MPS Redevelopment Agreement Audit - #826

Executive Summary

Why CAO Did This Audit

Pursuant to Section 5.10 of the Charter of the City of Jacksonville ("City") and Chapter 102 of the Municipal Code, we conducted an audit of the contractual obligations under the Redevelopment Agreement between the City, the Jacksonville Economic Development Commission ("JEDC") and Metropolitan Parking Solutions ("MPS") that was approved by the City Council in February of 2004. The Agreement is now administered by the Downtown Investment Authority ("DIA"). This Agreement involved the City authorizing the sale of three parcels of land to MPS to design, construct, and operate three parking garages on these parcels – the Arena, Sports Complex, and Courthouse garages.

What CAO Recommends

We recommend that the DIA develop and implement a set of standard operating procedures for the administration of the Redevelopment Agreement. In addition, we recommend that DIA perform a thorough review of the monthly cash flow reports to ensure accuracy. This includes verifying that any supporting documentation received actually agrees with the report. We also recommend that MPS submit all cash flow reports, tranche requests, and audit reports, including all other required information in a timely manner.

What CAO Found

Overall, tranches paid to MPS, were calculated and recorded correctly and DIA and MPS are complying with the terms set forth in the Redevelopment Agreement. We noted the following during testing:

- DIA did not have any written policies and procedures regarding the administration of the MPS Redevelopment Agreement.
- The documentation provided by MPS for the garages' revenue amounts contained in the cash flow reports was incomplete and/or noncompliant with the Redevelopment Agreement in some cases.
- MPS did not submit the required cash flow reports, tranche requests, and audited financial statements within time frames required by the Redevelopment Agreement.
- Development loans from the City to MPS for operating activity in 2016 and 2017 were not distributed within the time period required by the agreement.
- Per CAO counts, the Sports Complex Garage only has 936 parking spaces – 14 less than the minimum required in the contract.
- After finding that MPS did not pay property taxes on time for the three garages for 2016 or 2017, we expanded our testing. We found that MPS has never paid the property taxes on time since purchasing the three parcels for the garages and as a result, MPS has incurred $480,998 in late fees and interest. These are avoidable expenses that have required the City to loan additional funds to MPS.
- Several cash flow reports submitted by MPS were mathematically inaccurate on the face of the statements, which showed that the DIA was not reviewing the cash flow statements in detail.

Council Auditor's Office

Metropolitan Parking Solutions (MPS) Redevelopment Agreement Audit

February 26, 2019

Report # 826

Released on: July 22, 2019

117 West Duval Street | Jacksonville, Florida 32202-3701 |Telephone (904) 255-5500 | Fax (904) 255-5478
www.coj.net

EXECUTIVE SUMMARY

AUDIT REPORT #826

OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building

February 26, 2019 Report #826

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville ("City") and Chapter 102 of the Municipal Code, we conducted an audit of the contractual obligations under the Redevelopment Agreement between the City, the Jacksonville Economic Development Commission ("JEDC") and Metropolitan Parking Solutions ("MPS") that was approved by the City Council in February of 2004. The Agreement is now administered by the Downtown Investment Authority ("DIA"). This Agreement involved the City authorizing the sale of three parcels of land to MPS, who would design, construct, and operate three parking garages on these parcels (the Arena, Sports Complex, and Courthouse garages). Consistent with the agreement, the garages were financed by $50 million in conduit debt issued by the JEDC, in which MPS would make the bond payments. In addition, MPS was required to make a $3,000,000 equity investment in the project with a guaranteed return of 8% on the funds (this guaranteed return was reduced to 6.75% in 2011). Any cash shortfall in paying operating expenses, bond payments or MPS' guaranteed return from parking garage revenue is funded by the City in the form of a "Development Loan". In order to receive these loans, MPS is required to submit to the DIA a semi-annual tranche request, which is a document that lists their revenue, expenses, and any requested shortfall for a six-month period. Section 6.1 of the Redevelopment Agreement states, in part, "The Development Loan shall be made and calculated for the Project as a whole, in semi-annual tranches beginning in the first year during which debt service payments are due for any portion of the Project (the "Initial Year") and ending twenty-six (26) years after the completion of the entire Project (the "Final Year") or until all of the Project Bonds terminate or are repaid in full, whichever is earlier (the "Tranche Period")…" These loans have an annual interest rate of 2.85%. As of December 31, 2018, these loans total $47,422,387 in principal plus $9,487,427 in accrued interest for a total of $56,909,814 for MPS operating activity through June 30, 2017.

Per the agreement, MPS is also required to submit to the DIA "Cash Flow Reports" on a monthly basis. The cash flow reports present the revenues and expenses for the garages for the applicable month along with some supporting documentation for the amounts. The agreement also requires MPS to submit annual audit reports on the operations of the garages. Both MPS' audit reports for 2016 and 2017 contained a Going Concern comment which included the following:

> … *Without the continuation of the City's ongoing loan support under the development agreement, the Company's ability to generate sufficient revenues and raise additional investment capital would create doubt about the Company's ability to continue as a going concern.*

Per the agreement, the City's loan support is to end when the Project Bonds are satisfied in 2031. After 2031, the City does not have an annual financial obligation, and there is actually a provision that provides for profit sharing with the City until the development loans are paid back to the City. Further, there is a provision where the City could force MPS to issue some debt to pay back some of the amounts owed.

The agreement also mentions specific amounts to be charged for parking fees. However, MPS charges different rates than what is listed in the agreement. It does appear that they are allowed to do this based on language in one of the exhibits to the agreement. There is also an option for the City to purchase the garages. The purchase price is a complex calculation based on the original cost of the garages, the Development Loan balance, and the bond balance. Also, these amounts cannot be exact since MPS has not provided cash flow statements and audited financial statements for all applicable periods. However, based on available information, it appears that the cash purchase price as of December 31, 2018, would be $52 million. Of that, $18 million would go to MPS and $34 million would go to pay off the outstanding bonds. There would also be forgiveness of Development Loans owed to the City by MPS in the amount of about $63 million.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To determine if tranches paid to the Metropolitan Parking Solutions, LLC, were calculated and recorded correctly.
2. To determine whether the Downtown Investment Authority and Metropolitan Parking Solutions, LLC, are complying with the terms set forth in the Redevelopment Agreement.

STATEMENT OF SCOPE AND METHODOLOGY

The audit scope was all tranche requests and cash flow reports for calendar years 2016 and 2017.

To gain an understanding of the agreement, we conducted staff interviews and reviewed the agreement, applicable rules, laws, regulations, and written policies and procedures, when possible. We also performed an analysis of different risk factors and applied various procedures to assess internal controls used to mitigate those risks. Based on this work, we identified the audit objectives. We performed the following audit procedures to reach our conclusions.

Objective 1:
We obtained the tranche requests for 2016 and the 1st half of 2017 along with the cash flow reports for our scope period and recalculated them. We also compared the tranche request amounts to the amounts reported in the cash flow reports to ensure that they matched. We researched and inquired about any expenses that didn't match. We also reviewed the City's accounting system to ensure that the tranche requests were recorded in and paid from the correct accounts. (We later received the tranche request for the 2nd half of 2017 after that testing was

performed. Therefore, we only tested the timeliness of the request and the subsequent payment. All other testing for this period was based on the cash flow report for the period.)

We randomly selected a sample of six months for detailed testing. The documentation provided by MPS for each cash flow report month was a PDF file and usually consisted of the cash flow report for each garage, revenue documentation, payroll documentation, expense summaries, and expense documentation in the form of invoices. For our testing of each invoice, we first noted a brief description of the expense, the total amount listed on the invoice, the vendor name, the vendor address, and the type of expense (Utilities, General Supplies, Security, etc. The expense types are listed on the cash flow reports). We then recalculated the invoice total amount to confirm that the total was calculated correctly. For each expense that was provided to us from MPS, we attempted to trace the expense amounts to the cash flow reports. In order to tie documented expenses to the cash flow reports, we had to categorize each invoice. Once we determined the type of expense on an invoice, we were able to apply the invoice amount to the corresponding expense type on the cash flow report. After all of the invoice amounts for a specific garage and month were determined, we compared the invoice amounts to the amounts reported on the cash flow report. For any expense amounts on the cash flow reports that we were not able to trace with the documentation that MPS provided to us, we asked MPS to send us a copy of any supporting documentation that is available. We also inquired of MPS about any other questions we had during our testing. We then researched the vendors identified during our testing to determine if they were a "Developer Affiliate" as referenced in 6.1(i) of the contract using the State of Florida and State of Ohio’s websites. (Ohio is where a major affiliate of MPS, Signet, LLC, is based). We also asked MPS for a list of Developer Affiliates under the contract and did other research to independently verify. We also traced any revenue amounts (parking fees and retail rental fees) listed in the documentation to the cash flow reports to determine that all of the income was accounted for. We obtained the lease agreements for the commercial areas of the Courthouse Garage from the DIA and compared them to the amounts listed in the cash flow reports.

Objective 2:
We obtained the Certificates of Completion for each garage to ensure that the construction was completed on time per the contract for each garage. We also obtained the certification of costs given to the JEDC to ensure that construction costs did not exceed the costs allowed per the contract. We visited each of the three garages and physically counted each parking space to compare the counts to contract requirements. We also tested the tranche requests from Objective 1 for compliance with several contract requirements such as submission dates, promissory notes, and budget and expense limits. We also requested all invoices for Developer Affiliates during our scope period. We compared the amounts for the two years to see if any increases exceeded contract maximums. We confirmed that there were no distributions to the owners of MPS by reviewing their external audit reports. In addition, we confirmed that MPS had certain insurance coverages and that the maximum bond indebtedness did not exceed $50 million per the contract.

We obtained a list of parking fees charged at the three garages from MPS. We compared these fees to confirm if the amounts charged by MPS matched the fees listed in the development agreement. We also compared the fees to the parking rates charged based on the revenue collected per the cash flow reports. Using support provided to us by MPS, we recalculated the expected parking revenue for each event (for the Arena and Sports Complex garages) by multiplying the parking fee charged by the number of parkers. We then compared the expected revenue with the actual amount collected per the support.

For monthly parking revenue from the Courthouse Garage, we obtained a list of monthly parking fee rates from MPS. We were then provided a list of payments received by MPS for the six months selected for testing. The report listed the date of the payment, the account number, and the amount received. We attempted to find the appropriate rate code compared to the parking fees list for each payment by using the account number or the description of the account. If we were unable to determine the appropriate rate code, we reviewed the payment amounts received and matched them with the parking rate on the list of fees. Because payments may be for multiple parking spaces or multiple months and at different rates, amounts received may not match the listed fees. We therefore compared the amounts received for all months of 2016 and 2017 to determine the actual rates charged.

For daily Courthouse parkers (transient), we reviewed the number of transactions and revenue amounts from the Lane Summary Reports (listing the types of parkers and amounts collected) for the six months selected for testing. We calculated the average amount per transaction and reviewed them for reasonableness. We also received the data for the entry and exit devices located on the gates at the Courthouse garage entrances and exits from MPS. We calculated the number of transient exits for the months selected for testing and compared this with the number of transactions reported on the Lane Summary Reports for reasonableness. We also calculated the average fee per exit and transaction. We then compared the net payments received per the Lane Summary Report with the revenue stated on the monthly cash flow reports for the months tested and researched any significant differences.

To review overall reasonableness, we compared the parking data for the garages with the revenues from the cash flow reports for the audit scope period as follows:

- We compared the revenue from the arena and sports complex garages with the number of events, days with events, and parkers for each month.
- For the monthly Courthouse parkers, we compared the total revenue received with the number of monthly parkers exiting the garage during the month.
- For the daily Courthouse parkers, we compared the total revenue received with the number of daily parkers exiting the garage, minus the number of validations for parkers that received free parking.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objectives. Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that management's objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from DIA, via Brian Hughes, Interim Executive Director of DIA and the Mayor’s Chief of Staff, in a memorandum dated June 21, 2019. We received responses from Metropolitan Parking Solutions, LLC, via Ralph Sciulli, in a memorandum from Kenneth J, Krismanth dated July 18, 2019.

AUDIT CONCLUSIONS

By Objective

1. Tranches paid to the Metropolitan Parking Solutions, LLC, were calculated and recorded correctly.
2. The Downtown Investment Authority and Metropolitan Parking Solutions, LLC, are complying with the terms set forth in the Redevelopment Agreement, with the exception of some documentation and timeliness issues.

OVERALL INTERNAL CONTROL WEAKNESS

*Overall Internal Control Weakness *Standard Operating Procedures**

DIA did not have any written policies and procedures regarding the contract management of the MPS Redevelopment Agreement. If well-written policies and procedures are not maintained, employee turnover could lead to the loss of institutional knowledge regarding the various processes utilized to administer the agreement.

Recommendation to Overall Internal Control Weakness

We recommend that the DIA develop and implement a set of standard operating procedures for the administration of the Redevelopment Agreement.

DIA Response to Overall Internal Control Weakness

Agree ☒ Disagree ☐ Partially Agree ☐

DIA will immediately begin to develop and then implement standard operating procedures to better administer the MPS Agreement.

AUDIT OBJECTIVE #1

To determine if tranches paid to the Metropolitan Parking Solutions, LLC, were calculated and recorded correctly.

Finding 1 – 1 *Mathematically Incorrect Cash Flow Reports*

Several cash flow reports submitted by MPS were mathematically inaccurate. For the years 2016 and 2017, 17 out of the 72 (23.61%) cash flow reports were mathematically incorrect. These differences existed because MPS inadvertently had rows hidden on the cash flow reports which resulted in the reports not footing properly. This did not result in any tranche requests being inaccurate, but should have resulted in questions by DIA.

Recommendation to Finding 1 – 1

We recommend that DIA perform a thorough review of the monthly cash flow reports. Checking mathematical accuracy is an important step in this review.

DIA Response to Finding 1 – 1

Agree ☒ Disagree ☐ Partially Agree ☐

As part of implementation of standard operating procedures, DIA will include thorough reviews of monthly cash flow reports to ensure accuracy.

AUDIT OBJECTIVE #2

To determine whether the Downtown Investment Authority and Metropolitan Parking Solutions, LLC, are complying with the terms set forth in the Redevelopment Agreement.

Finding 2 – 1 *Inadequate Documentation or Support*

In some cases, the documentation provided by MPS for the garages' revenue amounts contained in the cash flow reports was incomplete and/or not provided in a manner consistent with the Redevelopment Agreement. Per Section 9.1 of the Agreement, MPS shall submit a monthly cash flow report as shown in Exhibit "O" of the Redevelopment Agreement. This exhibit provides details on revenues and expenses, as well as accounts receivable. This report also has a comparison of the same month in the previous year. The other part of the report lists the detail about the parking revenue, such as the number of cars and the amount of revenue collected daily. It also includes counts for the types of parkers (e.g., monthly and transient). In addition, transient, non-cash and lane count reports are also included in the exhibit.

The actual reports submitted by MPS do not list any comparison to the previous year, accounts receivable data, or detail on parker counts. Additionally, sometimes the support is for a different amount than what was credited to the account. When we encountered these issues, it was either an immaterial amount or the amount credited was greater than the supported amount.

The result of all of this is that the DIA may not have all the data necessary to properly review the activity.

Recommendation to Finding 2 – 1

We recommend that the DIA request MPS to submit the cash flow reports and all required information as reflected in the agreement. We also recommend that DIA perform a thorough review of the monthly cash flow reports to ensure accuracy. This includes verifying that any supporting documentation received agrees with the cash flow report and ultimately the tranche request.

DIA Response to Finding 2 – 1

Agree ☒ Disagree ☐ Partially Agree ☐

In response to findings 2-1, 2-2, and 2-3, DIA will implement standard operating procedures that include ensuring cash flow reports and all required documents be produced on time and thoroughly reviewed. These reports and reviews will confirm that all obligations and payments are consistent with the development agreement.

MPS Response to Finding 2 – 1

Agree ☒ Disagree ☐ Partially Agree ☐

Metropolitan Parking Solutions has worked throughout the course of the Redevelopment Agreement term with every department or entity that has had responsibility for managing the relationship. At times, during the course of this period, each entity has requested information submittals and content be presented in differing fashions, while still addressing the information available. Metropolitan Parking Solutions is committed to compliance, and will submit all information and present as required and instructed. Further, we continue to enhance our accounting and finance resource pool to aid in this process.

Finding 2 – 2 *Submissions by MPS are Not Timely*

MPS did not submit the required cash flow reports, tranche requests, and audited financial statements in a manner consistent with the Redevelopment Agreement. More specifically:

- Cash flow reports were not submitted by MPS to the City on a monthly basis as required by Section 9.1 of the Redevelopment Agreement.
- The semiannual tranche requests submitted for operating activity of the three garages in 2016 and 2017 were not submitted to the DIA within 15 days after the end of the previous six-month period as required by Section 6.1 (b) of the Redevelopment Agreement.
    - The 1st tranche request for 2016 was dated September 9, 2016 (56 days late).
    - The 2nd tranche request for 2016 was dated May 22, 2017 (127 days late).
    - The 1st tranche request for 2017 was dated December 27, 2017 (165 days late).
    - The 2nd tranche request for 2017 was dated July 5, 2018 (171 days late).
- The audited financial statements of MPS were not submitted to the City by April 30 following the end of each calendar year as required by Section 6.1(g) of the Redevelopment Agreement.
    - The 2016 Audit Report for MPS was dated September 8, 2017.
    - The 2017 Audit Report for MPS was dated May 15, 2018.

Recommendation to Finding 2 – 2

We recommend that DIA ensure that MPS begins to immediately send the monthly cash flow reports to the DIA every month for review, as required in the contract. We also recommend that the DIA ensure MPS submits the tranche requests and the financial audit reports within the time period in accordance with the agreement.

DIA Response to Finding 2 – 2

Agree ☒ Disagree ☐ Partially Agree ☐

In response to findings 2-1, 2-2, and 2-3, DIA will implement standard operating procedures that include ensuring cash flow reports and all required documents be produced on time and thoroughly reviewed. These reports and reviews will confirm that all obligations and payments are consistent with the development agreement.

MPS Response to Finding 2 – 2

Agree ☒ Disagree ☐ Partially Agree ☐

Metropolitan Parking Solutions has worked throughout the course of the Redevelopment Agreement term with every department or entity that has had responsibility for managing the relationship. At times, during the course of this period, each entity has requested information submittals and content be presented in differing fashions, while still addressing the information available. Metropolitan Parking Solutions is committed to compliance, and will submit all *information and present as required and instructed. Further, we continue to enhance our accounting and finance resource pool to aid in this process.*

<u>Finding 2 – 3 *Tranche Requests Payments are Not Timely*</u>

Tranche requests for operating activity in 2016 and 2017 were not paid within the time period required by the agreement. Section 6.1b of the MPS Redevelopment Agreement states "…If the JEDC does not give written notice to the Developer of objection to the Six Month Cash Flow Report within thirty (30) days after its receipt thereof, the Six Month Cash Flow Report shall be considered acceptable and the City shall pay the requested amount within 10 days after the end of such 30 day period." We found that the tranche request for:

- The 1st half of 2016 was dated September 9, 2016 and paid on December 20, 2016 (a difference of 101 days).
- The 2nd half of 2016 was dated on May 22, 2017 and paid on September 27, 2017 (a difference of 127 days).
- The 1st half of 2017 was dated on December 27, 2017 and paid on April 2, 2018 (a difference of 95 days).
- The 2nd half of 2017 was dated on July 5, 2018 and paid on September 27, 2018 (a difference of 83 days).

<u>Recommendation to Finding 2 – 3</u>

We recommend that the DIA review the six-month cash flow reports and tranche request promptly to give DIA time to object to the cash flow reports, if necessary, and/or pay each development loan in the time allotted by the contract. If it can't be paid within 40 days, the reason for the delay should be documented.

<u>DIA Response to Finding 2 – 3</u>

Agree ☒ Disagree ☐ Partially Agree ☐

In response to findings 2-1, 2-2, and 2-3, DIA will implement standard operating procedures that include ensuring cash flow reports and all required documents be produced on time and thoroughly reviewed. These reports and reviews will confirm that all obligations and payments are consistent with the development agreement.

<u>Finding 2 – 4 *Sports Complex Garage Parking Spaces*</u>

Per our counts, the Sports Complex Garage only has 936 parking spaces – 14 less than the minimum required in the contract. Section 1.2 of the MPS Redevelopment Agreement requires the Sports Complex Garage to have not less than 950 parking spaces. We do note that the other two garages have more parking spaces than the minimum amounts listed in the contract. For example, the Courthouse Garage had 1,375 parking spots with a minimum of 1,350 parking spots and the Arena Garage had 479 parking spots with a minimum of 465 parking spots.

We requested support as to why the count might be different including whether a re-striping caused it to change. We were previously informed the count was 954 by MPS' parking garage management company, but we are unsure if this is based on a previous count (e.g., maybe the original count).

Recommendation to Finding 2 – 4

We recommend that the DIA inquire of the City's Office of General Counsel to see if there are any legal ramifications of MPS not fulfilling the agreement for the required number of parking spaces.

DIA Response to Finding 2 – 4

Agree ☐ Disagree ☐ Partially Agree ☒

DIA agrees it is appropriate to review the agreement with OGC to verify the allotted parking spots are consistent with requirements, but DIA believes this is already the case since the total number of spaces provided matches or exceeds the sum of spaces required for the entire agreement.

MPS Response to Finding 2 – 4

Agree ☒ Disagree ☐ Partially Agree ☐

Any shortfall in the Sports Complex Garage as referenced, was due to striping in the past. We will complete a restriping of the garage no later than August 31, 2019 to add the necessary spaces.

SUPPLEMENTAL FINDING

Supplemental Finding *Late Fees and Interest on Property Taxes*

MPS did not pay property taxes on time for the three garages, which has resulted in late fees and interest. We noticed this during our testing of the 2016 and 2017 tranche requests that included property taxes. After finding this, we expanded our testing to see what had happened since MPS purchased the three parcels. We found that MPS paid the taxes late every year and the combined late fees and interest payments totaled $480,998 since the parcels first went on the tax rolls in 2006 and 2007. These late fees and interest are completely avoidable expenses that have required the City to loan additional funds to MPS.

Recommendation to Supplemental Finding

We recommend that the DIA inquire of the City's Office of General Counsel to see if it would be allowable under the Redevelopment Agreement for the City to reduce the amount of the development loan by the interest and penalties paid on property taxes by MPS. If DIA cannot reduce the development loan by this amount, DIA should be proactive in requesting that MPS pay the taxes on time or preferably early in order to receive the four percent discount available in November.

Going forward, the City should have a provision in any future deals where the City is loaning funds or reimbursing for property taxes, stating that the amount loaned or reimbursed will be based on the amount owed as of the date with the maximum available discount (e.g. four percent discount if paid by November 30).

DIA Response to Supplemental Finding

Agree ☒ Disagree ☐ Partially Agree ☐

DIA agrees it is prudent to verify with OGC if it is allowable to make an accounting in payments to MPS for interest or penalties from late tax payments by them. In light of this concern DIA also will work with OGC to contemplate how future deals could include provisions related to such a scenario.

MPS Response to Supplemental Finding

Agree ☐ Disagree ☐ Partially Agree ☒

The timing and payment of property taxes has typically corresponded with funds from operations and the funding of semi-annual loan tranches. Operational cash flow timing, delays in tranche request payments, and, at times, unappropriated funds, have contributed to the timing of property tax payments. We will continue to improve this process moving forward to remit property tax payments on time.

Council Auditor Rebuttal to MPS Response to Supplemental Finding

While we understand there have been delays on the City's part regarding payment of the tranche requests, which we have noted above, that is not justification for delays in the payment of the property taxes. The property taxes are like any other expense (operating expenses, bond payments, and MPS' guaranteed return) that MPS should be paying timely, and then seeking development loans (tranche requests) if parking garage revenue is insufficient to cover those costs for the six-month period. The tranche requests from MPS and development loans by the City should then follow the timeliness requirements stated in the contract.

We appreciate the assistance and cooperation we received from the Downtown Investment Authority and Metropolitan Parking Solutions throughout the course of this audit.

Respectfully submitted,

Kyle S. Billy

Kyle S. Billy, CPA
Council Auditor

Audit Performed By:
Brian Parks, CPA, CIA
Carmen R. Martin, CPA
Charles Lee
Kyle Thorpe