomeo said as he indicated, they would use him in the initial planning stages of the electric side of the utilities audit. And then on an as-needed basis by telephone, fax, or conference call.

Mr. Barnes said Mr. O'Keefe is more of technical advisor. One of the main things they

would rely on him for is to send the financial to review just before they issue, just to see if there are any changes or... Mr. O'Keefe sees a couple of hundred financials a year where they see fifteen. Just to get that other set of eyes. But they are looking a very small portion, 20 to 30 hours.

Mr. DiBartolomeo said out of 1,200 hours, they are looking at 20 to 30 hours.

Commissioner Nelson said he looks at the Utilities Authority as a moving entity all the time. They are constantly doing things over there that he doesn't quite understand. And of course, implications that they may be relocating plants across the river and relocating this out of on Indian River Drive and all those things, moving the one out to the west, that concerns him.

Mr. DiBartolomeo said they would be able to offer consultations in those areas.

Commissioner Nelson said the Legislature just recently passed HB 349 dealing with Florida Statute 218 relative to the selection of auditors. Do they know anything about that, or what it entails and how does it effect them?

Mr. Hartley said basically what they did is, the only ones right now in municipalities that have structure, just like the audit, are counties. County government has a very definite procedure they must go through. What they tried to do is try to bring all the other municipalities to have some sort of structure to their audit selection. So what this did is this made everybody come up with an audit selection committee and than that committee is going to have a little bit of leeway as far as what they do to select the auditors. But now, every municipality will have this audit selection committee to set the parameters and such going forward.

Commissioner Nelson said Commissioner Alexander pointed out something about their staffing, they have about 20 people thereabouts. Do they have a program where they retain these people for a sustained period of time? Do they have a mechanism about which they can envision a fresh set of eyes looking at their various audit responsibilities? Or do they feel that some things drop through the cracks as a result of some of these people leaving their firm, if in fact they leave, from time to time?

Mr. Barnes said they have done pretty well with turn over. For three or four years, they didn't have anyone leave.

Mr. DiBartolomeo said they have had the four partners for 16 years, since 1988. They have a continuity of partners. Other firms cannot say that because they have had partners leave their firms. DMHB has had staff leave and other firms have had staff leave. But as far as partners, that is were the top level is because that is who looks at the financial statements and that is were they catch the cracks. They have that continuity in their partners.

Mr. Barnes said they have pretty low turn-over as well compared to a lot of other firms. It is pretty tough right now to find people. The larger firms aren't even proposing on governmental work. He bets the City didn't have any proposals from any of the big firms. He would be surprised if they did. Those big firms just don't have the resources. They are out doing the Sarbanes-Oxley work right now.

Commissioner Nelson said that leads him to another question in the area of diversity and minority hiring. To what extent are they engaged in promoting and seeking, adhering to thoughts in regards to hiring more minorities? He doesn't see any females among them today. Is that by design?

Mr. DiBartolomeo said they do have female staff. And they are actively pursuing staff right now. They are trying to hire some staff. And if the opportunity came up, they would certainly entertain hiring a minority.

Commissioner Nelson asked they have been after this minority hiring for how many years? To no avail or what?

Mr. DiBartolomeo said it is tough to get accountants in general. Those are at a scarcity right now.

Commissioner Nelson asked but they are going to pursue that and try to find some in the future?

Mr. DiBartolomeo said absolutely.

Commissioner Nelson said one final question and he didn't ask anybody else. But one of them mentioned in their statement about computers in terms of taking a look at computer operations. What does he mean by that? What are they trying to tell him?

Mr. Barnes said that as part of the audit, they always have to look at the accounting system, because there is internal control issues in that with the accounting system. So they certainly do a review of that each year. The first year, spending more time on that.

Mr. DiBartolomeo said they audit the IT.

Commissioner Nelson asked what?

Mr. Barnes said the computer system - Information Technology.

Commissioner Nelson said they have Management Information System (MIS) here.

Mr. Barnes said in today's world, everything they do is on a computer. All the people in the field have their laptops. Everything is done with computers now.

Mr. DiBartolomeo said they bring laptops out there and they work on the laptop through the audit. It is almost a paperless audit at this point. But they will check the City's computer system out.

Mayor Benton said he wants to back up what Commissioner Nelson said. Because every firm they've talked to has had a problem hiring minorities or at least the work force isn't there. If they are hired to work for the City, hopefully they could acquire some minorities on that staff. All the contractors working for the City, that is an issue; and they would like to see a better makeup for people working for the City just like the community.

Mr. Barnes said in this area most of their advertising is done locally and maybe that is part of the issue. They haven't had a lot of response.

Mayor Benton said they work for the City. There are some good people working for the City but they can't have them.

Mr. DiBartolomeo said in 1990, 4% of all college students were accounting majors. In 2000, 2% were accounting majors. Kids come out of college at half of the amount. And a lot of them are going into private sector. And these kids don't want to work the hours they do and don't want to get the education they do. They don't go the five years. The industry is suffering a little bit right now.

Mayor Benton said he knows they have had women working for them, because they have done his taxes. He knows they don't work for DiBartolomeo now, because they either had

a family or moved on. So he knows that they have employed some.

Mr. DiBartolomeo said he thanks the Commissioners for the opportunity to talk; and if they have any questions, please give him a call.

Mayor Benton said he would like to ask Frank Varella to come up to speak. Mr. Varella is their financial person for the Utilities Authority. And because there was some discussion about the electric here, and being they are partners with FMPA (Florida Municipal Power Association), he was wondering whether they had any input on their budget or any kind of finances or auditing. If Mr. Varella could speak to that.

Mr. Frank Varella, Director of Corporate Services, Fort Pierce Utilities Authority, said FPUA has been going up to New York every couple of years to basically demonstrate their financial stewardship to the Wall Street people; and basically that has resulted in a very strong relationship with them, as well as very good bond rating. They are rated, underlying rated, of an A- with the firms up there. As well as where they get very good rates when they do go out and get insurance on bonds. They also borrow from FMPA's Pool Loan Program, which they have used frequently over the last year, especially with the Pool Loan.

They are buying property out on Selvitz Road for FMPA Power Plant, as well as the Indian River Drive water extension. And they have a very good relationship with them and they get money in four to six weeks when they have a program that they want to finance. He has been with the Utilities Authority over 18 years. When he first got here, when they went out for bond issue it was very common that they would have to include an engineering report in the OS and they would have to include a Comfort Letter from the auditors. After he got here, basically they demonstrated their financial stewardship to the people who buy their bonds, and those types of requirements ceased. So they didn't have to go and spend a lot of money producing a lot of professional reports, basically giving these people who are going to buy the bonds, comfort. And that saved the Utilities Authority a considerable amount of money. Did he answer the Mayor's question?

Mayor Benton said yes, he did.

Commissioner Coke said they thank him for the fine job he does.

Mayor Benton said he just wanted everybody to feel a little more comfortable. Because for some reason, he knows some of the calls he got, there was a lot of concern about having a background in electricity versus... When he looks at utilities, he looks at water, sewer, and electric. And also a couple of the utilities that were mentioned there kind of bothered him because they are run by the cities a little different than Fort Pierce, those in Vero Beach or Winter Park too. FPUA has been financially doing very well for a long time and Mr. Varella has done an excellent job. He just wanted everybody to feel more comfortable that to him it wasn't a big deal whether they have a lot of electric experience right now.

Mr. Varella said to him, as a financial officer for a utility that is predominately electric, it would be very beneficial for the Utilities Authority to have an auditor that has electric utility experience. Water and sewer utility, those are pretty general government type functions. But electric utility experience is really a different breed. Basically the main thrust of the Utilities Authority, it represents 70% to 75% of their revenues. And basically there are a lot of issues that electric utilities have to address that water and sewer utilities don't have to address, such as nuclear issues and holdings and nuclear power plants. Now it is transmission asset issues and things like that. In his opinion, the auditors need to be apprised of those type of issues and have the expertise to be able to handle questions such as that. Let him give an example. Back in the early 1990's, the Utilities Authority was rehabbing its power plant. What they were doing is they were re-tubing the No. 7 unit's cooling system. It is like the radiator part of the generator that cools down or boils the water that shoots into the generators. It was costing them an excess of \$1 million to do it. They budgeted over two years so that it was a lower impact. At first they thought that it

was just a routine maintenance expense. But after Berger, Toombs, or whoever they were back then, looked at it, they called up some associates they had in the electric industry and basically determined that and convinced the FPUA that it wasn't really a maintenance item, it was really a capital item because they were extending the life of the plant. And that is the type of electric expertise that an auditor has to have to be able to give advice and basically confirm their opinions as they book items in their financials.

Commissioner Coke said Mr. Varella said Berger, Toombs called an associate of theirs to do this. So it wasn't that the light bulb went off there all by themselves and they made the decision. They thought of the idea and then they called an associate similar to that second firm (Berman) said that they had it and the third firm (DiBartolomeo) said that they had a Mr. O'Keefe on board.

Mr. Varella said Berger, Toombs determined back then that it should be handled this way, but the UA was not convinced; so they basically got a second opinion to convince them.

Commissioner Nelson said he is not sure that he heard properly. In the origin of their retirement fund, how is that handled? He must of mis-heard something during one of the presentations. Who handles the audit for the retirement fund?

Mr. George Bergalis, Director of Finance, said the same firm that handles the rest of audit - Berger, Toombs, Elam, Gaines & Frank. Always has been.

Commissioner Becht said that is not what he heard.

Mr. Bergalis said the question to he thinks Mr. Elam was regarding the fee that he quoted for the cost.

Commissioner Becht asked so it is a separate contract?

Mr. Bergalis said no, it all part of the same contract. But they bill out according to the General Fund and they separate charges according to the Enterprise Funds and the Pension Fund accordingly.

Commissioner Nelson said that is what he thought. That's why he has always looked at it, because he questioned that on occasion and found out that was the case. Anyhow, what do they do now?

Mayor Benton said his suggestion, he knows at the Fire District and at the County Commission the other night it was more or less a secret ballot. Where people had filled out their first, second, and third choice and ranked them 1,2,3, folded up the paper, no names involved. He believes that is the way they've done it before.

City Clerk Steele said they have done what Mayor Benton suggested in that they ranked them 1,2, and 3, but they've always signed it and she kept it as part of the record. She doesn't believe secret ballots are allowed.

City Attorney Schwerer said they have to state their vote and it has to be given to a particular representative. If they want to hand write it, that is acceptable. Because if they make a motion one way or another, that may preclude someone else from making motion if one of them said "I move that so and so..." What he would ask them to do, and this is just his suggestion, if they want to each vote, each one vote for the number one firm and let's see what that produces. If it produces a majority, then that would be the number one firm and then vote again for the number two, and then they will be able to rank them from that, 1, 2 and 3. That makes it a little easier than voting how they want to rank them, because it will be a lot adding up for the City Clerk to do right now. That is his suggestion. There are five of them, if they vote for the number one, they may have a consensus obviously from three of them. If they don't, they may want to do it again or have an actual motion vote.

Commissioner Alexander said just a question of concern. He has heard a couple of times, speaking of the last 49 years, that this firm has changed for whatever reasons - the heads, the partners, or whatever. Why was it never addressed with the City of Fort Pierce as far as them changing? The City changes Commissioners and it makes a difference with what's going on and who should be called for roll call, because they are no longer there. But his question is, they have never had a major change in that firm for 49 years?

City Attorney Schwerer asked which firm is that?

Commissioner Alexander said the firm they have now.

City Attorney Schwerer said Berger, Toombs. There have been changes to their partners he understands, maybe one of them was deceased and left. But he doesn't know for sure what their changes have been. It is a corporation, as far as he knows, a Professional Association, which is the equivalent of a corporation, and that corporation functions as an entity.

Commissioner Becht said that is who the contract is with, the corporation.

City Attorney Schwerer said that is who the contract with. It is technically the entity.

Mayor Benton asked wasn't there another name in that for a while?

Mr. Bergalis said when he first got here, it was McAlpin, Curtis and O'Hare. Partners have changed, new people have come in, and other people bought in. Like any other firm.

Mayor Benton said even Bob Davis worked for them.

Mr. Bergalis said Sam Peterkin. Lee Thomas was the first one that he ever dealt with on this audit.

Commissioner Becht said actually Mr. DiBartolomeo used to work for them too.

City Clerk Steele asked did Mr. McBee work for them also?

Commissioner Becht said he thinks so.

Commissioner Nelson said he does not think as a Commission they have any authority over how they select their personnel. They can take inference, as he alluded to during the questioning and that was one of the reasons, when there is personnel turbulence, there are problems in the firm. He sensed some of that type of action in the Enron case. He deliberately asked, when they interviewed a lot of the Enron people, what was going on. He saw things in the newspaper involving that firm. But he gleaned from this questioning, this interview, and his personal observation that the turbulence in some of these firms is in fact good because it does in fact give this fresh set of eyes. But the stability has been in the principals. And the fact that the product that they have gotten over the years, as attested by the fine ratings they have gotten by the Finance Department over the years, at least since he has been here, have been just simply superb with Berger, Toombs, et al. He is very pleased with their answers to the questions proposed to them. He liked their closeness and their interaction with staff, the recommendations from staff, and he thinks it is a pretty good match for the City of Fort Pierce to continue with this firm, if he should be allowed to make that statement at this juncture.

Mayor Benton asked if everything has to be official, do they just want to list the firms. Start with #1 and see who the first choices are.

Mr. Schwerer said how the Commission does this is really up to them. He would suggest

they do it the simplest procedure they can. And again, not excluding anyone from being able to say something by someone making a motion. That is what his concern was. Because once a motion is on the floor, they have to deal with the motion.

Commissioner Becht said he would like to have some discussion. And he is sure what Commissioner Nelson was meaning to say but forgot to say is that the City's fine bond rating is as much attributable to their fine staff as it is to anybody that is auditing the City.

Commissioner Nelson said he certainly agrees to that.

Mayor Benton said he would agree. He thinks their staff is number one. All the audit does is pat staff on the back for a job well done.

Commissioner Coke said she would like echo the fact, when they look at their bond rating and everything, auditing services come and go. It is an outside agent. The doctor telling that they have a clean bill of health, he doesn't get the praise for the fact that they get up every morning and eat the right foods and exercise and take care of themselves, that person gets the praise. The same goes for the City's Finance Department and the Utilities Authority's Finance Department. She has voiced concerns previously that she has not been able to get answers that she had requested from their current accounting firm. She also voiced concerns about the fact that there is such a great turnover there. The person that is auditing them now, she thinks, is a recent partner within the last year or two. She just has some major concerns. If she can't call over there and get any answer, and 2-1/2 years later after she bought two of them lunch, she still doesn't have an answer. Also, when there is a statement in the financial report saying that they have \$26 million to be spent at the City Commission's discretion, and no one could answer the question for her, poor Mr. Bergalis had to research it, she has some big problems with that kind of thing. She is voicing her opinion just because Commissioner Nelson did, otherwise she would have kept her mouth shut.

Mayor Benton said he will go down the line and look for everybody's opinion. He will give his. He thinks Berger, Toombs, Elam, Gaines & Frank have done an excellent job for the City. He knows a few years ago he brought up the issue of auditors, only because he was asked to by a firm out there. And basically it had nothing to do with the quality of work they provided the City. But also, when he sat on the Fire Board, DiBartolomeo, McBee, Hartley & Barnes - and there were all different names for both these firms since he's been around - did an excellent job. His two firms are the two local firms. He is not going to go with an out of town firm. These folks are next door and he sees them on a daily basis around town and he thinks they put something back in the community. Those choices to him are the top choices and it is a very difficult decision to make.

Commissioner Alexander said he wanted to say that it was made an easy decision for him with the presentations and having a local firm here. All knows that he is an advocate for that for the local workers here. He just raised a question in the beginning, because he is just him. He asked the question, who has been signing off on these contracts? For 49 years they never had a contract? And he still asks the same question. Because it is the Commission that has to be responsible for their employees. And that is the only question he had about it. He will affirm staff's recommendation.

Commissioner Becht said this is one of the more difficult decisions that he has had to make. Because he thinks it boils down to the two local firms and he has had personal relationships with key players in both firms. They have staff recommendations, which in his opinion they have to give some weight to. And staff is for the continuity of Berger, Toombs. He is bothered by the cost that they bumped into with DiBartolomeo coming in at almost 20% under what their existing firm is. Then he has to balance that against what he comes to experience from Mr. DiBartolomeo's firm is a pro-active guidance recommendation that is different than what he is seeing the City has now with Berger, Toombs. He doesn't know

where to go with this. They can toss a coin almost and figure out where to go with this. If he is lead back to what staff's recommendations are, then he would be with Berger, Toombs. But if they do go that route, he would like for the cost to be addressed. And maybe staff doesn't want this, but he thinks as a Commissioner he would like it, some more pro-active involvement with maybe some planning and some long range planning.

Commissioner Alexander asked are they going to discuss what the cost is going to be?

City Attorney Schwerer said no. They were allowed to mention the cost, but the cost is really not a factor, because the Commission is going to direct the City Attorney, Staff, the Finance Director, and the City Manager to enter negotiations on the cost and then it will be coming back to the Commission in the contract. At that time, the Commission can approve or disapprove of it and ask question about why is it costing this or costing that.

Commissioner Becht said with all due respect, it is one of the six that they are supposed to consider.

City Attorney Schwerer said yes, it is one of the six. But what he saying, that is not to be considered as the prime factor. It is one, that is true; and it is fair to point out that there are different costs associated with each one of these proposals. It is definitely fair. But they are not voting on costs. He didn't mean to usurp what he is saying.

Commissioner Alexander said he just wants there to be clarity of what he heard. Because when he was hearing things, in other words, it can't be repeated what he stated?

City Attorney Schwerer said it can be. But they are not to vote today on how much money is the contract going to be awarded for.

Commissioner Coke said she knows that the decision is not to be made solely on money. She has a lot of different reasons. She thinks that Financial Analysis that was given out by DiBartolomeo was so comprehensive and so easy to understand. It would be just a great asset for the Commissioners to be able to look at something like that. So that is where her tendency lies. However, although Mr. Schwerer doesn't want to hear any discussion of cost, it is her understanding when they listened to Berger, Toombs that they were talking \$120,000 plus 80% of whatever it costs them to go up to the new standards. So they are talking about \$125,000 plus. And the last firm, which is also a local firm here in the City of Fort Pierce, was talking about their price and they are firm on that price, that it was not going to be going up.

Mr. Bergalis said just to clarify, not to take an exception to anything that was said, but what Mr. Elam was referring to was the fact that when the five year contract was agreed upon five years ago - a three year with two one year renewals - with specific CPI increases relative to the normal audit fees and a specific written insertion in the contract that allowed them, knowing full well that the GASB 34 was facing them and the City was going to be depending heavily upon their auditing firm to help implement it, that they would work on the audit with the City and the Utilities Authority in implementing GASB 34 and would charge out at 80% of their normal costs. What Mr. Elam was saying was that the total amount he was referring to was the normal audit cost absent the GASB 34 implementation and the cost of the GASB 34 implementation. So is wasn't like \$120,000 or \$125,000 plus another 80% of something.

Commissioner Coke said that wasn't how he stated it. But that's fine. They are still looking at \$125,000 versus \$100,000.

Mr. Bergalis said he doesn't know how Mr. Elam stated it, but that wasn't an entirely correct statement on his part.

Commissioner Nelson said he is ready to make a motion.

Mayor Benton said if he would like to make a motion, okay. But he isn't sure that is the way they are going to do it. He thinks they were looking to do a poll.

Commissioner Nelson said the easiest way to go ahead to it is make a motion and move forward.

Mayor Benton said if he would like to make a motion, he can't stop him.

Commissioner Nelson said Mayor Benton is running the meeting, whatever he says. How he wants to handle it is all right with him.

Commissioner Coke said before Commissioner Nelson does that, she thought it was stated previously that they were going to poll the Commission, otherwise any one of them could have jumped in and made a motion.

Commissioner Nelson said they basically did that. They had a roundtable discussion.

Mr. Tony Barnes, Director of Purchasing, said he is going to tell them how to do it. This is a procurement process and he just can't sit idly by and let the Commissioners get them all in trouble. Each Commissioner needs to rank each firm 1, 2 and 3. Then they can reach a consensus and then they can make a motion. But it has to be based on the criteria that has been set forth in the City's Request for Proposals. Because this is a CCNA, which means a competitive negotiation, they can not use cost as a factor in their determination.

City Attorney Schwerer asked does Mr. Barnes suggest that they rank the first one first by vote and then take it separately, or does he want them to do all three at one time?

Mr. Barnes said he thinks they need to do all three - first, second, and third - each Commissioner. Then it goes over to the City Clerk and she can tally what they have and then they would have a consensus.

Mayor Benton asked can they make it simple, just put the first name instead of writing it all out? And do they have to sign these?

City Clerk Steele said it needs to be of record. So go ahead and sign it.

Mr. Barnes said it needs to be part of the record, correct.

City Attorney Schwerer said write their initials or their signature on it, either one.

Mayor Benton said he knows by not doing that at the Fire Board, it cost the Fire Board's attorney at the time her job.

(The Commissioners submitted their written ranking of auditing firms to the City Clerk to be tallied. Written ranking as follows: Mayor Benton - #1 DiBartolomeo, #2 Berger, #3 Berman. Commissioner Alexander - #1 DiBartolomeo, #2 Berger, #3 Berman. Commissioner Becht - #1 Berger, #2 DiBartolomeo, #3 Berman. Commissioner Coke - #1 DiBartolomeo, #2, Berger, #3 Berman. Commissioner Nelson - #1 Berger, #2 DiBartolomeo, #3 Berman.)

City Clerk Steele said DiBartolomeo received three first place votes, Berger received two first place votes. Berger received three second place votes, DiBartolomeo received two second place votes. Berman received five third place votes. So the firm that received the most votes as the number one ranked was DiBartolomeo, second is Berger, and third is Berman.

Mr. Barnes said now they can have discussion concerning those rankings or either

confirmation.

Motion was made by Commissioner Coke, seconded by Commissioner Alexander, to ask staff to proceed with negotiating with the number one ranked firm of DiBartolomeo; should that fall through, to move down the number two ranked firm of Berger; and should that fall through, to move to the number three ranked firm of Berman.

Those voting in favor of the motion were: Commissioners Alexander, Becht, Coke and Benton. Those opposed: Commissioner Nelson.

There being no further business, Mayor Benton declared the meeting adjourned at 4:25 p.m.

Adjournment.

ATTEST:

CITY CLERK

MAYOR COMMISSIONER