

Audit and Finance Committee (AFC) meeting Transcript – 3/29/2023

Title: ATXN-1 (24hr)

Channel: 1 - ATXN-1

Recorded On: 3/29/2023 6:00:00 AM

Original Air Date: 3/29/2023

Transcript Generated by SnapStream

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[9:35:14 AM]

Great. Thank you. Good morning. It is Wednesday, March 29th at 9 34. Alison alter and I'm chair of the audit and finance committee, and I called to order this meeting on the diocese with media council members Ryan alter and Leslie pool council member of Vanessa Fuentes is in our can meeting and will be arriving about 10 A.M. And council member Kelly will not be joining us. This morning. Thank you all for being with us when I start with, public communication. I do not believe we have any speakers. Is that correct? Okay wonderful. Thank you, will now move to the minutes. Can I have a motion to approve the minutes from council member pool, seconded by council member Ryan altar with no objection. We will adopt the minutes. Thank you very much. Our next item of business is item to a discussion impossible action regarding the Austin police retirement system funding

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plan. And we are doing today by miss Thomas, the deputy chief financial officer, and as I'm sure she's going to explain this is stuff that we need to take to adopt a policy just to effectively reiterate, the agreement that we made last legislative session to make whole our police retirement system. So, miss Thomas good morning. Good morning committee members. Diana Thomas, deputy chief financial officer for the city. This policy that's before you is the funding policy for the Austin police retirement system is a plan that, sorry I get to the next slide. Is a plan that that adopts the Texas pension review board guidelines for establishing funding policies that are developed. In conjunction with the plan sponsor and the plan itself. So this is a collaborative effort between the Austin police retirement system board as well as the city of Boston. It just puts in place those plans that

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we would take if anything goes wrong with the system, and we need to provide additional funds . As as a committee chair alter mentioned in the 87th legislature of the city and the Austin place retirement system, collaborated to take reforms for a prs to the 87th legislature, and that was approved in this funding policy really covers. A lot of that same information, it just changes it from legislative language to something that is more common common form. Just a quick reminder of some of the things that we included in that legislation. We changed the calculation of the city's contributions to an actuarially determined contribution. In the past. We had a set percentage contribution right that we made which, when you have a defined benefit plan, you need to adjust your contributions to account for the changes that occur in the plan. We also increased employee contributions to 15% from 13% and if as part of the

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employer contributions we created a maximum and a minimum and a midpoint of our contributions if we hit the if the city hits the maximum contribution employees would give another 2% before the city and the plan would sit down together and come up with other alternatives to come up with the funding plan to cover everything. The city is because of this. The city's contribution can vary from from year to year . It's not a set percentage anymore. It's based on actuarial data, and it also talks about when the contributions can vary from the midpoint. If the funding ratio is less than 90% the city's contribution will be the greater of the a deck or the corridor midpoint. And if the funding ratio is less than 90 G size greater than 90% than the city contribution is equal to the a deck or the actuarially determined employer contribution. I'm happy to answer any questions of the action that we do need from the committee is to recommend approval to the full council and

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will be bringing this to the full council on April 4th. Our intention is to also go to the a. P. R S board and get their approval again on this document that was prepared by staff on both teams. Thank you, Mr Thomas, council member vice chair, pool. Mr Thomas. Thanks for coming here today and giving us his good update on a P. R S and the financing model. I'll make a motion in a minute to approve this. I just wanted to mention that we have additional work ahead of us in this legislative session which will do a very similar which will if that legislation passes, we will have a very similar model for the city of Austin employee retirement system, and that will also help shore up the actuarial soundness of those funds going far into the future and as a member and trustee of the coerced board. For the last 89 years. I really appreciate the really good work that our finance office has brought to help with these matters and of course, we all hope that the

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legislation will pass it successfully as the prs legislation did last year. And I just close by saying that I thought that representative Eddie Rodriguez did a really great job and in supporting the work of the city of Austin with regard to the a P. R S. Ah, reforms and I kind of miss him not being up there this year, but I'm optimistic that we will see good results in this session for coerced. Thank you. Council member pool. I also want to thank Mr Rodriguez for his support in helping us to pass this at the legislature and, bringing the parties together to move this forward, but I also want to thank our staff and, you know, members of the committee, including myself and council member pool. You know, work behind the scenes on this process for a prs and continue to do so for colors. It's really important. That our employees,

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feel secure in their pensions. It's important for them and, their connection with the city. But it is also important from a fiscal perspective for the city. So I think these are very important steps and I trust that the course legislation will also move forward. Council member, Paul, did you want to make a motion? Yes thank you chair and I'll move adoption or approval recommendation to the council. Thank you. Council member pool makes that motion seconded by council member Ryan altar with no objection that motion passes and we'll move on to the council at the next appropriate. Heating thank you very much for your time. And when you do put that in the back up if you can include the presentation as well as the policy. That would be great. Thank you. Thank you. Thank you, Mr Thomas. So our next item is a discussion impossible action regarding recommendations for appointment of members of the municipal civil service commission. We're

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gonna hear from Stephanie hall. Assistant city clerk, Matthew chats and not sure if I'm pronouncing that right? That's the that correct manager of municipal civil service in hrd and the assistant director Nathan brown from hrd are all here. To help us. Just a reminder for folks that are watching the audit and finance committee is responsible for nominating members of the municipal civil service commission. We do this on a pretty regular basis. We have a position that, someone had filled midway through and the question is whether we reopen the search or we continue to move forward, but I will let miss hall. Present thank you. That is exactly it. There's like a little hole here, so I'm doing a little dance over what can feel it it shoots. I had to ask him myself. So Matthew, shoot! Yes, we are here. This is Stephanie, all from the city clerk's office to ask the committee if they would like to reappoint Kevin McMullan, which

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we own mullen part of me. We know he is interested in seeking re appointment and then also just recently, the municipal service commission made a recommendation to continue the appointment of Andy Mormon is chair so we would also ask if this committee would be willing to move forward with that recommendation. And so the two things I guess there's two things we're looking at. Should we move forward with the reappointment of Kevin Mullin or for another term, or should we open the call for applications? And then with the committee be alright. Moving forward recommendation for any mormons chair. Thank you and vice chair of pool and I, discuss this and having been on the search committee and having interviewed Mr mullen and given that he was filling a seat halfway through would be our preference. To continue to have him serve and to reappoint him, and I'm also comfortable. With reappointing the chair. So council member alter you. Comfortable with that

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? Absolutely I trust your judgment. Go ahead, and I also wanted to thank that group and Mr Mormon for the good leadership there and support his continuing his chair. Would that be part of the motion here? Just make a motion, not make a motion . I will let you go ahead and make the motion. Okay so that would be the next work. Very good. So to continue, Evan McMullin as isn't it? Kevin did I say it wrong? 11. No. With K. Okay McMullan for to continue as a commissioner and to support that. That board's request to have Mr Mormon continue as chair. That would be the motion. Thanks. And I would say great without objection that passes and just, for the record than the board would be. Kevin Mullin , Mackenzie Fraser, Andy Mormon

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is chair kavita, Gupta and John impressed and we think all of them for their service. We've been hearing positive things about how it's functioning. Right now, so thank you very much for your work. Thank you very much. Thank you. We'll now move to item number four, which is the economic opportunity and affordability audit that originated with sd 23. Fight the auditor to come and introduce them. Yes stoke city auditor happy to introduce this team that was managed by nejat Sharma and Tyler Myers was the leader will be here making the presentation this morning. Good morning and happy to be with you with you here today. Alright strategic planning provides long term direction for city goals and priorities. You can help organizations with planning these priorities by establishing a logical link between cities,

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budgets and city services and programs. Strategic direction. 2023 was more common more commonly referred to as sd 23 is the strategic plan for the city of Austin. Consultants along with city staff. Management and elected officials participated in its development. Was formally adopted by city council

on March 8th 2018, and it was intended to guide city efforts over the next five years. There are six outcome areas within the plan showing on the slide. But due to the objective of our audit, we focused our review on the design and implementation of the economic opportunity and affordability outcome. Conclusions drawn from our report likely applied to the other five outcome areas as well. The economic opportunity and affordability outcome. Frequently shortened to E O a covers topics such as employment , income inequality, cost of living housing, workforce development and economic mobility. For this project. We

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use the government finance officers association framework for strategic planning. This framework has 13 elements that helps organizations achieve success in their strategic planning efforts. And it is a helpful way to frame many of the issues we observed. Throughout our work. In the graphic the element should in green represent practices, followed by the city of Austin. And elements and Orange are highlighted to show practices that deviate. Our in our audit resulted in two findings. Finding one covers the issues we observe when looking at the 35 performance measures under the eo outcome, which can be summarized into five issue areas. Over the next few slides will dive into quickly into why each one reduced the city's ability. To measure and report on progress. The first issue area concerns the community indicators. The use of community indicators as strategic

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performance measures. Community indicators are generally broad statistics about the arson community and an example of a community indicator is median house value. While community indicators provide helpful information. They are not well suited to serve as performance measures because they are generally outside the city span of control. Despite this, over half of all U a performance measures are community indicators. The guidance we use recommends that plans include measurable objectives and performance measures that provide information on whether goals and objectives are being met. However we found that roughly half of all E O a performance measures lack of target. Instead of serving as a tool to better understand. Performance the data simply being recorded with minimal opportunities to understand if the city is making progress, or the city might need to change its strategy. Are not excuse me next sign our analysis of all eu a performance measures for fiscal year. 2021 showed that

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60% of measures display data for a period that was older than the most recently completed fiscal year. Or did not even display which period they covered. We also noted at least three times in which the use of statistics to support certain performance measures did not follow the recommended guidance from

the U. S. Census bureau. And may misrepresent progress the city has made for those measures. The last issue area under finding one highlights that many sd three sd 23 performance measures cannot be used to understand the city's impact. From an equity standpoint. S D. 23 itself calls out the importance of breaking down each performance measure demographics. However, we noted that only about a quarter of measures can be have the data connected to allow for this type of analysis. Our second finding notes that the city's delay in implementing key elements of sd 23 the lack of formal monitoring limited the ability of the city

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to assess and report on progress. This graphic shows the timeline of two important milestones really to S T 23 over the past two years few years. It shows that in March 2018 the plan was adopted, but it wasn't until December. 2020 that's a strategic performance dashboard was operational. This means that the primary tool used to review performance measure data and targets was not available nearly three years into a five year strategic plan. The guidance we referenced earlier also notes the importance of formal monitoring opportunities and developing a systematic process to evaluate if goals have been achieved. However we found that the city did not have a plan to regularly present on sd 23 progress. And that only one formal meeting. What's held on October 20 held in October. 2021. The lack of a plan to have checking opportunities limited the ability of city stakeholders

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and the public to assess if progress towards outcomes have been achieved or decide if additional investment by the city was needed in specific areas. We issued three recommendations in our report to address the issues, we noted. Recommendation one asked the department to discontinue or retool performance measures that are outside the city span of control. Recommendation to ask the department to create performance measures that are useful, relevant and reliable. And then recommendation three asked the department to develop and develop a plan to regularly provide updates on strategic plan progress. And that wraps up my presentation and happy to take it. Take any questions. Thank you very much colleagues. Any questions? Audited. Do we need to take out emotion? Stokes do we need to take a vote? No. I did have. One counselor did have

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one question for our city auditor. And that was whether, you have had conversations with our interim city manager about the findings in this audit, and if so, what? If you can share what he saw, that might be suitable for him. So we primarily worked with financial services who is as responsible for the strategic direction efforts. However we did. I did breathe this city manager and have that conversation. I think ,

the mean I think one of the things is that I think the city manager is changing the approach to strategic direction going forward. So that it's more of a management function and less of a council function. And so in those conversations, however, we also still feel like our recommendations. Make a lot of sense. You know you want your performance measures to be based on the most current data, the most reliable data and so I don't think it changes a lot. But in those conversations I think he interested with the

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findings were, you know it's new enough to not, necessarily on on all of the problems that happened, but certainly going forward. I think that it's a priority area. That's good to hear. I do think that the findings were really useful. And so it seemed like really good grist for the mill for the city manager, too. Put into the new process that he's looking at to, change kind of our approach to the strategic direction efforts and certainly our conversations with financial services and with the budget office. This is information that they will incorporate going forward. Yeah, we have really good staff in those offices, and I think having this kind of high level and close in look at operations , particularly in this fairly new effort that we crafted just a few years ago. Is really this is a great time for that to happen, and as things have have evolved, it's even a more appropriate time with kind of a shifting from the city manager's perspective on on how we should

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organize ourselves and work through issues. Thank you. Chair. Thank you. Is there anyone from the city manager's office that wants to speak to this item, or like to share a little bit more about secure process seems slaying. I see miss Lang. Good morning, morning chair. Good morning committee. Carrie Lang, budget officer for the city of Austin in the financial services department, and, I agree with the sentiments that Corey's just spoke and talking to the city manager and working with arches office on this, audit we recognized as we were looking at what the next phase and what the next iteration of a strategic plan would look like that there are certain things that we needed to change. We had a lot of lessons learned. From S D 23. It was a great first draft a great first iteration. I think for the city of moving this direction. But

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with that we are looking at making, some some very substantial changes to strategic planning efforts, including establishing, tangible goals that that we can really show what those targets are what those changes will look like in five years, also creating measures that the city in particular has impact on. We are working to have worked with the demographer to move a number of those community indicators into you that demographers purview and, dashboard has been created in that vein, so that some many

of these very important community indicators can be seen on the demographers dashboard, but we are really working as we're building this, new strategic plan to incorporate some of the recommendations are the recommendations that the arches offices made and, providing a way for us to continually report the progress of the plan in the over the over

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the next five years. Thank you. I appreciate that as someone who at our last strategic planning, check in was raising questions about the data and how useful it was I appreciate the confirmation from the auditor's office, and, the recognition from management that we need to do better in our measurement and in our inner targets, and I look forward to working with you in the city manager on that process to make sure that it is also reflecting council's priorities and the breath of responsibilities. That that we have and the ways that we as a city can impact our community across the board. Yes. Thank you, miss lane. Thank you being here. Thank you, Mr Myers for the presentation. Okay, so we don't need to take action. Then, item six was the potential

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executive session which we do not need to take. So we will move to future items. Mystics. I think we still have the animal services. Sorry future items, so future item. Yes thank you. I was too eager to fair enough. This is finished fast meeting. We have another one this afternoon. So we're trying to be . I appreciate that this morning . We have another one this afternoon. So my apologies. The item number five is the animal services audit update. And I did have that on Herod. Just misplaced it. Thank you. So we have an update for you, as you'll recall, this was an audit approved in the fall. And K solace is the manager of this audit. And so he will be presenting an update on where we're at. Good morning. Thank you for letting me speak today to give you an update on our animal services audit. My name is Keith solace and I am an

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assistance to the auditor in the office of the city auditor. Alright before I get into the actual audit itself and what we've done. I want to take a quick second to go over our offices role for anybody who's watching. I know that this is a topic that's very interested. Too many people. So to remind everyone we are independent and objective office that reports directly the city council. So we are not part of animal services , and we're not part of the management chain that oversees animal services, which allows us to do our work independently. We generally conduct our work in three parts. So the first one is our initial information gathering phase than that helps us narrow down. We're going to focus on in our next phase, which is our detailed test work. And then we do our reporting. Right now we're doing an update after

conducting our initial information gatherings or starting our detailed testing work, I'm gonna be able to share with everyone what we have focused on and how we got here just to remind everyone as well , council passed a resolution last year, asking us to audits pretty much all of animal services. They suggested that we

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consider many different topics which we've looked at and narrowed it down by doing the following work. Over the past few months, we've reviewed policies and procedures interviewed a bunch of staff and other key stakeholders. We've looked at data provided by animal services office and other sources. We've conducted three community engagement sessions and one community survey and I want to focus on this one for just a second, because I'm really proud of this, two of those community engagement sessions were in person. One of them was virtual. Collectively, we had almost 100. People come and share their opinions and a tender sessions. And then our community engagement survey was posted at those sessions was posted online. We tried to get it out to as many people as possible and had over 400 residents respond to those surveys. We also set it up in such a way that you can only respond once per device or fairly confident that the vast majority of those are unique responses. In addition to those community engagement ones, we also had a separate employee engagement session that took place at the animal center. And

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that was just for, employees of the arson animal center. When we were there. We also did a site visit to see what it looked like on the ground. And then we conducted a separate site visit unannounced to get another better sense of what it would look like when they weren't expecting us. And lastly, we've been engaging with several potential external experts. I want to take a second here to say we catch are too much information about that. Because we haven't, finalized anything quite yet, but now that we know the direction of this audit and what we're going to be focusing on, I think we can do that fairly quickly. I will say that we've, are and have been in conversations with various professors and academics at some universities. We've been speaking with shelter managers and executives around the country. We've also been speaking with consulting firms that specialize or have expertise in, conducting, animal services. Work. Alright so based on everything that we've done,

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we've narrowed down our objective to is the city, effectively managing its animal population and providing animals in this shelter with necessary and humane care. There's still a fairly broad topic and we've broken it down into three sub parts that you can see. The first one is determined why the Aston

animal centers overcrowded, an animal intake has been restricted. The next one is determine whether animals in the shelters possession received necessary care and humane treatment. And then the last one is determined whether cities live outcome. Goal of 95% is sustainable water shoulders current level of support. So that's how we're going to be structuring the rest of this audit. Alright that's for next steps. The first big one is making sure that we can hire that external expert who has knowledge in these areas can help us understand this situation better. While we're doing that we're going to be conducting our focus tasked to address these objectives, same as we would in any other audit. And we're still anticipating a completion. They sometimes the late summer of this year. So

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with that, if you have any questions, I'm happy to answer them. Thank you, Mr solace. We appreciate your work on this. You know, this is important item , and I just wanted to see if vice chair pool, who originally sponsored it. I was a co sponsor . If you have any remarks that you want to make a questions, I'm just really happy with the progress. And you're right. This is a really important look silly at the operations and how things are going so I am very much in anticipation, looking forward to seeing the final results. Thank you for your work. Appreciate it . Thank you. And you know, we did a similar look at what the steps were along the way for the Austin water audit. And so I'm looking forward to a similar result from this audit for animal services to be substantive and useful for us moving forward council member author did you have anything you want to add? I would just I went out there just last week to tour and I'm glad that new. Have this

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item already in the works because it was eye opening. We are busting at the seams over there and I think it's an important issue for us to look at, so I'm glad we're going to do that. Great thank you. I appreciate your work on this. Thank you. Okay. So now for number six, we're going to skip the executive session because we did not need to have that discussion of the appointments for municipal civil service. We will now move to item seven, which is future items, and we'll hear from the stokes and then I'll talk a little bit about other items on the agenda. Yes so, the kind of largest item or item that is absolutely required to go at the April meeting is the presentation of our kaffir comprehensive annual financial report that's done by our external auditor. So that will happen. In April, we had the fire overtime audit that was postponed from February. They couldn't come in March. The we have the language access follow up on it. We also have a

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briefing that has been postponed related to disaster preparedness. That's management coming back and talking to you all about those recommendations. They do that. Approximately quarterly we also have a briefing on the two that I don't know a lot about. But cities relocation ordinance and Austin procurement. Three point. Oh and then the last thing is, is recommendations coming from a small minority business resources as NPR, working group related to their procurement process, so a lot of items in April some of those I think can slide in. Some can't so something to kind of keep in mind as we move forward. I believe you've already asked that we hold this room until noon, which we've done for that meeting. I think we have one other item, which is the operating reserve policy. Update that we will also be discussing, potentially in April. Miss Thomas, did you wanna? Yes. Yes, please. So I think the a R R item is going to be combined with other policy changes and

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brought altogether. I'm not sure at this point if that's going to come to the April meeting or the May meeting but we also have one item that you just received an email about. Yesterday about C I P planning would be bringing forth an item to talk about that in April as well. Okay? So colleagues, as you can see, we have a lot of items in April. We did, given the management changes. We did agree to move the disaster preparedness item until April because the goal of these quarterly reports is to make sure that we are making progress and with the changes we felt like we would get a more meaningful report in April. It does make our April meeting very packed. So we have asked people to extend on their calendar to noon. If we need it, we will try to be as efficient. As possible, and I don't know that any of these items are going to be bringing out a lot of public discussion. So if we're focused and prepared as we go into the meeting, I'm hopeful that we'll be able to get through as much

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of that. As possible. The kaffir that will be discussing the annual comprehensive financial report had no finding, so I'm assuming that's going to go quicker than in the situations where we have findings. And, you know, we are continually look at the timing and do the best that we can, and we will get through as many of the items as we can and push anything that has to be pushed to May or if we don't get to it, I do believe we have a hard stop at noon. On that day today, I will remind you that we have the Austin water implementation. Report following the Austin water external review that's at 1 30 that would be joint with the Austin water committee. And I think that the three of us here are on both committees. I'm very much looking forward to that discussion. We will be working with the city manager, to be changing up a little bit of how we're doing some of the oversight and I think the C I P

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presentation is one example of that we will also be hearing a series of presentations starting in, I believe may from the procurement officer about changes to the procurement policy. Colleagues. Did you have any items that you want to raise or or bring up? Vice chair, pool. I just wanted to make sure Steph new and the chair knew that the April meeting, which I think is on is it April 20. Six. Is that right? I am out of town. At the city summit of the Americas. That's one of the U N and equally conferences that I'm attending this year. So unfortunately, I'll be in Denver. I can try to remote in, possibly but. But you know that now to ensure that you've got sufficient diets to get that quorum going thank you, maybe,

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Angie and your office. Corey can make sure that we have no issues with quorum appreciate the advanced notice. That's much appreciated. And I do not believe that we're necessarily taking a lot of votes and items there. Maybe. I think we might have to accept the. Kaffir, but I think most of the other ones are discussion items. So if you have a particular questions that you want us to raise and you want to get those to advance weeks in advance, we can try to do that if you're not going to be able to be there, but hopefully, with council member Fuentes and council member Callie not making, making this meeting this time that we should be okay. Yeah, and I've got the one on one preliminary meeting on Monday before I leave town with audit with the audit staff , so I should be in really good shape. And if I have any questions or anything that can't be resolved in that meeting of decimal long to you, chair to ask during the meeting, but thank you. I do appreciate you

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modeling the need to let us know in advance. Whether it's public or not. It really does help us. Make sure that we're not asking stuff to be prepared and unable to get a quorum. But we have five people for this committee, so I think we'll be I think we'll be in will be in good shape. So with that it is 10 10 and I am going to adjourn this meeting. Please remember that will be back at 1 30. Thank you. See you then.