

Audit and Finance Committee Meeting Transcript (AFC)

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[9:32:04 AM]

>> Alter: It is 9:31 A.M. On April 27th, 2022. I am Alison alter and I am mayor pro tem and chair of the audit and finance committee. I'm going to call this meeting to order. On the dais with me is council member Fuentes, on the virtual dais is councilmember Kelly. I believe that councilmember tovo will be joining us and councilmember pool will be absent. We have several items that we're going to cover today and I will just remind folks that we have oversight over many departments and many processes, not just the material that comes back from the auditor, but also for the finance department as well. So a big chunk of that we're going to talk about today are the car and the single audit. I'm going to start with item 1, which are the minutes. Do I have a motion to approve the minutes? Moved by council member

[9:33:04 AM]

Fuentes, seconded by councilmember Kelly. All those in favor? Unanimous on the dais. Councilmember Kelly, council member Fuentes and myself voting for. Councilmember tovo, are you voting for approving the minutes?

>> Tovo: I am, thank you.

>> Alter: Thank you for joining us. Okay. So the minutes are approved unanimously with the four of us who are here this morning. Next item up is item 2, which is the lobbyist compliance and I believe we are going to hear from the auditor's office. I'm sorry, we had no one signed up as of nine A.M.

>> [Inaudible].

>> Alter: Thank you.

[9:34:09 AM]

Thank you, go ahead, Mr. Robbins. You have three minutes.

>> Council, in late March a column ran in the "Austin american-statesman" pointing out that information related to participants in Austin's customer assistance program was now being hidden. Shortly after it was published I received an email from an Austin energy customer echoing my research. And I want to read you part of it, quote, this past week I received a letter from the city of Austin informing me that I had been enrolled in the program because I receive or someone in my household receives benefits from one of the qualifying programs. I do not receive any type of public assistance, nor does my husband, the only other household member. Our income also far exceeds the amount the city

[9:35:10 AM]

supposedly considers low income. I suspect the city of Austin cross-matches their customers with data from Texas health and human services commission to identify medicaid, chip, S.S.I., etcetera, recipients. I am a, quote, authorized representative, unquote, for my brother, who lives in another city and who does not receive -- who does receive public assistance. An authorized representative simply assists someone in applying phobists and should not be included in transmitted data the city uses to identify beneficiaries of public assistance. This sounds like a systematic problem that should be fixed to ensure assistance is targeted to people who really need it. I'll stop the quote.

[9:36:11 AM]

Council, how many hundreds or thousands of cpa enrollees are in a similar situation? Automatic enrollment is not some foolproof gold standard for social service programs. It is a tool that can waste considerable items of money if not properly used and in this case Austin's owe know the case of Austin's cpa program it has probably wasted millions of dollars over the course of years that could have aided people who really needed it. I am again asking you to change the cpa enrollment system -- the cap enrollment system to one that is completely income verified. This is what is done in large public utility system programs run in San Antonio and Sacramento. Both of these programs have robust participation comparable to Austin.

[9:37:12 AM]

I'll conclude my saying you have an audit department, have you smart aides in your offices. Ask them to verify what I just told you about San Antonio and Sacramento.

[Buzzer]. You will find that I'm correct. Thank you.

>> Alter: Thank you, Mr. Robbins. We'll now call up item number 2, the lobbyist compliance.

>> So this is required under city code and Patrick Johnson managed this work and Andrew Scoggin will be presenting it to you guys. I'll move out of the way.

>> Hi, did morning.

-- Good morning. As corrie mentioned my name is Andrew Scoggin and I was the auditor in charge of this project. Patrick is here with us too as our staff from the law department and the city

[9:38:13 AM]

clerk's office. So first on the next slide, please, some background on our work in this area. So as corrie mentioned, city code requires that our office do regular audits checking the compliance of lobbyists' registration activity filings. This is the third time we've done one of these audits. The last time that we did this we proposed doing it again within a year after a new electronic filing system was implemented, and that happened last summer. This is also the first time that we've done this audit since the pandemic, so we also wanted to look at how city code handles the reporting of virtual meetings by lobbyists. So on the next slide, please. We had one finding in our report as well as an additional observation that I'll discuss later on virtual meetings.

[9:39:14 AM]

Our finding here is on the compliance checking that's required by code. As it says here, sample lobbyists files were largely compliant with city code requirements though we identified an issue related to late fees for one lobbyist. This particular lobbyist had filed a report 44 days late and should have been assigned five late fees, but was only given three. City clerk's office staff attributed this to technical issues that prevented them from issuing the correct numbers. Staff also said that late fees are issued manually and that they will continue to do this to avoid technical issues with the e-filing system. We plan to follow up on this on any future lobbyist audit. And then on the next slide. So we also had an additional observation which here on the slide says that Austin city code only requires that

[9:40:15 AM]

lobbyists report in-person meetings with city officials and also the city is not using consistent methods to track lobbyist meetings. So if you will go to the next slide, please, please. So this section of city code addresses the requirement that lobbyists report meetings with city officials. To read only a portion that's on here, a person who communicates in-person with a city official for compensation during a scheduled meeting shall disclose in writing to the city department or office. And according to law department staff this means that city code does not require lobbyists to report virtual meetings. Next slide, please. We wanted to learn what the city was doing to collect information on virtual meetings without their being a reporting requirement for lobbyists. We reached out to three

[9:41:16 AM]

departments and also received information from nine council offices. We found that there isn't one -- that there is not one central strategy being used. Some are using an electronic form like the one shown on this slide here on the bottom right aren't R and this is accessed in a signature shown above that. Some offices were using their electronic calendars to maintain information on virtual meetings with lobbyist. Our office has previously highlighted opportunities for improving the collection of lobbyist meeting information. If it were stored in a central place like an online database, that would allow for better analysis and improved transparency. We also looked at some of Austin's peers to get a sense of how they approach

[9:42:16 AM]

the reporting of virtual meetings by lobbyists. Dallas and San Antonio both require that lobbyists report virtual meetings, but do not require saying when they took place. The state of Texas treats in-person and virtual meetings the same for reporting purposes but lobbyists do not have to report meetings unless specific spending thresholds are met. And if Austin wanted to require the reporting of virtual meetings, this would require a change in city code. We did not issue any recommendations as part of our audit so that's the end of our presentation but we're happy to answer any questions.

>> Alter: Thank you. So it's my understanding that as part of the work that the audit irrelevant is putting together for city council -- that audit certify putting together for

[9:43:17 AM]

the city council for annual plans she's included a goal of moving forward with changes to the lobbyist process and I know that our vice-chair, councilmember pool, who are is instrumental in instituting this process in the first place, she and her staff will be working with Ms. Stokes on that and it's helpful to have that history engaged with that and clearly one of the first steps would be some sort of change

related to virtual meetings. You didn't talk about it, but I would like us to get at the folks who are not registering to lobby. The system right now has you auditing those who have registered and so there's a challenge about those who haven't registered and how we handle that. And it may be that we need to do some of this in stages, like there may be pieces that take a longer time and we may decide that we want to make the change

[9:44:18 AM]

for the virtual meetings sooner. Colleagues, does anyone have any questions or other comments?
Council member Fuentes and then councilmember Tovo.

>> Fuentes: I just had a quick question. For the staff that reports or does the-- administers the late fees manually, how long does that take on average, and is it something that they go -- do they get notified that a report was not submitted or do they have to go in and take look at the list and cross check to see which reports were submitted?

>> So staff is here from the clerk's office and they might be better equipped to answer the specifics of that question. Also related, how much are the late fees?

>> Late fees are \$50 and then every 10 days if they're still late another 50-dollar fee is assessed and it's up to cumulative \$500.

>> Fuentes: Is that pretty consistent with San Antonio and other cities?

[9:45:18 AM]

>> That wasn't something that we had looked at as part of this audit.

>> The late fees are issued the very next day after they're due.

>> So the system automatically issues -- I guess you have staff going in and administering the late fees?

>> So we issue the late fees through the E filing system.

>> We actually have like this global event that tracks like the reports that we're missing so the next day after they're due we do look at the list and at that moment we actually issue the late fees. The technical issues that we had was when we're launching the filing something. This is something that has

[9:46:19 AM]

been addressed. For example, this time around we have one lobbyist that has not committed submitted the report yet. They have already received two late fees. The second late fee was actually due -- because this is calendar days, instead of like business days, we actually went in on Saturday and we issued a late fee so that way we could actually do it.

>> Okay.

>> Alter: Councilmember tovo.

>> Tovo: Yes, thank you. So I think it would be wise to close that gap as soon as possible and so I hope, mayor pro tem, it sounded like you were aware that councilmember pool might be interested in doing so and I think that's great. This is something we could accomplish in one council meeting if the council member who is sponsoring it just brings forward an ordinance change. And I'd suggest that we leave it to -- that we also

[9:47:20 AM]

include phone meetings of their scheduled meetings. That's been kind of our practice in my office. If it's a scheduled meeting, ie not an impromptu phone call, but if it's a scheduled meeting by phone or virtual Ta we'll collect the lobbyist information. So I would -- lobbyist information. So I would suggest that we close the loop on both of those as soon as possible especially given the number of virtual meetings that we're now all having. So I will reach out to councilmember pool's office and 73 that's what her intent it. I agree with you that some of these things may take a little longer to fix but that's again a very quick fix. I do like the idea that the city clerk raises of having a database that's more accessible and easier to search so that the public really can tell how often particular lobbyists are meeting with council. I think that's really in keeping with the spirit of the lobbyist regulations.

[9:48:39 AM]

City auditor, what would you need in terms of direction from city council to do that? For example, if we had individuals who ought to be lobbyists, could we send them -- could you set up a process or would it be more appropriate through the city clerk where we set up a process -- I guess it would be more appropriate through the city clerk, where we set up a process where council offices or members of public could say hey, this individual appears regularly on behalf of different developers and really should be registered as a lobbyist and they are not.

>> I really appreciate that and that's something we've been dealing with that as auditors we don't just want to audit compliance of the people who are voluntarily complying. We want to know who is not voluntarily complying. I think the challenge is the way it's tracked sometimes on a piece of paper, sometimes on an individual office's calendars, some departments are getting more sophisticated as this requirement has gone on. And as we've transitioned to more virtual environment. So I think a centralized

[9:49:39 AM]

system, and we've mentioned this in the last couple of reports. I think a centralized system where that data is available would make it a lot easier for us to really analyze -- we have the information on who appears regularly in front of council, but we don't have something to compare that to, so that's kind of the missing piece is a centralized tracking system for council offices and city departments that interface regularly with lobbyists.

>> Tovo: I know there are some gaps. And when those gaps are noted we need a process for being able to say hey, this individual really should be registered.

>> I agree.

>> Tovo: I'm not sure to whom I would raise that and whether you need -- whether you or the clerk needs direction to kind of set up a process where we have the ability to do that, to have some follow-up with that individual.

>> I think we were just talking about this internally and I think the

[9:50:40 AM]

best way to handle that is on a complaint basis. So if somebody feels like they're a lobbyist and they're not registered, they should submit that and my office, we triage all sorts of things that come into us through our hotline. So I think that's a great place. Even if it's not something that we would handle as fraud, waste and abuse, which is really what our hotline is designed for, we can still create a process to make sure those things end up in the right place and those folks get registered.

>> Tovo: That's great. It sounds like you don't need further direction. That our existing process allows for it. And if members much public or members of council are aware of individuals who are not registered, we can send those individuals' names on to you.

>> Absolutely.

>> Tovo: Wonderful. Thank you very much.

[9:51:43 AM]

>> Alter: I know we're doing it slightly differently and we're doing it electronically and I don't know if it's all one-- it's all one system and all going into the same place in the same format or not. It seems like you ought to be able to automate that fairly quickly without a huge expense, at least for the council offices

and then obviously the housing and planning and some other departments regularly are subject to lobbyists coming.

>> And I would say from my office's perspective, we think that that makes a lot of sense and it would make our job easier. Not on us to implement the system, but at the same time we do have the complaint option available. So if you have concerns or issues, please send them to us and we will do some promoting of that option with the council offices and the key departments.

>> Alter: Okay. So do we need action to

[9:52:44 AM]

accept this report or anything?

>> You can, but it doesn't have recommendations. It is not necessary.

>> Alter: Okay. And I don't think we'll take a motion to accept the report since it's not necessary and I will just remind folks that vice-chair pool and her staff have agreed to take the next steps on working with the auditor.

>> Okay.

>> Alter: Thank you very much. Now we'll take up item 3, which is discussion and possible action regarding the fiscal year 2021 annual comprehensive financial report and single audit report by deloitte and touche. And we will hear from Maria yukik, who will open the item. I'm not sure if I got that right. Did I get it right. Our comptroller. Thank you.

[9:53:57 AM]

>> Can we have the presentation, please?

>> Thank you. Good morning, mayor pro tem and council members. I'm Marie, the city controller. I'm here with Tracy and Cameron from deloitte and touche, the city's auditor to present the 2021 annual comprehensive financial report for afr, along with the results of the 2021

[9:54:58 AM]

single audit or grant audit. You will receive your bond copies of the report discussed today as soon as they're printed. If we can go to the next slide, please. The report was issued on March 14th, 2022. It is available online at Austin finance online. The web address is listed on this slide. For this year's covers we chose to highlight the new Austin fc stadium and some of the new park openings. The financial services

is controller's division is responsible for the city's car and the city works closely with deloitte for an independent audit of this report. Next slide, please. The requirements for an annual audit are outlined on the slide. The city is in compliance with each of these requirements. Deloitte and touche llp is an independent certified public accounting firm and this is the fourth year of a five-year contract for audit services. The acfr was published on March 14th, 2022 and this is an advance of the required

[9:55:58 AM]

six-month deadline of March 31st. And deloitte is here today, April 27th, which is 44 days after the issuance of the acfr, to present the results of the annual audit. Next slide, please. The audit covers the city's compliance with federal and state requirements. The single audit report was issued on March 25th, 2022, which is well in advance of the required June 30th deadline. We don't publish the report on the external website, however it is provided on request and each of the committee members will receive copies of the report as soon as they're printed. Next slide, please. This slide lists the requirements for when an entity is required to have a single audit of federal and state awards. Both under federal and state regulations we're required to have a single audit if we spend more than \$750,000 annually in federal or state funds. The focus of the single audit and compliance of the audit must be completed

[9:56:59 AM]

within nine months of physical year end or June 30th. Next slide, please. Finally I'd like to thank those listed on this slide for their contributions to the early completion of these key financial reports. The mayor, council members and city management, for their support of excellence in financial management. City staff, especially the deloitte team for their many hours of dedicated service towards the completion of these reports. And the deloitte team for their professionalism and thorough manner in which they conducted these audits. Next I'm going to hand it over to Tracy and Cameron from deloitte who will take over the presentation, but I'm here to address any questions that you may have following the presentation. So if we could go next slide, please.

>> Thank you, Maria. Good morning to mayor pro tem and council members. My name is Tracy Cooley and I'm a managing director at deloitte located here in Austin and I'm responsible for the services that we provide to the city from an audit capacity. Cameron decker with me is

[9:58:01 AM]

our senior manager. And we're very, very pleased to be here to report the results of the fy22 audit that we connected. Maybe flip two more slides. One more. So one of our responsibilities and really the scope

of the audit is first and as we go along please stop us if there are questions and we're happy to take those at the end as well. So our audit of the 2021 financial statements or acfr as Maria talked about, we performed in accordance with generally accepted accounting standards as well as government auditing standards. Government auditing standards relate to the federal and state grant audits that we audit as well. So it was an unmodified or clean opinion on the financial statements. And if you look at our opinion on the financial statements, we do reference other auditors that are auditing the component units. So this would be ace, able and this year atp.

[9:59:02 AM]

Those entities have external audits. We don't reaudit that information. We just accept the reports that are provided by the other auditors. We also listed in our opinion an emphasis paragraph that really talks about the adoption and implementation of a new accounting standard this year. Governmental accounting standard board statement 84, which is fiduciary activities. That was adopted by the city in the current year. So if you recall what the acfr looked like in prior years, the city always reported agency funds and these are funds that are not necessarily part of the operations of the city, but are held by the city in a custodial capacity. So there was some -- probably a new definition of what constitutes an agency or custodial fund. So the city has I would say very immaterial items that they had to move out of these fiduciary activities and put into other areas of the city's financials, special revenue fund, Austin

[10:00:03 AM]

energy. But overall, not a major impact to the city's financial statements. The acfr includes quite a bit of information beyond the core financial statements. There's required supplementary information by GASB which relates to budgets and pensions. There's the combining schedules where you can see individual funds and the activities of individual funds as well as a healthy, robust, statistical section that outlines some of the maybe non-financial metrics of the city. So our responsibilities for the audit were described in our contract. We're in year four of a five-year contract and we also issue an annual engagement letter. Management and the audit and finance committee as well have responsibilities as relates to the audit. And that includes preparing the financial statements and related disclosures, management estimates, judgments, that type of thing. Our responsibilities are detailed in this attachment, appendix a. I won't go through that unless there are questions related to what our

[10:01:03 AM]

responsibilities are. But I think most of our responsibility is to issue opinion on the financials, which of course we've done. So next slide, please. Acting policies and significant estimates. There were no material changes to any of the city's accounting policies other than the adoption as I mentioned on gas

statement number 84. We evaluated any significant qualitative aspects whether it relates to the accounting practices, policies, disclosures, estimates, and concluded that the policies are appropriate, they're adequately disclosed in the financial statements and they're consistently applied by management. So if I pick up any set of financial statements you will typically see that they're embedded in the financials. They're significant estimates and these are estimates made by management. Appendix B to this presentation we outline not only the significant estimates, but we outlined what the city does to determine these estimates as well as what our audit steps

[10:02:04 AM]

are. I wasn't going to go over appendix B in detail. I will hit the highlights from this slide. But the first two significant estimates we talk about are pension liabilities as well as other post-employment benefits or opeb. These have been reported for years on the financial statements. The city hires actuaries to help determine what these balances should be and there are a lot of assumptions associated to whether it's investment growth rate, discount rates, mortality tables as it relates to pensioners. And we in turn from an audit approach, we employ our actuaries as part of our team to review those estimatesment we didn't note that there were any significant changes to any of those estimates that were material and we didn't note any audit adjustments related to these estimates. The next one on the list would be asset retirement obligations. These again are environmental liabilities. Austin energy has some of these required on their financial statements and they use a specialist to

[10:03:05 AM]

help determine some of these liabilities, not annually, but periodically, and we in turn have an internal specialist that will help us audit these balances in the assumptions. And again just like pensions in opeb, there were no unreasonable assumptions that were noted and there were no audit adjustments related to asset retirement obligations. And last but not least we have the deferred amounts on regulated operation. These are applicable only to Austin energy and Austin water and it basically relates to the accounting for cost to be recovered in future rates. So it's a large calculation done by management. We review their calculations, did not again note any audit adjustments. So next slide, please. And I'll turn it over to Cameron to talk about our uncorrected misstatements.

>> Good morning mayor pro tem and council members. As Tracy mentioned my name is Cameron deck E I'm the senior manager serving on the city account this year.

[10:04:07 AM]

It's a pleasure to be with you this morning. I wanted to go through a few of our observations from our audit this year and summarize just a few items for you. So the first item that I'll adjust is the uncorrected misstatements. We try to obtain reasonable assurance about whether the statements are free from material misstatement. We've attached in appendix C that management representation letter that summarizes those corrected misstatements accumulated as part of our audit and presented to management during the course of the audit. These misstatements were determined by management to be immaterial both individual and in the aggregate and we agreed with that assessment and therefore the financial statements were not adjusted for those items. We won't go through those in detail but we did want to bring to your attention one corrected misstatement. This was a result of a change in policy within the

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housing arena. A result of the correction was recognition of capital out lay expenditures in the special revenues housing fund and a decrease in land held for sale. On the government-wide financial statements the correction was a reclassification from land held for sale and capital assets. As you can see this was a very specific area specific to housing and the land held for sale determination that the city has had in place in prior years. The amount of the correction was \$29.9 million reflected in the financial statements and we'll talk a little bit more in a couple of slides as we discuss the control impact of this correction. Next slide, please. A few other items of note here, this slide really summarizes that we received the full cooperation of city's management. We didn't have any disagreements with management. There was no consultations we were made aware of with

[10:06:11 AM]

other accountants outside of our deloitte audit team. And we encountered no significant difficulties during the performance of our audit. As I've mentioned already, we did obtain a management representation letter that we've included here as appendix C to our presentation and would be happy to answer any questions on that here in a few minutes. This was my first year serving the city and I was very, very much -- it was a pleasure to serve with the city team, mar radio I can't and her term -- Maria and her term and the controller's office. We received their full cooperation and it was a pleasure working with them. The other item of note on this slide is related to our subcontracting firm. They provided some consistent staffing for us in a more meaningful part of our office, specifically the single audit programs that we audited this year. Next slide.

[10:07:15 AM]

As Tracy mentioned earlier, as part of our audit we do issue a separate report on internal controls over financial reporting in accordance with government auditing standards. We call this the yellow book report. We do not express an opinion on controls, but as part of our financial audit we do consider a sign of those controls to assist in our audit procedures. Related to the corrected misstatement that we discussed earlier, we identified deficiency and controls that we considered to be a significant deficiency. The definitions of the various deficiency levels are included in appendix D. Those are set forth by the iacpa. For this item we determined the controlled efficiency was not a material weakness, but was at the level that we would want to bring it to the attention of those charged with government, which is this group. We've included the wording of the significant deficiency on the next slide

[10:08:15 AM]

if --

>> Alter:

>> Alter: Before you move to that. So if you're not examining or testing our internal controls, where should we be testing those internal controls and how do we test these?

>> So as part of our audit process we do, as Cameron said, we do look at the design and implementation of those controls and we look at them by process, payroll, revenues. So as part of our processes, if we note that there are deficiencies or gaps in these controls because you can have a control that's properly designed, but it could not be implemented. Or you could have one that's not properly designed and not implemented. So when we're going through we do look at controls. What we're mentioning is we don't opine specifically on controls as you would see in perhaps a public company. But to the extent that we do our audit [indiscernible], identify any gaps in those controls, if we believe those to be significant, we

[10:09:16 AM]

would bring them, mayor pro tem, to you and the committee.

>> Alter: So is there another step that we ought to be taking in response to those internal controls?

>> I think what other clients do, internal audit is -- in the city auditor's office is a part of this as far as looking internally on what controls can be strengthened. I think if we look at from a financial reporting standpoint, Maria and her team continue to assess their controls, do they have the right controls in place. I think a good control would be remote work, were the controls in place that needed to be in place? So I think it's a continuous process as far as the finance team as well as you have the internal audit standpoint and our look every year at specific controls as well. So I don't know that you would need to have a report for the city, but certainly

[10:10:17 AM]

we continue to have that dialogue.

>> Alter: Thank you again. You can continue with the slides.

>> Point of clarification. I think flipping forward to a couple of slides, maybe next one. I think we're going the wrong direction. There we go. Keep going. One more. Perfect, thank you. This is the wording that we've included around that significant deficiency that we identified along with on the next slide the response from management. I won't read this to you, but I will summarize. We want to flip to the next slide. The cause of this control failure was really a policy change that did not get reflected within the financial statements. This was a very specific policy change that was taken by Austin housing during fy

[10:11:19 AM]

'21 just related to their classification and determination of the land held for sale that has been accumulated previously by Austin housing was not really going to be held for sale any further. There were some changes to this possibility that would trigger an accounting treatment where we would reclassify that land held for sale through a capital asset instead of it just being held for sale. As we mentioned earlier it has some being implications on the government-wide financials as well as in the special revenues housing fund. Our recommendation related to this control was really focused on training and timely communication of policy changes. That is exactly how the city management has responded with their future to address this item. And deloitte will help with the training effort on this front if needed in future as

[10:12:22 AM]

well. Next slide. I'll turn it back over to Tracy to talk through the status of our other reports and get into the single audit.

>> So our reports that are it part of our contract. One is the passenger facility charge report. The steps on this report are dictated by the FAA. We are in process with this report and in the audit. We expect in the next week or so. After of this date no issues to report to the committee. We also have an agreed upon procedures report dictated by Texas commission on environmental quality. That report has been completed and filed by the city with tceq and then lastly we have the single audit grant report. Maybe flip to the next slide. We can recap that report. Maria mentioned that that report was issued Monday so very much hot off the presses for us.

[10:13:22 AM]

There's a federal piece and state for the programs we look at. We report on the compliance related to these programs as well as the internal controls over compliance in executing these programs. And we issued clean opinions, unmodified opinions on both the federal and state side. Next slide, please. So from a federal program perspective, not news to anyone on the committee, our federal program expenditures have exploded in the last few years. It's about 238 million in FY 21. The major programs that we selected for testing are listed below. These programs, a lot of them involve CARES dollars, coronavirus relief funding and these are new and we would view them as higher risk programs so they were selected for auditing in the current year. The third one on the list, the coronavirus aid relief

[10:14:22 AM]

and economic security act, CARES, that was actually audited in the prior year as well. There was one finding if you recall. It related to the reimbursement requested or by the city for CARES dollars were actually reimbursed by other funding sources. It was about 70,000. So we did audit the program again this year. We did not note the same issue, so that issue appears to be corrected from the city's standpoint. And then the other programs that we listed here, you know, even if it's an airport program or FEMA, there are some CARES dollars associated with a lot of these programs. So again, just in the state that we're in as far as the federal dollars, a lot of what the feds are doing are dictating which programs we're offering from that standpoint. The next slide, on the state programs, significantly fewer dollars, four million in state dollars expenditure

[10:15:22 AM]

for FY2021 and we did collect three major programs. For all of the programs federal and state, we did not have any reportable findings so nothing in the single audit report to talk about any findings related to compliance or internal control over compliance. So by all accounts a clean audit from a federal and state standpoint. Next slide, please. Really our appendices. Cameron and I really covered what's in the rest of the document. We're happy to cover any of this additional information if the committee would like. And certainly happy to entertain any questions. Cameron was very correct when he said we do receive full cooperation from the city. Maria and her team are great to work with and they help us as far as talking with other departments outside of the city controller's office to make sure that the audit is done completely and efficiently and certainly we had no issues with either of

[10:16:23 AM]

those from the standpoint of this year's audit. So happy to entertain any questions.

>> Alter: Thank you. If we can take the slides off. Thank you. So I wanted to first pause for a second and acknowledge how important it is for that single audit given the issues we had in federal funding and the amount of money that was coming in from the cares act and then subsequently arpa was not part of this audit. That was a really tall task under difficult circumstances. A lot of that money came in when we were in 2020 because this is from the last fiscal years record so I'm glad to see the cleaned up opinion on that. This was a real challenge for our controller's office and all of our departments to make sure that we were meeting the needs of our community at the same time that we were complying with all of the sometimes arcane

[10:17:25 AM]

requirements of the federal government in that regard. So I want to acknowledge that. I will underscore once again something I've said previously in council that the small number of state dollars is kind of astonishing of what we went through given what's needed to support our city. And I did want to check for the urban outdoor and the long program that's for the work that was at Emma long park, is that correct?

>> That's correct.

>> Alter: Thank you. Colleagues, are there any questions or questions on audit or the acfr or the single audit? Great. Maria or Mr. Van eenoo, did you have anything else that you would like to add at this point?

>> No, I really appreciate everything the deloitte team does to help get us to this point as well as the

[10:18:26 AM]

controller's staff and the city department financial staff. I know it was a huge undertaking, especially for the single audit given the amount of funds that we received this year and to come out with a clean bill of findings was astonishing. I want to thank everyone.

>> Alter: One last thing for the acfr and the directive action there. I feel like the slides that I have from this morning and the slides that I saw yesterday are slightly different. I'm struggling a little to find where the pieces are. But for the corrective action for the material deficiency, again, deloitte doesn't tell whether that is sufficient. Will that be checked again next year to make sure that worked or -- I want to make sure that we have the expert opinions on the choices that are being made in this

[10:19:27 AM]

process.

>> Yes. We have a responsibility to follow up on prior year findings in the next year so yes, we will look at that in the next year. Wait this owe the deficiency that we had, really the audit adjustment that was made, that \$21 million that Cameron spoke of, it's properly reflected in the financials. So it's not that there's a lingering effect from a financial statement standpoint, but as far as the control aspect, certainly that is something that we'll look at in next year's audit.

>> Alter: Great, thank you. And then.

>> To follow up on that, we are putting controls in place for this coming year to make sure that we're adding some stimulus to the significant findings questionnaire and the discussion with the financial department staff so that way we understand if there's any policy changes like this that would impact the financial reporting.

>> I understand that you

[10:20:27 AM]

will be delivering the cfr and the audit in the full amounts. It is challenging when we get something like appendix a that has all sorts of little letters attached to it that don't have a key because it's not the full appendix to really understand what we're looking at. So in the future if we're including pieces like that that you think are relevant for us to look at for this presentation if we can have the key to know what those notations means, it means a lot less to us under those circumstances and obviously we receive the cfr and can receive at that positive point and can bring up any questions that we have. Any last questions from colleagues? Great. Thank you to Mariah and to deloitte for your presentation. Appreciate you being here and the work you're doing to make sure we have sound policies in place. Thank you.

>> Thank y'all so much.

>> Alter: Our next item is

[10:21:28 AM]

item number 4, able airport presentation. And so this is a quarterly briefing from able that we have instituted in the airport with respect to some activities as we come out of covid. I believe that today's story is a good story and I'm looking forward to hearing from our staff as well as unite here. Thank you.

>> Thank you very much. Mayor pro tem and council members, I am Tracy Thompson and my short title is I'm the chief administrative officer for the department of aviation, austin-bergstrom international airport. I am also on the board of austin-bergstrom landhost enterprises, which is the corporation that

operates and manages the Hilton hotel at the airportment and I also serve as their vice-president of the able corporation. With me today is my

[10:22:29 AM]

colleague Bridget Thomas, who is the airport deputy chief of finance and also Mr. Willie Gonzalez, who is the secretary-treasurer of unite here local 23. Next slide, please. And actually why don't we go up to the next slide, please. As the mayor pro tem said, we're here -- we're here to provide an update to this committee regarding the operations of the Austin Hilton hotel. As you may know, able is a Texas non-profit public facility corporation that was created by the city council in 1998 and has been operating this hotel since that time, since the airport opened in '99. We are going to be reviewing the financial updates, the resolution of living wage implementation and some other items that we think might be of interest to this committee. Next slide, please. I'm going to turn the slide over to to Bridget who will talk about the financial update including our operating results and the

[10:23:31 AM]

loan and grant agreement update that was approved by city council last year. So thank you.

>> Good morning, mayor pro tem and council members. My name is rajeet Thomas. Next slide, please. So this slide -- I know the last time we were here before the committee we didn't get a chance to present the fourth quarter 2021 results. So here's the comparison of the fourth quarter 2021 and the first quarter of 2022 results side by side. As you can see, October 2021 was a really good month with f1 and the other events that were going on here in Austin. The revenues came in at \$1.4 million and then November and December also very strong months for the

[10:24:32 AM]

hotel with 1.2 million in operating revenues and 1.1 million in December also. And for the quarter the operating revenues were about 3.8 million and the ebitda was 1.2 million. And you can see the occupancy levels in those months was average of about aye% so that's really, really good compared to the full year of 62%ment so we did ramp up in the fourth quarter of last year. And unfortunately in January we had the omicron effect and you can see the occupancy rates went down to about 61%. But then as that kind of ebbed, occupancy levels started picking up to 80% in February and excellent month in March of almost 89% occupancy levels. An an adr of almost 181 per room. So the March we had obviously the couple of

[10:25:33 AM]

major events like the NASCAR and also the south by southwest and some of the other local events that happened here. Really very strong to bring on 2022. Next slide, please. This is sort of a full year look at the 2021 performance. As you can see, January and February were really heavily affected by the covid virus and then in March once the vaccination started ramping up, it started improving and the operating revenues starting to ramp up. And by the fourth quarter we were exceeding one million dollars monthly on operating revenues. And so we ended the year with \$9.9 million in operating revenues. And that was better than budget by about

[10:26:34 AM]

\$2.2 millionment and also the ebitda also was 1.7 million than we had budgeted for. Next slide, please. So the next few slides that will be a comparison, we're going to compare with how the hotel performed compared to other Austin properties and other airport hotels. So this is a comparison with a full year for fiscal year '21 and you can see the Hilton Austin airport occupancy level of 62.1 percent, the market in Austin, overall in Austin was a little bit better at 6.26, but the adrs or the average daily rate for Hilton was better and the revenue was better than average here in Austin. And compared to the comparisons and the other hotels that we compare to at

[10:27:34 AM]

the bottom, it also out performed 62% in occupancy level versus 50% for the competitive set and also out performed the average daily rate. Next slide, please. And this is a comparison of airport hotels as I mentioned before. This is for the full year in 2021. So we are comparing some airports, airport hotels in New Orleans, St. Louis, Portland and Pittsburgh that are similar to our property, which is what we call non-airports like dfw and Charlotte that are owned by the airlines. So the Hilton out performed that competitive set too, and the average daily room rate and also the revenue per room also exceeded that

[10:28:35 AM]

comparative set of airport hotels. Next slide, please. And this is now just year to date 2022 comparison versus Austin hotels. So the -- for March year to date we are about 77% occupy says an average with, an average daily rate of \$162 and other rooms \$124 verse the overall Austin market at 63% occupancy level. And slightly below, about \$158 in terms of average daily room rate and \$99 in terms of revenue. And those are what we measure the Hilton against was even lower at 49% in terms of occupancy and the adr. Next slide, please.

[10:29:35 AM]

And this is again a q1 of '22 comparison versus the other airport hotels. You can see we are performing better at 77% occupancy versus 62%. And the ad rs is distant difference here in the comparative set and revenue

[indiscernible] At \$124 versus \$74.

>> Mr. Thomas, before you

-- go back one slide, I want to make sure I'm understanding. So you're saying that our year-to-date was better than the market comparison in general in Austin as well as the competitive set which is a subset that market.

>> That's right.

>> Is that right?

>> Yeah, that's right.

>> Okay. Thank you. You can continue.

>> So next -- I think you can flip two slides.

[10:30:38 AM]

All right, so that was the summary of the operating results so far for the hotel, which is doing very well as you can see. I'll go over the status of the loan agreement that the city council approved. Next slide, please. So the city council approved 2.6 million in operating loans. There was a amount of 3.5 million, and a contingency line of credit of 1.25 million that is available if needed through December of 2022. So initially able had drawn but 1.35 million of it down, and next slide, please. I think it has been mentioned in the last meeting, we only needed to use, what, 825,000 of that 1.35 million, because the operating results started improving much better than we anticipated. So that \$555,000 balance has been returned back to the department of

[10:31:39 AM]

aviation as of 2022. Next slide, please.

>> Excuse me, Mr. Thomas, so what is the process for repaying the 824,000?

>> So there is -- the first payments don't really start, and it's an interest only payment doesn't start until 2024, but there is a clause in there that if the operating results and the operating cash is sufficient enough, then make a good faith to pay the balance back early. What we will do, in the next couple of months, we will look at our cash balances if there's enough operating, then go before the board to start maybe seeing if we can get some of that money back earlier than --

>> And that's a loan to the airport -- that's a loan from the airport --

>> From the airport.

[Multiple voices]

>> To the city. Okay.

[10:32:39 AM]

Thank you. So this is an update regarding the grant agreement. Next slide, please. So as you know, you know, during the pandemic, the airport had to fund the debt service reserve fund deficiency of able, because not able to make the debt payments at that time, so there were three debt payments that the airport had to support able with. The first one was October 1, 2020, and then April 1, 2021, and October 1, 2021. So a total of about \$4.8 million that was transferred to the debt service reserve fund to be able to make the debt service payment for able. Now, in the budget, we had, you know, budgeted that we might -- we expected to make the April 1, 2022 payment,

[10:33:39 AM]

but as you can see from the operating results, that wasn't necessary, so there will be -- there was no need to support the -- support able with a transfer to the debt service reserve fund, because all the debt service payment was made out of able and was sufficient cash in the debt service fund to be able to make able first payment, and likewise, for the October 1, 2022 payment, which is actually a principal and interest payment of \$2.2 million, we expect that able will have sufficient funds to make that payment to our debt service fund, and the airport would not have to provide the support under this grant agreement. That is good news. Their recovery has happened faster and the performance of the hotel has been better than we anticipated so far so that's good news. Next slide, please.

[10:34:42 AM]

So lastly, I just want to kind of mention here is one event that took place just a couple of weeks ago or last week. In fact was the airport received and upgraded our ratings from S and P, and with that

upgrade, the able bonds also received this upgrade from a minus to a, also from S and P. And the reason for that is because of the surplus net revenues that the airport is able to provide to able and improvement in the performance of the airport too. So that's all I had. I think I'll hand it over to Tracy. If you have any questions, please let me know.

>> Thank you, Rashid. And in addition to the operating and financial results which the management company and the able corporation along with airport staff

[10:35:43 AM]

has been working very hard to do what we needed to do to get the revenues up and the operating sustainability for the hotel, you may recall last year we also refreshed and revised the articles of incorporation, the bye laws. The bylaws, we instituted a new board of directors, and have been working on the governance side as well. , So as a Texas nonprofit corporation, able has its own board of directors that manages the organization, but it is of course part of the enterprise of the city of Austin, and so what we took very seriously was wanting to make sure that everything that the able corporation did on behalf of the city of Austin as an extension of the city of Austin was compliant with the city of Austin expectations value, protocols, policies and procedures, so next slide, please. So the board in February

[10:36:43 AM]

of this year has -- what I would call have a global resolution to demonstrate able's commitment to comply with all of the applicable rules of the city of Austin. I know the rules, ordinances, regulations that apply -- could apply to hotel operations that are currently in effect promulgated in the future as maybe am mended from time to time, and the staff as department of aviation will be able to assist the able corporation depending what new rules or ordinances by the council are, how the hotel can be compliant with those obligations. Some examples include the city's roles on the living wage and a better builder program, because the hotel has any capital improvement program, that is considered a third party development, it's certainly subject to a better builder program. These are just examples. It's not exclusive in any way. I have information about a living wage. Next slide, please.

[10:37:44 AM]

And the next slide, please. So don't need to tell this community what the current city living wage is, but in -- able did approve 2022 operating budget to implement a wage increase at the hotel. So effective -- as the slide says, effective February of this year, all of the wages were ramped up at the hotel to meet the current city living wage. They were increased last year and this is the second increase that the employees have had in about a one year period of time for their base pay. So next slide please. In

addition to implementing the living wage, we also have good news regarding the -- thank you for the slide -- for having our prosperra who is our hotel management company under a management

[10:38:45 AM]

agreement with the able corporation work with, unite here local 23, to enter into and actually execute a labor peace agreement for the employees hired by the management company and the union. That lpa was executed just earlier this month, April 4 of 2022. It's certainly was supported by the able corporation and we have confirmed through our law department that it achieved the requirements past last year of a resolution, noted here on this slide, that the able corporation have management agreements that allow for labor peace agreements, and so we went one step beyond that and actually entered into a labor peace agreement as reflected in that resolution. So next slide, please.

[10:39:46 AM]

>> Ms. Thompson, I just wanted to go back to the living wage part. So as I understand it from the updates that resolution committed to complying with all applicable rules with the city of Austin, including the city's living wage, do you know if that was structured in a way that if and when the city of Austin increases its living wage in the future that the hotel would automatically follow suit.

>> That is correct.

>> Great, thank you. Did you also commit to any benefit requirements for fulltime employees --

>> If the city of Austin requires it, then we will do that, absolutely. Yes, ma'am.

>> Umm, perhaps someone from the finance department can circle back on that, because I know what we give. I don't know what we require, because we give them to all fulltime city employees, so I'm not sure if there's a nuance in that wording.

>> Okay. I will certainly be pleased to visit with them and report back to

[10:40:47 AM]

you on that. Pleased to do that. Thank you.

>> Mr. Gardino, do you understand my question there? Thank you, please proceed.

>> Next slide, please. So we wanted to bring to the council -- excuse me, this committee's attention a future rca that we would like to bring for council's consideration, and on June 16th of 2022. So the current hotel management agreement for prosperra for the hotel operation expired October 31 of 2022.

We would like to propose an amendment to hotel management agreement that is a very short amendment, but highlights are would extend the term to 2004 as provided in the primary agreement. There's two to renew. So we would go ahead and exercise those options to extend the term to 2004.

--2024.

[10:41:52 AM]

Of course would include the city's living wage requirements and all the other commitments that the board has agreed to earlier this year. So the schedule for that -- and I apologize. There is a -- I need to make a correction on this slide, because we're here today to brief you today about -- have a discussion on the amendment to the hotel management agreement. There is a scheduled able board meeting for may 23. We know that the city council has to approve the management agreement extension before the board of able can approve it. This is really not an approval. We'll be reviewing the amendments, the management agreement with the board later in the month, going to our airport advisory commission June 14th and to council on June 16th. As I understand the resolution, we are required to make a public briefing to city council on June 16th, as a component of getting

[10:42:54 AM]

approval for the amendment to a hotel management agreement. And if the -- if this committee has a different recommendation or wants us to follow the letter of the law under that resolution, we're pleased to do what it says to do. The resolution also indicates that the able board will wait 20 days after approval by council before they would actually enter into the approval for the exec execution of the management agreement -- amendment. And that's all for this slide. So next slide, please. So we invited Mr. Gonzales to join us today to answer any questions and if he's willing, he can provide some comments on the progress with the labor peace agreement or the hotel operation in general, turn the mic over to you at this time.

>> Sure. Thanks, Tracy. It's nice to see everybody here on the council again. Secretary treasurer here local 23.

[10:43:54 AM]

I want to give a quick update. We have reached the labor piece agreement with prosperra. In large part to support of this council. It's appreciated. I do want to recognize them for doing the right thing, setting down and doing the right thing. We do want to recognize Tracy at the airport, her team at the airport, they were very helpful, and bring everyone together, we're in support of the amended operating agreement, I'm here to answer any questions if anybody has any. Thank you.

>> Mr. Gonzalez, I'm pleased, too, that we're able to move forward with this agreement. I do have one question for Ms. Thompson. And I'm sorry, I can't see the rest of my colleagues if they have questions too. I didn't see anyone. So I'll ask this quickly and then I will hand it over to councilmember Fuentes. I was just wondering on the staffing, are you having the staffing

[10:44:55 AM]

challenges at the hotel currently and how you are handling them. I appreciate that you just raised the wages to \$15 an hour, but we're trying to gauge whether that is sufficient in this market and how to deal with that for a host of staffing challenges we have in the city, so I'd love to hear how you're experiencing it.

>> Sure, thank you very much. So the short answer of course is yes, as you mentioned, there's challenges everywhere. So what the management company is doing is they are staffing for the peak periods, like everybody does, managing -- managing their staffing levels. I can report -- I can ask prospera if they're engaging in any job fairs, but -- because I don't know that, but I do know they are staffing shortages that have not impacted ability for them to book out the rooms, it hasn't happened to the extent that we aren't

[10:45:56 AM]

able to award rooms, overtime, and they're stretching their staffs pretty thin. Let me report back to you if they're doing actual outreaches. I know the labor peace agreement has a provision in there that says as I have vacancies at the airport, they coordinate with the union to assist in those vacancies, and so maybe what you can do in the future is report back to you is how vacancies -- how they're coordinating with the union to fill those vacancies. If you will allow me the opportunity to get more explicit information to answer that question, I'll be pleased to do that.

>> Thank you, I think that is helpful specifically for understanding what is going on at able, also as we try to peace together some of the choices that we have before us over the next several months, that is helpful information for us as well. Councilwoman Fuentes.

>> Thank you, chair, well, thank you so much, Ms. Thompson, and aviation team, as well as

[10:46:58 AM]

Mr. Gonzalez for joining us today. This is lots of good news. You know, loved hearing about the credit rating went up on the able bonds. Loved hearing that. We had more revenue than anticipated, so that is going to help us with those repayment -- repayments, and then especially love that the labor peace

agreement has been moving forward and that there will be an amendment coming forward to council in a few months to extend that agreement to 2024, and appreciate that we did raise the liveable wage to 15. I'm a big proponent of increasing that even higher. Would love to see us hit 22. Of course we'll be having that conversation later this year, hopefully. So just wanted to thank you all for joining us today and providing this really important information, and I appreciate the hard work that is being done between able and the aviation department. Thank you.

>> Thank you, councilmember Fuentes. And absolutely, it is great to have the good news after, you know,

[10:47:59 AM]

having to navigate the covid with able and also appreciate as Mr. Gonzalez mentioned the cooperation of prosperra and able board and helping us to bring the labor piece agreement and increase in wages. Councilmember tovo or councilmember Kelly, did you have any questions or comments? No? Okay. Great, well, thank you all for joining us this morning. We appreciate seeing you. Now, item 5, I will invite our new chief from E.M.S. To come speak to us. This is the report back on budget rider that I had during the budget which was a follow-up to a equity -- dispatch equity efficiency study that we had worked on in prior years that came back and suggested that there were some really large opportunities for revenue growth and revenue improvements within our ems system, if we could fix the billing

[10:48:59 AM]

system, and as part of that rider, there was a requirement to come back to audit and finance, so we will welcome the first time to our podium for audit and finance who is going to present to us where this process is at. Thank you.

>> Thank you, mayor pro tem, and councilmembers. Appreciate the opportunity to be able to speak to you about some of the progress we've made on our billing processes and our revenue cycle. The past -- briefly I'll just say over the past month that I had been here, as I take a look at a lot of different areas in the E.M.S. Department, certainly a lot of things to learn, it's very clear to me as I walked into this department, there's specific opportunities in the revenue cycle department, and I do believe some of the initiatives we started thus far will bear fruit for us, I look forward to working with the team to continue this process. Next slide, please. As part of the rider from this year's budget, there were two specific items and parts to the first item. The first was addressing

[10:50:00 AM]

the existing E.M.S. Backlog of claims, so there was a significant backlog of claims going into this, identified by the dispatch, equity report, we do continue to have a backlog in those claims. What we have done on the interim is we have brought on a vendor to assist us in coding those claims. We started with a small number of claims they were going to code for us, eleven,000 that we were going to quickly establish that relationship. That began back in February. They do continue to do that, and we've had thus far some success. Our plan moving forward is to expand that contract to have them continue to do additional claims for us, to the tune of the full 77,000 claims that we anticipate. 77,000 claims we're going to be asking for them to do. That will require us moving forward, if we take that into fiscal year 23 budgetary approval, we do have the funds to begin that process immediately. We do anticipate we will have that backlog

[10:51:00 AM]

completed by October of 2022. Alternative to that is looking at other opportunities for us within the staffing of the billing department. We are understaffed based on national standards, and so as we prepare for the physical 23 budget, we'll be back with more information on that. From a billing process perspective, I can say regardless of any agency you go to, the number one opportunity for improvement is looking at completeness and timeliness of documentation. That is a significant industrywide problem. Various opportunities that we have in order to address that, that we have already begun. The first is through provider education and ensuring that the providers understand the importance of timely documentation, and so we have begun that adjust in time education, if you will, where we're utilizing our front line supervisors, particularly those division chiefs approved in this year's budget to be out there and working with our front line staff. In addition, we did meet with an existing vendor that we had April 19th that does data analytics and is able to drill into

[10:52:02 AM]

our software to take a look at both the dispatch data as well as our electronic medical records. They have the ability to build out for us realtime monitoring to ensure the documentation is completed and look for potential errors. Given the schedule of the existing workforce, the 2272, if there's some sort of an issue with the documentation being completed, that would be challenging for us to get back in a timely manner. This will allow us to see in realtime what's going on, whether it's a provider error, as often it is it's a technical error, the ability to upload charts from the field get stuck in cyberspace. Next slide, please. In addition, we're asked to take a look at the cost of service, that was updated. The previous service was 1 through \$139. The now cost of \$1,383.63.

[10:53:02 AM]

We are evaluating what impact increasing those fees would be, we plan to work with the equity office and others as we look at what the future will be for our ambulance fees. Next slide, please. In addition, the rider asked for us to take a look at observation opportunities that were presented in the dispatch -- equity and optimization report, we did address several of those, the first was recommendation 14 which was to revise the charity care policy. That was update and approved on September 22 of 2021. A few things around this. Historically this policy was only extended to folks -- to individuals experiencing homelessness and folks with no estate. We did add ten additional categories I could outline for you if you so desire, but it does look at other individuals who may not have the capacity to pay or the capacity to -- we looked at some of the other areas of public assistance that are out there and

[10:54:02 AM]

identified -- worked to identify who would be potential in potentially need of charity care. This did bear some fruit for us, the claims that we submitted in 2021 were seven times the number of claims submitted in 1920. In 19 to 20, we submitted about \$1.7 million in charity care claims. This most recent year we submitted \$15 million in claims. It's challenging for us to identify specifically what the change in the reimbursement will be given the state -- the pot is based on the total number of claims submitted statewide, but on those \$1.7 million in claim, we receive \$1.2 million in payments or 62% of our payment, so conservatively, we are anticipating about \$5 million in payments which would be about a \$3.8 million increase, but it could be significantly higher than that, depending on what happens in the remainder of the state. Next slide, please. We also looked at 13 recommendation, 15, starting recommendation

[10:55:02 AM]

13, revealing the billing practices to identify opportunities to capture revenue for treatment, no transport, and allow als services, 15, (reading) What we've done is we've engaged with a national billing consultant, national revenue consultant, they began their assessment of us in September 9th of 2021. They were on site in the last week of March of 2022, March 30th, 31st, 2022. We do anticipate they will have a final report by the end of May, which will provide us with some specific recommendations. Next slide, please. That being said, we did meet with them, we did identify jointly some common themes that are seen not only in this agency, but in other E.M.S. Agency, and we have begun addressing some of those while we wait for the report. Specifically discussion around the appropriateness of als services and the rider, we have begun that process. We've met in March, March 15th, to review

[10:56:04 AM]

our existing dispatch criteria. The this process requires us to go back and look at over 1700 different ways we dispatch our ambulances and clinically review them to identify those of which the E.M.S. And the medical director identify is requiring als resources. That process will take us several months, we do anticipate by mid summer having that completed. In addition, I will be meeting with P cigi consulting which is the authors of the dispatch optimization report to review the overall report so that I can understand from them first hand what their thoughts were behind some of the information they provided. We will also be discussing the charity care and other state programs and seeing if there's other things that we need to additionally address with those processes. Next slide, please. With that, any questions?

>> Thank you so much, chief. I brought this budget

[10:57:05 AM]

rider following the dispatch equity and optimization study which is what's referenced with the recommendation, so there's the rider that has numbers as well as recommendations for the dispatch equity, so if you're trying to see where those recommendations are, you need to two to the dispatch equity, study, efficiency study. This is an extremely important effort on the part of the city. You take a look at the graphs that are in our financial forecast, and we are, you know, forecasting deficits, three, four years out, that just get progressively bigger. This is a rare opportunity for us to improve our revenue in a way that we can accommodate those are unable to pay. A lot of these bills are played by insurance. There are challenges we saw within the billing system that we were not billing properly. There were opportunities within the way the state had recently changed its

[10:58:07 AM]

structure within charity care to the tune of tens if not dozens of millions of dollars of revenue that we could be recouping which would fill much of the holes that we have because we're not currently in those forecasts. Some of them may be, and so, you know, as we operate under revenue comps, this is an effort that, you know, as a new chief, I want you to be really leaning into, and to our cfo, I also want you to be leaning into this, because this is really a rare opportunity for us to address this shortfall. You enumerated several of the different ways, and I think some of those are coming in higher than what we're anticipated in that dispatch equity study. I believe the jump in the cost of service study was considerably more. I think they had said it was going to be a 25 jump.

[10:59:07 AM]

It's considerably more. Where we land and how quickly we get there, we'll have to decide, and you can't necessarily count those revenues in this budget, because there's still some uncertainty, I understand that, but it is an extremely promising way forward for us to address these things, so I hope that you will lean into those. I do have several questions, but I wanted to see if my colleagues had any specific questions before I dive in, because I had an opportunity to talk to the chief yesterday. Okay. So seeing nobody has comments or questions, I know that councilmember wants to make a comment. So the original backlog was 77,000 claims. And you contracted out for 10,000 of those, and you improved the staffing. Where are we now in terms of the backlog?

>> We have 21,000 claims --

>> Okay. And, umm, as we are

[11:00:08 AM]

looking at those backlog, have we cleared a backlog and now it's new ones that are the 21,000 or old ones that are the 21,000.

>> In our current state with the current existing contract, we are not with our claims, as we move forward with this new contract to pick up additional claims, we do anticipate we will be able to pick up that backlog and complete it by October.

>> Okay. And I don't know that you're going to have the answer to this question, so I would ask if someone can walk through with me outside of this meeting what was captured in the forecast in terms of assumptions and what wasn't, I don't expect you to know that on the fly, but I would like to dive into that some more. And then the -- in terms of the -- so we'll get the backlog done by October. What about the broader billing changes and documentation changes and other things? When are you anticipating that, or do you need to see the Robert back --

>> I think it's going to

[11:01:09 AM]

be key for us to see the full report. Some of those initial pieces that we have begun working on, I think we will see some immediate successes. Moving forward into next year, into 2003, and we may even be able to start a bit earlier, I think from a continuing education standpoint, a lot of what we do is around clinical services, and it's important for us and probably slightly overdo for us to be doing documentation education and provide that to our staff. Regardless of whether that is in addition, we will see that moving forward throughout 2022, and I anticipate that we'll see some improvement in documentation by the end of this year.

>> Thank you.

>> Calendar year.

>> And how much addition -- so you said that would be 15 million in claims and that we would be anticipating 5 million, because there's uncertainty with how the state will handle the claims. 5 million is one third, not 66%. I understand we have to be -- we have to be conservative.

[11:02:09 AM]

I just -- I just want to underscore, again, how much money there is in this if we fix it. It is extremely, extremely important if we want to be able to increase wages in our public safety departments, if we want to, as the budget rider says, achieve 12 person staffing, this is the money that allows us to do those things and absent this money, it's going to be that much harder, and so I think we really need to be leaning into this while doing it in a way that protects the most vulnerable in our community by changing the charity care thing, nobody got billed more, we just got reimbursed for stuff we couldn't bill for, before we weren't getting paid. Now, that was a short lived change in state law that we had to catch up to, but it's still an opportunity.

>> Yeah, I do believe that there are significant opportunities for us in the revenue cycle area, and I am excited to see what we

[11:03:09 AM]

can provide and produce moving forward. I think that many of these opportunities are, for lack of a better term, some low hanging fruit, that we'll quickly be able to benefit us, however, I think there are other areas where it is going to take us a little bit of time to fully understand the process, but as you're looking in the coming years, as we project out, I think it is safe to say we'll be able to improve the revenue cycle significantly.

>> I want to underscore, there is a significant lag on all of this in terms of what we can budget for, because we have to see how the money comes through, if you change any fees, you have to -- you know, you can't anticipate the money, you know, too much in advance. One of the reasons that we tied the increase in staffing and getting that staffing plan, which we also have another resolution that I cosponsored with councilmember Kelly on staffing but it's also in the rider, you know, these are the resources that would allow us to

[11:04:10 AM]

get to 12 person staffing and kind of fixing these things, generating that revenue, you know, some of that ought to be going back to supporting our E.M.S., whether it's staffing or it's wage increases, in my

view. So I appreciate you leaning into the revenue side. When might we have a report back on the 12 person staffing piece of that?

>> I would have to get back to you on that, but I can get some secure timeline for you in a short period.

>> Great. Thank you. Councilmember Fuentes?

>> Thank you, first, just want to thank you, chair alter, for your fierce leadership on this issue, it's incredible you have identified pathways for us to increase revenue that is desperately needed to get to that 12 level staffing model and increase wages for our E.M.S. Department, thank you so much for your leadership, and then chief, I wanted to say, hey, you have hit the ground running. I mean, seriously, I'm

[11:05:12 AM]

very impressed by your presentation and pleased to see how you've been able to quickly identify and assess where we're at with this policy and be able to communicate to us, you know, how you are taking action and what is needed. I did have one question, because you mentioned how important it was for provider education, ensuring that they understand how to properly log the claims. Any -- do you need additional resources or support in that effort for provider education?

>> At this time, as we work through this, there's nothing we need at this moment. Looking into 2023, I think as we finish up the budget process, we're looking closely at that, ensuring any education that we're providing on the documentation and you might say on the administrative side isn't detracting from the ability to make sure our clinicians are the best clinicians in Texas, so I think we need to look very closely at our education programs and we may 0 come back to you.

>> Okay, thank you.

[11:06:12 AM]

I think part of what I heard there were technology things we've heard, systems not deploying certain things that would, you know, part of the challenge with the billing is that the documentation is not there, so if you solve the documentation problem, then you don't have the long waits because you just go through the process faster and quicker and you don't have to have people chasing down the data and the information. And so when folks are operating in the environment that is high stress, if there's ways to let them know, hey, you're missing this field, fill that in before you go off for 72 hours to not be on shift, then you can reduce the backlog that way as well. Which is something I think that was less emphasized in the study and something that the chief is brings from his experience and then the study that they commissioned to help them with it is also revealing that which is on top of the savings that were identified in the dispatch equity study.

[11:07:14 AM]

Great. Thank you. Councilmember Kelly or councilmember tovo, did you want to add anything? No? Chief, is there anything else that you want to make sure that we know while we're here?

>> No, that is all, thank you very much. Thank you for your time.

>> Thank you so much. I appreciate you being here. Colleagues, our last item is future items. I don't know, Ms. Stokes, if you want to bring that and then councilmember tovo.

>> I think just a quick note, we have -- we'll have your may meeting as regularly scheduled, we've moved the June meeting a little bit early. I know in may we have follow-up items or follow-up items from my office we'll be bringing on various topics, providing information on past recommendations other than that, I don't have items I anticipate before the committee, trying to remember iteming from not our department, I don't think

[11:08:15 AM]

there's a long list for me, but I do think we'll have, you know, a full regular meeting and then I know economic development is planning to present at the may meeting.

>> Yeah, they're going to -- economic development is going to present about cultural funding and I believe we're set for a storm uri after action continued discussion assuming councilmember tovo wants to have that. Councilmember tovo, did you want to add something here.

>> That was my request, that we schedule an update on where we are with regard to the after action report. Did you say that was next month?

>> I believe so, yes.

>> And who will be -- is it -- homeland security and emergency management providing that or is that the city manager?

>> I think that my office and your office can design that however we would like.

>> Okay. Thank you.

>> So perhaps your staff and my staff can get together and we can do that, sooner rather than later, so that we can

[11:09:17 AM]

have the most information available. Does that work for you? Great. Anyone else have any other comments? Well, thank you. It is 11:09, and I will adjourn this meeting. Thank you.