

Audit and Finance Committee (AFC) meeting Transcript – 7/25/2023

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[9:31:06 AM]

>> It's the first half of the minutes. Yeah good morning, everyone. Ann. My name is Allison alter, and I'm chair of the audit and finance committee . It is 931 on an. July 25th. And we're here at city hall on the dais with me, our vice chair , pool council member Ryan alter and council member Fuentes council member Kelly is not yet here. We are going to get started. I understand that we do not have any public communication clerk is that correct? Great. Thank you. So we will start with item one, which are the minutes for the audit and finance committee. Do I have a motion to approve the minutes ? Council member Ryan alter moves council member Fuentes seconds with no objection. We will adopt the minutes from from

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the may 24th meeting. Thank you . Our next item up is discussion and possible action regarding recommendations for appointment of members to the Austin convention enterprise board. I'd like to invite vice chair pool to introduce this item.

>> Thank you, chair. We have in front of us the bio and the bio of Troy Micah madres is mister madres as he dialed in. I think he was going to try to. There he is. Mr. Madres, could you go ahead and turn your camera on and welcome. Is our staff able to help us get a show? Mr. Madres on camera. Well, at any rate, Mr. Madres, welcome. If you're able to make yourself visible and if you'd like to

[9:33:09 AM]

speak, you'd have an opportunity . We

>> Yes. Good morning, everyone. This is Troy madras. Thank you so much. Well can you guys hear me?

>> We can hear you. We cannot see you. Are you able to turn on your camera?

>> I'm trying to do I don't know why I'm not getting access.

>> Well, keep working on that. Meanwhile we did pass out your bio to the board here, Mr. Madras would be a an appointee to take the position that Sheri Greenberg has held, and she is retiring from the board to pursue other volunteer activities. And she volunteered to step down. And Mr. Madras is available and has been interviewed for this position. So I recommend Eid his appointment and would make that motion.

[9:34:10 AM]

>> Thank you. Do we have a second? Seconded by Ryan alter? Mr. Madras, did you want to say anything else.

>> I think there's issues with the audio and the video, yes.

>> Okay, colleagues, does anyone have any comments or questions or anything? Lang. Okay, so we have a motion on the floor to appoint Mr. Madras. Okay

>> Vice vice chair, perhaps. Chair you know, when you mentioned that Mr. Madras was interviewed, can you share who did the interview?

>> Well, it was in looking for people who were interested in this position on my staff and the city staff. Also talked with him and people who I'm not sure if it was Ed or and maybe our staff can help us with this, who all talked with him. Ms.

[9:35:10 AM]

Olivares. Good morning.

>> Deputy cfo Kim Olivares, also a member of the board. I have had conversations with Mr. Madras. He has has a long history of just being active in the community, but also is an incredibly smart, intelligent individual when it comes to financial matters. He serving or working for various financial firms. He has a significant amount of knowledge around city financials. So it because of underwriting and bond issuances and previously as as is separate, it's a component unit but still a separate unit. It it it provides a good separation between what he has done on the city side but also being able to be continuing being active in the community. But I can I can strongly support his role as a

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and I'm doing that as a city of Austin employee as and then as an as board member. I would I'm glad to work with him. And on those efforts, thank you.

>> And I trust your recommendation both as a city of Austin employee and as an a board member. Thank you.

>> Thank you. And should you desire it, we can go into executive session and interview him if you'd like to do that. Okay. Thank you. So we have a motion on the floor. All those in favor, please say aye. Hi. Hi. Okay, so that's unanimous on the dais. Mr. Madras, thank you for your willingness to serve. And thank you to Ms. Greenberg for serving so, so many years for us staff when that comes to council, if you can clarify the term, not sure with Ms. Greenberg leaving whether it's the balance of a term or a new term that we should be appointing him for. So the motion would be to appoint him and add the clarification of the extent of the term that would be

[9:37:14 AM]

appropriate from a legal perspective. Thank you. Thank you. Thank you. And thank you, Ms. Pool, for working on that. So item number three is the open data portal data reliability audit. And we will hear from the auditor's office.

>> Great. Yes, this audit was managed by Keith Solis and Francis Riley was the auditor in charge and was going to present to you today.

>> Thank you. Good morning. Oops my name is Francis Riley and I was the auditor in charge of this audit. This audit looked at two data reliability and consists of two main parts. So the first part was a follow up on previous audit work. Our office had done where we had noted data reliability issues and the second part is an audit

[9:38:15 AM]

of the city's open data portal. Having reliable data is important because it allows the city to measure the effectiveness of its operations . Burns and then on the community member side, it provides a window into city operations actions and helps provide accountability. Me right now that window is a little bit hard to see through. We noted data reliable city issues in previous audits, so as the first part of this audit, we went back through our offices audits from 2017 through 2021 and looked at which audits where we noted data issues and then quantified how many and then looked at the types of issues we saw over half

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of our office's audits from 2017 through 2021 had some sort of data reliability issue and those covered 20 departments as well as citywide issues. Some of the most common issues we saw were missing data. My animation does not appear to be working. So it doesn't show on the side. But missing data, dirty data, which includes things like extra characters missing spellings, duplicates, outdated data, a lack of process for data and then data being collected but not being used to improve a process. So based on the types

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of issues we saw in previous audits, we sampled seven audits. Our office had previously done that. We deemed higher risk to see if the data reliability issues we'd originally identified had been resolved. Four of seven still had unresolved reliability issues. So as a result of the follow up work that we did for this, we decided to look at data reliability more generally. None of these are. We can pause to get the right presentation.

[9:41:55 AM]

>> We'll figure it out. Don't. We're. Sorry.

>> This is the only version that we have is the PDF version. Would you prefer us to move to the next item and come back when you have the slide?

>> Can you? I can, yeah.

>> Okay. Okay. We'll keep going .

>> Keep going. Okay.

>> Okay. So. So sorry for this. We focused this audit on the open data portal, which is a public data sharing website that provides community members, has access to a wide range of city

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data covering topics across city operations and including things like permitting transportation, public safety and other topics. Departments upload data to the portal and these are referred to as assets at the time of this audit, the portal contained over 4000 assets. This includes ING datasets which are the raw data organized into spreadsheets, data stories which often provide a written narration with charts, graphs or photos to provide context for the data. Standalone charts and graphs and maps.

>> As Mr. Alley. If this is the wrong presentation, do you want us to take it down? If this is the wrong presentation, would you like us to take it down? Okay. Thank you.

>> Yeah. I think so.

[9:44:02 AM]

>> It's not the wrong presentation, Ann. It's just that the powerpoint version had animation that's not showing up in the PDF, so the data is fine. It's just not as he's trying to show you stuff. It's not showing up in the way that it was originally intended. Okay. Does that make sense? Yes yeah.

>> So whatever you want done then with the slides, please go ahead and do that. I'm sorry. Okay.

>> So we looked at best practice cases for open data and compare Austin's open data to other cities. Austin already has some of the elements of best practices for open data, including an open data policy and a public portal, and is currently improving others, including a more user friendly process for sharing data both

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externally and internally and updated user guidance. However for the city lacks a strategy for providing data. We don't have an inventory of assets and the portal does not have the ability to track insights about users. So we don't know if people accessing the portal are city staff, community members or bots. And that brings us to our first finding, which is not showing up on the screen. The first finding is the city lacks a strategy for providing data. Individual department make data publicly available through the portal, but often without a clear purpose or audience for the data, data is often not presented in a way to make it accessible to a wider audience.

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When we compare to Austin to other cities, we found Austin lacks an executive position overseeing open data. We don't have an inventory of assets and we don't have clear standards for open data and these all contribute to the city's lack of strategy. Austin had the most assets of any city. We looked at Austin has about a thousand more assets than New York City, which was the second most prolific poster of open data. But while we're putting a lot of data out there, most of it isn't getting much traffic. Ktm's performance indicator for the portal considers assets assets. To over 1200 times per year to be higher interest in 2021. Only 12% of assets met or surpassed that

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threshold. 42% of assets have fewer than 100 views and because we can't see who is accessing assets, it's really hard to say. For instance, if an asset might be supplying data to something else that's getting more views or that that it may not be getting many views, but it's something that's of particular importance to a group of people . We also looked at accessibility. So first, a lot of the data on the portal is raw data, which requires community members to either manipulate the data on the portal or download it into another program to make sense of it for the raw data to be useful information, people need to know how to work with the data and then also have the

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time and the ability to work with the data. So this really isn't a good way of sharing the information. The second part of accessing ability, we looked at is the training resources out there for city staff and community members. Austin provides some some online training through the portal vendor. But we found that this is really a place where Austin lags behind some of the other cities. We looked at. So Austin could could make its data on the open data portal more accessible , more technical data, more accessible to more people through more training. Our second finding is that the sampled assets on the portal do not always match department's data, so departments are responsive, able for providing,

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are responsible for the accuracy , timeliness and usefulness of their data. But managing open data is not something that department's. It's not a primary function of department's. We looked at 11 of the most accessed assets on the portal to see if what was on the portal matched its source data. And I want to note here that we did not look at the department's system of record to see if the record itself is accurate. Just if what's on the portal matches that record. We found that six assets did not match department's data and the discrepancy here varied from being off by only a couple records to being off by hundreds of thousands. The reasons for these discrepancies varied, and so some were the result of

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manual entry and so it's things like typos or or someone forgetting to update the asset. So in one instance, a person retired and partly because we don't have an inventory, other people in the department were not aware of all the assets that the department had out there, and so just didn't get updated for a few months. Others were something going on in sort of this black box of automation. And those instances we couldn't trace where the error occurred and in most cases neither could department

staff. But really the point for both a manual and automated updates was that that monitoring of open data is not something that any of the departments we looked at do. And that's that's really the takeaway is not that any

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particular department data is wrong, but that we have widespread data reliability issues across the city. So department are responsible for putting out that data and maintaining it. And on the portal ctm is managing the portal but isn't responsible for ensuring the data is correct or up to date and no person is responding for an overall strategy of how or what data flows from some departments to community users so that brings us to our first recommendation on that. The city manager should have a goal for open data, and a citywide strategy for collecting and sharing data and that that strategy should use the performance indicator for how often assets are accessed. Wright to see which are higher

[9:52:12 AM]

interest interpret the higher interest assets and data with visualizations and or data stories, and then remove the outdated assets from the portal . Our second recommendation Ann , is that the city manager should establish centralized oversight of open data, including an inventory of assets and process is in place to ensure that data is correct and timely. And that concludes my presentation. I'm happy to answer any questions and staff from ctm is here as well. Thank you.

>> Thank you so much. So I would invite ctm if they want to come up and make a response to the audit. Thank you. Mr.

>> Good morning, chair. Vice chair. Council members. My name is Kara Calaycay. I'm the

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interim cio for the city of Austin. I'd like to offer just a few brief comments on the open data portal reliability, reliability audit conducted by the city auditor's office. First, I'd like to commend the city auditor's office and ctm staff on the collaborate action around this audit. I think the recommendations and our management response support improving outcomes for our community Katy around open data . The city's open data portal pool was launched in 2013 as part of the city's open government directive. To date, the Austin open data portal continues to be recognized as a leader in the open data space. Ctm was initially tasked with the technical administration of the platform and now is focused on open data program. Administration overall for the city of Austin, ctm identified improvements for the open data portal program in late fy 21 and

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executed major open data project , a major open data project between may of 2022 and March of 2023. The project provided upgrades to our external open data portal and implemented an internal platform for collaboration Ann on internal data sets. The project also focused on improvements on the open data platform standards, improved metadata standards, more training for our open data liaisons and improved visibility to our open data assets. In June, ctm began training sessions to help users with creating meaning, full visualizations and we're planning additional training for internal and external open data portal users. Lastly I want to mention we've added Eid the actions of the management response to our open data program, open data portal roadmap, which now reflects six

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initiatives in progress and another 33 planned between now and the end of fiscal year 24. The improvements include technology enhancements but improved governance and standards, data reliability checks and of course, community engagement based on data needs and usability. I believe the team is well positioned to mature our open data platform. Pardon me, and the associated program.

>> Thank you, miss Lakey. Thank you. Colleagues, are there questions or comments? Councilmember Fuentes, thank you.

>> And thank you for this report . My question is around and the office of performance management . I'm not sure who would be best to speak on it, but if someone can help share what the mission and objective of the office of performance management does, because I'm interested, their role with our with our available

[9:56:20 AM]

data.

>> Good morning. Kim Olivares, deputy cfo. Prior to my current role, I was the performance officer for when we had the office of performance management with a number of reorganization efforts within the financial services department. Performance management has been merged back with budget. So the budget and performance division. So Kerri Lang, our budget officer, she oversees both of those functions . There are and I'm speaking off the cuff here, I wasn't prepared for this one, but the, the performance group includes currently now includes two teams, one that is responsible for the strategic planning performance measurement work, and then one that does process improvement efforts as different projects throughout the organization define efficiencies in terms of their their current goals and

priorities around the performance measures and open data and the sort. I can't speak to that, but what I can do is I

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can arrange to have miss Lang to reach out to the committee to provide more details later. That would be helpful.

>> I mean, it just seems like there would be some synergy there with that division and with the recommendation that are coming out of this audit report . So if we could, I'd be interested in hearing staff's recommendations on what that might look like. Certainly we'll connect with the city manager to discuss this at a higher level, but from an organizational perspective. But just wanted to flag that. Sure. Acm Gonzalez did you also want to share on it ?

>> Thank you. Council member Rodney and assistant city manager for the city of Austin. I also want to thank the audit office for their work on this. With regard to your question about raising this issue to the city manager level, we are aware of it and we do plan to discuss this topic on Friday at the city manager's office and to, of course, look at the highlights of the audit, what was recommended and what is the best plan for it.

>> Yeah, thank you. I really appreciate that and I appreciate the time and attention on how we

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present our data and how we make it publicly available. I mean, we know that data is a form of is a way for us to share stories about the work that we're doing. And I think it's important for the public to be able to understand what we have available, that it's correct, accurate, and that it's in a user friendly fashion. So appreciate you. Thank you.

>> Thank you. And I appreciate you raising that, councilmember Fuentes, because I think we have some challenges with how we're using data as a as a city. You know, one of the major shortcomings of sd 23 is we had a whole lot of data sets that were never fully developed, which were how we were going to measure and move that forward. And as we are evolving the strategic plan on the open data portal, piece of it is, is one piece. And ideally we're having that data that we're using to measure our success available on the open portal. And so the accuracy, the effectiveness and the training that our community has and that is going to help us to be held accountable as we

[9:59:23 AM]

move forward with a new strategic plan. So I think that connection is important. Thank you for bringing that up. So I wanted to clarify if my understanding is correct, we have now assigned to ktmb. Responsibility for the open data portal beyond the technical in terms of leading the teams to make sure that we are accomplishing the goals that were laid out in this audit. Is that correct.

>> Chair I believe your question is some of this is assigned to ctm right now, but I think you had mentioned some of this is more for the broader organization and that's what we intend to talk about at the city manager's office is of course all the responsibilities associated with ensuring that we have a data portal that works for our community and how best to assign those responsibility as as council member Fuentes had mentioned, there are so many resources in our city, whether

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it's the office performance management, whether it's ctm, whether it's office of innovation, we will be looking at this holistically to ensure that we are assigning responsibilities for maintaining the data portal in the way that the audit office has highlighted it. So that way we are best practice for data portals across the country. And I'm not sure if there's anything else that you wanted to add.

>> Okay. I'm just a little confused because the number two recommendation was that you should establish centralized oversight over open data and the management response was that they agree and the implementation plan says that the city manager is assigned oversight of open data portal activities to the ctm department . So yes, you know, we have to, you know, and you may change that with your conversation on Friday. But my understanding from the management response was that one of the things that happened was that there was an assigned responsibility where before ctm understood their responsibilities, understanding

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as the technical, they have a lead responsibility now for the broader data project out of the open data portal.

>> Absolutely. And just in terms of that response, the draft audit came to us on July 5th and then we had, I think about two weeks to respond. I spoke with Erica myself, and Erica was willing initially to, of course, take on this responsibility. However, we do intend to have a broader conversation. So for right now, for the purposes of the response to the audit, we have named ctm as that lead agency. However, we will be discussing the overall responsibility and at the end of the day, should that reside with ctm or should that reside with another department or another method to assign that responsibility?

>> Okay. So when you have assigned that and you have figured that out, please share a memo with us. And then we as a committee can decide whether we want to follow up. You know, I was impressed that we had this assignment and that we were moving forward and that may or may not be the appropriate assignment. But you know, my

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impression was that through this audit, this was an example where the auditors working with the unit had really demonstrated a challenge. And that it had been embraced by the department involved and that the city manager had stepped in and assigned responsibility. So as this evolves, please keep us apprized of the next steps. I think that translating a little bit from this audit, we've taken really important steps to make our data available. Pool and now there's more that we need to do to make sure that this data is clean and is useful for people. We need to train people. We need to understand and with the availability of the data, what people are using and how they're using it. And when we have multiple data sets that speak to the same thing, if there's one that's going to be more helpful for the public, such as the vision zero database is more valuable than the real time incident. But people are using the real time incident database

[10:03:28 AM]

. Then we need to be doing things that are steering folks to data sets that are going to be more useful for them. And we will learn stuff from that iterative kind of process. We also need to understand what's being used internally and externally. You know, so that we know who we're trying to serve with this program. I have to say that I'm not disturb if there's a data set that only has 100 people looking at it because there's a lot of really obscure questions that maybe just a few people or a few organizations might be interested and we're doing this work. We have this data out there to be open and transparent to benefit from the expertise that's out in our community. So please do keep us , yes. Engaged thank you, miss stokes, do you want us to accept the audit or you just want us to. Okay.

>> And chair, I did want to acknowledge we will be providing you and the council an update with regard to that response.

[10:04:29 AM]

And we certainly intend to have a very robust response, not just, of course, the response that we provided to the audit office for this audit recommendation, but a full plan on how we intend to improve our approach to the data portal.

>> Thank you. I appreciate that. And again, as councilmember Fuentes raised tying that to the data work that we are laying out for our new strategic direction , Ann I think is also important to consider. Thank you. With that, we will move on to item four, which is the austin-bergstrom land host enterprise concerning the Hilton hotel at the airport, Mr. Thomas miss Thompson, I'm not sure who's speaking.

>> Good morning. We are co-presenting today. So it was okay if we sit here. That works. Thank you.

>> Absolutely.

>> Thank you. Let's see if I can work the clicker. That's the

[10:05:29 AM]

next challenge. Yeah yeah, I got it. Good morning. My name is Tracy Thompson. I'm the chief administrative officer for the department of aviation at the austin-bergstrom international airport. I also serve as the vice president of the able board of directors. I'm joined today by my colleague, airport deputy chief of finance, rajeev Thomas. And we're here to bring you just a periodic update on your Hilton Austin airport hotel. What we're going to review today very quickly and be pleased to answer any questions at the end or you can interrupt us if you wish. We're going to give you a little bit of overview view of the airport, especially to refresh your memory about excuse me, not the airport. The hotel at the airport. Give you an overview of the hotel at the airport, a financial update, and then some other highlights for the business enterprise of the hotel at the airport. So to we are very proud of the history of the unique facility that is the Hilton Austin airport. It was

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the former air force base headquarters. And the data point here tells you all of the different characteristics of the airport with that opened in 2001. It is a full service lodging facility. It accommodates many of the crews of the airlines that fly in and out of austin-bergstrom international airport. So it really is a very robust hotel with a lot of activity. See you guys know this because you've created this corporation as a Texas non public facility corporation. In 1998, the corporation acts on behalf of the department of aviation. And one of the unique characteristics of this hotel enterprise, it is subject to FAA regulations just as the airport is. So we always get to layer on our federal obligations for the operation of this hotel enterprise. The department of aviation provides the oversight for the able corporation, and we have to primary legal agreements

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with the able corporation. One is a grant agreement where we support the bond payments as required in case there's ever a deficit in the debt service reserve fund and a ground lease where the department of aviation receives ground rent and administrative fees for providing the real estate for the hotel operation. And there are two primary contracts for the hotel operation. One is a franchise agreement with the Hilton franchise holdings, and we have a very well, a good relationship with our hotel management company through a hotel management agreement. Boykin enterprises. I'm going to turn the microphone over to rajeev, who will talk about the operating results. All right.

>> Good morning, council members. I'm Rajeev Thomas, deputy chief of finance. So this slide is showing you a five year comparison of the operating results of the hotel. I wanted to kind of show 2019 as a benchmark before the pandemic hit, how the hotel was

[10:08:33 AM]

performing versus 2022, which is audited. Financial results for the for the full fiscal year. So the occupancies have improved Ed 2022 versus 2019, 2019 82% occupancy versus 80. And the average daily rate has also improved to 164 versus 142 in 2019. And the revenue per available room, you can see 164, which is a function of both occupancy and the average daily rate is 135 in fiscal year 2022 versus 114. So that was reflected in our revenues. Our revenues were 16.3 million versus 14.6. That's a nice improvement over the pre-pandemic levels. And our EBITDA also improved 5.1 million versus 4,000,000 in 2019. And for this fiscal year, you can see what we budgeted is very close numbers to where the performance was in 2022. And the

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next slide, I will go over the year to date fiscal year 2023 performance. All right. So this is for May 20th through May 20th, 23. Year to date, you can see the occupancy levels have been much better than we had budgeted. We had budgeted 84% occupancy level. And so far through May, it's at 88. Last year at this same time frame, we were at 81% occupancy level. So that is a nice improvement. But the average daily rates have started to come down. We had budgeted about \$172 per room, but you can see it's 165 is what we are seeing right currently, but is almost in line with what we did last year. That leads to operating revenues of \$7.3 million year to date. Our budget was 7.4, and that's because the ADR did come down versus where we budgeted. So the operating

[10:10:38 AM]

revenues are about 100,000 less than where we budgeted it. But again, exceeding last year's performance by \$572,000 for the same time frame. So EBITDA as you can see across the board year to date versus budget, very close, slightly exceeding the budget, but slightly below year to date, 2022. So this is a comparison versus the Austin market in general. And at a competitive set of hotels, as you can see at the bottom, this competitive set was kind of established in 2017 when we issued the bonds. And, you know, this is a set that we compare against that also provides a same level of services as the airport Hilton in this case, you can see the occupancy levels are 82% versus Austin market of 68. So this hotel does benefit from the airport traffic. A lot of our customers are transient

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customers that come in for early morning flights stay overnight. So it is very closely correlated to the traffic at the airport. So it benefits with that occupancy rates as long as the airport is staying busy. The hotel is expected to stay at a very high occupancy levels to and the competitive set as I mentioned, you know, the adr were higher and also the revenue per available room was higher than the Austin market and the competitive set. So this is the same comparison year to date for fiscal year 23. As you can see, the Austin market has actually improved a little bit on the occupancy levels. It went from 68% to 69.8. But the Hilton is performing even better than last year at 88% occupancy levels. But the adr for the Austin market, Doggett, as you can see, is 178 is higher than the what the Hilton airport is experiencing. But, you know,

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it's all trending in the right direction. So far year to date. So I'm going to move over to the loan agreement. So if you may recall, in 2021, during the pandemic, our occupancy levels fell almost a 15% to 20. And we were not generating enough revenues and we couldn't cover our expenses that we needed to pay. We needed to keep the airport open because we had contracts with the flight crews to maintain and operate the hotel. So at that time, due to the cash shortfalls, we requested a loan from the airport to the hotel, which was for \$2.6 million in total. The first part of that was a base loan for 1.35 million. And the second part of it was a contingency line of credit for 1.25 in case that was needed. And the draw on the loan was supposed to expire in December

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of 2022. So the results of that loan so far is initially we did fund 1.35 million, but right around that time we also got approved for loan also, which helped the hotel. We had to ppe loans. One for \$900,000 and another one for \$1.3 million. So we took advantage of both of them and also by the first quarter, almost the second quarter of 2022, traffic started to pick up at the airport. And also the operating performance of the hotel improved in line with that. So we returned \$525,000 of it at that time. Back to the airport, because we felt at that time we did not need it anymore. And so we were left with about \$825,000 in a principal balance. And during that time period, before the loan was repaid, it accrued an interest at 2% at for an, you know, \$27,000 in accrued interest. And due to the

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liquidity that we had had at the beginning of 2023, we were able to repay the loan early in full at \$851,000 and 719 cents. So this this next update is on the grant agreement. So the airport has a grant agreement and able is a subordinate obligation of the airport. So during the pandemic period, the hotel the able was not able to make its bond payments. So the airport had to step in and fund the deficiency in the debt service reserve fund during those periods. And for a total of \$4.8 million, that was three payments of the debt service that the airport had to fund towards able . But since the now that the performance is back to where we

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need it to be and the hotel can cover its debt payments in full . No, no more additional payments are needed on this side . So any questions on it? Thank you.

>> We're almost done here. When to give you some other highlights of just what's going on at the hotel. At the airport. You may recall that prior to the covid in 20 well, in 2017, in that bond issue, it funded some required renovations as required by the Hilton franchise agreement. And they we completed phase one and phase two prior to covid, we stopped the renovation at that point because of obviously the funding shortfalls , retained some money in the renewal and replacement fund for a future date. And that future date has come. But we're able to finish the renovations that were required by under the Hilton franchise agreement, and that includes the public spaces. So we are going to consider the

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revenue as well as the capital sources for the future renovations and phase those over time. So but it will include the lobby, the check in desk, the restaurant and the lounge, the public spaces will be renovated here in the near future. In addition, you may recall our previous updates. We have a good relationship with unite here local 23. Here is a history of our relationship with the with the union and as it says right here in April 22nd, we entered into the excuse me, the management company entered into a labor peace agreement. And then in November of 22, an exclusive bargaining representative was selected. And currently the management company prospera is in negotiate options with the union representatives for collective bargaining. We expect that a tentative agreement will be ready for ratification vote in August of 2023 and the able corporation as an entity has the requirement to

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review any collective bargaining agreement and vote on the terms of that agreement as negotiated . Speaking of the management company prosper Boykin, the able board in coordination, Ann and direct coordination with our management team and the management under the management agreement did

increase the living wage. For employees of the hotel enterprise effective February 18th of 2022. The council approved an amendment extending the term of the management agreement last September, and we have until October 31 of 2024. The current management agreement will stay in place as amended, which included which included living wage and other city policies that we thought were important for the Hilton hotel to adopt in their management agreement. We

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are, as I mentioned, the current agreement does end on in October 31st of 2024 Shaw with the union support, able and prosper intend to enter into a new management agreement, negotiate a new management agreement with current best hotel practices for management agreements at airports, and we'll be bringing that new management agreement to city council for approval prior to its execution in sometime later this year or early in 2024. And that is our update for today. And we are pleased to answer any questions.

>> Thank you so much. Colleagues, are there questions ? Councilmember Fuentes. Had more of a comment that I'm really pleased to see the airport be well on its way to be a wall to wall union airport, both with airport employees, with the hotel, with the

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concessionaires.

>> So I'm excited to see that progress move forward. And I think that's an amazing example of our values as a city. And I think it's probably a national model as well. So just wanted to extend my gratitude. Thank you.

>> Councilmember pool. Thanks.

>> And I especially appreciate the reporting back on how we have been able to emerge from the covid period between 2020 and 2022. I remember being particularly concerned over the fate of the financial fate of the various asset that the city has, in particular the folks out at the airport. Thank you so much for so carefully stewarding that property and the finances and for the reporting back. I think it's been helpful for us to kind of monitor how this has progressed. And I'm really hopeful and optimistic to continue to see that the flourishing of that hotel,

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that's a real plus for our city, especially located where it is. And I'm glad that the crews are able to spend their downtime at that hotel and not have to travel too far to get to a comfortable bed. Thanks for the report back. Appreciate it.

>> Thank you. Thank you.

>> I wanted to just confirm on the grant piece. I appreciate that. The loan was paid back for the grants that will be paid back as part of the bond payments over time. Or are those is that funding that the aviation department is?

>> Yeah, there is no mechanism to kind of pay back that grant. Unfortunately, at and you know, when you look at the you know, when you look at our debt service coverage ratio, for example that we are projecting for in fiscal year 23, it's 1.41. We have to meet 1.25. So there is not a lot of room or margin at the end of the day to be able to pay back \$4.8

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million. I think over the course of the for over the course of the bond schedule, you know, the right now the debt service payments are this year is about \$3.5 million. It escalates to 4 million and eventually to 5 million about 20 years down the line. So I don't I mean, just from a financial perspective, what I foresee is that I think the liquidity needs to stay at the at the hotel just because one, it is an old building and, you know, with that comes a lot of repairs and maintenance that will have to be done over the course of the life of that building. Two and I don't think there will be sufficient cash reserves to pay back because Luz will just be every year. You know, we'll have to watch how we manage the revenue and control the expenses, you know, to keep that hotel within the bond covenant requirements.

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>> So can you clarify for the public where that money is coming from? It's not coming from taxpayers, but can you the grant payment.

>> The grant, yes. So that is coming from the airport capital surplus fund, which is excess net revenues of the airport. So that's where it's coming from. And it is fully, you know, all contained within the airport finances. And it is not coming from any external fund sources from the city general fund or anything.

>> Great. Thank you for the clarification. We appreciate the updates and the good work. That's going on. And like councilmember Fuentes, also appreciate the good relations with our unions and the work to adopt our updated living wage, which I know was a big jump, but hopefully that helped with the vacancy. Can you speak to the vacancies that you're experiencing at the airport and at the hotel in particular? Like what percentage of vacancies or staff vacancies? Yeah.

>> I mean, I at the at the

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hotel, it's even with the \$20 minimum wage you know talking to the general manager yesterday through email and they still have challenges is keeping you know housekeeping staff and other services that they need so they are contracting out some of that as needed because the being an airport hotel that you turn over the rooms almost every day. So you need a higher level of staffing at the hotel. So that's also a challenge when this labor constrained economy at the airport, we are made making small dents in our vacancies. I think we are still at about 35% vacancy rate and that's probably come down from 37. But it's you know, if I looked at full time ftes, I think over the past few months, we've added about ten net add. And really our problem is in the churn of those employees to I mean, we are

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hiring as quickly as we can, but we are also losing at a fairly I was not aware of that level of vacancy at the airport.

>> But yeah can you tell us a little bit more about which positions as you're seeing the vacancies facility services was one of the last time I looked.

>> We had a 40% vacancies. We had about 100 ftes in total and we only had 60 ftes hiring challenges are in like technical trades, like electricians, plumbing. So we have to supplement that with contract labor especially, you know, because you need staff on hand. 24 over seven. So we need electricians and we need plumbers, etcetera. That is, they're staffed Saturdays and 24 over seven. So those are the real challenges. I mean, and also some administrative functions. Finance is also a challenge in hiring. I think. H.R you know, just hiring talent acquisition folks has been also

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a challenge and it and you know, the planning and development positions to me forgive me that would be every department, every division within our department has a shortage and we layer on the technical trade trades that for aviation that aren't in the local community, we compete on a national level for aviation, technical expertise and so we compete with all the other airports in the country.

>> So and then we also have the badging requirements, the hire security. So some of the labor pool is shrunk because of that. So it's just kind of a unique environment. And but we'll we'll keep your airport open and operating nonetheless.

>> Okay. I just want to be mindful that we may be doing outside of the posting right now, but it sounds like we ought to have a longer conversation and if there are things that we as a council need to be doing to make sure that you're getting the appropriate air support to address these vacancies, please

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let us know. So, so I just want to bring us back to the, to the topic, but it sounds like we may need to, to, to raise this in another, in another setting in the future. So thank you very much. Are there any other questions this time? Councilmember Fuentes thank you, chair.

>> I just also want to echo chair alter's comments about ensuring that our airport has the resources needed, especially on a staffing level. The aviation department will be coming to council with a briefing on updates to the airport development ordinance. I believe in September. Is that right? But that would be too late, given the alarming number of having 35% vacant rate vacancy rate at the airport. So perhaps we can consider one. I definitely want to follow up with you all after this. As we're in budget talks to see what else we can do to help accelerate staffing. But I also

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wanted to flag that this conversation will be coming to council in the next few months. So that's another good opportunity for us to have this conversation.

>> I think we will have a broader conversation on the budget about vacancies. I know that I think both you and I had submitted several questions related to vacancies and, you know, for me, recruitment and retention is one of my highest priority is in the budget. And so do you want to make sure that we are providing the support and have can have that conversation and we can talk briefly afterwards? Thank you very much . So item five was a executive session if we needed it for the ace board. So our last item is item six, which is items to be discussed at future meetings under.

>> Yes. And I'm going to try to do it three month preview this time, just so we can kind of look forward to what we have going on in the fall. But then I accidentally pressed a button that wasn't that button. All

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right. So for sure, in August, we're planning to come back. We've been, as you all know, y'all have had several briefings on cybersecurity. We want to come back and we've done some follow up work on those recommendations that we've issued over the last several years. And so we want to come back and do a presentation that will be an executive session presentation about kind of the status of those recommendations . I believe there are two items related to procurement on the August agenda. We

have an audit related to the public information response process and then there's also briefings, tentative briefings related to ace, the Austin convention enterprises, another enterprise hotel, and the tourism public improvement district. So all of those for August. Looking into September, we have two pretty significant audits, both of which were requested by resolution by you guys. One is related to animal services and the other one is related to Austin energy's vegetation management program. I believe there's a request to have a budget update related to the Austin transit partnership and

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then we have an item that we've been working with an external consultant to do a city ethics review. So all of that now we're in September last but not least, in October, we'll have a disaster preparedness update that is quarterly. That'd be management coming back to talk about where they are with the outstanding recommendations . We also have two updates from my office. One is our integrity unit update. We try to do that at least twice a year to tell you about our allegations and investigations of fraud, waste and abuse. We also are doing something that we've been meaning to do for a long time and are getting our ducks in a row to do, which is to give you an update on prior audit recommendations. So you know, we come in periodically and tell you about specific audits, but this would be looking at the universe of outstanding audit recommendations. And so we're slating that for October.

>> Thank you. And on that, I'll just say that, you know, the city manager office is putting resources behind making sure that we are up to date in our audit responses and Ed the auditor is working with the finance department to put

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together a plan so that we will have better information about the audits and what's being implemented and more of an emphasis on getting getting those done. So I appreciate that and I will also flag that we may also have a have a conversation about H.R. And changes that are being made to facilitate vacancies at some point. We don't yet have that scheduled, but it's something that I mentioned in a in a session previously. Okay, great. Well I appreciate the update colleagues . Is there any other topics you want to add to the discussion? Great. Well as you can see, we'll end early today, but we will be very busy through the fall. So don't expect to end early at the other other meetings. We may even need to push us to 12, but we will let you know that. So with that, it is. 10:31 A.M. And I adjourn the audit and finance meeting. Thank you.